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Actel Corporation, Inc. Q4 2008 Earnings Call

Question-and-Answer Session

Operator

Thank you so much, sir. (Operator instruction) Your first question comes from the line of Neil Gagnon - Gagnon Securities, LLC.

Neil Gagnon - Gagnon Securities, LLC

On the cut in OpEx, can you give us an idea where the bigger chunks are coming from?

John East

Sure. At the top level, I expect about 60% to come from R&D and about 40% from SG&A. The SG&A by the way will mostly not come out of the sales. It will mostly come out of the other parts of SG&A. More specifically, we are tackling this by, first of all, prioritizing and/or focusing our new product development so that a year from now, we would have fewer new product developments going forward and therefore we are spending less. So that would be the first thing we are doing.

Second thing we are doing is being smarter about where we do the work and then the third is what I will refer to as good old-fashioned cost cutting which is line by line, look at what we are spending and how we can reduce it. You want to follow on, Neil?

Neil Gagnon - Gagnon Securities, LLC

Yes, I do. This implies some housekeeping question that your new flash product program is maturing up at this point that you can have the growth that will lead because a lot of other parts are falling off.

John East

Well that is my thinking. Obviously when you go through this, you want to do lots of cuts because it makes the short-term profits better. But on the other hand, you do not want to do any damage to the long term. We spent a lot of time looking at this, Neil, a lot of time looking at it with a lot of different help. The numbers we put on the table, I think, are the sweet spot. I think they will allow us to make, what I view, as a substantial cut to spending without mortgaging the future and then you would ask - Why all of a sudden we think we can do that? A few years back we were trying to reinvent our self. It is more expensive to reinvent yourself than it is to defend yourself, in my view, particularly since I said in my script that reinvention usually does not work out like the first time. You usually go through some board of efforts that just do not pay off.

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