

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.

## PDF Solutions Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of Tim Fox with Deutsche Bank.

#### Tim Fox – Deutsche Bank Securities, Inc.

Just digging into the fourth quarter results for all of this, first the operating income and margins were sort of well below where we had anticipated and obviously you've reached your target EPS number on a non-GAAP basis primarily from tax benefits. Just wondering in the quarter what was it that really drove the higher operating expenses? You mentioned use of outside development and the variable compensation costs and as a follow on to that how are you intending to grow the operating income meaningfully in 08, given the recent trends and some of these extra costs?

#### Keith A. Jones

Regarding the operating expenses what we saw is a spike, and as I mentioned during my script and John alluded to as well, that we did have some kind of nonrecurring costs. In particular as we see the acceptance and the excitement in the marketplace for our PD Bricks technology and our yield aware FDC technology we really did accelerate the spending that we had there so there was some one off sub-contractor costs that we incurred just to help bring those products to market and make them more robust sooner rather than later to make sure that we capitalized on that opportunity. Secondly, what we have is with our corporate funds program, if you will, it is based on an annual result so thus by default you tend to have a little bit more of a back loaded expense when it hits to the extent you have to wait until the end of the year before we tally up and see how we did compared to our expectations. So in line to what you might have expected, those are two anomalies that you probably would not have known to necessarily predict from us.

Then in general, as we go into 2008 as I said during my discussion, we did make a lot of investments in 2008 to expand into these new areas that I just talked about and then I think that really set a good platform of where we're going to move with our products and our offerings going forward. And just like all companies we're looking at areas where we can become more efficient and we see a lot of opportunities to become more efficient and focus on those areas that gave us the greatest amount of opportunity and with that instead of being in 10% of operating income, we expect that to be substantially higher as we go to 2008.

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