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CDI Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Our first question is coming from Jim Janesky with Stifel Nicolaus.

Jim Janesky - Stifel Nicolaus

I have a couple of questions, I guess really the first is a clarification on your outlook for 2008 and the first quarter. First on the revenue growth outlook is that excluding Today's Staffing out of the numbers so that would just be core -- you want to take the revenue numbers out of 2007 in order to determine that revenue growth figure?

Roger Ballou

Yes, that's correct. We're forecasting growth on the continuing operations basis.

Jim Janesky - Stifel Nicolaus

Okay.

Roger Ballou

We, we would exclude today's. Yes.

Jim Janesky - Stifel Nicolaus

And the margin growth, was that a growth number that you gave the 7% to 9%?

Roger Ballou

That, that's intended to, that 7% to 9% is the growth in dollar margins we anticipate in the quarter.

Jim Janesky - Stifel Nicolaus

Jim Janesky - Stifel Nicolaus

In dollar margins, again you have to take out the operating, I know it's not--it wasn't significant but some of the operating profit that was contributed from ?

Roger Ballou

Not operating profit. What we're talking about here is gross margin. So it'd be a 7% to 9% growth in gross margin –

Jim Janesky - Stifel Nicolaus

Oh, gross margin.

Roger Ballou

– backing out today's. Yes.

Jim Janesky - Stifel Nicolaus

Okay got it. Okay great. That's very helpful. Thanks. Now moving on to permanent placement, can you give us some idea, I think if you did a good job explaining how the mix differs and there's obviously a dramatic difference and less cyclical in healthcare and pharma, but can you give us an idea of how franchise sales might react in a tougher economy and I believe that you know, contract staffing was probably either not there or not a significant portion of revenues in the 2000-2001 time frame so maybe your expectations for that aspect of the revenues as well.

Roger Ballou

Sure. we look at a couple of things. I'll give you a little bit of comment on royalties, and then I'll give you a comment on what we think in franchise sales, and then, and give you a little time for our staffing color at MRI.

What we've seen early in the year this year is a continuing uptick in permanent placement activity through our MRI franchisees. So we are seeing growth in the middle single-digits in the MRI franchisee placement activity and billing volume early in 2008. So that would bode well for some growth in royalties this year and we, we see that continuing at this point. Secondly, from a franchise sales perspective, we expect to have a very good year in franchise sales this year. We've got opportunities for incremental sales in key international markets through our worldwide partners. We've also got significant pipeline of franchise sales activity domestically. We think we can sustain growth in franchise sales over last year.. So we believe that's doable and we've done that and if you look back in the early 90s, we actually grew franchise sales through the recession. In the 2002,-2003 period we shrunk it but that was a conscious decision to de-emphasized the growth at that point. So we'd expect to see growth in franchise sales and from contract staffing perspective our penetration is relatively low in the sense that we've only got a portion of our offices participating. Those offices are only ramping up, so what we're seeing early days here in the beginning of '08 and we'd expect to see continue through the year is very strong momentum in contract staffing growth at MRI.

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