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Perot Systems Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

This concludes the formal of the conference call. A question and answer session will now be conducted. (Operator Instructions). The first question is from Rod Bourgeois with Sanford Bernstein.

Rod Bourgeois - Sanford Bernstein

Hey guys. I wanted to enquire about your current pipeline versus the pipeline that might become available if the stimulus package is approved. My sense is that your current sales pipeline is not being helped by the stimulus package at this point; that's a future thing. But can you decipher between your current pipeline and to what extent that's standing on its own versus the pipeline that might be created down the road, if the stimulus is approved. Are those two things pretty separate right now?

Peter Altabef

Rod, thanks for the question and thanks for letting me have an opportunity to elaborate on it. You are correct and they are actually completely separate. In the sense that my remarks around the pipeline and the pipeline itself do not include today the stimulus package work that might come down the road. So and that's why you heard in my remarks when I talked about the current state, domestically there is a big emphasis on IT outsourcing and business process outsourcing in healthcare around such things, such as revenue cycle work focusing on efficiencies and saving money and your base outsourcing kind of traditional economies.

We don't have currently a very-very active pipeline in the clinical implementation side. There's some of it, but not the level of -- that we would have expected let's say at this time, 2008. As that comes onboard with the stimulus, we anticipate that will be in addition to our existing pipeline. So I hope that helps.

The exception by the way around the clinical side is international, where there is a very strong demand for clinical services. We've actually taken a good number of our folks that have been doing clinical services here and repositioned them internationally, because they are in high demand there.

Rod Bourgeois - Sanford Bernstein

Okay. Great and then if you look at the current deals in your pipeline, can you guys characterize whether those deals are normal in terms of their margin profile or do a number of the deals in your current pipeline have front loaded investments that might bring a lower than normal margin profile?

John Harper

You know Rod, I wouldn't say that it's anything out of the usual. We're seeing the economics being pretty consistent with what we've experienced in the past. We've done a real good job in the past of getting the upfront cost funded and I'm not seeing a dramatic shift in that. But as looking forward to 2009, we're probably anticipating a little bit more of the upfront funding that we will have to bear but we do a very good job of trying to manage through that. So the economics are terribly different and the profile of the deal in terms of that upfront payment is not terribly different.

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