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Guidant Software Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Brian Gesuale - Raymond James.

Brian Gesuale - Raymond James

I wanted to talk a little bit, not surprisingly about Pay-Per-Use, Victor and maybe as you've been out there talking to a lot of customers, maybe tell us a little bit about the receptivity to that and it seems like it's going quite well. Then I guess a follow-up question would be, you seem fairly confident in the outlook in the fourth quarter. Can you maybe just give us a sense of what that Pay-Per-Use line might look like as people are adopting that? Thanks very much.

Victor Limongelli

Thanks, Brian. Sure, we can talk a little bit about that. There's been a lot of interest. First of all, we were very happy with Q3 because we launched it. The marketing launch of that was August 20 and being able to sign actually five deals by the end of the quarter we thought was very good and there's been continued interest in Q4 so far.

The actual release of that technology, version 3.2, just came out last week and we're just doing the first implementation now this week actually, the first implementation for a Pay-Per-Use customer and those will continue as we move through November and to December. I think the revenue line for Q4 for that is not going to be meaningful in the short run here, but as we go into 2009, obviously we are looking for that to contribute to our revenue performance.

So in short, the customer receptivity has been very good. There are a lot of customers that don't have capital budgets at the moment, but they're still interested in solving this problem and in the medium and long term we think it's going to contribute a lot, but the revenue impact in the short run is not going to be great. Does that cover?

Brian Gesuale - Raymond James

Yes, that's very helpful and maybe one follow-up on the deferred revenue line. Can you maybe give us a sense on how we would expect to see Pay-Per-Use build in that line over time and then, maybe also give us a sense for how much the Forensics piece was in the deferred line, if you have that information at your fingertips. Thanks.

Victor Limongelli

Yes. I'll address the Pay-Per-Use piece a bit and I'll let Barry answer the Forensic piece of it. Pay-Per-Use revenue is going to be recognized as it's earned, as it's used, rather than being thrown up on the balance sheet, generally speaking. So we're going to end up with that coming in on a monthly basis as the cases are going on and people are using it. With respect to Forensic, I think Barry can address that for you.

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