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## BigBand Networks, Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Our first question comes from Tal Liani with Merrill Lynch. Please go ahead.

#### Tal Liani – Merrill Lynch

Hi, guys. I've a few questions. First, if you don't mind to go over again the gross margin issue, obviously much better than expected. What is the reason behind it? I didn't get it. Second, the deferred revenue declined \$4 million. Can you discuss it? And then a bigger question, Comcast seemed to start it slow with SDV, and this was mentioned by Harmonic and ARIS. And I'm wondering if you can provide us with some update on your position at Comcast and overall what do you see in the market? Are they unique versus the others, as much as you could discuss? Thank you.

#### Moe Castonguay

Hi, this is Moe. I'll take the first two questions and then I'll turn it over to Amir to speak about Comcast. Well, first of all, as I indicated, our gross margins were unusually high at 61%, and they benefited from the high concentration of software content in our product revenue, as well as an unusually high level of expansion orders in the quarter. This was both unusual and that it was so high, and if you look at our gross margins, they were considerably higher than we experienced last year, and as we look out into our guidance for Q2 and our visibility, we don't see that concentration of expansion orders or a high degree of software content in our orders. Hence the reason we are guiding to non-GAAP margins of 53% to 56%.

#### Tal Liani – Merrill Lynch

What is the software component? Is it the SDV server licenses?

#### Moe Castonguay

That's certainly one piece of it. And, as we indicated, it was one of those usual situations where we had some orders that we had visibility to in the beginning of the quarter, but quite frankly weren't certain when we were going to be able to recognize them, whether it would be Q1 or Q2, it just so happened that a number of them became recognizable in the first quarter and to some extent at the expense of Q2.

#### Tal Liani – Merrill Lynch

And was it something that was pushed out from current quarter, or was it just something – I'm just trying to understand the recurring element of the surprise. I'm trying to understand, is it just because you recognize now something that was pushed out for a few quarters, or that it's really just a matter of concentration of orders in one quarter and nothing more than that?

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