

NEWS AND VIEWS ON REAL-TIME UNIFIED COMMUNICATIONS

Time to catch up on a zillion announcements, and right in the middle of financial earnings call season. Color us very very busy! Sorry for the lengthy newsletter this week. We hope to report on our recent trips to the PUG Conference and VON show in the next issue.

*As always, please feel free to forward this newsletter to your colleagues. To be added to our **FREE** automated email distribution list, simply visit www.wainhouse.com/bulletin.*

Andrew W. Davis, andrewwd@wainhouse.com

News in Brief

- The Boston Red Sox won the 2007 World Series.
- Imagine my surprise last week when I was flying Alitalia (not a recommended experience) and, flipping through the airline's magazine, found a full page advertisement for a videophone – Aethra's new Maia XC. I haven't seen airline adverts for videoconferencing products for many years; maybe the tide is indeed turning. The XC is a videophone clearly intended for the professional office and the SMB environment. Snazzy design, 800x480 widescreen resolution 7" LCD display, and support for POTS, SIP, and H.323 (768 kbps) telephony, video out, web browsing, email, and IM all built in. I called to find out the price (\$1950 MSRP) and learned there's much more going on in the halls at Ancona. The company is revising its corporate identity, logo, and marketing strategy in order to provide a videoconferencing alternative – one with Italian flair. Key elements announced in October include a rack mount version of the company's high definition videoconferencing system the Vega X7, the XC videophone, new versions of the Vega X3 and X7 with a new camera and sleeker design, and multiple hand-painted versions of "the Voice", the company's speaker phone product.
- Compunetix introduced CONTEX Summit Xtend, software that combines multiple CONTEX Summit media processors to create one platform with extended capacity. High volume environments now have the option of a single, large-capacity port pool within a single system. Current Summit customers can upgrade from single-shelf units. The Summit media processor is optimized for large capacity; a single conference call can involve as many participants as the overall port capacity of the system.
- Vapps launched the beta version of HighSpeed Conferencing technology that enables Internet users (VoIP) and telephone or cellular phone users to participate in the same conference in



high-definition audio quality. The service, which is available now, is designed to accept communications from a computer, land-line or cell phone and maintain very high quality audio. Flat pricing with unlimited usage is available for calls originating over the Internet, including participants using Skype. Skype has been promoting the Vapps HighSpeed Conferencing solution to its 220 million registered users as a premium extra. In addition to the fixed-rate, Internet, and toll offerings, HighSpeed Conferencing also offers traditional 800 numbers in eight countries. The conference call system accommodates up to 500 participants. While hosting a conference call using the internet or a telephone, the moderator has web access to conference features, including the ability to lock or unlock the conference, to host a Web-based Q&A session, record the conference and mute or un-mute lines. Vapps is offering a 30-day free trial for HighSpeed Conferencing.

- InstantConference, a free, on-demand reservationless audio service has released a major upgrade to services on its website, including an enterprise ready account management system, upgraded access to customer service representatives, and a competitively priced on-the-fly toll free number conferencing service.
- Radvision released its ProLab Testing Suite for IMS, SIP, and H.323, a client-server distributed testing and validation application. The company also released SCOPIA Desktop videoconferencing product version 5.5. SCOPIA 5.5's main upgrades include high definition continuous presence and the ability to mix HD and standard room systems and desktops in the same call. At the Fall VON show in Boston, home of the 2007 world champion Boston Red Sox, Radvision also announced A) a partnership with Clique Communications to jointly develop new video telephony applications for mobile devices allowing cellular operators the ability to offer interactive video services and B) a partnership with BEA Systems to offer a complete, out-of-the-box multimedia platform for Service Providers and ASPs who are developing video applications such as mobile communities, moderated video chats, mobile video surveillance and monitoring, and video contact centers. Radvision also announced a cooperative effort with SPIRIT DSP to port multimedia solutions to the Texas Instruments DaVinci converged media DSP platform.
- TANDBERG announced plans to make its full line of standards-based products interoperable with Microsoft Office Communications Server 2007.
- NMS Communications has announced integration of its Open Access media processing products with Novell's Teaming+Conferencing application. The combination enables single-click voice calls during a collaboration session.
- Aethra announced a partnership with BCS Global to provide managed videoconferencing services worldwide.
- AT&T completed the \$121 million cash acquisition of Interwise and announced the launch of AT&T Connect, the first in a planned series of converged AT&T-branded voice, video and web conferencing products and services.
- WR's Andy Nilssen and Alan Greenberg recently delivered webinars based on fresh primary research on the topics of using web conferencing for [virtualizing sales & marketing](#) and [shifting training online](#). Sponsored by Citrix Online, archives of these sessions are available at the links provided.
- Italy-based DyLogic has changed the company name to Mirial.
- Alcatel-Lucent, struggling since the deal that formed the company, disclosed plans to cut another 4,000 jobs and shake up top management as the telecom equipment maker reported a third straight quarterly loss.
- Global Crossing announced key enhancements to Global Crossing Ready-Access Web Meeting (audio and web conferencing services), such as the ability to edit recordings of meetings and training sessions and transform them into podcasts.

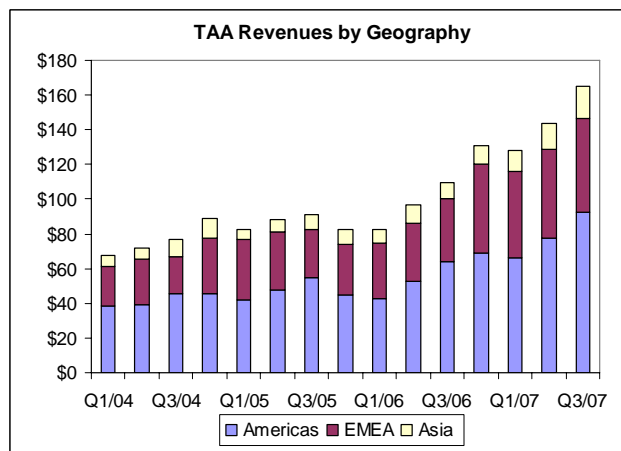
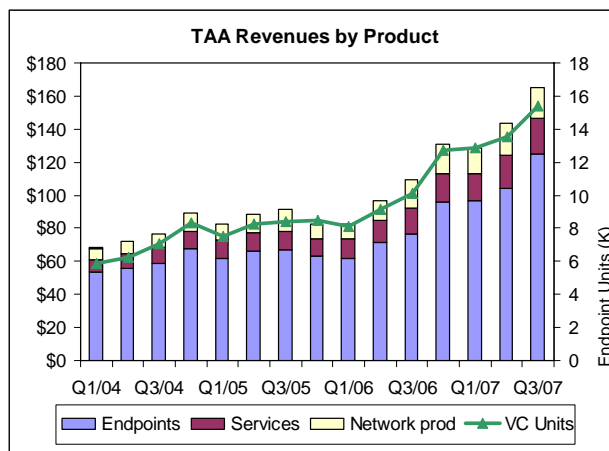
- Uruguay-based Interactive Networks Inc. has released video chat room solutions designed to be embedded into any website.
- Two units of publicly traded ScanSource, T2 Supply and Paracon, have joined forces to create a new distributor dubbed ScanSource Communications. The new company encompasses T2 Supply's videoconferencing and telephony products and Paracon's communications products and services.
- WebEx announced that it will use its WebEx Connect desktop technology to host Oracle's Siebel CRM On Demand.

Dollars & Sense

Tandberg Q3-2007

Tandberg turned in an unbelievable quarter. For the third time in a row the company reported annual growth numbers in the stratospheric 50% range. The numbers are driven primarily by exceptional results in the video endpoints segment of the business. Tandberg's numbers for Q3 DO NOT include any revenue contribution from Codian, which was acquired on 24 September. Codian's revenues for Q3, as reported by Tandberg, were \$10.5M. Given the strength of the Codian bridge, its new support within the TMS software, and Tandberg's demonstrated excellence at execution in the field, we might expect to see Tandberg's infrastructure revenues and total revenues continue with or even improve on their already exceptional numbers. During the earnings call, CEO Fredrik Halvorsen revealed a couple of interesting details. OEM units of the Tandberg endpoints (which we believe are products sold to Cisco) were down slightly in Q3 to 1600 vs. 1700 in Q2; and for those who aren't following the numbers closely, the average selling price for a Tandberg endpoint was \$8,113 during the quarter, up from \$7,624 a year ago. The ASP change is very healthy for Tandberg (and for the industry) and is undoubtedly the result of a product mix change rather than a rise in individual product prices. We predicted HD would have this effect on the videoconferencing market and it appears to be coming true.

TAA	Q3 06	Q2 07	Q3 07	Sequential Growth	Annual Growth
Americas	\$64.3	\$77.2	\$92.4	19.7%	43.7%
EMEA	\$35.8	\$51.9	\$54.0	4.0%	50.8%
Asia	\$9.5	\$14.7	\$18.9	28.6%	98.9%
Total Rev	\$109.6	\$143.8	\$165.3	15.0%	50.8%
Endpoints	\$76.9	\$104.2	\$124.9	19.9%	62.4%
Services	\$15.7	\$20.1	\$21.5	7.0%	37.2%
Infrastructure	\$17.0	\$19.5	\$18.9	-3.1%	11.3%
Op Inc	\$24.9	\$33.3	\$38.7	16.2%	55.4%
Endpoint Units	10,102	13,512	15,398	14.0%	52.4%



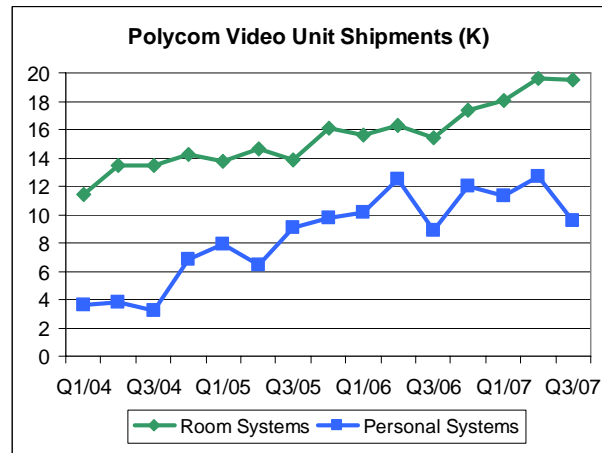
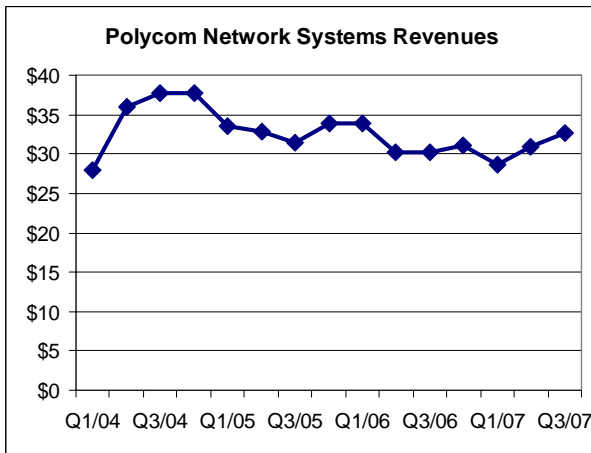
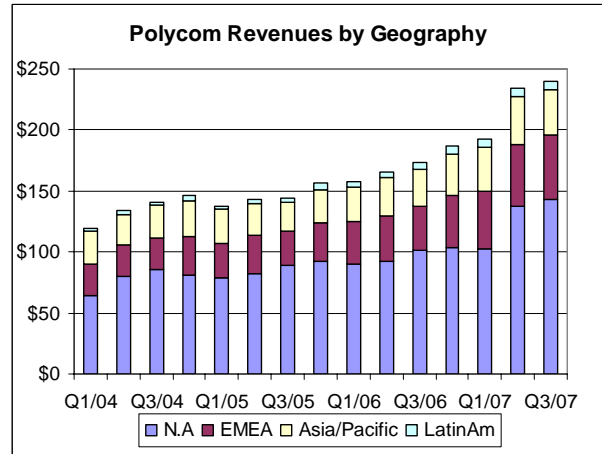
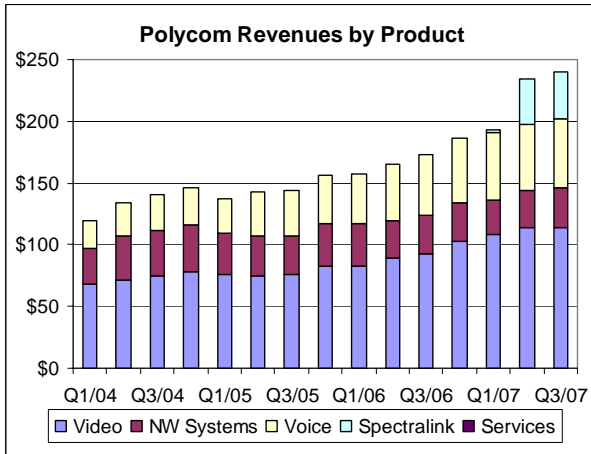
Polycom Q3-2007

PLCM	Q3 06	Q2-07	Q3-07	Seq uential Growth	Annual Growth	Annual Growth w/o SpectraLink
Video	\$93.1	\$113.3	\$113.7	0.4%	22.1%	
Network Systems	\$30.3	\$31.0	\$32.6	5.2%	7.6%	
Voice+Spectra	\$49.8	\$89.6	\$93.7	4.6%	88.2%	12%
Total Rev	\$173.2	\$233.9	\$240.0	2.6%	38.6%	17%
Group Units	15,417	19,582	19,529	-0.3%	26.7%	
Op Inc.	\$20.7	\$17.3	\$23.1	33.5%	11.8%	
North America	\$101.3	\$137.1	\$142.9	4.2%	41.1%	13%
EMEA	\$36.4	\$51.2	\$53.3	4.1%	46.4%	21%
Asia/Pacific	\$30.3	\$39.0	\$36.9	-5.4%	21.8%	
Latin America	\$5.2	\$6.6	\$7.0	6.1%	34.6%	

Funny thing happened on the way to the financial forum: Polycom turned in some pretty good results, with annual growth numbers that many companies would give their teeth for. So, the question is, “Since when is 27% growth in video endpoint units and 22% in video revenues and 39% growth in total revenues disappointing?” The answer is: “when your main competitor is blowing you out of the water.” Hence, CEO Bob

Hagerty’s earnings call references to “fixing the fundamentals” moving forward.

Noticeable Polycom details this quarter include the continued but slow improvement in the network systems business (now part of the video solutions division) and the impressive growth for the company in EMEA. Revealed during the financial presentation and Q&A session were two interesting details: Polycoms telepresence revenues (RPX) were approximately \$2M for the quarter, and HDX systems grew at approximately 40% sequentially and now account for about 1/5th of video system revenues, or approximately \$22-23M. With the company’s recent HDX 8000 and 4000 announcements, we would expect high def sales to accelerate even further.

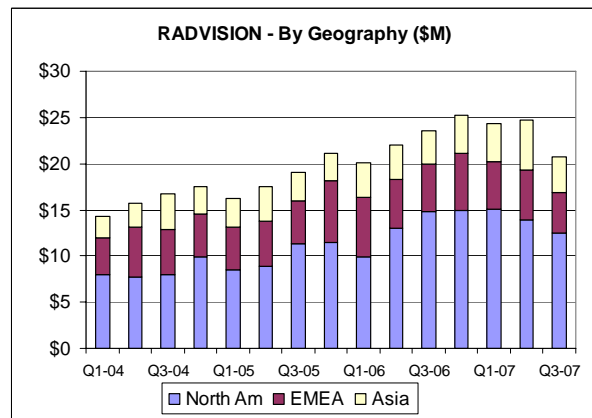
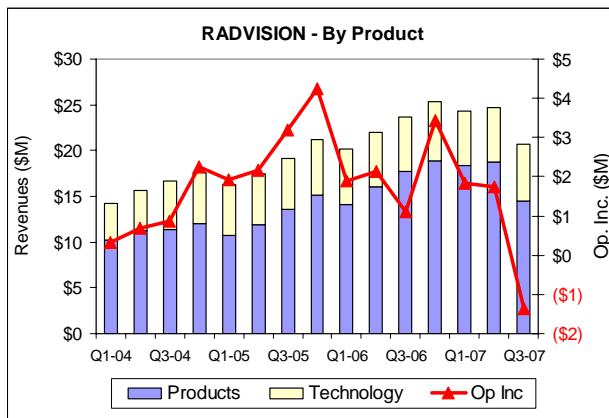


Note: About 15% of Polycom's total revenues are in services and are distributed within the voice, video, and network systems numbers reported above. Since Tandberg does not include services in their reported video or infrastructure revenue numbers, this makes the comparison between the numbers in the above tables NOT an apples-to-apples comparison. These differences ARE accounted for in our SpotCheck report (which IS an apples-to-apples comparison).

RADVISION Q3-2007

Radvision reported a down quarter with results very much in line with the company's October 1 revised forecast. The company's revenues from its largest customer (Cisco) were in line with expectations but reportedly 30% less than last year's third quarter. Radvision also reported that one key project they have going with Cisco has been delayed. Weakness was reported in EMEA and AsiaPac for non-Cisco channels and in the North American region in the federal area.

RVSN	Q3-06	Q2-07	Q3-07	Sequential Growth	Annual Growth
Products	\$17.8	\$18.8	\$14.5	-23.1%	-18.6%
Technology	\$5.9	\$5.9	\$6.3	6.5%	6.8%
Total Sales	\$23.6	\$24.7	\$20.7	-16.1%	-12.3%
NA	\$14.8	\$13.9	\$12.4	-10.2%	-15.7%
EMEA	\$5.1	\$5.5	\$4.4	-20.0%	-14.3%
Asia	\$3.7	\$5.3	\$3.9	-27.8%	3.3%
Op Inc.	\$1.10	\$1.74	(\$1.37)	-178.9%	-224.7%
3G sales	\$1.6	\$2.6	\$2.2	-15.4%	37.5%
CTM sales	\$1.5	\$1.6	\$0.6	-62.5%	-60.0%



The Big Three

		Q3-06	Q2-07	Q3-07	Sequential Growth	Annual Growth
PLCM	Room Video Units	15,417	19,582	19,529	-0.3%	26.7%
TAA	Room Video Units	10,102	13,512	15,398	14.0%	52.4%
PLCM	Video revenues	\$93.1	\$113.3	\$113.7	0.4%	22.1%
TAA	Video revenues	\$76.9	\$104.2	\$124.9	19.9%	62.4%
PLCM	Infrastructure revenues	\$30.3	\$31.0	\$32.6	5.2%	7.6%
TAA	Infrastructure revenues	\$17.0	\$19.5	\$18.9	-3.1%	11.3%
RVSN	Infrastructure revenues	\$17.8	\$18.8	\$14.5	-23.1%	-18.6%
PLCM**	Total revenues	\$173.2	\$233.9	\$240.0	2.6%	38.6%
TAA	Total revenues	\$109.6	\$143.8	\$165.3	15.0%	50.8%
RVSN	Total revenues	\$23.6	\$24.7	\$20.7	-16.1%	-12.3%

** includes results from SpectraLink acquisition

While Polycom is doing well, Tandberg is clearly on a tear here. The company is not only holding the #1 position in video revenues, it is growing faster than its competitors. You don't see that combination very often. And the acquisition of Codian should only add more fuel to this fire (both infrastructure and video endpoints). Overtaking Polycom in video units as well as revenues is no longer out of the question.

Avistar Q3-2007

Avistar Communications reported Q3 revenues of \$1.8 million, compared to \$5.9 million for the three months ended June 30, 2007 and \$7.3 million for the three months ended September 30, 2006. Revenue for the three months ended June 30, 2007 included \$4.0 million in licensing revenue from a licensing agreement with Radvision Ltd. Revenue for the three months ended September 30, 2006 included \$5.0 million in licensing revenue from an agreement with Sony. The company reported a net loss of \$4.1 million for the three months ended September 30, 2007, compared to a net income of \$0.4 million for the three months ended June 30, 2007 and a net income of \$1.8 million for the three months ended September 30, 2006.

The Wainhouse Research Bulletin would like you to join us in thanking our 2007 sponsors who help keep distribution of the WRB free:

- | | |
|-----------------------------|-----------------------------------|
| Aethra | RADVISION |
| AGT | SPL |
| Codian | Sonic Foundry |
| Compunetix | Sony |
| GlobalMedia | Symetria |
| HaiVision | Talk & Vision |
| Huawei | TANDBERG |
| IOCOM | Visual Nexus |
| LifeSize | VTEL |
| Premiere | York Telecom |

The fine print: [Sponsorship](#) of the WR Bulletin in no way implies that our sponsors endorse the opinions expressed in the WRB. Nor does it imply that the Bulletin endorses their products or services. We remain an equal opportunity critic.

ClearOne Fiscal Q1-2008

ClearOne Communications reported financial results for the first quarter of fiscal 2008 ended September 30, 2007. Revenue for the quarter amounted to \$9.4 million, the same as in the comparable prior year period. Gross profit was \$5.1 million, or 54% of revenues, for both the fiscal 2008 and 2007 first quarters.

2007 CSP Summit: See You Next Year



The 5th annual WR CSP Summit was a resounding success to a SOLD OUT audience of 124 attendees representing 34 different CSPs and their technology partners. The day was filled with exploring ideas to expand the market through innovation, discussions on intersection of new technologies and vendors in the world of collaboration, and networking with colleagues.

We are tentatively planning to hold next year's conference in Boston on 27 October 2008. If your company would like to become involved in the 2008 event, please contact Sara Fargo, sfargo@wainhouse.com.

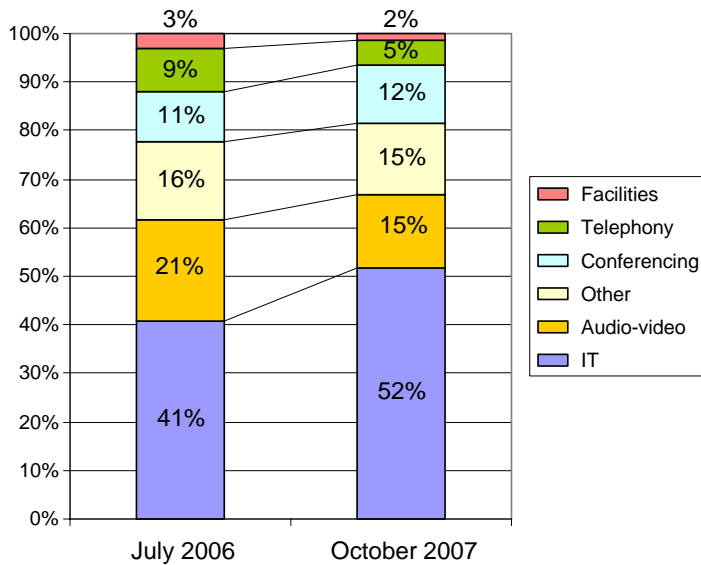


The CSP Summit hosted over a hundred participants from the US, Canada, Europe, and Australia



CSP Practice Manager Marc Beattie's opening keynote bristled with opportunities and challenges

2007 Rich Media Metrics Survey Results



The results from the second of our [2007 Rich Media Metrics](#) surveys are now available. While the first survey focused more on Unified Communications interests and plans; our second survey centers on videoconferencing. The results shown here are the responses to “Who has primary responsibility for videoconferencing purchase decisions at your company?” As you can see, the IT department was strong in 2006 and even stronger in 2007.

Winners of the \$50 Amazon gift certificates include Alain E, University of Ottawa (Canada), Jorg W, ViDOFON GmbH (Germany), Audrey A, Randolph-Brooks Federal Credit Union (USA), Ben N, Penikin Inc. (USA), Ingemar S, University of Kalmar (Sweden).

For details on purchasing the full report, please visit www.wainhouse.com/reports or email sfargo@wainhouse.com.

People & Places

Tandberg, **Geir Olsen**, President EMEA

Masergy, **Todd Bahner**, global partner program director.

ScanSource Communications, **Jill Phillips**, President

Polycom, **Jack Edelman**, Sales Director, **Nick Felicione**, Sales Director

One on One with LiquidPixels CEO Steve Kristy



We’ve often thought that conferencing and collaboration will make it to the enterprise desktop mainstream when the applications are used routinely in sales and marketing. When collaboration drives top line revenues, not just cost savings, most of the barriers we face today should evaporate quickly. If you’ve done much online shopping lately, you’ve probably been exposed to some neat web-based tricks that help buyers make buying decisions. We had a chance lately to have some random communications with a company in the web space, not yet touching on the collaboration space, but moving in that direction: LiquidPixels.

WRB: Large companies often enter new business spaces by buying small technology companies. Recently we’ve seen Adobe purchase Scene7, a player in the dynamic imaging space. What is Dynamic Imaging and why would Adobe be interested in it?

SK: Dynamic Imaging is technology that enables images to be created at the instant they are needed. It does for images what the word processor did for text. So for example, if you were browsing an on-line clothing store and you wanted to see a particular item in several different colors, a site using dynamic imaging would render the basic item in the chosen color. Want your initials embroidered on a shirt? Dynamic Imaging will instantly render your customizations as well. By starting with a set of basic images and that the ability to changes image properties such as color, fabrics, views, etc — on demand — is a very powerful way of customizing the Web shopping experience.

Adobe's products are at the heart of Web site construction and it has recognized the growing demand for dynamic imaging within a Web site. Providing this functionality enhances the Web tool suite while providing an additional source of revenues.

WRB: Well I can see Dynamic Imaging can be very valuable for a Web site but what would it bring to the teleconferencing and Web conferencing world?

SK: The ability to resize, rotate or recolor, or otherwise customize the presentation of an image on-the-fly adds tremendous value to any product discussion. It is hard to anticipate questions such as what does it look like in blue? Can you rotate it to another view? Etc. Dynamic Imaging allows conference participants to manipulate the image to their liking without help or advanced preparation from the organizer.

WRB: Interesting. How difficult and expensive would it be to add Dynamic Imaging to a web conferencing application (like WebEx) for example?

SK: One of the keys to LiquidPixels' approach is its openness. LiquiFire dynamic imaging can be added to virtually any environment easily, stemming from our approach of leveraging open technologies and protocols. LiquiFire communicates primarily via HTTP, the underlying protocol of the Web – so anything that works in that environment, including WebEX, can be easily integrated with LiquiFire.

WRB: How has this recent acquisition of Scene7 by Adobe affected your business?

SK: We have seen a significant upturn in our growth since the Internet Retailer show last June, which was only a short time after Adobe announced its acquisition of Scene7. When a premier technology company in the heart of the Internet experience buys a technology business it causes their customers and competitors to sit up and take notice. That puts the entire dynamic imaging business on everyone's radar. Since we are one of the premier players in that space we benefit from the increased attention. Companies who are considering the addition of Dynamic Imaging to their sites now investigate both Scene7 and LiquidPixels. Some customers opt for the Scene7 approach as their purchase decision is influenced by the brand and financial stability that a company like Adobe provides. Other customers have discovered our technology support superior and have selected LiquidPixels. And that brings up an interesting point. I would argue that had our technology been worse or even only slightly better than Scene7, customers would have overwhelmingly gone to the safety of Adobe. That hasn't happened. Those who look at us, never turn back.

WRB: Why has the market just started to take off?

SK: The Internet started as an electronic brochure – a source for static information, on-line encyclopedias, documents, and forms. E-commerce has proven that people are interested and willing to buy on-line. Unfortunately, the first few generations of on-line stores have provided nothing more than a hierarchical view of their product databases. Terms such as navigation are used to describe the buyer's experience of selecting mens/outdoor/shirts/longsleeve/sweatshirt/hoodie/blue/sizeXL/buy. This is not how people *want* to shop. Shopping is walking into a store, picking up a pair of pants, walking around and seeing how this shirt goes with those pants...examining closely the exact thread color in that stripe...does it match? Perhaps this color is better. What if I add this accessory to the outfit? Shopping is all about visualization. It's mix and match, it's close-up, it's interactive. The market for Dynamic Imaging is taking off because shoppers want to *shop*. Shoppers are demanding better visualization of the products, which they want to purchase. Shopping on-line can actually provide a better experience than in the store as all the colors can be displayed, in all the fabrics, in any combination, all the time.

WRB: What are the drivers compelling your customers to this technology?

SK: Every study we have seen shows that having a product image that can be manipulated by the customer to their liking increases the likelihood of that shopper pressing the buy button. Our customers are telling us that their customers are demanding better visualization tools.

Furthermore, our customers realize that better visualization tools as enabled by Dynamic Imaging are becoming required standard features for e-Commerce.

WRB: What does the future bring with respect to E-Commerce and Dynamic Imaging? With respect to other segments and Dynamic Imaging?

SK: Humans are visual creatures. Providing better means of visualization will continue to be desirable to E-Commerce and dozens of other segments. Dynamic imaging is only the first baby step toward the holy grail of interactive 3D holograms.

WRB: Now that Adobe has purchased Scene7 do you think your days as an independent company are numbered?

SK: Andrew, great question but I am afraid I can't talk about that!

Conferencing & Collaboration <u>Event Calendar</u>	
WHEN & WHERE	WHAT & WHO
November 6-7, Philadelphia, PA	Point Nine User Forum hosted by Reed Smith
November 8, Outer Space	Megaconference IX
5 December, Basel, Switzerland	Point Nine User Forum hosted by Novartis
8-10 April, 2008, Berlin, Germany	Wainhouse Research Collaboration Summit
July 16-18, 2008, Boston, MA	Wainhouse Research Collaboration Summit

© 2007 Wainhouse Research 34 Duck Hill, Duxbury, MA 02332 USA Tel +1 617.975.0297 Email to: editor@wainhouse.com PR to: news@wainhouse.com Free subscriptions: www.wainhouse.com
--