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iBasis Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jonathan Schildkraut - Jeffries.

Jonathan Schildkraut – Jeffries

A couple of questions here; first a housekeeping item. Dick, I missed what the CapEx number in the fourth quarter was?

Richard Tennant

It was \$2.5 million.

Jonathan Schildkraut – Jeffries

Okay, great. Two questions; first, it looks like accounts receivable spiked in the quarter, came up about \$20 something million, but in terms of days sales outstanding, it looks like it went up significantly, like maybe from the mid 50s to low 70s. I was wondering if you could give us some color around that.

Additionally, I guess the next question is the outsourced revenue came in at about \$17 million quarter-over-quarter and you did highlight that some of that was due to currency fluctuation. I think as much as \$10 million could have hit that line, but still it shows us that the number has kind of come down pretty substantially in the fourth quarter and I was wondering if there are any other impacts in there that we should be noting. Thank you.

Richard Tennant

Jonathan, let me take the question on the accounts receivable. If you look at a quarter-over-quarter comparison, our net working capital actually did go up. The change in receivables gets influenced by the fact that we have a number of customers which are also vendors and therefore have offset agreements. So there are offsetting accounts payable which have also gone up during that period of time. So, as I said, our net working capital is actually increased.

We also have some timing differences that are related to some of the bilateral agreements that will also influence the level of both receivables payables and the net working capital.

Ofer Gneezy

Regarding the outsource Jonathan, as we said in the Q3 call, Q3 is typically a strong quarter for us because there is more roaming traffic coming from the mobile entities that we serve in Europe, mostly the KPN mobile entities. In fact in Q3, we saw a good increase in the amount of traffic on outsource. That seasonality or seasonably high traffic in Q3 then moderated in Q4, pulling down the minutes, the revenue and the gross profit. In addition to this, we had the currency translation that you mentioned and we also had some competitive pressure on some mobile traffic.

Jonathan Schildkraut – Jeffries

Okay. I guess the last question here is that it seems like you have got some proxies you're working through in the front end of this year. Do you think that we will then see margin expansion towards the back end of the year or is that the goal from some of these projects and how might we think about the course of 2009?

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