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Tekelec Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

[Operator Instructions]. Your first question comes from George Notter with Jefferies & Company.

George Notter

Hi, thanks very much. I guess I wanted to ask about the order guidance for Q4 and thereafter if you think about your signaling products, where do you think you kind of reside in the hierarchy of discretionary versus non-discretionary spending for operators, and what's your thoughts about how that impacts your order rates going forward?

William Everett

Yeah, I think from a discretionary or non-discretionary, we very high up the chain in terms of non-discretionary. So the signaling network essentially is the brain or the central nervous system of the network and any kind of weakness there does significantly degrade the operation of the network. So, it really is a non-discretionary item. We feel as a result we have given a very wide range because we do think that if anything is delayed, it eventually does come back to us because a lot of what we are seeing in the pipeline is essentially extension business. So if you look at the midpoint of range that we've guided to, it would still represent third highest fourth quarter and the second highest year overall that we've ever had as a company. And we may see some delays because of this economic slowdown, based on letters of credit and lines of credit not being able to be secured by some of the emerging market players or potentially a budget flush not occurring this year as we saw last year. So that's why we gave a very wide range. Obviously, if the budget flush occurs, it will be at the higher end of the range, if there is more issues with either dollar appreciation or lines of credit not being able to be accessed or being taken down, then we'll see it at the lower range. So it's the midpoint that really matters.

George Notter

Have you seen any order cancellations from customers or push outs on timing of delivery or timing of orders from customers?

Frank Plastina

We have not seen that. And what we're doing is just watching it day to day to see if that happens. And I think the fact that we haven't seen it really lends credibility back to the point that signaling and core extensions are really non-discretionary.

George Notter

Got it. I will turn out. Thanks very much.

Operator

Your next question comes from Larry Harris with C.L. King.

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