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Select Comfort Corporation Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Budd Bugatch - Raymond James.

Analyst for Budd Bugatch - Raymond James

This is actually Chad filling in for Bud who's traveling tonight. Congratulations on a very notable improvement on the financial results. I guess as I look at you in comparison with my model and perhaps against the expectations that you've put out there last quarter, gross margin was obviously quite a bit stronger and I know Jim you walked us through some of those puts and take. Could you maybe elaborate a little bit or quantify a few of those points or flesh out what really stood out as the big variance and also the increase in the outlook for the rest of the year in regard to gross margin.

Mark A. Kimball

I would really point to a couple of things. I mean, we have been working hard on the discount structure as you know in the fourth quarter and in the first quarter we were much more promotional and we continue to be so but we are trying to find ways to be effective in promoting the product while reducing that a little bit. I think we were fairly effective in doing that in the second quarter.

I think the second thing is just our operations group has done an outstanding job in really continuing to look for productivity enhancements and find different ways to reduce the costs and they continue to look for those things so without quantification, I would say those are really the biggest factors and I think as we look at the balance of the year, I would say we're expecting just really a continuation of that. We have built in a little bit of anticipation of some commodity price increases thinking they're not going to stay as low as they are and then we just continue to work down the path of finding productivity enhancements and in other ways to improve the cost structure on the manufacturing and home delivery side.

Analyst for Budd Bugatch - Raymond James

I think Bill said in his comments that the comps actually improved month to month through the quarter. Is that the case, do I hear you correctly, and if so, could you quantify that for us, let us know how things progress?

William R. McLaughlin

What we said was that the comps improved sequentially and during the quarter. We are still in a period where there's volatility that I think you'd understand with the economy and actually some of our programming. So we don't really comment on month to month trends. We have seen a pretty steady improvement over time but not sequentially I would say, month to month.

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