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## Cypress Semiconductor Corporation Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator instructions) Tim Luke. You may ask your question and please state your company name.

#### Tim Luke – Barclays Capital

Thank you. Barclays Capital. Just in terms of some detailed I was wondering if you had the book to bills for the different segments and then guiding to the 115, 130 range, I was wondering if you could give us a flavor of which segments might be down more and which down somewhat less than the broader percentage; and then separately maybe this is for T.J. I notice that in the release you said that the ordering patterns of customers have yet to stabilize and then I think that Chris was alluding to the fact that in the last three weeks he had seen some strengthening or stabilization in the order patterns. Could you just sort of clarify what you had seen in the past three weeks?

#### T.J. Rodgers

Well, first of all let me answer the last question. In this environment, I started writing that press release about a week ago and I wrote down what I – what was true a week ago. Frankly, I heard the news this morning as Chris gave it to you that our backlog has stopped dropping and has started stabilizing and both things are true and the variable is 5 business days.

#### Chris Seams

Tim this is Chris. One thing that hasn't recovered is the long-term bookings further out. Our customers are showing signs of their end environment and ordering with shorter lead time request than they have in the past. That is the one thing that is not stable in that environment. Let me answer your – first part of your question the book to bill by division, Consumer and Computation Division was just below 0.6 and Memory and Imaging was just above 0.7 and Data Comm. division was just below 0.7.

#### T.J. Rodgers

I don't think the book the bill, we give it to you because we know you just want it and I got unhappy with the SIA and actually one of the reasons I left the board of the SIA is that they stopped giving book and bill. I believe in giving out information having said that the book to bill collapses for reasons that aren't about real time consumption of units. What is happening now, Chris said it, but let me elaborate what happens now is everybody knows they can buy anything they want with short lead times. They know prices are going to fall in the market, therefore the switch in mentality to ordering

just in time because they know, one they don't inventory because they don't what [ph] end demand is. Two, they know the later they order the higher probability they will get a lower price. So, what happens when you step over the edge and start going down is the – you collapse on your book to bill ratios. We don't have a crystal ball but after a whole lot of years of looking at this, the one index we look at is our backlog and that – what I said that collapse is the backlog because what happens in quarters or next quarters evaporate and your backlog it appears – we count backlog as orders typically in the next 6 months. If you watch the backlog we try to do it every single Wednesday night, slice and dice different ways. The backlog – as the backlog goes down you know you got trouble because your backlog is what they are serious about. That is what they want. They put an order on you. They know you are going to ship it to them. They know they are going to get this critical inventory if they don't ship it. So that to me reflects real demand in tough times. And as long as that is dropping, then you don't know where the bottom is. What Chris just said and I didn't see it last night because I was in a meeting and I couldn't tender operations reviews that our backlog stopped dropping one week in a row. So – and why is the environment like that, take that data point the way we should have, which is not high but things seems to be stabilizing but you can't really say so right now. Hence the wide range on revenue and the low number because we just don't want to screw up and capture – preannounce this quarter.

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