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Kforce Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll take our first question from Jim Janesky, Stifel Nicolaus.

Jim Janesky - Stifel Nicolaus

Yes, good morning. A couple of questions, when you look at financial services as a vertical you did say it's roughly 14% of revenues. How does that mix between Flex and perm? Is it higher or lower in either of the segments?

Joe Liberatore

As a percentage it would be higher in Flex, Jim. Primarily financial institutions, particularly in the northeast we are some large volume accounts and as they move it's very significant and they do less on the Search side.

Jim Janesky - Stifel Nicolaus

Okay thanks. And when you talk about Search being stable in the current quarter, is that versus last year sequentially, if you could just go into that a little bit?

Bill Sanders

Jim, it's relative to last year when we look at Search January was down, February was up and March was up. Also when we look at the trends from March to April our Search is up about 1%, so pretty -- very stable.

Jim Janesky - Stifel Nicolaus

Okay and those were just sequential comments, right?

Bill Sanders

Well I gave you -- I gave the first comparison I gave you by months, that's on a year-over-year

Jim Janesky - Stifel Nicolaus

Okay.

Bill Sanders

And then the 1% that I gave you at the end is on a sequential from March to April.

Jim Janesky - Stifel Nicolaus

Okay, great thanks for clearing that up. Then moving to margins and the information in the IT segment, when do you expect them to stabilize? I mean, do you expect them to go up through the balance of the year and is there -- if you could give us an idea. You already talked about the bill to pay spread and it's hard to -- you know, first bill rates adjust and then generally pay rates adjust on a lagging basis. Is there a pricing pressure because competitors are trying to get more aggressive on getting business?

David Dunkel

Year-over-year bill rates are up in all segments outside of technology, which is slightly down. It's down about three tenths of a percentage point. The compression in bill rate increases outpacing, or I should say the compression of pay rate outpacing bill rate expanse in year-over-year.

We're mainly seeing that in our Flex technology segment and in the government segment. To a much lesser extent in our technology segment as pay rates have increased 0.5% and bill rates have decreased 0.3%, so not anything real significant taking place there. We see the larger gap is in our government segment, where we've seen bill rates improve 11.1% and pay rates increase 16.9% but some of what's happening in there is the mix of the business as we bring on more technology business versus the F&A business, so overall we're really modeling in based upon what we're seeing at this point in time is somewhat stabilized on margins throughout the year with maybe some slight deterioration.

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