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ISIL - Q3 2014 Intersil Corp Earnings Call

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OVERVIEW:

Co. reported 3Q14 revenue of $143.6m and GAAP net income of $13.9m or $0.10 per diluted share. Expects 4Q14 revenue to be $125-132m, GAAP EPS to be $0.06-0.08 and non-GAAP EPS, excluding amortization of intangibles and stock compensation to be $0.13-0.15.

CORPORATE PARTICIPANTS

Shannon Pleasant *Intersil Corporation - VP of IR*

Necip Sayiner *Intersil Corporation - President, CEO, and Director*

Rick Crowley *Intersil Corporation - SVP and CFO*

CONFERENCE CALL PARTICIPANTS

Tore Svanberg *Stifel Nicolaus - Analyst*

Craig Ellis *B. Riley & Co. - Analyst*

Ross Seymore *Deutsche Bank - Analyst*

Chris Caso *Susquehanna Financial Group - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, welcome, and thanks for joining the third-quarter 2014 Intersil earnings call. My name is Ryan. I will be the operator on the event. (Operator Instructions). And as a reminder, we are recording the event for replay.

And now I will turn the call over to your host, Ms. Shannon Pleasant.

Shannon Pleasant - *Intersil Corporation - VP of IR*

Thank you, Ryan. Good afternoon, and thank you for joining us today. I'm here with Necip Sayiner, Intersil's President and Chief Executive Officer; and Rick Crowley, Intersil's Chief Financial Officer. We will discuss our quarterly financial performance and provide a summary of our outlook. After our prepared comments, we will have a question-and-answer session.

Our earnings press release and the accompanying financial tables are available on the Investor Relations section of our website at ir.intersil.com. This call is also being webcasted, and a replay will be available through November 12.

Please note that the comments made during this conference call may contain forward-looking statements subject to risks and uncertainties that could cause our actual results to vary. These risk factors are discussed in detail in our filings with the Securities and Exchange Commission.

Also, the non-GAAP financial measurements that are discussed today are not intended to replace this presentation of Intersil's GAAP financial results. We are providing this information because it may enable investors to perform meaningful comparisons of operating results and more clearly highlight the results of core ongoing operations. Non-GAAP financial measures referenced during today's call can be found in the reconciliation of GAAP to non-GAAP results provided in today's earnings press release.

I will now turn the call over to Intersil's President and CEO, Necip Sayiner.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Thank you, Shannon, and hello, everyone. Revenue came in lower than we expected in Q3, as demand deteriorated in September, and book-to-bill dropped below 1 for the first time this year. We will talk more about our impressions of the demand environment shortly, but it is encouraging to see the strength of the operating results despite the revenue weakness.

Earnings for the quarter were within our expectations. Gross and operating margins were higher sequentially, and better than the same quarter in 2013. Our cash position continues to improve, and is meaningfully better now than this time last year. Product development execution is also improving, and we were able to launch a number of strategic products on schedule during the quarter.

Design win activity remains robust, further supporting our growth projections for 2015. While continued demand weakness doesn't provide as favorable an environment for us to progress towards our goals, we remain focused on the things we can control, including protecting profitability and securing our high-yielding dividend.

With that, I will turn the discussion over to Rick to review the financial results.

Rick Crowley - *Intersil Corporation - SVP and CFO*

Thank you, Necip. Third-quarter revenue of $143.6 million was a sequential decline of 3% compared to the second quarter. Relative to our guidance, the industrial and infrastructure and consumer businesses faced greater demand headwinds than initially expected, and we're down sequentially 4% and 8%, respectively. Despite lower revenue on a GAAP basis, we were able to improve gross margin to 58.4%. Operating expenses decreased meaningfully on a sequential basis to $62 million. R&D expense was $31.2 million, and SG&A expense was $30.7 million.

Operating income improved again to a recent record at $22 million, or 15.2% of revenue. This compares to 3.3% in Q3 2013. The Q3 GAAP tax rate was 34.3%. GAAP net income for the quarter increased to $13.9 million or $0.10 per diluted share compared to a $0.06 loss for the same period last year. To Necip's point, consistent profitability compared to last quarter, and a meaningful increase over the same period last year, underscores the dramatic improvement in our business fundamentals over the past 18 months.

The same is true of our non-GAAP results, which exclude $5.6 million in amortization of acquisition-related intangibles, and $4.4 million in stock compensation expense. Non-GAAP gross margin improved for the sixth consecutive quarter, increasing to 58.6%. This was driven in part by improved mix within each of our major product categories.

In particular, the de-emphasis of low-margin business in the consumer end market created a revenue headwind during the quarter, but also contributed to improved margins. We believe the mix towards higher-margin products and the benefits from cost reduction efforts will allow us to further improve gross margin in Q4.

Q3 non-GAAP operating expenses were lower than expected, declining to $52.3 million as a result of lower employee benefit costs, payroll taxes, and variable incentive compensation expenses. Non-GAAP R&D investment decreased modestly to $29.2 million. Non-GAAP SG&A expense decreased as well, to $23 million.

Although we expect to further reduce operating expenses in the fourth quarter, we believe we do have adequate resources to execute on our near-term product roadmaps. Q3 non-GAAP operating income was $31.8 million, resulting in the highest non-GAAP operating margin for the year at 22.1%, a great result. Just for comparison, versus similar revenue levels in 2013, operating income was up by nearly $10 million, and gross margin was 300 basis points better.

The Q3 non-GAAP effective tax rate was approximately 18%, and is expected to be about 20% in Q4. Non-GAAP diluted shares outstanding were 137 million for the quarter. Non-GAAP net income of $25.5 million or $0.19 per diluted share was flat sequentially, and was in line with our guidance.

The balance sheet remains solid. Cash and investments increased by $10 million to $211 million at the end of the quarter. The improvement was the result of $24 million of operating cash flow during the quarter, and proceeds from employee stock option exercises. Capital expenditures were approximately $3 million for the quarter. Free cash flow was $21 million in Q3, of which $15.6 million, or 75%, was returned to shareholders in the form of our high-yielding dividend.

Accounts receivable balances were flat for Q3, and we ended the quarter with days sales outstanding of about 36 days. Net inventory increased to $68 million, with days of inventory at 103 days. Although we have reduced build rates at our suppliers in the face of weaker end demand, we are forecasting our inventory will increase modestly in Q4, and then moderate in the first half of 2015. Channel inventory increased in Asia during the third quarter, primarily in Taiwan, but remained in line with historical norms in other regions.

Our fourth-quarter revenue guidance anticipates significantly lower shipments of our computing products, which we expect will reduce Asia channel inventory by the end of Q4, despite unfavorable seasonal demand trends.

In summary, the third-quarter financial results demonstrate the resilience of our business model. The topline setback is not changing our focus or commitment to improving the long-term trajectory of the business, and we are making meaningful strides to support revenue and earnings growth for 2015.

With that, I will turn it back over to Necip.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Thank you, Rick. While demand through the summer remained steady, both bookings and billings slowed broadly in September, and the weakness continued into October. There are different dynamics impacting our various end markets. In computing, we are seeing an imbalance between inventory builds and end demand, which will impact Q4. In consumer, we are deemphasizing low-margin business, resulting in unseasonal trends. And in I&I, we are experiencing broad end-market weakness, resulting in a slightly worse than seasonal view for this business for the coming quarter.

Let's start with computing, which grew sequentially by 5% in Q3, and represented 22% of Company revenue. Demand was strong for much of the quarter, with some customers expediting orders. In addition, at the beginning of the summer, several end customers requested that our distribution partners carry a higher level of inventory in anticipation of strengthening demand.

Starting with September, we saw a reversal in order patterns, with bookings slowing significantly. Fourth quarter was always expected to be the low quarter for the year in this business, but now the lower revenue will be aggravated by the drawdown of inventory at our distributors.

Slowing demand and the inventory correction are expected to impact our computing revenue by as much as 20% to 25% sequentially in Q4. Roughly half of that demand reflects lower PC builds, and about half is related to the inventory depletion.

Consumer revenue decline sequentially in Q3 to 15% of Company revenue. The headwinds in this business, compared to last year, can be synthesized into two factors. First is the weakness in gaming that we anticipated and discussed last quarter. Second, as you know, we have been deliberately de-emphasizing low- to no-profit business in this end market, which has impacted revenue, but improved profitability.

Some of this business tailed off more abruptly than expected in Q3, particularly our optical sensors that are the older, commoditizing ambient light and proximity sensors. New sensor products in our pipeline, such as our recently launched RGB sensors, demonstrate the difference in our strategy today and are commanding higher value due to a much higher level of differentiation.

While we expect consumer revenue to be down slightly in Q4, we believe these near-term issues will be behind us as we enter next year. Given the reduced run rate of computing and consumer as we exit 2014, and the design win ramps coming in the first quarter, it is now possible that consumer and computing combined could be counter-seasonal and grow sequentially in Q1. We continue to see the design win traction solidifying, and expect to see steady growth from there throughout 2015.

One of the key elements in the change we are seeing in the consumer business is related to R&D execution. Given the tight design windows in consumer markets, delivering compelling products on time is critical. I've seen a culture shift internally as we have set a higher bar and required a higher level of accountability. Our efforts ultimately result in better execution on new product launches.

As an example, this quarter we announced five new additions to our switching regulator family designed to support system power supplies and peripherals, such as Wi-Fi or power amps in smartphones and tablets. Leveraging our proprietary architecture, these new devices significantly extend battery life.

We previewed last quarter a new product that is the first single-chip display power and backlight LED driver. This product launched as planned in Q3, and not only improves smartphone battery life by an hour or more, but also improves display brightness uniformity and color consistency.

Moving to industrial and infrastructure, after a very strong first half, I&I declined sequentially by 4%, and represented 63% of Company revenue. Still up year-over-year by about 4% in Q3, I&I demand did slow across the board by quarter-end across all of our end markets, with notable weakness coming from China and Europe.

Looking at the various moving parts within I&I, let's start with the broad market products, which were about 21% of Company revenue for the quarter. Revenue was up year-over-year by about 5%, but had its first sequential decline this year. Highly fragmented, both in terms of end market and geography, this product group is probably our best bellwether for the general health of the market. We are seeing persistent weakness going into Q4, with orders remaining soft.

Our power products represented about 19% of Company revenue in Q3. Market share gains enabled us to remain roughly flat, and are helping offset softer infrastructure demand. Design-in activity is high, with new design-in dollars up nearly 30% compared to Q3 of last year. Our technology is hitting a sweet spot in this market, particularly in power subsystems. Designing highly integrated and flexible solutions for high-current applications is an area of excellence for Intersil.

We announced during the quarter a 55-volt buck controller for heavy load applications, and the latest addition to our digital controller family, ideal for managing power in servers, storage equipment, and base stations.

Moving to automotive, coming off a record quarter in Q2, revenue declined as expected, and represented about 9% of revenue. A major contributor to the lower revenue was the aftermarket infotainment business in China. Near-term, we believe we may see modest recovery sequentially in Q4. Longer-term, given the lengthy design cycles in this business and the consistent, meaningful gains we have been making over the past year, particularly with OEMs, we continue to see automotive as a meaningful growth driver. New product momentum is solid, as we added nearly $30 million in new design-ins during Q3 alone.

Wrapping up the I&I products, military and aerospace represented 11% of Company revenue in Q3, and grew slightly to achieve its highest quarterly revenue for the year. This was better than what we had projected 90 days ago, as many customers pulled in orders. This is a lumpy business, impacted heavily by ebbs and flows in government spending, and we are expecting to see revenue decline in Q4 off of the third-quarter high.

Overall, we expect I&I revenue to decline in the mid- to high-single-digits sequentially. We are monitoring the order patterns closely; and, at this point, it appears that the weakness we are seeing is not Company-specific. Rather, customers in general appear to be reacting to volatility in the macro environment, with increased caution that is being reflected in lower bookings, leading to a worse than seasonal beat. Given this is the largest end market for Intersil, we will continue managing our business conservatively to protect profitability while laying the groundwork for share gains in 2015 and beyond.

Now for the Q4 guidance. We are anticipating revenue will be in the range of $125 million to $132 million, reflecting a steep decline in computing, a single-digit decline in I&I, and a slightly down revenue in consumer. We believe improving mix will result in about a 50 basis points expansion of gross margin, despite lower revenue. Operating expenses are projected to decrease by approximately $1 million. We anticipate GAAP earnings of $0.06 to $0.08 per share. Earnings per share on a non-GAAP basis, excluding amortization of intangibles and stock compensation, are expected to be $0.13 to $0.15.

With that, we will take your questions.

Shannon Pleasant - *Intersil Corporation - VP of IR*

Thank you, Necip. We'd now like to open the call for your questions.

Operator, please review the Q&A instructions with the call participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Tore Svanberg, Stifel.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Necip, I was hoping you could elaborate a little bit more on your PC business. I recall, about a year ago, you had guided for your notebook segment there to decline to a certain level. Just given some of the later and newer dynamics, how should we think about the computing business beyond the fourth quarter? I do understand it's going to be down significantly in Q4. But beyond that, how should we think about your focus on computing at this point?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Sure. Let's take the higher-level view first. Coming into the year, we expected the computing revenue to be significantly down over prior year. Things worked out to be better than what we expected, partially due to better health in end demand, but also some modest share gains, via Bay Trail. So, if you look beyond this quarterly perturbations of inventory buildup in Q3, and bleeding off that inventory in Q4, the trajectory of that revenue I think is consistent or slightly better than what we had anticipated exiting the year.

Beyond Q4, in the first quarter of next year, that inventory adjustment will be behind us, obviously. There is ongoing share change as Haswell continues to ramp. Haswell did become the largest portion of our VCORE revenue in the quarter, but that shift continues.

So with all the puts and takes, at a high level, Tore, I would expect the revenue level we will achieve in Q4 to be likely stable in 2015 until we start seeing the ramp of next-generation Intel Skylake platform, which should have some benefit to us in terms of both share and ASP.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Very good. And as my follow-up, you mentioned the consumer business being down -- well, expected to be down in Q4, but that it has a chance of potentially growing or bucking seasonality in the March quarter. Is it safe to say that the gaming transition will be done by then, and your conviction in potential growth has more to do with some new design wins and share gains?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Well, I think our expectations from the gaming platform has diminished over time. So I am not really looking for that segment to drive the growth in Q1; but, rather, the design wins we have been reporting for the last two quarters to start bearing fruit. We have some visibility into the preproduction of those design wins with our customers, and these will start ramping in Q1.

Furthermore, I think the change in complexion that we've been driving in this business throughout 2014 will come to an end, essentially by the end of the year. So, you are going to start seeing the new product revenue to start layering on the existing base as we exit 2014.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Very helpful. Thank you very much.

Operator

Craig Ellis, B. Riley.

Craig Ellis - *B. Riley & Co. - Analyst*

Necip, you had previously indicated that you thought the PC and the consumer business could grow 10% year-on-year, next year, given some of the changes that you are seeing just with demand. Is that still something that you expect? And if so, what will drive that? And if not, what are the specific factors that are causing you to have a different outlook now?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Yes, our projection for the growth in that combined business has not changed. If anything, it has solidified a little bit, because our customers moved through their development further in the past three months, giving us some visibility into both the timing and the size of potential for those platforms. And we have a rather long list, spanning both smartphones and tablets, that will start ramping at various times in 2015. So, the 10% growth projection for the combined business that we put out last quarter for 2015 remains intact.

Craig Ellis - *B. Riley & Co. - Analyst*

Thank you for that. And then the follow-up is for Rick. Rick, the Company is doing a good job bringing operating expense down, as revenues prove lower than expected. As we look at the factors that are at play in 3Q in 4Q, are those temporary? And so when we look to the first quarter, should we expect operating expense to move up significantly? Or how do we think about the longer-term nature of the leverage that is coming into the model in the short-term?

Rick Crowley - *Intersil Corporation - SVP and CFO*

Yes, Craig. Clearly, given the timing of the change in demand environment that we saw in third quarter, we really didn't have much time to react to OpEx. So what you were seeing was kind of normal good discipline, combined with some seasonal factors.

As you alluded to, some of those seasonal factors may reverse a bit as we go into Q1. That being said, if you look at where we intended to operate earlier in the year, we said $54 million, $55 million. Our guidance implies we're down around $51-ish million. So we, I think, have proven that we have the discipline to ferret out efficiencies and control discretionary spending, which is what we intend to do.

We noted in the prepared remarks we're focusing on the items that we can control and taking a cautious approach on spending. That being said, we do have, and put in place in the rebalancing, the resources required to continue to do the product development that's required for growth. I think we're just doing the typical balancing that you would see in this type of environment, with the slower demand, and still being able to put up the type of profitability that we've led people to anticipate through our target models.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

I should also add that I'm pleased to report that the additions that we had planned as part of that rebalancing initiative 12 months ago is essentially complete. And we've been able to add a large number of resources into our development group, and they are all gainfully employed in developing products for revenue in 2016 beyond.

Craig Ellis - *B. Riley & Co. - Analyst*

Got it, thank you.

Operator

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank - Analyst*

Just a question on the I&I segment. I know it dropped 4% sequentially, but it was only up about 4% year-over-year. Most of your peers were up double-digits. So I guess the real question is -- I agree with you directionally that this is not Company-specific. But you never really grew as fast as anyone else, and you seemingly are falling at least as hard, if not a little harder, than everyone else.

So I guess my question comes down to, why do you have confidence that that's going to grow next year? And, Necip, in the prior conference call, you talked about 2015 being a year that the I&I segment could grow independent of the end market. Are you still comfortable with that statement?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

So, let's look at, including our guidance, what the full year looks like for I&I. Coming into the year, we expected that segment to grow maybe in mid-single-digits. And then as the year progressed, as we've seen a healthier end market demand, we've upped that projection to mid- to high-single-digits. And now, we are seeing some weakness in the end markets, and are more or less back to where we were beginning of the year -- actually, a little ahead of what we had planned for the segment.

And if you look under I&I in various groups, and spite of the declines that we've reported in the second half, our strategic investment areas in automotive and power are going to be growing in double-digits; with military and aero growing in mid-single-digits; and the remaining broad market, stable to slightly up. So I think it's consistent with where we are putting our investment dollars. And we continue to see acceleration and design wins for the new products in those end markets.

So, I believe we'll be able to certainly hold our own in 2015, as far as being competitive in terms of growth in this end market. What remains unclear at this juncture -- and this is a statement for all of us in analog serving this end market -- is how quickly the recovery will take place in demand. We're certainly seen something weaker than seasonal as we exit the year. So I'm going to reserve some judgment until I see some recovery in our order patterns before I can make a more definitive statement about 2015 growth.

Ross Seymore - *Deutsche Bank - Analyst*

I guess as my follow-up, you talked earlier in the consumer area about a lot of the pruning of lower-margin business being done by the end of this year. And in answering my first question, just now, you talked about your strategic focus areas within I&I. If we summarize all of that, exiting this year, what percentage of Intersil is now strategic focus areas versus -- I don't know what you want to call the remaining areas -- the legacy business, that could still hamper growth going forward?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Well, in terms of investment, a very large majority of our investments today are targeting those strategic areas -- in mobile power, infrastructure power, and automotive and aerospace. Not trying to be precise, but I would claim 90% or more of our investments today are targeting those areas. And I think you have a pretty good view of the revenue composition of the various end markets.

There are pieces of I&I where we are not actively investing, broad market analog being one such area. But the level of attrition that I would expect from that product line is very modest. And this year, we've been able to grow that business.

So, not everything in the revenue base is actively being invested in, but I think our investments are very consistent with the product areas where we are seeing growth.

Ross Seymore - *Deutsche Bank - Analyst*

Thank you.

Operator

(Operator Instructions). Harsh Kumar, Stephens.

Unidentified Participant

Thanks for taking my question. This is Richard in for Harsh. I wanted to start on your consumer and computing business. Can you parcel out the expected growth between computing and consumer to get to your 10% growth year-over-year? Is one seeing more new products than the other? How are you thinking about that?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Well, the growth will primarily come from consumer. We've been talking about new products in this area, so I can only characterize at this high level. We're going to start reporting this business on a combined basis, although we are going to continue to provide visibility into both consumer and computing, directionally. But, by and large, the growth in revenue dollars will come from products that we report under consumer today.

Unidentified Participant

Great. And then looking at gross margins for next year and beyond, what are the remaining levers to improve margins, if some of the low-margin business has already been taken out? And if you can, can you stack-rank how you guys view these opportunities?

Rick Crowley - *Intersil Corporation - SVP and CFO*

Yes, sure, Richard. We are very pleased with the margin improvement we've been able to get this year; 300 basis points above where we were a year ago, despite lower revenue, I think is very good progress. I see progress being a little bit more incremental as we move through into the beginning of 2015, but we continue to have multiple levers. We think the growth in I&I obviously would contribute at a higher-margin product line overall. New products in consumer we believe will have higher average gross margins than the current average in consumer. That should be accretive to gross margin as well.

And we really don't see any deterioration in the computing side. So, just from a mix standpoint and new product contribution, should be the main drivers to the gross margin as we move into 2015. Obviously we continue to focus on cost reductions and efficiencies and yields, which always contribute a bit to the improvement. But I think that would be the rank order that would come to mind in response to question.

Unidentified Participant

Great. Thanks, guys.

Operator

Rick Schafer, Oppenheimer.

Unidentified Participant

This is Joe on behalf of Rick. I was hoping you could talk a little bit about the $30 million in design wins that you were talking about it in auto -- whether they were on the OEM or the aftermarket side, and then when you expect them to be material.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Well, those design-ins are coming both from aftermarket and OEMs. Over the past couple of years, we have been focusing a lot more on OEMs, in terms of growing our presence and future business with them. So over time, you are going to see the revenue base, in terms of percentage, tilt more and more toward OEMs. Some of those design wins I reported on are scheduled to ramp in 2016 and some in 2017.

Unidentified Participant

Okay, great. And then I may have missed it, but you had cited China as a source of weakness on the I&I side. I was wondering if there was anything in particular there, where you saw the weakness.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

Well, one variation from what we expected 90 days ago is weaker demand from China in automotive. We knew there were some pockets of inventory going into the quarter for infotainment, but proved to be weaker yet. And that's why this is going to go the other way in Q4, in our projections.

But if you look at both revenue and bookings, in I&I segment in particular, China has been considerably weak, especially in the latter part of the quarter. And things have not shown signs of improvement yet. And it is relatively broad. I highlighted automotive, but in terms of end application, we see that in industrial, and we see that to a lesser degree in infrastructure, as well.

Unidentified Participant

Okay, thanks so much.

Operator

Chris Caso, Susquehanna Financial Group.

Chris Caso - *Susquehanna Financial Group - Analyst*

Just following on with the bigger picture which you had talked about with the bookings, I guess if you could talk a little bit about your level of visibility right now. And, obviously, when things start to slow, things become a bit of a moving target. What's your level of confidence that what you've been able to guide to is where this level of demand is right now? And then I guess following on with that, you talked about some potential counter-seasonality in the first quarter, and maybe you could speak to the level of confidence there, and what gives you the confidence.

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

I will take it in different pieces, starting with computing, given the inventory situation and multiple layers in the chain. I've taken a considerable time reviewing demand with our distribution partners and OEMs, and I believe we have a balanced guide at the moment. I wouldn't call it overly conservative, nor did we build any optimistic demand pulls later into the quarter. This is our best view.

I think that, in general, October has been slow, particularly in Taiwan, so that certainly affects the psyche throughout the chain. But as stark and sharp as the sequential decline is, it is the best view we have of the demand.

In consumer, I think it's pretty well known what we have walked away from, and the start of the new platforms at the very end of this year. So I think we have a reasonably good view of what we can expect to see, in spite of the tight inventory control some customers do at the very end of the year.

I think the part of that is -- we have least visibility to is in I&I. As I mentioned, that the weakness in order continued into October. Our guidance does reflect an appropriate amount of turns for this business for the quarter. So, we haven't gone too conservative in our guidance. So this is something we have to monitor closely throughout the year.

Chris Caso - *Susquehanna Financial Group - Analyst*

Okay. Thank you. And as a follow-on, with respect to the computing segment, could you characterize what you've seen in Bay Trail versus the traditional notebook? And I know that Bay Trail, relative to your expectations at the beginning of the year, was -- it's been running a little bit better for you guys with some design wins. But has that been the biggest incremental area of weakness? Or is this off across the board?

Necip Sayiner - *Intersil Corporation - President, CEO, and Director*

No, I wouldn't point to any one platform as the weakness. You're right; Bay Trail did provide some cushion for us, and helped us do better than what we anticipated going into the year. But in terms of the transition of revenue from older platforms, older generation Intel to Haswell, things have gone as expected. So I don't have inventory numbers across different platforms of Intel for you, but this is not driven by any one platform disappearing more quickly than we thought, or anything of that sort.

Chris Caso - *Susquehanna Financial Group - Analyst*

Okay, that's helpful. Thank you.

Operator

And we have no other questions, so I'll pass it back to Shannon for any closing remarks.

Shannon Pleasant - *Intersil Corporation - VP of IR*

All right. Thank you very much. We appreciate your time today. This now concludes Intersil's third-quarter earnings call.

DISCLAIMER