



Power Integrations, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Very good. (Operator instructions) We'll pause just a moment. Our first question will come from Ross Seymore with Deutsche Bank.

Ross Seymore – Deutsche Bank

Hi, guys. Can you give a little more color on the H&T bankruptcy? When did it happen in that quarter, how that impacts you? You gave us a color on the top line, but what does that do in the bottom line? Did have any impact on your inventory?

Balu Balakrishnan

Well first of all, just to give you how it played out. When we had the conference call, we didn't know anything this. In fact, we can actually – that small amount already, but the main production shipment that we tried to ship, we found out that the bank would not honor the LC. We're on an LC basis, and it wasn't until, I would say, second half of June we knew that they had actually gone bankrupt. They kept postponing the shipment until into June. And then in June, we found out that they actually closed down and was bankrupt. So we didn't know until then.

And I think, what was the next question about? Was that inventory?

Ross Seymore – Deutsche Bank

Well that was about \$1 million that you would have otherwise shipped. And did that not get made up for by other suppliers amongst these power supply guys that help out Samsung?

Balu Balakrishnan

Well we had one other design at a second subcontractor. And that was – is going to production a little bit later, and that is on track. In fact, the log ins on that will be higher because of H&T going away. But in addition to that, we got a second design at this other subcontractor. And we don't know the exact combined volume, but our estimate is to design and (inaudible) production. The yearly run rate would be between \$8 million and \$10 million.

Ross Seymore – Deutsche Bank

And then just a follow-up question to that, Balu, is the inventory impact. Did that contribute to inventory going up sequentially since they didn't take the product? And then is you could just – ballpark, what that meant to your EPS in the quarter?

Balu Balakrishnan

Well I guess you could say that they're – that they had some impact. But generally, it's not uncommon for us to have a slightly higher inventory at the end of Q2 because the second half of the year seasonally is stronger part of the year. So we actually build inventory during the first half.

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