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RealNetworks, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Vasily Karasyov - J.P. Morgan.

Vasily Karasyov - J.P. Morgan

I have a question for Rob. On the last call you said that you would see this environment as an opportunity to make acquisitions and all the events that transpired since then did you change your mind? Do you see cash on balance sheet as more valuable now or did your criteria for making acquisitions change since then?

Robert Glaser

I would say a few things. I think what we would say about the opportunity for acquisitions is true. I'd say that in an environment that we saw in the three months since we last did an earnings call in that kind of environment when there was that much turbulence it was very hard for very large deals let's say to see things that were not going to be clouded by all of that instability and noise associated with that.

So we have absolutely increased how active we are. I would say the pipeline of opportunities we're looking at is wider than I can ever recall it being. I'd say we probably have put some criteria in place with regard to our belief in the value creation opportunity transactions that are even a little bit more stringent than the ones that we might have had three months ago.

But I would say that is more of a qualitative change than a draconian change. I think our statements still stand. We do think this is a terrific time for transformational opportunities. We're going to be very rigorous in what we look at. We're going to be selective and obviously when we have anything to announce or if we have anything to announce you guys will be tied for the first to know.

Operator

Your next question comes from Jennifer Watson – Goldman Sachs.

Jennifer Watson – Goldman Sachs

Two questions, first if you could talk a little bit about the churn rates you are seeing across your subscription businesses and the trend line kind of from the middle of last year to what you're seeing now and if there's been any sort of stabilization there? Then also, if you can talk about your view on free cash flow generation in 2009 and what the real swing factors there are for you?

Michael Eggers

I'll go ahead and take both of those. In terms of the churn rate you can hopefully read in to some of our comments that we have in fact seen some of the churn in our business step up a little bit. In fact, one thing we're really paying particular attention to is involuntary credit card churn. So, when you have recurring businesses like ours with a subscription model and credit cards are automatically billed, one of the things that we watch for very closely are credit card declines and usually that's a result of consumers being over credit limit.

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