

DMC Stratex Networks: downturns make our strength more obvious

BY ELIZABETH V. MOONEY

NEW YORK—DMC Stratex Networks, San Jose, Calif., a microwave and millimeter radio manufacturer, sees "strong signs of demand," Carl Thomsen, senior vice president and chief financial officer, told securities analysts recently.

Because 75 percent of the company's sales are direct and it has 200-300 active customers at any given time, DMC Stratex has good visibility, which is in as short supply as capital these days.

Although financing constraints have lengthened sales closure cycles "longer than we'd like," Thomsen said he believes the situation will resolve itself after the next two quarters are completed.

"We shipped 45,000-50,000 microwave radios in 2000 and are positioned for expansion next year," said Chuck Kissner, chairman, in a presentation Sept. 5 at the SG Cowen & Co. "Fall Technology Conference."

"About 65 (percent) to 70 percent of the business we do around the world is for mobile networks ... with the Americas, Asia-Pacific, and Europe, Africa and the Middle East each accounting for about a third of (total) sales."

While its customers may have had trouble lately raising capital, DMC Stratex has not. In mid-August, it garnered \$71 million by selling shares of its common stock to The State of Wisconsin Investment Board and Firstrand Capital

Management Inc.

"Our equity offering gave us additional strength," Kissner said.

DMC Stratex is not immune to the current economic conditions. In response, it will have cut expenses by \$8 million to \$9 million each quarter of this fiscal year, the chairman said. The company shut its Seattle plant earlier this year and consolidated manufacturing into its San Jose facility. It has reduced its work force by a third and international operating costs by 10 percent.

Notwithstanding this round of belt tightening, technology advancement has been key since 1995 to declining costs and improved profit margins, Thomsen said.

This summer, DMC Stratex began making available on a widespread basis the Altium 311, "which has spectral efficiency unheard of before," he said.

"We are pushing the envelope with Altium 311, charging 30 (percent) to 40 percent more for twice the speed ... We are pushing the boundaries because the markets are growing for mobile and as a generic alternative to fiber."

In a product description the company said Altium 311 is the only radio platform available that supports quadrature amplitude modulation (QAM) levels that enable a full 311 Megabites-per-second payload of information to be transported in a single 50 MHz channel for the U.S. market.

"Released to address the demands for large data bandwidths over wireless networks to complement fiber

deployment, Altium 311 provides the wireless capacity that operators need to support network infrastructure demands of 2.5 and third generation cellular networks," the company said.

The Altium 311 is the first product to evolve from DMC Stratex' Millennium Program, which is focused on replacing all individual products with a set of interchangeable modules that can be crafted into new products. The closer the company gets to that goal, the lower its overhead for individual products will be, Thomsen said.

Central to the Millennium Program is the company's new Vantex chipset. In a single radio it delivers wireless modulations from 4 QAM to 256 QAM and bit rates from 4 Mbps to 311 Mbps. A 600 Mbps version is in the works.

"In one sense, we like downturns because our relative strength becomes more obvious and we have a chance to prepare for the next upturn by accelerating the next generation of products," Thomsen said. **RCR**



Altium 311