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Applied Materials Inc. F2Q09 (Qtr End 04/26/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Brett Hodess - BAS-ML.

Brett Hodess - BAS-ML

I'm wondering if you can go into a little bit more detail on the very broad range in the silicon area. Obviously it's only one or two customers, but are those customers' plans still really in high flux at this point? And what would cause them to, you know, be on the positive side or the negative side of that from your standpoint at this stage?

Michael R. Splinter

Well, Brett, I think this is a very dynamic environment so as George characterized one or two customers can make all the difference in the world. And shift in the end market over the next couple of months could cause customers not to take shipments or to cancel orders, those kind of things can happen very dynamically in this environment. You can remember back just a couple of quarters when orders started to go down with the realization of the global economic crisis, they can go up that fast as well, but I just think it's very dynamic right now.

George S. Davis

Brett I also think that we're seeing an increase in the amount of turns business in the quarter and so the uncertainty that is associated with that is higher than we might see in more normal times. And the other piece is we're just starting from just such a low base that when you see a wide range like that, part of it is just where we're starting from.

Operator

Your next question comes from James Covello - Goldman Sachs.

James Covello - Goldman Sachs

I guess the question I would have is relative to the memory segment in the back half of this year, what do you think the benchmarks are going to be for your customers to start to add some additional capacity? Is it a certain profitability level? Is it a certain price? What do you think about that? And kind of tying in with that which I think is the same question, what about the issue of latent capacity in the

memory segment that everyone's worried about kind of trumping the kind of robust price increases that we're seeing?

Michael R. Splinter

Yes, Jim, I think the real thing that's going to push capacity in the second half of the year is adoption of DDR3. At least that's going to be one of the major factors. Those projects have to be on leading edge or near leading edge capacity. And most of what we might think of as latent capacity, there's been a lot of capacity taken offline that's not coming back on 200 millimeter, but to the degree that there is latent capacity most of it's on older generation technologies and I don't think can produce at the right cost or really the right level of technology. So, but I think the fundamental for memory guys is demand really going to pick up? Is there going to be strength in PCs and cell phone demand? I think that's really what's going to drive them.

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