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SonicWALL Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Kenneth Muth - Robert W. Baird & Co., Inc.

Kenneth Muth - Robert W. Baird & Co., Inc.

Obviously the environment was very challenging for the quarter but are you seeing any areas starting to pick up at all recently whether it be SMB versus enterprise? Any geographies that are kind of thawing out so to speak?

Matthew Medeiros

We are seeing an improved April compared to January. We are seeing it in larger deals or if you will kind of the pipeline that in the first quarter was pushed to the right. We are seeing some levels of that thawing out and we are getting the benefit of that. So a little bit of more improvement here in North America than any of the other regions and mostly at the enterprise or larger deal opportunities.

Kenneth Muth - Robert W. Baird & Co., Inc.

How would you characterize visibility relative to what you had last quarter back in February? Has that changed or is it a little better now?

Matthew Medeiros

I think it is challenged. I don't think there is a whole lot of change in it. We do review the pipeline routinely and I don't think those conditions have improved at all.

Kenneth Muth - Robert W. Baird & Co., Inc.

Rob, the guidance you gave for gross margin the revenue guidance is roughly flat so I guess what would be kind of the factors that would cause the gross margin to tick down from this quarter's 74%. Is that mostly external?

Rob Selvi

It is product mix and product revenue. You are exactly right.

Operator

The next question comes from Robert Breza - RBC Capital Markets.

Robert Breza - RBC Capital Markets

Matthew, in your prepared remarks you talked about the competitive upgrades and maybe that was a comment from Rob. I was wondering if you could talk a little bit about what you are seeing in the market from a competitive perspective and specifically with the success of the upgrades who do you think you are taking share from and where do you think you maybe have some more work to do?

Matthew Medeiros

I think that if you look at the wins we talked about we are taking share from those competitors that we see as the chief competitors still in the market. It is the Cisco's, the Junipers, the Checkpoint's and the Fortinet's. Those are usually the larger deals. We are moving into that mid-tier in enterprise successfully with our technology. Let me have Rob explain a little bit about the competitive program we put in place.

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