

# OEM Capital – Telecommunications Technology MARKET FOCUS

March 2011

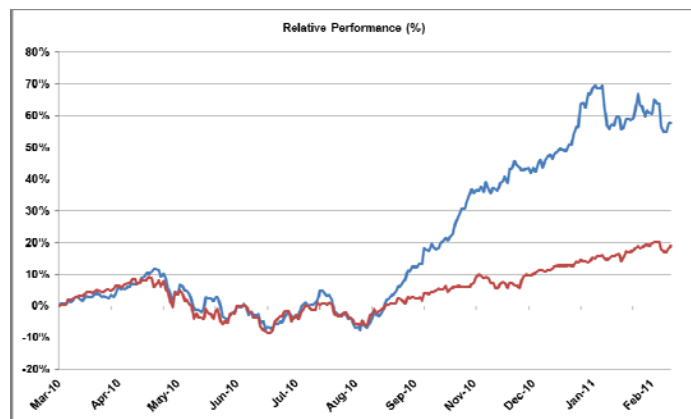
## MONTHLY MARKET PERFORMANCE:

Closing Prices as of February 28, 2010

Current Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
8x8 Inc.	169.8	67.8	2.3 ▲	14.3 ▲	45.8
Aware Inc.	71.9	23.6	(6.1) ▼	25.4 ▲	NM
Blonder Tongue Laboratories Inc.	12.8	30.0	(14.6) ▼	(1.6) ▼	16.1
BSQUARE Corp.	123.4	84.4	31.3 ▲	37.1 ▲	NM
Cbeyond, Inc.	431.0	443.4	(4.7) ▼	(8.5) ▼	NM
Clearfield, Inc.	60.2	26.7	10.4 ▲	23.5 ▲	57.1
Dialogic, Inc.	153.9	174.8	(0.8) ▼	25.3 ▲	NM
Ditech Networks, Inc.	44.5	19.3	26.3 ▲	17.5 ▲	NM
Globecom Systems Inc.	237.1	246.5	14.5 ▲	6.5 ▲	26.3
KIT digital, Inc.	492.7	84.3	(4.1) ▼	(19.0) ▼	NM
Mitel Networks Corp.	301.5	647.2	3.6 ▲	3.3 ▲	5.9
Norsat International Inc. <sup>1</sup>	45.5	20.7	18.2 ▲	25.8 ▲	23.7
Novatel Wireless Inc.	187.3	308.3	(17.2) ▼	(38.0) ▼	NM
Openwave Systems Inc.	188.3	165.2	10.4 ▲	4.7 ▲	NM
ShoreTel, Inc.	313.3	171.3	(6.6) ▼	(13.1) ▼	NM
Sierra Wireless Inc. <sup>1</sup>	319.2	650.3	(28.5) ▼	(31.2) ▼	NM
Strattec Security Corp.	110.1	235.3	5.5 ▲	0.4 ▲	21.4
Technical Communications Corp.	19.2	19.5	(18.0) ▼	(23.5) ▼	2.8
TeleCommunication Systems Inc.	240.0	388.8	5.8 ▲	(8.6) ▼	16.3
Orbit International Corp.	18.2	27.3	4.0 ▲	2.3 ▲	73.3
Tii Network Technologies, Inc	48.1	44.4	(0.9) ▼	19.4 ▲	21.6
TowerStream Corporation	182.8	18.2	7.7 ▲	6.9 ▲	NM
Vertro, Inc.	27.7	34.3	(21.7) ▼	(20.1) ▼	61.1
Westell Technologies Inc.	224.6	178.4	3.5 ▲	0.0 ▲	25.8
Zhone Technologies Inc.	70.4	129.0	(6.9) ▼	(13.5) ▼	NM

<sup>1</sup> in CAD millions

## OEM TELECOM TECHNOLOGY INDEX:



■ OEM Telecom Technology Index ■ S&P 500 Index

## SELECTED STATISTICS FOR INDEX COMPANIES:

Trading Multiples	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	0.6x	0.7x	0.8x	0.9x
TEV/EBITDA	7.9x	9.4x	8.7x	9.7x
TEV/EBIT	12.9x	15.3x	13.4x	18.2x
<b>Profitability</b>				
Return on Assets %	-1.2%	-1.6%	0.5%	2.3%
Return on Capital %	-1.6%	-2.2%	0.8%	3.4%
Return on Equity %	-5.1%	-18.1%	-29.8%	2.9%
<b>Margin Analysis</b>				
Gross Margin %	38.8%	40.5%	43.0%	42.7%
SG&A Margin %	29.2%	29.6%	29.7%	28.6%
EBITDA Margin %	2.8%	2.5%	6.3%	7.2%
EBIT Margin %	-1.9%	-2.2%	0.8%	2.1%
Net Income Margin %	-5.6%	-10.4%	-9.4%	1.4%
<b>Growth Rates</b>				
Total Revenue, 1 Yr Growth %	-12.8%	0.6%	-4.2%	-11.9%
Total Revenue, 2 Yr CAGR %	-11.4%	-6.3%	-1.8%	-7.3%
Total Revenue, 3 Yr CAGR %	-10.8%	-7.3%	-5.6%	-6.6%

Source of financial data: Standard & Poor's, CapitalIQ, FT and Thomson Financial

## MARKET COMMENTARY:

The OEM Capital Telecom Technology Index is up 57.6% over the last twelve months, compared to 19.0% for the S&P 500 Index during the same period. The Index is comprised of publicly traded telecom service and technology companies with revenues under \$800 million.

### COMMENTARY

By: Brian Kelley  
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The acquisition of Tollgrade by Golden Gate Capital may have marked the high point in telecom related transactions for the period. Golden Gate Capital, a \$9 Billion under management private equity group based in San Francisco, CA, acquired all outstanding Tollgrade shares for \$137 Million in an all cash transaction. Tollgrade is a leader in remote test and management support for legacy and IP-based voice and data networks. Relatively boring and uninspiring as technology goes. The jewel in the mix, in my view and the true target is the Smart Grid Solution Set targeting the utility sector. Golden Gate has an excellent opportunity to provide funding for product development and to establish a viable brand in this growing sector.

In a merger of two weak, near equals, GigOptix in an all stock exchange 100% of the assets of Endwave Corporation. Valued at \$22 Million, Endwave is a provider of RF solutions for the mobile backhaul and satellite communications and security markets. A good and worthy ending for the publicly held Endwave. From a technological perspective, the deal represents a good marriage and a net savings to SGA for the merged units.

## NOTABLE RECENT TRANSACTIONS:

**Golden Gate Capital**, a San Francisco, California-based private equity firm, agreed to acquire Tollgrade Communications, Inc. (NasdaqGS:TLGD) for approximately \$130 million in cash. Tollgrade Communications designs and manufactures hardware and software products used in the telecommunications markets.

**SBA Communications Corp. (NasdaqGS:SBAC)**, a Boca Raton, Florida-based owner / operator of wireless telecommunications towers, agreed to acquire 154 wireless communications towers for approximately \$70 million.

**GigOptix, Inc. (OTCBB:GGOX)**, a Palo Alto, California-based manufacturer of high performance electronic components, agreed to acquire **Endwave Corp. (NasdaqGM:ENWV)** for approximately \$22 million in stock. **Endwave Corp.** designs and manufactures radio frequency products and systems that are used in the telecommunications, defense, homeland security, and instrumentation markets.

**OEM Capital**

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