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## Callidus Software Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) And the first question comes from of the line of Chad Bennett from Northland Securities. You may proceed.

#### Chad Bennett – Northland Securities

Good enough. Okay. On the service side of the business, just trying to I guess get a sense for where we're at in terms of – I don't know – percentage of service work that's now more on-demand focused versus on-premise focused and where we are in that transition. And is this kind of – is this quarter kind of the standard at least or the baseline looking out at least a couple of quarters in terms of the implementation service line? And have we made adjustments to headcount and whatnot to kind of factor in what might be a lower level of service revenue looking out in the near-term?

#### Ron Fior

Yes, actually – so, in looking at the on-demand implementation side, it's obviously growing as a percentage of the total services implementations. It is roughly almost 30% of the number in Q2. And we have made those changes that you're talking about in the services side. We have reduced the headcount not only in contractors, but also as people have left, we have not replaced them. We are adding people in the implementation services side of it. So we are trying to make use of some of them there. We definitely need to improve the utilization percentage and that is a huge focus for us in this quarter.

#### Chad Bennett – Northland Securities

Okay. So, it's at about 30% right now on I guess a couple of weak quarters on the license side. I guess – have we based out yet or is there – can this line trend down more in the next couple of quarters?

#### Leslie Stretch

Well, I mean I think if we would go back to the top line guidance conscious of where we were last quarter, the guidance (inaudible).

#### Chad Bennett – Northland Securities

Right.

**Leslie Stretch**

But for our guidance here, and when you look at the guidance, it doesn't really say that. And I think the other thing is – I think that there is a background trend of moving from perpetual license to more on-demand implementations, as Ron was saying. But if you just look at some of the details of the quarter, we did sign a couple of big – signed quite a few on-demand deals where we signed a couple of big license deals, some of which we will implement.

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