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Web.com Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from David Hilal with Friedman, Billings, Ramsey.

David Hilal - Friedman, Billings, Ramsey Group, Inc.

First, Kevin on the guidance, I was hoping you could give a little more detail on the subscription line. I guess what I want to understand is it looks like subscription revenue can possibly be down sequentially and if that is a possibility, I'd like to understand how that can be.

Kevin M. Carney

I think in terms of our guidance and our outlook for the balance of the year, there are really, I guess I would say to get to your question, three different areas where we've seen adjustments on the outlook. Specifically on your question to the subscription line, David and Jeff both mentioned in the prepared remarks, we've seen and planned for a delay from some of the rollouts from the revenue of the Enterprise initiative which we have obviously factored into our earlier outlook of a speedier ramp there. So that's certainly contributing to the reduction in terms of our outlook on subscription revenue. The other would be what we've alluded to in terms of the reduction that we saw in our gross subscriber additions during the quarter.

So there's really two factors at play here. One is, I would say, the inefficiency of our marketing spend as we see as a result of the economic environment and the reduction we saw of gross subscriber additions during the second quarter carrying forward in terms of our balance for the rest of the year. The other factor would be, as we mentioned, as a result, we've planned for a reduction in our online marketing spend because at the levels we're spending, we're acquiring customers on an unprofitable basis. So we've decided not to do that.

David Hilal - Friedman, Billings, Ramsey Group, Inc.

Let me ask it differently, because I understand the outlook has been lowered. When I say lowered, I'm talking up relative to Q2, but the aggregate dollar amount being down in Q3 from Q2. I guess the only way that can happen is if you have less subscribers that you currently have but I guess is that a possible scenario you're suggesting with your guidance.

Kevin M. Carney

Yes, I think, the simple answer is yes. I think with the comments I just made about resulting growth subscriber additions and assuming we don't see anything significant happening in terms of churn, it's certainly a possibility in regards to our guidance for the year. You asked specifically about

subscription, but it is worth noting in terms of the revised outlook for the balance of the year, we also adjusted our outlook for Fusion in the third and fourth quarter. That probably accounts for about 10% of our revised outlook.

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