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iPass, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Edward Einboden – William Smith & Company.

Edward Einboden – William Smith & Company

I was just wondering can you kind of just maybe refresh us, I know you talked about last quarter that gross margin expectations kind of going forward were going to approximately 57% to 59%. Do you kind of expect that to be delayed in the second half of the year just overall in the kind of economic conditions we're going through right now? Or, is there something fundamentally holding you guys back from getting that in 2009?

Frank E. Verdecanna

I think Ed that our expectations especially for 2009 is that we'd stay kind of in that mid 50s range. I think we're a little bit lighter than our expectation a 2008 or mid 2008 and I think that really has to do with the revenue mix and the kind of drop off we saw in usage revenues in Q4.

Edward Einboden – William Smith & Company

I guess Evan, can you expand a little bit more on sort of the lines of business that you would be focusing on increasing spending and taking some spending out of the expense?

Evan L. Kaplan

Net/net the department least affected by the restructuring was our engineering efforts. I think we are down \$200,000 from last year's targeted spend. The intent here is to pull back on our investment in device ID, device management and the consumer initiative and to focus very much on these next generation projects that we have really brought in to focus over the last basically over the last 35 to 40 days.

So, we will be reducing our headcount in our Bangalore facility and we will be building a team here in California focused specifically on the next generation server platform. The idea being primarily there is because we're focused on some of the SAS technology and because of the iteration process both with our customers and our local employees is so important and we're so focused on time frame that we felt like having a California development operation which we've already started building would be more important in executing on that.

In terms of going forward we expect our India folks to continue to evolve the 3X platform which will continue to serve our customers over the next two to three years. So, I don't know if that helps you with a little more clarity Ed.

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