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SourceForge, Inc., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Ladies and Gentlemen, at this time, we will be conducting a question-and-answer session. (Operator Instructions) Our first question is from Jon Hickman – MDB Capital Group.

Jon Hickman – MDB Capital Group

Can you give me any sense of the profitability of Ohloh.Net? Are they making money now? Is it accretive to you? Are they monetizing their sites the same way you are trying to monetize yours, etc.?

Jonathan K. Sobel

Ohloh.Net does not come with a lot of revenue currently. They make some money, but not an amount that's material to our operations from the sale to data to several leading high technology companies. They have a growing website, but with a relatively small number of page view relative to ours. They run Google on that, but it in and of itself is nothing that in the near terms at least is going to make any difference to our results. The reasons for the acquisition include as Scott mentioned the superior targeting that our data is going to allow us to provide for advertisers and in general the value of data to each of the constituents that we serve—advertisers, software developers, and consumers.

Jon Hickman – MDB Capital Group

Patty, this one is for you. Can you give us some sense of what severance costs were for the salespeople and what the savings might be on a quarterly basis going forward?

Patricia Morris

From a severance perspective, we had about \$100,000 of severance costs, and as we talked about last quarter, we're looking at annual savings of \$1.5 million from this. So breaking that out, it's \$1.5 million for the year.

Jon Hickman – MDB Capital Group

Jon, could you describe for me again so I can get a better picture your premium product advertising? Those are the downloads, and then the banner ads, that business, are you moving away from that to go to these other directions or is it just that the market there is so bad?

Scott Kauffman

Everything you just said. When we discuss premium products, a large part of that are the customized interstitial ads that we place in the download flow when we're downloading software for our consumers. Those continue to be of interest. They're high-priced products. The rate card CPM for that is \$90 to \$100; in some cases a little less, in some cases a little more depending on what we're going for the client. That overall level has continued to hold steady despite the pressure on marketing budgets especially for high-priced advertising, so we feel good about that. That's holding strong. The number of clients using those products is growing, and we're getting fantastic results. At the same time, as you pointed out, traditional IAB standard internet advertising is under real pressure in the market. We made the decision some time ago not to base our future on that segment of our business. I think that has turned out to be a good course. The pressure on that is happening faster and more broadly than I think many anticipated, and so that's one of the things that you see in our results. Our premium is holding steady. Our networks are up, our traditional advertising is way down.

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