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COMSYS IT Partners Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

We will go to Jeff Silber with BMO Capital Markets.

Jeff Silber – BMO Capital Markets

Thank you so much and congratulations on a solid quarter. I was wondering if we can get a little bit more detail underlying your fourth quarter guidance maybe in terms of headcounts, gross margins, and EBITDA just to kind of help us model a little better.

Amy Bobbitt

For the fourth quarter headcount, it's basically flat over the third quarter and utilization is consistent with seasonal trends. Our revenue per day at the low end is down 3%, at the high end it's consistent with the third quarter. We're expecting flat SG&A.

Jeff Silber – BMO Capital Markets

Even on the interest expense line?

Amy Bobbitt

Interest expense line we expect to be slightly down from Q3 based on the market drop in rates.

Jeff Silber – BMO Capital Markets

Okay, and you had mentioned further debt reduction, do you think we'll be seeing the kind of level of debt reduction you did in the third quarter in the fourth quarter as well.

Amy Bobbitt

No, we will not.

Jeff Silber – BMO Capital Markets

Okay, it's a little bit smaller than that.

Amy Bobbitt

Yes. We're currently averaging on our revolver about \$60 million, on our revolver.

Jeff Silber – BMO Capital Markets

Alright great, couple of other numbers questions. I know you're looking at EBITDA excluding stock-based comp, but I just was wondering what stock-based comp was in the quarter.

Amy Bobbitt

It was approximately \$1 million.

Jeff Silber – BMO Capital Markets

Okay and is that something that we should expect going forward as well?

Amy Bobbitt

Yes.

Jeff Silber – BMO Capital Markets

Okay, great and then you mentioned in terms of the tax rate and I know you're not getting any guidance for next year, but you know, assume that you do release the valuation, roughly what kind of tax rate will we be looking for in both the first half of '08 versus the second half of '08?

Amy Bobbitt

The first half of course will be determined based on our full year income but I would expect it to be somewhere in the 10% range. The second half is going to be greatly affected if we end up releasing that valuation allowance, it'll cause a large negative tax rate for the rest of the year and then going into 2009, we would be looking at a standard statutory rate.

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