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# BARRON'S

## Investors' Soapbox AM **Beneficiaries of Broadband Stimulus**

414 words

29 October 2009

Barron's Online

BON

English

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TUESDAY, THE National Telecommunications and Information Administration (NTIA) indicated in a Senate oversight hearing that the announcement of initial grants from the \$7.2 billion Broadband Stimulus program would be delayed a month to December.

This shouldn't surprise investors; our discussions with industry contacts previously indicated that a delay in the award process was likely. Recall, Round 1 of awards is expected to total \$4 billion.

We were not surprised by the delay. As we wrote previously, we expected the timeline for Broadband Stimulus awards to shift out due to several factors: 1) the 30-day comment period, where comments can be submitted by interested industry parties could create delays; 2) both the NTIA and Rural Utilities Service (RUS) organizations are massively understaffed to handle the sheer volume of applications; and 3) some projects could require environmental-impact studies that hold up awards. Given these factors, we wouldn't be surprised if the bulk of Round 1 project approvals slid into January/February next year.

We expect that timing for the spending of Broadband Stimulus dollars could fall into the summer of next year. Depending on the structure of the awards, revenue recognition could take another two to six months for that spending to begin to impact equipment vendor income statements.

Within our research universe, vendors positioned to benefit most from these projects include ADC Telecom (ticker: ADCT), Occam Networks, (OCNW) and Adtran (ADTN). Infinera (INFN) could also benefit somewhat. We believe that the independent-operating companies (IOCs) will be the primary beneficiaries of the stimulus.

We note that ADC generates a "mid-single digit" percentage of revenues from independent telco accounts. They've stated that the company could potentially claim \$100 million-\$150 million of \$400 million-\$500 million market opportunity associated with the Stimulus Plan in the 2010/2011 time frame. For Adtran, we estimate that IOCs account for 10%-20% of Adtran's quarterly revenue.

--George C. Notter --James Kisner --Rajiv Jenveja

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