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Lionbridge Technologies, Inc Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Our first question comes from Brian Kinstlinger, Sidoti.

Brian Kinstlinger - Sidoti & Company

Hi, good morning guys. The first question I have is you mentioned that the way to look at this given currency is gross profit dollars. So if I take a look at a constant currency basis, revenues flat and gross margin dollars are flat based on some of your comments and it looks like earnings will both be \$0.01 year-over-year. So I'm just curious what are the factors excluding currency that are driving what seems to be flat results year-over-year and obviously both of your weakest quarters that show year-over-year comparisons, and maybe what am I looking at wrong there.

Rory Cowan

I think a couple of things here, Brian. First, we spent Q1 managing our volatility more than anything else. Second, in our gross margin dollar level, there are lots of ins and outs on individual projects there. I am actually, given the currency year-on-year was -- I don't know, what was it, 14%, 15%, something like that? And you had that 7% within the quarter. You put a bid on the street and it comes back four days later, you have to re-bid it again because of currency. I'm actually very pleased that we were able to hold those numbers year-on-year given this instability.

Brian Kinstlinger - Sidoti & Company

Okay. In terms of pricing as well as currency clauses, first of all I'm interested to hear -- I mean the cost of business is outrageous right now obviously in Europe. I'm interested to hear what kind of price increases you are trying to push -- you acquired your biggest competitor. So it seems like my other companies have been able to push some pricing increases? Second question is, that coupled with currency clauses, how open are your customers? Are they pushing back on that? Are they understanding? Give us a sense of when that might also have an impact on the numbers?

Rory Cowan

I think some -- nobody likes prices to increase. I mean you don't like your Starbucks raises the prices in your morning coffee because of coffee prices in Brazil. Clearly, they are also -- we are dealing with customer by customer. Our larger customers actually with the large programs actually understand this change because they are gathering so much benefit from the euro-euro sales that they have. I don't want to say it's a flight to quality but we are finding larger programs with larger European presence

really and to understand our situation; that's point one. Another sector that has much more flexibility and pricing understanding our current models is the general life sciences world because of course there are high costs of failures, so the higher quality segments and those that are enjoying strong international. The traditional areas -- that don't like price increase are the smaller software companies that are in Europe for the first time or two. They too are experiencing lots of headwinds in their European expense structure before European revenues come in. So it's various price segment Brian. We are a \$0.5 billion company now and I can't say that our customers want this because it's really -- we probably address maybe 15 or 18 individual segments when you segment it by application, customer size and geography.

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