



## **MOBILE-OVER-WLAN STARTUP KINETO WIRELESS GETS \$35M:**

**SIX INVESTORS TAKE PART IN SERIES C ROUND BUT COMMENTATORS QUERY BUSINESS MODEL.**

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**A company selling gear that enables cellular traffic to run over wireless LAN (WLAN) infrastructure announced earlier this week that it has received a US\$35 million Series C investment.**

**Oak Investment Partners led the round, though five existing investors including 3i and Mitsui & Co. Venture Partners, also put forward money. Kineto Wireless has received more than \$59 million since its inception in 2001.**

**Kineto Wireless is focused on selling its Kineto INC-5501 product, which liaises between mobile and fixed wireless networks whether they be GSM, CDMA, second or third generation, 802.11b, 802.11g or even Bluetooth.**

**It means that customers can make voice calls and use SMS, MMS and IM over the WLAN infrastructure without noticing the difference and their mobile phone can become their primary communications device.**

**Kineto promotes this concept to independent mobile operators as a way of increasing revenue by encouraging greater in-building use, reducing churn by providing better indoor service that includes today's data services, and lowering costs by using existing WLAN networks rather than 2.5G or 3G cellular networks.**

**It also sells the concept to landline operators as a means of integrating fixed and mobile services in a more effective manner that allows them to capture more of the consumer's budget, ensuring they are less likely to churn.**

Kineto is yet to convince any operators to buy any of its gear but according to Ken Kolderup, VP of marketing, there are a number of trials underway with both fixed and mobile operators in Europe and the U.S. He said this number could rise to six in the next couple of months. Kolderup said the company is hoping to have its gear in commercial deployment by the end of the year or the beginning of next.

David Walrod, general partner at Oak Investment Partners, described Kineto in a press release as “the recognised leader behind the convergence of mobile networks and wireless LANs,” with “enormous growth potential”.

And former president and CEO of Ericsson, Kurt Hellstrom, was announced as a board member earlier this week.

But despite these endorsements, Roger Entner, program manager, Wireless/Mobile Services, at the Yankee Group, couldn’t articulate why any operator would want to embrace the business proposition being put forward by Kineto and others.

“[The idea] has a chance but it doesn’t need to be a good chance [from the investors, point of view],” he said, noting that venture capitalists only need one or two ideas out of 10 to be successful.

Lawrence Spiwak, president of the Phoenix Center for Advanced Legal and Economic Public Policy Studies, pointed out that in the U.S. at least, the major national mobile operators are linked to fixed-line carriers. “Why sell them one product when you can sell them two?” he asked.

Spiwak also questioned whether consumers would want to get rid of their fixed-line phone altogether, even if the majority of their usage is on their mobile phone.

But Bryan Zidar, spokesperson for T-Mobile USA, put forward an independent operator’s viewpoint. “Compared to the other carriers we don’t have an RBOC parent,” he said. “Attacking the wireline market is something we’re interested in doing.”

T-Mobile is not yet planning to introduce a WiFi-enabled phone, though it is happy for its WLAN customers to make VoIP calls from hotspots since they still need to pay for access.

The concept of fixed-mobile convergence received a major shot in the arm this week with the announcement of the Fixed-Mobile Convergence Alliance, initially between British Telecom, Brasil Telecom and Korea Telecom. BT spokesperson Giles Deards said that while he couldn’t comment on behalf of the Alliance, since it is yet to inaugurate, “all sorts of platforms” are under consideration.

Nevertheless WiFi expert Nigel Ballard, wireless director for Oregon-based Matrix Networks, questioned whether a network-based solution such as that put forward by Kineto is necessary given the one-bill roaming and secure SIM card solutions that are coming onto the market.