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Epicor Software Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) We will take our first question from Ross MacMillan from Jefferies & Company.

Ross MacMillan – Jefferies & Company

Thank you. Just a couple of quick housekeeping first, just on the strength in hardware and other, can you just elaborate on that and then also related to that can you talk about your expectation for that line item in Q4?

Tom Kelly

First of all, the hardware was stronger in the third quarter as it was really driven in our retail segment and what happened is we saw people deploying their point of sale systems at a fairly rapid pace through the third quarter, in fact far more rapidly than we had anticipated and that became clear as we went through the quarter to get ready for the holiday season, the holiday selling season and that really was what the core of that was. So that really popped things up. It started emerging kind of in the mid to latter part of the third quarter so it became clear that that was going to be an increasingly stronger part of the revenue picture for the third quarter. And as far as the outlook for the fourth quarter, we stayed away from targeting and giving guidance on specific line items in the P&L. Historically our hardware has not been as predictable as other segments, other parts of the business and so I am going to prefer to stay away from giving specific guidance on the fourth quarter hardware number.

Ross MacMillan – Jefferies & Company

On the operating costs, you were down sequentially, you mentioned some limited headcount reductions, but as we move into the Epicor 9 launch, how should we think about operating expenses, are we going to see a kind of tail to launch expenses or is it really going to be one-time in nature. I am just trying to get a handle for as we look into Q4 and beyond.

Tom Kelly

I don't think you should expect to see a burst in expenses relative to Epicor 9. In these times what we will be doing we will be taking a harder look at how we reallocate expenses within the bucket. We are not going to back off our investment in Epicor 9 [ph] nor back-off our launch of Epicor 9. We think that it is an incredibly exciting product, the reception it received at our perspectives conference just in October here was absolutely outstanding and we fully expect this product to receive great market

attention. So, we are going to stay focused on that. Now, that brings us back to do you expect to see a bump in expenses related to that, I think that we can successfully manage our existing expense structure to address that and just shift things around, to refocus, to reallocate as opposed to really grow.

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