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## Occam Networks Inc. Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of George Notter.

#### George Notter - Jefferies & Co

Hi, thanks very much guys. I got a few questions here. I guess I wanted to ask about you mentioned you're going to be shipping GPON, I think you said next quarter. Can you talk about what kind of impact do you think that will have on the P&L from a margin perspective -- how different is our gross margins along the GPON products relative to the existing copper based product? And then also what kinds of ONTs are you guys assuming in terms of the full year guidance and what kind of overall GPON mix are you assuming in the full year guidance?

#### Bob Howard-Anderson

Hi, George, it's Bob. So, yeah, we're confirming that we are on schedule to ship GPON next quarter and yes, there will be some margin impact. Chris gave a range on margins that will vary throughout the year. I'm not going to actually pin it down.

But obviously in the first quarters of shipping about any new product but particularly a product that has fiber ONTs is in. There will be some margin pressure based on the volume ramp up and getting maturity in the product.

So, it will start off being somewhat of a drag on margin and then improving throughout the year. We also have next generations of ONT technology already being planned and underdevelopment that will come out in following years that will address the cost structure and the margins.

To the mix, we actually expect that towards the back half of the year things will stabilize that it's about half-and-half -- point-to-point gig Ethernet fiber to the home and PON to the home shipping from us all in the same platform.

#### George Notter - Jefferies & Co

Got it, okay. I guess just expanding on that, I guess, I was just trying to figure out can you talk about -- I assume one of the things I -- obviously, we've got some history here looking at companies like Tellabs, Tellabs has been shipping PON and you've granted they are shipping into Verizon, which is certainly exerting internal leverage over Tellabs from a margin perspective.

But I mean, is it fair to assume that do you think you can make money in this business longer-term are the margins longer-term more akin to the corporate average kinds of margins or where do you think you can get this business?

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