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Tellabs, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from George Notter with Jefferies.

George Notter - Jefferies

Hi. I wanted to ask about the Q1 guidance. It's little bit below where we are and where the street expects. I'm trying to get a better handle on where you are coming from in terms of the guidance. I hear your comments about seasonality and the economy. You know, one of your competitors – or I guess, another company in the space, commented that they saw reasonably stronger order trends in Q1. It appears in the first two, three weeks of the quarter. But I am trying to figure out what you are seeing right now and what's driving that guidance in more detail? Thanks.

Rob Pullen

Well, George, you know, we're taking into consideration, the economy, You know, I have been talking to our customers, and we're getting mixed feedback. Some are saying they will be flat year-over-year in expenses more in developing countries and emerging countries, and more of the developed countries are saying that they are going to be cautious in the first half of the year, and then evaluate the second half of the year. So we are taking that in to consideration in our view. We also want to give guidance in a range where we believe we can hit it and we don't have as much visibility as we would like, therefore, giving you, you know, insight into this range.

George Notter - Jefferies

Then separately on the 7100, it was a little softer than you thought in Q4. Any commentary there? Thanks?

Rob Pullen

I actually expected it to be somewhat soft in Q4. We – our customers billed out their networks in the first half of the year. We're adding on new customers in the 7100, and would expect that to have more of a positive impact in the first half of the year.

George Notter - Jefferies

Great. Thanks.

Operator

Your next question comes from Todd Koffman with Raymond James.

Todd Koffman - Raymond James

Thank you very much. I wanted to ask about the access segment. You know, it has gone through, a year ago, doing around \$150 million a quarter. It's down about 100. Where does that segment likely shake now out in '09, qualitatively, given factors in the real estate market and what not? Thank you.

Rob Pullen

First of all, access is not a segment for us. It's part of our broadband segment, Todd. Next, as you know earlier this year, we exited an unprofitable business in one of our platforms, the 8865. We continue to be in the access space. There's also a macroeconomic impact as well. With the economy slowing down, both housing starts, turn of people, changing from one house to another is down as well. Therefore, it also is negatively impacting our access business. We do expect that there could be some positive, though. With the stimulus package, there may be a positive note, of, you know, the government promoting broadband in more rural areas, and Tellabs could be a beneficiary of that as well.

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