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TechTarget, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Mark May from Needham. Please proceed.

Mark May – Needham

Thanks for taking my questions. For the fourth quarter revenue guidance, what is the general segment breakdown?

Greg Strakosch

As far as between revenue streams?

Mark May – Needham

Yes, between the three segments.

Greg Strakosch

Yes. The breakdown for revenue, Mark, is going to be pretty close to what was in Q3. Generally speaking, the midpoint is \$25.5 million and we did an actual number of \$25.2 million. So I think you'll see online about little bit short of the Q3 actual and events being a little bit more than the Q3 actual.

Mark May – Needham

Okay. So call online kind of in the \$18 million range in ballpark, which would obviously be, as you mentioned in your prepared remarks, kind of unprecedented, but sequential and year-over-year decline. Given that you have such high gross margins, if you look out into '09 and if the kind of revenue softness that you're seeing right now persists into '09, really the only way that you can maintain your profitability is by headcount reductions. As you mentioned, most of your costs – your operating expenses are labor-related. Is that something that you are seriously considering right now as part of your '09 review?

Greg Strakosch

Yes, we're right in the middle of the process right now. So it's premature to talk about specifics. But just reiterating what I said in the call, we are very cognizant that they have the right balance between profitability and investment. So we're definitely – we're very focused on maintaining our margins.

Mark May – Needham

And what is the current headcount?

Greg Strakosch

It's roughly 600.

Mark May – Needham

Okay. And in terms of – I think your largest operating expenses line is in the sales and marketing line. How much of that is variable in nature? Meaning, with – if revenues were to decline, say, 5% from Q3 to Q4, which is not what you're projecting, but if they were, would sales and marketing expenses be flat, go down, go up?

Eric Sockol

Mark, this is Eric. In regards to Q4 this year that we just gave guidance on, we expect the operating expenses, that being sales and marketing, product development and G&A, to be slightly less, maybe \$100,000 in aggregate from what the actual was in Q3. And for the three classes to be very close to what the actual was, because we're expecting just about – as mentioned, about the same revenue, and between now and this quarter, the cost structure would be very similar to what it was in Q3.

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