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## PROS Holdings Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Thomas Ernst - Deutsche Bank.

#### Thomas Ernst - Deutsche Bank

First question, I guess the gross margin performance, especially in light of an FX hit, is surprising and that it continues to be strong and expanding, what is driving this? Is there a mix issue that you're getting more licensed consistent with time? What's happening to service margins within that blended revenue item you report?

#### Charlie Murphy

Yes, Tom this is Charlie. We don't get into and of course in our guidance we don't get into that level of detail, but let me give you some color on this. Clearly, we benefit from increasing maintenance and maintenance carries the higher gross margin component between license implementation and maintenance is higher and I think generally the mix between license implementation really hasn't changed very much.

I think we're really confound to is that the company's were able to maintain a prudent cost structure as we're gone into this period of Q3 and as we go into Q4. Obviously historically we had good margin improvements as well, but I think it's a combination of that margin improvement on maintenance; the prudence, I think we've demonstrated coming into the third quarter and going forward and again the growth in overall revenue. I think we've tried to do a good job of keeping our overall cost under control.

#### Thomas Ernst - Deutsche Bank

What's happening to your implementation and consulting services margins? I know you don't disclose them, but is there an expanding trend there?

#### Charlie Murphy

What I would say is that, it's really difficult to carve out all of those components internally, but we do believe that overall since I made a comment that the implementation timelines are coming down, because it's becoming increasingly more efficient to deploy our products, that has two benefits. One, it allows to get more revenue from a contract earlier and if you could do that then obviously there's some benefit to the margins as well.

**Thomas Ernst - Deutsche Bank**

Okay and perhaps expanding on this. You mentioned one of this, I think it was the third of your four areas that explain why revenue growth in difference from the bookings from the enhancement of implementation efficiencies. How are you able to do this and I guess that the primary thing I'm interested in first is this something that's driven by customer demand; in other words, is this something that might reverse itself in a weak macro were the customers want to implement much slower or is this something you've been driving clearly to your own implementation methodologies?

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