brought to you by:
evelyn cheng • adeeb huq • feliks zarotsky

agenda

• a palm story
• product portfolio
• industry players
• bright future
• playing with numbers
• burning desires questions
a palm story

fundamentals

“the future of personal computing is mobile”

“deliver a powerful computing experience in a simple and intuitive manner”
strategic goals

- develop market-defining products
- deliver a great user experience
- provide choice of platforms
- expand global presence
- differentiate through productivity software
- build a brand synonymous with mobile computing

corporate background

- Incorporated as Palm Computing
- Acquired by US Robotics
- Sold 1st handheld computer
- Created PalmSource
- Initial public offering
- Presented at IAG
- Acquired Handspring
- Presented at IAG
product portfolio

the godfather: ‘palm pilot’

• pioneer in mobile computing
• launched in 1996
• small size, high functionality
• set the standard for future generations
bringing power to your palm

- mobile computing solutions
  - combine word processing, music and wireless connectivity with portable organizers
  - sold through distributors, website and retail outlets
  - complete range of accessories

handhelds

- organize life
- stay in touch
- office to go
- multimedia
- fun & games
- and more...
mobile managers

- the next generation of handhelds
- sleeker, optimized design
- 4GB hard drive
- expanded software capability

phones with a high iq

- smartphones
  - procreation - the pda and the cell phone
  - offspring provides most value by integrating features
treo evolution


Treo 600           Treo 650           Treo 700w          Treo 700p       Treo 680           Treo 750

smartphone features

• touch screen

• telephone, calendar, email
more features...

- camcorder
- camera
- calculator
- documents
- excel
- memos
- tasks
- videos
- p-tunes
- bluetooth
- web
- contacts
- messaging
- maps
- 100’s more

it has everything!

revenues by segment

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>$400,000</td>
<td>$800,000</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Handheld computers</td>
<td>$100,000</td>
<td>$400,000</td>
<td>$600,000</td>
</tr>
</tbody>
</table>
revenues by region

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$400,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>2005</td>
<td>$800,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>2006</td>
<td>$1,200,000</td>
<td>$800,000</td>
</tr>
</tbody>
</table>

industry players
porter’s 5 forces

- low bargaining power of suppliers
- medium threat of new entrants
- high threat of substitutes
- low threat of new entrants
- medium industry rivalry

smart phones

- rim
- htc
- nokia
- motorola
## Price Comparison

<table>
<thead>
<tr>
<th>Model</th>
<th>Price</th>
<th>Model</th>
<th>Price</th>
<th>Model</th>
<th>Price</th>
<th>Model</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treo 700w/p</td>
<td>$399-$499</td>
<td>Treo 680</td>
<td>$299-$399</td>
<td>Treo750v</td>
<td>$399-$499</td>
<td>BlackBerry 8700G</td>
<td>$399-$499</td>
</tr>
<tr>
<td>Motorola Q</td>
<td>$299-$399</td>
<td>Nokia</td>
<td>$299-$399</td>
<td>HTC 300</td>
<td>$350-$499</td>
<td>Samsung 300</td>
<td>$299-$450</td>
</tr>
</tbody>
</table>

## Why Treo?

- Palm O/S
- It looks cool
- Intuitive interface
- More functionality
- New, cheaper models
handhelds

dell  hp  compaq

why palm?

- pioneer of the concept
- generations ahead in technology (lifedrive)
- more affordable
- more value
phones/other

- single-feature devices are becoming obsolete
- consolidation is a beautiful thing

bright future
market trends

- smartphone market growing exponentially
  - 49.8% growth from 2Q05 to 2Q06
  - 569,000 units sold in Q3 of FY 06
  - 60 percent of 16.8 million PDA shipments worldwide in 2007

- palm O/S system surpassed RIM in 2Q06

- more handhelds and smart phones currently run the palm O/S now

Smartphone Shipments

No. of units (million)

2005 2006

11.35 17.00

treo vs. ipod: dollar sales

Total Active Quarters Since Launch:

Treo = 9
iPod = 17

* Projected
treo vs. ipod: unit sales

more to come...

- palm realizes non-professional demand
  - treo 680 released in europe
cingular launch

Which Treo will you choose to get?

- Black Treo 800C Cingular (42%)
- Silver Treo 800C Cingular (22%)
- White Treo 800 (Unlocked) (12%)
- Orange Treo 800 (Unlocked) (6%)
- Dual Treo 800C Unlocked (6%)
- Silver Treo 800C Unlocked (11%)

If you choose a Cingular Treo 800C, raise your decision from one (Select all that apply):

- Carrier (25%)
- Color (8%)
- Price (17%)
- Other (11%)

still more to come...

- evolved treo 750, to be launched 2007
  - continues to target professional users
the numbers

margin analysis

- COGS 65.8%
- SG&A 16.3%
- R&D 10.3%
- D&A 1.0%
- EBIT 6.7%
relative valuation

Median Ratio: 20.4%
Mean Ratio: 63.7%
Upside: $18.17
Imputed Price: TTM EBIT

projected upside

<table>
<thead>
<tr>
<th></th>
<th>TTM Revenue</th>
<th>2007 Est. Revenue</th>
<th>2008 Est. Revenue</th>
<th>TTM EBITDA</th>
<th>TTM EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Ratio:</td>
<td>3.3</td>
<td>3.0</td>
<td>2.4</td>
<td>17.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Imputed Price:</td>
<td>$48.04</td>
<td>$52.72</td>
<td>$49.73</td>
<td>$25.86</td>
<td>$25.37</td>
</tr>
<tr>
<td>Upside:</td>
<td>209.9%</td>
<td>240.2%</td>
<td>220.8%</td>
<td>66.9%</td>
<td>63.7%</td>
</tr>
<tr>
<td>Median Ratio:</td>
<td>1.6</td>
<td>1.2</td>
<td>1.1</td>
<td>11.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Imputed Price:</td>
<td>$25.35</td>
<td>$24.66</td>
<td>$25.43</td>
<td>$19.03</td>
<td>$18.17</td>
</tr>
<tr>
<td>Median:</td>
<td>63.5%</td>
<td>59.1%</td>
<td>64.1%</td>
<td>22.8%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>
recommendation

short term: strong buy
long term: strong buy