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Chesapeake Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you sir. Today's question and answer session will be conducted electronically. If you like to ask a question please visit our website

(Operator Instructions)

And we will go first to Benjamin Long of Bank of America Securities.

Benjamin Long - Bank of America Securities

Hi good morning. I just want to touch upon f4 margin for the fourth quarter like they were down significantly now and I think you touched upon that kind of that there is service level issues though that has been resolved. I am kind of going forward to how are you going to recover some of those lost tobacco volumes. I think you supposed to be perhaps pension and some of the strong growth in German confectionery sales so kind of what can we expect marginalized in first quarter of 2008 for the full year overall.

Andrew J. Kohut

This is Andy. Good question. I think that we will feel the full impact of the tobacco loss in 2008 particularly in the early part of the year because the volume started to tail off towards the end of 2007. The first quarter and even the second quarter of 2007 were relatively strong. Those will be gone in 2008. We also have some start-up cost in the first quarter, related to new operations and product lines that we mentioned. Off-setting that is the new business that I discussed. It significant it is not one customer to broad array of customers, particularly in the pharmaceutical and healthcare area. As that business transitions to us we will start to feel the effect but as I mentioned it really does not have an economic impact of significance until the second half of the year. So we expect the first half of 2008 to be below 2007 levels and particularly in the first quarter we see challenges most likely saw on the fourth quarter.

Benjamin Long - Bank of America Securities

Okay, thanks Andy and that is helpful and is safe to assume that the new businesses in form is that business is fairly recessionary proof you know given the weak network environment?

Andrew J. Kohut

Yes, I think that it is not related to one product. It is not related to one customer. The amount of drugs and other products used by that industry continues to see growth. We continue just as in any part of packaging, we have to be mindful that there are competitive pressures in the market place. Our customers face pressures by governments throughout the world to lower healthcare cost that in turn put pressure on all suppliers to that industry, but overall as the demographic profile changes as developing markets continue to require and request the same levels of healthcare. There is organic growth in those respective areas that make this overall at a very attractive sector to be in that is last affected by changes in economic activity. It is more resilient in my opinion.

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