



Mastech Digital, Inc.
Second Quarter 2020 Earnings Call
July 29, 2020

Operator

Greetings, and welcome to Mastech Digital Q2 2020 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “*”, “0” on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host, Jennifer Ford Lacey, Manager of Legal Affairs. Thank you. You may begin.

Jennifer Ford Lacey

Thank you, operator, and welcome to Mastech Digital’s Second Quarter 2020 Conference Call. If you have not yet received a copy of our earnings announcement, it can be obtained from our website at www.mastechdigital.com.

With me on the call today are Vivek Gupta, Mastech Digital’s Chief Executive Officer; Jack Cronin, our Chief Financial Officer; and Paul Burton, Chief Executive of our Data and Analytics Business Segment.

I would like to remind everyone that statements made during this call that are not historical facts are forward-looking statements. These forward-looking statements include our financial, growth, and liquidity projections as well as statements about our plans, strategies, intentions, and beliefs concerning our business, cash flows, costs, and the markets in which we operate.

Without limiting the foregoing, the words “believes”, “anticipates”, “plans”, “expects”, and similar expressions, are intended to identify certain forward-looking statements. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change.

There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements, including those listed in the company’s 2019 annual report on Form 10-K filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

Additionally, management has elected to provide certain non-GAAP financial measures to supplement our financial results presented on a GAAP basis. Specifically, we will not provide non-GAAP net income and non-GAAP diluted earnings per share data, which we believe will provide greater transparency with respect to the key metrics used by management in operating our business.

Reconciliations of these non-GAAP financial measures to their comparable GAAP measures are included in our earnings announcement, which can be obtained from our website at www.mastechdigital.com. As a reminder, we will not be providing guidance during this call, nor will we provide guidance in any subsequent one-on-one meetings or calls.

I will now turn the call over to Jack for a review of our second quarter 2020 results.

Jack Cronin

Thanks, Jenny, and good morning, everyone. Like most companies, the COVID-19 pandemic and the resulting economic downturn had an impact on our revenue performance in the second quarter of 2020. However, faced with the harsh reality of declining market conditions, we took a series of proactive steps to mitigate the negative impact on our gross margins and operating profits, which can clearly be seen throughout our financial results.

Thus, revenues for the second quarter of 2020 totaled \$47.6 million and represented a 2 percent decrease from \$48.5 million in the second quarter of 2019. Our Data and Analytics Services segment contributed \$6.8 million of revenue during Q2 2020, which exceeded last year's second quarter revenue results by approximately \$100,000. Activity levels in this segment held up relatively well, despite numerous projects being pushed for the second half of the year and some existing clients reducing overall spend.

Notwithstanding these near-term revenue issues, our pipeline of opportunities continued to remain strong, and we booked over \$10 million of new orders in Q2 2020. Year-over-year revenues from our IT staff and services segment was down 2 percent in the second quarter of 2020 as we saw early assignment ends and a much lower level of activity from our existing client base

Gross profits for the second quarter of 2020 increased to \$12.7 million compared to \$12.1 million in the same period last year, despite 2 percent lower revenues in the 2020 quarter. Overall gross margins for Q2 2020 were 26.6 percent of revenues compared to 24.9 percent in the second quarter of 2019, making it our third consecutive quarter of breaking the 25 percent gross margin barrier.

Our Data and Analytics Services segment had gross margins of 52.2 percent in Q2 2020, an increase of 610 basis points from a year earlier. Higher valued assignment wins, better consultant utilization, and a much lower level of pass-through travel revenues favorably

impacted margins in this segment. And our IT Staffing Services segment had second quarter 2020 gross margins of 22.4 percent, an increase of 90 basis points from the 2019 second quarter. Higher margins from new digital assignments and improved utilization made this performance possible.

SG&A expenses were \$9 million in the second quarter of 2020 compared to \$9.5 million in the second quarter of 2019, when adjusting for a \$6.1 million credit expense in the 2019 second quarter related to the revaluation of a contingent consideration liability. This adjusted \$500,000 reduction in SG&A expenses in the 2020 quarter reflected net investments of \$600,000 in our Data and Analytics segment, principally in the area of global sales and delivery, and a \$1.1 million reduction in our IT Staffing Services segment, largely reflecting proactive austerity measures instituted in the first half of the year.

I would also like you to note that SG&A expenses came down by \$1.2 million in Q2 2020 from the previous quarter, which shows our rapid response to protecting bottom-line results. GAAP net income for the second quarter of 2020 was \$3 million, or \$0.25 per diluted share, compared to \$6 million, or \$0.53 per diluted share in the second quarter of 2019.

Again, it should be noted that the 2019 quarter included a \$6.1 million pretax gain related to the revaluation of a contingent consideration liability.

Non-GAAP net income for Q2 2020 was \$3.9 million, or \$0.33 per diluted share, compared to \$2.2 million, or \$0.20 per diluted share in the corresponding quarter of 2019.

Second quarter SG&A expense items not included in Non-GAAP financial measures, net of tax benefits, are detailed in our Q2 earnings release, which is available on our website.

Addressing our financial position at June 30, 2020, we had \$10 million of outstanding bank debt, net of cash balances on hand, and borrowing availability of over \$17 million under our existing revolving credit line. During the quarter, we reduced debt by \$7.4 million and increased our cash balances on hand by over \$2 million. Our largest asset, accounts receivable, is of strong quality, and our Days Sales Outstanding Measurement at June 30 was a solid 59-days, a one-day improvement over last quarter.

I will now turn the call over to Vivek for his comments.

Vivek Gupta

Good morning, everyone. Thank you, Jack, for the detailed financial review of our operating results for the second quarter of 2020. After I make my comments on the quarter, I will turn the call over to Paul Burton for his comments and views on our Data and Analytics Business segment.

It has been over 18 months since Paul came aboard as Chief Executive of our Data and Analytics Business. It seemed like an appropriate time to have Paul join us today to share with you his accomplishments, his view of the competitive landscape, and why he believes we are very well-positioned to excel in a market which is full of opportunities. I think you will find Paul's comments both interesting and insightful.

But first, let me comment on the quarter.

During our last quarterly earnings call, I had stated that Mastech Digital will navigate today's challenges from a position of "relative strength". I think our ability to protect, and even strengthen, our bottom-line in the midst of severe market turmoil is a testament to our unique and flexible business model and exemplifies my "relative strength" comment. Despite a decline in revenues, which was actually less than I feared it would be, we generated record gross margins in one of our best net income and earnings per share performances.

During the quarter, we continued to focus on transformational projects in our Data and Analytics segment and digital technology skill sets in our IT Staffing segment. We resisted pricing pressures and protected gross margins successfully as we continued to deliver higher "value-for-money" to our global customers.

With respect to austerity measures, we acted early and decisively, implementing actions that were quite effective in reducing SG&A expenses in Q2 by \$1.2 million from our previous quarter. We also believe that these actions are prudent, well understood and appreciated by the organization, and crafted with due consideration given to enable a swift pick-up when the economy recovers.

Not only did functioning from a position of "relative strength" improve our financial performance, it also had a very favorable impact on our balance sheet and liquidated position. I'm happy to say that our cash conversion process has been stellar during this crisis and largely unscathed from the economic downturn.

Reducing debt and maintaining our strong liquidity position has been a top priority for us since the outset of the pandemic. Given our progress in this area, we are in an ideal position to capitalize on strategic M&A opportunities when they present themselves.

Lastly, during the quarter, we launched our new Remote Staffing Service offering, branded as MAS-REMOTE. As we all know, creativity doesn't and shouldn't stand still in challenging times. And I'm proud of our organization for spotting the disruptive market factors presented by the current crisis and for responding with a creative and timely service offering.

Early indications are positive with respect to client interest. We will obviously have more to say about MAS-REMOTE on our future earnings calls.

I will now turn the call over to Paul for his prepared comments on our Data and Analytics Business.

Paul Burton

Thank you, Vivek, and good morning to everybody. It's a pleasure to speak with you today about something as exciting as data and analytics. By way of background, I've been involved with technology for over 20 years and with data and analytics for the great majority of that time. I've spent considerable time with Hewlett Packard, IBM, and Genpact. With both IBM and Genpact, I led global data and analytics businesses and in both roles had the opportunity to live and travel extensively in developed and developing markets.

This experience has given me a perspective on technology, data, and analytics that I believe is valuable and that serves me well in my work here at Mastech. And in the next couple minutes, I want to talk about the journey we've been on at Mastech with the data and analytics business. I will briefly remark on our view of the data and analytics marketplace, the team we've put in place to go after this market, lines of business we go to market with, the importance of alliances, our competitive positioning, and some thoughts on the pandemic currently gripping the world economy. So let's get started.

Today, the data and analytics marketplace is vibrant. The data and analytics market is estimated by IDC to be \$275 billion by 2023, growing at a 12 percent CAGR.

Gartner offers a similar estimate. Every day we see businesses waking up to the need to leverage the entire corpus of their enterprise data, and in many cases some desire to go even further by integrating open sources syndicated data with their enterprise data.

We believe that data is the blood of the modern enterprise, because increasingly it's data that carries oxygen and nutrients throughout the enterprise that allows the enterprise to perform at peak fitness.

We are seeing that businesses that are able to mine high volumes of data for knowledge and glean insights from this knowledge that can be acted on smartly, especially in real time, are the most competitive enterprises in their respective industries.

This is because data is the foundation of all enterprise learning. Said another way, enterprises that can consume data at volume and scale in real time simply learn faster relative to others that can't do this. Consequently, they adapt to their environment and evolve faster than their slower peers.

The digital era we are knee-deep in at this point lays bare for most enterprises the need to have data and analytics programs that work synergistically to drive enterprise learning. Enterprises that do not learn simply fail.

At Mastech, we focus holistically on our clients' data and analytics capabilities with an eye towards accelerating enterprise learning. We help our clients bring disparate sources of data together to construct data products that reveal novel insights, infuse intelligence in the business processes, and assist decision-making, especially with regard to strategy choices.

To drive this agenda forward, in the last 18 months, we've assembled a team of professionals with great experience in working with clients to help them develop and enhance their data and analytics capabilities. We've added senior members in Singapore, the Middle East, Europe, Africa, and of course in North America, too. The team comes with great experience from significant Fortune 100 companies.

We've brought onto the team deeply skilled professionals with PhDs in cognitive science, neuroscience, physics, mathematics, statistics, and computer science. We have done this with the intention of being thought and content leaders in our chosen market segments.

As we extend the capabilities of our team to embrace our clients, we are proud of the value we are creating and delivering and how it's enabling our clients' businesses to perform.

To this end, we are engaged in building new service offerings that are finding expression in intellectual property we are creating and that we believe will meet the needs of our clients--meet the needs that our clients are conveying to us.

We go to market across three service lines.

The first is our Data Management service line. Our data management service line is the foundation of our business because without properly curated and managed data, it's impossible for businesses to mine for insights that drive the enterprise learning process. Good quality data is the one indispensable resource for every business.

Second is our Data Engineering service line. This service line exists to ensure that the enterprise is wired to support the high velocity, ubiquitous flow of data throughout the enterprise. Many businesses suffer because of an inability to access the data they possess in a timely, effective manner. The mission of this service line is to solve that problem and thereby expose the entire corpus of data to the business for exploitation.

Third is our Data Science service line. This service line brings state-of-the-art computer science and data science techniques to bear on specific client problems that heretofore have been intractable, because of data access issues or simply an inability to deal with data at the velocity and scale commensurate with the digital age we find ourselves in.

These service lines dovetail nicely with the capabilities of our partners. So let me say a word about our alliance strategy. We can report that we are not going it alone. We continue to build strong partnerships with significant technology companies. For example, IBM has named us

one of their 11 global elite partners, and we continue to solidify other partnerships that complement and enhance our capabilities.

The purpose of these partnerships is straightforward. We bring our professional services to market, along with the product and infrastructure capabilities of our partners, to offer “best-in-class” data and analytics solutions that help our clients increase the learning velocity of their enterprise.

Enterprise learning, driven forward by the consumption of data at velocity and scale, is one of the competitive advantages available to all businesses. By partnering with leading technology companies, we are able to deliver this advantage to our clients because we are able to deliver a comprehensive solution of hardware, software, cloud, and professional services.

At Mastech, we believe we are different because we focus squarely on delivering what all businesses need. We help our clients architect enterprise intelligence. We help our clients learn that velocity and scale from the voluminous amounts of data they have at their fingertips but have heretofore been unable to fully exploit.

At Mastech, we believe our approach is unique. By focusing on learning as a function of data consumption, especially in this digital age where data volumes continue to grow exponentially, we help businesses adapt more quickly to their environment and therefore evolve more quickly. By linking the consumption of data to learning and the consequent production of superior business outcomes, we are able to help clients re-architect their entire enterprise to be data driven.

That is to say we help our clients fully embrace the digital era they find themselves squarely in. It goes without saying that as we help our clients accelerate their enterprise’s learning, we help them become more agile and competitive in an interconnected world that is increasingly sensitive and vulnerable to unexpected events.

Now let me conclude by saying a brief word about the COVID pandemic. The repercussions of the COVID pandemic have been systemic. At first, our clients paused because of the understandable economic uncertainty they were confronted with. With each passing day, however, we have seen our clients adapting to what can be perhaps best described as a new, if only temporary, normal.

Prior to the pandemic, we posted five consecutive quarters of growth with improving gross margins. Four of those quarters represented records for us. The pandemic interrupted this streak. But as I said a moment ago, there is reason to believe that things are beginning to return to normal. We believe the prospects remain positive for our Data and Analytics Business. Thank you for your attention. I will now hand it back to Vivek for his closing comments.

Vivek Gupta

Thanks, Paul. I hope Paul's comments have given you a feel for why I am so excited about our Data and Analytics Business.

I will now open the session for your questions.

Operator

Thank you. At this time, we will conduct a question-and-answer session. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is a question queue. You may press "*", "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's "*", "1" to ask a question. One moment while we poll for our first question.

Our first question comes from Josh Vogel with Sidoti & Company. Please proceed.

Joshua Vogel

Thank you. Good morning, everyone. Thanks for that extensive background on the Data and Analytics segment. It's very helpful. My first question is looking at the gross margin performance in the quarter. I was just curious, was there any one-off or short-term projects or anything that helped the performance there? And can you also maybe talk to the bill pay spread and the IT Staffing Business and if that widened, if it's sustainable? And then also, maybe a sense of the margin profile of these businesses over the balance of the year.

Vivek Gupta

Hi, Josh. I didn't quite get the second question. Can you just repeat that, please?

Joshua Vogel

Oh, sure. I was asking about--in the IT staffing--the bill pay spread if you saw a widening there and also just a sense of the margin profile of the two segments over the balance of the year. Any directional commentary there would be helpful.

Vivek Gupta

Okay. Jack, would you like to take this, and maybe I'll add to it at the end?

Jack Cronin

Sure, sure. The margins for the quarter--they didn't have any material like one-time items included in it, so that's sort of the first question. With respect to the bill rate pay spread in staffing, it did go up. And that was part of the reason why our margins strengthened in Q2. We did have a benefit of a better utilization. Utilization was very good and that helped as well. In data and analytics, 52.2 percent is clearly a really nice number for us. We generally--I think Paul generally talks about 50 percent gross margins.

So, we're probably a little high on what we would consider as more normal margins of 50 percent. One of the sort of one-time shots that we got in the D&A margin area was we have billable travel that consultants do for clients. And that's basically pass-through revenue. There's no margin content on that. So because of COVID, we did practically no travel whatsoever. So that helped our margins a bit, not a crazy amount, maybe 20 to 30 basis points.

But it also hurt our revenues because, we lost about \$300,000, \$400,000 of revenue because of no travel. So, if you factor those into the second half of the year and I'll pass it over to Paul to verify--but I would expect our margins to be around 50 percent in D&A and relatively flat, maybe a little down from what we posted in Q2 of 2020, just because there's no guarantee that the utilization rates are going to be as healthy in the second half of the year. Does that answer your question?

Joshua Vogel

Yes, that is extremely helpful. Thank you. It is really good to see how well the Data and Analytics Business is holding up in the face of the project delays. And I was wondering if you can talk about those projects that have been, or are being, pushed off. Do they appear to be moving forward? Or do you at least have a targeted start date over the second half?

Vivek Gupta

Josh, I'll pass this question over to Paul.

Paul Burton

So, in the first half, particularly in the March time frame, we had a number of--as I alluded to in my remarks--we had a number of clients that paused. Every one of those clients has come back to us and restarted since that point in time, so we expect no deterioration from those particular clients in the second half.

Joshua Vogel

Great. Maybe this one is for you, Vivek. The launch of MAS-REMOTE, maybe talk about how it's being received, and does it suggest that you can move a meaningful portion of this business to a remote platform long-term? And then, a second part of that, in light of the recent events and seeing how work can get done today, are you planning other such launches or changes to the platform?

Vivek Gupta

Actually, that's a topic really very close to my heart. We are so excited about the launch of this, remote staffing offering, MAS-REMOTE. So, the reaction from the customers is very positive. If we had launched this six months ago, I don't what kind of reaction we would have got in general because a lot of customers were averse to the idea of having people work from remote locations.

But this forced global experiment of working from home has proved to everybody and especially our customers that this is workable. In fact, many of them have actually said that their productivity actually went up in this - when people were working from home. We saw that as a great opportunity for us to launch this new service offering.

We test marketed with our customers first. We did a lot of brainstorming internally. And then, after our launch, as we started talking to prospects and customers, we've only had positive reaction from them. Of course, customers are still cautious about the overall spend, not necessarily for remote or for on-prem. So, as they start losing their purse strings and investing more and more and hiring more, we see there will be an uptick in remote staffing. But, these are early days. We launched this only last month and we will see how things pan out over the next few quarters. But we are pretty bullish about it.

And as regards to do we have anything else being planned, we're always looking at new ideas, and we have a great team, which is constantly coming up with innovative suggestions. So there may be others in the pipeline, but do we have something which is ready for announcement right now? No.

Joshua Vogel

Great. And just the last one. I'll hop back in the queue. You did have comments around potential M&A activity, capitalize when the opportunities present themselves. And I was just wondering if you could talk about the M&A pipeline and then if there's assuming it would be more on the data and analytics side. If there's any gaps in the platform that you want to fill. And is it possible to do that organically, or does it have to be inorganic? Thank you.

Vivek Gupta

So, on the M&A front, Josh, I've been saying for many quarters now that yes, we will be looking at appropriate targets in the data and analytics space. And that still holds true. We're always looking at opportunities in that area. And, as Paul explained, we have a pretty full stack of offerings. And we're constantly looking at if we find a target, what kind of a match would that have?

Would that increase our capability in terms of delivery, technology, or help us open up new sales, what shall we say, opportunities? So, definitely we are open to this. We would look at targets. But do we have anything which is at a stage where we are ready to announce it? No. The answer is no.

Joshua Vogel

Okay. Well, thank you for taking my questions.

Operator

Our next question comes from Brian Kinstlinger with Alliance Global. Please proceed with your question.

Brian Kinstlinger

Hi. Good morning, guys. Thanks for taking my questions.

Vivek Gupta

Hi, Brian.

Brian Kinstlinger

Paul's comments on the recovery. Can you talk about the revenue trends in July compared to June, maybe compared to May, in both your Staffing and Data Analytics Business? I'm curious how these businesses are trending as the economy is slowly opening up.

Vivek Gupta

Hi, Brian. Brian, actually, we do not break things down in a monthly fashion and we treat the whole quarter as a whole, so it's hard for me to tell you. And right now, we haven't even finished July as yet--or closed as yet. So it's difficult to give how directionally where things are going.

The only thing I can say is that as we were going through the second quarter, we found that the reduction in the IT staffing side started slowing down, so, it was a lot more in the beginning that it was towards the end. But, I don't know what more I can share with you at the moment.

Brian Kinstlinger

Okay. In terms of the Data and Analytics Business, can you describe the sales process? Was it pre-COVID more of a face-to-face sale for a new customer win? And how has COVID changed that process and the sales cycle?

Vivek Gupta

A great question. I think, Paul and his team have done a stellar job of managing that, so I'm again going to ask Paul to answer this.

Paul Burton

Pre-COVID, our salespeople spent a lot of time face-to-face with clients talking about data and analytics capabilities and how data and analytics could be used to deliver specific business outcomes. With COVID and the shutdown in travel, almost all of that activity has transitioned to video conferencing and phone conferencing.

We still continue to open up new logos and close new business but the way we're doing that--quite frankly, we've adapted to the environment. The way we're doing that is through video conferencing and phone calls. And we continue to get leads from partners and leads from other sources as well. And we're simply pursuing that via telephone and video conferencing. But we are having success. So COVID has definitely changed things, but the process itself hasn't changed. It's just now being done over a different venue.

Brian Kinstlinger

Great. Thanks. Paul, you talked about \$10 million of bookings--I think it was you--during the second quarter. How does that compare to the first quarter of 2020 and then maybe a year ago period? And then for that \$10 million, over what duration are those bookings? Are those two years of revenue that goes into a kind of backlog? Is it three years, is it one year? Thank you.

Paul Burton

Yeah. So, second quarter bookings were down slightly, from first quarter bookings, but they're up significantly from the same quarter previous year. Our bookings for the half are up significantly from first half last year. In terms of, down slightly and how it translates into future years, most of our bookings are for projects that are many months in duration.

I don't want to say many years, but certainly our bookings range from 6 to 18 months in duration many times because they are large projects. So, there's many different types of projects we do, but generally they're multi-month projects, some extending over a year.

Brian Kinstlinger

Great. And then finally, what verticals are you seeing the strongest demand today for data analytics, I guess, as you look at the first half bookings?

Paul Burton

Retail, distribution, health care, financial services are all very strong. So we're seeing a lot of work in data and analytics in those particular verticals, I wouldn't say because those verticals are stronger or not stronger than other verticals. But that tends to be where we're most embedded at this particular point in time. But we are seeing demand in other verticals as well.

Brian Kinstlinger

Great. Thanks so much for your time.

Operator

Once again, ladies and gentlemen, to ask a question, please press "*", "1" on your telephone keypad. Our next question comes from Lisa Thompson with Zacks Investments. Please proceed with your question.

Lisa Thompson

Hi. Good morning.

Vivek Gupta

Good morning.

Lisa Thompson

Right. So my first question is a quick, easy one. What was the number of billable consultants for this quarter?

Vivek Gupta

Sorry, I didn't quite get the--your question. What was--could you repeat that?

Lisa Thompson

What was the number of billable consultants for the quarter?

Vivek Gupta

Okay, Jack, do you have that figure handy?

Jack Cronin

Yes, I do. On Staffing, it was 1,035.

Lisa Thompson

Okay. And so, I'd like you to describe a little bit what your remote product is versus just somebody working from home, like how is that marketed, and how is that different from people just not going to an office?

Vivek Gupta

Okay, that's a good question, Lisa. So, working from home right now is more of a temporary phenomena where people could be in the same city. And let's pick one, Pittsburgh, where we are headquartered. People were working out of their offices or customer locations, and they had been told that you have to work from home for a period of time.

Now, that's temporary work from home. What this MAS-REMOTE is--remote staffing. It is--it could be that people are working from home in the same location, or they could be in a completely different city altogether. So until now, the staffing has been on-premise staffing, so on-prem, as we use the short term for it. In the on-prem world, you would be looking for people who are in the same vicinity where the client location is, or you may entice people to move from another location to be close to where the client location is.

But in this MAS-REMOTE situation, the entire country is open to you because the customers are okay for people to be sitting in--again, let me pick a name, location--Miami. We find the right person who has the right skills, one of the best in the country maybe but in a different city altogether. That was never part of our search earlier on because the customers wanted that person to be in Pittsburgh.

But today, that option suddenly opens up. So now, what this means is that the customers have a much larger pool to choose from. We as an organization have a much larger pool to fish from in terms of finding the right talent. And the talent is, in a lot of ways we find happier because they are where they are. They don't have to travel, etc., etc.

So this is more of a--permanent working from a different location, which could very well still be home, and in most cases it is. But it is by design, expected to be more permanent and out of a different location. I don't know whether I've been able to clearly explain to you the difference between the temporary work from home and the MAS-REMOTE.

Lisa Thompson

Yes. And does that change your economics any, or is it exactly the same?

Vivek Gupta

Well, when you say economics, what kind of gross margins we can make on that. I would think that it would follow a similar kind of profile, but the input costs could be different. As an example, if you pick a high--expensive location, such as maybe New York or, the Bay Area, and if you're able to find talent in some of the cheaper locations or smaller locations elsewhere, you may actually be able to see a significant price difference in terms of what the input price is and what you can charge the customers.

Lisa Thompson

And then, to carry that theory through, I know there's been a lot of talk about changing visas and how many people they're going to let it on H-1B, or whatever. How does the remote working and that possibility change how you go about recruiting? Or I don't see why these remote offerings couldn't apply to anyone in the world rather than just U.S.-based? Can you talk about that and--versus your competitors maybe, how things might change?

Vivek Gupta

Okay. So you're right. remote staffing can very well be done out of one of our offshore locations or any actual location anywhere in the world, although we are trying to keep it limited to--within the U.S. when customers want somebody locally. But very much--offshore staffing is very much a variant of that, and it is part of our offering as well, so we do do that.

About the visa situation that you touched on, I don't think it really affects us very much directly because we are not bringing people in from overseas. We are actually looking within the U.S., and if there are people H-1B people available within the U.S., we help them find better jobs. But we are looking within the country, so it's not that we are affected by people not being able to come from overseas. So, the pool for us is very much within the U.S.

How are the competitors doing? I guess in a lot of ways, we--our model is unique. There are some competitive advantages that we have, which may be there with others, but if you combine all the various things that we have to offer, I think we have a compelling proposition. We have a low-cost model, we have a very large number--200-plus recruiters--who are working out of India--the center in India in Noida--which is near Delhi.

And that allows us to actually have a much better ratio of recruiters to each salesperson. So just as an example, in the industry, you will find typically one to two recruiters per salesperson. That's the kind of combination which can be created, whereas we are able to bring almost five recruiters to a salesperson. So, that is one.

The second thing is our ability to be able to work with H-1B people and to be able to find them better jobs. I think that's--not a lot of our competitors are doing that. And then, we have a stellar reputation. We have been around a long time. And we are a listed company, we are very transparent, visible to people, what we are doing. If you put a lot of these things together, then I think we come across as a preferred sort of a partner, as compared to a lot of our competitors. I don't know if I've answered your questions.

Lisa Thompson

Yes, definitely. All right. And just on the near-term outlook, so do you feel that Q3 will be up sequentially in revenues in both segments, and do the margins stay where they are because travel really hasn't come back yet? What are your thoughts about what's happening right now?

Vivek Gupta

So, Lisa, I would shy away from giving guidance on that--because we don't give guidance--as to how Q3 will turn out. And also, it's early days. We haven't just yet finished the first month but I don't know what else I can share in this? Jack, is there anything else that we can talk about? Hey, Jack, are you there?

Jack Cornin

Yes, I don't think we can talk about the direction of revenues. We just don't give guidance. I did make some remarks about our gross margins and what we believe would be normal moving forward. But beyond that, we don't feel comfortable giving guidance, Lisa.

Lisa Thompson

Okay. I guess my last question is SG&A came way down from last quarter. Are you still in that same austerity mode, or have you started spending again?

Vivek Gupta

No, we are very much still in the austerity mode. We want to see positive indications that things are beginning to pick up significantly. And that's when we will go back and start kind of pulling back on the measures, but currently we are very much keeping the SG&A in very tight control.

Lisa Thompson

Okay, great. That's all my questions. Thank you.

Vivek Gupta

Thank you.

Operator

Once again, to ask a question, that's "*", "1" on your telephone keypad at this time. We have a follow-up from Josh Vogel. Please proceed.

Joshua Vogel

Thank you, just a quick one for Paul. Going back to December when data and analytics--you signed those orders--were \$23 million. That was given that it was pre-COVID, I'm just curious. Has the scope of those projects changed since and is it still estimated to be around \$23 million when all is said and done? And then just kind of building off your comments earlier on that 6 to 18-month duration of the projects, I was just curious what the timeline initially was on those specific deals? Thank you.

Paul Burton

Yes, so the \$23 million in bookings that you referenced for Q4, I can simply say that we've debooked zero dollars from that. All of those bookings are still in effect, and they will continue, as they were contracted. I said in my prepared remarks that we had a pause with some clients, and we did. But I also indicated that that pause has ended, and we're now back on track.

I think when COVID broke out in March, there was a lot of uncertainty as to everything basically. And so, clients had a knee-jerk reaction to pause and understand what was going on and plot a course of action that seemed to make sense to them. What I'm seeing now is that the pause is over, clients are moving forward, and we've seen no deterioration in previous bookings, meaning no debookings. And I have no reason to believe that the contracts won't be fulfilled as written.

Joshua Vogel

All right, great. Thanks, again, for taking my question.

Operator

Thank you. At this time, I would like to turn the call back over to management for closing comments.

Vivek Gupta

Thank you, Alberta. Again, no further questions. I would like to thank you for joining our call today. Stay safe, and we look forward to sharing our third quarter 2020 results with you in late October. Thank you.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.