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GSI Commerce, Inc., Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Shawn Milne with Janney Montgomery Scott. Please proceed.

Shawn Milne - Janney Montgomery Scott

Good afternoon and thank you for taking my questions, and congratulations on a strong fourth quarter in this environment. Michael Conn, could you just maybe go through in your free cash flow discussions just a little bit more as you look into 2009.

If we just take a peek back, you initially started the year 2008 looking at \$80 million to \$83 million in EBITDA, and CapEx was about \$65 million, so our free cash flow expectation were certainly more in the \$10 million to \$15 million range.

You ended up doing \$38 million for the year, so significantly ahead of expectations. If you think about that performance relative to what you just said for EBITDA and CapEx, if you can just add a little bit more color on '09 free cash flow? Thank you.

Michael Conn

You got it. So yeah, I would say, first of all with respect to 2008, we are really pleased with the free cash flow performance. I think that we focused significantly on it during the year in terms of CapEx coming in at \$57 million, was less than we had planned for and we were particularly pleased with that, and that we really completed all the projects that we had set out to.

So, we started the year, there was some contingency, we ultimately didn't need to spend that. That was a benefit. Also on the integration for Accretive Commerce, we really had forecast that conservatively. We are able to complete that integration loss spending less in capital that was one of the other benefits for us.

So as we look to 2009, we plan to spend no more than \$50 million in capital, which when you strip out acquisition integration in 2008, really was about flat, so it's still a significant investment in capital expenditures.

Though the expectation that will grow non-GAAP income from operations of at least 10%, we should certainly see good growth in free cash flow in 2009. So, we think while we are pleased and did better than we would have thought in 2008, we think that's the base that we can grow nicely from 2009. We would expect to see a good up tick and free cash flow.

Shawn Milne - Janney Montgomery Scott

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