

Intrado Due Dilligence - - (TRDO)

[Intrado Inc.](#) has acquired a really nice niche market, E9-1-1.

9- 1- 1 trivia question: On what date was the first 9-1-1 call placed in the United States. Bonus points if you can name the place, the telco and the people involved -- [click here for the answers](#).

In brief, E9-1-1 is a government mandated emergency response system. When someone has an emergency he dials 9-1-1. The E9-1-1 system must route the call to the proper emergency response center and give them two pieces of information: ANI - Automatic Number Identification and ALI - Automatic Location Identification. The E9-1-1 system has a database with the location of all the subscribers. This is a bit more complex than it sounds. If you have a single wired telephone line, the location is fixed and it is easy to identify the location of the caller. If the call is made through a PBX -- Private Branch Exchange (private telephone switchboard) -- then the known location is that of the PBX but not that of the caller who could be in any of the premises served by the PBX. In wireless phase I, the location information is that of the cell tower while in wireless phase II the location is that of the caller. Some of this data is recorded in a database with information provided by the telcos while other data must be derived in real time.

Intrado provides the full service to those telcos that choose to outsource the service and they offer consulting services and software to the telcos that choose to provide the service in house. They are also developing commercial applications based on their expertise in this technology. Having gained [ISO 9001- 2000 Certification](#), Intrado plans to expand overseas. All this indicates that they have plenty of opportunity for expansion.

Intrado turned earnings positive in the fourth quarter of 2001 and they have expanded their gross margin for the quarter to 50.1%. What is really remarkable is that they have grown their revenues every single quarter of the last 3 years. Intrado does not seem to realize that there is a recession going on and that CAPEX is being cut right and left! :-)))

Quarter	Revenue	% Growth y/y
3/31/99	7,616	
6/30/99	8,189	
9/30/99	8,297	
12/30/99	8,482	
3/31/00	9,325	22.4
6/30/00	10,556	28.9
9/30/00	11,775	41.9
12/31/00	12,315	45.2
3/31/01	13,189	41.4
6/30/01	18,318	73.5
9/30/01	21,006	78.4
12/31/01	25,674	108.5

Even though this is a technology company, this is a stock that even Warren Buffett could learn to love. This is not a gorilla play! In the chapter on Mapping the Terrain in *The Gorilla Game*, Moore has a section dedicated to **Services**. You might want to brush up on it before investing in TRDO. In my opinion, Intrado plays in three service sectors: Professional, Transaction and Information Services. Moore excludes service companies from gorilla status because *Gorillas, as we have stressed repeatedly, are the beneficiaries of proprietary architectures with high switching costs. Architectures live in products and in products only.* But using Buffett methodology, it seems to me that Intrado has "high barriers to entry" and that it is a "toll booth." The barriers to entry are created by the law of increasing returns, the more Intrado gets ahead the easier it is for them to get even further ahead. If you run a telco and you need to install E9-1-1 services -- remember, you cannot operate if you don't have it, it's a government mandate -- you will likely turn to the best authority on the subject, the leading provider. The transaction processing part of Intrado's business is a toll booth, you pay per transaction.

With over 100% y/y revenue growth in a recessionary economy, there is no doubt in my mind that E9-1-1 is in a tornado and I am pretty sure that the winner is Intrado.

The competition:

From yahoo.marketguide.com: *The Company competes with Telecommunications*

Systems, Inc. (TSYS) for the provision of 9-1-1 OSS services to wireless carriers. The Company also competes with HBF Group Inc. for CLEC 9-1-1 services.

[Telecommunications Systems, Inc.](#) is not dedicated to the E9-1-1 business the way Intrado is. As part of their wireless software business they provide E9-1-1 open source software.

The [HBF Group](#) is a private company founded in 1983. Unfortunately I did not find any useful information at their web site.

[Hoover's online](#) mentions Allen Telecom (ALN) and SignalSoft (SGSF) as their top competitors:

Allen Telecom is the name; mobile communications is the game. A provider of wireless infrastructure equipment and services, Allen Telecom makes base station subsystems and components (filters, amplifiers, duplexers); equipment for expanding and enhancing in-building signal transmission and reception (repeaters, antenna systems, boosters); and base station and mobile antennas for wireless systems. The company also develops 911 call location software for wireless networks and offers services including frequency planning, system design, consulting, and field engineering. Allen Telecom derives nearly 60% of its sales from outside the US, and its customers include Nortel Networks (15% of sales), Alcatel, and Nokia.

SignalSoft helps wireless companies track people down. After bringing to market a 911 application for wireless operators, the company developed software that helps network operators keep tabs on mobile device subscribers and offers location-specific services. SignalSoft's products enable users to personalize Internet content (such as traffic updates and weather reports) and help operators customize billing plans. Customers include Lucent (26% of sales), AT&T Wireless (17%), Sprint (15%), Compaq (12%), and Seimens (11%). International markets account for more than 60% of sales. Entities affiliated with Olympic Venture Partners and American Express own 14% and 11% of the company, respectively.

The HBF Group seems to be the only true competitor for Intrado but I cannot find useful information about them. The others compete only in the wireless sector which is currently small but is the fastest growing one. Most of them

compete only in software and professional services but not in transaction processing. None of these companies seems to be a serious threat to Intrado at this time.

I want to thank **Peter Marx a.k.a. slodude** for bringing this wonderful company to my attention.

Denny

"Demand creates queues. Supply gets rid of them."

[Software Times](#)