

## REPORT REPRINT

# Cradlepoint targets both 5G and FirstNet buildouts for growth

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**05 OCT 2018**

The company positioned itself well for a revenue bump driven by two distinct but related network buildouts happening in the US over the next several years: 5G and FirstNet. Cradlepoint is working with both US telecom giants AT&T and Verizon and can stay neutral because enterprise and first responders often work with both.

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Cradlepoint has carved a role for itself in two exciting mobile network buildouts occurring concurrently in the US. Working with Verizon on its early 5G FWA POCs, it plays a role providing a platform for LTE-A backup in the case of 5G network service interruption. In the case of First Responder Network Authority (FirstNet), it has gone through the pain and expense of two levels of certification and now is part of the FirstNet approved ecosystem. The first return on this effort has been the inclusion of a CP router with every 'Emergency Drop Kit' approved by FirstNet for first responder agencies.

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## THE 451 TAKE

Timing is everything and Cradlepoint may soon benefit from the fortuitous timing of two major network transitions happening concurrently in the US. The LTE public safety network that FirstNet has contracted with AT&T is being built and 5G rollouts are right around the corner starting with FWA (fixed wireless access). Cradlepoint has positioned itself as a small but important part of the early work in each of these efforts, partnering with Verizon on its FWA trials and gaining early certification of its gear by FirstNet. Assuming it arrives at the right price/performance/availability mix, it could ride a strong spike in demand as both network buildouts achieve scale and demand for on-ramps spikes. Run-away success in either will enhance Cradlepoint's value to a strategic buyer such as Cisco or Samsung.

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## CONTEXT

Cradlepoint is a privately held networking infrastructure company started in 2006. It began selling a series of LTE WAN routers to distributed enterprises and in support of a variety of IoT/M2M applications, including connected police cars, retail kiosks and cameras/digital signage. Cradlepoint expanded into SD-WAN with its December 2015 acquisition of Pertino Networks. Cradlepoint hopes to establish a similar role in 5G that played for 4G by offering 'future proof' platforms that can deliver near-5G performance today via LTE-A and receive easy upgrades to true 5G via the external connection of a 5G access point. Cradlepoint's participation in the FirstNet ecosystem can be viewed as a natural extension to the position it has established in connected public safety vehicles.

## PREPARING BUSINESSES FOR 5G

At Mobile World Congress Americas, Cradlepoint announced it is working with Verizon to develop a 'Pathway to 5G for Business' program. The program plans to leverage Verizon's LTE Advanced technologies and new 5G broadband internet service with Cradlepoint's wireless network solutions at the customer edge. Cradlepoint has worked closely with Verizon on early 5G lab deployments with its AER2200 serving as the on-premises wireless router in several 5G customer trials. Through the experience gained in these deployments, Cradlepoint has enhanced its NetCloud service and AER2200 wireless edge router, as well as all future products, to be '5G Pathway Ready.'

Under the program, Cradlepoint and Verizon provide enterprise customers with a pre-standard 5G FWA solution based on Verizon's 5G MMW broadband and Cradlepoint's NetCloud service and AER2200 wireless edge router. Samsung provides the 5G access point affixed outside the building. The trial includes installation of all the customer premises equipment required to provide a 5G broadband internet solution. The AER2200 provides Gigabit Ethernet and 802.11ac Wave 2 Wi-Fi for site connectivity, unified edge security for direct internet access, and automatic 4G LTE Advanced fallback. Cradlepoint NetCloud Manager allows technicians to manage devices remotely.

## GETTING READY FOR FIRSTNET

FirstNet is the nationwide communications platform based on LTE, which will largely be dedicated to public safety stakeholders in the US. The network will assist first responders in accessing critical information during emergency events. AT&T is building the network in a public-private partnership with FirstNet. In August, Cradlepoint announced that its MC400 modem received a 'FirstNet Ready' status and approval.

The device certification applies to the MC400 modem module, a plug-in 4G LTE modem for its IBR and AER series routers. The modular approach enables FirstNet certified solutions for connectivity spanning distributed sites, vehicle connectivity, mobile command centers and an array of in-vehicle and field-deployed IoT devices such as

sensors, cameras, drones and robotic devices. One of the first use cases where Cradlepoint can lever its FirstNet certified status is as part of the Emergency Drop Kits. These portable kits will envelop first responders in a 300-foot 'connected bubble,' letting them maintain constant communication to better coordinate their response.

The Emergency Drop Kits are being designed for use during emergencies in rural and remote areas, as well as areas where communications may be temporarily unavailable in natural disasters like wildfires and hurricanes. Each Emergency Drop Kit will include a Cradlepoint LTE router equipped with a FirstNet Ready MC400 modem and integrated Wi-Fi. The solution also includes a satellite router and four Sonim XP8 ruggedized smartphones.

## COMPETITION

Cradlepoint's strongest competitors in the mobile edge routing category are Cisco and Sierra Wireless. Cisco offers a competing portfolio of gateways and ruggedized routers for the LTE market. As of now, Cisco has not received FirstNet-approved status on the public lists but as the demand increases, we expect it to happen. Cisco is also active in the 5G ecosystem from core to edge, although it has provided a Wi-Fi access point for local connectivity vs. LTE-A capable router for back-up in the trials we've seen. Cisco might consider acquiring Cradlepoint for its technology, team and customer base.

Sierra Wireless also competes for both cellular branch routing business and IoT modems – two of its in-vehicle routers have been approved by FirstNet alongside Cradlepoint's modem. Huawei also has a wide range of industrial routers that include LTE connectivity support and similar 5G upgrade path but is not a threat for the US market. Huawei has been kept out of the US market for geo-political reasons centered on industrial security concerns. Samsung is also a lesser-known but potentially viable competitor that is also working with Verizon for consumer 5G FWA.

## SWOT ANALYSIS

### STRENGTHS

Cradlepoint's early targeting and participation on the CPE side of FirstNet and 5G should reward the company with sustained demand as these buildouts scale in the US.

### WEAKNESSES

Cradlepoint's narrow market focus on only cellular back-hauled routing platforms puts practical limits on its overall addressable market.

### OPPORTUNITIES

Cradlepoint's early momentum ahead of both FirstNet and 5G could be an attractive tuck-in for an enterprise networking firm like Cisco or 5G vendors looking to build out enterprise capabilities like Samsung, Nokia or Ericsson.

### THREATS

Cradlepoint's success in FirstNet and 5G is highly correlated to its managing relationships between bitter rivals AT&T and Verizon. It must deftly manage its role as a neutral enabler to firms that rely on both networks.