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## PROS Holdings Q3 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Your first question comes from Adam Holt – JP Morgan.

#### Adam Holt - JP Morgan

Congratulations on the quarter. My first question has to do with the raised bookings targets for the year. I was hoping you could give a little bit more detail as to whether or not it was strength of deal closures in the quarter that gives you that confidence? Is it about the pipeline for the fourth quarter, a combination of both? Maybe a little bit more detail there would be terrific.

#### Charlie Murphy

What we've done is the pipeline opportunities remain strong, and our close rate in Q3 was probably a little better than we had expected a quarter ago. If you look at our overall pipeline, it's about the same level of robustness as a quarter ago, but we have been able to hard circle a few deals earlier than we had thought, which certainly has built our confidence for the full year. So with that, we brought the guidance up from \$38 million to \$42 million to \$42 million to \$44 million. It really is confidence in bookings closed year to date that gave us the ability to raise our guidance.

#### Adam Holt - JP Morgan

Another factor behind bookings is obviously your distribution. Could you update us as to where you are with your direct sales at the end of the quarter? How do you feel about productivity related to some of the headcount adds that you brought on over the last quarter or two?

#### Bert Winemiller

Why don't I take this opportunity just to review the bookings and contracts, and how we look at them and how we manage the business and developed a proven track record over the last nine years. There are really three key factors related to bookings and contracts. One is the high-visibility revenue model; second, the high average sales price and then the mix of business and diversification. These hit directly to the question.

The high-visibility revenue model, we do not recognize revenue when the license and implementation contract is signed, so there is no motivation to discount or agree to onerous terms in a contract at the end of a quarter. We do not try to drive bookings or number of contracts in a quarter so we can report the numbers and we have chosen not to disclose those numbers.

Our experience shows that managing to an annual bookings goal is the best way to achieve our target revenue growth with strong profitability. Also, we recognize revenue over the implementation period of six to 24 months. So bookings in a quarter are not unnecessarily a good indicator of future revenue timing.

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