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Smith Micro Software, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And our first question comes from the line of Maynard Um with UBS. Please go ahead.

Maynard Um – UBS

Hi thanks. Few questions, if you could just start with stock comp amortization, COGS, R&D, G&A.

Bill Smith

Yes, sure, Maynard. All right. Total number for stock comp for the period was \$3 million and we start with cost of sales, GAAP cost of sales included \$99,000 [ph] and we move down into the operating segments, selling and marketing \$795,000, R&D \$749,000, general and administrative \$1.388 million for a total \$3 million, amortization starting with the cost of sales line \$1.01 million, selling and marketing \$638,000, R&D \$110,000 for a total of \$1.76 million.

Maynard Um – UBS

Okay great. Now given some of your deals like Dell are fixed rather on a per unit basis. Can you just talk about how much of your revenues when you look into next year as a percentage of what you are guiding to is actually visible that you will get that fairly recurring in nature.

Bill Smith

Sure, sure. Now just to clarify, this cost is fixed to the floor. So in other words fixed meaning that there is a floor of revenue amount there, and incentives that actually grow that revenue stream and there are new product enhancements that we expect will be in play here in the future too that actually can increase that revenue stream. Now again, we have very good visibility, again contractually as far as what that floor is. Another key point in that contract is, it is not sensitive to any of the volumes that you see in the PC OEM market. So if you see any of the OEM market declining over the next quarters due to the recession that doesn't affect our revenues.

Andy Schmidt

Maybe I can add to that, you know, I kind of went through the distribution of risk across customers as far as the carriers. We can also say that for fourth quarter you would add Dell to a 10% plus customer in our business mix as well. In this effectively 10 customers, excuse me 4 customers that exceed the – or at the 10% threshold. It is a very different business model than we were months in the past.

Maynard Um – UBS

Okay great, and then you are exiting the year with op margins upper 20s, when you look at 2009, I mean do we see less quarter-to-quarter fluctuations or in particular, I am looking more at the first-half. If you look two years ago your margins were actually pretty stable throughout the full-year?

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