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Altera Corp., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes sir. (Operator Instructions). We will take our first question from Randy Abrams, Credit Suisse.

Randy Abrams - Credit Suisse

Okay. Yeah, thank you. Could you elaborate on the guidance for low 50s turns. The last few quarters has been more like high 50s. Talk about whether there is some conservatism in bookings have that slowed down in the last few weeks to make it bit more conservative on the returns expectation?

John Daane

Randy, this is John Daane. We do have two things. One is, yes, we are trying to be a little bit conservative in this environment. Number two, in some cases we have had some customers late in a little bit on that backlog associated with the fact that we have had very high turns, some expertise going on for product on very short schedules. So those two things combined have led us to provide hopefully, what is a very conservative guidance.

Randy Abrams - Credit Suisse

Okay. And on the gross margin, could you clarify, I think you mentioned a 170 basis points from mix and 80 basis points from the customer factor, what was the other element just if we go back to the December 69% margin. If you could characterize the remainder of the gross margin delta from fourth quarter to first quarter?

Tim Morse

Yeah, hi Randy. This is Tim. Recall, we talk about that in January for the fourth quarter call, there was roughly 1.7 points of non-recurring favorability in the fourth quarter resulting from probably the \$6 manufacturing variances from 3Q that ended up getting amortized over a much lower revenue base in 4Q, so it had that propping up effect.

So at the time I talked about it as, yeah the reported number is 69.3%, but it's really more like 67.5% that is the kind of the steady state level of our gross margin. So from that 67.5%, we knew there was going to be some customer mix issues of about a half point coming into the quarter, so we put our guidance at 67.

And then from there you go down the additional 0.8 points for customer mix, and the 1.7 points for the pullback in the high margin segments. So that's the whole gross margin chain right there.

Randy Abrams - Credit Suisse

Okay. Thanks for that.

Scott Wylie

Thank you very much, Randy. Next question please?

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