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Smith Micro Software, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Maynard Um - UBS.

Maynard J. Um - UBS Investment Research

Can you just give us the GAAP to pro forma reconciliation sales and marketing, R&D, G&A and then also the pro forma tax rate? Then I have a couple of other questions.

Andrew C. Schmidt

First, pretty noteworthy, our stock comp has come down year and year from \$4 million to \$3.1 million. And then when we look at the break up for current quarter, the total in the cost of sales line stock comp was \$130,000. In the sales and marketing, \$750,000; R&D \$920,000; G&A \$1.3 million.

Maynard J. Um - UBS Investment Research

Okay, and the pro forma tax?

Andrew C. Schmidt

And the pro forma tax is 20%.

Maynard J. Um - UBS Investment Research

And when we go to amortization?

Andrew C. Schmidt

Amortization for cost of sales is approximately \$875,000; for sales and marketing \$560,000; and R&D about \$300,000.

Maynard J. Um - UBS Investment Research

Great. Okay, and then just on the operating margin guidance, can you clarify? Did you say that low-20 percentages in the Q3 and mid-20s for Q4?

Andrew C. Schmidt

Right, and the [inaudible] in Q4 is we feel that we can run Q4 at least in the mid-20s. What we're seeing in their sales pipeline right now is we have so many opportunities out there that if we land

these opportunities earlier rather than later, we'll put engineering resources on and that would keep us in the mid-20s. Or else, we could run it higher. So, if you see mid-20s, they'd say that's a great plan of success.

Maynard J. Um - UBS Investment Research

Okay, and is that different from the guidance you gave earlier in the year or has that changed?

Andrew C. Schmidt

Earlier in the year, we said we'd be getting our business back up to our typical run rate, a rate around 30%. And we still expect to do so but right now, it's still commented on when we look at the opportunities out there, connectivity has been tremendous. So, right now is the time to actually land these deals and snap them up. And again, usually we preload the expenses, if you will, and engineering a couple of quarters before a customer deploys our particular products. So, from that perspective again, we feel regardless that we'd like to run the business at minimum mid-20s. But the run of that 30% or higher right now, we might actually be letting some opportunities go.

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