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American Greeting Corp. F4Q09 (Qtr End 28/02/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jeff Stein - Soleil Securities

Jeff Stein - Soleil Securities

I was wondering if you could just address some of the acquisitions that you've just announced in terms of some of the one time costs that you foresee during 2009 and ultimately if you look at RPG, if you look at their revenue run rate and expenses on the date you acquired them, where do you see each of those components of the P&L a year from now?

Steve Smith

So let me talk about the one time costs, I'll do that one first. Because we did these two moves so close to each other and they are both related in certain ways, we are still putting together this rather complex integration plan that involves basically AG, Papyrus and RPG. So, I don't have that yet, so it's not something that we can give you just yet. We will have it pretty quickly and it's something we hope to be able to get moving on as quickly as possible.

I think in terms of the revenue and expenses I think where we are trying to get at is what should we work in as the long term run rate for profitability, which is what I think you are trying to get at; so, we are not yet sharing that information, let me share a couple of things.

While we believe that it will be slightly accretive in this year, from a long term perspective I think there's two things just to keep in mind as you're working that through in your mind; one of them is, that this is primarily a greeting card business and from that prospective it ought to be something that works very well into the model that we're very used to as a company and then therefore ought to be very profitable.

Balancing that is going to be the need to run this and our desire to run this as a standalone business and to maintain some of the strengths that has made that company very strong over the past number of years and that will involve some incremental fixed costs. It's going to be balancing out those two that will lead to the long term run rate profitability.

Jeff Stein - Soleil Securities

Just from a high level Zev, if you were to compare that relative to the profit potential Papyrus, just looking at it on kind of link a percent of sales after its fully integrated, it would just seem to me that Papyrus produces higher value product, higher cost product and therefore if you look, brought

everything down to the operating income line it would just seem to me from a high level that Papyrus is probably a less profitable revenue stream?

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