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Altera Corp. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Sir. (Operator Instructions)

And we take our first question from James Schneider with Goldman Sachs. Please go ahead, sir.

James Schneider - Goldman Sachs

Good afternoon. John, just starting out on the wireline and wireless market. If you look at some of the data points recently – commentary, for example of Verizon this morning, they sort of indicate that they are expecting CapEx budgets to kind of start off the year slow and then gradually increase as they kind of see how things go along.

Is that consistent with order patterns that you have been seeing from customers so far?

John Daane

Jim, I'm going to take one quarter at a time. This quarter we do expect communications to be down. For instance, we do expect networking to be sluggish, for telecom to be slow. I think PON deployments and DSL deployments will be slow in the near term.

More of the CapEx dollars are being spent on wireless right now. We do see obviously Nortel going through bankruptcy. Nortel is a top 20 customer of Altera. We do expect that to be slower in business terms for us.

So, all-in-all, communications to be down most likely in Q1. Nevertheless we are seeing a lot of short-term strength certainly in bookings in the last two weeks, associated with wireless for China.

In terms of visibility for the rest of the year, we will just simply have to take one quarter at a time. But as I mentioned, we do have a shot this year to have wireless stay flat with last year. And again, wireless grew 35% last year. So, I think that's a pretty good result if we can achieve that.

James Schneider - Goldman Sachs

Got it. And then just a follow up on gross margins. Tim, can you help us think about what the profile of gross margin looks like, especially into the back half of '09? Any benefits from better wafer pricing or headwinds from fixed costs you expect?

Tim Morse

There is really no change to what we talked about back in October, Jim. There is extremely low visibility for the second half, as I noted in my script. But we will still maintain this kind of 65% to 68% range for the year, by all appearances being in the top half of the range here for the first half as we expected.

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