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Investment Technology Group, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from the line of Chris Donat with Sandler O'Neill. You may proceed.

Chris Donat – Sandler O'Neill

Good morning, Bob, good morning, Howard.

Bob Gasser

Good morning, Chris.

Howard Naphtali

Good morning, Chris.

Chris Donat – Sandler O'Neill

As far as the clearing in Europe goes, I'm just trying to get a rough sense of what the transaction expenses are currently right now. Is it safe to say like 40% of the 18.6 million are revenue, is that –

Bob Gasser

As I indicated, it's around 37% or 37.9% rather in the fourth quarter.

Chris Donat – Sandler O'Neill

Okay. And I can take that total European revenue as being – that's the right number to look at, that's not a – it's not some subset of that?

Bob Gasser

It's commission revenues, the right number to look at.

Chris Donat – Sandler O'Neill

Okay. Okay.

Howard Naphtali

And, Chris, there is both a financial and a strategic element to that as well. As I alluded to in my remarks talking about as these multilateral trading facilities emerge, they have been setting up their own central clearing organizations and so from a strategic perspective in maintaining the pace of connecting and trading and clearing with those MTFs, our view is that that will remain an issue over the course of '09 and for the foreseeable future. So there's both a financial and a strategic element to our plan.

Chris Donat – Sandler O'Neill

Okay. And you said before it's a plan at this point, it's not a done deal that you're all the way committed to doing it, is that right?

Bob Gasser

Yes. Something that will be implemented over the course of this year, really to position 2010. It's a fairly lengthy heavy lift.

Chris Donat – Sandler O'Neill

Right. So it's even longer than the rollout on the US side when you went self clearing?

Bob Gasser

Yes. We haven't started the rollout. We're still in various vendor selection phases of the project.

Chris Donat – Sandler O'Neill

Okay.

Howard Naphtali

But it is integrated into our 2009 plan.

Chris Donat – Sandler O'Neill

Okay. And then just trying to get a sense on run rate expenses, I appreciate the guidance you gave on some of the key issues, Howard. Just thinking about the G&A level, I know you took that bump up this quarter because of the one-time items. Can we expect to see more one-time items in that line? And also, I guess, depreciation in the past for software, is that going to drop off a little bit, maybe, with less investment?

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