

More M&A news this week hits the conferencing industry. We report on the activities of Radvision below and end with an interview with the company's CEO.

While Radvision and Polycom have reported their Q4 results, we are waiting for the Tandberg earnings call and will report on all three videoconferencing suppliers at once. Stay tuned.

RADVISION ACQUIRES ASSETS of AETHRA

Another consolidation is taking place in the videoconferencing industry. In the worst kept secret since Mark McGwire admitted using steroids, Radvision announced the company is acquiring certain assets (intellectual property and technology) of Aethra (AE), the now-defunct Italy-based videoconferencing supplier that not too long ago was in a neck-and-neck race with Sony to be #3 in the world. The purchase price is approximately Euro 7.0 million cash (approximately \$10 million). In addition, RADVISION will assume certain specific liabilities related to the acquisition of approximately Euro 3 million (approximately \$4.3 million). The transaction is expected to be accretive starting in the fourth quarter of 2010. The agreement has been approved by the Boards of Directors of both companies and was incorporated in Aethra's pre-insolvency plan that Aethra filed with the Italian court.

Here's What I Think. Yes, Radvision has had the SCOPIA desktop product and recently announced the VC 240 executive system, but this deal puts the company squarely in the videoconferencing endpoint business with technology and products that target the enterprise conference room. Since 2005, AE was an OEM partner reselling Radvision's infrastructure, so the two companies should know each other pretty well and the acquisition is totally additive – there is really no overlap. Of course, Radvision will have to deal with channel partner issues – keeping and re-invigorating the old AE channel partners in EMEA and APAC while trying to establish a North American channel partner presence pretty much from scratch when it comes to endpoints. And of course, Radvision's partnerships with LifeSize and Sony are at risk. What's a partner to do?

Aethra will be an interesting business case to dissect when the history of videoconferencing is written. The company entered the videoconferencing business in the early 1980s, so it has been in video longer than any of the existing players. But AE never made a dent in North America. Early products combined a weird user interface with low performance and poor reliability and leather-covered codecs and “elegant Italian design” introduced in the past few years didn't make up for the deficiencies. The irony is that by mid-2009 the company had announced what appeared to be market-leading price performance designs in the Xtreme 1080p system, but AE was never able to

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ship these in any volume due to financial constraints. So just as things never looked better, they actually got worse. And then it ended.

If Radvision can integrate Xtreme designs into an end-to-end portfolio and develop a channel partner program of any merit (not exactly the company's strength today), then we could see a strong third party emerge to challenge the CiscoTandberg and Polycom duopoly. And then of course, we have the Chinese!

For more on this, see my interview with CEO Boaz Raviv in this bulletin.

⇒ WR Forum: [RADVISION to Acquire Selected Assets of Aethra](#)

News in Brief

- Fortune 500 scientific, engineering, and technology applications company SAIC has acquired Forterra Systems. Forterra personnel and the OLIVE product line will be absorbed into SAIC's Analysis, Simulations, Systems Engineering and Training (ASSET) Business Unit based in Orlando, FL. The last time we saw Forterra was at a demo based on IBM Lotus Sametime that showed Forterra's avatar-based virtual world application being used in a collaboration and training session. Virtual worlds is one of the technologies we are monitoring as a threat to the existing collaboration application vendors and as a potential opportunity for the CSP community.
- Tandberg introduced the C40 Codec (MSRP \$13.9K), neatly plugging the price and I/O performance gap between the company's C20 (\$7.9K) and C60 (\$21.9K) products. The C40 supports up to 1080p resolution, transcoded MultiSite capability (\$4K option), multiple microphones and audio inputs, and a full set of advanced APIs to meet the needs of integrators. The dual display option adds \$2K to the C40 base price, while upgrading from 720p to 1080p is a \$3K option. In a separate and unrelated announcement, Tandberg has demonstrated telepresence interoperability with the CTS 3000. This follows a previous announcement of interop with the Polycom RPX and TPX systems.



- Agito Networks announced the availability of Agito Global Enterprise based on the Agito RoamAnywhere Mobility Router v4.0. The solution enables enterprise business calls and UC applications – such as IM and presence – to use a smartphone's low-cost 3G Internet data connection and WiFi, in addition to the cellular network, to reduce international cellular charges by up to 80 percent.
- Marriott, AT&T and Cisco announced the launch of public telepresence suites within Marriot hotels, beginning with one in NY and one in D.C. (A similar announcement was made about a year ago with Tata and the Taj hotels, based on Cisco gear.) Marriott plans to expand to 25 hotels around the world in the first phase. Will the customers come?
- Shoretel reported quarterly revenues of \$35.5 million, up 5% sequentially. The company sold 85,000 end user licenses during the quarter, up 7% from the prior quarter.








- Radvision announced enhancements to its SCOPIA Conferencing Platform now providing full integration with IBM Lotus Sametime 8.5. Sametime 8.5 provides new client capabilities including native support of HD video. RADVISION's new solution enables seamless integration between a Sametime 8.5 deployment and SCOPIA video conferencing infrastructure. Sametime users will be able to enjoy the power and capabilities of the SCOPIA platform with the native Sametime client with no additional installation required, including continuous presence and 1080p.

Wainhouse Research in Berlin: April 19-20-21, 2010

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Once again we are planning our April conferences in Berlin. The CSP Summit will be a half day conference on 19 April, while the Collaboration Summit will follow on 20-21 April. We are lining up some dynamite speakers on key challenges facing the conferencing and collaboration industry. The market is changing rapidly, and we will be addressing business and technology issues that are of

interest to a wide range of end users and service providers alike. If you would like to speak at this event, contact andrewwd@wainhouse.com; if you would like to learn more about being an event sponsor, contact sfargo@wainhouse.com.

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SAVE THE DATES: The Collaboration Summit this year **will be streamed live and FREE** courtesy of Easymeeting. Registration details to follow.

Just a few of the featured speakers and presentations at this year's event include:



Thomas Pind
 CEO Futurecom
Seven reasons your employees and colleagues don't adopt conferencing and what you should do about the situation



Andrew Davis
 Wainhouse Research
Where is videoconferencing heading?



Marc Beattie
 Wainhouse Research
The Transformation of Communication Service Providers



Chris Carr
 Masergy
The Future of Networks for Video

One on One with RADVISION CEO Boaz Raviv

Mergers and acquisitions, as well as entrances and exits, continue to shake up the videoconferencing equipment market. We all know about Cisco-Tandberg, Logitech-LifeSize, and Sony making major changes. Now Israel-based videoconferencing infrastructure expert RADVISION is acquiring certain intellectual property, technology and other specific assets of Italy-based and financially-challenged Aethra. For 2009, the top six players in terms of units shipped were (alphabetical order) Aethra, Huawei, LifeSize, Polycom, Sony, Tandberg. For 2010 we expect the list to read Cisco, Huawei, Logitech, Polycom, RADVISION, Sony. There are also some upstarts trying to penetrate the big six... interesting times ahead.

After catching the news of the latest RADVISION move, we immediately contacted CEO Boaz Raviv to try and get the story behind the story.

WRB: What exactly is RADVISION buying here?

BR: We are purchasing selected assets from the Aethra group of companies (namely Aethra Video Srl and Aethra SpA), mainly the intellectual property and technology for high definition endpoints. We are also purchasing selected inventory, some fixed assets and some selected commercial contracts. In addition, an experienced team of Aethra employees will provide services to RADVISION, and continue to develop products and help formulate the development roadmap down the road.

WRB: So, to be clear.... are you getting into the endpoint business?

BR: Yes, but we have actually been in the endpoint business for a long time with our SCOPIA Desktop product providing a software endpoint client. We recently expanded that solution with a hardware endpoint by virtue of our joint venture with Samsung and the VC 240.

WRB: What made you decide to add a room system now?

BR: While the VC 240 is being received by the market very well, its current design point is for personal conferencing and our partners and customers are asking us for a group conferencing solution as well. That is why we are adding additional endpoints from Aethra, which are designed specifically for the requirements of enterprise conference rooms.

WRB: Doesn't this change your market strategy?

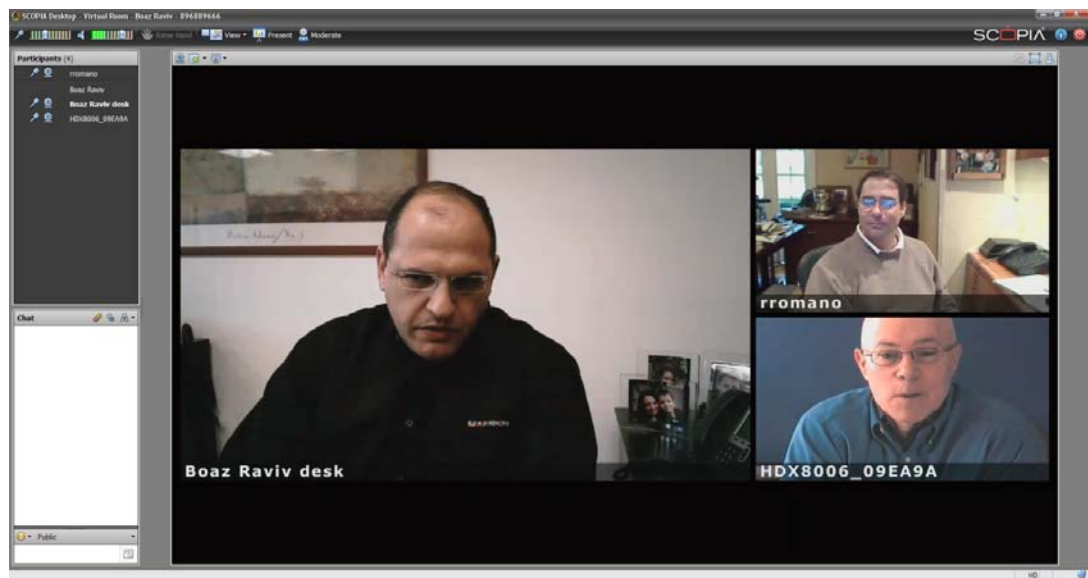
BR: Several years ago, we embarked on a strategy to broaden our penetration into the market through expanding our sales of RADVISION branded offerings through channel partners and through new partnerships with UC companies like IBM, ALU, and Microsoft. All of these partners and many others wanted a more complete solution from us to service their customers. The VC-240 was the start and the Aethra based endpoints will expand it further. Additionally, the market is currently changing dramatically and we see a significant opportunity to expand and grow. Cisco's pending acquisition of Tandberg has affected our relationship with them, but it has also legitimized visual communication at a time when there is a stronger need for this solution than ever in the 25+ years of this industry. It also



has reduced the number of solutions in the market at a time of increased demand. We intend to capitalize on these market dynamics and feel that in order to do so we need a full solution portfolio.

WRB: When do you expect to ship products related to this acquisition?

BR: First, it is important to understand that we are not buying an operating business because Aethra has not been conducting any business for many months due to their financial difficulties. Rather, we are mainly buying intellectual property and technology assets. We plan to integrate these into our existing product portfolio to create a more complete solution portfolio. Based on this, we expect to start shipping products based on the Aethra technology at the end of Q2 2010 after we have integrated the endpoint technology and product designs with our SCOPIA product portfolio, completed testing and certification, and ramped up operations.



WRB: Aethra announced their new product line dubbed Xtreme a few months ago with impressive specifications, at least on paper. Why aren't you shipping this product? Why will it take another five months for you to start shipping endpoints? Was Xtreme just a paper-based product?

BR: We do plan to release product based on the Extreme technology. However we need time to integrate this endpoint into our product design and into the rest of our SCOPIA product portfolio including our SCOPIA Management Suite. There is also additional testing and certifications that need to be completed. And finally we need to fully ramp up supply, distribution, and manufacturing operations. This will allow us to ensure we give our customer a fully integrated end-to-end solution. While this will take us a bit more time and we are asking our customers to wait we believe they will enjoy a unique and better video experience because of it.

WRB: Does this now mean you are competing with your endpoint partners?

BR: Most of our business today comes through RADVISION branded products sold through our channel partners, strategic UC partners, or service providers. The notable

exceptions of course are Cisco and LifeSize where we will now have some overlap with their endpoint solutions. But certainly our relationship with Cisco has already changed as a result of their acquisition of Tandberg. We will continue to do business in many product areas with Cisco going forward but we will have overlapping offerings now, both in infrastructure and endpoints, with the Tandberg products. However, Cisco's acquisition of Tandberg has changed the overall market as well. Cisco/Tandberg will not service the entire market and there is a strong need for solutions from other vendors that we intend to fill. As for LifeSize we will continue as mutual partners going forward as long as LifeSize looks to us to provide an essential component of their overall solution. Over time we may become more independent from each other as we both look to capitalize on the significant opportunities in the visual communications market and we both look to enhance our independent portfolios. But for now we face common competitors and can do that more effectively when we cooperate. Cooperating with a partner and competing at the same time is becoming a normal fact of business these days.

WRB: Does this change your newly formed relationship with SAMSUNG and the VC-240 product?

BR: There is a lot of synergy between the two, as it allows us to join forces and use the technologies we have acquired in future projects and products. We believe that this acquisition will actually strengthen the partnership between RADVISION and SAMSUNG and it demonstrates RADVISION's strong commitment to this product line.

WRB: Does RADVISION have sufficiently strong reseller channels to go to market with endpoints?

BR: You have to look at this from two points of view.

Outside North America we have strong partnerships with traditional videoconferencing distributors and resellers. We plan to utilize these channels and expand beyond them with our best-in-market infrastructure solutions enhanced with market-leading endpoints. We believe our broadened portfolio will be very interesting to channel partners who now, more than ever, are looking for a single vendor end-to-end solution.

In North America, we have traditionally gone to market more through our OEM partners and their channels. This of course will be changing and we are re-aligning our marketing and sales resources accordingly to go after the traditional reseller partners. Again, our end-to-end story is now much different and we expect our new strategy and product line to resonate where it did not before. Additionally, there is a lot of turmoil in the reseller channels now due to Cisco's acquisition of Tandberg and because of Aethra's departure from the market and we are aggressively pursuing new channel partners worldwide as a result.

WRB: Can you give any specifics of how RADVISION's presence in the North American channels will change after this acquisition? Will you be adding N.A. sales and marketing people?

BR: We aren't planning any substantive changes to the number of sales and marketing people but we do plan to refocus these resources more towards channels and partners. In the past many of these resources supported our OEM partnerships, specifically Cisco, which we will now focus on our RADVISION branded solutions and the channels that sell

them. In addition, we are adding dedicated resources in each region to support sales through our UC partners like IBM, ALU and Microsoft.

WRB: Aethra had more solid channel partners in EMEA and APAC. I suspect many of them have withered or lost enthusiasm over the past six-to-nine months because of Aethra's mess. So, what are you doing to retain them and to bring them into the RADVISION fold with renewed energy.

BR: The Aethra channels and customers we have spoken to have remained very loyal to Aethra solutions and are hopeful there will be a way to continue to sell and use them. RADVISION's acquisition of Aethra's video technology is the best solution for them because they are already fully trained on the combination of Aethra endpoints and RADVISION infrastructure and desktop solutions. There are many Aethra customers with large deployments that are looking for ongoing support and expansion and we plan to capitalize on this by not only continuing the Aethra technology solutions but also enhancing them with additional RADVISION solutions and technology like SVC.



WRB: How do you plan to compete with the much larger players in your market?

BR: First, we believe our solution portfolio is the best in the market today. We currently have the most powerful MCU available with the SCOPIA Elite, the market leading desktop platform in the SCOPIA Desktop and the most comprehensive management suite supporting full distributed architecture. In addition, we are the only solution to support SVC technology on a standards-based MCU. This capability enhances interoperability with existing solutions and supports the best quality experience available today. We will compete very favorably on the merits of our solutions alone.

WRB: Can you be a little more specific.

BR: OK, we will compete against the larger players in two ways. First, those companies have traditionally targeted the large enterprise market. While our solutions, especially our infrastructure products, fit well into this market, we believe that the SME market is very under-served. Our solutions like SCOPIA Desktop, the VC-240 and our new endpoints fit

perfectly into this market especially when coupled with our SCOPIA infrastructure. We believe we have significant superiority in these product areas. Second, going forward, visual communications will be deployed in the enterprise market as a component of the Unified Communication solutions being brought to market by Microsoft, IBM, ALU and others. We are partnering with them and will provide a vital component of those companies' solutions.

WRB: Would you consider going direct? This would certainly make you different from the current competition.

BR: While speaking directly with our customers to fully understand their needs is in our DNA, we really believe that working in combination with partners and channels is the correct way to support our customers. First because the videoconferencing market is going main stream and we believe growth will accelerate. Already the industry is shipping 70K+ endpoint units per quarter to a very broad and horizontal customer base. There is no way we could scale large enough to service this market with a direct sales force. Secondly because we believe that the best solution for customers is a local partner or channel who understands the language and culture of the customer and who has a strong relationship with their vendor. So, we plan to leverage RADVISION through our partners.

WRB: Thanks for your time during this very hectic period for you. And good luck with the acquisition.

BR: Indeed, thank you.

Collaboration Event Calendar

Conferencing & Collaboration Events	
When & Where	Who & What
March 23-25 2010, via the Internet	Education for Everyone Virtual Symposium
April 19, 2010, Berlin, Germany	Wainhouse Research CSP Summit - Europe
April 20-21, 2010, Berlin, Germany	Wainhouse Research Collaboration Summit
July 20-21, 2010, Boston, MA	Wainhouse Research Collaboration Summit
October 12, 2010, Boston, MA	Wainhouse Research CSP Summit - North America

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