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Websense Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Eric Martinuzzi – Craig-Hallum.

Eric Martinuzzi – Craig-Hallum

For the marketing effort, the Gateway offering, you had some success in Q3. As you're marketing this through an indirect method, you've got to have the channel up to speed. What are you giving them, what tools are you giving them to convince the install base that Gateway upgrade is worthwhile?

Gene Hodges

There are three sets of convincing material. The first has to do with the threats and we'll be happy to pass this stuff along to you. The bottom line is that the bad guys are starting to stage their attacks differently on the web and their moving from porn sites and hacker sites to the high volume sites that we all go to every day; the community networking sites and other sites with user generated content. That type of attack requires a new type of technology and we have a unique situation in having that technology.

The second set of material has to do with proving the stability of our product and the effectiveness of our product at high speed since these new technologies are what geeks call 'in-line'. Every bit that goes through the pipe has to go through your product, and you need to make sure that it's very stable. Our older technologies did not have that aspect.

The third set are comparative tests which show the effectiveness of our product in stopping malware attacks as well as blocking objectionable content, and we have that material against all the major competitors. As Doug said, money always gets them excited.

Douglas Wride

Our reseller channel is in business to sell stuff and if they don't they go out of business. So they look to the most exciting problems and the most exciting solutions, and that's what Gene spoke to, and what I was speaking to earlier was that we're out training and making sure that the executive level of these key channel partners are bought into making Websense a significant part of what they offer to their install base on a day to day basis.

Eric Martinuzzi – Craig-Hallum

The adjusted gross margins down sequentially, what's your outlook for Q4 on the gross margins?

Dudley Mendenhall

Gross margin will stay relatively stable as a percentage of revenues so I wouldn't expect to see any major move there.

Operator

Your next question comes from Samuel Wilson – JMP Securities.

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