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Quest Software Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from John Difucci – J.P. Morgan.

John Difucci – J.P. Morgan

It sounds like the smaller deals were the weakest this quarter and I would assume that they're more linear, that run rate business is more linear throughout the quarter than the rest of your business, so I'm curious what was, you have a month, a full month and almost a month and a half behind you now in this quarter. I'm just curious, what was April like as far as a normal April for that business versus January or into February.

Douglas Garn

We've seen a little bit of an uptick but it hasn't been substantial so we're still seeing a little bit of a decline. It's a little bit better than it was in Q1 but it's not anything like it was last year in the quarters when we were performing really, really well.

Vincent Smith

To put a little color in this, this caught us off guard. We saw that when we started doing an analysis of our product revenue and first it came in one product, then another, and then another.

Douglas Garn

Literally we were going through these reviews and there was this one chart that went up and we said, "Stop. Put that one back up."

Vincent Smith

So this did catch us off guard. I don't know if it's consistent within the industry but we went and looked of why. And we turned to our CIO and then talked to some other people, and these were the easiest purchases to postpone because basically the IT managers have said, "No purchases unless I approve it."

And they're not going to approve a \$5,000 order because they're not going to be a part of it. But they'll approve a \$200,000 order that they're working on if it's a little more strategic. And so I think that can go on for a brief period of time but I don't know for how long because you need to do the nuts and bolts too.

Douglas Garn

These buyers are typically in the thousand, two thousand, five thousand user communities where budgets are a little bit more loose. When you're dealing with a company with 50,000 users, 100,000 users, they have projects that have been agreed to at the beginning of the year, and they're going to continue to fund them unless it's just a really, really bad scenario.

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