

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

ADTRAN, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from Scott Coleman – Morgan Stanley.

Scott Coleman – Morgan Stanley

Maybe I could start with a housekeeping question in terms of what the customer percentages were this quarter Jim?

James Matthews

ATT came it at 24% of revenue, Verizon 11% and Qwest 20%.

Scott Coleman – Morgan Stanley

One of the things that stood out from the numbers was the lack of a buyback during the quarter. You have been pretty consistent over the last eight quarters. What was it that caused you to hold back in Q2?

Thomas Stanton

Scott, first of all I'd like to say that we really haven't changed our view at all in terms of our buyback and the approach we are using in terms of it being an opportunistic approach. At times we do miss an opportunity within a quarter if we look back to the earlier part of the window that we would typically buy back in we did have an opportunity there but in hindsight we should have taken advantage of it but didn't.

Again, going forward our view again hasn't changed in terms of taking an opportunistic approach on this.

Scott Coleman – Morgan Stanley

Just to make sure I understand your comment about Q3, it sounds like you expect to grow as you traditionally have in Q3. The question is at what level? If you grow from here it sounds like you would expect to keep operating margins somewhere around the 25% level, at least in Q3. Is that the right way to interpret your commentary?

Thomas Stanton

Let's take this approach perhaps. If we look at gross margin we continue to anticipate gross margins will be in the high 50's range going forward. If we look at opEx, SG&A we anticipate will be flattish somewhat in the third quarter versus the second and we anticipate that R&D will probably move up a little in the third quarter.

Tax rate at a rate somewhat consistent to what we saw in the second quarter.

Scott Coleman – Morgan Stanley

When you talked about the stability of your traditional products and spending levels at tier one and tier two carriers it was the first two things that you mentioned as the factors that could affect revenue in Q3. Now the traditional products obviously had a very good quarter in Q2, maybe better than most were expecting. Is there any reason right now to think that falls off? Are you seeing anything that gives additional concern? Then a similar question on spending at tier one and tier two carriers. Have you noticed any change? DSO's were down a lot. Did the quarter start to trend a little worse as you went through it? I'm talking about Q2. What is it that gives you incremental pause here?

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.