

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

Asset Acceptance Capital Corp. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Mark Hughes - SunTrust.

Mark Hughes - SunTrust

You had that nice drop in collections expense and I think you talked about the shift in strategy more towards outsourced services. How much of that decline sequentially was from cutting, say, upfront spending on the legal channel versus savings that will be more sustainable going forward?

Rion B. Needs

Mark, on that one, the lion's share of it was in the legal expense, which is partially a deferral and part of it was our ability to actually reforecast, the forecasting model that we developed for both revenues and expenses we're much more accurate now being able to tie those two together, which has increased our ability to have a lower expense base and increased debt collections associated with them. So part of it is just the deferral, which you will see come through in the balance of the year, and about half of it is due to a greater efficiencies in our forecasting.

Mark Hughes - SunTrust

Now once you get caught up and you are fully ramped up with these external relationships, relative to last year, should the cost structure be similar? I think you've mentioned at one point, you might see a little drop in productivity because of the more outsourcing or increased outsourcing. What should we think about in terms of the costs, again once you get this fully up and running?

Rion B. Needs

On a marginal basis, we expect that the outsource on traditional call centers will actually improve slightly, and then on legal, it will actually improve pretty significantly because we are able to more closely tie the expenses and the revenues with that relationship. So, we in the past, we've discussed the fact that on the legal channel, we have to incur the legal expenses well in advance of the associated revenues, which leaves us this timing gap, with the relationship we now have, we'll actually be able to compress those two together.

Mark A. Redman

And Mark, I would add to that too, we are always trying to find smarter, better, more efficient ways of operating the business and I think we are focused on that. The drop from 53% to 50% is more

than we expect to be able to accomplish in a year-over-year basis, but we are focused on trying to continually make improvements in our operations.

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