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DivX, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Steven Frankel - Canaccord Adams.

Steven Frankel - Canaccord Adams

I wonder if you might start out with what kind of visibility do you have into the back half to give you confidence in this guidance given the current environment.

Kevin Hell

The visibility it is always tough. We gave this, you would like to be in a position, obviously, to adjust not downward but upward and I think we are pretty firm with keeping this. We had put this guidance out originally in March and then we reiterated the top line guidance with a raise on the bottom line in May. As we look at some more contracts and the strength with the relationship as you know Steven and some of the other people on the line, a lot of these contracts have set terms. The price is set. It is all depending on volumes though and that is really the crux to your question but there is some part of the business that although it is getting more complex to model, it does help us.

The Yahoo is an area that we felt like we have strength that we can talk about that a little more but the core CE licensing business is an area that, albeit, we need to sort through the transition as Kevin talked through in his prepared remarks as we moved from standard DVD to Blu-Ray. We still think that there are wallets going down. We have a transition there. You have got Yahoo that we feel like the toolbar, our immediate distribution is solid and then you bring in MainConcept with that. So, while they are removing pieces, we do have, we take enough visibility to reiterate guidance at this time.

Steven Frankel - Canaccord Adams

On the Blu-Ray front, are there of your significant customers that are signaling to use it there not like to put DivX in next generation Blu-Ray devices?

Kevin Hell

No, we are seeing strong and good traction in the Blu-Ray segment. In Q2, we certified eight additional Blu-Ray devices. We are up to I think some 19 total devices to date excluding the PS III and we are giving very good traction with all of our major partners. So, my expectation would be that we would see similar if not greater penetration to Blu-Ray category as we seen in the Red Laser category.

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