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Polycom, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Tim Long – Banc of America Securities.

Tim Long – Banc of America Securities

Two questions if I could, maybe Bob I get the conservatism in the guidance despite the good backlog and deferred revenue. Just give us a little bit more color kind of what's behind that. What are customers saying to you about both the near term and more importantly how long you think there will be some potential sluggishness or lack of visibility?

Then Mike, if you can just give us a little bit of color about impact of the price increases on both top and more importantly gross margin line in the quarter and what we think about pricing heading in to Q4 and in to '09.

Robert C. Hagerty

What we saw primarily in the third quarter was that we had a very strong pipeline. That pipeline remains, it is a very good pipeline. We are seeing some caution on the part of end user customers about when they're going to implement programs. At this point we have not seen budgets be reduced. We have seen people have a longer approval cycle, more people involved in that approval cycle.

But, the pipeline looks good, the prospect list looks great and we continue to see enormous amount of people looking at this product line, looking at the ways they can employ these best practices to improve their cost profile. But, we just feel at this point there's been a lot of gyrations, a lot of anxiety in the markets and it hasn't been just in the US markets so we wanted to take a conservative stance at this stage on the guidance.

Michael R. Kourey

Let me go ahead and respond to your question about price increase impact. In Q3 it was very modest. Why? Because, it didn't kick in until the beginning of September and obviously bids in process we honored. Plus, to the extent that there were some of the larger transactions off schedule so to speak those continued to be as they always would be and always will be negotiated on a case-by-case basis.

That being said, there will be a full quarter of impact in Q4. You may know that the price increase that we implemented on most, not all, but most of our product lines represents a 3% uplift and based on that we do expect to have some further benefit of that obviously going in to Q4 and 2009. Exactly

how that will all shake out will be determined in the future here. But, the prices went up a little bit on September 1st and will be in full impact this quarter.

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