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ADTN - Q3 2017 ADTRAN Inc Earnings Call

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OVERVIEW:

Co. reported 3Q17 revenue of \$185.1m, net income of \$15.9m and GAAP diluted EPS of \$0.33. Expects 4Q17 revenues to be \$155-165m.



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CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to ADTRAN's Third Quarter 2017 Earnings Release Conference Call. (Operator Instructions)

During the course of the conference call, ADTRAN representatives expect to make forward-looking statements, which reflect management's best judgment based on factors currently known. However, these statements involve risks and uncertainties, including the successful development and market acceptance of core products, the degree of competition in the market for such products, the product and channel mix, component cost, manufacturing efficiencies and other risks detailed in our annual report on Form 10-K for the year ended December 31, 2016. These risks and uncertainties could cause actual results to differ materially from those in forward-looking statements which may be made during the call. In addition, ADTRAN will webcast this conference call live through the Q4 Inc. webcasting service.

It is now my pleasure to turn the call over to Tom Stanton, Chief Executive Officer of ADTRAN. Sir, please go ahead.

Thomas R. Stanton - *ADTRAN, Inc. - Chairman and CEO*

Thank you, Erica. Good morning, everyone. Thank you for joining us for our third quarter 2017 conference call. With me this morning is Roger Shannon, Senior Vice President and Chief Financial Officer.

I'd like to begin this morning by discussing the details behind our third quarter results, and I will end with some comments on what we see on the future. Roger will then discuss our quarter 3 performance in more detail, and we will then open the call up for any questions that you may have.

As we stated in our earlier press release, revenues for the quarter were \$185.1 million, up 10% over the third quarter of last year. Our Networking Solutions revenue, including both international and domestic markets, came in at \$145.5 million, up 7% over the same period last year. Total Services & Support revenues were a record \$39.6 million in the third quarter, an increase of 22% over last year and up 36% sequentially. Revenue for our domestic markets came in at \$147.9 million or 80% of the total, while our international revenues were \$37.2 million for the quarter or 20% of the total. On a year-over-year basis, our domestic revenues increased 16%, led by growth in our domestic Tier 1 products and services businesses, while our international business decreased 10% over the same period last year.

Moving down a little deeper, our Access & Aggregation category had a strong performance, up 13% over the same period last year, driven by growth in our domestic Ultra Broadband products and services. Customer Devices revenue had growth both domestically and internationally, up 8% over the same quarter last year, led by strength in our enterprise products. Lastly, our Traditional Products & Other categories were down 11% versus the same quarter last year mainly due to the expected slowdowns in our older-generation DSL products.



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Last quarter, I mentioned considerable progress in terms of moving our new G.fast technology and our Mosaic Cloud Platforms into Tier 1 production networks, traction within the MSO market and expanded interest in our 10-gig PON solutions. I am pleased to report that during the quarter, we made progress with each of these efforts. We moved forward with our G.fast and Mosaic Cloud Platform production deployment plans as part of nationwide rollouts with both domestic and international operators. During the quarter, we were able to share that CenturyLink became the first national service provider to launch virtualized next-generation PON2 products and XGS-PON services in the U.S. CenturyLink is currently conducting the field trial of ADTRAN's virtualized OLT 10-gig PON solutions as part of this service launch. This quarter also included announcements of several enhancements to our Mosaic Cloud Platform, including the launch of broadband service subscriber management suite, the gigabit accelerator program targeted for CAF/A-CAM recipients, the SD-Access Accelerator program, the Mosaic Subscriber Solutions & Experience suite of software tools and the Mosaic Open Network Alliance. These programs will play a critical role in expanding and supporting the growing ecosystem of products, services and companies committed to building an open, scalable and flexible broadband network.

Additionally, we announced several innovative products and technologies that will help our customers expand the range and reach of gigabit services, including our Gigabit-to-the-Basement solutions. This solution takes gigabit services 10x farther and up to 5x faster for our customers serving those dense urban areas, a key competitive advantage within these markets. The trial we announced last quarter for this product led to ADTRAN being selected by a Tier 1 operator during the quarter. We also announced an upgrade of our NG-PON2 solutions to include non-service impacting wavelength agility and ultralow latency as a means to support 5G and other mission-critical services.

These announcements, in combination and as independent events, are enabling ADTRAN to better serve our growing customer base in the U.S. and abroad as the industry moves towards a fully realized SD-Access infrastructure.

Looking forward, we will continue to deliver the products, services and support that our customers require as they move forward with gigabit and other ultra broadband services. We remain focused on enabling our customers to reach every customer over any network and any device simply and cost-effectively. We are committed to ensuring that we deliver the innovation our customers need to achieve their network and business objectives.

I'd now like Roger Shannon to review our results for the third quarter 2017 and provide some comments on the fourth quarter of 2017 as well. We'll then open the call up for any questions that you may have. Roger?

Roger D. Shannon - ADTRAN, Inc. - CFO, SVP of Finance, Corporate Treasurer and Secretary

Thank you, Tom, and good morning. I'll speak about our third quarter results and discuss what we see for the next quarter. During my report, I'll be referencing both GAAP and non-GAAP results.

As Tom stated, ADTRAN's third quarter revenue came in as expected at \$185.1 million, which is up 10% compared to \$168.9 million for quarter 3 of 2016 and just ahead of the \$184.7 million that we reported last quarter. Our Network Solutions revenues for the third quarter were \$145.5 million, up 7% from the \$136.3 million for quarter 3 of last year and down 6% from \$155.5 million reported for quarter 2 of 2017. Our Services & Support segment continues to show strong year-over-year and quarter-over-quarter growth, led by strength in ultra broadband implementations. Quarter 3 2017 revenue was \$39.6 million, up 22% compared to the \$32.6 million earned in quarter 3 of 2016 and up 36% versus the \$29.1 million reported for the second quarter of 2017.

Across our revenue categories, Access & Aggregation revenues for quarter 3 were \$136 million, up 13% compared to \$120.6 million for quarter 3 of 2016 but down 2% compared to \$138.6 million last quarter. Customer Devices revenues for the quarter were \$35.6 million, up 8% compared to \$33 million for quarter 3 of 2016 and up 5% compared to \$33.8 million for quarter 2 of 2017. Traditional & Other Products revenues for quarter 3 2017 were \$13.6 million, down 11% compared to \$15.3 million for quarter 3 of 2016 and up 11% compared to \$12.2 million for quarter 2 of 2017.

Looking at revenues geographically, domestic revenues for quarter 3 2017 were \$147.9 million, up \$20.2 million or 16% from the \$127.7 million that we reported in quarter 3 of last year and up \$1.2 million or 1% from the \$146.7 million in quarter 2 of 2017. Our international revenues for quarter 3 of 2017 were \$37.2 million, down 10% compared to \$41.2 million in quarter 3 of last year and down 2%, as expected, from the \$38 million for quarter 2 of 2017. We published the reporting of each of these categories on our Investor Relations web page at adtran.com.



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For the quarter, we had 2 10% of revenue customers. Our GAAP gross margins for the third quarter of this year were 46.7% compared to the 44.9% for third quarter of 2016 and 45.8% last quarter. The year-over-year and quarter-over-quarter increases in our gross margins were driven primarily by an increase in the percentage of our domestic business and a favorable mix in our services business.

Total operating expenses on a GAAP basis were \$68.2 million for quarter 3 of 2017 compared to \$65.7 million for quarter 3 of last year and \$68.2 million for quarter 2 of 2017. On a non-GAAP basis, our quarter 3 operating expenses were \$65.8 million compared to \$63.1 million in quarter 3 of last year and \$65.5 million last quarter. Our operating expenses were flat sequentially as expected. The year-over-year increase in operating expenses was a result of R&D expenses related to customer-specific projects, ERP project implementation expenses and performance and equity-based compensation. The difference between GAAP versus non-GAAP operating expenses in quarter 3 is due to restructuring expenses, amortization expenses associated with our Active EPON and RFoG products acquisition in the third quarter of last year and equity-based compensation.

Operating income on a GAAP basis for the quarter just ended was \$18.3 million, up 81% compared to the \$10.1 million reported in Q3 of last year and up 11% versus the \$16.4 million reported in quarter 2 of 2017. The increase in quarter 3 GAAP operating income as compared to quarter 2 is attributable to stronger gross margins. The year-over-year increase in operating income is attributable to higher revenue with a favorable mix of gross margins, partially offset by the previously explained higher operating expenses. Non-GAAP operating income or adjusted EBIT for quarter 3 2017 was \$20.8 million, an increase of 46% compared to \$14.3 million for quarter 3 of last year and an increase of 8% versus the \$19.2 million earned in quarter 2 of 2017. Our adjusted EBIT margin was 11.3% for the quarter just ended compared to 8.5% in quarter 3 of last year and 10.4% last quarter.

As described in our supplemental information provided in our operating results disclosure, stock-based compensation expense, net of tax, was \$1.4 million for quarter 3 of 2017 compared to \$1.3 million reported in quarter 3 of last year and \$1.4 million in quarter 2 of this year. The expenses related to amortization of acquired intangibles were \$299,000, net of tax, compared to \$477,000 in quarter 3 of last year and \$582,000 last quarter. Restructuring expense, net of tax, was \$131,000 for third quarter of 2017 compared to \$1.3 million reported in quarter 3 of last year and 0 last quarter.

All other income, net of interest expense, for quarter 3 of 2017 was \$900,000 compared to \$5.4 million for quarter 3 of 2016 and \$1.4 million last quarter. The year-over-year decrease in all other income is the result of a bargain purchase gain of \$3.5 million recorded in quarter 3 of 2016 from our acquisition of Active EPON and RFoG product lines from a third party and higher losses on foreign exchange fluctuations in quarter 3 of this year. The decrease in other income from the sequential quarter is primarily due to lower gains on investments.

The company's tax provision for quarter 3 of 2017 was an expense of \$3.3 million or an effective tax rate of 17.23% compared to a tax provision rate of 20% for quarter 3 of 2016 and 30.6% in quarter 2 of 2017. The decrease in the tax rate versus quarter 3 of last year and quarter 2 of this year was primarily related to the recognition of additional research and development tax credits this quarter, along with a greater mix of international income.

Net income for quarter 3 2017 was \$15.9 million, up 28% compared to \$12.4 million in both quarter 3 of last year and quarter 2 of 2017. Non-GAAP net income for the third quarter 2017 was \$17.8 million compared to \$15.5 million in quarter 3 2016 and \$14.4 million last quarter.

Earnings per share on a GAAP basis, assuming dilution for the third quarter of 2017, were \$0.33 compared to \$0.26 per share in quarter 3 of last year and \$0.26 per share for quarter 2 of 2017. Non-GAAP earnings per share for the third quarter of this year were \$0.37 compared to \$0.26 per share for quarter 3 of last year and \$0.30 per share for quarter 2 of this year. Non-GAAP earnings per share excludes the effects of amortization of acquired intangibles, restructuring expense, stock compensation expense and the bargain purchase gain from an acquisition in each of the respective quarters. We've provided a reconciliation between diluted GAAP earnings per share and diluted non-GAAP earnings per share in our operating results disclosure.

Now turning to the balance sheet. Unrestricted cash and marketable securities, net of debt, totaled \$249.2 million at quarter-end after paying \$4.3 million in dividends during the quarter. For the quarter, ADTRAN produced \$1.4 million of cash flow from operations. Net trade accounts receivable were \$101.6 million at quarter-end, resulting in a DSO of 51 days compared to 55 days at the end of the third quarter of 2016 and 39 days at the end of Q2 2017. The year-over-year improvement in our current quarter DSO is attributable to geographical sales mix and the timing of shipments



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within the quarter. The increase in sequential quarter DSO is primarily driven by the timing of shipments within the current quarter and customer mix. Inventories were \$116.2 million at the end of quarter 3, up slightly from \$114 million last quarter.

Looking ahead to the next quarter, the book-and-ship nature of our business, the timing of revenues associated with large projects, the variability of order patterns of the customer base into which we sell and the fluctuation in currency exchange rates in international markets we sell into may cause material differences between our expectations and actual results. However, taking into account capacity in our services organization and normal seasonal trends, our current expectations are that fourth quarter 2017 revenues will be in the range of \$155 million to \$165 million. Also, taking into account the potential impact of currency exchange rates and anticipated mix, we expect that our fourth quarter gross margins, on a GAAP basis, will be flattish for the quarter just ended. We're also expecting GAAP operating expenses for quarter 4 2017 to be down in the range of \$65 million to \$66 million and that other income will be flattish with the quarter just ended. Finally, we anticipate the consolidated tax rate for the fourth quarter to be in the low 30% range.

We believe the significant factors impacting revenue and earnings realized in 2017 will be the following: the macro spending environment for the carriers and enterprises; currency exchange rate movements; the variability of mix and revenues associated with project rollouts; professional services activity levels, both domestic and international; the timing of revenue related to the Connect America Fund projects; the adoption rate of our Broadband Access platforms; and inventory fluctuations in our distribution channels.

I would like to encourage our listeners to visit ADTRAN's Investor Relations website by going to www.adtran.com and following the Investor Relations link. We have a user-friendly Investor Relations website with added resources such as interactive financials to provide additional insight into our performance.

With that, I'll now turn the call back over to Tom.

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

Thank you, Roger. Erica, at this point, we're ready to open up for any questions people may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll go first to the line of Michael Genovese with MKM Partners.

Michael Edward Genovese - MKM Partners LLC, Research Division - MD & Senior Analyst

So to start with the revenue guide for 4Q, it seems like it's a little bit worse than normal seasonality. It seems like the high end of the range is really where we'd see normal seasonality. So are there other factors in the short term impacting the fourth quarter guide besides just seasonality?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

Yes. I mean, I think you're right. I think if you looked at our normal seasonal trend, that would probably reach to the upper end. And Roger did mention it in his comments. I think the thing that we're being cautious about is capacity on the services portion of our business and just finalizing a lot of jobs that are scheduled to be done this year and also taking into account what the weather may actually -- how that weather may impact us. So that's really what's driving the variability.



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Michael Edward Genovese - MKM Partners LLC, Research Division - MD & Senior Analyst

It seems like, all along, you've seen no impact from M&A at your biggest U.S. customer. Has that really -- I mean, from your perspective, has that been the case? And are you not expecting to see any impact in the quarter where they're actually closing the deal?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

You never know until things close, so I'll always be cautious about that. But at this point, we've got -- we're teed up for the fourth quarter and -- or moving forward with that. I think the biggest thing we're worried about at this point is just being able to complete all the engineering that we have to get done in the installations.

Michael Edward Genovese - MKM Partners LLC, Research Division - MD & Senior Analyst

Okay. And then finally for me, on the other 2 U.S. Tier 1 carriers, the 2 bigger ones. First of all, with the GPON -- I'm sorry, G.fast customer, I just want to get a sense of their revenue contribution in the quarter and how it compared to the prior quarter. And then with the other one, which, it seems like, more of an NG-PON opportunity, did you confirm during your prepared remarks that you've been awarded that deal and have won that deal? And should we expect to see that ramp in 2018?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

I wouldn't. I'm not sure what award is going to look like. What we have is agreements in hand that allow us to continue to participate in trials as they continue to roll things out. But I still think it's -- as you know, there's 2 of us in that RFP, and I think we're still going through the lab processes.

Michael Edward Genovese - MKM Partners LLC, Research Division - MD & Senior Analyst

Okay. And then on the other one?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

As far as the -- yes, so that one's actually up. We expected it to be up, and we -- it was actually up sequentially. We expect it to do better yet this quarter. I think the -- and we'll expect that to ramp. It's still a very early thing. They're just not getting up there and starting to really try to move it, and so we kind of get everybody centered. This particular award had 2 facets to it: an out-of-region network, which was -- which is now being deployed. And they're actively selling that product, and we would expect that to ramp. And then an in-region build, which we are still in the lab at, and our expectation is that we would get out of the lab in the first half of next year, hopefully, towards the frontier end of the first half, but in the first half of next year.

Operator

We'll go next to the line of Rich Valera with Needham & Company.

Richard Frank Valera - Needham & Company, LLC, Research Division - Senior Analyst

I had a follow-up on the services capacity issue. You obviously had a very strong quarter this quarter, and presumably, you have the same capacity quarter-over-quarter. So was it just the timing of rev rec related to these projects? And did you clarify that you expected service revenue to be kind of down materially quarter-over-quarter? Or how should we think of that quarter-over-quarter?



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Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

I don't think we actually broke it down on a quarter-over-quarter basis. Honestly, I don't expect it. We have a typical slowdown in our product business, which will impact us, not just the normal seasonal trend. I think the big -- maybe the variability that we're trying to plan for here is particularly on the services side. And depending on where we end up in that range is going to be whether or not our services number is up or down sequentially.

Richard Frank Valera - Needham & Company, LLC, Research Division - Senior Analyst

Okay. And just on the product side, assuming services came in sort of in line with expectations, is there anything going on, on the product side that's causing you to guide maybe a little bit below typical seasonality in the fourth quarter?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

No, no. No, it's definitely centered around -- you'll see the swings in our European business. We would expect that to be down in the fourth quarter, as it typically is. You just see a general kind of slowness in the fourth quarter, but there's nothing abnormal going on, on the product side. I think our variability very much centers around the services piece.

Richard Frank Valera - Needham & Company, LLC, Research Division - Senior Analyst

Got it. Then with the GPON program you're talking about with the Tier 1, where you -- I think you've characterized it as sort of still being in the lab. Just wondering what you think the timing of that is, particularly as it relates to your elevated OpEx levels related to that program. I thought before that maybe we thought, post 4Q of this year, we might kind of be beyond that and would be into some kind of production mode. Do we now think we're more kind of pushing into next year, still heavily engaged and, perhaps, have higher OpEx related to that program that will potentially see a production ramp?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

Yes. Here you go. Let me just kind of frame that. So when we say higher OpEx, we have been running at a higher R&D expense rate than is typical. And we've been carrying that for some period of time. We do expect OpEx to go down a little bit in the fourth quarter, as Roger mentioned in his note, it is actually fairly materially on a sequential basis. But the total R&D level is still remaining relatively constant on what our headcount is and what our spend is. And I really would expect that to continue on, at least into the first quarter. I think the thing that -- the real tell sign is when we get into really full production. You don't know what changes you're going to have to make in order to ease their integration until you're complete with those changes. So we do have some of that that's still left ahead of us, which is unknown. And there are some feature changes that are continuing to happen, which is really kind of par for the course. So until those things stabilize, I think it's going to be -- I don't think I can be much granular other than tell you I would expect that R&D level to be the same -- relatively the same through the first quarter. Although I can't -- we're not here yet to be able to tell you what the total expense line will be. Typically, expenses are typically down in Q1 on a total basis.

Richard Frank Valera - Needham & Company, LLC, Research Division - Senior Analyst

I don't think you provided kind of an update on the timing and potential ramp of your NBN program. Could you give us a sense of where that stands and how we should think about heading into (inaudible)?



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Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

Yes. That's going very well. So we are full bore into integration at this point. We had initially talked about seeing revenue in the first half of next year. There's nothing that leads me to believe that's not the case. That's one of those -- I think there's probably more upward bias than downward bias on both the timing and the trajectory of the revenue. So hopefully, that will come in stronger than we expect. But right now, our expectation hasn't changed, and we're expecting that to shift in the first half of 2018.

Operator

We'll go next to the line of Simon Leopold from Raymond James.

Mauricio Alberto Munoz Roldan - Raymond James & Associates, Inc., Research Division - Senior Research Associate

This is Mauricio in for Simon. Did you guys quantify the impacts from FX on the quarter?

Roger D. Shannon - ADTRAN, Inc. - CFO, SVP of Finance, Corporate Treasurer and Secretary

It was very minimal. The euro, as you know, has been stronger over the course of the year, but the quarter-over-quarter impact is fairly minimal. And looking at year-over-year, the timing of the revenues and the rate in the same period last year, there's not a significant amount of impact.

Mauricio Alberto Munoz Roldan - Raymond James & Associates, Inc., Research Division - Senior Research Associate

Okay. And then it seems like EPS benefited from a lower-than-anticipated tax rate in the quarter. Can you talk about the sources of that decline? And then how should we think about the tax rate going forward?

Roger D. Shannon - ADTRAN, Inc. - CFO, SVP of Finance, Corporate Treasurer and Secretary

Sure. So as we've discussed in prior quarters, we've continued our work looking to reset our R&D tax credit base. We've done lots of work internally to look at prior periods, which we completed in the current quarter and will allow us to benefit in quarter 3 of looking at prior periods. Going forward, we're guiding to the low 30% range for quarter 4. Again, I'll also mention, that takes into account the international versus domestic mix and, again, what we see as far as returning to normal from an R&D level.

Mauricio Alberto Munoz Roldan - Raymond James & Associates, Inc., Research Division - Senior Research Associate

Okay. And then one last one, something we wanted to ask you. What is your sense on the appetite from operators to adopt white box equipment under broadband networks? What do you think will be the financial impact to ADTRAN as, basically, ONTs become commoditized on branded competition based on operator specifications? What are you guys doing to mitigate this headwind -- potential headwind?

Thomas R. Stanton - ADTRAN, Inc. - Chairman and CEO

Okay. So there's a multitude ways to tackle it. First of all, ONTs are relatively commoditized, so I think if you're talking about OLTs, which are really network infrastructure side. The products that we're bidding today are very much targeted with an open architecture in mind. So there -- I think the dream is to have white box solutions. I think there were questions where those white boxes are going to be coming from and how complicated are those white boxes and are they really generic commodities. And I think it's a very long period of time before that happens. If you take a look at the current quasi-white box solution that we're shipping today and that we have in trials for NG-PON2, they're some of the most complicated products that we've ever developed. So although they give you the capabilities of having a true SDN open network architecture, the elements themselves are still very complicated. So I think that, that transition will happen over time. It will happen in different pieces of the network. And



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certain pieces like remote terminals, outside plant equipment, I think, is going to be much more difficult and may not prove to be cost-effective. So that's point one. Point two, our whole push has been, over the last 3.5 to 4 years, a drive towards adding software content to our portfolio and becoming more and more a leader not only in the space but in how we actually go to market. So our Mosaic Cloud Platform and our Mosaic OS are both key elements on us being able to transition more of the value-add that we bring to market, not just on having the lowest-cost product, commodity product or non-commodity product, but also on having the highest value-add software content. And I think so far, I think we're doing a fantastic job with that.

Operator

And we'll go next to the line of Greg Mesniaeff from Drexel Hamilton.

Gregory Mesniaeff - *Drexel Hamilton, LLC, Research Division - Senior Equity Research Analyst*

Tom, actually, on the question on Mosaic, that was my question. Have you guys explored marketing Mosaic as a stand-alone package entity? And if so, how is that resonating with your customers?

Thomas R. Stanton - *ADTRAN, Inc. - Chairman and CEO*

Yes. In fact, we do. And I just -- the question leads me to believe we could probably do better. But Mosaic is actually marketed as a stand-alone SD-Access software platform. And today, in the networks that we're deploying in today, for instance, in what we're doing with our Australian carrier is actually managing elements that nor are just ADTRAN elements. So we're actually in there as a -- in a stand-alone fashion, managing other people's elements, and it's our software that's leading the day. There was a separate requirement list for that software, and we were successful winning that software. Separately, there is the equipment business, which we also were successful in. But that's not just true there. It's also true with our U.S. carriers who were looking at managing multiple elements. We did a release -- I believe it was at the middle of the year last year, where we announced our CORD implementation and what we call our CORD pods, which allowed people to actually buy, in effect, racks of equipment that can be stood up and used as singular elements, or they can just buy the software itself. And that's been on the market now. The problem, I think, as far as -- I guess acceptance, maybe just revenue coming directly on that line, is the mature -- you have the carriers' networks themselves, number one. Are they really ready for it? I think a lot of them see where they want to get to, but I think it's a very long path to migrate their existing OSes in order to be able to take advantage of the system. So that's -- certain carriers are ahead of others. And in general, they're all moving that way but I still think at some period of time. Secondly, because of -- fundamentally, the legacy OS is better within these networks. There's a lot of custom development that has to be done on a carrier-by-carrier basis. So it's not as clean as you would like it to be, but we are absolutely trying to sell it. It is a software element, a software product anybody can buy as a stand-alone element today.

All right. I think with that, I think we're at the end of the question. So I appreciate everybody joining us for our call today, and we look forward to talking to you next quarter.

Operator

We'd like to thank everybody for their participation. Please feel free to disconnect your line at any time.



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