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## Silicon Image, Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you (Operator instructions). We'll take our first question from Jim Schneider with Goldman Sachs. Please go ahead sir.

#### Kate Kotlarsky – Goldman Sachs

Hi. This is Kate Kotlarsky for Jim Schneider, a couple of questions for you. First, I was hoping if you could give us a little bit more color on the inventory increase side, you mentioned that you took cumulative inventories ahead of the September quarter but it seems like the inventory increase was quite significant. So, just curious if there is anything else there.

#### Harold Covert

No, actually what we try to do is to maintain about seven turns with the exception of Q2 because again we do gear up to go into Q3. So, we positively watched our channel inventories and our overall inventories and part of the improvement in manufacturing efficiencies is a result of that. So, we feel pretty good about our inventories from a level standpoint and we will get back to the seven turns as we head into the back half of the year.

#### Kate Kotlarsky – Goldman Sachs

Okay, that's helpful. And then generally speaking, just a question on the overall environment, obviously it seems like the overall environment especially for consumer electronics seems to be weakening a little bit, I was just wondering if there were any push-outs that maybe you saw in the consumer electronics side from Q2 into Q3.

#### Harold Covert

So, let me start to answer the question and then I will pass it to Steve. If you look at the guidance that we provided going into the second half of the year, it reflects an indication of the visibility that we have and we feel based on the guidance that we did provide that we have fairly good visibility in Q3 and then we think we have decent visibility heading into Q4. This is in conjunction with working with our customers, watching channel inventory and so on. So, with that, I will now pass it to Steve.

#### Steve Tirado

Yes, really from my perspective I think that at least as our business is concerned, the digital television market is a little bit weaker than of course we would like. In our case however, because we are on a

variety of other platforms besides the TV, we basically have been performing according to our own expectations. We have very good visibility into Q3, so we know basically where that is at. So, we are going to be cautious just like everybody else. We have to see how consumers uptake on televisions although I saw the announcement related to some excess supply by I think it was LG. Usually what that does though is it lowers the price. So, it will make TVs more attractive going into the Christmas season. So, we just have to see how it plays out. But we feel really good about our visibility and what is going to happen for us at least the next quarter.

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