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Avocent Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll take our first question from Aaron Schwartz with JP Morgan.

Aaron Schwartz - JP Morgan

Had a follow-up question on the economic comments you just made. I was wondering if you could provide more detail. Are you assuming a more challenging environment in Europe than you just saw in Q3 or much lower close rates across your business?

Sam Saracino

The guidance in the revenue forecast were built this quarter similar to how we've done in prior quarter where we start with the underlying forecast provided by the sales forces and looking at the pipeline of activity that they see and projected deal closure rates. WE also take into account the forecast that our OEM partners provide us and we also look at information provided by other technology partners in other tech companies in their public statements and public forecasts.

We try to bake all of that in to come up with our revenue forecast and then we took a conservative view of that on top of that to say what happens if deals get deferred from Q4 into next year on an unforeseen basis.

So we did a little bit of an extra conservative measure this quarter that we don't normally do based on the amount of uncertainty that we're seeing and hearing in the press and from some of the industry analysts.

Aaron Schwartz - JP Morgan

LANDesk, if we back out the Touch Paper, it still looks like growth reaccelerated from Q2 to Q3 and I'm wondering if you could provide more color on that.

Sam Saracino

Sure. If you back out the Touch Paper acquisition, LANDesk revenue still grew 19% year-over-year, which we believe is an excellent result that our guys there achieved in a typical economy and the growth was across geographies and across product lines. Large part of it was sales of the LANDesk management sweep and the traditional product that we've had for a number of years, as well as the newer subscription revenues from the securities sweep products.

Aaron Schwartz - JP Morgan

Last question. Mike, you had mentioned that you had made some changes within the sales organization in terms of the comp lans and what sales people are able to sell. Is that something that has gone into effect or something that will go into effect as you start next year.

Mike Borman

The comments that I made will be that they go into effect next year.

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