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QAD Incorporated F3Q09 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Mark Schappel - Benchmark.

Mark Schappel - Benchmark

Could you just review the tax issue in the quarter? You just said briefly, I didn't catch that in your prepared remarks.

Daniel Lender

Yes, sure. There was a change in our estimated levels of profitability by tax jurisdiction and as a result some of the benefits that were taken earlier in the year were reverse and let to a tax expense, even though we were showing an operating loss for the quarter.

Mark Schappel - Benchmark

Going back to the automotive question and the amount of revenue from automotive; typically it's in the 25% of total sales range; what was it at this quarter?

Daniel Lender

Automotive was actually about 30% and year-to-date for the whole year last year was 30%, so it's been maintaining that percentage.

Mark Schappel - Benchmark

A question on the On Demand side of the business; Karl, was there any meaningful On Demand revenue in the quarter?

Karl Lopker

No, we didn't really have that much revenue, but it's becoming a larger part of our funnel. People are very interested in it, but many of the deals end up going to the traditional perpetual license, but we are seeing a lot more interest and it is a bigger part.

Pam Lopker

As well as application management services; so sometime they'll opt to the On Premise with application management service. So, it can go either way, but there is a quite a bit of interest in it.

Mark Schappel – Benchmark

That the interest on the On Demand side that's in your pipeline, is that on the supply chain visualization product that you're seeing that or is it on the broader suite?

Pam Lopker

Actually both; we're currently doing a re-launch of supply visualization, where we have dedicated team going out and visiting both current customers and new customers. That started just about two weeks ago and we're seeing a quite a bit of interest and growth because of that dedicated effort.

In the On Premise, the whole enterprise area, we have applied a pipeline. What we see is the smaller and new customer, so the less than \$200 million and in fact we've sold some now in the companies that are \$10 million to \$30 million companies. They typically always go for the On Demand Enterprise capability. It's the larger customers. We have two customers I want to state in the \$1.800 million to \$1.2 type range last quarter that started off as going for On Demand and ended up deciding to do On Premise.

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