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Blackboard Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question will be from the line of Michael Nemeroff from Wedbush. Please proceed.

Michael Nemeroff - Wedbush

Hi, guys. I just had a couple questions, first for Mike Beach. I'm just trying to work through the guidance, especially on the bottom line. So the way I have calculated, tell me if I am wrong. So, there was the \$0.04 increase on the higher end of the guidance range from Desire2Learn, \$0.04 from tax. So essentially you are raising the high end of the guidance on the EPS by about a \$0.01 or \$0.02. Did I calculate that correctly?

Mike Beach

Michael, I think the impact of the Desire2Learn is going to be more than \$0.04 on the full year. So I think it is probably closer to \$0.06

Michael Nemeroff - Wedbush

Okay.

Mike Beach

But, I think, yes, the tax on Desire2Learn numbers are generally in line with what we would calculate.

Michael Nemeroff - Wedbush

Okay. Then on the revenue that you did not get, the million in revenue from the delay in shipping the transaction, the new version of transaction. Is that revenue that is going to be able to be made up in future quarters? Or is that just roll off because it is ratable?

Mike Beach

We would expect to make that up in future periods. Unfortunately we have got a window of installations that occurs in the summer months. So a good portion of that will push in to next year. So we will get that revenue. It is just that some of it will occur in the third and fourth quarter, large amount of that we will actually push into 2009.

Michael Nemeroff - Wedbush

Great and then Mike Chasen, you mentioned in your prepared remarks that the spending environment for academic institutions, you do not feel it as much as the normal enterprise software company. Can you just compare what the pipeline looks like or looked like coming out of the User Conference this year than it did coming out of last year's conference? Was it sharply up or could you give us some qualitative comments around that? Then also, if you comment on our customers, in your conversation with customers, are any of them delaying purchases of any new modules in anticipation of Version 9?

Mike Chasen

Sure, thanks, Mike. We were extremely pleased with Blackboard World Conference this year. I think it was our strongest conference to date and really I think we have the strongest pipeline coming from that conference. Generally, and as I said, the client comments to us on the improvements that we made in support, the enhancements to our managed hosting as well as the vision that we laid out there, really was exciting the client base, and I can tell you that personally I was involved in a number of pretty large sales meetings and deals that were taking place in the conference that we expect to have good, strong results for the rest of this year. I do think that what is reflective of the industry as is our high contract value number, and our larger revenue where we are continuing to see strong demand particularly for our products, and whether that is our e-Learning product or our new Blackboard Connect and Blackboard Transaction product, as well and we are continuing to increase our sales focus to make sure that we are getting this products out in the hands of the clients; and we are seeing a lot of success there with the cross selling.

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