



## Quest Software, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Our first question comes from Tim Klasell – Thomas Weisel Partners.

#### Tim Klasell – Thomas Weisel Partners

Just a couple of questions here, the first one is to you Scott, with the currency sort of moving around and moving the numbers around I know there's a wide range of estimates out there. Can you give us sort of a formula approach to how currency will affect both the op ex and the other income lines and which currencies we should be watching.

#### Scott J. Davidson

The op ex line where we're impacted by currency is really twofold there. On the sales line in particular for our non-US subsidiaries we obviously pay our sales people and all of our expenses are in local currency but there's a local offset because we sell product in local currency so that's somewhat of a natural offset. Where it impacts us more on op ex than anywhere else is in certain parts of the world like Russia for example or Israel or even Canada where we have expenses that are in local currency because that is where we do a lot of our R&D but there's not a natural offset.

A large part of the business we do with Canada actually is in US dollars. So, there's no natural offset. Just to give you an idea in the quarter, between the revenues and the op ex the revenue impact from currency was a positive \$2.2 million and the expense impact was about a -\$3.2 million so about \$1 million delta. That was somewhat smaller impact. Down below the line on the OI&E line, because and we've had this discussion on other calls, because we're a US dollar functional company on a worldwide basis what you're seeing is effectively the remeasurement of our balance sheets outside of the US whereby we take a rate against let's say the AR balance or the net of the AR balance or the cash against your monetary expenses.

That net impact gets changed or effected if you will by the change in currency. To model that for you guys is very difficult because you don't understand the balances of each of our individual entities. So, I can't give you too much guidance on how to model that but what I can tell you is that if you look at situations as we've seen in the last year or so where the dollar weakened substantially on a sequential basis that's going to have a negative impact to our OI&E line.

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