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RadiSys Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Matt Petkun with D.A. son & Company.

Matt Petkun - D.A. Davidson & Co.

Hi, good afternoon. Nice quarter in Q1. Brian, I had a quick question for you just on the gross margin outlook for Q2.

Brian Bronson

Sure.

Matt Petkun - D.A. Davidson & Co.

You said maybe about 100 basis points down sequentially.

Brian Bronson

Right.

Matt Petkun - D.A. Davidson & Co.

If you were to obtain the high end of your revenue guidance, 78 million, I guess I'm trying to understand why the margin would need to be down given the statements that Scott made about the mix actually. It looks like mix shift will be improving based on your commentary, lower traditional, higher next gen.

Brian Bronson

Yeah, in general, that's correct. But there is enough, as you know, Matt, there is not -- it doesn't take much revenue with some of products in the next gen space to the move the needle up or down. And I would say that there is wiggle room up or down inside the range for gross margin to be higher. Not so much lower knock on wood, but there is definitely elasticity inside the range. So I wouldn't read into anything. The mix of business is roughly the same, and I think you're going to see potentially this, particularly in the mid to high 70s from quarter-to-quarter, it ranging plus or minus a point.

Matt Petkun - D.A. Davidson & Co.

So it will be a more cautious outlook for Media Server?

Brian Bronson

No, I wouldn't read into that necessarily on Q1 to Q2. But in general, I would say that there is going to be quarters given the timing and the nature of that business where it's going to higher or lower quarter-to-quarter and that's going to impact gross margins. But I wouldn't tell you that's the case from Q1 to Q2.

Matt Petkun - D.A. Davidson & Co.

Okay. And then the other question I had was kind of focused on your largest customer. That number you guys put up this quarter was a bit of a surprise to me and still near historical highs. How should we -- obviously, that's got to be one of the thing that's probably maybe down for you guys next quarter. But can you share a little bit of your thoughts on the trajectory of that customer throughout the remainder of this year?

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