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## Administaff, Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Tobey Sommer with SunTrust Robinson Humphrey.

#### Tobey Sommer - SunTrust Robinson Humphrey

I wanted to ask a question about what you're seeing in payrolls and bonuses and overtime, if you have some sort of an update. I think last time we heard from you on a conference call you were on the heels of one of your surveys, but maybe you have an update of what June and July trends, kind of more recent data, suggest is going on in your small-business customer base.

#### Paul J. Sarvadi

Sure, I can do that for you, Tobey. Like I said in the script, we are seeing some nominal net gain in employment, which is the key factor. But behind that, when you look at some of the other factors, for example average pay or compensation is up about just under 6% year-over-year in our client base.

Commission, which is really our leading indicator, has been lower than it was a year ago. I mentioned it dropped off dramatically in the fourth quarter, it rebounded a little bit in the first quarter, in the second quarter it was down a little, but we're around 4% year-over-year increase in commissions.

Which to me means companies are still doing business, they've still got sales but they're not robust like they were a year ago. But they are also not falling out of bed so I think kind of a steady state going forward is what we anticipate out of that number.

Also, the overtime as a percentage of base pay is still running at 10%, so businesses, at least in our client base, are being pretty smart about this. They're operating kind of at capacity but the degree to which they're using overtime is still on the high end, because the commissions aren't high enough to say that growth is really coming back strong yet, so they're not hiring more people to lower that overtime number. But we think we're pretty much in the steady-state mode, at least in the third quarter.

#### Tobey Sommer - SunTrust Robinson Humphrey

And I wanted to ask you a question about your levers that you get to look at internally to drive the unit growth. It looks like you're going to step on the gas a little bit more relative to sales people and try to take advantage of the talent that's available to you, given the economic conditions. And I wanted to

get a sense for how you approach the balance between additional marketing dollars in additional kind of feet on the street.

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