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## Advanced Analogic Technologies Q3 2007 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you, sir. (Operator Instructions). Our first question is coming from Tore Svanberg with Thomas Weisel Partners. Please go ahead.

**Tore Svanberg - Thomas Weisel Partners**

Yes, thank you, and great quarter. A couple of questions. First of all, your inventory days are pretty low this quarter. Do you feel comfortable with this level, and if not, what are you doing to get to more adequate levels?

**Brian McDonald**

Yes, I think we're comfortable with the inventory level, Tore. We're watching the fabs closely and we'll adjust start rates based on demand, but we feel comfortable that the fabs can respond in a timely fashion.

**Tore Svanberg - Thomas Weisel Partners**

Okay, and you mentioned that at your distributors, your inventories are below the low end of what it usually is. Could you maybe add some color on that, please?

**Brian McDonald**

Yes, we target the distributors to run two months worth of inventory. We did see that number drop to about 1.6 months, 1.8 months, last quarter, and that was driven by high resales on their part. So we would expect to still target 2% turns in the fourth quarter of '07.

**Tore Svanberg - Thomas Weisel Partners**

And on the gross margin, is there anything in the mix that you can forecast as to when margins will be back in the 55% range? I'm just trying to understand if you have any forecast visibility, any backlog to suggest the mix is going to get better.

**Richard Williams**

It's still a little early to tell. I think what we're saying is that there still seems to be strong demand for the models that include the low-end ChargePumps, and that the new models, the ones that have our cost reductions already designed in, have not started to ramp.

Now, traditionally, you know that that transition occurs in the first quarter, but we can never be sure how long they will run one of the older models. So, we'll have to wait and see.

Certainly all of the design win activity on switching regulators tends to be indicative of some counter opposing effects that would drive our margins up, but, again, those products are waiting to ramp. So it clearly is a Q1 or Q2 event and it is not a Q4 event.

From what we can see, we don't see any major changes in the mix happening this quarter unless some big orders for some high margin comes in at the last minute.

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