

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

## ADTRAN Inc. Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

Thank you. (Operator Instructions). Your first question comes from Vivek Arya with Merrill Lynch.

#### Vivek Arya - Merrill Lynch

Good morning. Tom, I know you are not providing guidance for 2008 but how should we start looking at it given the moving pieces you have in your traditional business segments? Which are flat or I think down this year and then some of the newer business segments where I think you are seeing very good traction but sales are somewhat lumpy, can we expect at trying to grow high single digit, perhaps double digit in 2008?

#### Tom Stanton

We'll I think, in a normal environment I would say -- I would have a lot of confidence in that type of growth. I would say even in the environment we are in today. I guess that the real key to that is what is the underlying economy doing, how, may that affect our traditional product lines. I have no doubt that our new product lines are Optical Access product lines, Total Access 5000, the things we're doing with our 1100 series fiber-to-the-node and Internetworking are all positive contributors and I expect fairly good growth in 2008.

I guess -- the real key is that underlying piece, we're not expecting at this point of time a significant downturn in our traditional business. HDSL was flat in 2007 to 2006 and we stated again and again that we think that new technologies really aren't impacting that business as much as just the economic environment. So I'll have to leave it to you to come up with your number, but I think you know the deals that that we have secured. You know the products that we're starting to ship now pretty much across all of our fronts and we are confident to see growth in 2008.

#### Vivek Arya - Merrill Lynch

I see, I think Jim you mentioned in Q! you expect a return to a normal operating model. Can you please refresh us with what that normal operating model looks like, gross margin wise, operating margin wise?

#### Jim Matthews

Well, we do anticipate gross margins to continue to be in the high 50s and our gross margins will vary quarter-to-quarter as we've seen in the fourth quarter. In terms of OpEx, again two historic trends, typically as we go through a year 2008, we do anticipate our revenues increasing sequentially,

with the possible exception of the fourth quarter in which we typically see seasonality and as those revenues decrease we expect our SG&A to converge on the high teens and our R&D to converge on the low teens. Okay, so again that's fairly consistent with our operating model that we've seen in the past.

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