Q3 2020 Earnings Call

Company Participants

- Beatrice F. Russotto, Investor Relations
- Hock E. Tan, President and Chief Executive Officer
- Tom Krause, Chief Financial Officer

Other Participants

- Blayne Curtis, Analyst
- C.J. Muse, Analyst
- Craig Hettenbach, Analyst
- Edward Snyder, Analyst
- Harlan Sur, Analyst
- Harsh Kumar, Analyst
- John Pitzer, Analyst
- Ross Seymore, Analyst
- Stacy Rasgon, Analyst
- Toshiya Hari, Analyst
- Vivek Arya, Analyst

Presentation

Operator

Welcome to Broadcom, Inc's Third Quarter Fiscal Year 2020 Financial Results Conference Call. At this time for opening remarks and introductions, I would like to turn the call over to Beatrice Russotto, Director of Investor Relations of Broadcom Inc. Please go ahead.

Beatrice F. Russotto {BIO 20827438 <GO>}

Thank you operator, and good afternoon everyone. Joining me on today's call are Hock Tan, President and CEO; and Tom Krause, Chief Financial Officer of Broadcom. After the market closed, Broadcom distributed a press release and financial tables describing our financial performance for the third quarter of fiscal year 2020. If you did not receive a copy, you may obtain the information from the Investors section of Broadcom's website at broadcom.com.

This conference call is being webcast live and a recording will be available via telephone playback for one week. It will also be archived in the Investors section of our website at broadcom.com. During the prepared comments Hock and Tom will be providing details of our third quarter fiscal year 2020 results, guidance for our fourth quarter, as well as commentary regarding the business environment. We'll take questions after the end of our prepared comments.

Please refer to our press release today and our recent filings with the SEC for information on the specific risk factors that could cause our actual results to differ materially from the forward-looking statements made on this call. In addition to US GAAP reporting Broadcom reports certain financial measures on a non-GAAP basis. A reconciliation between GAAP and non-GAAP measures is included in the tables attached in today's press release. Comments made during today's call will primarily refer to our non-GAAP financial results. So with that, I'll now turn the call over to Hock.

Hock E. Tan {BIO 1460567 <GO>}

Thank you, Bea and thank you everyone for joining us today. I have to say that the strength of our broad and diversified portfolio of leadership technology franchises led to a record third quarter revenue for Broadcom despite these uncertain times we continue to operate it. We remain well positioned to address the work from home environment, especially with many of our net working and broadband products in the cloud and telcos. In addition, we expect to soon start from benefiting from the transition to 5G and new product ramps later this year. While there continues to be ebb and flow in the parts of our business linked to enterprise, this is somewhat offset by the highly recurring revenue of our infrastructure software divisions. So as a result, we remain confident in the strategy we have laid out over the past several years, delivering sustainable revenue and significant cash flow margins, while remaining focused on total shareholder return.

Let me now provide further detail on our third quarter results. We deliver net revenue of $5.8 billion above the midpoint of our guidance and up 1% sequentially and up 6% year-on-year. Semiconductor solutions revenue was $4.2 billion, declining 4% year-on-year. Infrastructure software revenue was $1.6 billion, up 41% year-on-year which of course does include the contribution from Symantec in 2020.

Starting with semiconductors, our semiconductor solutions segment was up 5% sequentially, driven by continued strength in networking and broadband. Networking was up 9% sequentially due to continued healthy demand from our cloud customers as we begin to ramp for next generation Tomahawk 3 and Trident 3 switch products. Routing demand also remained strong as telcos launched our Jericho 2 in the edge and core network. We expect the strength in networking that we have experienced since the beginning of this fiscal year to sustain in Q4 with continued demand from cloud and telcos driving solid sequential growth.

Turning to broadband, which was up 7% sequentially in Q3. We continue to see strong demand for the next generation cable modem -- cable DOCSIS 3.1, which was partially offset by a decline in the satellite set-top boxes. We also continue to see strong adoption of Wi-Fi 6 in next generation Access Gateways in telcos and consumer, and even in large enterprises. Telecom and consumer have been still particularly strong driven by work from home environment, but after the strong Q3, we expect the strength in broadband revenue to take a pause and come down on a sequential basis by approximately 10% in Q4. Keep in mind, however, this will still be up 20% on a year-on-year basis.

Moving on, wireless was down 4% sequentially in Q3 due to the expected typical ramp being pushed out this year. This is expected to result in a significant uplift, however, in wireless revenue of approximately 50% sequentially in Q4. Despite this significant sequential ramp and a significant increase in our RF content, we expect revenue to be roughly flat year-on-year in Q4. Now, this is due to fewer units of our parts for the next generation phone being shipped in the fourth quarter this year relative to last year due to this product delay. That's being said, we currently expect Q1 revenue in wireless to be up sequentially from Q4 with an increase in expected unit shipments of our parts for the next generation phone compared to Q1 last year.

In other words the launch ramp this year is expected to complete only in Q1, where as it normally been completed in Q4 of previous years. In server storage connectivity where the majority of the revenue is tied to enterprise, Q3 was up 10% sequentially. However, expected softness in enterprise demand will likely result in server storage revenue declining in high single digits quarter over quarter in Q4.

Turning last to industrial, resales and revenue were both down 3% sequentially in Q3. In Q4, we expect resales to continue to hold on; however, we are taking the opportunity to further reduce our channel inventory significantly. And as a result, we expect industrial revenues to be down double-digits quarter-over-quarter in Q4. So in summary, our semiconductor solutions segment was up 5% sequentially in Q3, and given the continuing surge of demand in networking and the expected 5G phone RAN in wireless, we expect a mid-teens percentage sequential increase in our fourth fiscal quarter. We should note, on a year-on-year basis, Q4 will mark a return to growth for semiconductor segment overall, which we think is a key inflection point for Broadcom and which we expect to sustain into Q1.

Now turning to software, CA was up 6% year-on-year, flat sequentially. Bookings at our core accounts continues to grow double-digit year-on-year and has offset the expected reduction in the service business. Symantec was flat sequentially and contributed over $400 million in the quarter. Similar to CA, bookings at our Symantec core accounts are growing, offsetting the transition out of the smaller commercial accounts as we continue to rationalize the business.

Brocade was up 3% year-on-year and as expected was down significantly sequentially. Looking ahead to next quarter on a sequential basis, we expect revenues from CA to sustain and expect Symantec revenue to be up 4%. We anticipate Brocade revenue to be relatively flat on a sequential basis and as a result revenue from the software segment is expected to be up by low single digit percentage sequentially in the fourth quarter.

So in summary, we expect our fourth quarter net revenue to be $6.4 billion, up 10% sequentially from Q3. This reflects an approximate mid teens percentage sequential projected revenue increase in the semiconductor solution side and a low single-digit percent -- percentage sequential revenue increase in infrastructure software.

With that, I'll turn it over to Tom.

Tom Krause {BIO 17978469 <GO>}

Thank you, Hock. Let me provide some additional detail on our financial performance. First on the P&L, gross margins were a record 74% of revenue in the quarter and up approximately 110 basis points from Q2 and up approximately (inaudible) basis points year-on-year. The year-on-year increase in software as a percentage of our overall revenue drove a large part of the increase. Operating income from continuing operations was $3.2 billion and represented 55% of net revenue. Operating margins were up approximately 180 basis points quarter-over-quarter and year-on-year primarily due to a decrease in operating expenses and better gross margin due to mix. Operating expenses were $1.1 billion, which was down $25 million compared to Q2. Adjusted EBITDA was $3.3 billion and represented 57% of net revenue. This figure excludes $138 million of depreciation. Looking at cash flow we had record quarterly free cash flow of $3.1 billion representing 53% of revenue. This is up a little more than 33% year-on-year.

Turning to capital allocation, in the quarter, we paid our common stockholders $1.3 billion of cash dividends. We also paid $192 million in withholding taxes due on vesting of employee equity resulting in the elimination of approximately $700,000 AVGO shares. We ended the quarter with $404 million outstanding common shares and $451 million fully diluted shares. Note that we expect the fully diluted share count to stay at $451 million in Q4.

On the financing and balance sheet front, we reduced total debt by $1.9 billion in the quarter. As we discussed on our last earnings call, we executed an $8 billion bond refinancing and $3.9 billion exchange offering. Through the refinancing and liability management activities we've undertaken this year, we've been able to push out our weighted average debt maturity to approximately 6 years and reduce our weighted average interest rate to approximately 3%. All told, we ended the quarter with $8.9 billion of cash and currently have $13.9 billion of liquidity, including our $5 billion revolver. We ended the quarter with $44 billion of total debt, of which approximately $800 million is short-term. Finally, given our strong free cash flow generation and as we look to further deleverage the balance sheet, we plan to pay down an additional $3 billion of debt in our fiscal fourth quarter.

That concludes my prepared remarks. During this Q&A portion of today's call, please limit yourselves to one question each, so we can accommodate as many analysts as possible. Operator, please open up the call for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions). Our first question is Vivek Arya of Bank of America. Your line is open.

Q - Vivek Arya {BIO 6781604 <GO>}

Thanks very much. Actually, just a quick clarification and a question. Clarification I just wanted to make sure your outlook kind of excludes or reflects, if there are any restrictions on shipment to any Chinese customers? And then Hock my real question is on 5G. You give us very good color on the near-term trends, but what we have seen in the first market for 5G, which was China, the transition happened very quickly. The majority of phones there are now 5G. Do you see that to be the case for your exposure also in that bigger percentage of the phones you're shipping into can be 5G, so you see the content benefits faster than you might have thought before? Thank you.

A - Hock E. Tan {BIO 1460567 <GO>}

By the way, to answer your first question, our current outlook covers all aspects, including what you -- what you indicated with regard to export restrictions and everything else, all those are comprehended. And as regards to 5G, we see that -- to be honest, we don't know. If we're are talking about devices, phones, that's an interesting question it's very consumer-driven and right now to be honest about this, we don't know how fast the ramp on 5G will occur. I understand what you said about China and understand how operators might push to make that happen in terms of incentives, where we stand at this point. We are seeing the demand more coming from our OEM key strategic OEM customers and what we reflect is the demand that has been shared with us from our OEM customers.

Operator

Thank you.

Q - Vivek Arya {BIO 6781604 <GO>}

Okay, thank you.

Operator

Our next question comes from Ross Seymore of Deutsche Bank. Your line is open.

Q - Ross Seymore {BIO 20902787 <GO>}

Hi guys, thanks for all the detail on the end markets on the semiconductor side. Hock, I wanted to dive a little bit into the networking portion, where you said the cloud side and the telecom side is strong. There's been some fear in the end market as a whole that were potentially entering a digestion phase from the cloud side of that equation. And then, very recently one of your pseudo competitors talked about some service provider lull in demand there as well. It doesn't seem like you're seeing that, is the end market different in your view. Is that weakening or not? Or are you just overcoming that with company-specific new product launches and ramps?

A - Hock E. Tan {BIO 1460567 <GO>}

Well there is -- there is clearly -- we are clearly been helped by the fact that a lot we have quite a few new programs, new products, next-generation products I would say are being launched and these are leadership products as I've always indicated. So in that sense, we stand in a fairly unique position of being able to harvest or garner a lot of these share in that business. But based on what we're seeing, we're not seeing any weakness in the cloud nor in the telcos. We are in fact can seeing continue sustained demand for the products -- for our networking products in these sectors.

Operator

Thank you. Our next question comes from John Pitzer of Credit Suisse. Your line is open.

Q - John Pitzer {BIO 1541792 <GO>}

Yeah, good afternoon, Hock. Thanks for letting me ask the question. Hock for obvious reasons Investors focus a lot of attention on the wireless handset cycle and your content growth there. I'm wondering if you could spend just a few minutes talking about the Wi-Fi 6 uptake? You clearly in your prepared comments said that being a strong tailwind right now. Help us understand what inning of that upgrade cycle you think we're in. How does your content look as we go to Wi-fi 6? And do you think that this work from home phenomenon has put enough attention on the consumer that there is a big installed base upgrade cycle coming or not? How would you help us characterize that?

A - Hock E. Tan {BIO 1460567 <GO>}

Okay. Well, again, that's a very interesting question on Wi-Fi 6 because with regard to Wi-Fi, that's the key franchise we invest a lot of resources into. So we're talking about investing considerable dollars, R&D dollars in this space because we're in need on two areas. As you probably know, we supply Wi-fi, the latest leadership products in flagship phones, particularly in our strategic North American OEM. We provide all those Wi-Fi Bluetooth combo chips, which provides the latest features in those and that's one area where we have a strong leadership position. We also have a very strong leadership position in Wi-Fi 6, the current 802.11ax generation. In Access what they called -- mentioned Access Gateways.

Basically, it's almost like home infrastructure, connectivity in the homes, connectivity in the offices, enterprises and offices and Connectivity that's provided now as service providers and telcos bring signals -- bring and basically bring data video signals into housing -- into your homes and in this environment of work from home, we are seeing a strong surge of demand from telcos for these providers as they expand this Wi-Fi service as part of broadband to the homes. Because those termination whether it's cable, fiber or copper DSL are very often terminates in Wi-Fi Access Gateways that allows the signals to be in the home. Also, we are also seeing that many homes, many consumers are themselves upgrading what -- connectivity in their homes by going out and buying retail routers as we all know it, Wi-Fi retail routers the latest generation, which we are very well featured in for their own homes and that's creating a very strong surge of demand of what I call broadband and what -- a lot of it comprises Wi-Fi 6.

Operator

Thank you. Our next question comes from Craig Hettenbach of Morgan Stanley, your line is open.

Q - Craig Hettenbach {BIO 6185428 <GO>}

Yes, thank you. Hock, I want to ask about the ASIC business and the building blocks you have there. I know you've seen strong growth in compute offload, there was a story out last week, you might be working with Tesla on ASIC design. Can you just talk about the competitive strength you have for this technology and importantly how you allocate resources because I'm sure there might be more opportunities in terms of how you allocate and what you commit to?

A - Hock E. Tan {BIO 1460567 <GO>}

The ASIC business is something we've been doing for many, many years. And we -- it gone through various evolution, but I know in many ways, we have gone from strength to strength, simply because of the breadth of our portfolio of IP cores in silicon. Obviously, (inaudible) silicon. We have a lot of it. We have lots of intellectual property capabilities and we've been doing it for a long time. And I'll be honest, you make a lot more money, it's a much more sustainable model running merchant silicon than in ASIC. It is broader market, you create products that can be more innovative in many ways because you -- we include software with many of our merchant silicon, whether it's our switch, whether it's our broadband chips, Wi-Fi chips, we provide SDK, we provide interface, software-driven makes it programmable, all that gives it flexibility. ASIC is still a very core part of the business and we do very well by it and it's a business, though, we see that has certain limitations.

Operator

Thank you. Our next question comes from Stacy Rasgon of Bernstein Research. Your line is open.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Hi guys, thanks for taking my question. I wanted to ask about lead times. I know you've talked a lot about supply constraints last quarter and constraints that were potentially extending into the second half. Can you give us some feeling of where your lead times were maybe entering the quarter and now where they stand exiting the quarter have they come in and what's the state of that, of those supply constraints that you talked about previously?

A - Hock E. Tan {BIO 1460567 <GO>}

Good question, and especially followed up -- following up from our last earnings call, three months ago, in the midst of COVID-19 situation at that time, as we are still by the way, but as you know, pre-COVID-19 as we got -- as we got into fiscal '20 and the semiconductor industry started to improve, we had indicated and your effort there was certain constraints, supply chain constraints, in particularly in regard to wafers, but especially leading edge wafers, leading -- the most advanced node leading for edge wafers and even then substrates, particular substrates that needed to package semiconductors.

COVID-19 shows up just creates a layer of complexity on supply chain and the reason was, as we indicated three months ago, depending on where your outsource factories are, especially in Asia, parts of Asia, you face situation of lockdowns, operating under capacity, and we faced them. We faced that now for several months. Now that has normalized somewhat in terms of the backend, where we have test, assembly, factories that were lockdown or running below capacity. Most of that has been resolved.

Having said that the constraint on -- supply chain constraint our wafers and substrates continues and that's what we still face today. And so lead -- to be honest, our lead times are still very extended based on the technology nodes and the particular products that we produce and sell. And given the kind of products we do, we see some of that constraints. And I'll be direct, we could have shipped more in Q3 if such constraints were not as tight.

Operator

Thank you. Our next question comes from Harlan Sur of JPMorgan. Your line is open.

Q - Harlan Sur {BIO 6539622 <GO>}

Good afternoon and congratulations on a solid execution and strong free cash flow. If I look at the free cash flow for the first nine months of the fiscal year and your EBITDA guidance for Q4 sort of back of the envelope, I'm coming up with free cash flow growing year-over-year to around $11.5 billion for the fiscal year, which would imply that the team should be in a position to raise the dividend to at least $14 or probably more from December of this year. Number one is, am I in the ballpark and Tom, anything that we should be aware of in terms of working capital or collections that could impact or normalize free cash flow this fiscal quarter?

A - Tom Krause {BIO 17978469 <GO>}

No Harlan. I think, your math is fairly spot on. I think we clearly are going to set the dividend at the end of the year, but I keep in mind that we are in a recession. We're still dealing with COVID. We've got an election coming. And so I think we want to wait and obviously until we get to the end of the year, talk to the Board, look at the outlook for '21 before we jump to any conclusions. But you're right, I mean our capital allocation policy is to allocate approximately half of our free cash flow back to shareholders in the form of a dividend. We've had that in place now for several years and we think that's the right approach. And we're going to continue to take the other 50%, manage the balance sheet as we are this year, we paid down a considerable amount of debt by the end of this year, $5 billion, which we're happy with, we think the balance sheets in a very good place as we exit fiscal '20.

And then we're back to sort of I think normal behavior in terms of looking at how to drive total shareholder return above and beyond the dividend, allocating capital to M&A and/or do buybacks. And so, we'll address the dividend question as we always do at the end of the fiscal year, but look forward to executing this quarter posting results and then having that discussion.

Operator

Thank you. Our next question comes from Toshiya Hari of Goldman Sachs. Your line is open.

Q - Toshiya Hari {BIO 6770302 <GO>}

Hi guys, thanks so much for taking the question. I wanted to ask about margins long term your aspiration specifically. You're clearly executing really, really well in the near term, both at the gross margin level, as well as the operating margin level. Tom, I guess, historically, you've talked about product mix and business mix being the key driver for gross margins, is that still the case or are there specific levers that you can pull to potentially improve gross margins further? I guess, more importantly, how should we think about go forward OpEx leverage, given the current mix between semis and software? Thank you.

A - Hock E. Tan {BIO 1460567 <GO>}

Let me take the first part, Tom can give you a second part as we put in software. On Semiconductors particularly, and this is not a philosophy -- this is not a model that which is coming out with. It's always been there. It's the nature of technology and nature of the semiconductor technology markets. As you know, we have a broad portfolio of this franchise leadership products, and we come out with them, come out with next-generation products in a very steady cadence of product life cycle. For instance in wireless our product has come out every 12 to 18 months, a new generation of products and also networking, two to three years; storage four, five years; Industrial, anywhere from four to eight years, but it comes on. And that's why we put in the R&D to make sure our products creates value for customers each new generation adding more value.

And with each generation that we add value we have the opportunity to extract and ratchet up the value, while financial value for delivering on this much better higher performance product as a natural cycle. And so with revenue generation your margins improves. Think about it, we have a range of about 16, 17 broad range of products in various end markets with different product cycles. You do go through that model, what we have seen empirically over the last 10 years, is the gross margin of this mix of products grows natural, expands naturally 50 basis points to 100 basis points each year, it comes to the nature of the business.

A - Tom Krause {BIO 17978469 <GO>}

Yeah, so I mean, I think when you take that you look at -- and we highlighted in the prepared remarks, the semiconductor business turning the corner and now returning to growth, which I think is important. You layer in increasing diversification from software and the scale that affords us and of course the margins that it brings, especially with the synergies on the go-to-market that we're driving, I think over the horizon here I think we see a path frankly going to 60% EBITDA margins, but I think that's the next stop, but I think Hock is right, we have consistently over many, many years by driving more content increase through R&D investments been able to drive margins up incrementally and that will contribute to the overall success of the margin increases that we see coming.

Operator

Thank you. Our next question comes from Blayne Curtis of Barclays. Your line is open.

Q - Blayne Curtis {BIO 15302785 <GO>}

Hey guys, thanks for the question. I just want to ask on the networking segment and thanks for all the detail on this segment. I guess if you put all that in there, it looks like networking growth would actually accelerate I mean in double digit. So I'm just kind of curious, if you look at three segments, service provider, data center and enterprise, just some comments, I know your product cycles that are driving a lot of the growth, but just kind of curious, your thoughts on the market embedded in that guidance?

A - Tom Krause {BIO 17978469 <GO>}

Yes so, Blayne, I mean I think Hock talked about it, but I think it's clear cloud continues to grow for us. I think we have a very strong product cycle in telcos, which probably gets under-appreciated, especially in the routing side. And then look, we have a lot of different angles into enterprise. Obviously, with the software portfolio with Brocade on the fiber channel side, things we do within the server market. I mean it's clear that slowing down, that we saw at the end of the third quarter, we're seeing that as we get into the end of the year. There is some, some indication given the lead times we have that actually that's stabilizing at these lower levels. And it's a little bit too early to tell what's going to happen as we go into the -- into the beginning of the calendar year. But it's obvious to us, at least right now it's cloud and telco driving that growth.

Operator

Thank you. Our next question comes from Harsh Kumar with Piper Sandler. Your line is open.

Q - Harsh Kumar {BIO 3235392 <GO>}

Yeah. Hey, guys. First of all congratulations on strong execution. Hock, I wanted to ask about when I look at your software businesses, I see sometimes bookings in double digits, but the revenue growth is a lot lower than that and I wanted to understand that mechanism, why the revenues are always lagging your order growth rate? And then are you done with the attrition of customers in Symantec or what is the expected time frame for that?

A - Hock E. Tan {BIO 1460567 <GO>}

Okay. By the way in the first part of that question is pretty interesting. Yeah, it's almost -- the simplest way to look at it is, we sign software contracts, whether it's on subscription or even on license and maintenance for three-year term contracts, three years. So at any point in time in any one year, you really seeing only roughly one-third of our outstanding contract backlog coming up for renewals. And so we -- and so as -- so for those one-third contract, we are seeing that double-digit bookings growth as we renew those contracts bookings being referred to as renewals of this contract.

So when you take that part and keep in mind you're still have the other two-thirds backlog that continues at -- we recognize revenues ratably very much so. Every contract we sign up renewal, we rate -- we recognize revenue ratably over three years. So you have to dilute that in and that's why, what happens is that double-digit bookings rate increase translates when it is diluted with the rest of the backlog that is chugging along steadily flat to effectively a mid single-digit growth rate in revenue. That's the way the math works and we've been able to do that very, very well and especially in our core accounts.

Operator

Thank you. Our next question comes from Edward Snyder of Charter Equity. Your line is open.

Q - Edward Snyder {BIO 2498283 <GO>}

Thanks. Wireless business is booming obviously on the 5G release largest customer. But maybe we can talk about a little bit longer term, there is no secret large customers, largest initiative is to do their own baseband modem. And I mean that's a job onto itself. The interface, the entire RF front-end has to usually be designed by somebody, other than the baseband guys. It's, that's the case for all baseband providers now. In fact, most of the baseband for MediaTek to Qualcomm are turning to incumbent that the large or the semi companies to do the actual architecture design itself.

Since you are the strategic partner for the largest portion of that, is it fair to assume that you will be intimately involved in this? And does that change the nature of your relationship in terms of revenue growth or margins because this is a once -- once in a company history event for your largest customer, they can get it working, they're getting other help that they can get. So how does this affect the margin profile and more broadly, the revenue growth over the -- over the next two to three years in wireless? Thanks.

A - Hock E. Tan {BIO 1460567 <GO>}

Ed, I love the fact that you know so much about this business and equally, you will know, I can't comment on that, sorry.

Operator

Thank you. And final question comes from C.J. Muse of Evercore. Your line is open.

Q - C.J. Muse

Yeah, good afternoon. Thank you for taking the question. I guess just a follow up. You talked about extended lead times, you talked about wireless growing into fiscal Q1 and you also highlighted in semiconductor solution sustaining into Q1. So as we put all that together and obvious strength, particularly in the networking side, is it fair to say that semiconductors should grow again into January?

A - Tom Krause {BIO 17978469 <GO>}

Yes, I mean I think what we -- what we wanted to highlight was given the shift in the product launch for the big phone customer, we wanted to give some color on how that translates into Q1 since that doesn't happen very often and they going to call it out a couple of years ago, but it doesn't happen very often. And I think we also wanted to be clear, given the lead times that we do have reasonable visibility especially into some of the growth areas like networking that we talked about. And so we do feel comfortable and it is the first quarter in a while where semiconductor is going to be up year over year and as you look into Q1, we feel comfortable that we can sustain that.

Operator

Thank you. I will now turn the call back over to Ms. Russotto for any closing remarks.

A - Beatrice F. Russotto {BIO 20827438 <GO>}

Thank you, operator. So in closing, we did want to note that Hock will be presenting virtually at the Deutsche Bank Technology Conference on Tuesday, September 15. And with that, that will conclude our earnings call today and we thank you all for joining. Operator, you may end the call.

Operator

Thank you, ladies and gentlemen, this does concludes today's conference. Thank you for participating. You may all disconnect. Have a great day.