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ICT Group Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first call comes from Howard Smith – First Analysis.

Howard Smith – First Analysis

On the grant charge, was that all in SG&A?

Vincent Paccapaniccia

No, it would be in cost of services.

Howard Smith – First Analysis

As you look forward to 2009, you talked about some of the ongoing costs and the first quarter costs on the SG&A side, would you expect to be able to keep your gross margin in that 40% plus range going forward?

Vincent Paccapaniccia

Yes. We believe the margins will remain in the 40% plus range quarterly throughout 2009.

Howard Smith – First Analysis

On the non core revenue, as we look long term, is that something that eventually will dwindle down and you'll exit that or is that tail quite long and will extend into 2010 and perhaps beyond?

John Brennan

We certainly are out of the market research data collection business. We still have about a half dozen North American financial clients that we are doing a much reduced level of Telesales activity with that is typically part of a larger relationship we have with them. I think it will tail on but would not expect it to be any kind of meaningful increase. We're talking about something that will be in the range of \$5 million to \$6 million a quarter in 2009.

Howard Smith – First Analysis

It looks to me like the DSO declined and the decline in receivables combined with some of the severance cash costs etc. would cause you to burn cash, particularly in the first quarter but maybe in

the first half of '09. Is that consistent with your expectations to perhaps be free cash flow negative in the first half?

Vincent Paccapaniccia

Yes. As I look at it, I think it will be pretty close, but I think it will be slightly negative and I think you're timing is right on, so I think its Q1 and Q2.

Operator

Your next question comes from Josh Vogel – Sidoti & Company.

Josh Vogel – Sidoti & Company

Just building off that last question, can you give us any sense of where you see free cash flow coming in for full year of '09?

Vincent Paccapaniccia

As you know, we don't have any guidance out there, but I'll just try to do some comps to give you the direction as we are looking at it right now. I do think the first half will be pretty flat, probably slightly negative as I discussed with Howard.

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