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Spancion Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Daniel Amir - Lazard Capital Markets.

Daniel Amir – Lazard Capital Markets

As you continue your restructuring efforts and your Spancion - 1, your gross margins outlook here for Q3 of 1% to 2% increase, what should we look at here for the remaining of the year and can we expect gross margins in the 20% again, early next year?

Dario Sacomani

Yes. I think, as we've talked about before, getting over this startup period in Q2, I think once we get to a consistent output of at least 2,000 a week, which we should be at in Q3. I think that at 2,000 wafers a week, which is where we're at today, I think ultimately we should be able to be driving our costs down. Assuming typical ASP patterns I think we should be moving into the mid-20s actually and I think we should make steady progress from Q3 forward.

Daniel Amir – Lazard Capital Markets

And this mid 20% is what, by the middle of next year, or earlier than that?

Dario Sacomani

I think we are going to make pretty steady progress. We're talking about almost 200 basis points from where we're at today, and honestly I think that as the factory ramps you are going to see a pretty steady pace of increased gross margin towards those mid 20%.

Daniel Amir – Lazard Capital Markets

Now in the end market, there has been a lot of talk about the handset market. What's your visibility into the wireless segment? It was flat quarter-over-quarter, but it seems like you have done maybe better than others. Can you show what type of visibility you have there and what can we expect for the second half of the year?

Bertrand Cambou

Yes, we believe that the wireless system division has an opportunity to grow in the second half. And like you say, we have been pleased that in a very difficult Q2 we were able to hold our position. But in

the second half of the year we have a portfolio that is stronger now. We have now a 65-nm lined up, which is starting to be effective.

And the other piece here is if you look at the market in the wireless, that it seems to suffer, it seems to be that this is the high end where essentially this is not the place we were currently in. Spansion is currently in the main stream of the wireless and as much as we can see this segment appears to be quite strong. With the strong portfolio that we have and an expanded customer base, we have an opportunity to increase.

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