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Silicon Storage Technology, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Richard Shannon – Northland Securities.

Richard Shannon – Northland Securities

What's your model for getting to an operating profitability? What kind of revenue levels and what's the implied OpEx that you need to get there? Any way you can describe that would be great.

James Boyd

I think the guidance that we gave on OpEx expense for this quarter is in line with our expectations. We did, in our restructuring press release say that we have reduced our expected payroll related expenses to decline by \$13 million and that puts us in line with this guidance this quarter. And depending on how the second half does in terms of sales and of course mix of products both between licensing and the product mix itself, we think we can exit the year at a break even level.

Richard Shannon – Northland Securities

Just to help me understand, what's the absolute magnitude of operating expenses that you're hoping to get down to from which you can get to at least operating break even then?

James Boyd

Our guidance is at \$23 million to \$25 million and we expect maybe we can do a little better than that, but that's the level we're restructured to at this point.

Richard Shannon – Northland Securities

So the amount of revenues per quarter, I guess depending on the amount of licensing which I would expect to be in general the range we're at right now, it sounds like you're going to have to get to a level quite a bit above the \$39 million to \$45 million, so I'm kind of curious as to where you see that panning out to get to that operating break even.

James Boyd

I think you can work through your own expectations in terms of margins that we've had. We're saying our gross margins are \$39 million to \$40 million. Of course that's with our higher mix of license

revenue, but product margins have been in the range of 20% and we're all trying to target that second half.

Richard Shannon – Northland Securities

It sounds like revenue growth is kind of coming from some of the new products. You've mentioned the NAND drive prominently, but also some of these newer products, to what extent do you expect the growth from the first quarter levels to come from each of those two general categories to achieve that break even level?

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