

Up Front



Alec Gillis thinks his hairy monsters are pretty darn scary. **PAGE 3**

News & Analysis



Steve Goddard wants you to experience the Amazon - in the shower. **PAGE 5**

Comment

Westfield's tax break is broke, says Editor Laurence Darmiento **PAGE 38**

MAIL TO:



Spiffy: Alex Balanon, left, and Pat Bajamunde work on Boeing 737 landing gear at Hawker Pacific in Sun Valley.

PHOTO BY DAVID SPRAGUE

Smooth Landing

Sun Valley firm to keep whoosh in reverse thrusters

By **MARK R. MADLER** Staff Reporter

Hawker Pacific Aerospace could be one of the best kept secrets in the San Fernando Valley aerospace industry.

The Sun Valley company is owned by a subsidiary of German air carrier **Deutsche Lufthansa AG**. Yet it has long kept a low profile despite being a leading provider of maintenance for landing gears on commercial jets.

Lately, though, the company has been drawing more attention as it invests \$1.2 million to expand into the business of servicing reverse thrusters -

the equipment that slow a jet aircraft down immediately after landing.

"This will give Hawker an additional opportunity for growth," said Chief Executive **Michael Kirstein**. "Especially for all customers located on the West Coast we will be able to offer a very competitive thrust reverse overhaul service."

The thruster work came to Hawker Pacific when its parent, Lufthansa Technik, received a contract with a major U.S. air carrier. The airline wanted repair and overhaul work done in the U.S.

Please see **AVIATION** Page 32

Can Mandalay Take a Bite of App-le?

TECHNOLOGY: Hollywood mogul Peter Guber enters the app wars.

By **JOEL RUSSELL** Staff Reporter

Mandalay Digital Group Inc. is a company with big-name talent and a big goal: getting mobile carriers a bigger piece of the app, game and music market.

The Cahuenga Pass mobile communications company has developed a software interface that works with all the major mobile operating platforms to simplify how users organize and buy those products on their phones.

That may sound crazy in an era when **Apple Inc.** and **Google Inc.** are battling for dominance in the global cell phone market.

But Mandalay's chief executive is **Peter Adderton**, founder of the pre-paid cell phone company Boost



Adderton



Guber

Mobile. And the chairman is **Peter Guber**, former chief executive at **Sony Pictures Entertainment** and part-owner of the Los Angeles Dodgers.

What's more, Intel Capital, the investment arm of Santa Clara-based semiconductor company **Intel**

Please see **TECHNOLOGY** Page 33

Dollars Printed By PennyMac

REAL ESTATE: Distressed assets still make money for sister firms.

By **KELLY GOFF** Staff Reporter

Housing is hot and Moorpark mortgage lender **PennyMac Financial Services Inc.** jumped headlong into the market in May with an initial public offering that raised \$200 million.

But just in case anyone believes distressed mortgage debt is yesterday's news, consider this: in the last year, sister company **PennyMac Mortgage Investment Trust** has spent more than \$1 billion to buy underperforming mortgages more than 90 days delinquent or in default.

"We're on par to exceed that this year," said **Kevin Chamberlain**, spokesman for both companies. "The market for underperforming loans ... is good."

Please see **REAL ESTATE** Page 34

Executive Pay Rides Recovery

MANAGEMENT: Local CEOs benefit from stock grants.

By **KELLY GOFF** Staff Reporter

It was some year to have stock awards.

Two-thirds of the chief executives on this year's Business Journal list of highest paid CEOs took home more pay in 2012 as a shift toward stock awards as a primary method of compensation finally started paying dividends.

Take **Ronald Havner Jr.**, chief executive of Glendale's **Public Storage**, second on the list. His base salary of \$1 million was supplemented by \$12.1 million in stock awards, increasing his total compensation to \$15.3 million - a 456 percent increase from 2011.

Robert Iger, chairman and chief executive of **Walt Disney Co.**, topped the list again this year,

Please see **MANAGEMENT** Page 9

Signature Group's Secret Weapon - Losing \$900 Million

By **JOEL RUSSELL** Staff Reporter

Can a new chief executive reverse the long story of losses at **Signature Group Holdings Inc.**?

That's the question shareholders hope will be answered on July 16, when the Sherman Oaks company convenes its annual meeting. The gathering comes on the heels of an aborted proxy battle and executive shake-up that made **Craig Bouchard** the new top executive.

Signature is the successor company to Fremont General Corp., a publicly traded insurance company

Please see **FINANCE** Page 34

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Technology: Mandalay has overseas carrier deals

Continued from page 1

Corp., is a strategic investor. And just two months ago, Windsor Media Inc., an investment company controlled by Terry Semel, the former chief executive at Yahoo Inc. and former co-chief executive at Warner Bros., made a \$1 million investment.

Never heard of Mandalay Digital Group?

Well, until last month the company kept a low profile, but on June 27, it held a virtual roadshow to mark the unofficial debut of its stock listing on the Nasdaq. The investor meeting also followed key acquisitions to set the stage for future growth in various cell phone markets.

"We have been relatively quiet by design, because we wanted to acquire these companies," said Adderton, during the online presentation dubbed the virtual roadshow. "There aren't a lot of publicly traded companies like us."

Whose customer?

The mobile phone market is vast but fragmented. Mandalay cited estimates there are 6 billion phones around the world. They come from different manufacturers, work on different software systems, are sold and serviced by different phone carriers and serve as the distribution channel for millions of apps, songs and games.

"It's no longer clear who owns the customer. Is it Apple, Google or the carrier?" Adderton said. "I don't believe any carrier would have believed five years ago they would be handing their keys to another company."

The Mandalay interface, called Digital Turbine, is designed to deliver three advantages to carriers.

First, it organizes the pre-loaded programs and apps that come on the phone when customers buy it. Second, it has a search function that emphasizes items for immediate purchase, such as songs and games. Finally, it has a

billing mechanism that will add any purchase onto the customer's phone bill, allowing the carrier to take a cut of the action.

Jon Hickman, an analyst at brokerage firm Ladenburg Thalmann & Co. in San Francisco, has tried the Digital Turbine system and particularly liked the search function because it combines social media and content.

"The results are not what you're used to with Bing or Google," he said. "It's more engaging and it promotes commerce. If you type in an artist – say, Carrie Underwood – you would get her Facebook page and Twitter handle, and then (songs) to buy. And you can buy it right off the search function."

'It's no longer clear who owns the customer. Is it Apple, Google or the carrier?'

PETER ADDERTON,
Mandalay Digital Group Inc.

Mandalay's customers are phone carriers, not individual consumers. The company already has signed up Vodaphone Group plc, T Mobile USA Inc., France Telecom, Telefonica S.A. and TurkCell. The companies are installing Digital Turbine on phones sold.

Mandalay charges carriers about 25 cents per phone to install its operating system, but for now the big driver of revenue is the sale of content, said Bill Stone, chief executive of the Digital Turbine subsidiary of Mandalay.

"We all have mobile phones and we don't like entering credit card numbers and punching buttons to make a purchase," he said during the virtual roadshow presentation. "With Digital Turbine, we are like a Visa or MasterCard and

the carrier is the merchant. It's a product we see scaling quickly."

Marty Shindler, owner of entertainment technology consulting firm Shindler Perspective in Encino, said the idea of billing through the carrier goes back to the early days of cell phones when all transactions appeared on customers' phone bill.

While it has the advantage of simplicity, it is a system limited to phones, which runs against the device-agnostic trends of the media sector.

"There is some market they could take back," he said, "but if I'm on my phone one day trying to buy something, and then the next day I'm on my tablet with no phone number, what happens?"

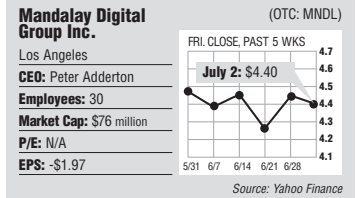
During the virtual roadshow, Adderton noted that no other company offers Mandalay Digital's complete assortment of services, but many other companies offer some of them. Hickman said that adds up to many competitors, both big and small.

"The competition is really everybody that's providing content now – the app stores, iTunes, Microsoft store and Google," he said. "The challenge is to get people like you and I to use the interface. As they cut more deals with carriers, they will get access to more users. And some users will buy into this."

'Smart guy'

Mandalay Digital began in 1998 with the name eB2B Commerce Inc. It tried to make it as an ecommerce software company but went bankrupt in 2004. The company remained an empty shell until 2008, when an investment by Guber and others allowed the company to buy Twistbox Entertainment, a Sherman Oaks mobile website company.

Since then the company has grown by acquisition. Deals included Digital Turbine, a software platform design company, purchased in December 2011; Logia Mobile, an Israel-based app developer, in September 2012; and



Mia, an Australia-based content management system company, in April 2013.

The company's stock traded over the counter until June 12, when it moved to the Nasdaq.

It currently has 120 employees in Los Angeles, Germany, Australia and Israel. During the virtual roadshow, management reported annual revenues of approximately \$20 million, and promised precise guidance would start with its next quarterly filing later this summer.

Hickman, whose firm makes a market in Mandalay Digital stock, rates it a buy with a target price of \$11 a share. They currently trade in the \$4.50 range.

Hickman said the company's name came from the involvement of Guber, who serves as chief executive at film studio Mandalay Entertainment Group, a completely separate company from Mandalay Digital.

During the virtual roadshow, Adderton said the company could make more acquisitions as opportunities arise. He added that so far, Guber had provided "intellectual and financial support" to the company and was involved in the decision-making. Guber could not be reached for comment.

For Shindler, the entertainment technology consultant, that counts for a lot.

"I would never bet against Peter Guber," he said. "He's too smart a guy. Terry Semel is an investor, and I wouldn't bet against him either. So maybe they know something the rest of us don't."

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