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CyberSource Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from Franco Turrinelli from William Blair.

Franco Turrinelli – William Blair

Good afternoon, everyone.

Bill McKiernan

Hey, Franco.

Franco Turrinelli – William Blair

Happy New Year.

Bill McKiernan

Same to you.

Franco Turrinelli – William Blair

A number of questions, Bill, if I may. The first is are you seeing – and maybe it's too early to tell, but are you seeing anything unusual from the point of view of merchant attrition or merchant bankruptcy, I guess, or just merchants shutting down now that we're past the holiday period and maybe a few guys holding on by their finger nails sort of thing?

Bill McKiernan

Steve watches the terminations pretty closely. Steve?

Steve Pellizzer

Yes. No, we haven't seen anything in terms of negative trends with regard to churn. In the fourth quarter, we did see some continuation of clean up activity within the financial institutions, but to a lesser degree. But, we haven't seen anything just with regard to termination activity.

Franco Turrinelli – William Blair

Steve, on sort of related note, have you felt the need to change any of your policies with respect to risk management either in terms of accepting merchants or in terms of any escrows or anything else that you may be imposing on merchants?

Steve Pellizzer

We haven't really changed our policy, but that's really because we've been fairly conservative with regard to our policy from the outset. We continue to be diligent on the underwriting side and looking at financial viability and looking at delivery time frames in assessing whether or not we want to take a merchant on the acquiring side and we also continue to be diligent just about looking at daily activity. So, there certainly is a focus on that, but there always has been really.

Franco Turrinelli – William Blair

Alright. Hey, Bill, obviously, I think – I'm sure you're disappointed, but on the progress in establishing an international acquiring relationship but it sounds the progress is still being made on that front. Do you have any sense – I mean, how badly is that holding you back in the international markets from being able to generate some faster – even faster growth, I should say – maybe capturing a bit more market share.

Bill McKiernan

Yes. You're right, Franco. We are disappointed by not having that sponsorship agreement in place. I think what's important to note is that in the guidance that Steve gave; we haven't assumed a big contribution from that sponsorship relationship. So from a 2009 outlook standpoint, it's not like we're depending on a big ramp from that part of the business. But we do think that as our value proposition is resonated here domestically, we think it will resonate internationally. And so, our goal is to try to get out there as quickly as possible and establish beachheads in some of these markets, particularly Europe and then Asia and Latin America as well so we can exploit those market opportunities.

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