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## Checkpoint Systems, Inc., Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). Your first question is from Bob Labick - CJS Securities.

#### Robert Labick – CJS Securities

Good morning. First question, the last time we saw a rapid decline in organic growth I think was in 2006 and that was related to your big sales to GAAP and [CDS] in 2005. Obviously that impacts the company's sales margins in 2006. What are you doing differently this time around to maintain margin and to grow given the potential, obviously the change in the economic climate and the potential organic declines you expect to see?

#### Robert van der Merwe

Bob, this is Rob. First of all there were also some huge deals moving through at the back end of 2007, so on a comp basis that would come into play. Mix, cost reduction, all play into how we're managing gross margin. I don't know if you want to comment further on that, Ray, around gross margins.

#### Ray Andrews

Well, just as we mentioned, we have a restructuring program in place and other initiatives that are focused on improving our cost base and that's one method of improving gross margins. Also, where the value drivers are there we take the opportunity to price products accordingly and these added the vehicle to improve our margins as well.

#### Robert van der Merwe

Bob, the only other thing that might be contributing in there that you see in 2008 and it will carry into 2009 is an improvement in the Checknet labelling area where we'd previously made acquisitions and we had some operational issues there. Those are cleaning up fairly quickly with the commensurate improvement in gross margin that's flying through.

#### Robert Labick – CJS Securities

Okay. And then could you, this is a difficult question I understand, but maybe try to put some context around how do you think about the variability of organic sales given your diverse product mix, the recurring nature of a lot of your business? Obviously going into a recession versus not. How do you

think about the variability around organic sales? Obviously effects is hard to predict and everything else.

**Ray Andrews**

I guess we see variability from our, as I mentioned, previous I think from the retailers to control that side of it. They reduce and impact our capital spending. Our action has been to look for new customer accounts, get folks interested in our new solutions, and limit the variability for the new solutions and increases in market share.

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