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Spherion Corp.Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operators Instructions). Our first question is from Jeff Silber. Please state your company name.

Jeff Silber

Thanks. It' s Jeff Silber with BMO Capital Markets. Mark, I was hoping to get a little bit more color on your guidance, if you can give us any detail by segment that would be helpful? Thanks.

Mark Smith

All right Jeff, we'll certainly do that. It's a little bit more complicated than in the past just because of the acquisitions. So I will walk through this thing and if we need to follow up at all, I would be happy to do that. So let me start with revenue and work through margins and SG&A. So, just top line at the high end of our revenue guidance is 600. We'd see sequential growth of 3% and year-over-year growth of 30%.

Let us talk about the 30%, the total company the 30% would reflect organic growth of 3% combined with acquisition additions or acquisition growth of about 115 to 120 million.

Let me talk about each segments then year-over-year revenue at the high end of the range for staffing services would reflect mid single-digit organic growth and about 40 million of acquisition growth. Year-over-year revenue at the high end of the range for professional services would reflect flat organic revenue due to the recent completion of a large IT project and our base Spherion business combined was about $75 million of acquisition related additions for growth.

Sequentially you will see staffing pullback at the high end of the range about 5% just due to our normal seasonal pull back; you see that with our numbers all the time and profession will be up about 25% primarily due to the addition of fourth quarter of Technisource.

At the low end of our revenue guidance range, I think the only real change you could see is that instead of a 5% pullback in staffing service, maybe we would see a 7 to 8% pullback, which would account for about the $15 million within our guidance range.

Moving on to margins, you will see a 70 to 80 basis point pullback sequentially in overall margins due to SUTA rates resetting at the beginning of the year, just like they always do. And then fully offsetting the SUTA impact on margins on a sequential basis is lower expected first quarter PTO, Paid Time Off and the positive impact that Technisource brings as it comes in with its 27 to 28%

average margins compared to our average margin in that 23% impact level. So as such, the only real impact on margins in the first quarter between the low and high point of our range is the impact of mix between temp and perm and between staffing and professional as they grow at different rates.