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NetLogic Microsystems, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And our first question comes from the line of Adam Benjamin [ph]. Please proceed sir.

Adam Benjamin

Thanks guys. With regards to Cisco, can you talk a little bit about the Cypress or desktop switching business you acquired there as a percentage of the total there and how much of that had an impact on your weakness at the end of the September quarter?

Ron Jankov

Hi Adam. I don't think we're going to break that out specifically I would highlight that the – we're seeing a decline in the existing runway [ph] designs which includes both the business we acquired from Cypress as well as some of our NL 5000 programs and softness kind of played out towards the end of September and also continued in October. So with that we are taking a conservative view on Cisco going forward for the balance of Q4 and had them down. It also appears that there is a work down of inventories at board level going on as well that could be magnifying what we're seeing here in Q4. And then finally just that where we sit right now in regards to new product designs we do have are lull of activity where we still have a pretty good portfolio of designs that are pending to ramp and that positions us well coming out into 2009.

Adam Benjamin

So at this point you feel pretty good about the 7600 starting in the March quarter?

Ron Jankov

Yes, just – it appears that the NL 7000 designs in particular should be good in the first half and then we still have I think it is about 19 designs pending. So it should get a pretty good amount in the first half going into the – building throughout the year.

Adam Benjamin

Okay and just on OpEx Mike, obviously you guys saw some weakness as others have had seen as well and you are guiding for pretty flat OpEx. As you look out into 2009 in terms of what you need to spend on take outs and new product initiatives, you know, how much control do you have over that line item in terms of keeping it a relatively flat going forward?

Mike Tate

Yes. We're going to continue to be executing to our product roadmap which includes moving to 40 nanometers. You know the good thing for us is we have been phasing out 55 nanometer. That is on a big incremental step up to go to 40 nanometer. And so that will start in 2009 but we think there is good opportunity for other areas of discretionary spending where we keep OpEx growth pretty well contained. So it should be very nominal growth in Q1 and then a little incremental after that.

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