

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

STEC, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

At this time, if you would like to ask a question, press star 1 on your telephone keypad. We'll pause for a moment to compile the Q&A roster. Your first question comes from line of V. Rakeesh.

V. Rakeesh

Hi guys. I just want to get a little bit idea on the gross margins. Where do you see margins for calendar '08 and the tax rate here. I know you probably get a benefit from tax rate from the finance facility on tax rate for next year, but how do you see margins and tax rates here for this year?

Dan Moses

It's going to depend on mix. We've got three new exciting product lines and the one thing that we do have great visibility on is that we are in front of some very large customers and qualification processes going very well, but it's difficult when you look out through the entire year to see how quickly they ramp up and at what rate. So it's difficult to say by the end of the year what mix, you know, what's going to be the mix of the high margin SSD products. It's difficult to project margins. We're expecting SSD to become the newer SSD product to become a significant portion of our mix by the end of the year and if that's the case we would expect margins to be increasing once we get toward the end of the year, but I think it's a little difficult to actually pinpoint a number at this early stage in the launch of these products.

Manouch Moshayedi

It'll damage and it's going to depend on the mix as all of our new product lines, the SSV line, which carries a higher margin than our DUM business. We fully expect our DUM to be a smaller percentage of our sales going forward; therefore, the low margin business is going to diminish as a percentage of the total revenue. So we fully expect our margins to grow quarter to quarter.

V. Rakeesh

So you said five to ten enterprise SSD in '07, was it mostly in Q4?

Manouch Moshayedi

Yeah, we did total of I think of \$11 million dollars in 2007 and I think up to Q4 we had done somewhere around \$4 million dollars.

Dan Moses

We probably had about \$7 in Q4.

V. Rakeesh

As you look, let's say if you look toward the end of '08, what could SSD? can you give a bracket? Can SSD be 15 like Q4 of '08? Probably 15%...?

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.