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Silicon Image Q4 2006 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We go first to Mahesh Sanganeria.

Mahesh Sanganeria - RBC Capital Markets

Hello. Steve, there's too many numbers, so I think I am going to be confused with the numbers. So, I am going to ask you on a strategy question, on your DTV strategy. The question is basically two-part. One is, why do you want to get into a DTV market? And the second is why are you choosing the path you are choosing? So, to elaborate more on that, it's well known that DTV market is pretty crowded and you are coming in pretty late. Why take a chance on that and enter this high risk market, whereas you could probably find better markets to expand your revenues? And on the question of mine, why are you going with the buying -- paying \$40 million to Sunplus, you had been working with them for about three years now and you know what they have. And if I look at the display search market share data, they don't appear in top ten. The tenth guy is like less than 1%. So, what I don't understand is, why are paying \$40 million and I would like to how are you are going to expense that? Is it going to go in the R&D or it's going to be one-time charge?

Steve Tirado

Okay. Let's parse the question here because your underlying assumption is that we are going to answer the market in the same way you see video processor guys are competing today. Is that correct?

Mahesh Sanganeria - RBC Capital Markets

Yes.

Steve Tirado

And so, this probably required more discussion, but just kind of on a -- first of all, our vision for where to go in DTV is very different than what we are seeing in the video processor market today and that's because, we have a fundamental belief that the architecture in television that these top-tier OEMs are going to be putting out, is going to change. It's going to change in the following way. It's going to have, in many cases, a highly integrated input processor, talking to a backend shift as produced by that top-tier customer. So, when you talk to a Sony or Samsung or Panasonic any of these guys out there, it is very clear to us that their desire is to continue to control the backend image quality because that's what differentiates their brand. So in other words, they are not looking to have, if

you will, an Intel Inside like program, because then they will be an undifferentiated product in the marketplace.

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