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Super Micro Computer, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Glenn Hanus with Needham.

Glenn Hanus

Good afternoon. Could you maybe talk about what you're seeing on the competitive front from a pricing standpoint, and what your outlook is on gross margins for this quarter?

Charles Liang

Yes, basically if the competition is strong, however, we have a very strong new product line, that our 1U Twin still growing in revenue, and that is a very unique product. So, for those products we still have a very good margin. With our SuperBlade product, I just mentioned we reached 290 gigaFLOP per k/watt. Those are very outstanding products, and they will allow us to have a good margin from those products. So overall, before market is getting very competitive, especially the soft market. However, here at Super Micro, we foresee our profit, our gross margin, should be still in quite healthy neighborhood. By the way, I mean, back a way I just mentioned our QPI based Intel Quick-Path interconnection, a new product line is getting available. That will help our profitability as well, though.

Glenn Hanus

Thank you.

Operator

And your next question comes from Jeff Fidacaro with Merrill Lynch.

Jeff Fidacaro

Good afternoon Charles and Howard. I am wondering, if you could talk a little bit about the Itanium project, sort of the timing, when we should start seeing product ship, and the impact it has been on R&D in this quarter as well as into the June quarter.

Charles Liang

Yes Itanium as you know, it's the highest-end, it is IA Intel architecture product. So, this year we have co-designed with our partner. And the reason why is we foresee with QPI, a QPI interface in the web is really a high performance platform, and really just choice for a mission critical application. So, we

commit to design with our partner a prototype QPI available this year somewhere in, we hope, Q4 this year. And we never really committed to a mission critical risk product, so this is a big commitment from the company. And we feel very comfortable for business we took.

Jeff Fidacaro

Do you think the revenue impact from these products will really ramp? Is it going to be in the back half of this calendar year?

Charles Liang

Yeah, it should be very big this year or earlier next year.

Jeff Fidacaro

Any anticipation of what the impact would be to margins? Is it greater than corporate average? Sounds like these are higher margin type products.

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