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SPSS Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Nathan Schneiderman – Roth Capital Partners.

Analyst for Nathan Schneiderman – Roth Capital Partners

How was the linearity in the quarter? How much was booked in January, February and March and could you make any comments regarding business in April?

Jack Noonan

Our general pattern is 25%, 25% and 50% within the quarter and we didn't see a substantial deviation from that. I think April we did defer comment on that and stick with the guidance that Ray has already provided.

Analyst for Nathan Schneiderman – Roth Capital Partners

Could you explain why deferred revenue is down quarter-over-quarter and year-over-year? What was the impact from FX? Can you talk to the dynamics there?

Raymond Panza

Actually you are raising the right issue. A significant portion of that, probably about \$2.3 million of that change is exactly what you said. It is FX. The balance of that really represents timing as license revenue decreases, as we do smaller transactions without maintenance and as we have said on numerous calls previously you really have to look at that as a trend over a rolling 12-month period so at this point I wouldn't be disturbed by a one quarter decline. That would be very consistent with the license revenue pattern we are seeing. The fact of the matter is, our maintenance revenue is up. Our license revenue continues to be solid despite the currency impact.

Analyst for Nathan Schneiderman – Roth Capital Partners

Could you talk to the dynamics of why sales and marketing expense was down so much quarter-over-quarter? How much of the decline was FX related?

Raymond Panza

A couple of things on that. The sales and marketing itself was down about \$3 million just on the FX. The balance of that reflects largely the variable costs associated with less revenue. Less

commissions, less costs incurred that are directly related to revenue. It also reflects the fact that about 64% of the revenue came from smaller deals which meant they went through a very efficient, short-cycle core channel. Therefore they carried less expense with those revenues. In addition to that, you are seeing as I mentioned in my comments the savings from lower headcount, efficiencies, and some productivity improvements that we made in the latter half of last year that are coming to realization now this year.

Operator

The next question comes from Nabil Elsheshai – Pacific Crest Securities.

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