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QLogic Corporation F4Q09 (Qtr End 03/29/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And your first question will come from Aaron Rakers with Stifel Nicolaus.

Aaron Rakers – Stifel Nicolaus

Yes, thanks guys. Couple of questions if I can. I guess first of all on the gross margin line guiding 66% to 67% this next quarter, can you help me understand the decrease in the gross margin guidance here, is that mix shift impacts with regard to the expectations as next quarters or something else going on, and if you can also comment on what pricing will look like on the HBA side that will be helpful?

Simon Biddiscombe

So, I will take the gross margin piece first Aaron. This is Simon. You have identified upon with, there is certainly an element of this that is attributable to mix given that we expect the combination of the host and network businesses to be flat, but the silicon business to be off some. So as an element it is attributable to mix. There is also an element of it attributable to absorption of the manufacturing overhead within the organization, obviously with lower revenues, there are lower purchases of product despite that overhead across as well.

So, it is combination of the two factors, partly mix and partly absorption of the manufacturing overhead that exists within the business. Within the context of HBA pricing, nothing unusual in the most recent quarter. We continue to see the sheer economic pressure if you will from the OEMs for reduced pricing, but I wouldn't characterize there has been any more unusual than the traditional price erosion we've experienced in the business.

Aaron Rakers – Stifel Nicolaus

Fair enough. And also if I can, two other questions real quick. On the OpEx line help us understand why operating expenses given what you've said around what you are doing there should be up sequentially is that a sense of conservatism or is there some inputs there that don't necessarily reoccur going forward?

Simon Biddiscombe

So let me help you think about it Aaron. So we said 215 on a full-year basis okay. The \$55 million in the current period is primarily because we have the absorption of NetXen to deal within the most – in the current quarter and then we haven't realized all of the benefits from all of the cost reduction

activities at this point in time. But the way to think about the 215 of total OpEx that we offered is 55 million in the current. And then you should expect it to decrease roughly \$1 million per quarter and maybe it is 52, 53, 52.5 the final quotes of the fiscal year, but this would be the high water mark for the current year.

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