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## PAETEC Holding Corp. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). Your first question comes from the line of David Dixon of FBR Capital Markets. Please proceed.

#### David Dixon - FBR Capital Markets

Thanks very much and congratulations on the quarter, and a great job on the EBITDA momentum Keith. I wanted to just focus now on the next catalyst going forward, which is the revenue stability.

Looking ahead to the second quarter, as we look at the first quarter, you mentioned it on the call, there was essentially 5 million plus of IIU sales in the first quarter of '08, for a call in the second quarter of '08 too we had some sequential usage declines there. So how should we be thinking about the prospects for revenue stability on the year-over-year basis in the second quarter of '09?

#### Keith Wilson

Yes. It's a really good question, David. If you go to page six of the supplemental, and you look at kind of the trending of the key movers of the business, you have seen pretty stable progression on the network services line on the core. And you continued to seek relatively stable performance on the carrier core as well, a little more volatility in our quarter. And, where the biggest pressure points have been have been a combination of, both the POTS and the access-related fees.

So there is usage-driven pieces there and there are also usage base-driven components of the network services pieces inside the core as well. And so, I think as Arunas talked about, new sales continue to be strong, so we are seeing that. We anticipate that we are going to continue to see attrition on the POT side.

And, I think what we need to do is be able to continue to sell and get some stability inside of those usage components of our existing customer base and realize the benefit of some of the success that we have had over the last six, eight months in terms of the selling proposition. So may I kind of throw it over to Arunas and have him apply a little bit as well.

#### Arunas Chesonis

David, that's the key question for all of us. One is that that revenue trajectory is going to start increasing. If you are out in the field with myself and the team, what you will find is the pressure that we saw on our ISG business where the Cisco, Avaya, Allworx, equipment sales were a bit down. That's entirely the reason so many partners and agents are excited about working with PAETEC.

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