Mavenir – VoLTE the Key

Our MWC conversations with Mavenir senior management noted a positive view on Voice over LTE network services rollouts in 2014+ at the company's US and European telco customers – i.e. at T-Mobile US, Deutsche Telecom, France Telecom, Vodafone, etc.

We get the read that Mavenir's US telco customers are likely to rollout VoLTE and RCS services sooner versus their European telco counterparts this calendar year.

We also noted 11 new carrier customer wins for Mavenir's voice network solutions in Europe – with potential for VoLTE, RCS, and messaging services rollouts in these customer wins later this year.

Carrier commitment for VoLTE hovered in the 90% range; and in the 50% range for RCS – based on results of a recent carrier customer survey discussed by management during our MWC meeting.

Management further noted improving carrier customer demand (with an assist from Oracle) and order booking trends for their in-house SBC solution – noting that in prior years the company mostly re-sold third-party SBC solutions to the telcos.

We also note Mavenir starting to engage at Verizon in IP based voice networking use cases and also at AT&T for Rich Communication Services etc (a step up, in our view, from sales of 3G voice, video, and text messaging solutions to the carrier).

The company feels convicted on their improving sales win/loss ratio – noting technologically and price/performance differentiated VoLTE, IMS control plane, and RCS solutions versus alternatives from the Tier-1 vendors – e.g. Nokia Solutions Networks, Huawei, Alcatel Lucent, etc.

We remain with our positive outlook and our Buy rating on Mavenir – noting Voice over LTE, RCS, and SBC as among the key product cycle drivers for revenue growth in CY14/15.

Cavium – Small Cells, but not Femto's

Our MWC conversation with senior management suggests that Cavium's Fusion chip shipments (likely a $20-30 part) into 3G and 4G small cells rollouts is still in early stage at the present – likely a 2H14+ revenue opportunity for Cavium in our view.

The Fusion chip likely to ship into OEM platforms (NSN, Huawei, Samsung) at around 14 telcos for the initial phase of 3G/4G small cells rollouts –followed by +15 carriers in the subsequent phases.

Sales of the Neuron chip into TCAM use cases is pointing to a CY15+ event, with Neuron chip revs likely to be less than 10% of CY15 revs by the company's estimate.

Management also noted that sales of their Liquid I/O chipset is likely to be significant for this calendar year – an incremental growth driver, in the company's view, to sales of their core products – i.e. Octeon2, Nitrox3, etc.

Cavium management remains convicted on their Project Thunder initiative – noting potential for ARM SOC chip sales into 64 bit ARM servers in Cloud-scale datacenters.

While Octeon3 is likely to be an incremental revenue growth driver for Cavium in CY15 (early revs for Octeon3 starting Q4 CY14), we think that the ARM SOC solutions sale is