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ACI Worldwide, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from George Sutton - Craig-Hallum Capital.

George Sutton - Craig-Hallum Capital

As you have realigned your cost structure fairly aggressively over the last couple of quarters and frankly couple of years, you now have a lot more delivery capabilities outside the U.S. relative to before. Can you just lay out for us what the cost to deliver a new system to a new customer would be today relative to where it might have been two years ago and how that might impact your overall income statement long-term?

Phillips Heasley

I can't. On an apples-to-apples basis I have to make a couple of statements. One is the size deals we are doing because of the change in the nature of the banking industry the deals are getting bigger and bigger instead of smaller and smaller. So therefore it is not totally apples-to-apples. Previous 2006 and earlier we were basically dependent on the United States and Great Britain as our major resourcing locations. We had some support in Australia and the Netherlands on a product basis but those were our two main support centers. We now have close to 150 engineers in Timisoara, Romania and they are almost 100% dedicated to EPS. We have about 1.5 times that amount in Bangalore, India and they are pretty much 100% devoted to the wholesale side of our business. So that can explain it a little bit that way.

Then over 2/3 of our revenues are actually overseas. So part of what we did was we grew our business extensively overseas without kind of right-balancing our cost infrastructure behind it. You win your deals market by market based on the competitive nature of those marketplaces and the reason we had to adjust was southern Europe's engineering costs are about 40% to Great Britain's. Great Britain's are about 110% to the United States whereas Romania is probably 65-70% to the cost of southern Europe. So the combination of using our American staff and our staff from Great Britain along with Timisoara, we have a very competitive deal. So without giving you numbers, instead of the typical installation costing us 20% we now are setting goals where we are looking for margin of about 20% on an installation.

Is that too vague?

George Sutton - Craig-Hallum Capital

That’s what I’m trying to understand long-term as these deals come through your pipeline you are going to consistently see higher margins and that is what I wanted to understand. As a follow-up for Ron, you had mentioned you are in the midst of a number of pricing discussions with customers and I just wondered if you could give us a better sense of what kinds of price changes you are suggesting to the market and again what kinds of discussions you are having on those lines.