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TeleCommunication Systems, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first comes from Scott P. Sutherland, CFA – Wedbush Morgan Securities, Inc.

Scott P. Sutherland, CFA – Wedbush Morgan Securities, Inc.

Not too much to really pick on here so I just want to go through a few things here on where you can prove. Can you talk a little bit more about where you do see these government system margins going? Obviously you had 12.5%. You talked about some pass through items. Do you think you can still get these in the mid to high teens or even higher than that and how long do you think that'll take?

Maurice B. Tose

Scott, I think you anticipated the answer with the acknowledgement of the pass throughs because the main body of our business is likely to grow as to gross margin up into the high teens and the aberrations occur when the pass throughs come in at single digit margins and in the quarters when they happen that brings the average down.

It's cash money to the bottom line so it would be unwise to not take the business but for modeling it leads to hang in the mid to high teens in projecting what that top line's going to yield at the gross profit line.

Scott P. Sutherland, CFA – Wedbush Morgan Securities, Inc.

Another question is obviously these big government deals, it seems like you have some AR building there so the cash flow is mutual in the quarter. How do you expect that to flow out in 2009? Do you expect to caption onto that accounts receivable for is the government just longer to pay on these deals?

Maurice B. Tose

No, there were a couple things. One we had very heavy shipments in December which skews the DSOs and we had a couple of unique situations that had nothing to do with credit or even deliberate slow pays. There actually was a new government electronic payment system where folks had trouble logging in with the right numbers to authorize release of cash to us.

I like to think that's a nonrecurring situation that's going to lead to better DSOs at March 31 and subsequent quarters.

Scott P. Sutherland, CFA – Wedbush Morgan Securities, Inc.

When you look at the year, I know you're not giving quarterly guidance, are you still looking at revenue linearity? I think you talked last quarter 46 or something like that during the year? Is it somewhere like that or where do you think the revenue is going to fall out the first half versus second half?

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