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Advance Auto Parts, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Anthony Cristello – BB&T Capital Markets.

Anthony Cristello – BB&T Capital Markets

One question, the first question I have is when you look at the level of spend, should we think this given the fact that comps have accelerated to some degree that the level of spend or SG&A per store you noted will accelerate through the balance of the year? And then, at some point and I don't know maybe you can provide clarity on that, when will we see that level of spend per store start to release, flatten out or decelerate?

Michael A. Norona

Well first of all, I want to give you a little context for Q1, we were up against our toughest compares if you remember and I think that we said that in our Q4 outlook. We did say also that we're going to continue to spend and invest in our strategic capabilities for the back half of the year. That said, the compares get a little bit easier as we go through the back half of the year.

Anthony Cristello – BB&T Capital Markets

So implying that the level of spend starts to decelerate as you enter the back half of the year and as we enter the first part of next year, an 8% same store sales number should indeed provide at least break even or perhaps some leverage rather than deleverage? Is that a good way to look at it?

Kevin P. Freeland

Yes, Tony it is. Let me just give you a simple example, I'm doing this from memory, my recollection is in the first quarter of last year it was a 10 basis point leverage on SG&A. Well, last year if you went to the first quarter and went down in to our merchandise organization and had everybody raise their hand that were a part of the global sourcing team, that would have been one or two people. Today, it probably numbers closer to 20. Our eCommerce team was one or two people, and that number is closer to 20 today.

People who get the other merchandise capabilities that are clearly benefitting our margin today whether it's the pricing teams, whether it's our IOM, that didn't exist in the first quarter of last year and so if you think about it, we have been in the first quarter of last year in many places we were still doing the edits and we began to build the capability spend throughout the second, third and fourth

quarters. I mean you can look at our commercial sales team and between the first quarter of last year and the fourth quarter what are we up 100 team members in that space?

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