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GSI Commerce Q4 2006 Earnings Call Transcript

Question-and-Answer Session

Operator

Ladies and gentlemen, if you wish to ask a question, please press * followed by 1 on your touch-tone telephone. If your question has been answered or you wish to withdraw your question, press * followed by 2. Please press *1 to begin.

Your first question comes from the line of Anthony Noto of Goldman Sachs. Please proceed.

Anthony Noto - Goldman Sachs

Thank you very much. Michael, I was wondering if you would comment on what drove the acceleration in sporting goods gross-product sales, and then, as you look at the margin, you had a very big improvement in the gross margin of product sales. Your comment on that was 31.5% versus 21%

And I had one follow up. Thanks

Michael G. Rubin

Sure I'm going to hit the question regarding sports acceleration and then I'm going to have Mike answer the question as it relates to margin.

As it relates to sporting goods, sports as I think, you know, is our most mature business today. We've continued to be very impressed with the overall constant growth that we have in sporting goods. We also brought on the NFL business which is also a good business in the fourth quarter of last year. But overall, I think we continued to be really impressed and very satisfied with both the growth of existing partners and new partners. And I think sports again just had really terrific comps. in the fourth quarter and again NFL was also a good contributor during the fourth quarter.

Michael R. Conn

On the margin side, I think there's really a couple of factors that play both mix related. The biggest factor is just that the two components of product sales are sporting goods and non-sporting goods and sporting goods carry a higher margin. So, sporting goods increased as a percent to total with its faster growth so that is accretive to margin. Also even within sporting goods, the faster growth from licensed products because of the addition of NFL also was a benefit. The reality is I think we even left a little bit on the table from a margin perspective. The warm weather during December really hurt sales of apparel and outer wear which is a good margin category of course. I think even with a more normal weather we would have even seen stronger margins in the period.

Anthony Noto - Goldman Sachs

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