Digi International Inc. F2Q09 (Qtr End 03/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of Jeff Evanson with Dougherty & Company.

Jeff Evanson - Dougherty & Company

Joe, I would be curious to hear you talk about your thoughts on market share. If you think you will be a beneficiary from a consolidating market I would assume then at this point you are taking market share. So your thoughts on that, where you thing it's happening? I know your markets are dynamic as you are expanding into new opportunities but your thoughts on that.

Second of all, there has been a lot of talk about an expected March quarter dry down of channel inventories across the economy. I would think that you guys would have suffered from that in first quarter but also then be a beneficiary of it in the June quarter. Maybe the guidance suggests that a little bit. So, I'd like your thoughts on channel inventory, what happened during the quarter and if you think there's some restock opportunity for you in the June quarter? Thanks.

Joe Dunsmore

Thanks, Jeff. From a market share perspective I think probably the best indicator would be to look at Digi revenues versus other players in our space. And we try to keep track of the public players in this space as well as what we hear about what's happening with the private players in the space on a year-over-year sequential basis. Generally what we're seeing with people in our space is that they are experiencing a lot more significant year-over-year sequential revenue declines are what we are seeing.

At 6.9%, we feel like from a general prospective we are out there gaining share versus our M2M competitors that are year-over-year declining, a lot of them in the 20% to 30% range. So, at a high level those are the kinds of things that we're seeing in this economy. In addition to that we are seeing some of the smaller players beginning to run into serious problems. So there is a lot of stress out there and we're seeing some companies go away.

So, that also positively impacts our ability to drive our share position. The other place that we get information, which is a little bit anecdotal in that, it's just a portion of our businesses through the channel and the indicators continue to view that. Depending on the product line, we're either holding or gaining share. So, from a share perspective we feel like we're gaining significant traction.