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Callidus Software, Inc., Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Your first question is from the line of Chad Bennett with Northland Securities. Please proceed.

Chad Bennett – Northland Securities

Yes, hi. Good afternoon. A couple of questions, first, on the on-demand net new bookings in the quarter of \$1.4 million, I am just trying to match that with the 10,000 pace (ph 00:31:42) that you added in the quarter. It would imply, I guess, very aggressive pricing or deterioration if you wanted to put it like that or something in the terms, maybe in terms of time that I am not quite understanding or am I looking at the right numbers here?

Leslie J. Stretch

No, you are looking at the right numbers. The mix of the business is interesting because we have some conversion where people have paid up for the license that paid maintenance that paid implementation already. So, that has an impact. And also, there are some customers with very simple plans and from our cost basis, easy for us to create the deals with and our focus is on the net margin, the margin of course in the on-demand business.

And we are also beginning to sell products, lines of products, and more products which changes the profile. So, it is hard to map. But for us, when we arrive in a contract with a customer, the main focus is can we maintain the gross margin that we set out to maintain, can we maintain the cost profile and then, how does that play into the sort of deal that we have to do.

Chad Bennett – Northland Securities

Is there any way of indicating what percentage of the 10,000 pace came from conversion versus new customers?

Leslie J. Stretch

Not of immediately to hand but we will check into that for you.

Chad Bennett – Northland Securities

Okay, I guess I will shift a little. On the license side, obviously a really strong quarter in terms of the lights and skills judging by the DSOs, it does not seem like anything was terribly back and loaded

there, I guess the license pieces paused around quite a bit quarterly. I know you do not like the detail kind of revenue segmentation going forward, but how should we look that business based on pipeline and what you see out there if we are trying to look at it going out a few quarters? What are you seeing in that business and is there going to be somewhat of a, I do not want to call it resurgence, but are we back to the days of kind of \$45 million per quarter in license revenue being the norm?

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