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## PROS Holdings, Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Your first question comes from the line of Tom Ernst with Deutsche Bank. Please proceed. Tom, your line is now open.

Your next question comes from the line of Tom Roderick with Thomas Weisel Partners. Please proceed.

#### Tom Roderick – Thomas Weisel Partners

Hi guys, thanks and good afternoon. So, I guess if we look at the results, it seems as though – and Charlie, you have just alluded to this. It seems as though the implementation periods are going well, perhaps faster than expected that's driving upside in the margins. So I was hoping you could comment on your likelihood to be able to continue to drive some nice margin improvement or even margins above 20%. And then as you look at the pipeline out there, and obviously it's a tough selling environment for everybody, can you comment on what's working, what types of deals are closing in this current environment? Thanks.

#### Bert Winemiller

Thank you, Tom.

#### Charlie Murphy

Yes, thank you. Tom, why don't I start with the gross margin improvements?

#### Tom Roderick – Thomas Weisel Partners

Great.

#### Charlie Murphy

You are absolutely right. We have seen some very nice gross margin improvements over the year. And obviously the margin improvements from the second quarter of last year to the second quarter of this year continue to be very, very good. And we are pleased – we're pleased with that. So those margin improvements, they can vary from period to period, but they have come from – and you said it – increased implementation efficiencies has been a significant contributor to the overall margin improvements of the company. And those efficiencies have also translated into being able to get product deployed faster, which means we get more revenue sooner for each contract that we close.

That's helping us relative to what we refer to internally as the revenue coming from new business each year. And that metric has been increasing each and every year for the last solid four years. So it's a very, very solid improvement to our margins. As far as going forward, we don't actually give guidance on margins going forward, but at this stage here, we do expect long-term to see continued improvements and we expect the long-term to still have a positive overall impact on the company's gross margin trends. So I think we have experienced good margins, and we're looking forward to at least maintaining those and long-term improving on that as we go forward.

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