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## MRV Communications, Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you, sir. (Operator instructions) Our first question comes from the line of Jack Whalen [ph] with Alpha One Watch. Please go ahead.

#### Jack Whalen – Alpha One Watch

Yes, Noam. Congratulations on the 20th Anniversary. I'd like to see any moves as far as becoming a greener company to go to the bottom line. I'm kind of concerned that Q2 guidance is very encouraging on the top line, but I have to tell you it sounds very, very discouraging on the bottom line. I can't see any moves that the company could make in the area of green that contributes to the benefits of the shareholder.

#### Noam Lotan

Thank you, Jack. I think if you heard Guys' guidance, we are guiding for an upside of \$0.01 profit, which also includes a \$0.01 in the noncash share-based compensation, et cetera. So the upside was actually the positive, and on the negative side I think it was minus two, right, Guy?

#### Guy Avidan

Yes.

#### Jack Whalen – Alpha One Watch

All right. Thank you.

#### Noam Lotan

Yes, but the specific reference with the greener product, certainly this is a – we perceive it to be an emerging area where both people that are interested, either in conserving power and reducing their environmental footprint, you know, I won't go into situations where the power has to be going to a UPS mode and in that case you have to turn down or turn off the sequence of equipment in a certain environment to make the UPS last longer, for example. So we are trying to focus on areas like this. And in general, just our equipment is generally environmentally friendlier, and as I said, we are in the process of certifying our divisions to full ISO 14000, which is also a new standard for environment management services. So we are certainly going in that direction. I can go into more details but I'm not sure that that's the right forum right now, but trust me, there's a lot more going here on that.

**Jack Whalen – Alpha One Watch**

Okay.

**Operator**

Thank you, sir. The next question comes from the line of Tim Quenlin [ph] with Mayo Capital. Please go ahead.

**Tim Quenlin – Mayo Capital**

Hey, Noam.

**Noam Lotan**

Hi, Tim. I have kind of a series of questions if you don't mind. First, if you'd take a look at the network equipment segment, right? You guys are doing a great job growing the revenues there. That's pretty clear. I'd like to understand how much of the Q1 '08 revenue number had any kind of OptiSwitch upside from some of the big carriers you talked about in the number. Secondly, within the segment, I kind of want to understand why on a sequential basis gross margins actually declined, despite what you said was a recovery in your – both your Metro Ethernet business plus your defense business coming back strong there. That doesn't jive with me. I'm just trying to figure out what the delta would be there on the gross margin side.

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