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Pegasystems Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

(Operator Instructions) Your first question comes from Brian Murphy - Sidoti & Company.

Brian Murphy - Sidoti & Company

I don't know if this is for you Alan or for you Craig, but could you give us an idea of what kind of currency translation loss is embedded in your EPS guidance for '09?

Alan Trefler

We have made some calculations and built that into our net income number for 2009; however I will tell you that it's very difficult to predict the currency movements and to hedge against all of them. So it is a point where it's not as accurate a forecast as we would like; certainly not as accurate as other aspects of the business, which we have under our control.

Brian Murphy - Sidoti & Company

Okay and just looking at it, it looks like your revenue from continental Europe, almost tripled in 2008. Can you just give us an idea of what's happening there? I mean did you take down some big deals this year or anything would be helpful?

Alan Trefler

Well, we've made a decision; we were going to expand in the UK and Europe and I think that that has paid off. We've actually opened offices in Amsterdam, we've incorporated in Germany and Switzerland and so we've broadened our footprint, hired some additional staff and frankly paid some more attention to that area and are seeing some returns from that.

We had a good mix of business. We did have a very large piece of business, but we also had a number of smaller ones, so I would say that it wasn't one big thing, but we're actually seeing good activity in Germany and Switzerland, in France, in Holland and some of that is actually percolating through other parts of Europe as well. So it's really I think a response to some of the investment and additional attention.

Relative to the question on exchange rates, we took a real beating. I think it was disclosed in the K that our total foreign exchange loss last year was over \$4 million. At some point this has got to stop I would imagine. So, I don't think we can predict exactly what's going to happen, but I think we're certainly hoping that the foreign exchange in 2009 will be less damaging than it was in 2008.

Brian Murphy - Sidoti & Company

Craig, I think last year your guidance for cash flow from operations for 2008 was \$25 million, you guys put up \$38 million. When I look at guidance for 2009 it's again \$25 million; how should we interpret that? Is that just sort of your typical conservatism here?

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