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## ENGlobal Corporation Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

(Operator Instructions) Your first question comes from Rich Wesolowski - Sidoti & Company.

#### **Rich Wesolowski - Sidoti & Company**

Bill, in the first quarter, we saw virtually all the growth coming from inspection whereas here in June, it was a lot more broad base. You mentioned also in the press release an increasingly varied client mix, which of the end markets or the customer types that you are now getting business whether it is little or none before?

#### **Bill Coskey**

I think what we are seeing is an expansion in the current markets we serve, midstream and downstream that is like we are able to gain more pipeline clients and also more downstream clients. And so it is not like a really new market. It is just more clients within the same market that is what I would say.

#### **Rich Wesolowski - Sidoti & Company**

And a follow up, your revenue for average employee has been a very steady number in a 150,000 range even going back to 2005, it is really never been above a 160,000. Now, this quarter, we get almost 200,000 per employee. Your utilization is always been around 90%. So, why was there a big jump this quarter?

#### **Bill Coskey**

Well, I could probably point to three reasons. One of them is the contribution from the pass through procurement revenue which comes to our revenue line which I believe, Bob was?

#### **Bob Raiford**

Like \$17.5 million.

#### **Bill Coskey**

Seventeen and a half million dollars this quarter. Another is the fact that our people have been getting some pretty significant pay raises in this active environment in our business and so if you multiply that times of billing factor and our billing rates go up for our clients. And then lastly, improvements

in utilization, possibly working some more overtime on projects will contribute to revenues per employees increasing.

**Rich Wesolowski - Sidoti & Company**

Just a quick follow up to the follow up, you mentioned the pay raises is second on that list. Have you had any increases in the multiples or is that all been the wage inflation passing through with the same multiple?

**Bill Coskey**

I think what we see is we have probably a base load of long term maybe alliance client that stay at about the same multiplier level. I think what we have is a new generation of clients coming in that we would put under higher billing structures, kind of like our incremental business that we sell would be done at higher billing structure. I think what we have seen over several years a steady increase to our effective multiplier so it is like a needle going from low to high and I think the needle continues to move up slowly in terms of a billing multiplier.

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