



IP Anywhere

Investors have long searched for a “Unified Field Theory” of technology investing. The one set of inter-related factors that could lead to investor nirvana - your longs go up and your shorts go down, and for all the right reasons! In fact, we at Hangar 4 Partners, LLC are active participants in this very same search inasmuch as we try to identify very basic fundamental trends that serve as the basis for our conceptual investment framework. This framework is used then essentially as an investment roadmap. And while we don’t exactly ascribe to the idea that a singular theme will lead to investment nirvana, we do occasionally stumble across an idea so significant that leads us to believe enormous industry-wide dislocations are possible. This is exactly the case with an idea we call “IP anywhere”.

IP anywhere is a very simple concept. It basically refers to the adoption of a set of internet-related protocols allowing for connectivity to, and communication across, the Internet in a location-independent manner. This concept is elegant in its simplicity, yet profound in its implications. Imagine the possibilities when most all physical goods and a host of services migrate to support this lingua franca and do so in both a wired and wireless manner.

Today one needs look no further than the telephony business to spot the economic chaos made possible by this adoption. The traditional voice providers (think RBOCs) are witnessing the collapse of their historic businesses. Voice services over the circuit switched network, first co-opted by cellular operators, have recently been usurped by a group of new providers offering a digital alternative, voice-over-IP or VOIP. As a result, the RBOCs have been forced to find additional services to offer their customers while positioning their traditional voice businesses as loss leaders. And this, in part, is leading to the competitive residential broadband build-out.

Now, continue following the possible digital evolution of IP anywhere to devices capable of accessing the Internet without a wire connection. If the technologies develop appropriately, one could surmise that the cellular networks might be the next victims of creative destruction. And of course these macro phenomena continuously create new investment possibilities in a wide array of required products and services.

One would be dramatically mistaken to think this is all related only to telecommunications. Software architectures are changing to accommodate the IP possibilities and new applications are being developed and tried (see Wal-Mart and others mandating new supply chain management approaches with a technology called RFID). New consumer capabilities are emerging - downloaded digital music to players possessing enough storage to house whole music collections, for example. Why even the way individuals watch television is changing, owing to new technologies that allow for various forms of digital content to be delivered into the home as commanded by the viewer rather than the TV network programmer. A pioneer in this area is a Bay area company called TiVo.

The possibilities appear limitless when appreciating the tectonic nature of this migration to IP anywhere. Particularly when recognizing that products and services we take for granted today, are all likely to support IP anywhere tomorrow.

Right now, we at Hangar 4 Partners believe the stock market is in a very tumultuous and turbulent phase. In a sense, the market is searching for the next set of growth leaders while discounting past leadership positions. This on-going sorting process is likely to take some time, but it is creating the opportunity for patient growth investors to plant the investment seeds that should flourish from the fundamental changes that lie just ahead.

The Hangar 4 Investment Fly-By is a quarterly publication intended to give our partners, and prospective partners, some insight into various themes that factor into our investment posture. Hangar 4 Partners LLC is an equity growth manager focused on technology, consumer product, and service companies. Michael P. De Santis and Bruce M. Lupatkin are the portfolio managers. For information regarding Hangar 4 Partners, please contact Michael P. De Santis, mpd@hangar4partners.com or Bruce M. Lupatkin, bml@hangar4partners.com.