

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

LaBranche & Co., Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Daniel Harris - Goldman Sachs.

Daniel Harris - Goldman Sachs

There's been obviously, and I think you mentioned a little bit, Michael, there's been press over the last almost a year now that sales traders continue to leave the bigger firms and move to the independent firms like what you're building up there.

Can you comment a little bit on the competition for these guys, and once they're in the seat, how long you think it takes for them to generate the kind of returns that you think they're capable of generating?

Michael LaBranche

That's a good question. I think it's a matter of months; maybe somewhat less and it's going to depend on who's there and what the situation is. The important thing is they have the technology and the capability of scaling the business.

As you know, Wall Street has undergone some very significant changes in the way people interact; a lot more electronic trading. However, we still believe that there's a need for what I consider the relationships, with knowing the customer, what their needs are, and I think that's a very important thing to focus on.

I think that you'll get rewarded for providing good prices, for giving good service. I just think that there's an opportunity there. The fact is, is that a lot of firms are moving to more electronic platforms and not as much what we call high-touch business, which is high service.

But we think that there's a very good opportunity for us. We have a lot of capital. We're very experienced in trading, we understand what it is to do facilitation for customers and so that's what we're focused on.

Daniel Harris - Goldman Sachs

Would you expect a loss that you inferred about the \$2.1 million to be ongoing for the next quarter or two or do you think that that could turn to a positive number by, say, the early part of next year?

Michael LaBranche

It's hard for me to predict that, because I don't know what activities will be, but right now the markets are pretty busy. I am anticipating that that number should go positive sooner rather than later.

Daniel Harris - Goldman Sachs

Okay. And just to follow-up on something you said about capital, Michael. You obviously have a very solid balance sheet and in some cases it might actually be too solid for what you do with the ROE that you're generating, in the single digits here.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.