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Interactive Intelligence, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) We'll take our first question today from Shyam Patil, Raymond James.

Varun Chadha – Raymond James

Good evening. This is Varun Chadha filling in for Shyam. Could you just talk about the level of visibility that you have into your product revenue at quarter out and a year out and what that is based on?

Don Brown

The biggest visibility we have, obviously roughly 50% of our revenue is coming from maintenance and other services that are pretty predictable and generally growing quarter to quarter. Beyond that, we have to go out and sell new software. We do have a small component of SaaS revenue that we hope to grow but that is why for us we are highly dependent upon the sales that we are able to close in a given quarter and talking about a year out becomes very difficult. I will let Paul talk about the conditions that he is seeing in the current market.

Paul Weber

Yes, this is Paul. Having somehow an overall visibility to new opportunities, we are seeing a decent increase in the new customer opportunities on a month-to-month basis. We measure that very closely. Looking into next year, I do think that the competitive landscape continues to work in our favor, some of the new product development we have, but just the scalability and the current architecture of our product becoming more and more difficult for the legacy vendors to compete with. So, we are seeing a lot of very positive momentum on our toughest challenge typically within the sales where it is new customer business. The add-on business I think is pent up demand. Our product does spread very well within customers and I think that at some point in the next year we are going to start seeing this revenue on add-on customers come our way. So overall, I think we are very optimistic from a sales perspective because again the competitive landscape continues to work in our favor and I think when we get through this tough time, we are going to be that much stronger of a competitor in the space we play in.

Varun Chadha – Raymond James

Alright. Could you talk about your maintenance renewal rate and how that has trended?

Don Brown

The renewal rate has stayed pretty strong up until now. The renewals are a year out. What we have seen as I mentioned in the earlier comments is multiyear has been included in some of the initial orders and that is one of the things that has contributed to an increase in the deferred service revenues. Overall the rates have been pretty good. What we have seen is what we refer to as down-sizes where customers are not using as many seats as they were and then when the renewal comes up, they will renew for a smaller number of seats but nothing all that dramatic at this point.

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