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## Art Technology Group Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Your first question comes from Shyam Patil - Raymond James.

#### Shyam Patil - Raymond James

Julie, could you give more details on the cash tax rate and the NOL situation? I think you said minimal in '08, but should we expect fully taxed cash EPS beyond that?

#### Julie Bradley

Currently we have a full valuation allowance on our NOLs. By the end of the year the federal NOL was about \$225 million. We expect that in '08 we will be able to utilize the federal and state NOLs and the majority of international NOL to offset taxable income. However, in a few jurisdictions we are generating a small profit and have depleted our NOLs. So we are expecting that in 2008 the cash taxes cash provision will be in line with the provision that was booked in 2007.

Going forward, we continue to evaluate the need for the valuation allowance. At some point after we've demonstrated increasing taxable income we will reverse that and book a non-cash tax provision as we will still be able to benefit from the net operating losses that we've accumulated.

#### Shyam Patil - Raymond James

On the seven-figure deals, could you give some more details on perhaps the geography, the verticals? If you are selling more products than you were before in a bundled nature? What's driving the acceleration this year versus last year?

#### Bob Burke

If you look at the verticals, it was actually in several, Telco was one, consumer products as well as retail. We had a good diversity in terms of where those large deals came from. I think in terms of the drivers behind that, it does speak to the general replatforming and just general awakening and interest in the ecommerce but it was across several verticals.

#### Shyam Patil - Raymond James

Are you selling to larger sites or are you bundling more applications than you were before?

#### Bob Burke

It's both. So some of these sites especially the repeat customers, the sites are much larger when they are coming back and so they are requiring more volume. Additionally, which I think is reflected also just on our overall ASP, there are more modules to sell and more complete solutions. So I think it's a factor of both.

**Shyam Patil - Raymond James**

Recently you announced a win where you specifically referenced the packaged nature of your offering as a key differentiator versus IBM and SAP. Could you talk about how that influences the total cost of ownership and specifically ATG's total cost relative to the top competitors?

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