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SiRF Technology Holdings Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

We will take our first question from the side of Adam Benjamin with Jefferies, your line is open, please go ahead.

Adam Benjamin – Jefferies & Co.

Can you just give a little more detail, I am just trying to reconcile the lead breaking softness by two customers and how that would have a big impact on gross margin?

Michael Canning

Well the impact is partially competitive and partially mix shift and the customers who are in different market segments.

Rob Baxter

For the mix mode, more towards the SoC product line as a result, which as I think you are aware is lower margin business than our traditional SiRFStar III discrete business.

Adam Benjamin – Jefferies & Co.

And you were expecting these orders to come in and they got cancelled late in the end of the quarter, is what you are saying?

Michael Canning

The indications from our customers change late in the quarter, yes that is correct.

Operator

And we will take our next question from the side of Brian Moddof with Deutsche Bank, your line is open, please go ahead.

John Nichols– Deutsche Bank Securities

I just want to ask about the increase in operating expenses this quarter. We have seen a lot bigger than we had anticipated. Is that the legal cost unit mentioned before?

Michael Canning

It is primarily legal and tooling on new products.

Rob Baxter

Also you need to remember in Q3, we did not have a full quarter of Centrality engineering or G&A as part of our overall expenses. Having said that, the expenses were basically pretty similar to our expectations, which may have been higher than yours, but similar to ours.

Brian Moddof – Deutsche Bank Securities

And so you have guided then to a lower growth margin rate, how far should we expect for the gross margin and the operating margin trends to continue at this higher level of plans?

Michael Canning

Well, obviously, we will scale our spending to match revenue, but it is difficult to scale operating spending back in zero time when there is a more than normal decline in revenue. As far as gross margin is concerned, I think since we are only forecasting quarter by quarter, we will take it quarter by quarter and see how it goes. We have always expected that gross margins would start to shift down as ramping of certain products occur and as competitive influences came into the market so for the moment, I think it is probably best to assume that we will be around 50% gross margin.

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