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AXS-One Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from [Orin Hershman].

[Orin Hershman]

I missed the first two or three minutes. Just in a nutshell I know everybody was hoping for sequential progress here and things really didn't push further on the top line. What was the main contributor to that and did the deals get lost or they shifted into this quarter? How should we view this?

William P. Lyons

I'm sorry you missed the initial comments. Compared to second quarter last year which gives us the foundation to go to profitability, sure we'd like to have sequential gains. We did \$1.5 million in the first quarter, \$1.1 million in the second quarter. As usual there are always a number of deals that slip quarter to quarter. I guess what we're saying Orin is that we think with the addition of this new DDM product that we'll be able to have more predictability and get the sequential growth that we want.

[Orin Hershman]

But I'm saying that there's always been a tremendous description and indication about the pipeline being so huge. Is the pipeline so huge or do things just disappear from the pipeline?

William P. Lyons

No, I think that despite Federal Rules of Civil Procedures and the increase in pipeline based on that, putting in an archive is something that you can delay. You still have a system of back-up tapes that you've been using in the past. It's not as good as having an electronic archive, people realize that, but there's not necessarily a compelling reason to order at the end of June as opposed to in the next quarter.

[Orin Hershman]

That's a big change from what you've been telling us is things have been accelerating.

William P. Lyons

We've always said that and the pipeline is accelerating and the Federal Rules of Civil Procedures are making the pipeline far more diverse and we have a very broad industry base, but what you're asking

is: Do things slip? Yes, they slip. There's not a compelling event with electronic records archiving. People can move it from the end of one quarter into the next quarter. A number of people have done that. What I'm also saying is that DDM which is an approved budgeted item that people are in the process of implementing, now the sales cycle is a different sales cycle. We're saying, "On the one hand do you want to go the conversion route or do you want this faster, cheaper, higher customer satisfaction way of doing it?" So we think that the return on investment on that one is going to be compelling and there'll be less slips.

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