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FROST & SULLIVAN
GROWTH LEADERSHIP AWARD

BEST PRACTICES RESEARCH

digium™
The Asterisk Company

Contents

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2012 Global Growth Leadership Award in the SMB Communications Platforms Market to Digium.

Significance of the Growth Leadership Award

Key Industry Chal lenges Addressed by Superior Growth Leadership

In the current global economic climate, investments in communications technologies must be justified with the ability to increase sales and reduce costs. Frost & Sullivan notes that price still weighs heavily among small and medium-sized businesses' (SMB) purchasing criteria, as they typically have very limited IT resources. Tight SMB budgets and the existence of other investment priorities frequently curtail the implementation of advanced communications solutions.

Furthermore, the ongoing challenge of addressing ever-changing customer needs and evolving market trends poses a heavy burden on communications vendors to continually enhance their products and solutions in order to keep up with demand and withstand competition. SMBs, in particular, are looking for technologies and tools to help them consolidate their communications infrastructure, integrate applications, and reduce the cost and complexity of ownership. Vendors are responding by developing IP communications solutions that consolidate infrastructure components and simplify deployment and administration, while at the same time providing end users with access to various advanced applications. Some of the most significant technology trends impacting the communications market today include mobility, consumerization, unified communications (UC), communications-enabled business processes (CEBP), virtualization,

and cloud computing. Managing these technology trends and satisfying shifting business requirements represent key priorities for communications vendors targeting the SMB market.

Last, but not least, continued price erosion due to new technological advances and competitive pressures is impacting vendor revenue and limiting the overall growth potential in the SMB communications market. Frost & Sullivan points out that the increasing usage of consumer centric solutions has become a serious competitive threat to SMB communications vendors, deterring adoption of business-grade communications solutions. Furthermore, new entrants are constantly emerging, expanding customers´ choices both in terms of products and delivery models, and frequently causing further price declines.

Vendors are addressing these challenges by adding more functionality to their IP communications and UC platforms to include advanced conferencing and collaboration applications, mobility support, instant messaging, presence, video, integration with consumer-based technologies, virtualized infrastructure components, and integrations with other communications and business applications. However, while challenges abound, significant growth opportunities exist as well. A recent Frost & Sullivan independent study revealed that 70 percent of the world SMB organizations are still using legacy communications infrastructure. The same study revealed that around 50 percent of these users are considering implementing advanced IP communications within the coming two to three years.

Having a growth leadership position in a challenging, but rapidly growing, market is a clear evidence that the company has effectively overcome market challenges and has executed strategies that have allowed it to consistently grow year over year. Continued growth also demonstrates that the vendor has been flexible enough to adjust its course in accordance with changes in customer priorities. A growth leadership position is very well perceived by customers that seek investment protection and a solid partner. Furthermore, a growth leadership position demonstrates that the company has a strong vision for delivering greater customer value. This market position inspires customer trust, which translates into more loyal buyers. Finally, growth leadership increases company visibility by helping position product portfolios more successfully among decision makers and end users.

Best Practice Award Analysis for Digium

The Frost & Sullivan Growth Leadership Award is presented to the company that has demonstrated excellence in capturing the highest annual compound growth rate for the last 3 years.

Digium's Performance in SMB Communications Platforms Market

Frost & Sullivan is quite pleased to recognize Digium with the 2012 Growth Leadership Award for its outstanding performance in the SMB communications platforms market. Over the last three years, Digium has experienced impressive growth in the enterprise communications platforms market, reporting more than 30 percent compound annual growth rate (CAGR) in terms of Switchvox revenue. This achievement has not only positioned the company as one of the top SMB IP PBX vendors in the world (the company primarily sells to the SMB space), but also as a major competitor in the overall enterprise communications platforms market. Today, revenues from the Switchvox solution represent the fastest growing part of Digium's business. Digium's success with Switchvox is commendable, considering the increasing competitive pressures in the SMB communications market.

Digium has achieved this leadership position through by offering a competitive all-in-one solution, stimulating an open, customizable, and flexible environment among customers, growing its channel partner ecosystem, and continually building upon Asterisk's popularity.

Key Performance Drivers for Digium
Offering a Competitive All-on-one Solution

Switchvox is a powerful IP communications system for SMBs looking for a business communications UC solution. With an average count of over 40 users per system, Digium´s Switchvox integrates telephony with advanced UC features such unified messaging, conference bridge, fax server, instant messaging, presence, video calling, mobility, call queues, recording and monitoring, reporting, and call logging software functions onto a single rack mount or desktop appliance. All of these applications can be accessed via the highly customizable Switchboard UC client that provides every user with a personalized

view of their communications environment and tools. The latest Switchvox release provides mobile device integration with complete Fixed Mobile Convergence (FMC) capabilities for every user of the system; a new user interface for Switchvox that scales more easily to larger applications; advanced reporting and logging for call queues; and mobile applications for Android (in addition to the iPhone and Blackberry).

Besides offering a comprehensive SMB communications solution, Switchvox differentiates itself from the competition through its very competitive pricing. The solution does not require any extra add-ons to support mobile applications, conferencing, recording, reporting, call queues, unified messaging, and the Switchboard. All features are included for every user. Digium's UC platform includes the server hardware, the base software plus subscriptions for each user seat. For example, the Switchvox 305 (the company's intermediate model built for up to 150 users) lists for $4040 with all software and hardware components. The user subscriptions are $70 each for the initial year with an $11 renewal for each year for four years. Software maintenance is $500 for one year or $1,500 for four years. The server comes with a one-year warranty and extensions are available at an economical additional charge. To further extend its portfolio, Digium released new Digium phones in 2012, specifically designed to work with Asterisk and Switchvox platforms.

Extending Switchboard to the desk phone and having the tightest integration with Switchvox, Digium IP phones do not require a phone feature pack or extra licensing for features, making the devices very appealing in terms of total value for the cost. Digiums pricing model is quite attractive for SMB customers that continuously seek the best value in their IT purchases.

Stimulating an Open, Customizable, and Flexible Environment

As a proponent of open-source technologies, Frost & Sullivan is of the opinion that Digium understands the value of open standards that enable interoperability among multiple vendors. Switchvox can integrate with other platforms and networking technologies easily, as it is built on open standards. Customers are not locked in to one vendor for their phones,

networking hardware, gateways, or SIP trunking services. They can purchase the solutions that will best support their business needs. This interoperability provides Switchvox and Asterisk users with multiple options when deploying their IP communications systems.

Since Switchvox is Web-based, users can run it on any platform, which provides additional value to users. Its open APIs allow customers or value-added resellers (VARs) to easily create hooks to various Web applications (there are over 300 API integrations available today.) Thus users and channel partners can solve specific problems without the cost and hassle of complex tests and trials and the need to invest in third-party technologies.

Furthermore, Switchvox end users enjoy greater flexibility in terms of customization and personalization of he user interface. The Switchboard allows users to create a personalized view into the end-user call queues, phonebooks, third-party applications, Google Maps, and social media panels. The end user can also easily access call rules, incoming faxes, and voicemail messages.

Growing its Channel Partner Ecosystem

Digium employs a two-tier distribution channel with over 30 world-wide distributors and over 1,700 world-wide partners, accounting for approximately 70 percent of Switchvox sales. The company primarily sells through VARs, system integrators (SIs), and direct marketers (DMRs). As the company increases its focus on indirect sales, it has structured its direct sales force to support its channel by pre-qualifying leads and creating opportunities for partners. The company also continually refines its marketing and sales efforts to generate more leads, appropriately segment its leads, and follow up on the leads to create more sales opportunities. Digium nicely increased its overall partner base by 70 percent in 2011.

Building Upon Digium's Asterisk Popularity

Since its inception in 1999, Frost & Sullivan feels that Digium has been one of the most innovative companies in the enterprise communications market and has come to be recognized as a major competitor by other leading market participants. Founded by Mark Spencer, the creator of Asterisk, the industry's first open-source telephony platform, Digium

has gained both mind and market share by making the Asterisk code available to a large community worldwide to develop their own applications and solutions. Digium has created awareness for its technology and has helped develop a pool of open-source experts that contribute to the continued enhancements of the technology. Digium's Asterisk strategy and the creation of the open-source ecosystem is, in essence, a unique business process that helps businesses to have their own tailored IP PBX in a very cost-effective, yet large-scale manner.

Today, a number of metrics demonstrate the efficiency of the Asterisk Community. For example, Digium reports over 68,000 active participants on the Community's forums, discussing over 34,000 topics through over 109,000 posts. It also claims over 900 active contributors and over 9,800 developers over the lifetime of the project. Finally, Digium claims over 2 million downloads of its free software in 2011.

Digium's entrepreneurial competitors have not been as successful as the company in developing such powerful business processes enabling them to continually enhance their technologies, while at the same time increasing market awareness and growing the customer base.

Conclusion

Frost & Sullivan is honored to name Digium as the recipient of the 2012 Global Growth Leadership Award for its impressive growth rate of Switchvox revenue over the last three years. Digium is well positioned to leverage its strength to further expand in the SMB communications segment. In recognition of Digium´s continued focus on delivering best-inclass business IP communications solutions with compelling functionality and competitive pricing, Frost & Sullivan presents Digium with the 2012 Growth Leadership Award.

The CEO 360-Degree Perspect iveTM - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market.

The CEO 360-Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders. The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

CEO's 360-Degree Perspective™ Model

Cri tical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

CEO's 360-Degree Perspective™ Model
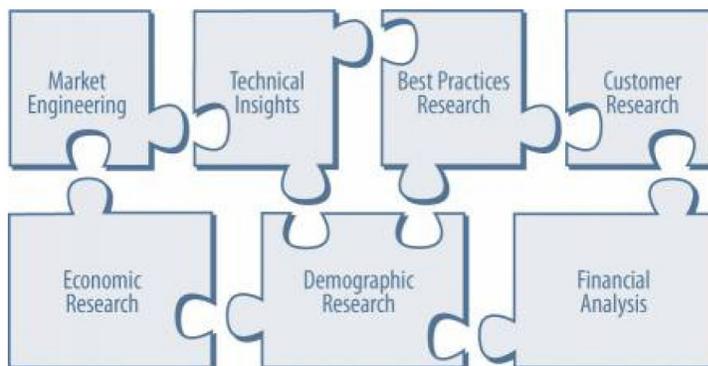
About Frost & Sul livan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.

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