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Data Domain, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question is from Brent Bracelin of Pacific Crest Securities.

Brent Bracelin- Pacific Crest Securities

Mike, first question for you. You talked about ten purchase orders over \$1 million in the quarter, but you talked about closing six of those, I think \$1 million + transactions. What is the delta there? Did you have some move in to Q4?

Michael Scarpelli

No, the six I was referring to was repeat business. I was talking to that in conjunction with why our repeat business was 58% of our business in the quarter. We had ten deals in total, six were from repeat customers that were million dollar + and eight of the ten were in the North American market.

Brent Bracelin- Pacific Crest Securities

And then Frank, a bit of a tone-change here on hiring. Could you talk a little bit about what you are seeing so far in October, maybe talk a little bit about the quality of some of the hires out there, is it getting easier now, and is that part of the reason why you are being cautious and what is the tone so far that you are hearing from customers out there.

Frank Sloatman

We are gradually backing off our growth at all costs strategy and we signaled that last quarter as well that we are gradually increasing our focus on productivity. It is not a hard caution on the quarter. We think this is a great opportunity for us to invest in hire. We are seeing better and better resumes in all categories. We think this is a great opportunity to strengthen the company. But we reviewed our hiring plans. We have productivity issues in some areas of our operation and we feel we need to address those first before we add additional head count. It is a slight down back towards productivity from sheer growth.

Brent Bracelin- Pacific Crest Securities

As you think about the tone of business, clearly this was a quarter where you had some economic challenges out there. This is a quarter you had some competitive noise factor that certainly went up

and you still delivered. What are end-users responding to the product? What has the tone been in October as well, too?

Frank Sloatman

For September we didn't see any push-out activity, we saw really fairly normal spending patterns and buying behavior, even in the last week of September when all hell was breaking loose. Then going into October, so far October is meeting our expectations. If you weren't watching CNBC you wouldn't know there was something wrong with the world. We are taking our clues from what we are seeing in our business rather than what we are reading in the Wall Street Journal. We think the business is solid. We are cautious obviously because you have great visibility until the day that you don't so we want to be prepared that if we are confronted with a rapidly changing demand environment that we are prepared to do that. But so far we have had no reason to do that and we are proceeding per plan.

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