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Switch & Data Facilities Company, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Jonathan Atkin from RBC Capital Markets. Please proceed.

Jonathan Atkin – RBC Capital Markets

Yes. Kind of a broad question. You've been certainly ramping up your marketing efforts in specific industry verticals over the last several quarters, if not longer. And I am just wondering which ones are showing most momentum? And then kind of on housekeeping side, I wonder if you could just review kind of the trends that you have been seen in churn as well as in percentage of sales the new versus existing customers?

Keith Olson

Sure Jonathan. Thank you very much. First of course our content and entertainment practice has been an investment of ours longer than our financial services practice. And we have seen more momentum in the C&E practice than financials. I expect to see a building momentum in our financial services practice as we move throughout 2009 and into 2010. Our C&E practice is very much focused on what we would refer to as a digital media and entertainment segment where we've been talking about some of the specific wins through the last couple of quarters' calls. As it relates to churn, we spoke about the fourth quarter indicated that it has moved above the historical kinds of run rate to about 1.5%. At that time we had our outlook from sales and marketing saying that it was going to come back in line with our plan, which is right where our churn landed for the first quarter in 2009 and that is our expectation that we will end the year we give – our end of year guidance is tied to being in line with that churn rate of 1.3%.

Jonathan Atkin – RBC Capital Markets

And then, you've kept the guidance the same. I am just wondering in terms of the composition of the revenues, any change that you are seeing or expecting in the mix of recurring versus non-recurring or within the recurring category, the mix of interconnection versus co-lo.

Keith Olson

No. That's an excellent question. I don't believe we will see a big variance between recurring and non-recurring. Just based upon – George can answer this even more specifically around GAAP and the terms of contracts and things of that sort. But then the moment above monthly recurring

revenues which we had a very strong kind of quarter over quarter growth. The interconnection, we see that adding between the 31, 32 down to 30-ish percentage, and that just has to do with how much incremental space and/or power in that particular quarter versus interconnection. And they don't all land simultaneously. We see them come sometimes (inaudible) starts based upon deployment, turn-up, lamp and then interconnections are added on as what I would say as a more of a month to month product. But we don't see a significant change for the 2009 year in those measures either.

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