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Perot Systems Corp. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

This concludes the formal portion of the conference call a question-and-answer session will now be conducted. To ensure adequate time for all questions, we request that you please ask only one question with a brief follow-up if necessary.

Your first question is from Rod Bourgeois with Bernstein.

Rod Bourgeois - Bernstein

Hey, guys. I wanted to inquire about the margin trajectory for 2008. You made commentary about your margin outlook on the last earnings conference call, and I wondered if you could give us an update, and the specific question I have is, are you ahead or behind your internal plan for the 2008 margin progression, and if you can just re-explain what type of margin progression you are expecting throughout the year that would be helpful.

John Harper

Yeah. Thank you, Rod. We are right on plan, we stand by the statement we made last quarter that we see operating margin improvement of 50 to 100 basis points of 2007 which puts 2008 in a 6.6 to 7.1 operating rate.

We expected to be ahead of 6.5 in the first quarter. We were at 6.5, we had to pass through revenue in the quarter that we noted in the formal remarks that actually ticked us down by about 10 basis points on margin. So we would have been right at 6.6 in the first quarter had it not been for that. We think we have the opportunity to increase margin sequentially as we move first quarter to second quarter, and I think we are right on plan.

Rod Bourgeois - Bernstein

Okay. Are you feeling equally comfortable with the low end of the 6.6 to 7.1, as you are with the high end of that range?

John Harper

Yeah. I won't give any color around that just to say that we feel comfortable that we will be within that range.

Rod Bourgeois - Bernstein

Okay. Alright. And Peter, I guess I wanted to ask you. You mentioned strong progress against contractual milestones and various award that Perot has won. And I guess what I wanted to inquire about is, does this suggest that you're very pleased with Perot's overall customer satisfaction and contract performance?

You won a number of large healthcare-related deals in recent years, and are you pleased with the customer satisfaction and performance on those contracts in aggregate at this point in time?

Peter Altabef

Thanks, Rod, and I appreciate your questions. You know customer satisfaction, it's hard to overstate how much we are now focused on that. And to say that I'm pleased with it, I have to tell you since we've got associates listening on the call, they are never going to hear me say I'm pleased with customer satisfaction, because there is something that we hit hard every single day, and I spend a lot of time with our clients actually asking them one-on-one about our client satisfaction.

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