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VistaPrint F3Q09 (Qtr. End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

And our first question will come from the line of Mr. Mark Mahaney. Please proceed.

Mark Mahaney - Citi Investment Research

Thank you. I wanted to ask a couple of questions please. Could you talk about the materiality if any of the FedEx deal. Second, could you talk about the gross margin trends seem to have nicely continue days to stabilization trend from last quarter, how sustainable is that going forward. Those I guess, this question is for Mike?

And Robert, I want to ask you a broad question which is just you have a visibility in the both consumer and in the small business span. I understand more in the small business, but is there something you see that indicates the consumer has come back little bit more quickly than the small business demand just abroad -- across the broad markets that you look at? Thank you very much.

Mike Giannetto

Thank you. Mark, this is Mike. So, in terms of the FedEx announcement, obviously we're very pleased to be striking this partnership with FedEx. In terms of materiality, we don't comment specifically on any strategic partnership relationships as we didn't when we signed with OfficeMax and other.

So, I won't get into specifics about materiality other than to say what we did say in our release. It is a partnership that will cover all of the U.S. There are 1,600 stores within FedEx, Office, then we'll also be online with them partnering as well.

In terms of your second question on gross margin. Gross margin for Q3 came in at 63.5%, which was flat with our Q2 results the December quarter. So, we were pleased with that.

In terms of the dynamics within, basically the flatness on the gross margin quarter-to-quarter. We did have less volume, but we did in terms of cognizant absorption. But last quarter we did have a one-time charge which we did not repeat in Q3. And we saw a continued labor productivity improvements in both our plans. So it was a very strong quarter for gross margin.

Year-over-year when you look at gross margin, it did improve quite a bit 220 basis points over our Q3 '08 about 110 basis points of that was foreign exchange related with the Canadian dollar and the U.S. dollar movement, which last year returned us and this year is -- has been a positive.

In addition to that, again we've seen some nice labor productivity improvements in the plants as well some material pricing reductions.

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