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Cypress Semiconductor Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from is Suji De Silva - Kaufman Bros.

Suji De Silva - Kaufman Bros.

Good morning guys, nice job in the inventory execution there. First of all on the turns you have in your guidance has come down here and many talk about visibility is still being weak, but at the margin is it improving here? Are you perhaps seeing that distributor inventories are coming down versus levels or that lead times are extending?

Chris Seams

This is Chris. Let me answer the question. Hourly times are not extending, even in spite of inventory being brought down. Our operations group has been able to keep capacity in place to respond to those short lead time orders.

In terms of distribution inventory, we don't see a signal yet of stocking above the inventory levels that Brad talked about, but it's in line with what we think they need to run their business and we think they will start to reorder as they see business turn up throughout this quarter.

Suji De Silva - Kaufman Bros.

Chris, do you think the inventory levels of distributors are near target levels?

Chris Seams

Yes.

Suji De Silva - Kaufman Bros.

Okay and the second question, perhaps for Brad. How is the OpEx going to trend here, Brad? I know the restructuring is flowing through and then what revenue do you see sort of breakeven being, given your current expectations?

Brad Buss

Sure. I think you'll see the OpEx still continue down a couple million bucks every quarter. I'd like to be down around the \$70 million, \$72 million range in the back half of the year of the balance of the restructuring efforts take place. From a breakeven standpoint, that obviously is depend on the gross

margin, but I think around \$160 million, assuming gross margin is kind of in the mid-40s and then OpEx, like we've talked about, in the regular OIE and Cox should get us in that zone.

Suji De Silva - Kaufman Bros.

Last housekeeping question, what was the impact of reserves on the gross margin?

Brad Buss

Above two point

Operator

Your next question comes from Doug Freedman - Broadpoint AmTech.

Doug Freedman - Broadpoint AmTech

It's Broadpoint AmTech and thanks for getting me in. Just to look at, you guys are moving the company in sort of a mixed model here where some of your suppliers coming from internal foundry some external. It was noticeable, is that the explanation to CCD gross margins holding up so well in Q1? Then, can you give me what the expected ratio of external sourcing is and what it's expected to be going forward?

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