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Zix Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator's instruction) Your first question comes from the line of Jonathan Ruykhaver.

Jonathan Ruykhaver - Thinkpanmure LLC

So, actually on e-Prescribing, what was the number of subscribers that you had, actually, in the quarter?

Richard Spurr

140, I think. Right, guys?

Jonathan Ruykhaver - Thinkpanmure LLC

One hundred and forty, that sum you added in the quarter?

Richard Spurr

Those were new deployments, 140 new deployments. The quarter was flat because of attrition. So, a hundred and forty is above replacement number.

Jonathan Ruykhaver - Thinkpanmure LLC

Okay, so how many active doctors did you have at the end of that period?

Richard Spurr

It is around 3300 which is what we had last quarter.

Jonathan Ruykhaver - Thinkpanmure LLC

Okay, 3300 and then I think you said to expect a hundred docs to tying up in the current quarter, is that right?

Richard Spurr

Once again we will say we think we will deploy around a hundred docs.

Jonathan Ruykhaver - Thinkpanmure LLC

Okay, is it still your assumption that you can get 1200 per doc per year?

Richard Spurr

Yes. That is still our financial model and we have not seen anything to?

Jonathan Ruykhaver - Thinkpanmure LLC

So, the decline in transaction usage space fees and the deployment related fees that does not imply that you need to get to a greater doc number that you suggested in the past to get to breakeven on that business?

Richard Spurr

Yes, so the deployments again are only relevant in year one and our business model at the 1200 recorded is our target for top line revenue in years two and beyond. So, that part of the model really is not affected by the rate of deployments. Obviously the timeframe for us getting the breakeven is affected by the rate of deployments. There has been a decline in transaction-based revenues as we recap on one of our shared savings contracts with one customer but that single event has not processed to modify your expectation about top line overtime.

Jonathan Ruykhaver - Thinkpanmure LLC

Is it safe to say that you just do not yet have real visibility in terms of ramp on the doc side because the payers are going through how they are going to approach this new legislation and it is probably going to be late this year, early next year before we start to have better visibility into that ramp?

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