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PC Connection, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) We will go first to Brian Alexander, Raymond James.

Brian Alexander – Raymond James

Thank you. Good morning. Just if you could a little bit about demand trends quarter to date through the month of April, what have you seen out there, if you could talk about it by segment? I think a lot of companies have talked about stabilization, so could you comment on whether you're seeing that or whether you are actually seeing business improve or not improve? Thanks.

Tim McGrath

Hi Brian. It is Tim. I will take that. So we were pleased that we saw slight consecutive growth through Q1 in terms of the calendarization, but obviously a very soft quarter. Into Q2 we have seen some stabilization. We remain guarded as there is a lot of uncertainties you know. But our enterprise and public sector businesses, when you look at our bookings, you look at the forecast, and certainly the backlog, we are seeing a lot of stabilization there. We are encouraged about what we're seeing in SMB but they did get off to more of a slower start. Overall I would say a very conservative stabilization is happening.

Brian Alexander – Raymond James

Does that imply Tim that if we were to model sequentially off of Q1 that you would expect to see normal seasonality off of a difference first quarter or would you expect to see a little bit better than seasonality given how bad Q1 was?

Tim McGrath

Brian, we really don't offer guidance as you know and I really can't predict that at this time.

Brian Alexander – Raymond James

Okay. Could you talk a little bit of about just the overall pricing environment? I know you guys – I guess two questions – you talked about vendor funding helping you or help you gross margin, so just what is driving that in such a weak environment? Are vendors just becoming much more realistic and setting goals or is there another story that? And related to that, the competitive pricing environment and how is that playing out right now?

Tim McGrath

Okay. So Brian, I think I will kind of answer that reverse order. If you look at the competitive environment, we would still characterize it as hyper competitive. We are pleased to say that we are not losing customers. However we're running into situations where we are asked to bid a lot more. There is a lot more competitive pricing pressure and I think you saw that in our overall margin rates. That said, when you look at our partnership with our vendors and our total vendor consideration, we as a percentage were fairly flat. But when you look at that, we were slightly down on a dollar basis. We're pretty proud of the partnerships we have and we think that overall that will continue.

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