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## Stamps.com Q1 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) We'll take our first question from Justin Cable of B. Riley & Co. Please go ahead, sir.

#### Justin Cable - B. Riley & Co.

Thank you. First question I have is just on the slightly reduced guidance. It sound's like most of your assumption is behind just a lower expectation for the PhotoStamps business. I was curious to know what's your assumptions are in terms of an EPS impact overall that business might have for the year? I think previously, we had sort of talked about a breakeven business for PhotoStamps. Is that still the case or are you assuming now a slight pause for the year?

#### Kyle Huebner

Yes, Justin. In terms of the EPS guidance, I'd say we did change the range and I'd say in most, more of that related to the fact that we saw increased acquisition in Q1. And in particularly, we saw an increase in customer acquisition through the enhanced promotion channel.

So rather than reduce our direct mail spend we choose to increase our total marketing spend. So that led to in expectation that we may, actually spend more, invest more at PC Postage business this year that's to drive future revenue growth.

In terms of PhotoStamps, you know there, with whatever revenue there is some impact on the bottom-line. You can see that gross margin historically varies with the level of revenue that there is some correlation.

So, at this point, we don't breakout the bottom-line. And so, it really depends how the full year shapes up, but I'd say it could contribute a modest, but still not very material loss for the full year.

#### Justin Cable - B. Riley & Co.

Okay. In terms of the PC Postage business overall for Q1, in general was it about inline with your own expectation? And then a follow up is, your increased marketing spend in the direct mail channel, have you seen much attraction yet as a result of the increased spend?

#### Ken McBride

Hey Justin, it's Ken.

**Justin Cable - B. Riley & Co.**

Hi, Ken.

**Ken McBride**

So, I would say generally speaking PC Postage business in the first quarter was inline with what we expected. As far as direct mail goes, as we mention in our prepared remarks, we did increase our investment in that area as per our plan for the year.

And it's pretty early as the direct mail takes sometime to really flow through the mail system, get into the customer's hands and result in a sign up. So, we just have preliminary result at this point, but we are optimistic that the results are generally in line with the types of cost per acquisitions we've seen in the past year.

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