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TASER International Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And your first question is from the line of Paul Coster with JPMorgan. Please proceed.

Paul Coster - JPMorgan

Hi. Good morning. Rick that was a really interesting overview of what's to come. Unfortunately, I have to switch to the topic that what's here now briefly anyway. What are you seeing in this quarter to-date and as we think about '09, can you give us some sort of initial thoughts about the revenues and expenses as you see them?

Daniel Behrendt

Yeah. I mean obviously it was a tough decision as we don't guide. But, there is certainly the domestic municipal budgets are going to be challenging in '09. We certainly see some headwinds in the U.S. and really until the impact of the stimulus package starts taking effect, it's hard to see that changing dramatically. But internationally we're encouraged by the fact that we're seeing an uptick in international business at the end of the 2008 and certainly as we look at the ability to grow the international business where our penetration is significantly lower than what it is here domestically. We certainly think that puts us in a good position. I think, the other key driver in 2009 as we stated is the new products coming into the market.

The second half of 2009 we'll see some of the new products like AXON hit and certainly to the extent that we get market acceptance of those products out of the gate, we would certainly expect to have the sales improve in the second part of the year.

Rick Smith

Let me kind of... Paul this is Rick. That was Dan. I would say that there is a lot of uncertainty. Now uncertainties can be good or bad. This stimulus package, we're trying to get our hands around it. I've got summits coming up with our legal advisors, with our lobbying advisors to really try to understand what that opportunity is. How much of that \$4 billion goes to basically law enforcement agencies backfilling their existing budgets or keeping manpower on the street, versus how much goes into equipment purchases. It's something we don't fully understand yet, but that could have a significant impact on the business in the short term.

And one other thing I would point out. Part of our strategy is well by building out additional products and services is that the software components of this business will have much more significant recurring revenues than our current business model, which as we roll into the future should build more predictability into our revenue stream. Whereas to-date, we don't generally have much of a backlog. We book and ship our business every quarter. We sort of kill what we eat every quarter from a sales perspective. We believe that's what we're doing in the TASER's Virtual Systems will increase customer's stickiness and will increase software and service recurring revenues that should add a more predictable base line to our business.

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