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SonicWALL Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Robert Breza with RBC Markets.

Robert Breza - RBC Markets

Hi, good afternoon; thanks for taking my question. Matt, one question, would love to just get your comments quickly when you look at the number of units are down year-over-year, how should we think about that going forward, and obviously you're getting a good increase in your ASP.

And then a question for you Rob, as you look at the deferred revenue can you characterize how we should think about that rolling off the balance sheet, maybe, not next quarter, but as we get in the 2008 and maybe just talk about some of the dynamics you are seeing a deferred revenue with the success in cross of selling additional services? Thanks, guys.

Matt Medeiros

Yeah, Rob

Rob Selvi

Yeah, thanks Rob.

Matt Medeiros

You know, Rob. You know earlier and as inline with our prepared remarks we grew deferred revenue 21% sequentially and 44% year-over-year. We also mentioned that we went through a pretty exhaustive product transition plan through the first three quarters of 2007. And we really are looking forward to Q4 as being kind of that quarter where we can start to see unit growth again through the new products that we delivered in our UTM space.

The deferred revenue has been very important to us. It's been a key objective of our strategy. And I do think that we've got that process well understood. And we certainly see unit return growth already taking shape. As I mentioned, we've doubled our unit sales from last quarter and the TZ 180, which is primarily that unit volume driver. So we're pleased with our progress and we look for the opportunity for Q4 it really demonstrated in the terms of unit growth.

Rob Selvi

Yeah. In terms of deferred revenue, you know, we had about close \$16 million of growth in deferred revenue in the quarter as saw Rob \$15.9 million. The substantial majority is that growth was in the form of subscription services, so you are right, and expecting growth going forward in subscription services, particularly as this bugling strategy takes hold even further. And we continue to stay on the aggressive growth ramp and deferred revenue.

In terms of how to model that growth going forward it's, I would say that the average aging of the subscriptions deferred revenue has been maintaining somewhat over the past few quarters, given the popularity our multi-year subscription services products. So that has an impact into the velocity of the growth of subscription services revenue as a part of license and services revenue.

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