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Advanced Micro Devices Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you Miss Cotter. (Operator Instructions) Your first question comes from Joanne Feeney - FTN Capital Markets.

Joanne Feeney - FTN Capital Markets

I guess I'd like to try to get some clarity on the gross margin situation, both for the last quarter and going forward. So you were targeting 40%, came a little bit short of that, and I'm just wondering whether the under utilization in the first quarter was sort of passed on to you guys and whether you see a recovery here in the second quarter and whether you might return to that 40% target going forward.

Robert J. Rivet

Hi Joanne. This is Bob. Good question and thank you. Clearly in the first quarter we built a lot of inventory. Let's back up. We built a fair amount of inventory in the second half of the year in anticipation of a much stronger year than it, you know, than the fourth quarter kind of signaled to us. We began dropping our factory run rates pretty significantly in the Christmas kind of time period to late in the fourth quarter. That continued in the first quarter. We're trying to deplete inventory as you can see on the balance sheet, we did a pretty good job in the three month period of time. So I expect utilization rates kind of like the supply chain. It will improve a little bit in the second and third quarter, mostly third and fourth. It kind of depends on the visibility of what we see in the second quarter of, you know, is it a strong second half or a casual second half or whatever. So utilization is a big piece of it.

We did sell a lot of 55 nanometer material also in the quarter. The majority of our starts today are 45 nanometer, so we're still going to get some pick up benefit from 45 nanometer shipments I'll call it starting in the second quarter. So a combination of both of those areas will help the cost part of the equation and continue to, you know, play in more price bands as we continue to rollout all the different versions of product, whether it's [insertable] mobile desktop or graphics.

Joanne Feeney - FTN Capital Markets

So are you suggesting then, Bob, that because of the shift over from 65 to 45 in your mix that your ASPs might actually improve next quarter, despite the pressures we're starting to see in GPU pricing and CFU pricing?

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