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Wind River Systems, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Matt Petkun – D. A. Davidson & Company.

Matt Petkun – D. A. Davidson & Company

First question, Ian you referred a couple times in your guidance to tuck in acquisitions so from a revenue perspective if we were to assume that you'd make no acquisitions in the year what would you be looking for?

Ian R. Halifax

It would be somewhere in the \$360 to \$380 range. How high we get in the range will depend on the timing of deals. At this point it's hard to call.

Matt Petkun – D. A. Davidson & Company

But organically speaking you still think you could do \$360 at the bottom end of the range?

Ian R. Halifax

Yes.

Matt Petkun – D. A. Davidson & Company

The other question I had and I hate to harp on this is more to get a sense of what you are looking for in terms of a long term sustainable mix between subscription deals and term deals? We saw nice sequential increase in subscription deals although they're down year-over-year. The book to bill was positive in that section, so we're right around 34% of the revenues this last quarter were from subscription deals. Do you see that level stabilizing from at least an absolute dollar perspective?

Ian R. Halifax

No, I think it may come down slightly sequentially quarter-over-quarter on a dollar basis. But, I would not anticipate a rapid overnight flip to term. I believe that in Q4 our term license revenues were a little less than 10% of total revenues and that will creep up gradual over the year but it won't be a sudden switch.

Matt Petkun – D. A. Davidson & Company

Why do customers make the switch?

Kenneth R. Klein

Well, a couple of reasons, number one by embracing term they can effectively lock in pricing for a number of years. Generally term is down in two and three year increments so it's predictable to them. Then, in the out years they're generally paying what we've referred to as super maintenance a 30% maintenance rate. That's probably the main reason is really to provide predictability from an expense standpoint.

Matt Petkun – D. A. Davidson & Company

Then just one final technology question, Ken a lot of focus here on multicore, how man transactions are you seeing out there where your hypervisor is actually being employed? And, is that really just early days or do you see it as a meaningful competitive edge already in today's marketplace?

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