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Protection One, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) We'll pause for just a moment to assemble our queue. We'll go first to Jeff Kessler with Imperial Capital.

Jeff Kessler – Imperial Capital

Hi, Richard. Hi, Darius.

Richard Ginsburg

Hi, Jeff.

Jeff Kessler – Imperial Capital

I always like having this nice, long conversation with you guys on the quarter and I'm sure that there will be a lot of other – I'm sure of the fact that there is a lot of people listening doesn't deter from the fact that I maybe the only guy asking questions. There is lots of people listening, I know that out there. Now to get to more serious stuff, it appears that your cash flow has improved over the course of the last quarter year-over-year and I know you went through that a little bit. I'm just wondering – you've gone through this – you went through it pretty quickly. It seems to me that you're managing your creation costs, particularly your creation costs in the area where you are focusing, that's commercial, a little bit better than when you started off really focusing on commercial. Is that part of the equation here?

Richard Ginsburg

Yes. I mean, we are – as I said in my comments, Richard, we're focused really on trying to sell four core products in commercial. I mean, not just burg, but access, fire, and video. And when we – and we are – spent a lot of money on training our sales force and when we can train the sales force to sell multiple products, it actually helps to reduce creation cost a lot. And we are getting there and we'll get there overtime.

Darius Nevin

Right. And I would – this is Darius, I would just like to add that we have quietly, significantly lowered our costs. We have cut headcount by more than 10% since one year ago and you see that in our contribution from our monitoring and service activities. And as we enter into 2009, we have I think a much greater discipline in our pricing as I think should be clear from our comments. We are

determined that our investments in creating new return revenue are going to have a faster payback and that's both on residential and on commercial. And as we move into the more sophisticated systems, as Richard mentioned, we have the potential to generate EBITDA from those systems as well.

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