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McAfee, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator.

Please poll for questions. In the interest of time, please limit yourself to one question per person. Thank you very much. (Operator Instructions)

Your first question comes from the line of John DiFucci with JP Morgan.

John DiFucci – JP Morgan

It has to do with the consumer business here. You guys seem to have positioned yourself well for what looks to be a tough environment, especially for the consumer right now. And, I'm just curious if you could tell us – I'm just trying to get a gauge on the underlying market fundamentals. How much of your success this quarter had to do with access to more subscribers versus what's really happening out there if you didn't have that incremental access?

Dave DeWalt

Yeah, thanks, John. It's a good question and an important one. You know, certainly the economic environment is challenging out there, but we've said for a number of quarters we've made a lot of investments in our consumer business and I can't thank the team enough. We have laid down a heck of a foundation.

We talked about doubling our capacity, meaning the amount of computers that we ship on or the real estate that we're involved with. Our strategy of downloading, embedding, preloading has paid off quite well. The back end infrastructure model that we've got continues to optimize and we've been diversifying our business. We ship on a lot more computers, as I just mentioned.

Our conversion rates are strong. We've gotten into the web markets. And, frankly, you know, we've been able to leverage our high end suites, which we've called out again growing 80% year-over-year. So, when you start to look at some of these numbers, it's a tough climate, but when you start to connect the doubling of our capacity, i.e., what we ship on, with now, this quarter particularly we had 127% increase in registrations. 127% increase. I called that out earlier. That's a pretty impressive number for us.

We may see some conversion erosion over time as the year goes on, but when you start to connect capacity with registrations, with the model that we've got, it creates some underlying opportunity for us and the consumer. And that was the pillar that we were really trying to also stand on as we built

our corporate model, couple it now with the consumer model and kudos to our team and what they've done.

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