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VASCO Data Security International Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, ladies and gentlemen. (Operator Instructions). And our first question comes from the line of Daniel Ives from Friedman Billings. Please go ahead, sir.

Daniel Ives - Friedman, Billing, Ramsey & Co.

Yes, couple of questions. Hey, guys. So the first, obviously the uncertainty -- the top-line is going to be great right, given orders. And I guess, what I'm trying to understand is with given your guidance for '09 what's specific on the expense side? I mean you guys have always had double-digit operating margins even in the teens. I mean is there an operating margin is unacceptable. I mean how should we kind of think how you running the business for 2009? I mean you do have controls on the cost sides. I'm just trying to understand that if you could help?

T. Kendall Hunt

So your question is what's an acceptable operating margin?

Daniel Ives - Friedman, Billing, Ramsey & Co.

Yes, I mean you had 6% margin, right? 6.5. So with '09, I am not saying when you give it but have you kind of viewed or this is our goal?

Clifford Bown

We have... we do have an internal goal Daniel of course. What is acceptable in the past, we've had minimums that we looked at that we had a very robust economy in which the business was growing, financial was growing very fast. But we've always had an attitude of running a very tight ship, a very disciplined organization and a profitable organization. That has been our goal from the very, very beginning when we reassembled the team in that first quarter of 2003. Our goal always has been and always will be to maintain a profitable organization. And we do have a minimum operating margin that we have as our internal plan, yes we do.

Daniel Ives - Friedman, Billing, Ramsey & Co.

I mean should I view this quarter as a well water mark given that a kind of took you by surprise, I'm not trying to get into the corner and given a number, but I just want to understand I think investors to have some comfort that you're going to contain cost and cash flow to make sure that '09 was just preservation in the bottom line?

T. Kendall Hunt

Well, yes I'll say what I said a few minutes ago. Our goal has always been and will always be to run a profitable business with a positive cash flow that keeps us out of trouble that allows us to invest in opportunities as they come up, and we'll continue to do that. Then I would like to also point out that this quarter's margin is lower than it would have been had it not been for that impairment charge for the project. So if you took that \$1.3 million and added it back to margin even our operating margin in this quarter is just under 11%.

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