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## CEVA, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator instructions) Your first question is coming from Daniel Meron of RBC Capital Markets. Please go ahead.

#### Daniel Meron – RBC Capital Markets

Thank you. Congrats on the continued execution, Gideon and Yaniv. Can you provide with a little bit more color as to what are the guidelines as we look into 2009? Thank you.

#### Yaniv Arieli

Yes. Let me try mainly first on the royalty front and Gideon will add a little bit more flavor on the licensing side and some of the new markets that we talked about earlier. On the royalty side, as we have talked about in the last couple of conference calls, nothing has changed on the negative side, but the contrary. What we have seen is a very big player in this market, like TI announced a week ago the change in plans in the merchant market for wireless baseband applications. And this is exactly where CEVA's customers have started to win significant design wins and business in the last 18 months. It's not new that we are forecasting our royalty revenue in 2009 to increase close to 60% over last year, which was also an increase of about 45% from 2006. This trend, maybe not at these rates, should continue even in the difficult market conditions for a simple reason. Even if the whole wireless market does not grow as fast or will be stable or even lower expectations for the next year volume, we are still looking at a huge market opportunity of 1.2 billion phones sold each year. CEVA has just started a year ago to gain market share from 3% or 4% a year plus ago to about 13% to 14% currently. And we anticipate this trend to continue both into 2012 [ph] and especially in 2009. This is both from the wireless baseband market, tier one customers. But I think you all are aware of Sony Ericsson, Samsung, LG, (inaudible) and some American well-known brands are all using our customers or CEVA-based solutions over the last 18 months. That trend will continue. And other market segments, for example, in the consumer, now of course we hear and see and well aware of the order of risks and worries about the holiday season, the consumer market as a whole. But you need to understand that these customers, in our market share, multimedia are brand new opportunities. We're not active only in these markets as of today, and these are add-ons to our overall royalty growth for the next couple of years, starting as we speak. They are really products, as Gideon talked about, with our multimedia sold in China, in the Far East for \$60 or \$50 PMP device that is being sold these days. So these are incremental new market segments for royalty revenues for us in these difficult times.

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