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iBasis Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes, sir. (Operator Instructions) Our first question comes from the line of Jonathan Schildkraut with Jefferies. Please go ahead.

Jonathan Schildkraut-Jefferies & Co.

Good evening, Ofer and Dick, I hope you guys are all right. Thank you for taking the questions, I have a couple here. You know I looked back over the history of the old iBasis model and this is the first time I've ever seen a quarter-over-quarter decline in MOUs and I was wondering if you could give us a sense as to what was going on competitively in the market, whether this was more of minutes shifting off your network or if, just in general, that the overall minutes were just down.

Ofer Gneezy

I think that there are a number of factors here: one is that based on industry reports that we have, this was in fact a broad decline in minutes for the wholesale industry. I think that historically our growth rate was strong enough that even in down quarters for the industry we continued to grow our traffic. Other factors that contributed to it is that in Q4 we had significant lift from the holiday's in particular, in Christmas, and the hodge that creates a lift in traffic and also Q4 has one more day, which with our scale now is close to \$0.5 million in profit and a good amount of traffic. We believe that this is more of a seasonal change and that the market overall will resume the traffic growth and likewise ourselves will resume the traffic growth. Of course we have on top of the market trends; we expect to add on, beginning in this quarter, the traffic from TVCs business.

Jonathan Schildkraut-Jefferies & Co.

Yes, you know along those lines, two to follow on questions: one, had you seen anything in the quarter that had led you to believe that industry growth was less than you had seen in the past? I mean can you point to anything that can help us understand from maybe more of a macro perspective, why we saw the minutes slow down on an industry basis? Also, along those lines, should we expect a greater seasonality in the company's business given the increased scale?

Ofer Gneezy

Yes, you know as the quarter progresses we see the minutes coming into the network, we don't necessarily see information about the competitors other than what we see in the market. I don't think that we have seen particular changes other than, if you remember last year in Q1 we also saw some pressure from a couple of European carriers that, in the fiscal year at the end of March, that became

more aggressive in the market. So, that might have put some pressure on our traffic volume, but I don't think it really reflects the overall market. I think that there was just a decline in the overall market that I cannot explain by any macro shift. I think that it's more seasonal than a macro shift in traffic. I do think that, given our scale now, we will be more in line with overall seasonality in the business, although we don't feel that we have enough quarters of the combined operation to really call exactly the quarters. I think we will have to go through some longer period of getting the full impact of the seasonality under both sides of our business.

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