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VASCO Data Security International, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jonathan Ruykhaver - ThinkEquity Partners.

Jonathan Ruykhaver - ThinkEquity Partners

You mentioned that you plan to continue to invest pretty aggressively in infrastructure, but that you're still comfortable with operating margins between 20% and 25% for the full year. Sequentially for the current quarter, could we see operating margins below 20% due to this infrastructure spending, or will you be able to maintain up margins, on the quarterly basis, above 20%?

Clifford K. Bown

I think there will be occasions where you could see a drop below 20%, certainly as we've talked before, we have some seasonality in the business, and with that seasonality we have some variability in our sales, but our operating expenses should continue to increase sequentially. So, there could be quarters where in fact the operating margin drops below the 20% level.

Jonathan Ruykhaver - ThinkEquity Partners

Can you comment on sales activity for Digipass for Web, and specifically, I am wondering, do customers view that software based solution as an alternative to the Digipass GO 3 for retail banking applications, or is it a different application in e-commerce?

T. Kendall ?Ken? Hunt

We've pointed out in the past that as we have sold into our banking customer base, that a large percentage of the retail customers are not getting a hardware Digipass. So a couple of years ago, we decided that we needed to focus on more software alternatives, and that's the way we look at it.

It's not software that replaces a Digipass, it is software and pricing that enables us to go after business that two or three years ago, we just couldn't get to. So, Digipass for web and also the Digipass 110, they fit very nicely into our strategy of providing a wide base, a full option of products to our customers.

Jan Valcke

What Ken is mentioning here is that it is a strategy toward banks, and of course we have developed also that suite of products for the non-banking market, mainly for the business-to-business applications.

Jonathan Ruykhaver - ThinkEquity Partners

Is Digipass for Web 10% or so of Digipass shipments at this point?

T. Kendall ?Ken? Hunt

Well, generally, we don't comment.

Jonathan Ruykhaver - ThinkEquity Partners

I am just trying to get a sense how material it is. I know it has been growing pretty rapidly.

Jan Valcke

I think what Cliff mentioned is that it's a small percentage of software sales.

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