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Advanced Micro Devices, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll take our first question from John Pitzer - Credit Suisse.

John Pitzer - Credit Suisse

Dirk you talked a little bit about demonstrating a pattern of sustainable profitability. What kind of timeline would you be willing to share with us? You guys have talked in the past about some goals as being seen in the second half of 2008. I'm just wondering if you can elaborate on those.

Dirk Meyer

We still believe on the strength of the momentum we're seeing in the marketplace based on the new products we introduced in Q2 that we can expect to remain profitable at the operating level in the second half.

Bob do you want to provide further commentary?

Robert Rivet

Yes to me we are not backing off on that. We still believe that. We have made progress on the break even point as I talked about. Our goal is to get to the \$1.5 billion in the beginning of next year. We are making progress to that. We'd like to split the stake in the ground that we don't want to look back so start making money in the third quarter and move forward from there.

John Pitzer - Credit Suisse

Relative to those targets does that imply more work around the asset smart strategy or do you think the strength in the top line demand in the back half of the year kind of gets you there?

Robert Rivet

It is really a combination of both. Clearly we believe that new products will give us traction to increase the top line. Our strategy of continuing to execute on 45 nanometer improves our cost structure but also it does incorporate asset smart execution by Hector to bring it to conclusion.

John Pitzer - Credit Suisse

The last question, if you kind of project out for the balance of the year your capEx to rev ratio this year is going to fall at about 15% which is almost half of what it has been running for the last three

years. I'm just curious as to what kind of confidence level or milestones you can throw out around 45 nanometers to make us feel more comfortable that you are spending at an appropriate level to stay competitive?

Dirk Meyer

First let's talk a little about 45 nanometers in general. We are well on track with the 45 nanometer plan as we have been telling this group about in the past. We have actually started production late last quarter and are on track to start buying shipments early in Q4. Typically it takes us 3-4 quarters to flip the factories once we start so that would say it would be largely converted roughly in the middle of next year. Much of the capital expense we are bearing now is in support of that plan.

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