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Avocent Corp. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) We'll take our first question from Scott Zeller with Needham & Co.

Scott Zeller - Needham & Co.

Hi. Thanks. Could you just help us out; there have been a lot of questions that I've been fielding about how management systems can continue to perform well in an environment when physical server shipments are contracting? So I have a few ideas, but if you could walk us through how you are optimistic on that front, it would be helpful. Thanks.

Mike Borman

Okay. Sure Scott. The decline in server units does have an impact on a portion of our management systems business. We've been successful over the last few years though, at diversifying that business unit so that we're not so reliant on servers like we used to be.

So while we do have an impact, definitely from server shipments, we've been able to mitigate that somewhat through other efforts. For instance, we have a secure switch that we sell into the government market that is a desktop switch, which is unrelated totally to server units.

Also, we added power management capabilities initially through the Cyclades acquisition, but we've really strengthened those over the past few quarters with the new product offerings, so that we're adding new capabilities in the management systems business unit that we weren't providing to our customers before.

Scott Zeller - Needham & Co.

Great and on a related note, is there anything you can tell us at this point about the impact of maintenance revenue that we've heard of for MSD going through the calendar year; what would our expectations be for that?

Mike Borman

Well, with the grandfathering approach and the transition approach that we adopted for change in the DSView model last summer, we really don't expect much up-tick in maintenance revenues until beginning in the summer of '09 and then we'll start to see, we believe some up-tick in maintenance revenue, probably pretty gradually as people renew their maintenance contracts.

Scott Zeller - Needham & Co.

Thank you.

Mike Borman

Thanks, Scott.

Operator

We'll take our next question from Reik Read with Robert W. Baird & Co.

Reik Read - Robert W. Baird

Hey, how are you guys? Mike, you talked in the past about wanting to reorient your sales force as you indicate in your comments. Lots of touch points out there and you want to be able to take advantage of that. Can you give us an update in terms of how the expansion of that account focus has proceeded, the desire of these guys to participate and as I recall, you were going to change compensation to get those folks oriented. What are the early returns on that?

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