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Convergys Corp. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Jason Kupferberg with UBS.

Jason Kupferberg - UBS

Hi, good morning.

Dave Dougherty

Hi, Jason.

Jason Kupferberg - UBS

I wanted to talk about the outlook here in two dimensions. First of all, I know you mentioned that IM is on track to achieve its '08 goals. Can you comment on Customer Management and HR, excluding potential charges in Q4? How you are expecting the year to track versus your prior expectations, and do you have any comments around the full year free cash outlook?

I know you had been expecting a strong second half, and it doesn't look like third quarter really went in that direction. Are there any implications from a rating agency prospective with the free cash flow remains challenged?

Earl Shanks

Sure, I'd be happy to comment on all of that Jason. I think, in general, the businesses apart from the charge on bigger part have tracked against our expectations in the third quarter and, in general, are going to be in the range of the expectations that we laid out for each of the businesses that we laid out in July. I think the range for the second half of the year is going to be pretty consistent with that. So there is no real change with any of the businesses in that regard.

In terms of cash flow, you are right, the third quarter was less than we expected it to be. Significant contributor there was the additional cost we had in HR Management that will have some impact as well in the fourth quarter, so I am pessimistic about our ability to get to our previous cash flow guidance for the fourth quarter. I still think it will be positive and much stronger positive cash flow than what we saw in Q3, but probably not getting us to the full year numbers I would expect.

I think the good news from a cash flow standpoint as we look at it is the cost that we are incurring in HR Management, we think are peaking here in the second half of the year and we see a significant

positive swing year-over-year from a cash flow standpoint in terms of what will be required for that business, and therefore the overall impact on our cash flow, and so therefore I am more encouraged about where cash flow will come out in 2009.

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