

Wireless M&A Research Report

Current Trends Driving M&A Activity in the Wireless Sector



AGILE EQUITY 

MobileWeek

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Founded in 1996, Agile Equity is an investment bank specializing in mergers & acquisitions in the technology industry, with a specific focus on the wireless sector. Located in New York City, Agile Equity is lead by a strong team of corporate finance professionals with extensive technology transaction experience in providing strategic and financial advice.

For more information on our corporate finance capabilities in the wireless sector, please contact:

Ben Boissevain
Managing Partner
212-475-1100
benb@agileequity.com

Dave Cummings
Managing Partner
212-475-1100
davec@agileequity.com

Agile Equity collaborates extensively with MobileWeek in the wireless sector.



MobileWeek is a high-tech consultancy company focused on the mobile and wireless markets. MobileWeek's teams of veteran analysts, consultants and marketers have an intimate knowledge of mobile and wireless technology. MobileWeek's relationships and vision of the mobile and wireless landscape have been instrumental in assisting Agile Equity with identifying and executing successful M&A transactions.

For more information on our consulting capabilities in the wireless sector, please contact:

David Hayden
President
310-382-0527
david@mobileweek.com

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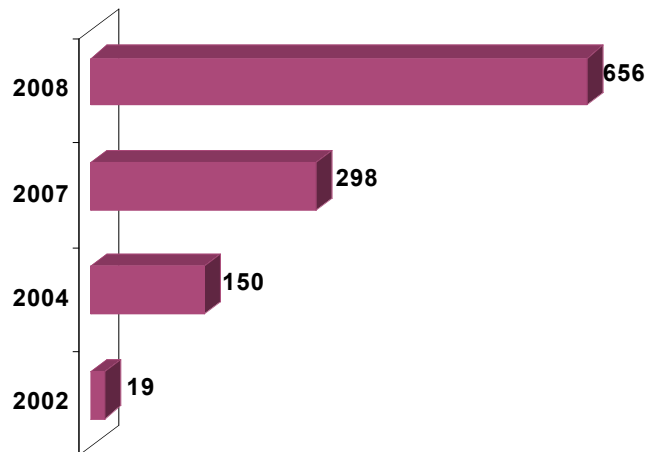
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I. Industry Trends

A. Consolidation Acceleration and Growth in the Wireless Sector

The acquisition of AT&T Wireless by Cingular is one example of a consolidation trend that will continue into the second half of 2004 and 2005. The acceleration of M&A activity in the mobile and wireless sector is not limited to wireless carriers. A significant percentage of the M&A activity is in the wireless software arena. Because of the overabundance of companies in wireless software, many smaller private companies are opting for a parallel path, pursuing additional funding while exploring M&A opportunities. The consolidation trend comes at a time when mobile handset sales are at an all time high.

Figure 1: Worldwide Shipments of Camera Phones
(in millions)



Source: ARC Group, eMarketer Wireless Database, 8/18/03

Gartner Dataquest recently upped its mobile phone sales forecast in 2004 to 580 million units. The analysis reported that sales in 2003 exceeded industry expectations. With worldwide mobile phone sales reaching 520 million in 2003, the industry realized over a twenty percent increase compared with the same period a year earlier. These results were attributed to strong replacement demand in mature markets as well as higher than expected growth in emerging markets.

According to a recent IDC forecast, mobile handsets will realize an 8% year-over-year growth in 2004 as shipments of 2.5G and 3G handsets accelerate worldwide. With the number of mobile phone users approaching 1.4 billion individuals worldwide in 2004, IDC expects 42% year-over-year growth in the 2.5G market as vendors ship more than 241 million units. Meanwhile, shipments of 3G mobile phones will surpass 48 million units in 2004, representing 140% growth over 2003. One of the features driving this growth is the emergence of camera phones. This segment will grow 64% in 2004, to nearly 100 million units. Similarly, IDC projects that nearly 30 million converged mobile devices, or smart phones, will be sold in 2004, representing a growth of 111%. Due to this increase, enterprises and carriers are beginning to once again ramp-up capital investment. Enterprises are moving from small-scale pilots to full-scale deployments. For the first time since 2001, capital expenditure spending by wireless carriers is expected to rise. Lehman Brothers is forecasting capital expenditures of \$20.9 billion in 2004. However, carrier consolidation could play a negative role in overall capital expenditure spending.

B. Exponential Growth in Wireless Data Services

With the resurgence of wireless data devices over the last 18 months combined with flat rate pricing for wireless data services, wireless data usage is increasing exponentially. For the first time, wireless carriers are beginning to realize a real return on their investment in 2.5G and 3G data networks.

With wireless voice ARPU on the decline, wireless data looks to save the day according to a recent report by the Yankee Group. The increase in data revenue will prevent total ARPU from falling as quickly, and only subscriber growth will prevent revenue from declining. In fact,

global subscribers will grow nearly 9 percent from 2002 to 2007, exceeding 1.75 billion. Revenue will grow 9 percent, on average, but growth will vary from region to region. Asia-Pacific will register the strongest revenue growth, nearly 15 percent, driven by almost 20 percent expected growth in China.

Voice ARPU will decline as competition lowers prices and because late adopters tend to have a less urgent need for wireless service, according to Wally Swain, Yankee Group Wireless/Mobile analyst. "Fortunately, wireless data services also are growing, both in penetration and ARPU. Data ARPU grows with penetration because 2.5G networks bring new applications to new markets. Not only will business use of wireless data for enterprise applications increase, but consumers also will find new sources of entertainment and information."

Figure 3 indicates the wireless data growth from 2003 to 2006 is on the rise.

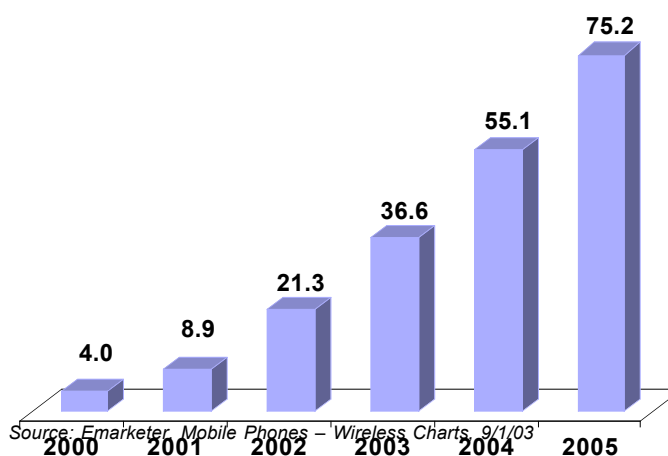
Figure 3: Voice and Data Subscriber, ARPU, and Revenue Forecast

	2003	2004	2005	2006	CAGR
Voice Users (in Millions)	163.5	177.8	189.5	198.9	10.7%
Voice ARPU (U.S. Dollars per Month)	\$51.4	\$50.5	\$49.6	\$48.4	-2.1%
Voice Service Revenues (in Billions of U.S. Dollars per Annum)	\$96.4	\$104.3	\$110.3	\$114.2	8.2%
Mobile Data Users (in Millions)	49.0	81.5	109.8	128.6	82.7%
Mobile Data ARPU (U.S. Dollars per Month)	\$0.80	\$1.95	\$3.25	\$4.95	275.9%
Mobile Data Revenues (in Billions of U.S. Dollars per Annum)	\$0.2	\$1.1	\$2.9	\$5.8	88.8%

Source: The Yankee Group, eMarketer Wireless Database, 12/1/03

As carriers benefit from data ARPU growth, wireless companies that provide software applications will experience significant consolidation. One or two companies in each sub-sector, e.g. synchronization, location-based services, and PIM applications, will emerge as leaders as

Figure 2: Mobile Data Users in the US, 2000 – 2005
(in millions)



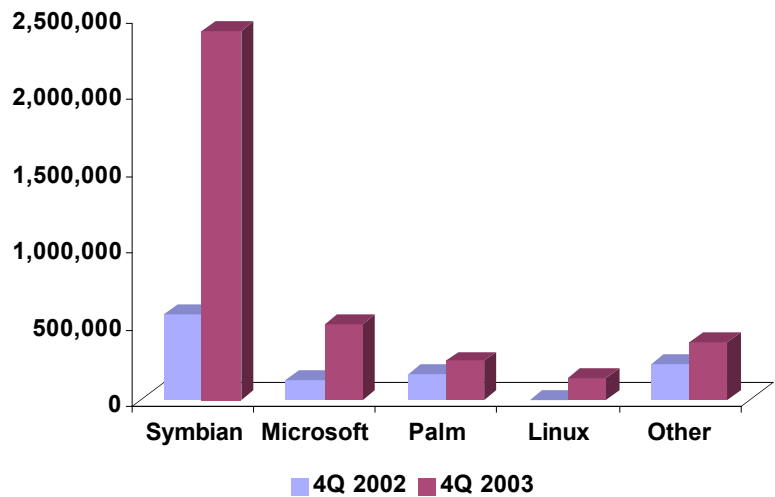
their products gain traction. Carriers and enterprises increasingly will select companies not based on the best technology of a specific application, but on the financial stability and the breadth and depth of the full product offering. An example of this consolidation trend is Intellisync (SYNC), which has established itself as a leader in the synchronization sector by executing a series of four acquisitions since May 2003.

C. Mobile Operating Systems Race

While the majority of mobile phones shipped to date have included proprietary operating systems, that trend is being reversed as high-end feature phones and smart phones begin to become pervasive. According to market research firm In-Stat/MDR, the mobile phone OS will grow from 11.6 million in 2003 to 324.0 million handsets by 2008.

According to IDC Research, Symbian is currently winning the race, although Microsoft and PalmSource are gaining momentum. Linux is actually coming in as a potential dark horse. Figure 4 shows the number of smart phones shipped worldwide in the fourth quarter of 2002 versus fourth quarter of 2003.

Figure 4: Number of Smart Phones Shipped Worldwide



Source: The Yankee Group, Smart Phone Operating Systems, January 2004

The mobile phone OS is an excellent example of industry standards emerging as the wireless industry matures. Once industry standards are set and leaders emerge, consolidation accelerates as exemplified by Psion’s sale this year of its stake in Symbian, which it co-founded, to Nokia Corporation.

II. Corporate Finance Trends

Capital markets are steadily improving, but are still tight by historical standards. Many venture capitalists are reviewing new opportunities, but not yet investing aggressively in new deals. IPO activity is increasing in 2004, but the IPO window is open for different types of companies than it was in the bubble years. Companies need proven products, a solid customer base, a consistent revenue stream, and a clear path to profitability. M&A activity is expected to increase in the second half of 2004 and 2005 for small and mid-market wireless companies, since alternate sources of capital for expansion are still difficult to secure and larger companies have ramped up their M&A programs. Companies such as mobile-phone software developer, Openwave Systems (*OPWV*) have started acquiring smaller software developers to better position themselves in the standards-based data software market for phone manufacturers. Recently, Openwave acquired U.K. based Magic4 for a total value of \$83 million in cash and stock. Combining Openwave's browsing software with Magic4's messaging capabilities allows digital pictures snapped with a cell-phone camera to be sent out from the phone, or allows cell-phone users to interact using AOL's instant messaging service.

A. Recent M&A Activity

For wireless companies, consolidation will accelerate in 2004 and 2005. There are currently too many wireless companies in each sub-sector to compete effectively. As leaders emerge in each sub-sector and industry standards are set, consolidation will occur in each area. Across sub-sectors, companies will be acquired or merge in order to offer multiple applications to carriers and enterprises. Multiple startups have developed in the wireless industry, many of which are targeted at a sole technology, or "gap bridging" opportunity. We believe that the industry will focus its concentration on wireless data in an attempt to maintain the revenue growth and ARPU. This concentration on wireless data services will lead to the bundling of applications, and this will lead itself to consolidation in the industry, so that these services can be more efficiently delivered.

It is also emblematic of an emerging trend towards more cross-border transactions, as carriers consolidate across international borders and require wireless application companies that have the ability to service them on an international scale. In May 2004, for example, VeriSign Inc., agreed to acquire Jamba AG, a Berlin-based wireless content and services provider, for \$273 million in cash and stock. Jamba will be integrated into VeriSign's Communications Services Group, which provides network, database, billing and content services to thousands of wireless and wire line telecommunications. Jamba's acquisition is part of VeriSign's growth strategy in Europe.

B. Selected M&A Transactions

Given the trends outlined above, it is expected that the pace will increase further in the second half of 2004 and 2005. Agile Equity collaborated with MobileWeek on two of its transactions, which are highlighted in blue below. Agile Equity maintains a database of M&A transactions in the wireless sector, including figures such as revenue multiples. More information is available on the transactions below upon request.

Figure 5: Selected Wireless M&A Transactions

Date	Acquirer (Ticker)	Target (Ticker)	Sector
9/1/04	Avocent Corp.	Sonic Mobility	Device Management
8/31/04	Monsternob Group	9 Squared	Content
8/20/04	Mforma Group Inc.	FingerTwitch Inc.	Content
8/10/04	InphoMatch	Mobileway	Messaging
8/3/04	Dilithium	LineFusion	Solutions
8/3/04	Aplix Corp.	laSolution	Middleware
7/28/04	Alvarion	InterWave	Network Equipment
7/27/04	Symbol	Matrics	RFID
7/21/04	Itouch plc	Jippii	Mobile Content
7/19/04	Alcatel	MNC	ASP
7/8/04	Telia	Orange Denmark	Service
7/1/04	InfoSpace	Atlas Mobile	Gaming
7/1/04	VimpleCom	Dal Telecom	Service
6/30/04	YDI Wireless	Ricochet Networks Inc	WISP
6/30/04	Tektronix	Inet	Software
6/25/04	ICOA	IDockUSA	Broadband Service
6/25/04	Reaxion	3SYM	Gaming
6/25/04	MobilePro	CommSouth Companies	ISP
6/25/04	Hutchison Essar	Aircel	Service
6/24/04	Digital Chocolate	Sumea	Mobile Content
6/17/04	Symbol Technologies (SBL)	Trio Security	Security
6/16/04	Broadcom Corp. (BRCM.O)	Zyray Wireless Inc.	Chips
5/25/04	RF Micro Devices	Silicon Wave	IC
5/25/04	VeriSign Inc. (VRSN)	Jamba AG	Service / Applications
5/14/04	YDI Wireless	KarlNet	Enterprise Software
5/14/04	Intuwave	Apeera, Inc.	Security
5/11/04	Openwave (OPWV)	Magic4	SMS
5/4/04	Convergys Corp;	WhisperWire, Inc.	CRM
4/30/04	Tele Atlas N.V.	Geographic Data Technology	Location-Based
4/22/04	Telitas AS	Proteus	SMS
4/6/04	Infowave (IW)	Telispark	Field Service
4/5/04	Sybase (SY)	XcelleNet	Middleware
4/1/04	M-Qube	Sharp Robot	Mobile Content
3/31/04	Navio	DVNO	Mobile Content
3/30/04	Arch Wireless	Metrocall	Paging
3/29/04	Square Enix	UIEvolution	Mobile Content

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3/10/04	X-Y Mobile	Bonsai Networks	OSS
3/8/04	Telefonica Moviles (TEM)	BellSouth Latin American Assets	Service
3/8/04	Monsternob	Mediaprom	Gaming
3/1/04	Lightbridge	InfoSpace unit, Authorize.Net	Payment Processing
2/27/04	Intellisync (SYNC) (formerly Pumatech)	Search Software America	Synchronization
2/27/04	SINA	Crillion	SMS
2/27/04	Tekelec	Taqua Inc.	Switches
2/24/04	Openwave (OPWV)	Nombas	Application
2/19/04	Actix	ComOpt	Wireless OSS
2/9/04	Nokia (NOK)	Symbian (SYM)	Wireless OS
2/2/04	Alcatel (ALA)	Watercove Networks	Mobile Data Services
1/28/04	Enpocket	Mobicus	MMS Marketing Software
1/25/04	Intrado Inc.	bmd wireless AG	Network Messaging
1/8/04	Index Corporation (JASDAQ: 4835)	Mobliss	Wireless Media Content
1/7/04	Agere Systems	Terablaze	Ethernet Switches
1/6/04	Leucadia National Corp	WebLink	Messaging
1/4/04	PCTEL	MAXRAD	Wireless Antennae
12/29/03	Telecommunications Systems, Inc.	Aether Systems, Inc., Enterprise Mobility Division	Enterprise Software
12/23/03	Amdocs	XACCT Technologies	Network Mediation
12/22/03	Wireless Facilities Inc.	High Technology Solutions Inc.	Network Management
11/19/03	Metrocall	WebLink Wireless (WLNK)	Messaging
11/7/03	Intel	Mobilian	Chips
10/30/03	Enpocket	SkyGo	Interactive Marketing
10/21/03	Infospace	Moviso LLC	Mobile Content
9/29/03	Flash Networks	Adjungo Networks	Wireless LAN 802.11
9/17/03	Wireless Services Corp.	Data1Source division of publicly held Numerex	SMS
9/15/03	Intellisync (SYNC) (formerly Pumatech)	Synchrologic	Synchronization
8/21/03	Nokia (NOK)	Sega.com	Gaming
8/14/03	GRIC (GRIC)	Axcelerant	VPN
8/14/03	iSecuretrac (ISRE.OB)	Tracking Systems	Location-Based
8/11/03	Vodafone (VOD)	Singlepoint	OSS
8/7/03	Infowave (IW)	HiddenMind Technology	Synchronization
7/31/03	Intellisync (SYNC) (formerly Pumatech)	Spontaneous Technology	Synchronization
7/30/03	Symbol (SBL)	Covigo	Synchronization
7/24/03	HP (HPQ)	PipeBeach	Voice XML
7/17/03	Brycen	Senforce	Bluetooth
7/17/03	Dwango	Woodland Hatchery (WLDH.OB)	Gaming
6/27/03	Sun Microsystems (SUNW)	Pixo	Java
6/24/03	Mblox	MobileSys	SMS
6/20/03	Handmark	pdaBookstore.com	Content
6/13/03	Oracle (ORCL)	FileFish	PIM Access
5/12/03	Frequency Electronics (FEI)	Zyfer, Inc. (ODETA)	Location-Based
5/2/03	Intellisync (SYNC) (formerly Pumatech)	Starfish Software (Motorola)	Synchronization
5/1/03	Smarter Information Systems	Commtag	Synchronization
4/23/03	Nokia (NOK)	Eizel	PIM Access
4/23/03	SIRF Technology	Enuvis	Location Based

4/16/03	Motorola, Inc. (MOT)	Winphoria Networks	Mobile Switch
2/20/03	Telcontar	Televoke	Location-Based
1/14/03	BSM Technologies (BSM)	HGI Wireless, Inc.	Location-Based
1/7/03	Leucadia National Corporation (LUK)	Weblink Wireless (WLNK)	PIM Access
12/22/02	Sybase (SY)	AvantGo (AVGO)	PIM Access
10/25/02	Microsoft (MSFT)	Vicinity (VCNT)	Location Based
9/12/02	Wireless Knowledge	Mobilocity	Service
8/24/02	Mobility Electronics (MOBE)	Cutting Edge Software	Office Applications
6/14/02	Nexus (NEXU.ST)	Blueice Research	Security
5/24/02	Openwave (OPWV)	SignalSoft (SGSF)	Location-Based
5/24/02	Openwave (OPWV)	Ellipsus Systems	Gaming
3/22/02	USA Technologies	Stitch Networks	Applications
3/5/02	Air2Web	2Roam	Applications
2/21/02	Lightbridge	Altawave	Analytics
1/29/02	Vivendi Universal	PWS / YourMobile	Ringtones
1/21/02	InPhonic	Reason Inc	Device Management
1/7/02	Sec2Wireles	Travlang	Applications
1/7/02	VeriSign, Inc	H.O. Systems	Billing
12/19/01	FreedomPay	ZebraPass	Mobile Middleware
12/14/01	Vytek Wireless	Rubicon Technologies	Applications
12/12/01	Palm	ThinAirApps	Applications
12/11/01	ViaFone	MobileQ	Enterprise Solutions
12/10/01	TransDimension	SoftConnex Technologies	Infrastructure
11/29/01	Novell	Callisto Software	Applications
11/13/01	Telephia, Inc	Mspect	Applications
11/7/01	Systemonic	Raytheon Technology	Infrastructure
11/5/01	Aerie Networks	Ricochet	Application
11/2/01	InPhonic	SkyWare	Applications
10/30/01	Vytek Wireless	MicroKnowledge	Applications
10/8/01	Mobileum	UnwiredSoft	Applications
9/25/01	ViaFone	IdeaCon	Applications
9/24/01	Webraska	AirFlash	Location-Based
9/20/01	EMS Technologies	NetSat28	Infrastructure
9/5/01	Vytek Wireless	Planet Technology	Applications
8/27/01	PeopleSoft	Cohera	Enterprise Solutions
8/23/01	Flextronics International	Telcom Global Solutions	Infrastructure
8/22/01	Handango	Braindock	Applications
8/7/01	Bungo	Bitlocker	Mobile Middleware
7/24/01	Xdrive	Yopa	Enterprise Solutions
7/16/01	Mforma	HandsOn	Applications
7/3/01	Western Wireless International	Vodafone's Interest in Tele.ring Telekom	Carrier
6/29/01	Bosnext	Endero Sverige	Applications
6/28/01	Celestica	SAGEM CR Subsidiary of SAGEM SA	Devices
6/28/01	First Capital International	Mediafon	Carrier
6/27/01	BulletIN.net	Jungle Drum	Middleware
6/25/01	HiddenMind	AnyDevice	Applications

6/22/01	Vodafone	Mobile Communications Holdings	Carrier
6/19/01	BrainHeart	Akerstroms	Carrier
6/13/01	REMEC	Multipoint Radio	Infrastructure
6/11/01	Semotus Solutions	Application Design Associates	Applications
6/11/01	Vitaminic	France MP3	Other
6/7/01	Engenia Software	Roku Technologies	Applications
6/5/01	SetNet	Selfswitch	Applications
6/4/01	Everypath	Sitraka Mobility Division Sitraka	Middleware
6/4/01	Zipcom	Highway One	Carrier
5/29/01	Sonik	Broadbank Division of Radio Connect	Carrier
5/22/01	Eircell/Vodafone	Sigma Wireless' Share in P2P	Carrier
5/15/01	EMS Technologies	CI Wireless	Applications
5/14/01	NEXIQ Technologies	Diversified Software Industries	Applications
5/1/01	Nextel	Assets of Let's Talk Cellular & Wireless	Carrier
4/25/01	CoTraveller	Mblox	Middleware
4/25/01	Endwave	Broadband Wireless Division M/A COM	Infrastructure
4/24/01	MobileSys	Bitmo	Infrastructure
4/12/01	Metrocall Inc.	Weblink Wireless Inc.	Carrier
4/12/01	Visual Wellbore	Unitrak	Applications
4/11/01	Natural Microsystems	Mobilee	Infrastructure
4/11/01	Simplicity	Sundial Marketplace Corporation	Applications
4/2/01	AIR2LAN	World Media	Carrier
4/2/01	Argogroup	AnywhereYouGo.com	Applications
4/2/01	CellPoint Unwire	Universal Information Quality	Applications
4/1/01	Affordable Teleco Tech	Zmail	Location-Based
3/22/01	Western Multiplex	Wireless Home	Carrier
3/20/01	GiantBear	Savos	Location-Based
3/19/01	Leap Wireless	Backwire	Infrastructure
3/19/01	Leap Wireless	Spotcast Communications	Infrastructure
3/19/01	Soltima (formerly NetSanity)	Tirata	Infrastructure
3/12/01	3 rd Pipe Communications	Tucson Broadband	Infrastructure
3/9/01	Alamosa Holdings Inc.	Southwest PCS Holdings Inc.	Carrier
3/6/01	Fastnet	Cybertech Wireless	Infrastructure
2/22/01	UbiquiTel Inc.	VIA Wireless	Carrier
2/6/01	National Semiconductor	InnoCom Wireless	Carrier
1/8/01	Wireless Matrix Corp.	Norcom Networks Corp.	Applications
1/3/01	OmniSky	NomadIQ	Location-Based

C. Active Acquirers

Nokia, Intellisync, Infowave, and Openwave have been particularly aggressive with acquisitions. However, there are very few dominant acquirers, which highlights the fragmented nature of the industry. This data reinforces the conclusion that additional consolidation will occur as the remaining players in the industry seek to gain a critical mass or acquire new technologies.

III. Strategy and Tactics

The majority of this year's acquisitions have involved companies seeking both to fill a gap in their product line or service offerings and to become end-to-end wireless providers. As discussed, the end-to-end strategy makes sense, but only when best of breed solutions emerge and industry standards for the applications are set.

There have been a number of horizontal acquisitions, mainly among smaller companies seeking to gain product depth and market breadth in order to compete with the larger, more established players. The merger between mobile messaging service providers InphoMatch and Mobileway in August 2004 creates a combined company of \$110 million in revenue and \$40 million cash in hand. This combination allows the merged company to compete more effectively against larger players. Lastly, several acquisitions have occurred among companies in the non-wireless sector seeking to build highly related adjacencies by adding a wireless component to complement their current product offering. For example, Zyray Wireless Inc., a leading provider of baseband co-processors addressing WCDMA mobile devices, was acquired by Broadcom (*BRCM*) in June 2004.

A well-defined strategic rationale is imperative for capturing shareholder value through acquisitions. To date, we have seen three primary motivations for consummating a transaction:

Growing Scale – Increasing scale in specific elements of the business and using these elements to become more competitive overall. Understanding the business and market definitions of scale-based initiatives can be difficult, since they will continue to change in the wireless industry over time. The acquisition by Telefonica SA (*TME*) of BellSouth assets in ten Latin American countries in March 2004 has made it not only the only operator present in all key Latin American markets, but also has created the largest carrier in Latin America.

Broadening Scope – Systematically acquiring specific areas of expertise to accelerate new business development and technology. Many companies are lacking product and/or services depth and breadth. Openwave has executed a number of strategic acquisitions to accelerate business development and technology. In May 2004, Openwave (*OPWV*) acquired Magic4, a leading provider of messaging software, to solidify its position as the leader in open standards based software provider for data phone manufacturers. Earlier in May 2002, Openwave acquired SignalSoft (*SSFT*) to add complementary technology and expertise in location-based services.

Related Businesses – Expanding into related businesses to create pull-through revenue synergies. Companies are looking to acquire new products and services that are tangential to their core business, since organic development is too slow and dilutes focus. Symbol's (*SBL*) acquisition of Matrics, a leader in the design and manufacture Radio Frequency Identification (RFID) systems, in July 2004 serves the purpose of expanding business through an acquisition of a related business instead of building a new RFID product internally.

Understanding the strategic rationale for M&A transactions is imperative for companies in the wireless sector. Management and board members should survey the M&A activity among competitors and likely acquirers on a systematic basis in order to be well positioned for a potential exit.

As the industry consolidates, the M&A function will be an increasingly important tool in implementing the core business strategy for larger and smaller companies. For a larger company, a solid M&A program can be helpful for the following reasons:

Identify Strategic Targets – An M&A program will assist a larger company with identifying an expanded universe of strategic targets. Relying on an opportunistic M&A program often results in adverse selection, e.g. random targets approach the company that are not the best strategic fit or the best of breed.

Assess Strategic Targets – Building a solid M&A process provides a company with the ability to identify, value and assess strategic targets based on a larger universe of targets.

Increase Shareholder Value – A successful M&A program will build shareholder value by consolidating a sector. Openwave is an excellent example of a company that has successfully acquired value-added targets and has seen its shares substantially increase in value.

Avoid Becoming the Target - The primary risk for passive companies is the inability to acquire strategically important and possibly industry-transforming targets, thereby being left behind and becoming bait for the stronger, more acquisitive leaders.

For a smaller company in an increasingly competitive market, not developing an M&A program will entail the following risks:

Vendor Viability – Carriers and enterprises may not select the company in the future, since they will be concerned regarding vendor viability. Instead, they may select larger companies whose viability is assured.

Point Solution – As a market matures, customers will prefer larger vendors with product suites over smaller companies with point solutions. Even if a smaller company has a superior product, vendors will select a company with a product suite in order to consolidate the number of vendors and to receive the benefits of interoperability.

R&D Budget – Companies such as Microsoft may decide to dedicate 0.0001% of their R&D budget to a certain field and aggressively market products that are superior to a smaller company's current products. Selling to larger companies can enable key products and services to be fully supported by the robust R&D budget of the acquirer.

Sales & Marketing – Smaller companies, if they decide to continue on a stand alone basis, will need to raise significant capital in order to ramp up their sales and marketing on a global basis in an increasingly competitive market. Selling to larger companies can provide smaller companies with unparalleled access to distribution in global markets.

Execution Risk – Smaller companies, if they decide to continue independently, will need to fully execute on their business plan and retain key management in an increasingly competitive market.

Finance Risk - Given the relatively tight nature of the capital markets, smaller companies should consider preparing for an M&A exit, since a corporate finance strategy solely based on raising capital is risky. Moreover, the valuation in the next round of financing is often lower than in an M&A transaction. Finally, although the IPO market is recovering, the criteria have changed from the bubble years. An IPO is not realistic for the majority of wireless companies. Companies need proven products, a solid customer base, a consistent revenue stream and profitability or a clear path to profitability.

Decreasing M&A Partners – Companies that decide to enter the M&A market at a later date may find that many potential acquirers already have built or acquired the same or superior expertise. As the supply of potential acquirers decreases, valuations often decrease substantially, since the M&A market follows the dictates of supply and demand.

Given the rapid consolidation in the wireless sector, it is prudent for larger and smaller companies to develop a disciplined and systematic M&A program in order to extract maximum shareholder value. An M&A program should be considered a vital part of a company's corporate finance strategy that will generate significant strategic options. The quality of a company's position in a rapidly consolidating market and the quality of deal execution in an M&A exit typically determine a significant portion of shareholder value.