

Morrisville tech firm's earnings are up

From Staff Reports

MORRISVILLE - Tekelec's earnings shot up 67 percent during the first quarter as telecom providers increased network equipment purchases.

Tekelec said Tuesday that first quarter income grew to \$18.3 million, or 25 cents per diluted share, beating analysts' expectations of 16 cents a share for the three-month period ending March 31.

Tekelec stock jumped 9 percent on the day to \$15.98 per share, a 52-week high.

Morrisville-based Tekelec, whose technology is used by major telecommunications companies worldwide, reported first-quarter revenue of \$118.2 million, up 9 percent from the same three-month period last year.

Tekelec is reaping a windfall generated by a price war between telecommunications carriers like AT&T and Verizon Wireless, said chief financial officer Bill Everett. The big carriers are offering flat-rate calling plans to lure customers, and the discounts are driving an increase in phone calls and text-messaging. As a result, the carriers are expanding their communications networks to accommodate the increased traffic.

Tekelec dominates the North American market for a network technology that initiates and terminates phone calls, a technology required to handle the surge of text messages increasingly being sent over phone networks. Tekelec has 80 percent of the North American market share of this network technology and is vying to increase its 40 percent worldwide market share in the field.

Also contributing to first-quarter performance were the company's gross profit margins, which jumped from 57 percent to 67 percent. The improvement translated to nearly \$12 million in profit for the quarter, Everett said. The margins are improving as Tekelec shifts its business from selling hardware and other equipment that is costly to manufacture, to selling software, which is comparatively easy to modify, test and copy.

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