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Checkpoint Systems, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line Ajit Pai - Thomas Weisel Partners.

Ajit Pai - Thomas Weisel Partners

The first one is about the [inaudible] penetration of security tags in the pharmacy business that you have been in and, like in the U.S. I think you mentioned you are quite optimistic that security tags especially the disposable ones you expect that to continue to be robust. Can give us some idea as to what the trends are right now as the economy slows and the CVSs of the world.

And also the second one would be longer-term margin targets, I think three years or four years ago what had been shared with us is that the company would in 2008 reach an operating margin of around 15%. So how that's changed maybe not for 2008 itself, but looking out maybe a year or two in the future. What you think the margin structure of your business would be given the current trends and growth rates you see in your business mix?

Robert van der Merwe

Well Ajit firstly, as far as Alpha is concerned, those products are probably only 60% to 70% penetrated in the U.S., less so across all the channels in Europe. So Europe also is a substantial growth opportunity.

As far as pharmacy is concerned, I'd say that they are very broadly based in the U.S., they are not specifically focused on any particular channel like pharmacy. They are into mass merchandizing, they are into electronics and broader.

So I think the growth path that they've enjoyed recently will continue for the next few years and they also bring innovation to market very rapidly. That company is probably one of the best innovators I've seen in many, many years. So I don't expect even if there is product in certain channels for that to slow down at all.

As far as the margin targets are concerned, we are sticking with at least 10% that I shared with you. If there is any change to that later in the year, once we've worked through the strategy and give some guidance as to what the longer term looks like, I will update you at that point.

Operator

Your next question comes from the line of Jeff Kessler – Lehman Brothers.

Jeff Kessler – Lehman Brothers

I am particularly interested in the announcement that you recently made about the introduction of the Evolve system, which actually looks like it has three or four separate parts to it. If you could perhaps, kind of trying to find out what markets are you initially going to target with the Evolve system and how do you believe that system will now get you up to or beyond your competition out there, mainly one specific company.

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