

# CEOcast

WHERE WALL STREET LISTENS

OTCBB: MCTL



Carmine T. Oliva  
Chairman/President/CEO

INTERVIEW DATE:  
09/04/03

*MicroTel International Inc. is an international manufacturer of aerospace and military electronic components and communications equipment. MicroTel International's electronic components group, which includes XET Corporation and its international subsidiaries, provides custom power conversion products and digital switches to the electronic components global market primarily used for defense, aerospace and industrial applications. MicroTel's communications group, consisting of CXR Telcom Corporation and CXR (France), provides testing, transmission, and network access equipment to the North American and European communications industry. Founded in 1983, the Company operates out of facilities in the U.S., France, the U.K. and Japan. As of February 28, 2003, MicroTel International employed a total of 189 persons in its various subsidiaries and divisions.*



9485 Haven Avenue  
Suite #100  
Rancho Cucamonga, CA 91730  
(909) 987 9220

**CEO:** Clearly as a result of the recent blackouts, companies that provide solutions to problems experienced by electric utilities are growing in interest on Wall Street. Could you discuss the part of your business or provide an overview of the part that does provide these solutions?

**MCTL:** Let me just say that the largest part of our business is aerospace and defense. That's about 60 percent of what we do. I won't be focusing any comments on that except to say that it is a growing and very highly profitable part of our business. The segment is referred to as electronic components for aerospace and defense. The segment of our business that is in the public utility arena is our communications products. We have products that are sold to the public utilities as well as many other customers, but prior to this year our largest customers were predominantly the telecom carrier companies like Verizon, Bell South, SBC and others. It was as a result of the downturn in that carrier company business that we had to focus our attention on other markets, and for us the electric utility and other public utility markets in general were a very logical focus. We have been selling to the utilities for many, many years, both in terms of our test equipment and also in terms of our transmission products. There are a few names that I'm sure you would recognize. We're out here in California, so Southern California Edison is a customer. But you're there in New York, and I can tell you that Consolidated Edison is a customer. We have customers all over the United States for our testers. We also have customers throughout the United States for our transmission and network access products. Some of these include Public Service Gas and Electric in Northern California, Arizona Public Service, LA Metro Water and Power. We're in the business and have been in the business for a long time.

**CEO:** On July 31st, the company announced a product targeted at the power grid test market. While of course it's been fashionable to develop products post the blackout, this occurred prior to

*it. What was this product and why did you see the opportunity, even before the blackout occurred?*

**MCTL:** Up until the telcos started to decline in revenue, we always had our eye on specifically test equipment that is used in the power grid system. Not just test equipment for the general data private networks within the utilities, but specifically for the power grid itself. There was one major player that dominated this business, and this company today in fact is in bankruptcy. The bankruptcy was just part of what we saw as an opportunity for us in terms of addressing the power grid, but what it required for us to do was to come up with a tester that had certain specific capabilities and features that competed with this one major competitor and that made our products generally acceptable for use in the power grid. That's what we announced several weeks before the blackout, a specific test instrument that was customized to the requirements of testing and monitoring the grid itself.

**CEO:** Recently, you announced yet another product line offering targeted at the power grid market. How is this a follow on product, and what's the opportunity here?

**MCTL:** Well, last year when we faced the problems in telecom, not only did we see opportunities for us in markets such as public utilities for our testers but we also saw an opportunity perhaps again with the power grid, to focus our product line offering more specifically to the power grid itself. These products include network access and transmission equipment that we build and sell to the utility companies, but not products that were necessarily geared toward the power grid itself. One of the major, major opportunities that we saw, and a weakness with controlling and monitoring the power grid, is that a lot of substations are very remotely located. I mean, on top of mountains, way out in remote areas. This infrastructure could not be easily monitored and controlled through wireline systems, because either there might not even be telephone access to some of these areas or the

cost of getting a line to these stations was very, very expensive. We teamed up a company in England and did a technology transfer and licensing arrangement that allowed us to introduce wireless technology for transmission and network access which would allow the utilities not to have to run a telephone line out to these substations, but could communicate with them, control them and monitor them through a wireless network. This morning, what we announced was that we have entered into the market in Europe much earlier with equipment that is wireless for this particular purpose. We said back in June that we expected early in the fall to roll out these products here in the United States. Well, our timing could not have been better following the blackout, and what it is technically is wireless products that utilize GSM and GPRS technology. These stand for global system for mobile communications and general packet radio system. And these protocols would allow the utility companies to use wireless means to connect the power grid and to control and monitor its performance. We're in that business today now both in Europe and the U.S.

**CEO:** *What about the competition now? What are your competitive advantages?*

**MCTL:** Well, the competitor on the test side, as I've already mentioned, the dominant player in the power grid test is a much larger company than ourselves. Unfortunately, a good part of their business was also in the telecommunications carrier business and not exclusively in the utility business, but their business is down so dramatically that they are in fact in bankruptcy. But we're not selling against them because they are in bankruptcy. We're selling against them because they have a much bigger tester. It could be referred to as being transportable, and it is more expensive than our tester and it does more than what the utilities really need. So as a competitive advantage, they're selling a \$30,000 tester that is transportable. We're selling a \$12,000 to \$13,000 tester which is handheld and completely portable, and is now customized with only those features that are required. So in that arena we have a very, very strong price and size competitive advantage. Over on the network access and transmission side, we now have a very full line solution for controlling the grid, including both our traditional wireline products, as well as the brand new products that we have introduced in Europe just months ago and now in the U.S., which are in fact wireless.

**CEO:** *The company has an active M&A program working with OEM Capital, your investment banker. Are any of your acquisition targets geared to the power grid market?*

**MCTL:** Yes, in fact one that we consider an important acquisition for us has about a third of their business revenue focused in the utility markets. Our interest in this company however does go beyond just the utility business that they have. But our interest is focused on the fact that they have a good name in wireline based transmission products for the utility companies, and what we will bring to them and to the party is our wireless technology. So there is no doubt that we do have a strong desire to acquire a target company which has about one third of its revenue in the public utility business.

**CEO:** *The stock has performed extremely well lately. What do you attribute the strength to?*

**MCTL:** Well, we had a tough year last year. We had a small loss and a small drop in revenue, however our performance on the aerospace and defense side was what allowed us to hold our loss to a very small number. But in the fourth quarter of last year the largest piece of our telecom business turned around and in fact turned profitable, so we reported a profit in the fourth quarter and we had an expectation of profitability through the year '03. The first quarter was better than what we had expected and the second quarter was a dramatic 2 cents a share profit up 41% over the 2nd Quarter of the previous year. So I think the stock is really being driven by good old fashioned profitability and an expectation of continued profitability for the full year, but it's obvious that our ability to address the power grid electric utility market certainly has been helping our stock price over the last few weeks since the blackout occurred.