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Wind River Systems, Inc. Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). So our first question comes from Matt Petkun of DA Davidson & Company.

Matt Petkun

Hi, good afternoon, nice quarter. A few questions, primarily on the continued use of this term deals, I find that interesting, can you guys continue to comment as to why you are moving more away from the subscription and towards the terms deals with your larger contracts?

Ken Klein

Yeah, sure. Let me make two or three points. Now the first is its not a wholesale migration from one pole to another, about 3% of revenues in Q2 came from terms licenses. Mostly two to three year deals have 30% maintenance components. And the reason we have adopted this approach is really, you know, it's a couple of reasons. One is they make accounting for multiple element arrangement which include services and other elements rather simpler. We believe we will see improving yield rates and easy renewals with this model and we believe that although timing will increase sales run rate to pursue new design wins. So those are the main reasons.

Matt Petkun

Okay. And then, if I look at the bookings number and obviously we never get a perfect insight into this, but looking at the change especially in the short term subscription deferred revenue and the total subscription deferred chase, it would look like at least from a bookings perspective, you saw a meaningful decline in subscription bookings activity. Can you comment on that?

Ken Klein

Yeah. So Matt, it's Ken. I will give you the overall bookings picture and then Ian can talk about subscription bookings in particular. So as you know we don't talk about bookings in general but I will tell you several things. One is that in Q2, bookings obviously exceeded revenue. Secondly, the bookings growth rate overall was actually substantially exceeded the revenue growth rate. And again the thing I would call your attention to is what we mention in both of our prepared remarks that be combination of deferred revenue and services backlog was \$163 million with increase of 20% over our Q2 last year.

Matt Petkun

Okay, great. And then, when we look towards Q4 kind of we now have Q3, so are able to guess of roughly where Q4 should shake out, where do you see the real pick up then from a revenue perspective because we already have a good sense of roughly what the subscription run rate should be headed into those quarters. So if you had to weigh up between real pick up in services, the production run time revenue or perpetual term deals, where is the biggest pick up coming to get you closer to that 100 million run rate?

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