

### ***Telecomm “Green Shoots”***

While the (over)use of the aforementioned term has made this author feel a little green himself, especially as the overall economy seems to be in a swan dive, within our focus area the term does not seem misused. Consider the following:

... In-Stat projects a need for 90,000 Gbps of backhaul capacity globally by year end 2013.

... when the going gets tough, the tough watch TV

... final demand for telecomm services remains robust – and that strong players with access to financing can grow

- While mobile handset sales seem stagnant, in a case of ingenuity driving sales many operators are cost effectively upgrading handsets through sim cards with built in capabilities such as A-GPS, accelerometers. At the same time, the lower costs of sim cards vs. handsets allows operators to offer more attractive service bundles while reducing Subscriber Acquisition Costs.
- Prepaid mobile providers like Leap/Cricket, Boost and many others are reaping a bonanza as cost conscience consumers (many with freshly lowered credit scores) seek the best value bundles.
- AT&T recently reaffirmed their capital expenditure budget at \$17-\$18 billion – ensuring a healthy revenue stream for a host of equipment, component and integration providers. In the process, they are doubling their use of high penetration 850 MHz spectrum, building 2100 new cell sites and upgrading backhaul.
- Speaking of backhaul, with smart phones driving a massive increase in data traffic (thank you Apple!), and with the transition from TDM to Ethernet underway, In-Stat projects a need for (are you sitting down?) 90,000 Gbps of backhaul capacity globally by year end 2013. No wonder Infonetics estimates backhaul equipment sales rose 19% in 2008, with continued growth projected out as far as the eye can see.
- Speaking of Apple, as noted last month the iPhone app store downloaded its one billionth app – no recession there!
- Our friends at DirecTv proved that when the going gets tough, the tough watch TV. Make that HiDef TV from a satellite dish. With a little help from our other friends at AT&T, DirecTv racked up 460,000 net new subscribers in the first quarter of 2009 – its strongest quarter in four years.
- And finally, the Fixed Satellite Services industry continued to prove that it is all but recession proof. Industry giants Intelsat, SES and Eutelsat all managed low single digit to



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low double digit revenue gains in Q1 of 2009 – and affirmed strong guidance for the balance of the year.

None of this is to deny that the overall economy, and part of telecomm as well are experiencing real pain. The common theme that runs through the facts I've laid out is that final demand for telecomm services remains robust – and that strong players with access to financing can grow in this environment. With lots of capital looking for a good home in these uncertain times, we do expect results like those above to attract it – with positive effects to be felt throughout the ecosystem and supply chain.

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