

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

## ENGlobal Corporation Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) Our first question this morning is coming from the line of Rich Wesolowski with Sidoti & Co. Please, proceed with your questions, sir.

#### Richard Wesolowski – Sidoti & Company

The headcount was very reassuring; can you contrast the increase that you had in the first quarter with the flattish type numbers that we've seen in the second half of '07. Was this the renewed effort? Was it just the chance of employees that were available? Was it tied to your backlog and when work was available etc?

#### William Coskey

I think it's mostly -- I think it's two times. I think it's the terminated ethanol project we saw a little decrease in headcount coming after that late last year and its monthly just staffing to meet our increased backlog going into 2008 and again a lot of this increase in personnel came from our pipeline inspection Rick, which is within our construction group -- construction business and so that's where a lot of the people were added.

#### Richard Wesolowski – Sidoti & Co.

Are you adding any engineers?

#### William Coskey

Yes, we are. In fact I can tell you that all of our four groups are in a hiring mode; we are adding engineers and I think we will continue to see an increase in the staffing throughout the year, I just can really project. I would sense 200 or 250 for the full-year and hope I am conservative.

#### Richard Wesolowski – Sidoti & Co.

Okay. How much -- you mentioned that inspection revenue was up over a 100%; how much was the inspection revenue in the quarter?

#### William Coskey

About \$26 million, \$27 million.

#### Richard Wesolowski – Sidoti & Co.

For the quarter?

**William Coskey**

It was about 13 I guess, it doubled I think.

**Richard Wesolowski – Sidoti & Co.**

So, it is 13 in the March '08 quarter?

**William Coskey**

Yes.

**Richard Wesolowski – Sidoti & Co.**

Okay. Inspection business has always been quoted as a stable mid-teens type of gross margins, so I'm a little confused as to why a revenue mix heavily weighted towards inspection -- even if it was a 100% inspection would take the construction gross margin down to 8% or so?

**William Coskey**

In terms of gross margin -- in terms it's probably lower than mid-teens. I think it's probably in the low-teens and that's just -- it is what it is and we are going to do everything we can to get the margins up there but right now we're probably in the low-teens for that.

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