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L-1 Identity Solutions Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Thank you. Our first question is coming from Jim Ricchiuti with Needham and Company.

James Ricchiuti - Needham and Company

Alright, thank you. Just a question on the organic growth. The organic growth rate clearly had decelerated in the second half of the year for you guys I guess from 10% in Q3 to 4% in Q4. How much of that was due to just the tougher comparisons in Biometrics on the device side, and what gives you the confidence that you see that beginning to really accelerate the organic growth rate into the... as we go through '09?

Robert LaPenta

Right, thanks. As I noted, basically the whole deceleration in organic growth resulted from the shipments of the large HIIDE order that we booked and shipped in the second half of '07. I think we had over \$30 million of HIIDE shipments on that order alone, most of them in the second half. And I think in the second half of '08, we probably had somewhere around 7 or \$8 million of HIIDE orders.

And that was two reasons; A) we had the large order and shipment in '07 and B) during '08, we were developing HIIDE 5.0. Now in the fourth quarter, we had expected to get an order for the initial complement of devices to go to Afghanistan. That order is now expected to come in this first quarter. And we've also completed the development of 5.0. So, we're expecting orders for HIIDE to pick up significantly this year.

But again to answer your question, it really almost entirely was HIIDE and the comps weren't favorable. If you look at the rest of our division performance, they all did exceedingly well. I mean the Credentialing Division was up over 20%, Enrollment was up over 30%. The Government Services Group overall was up 20, 25%. So we had very, very performance in all of the categories. And again as I mentioned, we had very strong performance in Biometrics as far as new programs that we've won and the way we're positioned going forward. But unfortunately the comps really took those favorable trends away.

James Ricchiuti - Needham and Company

Can you show us (ph) the Afghan HIIDE order Bob and begin shipping in Q2?

Robert LaPenta

We think we're going to get an order in the first quarter and it will begin shipping in Q1 actually. We think about half of it will ship in Q1 and half of it will ship in Q2 and I really don't want to talk too much about the numbers.

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