

# DVC Smalltech Letter

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## “5 Questions” with Donovan Jones of CounterPath

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We'll excuse you if Counterpath (TSXV:CCV) doesn't immediately ring a bell. The Vancouver based Company came to public attention in 2007 when telecom legend Terry Matthews became its Chairman. While The Company has been quiet since, it has been busy. CounterPath has acquired important intellectual property through strategic acquisitions and now has over half a million monthly downloads of its X-Lite softphone. It seems Sir Terry believes CounterPath is ready for its closeup; he recently acquired another 5%. We sat down with CounterPath's President and CEO, Donovan Jones for "5 Questions" from our subscribers.

1. (From Dave in Kitchener) I have heard CounterPath called "Enterprise Skype" What does

that mean?

**DJ:**

Skype is comprised of two components, the phone and the network. The primary Skype phone is a softphone similar in form and function to our X-Lite, eyeBeam and Bria softphone products, which are primarily used to make voice and video calls and do text messaging.

Our products are used by small and large enterprises to connect all their employees together through the company's phone system. This allows employees to not only access their office phone anywhere they have an Internet connection but it also lets them call other employees for free, send and receive text messages, and do voice/video conferencing.

**2. (From Cathy in Calgary) Why did you acquire BridgePort?**

**DJ:**

BridgePort was a partner of ours with a strong vision towards the future of communications between the Internet and the mobile telephone network. With over fifty million dollars in investment, they built a carrier-grade (robust and scalable) server solution for mobile network operators and a valuable patent portfolio. When the opportunity to acquire them presented itself we decided that we should tightly integrate their product with our product offerings and market this to our current and future customer base. The product offering we now have is extensive.

For example, our new Nomadic PBX integrates your office PBX and your mobile phone into one. One number, one phone system. Let's say you are on a call on your mobile phone and you enter your office. At your desk you select the "Pull from Mobile" button on your CounterPath softphone and the call is pulled off of the mobile network and seamlessly moved to your office IP phone or softphone on the internet. Visa versa, let's say you are at your desk and on a call either using your CounterPath softphone or an IP phone and you need to leave your desk. Rather than tell the party you will call them back in a few minutes, you select the "Push to Mobile" button on your CounterPath softphone and the call is pulled off of the office phone system and moved to your mobile phone on the mobile network.

**3. (From Mark in Victoria)**

With CounterPath moving towards mobile, how do you prepare to compete with the likes of Google Voice, which is free, is VoIP, and directly competes with any VoIP (Vonage, Shaw digital phone etc)?

**DJ:**

CounterPath is not a competitor of Google or Skype. We are a supplier to mobile and fixed-line carriers of voice, video and text-based messaging phones (these phones are software-based and known as softphones) and also of server solutions which enable the convergence of IP and mobile networks or which extend business PBX phone systems out to PC and mobile handsets.

We supply these communication software technologies to service providers such as AT&T, British Telecom and Verizon, and also to infrastructure manufacturers such as Cisco Systems, Nortel and Alcatel-Lucent. These companies have strong histories in telecommunications, including VoIP, and we see them as key players in the future of this industry. In the enterprise, we make employees more productive and we provide cost savings over traditional telephony solutions.

#### 4. *(From David in Etobicoke)*

It has been more than two years since Terry Matthews got involved with CounterPath, yet the company seems to have been very quiet since then. What have you accomplished since 2007, and what do you see on the horizon for 2010?

**DJ:**

Since Mr. Matthews' involvement, we have acquired FirstHand Technologies (an innovator in extending enterprise telephony features to smartphones and dual-mode handheld devices) and BridgePort Networks (a leading innovator in Fixed Mobile Convergence (FMC) solutions for service providers). Both of these acquisitions are key to our future and have broadened and strengthened our product offerings and our patent portfolio. We have 28 patents granted or pending and have moved the company into the unified communications area. The total investment in CounterPath and the companies that it acquired exceeds \$120 million.

We have successfully integrated all of these technologies and maintained our entire suite of

products while reducing the headcount from over 180 employees to just over 80 employees. With over 500 customers worldwide, we are now focused on delivering more products to our current customers.

In respect of our intellectual property, one of the interesting patents in our portfolio covers our fixed-mobile-convergence offerings. Specifically this covers the technology that enables a caller to roam between mobile and IP networks seamlessly. This patent addresses the key technical challenges of WiFi network / Cellular network handover (passing a call from a phone on an IP network to a phone on a mobile network). We have a number of other patents that support the fixed-mobile-convergence products we are currently developing or plan to develop.

#### 5. *(From Matt in Seattle)*

I noticed your press release earlier this year that said your X-Lite Softphone had reached 340,000 downloads per month. That's an incredible number, how do you begin to monetize that?

**DJ:**

That number has just surpassed 500,000 downloads per month, or more than 15,000 downloads per day. Now that we have reached a critical mass, the company is exploring the many ways we can monetize X-Lite and the X-Lite community. At this time we are not publicly detailing our plans but you will see some of these initiatives launch early in 2010.

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