FOURTH QUARTER FISCAL 2010 EARNINGS CONFERENCE CALL
June 22, 2010 — 10:00 a.m. ET

Operator: Good day everyone and welcome to Gerber Scientific Incorporated's Fourth Quarter and Fiscal Year End 2010 Earnings Release conference call. Today's conference is being recorded and broadcast over the Internet. A Webcast replay of this call and a transcription will be available on Gerber's Web site shortly after the call.

I would like to remind everyone that some of today's remarks and responses during the question and answer session will include certain forward-looking statements as defined in the federal securities laws regarding Gerber's expected financial conditions, results of operations, cash flows and other matters relating to the business. For a discussion of important risks and uncertainties that could cause Gerber's actual results to differ from the results expressed or implied in these forward-looking statements you should read Gerber's Annual Report on Form 10-K for the fiscal year ended April 30, 2010 as well as Gerber's other filings with the Securities & Exchange Commission.

As a final reminder Gerber's results discussed today for all periods exclude FOBA, ND Graphics, Spandex New Zealand and Poland and Gerber Coburn Australia which were all sold and closed in fiscal 2010. Also Gerber's results only include Virtek, Gamma, and Yunique from the date of acquisition.

At this time for opening remarks and introductions, I would like to turn the conference over to be the company's President and Chief Executive Officer Mr. Marc Giles. Mr. Giles, please go ahead.

Marc Giles: Thank you, operator. Good morning everyone and thank you for joining our call to discuss Gerber's fiscal 2010 fourth quarter and full year financial results. With me today is Mike Elia, our Executive Vice President and Chief Financial Officer. In a moment, I'll discuss how Gerber performed during the quarter and then Mike will provide highlights of our financial results as well as provide some insights on future performance considerations. And then we'll take your questions.

I'm pleased to report most of the markets we serve now appear to have turned and as a result we posted solid top line growth in the fourth quarter. It's a great way to end the fiscal year. We started the fiscal year with a clear set of priorities. And as I look back over the year I'm proud of what we have accomplished. I'm pleased with the progress we have made in stabilizing the business during a very uncertain economic time, strengthening our management team, generating cash to reduce our debt and building our market positions in key geographic regions. We also made significant progress in rationalizing portions of our portfolio with the sales of FOBA, ND Graphics, Spandex New Zealand, Gerber Coburn Australia and the closing of Poland and as well the acquisition of Yunique. Needless to say it was a very busy and productive year.

Now I'll spend some time discussing highlights from the quarter.

In our Sign Making and Specialty Graphics business, we are beginning to see encouraging signs. Spandex, our distribution business posted another solid revenue quarter. Revenue growth in Europe remains a bit uneven across the EU countries while Australia which did not suffer the global recession impact as severely as most of the rest of the world continues to be a very robust market for us. Actually revenue was up 13% in the fourth quarter in constant dollars. Our decision to introduce our very profitable in-house brand of digital substrate materials to this - into this market now just over a year ago proved to be a very good one and it made a very significant contribution to our growth in Australia.

Our investments in the front end of Spandex such as our launches of salesforce.com and QlikView for customer data mining have helped us during the recession to increase our share while improving our margins through changes in our pricing structure and have complemented our investments in the back end of the business to reduce our freight and warehousing expenses such as in shuttle automation installations.

We also made significant progress towards reducing ion warranty costs within our Gerber Scientific products business. In fact, we now feel confident in releasing on our exciting next generation UV printer, the Gerber CAT which is actually debuting this week at the FESPA show in Munich.

Though we tend to focus most on the ion and our digital business, we are also seeing positive results in our highly profitable legacy graphics solutions business where we have focused on driving increased utilization of the install base. Our new release of the Omega design software along with an extensive road show aimed at highlighting opportunities for customers to increase the utilization of their system has reenergized the customer base and actually resulted in improved year over year sales of Edge thermal printing systems. In addition, we've begun selling Edge thermal printers into China into their industrial sector there.

Our Apparel and Industrial business generated strong sales growth in Southeast Asia, particularly China where apparel exports have started to grow once again and in South America with companies in the upholstered furniture, automotive and apparel sectors. We also secured our first cutting systems order in the windmill industry in India and expect this to open the door with other potential customers in this industry segment.

Our Virtek laser assembly systems grew year over year in aerospace with sales to Bombardier and ATK, the Utah-based supplier of composite parts in the civilian and military aerospace sectors, even though some very large projects in that area such as the Dreamliner and the A350 400 as well as the Joint Strike Fighter project, have been delayed. We moved our new laser kitting system, the Integrated Cutting and Assembly Guidance Technology now into beta testing which is very exciting for us. Also on another note the new Virtek 3-D laser Q3 system for the sheet metal industry was very well accepted and generated a little over $1-1/2 million in revenue in fiscal 2010.

Our Yunique PLM software product is progressing rapidly and market reception has been very positive. Yunique has landed seven new clients since we closed on this acquisition in November, clients such as Christopher & Banks, a US apparel retailer and ArtTextile, a French brand.

We're also excited about the launch of the new XLP plotter in China are now beginning in the US as well. This is a lower cost yet very high performance plotter designed and built as a result of our gamma acquisition in China last year. We continue to also make significant progress with our Gerber Connect Remote Services technology which is now installed on over 250 systems around the world and gives customers the ability to monitor over 300 data points on their machine. Orders momentum for our CAD systems grew very well through the year and ended up by 60% in the fourth quarter versus a year ago as both new customers in China automated with our CAD technology and existing customers in the US and Europe started to update and expand their systems again.

In our Ophthalmic Lens Processing business, Gerber Coburn reported the first positive market indicators in well over a year. In fact while their fourth quarter sequential sales were up over 20%, what is equally encouraging is that at a recent Vision Expo conference we booked more orders than at the last four Vision Expo shows combined.

Recent Vision Watch data suggests purchasing intent for eyewear is increasing. And several of Coburn's retail customers such as LensCrafters are reporting comparable store sales are on the rise which is the first time in quite a while. Meanwhile, we continue to expand the footprint of our Advanced Lens processing system with two new installations in China in the quarter and two here in North America.

Speaking of our business in China we were particularly pleased for our sale of three new DTL generators to Shanghai (Conan) which is now our biggest wholesale lab customer there.

In conclusion, our fourth quarter results demonstrate the ongoing progress we are making. And our product and geographical footprint positions us well to take advantage of the improving economic environment.

With that, I’ll turn the call over to Mike to provide the financial details of the quarter and on what to expect in fiscal 2011. Then I'll provide some additional comments. Mike?

Michael Elia: Thanks Marc. Good morning everyone. I'm pleased to report that our ongoing focus on execution led us to exceed our prior-year performance in several key financial metrics both on an as reported basis and after adjusting for foreign currency.

We closed the year with strong cash flow from operations generating a total for the year of $25.1 million which clearly demonstrates the resiliency of our business even during challenging macroeconomic times. Our balance sheet and financial flexibility have both improved significantly. We reduced our debt by $28-1/2 million or 39% and exited the fourth quarter with $32.6 million in total liquidity. This consists of $11.3 million in cash on hand and $21.3 million in availability under our senior revolving credit facility.

Revenue for the year finished at $458.4 million - down 8% and down 9% on a currency adjusted basis.

Operating income excluding restructuring and other charges was $10.1 million or up 27-1/2%. It’s about $2.2 million up from last year. As a percent of sales operating income excluding restructuring and other charges was 2.2% compared to 1.6% last year. A significant amount of this improvement was driven by the full year benefit of workforce reductions taken in the second and third quarters of fiscal 2009 and temporary cost actions that began in the second half of fiscal 2009 and were not fully restored during fiscal 2010.

As we move into fiscal 2011, we will continue to improve the efficiency of our cost structure as well as redirect more of our spending to areas that offer the most potential for growth such as our Apparel and Industrial business segment.

Now I'll review the financial details of the fiscal 2010 fourth quarter.

We generated solid sequential and year over year quarterly revenue growth. Revenue for the fourth quarter was $121.2 million. On a constant currency basis revenue was up 7.3% from a year ago and up 14.3% from the previous quarter. This quarter’s revenue was driven by strength in our Apparel and Industrial business particularly in equipment and aftermarket products.

Operating income excluding restructuring and other charges for the quarter was $2.3 million - up from breakeven a year ago. And the margin was 1.9%. Though currency added $1.1 million, the revenue improvement combined with lower reserve requirements for customer credit situations and lower pension expense offset $1.6 million in lower supplier rebates in Spandex and the absence of $1.5 million in temporary expense reductions.

Our net loss from continuing operations was $1.1 million resulting in a fully diluted loss per share of 4 cents. Tax expense which included several foreign tax adjustments subtracted 6 cents from this quarter’s earnings per share.

During the quarter, the US dollar weakened against several major currencies and weakened 4% against the benchmark euro versus a year ago period increasing our international revenue and SGA expenses as measured in US dollars. On a reported basis, foreign currency improvements positively impacted revenue by $6.8 million or by 6% year over year. Currency effects however negatively impacted reported SGA expenses by $1.3 million or 5% year over year.

By geography, international orders of $86.6 million represented 70% of the total - and increased 17% year over year in a constant currency. On an as reported basis however, international orders grew 27%. North America declined 7% in constant currency and on an as reported basis. Now the rest of the world principally China, Southeast Asia and Australia grew 104% in constant currency terms and grew 122% on an as reported basis.

Now let's talk a little bit about revenue by segment. The Sign Making and Specialty Graphics business had mixed results generating revenue of $65.9 million or up about 8% year over year and flat on a currency adjusted basis. GSP revenues were down 4% from a year ago on both a reported and constant currency basis. As Marc mentioned we launched the Gerber CAT this week, and, at this point, it's too early to tell how much this will impact our fiscal 2011 numbers. So we'll keep you posted as we progress. Our Spandex business remains solid - up slightly more of than 10% from year ago on a reported basis and up about 1% on a currency adjusted basis. We are pleased with the stability we are seeing in this - in Spandex.

Our Apparel and Industrial business generated revenue of $42.9 million - up 33% on a reported basis and 28% on a currency adjusted basis. Higher sales of equipment, software and aftermarket drove this increase, particularly in China and Southeast Asia where sales have more than doubled from a year ago. We are very encouraged by the trends we see in this business.

The Ophthalmic Lens Processing business generated revenue of $12.3 million - a decline of 6% year over year and 8% on a currency adjusted basis. However as Marc mentioned, a strong Vision Expo East trade show in New York City back in April and greater demand for new products have driven the revenue backlog from this segment - up 29% to 1.6 million. This is just shy of previous recession levels.

Turning now to margins, gross margin was 29.1% for the current fourth quarter - up 50 basis points on a reported basis and up 10 basis points on a constant currency basis from a year ago. Volume improvements, particularly a stronger mix of GT equipment products along with reductions in indirect costs offset lower supplier rebates at Spandex and drove the margin improvement.

Research and development expenses and selling, general and administrative expenses were collectively 27.2% of revenue for the fourth quarter. This is down 140 basis points on a reported basis and down 110 basis points on a constant currency basis from a year ago. While we discontinued forced vacations, spent more on trade shows and on the execution of key strategic initiatives, we lowered these expenses as a percent of sales through higher revenues, lower bad debt and pension expenses and the continuance of certain temporary cost reductions.

Cash flow from operations for the quarter was $5.6 million compared to $3.5 million year ago. During the quarter we continued to drive inventory reductions and improve collections. As of April 2010, we had trade receivables of $80.9 million representing about 60 days sales outstanding compared to 66 days a year ago. And inventory of $59.8 million is turning about five times compared to 4.6 times a year ago.

Now I'd like to discuss a few items to consider as we look ahead.

Our effective tax rate will run about 32% for the year. Capital spending should range between $7 million and $9 million primarily to support key strategic initiatives designed to drive down costs and position us for growth in key markets.

As we announced earlier this year, we will be consolidating our Wilmington, Massachusetts manufacturing facility into our Tolland, Connecticut facility. This is our Gerber innovation business that manufactures automated equipment for the packaging industry. We expect this move to reduce our cost structure by about $900,000 annually. And we expect to incur $1.1 million in charges relating to the move over the course of the next two quarters as we execute the consolidation.

We also plan to aggressively pursue additional structural and sourcing actions to reduce our permanent cost structure throughout 2011. We will keep you apprised of these actions as we progress. In the meantime, we will continue to work within the confines of our current credit agreement and work closely with our employees and other stakeholders to execute these initiatives.

The exchange rate is currently running about $1.22 per Euro for the first quarter of 2011. This rate compares to a $1.39 per Euro that we experienced during the first quarter of 2010 and it represents about a 12% currency headwind. Changes in the Euro to dollar rate have the greatest impacts at Spandex. But, bear in mind that we deal with several different currencies and we use the Euro just as a benchmark. Last fiscal year Spandex sales were about $212 million which represented about 46% of our consolidated sales.

In closing, we're encouraged during the last quarter by the improvement in our year over year and sequential revenue performance which reflected our initiatives to further improve execution and focus on the areas of greatest growth potential like China and Southeast Asia.

While our fourth quarter typically is our strongest due to seasonality, we believe the improvement this past quarter reflects a general broader market recovery. In addition, our cash flow generation continues to be robust. We are working to further capitalize on this momentum in fiscal 2011 as we focus on executing our plans to rationalize our portfolio and dramatically reduce our cost structure.

Now I'll turn the call back over to Marc.

Marc Giles: Thank you, Mike. I'd now like to take a moment to discuss our focus areas for the coming fiscal year which are directly linked to our stated strategy to transform Gerber into a double-digit operating profit company within the next three years.

The key areas of focus for 2011 are one, portfolio optimization and investment in Gerber Technology. As I mentioned at the start of our call, we are already executing in this area. During fiscal 2010, we sold FOBA, ND Graphics, Spandex New Zealand, Gerber Coburn Australia and closed our Spandex Poland operation. We also acquired Yunique, a PLM software company for our Apparel and Industrial segment more directly for Gerber technology.

The demand for hardware and information management products are expected to grow anywhere from 6% to 15% depending on the market sector. And as a result, we believe this business has an opportunity to more than double its size and will continue - we will continue to make appropriate investments to drive an even stronger presence in the vertical markets we serve at Gerber Technology.

While these are individually relatively small transactions, collectively they are important steps along the way to fully rationalizing our business portfolio. We have a portfolio strategy and action plan in place. And we will continue to execute against that strategy as we advance through 2011. We will keep you apprised of our progress.

Two, reduce structural and supply-chain expenses. As you know, we've been focused on reducing our costs to weather the recession in identifying and executing actions to reduce our permanent cost structure. We will continue to build on the workforce reduction actions we took throughout fiscal 2009 and 2010. We will also be focused on converting the savings we achieved through temporary reductions into more permanent reductions by rationalizing our facilities, reducing supply-chain costs and optimizing our organizational structure and headcount.

While we have some very specific plans regarding our facilities, we must work with our employees and our other stakeholders. And like our recent announcement about the consolidation of our Wilmington, Massachusetts plant we will keep you apprised of our progress.

In terms of reducing supply-chain cost, Tom Finn, who joined us just last quarter as Senior Vice President of Global Operations has several teams actively working to reduce waste and product cost to drive gross margin improvement. Tom and his team have already identified as much as - as a 30% cost reduction on one of our key products through supply-chain optimization in China. Though much work remains for this and other efforts to become material in value, we expect to see the benefits begin to materialize in the second half of fiscal 2011. Again we will keep you apprised.

Also during fiscal 2010, we implemented and improved several processes relating to inventory and receivables management. These improvements have allowed us to improve inventory turns and our collections as measured by days sales outstanding. We will continue this momentum into fiscal 2011 and improve the processes that will help us optimize our working capital as the business rebounds.

Fourth, enhancing new product development. Our customers face significant operating challenges whether it is developing and delivering the latest in fashion design or automating their production and assembly processes. During fiscal 2011, we will build upon our 2010 accomplishments and new product development by helping our customers simplify how they manage information with our software products and to automate their production and fabrication processes with new automated manufacturing systems.

Our goal is to enable customers to focus on running their business and reducing their costs.

We plan to help in doing this by one, building the progress - building on the progress we've made in the Sign Making and Specialty Graphics business, by improving the performance and reliability of our wide format UV inkjet product line with the launch of the new CAT UV. Two, building on our early success in Yunique PLM software for the fashion industry. Three, helping customers more rapidly adopt Gerber Connect Technology in their environments. Four, launching important new automation technologies such as the laser kitting system in the composite space, a new low cost high performance family of plotting systems for the apparel sector, a new high performance single play cutting system for composites and technical textiles among others.

I expect 2011 to be a significant transaction year for Gerber and one of focused execution in terms of our business portfolio and investment in Gerber technology, structural and supply-chain expense reductions, and continued new product development.

And with that, I'll turn the call back over to the operator so that we can open up the lines and start taking some of your questions. Operator?

Operator: Thank you, sir. Ladies and gentlemen, if you do have a question or comment, please signal at this time by pressing star then 1 on your telephone keypad. Once again, that's star then 1 for any questions or comments.

Our first question comes from Jim Ricchiuti of Needham & Company.

Jim Ricchiuti: Hi. Good morning.

Marc Giles: Good morning Jim.

Jim Ricchiuti: Sounds like you're going to have some currency headwinds but at the same time it looks like you're seeing some encouraging order trends. You know, just based on the business as you see it, do you think your revenues are going to be in a position to grow, you know, single digits next year? This year I should say.

Marc Giles: Yes. Yes, we're already into it. Yes Jim, I think in real terms and constant terms we will be growing our business. I think in the single digit range is most likely.

Jim Ricchiuti: Okay. And Marc it's - it sounds like you're already making some headway on some of the supply chain improvements. Based on your commentary, you seem to be saying to us to look for the more meaningful improvement in the second half of the year. But, you know, that being said, can we see gross margins perhaps begin to trend up in the early part of this year?

Marc Giles: Of course there are, you know, many factors we're working on to improve our gross margins as opposed to just the cost side. So we'll be focused on driving gross margin improvement through - throughout the year beginning early in the year as well.

You know, there's a lot of factors. I don't want to prognosticate too much but, you know, there's a lot of factors that come into play that on a quarter, an individual quarter basis can make things a little bit lumpy. But we are expecting and do plan to deliver improved gross margins through the course of the year. We will specifically update you on our progress and driving costs, the cost side of the equation, cost of goods sold side of the equation as we progress during the year as the efforts that Tom Finn and his ops teams are driving begin to pay off in a meaningful way. We'll highlight that in future calls.

Jim Ricchiuti: Okay and one final question from me. I was a little surprised by the strength you've - you're seeing at Spandex. I thought maybe there'd be some more - a bit of a slowing in Europe. But if you are seeing that it appears to be offset by the strength in Australia. What's the outlook for Spandex over the next couple of quarters?

Marc Giles: We continue to feel very good. I mean we've been nervous about what impact we see on the business specifically in Western Europe and there are, you know, and it does vary country by country. So Spain continues to be a challenged environment as does Italy continue to be a challenged environment but - and the UK continues to be a challenged environment.

But Germany, Switzerland, Northern Europe all continue to perform quite well. We - and actually we begin we see strength there. And Australia has really performed extremely well over the last year so we see continued positives there. So the team has done, you know, has done I think a great job in its portfolio of products mix in focusing on gaining share in markets even where they're challenged.

Jim Ricchiuti: Okay thank you.

Operator: And once again, that is star 1 to ask a question. We'll move next to Arnold Ursaner of CJS Securities.

Nick Rising: Good morning gentlemen. This is Nick Rising backing up Arnie.

Marc Giles: Hi Nick.

Nick Rising: I wanted to ask about could you give a little more color on backlog trends by business unit? You gave it by geography earlier.

Marc Giles: Yes backlog trends by business unit. I mean really the two things that are - only two businesses where we have any meaningful backlog are particularly Gerber Technology and then to a much lesser degree Gerber Coburn. And in Gerber Technology I think it's been two quarters in a row actually now that we've built backlog. And so we see some substantial order volume increase there.

I think in on the equipment side we've seen somewhere in the vicinity at Gerber Technology of orders growth in the 60% area plus. And of course that's - some of that's fallen - found its way into - in the backlog.

And I think in Gerber Coburn this last quarter we saw a bump in backlog as well, not huge but a bump particular driven by the - by that Vision Expo tradeshow where we got a strong increase in order for finishing and related equipment to the eye care practitioners sector.

Nick Rising: Okay. And it looks like...

Michael Elia: And Nick just to give you some - on the quarter, the Apparel and Industrial backlog's up about 18%. And the lens processing backlog is up about 29%. And as Marc said, you know, there's not on the Sign Making and Specialty Graphics, you know, there's not much backlog there in general because it's - so much of it is a distribution business.

Nick Rising: Right. My other question is it looks like corporate expense went up about a million bucks to about 5.3 both year over year and sequentially. Is all - is that primarily integration restructuring expenses? And if so can we get a better breakdown of those?

Michael Elia: Yes. In the quarter we had restructuring...

Marc Giles: I think it was yes, restructuring and then also had to do with some of the acquisition and...

Michael Elia: ...we had severance charges which were the bulk of it which was about close to $700,000, $800,000. And we had some patent impairment charges which were about $300,000 and then we have some moneys that we're spending on sort of the strategic actions. And that represented the balance.

And then on the full year basis we - severance was about a million seven. And then acquisition related costs that were no longer allowed to capitalize primarily relating to Yunique was about $600,000. And patent impairment charges were about $400,000.

Nick Rising:: Okay. That's all I got. Thank you, gentlemen.

Marc Giles: Thanks.

Operator: And once again that is star 1 for questions. We'll take a follow question from Jim Ricchiuti.

Jim Ricchiuti: Yes just that you alluded to some decline I think in warranty expense. What are you seeing in the printing business now in terms of the install base? How far along are you in terms of some of the performance issues? And can you talk a little bit more about the new product?

Marc Giles: Yes I'll tell a little bit. Obviously we feel much better about where we stand in terms of robustness of the system and its performance characteristics in field now and that has driven down our warranty expenses. And we expect frankly our warranty expenses in that area to continue to fall as we roll out the improvements to the system that's in the installed base.

The launch of the new system, the CAT UV is a system, is a somewhat higher priced system but it's also a higher performance system from a quality of print perspective. So it has more opportunity and more application range, not just in sign making but also into point of sale applications.

So we're, you know, we're knocking on wood in this environment where credit remains - credit still remains tight for a lot of these customers. But we think that this product has a real opportunity to move sales back up in a significant way in the inkjet sector of that business.

And we're confident enough in re-launching it to understand that we have, you know, the technical issues that we had identified in a place where we feel customers are going to be highly satisfied with the product.

Jim Ricchiuti: You're going after the same customer base but with a higher priced machine but presumably it sounds like a little better performance. How confident are you that you're going to get to see the - you see the install base trade up to this?

Marc Giles: Yes I mean it's not going to be - it's going to be some installed base trade up to it. I think more importantly it opens up a new market sector for us at the high end of that segment where it's a little bit easier, credits a little bit more available for them because they tend to be larger print shops covering a wider range of applications. I mean again, you know, we're launching it because we feel that this positions us in a very exciting way to tap that market opportunity with this technology.

But on the other hand we're still concerned about, you know, the availability of credit. The ability and desire of customers, how fast will they migrate to this new product given that we have had some technical issues with the previous product in the field. So there are some things that make us want to temper our expectations. But on balance we think it's a very exciting new technology and new product and we're going to gain some traction with it. So we'll wait and see but I think we'll start to develop a prospective over the next quarter or two and we'll keep you apprised of our progress.

Jim Ricchiuti: Okay and Gerber Technology, you know, looks like you had a good quarter particularly in China. Did you provide any revenues for China as a whole? Did you - I may have missed it?

Marc Giles: No we didn't lay out specific revenue for China. But I have that here for you, just a second. I have that available, Jim just a minute.

Jim Ricchiuti: Sure.

Marc Giles: Let's see. It's a, for the quarter we were - sales in China for the quarter were just I believe $6-1/2 million and $7 million. And that was up versus the prior year. That was about between $3-1/2 and $4 million. So it's up somewhat close to 100% or in that vicinity in China. And just in the...

Marc Giles: Interestingly enough our exports products that we make in China were also up dramatically. We did about $3-1/2 million of exports of product from China in this quarter. And last year it was just about $1 million in the same quarter.

Jim Ricchiuti: Do you know is that some Coburn and GT?

Marc Giles: It's Coburn and GT, yes. Yes.

Jim Ricchiuti: Okay. And Marc, just in general, there's been a lot of news about potential slowing in China and also the currency issue. I mean just in general what's your take on the business outlook in China since it is such a key market for you?

Marc Giles: Well I, you know, our take right now is still a positive one on China both from - particularly from a domestic market perspective now that we see exports improving in China on the apparel side. That - again that's a - that's really in the sweet spot of our customer mix. We're very, very strong in the companies that do exporting. So to see them getting healthier even though it's not dramatic, to see them getting healthier gives us confident that we have - we believe we have a sustainable trajectory there, not at quite at this pace but a stable improvement.

Jim Ricchiuti: I don't know if there's a way for you to also breakout some of the newer opportunities you guys have come into this year in Gerber Technology both with the acquisition and just is you've moved into some new vertical markets. But, you know, is there a way to break that out and is there any way you can give us a sense as to how you see some of those opportunities in the coming year?

Marc Giles: Yes. I'll tell you what we'll do is we'll breakout some of those newer developments as we go through the year as they begin to solidify and we have something more meaningful to report on.

I would say at this point we're excited about some of the things that we're doing in the aerospace sector and with our Virtek technology and the pace of growth with the Yunique system and we'll continue to update those will give you more color on those in those areas as we go forward.

Jim Ricchiuti: Okay thanks a lot.

Marc Giles: Sure Jim. Thank you.

Operator: And once again ladies and gentlemen that is star 1 to signal. We'll move next to Beth Lilly of Gabelli.

Beth Lilly: Good morning.

Marc Giles: Good morning Beth.

Beth Lilly: I apologize. I have a very bad cold. I don't sound like myself.

Marc Giles: No you don't.

Beth Lilly: I wanted to just spend a minute and talk about GSP. And, you know, Marc you've made it very clear about your goals for operating margins getting to 10%. Within the context of that 10% goal, what do you think GSP can achieve as you get to 10%? What's your goal for GSP?

Marc Giles: Now GSP if it's to remain a company within our portfolio it's going to have to - we have to see a performance level north of 10% operating profit on sales in the near term. So I mean that's the only way it fits with - really fits within the - within the portfolio and achieve our goal.

Beyond that, I really don't want to comment any more about any portfolio specific portfolio plans we have in place today.

Beth Lilly: Has it - what was the high for GSP? Did it ever achieve anything north of 10%?

Marc Giles: Yes it most certainly did. If you go back, you know, it's a marketplace where you - where it can and has been done. GSP back before the onslaught of digital inkjet technology took it on was a 15% to 20% operating profit on sales business. As matter of fact, as an operating unit, while it has potential or significant profitability and growth, you know, the decline really of its traditional graphics business area which includes thermal printers, foils, and blotters has been the single biggest factor impacting the overall performance of the company.

Michael Elia: And Beth the key for GSP is really going to be the number of, you know, ion and CAT units that we ship. You know, I mean that's going to be the key.

You know, the legacy business that we talked about earlier with the Edge product is very, very profitable business. So right now, it's just really getting those units up to a more sustainable level. I mean that's what's going to get GSP to good profitability.

Beth Lilly: Do you think GSP can earn money in 2011?

Marc Giles: We don't give individual forecast by - heck we didn't even give forecast for the corporation and still that kind of environment, so we don't really have that kind of - that kind of clarity. So I really wouldn’t want to get into the individual business unit.

Beth Lilly: Okay. Okay and then I have one other question and that is can you spend a little - a minute and talk about the addition of Tom Finn to the management team and what he brings?

Marc Giles: Yes. You know, Tom just joined us recently. And he brings tremendous, a tremendous background in supply chain management having done that work in significant transformations now a few times and a specific knowledge in China. So he has a network in China that allowed him to execute against other supply chain transformations for other companies.

More recently in the early part of the decade I mean he was really a driving - one of the key drivers behind the transformation back then of Lucent’s manufacturing and supply-chain organization where they had gone from I think 60-some odd manufacturing facilities ultimately down to four specialized facilities. And everything else was outsourced initially into the US and Europe and then subsequently into China and drove somewhere in the vicinity if I remember right, somewhere like a 20% to 25% overall reduction in cost of goods sold at the same time.

So he’s done it on a large scale and has done it quite effectively. We were very fortunate in just in the timing of things for us to snap him up and get us to come work for us. And I - so I would expect a pretty aggressive - I don't expect - I know that there’s going to be pretty aggressive actions taken within our own supply chain and manufacturing area. And I expect this all sooner rather than later.

Beth Lilly: Okay great. Thank you very much.

Michael Elia: Thank you.

Michael Elia: Get better.

Operator: And again, ladies and gentlemen, that is star 1 to signal. We'll pause for a moment. With no further questions in the queue, I'll turn the conference back over to our speakers for any closing or additional remarks.

Marc Giles: Thanks operator and thank you all for joining us. We’re looking forward to a pretty exciting year. And we'll be ready to report on our first quarter results at our next conference call in August, till then, goodbye.

Operator: And again, that does conclude our conference. Thank you all for your participation.