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## MPS Group, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you. (Operator instructions) We will take our first question from Tobey Sommer with SunTrust Robinson Humphrey.

#### **Tobey Sommer – SunTrust Robinson Humphrey**

Thank you. I wanted to ask a question about your expenses and maybe in looking at them from a variable versus fixed standpoint, as demand does change and right now in some segments where figures changing in a negative fashion, to what extent can you track those declines on the expense side, and maybe breaking apart with fixed versus variable would be a helpful way to look at it.

#### **Bob Crouch**

Hi, Tobey, this is Bob. I'll take that one. If you look at our aggregate expense line of SG&A and you break that down between fixed and variable, I'm not going to break it down by every single division, but it's about two-thirds fixed, a third variable from the way we define. So that is something we think is very manageable. And then you get into – and part of that fixed cost is employees' salaries and things like that, which naturally we have a higher turnover in this industry than most, which is about a 30% turnover rate. So, some would look at that as variable, but we've included that in the fixed line item.

#### **Tobey Sommer – SunTrust Robinson Humphrey**

That's helpful. And then to what extent are in long-term versus short-term leases and maybe in any year or two-year period, how much of your real estate expense comes up for renewal?

#### **Bob Crouch**

I'd say – if I have to guess at it, I'd say about 25% of it comes out for renewal every year, Tobey. We are looking at on average three to five-year leases. So that's about it.

#### **Tobey Sommer – SunTrust Robinson Humphrey**

Okay. And then from a bigger, broader standpoint, I understand that you've got several businesses as you highlighted I think very well in the prepared remarks that are likely to be kind of more resilient in a cyclical downturn. Are there more businesses that you've targeted in a cycle downturn that you want to kind of bring into the fold of your collection of businesses and help position yourself even better for the next upturn?

## **Tim Payne**

Yes. Tobey, this is Tim. Yes, we are – there is always new specialties coming up, and we've entered a number of new specialties over time. And you even get sub-specialties within a specialty such as – you know, pharmacy is an area that we've jumped into under the healthcare umbrella. So, yes, we will continue to look at getting the new businesses. And we kind of use this time right now just a little bit like the off-season in baseball. You can't win the pendant during the off-season, but what you can do is you can make the team stronger for the next season. And so we'll look at ways to do that. Doing that from an acquisition standpoint is a little bit tough right now because the results of the lot of the companies that you would buy are a little bit down and that makes the private owners a little bit less willing to want to sell on bad results. But to your point, there are some businesses that aren't as impacted by the cycle, that we might be able to pick up for pretty reasonable prices right now. And we are looking at a couple of those.

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