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NVIDIA F1Q10 (Qtr End 4/26/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from the line of Daniel Berenbaum with Auriga. Please go ahead.

Daniel Berenbaum - Auriga

Good afternoon, guys. Can we talk a little bit more about the inventory -- can you talk -- can you give us a little more detail about were there any inventory write-downs and did you sell through any -- or you mentioned you sold through some previously reserved inventory. Can you quantify a little better what the write-offs were or how much of the reserves that there were that you sold through with essentially zero cost, and how much still had some cost associated with it?

David White

We have actually a couple of situations -- we have inventory that we completely wrote off in a prior period. We also have inventories that we wrote down to market value. Some of those inventories in both categories were sold during the quarter, some of which we had gains on, some of which we had losses on. It turns out that the losses we experienced on the sale of that inventory plus some of the other products actually offset that by a greater amount, and so on a net basis, it was actually a negative impact to the quarter.

Daniel Berenbaum - Auriga

And was that basically because you, of the amount that you had written down, you hadn't written it down enough?

David White

That's correct.

Daniel Berenbaum - Auriga

So is that --

David White

In some cases.

Daniel Berenbaum - Auriga

In some cases -- did that then trigger any other accounting accruals on the balance sheet and is that part of what explains the inventory, the big inventory drop as well?

David White

There was also a modest amount of new lower cost [to market] accruals as well. On a net basis, it was negative, as I indicated.

Daniel Berenbaum - Auriga

Okay. Thanks, that makes sense. And then, when you talk about the gross margin improvement going into the next quarter, how much of -- number one, do you expect any additional inventory write-downs or do you expect to sell through any inventory that has previously been reserved for? And then can you help quantify a little bit further what that improvement is coming from? Is it just mix shift back to PSB or is it mix shift within GPU as well, perhaps some of the newer products, like the 40-nanometer products?

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