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DSP Group Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question will come from the line of Daniel Meron of RBC Capital Markets.

Daniel Meron - RBC Capital Markets

Thank you. Hi, everybody. A couple of questions; first of all, can you give us the breakdown for the various product lines and how you think we should look at them into 2008 and fourth quarter?

Eli Ayalon

Product lines you said, Daniel?

Daniel Meron - RBC Capital Markets

Yes, 2.4, DECT, etcetera.

Boaz Edan

In Q3 of 2007 in the quarter that we ended, the DECT were about 47%, 5.8 gigahertz was about 26%, 2.4 was about 22% and Voice over IP about 6%. Going forward into 2008, we see continuous growth in DECT while we will a decrease in the 5.8 gigahertz and a slight decrease in 2.4 gigahertz, while of course we'll see continuous growth of Voice over IP going forward into 2008.

Daniel Meron - RBC Capital Markets

Okay. And then a follow up; can you give us a sense on looking on a quarterly basis in 2008, should we look to the traditional quarterly breakdown? And also how do you expect the potential of Voice over IP wins with your design wins with integrated home networking devices to impact the 2008?

Eli Ayalon

Daniel, we shall give a quarterly distribution as we give every year in January. It's too far away. The reason we are giving now a general outlook about 2008 is because we are aware of the fact that the Street is waiting for some kind of indication after the acquisition and this is the outlook as it is today. It is too premature to have a quarterly distribution.

Generally speaking, the seasonality is about the same. The seasonality is that Q1 is lower, and then Q2 is a bit higher, Q3 is big, Q4 is a bit lower. And that's it. With respect to, I have to add here something though with respect to 2008 on the operating expenses side.

Boaz has given you an indication of the operating expenses. I believe that the mid range there is something like \$102 million for the year. Now as not all the synergies are going to be implemented from the first of January, it's important to note that we plan on stabilizing ourselves in the fourth quarter of 2008 on an OpEx level of let's say around \$24-25 million, which is let's say on the average of \$98 million.

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