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Rimage Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. We will now begin the question-and-answer session. (Operator Instructions). And our first question comes from Mr. Greg McKinley with Dougherty & Company. Go ahead, sir.

Greg McKinley - Dougherty & Company LLC

Yeah, good morning. Guys, I would like to ask you a couple of questions. First of all in gross margin, I know you provided some color around what the drivers of the change were, essentially around the cost control, and a little bit around, some product mix. But, could you be more specific? I think in general with consumables representing a larger share of total sales here of late, we wouldn't have expected such strong margin performance. So, little better understanding of that would be appreciated.

Robert Wolf

Yeah Greg, Hi, this is Rob. The main -- the priority -- the primary reason behind the increases, if you look in a recurring revenue stream that we experienced in first quarter, a good portion of that we saw in increase is related to maintenance contracts, which do carry slightly better gross margins than we would see with, say, our media kit purchases or sales.

Greg McKinley - Dougherty & Company LLC

Okay.

Robert Wolf

The media kit sales that we had were down. So, with those gross margins being lower than our equipment sales, we realized stronger gross margins overall.

Greg McKinley - Dougherty & Company LLC

Okay. What about margins, if it's the actual duplication hardware. Have those been holding steady? How have those been performing?

Robert Wolf

They have been. We've seen slight degradation in terms of where the systems have come from. So, we've been selling systems, let's say, where we may have normally sold an 8100; they might fall to a 7100. But overall gross margins on the equipment themselves have stayed steady.

Greg McKinley - Dougherty & Company LLC

Okay.

Bernard Aldrich

I think another thing Greg, that's gone on and it was mentioned, we are continually making improvements and enhancements to our equipment. We've always had a reputation for building very solid equipment. We've significantly strengthened the quality of our line, our cost of warranty, our cost of repair has dropped. And that also contributes, because that all gets rolled into your cost of sales.

Greg McKinley - Dougherty & Company LLC

Okay. Is the maintenance contract a higher margin item than the regular disc publishing system or not?

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