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Quantum Corporation F4Q09 (Qtr End 03/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions) The first question comes from the line of Brian Freed with Morgan Keegan. Please go ahead.

Brian Freed – Morgan Keegan

Good afternoon. Thanks for taking my call. With respect to the prepayment from the OEM, how does this get recognized this revenue in terms of your timing? And also how do you account for this in the balance sheet? Is it going to be a short-term or a long-term liability? And then secondly, as you kind of look at that in terms of your OEM opportunities, can you give any color on the Dell relationship?

Jon Gacek

Let's start with the prepayment. The prepayment accounting is not any different than, say, a service contract. So we recorded an increase in cash and then we defer the revenue. And then when that revenue is earned, we will reduce the deferred revenue and recognize the license fee revenue. So the \$20 million that has been funded to date will be recorded as deferred revenue and it will be a current liability, if you will – or current liability section of the balance sheet. And then when and if the \$135 million gets refinanced and the next \$20 million is paid, we will do the same thing. It will be a current liability.

As far as Dell goes, Brian, you've known us for a long time, we don't talk about our OEMs and their launch plans. Dell made the announcement on what they intended to do. I can say two things. We are working with Dell on our deduplication technology. When they are going to launch a Dell branded product? I can't say. They do sell Quantum-branded and EMC-branded through their S&P group. And then as I mentioned on the last call, we haven't built any Dell revenue into our 2010 plans, similar to what we did last year with EMC where we built no EMC revenue into our 2009 plan. So we are going to walk away for Dell, and that will be their announcement when they make one.

Rick Belluzzo

And I would just add to it, Brian, that, as you know, our strategy is what we talk about edge-to-core. We believe that this open replication environment is really important. So, having the ability to share information from multiple vendor products, different hardware with the same software, we think, is significant in the industry. And so we will continue to strive to make our software work in different ways in different environments in order to continue to expand the notion that having some level of openness and compatibility is very much what customers are looking for in this environment.

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