

TTI-TELECOM

**Moderator: Meir Lipshes
May 20, 2009
9:00 am CT**

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

All lines have been placed on mute to prevent any background noise. After the speakers' 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 would like to withdraw your question, press the pound key. Thank you. I would now like to turn the call over to Ms. Rebecca Aspler, Investor Relations Manager. Please go ahead.

Rebecca Aspler: Thank you, operator.

Rebecca Aspler: thank you, operator. And welcome to our First Quarter 2009 Financial Results conference call.

This is Rebecca Aspler, Investor Relations Manager at TTI Telecom. With me on the call today are Meir Lipshes, Chairman and CEO, Tali Cohen, Acting CFO, and Shachar Ebel, COO and CTO.

By now you should have all received our First 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 conference call managers 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.

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

Meir Lipshes: Thank you and welcome to our Q1 conference call.

First of all 2009 financial results stand in the light of the severe economic recession. On the positive side of things, we were able to finish the First Quarter of 2009 with our book-to-bill ratio staying above one, as if it was in the fourth quarter of 2008.

This exchange rate is especially (unintelligible) considering the current economic climate.

Additional, due to the cost containment measure that the company has taken and due to the strengthening of the US dollar compared to the Israeli Shekel, we were able this quarter to decrease our operating expenses.

One must note though that TTI, similar to its customers, continues to experience the effects of this economic recession.

As in the previous quarter, influences of this recession are apparent in the slow decision making processes that customers take these days, in the increasing pressure to lower prices and increasing difficulty to collect revenue.

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

Tali Cohen: Thank you, Meir.

Total revenues for the quarter were \$11.1 million. This compares to \$13 million in the first quarter of 2008 and revenues of \$11.7 million in the fourth quarter of 2008.

Total operating expenses were \$5.3 million, compared with \$6.8 million in the first quarter of 2008 and \$7.8 million in the fourth quarter of 2008.

The decrease in our operating expenses can be explained by the cost containment measures that we have been continuously taking and the strengthening of the U.S. dollar compared to the Israeli Shekel.

The decrease in operating expenses and cost of revenues in the first quarter of 2009 compared to the fourth quarter of 2008, that can be attributed to the strengthening U.S. dollar compared to the Israeli Shekel of approximately \$370,000.

Operating income for the quarter was \$531,000 compared to an operating income of \$473,000 in the first quarter of 2008 and an operating loss of \$1.7 million in the fourth quarter of last year.

Net income in the first quarter of 2009 was \$566,000 or 2 cents per basic and diluted share, compared to a net income of \$873,000 in the first quarter of 2008 or 5 cents per basic and diluted shares and a net loss of \$2.1 million or 13 cents per basic and diluted shares in the fourth quarter of 2008.

Turning to the balance sheet, on March 31, 2009 our liquid assets consisted of approximately \$26.7 million or roughly \$1.7 per diluted share. This compares to \$25 million of cash and cash equivalent that the company had on December 31, 2008.

We ended the quarter with (unintelligible) ordinary shares outstanding of (60,003,158) on a fully diluted basis, unchanged (very) from December 31, 2008. As of March 31, we had 2.9 million preferred shares and 2.6 million were still outstanding.

We will continue to update these figures on a quarterly basis. Finally, debt owed decreased to 63 days compared with 78 days last quarter, and well below our target debt goal of 90 days.

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

Shachar Ebel: Thank you, Tali.

Tali Cohen: Shachar?

Shachar Ebel: The geographical breakdown of revenue for the first quarter of 2009 was as follows: the Americas approximately \$3 million or 27% of revenues, EMEA 6.9 million or 62%, and APAC 1.2 million or 11%.

Mobile operators accounted for approximately 38% of the quarter's sales, with the remaining 62% coming from wire line carriers including IT broadband and business services. In the first quarter of 2009 two customers accounted for 10% or more of revenues.

Dwelling upon the operational (unintelligible) I would like to highlight the following information. As mentioned in previous meetings, TTI Telecom continues to invest effort in furthering its collaboration with mobile integrators.

This quarter, I'm proud to report that TTI Telecom has been added to (Quality) OSS Partner's list. (Quality) is a world leading telecom solutions provider and we hope that this new partnership will return business opportunities in the future.

In addition, TTI announced this quarter the addition of automating and history analysis capability to the network fault solution.

Lastly, I would like to report the signing of two new deals with customers who are new to TTI. Although I cannot discuss the details of these deals just yet, I am glad to report the expansion of TTI customers base, especially in these challenging times.

This concludes my prepared remark. Now I will return the call over to Meir.

Meir Lipshes: To conclude, while TTI had a positive first quarter, visibility for future revenue remains limited. We therefore continue to monitor the market trends while maintaining a tight cost control.

Staying in close contact with our customers, we do see them needing official service assurance solutions. Yet they also need solutions that are quick to implement and provide a fast return on investment.

In this difficult environment, we continue to support our current customers while gaining the new customers that appreciate our strong products, our fast responsiveness, TTI's favorable financial balance sheet, our highly skilled workforce and our ability to continue to innovate, even in tough times.

These conclude my prepared remarks and I would like now to open the call to your questions. Please, operator.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question at this time, please press star, then the number 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Again, to ask a question, please press star, then the number 1 on your telephone keypad. Your first question is from the line of Robert Katz with Sensus.

Robert Katz: Hi, Meir. Good job of bringing the bottom line in from lower revenues. What was the book-to-bill in the quarter and what do you see in the bookings pipeline this quarter?

Meir Lipshes: The book-to-bill on the quarter that we just announced was about one. And our visibility at the current quarter is still not clear and we are waiting until the end of the quarter to see if we can close some of some deals that we are working on.

Robert Katz: And is the nature of the deals, in terms of implementation when you can recognize revenues, is that trip time and materials or is it a question of when these large carriers start to deploy the solution?

Meir Lipshes: (Unintelligible)

Robert Katz: Is it an issue of starting point or is it an issue of when you can actually recognize something you're already working on?

Meir Lipshes: No, you ask about the booking, not about the revenue. Revenue we work according to percentage, most of the deals we work on percentage of completion. So we have some idea, but I cannot disclose now, but we have an idea about Q2 results.

The other question that I believe you ask is about the ratio of book-to-bill and that is still not clear.

Robert Katz: Okay. And if you are seeing strengths, which regions are you seeing strengths from and are you seeing any rebound in Eastern Europe in the last month or so?

Meir Lipshes: Could you repeat the question please?

Robert Katz: Are you seeing any strength in revenues from any geography in particular and have you seen a rebound in Eastern Europe yet?

Meir Lipshes: No, we don't see a rebound, but we have done a very conservative business plan for the year because we have in mind to maintaining a positive cash flow.

And we have in mind to have a profitable year. So we are putting effort on these two items than the revenue growth.

Robert Katz: Okay, very good. In terms of the share count, 16 million shares, and then you have preferreds and warrants, at what price do the preferreds - what are the conversion prices for the warrants and preferreds?

Meir Lipshes: The preferreds are the same. I mean the preferreds have a price, the same price like in the current stock. But in the auctions - one moment I'll tell you.

Tali Cohen: Two point five.

Meir Lipshes: I think it's about \$2.5.

Robert Katz: In translating your cash per share, you should include the preferred shares in that, or?

Meir Lipshes: No, we do not include preferred share. I don't know, that's of the rules, I don't know the logic of this rule, but that is the rule.

Robert Katz: Okay. Thank you and continue doing a good job on the cost side.

Meir Lipshes: Okay, thank you.

Operator: Again, ladies and gentlemen, to ask a question, please press star 1 on your telephone keypad. Your next question is from the line of Jeffrey Meyers with Cobia Capital.

Jeffrey Meyers: Thanks, guys. So my first question is on competition. How is the competitive landscape these days? You know, I imagine you're seeing most of the same competitors but who's been stronger and who's weaker?

Meir Lipshes: Shachar, could you answer please?

Shachar Ebel: Yes, sure. I think the competitive landscape has stayed the same. Its strong competition mainly from ITM, was some additional competition from HP and InfoVista. No big changes under this condition.

Jeffrey Meyers: Okay. And how about just in terms of R&D, what sort of, you know, product futures are you working on these days?

Shachar Ebel: We are working on different areas, mainly focused around functionalities and in performance areas and solutions for NTA networks.

Jeffrey Meyers: That's good. And then just last question for you. You know, strategically, I mean, you know you got to trade, is (unintelligible) of cash. You know, I guess just internally have you thought anything about a buyback?

And, you know, externally, how do you view your situation in terms of, you know, at some point are you part of a large organization? Or, you know, how do you, kind of see things?

Meir Lipshes: We can see to buy shares and we decided, the board decided, at this point not to buy back shares in the market.

Jeffrey Meyers: Okay. And then also, I guess just in terms of the strategic, you know, the strategic question.

Tali Cohen: May you please repeat the question?

Jeffrey Meyers: Yes just, you know, you guys are obviously a small company, lots and lots of cash. You know, do you think at some point, you know, you'd get acquired by a larger company with a bigger sales force or, you know, continue to play independent for, you know, a long period of time?

Meir Lipshes: At this point there are no any inquiries from buying TTI, so if there will be we'll probably let everybody know.

Jeffrey Meyers: Right, very good. All right, guys. Thanks.

Operator: Again, ladies and gentlemen, to ask a question, please press star 1 on your telephone keypad. There are no further questions at this time. Are there any further comments?

Rebecca Aspler: This concludes the First Quarter 2009 Financial Results conference call for TTI Thank you very much for your time. Goodbye now.

Operator: Thank you all for participating in today's conference. You may now disconnect.

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