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Adaptec Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will take a question from Brian Freed with Morgan Keegan.

Brian Freed

Hey guys, thanks for taking my call. Welcome, Mary. When you look forward, you talk about some of your road map plans. Some of your competitors are sampling 6 gig SAS. HP is about to start shipping products with 6 gig SAS. You talked a little bit about what your road map is going forward. Do you guys plan to support that, or do you intend to talk a little bit about what your view on the 6 gig SAS market and your participation there?

Sundi Sundaresh

So the 6 gig SAS market is sampling at the OEM level right now. The market reality is probably going to hit the, what I will call the early refresh timeframe which will be the latter part of calendar '09 in the OEM space and as the channel sometime in 2010. So when I alluded to some of the ASIC partnerships, that is where we would expect to get our 6 gig partner to develop our products.

Brian Freed

Okay. Great. And I will go ahead and that's my one question. I will get back in queue.

Mary Dotz

Thank you.

Operator

(Operator Instructions) We will take an additional question from Mr. Freed. Brian Freed.

Brian Freed

Thanks. A couple of additional. The \$2 million in stock-based comp, can you break that up between COGS, R&D and SG&A for us?

Mary Dotz

Sure. Just a minute there, Brian. Let me grab my notes on that. The amount of stock-based comp that we included in our R&D number is about \$800,000. I think in the COGS number it is about \$120,000.

Brian Freed

Okay.

Mary Dotz

SG&A was the bulk of it -- was about \$1.1 million.

Brian Freed

Okay. And secondly, Sundi, as you kind of look forward, IBM was 30% of revenue this quarter, but obviously that's going to taper off as they roll out the new X Series. Do you have any better sense that this point in time what the timeline for that roll off will be and as we model out into this year, do you see it spanning several quarters? Or do you think it is kind of done in the September quarter? What's your thought there?

Sundi Sundaresh

If you look at the -- that's always a tough thing to predict in OEM transitions. If you look at the past history of most OEM transitions, there's always a tail of products as they move from one platform to the other, whether it is with the same vendor or whether they switch vendors. So I hesitate to predict exactly when that would be. I think we have given you the general guideline that we do expect OEM revenues to decline and IBM with that. I think you ought to think about this in the context of when the toughly platform actually hits the market and how that ramps in the market.

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