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Acacia Research Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And, sir, our first question comes from Jeremy Hellman from Singular Research. Jeremy, you may state your question.

Jeremy Hellman – Singular Research

Thanks, good afternoon everybody. A question around the deferred revenue item – is that – it's a big jump from where you've been in the comparable numbers. Is there something more of a one-off in nature or is there a kind of a trend developing here where people that are – or entities – that want to license – get into license agreements with you guys are looking to do – pay in in that form and have a deferred over a longer period.

Paul Ryan

Yes, this is Paul Ryan. We are doing more deals where there is continuing royalties coming in. Most of our deals still are paid up transactions. The largest component in the quarter was a transaction. They've given it structure and, Clayton, I think you can – that \$3.7 million is going to be recognized on a straight-line basis over, what, five quarters? So it will be amortized over a fairly short period of time given the structure of the licensing agreement. But I think as we continue to grow the business we are going to get into more structured and complex licensing agreements and they probably will have – so it is better to have pre-paid revenues which we prefer on deals that have that type of structure. I think right now we've got about, what, \$4.3 million in prepaid? \$4.3 million in prepaid revenues.

Jeremy Hellman – Singular Research

Okay, so they are looking forward, particularly with the economic where it is, we can expect to see some more within each quarter? Whatever number we might each model for a top line number or a certain slice of that may end up as more of a deferred amount? Is that a reasonable way of thinking about it?

Clayton Haynes

Yes, I think it's important to understand, though, we've already have the cash. We collected the cash in the first quarter, so it's simply a matter of how we choose to amortize those revenues over a section of the licensing agreement given the structure of the agreement. So, we will typically, if given – if the person who is licensing wants that type of structure we will do it, but obviously we will do it where we are getting prepaid and have the cash up front.

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