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## Novell, Inc. F2Q09 (Qtr End 04/30/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) The first question comes from the line of John DiFucci – JP Morgan.

#### John DiFucci – JP Morgan

It looks like the top line looks to have stabilized here and operations continue to improve here but I guess deferred revenue was weaker than we had modeled anyway and caused cash flow to be a little weaker than I had planned for. Can you comment on that? I think you mentioned earlier too that revenue recognition in the second half probably won't go up like it has in other years given relatively weak bookings. Is that what we are seeing here?

#### Dana Russell

I think there are a couple of points there. First of all deferred revenue balance is down mainly as a result of the recognition of revenue in the Microsoft arrangement where we are actually seeing that placed in customers hands. If you were to take out the Microsoft impact, the deferred revenue actually would be up. However, we are seeing an impact. We will see an impact in recognized revenue in the second half of the year as a result of the weaker invoicing in the first half of the year. Even though we feel good and we are sending a positive message about where we think the business is going, directionally that invoicing has already transpired. It started taking place in the first half of the year and will have an impact on the second half revenue.

#### John DiFucci – JP Morgan

Just to be clear though, excluding Microsoft deferred revenue would have actually been up. Would it have been up sequentially excluding?

#### Dana Russell

Not up sequentially. We are talking year-over-year.

#### John DiFucci – JP Morgan

A follow-up to that, it was nice to see in print here 12-18 months to profitability for the open platform solutions group. It actually looks like at least in this quarter, sequentially and certainly year-over-year you saw some pretty nice improvement. Nicer than we had been looking for. This 12-18 months, I just want to sort of understand what is in there. It seems like longer than given the improvement you are

showing, I realize you want to be prudent when you throw out numbers like that but is that time frame due to some of the uncertainty around the renewals of these Microsoft related subscriptions? Is that included in there? Some type of prudence in regard to those?

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