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## Spherion Corp., Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you. (Operator Instructions). Our first question is Mark Marcon with Robert W. Baird.

#### **Mark Marcon - Robert W. Baird**

Good morning.

#### **Roy Krause**

Good morning, Mark.

#### **Mark Marcon - Robert W. Baird**

Just wondering, could you talk a little bit about the trends that you are seeing on the temporary side and the traditional Staffing side with the small- and medium-sized accounts and how that seemed to progress as the quarter unfolded?

#### **Roy Krause**

Hey Mark, this is Roy. Visibility is not great as you might imagine given this economy, but we are seeing the small accounts tend to really, pretty much mirror the BLS-type situation. We are seeing a little bit different activity in the large accounts--more client-specific. Half of our large accounts of last quarter actually grew. We actually had a net growth in large accounts.

So, those are client-specific situations, and even though the industry is contracting right now, I think there's still opportunities, and there are opportunities for us to participate in that account consolidation, where a national vendor. Recently we picked up a good-sized account where we worked with one of the outsourcing professionals in the industry to support a client that was using 200 different vendors. I think the nationals will pick up some on vendor consolidation. But, of course, it also comes with lower margins and probably some pricing pressure given the economic situation.

#### **Mark Marcon - Robert W. Baird**

Okay. It sounded like your guidance was predicated on margins being roughly equivalent. Did I hear that correctly, or are you assuming that the gross margins would trend down on the commercial side this due to the mix with maybe the smaller to medium companies basically duplicating what BLS is doing?

**Mark Smith**

Yes, Mark, this is Mark. At the lower end of the range, I would expect some contraction and gross and operating margins, and it is probably more driven from what might happen from the Perm point of view. At the mid point to the high end of the range, I would expect flat, flat margins and maybe even a little bit of improvement if there is some Perm expansion on a sequential basis.

**Mark Marcon - Robert W. Baird**

On the gross margins on both sides, did you see any benefits in terms of worker's comp accrual reversals? If so, how long would you foresee those staying in place?

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