

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha symbol in orange on a dark red background.

Data Domain Q2 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instruction). The first question comes from the line of [Lory Candelario] with Goldman Sachs. Please proceed.

Lory Candelario - Goldman Sachs

Great, although your industry seems to be breaking out, as you said the number of competitors does seem to be growing very much as well. Can you comment on pricing and the degree to which you might be seeing any changes there, also selling cycles and whether they are lengthening? All this of course goes to the heart of whether you could stay in that gross margin, and then I do have a follow up.

Frank Slotman

Yes, Lory. This is Frank. We have definitely seen the competitive presence and active increase over the last nine months and every subsequent quarter. We see more of it's -- as you indicated -- it sometimes does include pricing pressure and lengthening of sales cycles. But there is also the new rule of that effect and that it squares more opportunity and more interest in the space.

On balance, these two seem to cancel each other out and if you can see by the gross margins and the growth, the pace has been sustained without much interruption by competitive activity. We definitely see more of this, but we definitely see this space being stimulated and activated by the competitive activity as well.

Lory Candelario - Goldman Sachs

Okay, great. A follow up, you're growing much faster than expected, what kind of strain is that actually putting on your infrastructure, particularly since all this suggests further acceleration in new hiring?

Frank Slotman

It plays a strain in notable areas, the whole growth process, as I said in the prepared remarks, there are three areas that we're investing very heavily to -- the product organization has to move incredibly faster to be able to not only deliver product, but support the product that is out there.

Secondly, the sales distribution infrastructure growing very, very rapidly is a principle driver behind our growth. So, we're putting in tons and tons of people all over the world, they all need to be ramped and putting new infrastructure and so on. And then the area that Mike is responsible for, in terms

of finance, administration and to keep up with all the growth effects from that. We definitely feel the vibrations of growth, but we've been home together well and feel that we are investing at the pace that we need to sustain the pace.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.