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STEC, Inc. Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Gordon Johnson with Lehman Brothers.

Gordon Johnson - Lehman Brothers

Hello, guys. Can you hear me?

Manouch Moshayedi

Yes.

Gordon Johnson - Lehman Brothers

Congratulations on a good quarter and guidance.

Manouch Moshayedi

Thank you.

Gordon Johnson - Lehman Brothers

I just wanted to ask a question on the expected revenue from ZeusIOPS next year. Is there any potential given what you guys have seen since the last call that we could see potentially higher revenue or a higher estimate there?

Manouch Moshayedi

Right now we are still projecting \$50 million, and we think that that is a conservative view. But we will have to wait and see. That is based on the few customers who have already qualified or are in the later stages of qualification of ZeusIOPS into their systems.

Gordon Johnson - Lehman Brothers

Okay. Thank you.

Manouch Moshayedi

I think given what, I think \$50 million is a good number still to go with.

Gordon Johnson - Lehman Brothers

Okay. Thank you.

Operator

Your next question comes from line of Bob Gujavarty with Deutsche Bank.

Bob Gujavarty - Deutsche Bank

Okay. Thanks guys. Did you purchase any shares in the quarter?

Manouch Moshayedi

Yes, you mean the Company or??

Bob Gujavarty - Deutsche Bank

Yes, the Company I mean.

Manouch Moshayedi

The Company did not buy any shares in the quarter.

Bob Gujavarty - Deutsche Bank

Did not? Okay. And could you go through some CapEx expectations for next quarter and then maybe just some inkling of what you think you can, 2008 could look like?

Dan Moses

Sure. For Q4, and again this is primarily being driven by the finalization of the building in Malaysia, we are expecting about \$8 to \$10 million of final construction payments and some equipment. We expect that should wrap up, the construction costs in Q4.

Next year we will be buying a little bit more equipment, mainly testing equipment, that type of thing. But it should be markedly lower than what we saw in 2007. So if I had to estimate it, I would say maybe somewhere between \$4 and \$6 million of equipment fixed assets for next year. It should come way down.

Bob Gujavarty - Deutsche Bank

Okay. Great. And then just one final question. As the ZeusIOPS product becomes a bigger portion of your mix, how should I think about that from a margin perspective? Is it pretty much in line with your other Flash segments, the rest of the Flash segment, or do you think it moves it one way or the other?

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