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The Ultimate Software Group, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Terry Tillman – Raymond James.

Terry Tillman – Raymond James

In terms of the ARR in the quarter, I mean that's notable, the record quarter and I think it was up like 10% or so year-over-year but I am wondering in the quarter itself did you see any kind of market change maybe within the quarter in terms of close rates or something that just reflected this new world that we live in? Maybe you can answer that and then I'll ask it on a non ARR.

Mitchell K. Dauerman

First, the answer is no. We are modeling and our quotas were based on us doing \$12 million. The fact is we just happened to go over quota in Q1, Q2 and Q3. Workplace was a little above 100% of quota for the quarter and enterprise was a little below 100%. We were expecting in our model and what we quoted \$12 million in Q4.

Terry Tillman – Raymond James

Then in terms of the ARR assumption for '09 it seems like each quarter for all my companies the next quarter out is getting much more tougher from a macro perspective so why not take the air a little bit out of the ARR growth guidance. I mean it's admirable but if there's some challenges then we're going to have more issues on this recurring revenue growth in '09 so why not be more conservative as opposed to sticking with that 30% ARR assumption?

Mitchell K. Dauerman

I did take the air out of it. I mean, our sales team has not missed for five years. Workplace is a first year. Quite frankly, if our team comes in at quota which I have no reason to believe they're not going to come in at quota, we will achieve more than that.

Terry Tillman – Raymond James

Then Mitch just a question in terms of the new 6% to 7% operating margin assumption, you went through a lot of detail so I appreciate the impact there. The one thing though is if I look at my three op ex line items can you help me again and maybe you did say this and maybe I missed it but how should we think about on a percent of revenue for sales and marketing, R&D and G&A for '09?

Mitchell K. Dauerman

Terry, you're probably in a 22% to 23% range for sales and marketing, R&D 18% to 19% and G&A is probably around 7.5% to 8%.

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