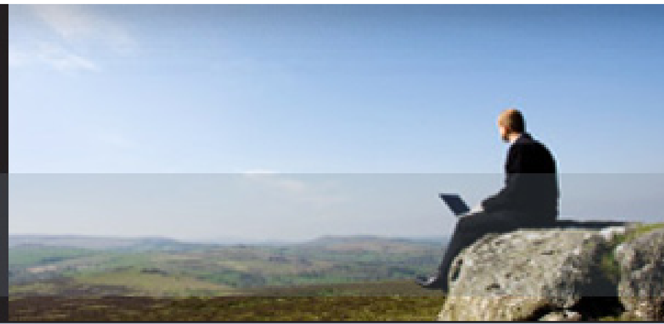
WAINHOUSE Research

News & Views
on Real-Time Unified Communications



Polycom Bombshell

June 1 began with a Polycom bombshell literally as we went to press. Following is a synopsis of the announcement and some preliminary thoughts on the implications.

1. **Polycom will acquire the Visual Collaboration Business (assets) of HP,** including the Halo products and the managed services business, and at the same time become an EXCLUSIVE partner to HP for telepresence and certain video solutions, including both resale and internal HP deployments. Polycom will also integrate its video software into HP's WebOS platform. It was reported that the deal cost Polycom $89M in cash, which would be our estimate of HP's annual revenues from Halo products and services.

2. **Polycom has established an Open Video Communications Consortium (OVCC) with multiple service providers.** This is intended to be an open video exchange cloud – think B2B. At the outset OVCC includes participation by 14 service providers, including AT&T which, unlike the 13 others, is new to the "open" game. We hope to go deeper OVCC in a future article.

3. **Polycom has expanded its strategic relationship with Microsoft.** Details here are a bit murky, but the June announcement included mention of "Rally" which we believe is a Lync-compatible, dedicated room system from Polycom. We hope to go deeper into this area in a future article.

4. **The company announced a 2/1 stock split.** We offer no comment on this.

The HP element is by far the most intriguing part of the announcement. Under the terms of its agreements with HP, Polycom will provide expertise in software technology and UC infrastructure, covering the full continuum of integrated and secure mobile, desktop, room and telepresence solutions. HP will provide its expertise and leadership in go-to-market strategies for UC solutions and will resell Polycom's UC solutions including: personal and group UC

Conferencing & Collaboration Upcoming Events

13-15 June Orlando, FL	EduComm
15-17 June Orlando, FL	InfoComm IMCCA sessions June 15th and 16th IMCCA Telepresence Day 6/16th 9:00-12:30 Room 315A
19-20 July Philadelphia	WR Collaboration Summit
10-12 October New Orleans	VCI-Group Annual Conference
11-12 October Boston	WR CSP Summit North America

devices, UC infrastructure, UC managed services, and audio/video software.

Here's What I Think:

The Enterprise Services side of HP has been a strong channel partner for Polycom for a long time, and even more so since Cisco acquired Tandberg. But ever since the HP-Vidyo OEM announcement of June 2010, HP has been saying they wanted to be a major vendor in the video communications space, not just a niche supplier of telepresence suites. The OEM deal made HP a Polycom competitor as well as a partner. Why a $130B behemoth would want to dive into the complexities of the tiny videoconferencing market was always a troubling question. The Vidyo connection, at least could be justified based on Vidyo's client-server software architecture that would port cleanly to HP's product line. So much for that story. Somebody at HP woke up and realized they should stick to their services and IT infrastructure knitting. **The Polycom deal was a nice way to a) exit the proprietary videoconferencing hardware and managed services business, b) take in $89M in cash, and c) solidify a relationship with a key product and technology partner at the same time.**

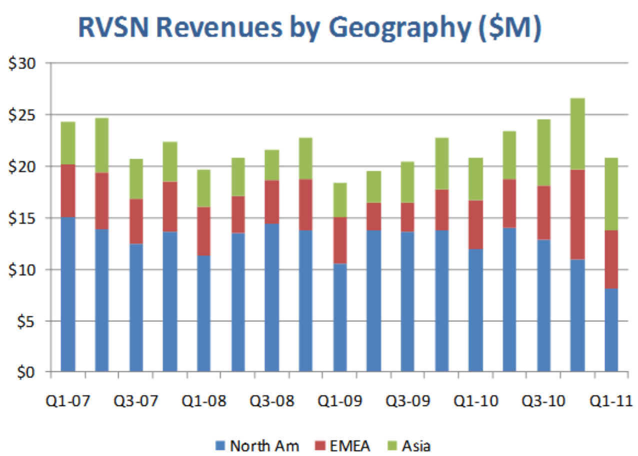
Winners and Losers

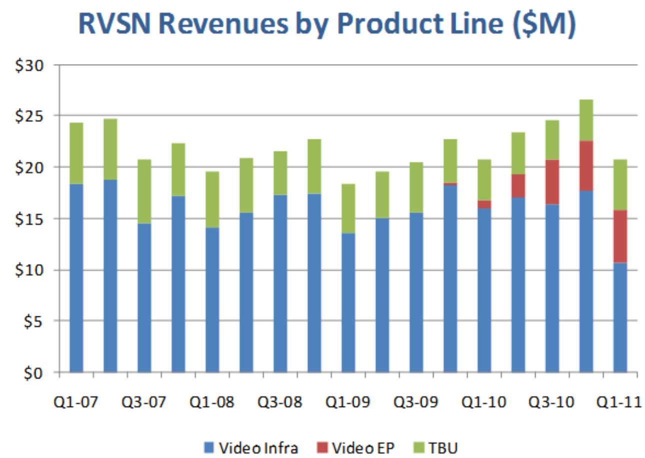
- **Cisco (loser):** Seeing two of your collaboration enemies become intimate is never a pleasant event. Polycom is now cleanly allied with both HP and Microsoft and the overlap between the three is pretty much non-existent.
- **HP (winner):** Finally offloads Halo and its numerous distractions and can focus on its core business. Strengthens the video products it can offer HP customers by tying more closely to Polycom.
- **Microsoft (winner):** Assuming a competing cloud strategy doesn't upset the HP relationship, Microsoft has a clean, competent, and very competitive UC offering bolstered with Polycom's devices and HP's services.
- **Polycom (winner):** While you might wonder why they had to do this deal at all, the cost is trivial to Polycom. Polycom strengthens a key reseller partnership, picks up the Halo business, and more importantly some key Halo customers. Polycom also removes one key competitor (HP) from the market and takes a lot of wind out of another customer's sails (Vidyo). Great strategic move we think.
- **Nagging issues:** Polycom will have to figure out how to support or migrate existing Halo customers (we believe Halo systems are based on proprietary Haivision codecs) as well as customers who bought in to the HP SVC product line. Count on a small upward bump in OTX and RPX shipments. Polycom also takes over the HVEN network and the HVEN managed services business. This would appear to conflict with several of Polycom's channels. Perhaps a divestiture is in the future much like when Polycom acquired the products side of Telesuite (to become the RPX product line) and left the services business to become iformata.
- **Vidyo (loser):** Losing your flagship OEM customer is never a pleasant public relations move. We think the Polycom-HP deal will hurt Vidyo little in the short term because the HP revenues were not significant, but long term Vidyo becomes less attractive, despite its interesting and unique SVC technology.

Radvision Reports Q1-2011 Results

Radvision reported some interesting financial results for Q1. **Total revenues of $20.7M were down just 0.2% compared to Q1-2010** despite the loss of a huge amount of revenues from the company's dying Cisco OEM relationship. The Cisco effect also impacts Radvision's reported results for North America as can be seen in the table. **Endpoint revenues are up about 7% sequentially**; the company began shipping video endpoints about one year ago.

RVSN	Q1-10	Q4-10	Q1-11	Sequential Growth	Annual Growth
Products	$16.8	$22.6	$15.9	-29.6%	-5.1%
Technol	$4.0	$4.0	$4.8	19.1%	20.3%
Total	$20.8	$26.6	$20.7	-22.2%	-0.2%
NA	$11.9	$10.9	$8.1	-25.6%	-31.8%
EMEA	$4.8	$8.8	$5.6	-36.0%	16.7%
Asia	$4.0	$6.9	$7.1	2.3%	74.8%
Op Inc.	($4.27)	$1.50	($3.53)	NA	-17.4%
Infrastruct	$16.0	$17.7	$10.7	-39.7%	-33.2%
Endpoints	$0.8	$4.9	$5.2	6.9%	555.0%

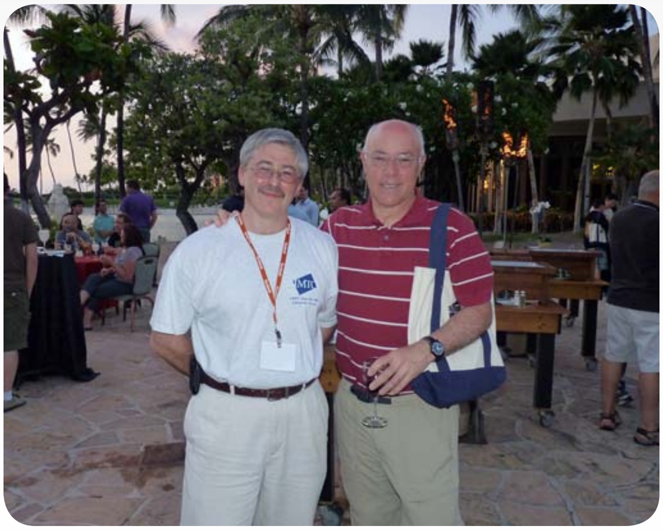




Vaddio Launches ProductionVIEW

Bringing a new level of control to video environments, Vaddio has launched **ProductionVIEW HD MV processing technology** that adds multiviewer capabilities and digital inputs/outputs to classroom and boardroom control systems. Combined with the company's new TeleTouch Multiviewer Touch Screens, customers can switch easily all live feeds and create up to 12 "video thumbnails" of preset shots just by touching the monitor. The video thumbnails provide an easy way to identify and recall preset camera positions on a per-input basis in the preview window.

IMTC SuperOp Breaks New Ground



The **2011 SuperOp** session in Hawaii two weeks ago broke new ground with interoperability session scheduled around the TIP protocol for video interop and around voice over LTE (VoLTE). Picture a hundred engineers staring intently into a myriad of computer displays and comparing test results via logs and notes. We had a chance to visit the event, meet with some of the participants who came from all over the world, and to see our first LTE base station in action courtesy of those friendly folks from Huawei. While the results of the test sessions are confidential, the results from the social event are not. For more, you can read **Anatoli Levine's blog**.

VoIP and 8x8

We recently completed an evaluation of an interesting VoIP service from 8x8. Results of WR's evaluation of 8x8's **Virtual Office Pro**, a hosted PBX / VoIP phone service / unified communications (UC) and web conferencing service offering **can be found here**.

IMCCA at InfoComm

The IMCCA will be running a full session on video and telepresence again this year at **Infocomm**. Our own Ira Weinstein will be moderating a panel on **Telepresence & HD Realities June 15 at 230pm in room 314B**. The discussion will investigate some of the key directions the major manufacturers are taking and reactions from end-users as they explore the impact on their business (and whether there are in fact any "realities." Thursday is the IMCCA's "telepresence day."

News in Brief

- **Providea Conferencing, LLC** announced today the formation of Providea Conferencing Limited, UK and the opening of an office in Buckinghamshire. This is the first Providea office outside the USA.

- After one year of collaboration, **VisionsConnected and TotalPresence vNOC** confirmed their strategic collaboration. The parties jointly deliver 'Video-as-a-Service' (VaaS) in Brazil and Latin America. Customers are supported in English, French German, Portuguese and Spanish. The joint portfolio includes a Microsoft OCS Gateway and a Telepresence Exchange Service.

- **Glowpoint** reported Q1-2011 revenues of $7.0M, up 7% from Q1-2010. Managed services revenues were $3.1M, up 33% year over year. Separately, the company announced a strategic relationship with **Avaya** to develop and offer managed services that support multi-vendor/cross-protocol video environments. And separate from that Avaya announced its newest solution for UC for mobile employees – with support for selected Android, iOS, and Blackberry devices.

- Korea-based **Haeden Bridge** has closed deals with three of the biggest financial services companies in Korea for TOMMS FACTORY supporting two-way IP multimedia multicasting.

- **Sennheiser** announced that its OfficeRunner wireless DECT headset has successfully completed interoperability and certification testing by Cisco, Polycom and Avaya.

- **ooVoo** announced that its eponymous videoconferencing service will soon run on the iPhone, iPod touch, and iPad, after approval by iTunes.

- June 8, 2011 has been declaed **World IPv6 day**. *Don't miss it.*

- Norway-based **Media Network Services** announced that UK-based Touchline Video will become a distributor of MNS' Global Video Conferencing Network Service.

- Our erstwhile competitor the **Human Productivity Lab** has launched *Telepresence Options Magazine*. They have also published a 2011 Yearbook.

- We've covered the **AV Global Alliance** in previous issues of this newsletter. We have recently learned that the Alliance has expanded into Benelux and Hungary with the recent additions of Bis and StreamNet.

Thanks for the hospitality!

In the last few weeks, WR was fortunate enough to attend several open houses and technology showcase events, including:

- **Cisco –** Cisco hosted a live concert featuring singer-songwriter-guitarist Jewel. One could easily argue that those fortunate enough to attend via Cisco Telepresence (including those of us in the Atlanta suite) enjoyed a more "in-person" and intimate experience than many of the local concert-goers. Kudos to Cisco for demonstrating the power of this technology, and of course the amazing vocal range of Jewel.

- **Telaid –** We attended an open house at Telaid's new emerging technology demo and fabrication center in Norcross, GA. For those unfamiliar with Telaid, this is a 200+ employee firm focused on multi-location deployments of technologies including routers and switches, audio-visual equipment, digital signage systems, and videoconferencing solutions. In order to quickly and cost-effectively process medium to large scale projects, Telaid has automated every step of the equipment procurement, configuration, verification, and shipping process.

- **AVI-SPL –** WR attended a demo of the company's "Caméléon" offering. Caméléon is a multi-codec (telepresence) solution that leverages off-the-shelf videoconferencing codecs from leading vendors (Cisco / Tandberg, LifeSize, Polycom, etc.) to provide an exceptionally high quality, standards-based visual collaboration experience. Caméléon was designed for installation into existing conference rooms. Fully equipped systems start at a list price of only US $159k.

People & Places

- **StarLeaf**, Jim Christopoulos, Director of Sales Americas, Hadar Carmel, Director of Sales EMEA
- **AVI-SPL**, John Vitale, VP of Products
- **Polycom**, Joe Burton, Executive Vice President, Chief Strategy and Technology Officer, and GM Enterprise and Service Provider, has left the company; Sean Lessman, CTO Global Public Sector, Bruce Zieper, Director, Product Management
- **proAV**, Steve Curling, Unified Communications Sales Head
- **IMCCA**, Ken Scaturro, Vice Chairman
- **Providea**, Clare Ryan, Manager of Sales and Operations for the UK entity.

WAINHOUSE RESEARCH
COLLABORATION SUMMIT 2011
Philadelphia, PA

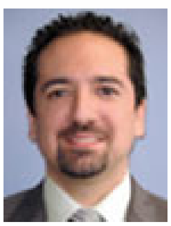
Our eleventh North American Summit will focus on emerging technologies and solutions in both the product and services space and the business and technology trends that are shaping the industry.

Details and registration are now available at www.wainhouse.com/philly2011.
For general queries contact **Richard Norris,** richard@wainhouse.com.
For sponsorship opportunities contact **Mark Gotta**, mgotta@wainhouse.com.

When: Tuesday - Wednesday, July 19 & 20 2011
Where: Doubletree Hotel, Philadelphia, PA

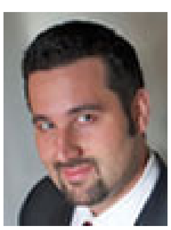
Come hear these great presentations:

Ismayeel Syed
Aviva Insurance
Integrating videoconferencing and streaming with Microsoft Lync for 50,000 desktops.



Mauricio Vicente
Language Svcs Assoc.
From desktops to tablets and robots: Creating a Video Interpreting Service Across Enterprise Boundaries

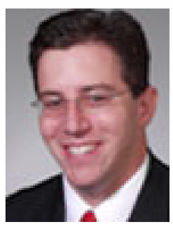
Alan Greenberg
Wainhouse Research
The changing face of campus technologies in higher education



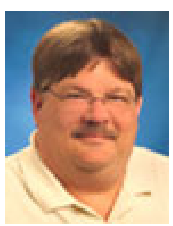
Ben Fineman
Internet2
Opening the Floodgates: Visual Communications With Unlimited Bandwidth

Mirril McMullen
Pfizer
Developing a videoconferencing services strategy

Charles Kazelik
Arizona State University
Bugs Welcome - moving VC out of the classroom and into the jungle.

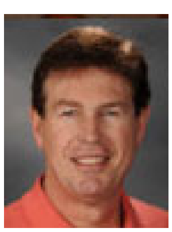


Zachary Davis
Stevens & Lee
Legal Issues in Telecommuting



Russ Cary
SAS
From Telephony to Video and to the Network and Back: Global UC experiences.

Brian Buck
Cardinal Health
Lights, Camera, Action: How Social Video is Positioned to Change the Face of IT and Corporate America



E. Brent Kelly
Wainhouse Research
Unified Communications: The State of the Hosted UC Market

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The Summit will be streamed LIVE and for FREE by the media services arm of our gold sponsor York Telecom.
Stay tuned for information on how to register for the webcast.

One on One with York Telecom President, David Phillips

WRB: Welcome back. You've been out of the videoconferencing industry, as far as I can tell, for about two years. What were you doing in the wilderness?

DP: Thank you Andrew, It's good to be back. Actually it's two years to the day since leaving Polycom and joining York. Having taken the customary couple of months to travel, do a little writing and make a serious dent in the "honey do" list I found myself inextricably drawn to two areas . First, codifying what it takes to drive extraordinary growth in a business. I won't get in to details here but it's amazing how many companies are under performing along the revenue growth dimension because they simply don't understand how to truly leverage their sales function. I undertook several consulting projects in this area which already bearing fruit. Second, as the industry consolidates at a vendor level and as end user awareness increases it occurred to me that there was an opportunity to leverage visual communications at the value added reseller level. I developed the proposition with some leading private equity firms and maintained relationships with most of the traditional and some nontraditional resellers. So, bottom line – I've actually remained active in the industry if somewhat below the radar.

WRB: What drew you to take the President's position at York Telecom?

DP: As I mentioned, over the last few years I had the privilege of talking to virtually all the principals of the well-known businesses in this space. All impressed me in my Polycom days as partners and the way they've managed to grow their businesses during the past few years. One in particular stood out for me however for its people and its position in the market. In chatting with Ron (Gaboury) over the past 6 months it became obvious that this was a well-positioned and ambitious company. When Ron broached the idea of joining him and York Wang to help them take the company to the next level, it was simply too good an opportunity to turn down.

WRB: I see from your www.phillipsholdings web site that you actually published a few opinions and predictions about the videoconferencing industry early in 2010. Maybe it's too early to tell, but as you look back on those, do you think you were right?

DP: Well I didn't predict that Polycom shares would top $50 so I definitely lost out there!! More seriously Cisco buying Tandberg literally changed the dynamics of the industry. From competing on a more or less equal basis Polycom was now heavily outgunned in everything from R&D to market coverage and relevance. My view then was that once Cisco integrated the business and got some real momentum going they'd be very hard for Polycom to compete against particularly as part of a broader UC strategy. I think I predicted a "day in the sun" for Polycom of 18 -24 months before market share began to be chipped away by Cisco . I think the jury is still out on that although two things have occurred which may distort that view. Firstly, Cisco appears to have lost a little direction as evidenced by the recent announcements and so the "telepresence" business has not taken the ascendancy I think most people expected. Secondly, Polycom have risen to the challenge and produced some great results whilst reinventing themselves as a UC provider. The markets certainly liked it, but I still think they have their work cut out in the future particularly as Avaya and HP enter the fray and a whole host of disruptive technologies like Vidyo and Skype gain credibility. Not sure how Logitech will eventually leverage their Lifesize investment but that could also be a factor.

WRB: Ok, back to York for a minute. I know the company does more than just resell videoconferencing systems, but what % of YTC's business revenues are videoconferencing related?

DP: So, York is a company with a very solid business and a great reputation in federal government and with some very large enterprise customers in the videoconferencing managed services business. Unlike many companies in the reseller community, YTC has focused on delivering a world class visual communications experience to customers and that means, that by design, YTC has avoided the temptation to expand to any material extent into AV or IP telephony. So, to answer your question, the majority of revenues are generated from an almost pure play videoconferencing and related activities.

WRB: As a channel partner, you have unbiased insights into several of the videoconferencing vendors. What do you see as today's strengths for Polycom, Radvision, Cisco, and Logitech.

DP: At the risk of incurring the wrath of those whose worlds revolve around products and features, I think each of the vendors' offerings look much the same to end user customers now. Notwithstanding the aesthetics of the various multi-codec environments, all the suppliers have conquered the issues that plagued the industry for years. HD and IP have transformed the industry from high cost, variable quality being sold at a tactical level to a C-level strategic sale as part of a broader ecosystem. It's the value proposition that is central to the acquisition of the technology not the technology itself. I again come back to coverage and relevance which ultimately is a feature of size and market positioning. For a partner , Polycom and CISCO remain the leaders on that basis although both Avaya and HP need to be considered for the future.

WRB: What are the major challenges facing YTC today? What keeps you up at night?

DP: Transforming a business is hard but the culture here is tremendous and the intellectual capacity of the people is amazing. All that keeps me up is thinking about how to take advantage of the fantastic opportunity and do the best I can to make York the best it can possibly be. I take very seriously the responsibility of taking over the reins at a Company that has done very well in the past and has such potential for the future. I certainly don't want to screw it up.support and infrastructure would allow us to offer a consistent enterprise-level of service to our customers in all their offices, but with the personalized feel and attention of a local provider. Another area where we differentiate is our DNA as a service provider, not a carrier or a technology inventor. We always see ourselves as packagers of technology into easy, user friendly and solutions-oriented business services. I know a lot of companies claim that as well, but customers can really feel the difference when providing service is part of your culture and not a necessary evil to sell your technology. I notice a lot of companies promoting how many PhD's they have in-house. The statistic we like to promote is that 70% of our employees are in customer-facing roles.