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Exelixis Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you very much sir. (Operator Instructions)

Our first question comes from the line of Eric Schmidt with Cowen & Company. Please proceed.

Eric Schmidt - Cowen & Company

Yeah, thanks, Frank, kind of an accounting question on the XL880 milestone. I am not sure I quite understood the guidance, but is there no P&L impact if that milestone is earned or has does that flow through your income statement?

Frank Karbe

Yeah, that's correct. We gave guidance on the milestone we expected to be \$35 million, which will be offset by a \$36 million advance payment that GSK made to us back in 2005. Thus, the milestone would entirely be offset by the advance payment. So there would be no cash impact and no revenue impact.

Eric Schmidt - Cowen & Company

So you have recognized that \$36 million cash payment already through the P&L?

Frank Krabe

That's correct. It was recognized. You may recall the discussion we've had back in 2005 when we actually received the prepayment. It has been recognized ever since.

Eric Schmidt - Cowen & Company

Okay.

Frank Krabe

At the time, we recognized the portion immediately, and the remainder was amortized over the term of the underlying agreement.

Eric Schmidt - Cowen & Company

Okay. And should GSK up into 880, this isn't a financial question, more of a collaborative question. Are there any reach-through rights into XL184 or are there any special opt-ins there or is that a completely separate entity?

George Scangos

XL880 and XL184 are separate entities. And GSK can of course select them both, but they have to use two opt-in decisions to do that.

Eric Schmidt - Cowen & Company

Okay. And George, can you provide us with exact date of the opt-in decision for GSK or are they kind of which is similar to package.

George Scangos

Yeah, it's middle of December. And Eric, I actually don't remember the exact date, but we submitted it in the middle of September. I believe it's December 17th, the cutoff date.

Eric Schmidt - Cowen & Company

Okay. Thanks a lot.

George Scangos

Okay.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of William Sargent of Banc of America Securities. Please proceed.

William Sargent - Banc of America Securities

Hi. Thank you very much. I'm sorry, I was in a meeting, but thanks for taking my question. I was wondering if you could talk a little bit further about next steps with 765 and 147. I think you mentioned Phase II potentially starting 2008, but I was wondering if you could talk a little bit more about where you might be looking as to compounds.

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