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Syniverse Holdings Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Mark Derussy from Raymond James. Please proceed.

Mark Derussy - Raymond James

Tony in your prepared remarks, when you were talking about European growth, I want to make sure I understood you correctly to say, that you were not seeing much elasticity of demand on the voice roaming side of things. Is that correct?

Tony Holcombe

Yes, Mark. We have had really one-month of the traditional seasonal volume increase of June and clearly July and August are stronger seasonal roaming periods for Europe. So, set that in context for a moment. But looking at June we haven't seen a dramatic increase of any level on voice, but clearly what we have seen is a very dramatic increase in the data clearing.

So, when you think about SMS, mobile data type applications, they are just simply up very dramatically, but clearly in June, we haven't seen a lot of movement in call. Now, in Q3, once we get a better look at July and August, which are stronger seasonal pattern in European market, we might see that, but clearly in June we have not seen that.

Mark Derussy - Raymond James

Okay. David, I think you mentioned increasing CapEx that was volume related. If that is the case, I think the first time that we have heard of you spending capital to process more minutes, so to speak. Did I hear you correctly? And if so, can you talk about, where you are spending that money and maybe speak to capacity utilization, if you will?

David Hitchcock

Sure. Mark, if you will remember, in the first half of 2007, we talked about the fact that we started adding some capacity in our own data center and our applications have grown and we have seen volumes both across our network and grow across our network and grow across the data processing platform for which we have started putting some of that work in-house. We have spent some capital this year to ensure that we can handle the increase volumes in a very efficient and effective manner.

Mark Derussy - Raymond James

Okay. And then longer-term, how might we think of CapEx as a percentage of revenue so we can model out the cash flow generating ability of the company, a couple of years down the road?

David Hitchcock

Sure. Consistent with the discussion on last quarter, in the past and last year, we talked about being in the 7% to 7.5% of revenue from a CapEx perspective. And I said last quarter that this year, given some of the increases, in what we are spending in terms of increases for volumes, and more importantly, we are spending capital this year to support the BSG integration.

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