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DivX, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And we'll take our first question today from John Bright with Avondale Partners. Please go ahead.

John Bright – Avondale Partners

Thank you. Good afternoon. Kevin, first question for you. Connect the dots is the question. You noted the Warner Bros announcement that took place. What else do we need to be thinking about as far as connecting the dots in the premium content world to really position DivX to benefit from the video download market?

Kevin Hell

Sure, well, DivX is really solving the problem of connecting any type of device with any type of content. And premium is one type of content. And on the premium side, as we recently announced, Warner, we have Sony onboard as well, we have CinemaNow. And we expect to continue to add more studios to the mix and add retailers that are selling content in the DivX format. In addition, we're also continuing to drive personal content creation through our software with the launch of DivX 7.0 and our H.264 initiative and Internet-based content as well, and also, web-based video through our web player. On the device side, as we talked about, we continue to launch more and more devices beyond the red laser DVD with exciting new introductions for DTV, set top box, mobile, and Blu-Ray. But it all comes back to essentially allowing any device to reach any content or service. That's ultimately what we're driving to do here. That's the connect the dots.

John Bright – Avondale Partners

Okay. Shifting then, the transition from red laser to Blu-Ray, what should we be thinking about as that transition takes place over the next year period of time? Is there a potential for a gap in revenue at DivX because of this transition? Or do you think this is something that could be more seamless?

Kevin Hell

Well, I think it depends on exactly how it plays out. To a big part, it's going to depend on the impact of the economy. We are seeing Blu-Ray players coming down in price. There are some players out there now that are going below \$200 with rebates at retail. But with the macroeconomic condition, it's unclear yet exactly what impact that's going to have on the overall adoption of Blu-Ray. I do expect that at some point, we are going to see a replacement cycle that will drive additional growth in this

space. The real question is one of timing, which I think is going to be largely dependent upon the economy at this point in time.

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