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DSP Group, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Daniel Amir – Lazard Capital Markets.

Daniel Amir – Lazard Capital Markets

First of all, considering your big decline in sales a couple of questions related to that. First of all, the magnitude I guess is a bit more than even most of the average semiconductor companies here in the first quarter at least in the mid-range here of \$40 million. Can you comment a bit about what you are seeing in the current environment, why it seems like a little bit worse? The second is the operating expenses it seems like you are not making significant changes at least right now on the Opex line. Is there a plan to adjust Opex with the lower level of sales or do you plan to run at the current level here for the next few quarters?

Eli Ayalon

We are also very closely analyzing the results of other semiconductor companies and we have reviewed the results of TNC whom we consider to be the simulator of this area and of all companies that have released their earnings in the last days or weeks and you see gross [inaudible] in most of these companies a significant decrease in revenues in Q1. None of the companies that we have reviewed have given any projections for the annual revenue figure except I believe TSMC gave a range and if you look at their announcement you will see for yourself what is the range they have given. As I said that would be considered as a meter for the semiconductor area.

When you look at this you really understand that the economy and specifically the semiconductor technology area is in a deep crisis. And if you look at our projections they are definitely in line with what we see around us. With respect to the operating expenses in the last quarter if you recall we announced we took actions to reduce our operating expenses in 2009 as compared to 2008. If I recall we said \$10 million. We also said that all the related expenses to implementing these synergies are already taken in the financials of 2008. So there is no cost that will be carried with respect to these synergies in 2009.

Today we have said that we plan on being both operationally profitable and operational cash positive in the second half of the year. We did not give annual projections but believe me we have made our internal annual plans because we work on plans. When we make a statement like this that we plan on being operationally positive on both cash and profit it is based on a detailed plan. We have also said

that due to the macro economic situation that nobody really knows how it will develop which we will closely monitor; the markets, our customers and all the other factors and if necessary take additional steps.

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