

# IRG WMR



## IRG Technology, Media and Telecommunications Weekly Market Review

***Week of 20 August 2012 - 26 August 2012***

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# IRG Technology, Media and Telecommunications Weekly Market Review



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Equity Market Indicators					
Index	Closing Level (8/24/2012)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2011	% Change 12/31/2010
S&P 500	1,411.13	-0.5%	4.5%	12.2%	12.2%
Dow Jones Industrial Avg.	13,157.97	-0.9%	3.4%	7.7%	13.7%
Dow Jones Tech. Index	482.61	-0.6%	7.9%	14.5%	7.2%
Dow Jones Telecom. Index	239.40	-0.3%	4.7%	6.6%	2.1%
NASDAQ Composite	3,069.79	-0.2%	6.2%	17.8%	15.7%
Japan Nikkei 225	9,070.76	-1.0%	6.6%	7.3%	-11.3%
JASDAQ	50.80	0.0%	-0.2%	5.6%	-2.9%
Japan Mothers	335.07	3.0%	-2.7%	-15.4%	-22.7%
Korea KOSPI Composite	1,919.81	-1.4%	7.3%	5.2%	-6.4%
Korea Kosdaq	497.51	2.1%	5.4%	-0.5%	-2.6%
Taiwan Stock Exchange	7,477.53	0.1%	6.4%	5.7%	-16.7%
Singapore Straight Times	4,048.28	-1.7%	-0.6%	23.4%	3.6%
Hong Kong Hang Seng	19,880.03	-1.2%	4.3%	7.8%	-13.7%
Hong Kong GEM	358.02	-1.2%	-2.3%	-24.6%	-55.8%
China Shanghai (A-Share)	2,191.15	-1.1%	-2.3%	-4.9%	-25.5%
China Shenzhen (A-Share)	911.58	-0.6%	-1.7%	0.5%	-32.5%
China Shanghai (B-Share)	215.88	0.6%	-5.5%	0.3%	-29.1%
China Shenzhen (B-Share)	582.97	0.2%	-4.8%	2.8%	-29.3%

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Technology, Media, and Telecommunications Market Activity						
NASDAQ/NYSE TMT IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
8/23/12	Fleetmatics Group [NYSE: FM]	Software	100.0	A provider of commercial fleet management software solutions	BofA Merrill Lynch, and Barclays	NA
8/22/12	Regulus Therapeutics [NASDAQ: RGLS]	Biohealth	58.0	A biopharmaceutical company focused on developing drugs that target microRNA	Lazard Capital Markets, Cowen & Company, and BMO Capital Markets	NA

NASDAQ/NYSE Equity Markets: TMT IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/24/12	% Change From Offer
N/A						

Asian Equity Markets: TMT PO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/24/12	% Change From Offer
N/A						

Asian Markets: TMT Convertibles						
Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

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### Weekly Highlights

#### International

##### *Internet*

- **Consumers increasingly prefer to view online content of their choice, at their own time on their preferred device, according to the new NPD DisplaySearch.** As the study found that desktop PCs and laptops are still the primary source for viewing online content, mobile devices such as tablets and smartphones are gaining ground. The study found that 18 percent of consumers surveyed in 14 regions are accessing online content daily on their TV sets. Some 25 percent of consumers surveyed said they view online content on their TV several times a week. The study also found that movies are the most popular source of entertainment for consumers viewing internet content on TVs. Consumers prefer to watch movies in a social setting, and since movies are available via online sites, they have become the most preferred content.

##### *Semiconductor*

- **Semiconductor spending among OEMs headquartered in the Asia-Pacific region is projected to grow by an average of 6 percent in 2012, compared to 2.5 percent growth for all global OEMs, according to IHS iSuppli.** Apple, is expected to increase its semiconductor spending by 15 percent in 2012, buying \$28 billion worth of semiconductors, according to IHS. Apple spends the most of any company on chips by a wide and growing margin, according to IHS. But of all OEMs buying chips in the Asia-Pacific region, the largest spending increases are expected to come from three local companies—Taiwan's HTC Corp. and China's ZTE Corp. and TCL Corp.

##### *Telecommunications*

- **The enterprise PBX phone system market (TDM, hybrid, and pure IP PBXs) totaled US\$2.0 billion, down 2.6 percent from the previous quarter and down 1.4 percent from the second quarter of 2011.** Sales of PBX systems in North America are up 5 percent from the previous quarter and up 6.4 percent from the second quarter of 2011, according to a report from Infonetics Research. The report also shows that Cisco expanded its lead in the global PBX/KTS system market in the second quarter, with just over a quarter of global revenue. Vendors posting growth in the quarter include Microsoft, Samsung, ShoreTel, and Mitel, all with double-digit sequential growth. Enterprise telephony market segments showing growth on a year-over-year basis in the second quarter include pure IP PBXs, unified communication applications, and IP phones. On a quarter-over-quarter basis, VoIP gateway revenue is up 14.7 percent.

#### Japan

##### *Telecommunications*

- **NTT Com has expanded the data transmission capacity of its Global IP Network link between Asia and Oceania to 500 Gbps.** NTT Com's global IP backbones, which provide IP network services to Japan, Asia, Europe, Oceania and other markets worldwide, are connected to fixed and mobile telecom companies, ISPs, data center operators and content providers. The company's largest cable network, which offers 620 Gbps between Japan and the US, uses a dual-stack

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(IPv4 and IPv6) configuration as one of NTT Com's core IPv6 networks. The growing use of smartphones, tablet devices and broadband access has led to sharp increases in music/video downloading, blogging, social networking and cloud computing worldwide, NTT Com said.

### *Mobile/ Wireless*

- **After taking full control of its mobile phone joint venture with Sweden's Telefon AB L.M. Ericsson earlier this year, Sony Corp. will cut about 15 percent of the business's workforce, or about 1,000 jobs, to reduce costs and accelerate its push into the growing smartphone market.** The importance of smartphones can't be underestimated for Sony. Not only is demand growing at a breakneck pace, the versatile devices are starting to eat into markets for products such as music players, digital cameras and portable game machines.

## Korea

### *Semiconductor*

- **Samsung Electronics Co. will invest 779 million euros (US\$974 million) in ASML Holding NV, joining Intel Corp. and Taiwan Semiconductor Manufacturing Co. in taking a stake in Europe's largest chip-equipment maker to secure future technology.** Samsung will acquire a 3 percent equity holding in Veldhoven, Netherlands-based ASML for 503 million euros (US\$629.6 million) and invest a further 276 million euros (US\$345.5 million) in research and development of next-generation lithography technologies, ASML said today. The deal completes ASML's so-called co-investment program announced in July, with which the company seeks to accelerate product development. Samsung, Intel and TSMC have now will acquire 23 percent of ASML for 3.85 billion euros (US\$4.8 billion), and the Dutch manufacturer said it no longer will solicit the participation of other customers.

### *Alternative Energy*

- **South Korea's Hanwha Corp intends to buy solar Group Q-Cells, the insolvent German group said. Q-Cells, which employs about 2,300 people, filed for insolvency in April and became the most prominent victim so far in an industry shakeout.** After going public in 2005, Q-Cells went on to become the world's largest maker of solar cells but lost that title in 2009, suffering from low-cost competition from Asia, pricing pressure and excess supply of solar cells in the market. In June, Q-Cells sold its thin-film solar module maker Solibro to Hanergy Holding Group, China's largest privately-owned provider of renewable energy.

## China

### *Internet*

- **Tencent Holdings Ltd. will introduce a television to allow users to access its online games and videos on devices other than computers and mobile handsets.** The TV, which allows access to Web services using cloud computing technology and was developed with TCL Multimedia, is the first time Tencent collaborated with an appliance maker, Tencent CEO Pony Ma said in Shenzhen. The company will continue to work with device manufacturers, he said. Tencent has bolstered collaboration with technology companies including Activision Blizzard and Zynga, adding games and services to counter competition from Chinese rivals such as Baidu and Alibaba. Growth in online-

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game sales and video advertising revenue helped Tencent increase second-quarter profit 32 percent, Tencent said.

- **Qihoo 360 Technology Co. Ltd. reported that its second-quarter net income declined to US\$7.0 million, from US\$11.1 million in the second quarter of 2011.** Net income excluding share-based compensation was \$20.6 million, compared with US\$13.2 million in the year ago quarter. Net margin excluding share-based compensation was 28.4%, compared with 37.6% in the same period last year. The year-over-year decline in non-GAAP net margin was primarily due to increased headcount and infrastructure costs and foreign exchange losses. Total revenues for the quarter were US\$72.8 million, representing an increase of 107.3% from US\$35.1 million in the second quarter of 2011. The year-over-year increase in revenues was mainly due to strong performance in both online advertising and Internet value-added services, driven by continued robust user and traffic growth.
- **App developers and corporations such as Bayerische Motoren Werke AG (BMW) and Shanghai General Motors Co. are turning to Google's AdMob unit to reach Chinese smartphone users on the go.** Google's strength in mobile ads stands in contrast to its search-engine business in China. Revenue in China's mobile-app ad market will probably at least double to about 1.8 billion yuan (US\$283 million) this year, exceeding the 1.2 billion yuan from mobile-search queries, according to iResearch.
- **Gary Wang, the co-founder of one of China's top video websites, Tudou Holdings, said he has retired as its chief executive, the same day his firm's merger with former rival Youku was formally completed.** Youku and Tudou surprised the market in March when they said Youku would buy Tudou in an all-stock deal worth more than US\$1 billion.

### *Mobile/Wireless*

- **Apple's smartphone market share in China almost halved in the second quarter as Chinese seller such as Lenovo Group Ltd. and ZTE Corp. gained ground, according to IDC.** Apple's market share declined to 10 percent in the second quarter from 19 percent, but IDC analyst T. Z. Wong told Dow Jones Newswires that the fall is mostly a result of consumers waiting for the launch of its newest iPhone this fall. Apple is facing intensified competition from high-end smartphone vendors like Samsung Electronics which took the No. 1 position with a 19 percent share, Mr. Wong added. For the first time, three Chinese smartphone vendors were among the top five sellers, with Lenovo leaping from outside this group into second as it grew market share to 11 percent from between 5 percent and 8 percent in the previous quarter. ZTE was third with 10 percent and Huawei Technologies was fifth with 9 percent.

### *Telecommunications*

- **The first undersea telecommunications cables linking Taiwanese and mainland Chinese territory have been completed.** The two fibre optic cables link the city of Xiamen in southern China with the Taiwanese-controlled Kinmen island group, which lies just off the coast of China and around 200 kilometres (125 miles) from the main island of Taiwan. The official, who asked not to be named, said Chunghwa Telecom had invested around TW\$100 million (US\$3 million) in the joint venture involving three other Chinese telecom operators.
- **Sierra Leone has signed a US\$15 million loan agreement with China to complete its connectivity to the Africa Coast to Europe ACE cable scheduled to be switched on by October.** Launched by France Telecom as part of a consortium with telecom operators in

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participating countries, the 17,000-kilometer ACE cable will run from France to South Africa, connecting 23 countries either directly or indirectly and will provide a significant boost in broadband access. Sierra Leone funded its connection to its first fibre optic with a line of credit to the tune of US\$31 million which it received from the World Bank to boost its ICT communications sectors. A total of \$71.5 million was approved by the World Bank for broadband development across Africa last year for three major projects aimed at boosting ICT infrastructure and access to services in Liberia, Sierra Leone and the Democratic Republic of São Tomé and Príncipe.

- **China Telecom Corp. posted second-quarter profit that beat analysts' estimates as the introduction of iPhone lured new users to its wireless unit.** Net income declined 10 percent to 4.55 billion yuan (US\$716 million). China Telecom began offering subsidized iPhone sales on March 9. China Telecom expects the Apple device will enhance its long-term growth with short-term pressure on profit margins as it accounts for subsidies on the device up front, instead of spreading them over the life of a service contract.
- **China Mobile is boosting spending on handset subsidies by 30 percent to lure more smartphone customers to its struggling 3G network, in response to increased competition from rivals China Unicom and China Telecom.** China Mobile chairman Xi Guohua said the operator would raise handset subsidy spending to 26 billion yuan (US\$3.14 billion) in 2012 from the originally forecast 20 billion yuan, and maintain its capex at 131.9 billion yuan (US\$20.7 billion). Xi said the increment will be used mainly for subsidizing TD-SCDMA smartphones, in hopes this would attract more new customers to its 3G networks as well as encourage existing 2G customers migrate to the high-value 3G services. China has seen rapid growth in smartphone adoption since 2011, and expects there would be an exponential growth this year, as consumers replace their handsets more frequently, Xi said at the company's earning conference.
- **China Mobile Ltd. will acquire a 1.36 billion yuan (US\$214 million) stake in Anhui USTC iFlytek Co., a maker of voice-recognition software similar to Apple's Siri system.** The phone carrier will subscribe to 70.3 million Anhui USTC shares, or a 15 percent stake, at 19.40 yuan (US\$3.05) apiece, Beijing-based China Mobile said in a filing to the Hong Kong stock exchange. China Mobile will collaborate with Anhui USTC on Mandarin voice technology after the transaction is completed, according to the filing. China Mobile is boosting spending on networks and increasing handset subsidies to attract smartphone users to lift profit growth as competition intensifies.
- **China Telecom will acquire the CDMA network it uses from its parent company for 84.6 billion yuan (US\$27.2 billion).** The operator said the acquisition will boost profits as it saves on leasing fees and give it full control over network investment planning and integration with services. China Telecom will pay an initial 25.5 billion yuan (US\$8.2 billion) in cash for the takeover, with the remainder due within five years. It expects to close the deal by the end of this year. At the end of March, the assets were valued at 111.2 billion yuan (US\$35.7 billion) with debt of 30.0 billion yuan (US\$4.7 billion). China Telecom made the announcement alongside first-half results, which showed revenues up 14.8 percent from a year ago to 138.0 billion yuan (US\$21.7 billion). Service revenues surged 11.2 percent to 126.6 billion yuan (US\$19.9 billion), led by a 36.7 percent increase in mobile. Ebitda edged up 0.3 percent to 48.8 billion yuan (US\$7.6 billion), giving a margin of 38.5 percent. Net profit was down 8.3 percent to 8.8 billion yuan (US\$1.4 billion). The operator noted that the launch of the iPhone led to a short-term increase in marketing costs.

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- **Sierra Leone and China have signed a US\$15 million loan agreement for the installation of a fiber optic cable that will boost internet capabilities, national radio reported.** Chinese Ambassador Kuang Weilin said the agreement is keeping to the bilateral and development cooperation between the two states and will be implemented by Chinese telecommunications giant Huawei. The 17,000-kilometer-long submarine cable runs from Cape Town along the west coast of Africa, through Portugal and to France, connecting 21 countries, 18 of which are in Africa. The cable was laid in Sierra Leone with the assistance of a US\$31 million loan from the World Bank, and is expected to reduce the west African nation's dependence on expensive satellite bandwidth for internet connections.
- **ZTE reported a sharp fall in net profit for the first half, down 68 percent year-on-year to 244.9 million yuan (US\$38.5 million).** The company was affected by price pressure, delayed orders in China and the costs of expanding its handset sales, as well as forex losses, lower investment income and higher financing costs. Revenues were up 15.2 percent to 42.64 billion yuan (US\$6.7 billion). Carrier network equipment remained the largest part of the business at 21.28 billion yuan (US\$3.3 billion) in sales, up 3.9 percent from a year ago thanks to continued targeting of emerging markets. Terminal products surged by 27.1 percent to 14.25 billion yuan (US\$2.24 billion), driven by 3G handset sales in China, and telecom software and systems sales increased 33.8 percent to 7.11 billion yuan (US\$1.12 billion). For the second half, ZTE said it will continue to target populous nations and mainstream carriers as well as look for expansion in the public sector.
- **China Unicom (Hong Kong) Ltd.'s first-half net profit increased 31.9 percent, surpassing market expectations, due to strong growth in the number of subscribers of third-generation mobile services and data usage.** The country's second-largest mobile operator by subscribers said its net profit for the six months ended June 30 surged to 3.43 billion yuan (US\$541.86 million), outperforming its main rivals, which had announced first-half results over the past two weeks. China Mobile reported that net profit surged by a marginal 1.5 percent to 62.20 billion yuan (US\$9.8 billion) over the same period, as China Telecom, the third largest mobile player, reported an 8.3 percent drop in net profit to 8.81 billion yuan (US\$1.4 billion). China Unicom's net profit was well above the average 2.62 billion yuan (US\$412 billion) forecast by 33 analysts polled by Thomson Reuters.

### *Alternative Energy*

- **GCL-Poly Energy Holdings Ltd. reported its first loss since the second half of 2009 as Europe's financial crisis curbed the solar-energy business.** The loss was HK\$330 million (US\$43 million) in the six months ended June 30. Revenue declined to HK\$11.8 billion (US\$1.5 billion). The loss underscores the challenges facing the solar industry as companies deal with an oversupply that's depressed prices and trimmed profit margins. The 17-member BI Global Large Solar index has fallen 64 percent in the past year. MEMC Electronic Materials Inc. reported its fourth consecutive quarterly loss on Aug. 8 due to lower prices. Trina Solar Ltd. reported a second-quarter net loss of US\$92.1 million as industry overcapacity and demand constraints contributed to falling prices.

### **Taiwan**

#### *Semiconductor*

- **Taiwan's Hon Hai Precision Chairman Terry Gou said an agreement to buy a 9.9 percent stake in Sharp was unchanged in principle, and that he hoped to conclude the deal with the struggling Japanese TV maker this week.** The two firms reached a deal in March valuing the shares of the cash-starved maker of Aquos TV at 550 yen each, but reopened talks this month after

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Sharp's stock slumped to around a third of that price as losses mounted. Without the full 67 billion yen (US\$852 million) that the Taiwanese firm agreed to pay in March, Sharp would have to rely more on its banks or sell other assets to bolster its finances. Sharp, with debt of 1.25 trillion yen (US\$15.9 billion), holds 360 billion yen (US\$4.6 billion) of short-term loans and needs to refinance a 200 billion yen (US\$2.5 billion) convertible bond in September next year. The company is seeking help from its main banks, Mizuho Financial Group and Mitsubishi UFJ Financial Group. Those lenders will provide 250 billion (US\$3.2 billion) in loans to Sharp by the end of March, with four insurance companies, including Nippon Life Insurance, providing an additional 100 billion (US\$1.3 billion), enough for the TV maker to cover its immediate debt obligations, the Nikkan Kogyo newspaper reported on Monday without citing sources.

### *Telecommunications*

- **Taiwan telecom equipment maker, is hoping to raise NT\$500 million (US\$16.7 million) through a share placement.** The company is planning to issue up to 6.25 million, five-year convertible preferred shares at an annual interest rate of 3 percent through a private placement, The Digitimes writes. The issuing price and volume for convertible preferred shares will be set later.

## Hong Kong

### *Telecommunications*

- **Hutchison Whampoa and the European Union have agreed the basic principles of a competition concession that would allow Hutchison's Austrian telecoms unit to take over Orange Austria, Hutchison said.** The European Union is carrying out an in-depth investigation of the agreed 1.3 billion euro (US\$1.6 billion) merger, although the combination of Austria's two smallest players would create an operator with at most a quarter of the market. Hutchison 3G, or "3" has proposed opening up its mobile network to third parties, letting new players enter the market if it succeeds in its deal to buy Orange Austria, which would cut the number of operators in Austria to three from four. As part of the deal Orange has agreed to sell its budget mobile brand Yesss to incumbent Telekom Austria.
- **PCCW Solutions, the IT and business process outsourcing services arm under PCCW, has teamed with Guangdong Eastern Fibernet to offer cloud computing services in Guangdong, China.** The two companies will jointly develop cloud computing data centers in the province and provide a wide range of cloud computing services, including desktop cloud, server cloud and cloud storage, PCCW Solutions said in a statement. PCCW Solutions added that customers will be able to access applications, data, files and storage over the internet as tailor-made applications for government, financial institutions, and large corporations will also be available.

## Singapore/Malaysia/Philippines/Indonesia/India/Australia

### *Telecommunications*

- **PLDT has revealed it at least doubled its international bandwidth capacity with the completion of the US\$400-million Asia Submarine-Cable Express (ASE) optical fiber cable system on August 10.** A project undertaken by PLDT in partnership with several other major Asian telecom firms, the 7,200-kilometer undersea cable network uses 40 Gigabits per second (Gbps)

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technology that is upgradeable to 100 Gbps, with a minimum design capacity of 15 Terabits. PLDT's share in the investment is US\$55 million. With its landing station at Daet, Camarines Norte, the ASE provides the first and only direct cable connection from the Philippines to Japan that avoids the earthquake-prone seas south of Taiwan which the cable systems of other carriers pass through.

- **The full 11-member NBTC board has approved the revised Thai 2.1 GHz 3G auction plans with two voting against and one abstention.** The key change from recent drafts was the reduction of the spectrum cap from 20 MHz to 15 MHz per operator. With three incumbents and 45 MHz up for auction, this should mean that there is effectively no auction and that the spectrum will go for the reserve price of US\$143 million (4.5 billion baht) per 5-MHz slot come mid October.
- **Macquarie Telecom's full year profit rose 10.6 percent to A\$19.6 million (US\$20.3 million). EBITDA totaled A\$40.6 million (US\$42.1 million).** However, Macquarie Telecom's revenues slipped 3.8 percent to A\$218.9 million (US\$227 million). Hosting revenues were A\$58.5 million (US\$60.6 million), up 9 percent year-on-year, but telecom revenues declined 7.7 percent to A\$160.3 million (US\$166.4 million) as voice revenues declined 11.8 percent to A\$76.2 million (US\$79.1 million) and mobile revenues declined 23.1 percent to A\$21.7 million (US\$22.5 million), partially offset by data revenues which surged 5.5 percent to A\$62.4 million (US\$64.7 million).
- **Telecom Corp. of New Zealand Friday posted a sharply higher annual net profit that was in line with expectations, but investors hammered down its share price by much as 9.4 percent after New Zealand's largest listed company by market capitalization forecast that it expects little growth in its operating profit this year.** Fierce competition will squeeze Telecom's profitability this year as the company will likely have to cut prices, bundle its products and invest in new offerings to keep up with its rivals. Telecom remains the largest player in New Zealand's telecommunications sector but is only the second largest mobile provider behind Vodafone New Zealand Ltd. Its dominant position will be eroded even further on the completion of Vodafone NZ's purchase of the number 3 player in the market TelstraClear Ltd. later this year.

### *Technology*

- **Switzerland's SFS Group has agreed to buy Singapore's Unisteel Technology International Ltd from private equity fund KKR & Co L.P., Unisteel's management and employees for an undisclosed sum. KKR acquired Unisteel in 2008 for US\$575 million, Reuters reported at the time.** The deal marks KKR's first full exit from an asset in its first pan-Asia fund, according to a source with knowledge of the matter, and comes as the firm is raising capital for a second Asia fund, targeted at up to US\$6 billion. Unisteel has manufacturing facilities in China and Malaysia, through its wholly owned subsidiary SFS intec, creating a combined business with over 7,000 employees and operations across Europe, Asia and North America.

### *Information Technology*

- **HCL Infosystems Ltd. said that its fourth-quarter consolidated net profit plunged 83 percent from a year earlier, weighed by a drop in sales of telecom and office automation products and a sharp rise in expenses.** The seller of computer systems, telecommunication equipment and digital cameras said net profit for the April-June period declined to 20 million rupees (US\$360,425).

### *Media, Gaming and Entertainment*

- **Myanmar has abolished censorship of its media, in the latest in a series of sweeping reforms by the country's nominally civilian government.** Pre-publication censorship--applied in the past to

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everything from newspapers to song lyrics and even fairy tales--was one of the hallmarks of military rule which ended last year. Media reforms have already brought a lighter touch from the once ubiquitous censors, with less controversial publications freed from scrutiny last year. Political and religious journals were the last to be allowed to go to press without pre-approval from the censors.

- **Billionaire Gina Rinehart is seeking to sell a five percent stake in Fairfax Media Ltd. after the newspaper publisher posted a record annual loss.** Morgan Stanley is managing a sale of 117 million Fairfax shares through a book-build offer at 50 Australian cents each, according to a person familiar with the sale, who asked not to be identified as the matter is private. The stake is being sold by Rinehart, the Financial Review reported, without saying where it got the information. Rinehart, whose Hancock Prospecting Pty. is Fairfax's largest shareholder, has clashed with management over her request for board seats. The publisher of the Financial Review and Sydney Morning Herald wrote down the value of its newspaper titles by A\$2.8 billion (US\$2.9 billion).

### United States/Canada

#### *Mobile/Wireless*

- **A federal jury in San Jose ruled that Samsung infringed on multiple Apple patents, awarding the Cupertino, Calif., maker of the iPhone and iPad more than US\$1 billion in damages, the largest surviving verdict in patent history.** Jurors found that on the screen bounce-back patent, Samsung infringed on all phones and tablets. On patent 915, pinch and zoom, the jury found Samsung infringed with all but three devices. The judge will now consider Apple's request for injunctions that would force Samsung to pull patent-infringing products from stores, as well as whether to treble the damages. A hearing is set for Sept. 20, and Koh's rulings are expected within six to eight weeks after that.
- **The U.S. Federal Trade Commission cleared Facebook Inc's acquisition of Instagram, voting unanimously to close its antitrust investigation into the deal without taking any action.** The move frees Facebook to complete its purchase of the mobile photo application maker, the biggest acquisition in its history. Facebook announced plans to buy Instagram in a cash and stock deal for US\$1 billion in April. Under the terms of the deal, Facebook will acquire Instagram for US\$300 million in cash and roughly 23 million shares of Facebook common stock. The deal is currently valued at US\$747.1 million, based on the \$19.44 closing price of Facebook's shares
- **Salesforce.com Inc. posted a fiscal second-quarter loss as operating costs and stock-based expenses jumped, although the company's top-line growth and quarterly billings exceeded expectations.** The company lowered its guidance for per-share earnings in the current quarter and a modest decline in the growth rate of deferred revenue, which is a critical measure of future revenue for its subscription-based business model. Founded to sell sales-automation tools, Salesforce now relies on its social networking feature called Chatter, introduced last year, to link customers and companies and deliver customer service, human resources and other functions from the cloud.
- **PayPal is teaming with credit-card company Discover Financial Services to expand use of the eBay Inc. subsidiary's nascent mobile-payments service from a few thousand merchant locations to potentially 7 million by the middle of next year.** The move could accelerate PayPal's efforts to transform itself from predominantly a tool for making online purchases to a viable option for making transactions in brick-and-mortar businesses, a market long dominated by traditional card-

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payment networks Visa, MasterCard, American Express and Discover. PayPal and Discover announced the partnership, which will allow the credit-card company to equip its existing base of at least 7 million U.S. merchants to accept PayPal as a payment method, in addition to plastic cards, cash and checks.

- **McDonald's is testing a mobile payments service featuring PayPal at 30 of its restaurants in France.** Earlier this year, McDonald's ran demonstrations of a broader PayPal mobile payments service at its franchisee conference in Orlando, Florida. PayPal is racing against start-up Square Inc and other technology companies to become the mobile payments service of choice as consumers increasingly use smart phones to make purchases in shops, restaurants and other retail locations. Square's deal with Starbucks "creates a sense of urgency for PayPal.
- **Peter Thiel's decision to sell almost all of his stake in Facebook Inc. so soon after the company's initial public offering has few precedents in Silicon Valley, where venture capitalists typically hold shares longer.** Thiel, a Facebook director and its first outside investor, divested 72 percent of his remaining shares three months after it went public. Of the 40 biggest U.S. technology IPOs since the end of 2010, only Facebook and its underwriters let some backers sell so soon, with every other company adopting a so-called lock-up period about twice that long. As venture capitalists commonly sell their stakes after helping startups reach the public markets, they usually whittle their holdings over a period of quarters or even years. That's to avoid flooding the market with too much new stock, which can drive down the shares, and to show continuing support for the company. Thiel's timing was particularly precarious, because Facebook was already down about 50 percent from the IPO.
- **Media and marketing solutions company Gannett Co. Inc. has acquired BLiNQ Media LLC, a social media advertising company that makes it easier for marketers to acquire advertisements on Facebook and other social media sites.** Terms of the deal weren't disclosed, but a person familiar with the matter said Gannett paid approximately US\$20 million in cash for the company, with an agreement to pay an uncapped earn-out on its profit contribution until 2015. The acquisition comes as Gannett attempts to grow revenue from digital marketing and media businesses, in order to offset ongoing declines at its newspapers, including USA Today. BLiNQ is one of a handful of new agencies attempting to decipher the most effective ways to advertise through social media, using analytics and relationships between media buyers and companies like Facebook. Gannett sees the acquisition as a way to help its vast count of local advertising clients acquire space more effectively using the social network--a task that marketers have previously complained is unwieldy using Facebook's in-house system.
- **Ancestry.com Inc., the family- history research website, has asked potential buyers including Permira Advisers LLP and TPG Capital LP to increase their competing bids for a possible buyout, according to people familiar with the situation.** Talks are ongoing and a deal might not materialize, said one of the people, who asked not to be named because the process is private. Ancestry.com turned down a bid of US\$35 a share, another person said. KKR & Co. and Providence Equity Partners Inc. expressed interest early on yet didn't submit bids because they consider the price too high. Ancestry.com's shares have surged 34 percent since June 5, when Bloomberg reported that the company had hired Frank Quattrone's Qatalyst Partners LLC to find buyers.
- **AOL Inc. announced a US\$600 million accelerated stock buyback agreement and a special cash dividend of US\$5.15 a share, the final steps in returning about US\$1.1 billion to**

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**shareholders.** AOL will purchase US\$600 million worth of common stock under an agreement with Barclays Plc, according to a statement today. The one-time dividend will be payable Dec. 14, AOL said. This month AOL, owner of the Huffington Post and TechCrunch websites, surged to its highest value since it was spun out of Time Warner Inc. in 2009, after a surge in advertising revenue and a one-time gain on a patent sale helped the company return to a profit in the second quarter. The company also adopted a tax asset protection plan as a deterrent to any individual or fund acquiring at least 4.9 percent of its shares outstanding without approval of the board. The company said it wants to protect potential benefits that might be curbed if control of the company changed.

### *Media, Entertainment and Gaming*

- **Rogers Media is acquiring all of the outstanding shares of Score Media, and will wholly own theScore Television Network and related television assets.** The acquisition of Score Media does not include its digital media business, including theScore website and mobile applications. Immediately prior to the acquisition, Score Media's digital assets will be spun out to its existing shareholders, with Rogers Media retaining a 10 percent equity interest in the digital media business. Rogers Media will also have access to Score Media's digital technology to enhance its mobile offerings. Upon receipt of final regulatory approvals, the TV network will be rebranded under the Sportsnet umbrella. The total consideration payable by Rogers Media in connection with the transaction, including consideration payable to Score Media's shareholders, consideration for the 10 percent equity interest in the digital media business, and repayment of Score Media's third-party debt and transaction expenses, is C\$167 million (US\$168 million). The transaction is subject to Score Media shareholder and court approvals, and the satisfaction of other customary conditions. The meeting of Score Media shareholders is expected to be held in autumn 2012.
- **Barry Diller's IAC/InterActiveCorp will acquire About.com from New York Times Co. for US\$300 million in cash, letting the company expand its Ask.com informational- website business.** The transaction is expected to be completed in the next several weeks, Times Co. said yesterday in a statement. IAC outbid an earlier US\$270 million offer from Answers Corp., according to a person with knowledge of the matter, who asked not to be named because the talks were private. Times Co. will use the proceeds from the deal for general corporate purposes. About.com, which relies on freelancers to produce stories and how-to videos on topics such as making a stir-fry or preventing a tattoo from stretching, has struggled to attract traffic and advertising dollars. By contrast, IAC saw revenue from Ask.com and its other search-related sites climb 46 percent to US\$348.8 million last quarter.
- **OnLive Inc., a provider of Internet-based video games, had its assets have been acquired by an unnamed entity that will hire some existing employees, capping speculation that the closely-held firm had run aground.** The identity of the acquiring firm was not immediately clear. The acquirer will be hiring a large percentage of OnLive Inc.'s staff across all departments, the spokeswoman said.

### *Telecommunications*

- **Aruba Networks Inc. swung to a loss in the fiscal fourth-quarter on a year-earlier tax benefit of US\$72.8 million, though the WiFi-equipment maker posted strong revenue growth.** Aruba, which sells wireless-networking equipment to carriers and businesses, has continued to climb in recent years as demand for wireless products grows with help from a proliferation of mobile devices.

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- **Brocade Communications Systems Inc., which has been trying to sell itself for at least two years, is a step closer to unlocking a 32 percent gain for shareholders now that its chief executive officer is on his way out.** The maker of computer switches for data-storage networks said last week that Michael Klayko will step down after at least seven years as head of Brocade, which has disappointed investors as it struggled to integrate an Ethernet business it acquired in 2008. Brocade's stock declined this month to the lowest price relative to free cash flow in three years, and the shares were still cheaper than 90 percent of similar-sized computer-storage firms, according to data compiled by Bloomberg. Private-equity firms could be attracted to the cash flow generated by the US\$2.7 billion company's main storage business, according to Robert W. Baird & Co., as JMP Group Inc. said Dell Inc. also may be among suitors. Wunderlich Securities Inc. said Brocade could fetch US\$7.75 a share, 32 percent at least's closing price.
- **Verizon has received U.S. Federal Communications Commission (FCC) approval for its US\$3.9 billion-worth of spectrum acquisitions from several cable companies including Comcast, but with a number of conditions attached.** The regulatory green light covers four transactions in total. The separate purchases of advanced wireless services spectrum licenses from Cox Communications and SpectrumCo – a joint venture between Comcast, Time Warner Cable, and Bright House Networks; a spectrum swap between Verizon and rival mobile player Leap Wireless; and the divestiture of certain spectrum assets to T-Mobile USA.
- **Charter Communications announced that its subsidiaries CCO Holdings and CCO Holdings Capital closed on the public sale of US\$1.25 billion in senior unsecured notes due 2022, with the notes bearing an interest rate of 5.25 percent per annum and issued at a price of 99.026 percent of the aggregate principal amount.** Net proceeds as a result of the notes were approximately US\$1.22 billion after underwriting discount and commission deductions. Charter will use the net proceeds from the sale for general corporate purposes, including repaying amounts outstanding under the Charter Communications Operating revolving credit facility, to pay fees and expenses related to the offering and to fund the redemption of the CCH II, 13.5 percent senior notes due 2016 on or before 30 November.

### *Information Technology*

- **Tech Data reported results for its second quarter to end July 2012, with revenues down 8 percent year-on-year to US\$5.96 billion on the back of negative currency effects.** In the first quarter of fiscal 2013, the company revised its presentation of sales of vendor warranty services and certain fulfillment contracts: these are now reflected on an agency basis as net fees as opposed to net sales and cost of products sold. These items would have contributed US\$191 million to Q2 net sales, negatively impacting the year-over-year net sales comparison by about 3 percentage points.

### *Semiconductors*

- **Qualcomm Inc. purchased DesignArt Networks, giving the company new system-on-chip and mobile offerings.** DesignArt, based in Ra'anana, Israel, focuses on small-cell modem and system design for cellular base stations and high-speed wireless infrastructure. Financial details of the deal weren't disclosed. Qualcomm, which helped popularize a technology used in many cellphones called code-division multiple access, or CDMA, has been one of the biggest beneficiaries of rising demand for smartphones and other mobile devices.
- **Qualcomm Inc. will open a research and development facility in Sao Paulo that will be dedicated to tablet computers and mobile communications.** The facility will at first employ less

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than 100 workers, and the initial investment in the facility will be less than US\$1 million, Qualcomm Chief Executive Paul Jacobs said at a press conference with Brazilian Communications Minister Paulo Bernardo. The facility will develop technology for use in tablet computers and work with Brazilian electronics companies' academic programs in the field of mobile communications, Jacobs said.

### *Software*

- **Trimble Navigation Ltd agreed to buy Ohio-based privately held TMW Systems Inc, which provides enterprise software to transportation and logistics companies, for US\$335 million in cash.** TMW's software platform serves as a hub from which the core operations of transportation companies are managed, data is stored and analyzed, and business processes are automated, Trimble said. TMW has 500 employees and reported trailing twelve month revenue of about US\$96 million.
- **IBM Corp. agreed to buy Kenexa Corp, which makes human resource management software, for about US\$1.3 billion.** The acquisition would likely increase competition with Oracle Corp and SAP AG who recently bought into the sector.
- **Autodesk Inc. shares plunged the most in at least four years after the software maker lowered its annual sales forecast and said it will cut jobs as it restructures to focus on cloud and mobile computing.** The company will post fiscal 2013 revenue growth of 4 percent to 6 percent, less than a prior projection of at least 10 percent, as a slow economic recovery in Europe hampers sales, Autodesk said. Autodesk, a maker of architectural and engineering software, in March unveiled new design tools and a revamped cloud-computing platform called Autodesk 360 that lets customers use programs over the Internet. The company said it will consolidate some leased facilities and reduce staff in the near-term as it expands in the cloud.
- **Deltek Inc. will be taken private by private-equity firm Thoma Bravo LLC for US\$1.1 billion in cash.** Deltek stockholders will receive US\$13 a share, the companies said today in a statement. That's 24 percent at least Deltek's stock price on June 11, the day before the company announced information about the sales process. Thoma Bravo gains a software company used by 15,000 organizations and 2 million users in at least 80 countries. The offer price represents a multiple of 14.6 times Deltek's earnings before, interest, depreciation and amortization over the past twelve months as of June 30. New Mountain Capital, Deltek's largest shareholder, approves of the transaction, according to the statement.

### *Technology*

- **Kleiner Perkins Caufield & Byers will at least double its investments in mobile applications for corporate users, as well as technology used to remotely manage software and hardware, investment partner Matt Murphy said.** The venture capital firm has already invested about US\$100 million in the two areas in the last 18 months, and will at least double its investments in the next 12 to 18 months, Murphy said. Mobile software startups are gaining traction as more corporate users adopt smartphones and Apple's iPads for work, and use these devices to access key applications. Apple's smartphones and tablets represented the top four most-popular mobile devices among corporate users, according to Good Technology Inc.

### *Hardware*

- **Dell Inc. declined the most in three months after cutting this year's profit forecast as revenue from corporate customers fails to counter shrinking personal computer sales.** The company forecast third-quarter revenue that missed analysts' estimates and cut its profit outlook by 20 percent,

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as competition from Apple's iPad and an anemic global economic recovery drags down PC demand. CEO Michael Dell's strategy of using acquisitions to add software, storage and networking equipment has been slow to offset declining sales of desktops and laptops, which account for half of revenue. Consumers and businesses increasingly favor the iPad and other tablet computers over traditional machines.

- **Hewlett-Packard Co. suffered another quarter of slumping demand for personal computers and services aimed at businesses, underscoring the turnaround challenge facing CEO Meg Whitman.** Profit excluding some costs will be US\$4.05 to US\$4.07 a share in the year that ends in October, Hewlett-Packard said. That's at the low end of a forecast for US\$4.05 to US\$4.10 issued in May and below the average US\$4.08 analyst estimate compiled by Bloomberg. Almost a year into her tenure at the helm of the largest personal computer maker, Whitman is boosting investment in research and development and revamping the PC, printer and enterprise-services units. Hewlett-Packard, which will discuss its 2013 outlook at an analyst meeting in October, is under pressure from rivals such as Apple in computing devices and IBM among corporate clients.

## Europe

### *Telecommunications*

- **Royal KPN NV, lost market share in its home market in the second quarter of the year, as its mobile service revenue declined at least that of its competitors amid a general decline in voice revenue.** In the three months ended June, KPN's market share in the Netherlands was down 1 percentage point from a year earlier at 44.8 percent, as Deutsche Telekom AG's market share increased 0.6 percentage point to 24.2 percent and Vodafone's market share increased 0.4 percentage point to 31 percent, the research firm said. KPN's mobile service revenue declined 5 percent from a year earlier, as T-Mobile and Vodafone had relatively smaller drops.
- **Carlos Slim is continuing his foray into Europe's telecoms market by eyeing up a pair of possible acquisition targets in Poland, according to a local press report.** The Mexican billionaire and owner of major Latin American telecoms group America Movil is considering making a move for Hawe and P4, which offers services under the brand name Play, Polish business newspaper Puls Biznesu reported. The newspaper says Hawe has been looking for an investor for the past two months and has hired consultancy Lazard to conduct the search. Four bidders are in the running: two private equity firms and two global investors, one of which is America Movil. The paper claims Hawe is close to selecting its preferred investor. Then known as Netia Mobile, P4 acquired a Polish 3G licence in 2005 and launched services as Play in early 2007. It has since signed up 7.8 million customers, giving it a 15 percent share of the market, but has ambitions to grow further; on its Website Play describes its market share as too small.
- **Ericsson will sell its fiber-access assets to U.S. broadband-equipment supplier Calix Inc. Terms of the deal, which is expected to close in the fourth quarter, weren't disclosed.** The two companies also signed an agreement under which Ericsson will sell Calix systems and software worldwide, effective for three years. Under terms of this deal, Calix will offer employment for up to 61 U.S.-based Ericsson staff, and will provide support for the products it acquires.
- **Telefonica SA may invest about 1.5 billion euros (US\$1.86 billion) in the auction of spectrum for mobile services in the U.K., which is set to get under way by the end of 2012, Cinco Dias reported in its Internet edition, citing market sources.** Mobile operators are expected to start

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rolling out 4G networks using the auctioned spectrum from the middle of 2013 and to start offering 4G services to consumers later that year.

### *Information Technology*

- **IBM will acquire privately held Texas Memory Systems, a high-end enterprise storage technology provider, to expand its own storage offerings, IBM said.** IBM did not disclose the terms of the deal with Texas Memory, which employs about 100 people. The deal is expected to close later this year, IBM said. Texas Memory told Reuters in December that it was looking to be bought by a bigger company so it could take advantage of a bigger sales force to sell its products to corporate customers.

### *Software*

- **SAP AG could make more acquisitions, German daily Sueddeutsche Zeitung reported, citing the company's co-Chief Executive Jim Hagemann Snabe who said the company wants to fuel its long term growth with two-thirds internal expansion and one-third through acquisitions.** He said acquisitions will help the company to enter new business fields and secure the company's future, according to the newspaper.

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### Other Economic Data

#### Currency Exchange Rates

Currency	Units	Current Rate (on 8/24/12)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2012	% Change 1/1/2011
Japanese yen	¥/US\$	78.6500	-1.1%	0.4%	2.2%	-3.1%
Hong Kong dollar	HK\$/ US\$	7.7564	-0.004%	-0.01%	-0.1%	-0.2%
Chinese renmenbi	RMB/ US\$	6.3542	-0.1%	-0.5%	1.0%	-3.6%
Singapore dollar	S\$/ US\$	1.2502	-0.2%	-0.9%	-3.6%	-2.5%
South Korean won	KRW/ US\$	1,134.1500	-0.1%	-1.4%	-2.1%	1.2%
New Taiwan dollar	NT\$/ US\$	29.9390	-0.2%	-0.5%	-1.1%	2.7%
Australian dollar	US\$/A\$	1.0402	-0.1%	1.4%	1.7%	2.0%
New Zealand dollar	US\$/NZ\$	0.8110	0.5%	3.1%	4.2%	4.1%
Philippine peso	PHP/ US\$	42.2150	-0.4%	0.6%	-3.6%	-3.2%
Euro	US\$/€	1.2511	1.4%	3.3%	-3.4%	-6.5%
British pound	US\$/£	1.5809	0.7%	2.0%	1.8%	1.3%

#### Fixed Income Prices and Yields

Note	Currency	<u>Current (on 8/24/12)</u>		<u>1 Week Ago</u>		<u>4 Weeks Ago</u>	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	99.00	2.80%	96.41	2.93%	110.25	2.51%
Japan 30-year	¥	102.11	1.89%	102.71	1.86%	105.11	1.74%
Hong Kong 10-year	HK\$	102.40	0.72%	101.10	0.86%	101.40	0.83%
China (06/16)	US\$	105.93	2.80%	107.00	2.75%	107.74	2.63%
Singapore 10-year	S\$	116.00	1.41%	115.65	1.44%	116.90	1.33%
South Korea 20-year	KRW	11,337.11	3.13%	11,115.78	3.27%	11,273.46	3.15%
Australia 15-year	A\$	114.61	3.47%	111.62	3.71%	115.86	3.37%
New Zealand (12/17)	NZ\$	115.62	3.69%	114.69	3.79%	119.93	3.27%
Philippines 20-year	PHP	99.85	5.89%	101.66	5.79%	101.48	5.75%
India 30-year	INR	101.98	8.64%	101.82	8.65%	103.08	8.54%
UK 30-year	£	130.29	2.98%	128.91	3.03%	131.72	2.92%
Germany 30-year	€	108.18	2.14%	104.42	2.33%	109.66	2.06%

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