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DivX, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll go first to John Bright – Avondale Partners.

John Bright – Avondale Partners

Kevin, it sounds like Blu-Ray is going to drive the day for 2009. Correct me if I'm wrong there, but then on the long term strategy is distribution still going to be the most important key to connecting the dots on the long term value particularly where your premium Hollywood content is concerned?

Kevin C. Hell

John, on your first point relative to Blu-Ray, Blu-Ray is emerging rapidly for DivX. We're getting into a number of devices. As we've mentioned we're in over 100 devices today, approximately 117 to be specific from OEMs like LG, Samsung, JVC, Pioneer, etc. so a very long list of partners and we're making good progress.

However Blu-Ray is still predicted to be even in 2009 11% of the total market so it's still a relatively small share of the total optical DVD market in total. That was 4% in 2008 moving to 11% in 2009. It definitely helps in terms of continued growth to offset what's happening in broader DVD markets but it's still a relatively small share of the total market.

Now we are seeing as I mentioned before strong growth in DTV and mobile and those two categories will also drive real revenue here in 2009 as well.

John Bright – Avondale Partners

What was the amount of revenue from those two categories in the fourth quarter?

Kevin C. Hell

We have not broken it out yet in terms of the specific revenue at this point in time.

John Bright – Avondale Partners

As far as the connect the dots question?

Kevin C. Hell

In terms of the broader strategy our business model has really relied on looking at the content that's on the Internet today and that continues to be a large driver of our progress across emerging product

categories. That said we do believe that premium Hollywood content available from various eTailers will really put the turbo jets onto our licensing business so we're actively working on that and we're making a lot of progress recently.

We're very optimistic about our ability to get there and we think that's really going to put the licensing business into overdrive.

John Bright – Avondale Partners

Is distribution then the key you think that still remaining? You've gotten a number of studios already. If not distribution, what do you think are the pieces of the pie that you don't have?

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