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Atmel Corp. Q3 2008 Earnings Conference Call Transcript

Question-and-Answer Session

[Operator Instructions] Our first question comes from the line of Craig Berger with FBR.

Craig Berger - FBR Capital Markets

Hi guys, thanks for taking my question, and congrats on the strong gross margins. As we looked to the Q4 gross margins, I'm surprised the guidance is better. I do not want to be greedy here, but you said Q4 Euro is being guided to \$1.38, that's about a \$0.20 sequential improvement. So should you see a \$5 million benefit right off the bat just from the Euro on a gross margin?

Steven Laub - President and Chief Executive Officer

Craig, this is Steve. I'll start off and have Stephen perhaps chip in here, but the... first of all what's going on. Which I think you're aware it takes sometime before your manufacturing, what you manufacture in one quarter through has to sold. So, you're correct that the impact of the Euro will be very positive for the company, beginning in Q4. But the real impact on a manufacturing side will probably takes place in Q1.

We will definitely see reduction at our manufacturing costs in Q4, but most of the inventory that will be sold in Q4 was manufactured prior to Q4. So, the real impact of that is going to be showing up in Q1.

Craig Berger - FBR Capital Markets

I see, can you.

Stephen Cumming - Vice President of Finance and Chief Financial Officer

Let me clarify that Craig, also the different on the exchange rates. I think we had a blended average in Q3 of \$1.54 and will be as we said we guided \$1.38. So I think its about \$0.16. Its not quite as high as you outlined.

Craig Berger - FBR Capital Markets

Okay, thank you. Can you help us to understand just what visibilities you're saying are, how confident you are in your guidance and given that we are falling roughly 5% sequential here maybe what the implications are for first quarter sequential?

Steven Laub - President and Chief Executive Officer

Well I think, what we're seeing I think is consistent with what the rest of the industry is seeing, which is pretty limited visibility frankly with respect to bookings and so forth. There's a lot of caution out there as you've seen the guidance from other companies. Generally most are guiding not just down, but down significantly for Q4.

We believe we're being prudent with respect to our guidance not based on the backlog we have that was at the beginning of the quarter and the backlog that we have today. But overall I think that we're probably seeing things that are better than most, but nevertheless we're seeing a decline of roughly just add kind of a midpoint of about 5% for those quarter.

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