

Openwave.com, Inc. (NASDAQ: OPWV)

Update Report: Analysis of current status and new products- Strong Buy

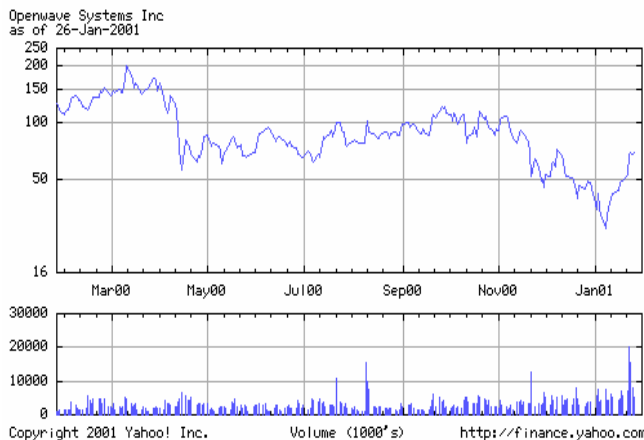
February 5, 2000

KEY CONSIDERATIONS

- We expect Openwave to be the premier provider in the infrastructure and application software market in distributing unified messaging, e-mail, directory services, wireless Internet access gateways, voice processing, synchronization, instant messaging and wireless Internet access.
- Openwave announced comprehensive, flexible and seamless product architecture of packet-based GPRS (2.5G); a third generation wireless networks for communication service provider worldwide.
- Openwave was selected to enable wireless Internet services of China by China Mobile Communications Corporation that is China's largest mobile carrier and the world's largest single operator network. CMCC had more than 66 MM subscribers at the end of 2000 and has 80% of the cellular market share in China now. Telefonica Unifon, which is second largest carrier in Argentina, started mobile Internet services with the Openwave platform in early January.
- Schlumberger WAP Identity Module (WIM) cards will be integrated with the Openwave™ UP.Browser™ microbrowser and activated in Openwave's UP.Browser in the first half of 2001. This could mean security solution for WAP-based services and will enhance the m-commerce and sales of WIM with reduction of the challenges related with smart card interoperability.
- The subscriber of Sprint and BT, Openwave's carriers, are increasing everywhere and more victorious in their market. In addition, KDDI in Japan are also rapidly growing.

Recent Price	\$62.88
52WK Low	\$23.88
52WK High	\$86.38
P/E	N/A
Price to Book	5.70
Price to Sales	35.79
Market Capitalization	\$10.425.68M
Shares Outstanding	165.82M
Avg. Daily Volume	NA
EPS	
1997	\$(1.69)
1998	\$(0.47)
1999	\$(0.52)
2000	\$(2.06)
2001E	\$ 0.18
2002E	\$ 0.67

ONE-YEAR PRICE AND VOLUME GRAPH



COMPANY PROFILE

Openwave, the combination of Phone.com and Software.com, is the leading provider of Internet-based communication infrastructure software and applications. Company provides Communication Service Providers, including wireless and wireline carriers, ISPs, portals, and broadband providers worldwide, with the software and services they need to build boundary-free, multi-network communications services for their subscribers—and rapidly enter the Internet economy. Openwave's broad portfolio of products includes software for unified messaging, mobile mail, directory services, wireless Internet access gateways, voice processing, synchronization, and instant messaging. Openwave Systems' web site: <http://www.openwave.com>

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I. DESCRIPTION OF THE COMPANY

Special Features of the Company

Merge & New Name :On November 17, 2000, Phone.com, Inc. finished its pending merger with Software.com, Inc. At the end of it, Software.com became a wholly owned subsidiary of Phone.com and "Openwave Systems Inc." is its new corporate name.

New Management: Donald Listwin has joined Phone.com as president. He was formerly Executive Vice President at Cisco Systems where he has led service provider and consumer lines of business and has been in charge of developing Cisco's Internet technology and services for telecommunications companies. CEO. Alain Rossmann, Phone.com's founder remains as the chairman of the board of directors of Phone.com, but will now move from president and CEO into a role where he sets up market vision and strategy as the executive vice president of Strategy and Corporate Development. Also Phone.com's chief financial officer, Alan Black, was promoted to senior vice president of Corporate Affairs. Black will also retain his position and responsibilities as chief financial officer.

Products and Services

Openwave provides communications service providers with software infrastructure solutions, which can support both extensive range of applications and varying demands as voice and data networks converge. Openwave's extensive range of IP-based products includes unified messaging, mobile mail, directory services, wireless Internet access gateways, voice processing, synchronization and instant messaging. With Openwave, Communication Service Providers—including wireless and wireline carriers, ISPs, portals, and broadband providers worldwide—now have a single source of reliable, scalable, and proven software that enables them to quickly construct border-free, multi-network communication services for their subscribers.

***Phone.com:**

- 1.Handset Products: FoneSync PRO enables users to get names and numbers from their PC onto their mobile phones, backup their phones' memory, or move their names and numbers to new phones.
- 2.Developer/Content Provider Products: Secure Enterprise Proxy™ is an end-to-end security solution for developers of applications such as m-banking and m-commerce.
- 3.Operator Products: Mobile Management Server offers a complete and powerful solution for network operators to manage handsets, gateways, and applications. Mobile Location Server enables wireless network operators and application developers to offer wireless subscribers Internet-based, location-dependent services. UP.Applications™ are scaleable carrier-class applications for enabling email and personal information management within an operator's network.

***Software.com**

Below is Software.com's Product Line prior to November 20, 2000 merger. Software.com offers an unrivaled range of products and services to meet the unique messaging requirements of next-generation service providers (traditional telecommunications carriers, Internet service providers and wholesalers, cable-based Internet access providers, competitive local exchange telephone carriers, and Internet destination sites or portals)

- 1.InterMail® Product: It overviews information about the world's only proven carrier-scale messaging system, developed specifically to meet the needs of service providers: high performance, failsafe reliability, continuous availability, and scalability to support millions of users.
- 2.InterMail® Editions & Features :It was specifically designed for service providers' business, consumer, and Web-based email customers.

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- InterMail® Mx- For service providers requiring millions of accounts, InterMail® Mx offers unlimited scalability and premium consumer, business, and web features in a fully distributed architecture.
 - InterMail® Kx - For growing service providers with 25,000 to 250,000 accounts, InterMail® Kx shares the same Mx business, consumer, and web features in a configuration optimized for medium-sized service providers.

3.Directory: Providing wireless and wireline service providers with a scalable, standards-based infrastructure for subscriber and application management that enables rapid delivery of new revenue-generating services and it dramatically reduces total cost of ownership.

4.Post.Office™: The most simple, powerful, and secure single-server messaging solution for installations of 10 to over a hundred thousand users.

5.WebEdge: Software.com's WebEdge offers an immediate opportunity for service providers to capture new customers and increase profits through a competitive branded Webmail service that is easy to use, simple to access, and secure to operate.

6.Professional Services: Information about Software.com's team of industry-leading experts ready to provide comprehensive consulting services for InterMail® installations as well as network and systems integration.

7.Technical Support Services: Information about options and access to all support levels for Software.com products, as well as documentation and other support materials.

8.Software Downloads: Archives, updates and utilities, including a free fully functional trial version of *Post.Office*™ and free-ported version of BIND for NT platforms.

New Products

Openwave are developing a standard model for over-the-air provisioning and management of wireless devices through the CDG and for the development of future standards in the mobile web also with the W3C.

Additional Services

- VoiceXML: Openwave's VoiceXML is based on the unified communications software to provide unified messaging, as well as future advanced voice applications. Cap Gemini Ernst & Young, Cisco Systems, Inc. and IBM will be together under the same goal such as a scalable and extensible unified communications solution.
- BT's Genie and Openwave's MyPhone platform: BT's Genie portal serves both BT Wireless and OpenWorld, which is BT's Broadband Internet group. BT Cellnet will utilize GSM handset SIM card technology to develop electronic wallet functionality in the future. The intergration between Schlumberger's WIM/SIM and the Openwave microbrowser could suggest the solution for that.
- The evolution to 2.5G and 3G services: Openwave released new product architecture for packet-based GPRS (2.5G) and third generation (3G) wireless networks for communication service providers worldwide. Openwave's next generation strategy is an integral part of its Services OS(TM); an IP-based software platform that enables rapidly to organize complicated information and communication services. KDDI has chosen these Openwave technologies as the infrastructure of its next generation network services.
- The Openwave Unified Communications software will be interoperable with Cisco's AS5300 Voice Gateways and will offer service providers the ability to execute new communications services that work with existing network investments.

II. INDUSTRY

Wireless Internet: According to Pinpoint Network, an independent monitoring agency, wireless market has grown particularly with the rise from 25,000 to over 7.5 Million web pages developed particularly for the wireless internet in the last year. Wireless Cartner Symposium survey says that 86% of the survey respondents rated wireless e-mail as either important or a bit important to have deployed.

XHTML: XHTML can replicate and broaden HTML 4 as a subset of it and is current and future document types and modules. HTML is the SGML application and XHTML enables the entrance into the XML, which is subset of SGML, with all of its attendant benefits. During that process, it keeps its content's backward and future compatibility with XHTML. It could be the next step in the progress of the Internet.

WAP and I-Mode: There are two worldwide standards in Mobil Internet technology such as I-mode, NTT DoCoMo's wireless technology, and WAP. WAP uses the wireless Markup language and I-mode used Compact HTML. There are some other differences between two. Especially, I-mode is always on line so email can be downloaded to the phone immediately and the service costs is added to mobile phone bill without necessity of credit card (Good for capturing Young customer). It could be proper to understand WAP and I-mode as an interim technology on the way to the third generation mobile Internet.

Next generation of Mobil Communication System (3G): The advantages of 3G are high-speed data and enhanced capacity for high quality voice services. We expect it to connect the wireless world and Internet world and converge the WAP specifications and the broader Internet with the next version of WAP. The WAP 2.0 assists XHTML, TCP and HTTP and the XHTML can help creating applications in a single markup language. These technologies are likely to be activated in 2001 market and it will give Openwave the growth opportunity.

Handheld Computing: We believe that handheld computing devices are the next progress in the Internet appliances. The enterprises are planning to adopt the handheld computers for their business. The survey of WitSoundView says that the survey respondents expressed the plan to add handhelds to their corporate standard lists such as 83% will add Palm, 34% Compaq, 20% HP, 16% RIM and 14% Handspring. On the other hand, the Spending index for the Palm OS is 87% versus 40% for Pocket PC.

Wireless Security: Baltimore Telepathy chose to Provide Security for Openwave's Market. Baltimore Technologies, a global leader in e-security, and Openwave Systems Inc have entered into an agreement to integrate Baltimore's wireless e-security offering with Openwave's market leading the range of WAP products to speed up the trusted wireless transactions.

III. COMPETITION

Openwave's competitors: It includes not only well-known infrastructure providers Ericsson, Nokia, and Siemens, Oracle, Sun and IBM but also upstarts like Stango.com and DrmMaterna. By the way, the inflexible pricing could mean that there are not so strong competitors yet in the market except potential treat from I-mode.

Nokia: America Online, Inc. and Nokia made license agreement each other whereby America Online will develop and market a Netscape-branded version of Nokia's WAP microbrowser, with AOL enhanced features, to use transversely an extensive diversity of mobile communications devices. They will work to bring the market enhanced microbrowser technology and to promote wireless standards, including WAP that cultivates a vivacious mobile data experience.

Strengths: We believe the Openwave's strengths is its software know-how, first-to-market advantage, broad partnerships with operators, one-time subscriber fees, strategic acquisitions, consensus revenue growth rate and synergy from merger.

Table I. Comparison of Main Competitors Over the Past 12 months

	OPENWAVE.COM	MICROSOFT	NOKIA	PALM
Total Sales	\$146,408Mil.	\$23.845Mil.	30,376 (In Millions of Euro)	\$1,546Mil.
Price/Sales	35.79	13.77	5.50	8.38
Sales Growth	142.47%	16.25%	48.37%	110.22%
Market Capitalization	\$10,425.68Mil.	\$351.3Bil.	\$152,844.45Mil.	\$13,134.84Mil.
Price/Earnings Ratio	NM	34.56	42.45	214.70
Profit Margin	NM	41.9%	13.33%	3.94%
Total Debt/Equity Ratio	0.00	0.00	0.14	0.00
Share Price Change	+51.4 (4Week)	-40.8% (52Week)	-43.2% (52Week)	-41.8% (26Week)
Strength Relative to S&P 500	+51.8% (4Week)	-37.6% (52week)	-40.0% (52week)	-34.8% (26Week)

- Synergy from merger:** Software.com is the carrier of class messaging solutions and has licensed more than 116 million mailboxes through its service, which is the Intermail platform as the provider of infrastructure. Openwave's licensed mailboxes are based on the old Software.com infrastructure and one of synergy of merger could be the sale of products of software to carriers using the old openwaves. Software com's customers includes Telecom Italia Net CLECs, GTE Internetworking Services, Interactive Media Services, Teledamark, ISPs, and Time Warnet/ToadRunner. Openwave can boost their profit through software's service channels and the strengthened unified messaging solution even though merger needs the adjustment of product line and business model. In other words, combined company between Phone.com and Software.com can utilize large cross-sell and up-sell channel with its open relationships with more than 140 main communications service providers over the world. Especially, the merger between Phone.com and Software.com has shown positive result through earning release after merger until today

Table II: Process of merger

DATE	MERGER
Aug 30	HSR
Sep.1	Listwin staff structure
Sep. 5	Integration teams named
Sep.11	Listwin joins PHCM
Sep. 21	Executives aligned/named
Sep. 28	SEC clearance
Nov.3	Functions
Nov. 10	Engineering
Nov. 17	Shareholders meeting
Nov. 20	NASDAQ & name Launch
Jan.30-31	Openwave Analyst Day 2001

- Openwave's customer:** Phone.com has broadened their market portion by the enlarging subscriber and partnership, merger and acquisition and Openwave systems still keep his former relationship with powerful wireless carriers. The combined global customer base of Openwave includes AT&T, Telefonica, SprintPCS,

Nextel, Time Warner's Road Runner, British Telecom, BellSouth, Telstra, Verizon Wireless, PSINet, KDD, DDI, Telecom Italia, Excite@Home, Telcell, GTE.net Services, Deutsche Telekom and Mannesmann.

IV. STRATEGY OF GROWTH

1.Value-added resellers and the expansion of indirect distribution channels

Value-added resellers and the partnership enable Openwave Systems to develop its indirect distribution channels including international markets. International sales of products and services still remain as major sources of its total revenues. However, each of its partners can cease marketing Openwave's products and services at their preference since its distribution partners generally do not restrict the sale of products that are competitive with Openwave's products and services.

2.Investing in Research and Development: Development of the ecosystem

Openwave is participating in structuring the wireless Internet ecosystem and lately announced partnerships in both security and billing with other leaders such as Balimore Technologies, Diversinet, Certicom, Edify and portal software. All of its customers and partners are covered by license between Openwave's and Geoworks.

3.Focus on Customer Success

Openwave's most significant strategy is to make customer success and its mission is conveying a services OS that enables communication service providers the rapidly great profitable internet-based services.

4.Deliver an Open Architecture

Openwave has been successfully combining the product offerings of the two companies with one open standards-based architecture. Openwave's OS platform is consisted of the mobile service infrastructure, platform services and communications services to allow operators to quickly begin new services into the market.

5. Develop the Talent

Openwave's one of major strategy is attracting and developing the best software talent in wireless and communications industry. Its business relies on the extensive propagation of UP. Browser-enabled telephones through its interaction with network operators and wireless telephone manufacturers.

IV. ACQUISITIONS AND STRATEGIC PARTNERSHIP

*On October 26, 1999, the Company completed its acquisition of APiON Telecom Limited (APiON), a company based in Belfast, Northern Ireland.

*On February 8, 2000, the Company acquired all of the outstanding common and redeemable convertible preferred stock of AtMotion, Inc. (AtMotion)

*On June 14, 2000, the Company acquired all of the outstanding common stock of MyAble, a company based in Palo Alto, California.

V. KEY RISK FACTORS

The Openwave may not continue to grow or achieve profitability as it faces a number of risks described here:

- (a) The ability to realize our strategic objectives by taking advantage of market opportunities in the Americas, Europe, the Middle East, and Asia including Japan.
- (b) The ability to make changes in business strategy, development plans and product offerings to respond to the needs of our current, new and potential customers, suppliers and strategic partners
- (c) Risks specifically associated with the integration of the businesses of Phone.com and Software.com and the ability to achieve the expected benefits of the merger (including but not limited to those risks associated with the ability to (i) integrate effectively the two companies' product lines, technology, operations and personnel, (ii) take advantage of cross-selling opportunities and product and market synergies, (iii) retain key officers and employees, and (iv) effectively manage a larger more geographically dispersed organization)
- (d) Risks associated with the development and licensing of software generally, including potential delays in software development and technical difficulties that may be encountered in the development or use of the Company's software
- (e) The ability to manage the company's growth
- (f) The ability to continue to obtain qualified, experienced employees
- (g) The ability to successfully partner with other companies
- (h) The ability to acquire additional companies and integrate such acquisitions
- (i) Competition and technological changes and developments
- (j) General risks of the Internet and wireless and wireline telecommunications sectors.

VII. EXPLANATION OF FINANCIALS

Revenues

Openwave generated license revenues of approximately \$5.2 million and \$43.7 million for the fiscal years ended June 30, 1999 and 2000, respectively, and \$33.3 million for the three months ended September 30, 2000. Openwave also yielded out \$80.8 million and \$109.7 million as revenues of first and second quarter of fiscal 2001. The surprising second quarter amounts are due to the combination of solid operational execution and favorable customer response to the merger in a large and growing market. The messaging business, licensed subscribers reached an industry leading 145.6 million seats, at the end of December, with activated seats at 95.9 million. Revenues are 73% from license fees, 12% from the delivery of maintenance and support services and 15% from work performed by professional service organization. Backlog of committed business increases \$43 from the number of November 20 and amounted to over \$325 Million as of December 2000. Company is expecting \$640 million revenues and \$0.46 EPS from calendar year 2001 with exclusion of the merger and acquisition costs and stock-based compensation. We expect Openwave system to make \$617.4Million and \$1,129.8Million revenues at the end of next two fiscal years. It is due to 1) Synergy from merger Phone.com and software.com 2) large wireless subscriber additions 3) Increasing licensing of products to new companies and foreign market such as china.

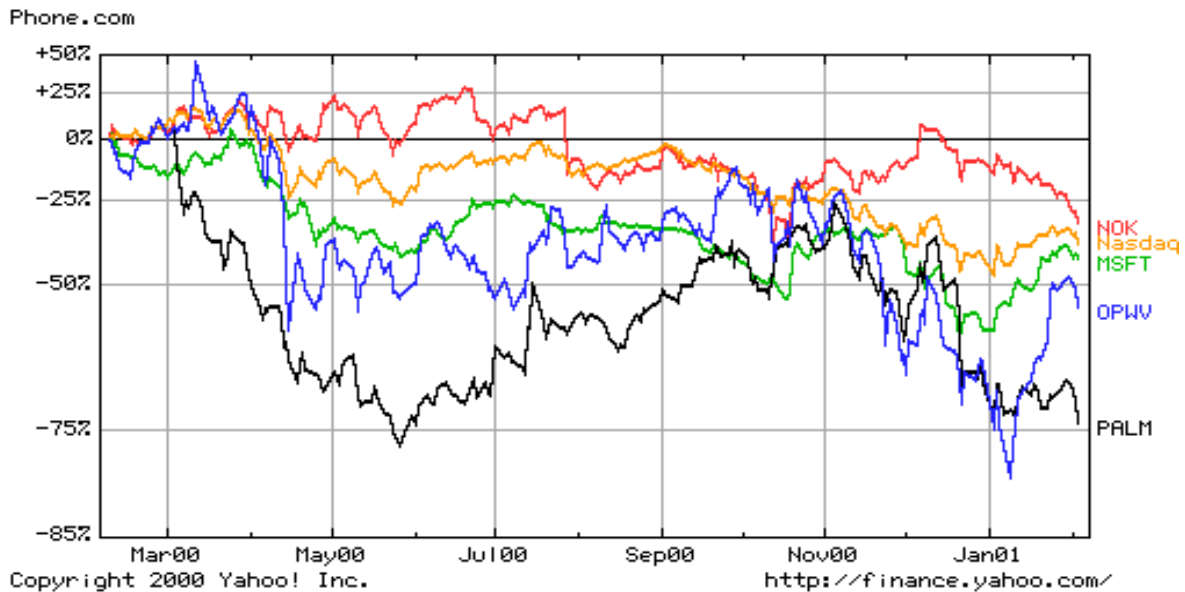
Cash

As of December 31, 2000, the company had cash, cash equivalents and short-term investments of \$435.2 million, excluding \$20.7 million as restricted cash, total assets of \$2.0 billion and stockholders' equity of \$1.8 billion. Openwave generated \$3.3 million of negative cash flows from operations during the second quarter of 2001 and this number doesn't contain merger costs. Openwave has invested in its facilities and expects that \$435 as of second quarter of 2001 is good enough to trust.

Gross Margin

Company achieved 80 percent gross margin for second quarter of 2001 and the number of calendar year 2001 is expected to be between 76% and 78%.

VIII. VALUATION



We believe that Openwave will be one of top companies supplying the variable infrastructures and application software with new Openwave's strategies and synergy from merger with Software.com.

The Openwave's stock is moving in a similar way as Nasdaq index and three other competitors such as Nokia, Microsoft and Palm do. However the prices of all stocks excluding Nokia has underperformed NASDAQ since April of 2000 even though major competitor such as Nokia has consistently overperformed. Especially, Openwave's stock had been downward until first week of January of this year when it started to rise rapidly out of deep downfall. It is probably because of a few positive announcement and public expectation about future of company.

Openwave's Revenue will be still affected largely by the number of activated WAP subscriber after merger and we expect the rapid growth in subscribers' number of browser-equipped phone market even under the conservative acceptance of recent earning estimation of Openwave system. Openwave seems to gain more strong public trust in the future and be appreciated rapidly like Nokia. It is partly due to the new managing group members and synergy from merger as well as the solid company's services and products.

The share price of Openwave system is \$62.88 now and it is almost similar to the trading price of Microsoft. We expect it approaches to \$100 in 12 months and our long term rating for Phone.com is "Strong Buy" since we anticipate its stock to be traded at \$100 near by year-end 2001.

Income Statement
(In millions)

Year Ended June 30

	1998	1999	2000	2001E	2002E
Revenues:					
License	18.0	32.1	93.1	450.1	846.3
Maintenance & Support Service	4.4	13.5	25.8	74.7	125.4
Consulting Services	6.6	14.8	27.4	92.6	158.2
Total Revenues	28.9	60.4	146.4	617.4	1,129.8
Cost of Revenues					
License	1.7	3.0	6.7	39.6	99.9
Maintenance & Support Service	2.7	5.8	14.9	40.7	79.6
Consulting Services	5.2	8.7	16.9	55.6	91.7
Total Cost of Revenues	9.5	17.5	38.5	135.8	271.2
Gross Profit (Loss)	19.4	42.9	107.9	481.6	858.7
Operating Expenses:					
Research & Development	17.8	28.9	59.7	175.3	275.7
Sales & Marketing	19.5	33.6	68.7	185.2	316.4
General & Administrative	7.7	12.3	24.1	67.9	113.0
Stock-based Compensation	0.3	2.2	10.2	6.6	1.5
Amortization of goodwill & Other intangible assets	-----	0.3	216.4	35.0	35.0
In-process research and development	-----	3.2	27.7	-----	-----
Legal matter	(0.4)	(0.2)	-----	-----	-----
Acquisition related costs	-----	-----	10.4	-----	-----
Total Operating Expenses	45.0	80.4	417.2	470.1	741.5
Operating Income (Loss)	(25.6)	(37.6)	(309.3)	11.5	117.2
Net Interest Income	0.4	2.8	23.2	28.0	27.4
Loss Before Taxes	(25.1)	(34.7)	(286.1)	39.5	144.6
Income Taxes	0.4	(2.3)	2.0	7.0	5.0
Net Loss or Gain	(25.6)	(37.0)	(288.1)	32.5	139.6
Accretion on preferred stock	(0.8)	(0.4)	-----	-----	-----
Net Loss (Attributable to common stock)	(26.4)	(37.4)	(288.1)	32.5	139.6
Basic & Diluted Shares Net Loss/Share	(0.47)	(0.52)	(2.06)	0.18	0.67
Shares Outstanding	57	71.514	139.92	185	208
Margin Analysis					
Gross Margin	67%	71%	74%	78%	76%
Sales & Marketing	68%	56%	47%	30%	28%
General & Administrative	27%	20%	16%	11%	10%
Research & Development	62%	53%	60%	28%	24%
Operating Margin	-88%	-62%	-211%	2%	10%
Net Margin	-88%	-61%	-197%	5%	12%
Growth					
Total Revenue Growth	9810%	109%	142%	322%	83%
Gross Profit	-31926%	121%	152%	346%	78%
Operating Expenses	436%	79%	419%	13%	58%
Operating Loss or Gain	202%	47%	724%	-104%	919%