

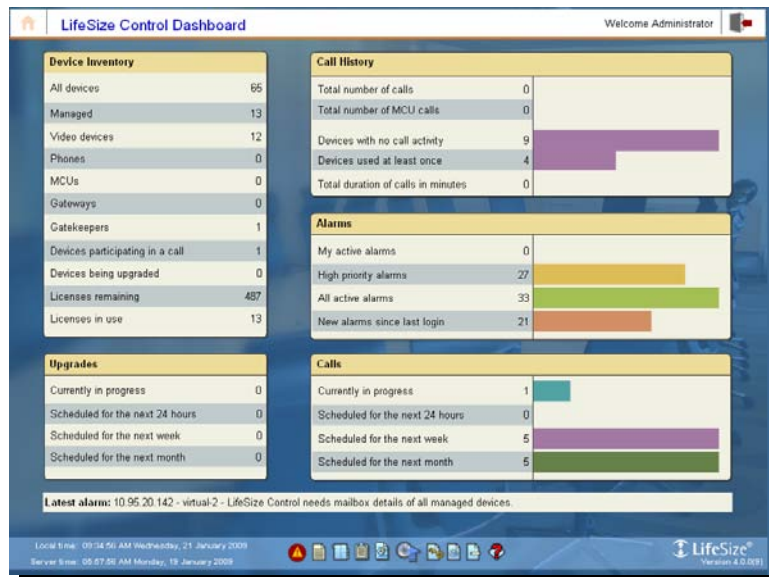
NEWS AND VIEWS ON REAL-TIME UNIFIED COMMUNICATIONS

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Andrew W. Davis, andrewwd@wainhouse.com

News In Brief

- LifeSize announced the release of LifeSize Control 4.0, a full-featured video network management platform that provides centralized management and control of heterogeneous video communications networks. (The software supports multiple devices from Tandberg and Polycom and Radvision.) Using the familiar interface of Microsoft Outlook, users can schedule a video call as they would any other meeting. The LifeSize software takes over and reserves the video resources and launches the call. For administrators, LifeSize Control 4.0 integrates into Microsoft Active Directory structures, requiring no patches on the Microsoft Exchange server and no Microsoft Outlook plug-ins for end users. Adding video resources is as easy as adding a new mailbox. The pricing model for Control is based on the concept of “seats”, with per seat pricing varying from \$500 to \$300 based on volume. A “seat” can be an endpoint, gatekeeper, or MCU port.



- Aethra announced complete interoperability with Microsoft Office Communications Server 2007 with the company’s software release 12.1.7. With the new software, Aethra’s X-line systems automatically authenticate and register themselves to OCS simply by inserting an IP address in a configuration page. After registration, the Vega X3, Vega X5 and Vega X7 appear together with their presence indicator, in a user’s buddy list. It’s click to call time!

Please take our ONE QUESTION Poll. Results in next WR Bulletin.

[Email us](mailto:andrewwd@wainhouse.com) questions you’d like to see in the WRB.

Has your company implemented a streaming/webcasting solution?

- Yes, we stream live events
- Yes, we stream archived events only
- Yes, we support both live and archived content
- No

Submit operates if you opened WRB in a browser.

If not, visit www.wainhouse.com/wrbpoll

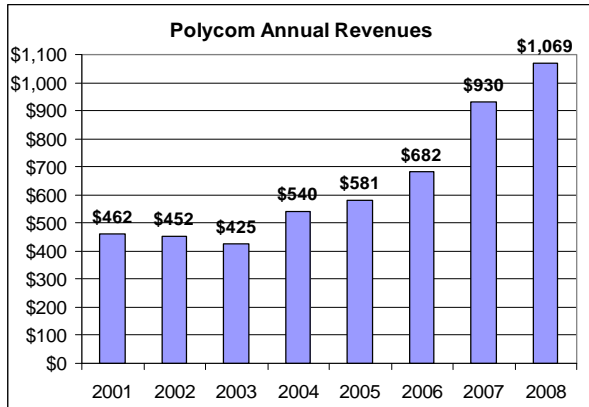
- Avistar announced the grant of its 97th patent. U.S. Patent Number 7,487,210 relates to instant message (IM) systems supporting both text IM and video IM over the Internet. The patent also involves logging in from an arbitrary communication device and providing popular IM buddy list features.
- Microsoft announced general availability of OCS 2007 Release 2. The audio, video, and telephony features of this presence server are greatly enhanced.
- Verizon Business beefed up its collaboration offerings, now integrating audio and Web conferencing services across multiple leading IM services, including IBM Lotus Sametime, Microsoft Office Live Communications Server 2005 and the Cisco Jabber XCP. The new tools are available immediately for U.S.-based organizations and are scheduled to be rolled out internationally later this year, along with Verizon audio and net conferencing integration with Microsoft Office Communicator 2007.
- ClearOne announced CHAT 170, a new speakerphone specifically designed for use with Microsoft Office Communications Server 2007.
- The action is definitely heating up with vendors offering a mix of services that combine various elements of video managed services, telepresence, IP networks, and interoperability features. The latest from BT is BT One Source, a solution that combines Polycom's RPX and TPX systems with BT's managed services. Not one to be left out in the cold, Verizon Business, which signed a global resale agreement with Tandberg at the end of last year, is getting into the video managed services business as well and is adding special services for Tandberg and Cisco telepresence systems customers, claiming to support inter-company calling and interoperability.
- Our first report on a re-org at Yamaha was not entirely accurate. We have learned that Yamaha has decided to realign the North American marketing efforts for its Projectphone Audio and Video conferencing products. The company will discontinue its direct sales team, and establish a distributor that will be the central focus of its marketing efforts. All essential operations regarding the Yamaha conferencing products including order entry, tech support and warranty will continue as usual at Yamaha's Buena Park, CA headquarters.
- Polycom has introduced a new system with a new series moniker, the QDX 6000. With an MSRP of \$3,995, (street price probably in the \$3K range) the QDX is high resolution, NOT high definition. Key specifications include DVD quality video (4CIF or 480p), wideband stereo audio, H.239, AES encryption, 5 video inputs, 2 display outputs, and support for Polycom's Lost Packet Recovery technology. Simple to set up and use, this system will appeal to many, particularly those without the bandwidth for HD. We've already seen one Polycom distributor promoting this to resellers as "No Certification Required." Trouble ahead?



Dollars & Sense

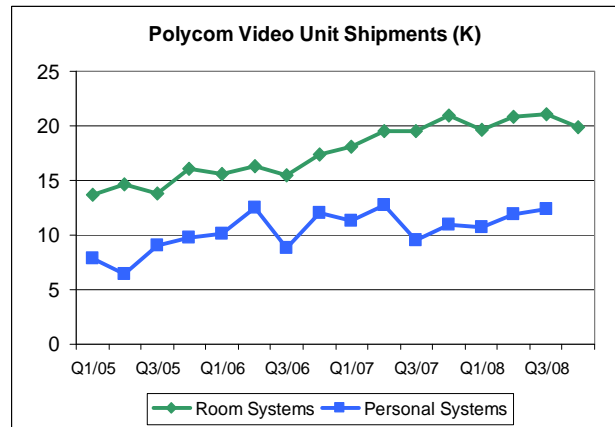
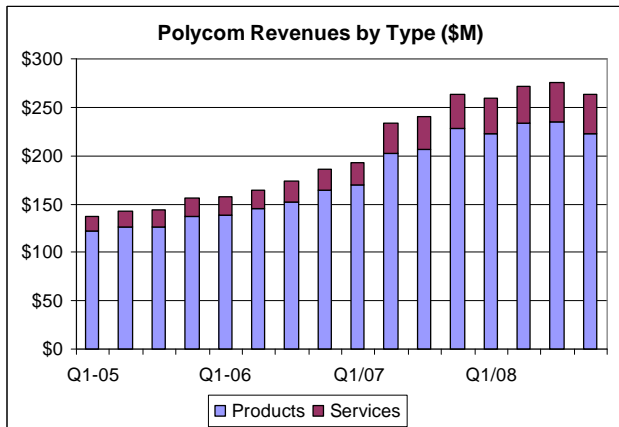
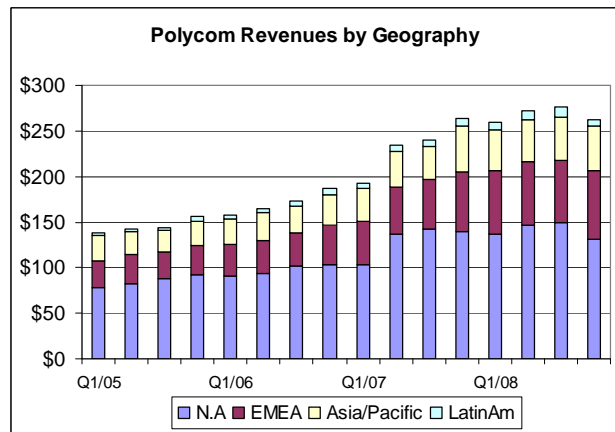
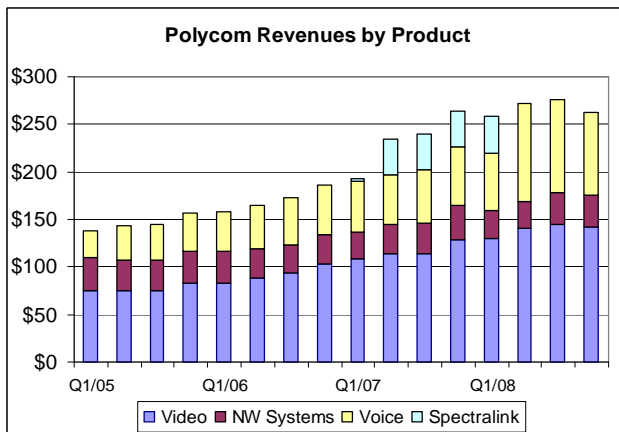
Polycom Q4-2008

Video demand held up reasonably well for Polycom as the company turned in a \$263M quarter and finished the year as a billion dollar company. As has been true for the past few quarters, the voice division reported the weakest results. The impact of the company's RPX and TPX systems can be seen in the video numbers, also abetted by the migration to higher priced HD systems. Polycom reported annual growth numbers for videoconferencing systems at -5.6% for units and +9.7% for revenues. Strong results in EMEA offset some weakness in North America.



PLCM	Q4-07	Q3-08	Q4-08	Sequential Growth	Annual Growth
Video	\$129.2	\$144.2	\$141.7	-1.7%	9.7%
Network Systems	\$35.7	\$33.9	\$34.2	0.9%	-4.2%
Voice	\$98.4	\$97.7	\$87.1	-10.8%	-11.5%
Total Rev	\$263.3	\$275.8	\$263.0	-4.6%	-0.1%
Group Units	21,010	21,126	19,831	-6.1%	-5.6%
Op Inc.	\$26.6	\$22.7	\$34.9	53.9%	31.6%
North America	\$139.5	\$149.7	\$131.3	-12.3%	-5.9%
EMEA	\$65.7	\$67.6	\$74.7	10.5%	13.7%
Asia/Pacific	\$49.6	\$48.4	\$48.7	0.6%	-1.8%
Latin America	\$8.5	\$10.2	\$8.2	-19.6%	-3.5%

Note: About 15% of Polycom's total revenues are in services and are distributed within the voice, video, and network systems numbers reported above.



Tandberg Q4-2008

Tandberg turned in yet another amazing quarter, with annual revenue growth of nearly 17% fueled by stratospheric numbers in the Americas and AsiaPac. A 4.7% growth in videoconferencing endpoint units generated a 8.1% growth in videoconferencing endpoint revenues, showing again rising ASPs due to a product mix shift and telepresence. Perhaps most startling is the infrastructure revenue growth rate of 55% which compares two Tandberg quarters, both of which were AFTER the Codian acquisition.

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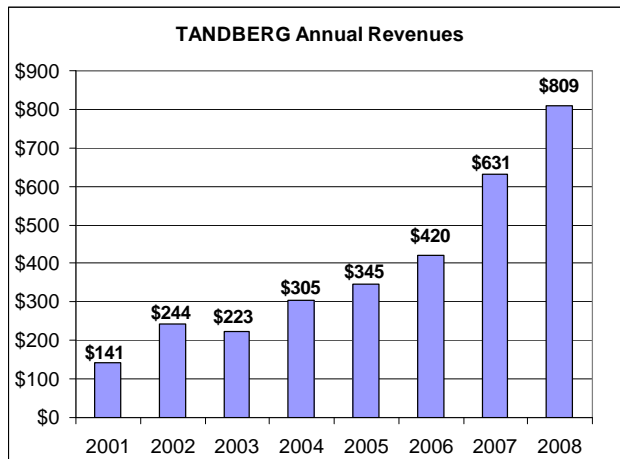
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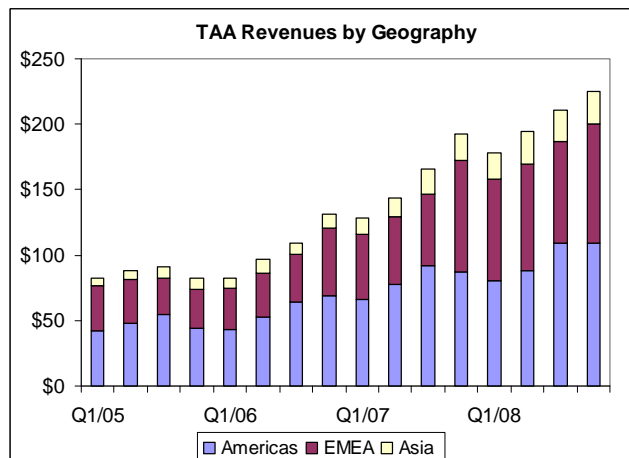
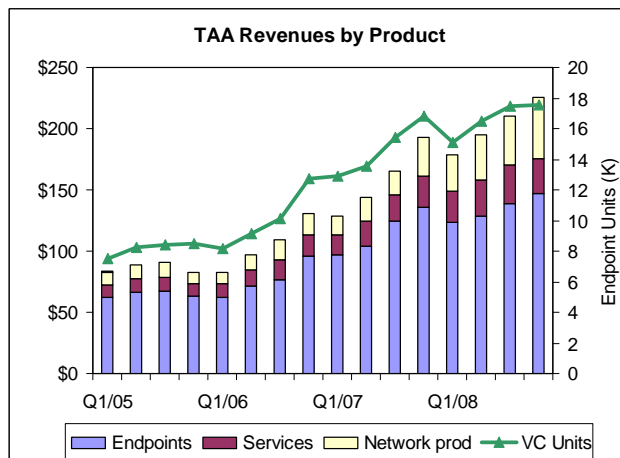
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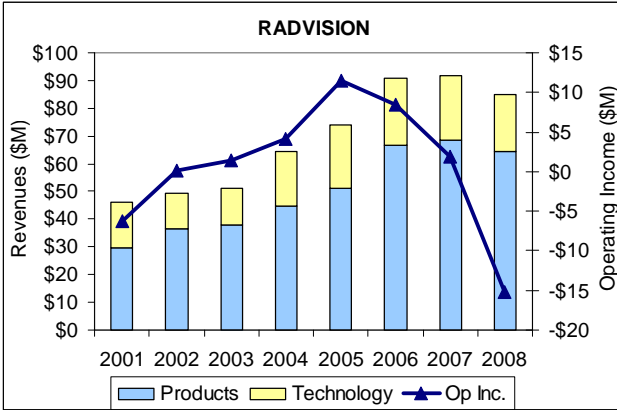
Note: Y2007 number includes one quarter's revenues from Codian acquisition

TAA	Q4 07	Q3 08	Q4 08	Sequential Growth	Annual Growth
Americas	\$86.7	\$109.1	\$108.9	-0.2%	25.6%
EMEA	\$85.5	\$77.4	\$91.0	17.6%	6.4%
Asia	\$20.7	\$23.8	\$25.6	7.6%	23.7%
Total Rev	\$192.9	\$210.3	\$225.5	7.2%	16.9%
Endpoints	\$135.6	\$138.8	\$146.6	5.6%	8.1%
Services	\$25.3	\$31.5	\$29.3	-7.1%	15.9%
Infrastructure	\$32.0	\$40.0	\$49.6	24.2%	55.0%
Op Inc	\$44.9	\$45.3	\$52.8	16.6%	17.6%
Endpoint Units	16,787	17,487	17,584	0.6%	4.7%

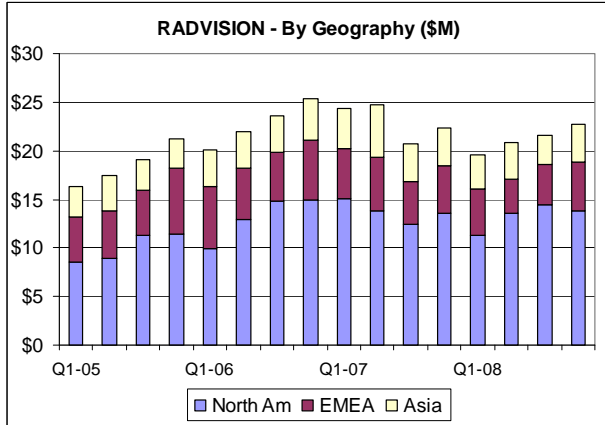
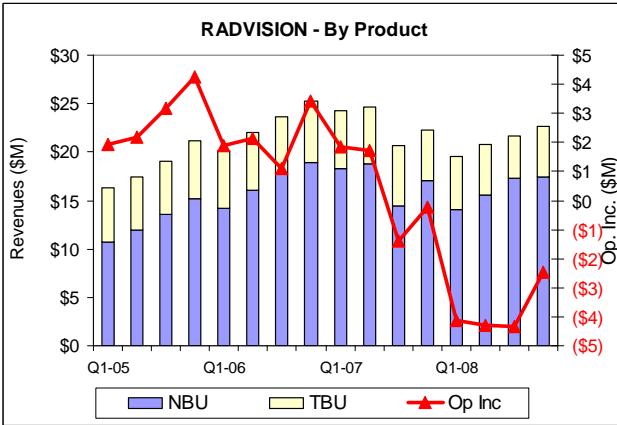


RADVISION Q4-2008

Radvision returned to positive annual growth the quarter with Q4 revenues coming in slightly higher than forecast. The company's operating income however remained negative. An interesting sidenote - while the sequential revenue numbers for the combined NBU and TBU generated a negative 4.2% for North America, Radvision said on the earnings call that NBU growth in North America outside the company's Cisco business would have been +24%.



RVSN	Q4-07	Q3-08	Q4-08	Sequential Growth	Annual Growth
Products	\$17.1	\$17.3	\$17.4	0.6%	1.8%
Technology	\$5.2	\$4.3	\$5.3	23.3%	1.9%
Total Sales	\$22.3	\$21.6	\$22.7	5.1%	1.8%
NA	\$13.6	\$14.4	\$13.8	-4.2%	1.7%
EMEA	\$4.9	\$4.2	\$5.0	19.3%	1.7%
Asia	\$3.9	\$3.0	\$3.9	29.9%	1.7%
Op Inc.	(\$0.24)	(\$4.32)	(\$2.47)	NA	NA



The Big Three

		Q4-07	Q3-08	Q4-08	Sequential Growth	Annual Growth
PLCM	Room Video Units	21,010	21,126	19,831	-6.1%	-5.6%
TAA	Room Video Units***	16,787	17,487	17,584	0.6%	4.7%
PLCM	Video revenues (\$M) *	\$129.2	\$144.2	\$141.7	-1.7%	9.7%
TAA	Video revenues (\$M)	\$135.6	\$138.8	\$146.6	5.6%	8.1%
PLCM	Infrastructure revenues (\$M)	\$35.7	\$33.9	\$34.2	0.9%	-4.2%
TAA	Infrastructure revenues (\$M)	\$32.0	\$40.0	\$49.6	24.2%	55.0%
RVSN	Infrastructure revenues (\$M)**	\$17.1	\$17.3	\$17.4	0.6%	1.8%
PLCM	Total revenues (\$M)	\$263.3	\$275.8	\$263.0	-4.6%	-0.1%
TAA	Total revenues (\$M)	\$192.9	\$210.3	\$225.5	7.2%	16.9%
RVSN	Total revenues (\$M)	\$22.3	\$21.6	\$22.7	5.1%	1.8%

* may include some services revenues

** NBU revenues

*** includes OEM units sold in North America and Tandberg 1000 units (both of which are likely to be used for personal conferencing solutions rather than in conference rooms).

Annual Growth Rates in Total Revenues

	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08	Q3/08	Q4/08
Polycom	22.2%	41.8%	38.6%	41.2%	34.3%	16.1%	14.9%	-0.1%
Tandberg*	55.4%	49.0%	50.8%	47.5%	38.6%	35.5%	27.2%	16.9%
Radvision	20.7%	12.3%	-12.3%	-11.9%	-19.3%	-17.3%	+4.3%	1.8%

Well, you can dissect the financial numbers 246 different ways according to my financial analyst friends – you can look at units, at revenues, and at the different geographies, with and without acquisitions, with and without services, but no matter how you add it up or divide it down, it is clear that Tandberg has been gaining market share consistently for at least the last eight quarters (longer actually). In growth of total revenues, the company ranks first in each and every quarter for the past two years, and often (see the last three quarters for example), outdistances the competition by a wide margin.

Avistar Q4-2008

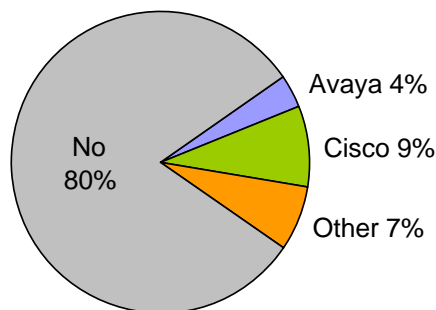
Avistar reported Q4 revenue of \$3.1M, compared to \$1.9M for Q4-07. Revenues for the year were \$8.8M compared to \$12.0M for the year 2007. Income from settlement and patent licensing, which the firm reports as a negative expense rather than a positive revenue, was \$4.226M for the year vs. \$16.226M for 2007.

ClearOne Fiscal Q2-2008 (Q4 calendar)

For the fiscal 2009 second quarter, revenue decreased to \$10.0 million from \$10.8 million in the same quarter of last year. Gross profit was \$5.8 million, or 58% of revenue, compared with \$6.4 million, or 59% of revenue, for the prior year period..

WR Bulletin Poll Results

Are your videoconferencing systems integrated with your telephony system?



Well, we have to admit we were a bit disappointed. Fewer than 100 WRB readers filled out the one question poll, and as you can see from the results, not very many have integrated videoconferencing with unified communications.

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