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The Ultimate Software Group, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And we'll go to Richard Baldry with Canaccord Adams.

Richard Baldry – Canaccord Adams

Thanks. Can you talk about when you saw this trend really start to emerge with these slower deployments? It seems like it came off kind of quick. And then maybe why you believe this is actually a long term shift versus maybe a short term phenomenon as the team moves into larger scale deals. And then maybe why with the Workplace being a faster implementation and that group starting to ramp, why the blended sort of deployment number when held relatively stable? Thanks.

Mitchell Dauerman

Okay. Rich, it's Mitch. I can answer the question. The emergence of the trend happened at the end of the quarter. And I think we go back to the beginning of the year and we looked – we didn't see anything different in the trend at the beginning of the year when we were doing our model that would say that the model we've been using for five years to estimate the time to live should change.

It was during this quarter that we started to see contract projected live dates change. And it was until – quite frankly, after the end of June when we're looking at the numbers that we are able to go and compare to our planning and translate what happened. And what we ended up doing was going back through all our contracts. Identifying the ARR associated with each of the contract. We have stratified it into many different sizes. And I think what became clear is if you start with the back end of 2007, we began selling a significantly more – well clients that carried within themselves significantly more ARR.

This is kind of the effect of Workplace because Workplace was taking out the 200 to 700 employee market. The Enterprise guys were force to go up market. And quite frankly they were very successful. And so, when we now looked at the deals at the end of the second quarter, and we saw where the date to change to and we investigated from talking about why they change, what happened, it became clear that our Enterprise customer base shifted up towards companies over 3,000 employees. Those customers tend to have many more complex needs. They have many more options. And they also want to figure out how can they use the system to its fullest extent, to automate as many features and as many things as they can.

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