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Reynolds American Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We'll take our first question with Nik Modi with UBS.

Nik Modi - UBS

Just a couple of questions. First, on the Camel Dip. Over the past few years, you've talked about Camel being really appropriate for Snus, now that you're going into the traditional market MST, just curious as to what the initial consumer research that you've done around the transferability of the Camel brand has come up with so far? And I understand, obviously, test market is on its way but just curious on your initial thoughts there.

Then, I just want to drill in on the buyback. It seems you guys are obviously generating a ton of cash flow. I would say the stock is not at crazy expensive levels these days. I just wanted to understand that a little bit more.

Susan Ivey

Sure. I'll talk a couple of minutes about Camel Dip. Our consumer research is actually very encouraging. The consumers validate that Camel has a strong heritage in tobacco pleasure, and that we believe the Camel trademark can bring innovation into the premium category of moist.

So, we will go into a couple of test markets, Colorado and Florida this summer and get a read on that. As you heard me describe, we have a wide cut, and we have some innovative packaging which we hope will bring some new life to the premium segment, and at the redefined premium segment price point.

Nik Modi - UBS

Susan, quickly on that, what is, in your view, the difference between the Camel brand and the Marlboro brand? Clearly, Marlboro was a flop. So, I just wanted to see if you had an opinion on that.

Susan Ivey

Nik, I believe that Camel has proved through its national expansion of Snus and the learning's that we had in those lead markets can encompass total tobacco. Most important aspect is to ensure that you have a great product in the segment, and using Conwood's expertise in product development for moist, and the Camel trademark, we believe it is a winning combination.

Tom Adams

Nik, on the share repurchases, we actually have an eye towards maintaining liquidity at this point. I mean, to go out and refinance debt. I've mentioned in my remarks that we've got \$200 million due in May and another \$300 next year. If we were to continue to execute a share repurchase program and then have to refinance that, the refinancing costs could be 9.5%, 10% in today's environment. So, we just thought it was better return for shareholders to actually buy down that debt and not incur the additional interest expense.

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