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ACI Worldwide, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of George Sutton with Craig-Hallum Capital.

George Sutton - Craig-Hallum Capital

You mentioned that getting the implementations out of backlog is the number one priority and you did mention some work you were doing with IBM to quicken the pace. I am not real clear what specifically you are doing differently to try to accelerate that move out of backlog.

Philip G. Heasley

The effort we have going with IBM is what we're calling the payments transformation team, and what we're doing is we're going through an environment I said in the beginning where 50% plus of our deals are now on IBM platforms, both p and z, and at this time more p than z platforms. And what we're doing is we kind of have our left foot in our past legacy of implementations and we have our right foot in these new eps and multi-sales kinds of deals. What we're trying to do is put together a highly coordinated process between platform provider and the software provider instead of two different vendors showing up at the same site getting work done and we're hoping and we're expecting for that to be a much smoother process. That's important, George, because when somebody has very large deals having that kind of coordination is going to be crucial aspect. We've gone and we've done very very well from a share standpoint, we've built a very large backlog of deals that we have to get implemented. Right now is a point that we have good controls around where we are as a business and what not and it's time to get that historical backlog behind us and have to be more forward looking current product backlog moving forward. So, I'd like most of what we're doing with IBM to be 8.2 going forward and these previous releases 7.4, 6.4, whatever, would like to have those all behind us and be in an 8.2 environment.

George Sutton - Craig-Hallum Capital

You mentioned that your deal cycle is slowing a little bit and I am curious when you are going to market with IBM and you've got a somewhat combined hardware software package, does that not help accelerate the sales process?

Philip G. Heasley

I think two things have happened there. One is there has been a definite slowdown. I would tell you that we are better at measuring and what not, but our pipeline is probably better than it has been since I've been here. Getting that pipeline to closure is clearly taking longer; instead of going through a capital approval once, goes three times or whatever. We've not really seen any deals being pulled off the table except for some really small low-medium to small kinds of companies and in the 25% to 50% probability ranges in the pipeline, not further up in the pipeline. In the very larger deals, I think the larger deals are having more scrutiny. So even if we have more coordination with IBM there is more scrutiny going on in these deals, and in a very large deal, stage one of doing a deal is doing a proof of concept, and you don't really get the final deal until you combine go and do your? You may be chosen and what not, and then you go through this proof of concept kind of deal and then you move into the next step. That also slows the growth in the actual backlog and the growth in the business by the very large deals having that extra step.

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