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Interactive Intelligence Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from Shyam Patil – Raymond James.

[Maroon Shalah] for Shyam Patil – Raymond James

This is [Maroon Shalah] filling in for Shyam. How should we think about product and services gross margins for the next couple of quarters?

Steve Head

Well, the services margin has improved nicely from where we were a year ago and our expectation right now is that services margins should stay in the 65% to 67% range. Product margin is going to obviously depend a bit on the products that we sell and that's going to bounce around some, so it's a bit little harder to predict. I guess my expectation is it will be around 70% to 73%, just really depending on the mix of the business.

[Maroon Shalah] for Shyam Patil – Raymond James

And how should we think about sales in marketing in G&A spends going forward? Is 1Q a good run rate?

Steve Head

No, I think that 1Q was really good for us in that it was low. We're not expecting that it will be at that same low level going forward. There's a few things going on. One is we do expect to be hiring some folks, especially in R&D, as Don just mentioned. But our employees have done a great job with cost controls, especially in the areas of travel and expense management.

But depending on the level of business activity, if we are traveling more we would expect more expenses there. So for a variety of reasons we are expecting that expenses will be somewhat higher in Q2 than they were in Q1.

[Maroon Shalah] for Shyam Patil – Raymond James

And could you just talk a little bit about large deals in your pipeline?

Don Brown

Well, we've got Paul on the phone. Do you want to just talk on, obviously we're not going to comment in a predictive way about large deals, but Paul can give you just an overall feel about the level of activity.

Paul Weber

Yes, over the last really 12 to 24 months, we've been successful in penetrating larger accounts or spreading our product within accounts to get a bigger footprint. We are continuing to see that activity. We are competing more effectively than we ever had in the very large deals.

So we are absolutely working on a lot of big business. Of course with today's economic situation, the sales cycles seem to have become a little bit longer and getting actually through to signature is tougher than it used to be, but we are definitely competing in a lot larger deals than we used to.

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