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Protection One, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jeffrey Kessler - Imperial Capital.

Jeff Kessler – Imperial Capital

I realize that you're now combining all the numbers and you're probably adverse to separating out IASG from original P1 accounts, but is there any color that you could give on what the performance of some of the pre-IASG business was like, particularly on the retail side, because I know that wholesale is completely distorted by IASG.

Richard Ginsburg

Clearly the attrition was higher than we thought it would be and as Darius mentioned, that 18% base, that's a static pool of accounts that's just sitting there and kind of looking at it as a wasted asset because when the new customers are put on, when you take an IASG customer and upgrade them or move them, it goes into the P1 base, so that base is just going to look bad, but clearly the attrition was higher than we thought it would be when we took the company over and the attrition was in the mid to high 20% range after we took it over. It's gone down. It's pretty consistent with how it's gone down. We took over Protection One many years ago but I would say in summary it was higher than we thought it would be and we're just working it down.

Darius G. Nevin

I would agree. The trend lines are in the right direction. I wouldn't be surprised if we took a slight breather in terms of the attrition coming down during this coming quarter just because that's the, for all alarm companies, the third quarter is the period typically of highest attrition.

Jeff Kessler – Imperial Capital

Assuming people move, hopefully aren't moving too much this summer.

Darius G. Nevin

I think we said that maybe in one of our prior calls that we were possibly expecting more of a flat attrition come this year if the housing paralysis were to continue, so as opposed to that seasonality of third quarter going up, we thought we might see a flat attrition trend.

Jeff Kessler – Imperial Capital

Do you have a changed target on the IASG base for where you think you can take it down to?

Richard Ginsburg

No. The goal is to get it down to P1 levels and/or lower, and it's not going to happen overnight, but it hopefully will happen over the next year, year and a half. We've done it before. We'll do it again sans any unusual circumstances but the goal is to get it performing where P1 is which we think is attainable.

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