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Synaptics Inc. F3Q09 (Qtr End 03/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of John Vinh with Collins Steward. Please go ahead.

John Vinh - Collins Steward

First question is on margins. Looks like margins are coming down a tad. Can you maybe just talk about what are the drivers for your fourth gross margin guidance?

Russ Knittel

John, this is Russ. The primary driver there is just our expected product mix for the quarter. As you know, we have a fairly broad gross margin range among the different custom solutions that we provide to the market and this is just our current expectation, again using the backlog as a proxy for where gross margins will end up in the quarter.

John Vinh - Collins Steward

It is due to the fact that you expect a higher mix of handsets versus PCs going forward?

Russ Knittel

No. Again, gross margins are relatively independent of the vertical markets that our solutions sell into it. It's a function of the specific unique designs and the mix of those that we ship within the quarter.

John Vinh - Collins Steward

On notebooks, you guys said that, you saw a pickup in notebooks in the quarter. Can you also maybe give us a little bit color in terms of kind of the demand you saw on the notebooks versus netbooks in the quarter? Were they both equally strong or netbooks stronger then notebooks?

Tom Tiernan

Well, generally, we saw increased demand for both traditional notebooks and netbooks as we move through the quarter. Both of which were above our expectations in the range that we had guided too.

Francis Lee

These are the growth rate is, John. Clearly, the netbook is the darling up in notebook categories.

John Vinh - Collins Steward

I was just wondering if there any differences there as we did hear that there was a little bit of netbook inventory in Q1. But that obviously was the strong kind of replenishment cycle there.

Tom Tiernan

The other thing is that, of course, we are inch a number of new netbooks designs that are ramping as well. So, we have the benefit of that.

John Vinh - Collins Steward

On the handset side, some of your competitors, obviously Cypress has been tucking up quite a bit in terms of their kind of attraction with their PSoC solution. Obviously, they take a fundamentally different approach to the handset market than you do. You guys focus more on fully integrated module solutions versus their focus on the chip.

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