

TTI-TELECOM

Moderator: Meir Lipshes
August 25, 2009
8:00 am CT

Operator: Good morning. My name is (Brandi) and I will be your conference operator today. At this time I would like to welcome everyone to the TTI Telecom Second Quarter 2009 Earnings conference call.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad.

If you have already done so, please press the pound sign now, then press star 1 again to ensure your question is registered.

If you would like to withdraw your question, press the pound key. Thank you. I would now like to turn the call over to Rebecca Aspler, Investor Relations Manager for TTI Telecom. Please go ahead.

Rebecca Aspler: Thank you operator and good morning everyone. This is Rebecca Aspler, Investor Relations Manager at TTI Telecom.

With me on the call today are Meir Lipshes, Chairman and CEO, Tali Tueg-Cohen, CFO and Shachar Ebel, COO and CTO of CTI Telecom.

By now you should have all received our second quarter 2009 earnings press release which was issued earlier this morning. If you have not received the release, please refer to the company's Web site.

Before we begin I'd like to remind you that during this conference call, management may make certain forward-looking statements.

These forward-looking statements involve a number of risks and uncertainties including but not limited to product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development, the effect of the company's accounting policies as well as certain other risk factors which are detailed in the company's SEC filings.

With that said, I'd like now to turn the call over to Meir, Tali and Shachar for a review of the quarter. Following these prepared remarks, we should be happy to take any questions you may have. Meir.

Meir Lipshes: Thank you and welcome to our Q2 conference call. Second quarter 2009 financial results continue to (spend) in the light of the economic recession.

On the positive side as a result of cost containment measures that the company has taken, we are able to show a continuing decrease in our operating expenses and an increase in our operating income over the past six months.

One the down side as in the previous quarter, this recession's influences are still apparent in the slow decision-making process that customers take and the

continuing pressure to lower prices and in continuing difficulty to get new orders.

The effects of the recession have taken hold in our book to bill ratio which as decreased this quarter to below 1.

I will provide additional details in a moment but would first like to turn the floor over to our CFO, Tali Tueg-Cohen for a review of the first quarter financial results. Please Tali.

Tali Tueg-Cohen: Thank you Meir. Total revenues for the second quarter of 2009 were \$10.7 million compared to \$13.9 million in the second quarter of 2008 and \$10.8 million for the first quarter of 2009.

Total operating expenses for the second quarter were \$5.3 million compared to \$7.4 million in the second quarter of 2008 and \$5.4 million in the first quarter of 2009.

I would like to draw your attention to the decreasing operating expenses in the second quarter of 2009 compared to the second quarter of 2008 which is (a balance) with that of the cost cutting measures that we have taken since the beginning of the global economic recession.

Our operating income for the second quarter was \$644,000 compared to an operating income of \$318,000 for the second quarter last year and an operating income of \$596,000 in the first quarter of 2009.

Net income for this quarter was \$912,000 or 5 cents for basic and diluted share compared to a net income of \$260,000 or 1 cent for basic and diluted

share in the second quarter of 2008 and a net income of \$513,000 or 3 cents for basic and diluted shares for the first quarter of 2009.

For the six months ended on (unintelligible) 2009, total revenues were \$21.5 million. This compares to \$26.7 million for the first six months of 2008.

Total operating expenses for the first six months of 2009 were \$10.5 million compared to \$14 million in the comparable period in year ago.

Operating income for the first six months of 2009 was \$1.2 million compared to operating income of \$536,000 in the first half of 2008.

Net income for the first six months of 2009 was \$1.4 million or 7 cents per basics and diluted share compared to a net income of \$1.1 million or 6 cents for basic and diluted share for the six months ending on June 30, 2008.

TTI Telecom would like to know that due to the settlement with Telesens as announced several weeks ago, the financial results of Telesens are presented separately in the financial report as discontinued operations.

Turning to the balance sheet on June 30, 2009, our liquid assets consisted of approximately \$27.4 million or roughly \$1.7 per diluted share.

This compares to \$24.9 million of cash and cash equivalents that the company had on December 31, 2008.

We ended the quarter with total ordinary shares outstanding of (60,000,3158) unchanged on a quarter over quarter basis.

As of June 30 we had 2.9 million preferred shares and 2.6 million warrants still outstanding. We will continue to update these figures on a quarterly basis.

Finally DSO is out 72 days compared to 63 days last quarter and well below our target DSO of 90 days.

This concludes my prepared remarks. Now I will turn the call over to Shachar.

Shachar Ebel: Thank you Tali. The geographical breakdown of revenue for the second quarter of 2009 was as follows.

The America's approximately \$3.4 million or 32% of revenue, EMEA \$6 million or 56% and APAC \$1.3 million or 12%.

For the second quarter of 2009 wireline carriers accounted for approximately 52% of the quarter sales with the remaining 48% coming from mobile operators.

For the second quarter of 2009 we had two customers that accounted for 10% or more of revenues in the quarter.

The geographical breakdown of revenues for the first six months of 2009 was as follows. The America's approximately \$6.5 million or 30% of revenue, EMEA \$12.6 million or 59% and APAC \$2.4 million 11%.

For the first six months of 2009, wireline carriers accounted for approximately 57% of revenue with the remaining 43% coming from mobile operators.

For the first six months of 2009, we had two customers that accounted for 10% or more of revenue.

Advancing (with) our products, several weeks ago we announced the release of our (unintelligible) (object based) service (unintelligible) reporting engine.

Using this reporting and analytics engine, TTI empowers its customers more dynamically processed and presents better (unintelligible).

As one can see despite the recession, we continue to invest in our product's roadmap and develop (all the) capabilities that our customers need and appreciate.

This concludes my prepared remarks. Now I'll turn the call over to Meir.

Meir Lipshes: Thank you. This quarter the (unintelligible) stands in line of continuing uncertainty and limited business (visibility).

In dealing with these business challenges, we at TTI telecom are balancing our short term priorities with the company's long term growth and issues.

In the short term and in the face of limited market (visibility), we continue our relentless efforts to decrease our operating expenses and increase our operating income while maintaining a high level of service that is important to our loyal and long term customers.

Looking at the long term, we do see customers searching for operating support system that can supervise and optimize today's (unintelligible) and constantly changing network.

To take advantage of this opportunity we are currently investing resources that in the future will leverage our (advanced products), telecom (unintelligible) and broad customer base.

With that said, I would now like to open the call to your questions. Please operator?

Operator: At this time I would like to remind everyone, in order to ask a question, press star then the number 1 on your telephone keypad.

We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Joseph Waligore, a private investor.

Joseph Waligore: Yes, congratulations. You guys are doing a good working keeping the costs down and doing good work getting revenue up or I mean doing revenue okay.

I had a question about whether your customer concentration, you said you had two customers 10% or more. Is it possible to get a sense of what your top five customers, how much total percentage they give?

Shachar Ebel: How much the top five customer gives?

Joseph Waligore: Yes, I just want to find out whether your top one or two customers are like 30%, like whether you have one 30% customer or it's more like 15% or something. So my question is about your top 5 or your two over 10%. I just want to make sure you're not too totally concentrated in one or two customers.

Shachar Ebel: Yes, I got the question. The total number, that number but is more like the second case you described.

Joseph Waligore: The second case being not – you are very much concentrated in a couple customers or not? I didn't quite...

Shachar Ebel: No. It's more on the – something – you know, it's not really (fair) that one of them is 30%. It is much lower than that.

Joseph Waligore: Oh okay. So it's probably less than 20% for your top 10% customers then right?

Shachar Ebel: No, for the two that are more than ten.

Joseph Waligore: Okay, so that's good. So you're not concentrated that much in just one or two customers?

Meir Lipshes: I think that's – it's Meir Lipshes answering. Only as we disclosed it's more above 10%. Now the concentration is something that I will – that we can charge for (uncertainty) it's too much or not. What we can say is that it's less than 30% and...

Joseph Waligore: Okay and thank you so – and just continuing on this, is it about like your – is your current concentration in these two customers and your top 5% like your historical average of what it would be, you know, like in 2008 and 2007 and before?

I mean are you still the same historical...

((Crosstalk))

Joseph Waligore: Pardon?

Meir Lipshes: There is not much difference in the concentration of customers than there are during the last two years.

Joseph Waligore: Okay thank you. Then I can look it up in the (20F). Thank you very much.

Operator: As a reminder, if you would like to ask a question, please press star then the number 1 on your telephone keypad.

Your next question comes from the line of Jeffrey Meyers with Cobia Capital.

Jeffrey Meyers: Good, thanks guys. So I guess my question is in terms of, you know, you said the decision making process continues to be slow with the customers.

What about in terms of RFPs? You know, are you seeing, you know, more RFPs, fewer RFPs, you know, on – I guess on, you know, on that side of things?

Shachar Ebel: The decision process continues to be slower than it used to be in past years.

I can say same as for the number of RFPs. We see some optimistic signs I would say in the last month, but it's too small and too short a period for us to make any suggestions around it.

Jeffrey Meyers: Got it. And did you think – and what's – you know, the RFPs that are coming out now as you're saying, when do you think decisions are going to be made on those? Is that sort of 9 to 12 months out or, you know, how – what do you think the timing will be there?

Shachar Ebel: Well the first cycle is usually 6 to 12 months. So it's probably (sic) be in this range or even in – on the longer side. The pickup, the decision process has been longer.

Jeffrey Meyers: Right, I got you. And how are things going with France Telecom? Are you still getting, you know, pretty good leads from that relationship?

Shachar Ebel: France Telecom they have got the rest of the market. And we are in the same position in that.

Jeffrey Meyers: I see. In terms of, you know, what your, you know, their affiliates are, you know, are you seeing more activity out of their affiliates because of your relationship with them would you say?

Shachar Ebel: I think in general we see more activity due to the relation in France Telecom. But France Telecom in general of all other customers are slowed down due to the market recession.

So, you know, the same – they suffer the same, you know, (low orders).

Jeffrey Meyers: Okay. And then just last question for me is, you know, you guys have done, you know, a very good job cutting costs. You know, how much further I guess can you cut costs before, you know, you get to sort of your core business that you don't really want to touch anymore?

Meir Lipshes: At this moment we don't have a plan for cutting costs further. Also if we have to do an additional reduction cost, we have to change some of our strategies and that is still not (secured).

Just to cut costs from the overhead we have fulfilled I believe most of it.

Jeffrey Meyers: Okay. Let's see, I have one more which was around – you know, in terms of new product development. Anything, you know, that you guys are working on that's going to be, you know, you think would really help you in the market today?

Shachar Ebel: We are working on some of them, but usually we don't disclose them at this situation.

Jeffrey Meyers: Right. Okay that's fair. All right guys, thank you.

Shachar Ebel: Sure.

Operator: As a reminder if you would like to ask a question, please press star then the number 1 on your telephone keypad.

There are no further questions at this time.

At this time there are no further questions. Are there any closing remarks?

Rebecca Aspler: Yes thank you operator and again thank you everyone for joining the call. Good day everyone and bye now.

Operator: This concludes today's TTI Telecom Second Quarter 2009 Earnings conference call. You may now disconnect.

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