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## ENGlobal Corporation Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you. (Operator Instructions). Thank you. Our first question today is coming from the line of Graham Mattison of Lazard Capital Markets. Please go ahead with your question sir.

#### **Graham Mattison – Lazard Capital Markets**

Hi, good morning.

#### **William A. Coskey**

Good morning, Graham.

#### **Robert W. Raiford**

Good morning, Graham.

#### **Graham Mattison – Lazard Capital Markets**

I wanted to share with you about the margin outlook and what you're seeing in your different divisions, because we did see somewhat of a decline in that in particularly engineering. What's the decline in billable hours going forward, is this a new margin is that 12%, I mean is that a sort of good run rate going forward or could we see that coming back up to more than a 16%-17% range in prior quarters?

#### **William A. Coskey**

I think the biggest impact on our gross profit margin for engineering in 2008 was a result of a higher level of low margins pass-through for procurement and when we take responsibility for subcontractors, I don't really think our job profits on our labor billing rates have changed materially, I think that fluctuates around due to the pass-throughs we do for our clients.

#### **Graham Mattison – Lazard Capital Markets**

And that was the case in the fourth quarter?

#### **William A. Coskey**

Yeah. That will be the case in the fourth quarter.

#### **Graham Mattison – Lazard Capital Markets**

Got it.

**William A. Coskey**

Primarily related to the hurricane recovery work we did.

**Graham Mattison – Lazard Capital Markets**

And the under procurement work on that, got you, okay. And then I will question on the CapEx, you mentioned the CapEx was going to be up a bit in 2009, can you give us an idea of how much you think you would be spending there, these will be up materially or?

**Robert W. Raiford**

Less than a million, probably in the \$500,000 to a \$1 million range.

**Graham Mattison – Lazard Capital Markets**

Okay. Very small. And then for SG&A costs in the quarter, those ticked up a bit, is that a, you always talk about the \$7.5 million run rate going forward to sort of quarterly rate, we see that coming down just given the some of the slowness in the overall engineering sector and some other parts of the business?

**William A. Coskey**

We should be taking some steps to reduce our SG&A, I think what you have to remember in the fourth quarter, we did some layer on in acquisition of ACE and that added some incremental SG&A on the comparative basis. But we still plan to be nominally in that \$30 million SG&A area for the year.

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