



beta of 1.4, and an equity risk premium of 5%. Our growth rate is based on a long-term estimate of industry growth, consistent with F5's specialty communications equipment peer group.

Key downside risks to our price target are around unanticipated shifts in enterprise and carrier IT spending, technology disruptions in the ADC space, and F5's competitors (e.g. Citrix, Radware, A10, etc) taking share in key ADC use cases such as Web 2.0 and Cloud providers, telco and cable, and in next-gen security.

CommScope – LTE, 3G optimization and desification all provide tailwind

Out of all of our companies, CommScope sounded the most positive. Their Wireless business is keeping pace, helped by infrastructure coverage projects in developing countries and capacity improvements here in North America. The company's DAS business has done well, as enterprises continue to look for easily deployable, multi-vendor solutions. To build on this, the company announced the Ion-E, a new DAS solution which is frequency agnostic (380 Mhz to 2700 MHz; multimode and allows the possibility to add WiFi) and with access points that can be powered over Ethernet (POE). We met with several operators who were excited by the flexibility the solution allowed. And with the point-and-click usability, it allows the enterprise IT manager to push into the active space, essentially becoming RF engineers. After four years of development, the project is commercially available now and will be shipping in the second half of this year, first into Europe, and later in the US and elsewhere.

In terms of visibility, the company appeared confident about their view, both the quarter and the year, and suggested that many investors wrongly assumed that the slowdown in a few coverage projects in North America would put them at risk. But management believes that the pickup in LTE in Europe and elsewhere, 3G modernization projects in the South East Asia, Africa and Russia and continued capacity adds in North America will help them to maintain growth through the rest of the year in Wireless. We believe that management is likely being conservative with their guide, and feel confident that the diversity in end-markets and in their product portfolio, position them well for a solid year.

In terms of the Enterprise side, DAS will also help here, especially in the second-half as Ion-E begins shipping in volume. A recent Enterprise-specific development is the company's announcement of a modular data center, which can be drop-shipped to any customer. The solution can help customers add capacity quickly and management expects these solutions to add incrementally in the second half of 2014.

With Broadband, management expects it to be profitable in the near-term, otherwise they could take measures if it is not. They did note that Broadband brings them significant cross-segment sales, and believe that they should be able to realize more cost synergies going forward.

Altogether we believe CommScope should benefit from what will be a strong year in infrastructure spending. Furthermore, the company continues to innovate in areas where they have the scale to bring specific products to markets. We reiterate our Buy here, as we feel the year should be a strong one for the company.