



2013 North American M2M Communications
Competitive Strategy Leadership Award



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

Competitive Strategy Leadership Award M2M Communications North America, 2013

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2013 North American Competitive Strategy Leadership Award in M2M Communications to CradlePoint, Inc.

Significance of the Competitive Strategy Leadership Award

Key Industry Challenges

The mobile Internet revolution has led to dramatic growth in emerging connected devices. Frost & Sullivan expects mobile computing form factors, such as connected laptops, netbooks, notebooks, tablets, and wireless hotspots to increase to 50 million by 2017 in North America, while total cellular M2M connections are expected to increase from approximately 24 million in 2010 to more than 70 million by 2018. With the proliferation of connected devices, challenges have materialized that go far beyond just device onboarding or basic usage-based billing. Unlike the consumer services business of mobile phones and computing devices, tariff plans cannot be easily standardized across M2M implementations. Tier-I mobile operators are increasingly required to support an array of unique and customized pricing plans for their M2M deployments. For example, a data consumption-based pricing might be more suitable for applications sending a predictable stream of packet data, while an exception (or incident) – based pricing is more suitable for certain medical or healthcare solutions. These and other issues will present ongoing challenges to mobile operators who want to support as many M2M connections on their networks as possible.

4G Long-term Evolution (LTE) cellular networks can be used to provide cost-effective (and high-speed) mobile connectivity to a wide range of industries. Cellular networks can also help ensure business continuity. For example, they can be restored quickly after an incident (such as a natural disaster) by using portable towers. On the other hand, it can take several days or weeks to restore wired connections in the event of a breakdown. Additionally, using wireless 3G/4G as a redundant Internet connection can significantly reduce average downtime for organizations. It is also much easier to bring a new retail location "online" by using wireless connectivity – especially for outlets that are in remote locations. Vendors that provide the appropriate tools, solutions and support capabilities to

help enterprises design, develop, and manage scalable, distributed, and customizable communication solutions are likely to succeed in the North American M2M communications market. Specialized (or niche) M2M hardware vendors who rely on a hardware-only strategy could find themselves at a competitive disadvantage in the long run in the ultra-competitive wireless hardware market.

The importance of cloud-based M2M platforms cannot be overstated. The "Internet of Things" (IOT) will be comprised of billions of connected devices across numerous verticals. Cellular wide area networks (WAN) will play an important role in providing connectivity – either directly or indirectly – to a good portion of the devices that make up the IOT. Various short range and long range technologies have to co-exist in order to facilitate data communication between these connected devices and the enterprise backend. Adding a large amount of connected devices will also result in a significant amount of data ("Big Data") that needs to be stored, analyzed, reported and archived. Providing the appropriate cross-vertical cloud-based M2M service management platforms; and, managing the significant storage and reporting requirements for M2M transaction data could become a major industry challenge.

Other challenges in M2M communications markets include managing the M2M supply chain effectively to fulfill product delivery obligations, the lack of cross-industry standardization, and LTE spectrum and technology fragmentation.

Impact of Competitive Strategy Leadership Award on Key Stakeholders

The Competitive Strategy Leadership Award is a prestigious recognition of CradlePoint's accomplishments in M2M Communications. An unbiased, third-party recognition can provide a profound impact in enhancing the brand value and accelerating CradlePoint's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third-party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

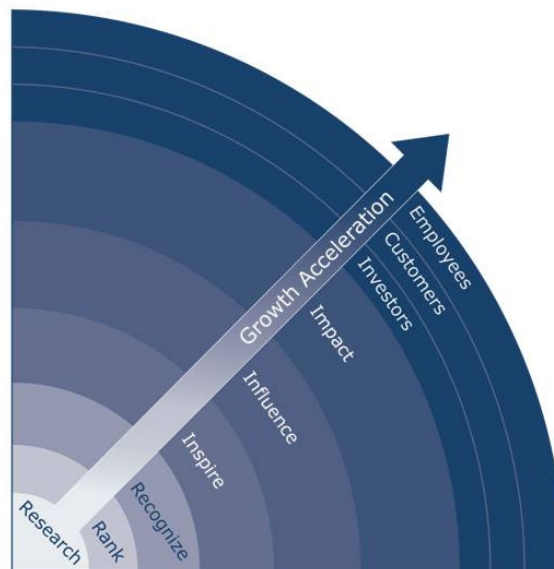
- **Customers**

Third-party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of CradlePoint’s executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class performance.

Chart 1: Best Practices Leverage for Growth Acceleration



Key Benchmarking Criteria for Competitive Strategy Leadership Award

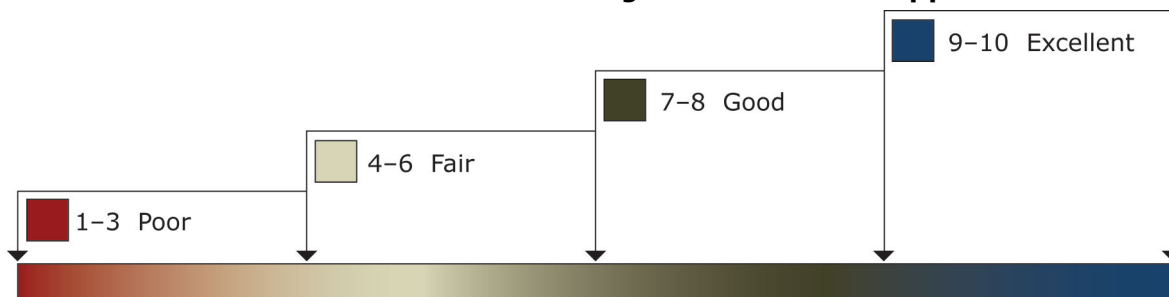
For the Competitive Strategy Leadership Award, the following criteria were used to benchmark CradlePoint’s performance against key competitors:

- Execution of Competitive Strategy
- Impact on Market Share
- Competitive Brand Positioning
- Impact on Customer Satisfaction/Value

Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies' performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each Award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and Award category. The DSM allows our research and consulting teams to objectively analyze each company's performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 2.

Chart 2: Performance-Based Ratings for Decision Support Matrix



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

Chart 3: Frost & Sullivan's 10-Step Process for Identifying Award Recipients



Best Practice Award Analysis for CradlePoint

The Decision Support Matrix, shown in Chart 4, illustrates the relative importance of each criterion for the Competitive Strategy Leadership Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

Chart 4: Decision Support Matrix for Competitive Strategy Leadership Award

Measurement of 1-10 (1 = lowest; 10 = highest)	Award Criteria				Weighted Rating
	Execution of Competitive Strategy	Impact on Market Share	Competitive Brand Positioning	Impact on Customer Satisfaction/Value	
Relative Weight (%)	25%	25%	25%	25%	100%
CradlePoint, Inc.	10	9	10	10	9.75
Competitor 1	9	9	9	8	8.75
Competitor 2	9	8	8	8	8.30

Execution of Competitive Strategy

CradlePoint's competitive strategy is based on providing integrated, cloud-enabled 3G/4G, WiFi enabled networking solutions for "distributed enterprises", small business, and mobile customers. The company has identified the common networking needs of distributed enterprises and has developed a compelling set of offerings to target this segment. By focusing on a router-based product strategy, CradlePoint has made it extremely easy to incorporate cellular connectivity in a wide range of connected endpoints (since the time and effort required to design, integrate, and certify chip or module-based connectivity solutions can be several times higher). As a result, the company has achieved significant traction with marquee accounts in the Retail, Branch Office, Transportation and M2M verticals. This is a clear testament to the effectiveness of CradlePoint's competitive strategy. CradlePoint's competitors have entered into various strategic agreements (and have even made several acquisitions) in order to refine their product and service capabilities. The challenge for them is to integrate all the acquired assets in a seamless manner with the existing product line. This is certainly not an easy task. With end customers demanding more out of their connected deployments, a generic and undefined product strategy is clearly not going to help the competition in the long run.

Impact on Market Share

CradlePoint's ability to support 3G/4G – either by using an external modem or by using solutions with integrated 3G/4G – allows it to meet the unique needs of any retail application. Distributed enterprises – particularly the small footprint distributed enterprises (SFDE) segment – continue to rely on CradlePoint solutions to support operational and transactional data, as well as customer-facing applications such as kiosks, digital signage, and mobile devices. Overall, CradlePoint has deployed more than 800,000 routers and is fast approaching the one million mark for its products. While the competition could claim a higher number for “deployments” or “shipments” of their products, it is more focused on the consumer segment and still lacks an effective cloud strategy (which is an important differentiator for CradlePoint). Additionally, CradlePoint's top competitors are over-dependent on revenues from hardware components (such as embedded modules, air cards, and modems), and are facing the challenges of low margins and lack of product differentiation. There clearly will be room for more than one winner in the North American M2M Communications market, but Frost & Sullivan strongly believes that CradlePoint is positioned to emerge as a market leader in the space.

Competitive Brand Positioning

CradlePoint continues to work closely with distributed enterprises to implement scalable connectivity solutions that help customers generate additional revenues (“make money”) and optimize business processes (“save money”). It is no coincidence that organizations that want to deploy turnkey solutions prefer working with CradlePoint – a company that is fully focused on providing reliable, effective, and economical wireless connectivity solutions to the distributed enterprises segment. Organizations that still believe in the old-fashioned approach of trying to do everything in-house will inevitably realize how costly, complicated, and cumbersome the process of in-house solution development and deployment really is. Frost & Sullivan believes unified and pre-integrated offerings, such as those offered by CradlePoint, are the better option for the vast majority of end customers.

Impact on Customer Satisfaction and Delivering Customer Value

CradlePoint delivers peace of mind to enterprise IT. With the CradlePoint WiPipe Central cloud-enabled management and application platform, customers have full control over their CradlePoint deployments. A wide range of security features are pre-integrated into WiPipe Central, which ensures that sensitive business data is protected and will not fall into the wrong hands. Cradlepoint is currently re-branding its cloud-based management and application platform from the current name of “WiPipe Central” to the new name of “CradlePoint Enterprise Cloud Manager (ECM),” and recently launched the second generation of the product. Thus, by empowering customers to have full visibility into their connected deployments, CradlePoint helps improve network uptime and performance, and reduces costs. The CradlePoint services portfolio includes extended warranties, enterprise support agreements, installations as well as site surveys to optimize WiFi and 3G/4G signal strength.

The company also has nearly 8,000 Field Service Engineers (FSEs) who specialize in product specific applications and are highly experienced on point of sale (POS) installations for large retail brands. This ensures that all CradlePoint customers – regardless of their size or location – get the same level of high quality service and support experience. Customer feedback indicates a high level of satisfaction with the company's quality of service and with the high level of product customization.

Conclusion

CradlePoint has become the preferred vendor-of-choice for the distributed enterprises segment in North America. Frost & Sullivan attributes CradlePoint's success to a robust product portfolio, strong service and support capabilities, and the overall strategic acumen of a leadership team dedicated to speed of execution. Frost & Sullivan believes that CradlePoint is poised for continued success and presents the company with the 2013 North American Competitive Strategy Leadership Award in M2M Communications in recognition of its highly successful growth-oriented market strategy and implementation excellence.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a “must-have” requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

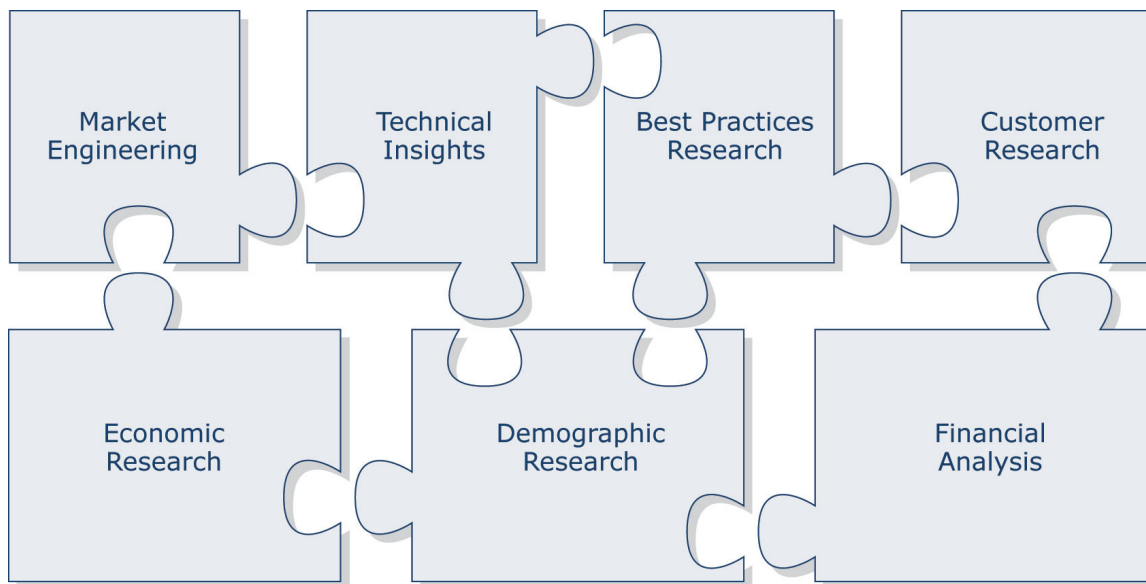
CEO's 360-Degree Perspective™ Model



Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360 degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 6: Benchmarking Performance with TEAM Research



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.