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VASCO Data Security International, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Our first question is coming Daniel Ives with FBR. Please go ahead.

Daniel Ives – FBR

Hey, guys. It feels good to say congrats in the quarter. Just a few questions, so first, can you may be speak to big deals? I mean, you don't give a backlog number, but how should we thing about the orders, specific deals that are in backlog that are going to be maybe hidden revenue over the next few quarters? Can you just explain about the composition of big deals versus small deals?

Kendall Hunt

Daniel, as the company grows, we are less reliant on the bigger deals than we have been in the past. It wasn't that long ago that our top 10 customers represented 80% our total revenue for the year. A couple of years ago, the top 10 customers would represent over, just over half. And that percentage continues to go down. Last year, as you may recall, for the first time we didn't have a single 10% customer. So, I think what you are seeing is just a general growth in the business without a huge reliance on any particular big deal. Jan, you have anything you'd like to add to that?

Jan Valcke

No.

Kendall Hunt

Okay, all right.

Daniel Ives – FBR

Okay. Now, if I think back to the last few quarters, you had a few disappointing quarters (inaudible) now you have a solid quarter, healthy outlook, what's changed? Because I remember the last call you said that you see things that we don't, and it is proven it right by the strong quarter. What's happened in the business over the last three months that I'd sat may be changed or firmed up strong deal for – is it one thing, is it a confluence of things, is it longer deals signatures and you guys have kind of structured the business around them now, can you maybe just give some clarity around that?

Kendall Hunt

Yeah, in the first quarter earnings conference call, Jan and I and Cliff talked about a change in the business from the point of view of authorization or deal approval from the customer's point of view. It made the sell cycle a little longer, but I think we are probably through that, or getting close to through that. But I don't see anything unusual with the quarter we just announced. It is just an indication of a strong steady growth of our business, and I think you can expect that going forward. I think that third quarter will be very strong because of the strong order inflow and deals and booking that we did in May and June. You can expect a very strong third quarter.

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