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GSI Commerce Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And sir, your first question comes from the line of Colin Sebastian with Lazard Capital Markets. You may proceed.

Colin Sebastian - Lazard Capital Markets

Good afternoon and thanks for taking my questions, I have a couple. First, regarding the guidance, Michael you mentioned \$2 million of integration expenses in Q1 and could you just clarify for me if that's included in the non-GAAP operating income? That's the first question.

Michael R. Conn

It is not, so it's integration expenses something that is included in income from operations but as we defined non-GAAP income from operations as exclusive so it does not include the integration expenses.

Colin Sebastian - Lazard Capital Markets

Okay and then I guess from the incremental year-over-year costs and/or expense, would you say the bulk of that is from the distribution center?

Michael R. Conn

As far as if you look at sort of what drives the negative variance in 1Q versus while we wouldn't expect to see that going forward, the distribution center is really the key factor there although also I did note payroll taxes as we continue to have more vesting of restricted stock as we shifted to that a couple of years ago, once stock award expensing came into play that pulls payroll taxes forward earlier in the year. It doesn't end up being a net hit to the company over the course of the year but it does pull forward into 1Q when we have our annual grants last year but the bigger component of it, is the fulfillment center and it's really the last quarter of that. If you look at last year Q2 and Q3 were down year-over-year as that impacts was hitting when that center was opening so Q1 did not have that activity so as we get past this in Q1 that's really the only quarter in 2008 that we would expect to see EBITDA or non-GAAP operating income down year-over-year.

Colin Sebastian - Lazard Capital Markets

Okay and then lastly, one of the competitive barriers, I think, you have is that it's not easy to do what you do but it also requires a lot of investment keeping up with technology and your partners so I

guess I'm wondering as you look out over the next couple of years, where do you stand in terms of the technology platform and the capacity and the distribution side of marketing services in terms of where you want or need to be for long-term growth and where do you foresee a need for ongoing investment?

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