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Watson Wyatt Worldwide F3Q09 (Qtr End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Josh Vogel from Sidoti & Co. Please proceed.

Josh Vogel - Sidoti & Co.

Hey good morning, thank you. You guys obviously did a good job, getting margins back up and keeping them up in the Insurance and Financial Services Group, and I think you guided for... was it high teens for the year. But as we look out to next year now, do you think... does that include the margin in Q1 as you look at to next year or should we expect it to be mid-to-high 20% range?

Roger Millay

I think, at this point, because we haven't given guidance on 2010, and we're just in our budget process. What we've said about the insurance practice is that this year of course, we've raised our margins above what we guided early on. Early on, we said high single-digits and we were trying to get to, I believe it was the mid to upper teens in that practice. And I would say at that point, kind of over the longer-term probably the goal was still the same, although again we don't have specific guidance of point for 2010.

Josh Vogel - Sidoti & Co.

Okay. If I could just sneak in one, you just said the 4 million in severance expenses are included in your guidance for Q4. Is that mostly going to hit up in the Human Cap Group?

Roger Millay

A good portion of that will be. There is... we are taking actions around the company geographically and by practice, but a good portion of that will be in Human Capital.

Josh Vogel - Sidoti & Co.

Okay, great. I'll hop back in the queue. Thank you.

Operator

Your next question comes from the line of Ashwin Shirvaikar from Citigroup. Please proceed.

Ashwin Shirvaikar - Citigroup

Hi. I just wanted to ask about operating leverage in the business and obviously you showed some level of operating resilience in this quarter by doing some cutbacks and so on. But to what extent and what are the various other levers that you have there? If you were to have a, let's call it a flat to down revenue growth year in 2010, to what extent could you cut costs to keep margins?

John Haley

Well. I think Ashwin, salaries and benefits are our largest expense. And so headcount productions are the most significant way for us to contain our costs. There are some other cost management activities that we can and are pursuing. Some of the easiest ones related discretionary costs such as non-essential travel and certain internal meetings.

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