

November 5, 2010

Dear clients and colleagues:

The company we would like to present this week is Opera Software. (Ticker: OPERA.NO)

Market Data

Market cap: NOK 3,395M (US \$595M), P/E (2011): 23.8x, EV/EBITDA (forward): 13.9x, Expected sales growth: 25%-30%, free cash flow yield: 1.4%, Cash NOK 546M and No Debt. www.opera.com

Opera Software is a Norwegian company. Opera develops browsers that enable users to surf the web on a mobile phone, smart phones, set-top boxes, and other devices (i.e. Tablets). Its browser can help turn any device into a web platform (i.e. iPad, connected TV, Nintendo DS), as more and more people access the web through these devices.

Opera has a total of 120M+ monthly active users in all its segments. Its Opera mini is the world's largest and most actively used mobile browser with 62M users.

Target market size and Growth Strategy

There are approximately 3B mobile subscribers at present. This is expected to increase to 4.5B by 2014. Thirty operators control 75% of the market. Opera has agreements with 12 of the top 30 operators or 25% of the market. With 62M+ mobile users it has a lot of room to grow.

Opera desktop browser has 50M monthly active users monetized through content partnerships. Globally, internet penetration is currently at 28% and it is estimated there will be 700M new users by 2014.

Its browser is also used on Nintendo and other devices such as connected TV, tablets, and e-readers. Tablet sales are expected to be around 10M worldwide this year.

Opera is in a very dynamic industry as mobile data and mobile internet usage is increasing all over the world. Opera is also well exposed to Emerging Markets in Russia (32% market share & growing at 85%), Indonesia (12% market share & growing at 86%), and India (60% market share & growing at 150%).

Business Model

Opera's previous business model was a traditional one, where it would provide its browser for free and get paid for search activity. The new business model offers operators a co-branded browser, which is pre-installed on the handset. Opera charges a license per active user to the operators, and also earns revenue through search activity, advertising, and app download (the company has signed an agreement with Google to be paid on search).

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Competitive advantage

- Compression technology
- Lower capital expenditure for operators because of more efficient bandwidth usage
- Superior Web experience to consumers (faster)
- Independent corporation, focused on Web experience

Competition

Apple's Safari, Microsoft Explorer, Google's Chrome and Firefox.

Risk

Increase competition from larger competitors.

Management team

The founders are still active in the management of the company. Senior management holds 15% ownership in the company. A stable and committed employee base in Norway, when compared to its competitors with high employee turnover in the Silicon Valley.

Regards

The Global Alpha Team

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