

MK Tech Bytes - AAPL, ADCT, FLEX

- O2 Cuts Price of iPhone Plans
- ADC announces new products that exploit advantages provided by "new" bendable optical fibers: may provide upside for Fiber to the Premises (FTTP) sales
- FLEX Cites Disconnect

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O2 Cuts Price of iPhone Plans - U.K. carrier O2, a wholly owned subsidiary of Telefónica, is providing existing and iPhone owners with more minutes and text messages this February. A comparison of the new plans versus the old plans is presented in the table below:

O2 iPhone Monthly Plans

| Monthly Plan | £35 - old | £35 - new | Chg. | £45 - old | £45 - new | Chg. | £55 - old | £75 - new | Chg. |
|--------------|-----------|-----------|------|-----------|-----------|------|-----------|-----------|-------|
| Minutes | 200 | 600 | 400 | 600 | 1,200 | 600 | 1,200 | 3,000 | 1,800 |
| Text | 200 | 500 | 300 | 500 | 500 | - | 500 | 500 | - |

Source: www.o2.co.uk

As shown above, O2 has essentially instituted a £10 price cut to its prior £45 and £55 plans, with the new £75 plan introduced as an option for heavy voice users. While O2's decision to reduce the price of these plans provides further evidence of weak iPhone trends at the carrier, the lower prices should prove more attractive to subscribers considering an iPhone.

Communications Equipment - Simon Leopold, (212) 508-7566

ADC announces new products that exploit advantages provided by "new" bendable optical fibers: may provide upside for Fiber to the Premises (FTTP) sales – ADC's announcement is not surprising as we've known the products were under development, but it serves as a reminder that ADC is a key player in the Fiber to the Premises (FTTP) market. ADC's competitor, Corning, has garnered attention since last fall's Fiber to the Home (FTTH) Conference with a marketing push on its newly announced bendable fiber dubbed ClearCurve, so it's important in our view for ADC to stake its position; at the time we felt ADC had an early lead on incorporating bendable fiber from Draka Comteq (announced over a year before Corning's) in size-reduced connectivity gear optimized for multi-dwelling units (MDUs, condominiums, and apartment buildings), where the size of connectivity gear can hinder deployment. Yesterday, ADC announced the availability of reduced bend radius MDU drop cables, which can be bent around corners and are ideal for FTTP applications, similar to drop cables now available from Corning. We think the combination of ADC's MDU-optimized connectivity products and new highly bendable drop cables can save labor expenses and facilitate carrier deployment of FTTP in high-density urban areas, including for Verizon's FiOS initiative. In our view the absence of these products has in part delayed Verizon's deployment of FiOS in major cities. We view the announcement as positive for ADC; it demonstrates a strong competitive position in the FTTP market relative to its much bigger rival, and while we are not adjusting estimates, we maintain a positive bias that FTTP revenue (Fiber connectivity, 26% of FY08E sales) has upside from our conservative estimates.

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Please see Disclosure and Certification Statement beginning on page 3 of this report.

Semiconductors/System Area Networks - Harsh Kumar (901) 579-4534**Flextronics Cites Disconnect Between Headlines and Customer Orders -**

- FLEX reported December quarter results that were well ahead of expectations (on strong computing) and reaffirmed previously announced guidance for the March quarter that is in line with street expectations.
 - The company is the largest public electronics contract manufacturer after its Oct 1st acquisition of Solectron and has roughly \$35 billion of annualized revenues. FLEX has a very broad customer base and diverse end markets.
 - Management specifically said on the earnings call that customer orders remain strong and there appears to be a significant disconnect between headlines about economic weakness and customer forecasts that remain robust.
 - The company commented that telecom customers appear to have stabilized after some weakness, consumer is a little soft but not getting weaker, industrial is strong and computing continues to outperform expectations.
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Companies Mentioned

Apple (AAPL, \$131.54, M-M)

ADC Telecom (ADCT, \$14.22, O-S)

Corning (GLW, \$23.67, NR)

Flextronics (FLEX, \$10.31, NR)

Telefónica (TEF, \$87.20, NR)

Verizon (VZ, \$38.71, NR)

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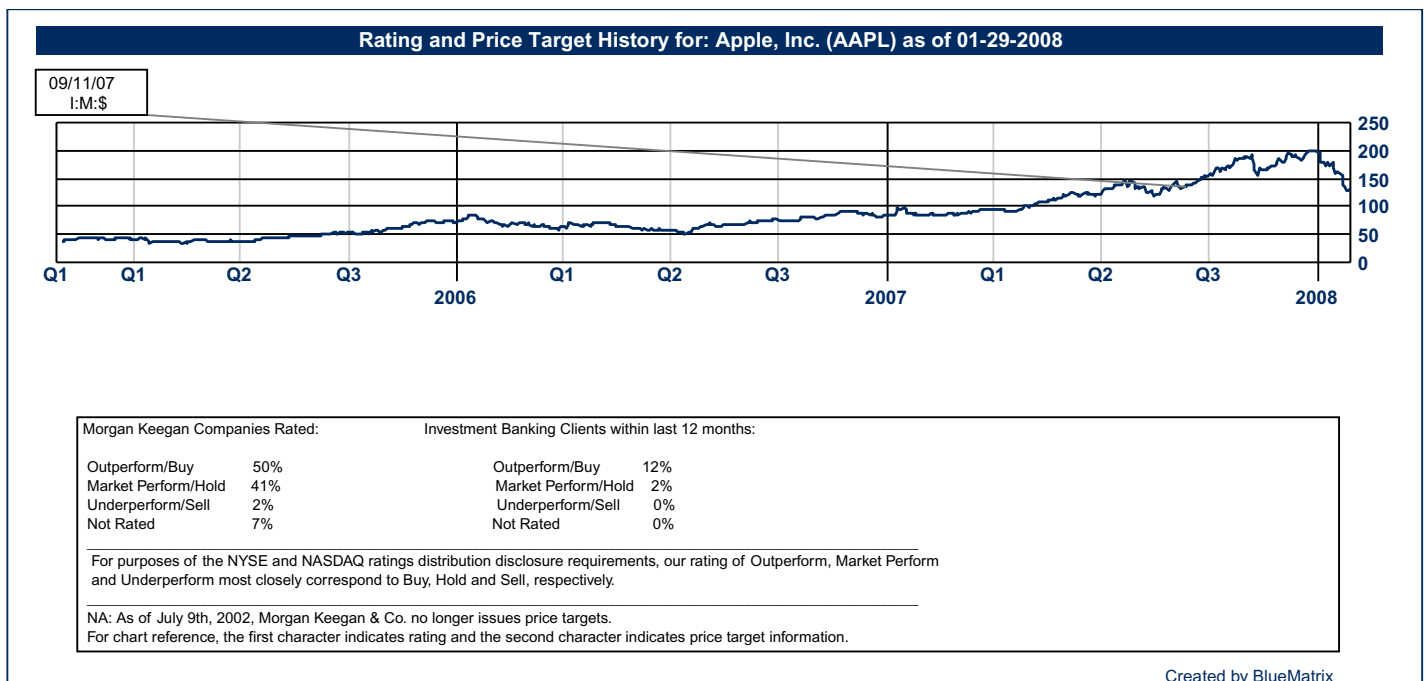
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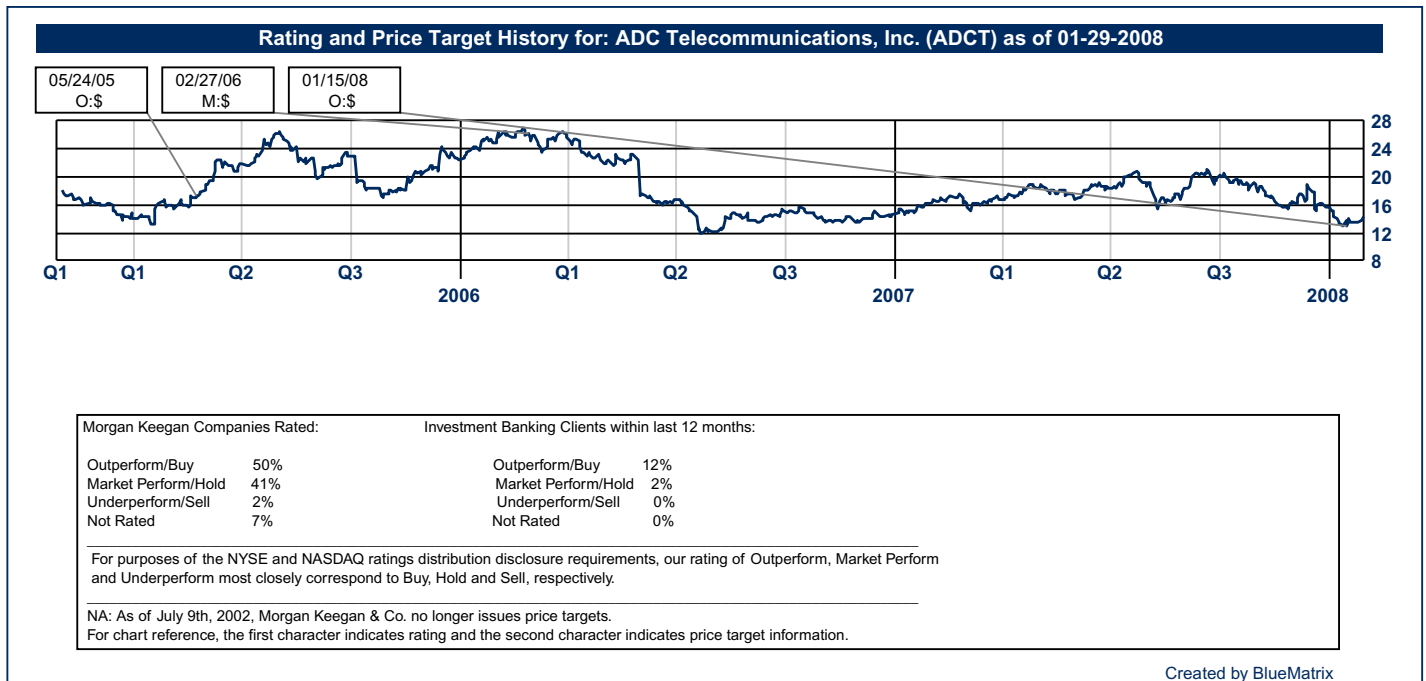
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