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Lionbridge Technologies Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) One moment please. Brian Kinstlinger of Sidoti you may ask your question.

Brian Kinstlinger – Sidoti & Co.

First question I had was related to the success you've had in closing an office in Germany. One of the things you mentioned in the past was concern about relationships and things like that. I'm wondering if based on that success you're expecting more such actions and a second related question to that, Don, is are there are many charges? I counted like \$600,000 in charges in the gross margin. Will we see any more of that related to Germany going forward?

Rory J. Cowan

Let me first talk about the – really Brian you want to take these in context because this is a complex world and so our approach in Germany was different than our approach in New York. In Germany we were able to – we had an office we acquired with Bowen and were able to merge that into one of our other offices and that reduced the overhead expense associated with an office, lease expense and other things and it concentrated the delivery personnel in a building that we owned and we have significant excess space in. So that one had to be thoughtful, this is a services business, it's a little bit like merging law firms and having your lawyer of many years go away. You want to make certain that that client is handed off gently. Our team in Germany did an excellent job of combining these two offices and on our worldwide finance call last week our team in Germany mentioned that a couple of the customers are delighted with the new teams they have. New York was a different experiment for us. Given that that was in our time zone and given that Manhattan is not an inexpensive place to translate words, we decided to really put more of the knowledge into the cloud and so we offered employment onsite for some of our large New York area of activities so customers are much more delighted they have a PM actually in their building managing their program. And then we offered some employees the ability to work from home. So we crafted our technology platform to be able to do this. You're seeing this at home work begin in lots of call center businesses, contact center businesses now that the Internet of course more and more information is in the cloud it's easy to work remotely and so I think that that's a model that we want to continue evolving. Regarding the charges of course that ended up in the gross margin line, Don you may want to add something here, but that was clearly because there was ongoing benefit for some of these charges so accounting conventions that you'd normally put into restructuring suggest that it would go into cost of sales.

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