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Dean Foods Company Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Chris Growe - Stifel Nicolaus.

Christopher Growe – Stifel Nicolaus

I want to ask a question, back at the Analyst Day you did talk about the increasing challenge of using bank debt and clearly there was no discussion of equity. I'd just be curious if something changed because it seems that you've got enough revolver facility, enough receivable securitization it would seem like, to handle these deals coming up. I'm just curious for your perspective on that.

Gregg L. Engles

Well, look we've got an ample revolver available to us today. But, we also have to plan for the expiration of our existing bank deal. And the reality of the markets today are such that we do not have confidence that we could refinance the full amount of bank financing revolver and term loans that we have today into the bank market of the future. Bank capacity has simply diminished greatly.

We're, therefore, going to have to move some of that capital into other market places as we move forward, and over that time period we're also going to have to delever. We believe we should delever into the 3.5 times EBITDA range. So, when you put that all together, you're going to have to have a variety of funding sources over time to replace this bank financing. And equity capital is a necessary component of that in our view.

Christopher Growe – Stifel Nicolaus

Okay. And I then, if I could ask you just one business related question then regarding WhiteWave and the profit increase there was quite strong. And I guess, I had built in some investments there for the GAV, and which I know are now are in corporate. But looking at the underlying businesses was most of the drive in operating margin or EBIT growth from Morning Star because of the benefit from lower input costs or I mean can you talk about maybe how much WhiteWave contributed to that as well, from the [inaudible].

Jack F. Callahan

It was a little more weighted towards Morning Star. But, maybe 60/40, Morning Star verses WhiteWave, but both businesses had very strong flow through on their businesses. Morning Star did benefit with some solid volume growth and improving commodity input cycle verses what we had seen in 2008, and WhiteWave had some very strong flow through particularly on their SG&A line.

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