



iPass Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Fred Ziegel - Soleil Securities. PI

Fred Ziegel - Soleil Securities

I look at the on and off net users, it looks like we saw a fairly significant, how do I say this, slowdown in the rate of decline. Is there something behind that?

Ken Denman

The rate of decline of the dial users?

Fred Ziegel - Soleil Securities

Network users. They were down only 10,000 in the quarter.

Ken Denman

Your observation is correct. That decline does seem to be coming to a slow just if you look at the numbers and I think that is one of the smallest declines we have had for many, many?

Fred Ziegel - Soleil Securities

For a while.

Ken Denman

?many quarters. And so I think it is a function of the continued solid growth in broadband users first and foremost so that is clicking along very nicely. Dial user erosion continues so the delta really is the broadband usage clicking quarter-over-quarter nicely, yet sort of kind of 30,000 to 40,000 to 50,000.

I think if you look at the numbers and you look at the trend, what you are sort of seeing is sort of what I am expecting and hoping for, which is that we see that bottom out and actually begin to start to tick up so that could certainly happen. If you plot out the trends over the last several quarters, the lines would sort of bring you to that conclusion.

So I think it is a very good signal. It is also reflected in our total iPassConnect software users number. Absolutely the on/off net number is continuing to grow but as we see the mitigation of the reduction on-net users, we are going to see the total iPassConnect software user numbers really begin to take off and grow again.

So those two phenomena are absolutely under these numbers and I think it is really a function of broadband being solid, dial beginning to moderate just a tiny, tiny bit because it is such a smaller bucket now. The dial erosion continues but the total bucket of users is so small that we are starting to see fewer user loss.

Fred Ziegel - Soleil Securities

Okay. Second question, how much of the software and service revenue that you report is bundled into EFR? And my question really is should not we start to see the broadband, I am sorry the software and service revenue line grow more, again to what the broadband revenue line is doing because right now it is about two to one in favor of broadband.

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