



Kevin  
Trosian

*FocalPoint Partners is a middle market investment banking firm serving the technology and telecommunications industries. Kevin Trosian, FocalPoint's Director of Tech and Telecom and former senior equity analyst for Banc of America/ Montgomery Securities (BAS), shares his insights into the market forces which are transforming the industry.*

## Market Outlook

### Mobile Computing: New Apps, New Connectivity

You can have it all in the palm of your hand, or just your Palm (excluding the latest issues faced with the new Treo 750, facing a delayed rollout in the US). Voice service is a commodity today, and it's the search for the killer app that is at play today. With the carriers facing commodity pricing and constant competition, they must roll out new data-rich apps to drive their revenue stream.

The carriers, while not always the fastest in seeing trends, are looking to new ways to drive revenue. SMS and now MMS (Multimedia Messaging Service) ring up the costs for teens and recent college grads. As a result of the growth of these services, the demographics of usage are shifting, with grandparents now understanding a TTYL (talk-to-you-later) or a BTW (by-the-way) text message.

So where is the core 18-34 focusing their communication needs, and thereby leading developers and carriers? The answer: mobile content, including music and video. Music appeared logical with the arrival of the MP3 (leading many to wonder what took Apple so long to backdoor its way into the mobile market). Yet a higher bandwidth, nascent market also sprang up, in providing short films and videos for the mobile phone. Some reports indicate that over 2,000 mobile video titles are available to Sprint, Verizon and Cingular customers. However, with all the titles, accessibility still poses a problem. Slow connections and poor quality on small screens exacerbate the issue.

It's more than just having music and video readily available on the go. It's about personalization; while people may share a PC, phones are typically linked to a single user. And herein lies the strategy of one of the largest tech companies and its bread and butter: Google and search. Users want information with the push of a button and Google is paving the way, offering real-time, Java-enabled traffic maps for the phone.

The Holy Grail of wireless connectivity is location-based services. Whether its ads, search or a multitude of other ways to connect the user to services, carriers want to create customer lock-in, to perform every service from their phone. Phones are more than just connectivity. Today, they are mini-computers, providing processing power, memory and apps that rival laptops from a decade past.

So where does this leave the industry landscape for investors? For the carriers, look to content to drive usage and therefore revenue, with users paying for the specific application, title or bandwidth. For software companies, look for phone-specific apps, including security. For the content players, whether they are content developers or enablers, look for them to capitalize on ad revenue and download fees. For companies to survive the next mobile wave, we believe symbiotic relationships must be developed between the carriers, apps vendors, content developers and content hosts. This will most likely be driven with acquisitions of smaller tech companies that can round out the offerings of the acquirer.

## Industry News

### Satellite Data To Handheld Devices

Telcos are seeking new ways to deliver satellite data directly to customers. A wide variety of information, such as GPS coordinates, satellite imagery and maps is making its way to the desktop or to handheld devices. Google appears to be leading the way as a content provider, outmaneuvering the larger and less nimble telco service providers. Playing catch-up, in our opinion, are Yahoo! and Microsoft, likely to offer similar services in the coming months. As information sources and platforms converge, telcos will be looking toward smaller players to round out their offerings.

### New WiMAX Products Raise Stakes in 4G Battle

This year WiMAX promoters have challenged cellular operators for the future of a digital, all-IP, mobile broadband network. The two rival cellular standards are Long Term Evolution (LTE), and CDMA1x EV-DO Revision C. These technologies have much in common: they're IP-based; support the OFDM modulation scheme; use multiple input multiple output (MIMO); and boast smart antenna technology.

While WiMAX is not a replacement for cellular voice, it's a 4G data service that complements 3G voice and data services. WiMAX is forcing the cellular industry to more urgently address the 4G future. It is anticipated to "deliver one-tenth the cost of per bit of 3G operators today," according to Nortel. Qualcomm, Intel and Motorola are among the major players expected to have a significant role in the space.

## Selected Software, Wireless and Telecom M&amp;A Transactions

Date	Buyer	Seller	Target Description
22-Nov-06	LGC Wireless, Inc.	Alvarion Ltd.	Provides high-speed wireless voice and data communication in dense urban areas
20-Nov-06	Qatar Telecom	NavLink, Inc.	Provides internet technology solutions which include messaging and wireless services
16-Nov-06	QUALCOMM, Inc.	nPhase LLC	Provides Machine-to-Machine business solutions, telemetry, cellular wireless solutions
14-Nov-06	Motorola, Inc.	Netopia, Inc.	Develops and markets broadband equipment and provides related software solutions
10-Nov-06	Motorola, Inc.	Good Technology, Inc.	Provides wireless handheld computing software and services
1-Nov-06	Andrew Corp.	EMS Technologies, Inc.	Provides wireless communications systems for various applications
25-Oct-06	BT Group Plc	Counterpane Internet Security, Inc.	Provides Internet managed security services
17-Oct-06	Yahoo!, Inc.	AdInterax	Designs, develops and markets software
17-Oct-06	Level 3 Communications, Inc.	Broadwing Corp.	Provides data, voice, and media networking solutions to enterprises service providers
3-Oct-06	Openwave Systems, Inc.	SoloMio Corp.	Provides network-based software for enhanced wireless services
3-Oct-06	FTS Group, Inc.	Elysium Internet	Provides direct navigation and advertising company.
25-Sep-06	Motorola, Inc.	Vertasent, LLC	Develops software applications that enables services such as content on demand
19-Sep-06	Motorola, Inc.	Symbol Technologies, Inc.	Designs, manufactures, markets, and provides support for scanner integrated mobile and wireless systems
12-Sep-06	News Corp. Ltd.	VeriSign, Inc.	Provides mobile telephone ring tone and display download services via internet
12-Sep-06	RealNetworks, Inc.	WiderThan Co. Ltd.	Provides global mobile internet solutions and services
5-Sep-06	Sybase, Inc.	Mobile 365, Inc.	Provides mobile messaging and data services
18-Aug-06	QUALCOMM, Inc.	Qualphone, Inc.	Develops high quality 3G/IP embedded software solutions
5-Jul-06	Motorola, Inc.	Clearwire Corp.	Provides pre-mobile WiMAX broadband wireless access systems services
15-Jun-06	Padcom, Inc.	NetMotion Wireless, Inc.	Provides software solutions for mobile computing
12-May-06	Innofone.com, Inc.	Mobile Technology Group LLC	Provides mobile messaging and transactions
18-Apr-06	Yahoo!, Inc.	Meedio LLC	Develops software solutions that specializes in turning PCs into digital hubs for the living room
20-Mar-06	VeriSign, Inc.	m-Qube, Inc.	Develops mobile content messaging solutions
17-Mar-06	VeriSign, Inc.	S21sec	Develops software to secure communications
13-Feb-06	VeriSign, Inc.	3united mobile solutions AG	Provides mobile commerce solutions and other mobile telecommunication services
11-Jan-06	VeriSign, Inc.	CallVision, Inc.	Provides online analysis software for mobile operators and carriers
8-Dec-05	Electronic Arts, Inc.	JAMDAT Mobile, Inc.	Develops wireless gaming software for mobile devices
18-Nov-05	Cisco Systems, Inc.	Scientific-Atlanta, Inc.	Designs commercial electronic signal generating and receiving equipment

## Comparative Company Valuations

Company	Ticker	Market Cap	Enterprise Value	EV/EBITDA	Revenue	EBITDA	Stock Price	52 Week Range
<b>Hardware Providers</b>								
Agilent Technologies, Inc.	A	\$13.64B	\$12.79B	9.0x	\$4.97B	\$1.42B	\$33.42	\$26.96 - \$39.54
Cisco Systems, Inc.	CSCO	\$164.45B	\$150.17B	15.2x	\$30.12B	\$9.87B	\$27.09	\$17.07 - \$27.57
Ericsson	ERIC	\$63.51B	\$56.86B	9.1x	\$25.09B	\$6.28B	\$40.01	\$28.88 - \$40.41
Garmin Ltd.	GRMN	\$10.69B	\$10.24B	20.5x	\$1.48B	\$498.60M	\$49.54	\$28.92 - \$55.58
Juniper Networks, Inc.	JNPR	\$11.43B	\$10.31B	16.7x	\$2.18B	\$617.65M	\$20.22	\$12.09 - \$22.84
Motorola, Inc.	MOT	\$53.23B	\$42.56B	8.1x	\$42.71B	\$5.25B	\$22.02	\$18.66 - \$26.30
Nokia Corporation	NOK	\$82.04B	\$69.88B	8.7x	\$53.01B	\$8.01B	\$20.46	\$17.47 - \$23.47
Nortel Networks	NT	\$9.62B	\$10.92B	65.4x	\$11.08B	\$167.00M	\$22.09	\$19.00 - \$34.30
Qualcomm Inc.	QCOM	\$65.57B	\$59.02B	17.1x	\$7.53B	\$3.45B	\$39.67	\$32.76 - \$53.01
Research in Motion Ltd.	RIMM	\$23.47B	\$22.98B	29.6x	\$2.39B	\$774.99M	\$127.80	\$59.16 - \$142.66
<b>Telcos</b>								
AT&T Inc.	T	\$133.27B	\$161.84B	7.6x	\$60.17B	\$21.40B	\$34.68	\$24.24 - \$35.00
Qwest Communications	Q	\$14.89B	\$28.76B	6.6x	\$13.92B	\$4.36B	\$7.78	\$5.10 - \$9.22
Sprint Nextel Corporation	S	\$56.45B	\$76.97B	5.3x	\$46.27B	\$14.55B	\$19.50	\$15.92 - \$26.89
Verizon Communications Inc.	VZ	\$100.96B	\$139.99B	4.4x	\$88.88B	\$31.58B	\$14.55B	\$30.00 - \$38.95
<b>Content and Software</b>								
Electronic Arts, Inc.	ERTS	\$16.43B	\$14.27B	28.4x	\$3.11B	\$502.00M	\$53.25	\$39.99 - \$59.85
EMC Corporation	EMC	\$29.01B	\$28.62B	11.6x	\$10.65B	\$2.48B	\$13.18	\$9.44 - \$14.75
Converse Technology, Inc.	CMVT	\$3.93B	\$2.16B	13.8x	\$1.12B	\$156.64M	\$19.44	\$16.95 - \$29.64
Google, Inc.	GOOG	\$148.55B	\$137.33B	33.9x	\$9.32B	\$4.05B	\$485.65	\$331.55 - \$513.00
InfoSpace, Inc.	INSP	\$633.12M	\$212.98M	4.6x	\$368.96M	\$46.02M	\$20.19	\$17.28 - \$28.39
Openwave Systems, Inc.	OPWV	\$876.11M	\$582.35M	32.3x	\$412.01M	\$18.02M	\$9.26	\$5.91 - \$23.19
VeriSign, Inc.	VRSN	\$6.18B	\$5.67B	13.7x	\$1.56B	\$414.04M	\$25.46	\$15.95 - \$26.77
Yahoo! Inc.	YHOO	\$36.03B	\$34.86B	18.0x	\$6.22B	\$1.94B	\$26.52	\$22.65 - \$43.66

To discuss the technology or telecom industries or to learn more about FocalPoint Partners please contact Kevin Trosian, Nishen Radia or Duane Stullich.

Kevin Trosian  
310.405.7009  
ktrosian@focalpointllc.com

Nishen Radia  
310.405.7040  
nradia@focalpointllc.com

Duane Stullich  
310.405.7070  
dstullich@focalpointllc.com