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## MRV Communications, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you, sir. (Operator instructions) And our first question comes from the line of John Harmon with Needham & Company. Please go ahead.

**John Harmon – Needham & Company**

Hi, good afternoon.

**Noam Lotan**

Hi, John.

**John Harmon – Needham & Company**

A couple of questions, please. I believe you said your cash decreased \$6 million in the quarter and you spent \$2.5 million on professional fees. Can you talk about where the rest went?

**Noam Lotan**

Okay. First, correct here. Our cash – we ended the quarter with \$73 million in cash, not \$70 million. I must have swallowed the three. Well, the rest basically – Guy, do you want to comment on it?

**Guy Avidan**

I think the rest was really across the board, across segments and subsidiaries. There was no other concentration like the \$2.5 million.

**John Harmon – Needham & Company**

Well, let me ask you this way. Was there a big capital spending to outfit your new plans, or did it go into working capital?

**Noam Lotan**

Both.

**John Harmon – Needham & Company**

Okay. Thank you. Secondly, maybe you can qualitatively talk about your fiber-to-the-home business.

**Noam Lotan**

Well, it's still very strong although it's – still price pressure on this product line. And projections that our principal customer, mainly the Tellabs, Alcatel and Motorola, shipping into Verizon and others, is that there is still pretty much of a strong demand for the product. I'll give you an example where we shipped north of 200,000 triplexers during the quarter, and the projections for the next fourth quarter are at about the same rate.

**John Harmon – Needham & Company**

All right. Great. Thank you. And just finally, in China, have you stopped using your contract manufacturers yet, or are you still using them over the transition while you get everything set up in Chengdu?

**Noam Lotan**

Yes, we are still using them and we will add the substantially more headcount in order for us to take over the work and bring it in-house. So this is going to be done gradually and it will basically, hopefully, be a non-event as far as impact on our revenue, but more – much stronger impact on our gross margin. So this is what we can process right now, but we are still using two of our main principal contract manufacturers in China.

**John Harmon – Needham & Company**

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