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VMware, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator's instruction) Your first question comes from the line of Heather Bellini - UBS.

Heather Bellini - UBS

I was wondering, Mark, this might be a better question for you. How much of your guidance for the second quarter could be attributed to the macro environment versus the disruption you mentioned from the vSphere launch because I guess what I am trying to get a sense of is that normally, we should expect your services revenue to grow sequentially. So, I am just trying to get a better sense for the license distribution and then how we should expect things to bounce back in Q3. Thank you.

Mark Peek

Well, Heather as I mentioned in my prepared remarks, there is really three factors. One is the macro environment. What we do have visibility in is our services revenue, particularly the maintenance revenue that will amortize during the quarter and so we would expect maintenance revenue to be up sequentially in the second quarter relative to the first quarter. But we are also citing the revenue recognition that we have on OEM and that we will expect to be down sequentially on license revenue from our OEM royalty business and also we do not expect to see large enterprise agreements in volume during the second quarter and on top of that, the introduction of vSphere and you get the aggregate guidance that we provide.

Heather Bellini - UBS

Okay, so is the macro a bigger factor? Is the macro three quarters of your flat guidance for the year in vSphere? I am just trying to get a sense of the magnitude of each of those.

Mark Peek

Yes, it is hard to disaggregate the component part but what happened is in an uncertain environment in which our visibility is challenging, we are adding more uncertainty with the new product introduction.

Heather Bellini - UBS

Should that bounce back then in the third quarter, from the license perspective?

Mark Peek

Well, in the third quarter, we will provide fuller guidance on the third quarter in July. All we can tell you is that from a historical trend perspective, Q3 and Q2 have looked very similar but we will have more information and more knowledge as to how the launch goes and better market information at that time.

Operator

Your next question comes from the line of Adam Holt - Morgan Stanley.

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