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## Silicon Image, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of James Schneider – Goldman Sachs

#### James Schneider – Goldman Sachs

On the cash flow situation you talked about the \$200 million break-even level for 2009 and expectations for being cash flow positive, given the Q1 guidance that would imply a pretty healthy snap back towards the end of the year or at least in Q2 do you think revenues will be up as far as you can see in Q2, and then in terms of your R&D spending clearly you want to make sure you don't starve the organization so you can fund future growth, how are you thinking about the choices you're making right there.

#### Hal Covert

We do have low visibility so I think in the second quarter revenue is not going to be dramatically higher than the first quarter and we are looking for some uptick in the back half of the year because our feeling is with the rollout of our new products and the traction that we have as soon as some of the channel inventory clears out and customers' inventory clears out, there is going to be an opportunity for some improvement and we'll just have to watch and see what happens.

In relation to R&D as I indicated we did take steps to lower our overall break-even point in the back half of 2008 and we feel with the activity that we have going on now for new products and other things that we're trying to accomplish from a marketplace standpoint that we're at an important level and a critical level and unless we see a dramatic deterioration in the situation from where we are at today we don't plan on any more deep changes in the expenses.

#### James Schneider – Goldman Sachs

From an inventory perspective you talked about clearing out of retail and customer inventory what inning do you think we are in that process, third inning, eighth inning, as far as you can see right now.

#### Hal Covert

I think, we look at it from two aspects, first if you look at our in house inventory and our channel inventory as I mentioned its at very historical low levels. And going forward we think our customers have a very closely watched inventory in terms of their order input and so forth.

#### Steve Tirado

My observations are similar to Hal's I've never seen the channel nor or own inventory be so lean and in fact we've been very cautious about doing build plans because what we think is going to happen as our new products go into production is we're going to get very short lead times on requests for parts so we're just carefully monitoring things. Our end customers are down anywhere from 20% to as high as 40% in terms of their end user demand and each of them is very carefully managing getting through their inventory.

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