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DTS Q2 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question comes from Ralph Schackart - William Blair.

Ralph Schackart - William Blair

Jon, you touched on this in the prepared remarks in terms of some of the DVD players shipping with more decoding technology in there. Can you give us a sense of the order of magnitude of this, help us understand the difference in the ASPs for your business model here? How should we think about this going forward?

Jon Kirchner

I think in short, Ralph, there are, under the standards, there's a baseline minimum specification that's required, which is DTS coherent acoustics at 1.5 megabits. Beyond that, they can also include DTS HD master audio, which is full lossless decoding technology. The economics for us really aren't any different. It's just that ultimately we believe that the content community as well as from a consumer perspective can benefit from the performance advantage of DTS master audio, just simply because it is fully lossless.

Ralph Schackart - William Blair

Thanks for explaining that. Mel, the expenses in the quarter were a lot lower than we were forecasting. Are you at a run rate for expenses now, or should we anticipate a little more build in infrastructure to accommodate what's spinning out?

Mel Flanigan

There's a couple things, Ralph. I think you're not going to see a lot of infrastructure build in the back half of the year, but you will see the expenses trending upwards. In the script, I mentioned the fact that some of our advertising and promo expenses had been shifted out to later in the year to better coincide with the ramp in the HD technology, or the HD launch. So I would expect to see some growth into Q3 and into Q4.

Ralph Schackart - William Blair

Mel, can you give us a sense for the share count with the buyback in Q3 you've projected as well as the full year?

Mel Flanigan

The full year, essentially we bought back the million shares around the middle of the year, so it's going to have a little bit less than half a million shares on the full year share count. For the third quarter, call it a little over two-thirds of the million shares, so probably 650,000 share reduction.

Operator

Your next question comes from Mike Olson - Piper Jaffray.

Mike Olson - Piper Jaffray

You said 12% was from high-def in Q2. Can you just remind us what percent of revenue was from high-def products in Q1?

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