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ANEN.O^B14 - Q3 2003 Anaren Inc. Earnings Conference Call

EVENT DATE/TIME: APRIL 29, 2003 / 9:00PM GMT

OVERVIEW:

Company reported 3Q03 net loss of \$958,000 or \$0.04 per diluted share on net sales of \$19.2m. Company offered 4Q03 guidance for net sales of \$18.5-20m and a loss per diluted share of \$0.01-0.04. Q&A Focus: The effects of cost cutting measures and new design wins.



CORPORATE PARTICIPANTS

Lawrence Sala *Anaren, Inc. - President & Chief Executive Officer*

Joseph Porcello *Anaren, Inc. - Vice President, Finance*

CONFERENCE CALL PARTICIPANTS

Earl Lum *CIBC World Markets - Analyst*

Rayna Smith *Needham & Company - Analyst*

J.D. Abuchar *Pacific Edge Management - Analyst*

Greg Weaver *Kern Capital - Analyst*

PRESENTATION

Operator

Good day, everyone, and welcome to the Anaren Third Quarter Earnings Release. Today's call is being recorded. At this time, for opening remarks and introductions, I'd like to turn the call over to Mr. Larry Sala, President and Chief Executive Officer of Anaren, Inc. Please go ahead, sir.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Thank you. Good afternoon, and thank you for participating in the Anaren fiscal 2003 third quarter conference call. I'm again joined today by Joe Porcello, our Vice President of Finance. I'll provide a brief overview of the third quarter results ended March 31st 2003; after which, Joe will review the financial highlights. We'll then take your questions. The statements contained in this conference call, which are not historical information, are forward-looking statements. These statements involve risks and uncertainties that could cause the actual results to differ materially from those discussed. You're encouraged to review Anaren's third quarter press release, Anaren's Form 10-K for the fiscal year ended June 30th 2002, and the Anaren's Form 10-Q for the third quarter ended March 31st 2003, and exhibits to those reports filed with the Securities and Exchange Commission to learn more about the various risks and uncertainties facing Anaren's business and their potential impact on Anaren's net sales and earnings. Net sales for the third quarter were \$19.2 million, down 8% sequentially from the second quarter fiscal 2003. The operating loss for the quarter was \$1.5 million compared to operating income of \$2,000 for the second quarter of fiscal 2003. The operating loss for the third quarter included a \$296,000 restructuring charge for a workforce reduction and a fixed asset impairment charge of \$681,000 at Anaren Europe in our Wireless Group. These actions were in response to the continued weak wireless infrastructure demand. The net loss for the third quarter was \$958,000 or 4 cents per diluted share compared to net income of \$475,000 or 2 cents per diluted share for the second quarter of fiscal 2003. On a proforma basis, excluding the impact of these one-time charges, net income for the third quarter was approximately breakeven. Wireless Group net sales for the quarter were \$11.9 million, down 10.7% sequentially from the second quarter. The wireless market demand remained very weak, and visibility remains poor. We continue to focus on developing proprietary products that offer higher value. During the quarter, we introduced new miniature surface model products under our Xinger brand, developed an active back-plane [ph] that incorporates high power microwave signal switching, and also established our first custom product design win in Asia for an Asian OEM customer. This design win is a direct result of our recent investment in an Asian-focused direct sales and engineering organization. The Wireless Group customer concentration for the quarter as a percentage of wireless group net sales was: Ericsson at 22%, Powerwave at 12%, Lucent at 10%, and Motorola at 5%. Our 802 product development activity also continued in the third quarter with the introduction of our Femto series balun product line. This product line is 75% smaller than the Pico product line that we introduced just nine months ago and expands our addressable market in Wireless LAN and other mobile wireless applications. The Femto series product line supports 802.11 (a), (b) and (g) applications. For the Space and Defense Group, net sales for the quarter were \$7.3 million, down 3.5% sequentially from the second quarter of 2003. Space and Defense Group new orders for the quarter were \$6.3 million and included follow-on orders for Defense satellite antenna distribution networks and airborne jamming subsystems. The Space and Defense backlog at March 31st 2003 was approximately \$28.7 million. Based on the continued weak wireless market conditions and the recent financial performance of the company, we are taking further aggressive actions to reduce our operating expenses and to improve our financial performance. Specifically, we are anticipating a fourth quarter restructuring charge of approximately \$1.2 million for further workforce reductions. Based on the reductions in



the third and the coming fourth quarter and other aggressive cost reduction activities, we're projecting a \$6.5 million reduction in our annual operating expenses. We fully intend to continue our aggressive growth and diversification activities and believe that in spite of these recent cost reduction efforts, we're still well staff to execute on our strategic initiatives. Joe Porcello will now review the financial highlights.

Joseph Porcello - Anaren, Inc. - Vice President, Finance

Good afternoon. The financial highlights of the third quarter income statement and the balance sheet at March 31st 2003 are as follows. The gross profit margin for the third quarter of fiscal 2003 was 26.2%. This was a 50 basis point decrease from gross margins of 26.7% in the second quarter of fiscal 2003. Gross margins fell on the wireless products due to a decline in sales and rose slightly on space and defense products in Q3 due to a change in product mix resulting in higher level of commercial space programs in the third quarter shipments. Going forward, in the fourth quarter, in fiscal 2004, we expect to see some improvement in gross margins as a result of our current cost-cutting efforts. Investment in research and development was 9.3% of net sales in the third quarter of 2003 compared to 7.3% in the second quarter of fiscal 2003. Research and development expenditures have increased in both actual dollars and as a percent of revenue from the second quarter due to a decrease in sales levels in quarter three and the application of additional personnel to work on both new wireless LAN and wireless infrastructure component opportunities. The loss from operations was 7.8% of sales in the third quarter of fiscal 2003 compared to breakeven operating income in the second quarter. Operating margins decreased due to the restructuring charge and asset impairment charge reported in the third quarter as well as a small decline in third quarter gross margins and higher R&D levels. In early April, in conjunction with the reorganization of Anaren Europe, the company performed a FAS 144 evaluations and independent appraisal to determine if the fixed assets due for our subsidiary were subject to an impairment loss. This appraisal resulted in the identification of a FAS 144 impairment loss of \$681,000, which was reported in the third quarter. The company is continuing to review all opportunities to reduce costs including additional fourth quarter personnel reductions. These reductions are expected to provide improvements in fiscal 2004 operating margins despite anticipated lower sales levels. The net loss was 5% of net sales for the third quarter of fiscal 2003. This compares to net income of 2.3% of net sales for the second quarter. On a per-share basis, the diluted loss per share for the third quarter was 4 cents. This compares to income of 2 cents per diluted share in the second quarter. Cash, cash equivalents, and investments were approximately \$128 million at March 31st 2003, up 3 million from June 30th 2002. We've continued to enjoy a positive cash flow from operations in the first nine months of fiscal 2003, despite the loss. Cash generated by operations was approximately \$8.7 million in the first nine months of the fiscal year and came in part from a 3.1 million and 1.6 million reduction in inventory and accounts receivable, respectively. Accounts receivable were 11.5 million at March 31st 2003, down 1.6 million from June 30th. Net sales outstanding at the end of March were 54 days compared to 56 days at the end of June. We continue to expect day sales outstanding to fluctuate between 50 and 70 days, as we go forward, depending on sales levels, customer mix and business conditions. Inventories at March 31st 2003 were \$17 million, down \$3.1 million or 15.3% from \$20.1 million at June 30 2002. Capital equipment additions in the third quarter of fiscal 2003 amounted to approximately \$600,000. The additions were mainly for production equipment at our East Syracuse facility to support a new military satellite program. Accounts payable at March 31st 2003 were \$3.9 million, down \$1.1 million from June 30th, reflecting the decline in material purchases, which resulted in the current inventory reduction from the June quarter. During the first nine months of fiscal 2003, we purchased 271,900 treasury shares in the open market at an average cost of \$8.13. As anticipated, we will continue to make open market purchase of shares for treasury under the current board authorization depending on market prices. Relative to Celeritek, the company's original investment in Celeritek common stock averaged approximately \$8.47 a share and totaled \$6.6 million. This investment had a market value at March 31st of approximately \$5.9 million, a decline of \$700,000. The company considers this to be a temporary decline in market value and has been recorded as a charge to other comprehensive income in the shareholders equity section of the balance sheet at March 31st. If at a future date this drop in market is determined to be other than temporary, then the decline in market value at that point in time, including the amount previously charged to equity, would be recognized as a loss in the current period income statement.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Thanks, Joe. Given the weak wireless market demand and planned fourth quarter restructuring, we are projecting fourth quarter net sales of \$18.5 million to \$20 million and diluted earnings per share of 1-cent loss to a 4-cent loss. We'll now take questions. We would now like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

And our question and answer period today will be conducted electronically. If you would like to ask a question, simply press the "*" key followed by the digit "1" on your touchtone phone. If you're using a speakerphone, please be sure your mute function is turned off to allow your signal to reach our equipment. Again, "*" "1" to ask a question. We'll go first to Earl Lum with CIBC World Market.

Earl Lum - CIBC World Markets - Analyst

Good afternoon, guys.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Hi, Earl.

Joseph Porcello - Anaren, Inc. - Vice President, Finance

Hey Earl.

Earl Lum - CIBC World Markets - Analyst

Just a quick question. With regard to the cost cutting and the 1.2 million charge you're going to take in Q4 how could we Joe, are we going to be able to recognize those savings as we look into fiscal '04?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

We should see it in the first quarter.

Earl Lum - CIBC World Markets - Analyst

Okay. So we would then be able to just take off 6.5 or whatever we're modeling that for the full year? You're expecting that the full amount to be recognized in fiscal '04?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

Yes.

Earl Lum - CIBC World Markets - Analyst

Okay. And then as we look towards the guidance that you just gave -- just kind of the upside of the sling factor primarily coming from the wireless side and are we assuming that the defense and space is going to be relatively flat for the quarter or are we seeing some growth out of that as well?



Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

No, neither growth will come out of the wireless side of the business. We're actually anticipating that we may be down a bit sequentially in our space and defense business.

Earl Lum - CIBC World Markets - Analyst

Okay. And Larry, obviously, you got to come out with a bunch of new products including the low noise amplifier product can you give us sense as to what the feedback is that you're getting from your customers for all these new products that you're hoping that you're going revenue from at some point in the near term?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Our feedback remains positive and our sample rates have remained high. I -- we believe though our design in rates have been very slow and mostly attributed Earl, to the fact that we don't see a lot of new platform design activity on going. So, the activity that we see today is more focused on cost reductions of the existing platform. And for the products, the component products that we offer anyone by itself will probably not be enough cost savings to drive an amplifier redesign or a radio redesign but if one were to happen for other reasons, we certainly think our product will be incorporated at that time.

Earl Lum - CIBC World Markets - Analyst

Okay. So more of a new completely new design built then you'd probably get more components into the boxes?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Correct. We are seeing the custom design activity, we see for cost reduction purposes, is typically is enough to warrant our customer to go ahead with redesign. So, we expect that any tick up in volume will come more for custom products design and for cost reduction purposed then from any other products that we offer.

Earl Lum - CIBC World Markets - Analyst

Okay. It sounds like you are gaining some traction over in Asia can you give us an update on how that is coming along?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes, well about it was almost a year ago now we first established our facility in China and it was about four to five months after that that we started to locate a sales and engineering capability in Asia. We've seen a lot of our component strength and our revenue and wireless, I think being a little stronger than some of our peers. We think largely due to our maintaining and gaining share in Asia. It's just in the last quarter we finally started to see a higher level of custom product design activity in Asia. And as you know, our custom product typically has average sales prices between a 100 and \$400 or \$500 a piece whereas our component products are typically \$1 to \$5 or \$10 type of items. So, the revenue opportunity is typically much larger for our custom product. So, we see interest and have prototyping activity ongoing in custom products, in South Korea, in China, as well as, in Japan for both amplifier manufacturers and base station OEM type applications.

Earl Lum - CIBC World Markets - Analyst

Okay. And I guess at this point with the new products, I guess are we looking for much longer design cycle to be able to - for you to be able to see revenues from some of these new products. Is it typically now searching out beyond the couple of quarters and maybe even after a year from that that before we may see some revenues coming from these new products?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

More typical is 9 to 12 months. Some of these things are reasonable amount of way down the path. So we would expect early in the second half of our fiscal '04 to start seeing revenue contribution from this activity.

Earl Lum - CIBC World Markets - Analyst

Okay. Great. Thank you, Larry.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Sure

Operator

And we'll take our next question from Rayna Smith with Needham and Company.

Rayna Smith - Needham & Company - Analyst

Hi, good afternoon.

Earl Lum - CIBC World Markets - Analyst

How are you? Hi.

Rayna Smith - Needham & Company - Analyst

Alright. I was hoping you could comment on how much impact you're expecting to see on gross margins from the previous cost cuts in this coming quarter, in the June quarter?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

There'll be some but not a whole lot, because we've got a significant amount of cost cutting still going on in this quarter.

Rayna Smith - Needham & Company - Analyst

Okay.



Joseph Porcello - Anaren, Inc. - Vice President, Finance

So I expect to see some improvement, maybe 2 to 3%.

Rayna Smith - Needham & Company - Analyst

Okay. Great. And then of that total that you're expecting to see in 2004, how much of that is from the additional cuts that you're expecting in the fourth quarter and how much is from previous action?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

Only about a million is the result of the cuts in the third quarter, about five and a half is work force reductions and cost reductions that we expect to achieve this quarter.

Rayna Smith - Needham & Company - Analyst

Okay. And going back to the new product discussion, I just wasn't sure in that last answer, if the new product that you're talking about, is that the 802.11 product that might be?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

No we're talking -- the question was relative to wireless infrastructure OEMs based in Asia.

Rayna Smith - Needham & Company - Analyst

Okay.

Joseph Porcello - Anaren, Inc. - Vice President, Finance

We've got some design activity there.

Rayna Smith - Needham & Company - Analyst

When are you expecting to see volume production levels for the 802.11 product?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

We're expecting to see production volumes starting to ramp up in the first half of our fiscal '04, so over the course of the second half of this calendar year.

Rayna Smith - Needham & Company - Analyst

Okay. And I know that some of your peers, they've had some recent earnings disappointments. Could you comment on, if there are any areas where you're seeing relative strengths or if you had any stronger than expected areas during the quarter?



Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

The quarter pretty much played out as planned. We've seen sporadic strength in custom products for Asian applications. We've seen build outs in China over the last three quarters, at times, to be surprisingly strong, with very little predictability. We have not seen a lot of demand in Europe or for the US market.

Rayna Smith - Needham & Company - Analyst

Okay.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

So for us, it's been more custom products for applications in Asia.

Rayna Smith - Needham & Company - Analyst

Okay. Great. And then space and defense how much visibility do you have looking forward and can you give us any kind of an outlook as far as orders that might be coming up or anything like that?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Well, we basically have pretty much consistently run this business. I'm trying to maintain somewhere between 14 and 18 months of backlog. Backlog is now down \$28 to \$29 million range, we don't see that increasing around for the rest of this fiscal year. So, we would expect to go in say next year, with the expectation of seeing a decline in revenue on our Space and Defense business based on our current backlog situation. So,

Rayna Smith - Needham & Company - Analyst

So, year-over-year decline for the full year.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes.

Rayna Smith - Needham & Company - Analyst

Okay. Thank you very much.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Sure.

Operator

And we'll like to remind everyone, if you do have a question press the "*" key, followed by the digit "1" on your touch tone telephone. We'll go next to J.D. Abuchar [ph] with Pacific Edge Management.



J.D. Abuchar - *Pacific Edge Management - Analyst*

Hi. Thanks for taking my call. Two quick questions, one: would be when your charges and work force reductions are fully implemented? What do you think the break even point goes to, both, on a cash flow basis or EPF basis?

Joseph Porcello - *Anaren, Inc. - Vice President, Finance*

On an EPF basis, I say, somewhere in the neighborhood of 60 million.

J.D. Abuchar - *Pacific Edge Management - Analyst*

60 million, annually?

Joseph Porcello - *Anaren, Inc. - Vice President, Finance*

Yes.

J.D. Abuchar - *Pacific Edge Management - Analyst*

Great. And then, if you could just talk a little bit more about the balance, just rough range of ASPs and I assume its one or two per access point?

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Yes. We're also getting involved in the client's side as well, with this new 3 mm by 3 mm product that we have. Your price points, depending on complexity of the product, probably range anywhere from say 15 to 30 cents per device. What we do in some cases, we incorporate other functionality with the balance, which increases our ASPs.

J.D. Abuchar - *Pacific Edge Management - Analyst*

And then, even on the client, would it be like one or would it be multiple?

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Has the opportunity to be multiple, so typically not more than two.

J.D. Abuchar - *Pacific Edge Management - Analyst*

That's right. Great. Thank you Larry.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Sure.



Operator

Your next question comes from Greg Weaver with Kern Capital.

Greg Weaver - Kern Capital - Analyst

Hi. Just following up, if you had anymore reference design wins, on the 802.11 side?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes, we have. We do not announce to customers yet, until we start to see people ordering in higher quantity and reference designs turning into more potential revenue. But, we're seeing, multiple reference designs in one.

Greg Weaver - Kern Capital - Analyst

Okay. And just a clarification on the Asian revenue, Larry you mentioned that, that was helping you out currently, but you said that you weren't going to see revenue till the second half of fiscal '04?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Well, right now, we're seeing revenue out of Asia for mainly products that we designed in with either US or European OEMs that have moved their manufacturing to Asia to service growth and demand that they have out of Asia. It's only, while I was talking to -- previously was new design activity with actual Asian OEMs that we've gained in the last quarter, that we would expect to start ramping in the second half of the calendar year.

Greg Weaver - Kern Capital - Analyst

Calendar year?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Does that make sense?

Greg Weaver - Kern Capital - Analyst

Right. But the only confusion there now is that, the thing in the press release about getting a wind with an Asian OEM.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Right. That's something that we expect to start having a contribution in, over the next quarter or two.

Greg Weaver - Kern Capital - Analyst

Okay. And Joe, what's the total authorization on the buyback?

Joseph Porcello - Anaren, Inc. - Vice President, Finance

Two million shares.

Greg Weaver - Kern Capital - Analyst

Okay. You got pretty of head room there. And on the ferrite production what percent is outsourced at this point or moved over to China?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Right now I believe about 50% and we'd expect to be at 90% by the end of this quarter of everything we shift, coming out of our China facility.

Greg Weaver - Kern Capital - Analyst

Okay. And how about adoption of your strip line circulator?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

We are actually starting to see our first true OEMs designed, moving in to some sort of preliminary production here. It's been fairly slow up take initially, we believed largely because of a lack of a competitive alternative that kept our customers from designing it in. But our new mini circulator offers such significant cost saving that we're seeing customers start to design that product in.

Greg Weaver - Kern Capital - Analyst

And no body else has one?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

And no body else has one right now.

Greg Weaver - Kern Capital - Analyst

Okay. And back to the 802.11, do you have any opportunity there for some of these phase [indiscernible] antenna guys for that?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

We haven't seen a lot of interest there yet.

Greg Weaver - Kern Capital - Analyst

Okay. And where are the balance manufactured, is that in Syracuse?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes the majority of manufacturing is done in Syracuse.



Greg Weaver - *Kern Capital - Analyst*

And the press release you put out about the ceramic Amatron [ph] opportunity or offering. There's no 802.11 stuff coming out of there.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Not yet, that's mainly, that technology is used mainly for our medical and in our defense applications.

Greg Weaver - *Kern Capital - Analyst*

Okay. Great. Thanks.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Sure.

Operator

I want to remind everyone one more time if you do have a question press the "*" key followed by the digit "1" on your touchtone phone. At this time, we have a follow-up question from Earl Lum with CIBC World Markets.

Earl Lum - *CIBC World Markets - Analyst*

Yes. Larry, back on to the 802.11. Can you give us an idea or some sense of the level of design wins that you currently have, that we may expect at some points, you know that's going to eventually get into production?

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Not actually, certainly what you're looking for in terms of level.

Earl Lum - *CIBC World Markets - Analyst*

I guess in terms of -- number of sockets wins that you might be able to give us some color on in terms of the quantity of socket wins that you have already, excluding the reference designs that you're on. Or were they primarily associated with the reference design?

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

They're primarily associated with reference designs and I venture to say Earl it's something between 6 and 12 reference designs that we could absolutely confirm and probably another 6 to 10 that are in some pending stage.

Earl Lum - *CIBC World Markets - Analyst*

Okay. And then if you look at this point, is there any competition for that particular socket other than your product there? Or what is the competitive part that could be there to share that socket with you?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Our competition is a ceramic-based discrete balance [ph] type of product similar term in functionality we think, we have superior performance. Our footprint is unique. So, we believe that when we're designed in we're in sole source position. We don't see any footprint compatible product being offered and we think our performance is appreciably different to the point that it would be difficult to build source to slot [ph] with us.

Earl Lum - CIBC World Markets - Analyst

Is the ceramic balance that you're talking about more based upon like the wireline [ph] ferrite solution, say like, some like a mini circuits, that type of products?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Not typically, it's more typically a prototype of structure in a multiplayer ceramic type of package from a Morata [ph] or some Asian ceramics.

Earl Lum - CIBC World Markets - Analyst

Got it. Okay. That makes a sense. All right great thank you.

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes.

Operator

And we have another follow up from Greg Weaver with Kern Capital.

Greg Weaver - Kern Capital - Analyst

I'm at five M write down. Is that some mode of a reflection of your inability to get traction there or is it more of an accounting thing?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

No, it's direct reflection of our inability to get revenue rate up to the point that we can support the assets in that facility.

Greg Weaver - Kern Capital - Analyst

So you would train some people and were out trying to sell product for, I don't know I guess something six months or so now so that not going any where?

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

Yes. At least not at the rate that we bought warranty [ph] the level of people on the facility and that our accounts were comfortable. We will generate positive cash flow in the facility soon enough to support asset rate there?

Greg Weaver - *Kern Capital - Analyst*

Okay. And a follow up on the 802.11. Again, now the reference design that they were talking about -- these are all chip manufacturers, right.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Right.

Greg Weaver - *Kern Capital - Analyst*

So there's a like a couple dozen chip manufacturers.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Correct.

Greg Weaver - *Kern Capital - Analyst*

Have we had a lock with some other newer guys that have recently popped under the scene that are US-based?

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Yes. I don't think we had you know our technology shunned by any of the chipset manufacturers in the market place. In scene, now you know people starting to order thousands, we haven't seen orders lapping into the tens of thousands yet but we think that's within a quarter or two here.

Greg Weaver - *Kern Capital - Analyst*

And I assume you've got some winds on G.E. as well.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Yes.

Greg Weaver - *Kern Capital - Analyst*

Right. Okay. Thank you.

Lawrence Sala - *Anaren, Inc. - President & Chief Executive Officer*

Sure.

Operator

Since no further questions in our key, I'll turn the call back to Mr. Sala for any closing remarks. You may have sir,

Lawrence Sala - Anaren, Inc. - President & Chief Executive Officer

We appreciate you participating in the call and look forward to see to you all again next quarter.

Operator

And that does conclude our conference call today. We appreciate your participation, you may disconnect now.

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