



likely a CY16+ opportunity for the company – and mostly an out quarter growth story opportunity for management to share with investors, at the present.

In summary, while we are constructive on Cavium's CY15+ rev growth opportunities for the new chips – Octeon3, Fusion, Neuron, etc – we remain with our neutral near-term view and our Hold-rating on the stock – noting balanced risk/reward at current levels – i.e. the stock trading at appx 24x P/E for ~19% First Call consensus rev growth expectation.

Ixia – Virtualization moderating growth

Our MWC conversations with the network testing solutions vendors is another set of datapoints supporting our near-term caution on Ixia – a key vendor in enterprise and carrier network test and network visibility solutions.

While 40GE datacenter switch testing and LTE voice and data network equipment and network services testing are multi quarter opportunities for Ixia – we note lumpiness in LTE network testing orders (at telcos such as AT&T, etc) and 40GE datacenter switch testing still in early stages and virtualization of testing applications moderating demand for incremental box capacity (that is, customers run virtual instances of testing scripts which reduce the need to purchase incremental physical capacity, lowering the overall industry revenue growth rate.

That said, we remain constructive on Ixia's Anue Network Monitoring and Network Visibility test solutions business, while being cautious on muted growth trends in the near-term for Ixia's core network testing business. We remain with our Hold rating on Ixia.

Ruckus – helped by cable providers; in search of mobile

We met with Ruckus management at the show, who felt encouraged by continued traction by cable providers. One point which struck us as positive was management's warm reception to LTE-over-unlicensed (LTE-u). They suggested LTE-u could be helpful for some of their MSO customers, possibly pushing them to stitch together a mobile strategy (e.g. Republic Wireless). In addition, offering up an AP with integrated LTE-u to enterprises puts their enterprise customers at the negotiating table for operators. They noted that integrating LTE into their access points was relatively easy and would be part of their roadmap if demand trends moved in a positive direction. The one Mobile World Congress announcement for Ruckus covered their new partnership with Global Reach, a major VAR in the UK. The agreement is example of how Ruckus is using the gateway solution in areas outside of the traditional service provider vertical. The company will likely see more deals like this, as VARs look to increase the recurring/management piece of their respective revenue bases.

In terms of 802.11ac, the company said it is shipping product and believes this will contribute to a better year. They also said that they will be on time with Wave 2 of 802.11ac. The offering will undoubtedly help their competitive position, as we believe it has been a hindrance until now; however, with just a 10 to 15% price premium we believe it simply keeps ASPs stable and will not necessarily drive a new wave of demand.

Overall management struck a positive tone, likely helped by the growing cable provider business. While we believe this to be a source of continued growth, we remain on the sidelines here, as we would like to see them gain traction in the mobile operator space, an area where we believe if won, would begin to justify their price multiple. We maintain our Hold rating.