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## CDI Corp. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator Instructions)

Your first question is from Andrew Steinerman with Bear Stearns. Please go ahead.

**Andrew Steinerman - Bear Stearns**

Hi, there. When you talk about the reductions of the lower margin engineering staffing work, Roger, was that by your design, meaning your company's design, or is that just the way kind of the project went and you just see it as an opportunity not to regrow that business?

**Roger Ballou**

It's a combination of the two, in a sense. We had some contracts that came up for renewal that didn't renew, and we decided not to bid at lower rates on them. So it was a combination of cyclical factors, but it's clearly our strategy to rotate into the higher margin stuff and to not be as aggressive on the lower margin staffing.

**Andrew Steinerman - Bear Stearns**

Right. So if you could just assess for us the lower margin engineering staffing world in the U.S. now, would you still call it good growth, or would you call it flat, or just engineering staffing, the macro environment right now?

**Roger Ballou**

Well, again, the engineering staffing side isn't our primary focus.

**Andrew Steinerman - Bear Stearns**

Right.

**Roger Ballou**

But demand there remains solid.

**Andrew Steinerman - Bear Stearns**

Okay.

**Roger Ballou**

We're not seeing any diminution in there. It's different by sector. So, for example, if staffing in bulk chemicals is softer, staffing in specialty chemicals is okay. It's typically true in the project world as well. I mean the places where project demand is good, staffing demand is generally good as well. So alternative energy is good, petrochemicals is good, specialty chemicals is good, aerospace is good, those kinds of areas; bulk chemicals are soft.

**Andrew Steinerman - Bear Stearns**

Okay. That's absolutely healthy. And then on the IT staffing side, I know the overall entity is looking to kind of recharge its momentum. Right now, it's growing below market. My question is, what's the philosophy in IT staffing in terms of balancing gross margins and operating margins? Is one a priority over the other?

**Roger Ballou**

In every one of our businesses our priority is to grow our operating margins and to manage our gross margins to allow us to do that. So, we would give up some growth on the topline to improve our margins and to improve our operating margins. So we'd be a little less focused, particularly in IT staffing, on just topline growth, more focused on generating better gross margins and on generating better operating margins.

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