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Kenexa Corporation. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. And we will go first to Peter Goldmacher with Cowen and Company.

Peter Goldmacher

Hi guys. Hey Rudy, when you talk a little bit about your optimism in the business once we – hopefully the economy settles down. What sort of things are you going to be -- what sort of earnings before you start reinvesting in the business? And maybe before you answer that, if you can talk a little bit as you are going through your headcount reductions, what areas are you focusing as on? Thanks.

Rudy Karsan

If you look at the headcount reductions, our focus was primarily on G&A physicians and non-customer facing physicians. We met research and development and customer facing virtually untouched. As part of the reduction, there was non-deductive sales people also – although I've considered bench type sales people will also reduce. So that number now, which I think we had at some point over 130 sales with quotas were now between 100 and 110. The sign that we will see or but we will judge that we are now starting to bottom out is when our variables starts dropping. So if we fall at Stage 5, starts to reduce a new into signage while the pipeline still remains somewhat robust. In terms of development and investing in the product suite, we have continued to invest very heavily in this. If you look at between '07 and '08, our average spend on R&D has climbed and I expect that it may continue to climb into 2009 as well. So our commitment to innovation, our commitment to products remains unchanged.

Peter Goldmacher

Okay, great. Thank you.

Operator

Our next question will come from Sasha Jorbig with Goldman Sachs.

Unidentified Analyst

Hi. This is [Yo John] on behalf of Sasha Jorbig. Couple of questions. Could you comment on customer churn that we saw in the last quarter? And the second question is could you also comment

on the pay back period in your contracts and in your contracts that you got signed in the last quarter?
Thanks.

Rudy Karsan

As far as renewal rates are concerned, for the first quarter, we dropped below 90% to the high 80s. This was primarily due to a customer in Europe that delayed their renewal, which we fully expect to come on and get us back about the 90% going into the future. Sorry, I didn't quite understand the second question.

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