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## Blackboard, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Your first question comes from the line of Michael Nemeroff with Wedbush. Please proceed.

#### Michael Nemeroff – Wedbush

Hi, good afternoon. Thanks for taking my questions. Just a couple of brief ones. First, Mike Beach, could you reconcile the guidance to the tax benefit? I just want to compare what I have on the notes. By my calculations, I get to about \$0.19 on the EPS for the quarter. Then also if you could tell us whether the core contract value for Blackboard was at or above that 20% figure that it's been for the last couple quarters and then also if you could just touch on whether you have any concerns about cash flow and collections going forward as the credit crunch and schools may be possibly hoarding cash. And then I have just one follow up for Mike Chason. Thanks.

#### Mike Beach

Okay, as I highlighted throughout the year, we have got significant variability in the effective tax rate. You could see that in the Q3 benefit. If you apply the estimated effective rate from our prior guidance which was 37% to the non-GAAP earnings in the quarter, the earnings per share would have been \$0.19.

#### Michael Nemeroff – Wedbush

So, is there anything else there?

#### Mike Beach

The only other kind of one-time item or unusual item in the quarter was the foreign currency. So if you look at foreign currency, we had a \$200,000 negative impact to earnings which is worth about \$0.01.

#### Michael Nemeroff – Wedbush

Okay. So excluding the tax benefit but adding back the FX, you get to about \$0.20 which was in line with consensus, is that correct?

#### Mike Beach

Yes.

**Michael Nemeroff – Wedbush**

Okay.

**Mike Beach**

On the contract value for Blackboard would have been approximately 19% growth for the quarter year-over-year.

**Michael Nemeroff – Wedbush**

Okay, and about the last one on the cash flow?

**Mike Beach**

Yes. So we've obviously factored in kind of what we're saying in the marketplace related to the cash flow guidance we've provided, and believe that – we haven't seen a material slowdown in collections and are comfortable with the range we're providing. There were some events that happened during the third quarter that could have had a negative impact on cash flow. We did not see that and those seems to be unwinding. Michael Stanton, you want to touch base on it?

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