

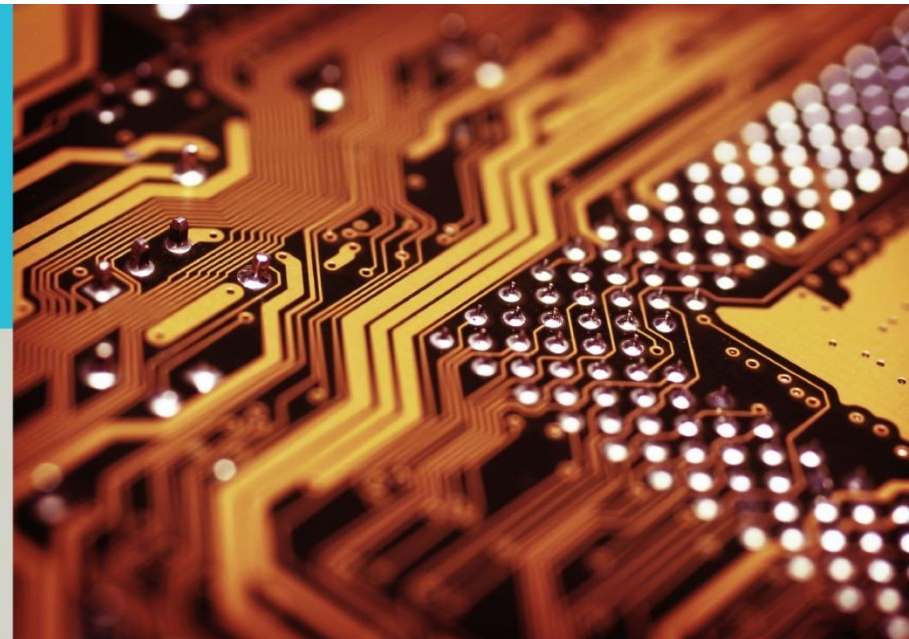
Technology Research
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UCaaS Channel Survey Results

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Please refer to Appendix – Important Disclosures
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Survey Summary



- We surveyed a range of channel partners who participate in UC sales, asking 10 main questions around past and expected sales results, importance of bundled offerings, and more.

Questions

1. Which UC Provider's Products Do You Sell?
2. Which UC Provider's Products Do You Sell The Most?
3. Why Do You Sell The Above Provider The Most?
4. Were You Above, Below, Or In-Line With Expectations This Quarter In Terms Of UC Sales?
5. Would You Say Your UC Sales Over The Past Three Months Are Up, Down, or Flat vs. The Prior Year?
6. What Are Your Expectations For UC Sales Over The Next Three Months?
7. Do You Think You're Taking Share In The Market?
8. When Selling The UC Provider's Products, Who Do You View As Your Primary Competitors?
9. Has The Size Of The Customer You Are Targeting With The UC Provider's Products Changed Over The Past Year?
10. Which Of The Following UC Products Are More Important Relative To A Year Ago?
11. Roughly How Much UC Revenue Does Your Company Generate Annually?

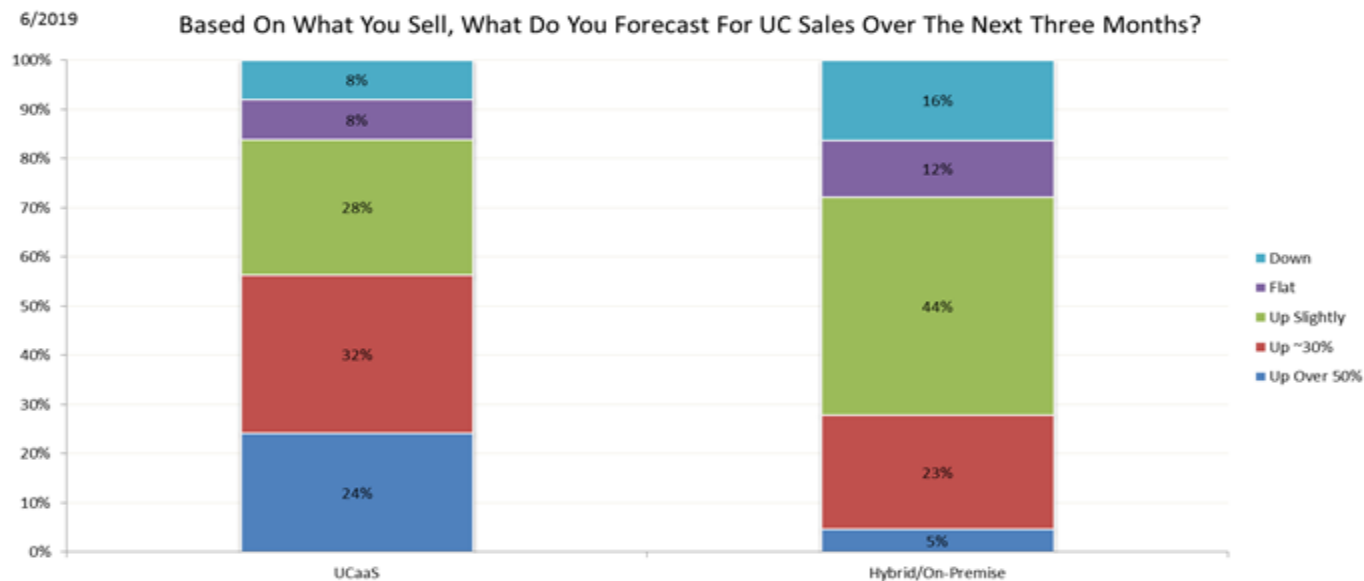
Survey Conclusions

- **The gap is widening between UCaaS and hybrid/on-premise.** The gap between sales expectations for UCaaS vs. hybrid/on-premise solutions widened relative to our December survey. That speaks to the ongoing opportunity for the UCaaS group, including RNG, EGHT, VG, LOGM and ZM.
- **RNG still holds a dominant position.** RNG's presence and success in the channel remains far ahead of its pure cloud competitors in terms of penetration, growth expectations, target customer type, and share gains.
- **RNG's lead could be more sustainable than expected.** It seems solutions that find success in the channel early are stickier than some might have expected.
- **Few results from EGHT, though very slightly better, with VG still muted.** We still receive relatively fewer responses from channel partners that sell EGHT and VG when compared to RNG, though those that do sell EGHT seem to be expecting improving results.
- **Importance of integrated solutions continues to grow.** Partners cited video conferencing and team messaging as increasingly important pieces of the bundle, followed by contact center. We view that positively for the broader group, all of which are pitching combined solutions, with EGHT and VG pitching the broadest wholly owned suites, and RNG still choosing to partner.

Main Takeaway 1 – Widening Gap Between Cloud and On-Premise

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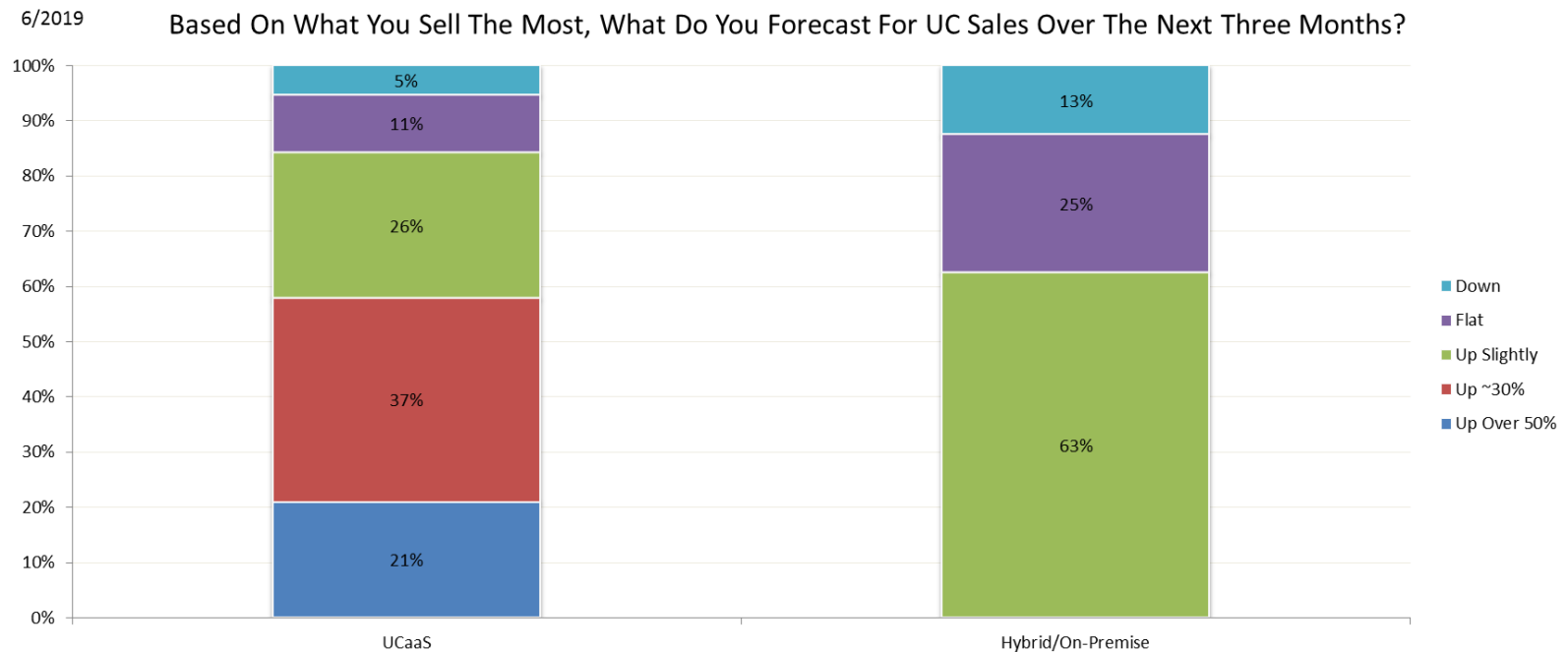
- Partners who sold UCaaS solutions in any capacity clearly expect faster sales growth than those who sell hybrid/on-premise solutions, which is not surprising. But compared to our last survey, the delta between the UCaaS expectations and the hybrid/on-premise expectations widened considerably.
- 56% of partners that sell a UCaaS solution expect sales growth of at least 30%, compared to only 28% of those that sell hybrid/on-premise solutions. That delta (56%-28%) is meaningful greater than the delta of 11% in our December survey
- Likewise, 44% of those who sell UCaaS believe sales will grow below 30%, with that percentage at 72% of those who sell hybrid/on-premise solutions. That 28% delta compares to an 11% delta in our December survey. While magnitude might be less informative, this points to a continuation of strong UCaaS industry trends, with cloud winning at the expense of legacy solutions.



Main Takeaway 1 Continued



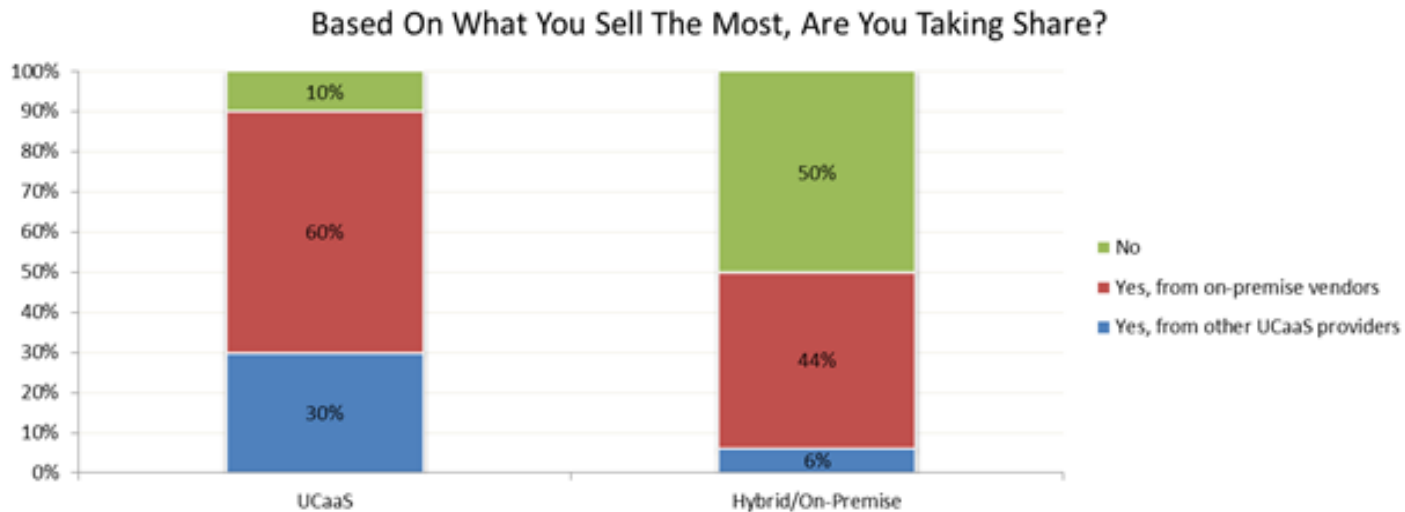
- Likewise, the results are similar when splitting up the data in terms of partners who said they sell a UCaaS provider THE MOST vs. those that said they sell a hybrid/on-premise provider THE MOST.
- The delta between UCaaS and hybrid/on-premise in this survey was 58% vs. 27% in the December survey.



Main Takeaway 1 Continued



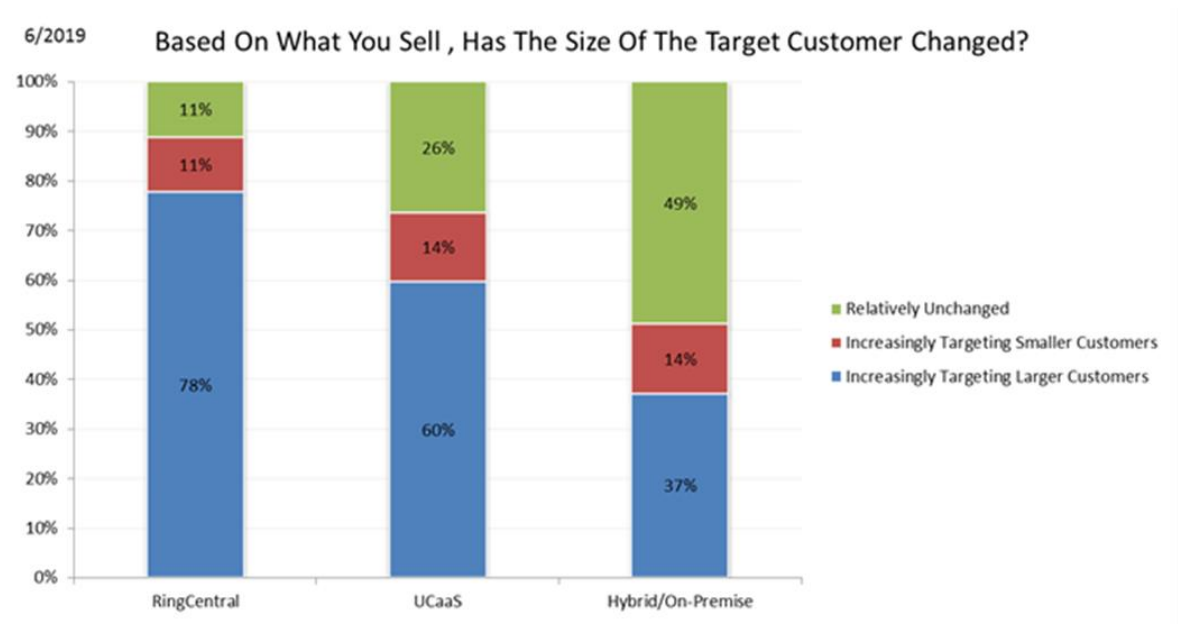
- Partners that sell a UCaaS provider's product the most continue to take share from predominately hybrid/on-premise providers, which is largely unchanged from our December survey. The results from hybrid/on-premise sellers, however, paints a different picture. 50% do not believe they are taking share at all, meaningfully worse than the 18% in the December survey.
- Cloud clearly continues to take share from hybrid/on-premise, a positive for the UCaaS industry as a whole.



Main Takeaway 1 Continued



- In terms of target customers, most partners that sell a UCaaS solution believe they are targeting larger customers with their solutions, while a minority of hybrid/on-premise resellers feel the same way.
- The UCaaS results are consistent with the results from December, but the hybrid/on-premise results are materially worse (37% vs. 61% in December).

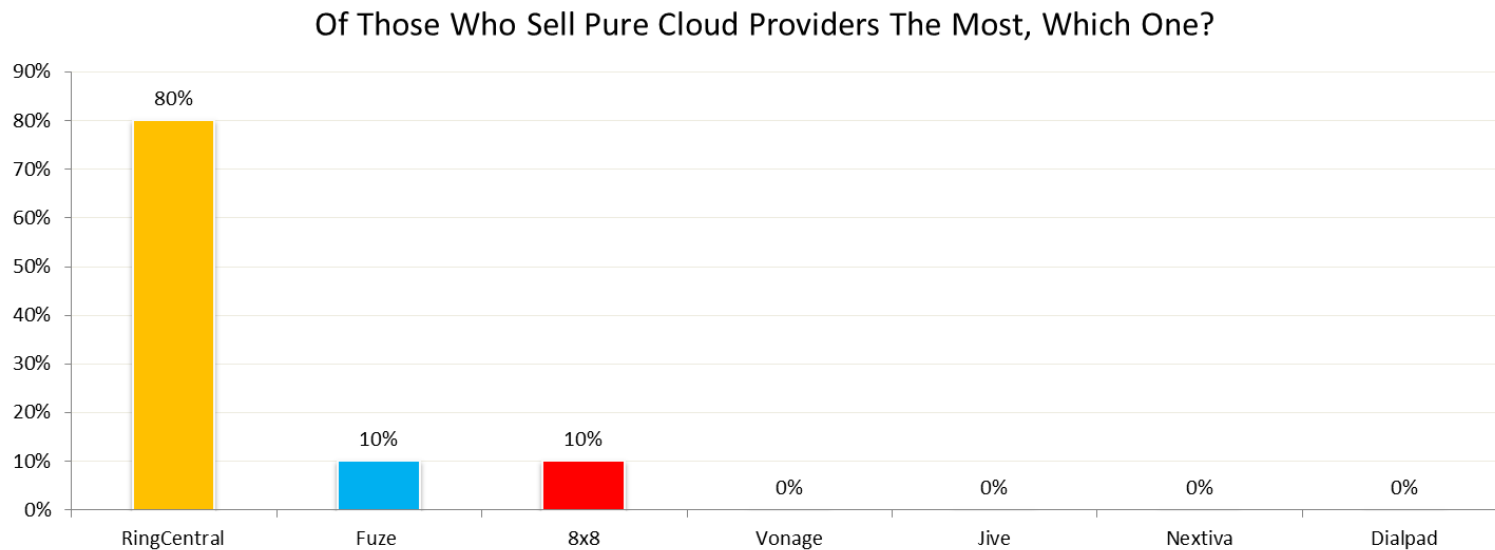
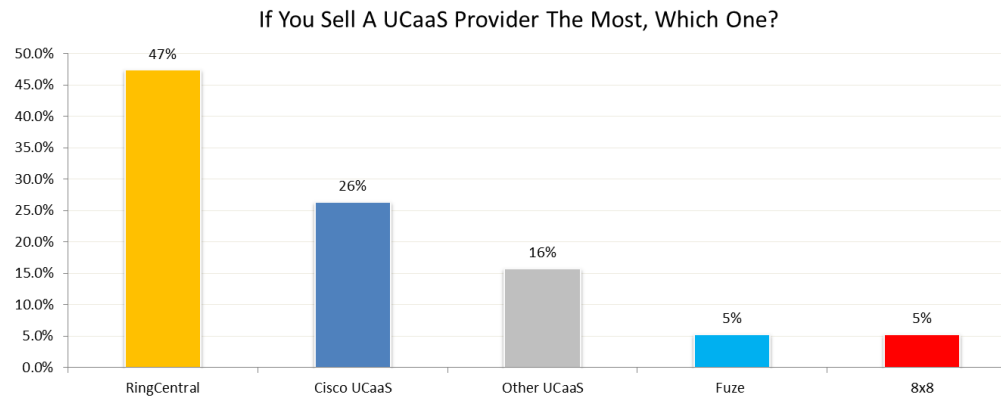


- The chart above also shows RNG resellers on average believe they are targeting larger customers. RNG’s dominant position in the channel is explored more in the following slides.

Main Takeaway 2 – RingCentral Still Dominating



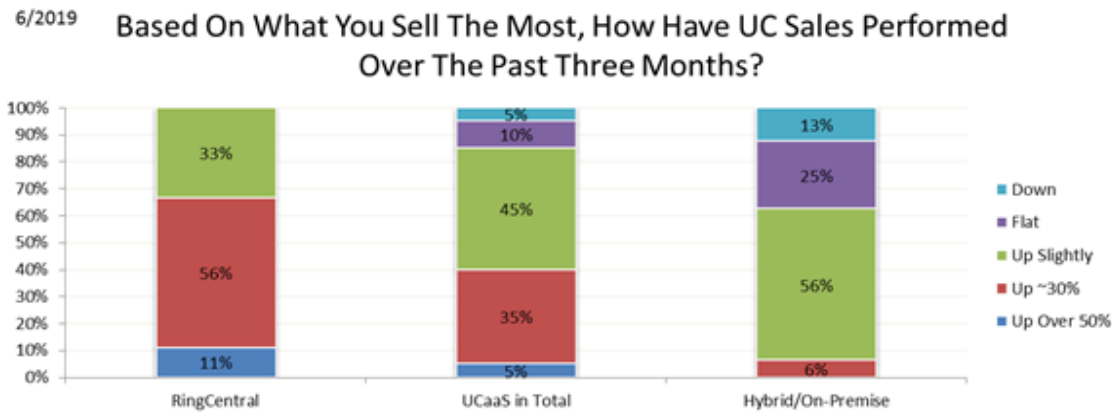
- The vast majority of partners that sell a UCaaS solution said that the provider they sell the most is RNG. These results are not surprising, but solidify our view that RNG’s lead in the channel continues.



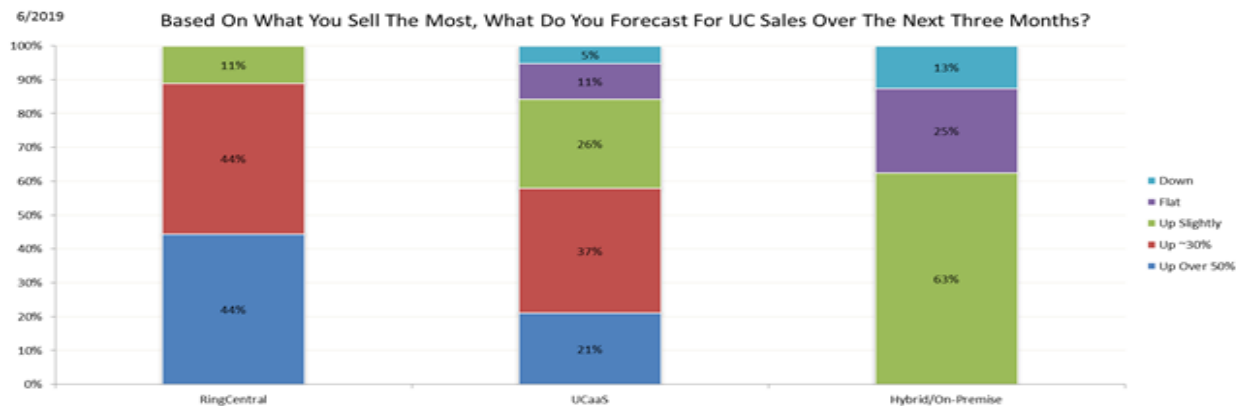
Main Takeaway 2 Continued



- Not only do most partners sell RNG, those partners have had the highest growth by far and expect that to continue. Of those partners that said RNG was the solution they sold the most, 11% said their sales were up 50% YOY in the past quarter, and 67% said sales were up at least 30%.

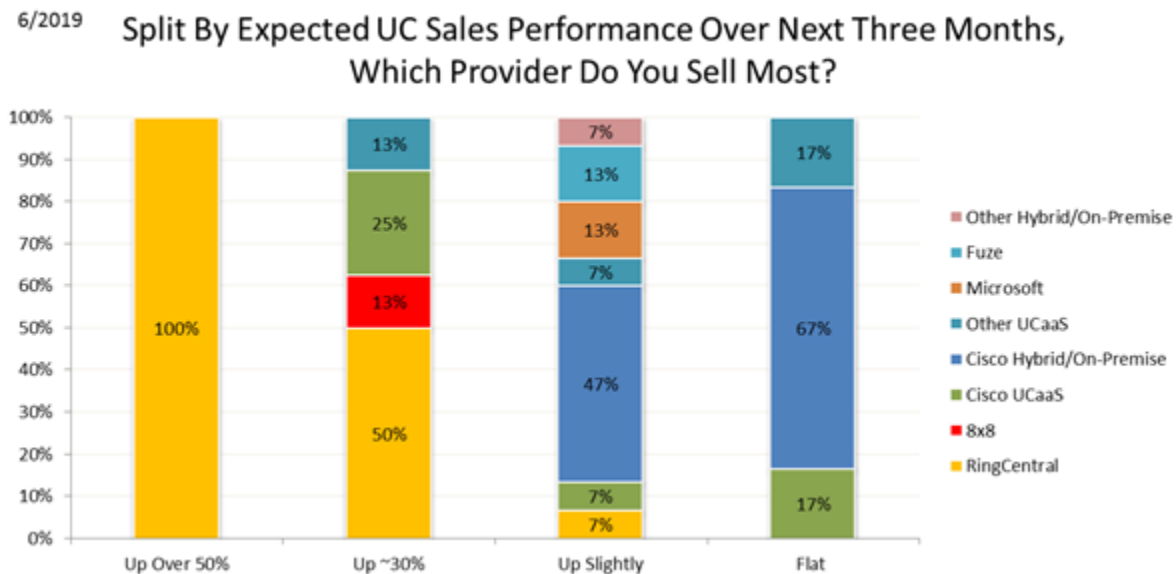


- RNG partners expect superior results in the next quarter relative to other UCaaS providers and especially relative to hybrid/on-premise providers. 88% of those partners who sell RNG the most believe sales will be up over 30% next quarter, compared to 58% for UCaaS sellers and 0% for hybrid/on-premise sellers.



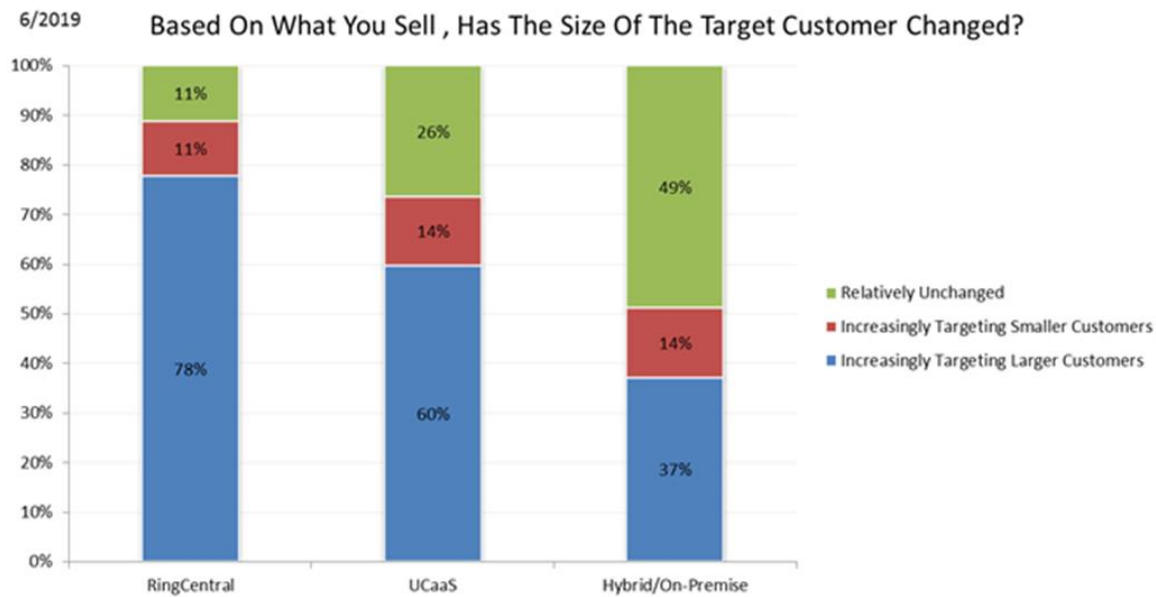
Main Takeaway 2 Continued

- All partners who expect 50%+ YOY growth next quarter said the solution they sell the most is RNG. 50% of those who expect 30% growth also said they sell RNG the most. Clearly, the channel partners that sell RNG the most are also the ones expecting the fastest growth by a wide margin.
- Of note, 13% of those who expect ~30% growth said they sell EGHT the most, an improvement from our last survey. From our conversations with various channel partners, we think EGHT is making improvements in the channel, though it might still be too early to show up more meaningfully in our results.



Main Takeaway 2 Continued

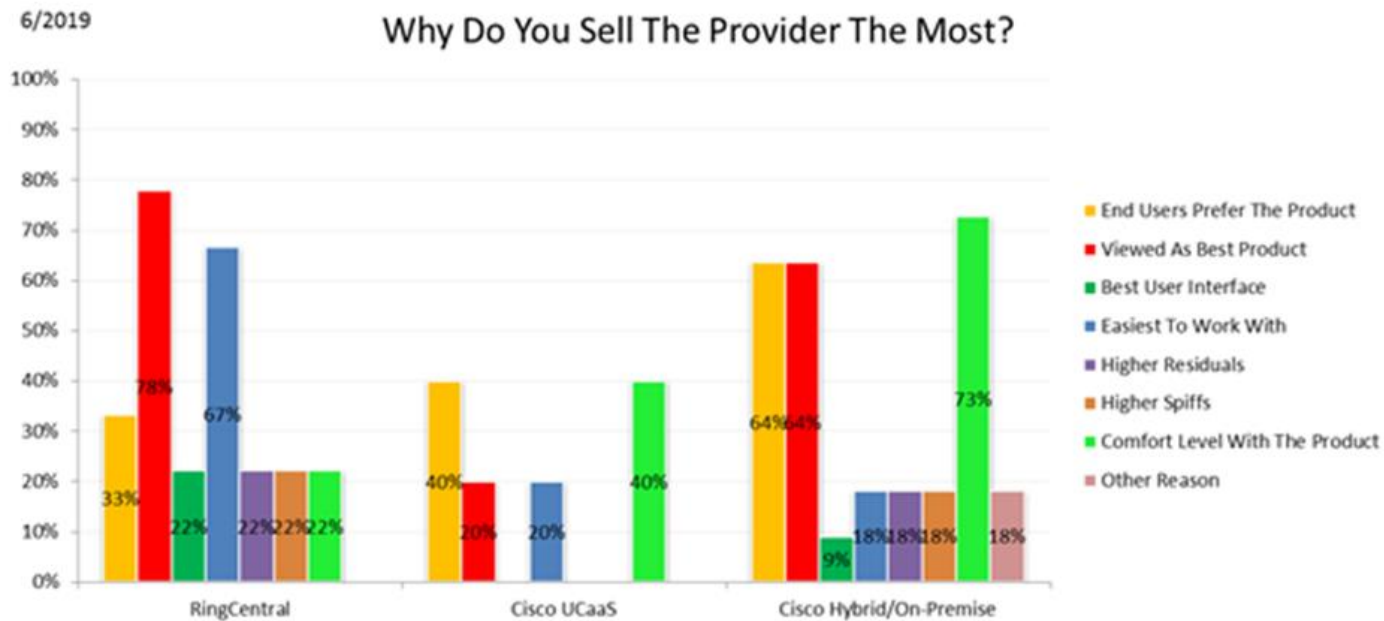
- RNG resellers believed more than any other seller that they are increasingly targeting larger customers. Increasing enterprise adoption is key to continued strong UCaaS growth, and partners seem to be having more success with larger enterprises when selling RNG's solution.



Main Takeaway 3 – Sustainability of RNG’s Lead

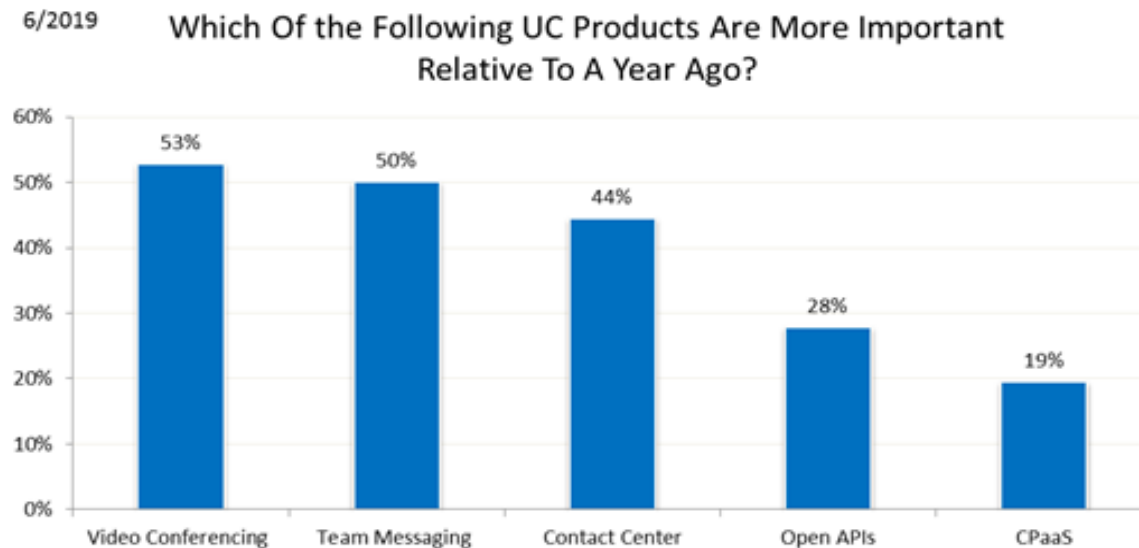


- Most of those partners that sell RNG the most believe RNG is the easiest to work with and is viewed by end users as the best product.
- Interestingly, most of those who sell Cisco hybrid/on-premise the most do so because they are more comfortable with the product.
- It seems that once partners have seen success selling a certain UC solution, they tend to stick with it. Since RNG is currently being sold by far more partners than any of its UCaaS competitors, partners are likely to continue leading with RNG as they continue to gain comfort with the product. There seems to be high inertia and a tendency to stick with what works, especially if it is viewed as the best product and is the easiest to work with.



Main Takeaway 4 – Importance of Integration Solutions

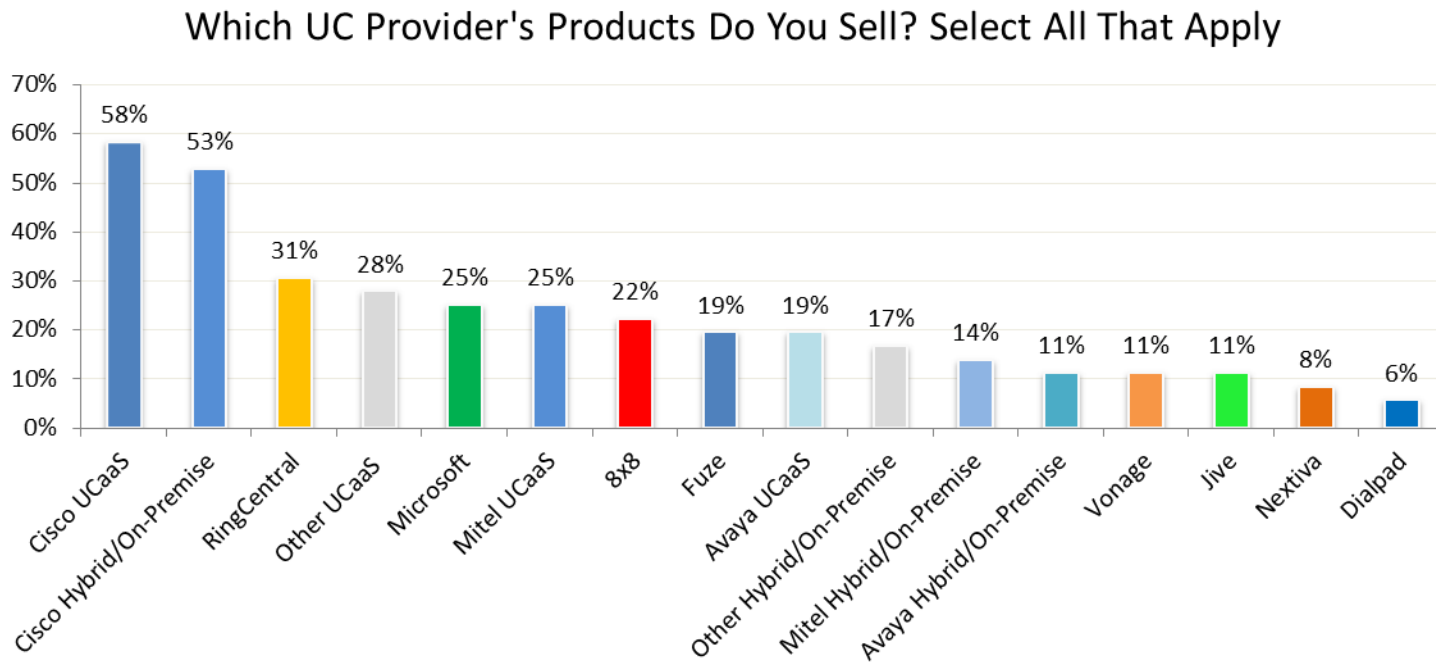
- The majority of partners believe video conferencing and team messaging are becoming more important, with 44% saying contact center is as well. This benefits solution providers that offer a bundled solution, like EGHT, RNG and VG.
- EGHT and VG both own their own bundled stack, and the growing importance of a bundled solution as evidenced by the survey results should benefit them over time.
- LOGM is currently going to market with its own bundled solution ex. contact center, though has expressed interest in adding contact center capabilities in the near term.



Appendix – Results from Each Question



- **Question 1 - Which UC Provider's Products Do You Sell? Select All That Apply**
- 53% of respondents said they sell Cisco's hybrid/on-premise products, with 25% selling Microsoft products.
- RingCentral lead the standalone cloud providers with 31%, followed by 8x8 at 22%, Fuze at 19% and Vonage and LOGM's Jive at 11%

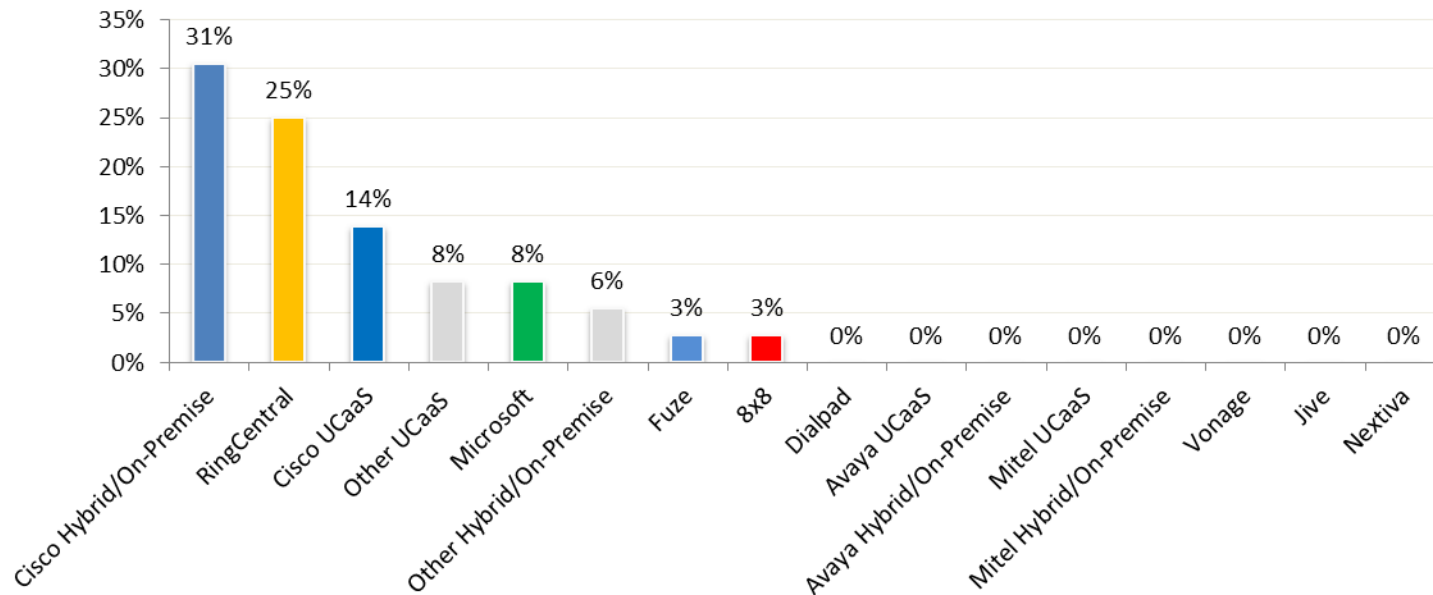


Question 2 - Which UC Provider's Products Do You Sell The Most?

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- When asked which provider they sell the most, 31% of channel partner respondents said they sell Cisco's hybrid/on-premise products more than any other UC products, with 8% selling Microsoft products the most.
- RingCentral again lead the stand-alone cloud providers with 25%, followed by 8x8 and Fuze at 3%. No partners said they sell other stand-alone cloud providers like Vonage, Jive, Nextiva or Dialpad the most.

Which UC Provider's Products Do You Sell The Most?

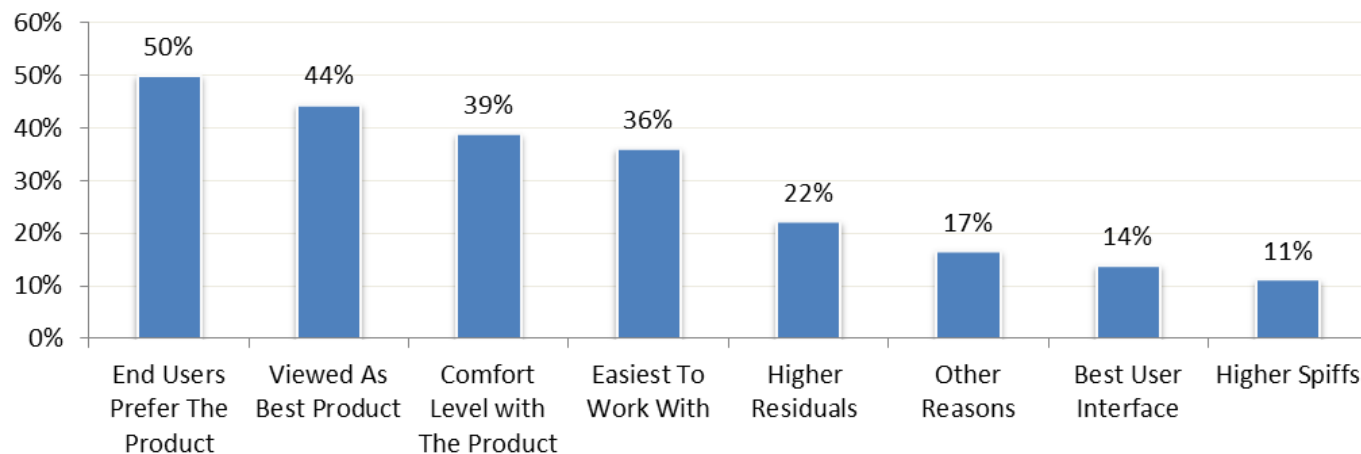


Question 3 - Why Do You Sell The Above Provider The Most?

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- 50% of partners said they sell the provider selected in the previous question because they feel end users prefer the product.
- Interestingly, it seems partners prefer selling superior products rather than products from providers that pay higher residuals or higher spiffs.

Why Do You Sell The Above Provider The Most? Select All That Apply

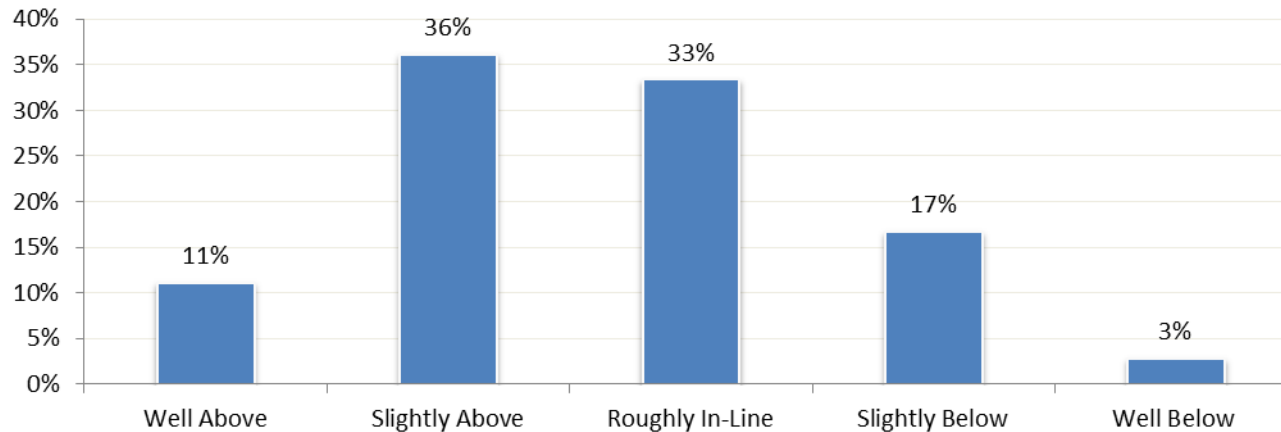


Question 4 - Were You Above, Below, Or In-Line With Expectations This Quarter In Terms Of UC Sales?



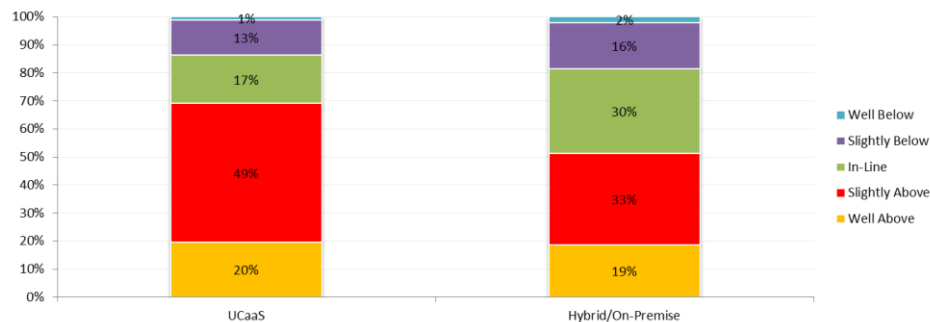
- 47% of respondents believe they were above expectations this quarter, pointing to the strength of the UC industry generally, with 20% believing they were below.

Were You Above, Below, Or In-Line With Expectations This Quarter In Terms Of UC Sales?



- When split between UCaaS and hybrid/on-premise, 69% of UCaaS resellers believe they were above forecast vs. 52% of hybrid/on-premise resellers.

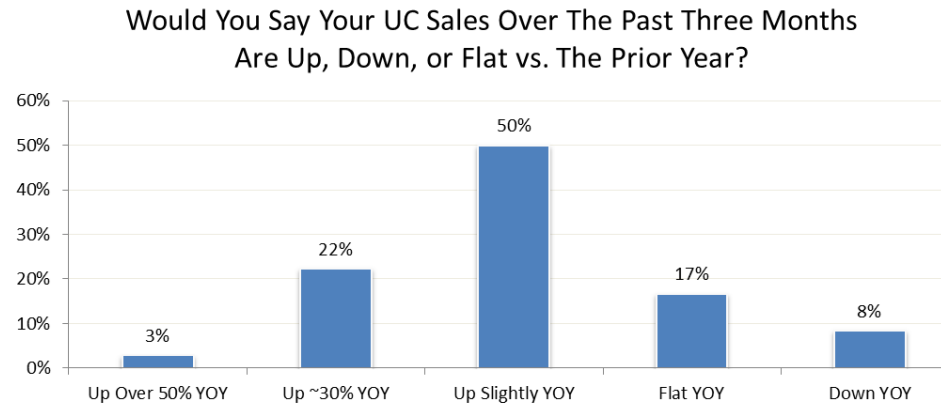
Based On What You Sell, Were You Above, Below, Or In-Line With Expectations This Quarter In Terms Of UC Sales?



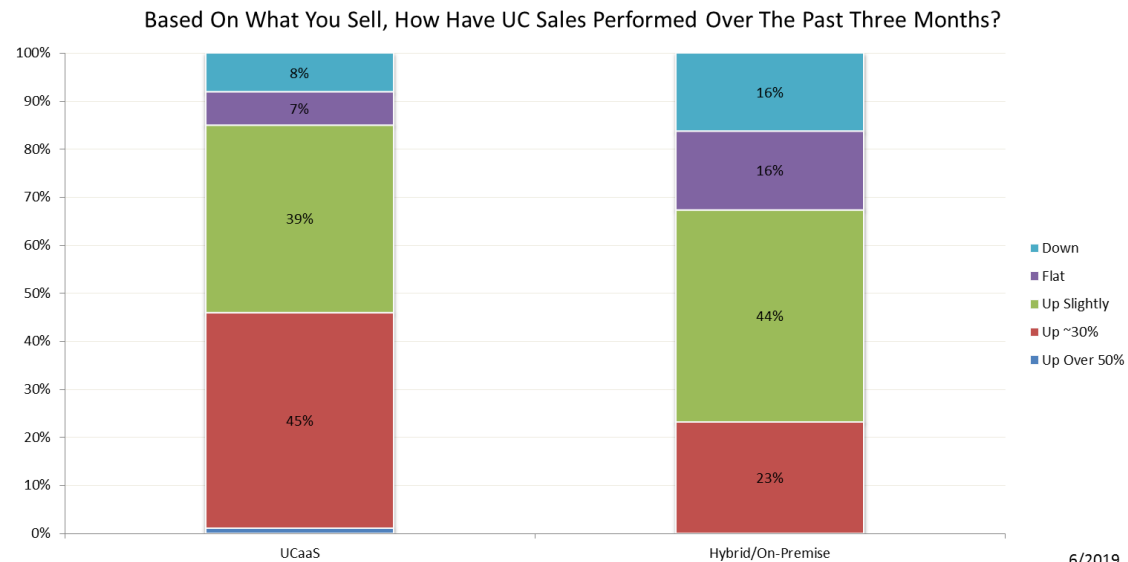
Question 5 - Would You Say Your UC Sales Over The Past Three Months Are Up, Down, Or Flat vs. The Prior Year?



- 75% of respondents believe their UC sales were up this past quarter.



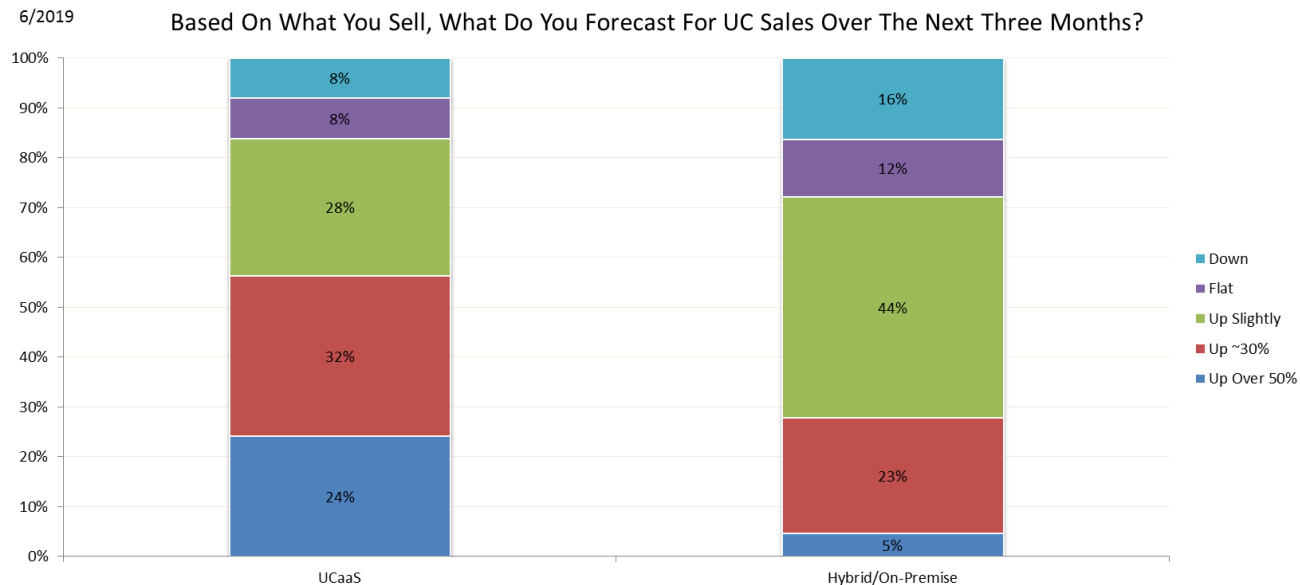
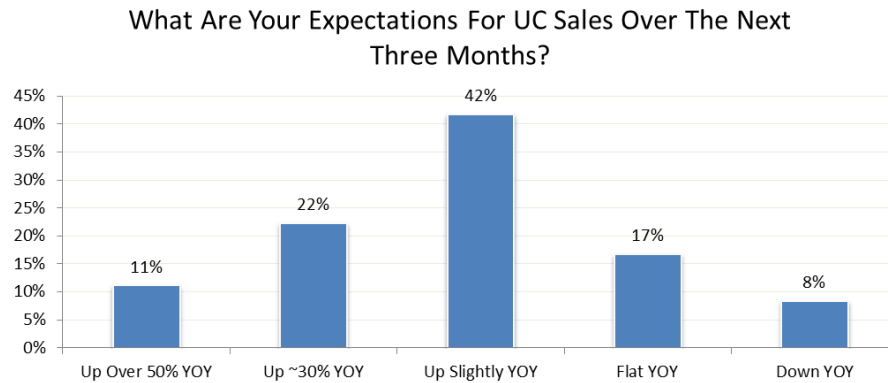
- Again, UCaaS resellers were well above hybrid/on-premise resellers.



Question 6 - What Are Your Expectations For UC Sales Over The Next Three Months?



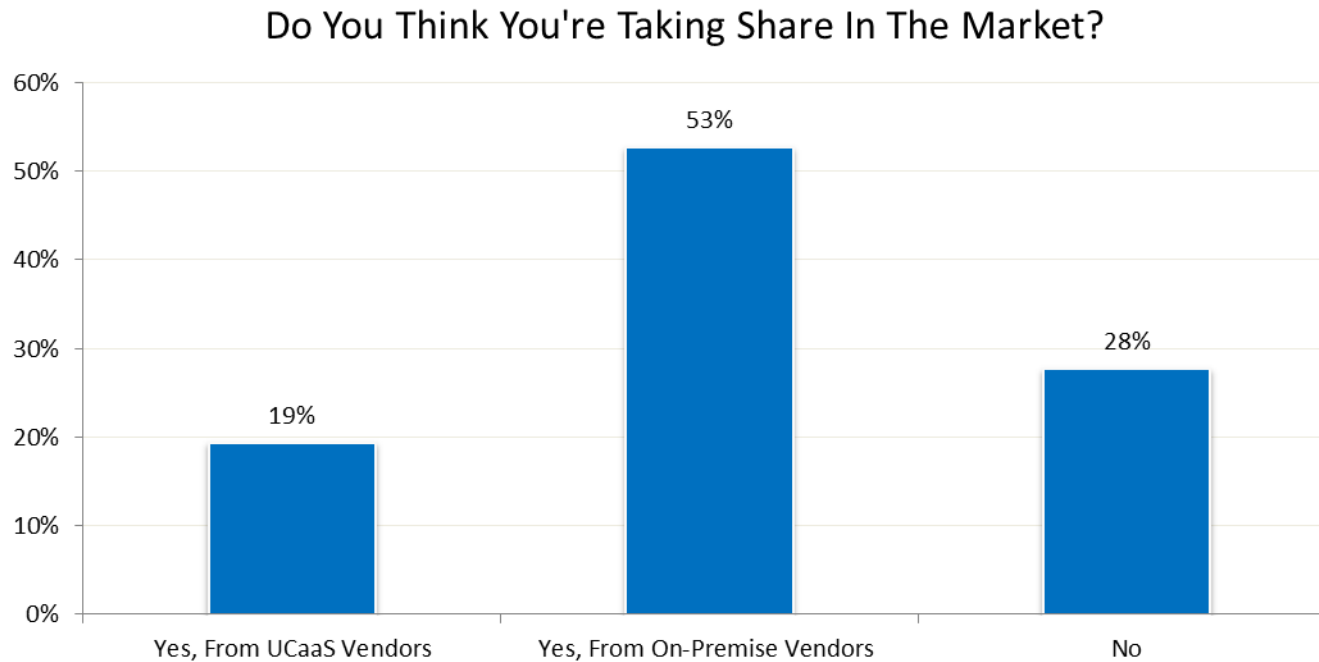
- Expectations improve for the next quarter, with 75% still believing sales will be up, though a larger percentage believe it will be up 30%+ vs, just slightly.



Question 7 - Do You Think You're Taking Share In The Market?

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- Most resellers do believe they are taking share in the market, though the majority believe the share is coming from on-premise providers.

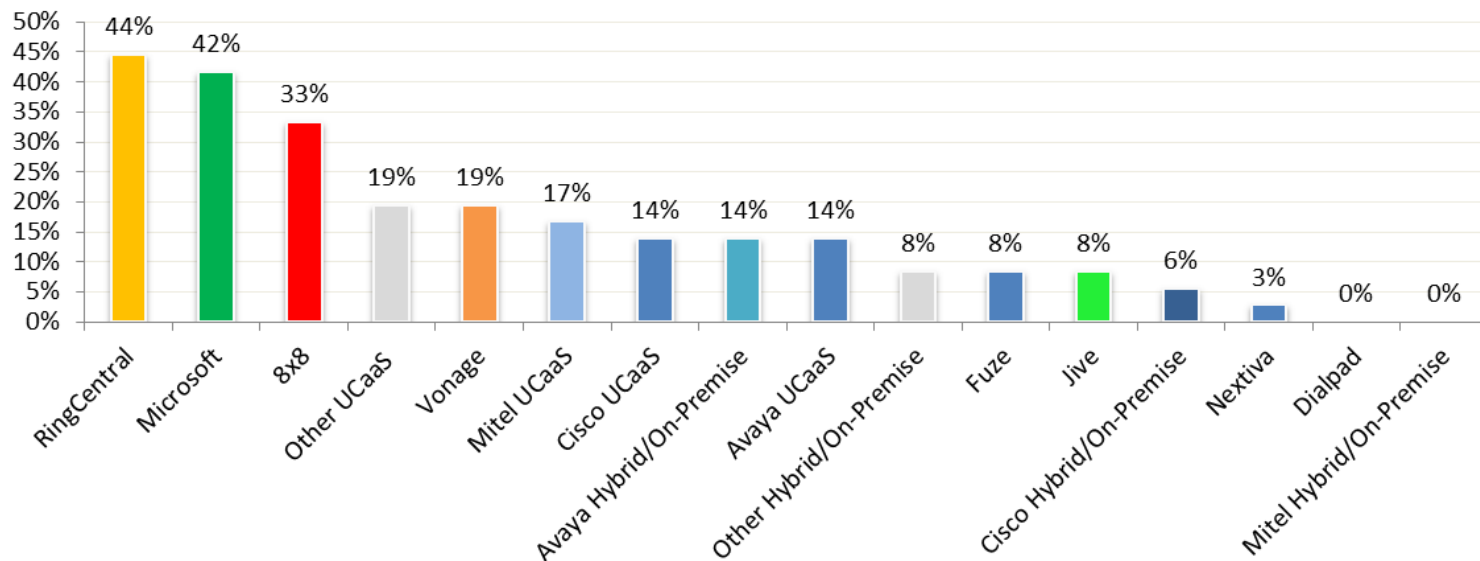


Question 8 - When Selling the UC Provider's Products, Who Do You View As Your Primary Competitors?



- RingCentral comes up as the most common competitor, a testament to its product and market position.
- Microsoft faces off against Cisco the most, and about half of those partners that sell RNG view EGHT and VG as main competitors.

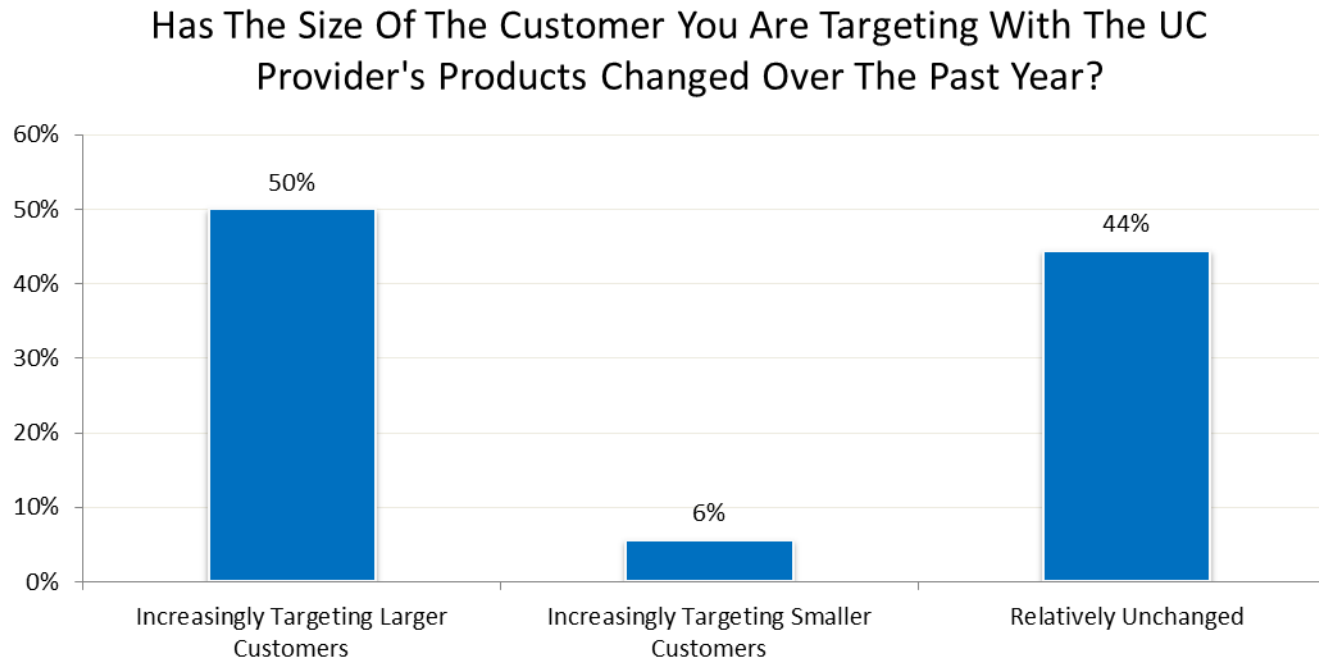
When Selling the UC Provider's Products, Who Do You View As Your Primary Competitors?



Question 9 - Has The Size Of The Customer You Are Targeting With The UC Provider's Products Changed Over The Past Year?

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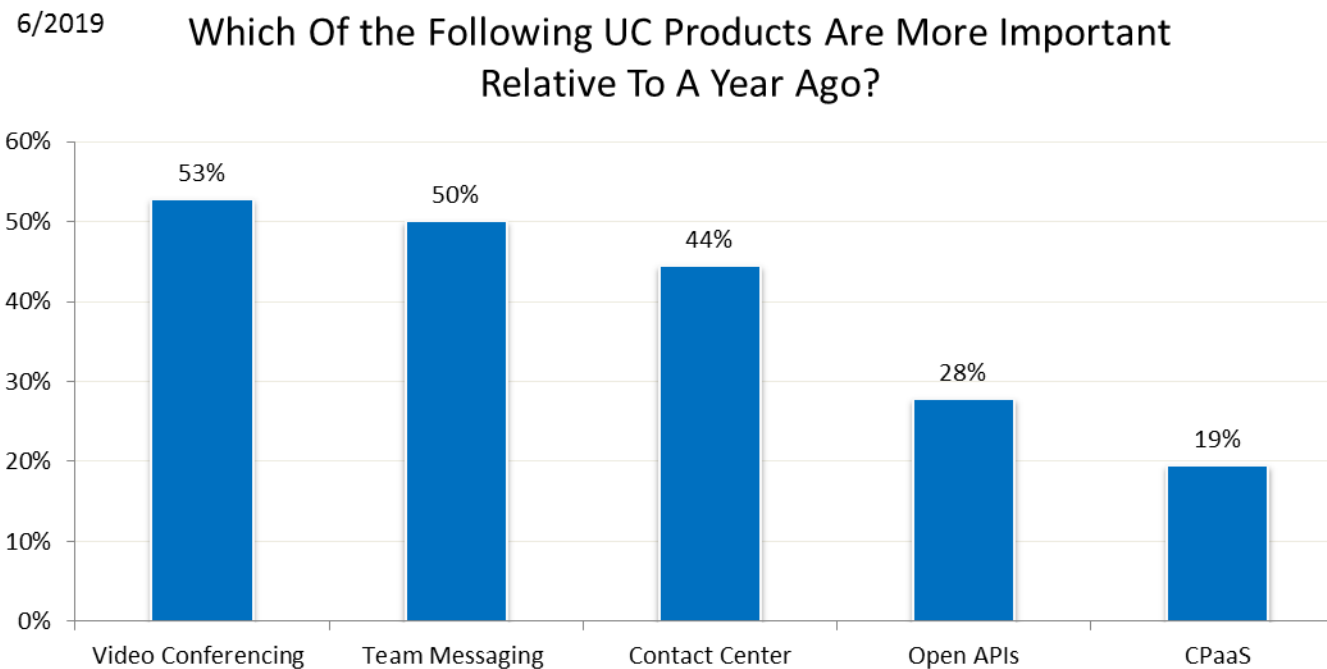
- 50% of partners believe they are increasingly targeting larger customers with the UC solutions they sell, which is a positive sign for the industry as a whole.



Question 10 - Which Of the Following UC Products Are More Important Relative To A Year Ago?

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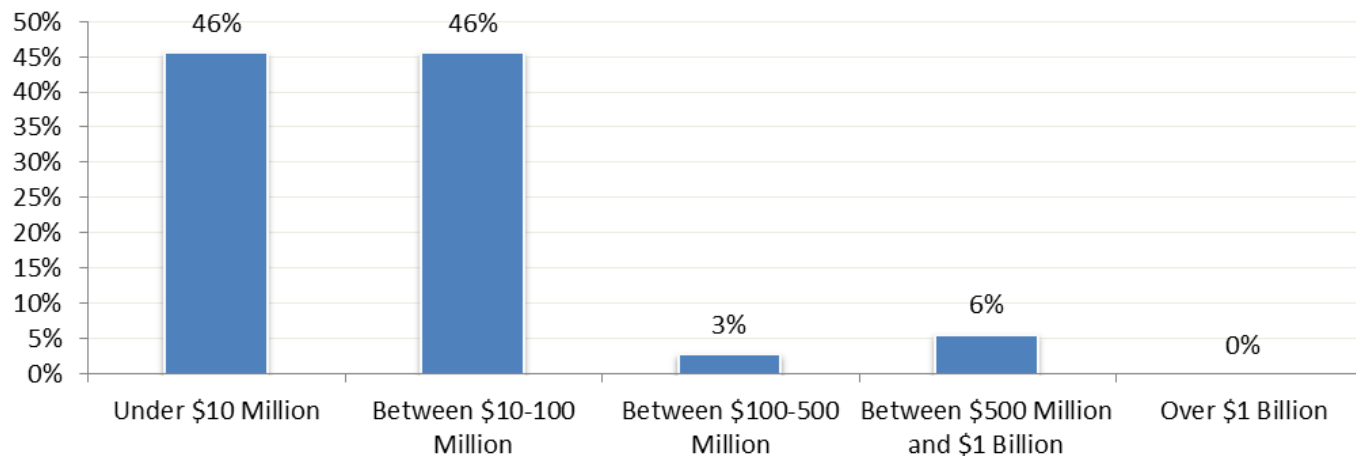
- The importance of a bundled solution is evident. 53% of partners believe video conferencing is more important than it was last year, and 50% believe team messaging is more important. We expect these numbers to go up in future surveys as bundled solutions become table stakes.
- Open APIs are still not as prevalent as contact center, team messaging and video conferencing, though we suspect RNG's open platform is a key reason it is able to win larger customers relative to other industry players, and the importance of open APIs should continue to grow.



Question 11 - Roughly How Much UC Revenue Does Your Company Generate Annually?

- 46% of respondents said their company generates less than \$10 million in UC revenue per year, with 46% generating between \$10 and \$100 million. The remaining 9% generate over \$100 million in UC revenue per year.

Roughly How Much UC Revenue Does Your Company Generate Annually?



Valuation and Risk



8x8

Valuation. Our \$28 target price is based on 6x our C2020 service revenue estimate, which puts it below the broader SaaS group at ~10x, reflecting execution uncertainty.

Risks. Competitive threats, worsening profitability, and execution.

LogMeIn

Valuation. Our \$90 target price is based on 13x 2019E EV/FCF, at the low end of its historical range in the mid- to high-teens, reflecting significant competitive challenges in its core collaboration segment, and lower growth.

Risks. Integration risk and competition.

RingCentral

Valuation. Our \$135 target price is based on 12x our 2020 subscription revenue forecast, which puts it slightly below the high-growth cohort at ~14x, reflecting strong secular trends and improving profitability.

Risks. Competitive threats and limited profitability.

Vonage

Valuation. Our \$15 target price is based on 3x 2020E consumer EBITDA and 4x 2020E business services revenue, conservatively putting it at a discount to the UCaaS/CPaaS average of ~8x reflecting slower consolidated growth and competitive risks.

Risks. Competition, limited profitability, integration risks, and CPaaS industry early.

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