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MSC Software Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Your first question comes from the line of Woo Jin Ho.

Woo Jin Ho

Great, thanks. One question on the macro. Bill in your prepared remarks you discussed aero, auto, and heavy machinery focusing on virtual product development and virtual product development work force in periods of economic weakness. The auto industry is facing unprecedented times what can you say about simulation investment in the auto industry specifically. And number two, as you have expanded into nontraditional vertical markets, what can you say about their thoughts around simulation investment during challenging economic times?

William Weyand

Okay let me first comment on what the – basically the simulation market drivers are today. And I think that will give a flavor for why we are cautiously optimistic about where we are. And then the underlying fundamentals of our company are obviously very sound. IT needs today of global companies are to develop centers worldwide to leverage resources and intellectual assets to their companies as well as to the supply chains. IT organizations are moving to data from proprietary to standards-based architecture. And if you look at – refer to the Fortune August magazine article on high performance computing it basically stated that high performance computing and simulation is product developments' new secret weapon. What does this mean. While modeling and simulation of the next game changing drivers for companies to innovate, drive new product innovation, faster, better, and cheaper in the marketplace. And that is what our SimEnterprise solutions are providing. So, as you look at our release 3 which was in Q2 and release 3.2 which was this quarter Q4, and release 4 in Q2 of next year, our SimEnterprise solutions are providing transformative and delivering a very high return on investment helping companies to collaborate global solutions. Major global automotive company in Australia publicly announced a few weeks ago that they have documented over a 75% engineering productivity improvement. That means that they are engineers and that the supply chain engineers can do 75% more simulation with the same number of engineers or they can reduce their organizations by a significant percentage and still deliver the same operations. And again this return on investment was 90 days after installing SimManager worldwide including their supply chain.

Moving onto to enterprise simulation again as our multi-discipline SimManager and SimXperts driver very high ROI. How do they do that. They greatly reduce physical prototype testing, greatly

improving engineering productivity, integrate all global resources. So lower cost reductions worldwide can now operate 24 hours a day through SimEnterprise as well as engineers not only in the United States and Europe but China and India and then fully integrate their supply chain. Manufacturers are moving engineering from a single discipline to a multi-discipline environment. And whether it is the Lloyd's press release or Alenia's symposium that they held on multi-discipline environment for product development the real benefits are clear. So MSC is moving from – and evolving to become the systems integrator for all CAE.

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