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## Nuance Communications, Inc. F2Q09 (Qtr End 03/31/09) Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator Instructions) Your first question comes from Brent Thill – Citi.

**Brent Thill – Citi**

Paul you cut your high end of your forecast from roughly 11% growth down from 24%. It looks like you took about \$111 million out of the pipeline. Can you just walk through why that shift? Is that a shift towards on-demand? Is that a shift, just deals lengthening flying out of this year's pipeline? What was the main cause from that reduction?

**Paul Ricci**

Well, as we've gone through the second quarter the range of potential revenue growth in each of our segments has obviously narrowed. The places where we saw the most significant contributions to the narrowing were those that are mentioned in the formal comment, in the prepared remarks. They do include a significant reduction in Windows-based application sales. As your question suggested a second important contributory fact has been a shift towards hosted revenues. And we have seen an elongation of the closing of sales cycles for on-premise capital purchases in both Healthcare and Enterprise.

**Brent Thill – Citi**

And can you just help remind us again what percent of the business is hosted in both Healthcare and Enterprise and how you think about each of these businesses?

**Paul Ricci**

We don't break it out by the respective businesses but in aggregate hosted on-demand revenues are about 30% of the revenues of the company which is somewhat underweight the, of course, different rate of growth in those components of our revenue. And certainly the relative emphasis we've seen over the first half of this year in terms of customer interest.

**Operator**

Your next question comes from Jeff Van Rhee - Craig-Hallum Capital.

**Jeff Van Rhee - Craig-Hallum Capital**

In terms of, I guess as I look at the script and I look at the things sort of pros and cons by each segment this quarter's script looks in many, many ways very similar to last quarter in terms of the pros and the cons. Can you just kind of elaborate if you would at the margin what surprised you? Because I know we've seen the shift on-demand, we've seen channel conflict in network, we've seen lower units and handsets. A lot of the absolute factors were in place before so I guess I'm just looking at the margin within each of those. Which in particular really accounted for, you know, the surprise this quarter and seemingly again to Brent's question the reduction of the high end of the guidance?

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