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Silicon Image Q1 2007 Earnings Call Transcript

Question-and-Answer Session

(Operator Instruction) We'll go first to Tayyib Shah with Longbow Research.

Tayyib Shah - Longbow Research

Hi, guys. First question on the margins, I mean over the last few quarter we've been seen a decline. Should we think about the low 50% range as sustainable level for your margins going forward?

Bob Freeman

Well, I think in this particular year we're transitioning from the more legacy product to our new products. But I think as we see some improvement and the continued growth in the 1.3 introductions and on the input processors I would have expectations because of a higher ASPs in results margins growth.

Tayyib Shah - Longbow Research

Okay. And licensing revenue, you are seeing a dip here. We have seen a couple of announcements out of Trident and Genesis that they are using somebody else's IP for 1.3. And I guess the rare case here is that since you are not licensing 1.3, anybody who wants to have an integrated solutions is going to use somebody else's IP, and your licensing revenues will fall off in 2008. If you can help us understand where most of your IP revenue is coming from right now and why that will be sustainable in 2008, that could be very helpful.

Bob Freeman

First of all it's not true to that we are not licensing HDMI 1.3, we are just being very selective in the way that we are doing that. The licensing revenue that we are seeing today is split between CE in stored with CE probably being almost two-third of the licensing revenue.

Bare in mind that we are getting royalties off the standard as well as, you know the annual subscription fee. And we actually have quite a bit of activity along several dimensions for new geometries along both old and new HDMI implementations. It's just the market gotten very, very large now, and its gone beyond our ability to satisfy everybody's need for support on an integration project.

Steve Tirado

We also picked up some licensing revenue in our silicon image Germany too as well. So, they generated licensing revenue on some their particular product lines, then added to that, and we also

benefited from being able to recognize some deferred revenues this quarter that have been sitting on the balance sheet.

Bob Freeman

We think for the year, you know, we usually tell people we will be about 10% to 15% of revenue for the year. This year will be no different. In fact, we actually might even be a little bit higher i.e. little bit closer to the 15% rather than 10%.

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