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GFI Group Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line Dan Fannon of Jeffries & Company.

Dan Fannon - Jeffries & Company

Good morning. And thanks for taking question. Your guys' pretax margin has bounced around a bit in recent periods. You've done a nice job on the non-comp side this quarter. As you look going forward, do you think the pre-tax margin you saw in the third quarter, is that sustainable, or do you think you will see some expansion from here as you look out over the next couple of periods?

Jim Peers

That's a good question. I think we're getting a better handle on the non-comp costs. I think as you saw from the third quarter and the second quarter, even though it's down as a percentage in absolute dollars, it's flat. And with the higher revenue base, that has improved our leverage. We hope that that's sustainable.

However, I think one of the things that people forget sometimes is our business is seasonal, and a good example in the fourth quarter, we would hope that we can continue to stay at that absolute dollars for non-comp. But obviously, I would think that we're going to see a slight increase in T&E, which is normal for the fourth quarter because of the holiday period. And so you will see some other slight increase there.

And typically, sometimes we get some one-off costs, which we just cannot predict. But I think we are focused on trying to maintain that absolute dollar level with the higher revenues that we have, so therefore we continue to see the leverage.

Dan Fannon - Jeffries & Company

Okay, that's helpful. And in terms of broker retention and the market for hiring new brokers, what do the heightened levels of volatility do to that market and your ability to grow, or as I said, retain employees?

Michael Gooch

I'm going to give this question to Colin Heffron, our President.

Colin Heffron

The heightened loads of volatility are actually very good for us, in terms of the retention gain because it's a bit like playing with the number one team. When things are going really well and markets are trading very actively, you think a lot more about staying where you are and enjoying the market position and the dominance that we have in a lot of our product.

So in terms of volatility or it just being busy, it's very, very good for our business on both levels. Obviously, it just drives volume, but it also concentrates the mind and keeps people right where they should be.

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