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## Blue Coat F4Q09 (Qtr End 4/30/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) First we go to the line of Ryan Hutchinson with Lazard Capital Markets. Please go ahead.

#### Ryan Hutchinson - Lazard Capital Markets

You gave some color on the bottom line as it relates to the rev rec. Could you just provide what the impact was to the top line?

#### Brian M. NeSmith

I'll actually ask Tyler. I don't think it was that significant but Tyler, can you actually expand on that?

#### Tyler Purvis

Top-line impact was \$550,000.

#### Ryan Hutchinson - Lazard Capital Markets

Okay, great. And in the confidence level moving forward here that this is not going to string into a series of events, I know you touched on it in the call but pretty extensive over the weekend and --

#### Brian M. NeSmith

Yeah, we thought that morning, as when these things typically happen, we believe it was an isolated incident. The problem you have is that when something like that occurs, you need to go through a fairly exhaustive review of a lot of things and we didn't find any other errors, so it's I think an isolated incident. I don't expect a repeat of that but because it's an isolated incident, you can't predict exactly when it's going to happen but I don't see any indication of any systemic problem or behavior issues.

#### Ryan Hutchinson - Lazard Capital Markets

Okay, and then one follow-up -- you touched on it as well. I mean, it seems like you've got a lot of initiatives here in the new fiscal year but there was an 8-K filing talking about your profit sharing plan and in it you outline the payments that could be made under the plan for the fiscal quarters in which the operating profit exceeded 15%, so I'm just trying to understand how we should be thinking about that. It seems like there's some discipline here on the operating margin front and when I look at and tie that to the guidance and the operating expenses, assuming sort of at the midpoint, it does imply

that OpEx is going to be flat to down, so I just want to get your view on how you are looking at that for the specific give quarter, upcoming quarter as well as the remainder of the fiscal year, and that's it for me, thanks.

**Brian M. NeSmith**

Yeah, I don't -- the guidance I think from when you look at the EPS guidance and you work backwards to that piece, I think it's flat to -- I would have said operating expenses as a percent of total, probably flat to slightly up in that picture. I think the one thing that's worth noting, that's obviously the guidance for the next quarter. What we were trying to highlight for the fiscal year is that we as a company have struggled through multiple market product transitions and in each phase of those growths, it sometimes takes several years to work your way through that and what we are highlighting is that we think we are in a very strong competitive position in both of the main markets that we plan and we are at a point that we think we can achieve better operating leverage as we go forward, and that thematically is clearly going to be true I think as we go through this fiscal year.

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