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MSC Software Corporation Business Update Call Transcript

Question-and-Answer Session

Unidentified Analyst

Bill, referring back to your sales cycle life, in particular MD, if the MD solutions are in essence a productivity enhancement to the engineer, I can understand the sales cycle but why are the sales cycles to the global deployment that far?

William Weyand

Bob, as we are looking at the industry trends and we look at the customer base, it's that they are driven by either programs of new automobiles, they are driven by programs of new aircraft, so they are deploying as they move forward on new initiatives. They obviously knew to do what they are doing on their daily operations but they are not able to disrupt that development cycle so it ends up being clearly phased programs that is driven by priorities to those companies and the schedules of those companies.

Dave Rush

And looking in terms of new volume, they can't just jump straight across to the end. They have to schedule it, where are we going to deploy this new MD. So they do target their progress. But they still have this whole user base to get up to steam as well. So there is a lot getting the stuff installed, they have to schedule it, they have to plan it, because internally they have to change their methods. This isn't just, ?Here's a little application. Install this.? They have to change the way they do business. So there is a planning phase they're all in the middle of. They have to do a whole shift in the way their analysts do the way they use the applications and software, so that's what's really taking a lot more time, is this internal of these companies changing their methods groups, it's not just taking on software applications.

Unidentified Analyst

In terms of the same engineering products, the MD time line slide, and this information, what does it look like in terms of numbers of users, for example, when you go to a pilot in a first deployment. Can you characterize that a little better?

Dave Rush

I will give you an example. If you look at [inaudible], specifically in automotive for instance, [inaudible] different departments. The program phase has people from these departments on the program executing it. They are design engineers, what is the impact saying. In the background on an annual

process there are metrics processes. Safety experts applying best practices. What we are seeing is the methods people taking samples of this process, where we have shown them some solutions, and break through analysis.

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