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## ShoreTel, Inc. F3Q09 (Qtr End 03/31/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

**(Operator Instructions)** And the first question is from Troy Jensen from Piper Jaffray. Your line is open.

#### Troy Jensen - Piper Jaffray

Hello. Can you guys hear me all right?

#### John Combs

Wow, Troy, you sound really good today, buddy. Anything new?

#### Troy Jensen - Piper Jaffray

Must be my new ShoreTel phone.

#### John Combs

There you go. Awesome.

#### Troy Jensen - Piper Jaffray

Hey, a couple quick questions. John, how about for you? OpEx down with the head count here. I guess kind of curious why not step on the gas right now. You guys seem to be doing better than the competition. There's a lot of potential market share you guys could capture right now. So what's caused the decision to cut the OpEx here?

#### John Combs

We've seen things in the marketplace that would normally be indicators of a more positive booking levels, such as higher backlog, consistent close rate, etcetera, but the degree to which the customers are postponing their decision is significant.

We've got a number of major account customers that are rolling out ShoreTel systems, that are committed and it's going to happen in time, but we see them postponing and holding off some of these decisions. So we did it as a way to ensure that going forward, we can be profitable, and we also did it in a way, Troy, to minimize the impact on the long-term growth of the company.

#### Troy Jensen - Piper Jaffray

Could you give us a little more color? Was the cuts more on G&A, COGS side? Where exactly did the cost reductions come from?

**John Combs**

From a head count perspective it was across the board, evenly distributed between all the major functions in the organization.

Mike, you want to cover the specialty areas and the operating expense outside of the head count?

**Mike Healy**

Yeah, Troy, we cut some employees, contractors and made some other pretty aggressive expense reduction that will contribute to, like we said, 1.5 to \$2 million reduction from March into the June quarter. And again, those cuts were across the board, but it wasn't just handing out a number, it was more what do we need to do going forward operationally to make sure we have the right people in the right places so there may be some movement around of head count, those kind of things. So it wasn't just across the board without some thought about what we need going forward.

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