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Taleo Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first quarter comes from the line of Tom Ernst with Deutsche Bank. Please proceed.

Tom Ernst – Deutsche Bank

Good afternoon. Thanks for taking my question.

Mike Gregoire

Hey, Tom.

Tom Ernst – Deutsche Bank

Mike, I think you made a strong case for why growth continues for Taleo despite a weak environment. The question is, if the environment is worse than you think, what is your ability to adjust a cost ramp in the model in real time, and perhaps you can flatten it out or reverse it? And then also what's your commitment to doing that? In other words, if you find the environment is worse, do you drive your top line targets or do you commit to the bottom lines first?

Mike Gregoire

That's a great question, Tom. And as I said in my opening remarks and Katy said as well, the future is not exactly crystal clear for any of us. We've been watching and monitoring large companies as well as small companies as talking to a lot of our customers. We do have an awful lot of flexibility just due to the model. I can slow down a release. For example, I can slow down the release of Monarch in 2009. I can slow down marketing spend. We can stop hiring sales professionals. We have a fair bit of flexibility in our model to adjust expenses. And what we would do if we bumped into something that was significantly or materially different than what we have planned for, we have to balance how much market share could we get and what would be the total cost of getting that market share compared to getting to the bottom line. As you know, philosophically our company, and Katy and I are united this, we want to be a profitable SaaS company. You can see the growth that we've done just this quarter alone going from approximately 8.7% to the mid 11% in operating margin. We're able to do that in a tough economy. And we would want to be able to measure what's the biggest business value. The top line is not there. You better make sure you're driving the bottom line. But if the top line can be there, I think we can still preserve the guidance that we put into our bottom line and get to growth in the top line. Hey, Katy, do you have anything you'd like to add to that?

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