



1. Strong Buys



REMEC May Go Far With Its Longbow

By Paul DeMartino

The Telecomm AnalystSM combed through research submitted to the Multex.com database this week, looking for Strong Buys. In order to be included in this column, a stock must receive a firm's highest rating, and the valuation methodology must be included in the report.

SPECTRASITE HOLDINGS (SITE): On Aug. 29, CIBC World Markets reiterated its STRONG BUY rating on the shares of SPECTRASITE HOLDINGS. SPECTRASITE owns over 9,000 wireless towers across the United States. The firm's report was prompted by a lease agreement between SPECTRASITE and SBC COMMUNICATIONS (SBC). SPECTRASITE will lease about 3,900 towers for the next 27 years, many of them in large metropolitan cities. The company also has the right to purchase them at expiration. And, SPECTRASITE has the exclusive right to buy or build all of SBC's new



towers for the next five years. CIBC likes the new arrangement, and believes that it could be "significantly accretive." It estimates that SPECTRASITE will lose \$1.36 a share in 2000 and \$1.83 a share in 2001. The firm raised its target price for the shares to \$40 from \$33, based on its discounted cash-flow valuation. SPECTRASITE shares closed at \$23.50 on Aug. 29. Research reports on SPECTRASITE were accessed 371 times and 23 new reports were added to the Multex.com database during the week of Aug. 14 to 20.

SIGNALSOFT (SGSF): Salomon Smith Barney initiated coverage of SIGNALSOFT on Aug. 28 with a 1-H (buy, high risk) rating. SIGNALSOFT provides a software platform and related applications to enable the delivery of location-based voice and data services, to wireless operators. SIGNALSOFT's technology targets the four "core" segments of the location-based services market: safety, tracking, billing and content. Salomon, the lead manager of SIGNALSOFT's Aug. 3, 2000 initial public offering, believes that the company will benefit from the growth in the wireless Internet market in general. More specifically, the company's packages are compatible with all wireless standards – for instance, GSM, TDMA and CDMA – so it can sell to a broad swath of wireless providers. Salomon expects SIGNALSOFT's growth to be meteoric. From \$1.9 million last year, the firm sees revenue hitting \$12.3 million in 2000 and \$30.5 million in 2001. Its 12- to 18-month target price of \$50 is based on a price-to-revenue model. Salomon projects losses of \$1.07 a share in 2000 and \$0.50 a share in 2001. The stock closed at \$37.06 on Aug. 29, up

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Publisher:Lauren Keyson
Publishing Assoc.Eric Lopkin
Managing Editor:James C. Condon
Senior Editor:Paul DeMartino
Production Manager:Mitch Burkhardt
Web Designer:Robin Barrett
Senior Production Assoc.: .Rika Marubashi
Customer Service:David Allikas

Comments and Information send an e-mail to ta@multex.com.
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118% from its IPO price.

REMEC INC. (REMC): On Aug. 24, CIBC World Markets reiterated its STRONG BUY on REMEC INC., which supplies components for microwave transmission systems to wireless operators, and also manufactures precision instruments measurement systems. The company's second-quarter earnings of \$0.07 a share were in line with CIBC's expectations, and the company improved its book-to-bill ratio to 1.15 from 1.7 in the first quarter. The company's tax rate improved as well, dropping to 36.6% from 49.3% at the end of the first quarter. In addition, REMEC is contractor on the U.S. Defense Department's Longbow project, which is developing an adverse weather, fire-and-forget, anti-armor missile for attack helicopters. CIBC believes that revenue from the project will grow to \$80 million to \$100 million in the future from \$18 million over its first five years. CIBC projects earnings of \$0.36 a share in fiscal 2000, which ends in January 2001, and \$0.78 a share in fiscal 2001. Its 12-month price target for the shares, based on a price-to-sales relative valuation, was raised to \$62 from \$47. REMEC shares closed at \$27.75 on Aug. 29.

2. The Sell Report



DSL.net More Seasoning Required

By Aram Fuchs

"Our broad national footprint, direct relationship with the customer, and focus on business solutions make DSL.NET ([DSL.N](#)) a valued partner to organizations looking to leverage the power of the Internet," said David F. Struwas, president and chief executive officer of the nationwide DSL Internet service provider. "The alliances with ChiroCode and the USFSB [U.S. Federation of Small Businesses] are good examples of this strategy, which we believe give us a powerful competitive advantage compared to other broadband providers. Our investment in LiveVault is indicative of our commitment to offer products of critical interest to our business customers."

This excerpt was taken from the July release announcing DSL.NET's results for the June quarter. Management, of course, wanted you, the skeptical investor, to focus on what the company is doing well. It's been absolutely brilliant at consummating agreements with leading players that have small business cus-

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tomers. In addition to the agreements listed above, the company has distribution agreements with STAPLES ([SPLS](#)), AUTOMATIC DATA PROCESSING ([AUD](#)) and MICROSOFT ([MSFT](#)). These companies sell DSL.NET's Internet access to their customer bases under private labels.



On Aug. 22, 2000, the stock skyrocketed when DSL.NET announced an alliance with another champion of small business, IBM ([IBM](#)). The computer giant will offer DSL.NET's Internet access products to small businesses in the second- and third-tier cities that DSL.NET serves with its own network, as well as some larger cities that it serves through a re-selling agreement with COVAD COMMUNICATIONS ([COVD](#)). [For more on COVAD's strategy, see [The Sell Report, The Telecomm Analyst, June 27 and Aug. 15, 2000.](#)] So, you would think that DSL.NET would be selling buckets of DSL access and raking in the revenue, right?

Of course it's not. Otherwise, DSL.NET would not be the subject of this week's Sell Report.

The company has a real knack for announcing agreements with some of the largest players in small- to medium-sized enterprise market. But it has been less successful at producing a simple required element in business today – producing enough revenue to give shareholders the belief that, eventually, it will be able to cover expenses. Hidden in the depths of the income statement you find ratios that are scarier than a West Nile-infested mosquito.

DSL.NET produced a measly \$3.8 million in revenue in the second quarter; that was less than half of what it spent on marketing, and a mere 20% of the \$19.3 million that it cost to operate its network for the quarter. Of course, this means that revenue must increase exponentially just to reach breakeven on network operations. Unfortunately, it doesn't look like that is going to happen; management told the Street that year-end subscriber estimates should be lowered to 17,000 from 19,000.

The disappointing revenue growth is of even more concern because it comes less than two years after the company was founded. Investors should always be wary of young companies spending so much money right at the start of their life. They have not proven that their models work under any metric of profitability – gross margin, EBITDA, operating income, or, dare I say it, net income – so the numbers that young companies use to forecast their growth are nothing more than educated guesses.

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Yet public investors, deluded by a drunken orgy of inflated equity prices, showered DSL.NET with more than \$100 million in IPO proceeds based on little more than a wing and a prayer.

- I know, the company is in a sexy area of telecommunications;
- It has a cute URL;
- And, to be sure, the company has forged partnerships with a few well-known companies;

But DSL.NET has not proven that it has the ability to generate enough revenue-producing customers to even cover one line item on the income statement. In my admittedly skeptical mind, DSL.NET is not yet ready for public consumption. The shares closed at \$6.66 on Aug. 30, 113% higher since the agreement with IBM's Small Business WebConnections was announced. Fertilemind.net would use the bounce in the stock price as an opportunity to take profits.

3. Insider Trading Alert



Where the Buyers Are

By Kevin Schwenger

Weekly Insider Activity Totals in the Telecom Industry

Total dollar value of all insider purchases and sales provide an aggregated measure of how telecomm insiders feel about the market.

WEEK ENDING	\$ VALUE SELLS	\$ VALUE BUYS	\$ VALUE SELLS / \$ VALUE BUYS
Aug. 25, 2000	\$4,791,535	\$1,834,979	2.61
Aug. 18, 2000	\$295,867,820	\$34,080,893	8.68
Aug. 11, 2000	\$32,427,736	\$9,067,598	3.57
Aug. 4, 2000	\$1,973,086	\$0	—
July 28, 2000	\$2,531,773	\$386,339	6.55

There is still some buying going on by insiders at telecommunications companies. All four of the companies we're looking at this week traded at high levels in March but declined significantly in the months that followed. In fact, shares of these companies had fallen at least 30% – and as much as 80% – by the time their insiders bought in late July and early August.



HARMONIC INC. (HLIT) – Harmonic makes a variety of innovative fiber-optic and digital products used by some of the largest communications companies. E. Floyd Kvamme, a director and a general partner in the Silicon Valley venture capital firm Kleiner Perkins Caufield & Byers, bought 40,000 HARMONIC shares on July 24 at \$29.60 a share. This purchase was the largest purchase by a HARMONIC executive since February 1999, when Mr. Kvamme purchased 46,000 shares at around \$22 a share. HARMONIC shares had fallen 81% from their record high of \$157.50 reached on March 6, 2000. In the six months that followed Mr. Kvamme's two previous purchases HARMONIC shares rose an average of 172%. In fact, in the six months that followed his February 1999 purchase, the stock rose 355%. HARMONIC shares fell to the \$22-level, after Mr. Kvamme's most recent purchase, but have rebounded to close at \$29.81 on Aug. 29.

For more on HARMONIC and its strategy, please see [Best & Brightest: Numbers, The Telecomm Analyst, June 20, 2000](#).

TALK.COM (TALK) – TALK.COM is a local and long-distance telephone service provider that targets consumer customers primarily through Internet marketing alliances with such entities as AMERICA ONLINE (AOL). Four TALK.COM insiders purchased a total of 139,020 shares on Aug. 9 at \$4.16 a share. The buyers were: Gabriel Battista, chief executive officer, 49,999 shares; Arthur J. Marks, a director, 49,999 shares; Mark Fowler, also a director and the former chairman of the Federal Communications Commission, 24,023 shares; and Edward B. Meyercord III, chief financial officer, 14,999 shares. TALK.COM insiders had not been buyers since October 1999, when Mr. Marks bought 20,000 shares at around \$16 a share. The purchases represent a reversal in sentiment – TALK.COM executives sold shares in November 1999 and in March and May 2000 as the stock steadily retreated from its 52-week high of \$22.87. TALK.COM shares closed at \$5.25 on Aug. 29, but still are near their lowest level in over four years.

For more on TALK.COM's business model, please see [Best & Brightest: Numbers, The Telecomm Analyst, April 25, 2000](#). In addition, Vik Grover, communications services analyst at Kaufman Bros., discussed TALK.COM in [The Analyst's Spotlight, The Telecomm Analyst, June 27, 2000](#).

WESTELL TECHNOLOGIES

(WSTL) – WESTELL makes broadband communication products primarily used by phone companies to upgrade existing copper-wire networks to allow for high-speed Internet access. Two company

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insiders bought a total of 15,000 shares from July 24 to 27 at \$25 to \$30 a share. Marc Hafner, executive vice president for business development and corporate strategy bought 11,000 shares and Nicholas C. Hindman, chief financial officer bought 4,000 shares. In March, WESTELL shares reached \$40.75, their highest price in nearly four years. The stock closed at \$15.75 on Aug. 29.

For more on WESTELL TECHNOLOGIES, please see [Panning for Gold, The Telecomm Analyst, Aug. 1, 2000.](#)

ITC^DELTACOM (ITCD) – At ITC^DELTACOM, a competitive local-exchange carrier that serves businesses in nine southeastern states, Donald W. Burton, a director, bought 6,000 shares on July 31 at \$16.50 a share. The buying follows up a May 26 purchase by James H. Black Jr., senior vice president, who picked up 3,000 shares at the \$17.31 a share. These were the first significant purchases by ITC^DELTACOM insiders since December 1997. At the time of Mr. Black's purchase, ITC^DELTACOM's stock had fallen approximately 60% from its record high of \$43.50, reached on March 2, 2000. The shares then rebounded into the mid-\$20s before declining again. ITC^DELTACOM shares closed at \$16.06 on Aug. 29

Telecom Companies with the Most Bullish Insider Sentiment

Companies that are showing the highest levels of consensus insider buying over the past week based on the total dollar value of the transactions.

Activity for Week Ending August 25, 2000				
TICKER	COMPANY	NUMBER OF INSIDERS	SHARES	MKT VAL(\$)
TALK	TALK COM INC	4	139,020	\$578,670
ONCO	ON COMMAND CORP	1	21,000	\$289,372
CONV	CONVERGENT COMM INC	1	50,000	\$222,487
WSTL	WESTELL TECHNOLOGIES	1	4,000	\$115,125
CLST	CELLSTAR CORP	1	20,000	\$59,872

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Telecom Companies with the Most Bearish Insider Sentiment

Companies that are showing the highest levels of consensus insider selling over the past week based on the total dollar value of the transactions.

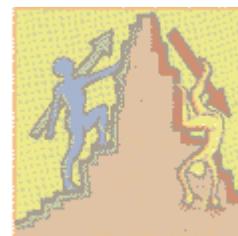
Activity for Week Ending August 25, 2000				
TICKER	COMPANY	NUMBER OF INSIDERS	SHARES	MKT VAL(\$)
ELNK	EARTHLINK INC	1	150,000	\$1,881,000
FIBR	OSICOM TECHNOLOGIES INC	1	16,668	\$1,248,285
NMSS	NATURAL MICROSYSTEMS	1	6,000	\$765,769
TIVO	TIVO INC	1	30,000	\$607,380
FAVEE	5TH AVENUE CHANNEL CORP	1	492,750	\$247,508

www.insiderSCORES.com is a free web site that empirically identifies the "best of the best" insider traders through the use of proprietary ranking technology.

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4. Upgrades & Downgrades

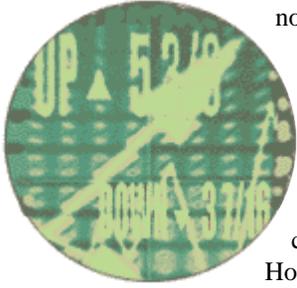
Powertel Gets an Offer – And a Downgrade



By Emily Burg

POWERTEL (PTEL): Analysts at First Union Securities downgraded shares of POWERTEL to BUY from STRONG BUY, on Aug. 29. The rating was reduced on the news that POWERTEL, a wireless operator in the southeastern United States that uses the GSM standard, agreed to be acquired by VOICESTREAM WIRELESS ([VSTR](#)), which has in turn agreed to be acquired by DETUSCHE TELEKOM ([DT](#)). The deal values POWERTEL shares in a range of \$85 to \$106 – a premium to POWERTEL's Aug. 30 close of \$78. However, First Union is concerned about the deal's complicated structure. VOICESTREAM will acquire POWERTEL if its deal with DEUTSCHE TELEKOM doesn't go through. If DEUTSCHE TELEKOM gets VOICESTREAM, then it will buy POWERTEL – and pay a premium to do so.

First Union's key concern is that the VOICESTREAM-DEUTSCHE TELEKOM deal may not be allowed. The firm



notes that DEUTSCHE TELEKOM's bid for VOICESTREAM still faces intense scrutiny in Washington, and it called the POWERTEL move "aggressive" considering the controversy surrounding the German government's 58% ownership of the company. Democratic Senator Ernest Hollings of South Carolina is proposing a bill to end exceptions under which foreign government-controlled companies gain U.S. federal communications licenses.

The real winner in the deal, say analysts, is VOICESTREAM, whose national GSM footprint will be complete after it adds POWERTEL's 34 major markets in the Southeast into its network. "We believe the deal represents a 'win-win' for VOICESTREAM," said the brokerage, "as POWERTEL's 12-state contiguous footprint fills a critical hole in VoiceStream's nationwide footprint." Research on POWERTEL was accessed 470 times and 15 reports were added to the Multex.com database in the week of Aug. 14 to 20.

LEVEL 3 COMMUNICATIONS (LVL3): Analysts at Robertson Stephens raised their rating on LEVEL 3 COMMUNICATIONS to STRONG BUY from BUY on Aug. 25. Analysts believe that LEVEL 3, a carriers' carrier that is building a 20,000-mile fiber-optic, IP-based network in the U.S. and Europe, will be one of the greatest beneficiaries of growing demand for bandwidth. The firm also believes that "the company's upgradeable network architecture provides it with a long-term, low-cost competitive advantage." The brokerage notes that the company is fully funded and should turn EBITDA positive in the first half of 2002, and says that the correction in technology and telecom stocks presents a buying opportunity for LEVEL 3 shares. The shares closed at \$78.38 on Aug. 25, up 6% for the day, and have continued to climb, closing at \$83.75 on Aug. 30. Research on LEVEL 3 was accessed 1,062 times and 25 reports were added to the Multex.com database in the week of Aug. 14 to 20.

NEXT LEVEL COMMUNICATIONS (NXTV): Analysts at Lehman Brothers downgraded shares of data networking and wireline equipment company NEXT LEVEL COMMUNICATIONS to NEUTRAL from BUY in an Aug. 24 report. At question is the future of the company's relationship with QWEST COMMUNICATIONS (Q), which recently acquired U S West. Before the acquisition, U S West had strongly pushed a VDSL (very-high bit rate DSL) initiative – so strong that it accounted for 67% of NEXT LEVEL's second-quarter revenue. The brokerage thinks that QWEST is "unlikely to move forward aggressively with U S West's VDSL deployment plans," a development that could materially affect NEXT LEVEL's top line. Lehman avers that NEXT LEVEL has a solid customer roster, including BELL CANADA and CABLEVISION (CVC), and notes that

MOTOROLA (MOT) owns 65% of the company on a fully diluted basis and "appears agreeable to lending a helping hand." It couldn't help NEXT LEVEL's stock, which plunged 54% to close at \$41.75 on the day the report was issued. The stock closed at \$40.63 on Aug. 30.

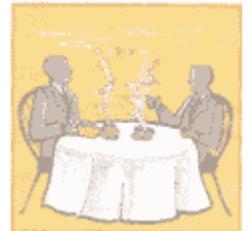
ADC TELECOMMUNICATIONS (ADCT): A.G. Edwards & Sons upgraded their rating on ADC shares to BUY/AGGRESSIVE from ACCUMULATE/AGGRESSIVE on Aug. 24. The upgrade was prompted by a 20% decline in the company's stock following a strong fiscal third-quarter earnings report. The decline was enough for the brokerage to upgrade the shares, although it said that it suspected that ADC management would guide analysts' estimates for the fourth quarter, which ends Oct. 31, higher. Indeed, since the A.G. Edwards report, the company has said that its fourth-quarter outlook will meet Wall Street expectations. And William J. Cadogan, ADC's chief executive officer, flatly ruled out a major acquisition, singling out HARMONIC INC. (HLIT), by name. ADC shares, which closed at \$37.13 on Aug. 23 rose to \$38.13 after the report was released. The stock has continued to rally and closed at \$41.81 on Aug. 30. A.G. Edwards price target on the shares is \$51. Research on ADC TELECOMMUNICATIONS was accessed 2,027 times and 74 reports were added to the Multex.com database in the week of Aug. 14 to 20.

For more on ADC TELECOMMUNICATIONS and its strategy, please see [Panning for Gold, The Telecomm Analyst, Aug. 8, 2000.](#)

5. Keyson's Hot Lunch

Of Fat Pipes, Strong Stomachs and Making Money in the Market

Charles Payne, Founder, CEO and Chief Analyst, Wall Street Strategies

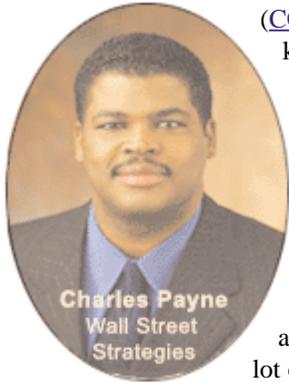


Interviewed by Lauren Keyson

I met with Charles Payne in his office on Broad Street in downtown Manhattan, where he runs a successful independent securities research firm. But before I started my conversation, something caught my eye.

[LAUREN KEYSON] I noticed you have a NFL Monopoly game. Are you into football?

[CHARLES PAYNE] Monopoly and football – I'm a big-time football fan. We use a lot of sports analogies. We have a glossary that we've put together. Especially for our overseas subscribers. We just cut a deal with CONSORS DISCOUNT-BROKER



([CODRE](#)), one of the largest online brokerage firms in Europe. One of the things we use a lot of is our own "Charlieisms," if you will.

[LK] Give me an example.

[CP] A lot of sports things. "It was a home run" or "I'd rather go singles and doubles instead of trying to force a home run." Those types of things. A lot of boxing analogies. "The stock was knocked out" or "It's climbing off the canvas".

[LK] What does climbing off the canvas mean?

[CP] Those would be stocks that were down and out but they're starting to get back up.

[LK] Do you have any telecom stocks climbing off the canvas?

[CP] With the telecoms, the equipment area has been where we've made our money. I think DSL has been the best example of that. TURNSTONE SYSTEMS ([TSTN](#)) and GLOBESPAN ([GSPN](#)) are two of my favorites. They're tremendous high-flyers because telcos need to deliver these services to homes and businesses. It's a must. The thing is, consumers have not embraced it yet. At least not to the degree that the telcos thought they would.

[LK] Maybe they haven't embraced the service simply because it's not available in a lot of areas.

[CP] Even in places it is available they haven't embraced it.

[LK] Do you have an idea why?

[CP] I don't think its been marketed properly for one thing. I think there are pros and cons. People have to come to your home and put it in, but a lot of people work and can't stay home for that. The telcos are having a tough sell in terms of going out to people's homes and putting it up. Then there's DSL vs. cable. The architecture of cable was designed for one way transmission, not two. That's one of the main problems with cable.

A new Federal Communications commission report quantifies the reach of broadband Internet access in the United States. See [this week's D.C. Buzz](#).

[LK] Do you know any carriers that you like in particular?

[CP] The independent DSL carriers, COVAD COMMUNICATIONS ([COVD](#)), NORTHPOINT COMMUNICATIONS ([NPNT](#)) – those types of companies. COVAD, I think, is well positioned if the space ever takes off. I do believe COVAD will eventually be taken over. We talk about a risk/reward ratio. The

stock is extremely cheap down here. You'd have to patient but in a three- to six-month period, I wouldn't be surprised to see COVAD taken over.

[LK] So you like to advise your clients to buy stocks that might have a chance of being taken over?

[CP] No. I would never buy a stock strictly because it's being taken over. That's just the cherry on top. I would have to absolutely love it. I would have to love its fundamentals. Our research approach encompasses fundamental and technical analysis. The fundamentals tell us what to buy, the technicals tell us when to buy. What we're trying to do is help people make a lot of money in the stock market.

When we talk about telecommunications, let's look at pure telecoms. They're all down dramatically, right now. VERIZON COMMUNICATIONS ([VZ](#)), WORLDCOM ([WCOM](#)), QWEST COMMUNICATIONS ([Q](#)), they've been hit hard. Their margins are shrinking. AT&T ([T](#)) is trying to figure out how to get out of the long-distance business. So when you talk pure telecom, it's a tough game.

Where we're going in this new economy is the transmission of data. All of these fat pipes that are being created are being created for data, not voice. That's why LUCENT TECHNOLOGIES ([LU](#)) has done so poorly. LUCENT's legacy is in voice. LUCENT is a think tank. The company averages three patents a day. It all boils down to if you want an effective strategy, you look at where the money is being spent and the profits are being generated. That will take you back to infrastructure.

[LK] Why don't you talk about a few of the company's you've recently reported on?

[CP] Let's talk about REDBACK NETWORKS ([RBAK](#)). We recommended it, but you look at a chart and you can see the stock has been all over the board. You need a steady stomach and a good seat belt to hang in there, but I think the stock is poised to make another move to the upside. It's not my number one pick in the space. JUNIPER NETWORKS ([JNPR](#)) is probably my favorite, in terms of a backbone play. But I think REDBACK happens to be one that could be taken over, or it's been trailing JUNIPER by just a little bit. EFFICIENT NETWORKS ([EFNT](#)) is another example of playing the infrastructure end of it. They make DSL equipment.

[LK] Is this another stock that you need a strong stomach for?

[CP] What we've got is a stock that's coming off of the bottom, so we see a whole lot of upside potential. You're talking about a \$50 stock that just three months ago was almost \$200, so we know the upside potential is there. Generally what you're seeing with a lot of these companies is that the high precedes the fundamentals. The stock gets overbought dramatically, they sell off

often and people lose track of them. Then they come back.

A good example of that is I2 TECHNOLOGIES ([ITWO](#)). Six months ago the stock went to the moon. It had something of a supernova, imploded, fell to earth; no one knew what happened to it. Then all of sudden it came back because supply management is important in the B2B space. Again, one of the things we look at is the risk/reward ratio. I love the risk/reward ratio on that particular stock.

[LK] What do you think of fiber optic plays?

[CP] I love fiber optics, and obviously the space is hot. The stocks are extended and they're afforded some very lofty valuations. SONUS NETWORKS ([SONS](#)) is a relatively new issue in the space. Older names include MRV COMMUNICATIONS ([MRVC](#)), which I like a lot, and CIENA ([CIEN](#)). I like CIENA, too.

[LK] What do you like about those last two?

[CP] CIENNA is a stock I've been recommending to my subscribers for at least five or six years. One of the best times we mentioned it was as a short. Back in 1998, we mentioned it as a short at \$70 and a month later it was \$7. Our company and our short-sale recommendations were written up in the Robb Report after that call. But CIENA is in the right place at the right time. The company just came out with stellar earnings, and it has positioned itself well. CORNING ([GLW](#)) is another one.

[LK] So you like them because they're well positioned.

[CP] The industry is explosive. A spool of fiber optic cable costs \$15,000. It takes tons of those spools to complete an office. It's incredible how expensive it is for the consumer. The profit margins are mind boggling. And everything needs to be rebuilt to handle broadband data. These equipment companies are going to enjoy phenomenal runs for the next three years, minimum. I'm not saying that companies won't hit an air pocket here and there or the doubters won't come around periodically or they won't get ahead of themselves. But they can sustain lofty valuations for a minimum of three more years.

[LK] Do you have any wireless plays you like?

[CP] We were really pounding the table on NOKIA ([NOK](#)) for a long time. One of the problems with NOKIA is that they've probably been victimized by their own success. They've had phenomenal growth rates over the last five years, to the point that they were, and still are, I believe, the No. 1 market cap stock in Europe. There are several hundred that make more money or have more revenue, but because of NOKIA's growth rate it has been awarded that lofty valuation. I still believe the 3G cell phones will bail them out. NOKIA is a name that has the sizzle but it also delivers the steak.

Other articles in Keyson's Hot Lunch:

[August 29](#) [All Together Now](#): Cary Joshi, President and CEO, Clarity Integrated

[August 22](#) [Head Ends, Fiber and Routers Are the Signposts of Convergence](#): Robert Wingrove, Application Expense Accountant, Adobe

[August 15](#) [Dan Doczy, Vice President of Marketing and Business Development, ECI Telecom](#)

[August 8](#) [Part II: Seeing Into the Network](#) -Bobbie Murphy, Vice President of Marketing, Visual Networks

6. Executives Zero In

ALLTEL Scott T. Ford, President and COO

Interviewed by George S. Mack



Sometimes a name is more than a trademark. For instance, if you're a telecom that wants to be in all segments of the business, you might call yourself ALLTEL ([AT](#)). With its beginnings in the rural independent telephone business, the Little Rock, Ark.-based company is the end product of about 250 mergers and acquisitions over the past 40 years. The last three or four years have seen about \$10 billion worth of acquisitions, making ALLTEL the fifth-largest wireless and the sixth-largest wireline access provider in the United States. The company is also in the long distance, Internet access and Web hosting businesses, as well as various other telecommunications services. ALLTEL reported second-quarter revenue of \$1.77 billion with EPS coming in at \$0.73, nearly 6% better than consensus estimates. Based on its Aug. 30 close, ALLTEL is down 38% in the year-to-date, and 19% since mid-August.

[GEORGE S. MACK – THE TELECOMM ANALYST] Do you still consider yourself a rural company?

[SCOTT T. FORD] Well, our wireline business is still rural, certainly. Our wireless business is dominated by mid-tier cities. We have a few larger cities – two or three cities that are in the top 10 or 15.

[GSM] How many customers do you have now, and can you please break that down for me?



Scott T. Ford
ALLTEL

[STF] We have a little over 6 million wireless customers, 2.5 million wireline customers, 1 million long distance customers and about 750,000 Internet access and paging customers. So it's roughly 10 million customer accounts.

[GSM] Where is your future growth coming from?

[STF] Our primary growth driver right now is in wireless usage coming from increased penetration of wireless devices. We've crossed 100 million cus-

tomers as an industry group, and the industry is expected to cross 200 million customers over the next five years. So we're going to go from 30% penetration to 60% penetration as well as increasing the penetration in terms of the number of people using the devices. Also, usage per customer is rapidly expanding.

[GSM] You just bought some cellular assets from SBC COMMUNICATIONS (SBC) in New Orleans and Baton Rouge, La. I think you said that it would be \$0.01 a share accretive in 2001. That hardly seems worth it. Why are you so conservative in your estimate? One analyst says it could be at least \$0.05 per share.

[STF] I know that analyst well, and he's certainly free to have his opinion. We think it more prudent to give you our best view of that, which is somewhat more conservative. He may end up being right, or we may end up being right. It's hard to tell at this point when we've only seen the books.

[GSM] You want to make sure you meet expectations, right?

[STF] Well, we want to make sure we meet expectations, but at the same time we'd always rather under-promise and over-deliver instead of vice-versa.

[GSM] On that note, congratulations on your second-quarter numbers reported on July 19. But do you have any idea why investors seem to have punished your stock price since that time, even though you beat estimates?

[STF] Yes, I think I have a fairly good idea, because I think I've talked to most of them in the last 48 hours [laughs]. We entered into a property swap in January with Bell Atlantic and GTE, which is now known as VERIZON COMMUNICATIONS (VZ). And we also entered into a roaming agreement that has a series of rate stepdowns over the next couple of years. Through the first half of the year we were ahead of where many analysts thought we'd be, and they had been extrapolating that into the second half of the year. We were telling them all along not to do that because our roaming agreement with VERIZON kicks in

during the second half, and our best guidance was to stay right where they were for the year. Several of the analysts went off and left the reservation anyway and had to come back when they had to start looking at the second half of the year more closely.

[GSM] They revised their EPS estimates downward.

[STF] Several analysts were at the \$2.70 consensus EPS number for this year, and several had moved higher. Those that moved higher had to go back to the accounts they'd sold and tell them they were lowering their numbers. That generates a negative reaction from people who bought the stock on that advice. But we are still on track for what we said we thought we could do.

[GSM] What about your information services unit. I understand it's been sluggish, growing in the low single-digit percentages. Are you planning to spin that out?

[STF] We get asked that question with some frequency. At this juncture, the information services business is on track to be a reasonable financial performer in the second half of the year. It actually had terrific second halves in 1998 and 1999, when instead of growing 10% to 12%, it grew 18% to 20%. That was really the result of people in the large financial institutions pulling work forward for the Y2K event. Then post-Y2K there was an equal and opposite slow-down in spending. That seems to be working its way through, and the pipeline in our information services business looks very strong right now.

[GSM] Are you making plans for 3G [third-generation wireless Internet technology]?

[STF] We are a CDMA [code division multiple access] player. Everybody in this country will migrate to some form of technology called 3G over about a five-plus year time frame. This is something that's going to take place over a four- to six-year time frame and not two to three years.

Vital Statistics
ALLTEL (AT)

Market Cap	\$16.03 billion
Shares Outstanding	315.5 million
Recent Stock Price	\$50.81 (8/30/00)
52-Week Range	\$91.81 – \$49.31
Price to Est. (2000) Revenue	2.3 times
Price to Est. (2000) Earnings	18.8 times

Years end December	EPS	Revenue (millions)
1999A	\$2.58	\$6,063.1
2000E	\$2.70	\$7,061.4
2001E	\$3.13	\$7,786.4

Source: Robert W. Baird & Co.

Recent Executive Zero In's:

- August 29 inSilicon: Wayne C. Cantwell, President and CEO

- August 22 Allen Telecom: Robert G. Paul, President and Chief Executive Officer

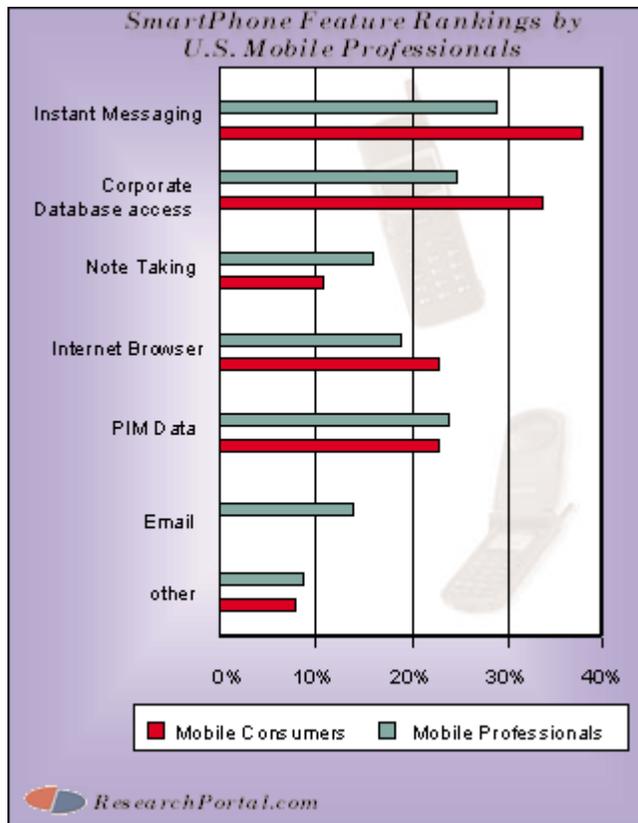
- August 15 Allegiance Telecom: Thomas M. Lord, Founder, Executive Vice President of Corporate Development and Chief Financial Officer

- August 8 Robert S. McCambridge, President, Chief Operating Officer and Interim Chief Executive Officer

7. Telecom Insight



U.S. Mobile Users Opt for Instant Messaging



Wow, were we surprised when we saw the results of our recent survey smart-phone features. While talking to users who were planning to acquire a smart phone, what we call voice-centric small form-factor, or SFF, devices, we were stunned to learn that instant messaging was the second most important feature behind voice capabilities for both Mobile Consumers and Mobile Professionals. YAHOO! (YHOO) and other providers of instant messaging to SFF devices, watch out. You are about to add a few million road warriors to your ranks of customers.

We knew from past experience that e-mail was soon to be challenged by the real-time form of data communications called instant messaging, but we never thought that it would surpass e-mail in popularity this close to the millennium. At best we thought it would take another year or two for instant messaging to catch up to e-mail. However, instant messaging has passed e-mail with both Mobile Consumers and Mobile Professionals.

We asked people planning to buy a voice-centric SFF device many questions, one of which was to rank the importance of various features using a scale of one to five, with one being "not at all important" and five being "extremely important." Instant messaging was tops with both Mobile Professionals and Mobile Consumers – 38% of responses rated the feature four and another 29% rated it five. Meanwhile, 34% of potential purchasers rated e-mail a four and 25% rated it five. The graph shows how the rest of the voice-centric SFF features fared.

For additional information please click here to visit ResearchPortal.com

The Research Portal is a sponsor of Telecom Insight.

8. The Local Loop

**Rhythms NetConnections
A Volatile Beat for a DSL Provider**

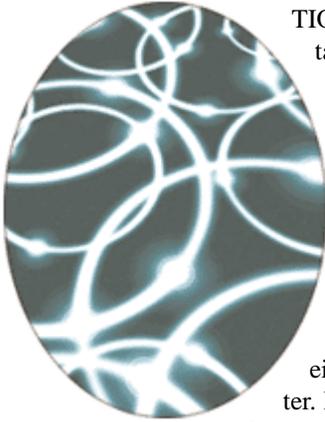


By Ben Mattlin

RHYTHMS NETCONNECTIONS (RTHM) provides high-speed DSL connections and other network services to businesses and some residences in 55 markets in the United States. Last year, revenue was \$11.1 million, up 21-fold from 1998. But after reaching a 52-week high of \$50 on Feb. 15, 2000, the stock has dropped 82% to close at \$9.25 on Aug. 30.

In early August, however, when the shares were at trading at around \$12, Michael G. Bowen, an analyst at Deutsche Banc Alex. Brown, issued a report rating RHYTHMS NETCONNEC-

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TIONS a BUY, with a 12-month price target of \$55. Mr. Bowen's rationale starts with his view that the stock is cheap. Furthermore, the company had just reported solid second-quarter results, with most key metrics coming in ahead of the brokerage's estimates. Revenue for the quarter was \$12.2 million, up 49% sequentially, or quarter-to-quarter, and nearly eightfold from the year-earlier quarter. In addition, 75% of that was recurring revenue.

The number of DSL lines installed rose to more than 31,000 from just 20,000 at the end of the previous quarter. A year earlier, the company had only 3,250 DSL lines in service. "We believe the company continues to exhibit clear visibility, both operationally and financially, in a sector where these management skills are valued at a premium," wrote Mr. Bowen.

But of course, investors must expect volatility in the stock. RHYTHMS NETCONNECTIONS isn't for the squeamish or the impatient. "We recommend purchase of the shares for those investors with a time horizon focused on the next six to 18 months," Mr. Bowen added.

Last year, RHYTHMS NETCONNECTIONS reported a loss of \$4.15 a share, and that loss is expected to grow this year. According to the Multex.com database, Wall Street's consensus estimate calls for losses of \$8.27 a share in 2000 and \$9.63 a share in 2001. But with \$882.4 million in unrestricted cash, equivalents and investments at the end of the second quarter, the Englewood, Colo.-based company claims to have enough cash to fund operations through the end of 2001. Though it will probably need to raise money soon, CEO Catherine M. Hapka recently told the Dow Jones Newswires, "Our network will be, for the most part, built out by the end of this year."

All DSL providers face the specter of declining prices. Mr. Bowen believes that as RHYTHMS NETCONNECTIONS completes the build-out of its network, it will still be able to mitigate price declines through "software functionality" and value-added services such as Web hosting and e-mail. In July, it announced an arrangement with NET2PHONE (N2P) to launch voice-over-Internet-protocol (VoIP) services using DSL technology, which will allow customers to make good old-fashioned phone calls over their DSL connections.

By September, the company expects to have "line-sharing" in six of its markets, and in all of them by the end of the year. Line-sharing means RHYTHMS NETCONNECTIONS will be able to use existing lines to offer DSL connections, so customers won't have to install a second line to start using DSL. For RHYTHMS

NETCONNECTIONS, line-sharing means substantial cost savings. "Those companies in the space [that are] able to mitigate price declines in broadband access as it becomes more commodity-like will ultimately be the most successful in the sector," said Mr. Bowen.

Risks include the fact that fully half of the new lines RHYTHMS NETCONNECTIONS installed in the most recent quarter were for residential customers, and residences bring in less revenue per line than businesses.

Yet even recent declines in the stock price, though drastic, have to be looked at in context. All DSL providers have been down since COVAD COMMUNICATIONS (COVD) announced in June that it wouldn't meet its targets for new subscribers. Mr. Bowen based his price target on a valuation analysis of COVAD and competitors DIGEX (DIGX), EXODUS COMMUNICATIONS (EXDS), FIRSTWORLD COMMUNICATIONS (FWIS), and GENUITY (GENU), among others.

9. Wireless Dispatch

Atmel

A New Chip Technology Fuels Earnings Growth

By Randy Myers



Build a better mousetrap, and the world will beat a path to your door. The same principle applies to semiconductor chips, which is why ATMEL (ATML) enjoys such a strong earnings outlook.

ATMEL is one of a small handful of companies – IBM (IBM) is another – that is producing semiconductors based on silicon-germanium (SiGe) technology. SiGe chips can operate at high speeds in low-power applications, making them perfect for use in devices such as cell phones, set-top boxes, digital cameras and smart credit cards. Some industry experts – including researchers at IBM – say that SiGe-based wafers offer the potential to perform at higher speeds than wafers based on a competing technology, gallium-arsenide (GaAs), and can still be built for less money.

Right now, both SiGe and GaAs represent a small portion of the overall chip market, but because of the exploding demand for communications devices, especially wireless handsets, the two technologies are expected to experience rapid growth. One research firm, The Information Network, has projected that the gallium-arsenide device market totaled \$1.6 billion last year, but it expects that to increase to \$6.1 billion by 2004. It says the silicon-germanium device market, worth a mere \$30 million last year, should swell to \$1.2 billion by 2004.



ATMEL is well positioned to take advantage of this growing demand. The company is already the leading provider of flash-memory and radio-frequency (RF) components for cell phones and other

wireless applications. Its customers include industry giants such as MOTOROLA ([MOT](#)), CISCO SYSTEMS ([CSCO](#)), LUCENT TECHNOLOGIES ([LU](#)), POLAROID ([PRD](#)) and SONY ([SNE](#)). And even though ATMEL is investing aggressively to ramp up capacity, analysts estimate that it will still be able to grow its earnings by an average of 25% per year for the next five years.

In July, when Wall Street was nervous about the health of the market for flash memory, George Perlegos, ATMEL's president and chief executive officer, insisted that the company's business prospects remained strong. He discounted concerns about the flash memory market, saying, "We remain very confident that the 28% of our business that comes from flash [memory] will continue strongly, driven by increasing unit demand, transition to higher densities, and the rapidly growing numbers of applications that use flash technology."

Tim Mahon, senior semiconductor analyst at Credit Suisse First Boston, estimates that ATMEL will earn \$0.53 a share this year and \$0.85 a share next year, up from \$0.18 a share in 1999. (The per-share amounts are adjusted for an Aug. 28 2-for-1 stock split.) Mr. Mahon expects revenue to rise to \$1.99 billion in 2000 from \$1.33 billion in 1999. For 2001 the analyst expects revenue of \$2.57 billion. He has a BUY rating on the company's stock, with a 12-month price target of \$64. The stock closed at \$18.63 on Aug. 30.

Mr. Mahon says one of ATMEL's biggest competitive advantages is that it offers a wide range of products. "They can go to large customers and provide nearly everything needed within a cell phone," he says. "Original equipment manufacturers are always looking for ways to reduce their supplier base, so this gives ATMEL a lead over the competition."

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<http://www.telecomanalyst.com/individual/000906sections/strongbuys.asp>

You'll find the Telecom Universe link, Top Report Lists and other links. Enjoy!

10. Analyst Spotlight

MCK Communications Ted Jackson, US Bancorp Piper Jaffray

Interviewed by Deborah Satter



The Telecomm AnalystSM recently spoke with Ted Jackson, senior equity analyst covering telecommunications for US Bancorp Piper Jaffray. Mr. Jackson rates MCK COMMUNICATIONS ([MCKC](#)) a STRONG BUY rating. (US Bancorp Piper Jaffray was an underwriter of an April 2000 secondary equity offering by MCK COMMUNICATIONS. Mr. Jackson is not a shareholder.)

[THE TELECOMM ANALYST – DEBORAH SATTER] What does MCK COMMUNICATIONS do?

[TED JACKSON] MCK COMMUNICATIONS manufactures remote voice products that enable remote offices to utilize the same communications infrastructure as the larger home offices. This product is referred to as a PBX-extender.

[DS] Who are some of MCK COMMUNICATIONS' clients?

[TJ] MCK COMMUNICATIONS' clients include LUCENT TECHNOLOGIES ([LU](#)) [which accounted for approximately 30% of sales in the fiscal first quarter, which ended July 31], NEC ([NIPNY](#)), NORTEL NETWORKS ([NT](#)), ALCATEL ([ALA](#)), TOSHIBA ([TOSBF](#)), SIEMENS ([SMAWY](#)), and ASPECT COMMUNICATIONS ([ASPT](#)).

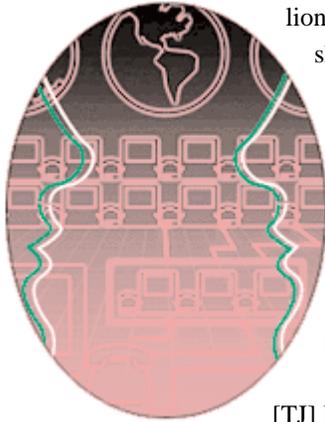
[DS] Why is MCK COMMUNICATIONS one of your favorite picks?

[TJ] I like MCK COMMUNICATIONS because it is in a great position to capitalize on the huge growth of the market. It has a great advantage since the company's products are capable of interfacing with 90% of the legacy infrastructure used by enterprises worldwide.

[DS] What is your rating on this stock?

[TJ] I have a STRONG BUY rating, with a 12-month price target of \$60. My revenue estimate for fiscal 2001, which ends next April, is \$49.9 mil-

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lion and I expect earnings of \$0.23 a share. My revenue estimate for 2002 is \$75 million and I anticipate earnings of \$0.36 a share. [MCK shares closed at \$27.50 on Aug. 30.]

[DS] What can we expect from MCK COMMUNICATIONS in the future?

[TJ] Before the end of September I believe that MCK COMMUNICATIONS will announce that at least one, and possibly two, carriers that will use its product for broadband termination. I believe that these carriers are tier one names and these deals will move the stock higher.

Vital Statistics

**Ted Jackson, Senior Equity Analyst
US Bancorp Piper Jaffray**

Industries covered Telecommunications

Education B.A. in history from Tulane, M.B.A. University of Missouri at St. Louis

Companies CLARENT ([CLRN](#)), COMVERSE TECHNOLOGY ([CMVT](#)), SOFTWARE.COM ([SWCM](#)), AUDIOCODES ([AUDC](#)), NATURAL MICROSYSTEMS ([NMSS](#))

Recent Spotlight Articles:

- [August 29](#) American Tower: Mark DeRussy, Telecommunications Services Analyst, Raymond James
- [August 22](#) Akamai Technologies : David Bench, Internet software and infrastructure analyst for Arnhold & S. Bleichroeder
- [August 15](#) VYYO Inc.: Brian Etten, WR Hambrecht + Co.
- [August 8](#) Critical Path: Daniel J. Renouard, Vice President, Research, Robert W. Baird

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11. Panning For Gold

Natural Microsystems
**Putting Convergence
Into Network Systems**



By Marc H. Gerstein
Market Guide, Director of Investment Products

A couple of weeks ago, I had my first experience with Internet telephony. For the uninitiated, this means using your computer to make phone calls. And I'm not referring to some sort of combination hardware that includes a computer and telephone in one "box." I mean having your voice transmitted over the Internet.

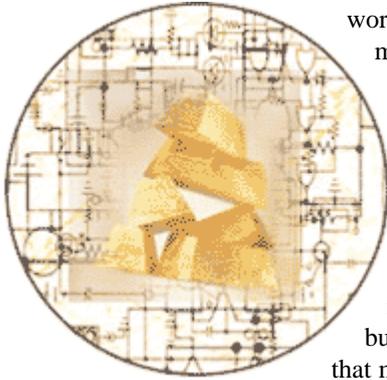
To tell the truth, I was unimpressed. The sound quality was iffy, and getting the microphone to work properly was a pain, especially since not all sound cards are created alike. But then, how great were the first incarnations of television, recorded music, or even personal computers? So despite my initial underwhelming experience, I still assume the convergence trend – bringing together voice and data – is for real.

NATURAL MICROSYSTEMS ([NMSS](#)), which struggled in recent years as it redirected its efforts away from commodity-oriented telephony boards toward products that enable convergence, believes so too. And now it's starting to benefit from its vision. In the first quarter of 2000, the company broke into the black with earnings of \$0.04 a share following five consecutive quarters of red ink.

Results were even better in the second quarter, when the company earned \$0.14 a share on revenue of \$32.1 million, which was up almost 16% from the first quarter. Better still, the company finished the June period with a backlog of \$19 million, much of which it expected to fulfill in the current quarter. Analysts expect earnings to continue rising, with the full-year 2000 tally likely to be in the \$0.30 to \$0.35 a share range. A further gain to about \$0.80 a share is seen for 2001.

The investment community has noticed the company's improved fortunes and prospects. The stock traded recently in the \$70s, up from single-digit levels a year ago. One does have to wonder about the current valuation. But for now, analysts continue to rate the stock highly, so much so that it landed a place on a recent run of the Market Guide Brokerage Favorites stock screen.

The company has a broad product line focusing on subsystems that are sold to original equipment manufacturers like CLARET ([CLRN](#)), ALCATEL ([ALA](#)), LUCENT ([LU](#)), MOTOROLA ([MOT](#)) and ERICSSON ([ERICY](#)). By and large, these products address such matters as connectivity to communications net-



works, call processing, real-time media processing and media stream protocol processing.

Meanwhile, the customer list is a plus and a minus. The bad news is that 35% of sales come from the top ten customers, thus exposing NMSS to potential bumps in the road due to issues that might impact the activity of one major client. And if there's one

thing telecom investors should have learned in recent months, it's that however great the road ahead may look, it's littered with two kinds of bumps; those we've already hit (for example, wireless) and those we have yet to discover.

But the good news is that telecomm is a sector characterized by clear winners and losers, and if you're going to sell to the big-time players, customer concentration is likely to be inevitable. All things considered, for a vendor like NMSS, it's best to sell to the industry's strong players.

12. Top Company Picks



Bookham Technology Silicon Isn't the Only Valley

By Pimm Fox

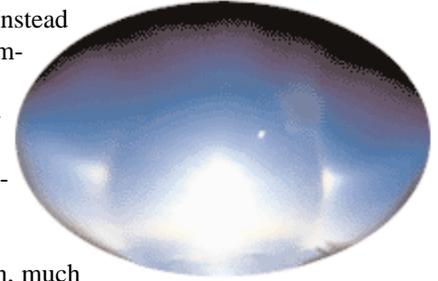
There are scores of valleys, but investors have been fixated on one in particular:

Silicon Valley. And with good reason. The market returns of Silicon Valley companies have outstripped the expectations of even the most seasoned Wall Street gurus, upsetting the apple cart of traditional valuation metrics – old-fashioned things like price-to-earnings ratios, price-to-sales. Who even thinks about net income or balance sheets these days? When intellectual capital is all you have – as is the case with many high-tech companies – the assets aren't easily quantifiable.

But there are other valleys, other locales where tomorrow's optical networking products are being produced and where new technologies are being introduced.

Take BOOKHAM TECHNOLOGY ([BKHM](#)), based in the Thames Valley city of Abingdon, England. Headquartered just six miles south of the university town of Oxford, BOOKHAM was founded in 1989 by Dr. Andrew G. Rickman, and it is pioneering a new proprietary manufacturing technology called active silicon integrated optical circuits, or ASOC. The technology integrates the light-processing functions of optical compo-

nents onto silicon chips. Instead of having to manually combine several elements – lenses, lasers and filters – BOOKHAM's ASOC devices integrate the functions onto silicon wafers.



It's complicated to explain, much less understand. But two brokerage firms, Robertson Stephens and Cazenove & Co., have written fairly glowing reports of the possibilities of the ASOC process. According to Cazenove & Co., "ASOC technology has the potential to enable the company to manufacture products in a highly automated and scalable way and it facilitates integration. We believe, both are qualities necessary in the long term for the optical components market, but are, for the most part, unavailable today."

There is evidence that some customers agree, since BOOKHAM TECHNOLOGY has a multi-million-dollar contract with MARCONI ([MCONY](#)) to supply its optical channel monitor (OCM) for use in MARCONI's SmartPhotonix add-drop multiplexors, which are critical components in a metro optical network. MARCONI then sells its SmartPhotonix multiplexors to BRITISH TELECOMMUNICATIONS ([BTY](#)), with which it has a contract.

It is worth noting as an investment risk that the MARCONI contract for OCMs is just beginning to contribute to revenue. The OCM is BOOKHAM's most complex product to date. The short time between trial and contract is a good sign, and the contract accounted for 20% of \$6.7 million in revenue (dollar amounts have been translated from British pounds at the current exchange rate). The OCM products use something called array waveguide grating (AWG) technology, which is the focus of a partnership with E-Tek Dynamics, recently acquired by JDS UNIPHASE ([JDSU](#)). Customers for the AWGs include LUCENT TECHNOLOGIES ([LU](#)) and NORTEL NETWORKS ([NT](#)). Volume shipments of AWGs are expected by the first quarter of next year, and may help shift the revenue mix away from access products such as receivers, transmitters and transceivers, which currently account for the majority of sales – with NORTEL soaking up nearly 60% of total sales.

As production gears up for these new products, BOOKHAM has invested in additional manufacturing capacity in England, bringing the total space to 60,000 square feet from 20,000 square feet. The company might even be eyeing production facilities in the United States.

For investors, BOOKHAM's shares became available as American depository receipts in April, following an initial public offering at \$15.83 per share. The stock hit \$84.63 in late July, but has set-

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tled back to close at \$61.75 on Aug. 31, up nearly fourfold from the IPO price. At that price, the stock is valued at around 190-times 2000 revenue. BOOKHAM has acknowledged that it is considering a secondary stock offering, and investors could see the price of BOOKHAM trade lower in anticipation of that event. Furthermore, increased depreciation and staff charges will, in all likelihood, put off profitability until year 2001, when there will be a clearer view of whether the market accepts BOOKHAM's technology.

So, while its technology may paint a bright future, investors would do well to remember another eye-catching – and high profile – product from this same Thames Valley city: the MG automobile. The classic sports car was in high demand, but the company's execution left much to be desired. BOOKHAM's shares are probably only be for those with the stomach to accelerate through curves.

13 . The D.C. Buzz



A New FCC Report Quantifies Broadband's Reach

By John Filar Atwood

The number of subscribers to high-speed telecom services in the United States grew to 2.8 million in 1999, according to data recently released by the Federal Communications Commission.

Of that number, 1.8 million were residential or small-business customers, and 1 million of those subscribers received "advanced services," which the study defines as systems on which information can be both sent and received at 200 kilobits per second. "High-speed" services, on the other hand, have 200 kbps capability in at least one direction.

Those 1 million residential and small-business subscribers to advanced services represent a threefold increase from 1998. Users of cable-based services accounted for 875,000 of the 1 million subscribers, while there were 115,000 subscribers to asymmetric DSL, or ADSL, in which the data transmission rate from the phone company central office to the customer is typically 10-times faster than the return path. The national penetration rate for advanced services increased to 1% in 1999 from 0.3% in 1998. While the numbers are improving, this still represents a very small percentage of potential broadband users, noted FCC commissioner Harold W. Furchtgott-Roth.

"The bottom line is that today virtually all residences and small businesses have chosen not to subscribe to advanced services," despite their greater availability, said Mr. Furchtgott-Roth. He noted that the market is in the very early stages of development,

making it difficult to draw conclusions from the report.

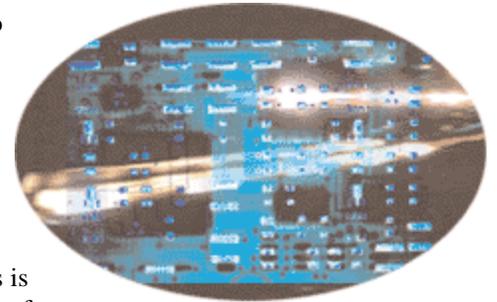
The commissioners agreed on two conclusions. First, that the deployment of advanced services is reasonable and timely for now. Second, that certain groups are in danger of being left behind. The study identified rural, inner city, minority, low-income, tribal and U.S. territories consumers as being in danger of not receiving timely broadband services if deployment is left to market forces alone.

"I am encouraged that companies are investing billions of dollars to meet consumer demand," said commissioner Susan Ness. "But I remain deeply concerned about communities at risk where access is lagging," she added.

The report concludes by outlining initiatives the FCC may undertake to accelerate broadband deployment. Among the proposals under consideration is a national policy to mandate access to a cable company's platform by multiple Internet service providers.

The full report can be downloaded from the Commission's Web site at:

http://www.fcc.gov/Bureaus/Common_Carrier/Orders/2000/fcc00290.pdf



14. Rants, Raves & Stress

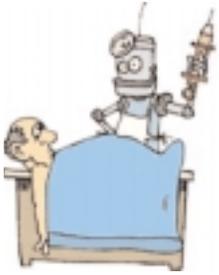
Opinion

Conquering the Stress of Communicating

George McAuley M.D. is a psychiatrist in private practice and a medical director of psychiatry in Los Angeles. Mae McAuley Ph.D. is a clinical psychologist in private practice. The McAuleys work in all areas of psychology and have special expertise in stress disorders. If you have a telecom-psychological question, they will try to answer it in a subsequent issue. E-mail the McAuleys at maegeomagic@aol.com.



SITUATION: Communicating effectively with people in your life can be the most challenging and stressful of activities – or it can be one of the most rewarding. The "Great Communicator" moniker bestowed on President Ronald Reagan, is a symbol of



the positive aspects, while the World War II admonition, "Loose lips sink ships," serves as an ominous reminder of the power of communications.

One thing is certain, the closer the relationship between two people trying to communicate, the harder communicating seems to be. Misunderstandings abound. People get angry and upset, or they take things personally – even when what was being communicated was not intended as a personal comment. We all have egos that can be easily threatened. Many marriages founder because the partners just can't communicate.

Communication is never an easy thing. We see the world through our own eyes and frequently confuse our perceptions with reality. We need to be able to put ourselves into another person's shoes and see the world as they see it. It is critically important to pay attention to our emotions and to the feelings expressed by the other person. In an emotionally charged situation, our ability to communicate deteriorates. Reacting with an angry emotional outburst is a dead-end to further talk.

SOLUTION: The rules of successful communicating start with learning how to listen. Give your full attention to the other person. By that, we mean listen to the other person's perspective, their feelings, and their needs. It's at this point that many misunderstandings occur. You may have misunderstood what the other person said, so if you're uncertain, ask them to clarify what they said. Acknowledge that you heard their position and feelings and then share your own. Communicating is a two-way street, a dialogue between you and somebody else. Don't confuse it with a monologue. Failing to stop talking to give the other person a chance is a control device to cover your own inadequacy or insecurity. It never works.

Another rule for effective communicating is to know what you want to say, and to keep it simple and natural. Being natural is



very important because if you step out of character – become someone you are not through your words and demeanor – you come across as phony and patronizing.

After you have responded to the other person, listen attentively to what they have to say. Maintain eye contact and, above all,

don't interrupt. Repeat what you understand the person to have said, and phrase it positively. The idea in communicating is to constructively engage the other person and not to compete with them or to defend yourself.

Try to separate the person from the problem. View the conflict not as adversarial, but as a problem to be solved. When interests conflict, a fair compromise that satisfies both parties is difficult to achieve. Work toward a solution that can advance your shared interests.

Letters to the Doctors

alppolito@intermedia.com writes:

Great article on making the decision to change jobs ([The Telecomm Couch, Aug. 29, 2000](#)).

Would some, most, or none of the tactics you described in the

subject article be of value when one is con-

sidering retirement from working five days a week? I will be 64 years old next April and I'm thinking of calling it quits. But to be honest, it's kind of scary after a lifetime of working, purpose, successes and failures. I would love to see an article by you on crossing the bridge from a lifetime of work to a lifetime of retirement without anxiety, stress, and losing my self-confidence.



alppolito@intermedia.com: Thank you for your response to our article – and especially for giving us a push to write an article that addresses the issue of retirement. Though some of the solutions listed in the present article such as; listing pro's and con's, alternatives, and consequences will be helpful in making a decision concerning retirement, it is not a complete answer to your question. Therefore, we will write an article that will focus in detail on the retirement dilemma. We do want you to know that most people feel apprehensive about change, especially major life changes, and retirement certainly qualifies as a major life change. – Dr. George and Dr. Mae McAuley

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