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Quest Software, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) We'll go first with Aaron Schwartz with JP Morgan.

Aaron Schwartz – JP Morgan

Good afternoon. Scott, I was wondering if you could just walk through the margin profile in the back half of the year even if we exclude the cash severance charge in OpEx. It still looks a material step down in the cost. I am just wondering outside of the headcount restructuring you just talked about other facilities or there is some other things that you can get us comfortable with the cost structure in the back half?

Scott Davidson

So what you can end up doing is if you back out the 2.6 from Q2 you are going to look pretty close to flat with Q1 on the expense side. As I said in the prepared remarks, most of the effect of the reductions that we had took place late in the quarter. So, there wasn't much of any impact within Q2. So, you sort of look at Q3 and Q4 they are probably – Q3 is going to be probably be a little bit of a step down from where you were in Q1 and Q4 may be up a little bit from that just to the extent if we have higher working commissions associated with that up a little bit. But in order to get to the range we are talking about. If you are at 7.20 [ph] as an argument sake say on the revenue line your expense profile is going to have to be somewhere roughly six or underneath that. So, you are talking about sort of a down sequential Q3 on the expense side and up flattish to may be just a little bit slightly up from that in Q4.

Aaron Schwartz – JP Morgan

Okay given commissions are may be more seasonal to Q4. Are there some other things that offset that in Q4 to stay sort of in that flattish range?

Scott Davidson

There are other things we talked about the headcount reductions that took place actually in Q2 and there are other expense reductions things that we have potentially on the table to turn the knobs on so to speak by travel for example and other elements of that Vinny alluded to. So there are other expense management aspects that we can deal with. On the upside of expenses, primarily in any of the upside of expenses you would expect to see – it is really going to be commission related in Q4. It shouldn't be anything else specifically.

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