

The Sunday Brief: Who Was Smiling at CTIA? 13 May 2012



Greetings from Kansas City, Dallas, and New Orleans where several thousand telecom faithful gathered for this week's CTIA show. It was, in large part, a snoozer. "Average at best," one of you quoted. "Poorly positioned, but I got my client meetings for the month done in one week," commented another. Microsoft, Google, Samsung, Motorola, Blackberry and even the carriers themselves had opportunities to headline the show, but no one led the way. Like a bad haircut, it'll grow and you'll move on, in this case, to the Cable show in Boston in just over a week.

I personally found CTIA to be an interesting time precisely because no single event (e.g., a large merger announcement) dominated the show. There was a far greater balance between small cell providers (both licensed and unlicensed spectrum), M2M, and tower construction than I have seen at any show in the past. And there were lots of small companies presenting innovative and challenging ideas for many potential investors. This undercurrent of "new" was able to surface because there were no dominating announcements.

AT&T Digital Life™

Service providers will have the ability to develop a unique graphic user interface and extend branding to devices.



But there was some news at the show. AT&T released a fairly sophisticated home control and security product called [Digital Life](#) (the link is to the CNET story, but it got decent coverage). While no solution is going to be completely free of technician-based installation, AT&T does eliminate

a lot of the work through the use of "appliance modules" which connect to a master controller through the electrical outlets in your home. The service definitely highlights the full capabilities that an integrated wireless and wireline service provider can provide. Assuming that it costs \$200-300 to install and \$10-20/month to provide (bundled with existing AT&T U-Verse services), it'll be a success. If a security service is priced higher than that, sales will be confined to a small subset of the population and the cable companies will eat AT&T's lunch.

Pandora's President, Joe Kennedy, who spoke at the show, was all smiles as he announced the following statistics:

1. Over 150 million registered users on Pandora (52 million monthly active users in April)
2. More than 100 million users have accessed Pandora through a smartphone or tablet
3. Seventy (70%) of listening hours occur through a device other than a computer/ laptop
4. With 1.06 billion listening hours in April, mobile/ tablet usage exceeded 700 million hours
5. Pandora's in-car strategy (using a smartphone) has been implemented in 48 car models with an additional 12 planned this year.

Even with these figures, Pandora is only 6% of the radio listening market. Spotify, a subscription-based service company that presented at CTIA on May 8, is challenging Pandora and garnering global scale. (They also [recently signed a deal with Coke](#) which should land them more global cache.) The wireless carriers love Pandora, even though its service does constrain their networks at peak service times. I sat through the Pandora presentation (Kennedy shared



the stage with FCC Chairman Julius Genachowski and Patrick Riordan of Cellcom) and thought it was the best kept secret of the entire show.



The biggest smiles, however, were from the infrastructure providers, particularly the tower and backhaul companies. Windstream, who purchased several fiber providers over the past three years, reported earnings on Thursday and cited their funnel for fiber and backhaul circuits as “robust.” CenturyLink also reported earnings this week and carrier services were up a strong 4.2% (on a \$2.1 billion annualized base). Comcast and Time Warner Cable also singled out backhaul as “growth stars” in their quarterly earnings.

The same grins are coming from construction services and tower providers as well. Crown Castle, American Tower, and SBA now have a combined equity market capitalization of \$50 billion. T-Mobile, who is in the middle of selling their tower unit for an estimated \$3-4 billion, announced the award of a \$4 billion 2-year contract to Ericsson and Nokia Siemens Networks which will expand the electronics on each tower (as well as the total number of towers). And the longer a wireless spectrum shortage looms, the higher the probability of additional sites.



Ironically, the biggest winner from the growth of wireless is – you guessed it – wireline and related infrastructure services. Getting access to the right facilities, understanding backhaul and service performance and options, and unlicensed (Wi-Fi) options all present real problems that a host of smaller companies are trying to solve (for two of them, check out [EdgeconneX](#) for building access and [Ocular IP](#) for equipment-independent access monitoring). And, as the wireline-focused carriers have already realized, all of that data has to connect to content, hence the need for robust and redundant data center infrastructure.

No one’s arguing that home security, Pandora, and infrastructure are anywhere as sexy as the iPhone, Galaxy S III, or the upcoming Facebook IPO. But all were saying “Laissez les bon temps rouler” from New Orleans.

Next week, we’ll preview the cable show as we head to Boston for what promises to be a feisty and festive celebration of the cable industry. If you will be in Boston and would like to get together, please contact me and we’ll set up a time.

Also, if you have a friend who would enjoy getting this brief, please send an email to sundaybrief@gmail.com and we’ll get them on the list. Also, we’ll be going back to RCR Wireless on Tuesday mornings with an abridged version of this column (many thanks to Jeff Mucci and Dan Meyer for their support and advice over the past 2+ years). Have a terrific week!

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