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Linear Technology Corp. Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from John Pitzer – Credit Suisse.

John Pitzer – Credit Suisse

Paul, just relative to the guidance on the June quarter, given that linearity in the March quarter probably was skewed more back to the month of March itself, I know that's pretty typical. I'm just kind of wondering why flat is the right way to look at it? Why don't you think you've established sort of a new higher base line than the run rate in the March quarter going into June especially with a positive book to bill for the full quarter which I'm assuming was probably improved month on month.

Paul Coghlan

It's a good question. First of all the March month for us has five weeks in it and the January and February months have four and that's typical in these quarters so that the last month would show progress over the first two can be attributable to that as well as an improvement in business.

Secondly, we told you that we had seen strength in some of our larger clients. Now strength being from a very low position in December and early January. We also told you though that the smaller customers as we see them evidenced through the distribution channels both in the United States and also in Europe and Japan, that they went backwards and we expect particularly in the U.S.A. will continue to go backwards a bit in the June quarter.

So you've got conflicting cross currents as we try to estimate the June quarter. Then towards the end of the June quarter, you'll start getting into the summer time period as well and we're not sure what impact that will have.

So given all of those factors, we thought the range of down 2% to plus 4% was appropriate. Now the average is 1% so it is a pick up, so that I think overall we think things will trend up.

John Pitzer – Credit Suisse

On the distribution side of the business, difficult question to answer, but how much of this do you think is attributable to end demand consumption versus just credit issues with some of the distributors and their incremental cost to borrow to grow the business?

Paul Coghlan

That's the \$64,000 question. I think it's both. But one kind of contributes mainly to the other. We do believe that credit is tight. We do hear through distribution that some of these smaller customers are seeking larger credit lines through distribution probably because it's more difficult to get that credit through their banks.

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