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### DragonWave faces growing pains in Q1 results

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Elizabeth Howell

**An "air bubble" of lower-than-expected revenues for DragonWave's Q1 2011 is due to its chief customer slowing orders, the CEO said, adding that he expects other companies to step into the breach in the next quarter.**

Topics : [Clearwire](#)

Chief executive Peter Allen said his telecom company had enjoyed explosive growth in 2009 on the strength of Clearwire's network build-out plans. However, Clearwire will only account for 25 per cent of DragonWave's revenue next quarter, down from 78 per cent in Q1.

Another three-quarters of the \$25 million projected for Q2 will come from customers other than Clearwire.

In a conference call held Thursday to discuss the results, a number of analysts expressed concern at the pullback and asked if it was possible another competitor may be courted by Clearwire.

"We are always concerned that we continue to deliver the peer value of our competitors to Clearwire, and all customers as a matter of fact," Mr. Allen said.

"But I don't believe the dynamics we are seeing are anything more than Clearwire consuming the inventory we're shipping them. I don't believe we will hear from others."

DragonWave shares dropped 98 cents or nearly 17 per cent on the Toronto Stock Exchange early Thursday morning.

The Ottawa-based firm had a 275 per cent year-over-year revenue increase for the first quarter.

Profits were \$9.7 million compared with a net loss of \$2.4 million last year.

Allen noted that at least two other customers have the potential to each make up 10 per cent of the company's revenue in the next term, and says DragonWave is working to move into the Asian and Middle Eastern markets to attract more attention and make more sales.

His concern was if they cut costs too quickly, the company will not be able to scale up again when Clearwire implements the next wave of its rollout. Right now the company reaches 120 million customers, and has plans to expand that to 170 million.

"I think the challenge that we face is how long this air pocket is," he said.

"We obviously do not want to be in any way unattentive to our cost base . . . but at the same time we want to make sure that we maintain the capability to scale such as when the deployment plans are clearer, we remain in the best position possible to serve those deployments."



Etienne Ranger

*Peter Allen, CEO of DragonWave.*