

## Stockhouse Feature

### Capitalizing on the Mobile Internet - Are You Ready?

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Mobile communications could be the next big technology wave. How will this new technology revolutionize people's lives and change human behavior? What business and investment opportunities will arise from this vast new marketplace?

The wireless communications market is growing rapidly with over 1.2 billion users worldwide, a 20% increase since 2001. At this rate, by 2010, one in every three people in the world will own a cell phone. In mobile data alone, revenues are expected to escalate from the current \$16.7 billion to \$77.8 billion by 2007. Triple growth - not bad for less than three years of technical evolution.

Investors may want to increase their exposure to the growth in the wireless communications sector by building a portfolio that has a diversified mix of early-stage, mid-stage and well-established companies in all divisions of the space. Handset and server maker [Nokia \(NYSE: NOK\)](#); [OpenWave \(NASDAQ: OPWV\)](#), a mid-tier supplier of infrastructure that allows wireless operators to deliver data through their networks; and [Portal Software \(NASDAQ: PRSF\)](#), which makes billing and subscriber management solutions that help organizations make money from voice and digital transactions could be components of a wireless portfolio.

Markets in Europe and Asia have experienced rapid adoption of cell phones hosting PC and Internet capabilities due to fewer landlines than in the North American market and more people on the move. The western world however, is catching up -- the U.S. is anticipated to be the second largest mobile market in the world with 211 million voice and data users after China, which is anticipated to boast 256 million subscribers by 2007.

Popular data services are text messaging (SMS), multimedia messaging (MMS), email, games, polyphonic ring tones, news and entertainment, MP3 songs and, soon, phones with video conferencing capabilities. Text messaging alone is a multi-million dollar industry with 1 billion messages sent daily at an average of \$0.10 per message! Text messaging is a fairly simple but popular mobile data application. Meanwhile, another application driving consumer demand is the camera phone with sales of these new handsets predicted to more than double over the next year.

Wireless operators like [Vodafone \(NYSE: VOD\)](#), [Verizon \(NYSE: VZ\)](#), [AT&T \(NYSE: T\)](#), [China Unicom \(NYSE: CHU\)](#) and others around the globe have spent billions rolling out faster, sleeker 2.5G (generation) and 3G networks only to incur huge debt and increasing competition. For this reason, and because mobile handset manufacturers such as Nokia and [Ericsson \(NASDAQ: ERICY\)](#) have created more advanced phone capabilities, cellular operators are starting to heavily market new mobile data services to boost revenue and re-capture market share. The killer applications of the future will offer brand recognition and diversification over traditional cellular voice services. Herein lies an opportunity for investors everywhere.

What this means to forward thinking investors ahead of the next hi-tech wave is this - those that get in first generally reap the benefits of investing in cutting-edge early stage technology that changes the way we work and live. The next generation of technical evolution is the convergence of mobility, PCs and the Internet that will allow people access to relevant, personalized information on demand. Welcome to the Mobile Internet. What will your killer app be? It might be

stock quotes delivered to your phone while you are away from the office or news highlights messaged to you in real time as they are released on the wire.

One of the key opportunities in this burgeoning market is the need for consumers to better manage their time and gain access to in-the-moment, relevant information.

Imagine finding yourself lost in a sea of people on a block that doesn't look the least bit familiar during a business trip in Tokyo. This is where you would use your trusty cell phone with the built-in GPS (global positioning system) to access a wireless application similar to [www.Mapquest.com](http://www.Mapquest.com). Once the destination address is entered -- VOILA! -- directions and a color map appear.

How do I profit from this sector? What do I invest in? Infrastructure? Handsets? The next killer application? What will the next killer application be?

You must decide on whether you are looking for direct investment in the mobile Internet, which would typically include earlier-stage, specialized smaller companies, instead of a more diversified investment with established, market leading companies such as a Nokia, [Motorola \(NYSE: MOT\)](http://www.nyse.com/quote/NYSE:MOT), [AT&T Wireless \(NYSE: AWE\)](http://www.nyse.com/quote/NYSE:AWE), Vodafone etc.

The larger, more diversified companies will have a mix of revenue streams. This mix could include: wireless, microchip, handset, hardware and software divisions. Then there are the innovative, early-stage companies which offer a direct investment in the cutting-edge wireless market of mobile data and, while they represent greater risk than the larger diversified, well-established companies, they offer the opportunity for a greater reward.

It is difficult for the price of Nokia's stock to double, because the Finnish mobile phone giant is no longer a high-growth firm, whereas you have the opportunity for a five times or ten times return on investment from an early-stage company that can scale in size rapidly, or become a takeover target for one of the major market players mentioned earlier.

There could be many permutations of this portfolio depending upon your tolerance for risk and need for diversification. A portfolio that has early-stage companies in only one specialty area of infrastructure, hardware or software applications may not maximize returns as much as a portfolio that has early-stage companies in multiple areas.

As an investor, you must be prudent and fully aware of the increased risks posed by investments in earlier stage companies that have technologies and solutions that have yet to be completely proven in the market.

Examples of companies operating directly in the space are mid-tier enterprise software providers such as OpenWave. Portal Software provides flexible billing and subscriber management solutions that allow organizations to monetize their voice and digital transactions. ITouch (LSE:ITU) and [Glenayre Technologies \(NASDAQ: GEMS\)](http://www.nasdaq.com/quote/GEMS) supply various levels of platform infrastructure.

[Contec Innovations \(TSX: V.BUZ\)](http://www.tsx.com/quote/V.BUZ) is an early stage company offering a mobile services delivery solution that enables wireless operators and value-added-service-providers to integrate and introduce mobile data services to consumers. The stock is thinly traded, and investors should be wary of illiquid issues.

All of these companies are at different stages of development and would provide a diversified

portfolio of companies operating in the mobile Internet sector.

Also, watch for companies selling to markets that are rapidly growing such as those doing business in China, the U.S and Latin America.

The mobile Internet is still in its infancy, however, it's growing up fast. Research firm The Yankee Group states that worldwide digital wireless users already outnumber Internet users and will double in 2004. Internet-enabled phone subscribers are expected to reach 320 million by the end of 2006 from the current 1.4 million.

It may not appear to be a part of your every day life yet, but neither did the PC when it was introduced in 1982 and look where we are now. Could you imagine life without it?

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