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## Intersil Corporation Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you. (Operator instructions) Your first question comes from the line of Ross Seymore of Deutsche Bank. Please proceed.

#### **Ross Seymore – Deutsche Bank**

Hey guys, can you just dissect a little bit what went into the guidance of down 20% to 25%? Dave, you mentioned a number of factors, bottoms up, et cetera. Just help us understand the weighting of those.

#### **Dave Bell**

Well, sure. I think we've got a really good process for evaluating this, Ross. We've got a great track record many quarters, as seen in our guidance, so I think that's a testimony to the quality of the process. What we do is, on a quarterly basis, we work with our sales management, we do a bottoms-up analysis from our customers. We also kind of more thoroughly [ph] go at it from our product line. So our product marketing people and general managers work with them and agree on a consensus number. So, I think it's a very good process that really comes at the problem from two angles. How do you see on top of that? We have management that looks at the overall macroeconomic trends and provide some judgment there as well. So, again, although it's maybe discouraging to us as it is to our investors how deep this downturn appears to be at this point, I think that the numbers that we've come up with here we believe are very realistic and are based on a process that's really sound.

#### **David Zinsner**

The other thing we did was we looked at the inventory at distribution. Remember, 50% of our revenue comes from distribution and most of that is on a selling basis, although North America is on a sell-off basis. So we wanted to be active and in front of this in terms of how much inventory was being carried by distributors. So, the assumption within our guidance, which kind of the management play on this, is to try to bring down that inventory level so that it remains at a really healthy level going through this cycle.

#### **Ross Seymore – Deutsche Bank**

I guess the follow-up question would be, Dave, give us the puts and takes and remind us what you said on gross margin for the fourth quarter?

**David Zinsner**

Puts and takes on the third quarter, is that what you're talking about?

**Ross Seymore – Deutsche Bank**

No, the fourth quarter guidance on gross margin. You said it'd be up but partially offset by a number of things. Just give us the details on that.

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