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MSC Software Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Kevin Liu.

Kevin Liu – B. Riley & Co.

Hi, good afternoon, looking at the services margins it looks like it was up nicely year-over-year and sequentially up. So, was just wondering kind of what drove that and whether or not that was impacted at all by some of the maintenance reinstatements you discussed?

Sam Auriemma

Sure. You know, we have continued to control costs in that category and every category going – in our business. So, some of it has been driven by cost containment efforts, and some of it has been driven by continued volume in that business.

Kevin Liu – B. Riley & Co.

And with regard to the professional services work there, I mean during Q4 and then maybe as you look out to Q1 now, what have you been seeing in terms of customer decisions regarding going forward on implementations that were planned, have you seen anyone either cancel or delay some of these implementations.

Bill Weyand

This is Bill. We haven't seen on the services side cancellations, particularly as (inaudible) customers are moving from pilot projects to phased deployments. In fact, our visibility with major aerospace and automotive manufacturers – it continues to be enhanced as again, as they move from a pilot to a multi-quarter, multi-year phased deployment of our solutions with our services business and services partnering with them, continues to add some brighter light in this marketplace.

Kevin Liu – B. Riley & Co.

And then just lastly on going back to guidance, you mentioned the services side of the business want be as impacted as the software, just wanted to get some details regarding the maintenance revenue, is there any reason to think that they would come down. What are you seeing in terms of renewal rates there? And then also whether – are customers asking for any sort of pricing reductions or the like?

Bill Weyand

Sure, this is Bill. I will be happy to comment on maintenance. As you well know, technology is incredibly sticky and our solutions are required in order to simulate and test products. That is number one. Number two is that we do have a number of large customers that have our technologies to the core, and whether — they are usually fairly straightforward renew. We also have 10,000 customers. So, we have a lot of small renewals as well. We are not anticipating that this market is going to be negatively affected, although it probably won't grow at a rate that it did in 2008.

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