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## Cbeyond, Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Frank Louthan with Raymond James.

#### Frank Louthan – Raymond James

Is there any change in customers that you're targeting in the new markets, has there been any change of direction to the sales force that maybe helped as you've improved sort of on the credit quality and so forth, and then when we're thinking about some of your markets, particularly in Minneapolis, you mentioned there, where are the loop rates there relative to some of your more mature markets? Where can we expect the margins and a mature level to eventually shake out? Are they going to be closer to where Atlanta is or closer to Dallas? Can you give us an idea there? That would be great.

#### Kurt J. Abkemeier

Let me clarify your question on targeting customers. We have a new credit policy that's applied uniformly across the nation, not necessarily differentiated. The credit policy distinguishes by credit grade as we achieve through Experian, so I think there are businesses, and I think what you're getting at maybe as SIC codes of mortgage and construction and real estate related. If the client has a healthy score, and there are very healthy businesses in those SIC codes, we would accept customers in those SIC codes, but I think that's what the question you're asking. Would you clarify?

#### James F. Geiger

I'll address your question about the loop rates and new markets and their impact on our margins longer term. We're looking at our newer markets being Miami, Minneapolis, now Washington DC and San Francisco, and San Francisco will really be similar to our other California market margins, but just in general, if you think about a mature, I hate to use the word mature, let's say a steady state run rate after several years of EBITDA margins that might be in the range of let's say the low 40s as a percent of revenue up to the high 50s, I would say that a couple of our newer markets, the Midwest ones, would be at the higher end of that range and the other ones, the DC, Miami, would probably be more at the lower end of that range, so it's really all mix and we expect it to be a mix continuing to go forward as we add some of these other new markets that are on our road map.

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