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## Sigmatel Inc. Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator instructions)

Once again ladies and gentlemen let us start one for question, and we will start with Chris Danely of JP Morgan.

**Larissa Polisiak – JP Morgan**

I was wondering if you could give us an idea of what you distributors are seeing on the inventory side, do you have any sense or any color there?

**Phil Pompa**

I think just overall, we have not seen anything out of the ordinary in terms of just Q4 to Q1, so we do not believe that there is either anything out of ordinary for this time of year and this time of season of the year. So, I think things are fairly flat and we are just looking forward to things picking up as we go past Chinese New Year.

**Larissa Polisiak – JP Morgan**

Okay, so normal seasonality then.

**Phil Pompa**

Exactly.

**Larissa Polisiak – JP Morgan**

And then on your gross margin improvement that you are forecasting for the first quarter, is that due to the increase in the 3600 and 3700 as a larger percentage of revenue?

**Scott Schaefer**

Yes, it is due to the transition from the 3500 to the 3600 and 3700, and also the printer business, which is a little bit higher margin has a bigger percentage of the Q1 total revenue.

**Larissa Polisiak – JP Morgan**

So you are expecting the printer business to actually increase sequentially or just be a larger percentage?

**Scott Schaefer**

I think it is going to increase slightly, but it is primarily just the larger percentage.

**Operator**

(Operator Instructions)

We will take our next question from Quinn Bolton with Needham & Company.

**Quinn Bolton – Needham & Company**

A quick question for Phil, can you talk just a little bit about just the ramp down of the 3500, and as you guys kind of move away from the low end of the market, is there anything in the 3600 or 3700 family that will address kind of the higher volume segment of the market or do you really think that the mix shifts over pretty heavily in the 36, 37 more mainstream in higher end portable media players and that segment of your targeted markets.

**Phil Pompa**

I think you seen a couple of new different shifts. I think that certainly is the market that 3500 serves is going to continue to get pushed down to the lower end of the marketplace. We will see new features and functions that require the ability to address larger memory spaces, to address larger displays, and be able to deal with just higher data rates, et cetera. You need that capability and to do you need greater performance and to be able to drive larger displays and higher resolution.

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