

## **This Week's Stories**

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### **Sprint Issues \$1.3B in New Debt Notes**

August 11, 2009

Sprint Nextel priced \$1.3 billion in new senior notes to be repaid in 2017. The new offering will raise money to help pay for general corporate purposes, such as network expansions or for acquisitions.

Sprint's stock was down slightly after the news to around \$3.50 per share.

The eight-year notes will pay 8.375 percent when they are repaid. Sprint said the sale is expected to close on Thursday. Earlier yesterday, in a filing with the Securities and Exchange Commission, Sprint had said it was pricing \$500 million in new senior notes due in 2017, and that the increased offering reflected the market's response.

Sprint already has about \$21 billion in debt. When the company reported its second quarter results in late July it said it had already paid all of its 2009 debt obligations. The company said it had \$4.6 billion of cash on hand and \$6.1 billion of total liquidity--enough to repay its debt through 2011.

Next year, Sprint's debt schedule shows that it has \$607 million due Jan. 15, \$750 million due June 28 and \$1 billion due Dec. 19. However, that schedule does not include the \$205 million in debt Sprint is expecting to pay as a result of its acquisition of Virgin Mobile USA

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### **Microsoft, Nokia, and Google Take Aim at RIM**

August 12, 2009

Some of the biggest names in mobile technology are girding for battle against BlackBerry maker Research In Motion and iPhone creator Apple.

Later this year, Google and partners that include handset maker Motorola plan devices and features aimed at business users of mobile phones. Meantime, Nokia and Microsoft joining forces in their effort to take share in the lucrative market for company-friendly smartphones.

The moves are aimed mainly at RIM, the U.S. leader in smartphones for businesses, and defending against a rising threat from Apple and Palm. In July, RIM accounted for 34% of smartphone sales in the stores of the largest U.S. wireless service providers, and it boasted the most popular smartphone on the market, the BlackBerry Curve, according to research by Avian Securities.

Microsoft and Nokia announced their offensive on Aug. 12, saying that beginning in 2010 they'll unveil features including tight security and syncing with other devices. The companies also said they'll work together to get other applications, such as Microsoft's Office productivity tools, onto cell phones, and that by working together they can make it cheaper for corporations to support smartphones for employees.

#### **"Way Beyond E-Mail"**

"This is a move targeted towards RIM," Ed Snyder, principal at Charter Equity Research, wrote in an Aug. 12 research report. The first fruits of the collaboration will debut in Nokia's E-series smartphones next year. "BlackBerry and RIM have taken a very prominent place [in the market] based on e-mail," Robert Andersson, executive vice-president for devices at Nokia, tells BusinessWeek.com. "What we are offering is way beyond e-mail."

Nokia says it will give corporate IT managers ways to support its smartphones for less than it costs to support BlackBerrys, by doing away with the need for some servers. "We are definitely confident we can deliver this in a more cost-effective way," Andersson says. Apples-to-apples comparisons are tough to make because Research In Motion offers a variety of service options, says Ronald Gruia, principal analyst at consultant Frost & Sullivan. RIM didn't respond to requests for comment.

The alliance marks the first time Microsoft will develop applications for phones based on rival mobile software, in this case Nokia's Symbian operating system, instead of its homegrown Windows Mobile. "We know customers want choice in the devices they select," Takeshi Numoto, corporate vice-president for Office at Microsoft, tells BusinessWeek.com. "This shouldn't be taken as in any way a lack of our commitment to Windows Mobile."

At the same time, Google has redoubled its push into the business market, also promising more features at a lower cost. Till now, the so-called Android operating system developed by Google and partners has been aimed mainly at consumers, but that's set to change. "Today, we don't support many enterprise applications, but in the future, I think enterprise will be a good focus for us," Andy Rubin, the executive pushing Android for Google, told news service Reuters on July 31.

#### **Google's Offering Value**

Outside developers have long offered business apps for Android devices, but Google plans to adapt existing applications, including e-mail and tools for creating documents and calendars, to Android-based smartphones, Rubin says. Google's offering may be cheaper than RIM's, Gruia says. "They'll have a very compelling value proposition, for sure," he says.

Google's enterprise push coincides with the release of several new Android-based devices from Motorola, Samsung, and HTC that may carry particular appeal to business users. In late 2009 the manufacturers will release the first Android-based devices that have the look and feel of the traditional BlackBerrys, with full Qwerty keyboards convenient for typing long e-mails, according to Avian Securities data. "One of the things we are waiting to see is a truly enterprise-class device that runs Android," says Will Stofega, a program manager at consultant IDC. "That could start a new competitive round. It has a lot of possibility."

Large business-software companies are looking to start supporting Android-based phones as well. Later this year, Good Technology, a rival to BlackBerry's "push" e-mail services, plans to release an Android app that will let IT managers manage Android-based handsets remotely. It will also let mobile users log in to a corporate network using a virtual private network (VPN). "Our goal... is to be able to go to the enterprise and say, 'You can have the same kind of experience with all mobile devices, so you don't have to stay with the BlackBerry,'" says Good Chief Marketing Officer John Herrema III.

### Security Risks?

To succeed, Nokia, Google, and others will need to win over skeptical IT managers who have come to trust the BlackBerry and are leery of security risks posed by new systems. "Every time you add another service, you are adding additional complexity and risk," says Morteza Rahimi, chief technology officer at Northwestern University. "However, we don't really have much choice, because the value of these devices when they work right is tremendous. We are going to support all of [the devices]."

And even if they can't convince IT execs, RIM's rivals will certainly want to get the so-called prosumer, or the person who uses purchases for both personal and professional use. Today, fewer corporations are buying smartphones for employees, says Ken Dulaney, a vice-president at consultant Gartner (IT). Instead, consumers buy an increasing proportion of smartphones on their own, for both personal and business use, and ask their companies to support them later. Up to 60% of all smartphones purchased today are used for both personal and business functions, Dulaney estimates.

Consumers evaluate security and capabilities differently from IT managers. Many people have begun using Apple's iPhones for business purposes, for example, long before Apple began winning IT managers over. End-user demand eventually pushed many corporations to support the iPhone. Now, Nokia, Google, and Microsoft hope prosumers will work their magic with rival tools as well.

<http://www.businessweek.com>

## Report: HTC has Shipped 1M Magic Units

August 13, 2009

HTC has shipped more than 1 million units of the Magic, its second phone powered by Google's Android platform, according to a *DigiTimes* report citing HTC CEO Peter Chou. The phone launched in Europe this spring and made its debut Aug. 5 in the U.S. as T-Mobile USA's myTouch 3G. An HTC spokeswoman confirmed the accuracy of Chou's comments to *FierceWireless*.

The report said Chou made his comments as HTC and Chunghwa Telecom launched the Hero, the company's third Android phone, in Taiwan.

Chou also said 50 percent to 60 percent of the company's smartphone shipments in the second half of the year would be mid-range phones, and that the company would aim for the \$300 price point. Indeed, the company last month said its move toward the mid tier would push down revenues. HTC's new forecast for the second half of the year predicts revenue for the year to fall by a low to mid-single digit percent, a reversal of its earlier prediction of growth of around 10 percent. The company blamed product delays and unexpected slowdowns in unit shipments.

News of a million HTC Magics comes just a few months after T-Mobile USA passed the million mark with its HTC G1 device. In April, Deutsche Telekom, T-Mobile's parent company, quietly disclosed in its earnings statement that the carrier had shipped 1 million G1 units.

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## Dell'Oro: Ericsson Outpaces Rivals

August 14, 2009

Top infrastructure vendor Ericsson doubled its lead in the gear market during the second quarter while two of its major competitors lost share, according to new numbers from research firm Dell'Oro Group.

Ericsson maintained its market share from the year-ago quarter at 32 percent, but Nokia Siemens Networks, its closest rival, saw its share drop to 20 percent from 26 percent in the year-ago quarter, according to Dell'Oro. Huawei's share stood at 17 percent, up from 10 percent a year ago, and Alcatel-Lucent saw its market share drop to 12 percent, down from 14 percent in the second quarter of 2008.

The infrastructure market has been the scene of dramatic tumult over the past year. While overall growth is slowing--Alcatel-Lucent has predicted a contraction of 8 to 12 percent this year, and Nokia Siemens continues to see a 10 percent decline--Chinese upstarts like Huawei and ZTE have enjoyed notable gains. Both Huawei and ZTE have nearly doubled their market share during the past year,

according to Dell'Oro. On the other end, longtime stalwart Nortel Networks has been forced to sell itself off in pieces in bankruptcy court.

As for Ericsson, Dell'Oro's numbers serve to cap a busy quarter for the company. Ericsson beat out Nokia Siemens in a \$1.13 billion auction for Nortel Networks' CDMA and LTE assets, and it inked a \$5 billion agreement to manage Sprint Nextel's networks. The moves improve Ericsson's North American position substantially.

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## **Product & Service News**

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### **Clearwire to Launch 25 Markets by Year-End**

August 11, 2009

Clearwire CEO Bill Morrow said Tuesday that Clearwire is planning to deploy its 4G WiMAX service in more than 25 markets by year-end, reaching approximately 30 million people. In addition, the company expects to extend its coverage to 80 markets by the end of 2010.

Morrow's comments, which were part of the firm's second-quarter earnings call with investors, primarily focused on the company's recent strides, including launching Clear in Atlanta and Las Vegas, launching a dual-mode modem, and naming Huawei as one of its key infrastructure vendors. Although he wouldn't provide specific subscriber numbers for the company's mobile WiMAX markets, Morrow did say that the company is seeing average daily subscriber uptake in July outpace June by 75 percent. In addition, he said that the uptake of mobile WiMAX is helping to offset the attrition that the company is seeing in its pre-WiMAX markets.

Morrow also said that the company is expecting to see a "substantial" increase in net adds in the fourth quarter when it will have more mobile WiMAX markets operational. "We anticipate our fourth quarter net adds will be higher than all three 2009 quarters combined," Morrow said. The company is ramping up to meet that growth. At the end of the second quarter Clearwire had 2,200 employees and it expects to have 3,000 by year-end.

Here are some of the key metrics from the quarter:

**Revenue:** Clearwire posted a quarterly loss of \$73.4 million compared with a year-earlier loss of \$74.6 million. Revenue rose 9 percent to \$63.6 million.

**Net subscriber adds:** Clearwire had 12,000 subscriber adds in second quarter 2009, giving the company a total subscriber base of 511,000. The results failed to impress at least one analyst. "We would have liked to see the company put up at least twice the number of net additions and much higher gross additions in order to demonstrate

the demand for WiMAX services in its new markets," wrote Walter Piecyk of Pali Research. "We thought there was a shot for this given what we observed in Atlanta and the pricing and promotions on the product are very attractive so we are somewhat surprised to see a sequential decline in gross additions and an apparent cooling of sales in Portland." However, Piecyk added that "Sprint and Comcast are likely to get more aggressive in future quarters and the delivery of a WiMAX/CDMA access unit should help stimulate sales later this quarter and into Q4."

<http://www.fiercewireless.com>

### **Verizon Launching New BlackBerry Promotion**

August 14, 2009

Verizon Wireless is introducing a new buy-one-get-one-free promotion for Research In Motion's BlackBerry devices, but is expanding the offer to other devices including netbooks and PC cards.

Verizon spokeswoman Brenda Raney said that if customers buy a BlackBerry 8703e, 8830, Curve, Storm, Pearl Flip or Tour they can get another device of equal or lesser value for free after any applicable rebates. But unlike the carrier's previous BlackBerry promotion, the new offer includes other devices such as netbooks and PC cards. News of the promotion first appeared on the *Boy Genius Report* blog.

The carrier has been aggressive in its pricing of late. Earlier this month, Verizon cut the price of most of its existing smartphones to \$99 or less when customers sign a two-year contract.

Verizon first introduced the BlackBerry buy-one-get-one promotion in February, and it played a major part in helping RIM increase its U.S. consumer market share in the first quarter, according to the NPD Group. Verizon ended the initial promotion in June.

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## **Mergers & Acquisitions**

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### **Clearwire Adds Huawei as WiMax Supplier**

August 11, 2009

Clearwire Corp said on Tuesday that China's Huawei Technologies Co would supply network equipment for a new high-speed wireless network Clearwire is building.

Huawei is joining vendors including Motorola Inc, Samsung, Cisco Systems Inc, Ciena Corp and

DragonWave Inc, in helping Clearwire build the nationwide network, based on WiMax technology.

Along with the other vendors, Huawei will provide Clearwire base stations and other key infrastructure parts under a three-year contract.

The companies did not give financial details about how much each contract is worth. Clearwire estimated that it would need to spend about \$3 billion to build a national network including the installation of about 20,000 wireless base stations at a cost of about \$150,000 each.

While Huawei has supply contracts with smaller North American carriers such as Leap Wireless and Telus, it has yet to win business at the biggest U.S. operators Verizon Communications and AT&T Inc.

Clearwire's chief technology officer John Saw said on a conference call that the company chooses its vendors based on price and performance. He declined to say how much of the \$3 billion spend would go to each.

WiMax promises Internet connections at speeds similar to wired connections but without the short range limitations of Wi-Fi, another wireless Internet technology.

Clearwire, which is 51 percent owned by Sprint Nextel Corp, already offers WiMax in markets including Baltimore, Maryland, and Portland, Oregon, and has said it plans to bring the service to more than 80 markets by the end of 2010.

<http://www.reuters.com>

Vendors such as Nokia, Apple and RIM (makers of Blackberry) are well positioned to benefit from these trends whilst players operating more in the mid range market such as Sony Ericsson and Motorola are having to rethink their strategy.

According to Low-cost handsets report author Andrew Kitson: "Low-cost handset shipments will number more than 700 million in 2014, up by 31% from levels seen in 2008, albeit down slightly from a peak of 716 million in 2012 as some users begin to upgrade to costlier devices. At the same time, smartphone shipment volumes will grow continuously across the forecast period, reaching almost 360 million by the end of the period. We therefore expect that mid-range device sales volumes will fall by more than 41% over the period".

Other findings from the Low cost handsets research include:

- In 2008, the Indian Sub Continent region accounted for the majority (23%) of low-cost handset sales, due to efforts by operators such as Vodafone to meet low-income users' needs in markets such as India: by 2014, the region will account for 22% of sales
- Take-up in emerging markets will be boosted by the availability of low-cost, highly targeted localised information services, such as Nokia's Life Tools offering

<http://www.businesswire.com>

## **Industry Reports**

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### **Low-Cost Handsets; Account for Over Half of all Mobile Phones by 2014, as Consumer Demand Polarises**

August 11, 2009

New research has shown how the mobile handset market is becoming increasingly polarised between low cost handsets for emerging markets and high-end smartphones for developed regions – with the mid-range handset market being squeezed.

Low-cost handsets and Smartphones will together account for almost 79% of all new mobile phones by 2014, or just over 1 billion units in all. Operators and vendors are preparing to deal with a massive influx of new users from low-income socio-economic groups in developing markets and a rising demand for complex 'smart' devices from affluent users in developed markets.