

# Quarterly Industry Update

As of September 30, 2013

Industry: Communication Equipment



## Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Communication Equipment industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Since September 30, 2012, the median 52-week share price return of the Communication Equipment industry has increased by 35.2%. In the last quarter, the median price-to-earnings multiple decreased from 32.4x to 26.1x.

## Comparable Public Company Key Statistics

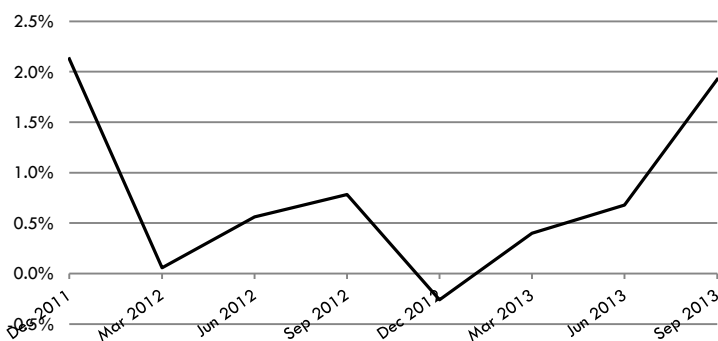
Median 52-Week Return	35.2%	Median EV/Revenue Multiple	1.9x	Median Price/Earnings Multiple	26.1x
Median 3-Year CAGR Return	1.1%	Median EV/EBITDA Multiple	14.5x	Median EV/Gross CF Multiple	23.7x

## Comparable Public Company Market Price Returns (As of September 30, 2013)

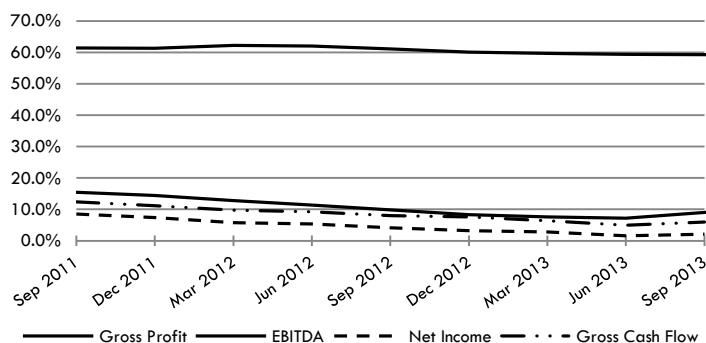
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2012	2011	2010	2009	2008
Juniper Networks, Inc.	1.0%	2.8%	16.1%	7.3%	-13.2%	-1.2%	-3.6%	-44.7%	38.4%	52.3%	-47.3%
F5 Networks, Inc.	-11.7%	24.7%	-18.0%	9.9%	-6.2%	29.7%	-8.5%	-18.5%	145.7%	131.7%	-19.8%
Citrix Systems, Inc.	7.6%	17.0%	-7.7%	13.8%	1.1%	22.8%	8.1%	-11.2%	64.4%	76.5%	-38.0%
Cisco Systems, Inc.	19.2%	-3.7%	22.7%	23.0%	2.3%	0.8%	8.7%	-10.6%	-15.5%	46.9%	-39.8%
Polycom, Inc.	4.4%	3.7%	10.9%	-22.9%	-7.1%	-1.1%	-35.8%	-16.4%	56.1%	84.8%	-51.4%
Finisar Corp.	38.9%	33.5%	58.0%	13.6%	6.4%	22.9%	-2.7%	-43.6%	232.8%	193.4%	-73.8%
Infinera Corporation	94.8%	6.1%	106.6%	21.1%	-1.0%	3.4%	-7.5%	-39.2%	16.5%	-1.0%	-39.6%
El Oro Ltd	-15.6%	4.0%	-14.5%	-7.5%	N/A	N/A	-16.1%	N/A	N/A	N/A	N/A
ShoreTel, Inc.	42.5%	49.9%	47.7%	10.1%	6.8%	1.0%	-33.5%	-18.3%	35.1%	28.7%	-67.9%
Extreme Networks Inc.	43.4%	51.7%	55.8%	40.3%	18.8%	9.1%	24.7%	-5.5%	7.7%	22.6%	-33.9%
Sonus Networks, Inc.	98.2%	12.0%	78.8%	24.9%	-1.5%	3.2%	-29.2%	-10.1%	26.5%	33.5%	-72.9%
AudioCodes Ltd.	117.4%	58.0%	178.9%	49.8%	21.5%	22.7%	-17.4%	-33.8%	132.8%	45.4%	-65.6%
<b>Median of Industry Public Companies</b>	<b>29.1%</b>	<b>14.5%</b>	<b>35.2%</b>	<b>13.7%</b>	<b>1.1%</b>	<b>3.4%</b>	<b>-8.0%</b>	<b>-18.3%</b>	<b>38.4%</b>	<b>46.9%</b>	<b>-47.3%</b>

(Multiple year periods are calculated as the average annual return.)

## Median Quarterly Revenue Growth of All Communication Equipment Companies



## Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



## Median Public Company Multiples of the Communication Equipment Industry

Date:	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013
EV/Revenues Multiple	1.4x	1.4x	1.9x	1.2x	1.1x	1.1x	1.4x	1.8x	1.9x
EV/EBITDA Multiple	13.0x	11.2x	16.5x	10.9x	11.2x	13.7x	12.0x	11.5x	14.5x
Price/Earnings Multiple	23.1x	25.3x	40.2x	28.6x	30.9x	31.1x	25.6x	32.4x	26.1x
EV/Gross Cash Flows Multiple	16.2x	16.2x	24.1x	13.3x	15.4x	18.2x	18.4x	18.4x	23.7x

This industry research is provided at no charge to Cogent Valuation's clients. Research or detailed information not covered in this report can be obtained for a fee. Contact Richard Reynolds or Steven Kam at 415-392-0888 for additional information or questions in connection with this research report.

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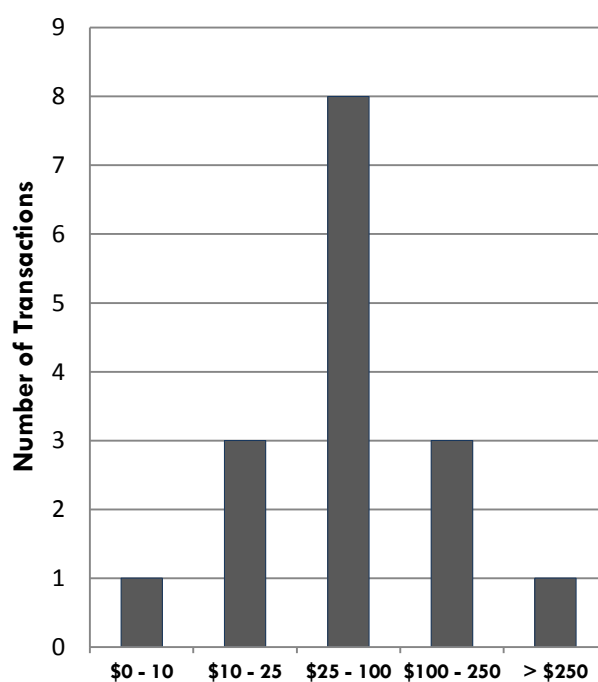
## Industry Initial Public Offerings (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
7/19/2012	Palo Alto Networks, Inc.	\$42.00	6.2	\$260.4	\$166.5	\$0.0	\$219.7	\$8.0	(\$0.6)	\$13.2
4/21/2010	Mitel Networks Corporation	\$14.00	10.5	\$147.4	\$628.2	\$737.8	\$655.4	\$90.1	(\$236.8)	N/A
3/30/2010	Meru Networks, Inc.	\$15.00	4.4	\$65.8	\$38.4	\$14.3	\$69.5	(\$0.4)	(\$17.4)	\$0.2
3/24/2010	Calix Inc.	\$13.00	6.3	\$82.3	\$241.1	\$20.0	\$232.9	(\$8.2)	(\$22.4)	(\$3.3)
7/2/2007	ShoreTel, Inc.	\$9.50	7.9	\$75.1	\$53.0	\$0.0	\$97.8	\$7.1	\$6.0	\$8.0
6/6/2007	Infinera Corporation	\$13.00	14.0	\$182.0	\$393.0	\$33.9	\$104.8	(\$72.7)	(\$91.6)	(\$64.9)
3/26/2007	Aruba Networks, Inc.	\$11.00	8.0	\$88.0	\$56.7	\$0.3	\$96.0	(\$9.5)	(\$14.7)	(\$7.8)
9/20/2006	Riverbed Technology, Inc.	\$9.75	8.8	\$85.8	\$44.7	\$1.8	\$49.5	(\$17.0)	(\$19.0)	N/A
5/24/2000	Sonus Networks, Inc.	\$23.00	5.0	\$115.0	\$52.4	\$4.7	\$1.1	(\$34.3)	(\$35.9)	(\$32.1)
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$88.0</b>	<b>\$56.7</b>	<b>\$4.7</b>	<b>\$97.8</b>	<b>(\$8.2)</b>	<b>(\$19.0)</b>	<b>(\$3.3)</b>

## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought
2/1/2013	Webscreen Systems	Juniper Networks	\$10.9	100%
1/2/2013	Zenprise	Citrix Systems	\$327.1	100%
12/14/2012	Contrail Systems	Juniper Networks	\$169.1	88%
4/11/2012	Podio ApS	Citrix Systems	\$45.3	100%
2/21/2012	Traffix Systems	F5 Networks	\$129.7	100%
2/13/2012	Mykonos Software	Juniper Networks	\$82.6	100%
11/9/2011	App-DNA	Citrix Systems	\$91.3	100%
10/13/2011	novel labs	Citrix Systems	\$56.2	100%
8/15/2011	Crescendo Networks	F5 Networks	\$5.6	100%
8/10/2011	RingCube Technologies	Citrix Systems	\$32.7	100%
7/12/2011	Cloud.com	Citrix Systems	\$164.4	100%
2/9/2011	Opnext Subsystems	Juniper Networks	\$26.0	100%
12/6/2010	Altor Networks	Juniper Networks	\$95.0	95%
9/7/2010	VMLogix	Citrix Systems	\$18.3	100%
7/30/2010	SMobile Systems	Juniper Networks	\$69.5	100%
6/9/2010	Liquid Machines	Check Point Software	\$14.0	100%
<b>Median of All Transaction Targets</b>			<b>\$62.9</b>	<b>100%</b>

## Size of Merger and Acquisition Transactions (dollars in millions)



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