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Administaff Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question comes from Tobey Sommer - SunTrust Robinson Humphrey.

Tobey Sommer - SunTrust Robinson Humphrey

A question about the slower outlook on the part of your customers. Can I ask you what your game plan is if that accelerates from here, considering it has changed versus what you saw in the marketplace 90 days ago? What if 90 days from now the situation worsens? What levers do you have at your disposal to pull to alter your game plan? Thank you.

Paul J. Sarvadi

That is a good question. We will be monitoring very closely what clients are doing. But what happens in our business at this time of the year is we are able to kind of get a feel for our clients going-forward plan. There was somewhat of a battening down of the hatches that took place over the year end cycle. But their game plan is pretty much in place for the going forward. So, we are pretty comfortable that we've got the right outlook built into our going forward game plan.

I think if we saw further issues like layoffs significantly exceeding new hires and things of that nature we again would look at some tightening up relative to the operating expenses. But we also have built into our operating model that our incentive comp program triggers off of the ongoing results that are generated. So we've got a little room in the game plan that way as well.

Tobey Sommer - SunTrust Robinson Humphrey

For additional color I was wondering if you could comment, does your current outlook contemplate zero net worksite employee additions among the existing customer base or do you contemplate perhaps some slight headwind in that regard?

I was wondering if you could comment on the timing of your office openings and the expenses associated with them. I apologize if I missed this in the prepared remarks whether they were first half, second half loaded or just evenly throughout the year?

Paul J. Sarvadi

Let me handle the first part there. As far as building in our forecast we felt like the right thing to do based on the hiring plan that we can see into our client base that it looks like more of a steady state so we built in pretty much a dead on the water scenario relative to new hires and layoffs so there

would be no benefit but no major detriment coming from that aspect. So, I'd say it's more of a steady state that no gain, no loss. So maybe a slight impediment but we did not factor in more of a wholesale major layoff scenario because we don't see that coming.

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