

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

ICT Group Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes, thank you. Ladies and gentlemen, we will now be conducting a question and answer session. (Operator Instructions).

Our first question comes from the line of David Koning with Robert W. Baird. Please go ahead.

David Koning - Robert W. Baird

Hey, guys -- and it seems like you're making some nice progress here.

John Brennan

Thank you, David.

Vince Paccapaniccia

Good morning, David.

David Koning - Robert W. Baird

I guess, first of all, when we look into '09 -- the margins have started to get a little better this quarter, and that's certainly encouraging. As we look into '09, there's a bunch of moving parts sort of around the margin. One is that the FX rates and the Philippine peso is getting a little better. Another is I know there were a lot of ramp costs still in '08 as you were ramping the Philippines, and so that might start to go away and really get better in '09. And then utilization seems to be getting better, too.

So I'm just wondering, as we put all those parts together, how do you see margins sort of progress in '09 from kind of a flattish or so '08?

Vince Paccapaniccia

Well Dave, as you know, we haven't put out any 2009 guidance. But as we sit here, as we look at it, we see these same trends continuing. We are flying in the face a little bit of the current economic environment, but we believe, with what we're doing from a labor and productivity standpoint, the capacity and utilization improvements and some of those additional items that you've mentioned, our objective is to continue to improve operating margins sequentially as we move into 2009.

David Koning - Robert W. Baird

Will Q1 be the typical kind of downtick? I know Q4 is usually a good-margin quarter. Will that be the one sequential downtick that you'd probably expect and then kind of ramp from Q1 again?

Vince Paccapaniccia

Yes, simply because that's typically the period where we have somewhere in the \$1 million to \$2 million worth of cost burden in Q1, Dave.

John Brennan

Yes, I think like most people, we're not – probably not expect a big sequential bump in the fourth quarter that was typical because of the economic outlook right now, but we are growing production volumes. And as you said, there's a lot of moving parts between the foreign exchange rates and the US dollar.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.