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VASCO Data Security International, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Our first question is from Robert Breza from RBC Capital Markets

Robert Breza – RBC Capital Markets

Quick question for you Ken, you mentioned that web banking was 82% of revenue. Can you help us understand the difference between, or the split in terms of corporate banking and internet banking? What percentage that was?

T. Kendall Hunt

Jan I am honored to address that question. It is a question out of our banking revenue, what percentages, approximately what percentages is corporate type banking and what is retail banking?

Jan Valcke

Okay so corporate banking are also named cash management is a small part of our business in banking. I estimate that is around 10% of our banking business.

Robert Breza – RBC Capital Markets

Cliff as you look at deferred revenue it was down quarter per quarter and what the move more towards software, I would expect deferred revenue to start to see an uptake. Can you help me understand or when will we start to see that uptake or is deferred revenue not a good indicator for the software portion of the business.

Clifford K. Bown

Well, I think deferred revenue is a good indicator for maintenance as it relates to the business not necessarily software. Depending on how the transaction is bundled, if it is hardware-software-maintenance and other items, we have to un-bundle it using the accounting standards for the SOE. So if we have the SOE for all of the undelivered elements, we will recognize software currently. So, the only piece in that bundle would be maintenance. If however we do not have the SOE, the entire transaction would be deferred. Now as you look at this quarter Rob I think you have to continue to consider the impacts of currency because when we report, all of the balance sheet items are reflecting the currency rate as of the end of the quarter. So if you look at the currency rate at the end of June versus September, euros to dollars, and the dollar strengthened about 9% compared to the euro. A lot of those deferred revenues are going to be in euros. So naturally as a

result of the strengthening currency you are going to see a smaller deferred revenue balance. So when I looked at it the overall deferred revenue has declined 11%. The euro declined about 9% versus the dollar. Those are quite comparable and to me the remaining balance then reflects the fact that we have slightly more amortization than we had additions during the quarter.

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