



MCD Analysis

MITEL NETWORKS

November 2011

© Copyright 2011. TalkingPointz. This content for the sole use of TalkingPointz subscribers. It may not be duplicated, reproduced or retransmitted in whole or in part without the express permission of TalkingPointz, 300 Center Dr. G168, Superior, CO 80027. All rights reserved. All opinions and estimates herein constitute our judgment as of this date and are subject to change without notice. Product names or services mentioned in this report are registered trademarks of their respective owners. TalkingPointz makes every effort to ensure that information contained within our reports is accurate and complete, but is not liable for any errors, inaccuracies or omissions. TalkingPointz is not liable for damages arising out of or related to the information contained within this report.

Contents

Executive Summary.....	3
Mitel Networks Overview	5
<i>Overview</i>	5
<i>Recent Performance</i>	5
Current Portfolio	7
<i>Mitel MCD Features at a Glance</i>	7
<i>Mitel Communications Director (MCD)</i>	7
Licensing.....	9
Virtualization and Mobility	10
Release 5.0	11
<i>Selected Mitel Applications</i>	12
MAS.....	12
Mitel Unified Communicator	12
Mitel Collaboration Advanced (MCA)	13
NuPoint Unified Messaging.....	13
Mitel Border Gateway (MBG)	13
<i>Mitel 5000 Communications Platform (CP)</i>	13
<i>Other Communications Platforms</i>	14
<i>Mitel Endpoints</i>	14
Mitel Company Information	15
<i>Timeline</i>	15
<i>Organization</i>	15
Mitel Communication Solutions	15
NetSolutions.....	16
DataNet/CommSource.....	16

Current Management..... 17

Richard McBee, CEO 17

Steve Spooner, CFO..... 17

Terry Matthews, Chairman of the Board 17

Phil Keenan, EVP Americas Sales, Service and Field Marketing..... 18

Ron Wellard, EVP and GM Mitel Communications Solutions 18

Ownership..... 18

Executive Summary

Mitel Networks provides communications solutions for a wide range of organizations—from very small, single-site offices to multi-site, large enterprises. The company has a worldwide presence and its products are highly innovative. Mitel offers a broad range of solutions, from basic business communications to sophisticated unified communications (UC), with a gamut of options. The company may be the only vendor that offers both premise-based and managed and branded network services including its own branded mobile service. Various market share reports rank Mitel as the third or fourth largest with regard to telephony market share.

Mitel was founded in the early 1970s and participated in several industry transitions (analog, TDM, VoIP and UC). In a bold move, Mitel acquired competitor Inter-Tel in 2007—probably not the best strategic move and certainly not the best timing. Integration challenges during a major recession made a tough situation worse. The acquisition brought to Mitel two platforms, two business units, new sales management and a network of branch sales offices. But unfortunately, it also brought product overlap, channel conflict and distractions, and a need to integrate products. Surprisingly, it doesn't appear Mitel engineering was too disrupted—new versions and products kept coming out, most recently Mitel Communications Director (MCD) 5.0. Several of the applications associated with each platform were ported to work with the other.

Mitel went public in 2010 on the NASDAQ stock exchange (MITL) largely to reduce its debt associated with the acquisition. Again, not the best timing. The US was in a recession, the IPO market was flat, and it was not a great year in general for stocks. Mitel was no exception. Soon after the IPO, CEO Don Smith retired; he had been CEO for nine years and oversaw Mitel's shift from hardware to software, the Inter-Tel acquisition, and the IPO. He remains on the Board of Directors. After Smith retired, the board appointed Rich McBee as the new CEO in January 2011.

Also on the board and Mitel's chairman is Sir Terry Matthews, co-founder of Mitel. Matthews had already successfully sold Mitel once before. He returned about a decade ago, took the company private and shepherded Mitel's transition from TDM to UC, with an IPO and a major venture interest from Francisco Partners along the way. Matthews is both a telecom veteran and a well-regarded investor—not one who normally loses.

At the heart of Mitel's product line is the Mitel Communications Director (MCD), which refuses to be categorized. The product offers so many options that Mitel markets it as a "Freedom Architecture." The range of customer choices is impressive: MCD can be implemented as an appliance, as software for industry standard servers, virtualized on a VMware instance, or even subscribed as a hosted service. MCD can be deployed as a comprehensive UC solution or simply as a gateway or voice mail solution. It integrates with multiple messaging platforms, and works with a wide range of endpoints. Service providers can purchase a version of MCD that enables hosted voice as a business model.

MCD is accompanied by several other simpler calling platforms—the Mitel 5000 CP hardware hybrid solution is attractive to smaller organizations, its SX-200-ICP is a fixture in the hospitality industry, and its 3000 platforms are suitable for small business. However, MCD is the flagship and where the innovation lies. In addition to a high degree of flexibility (or "Freedom"), Mitel has industry-leading competitive strengths around virtualization and mobility. MCD, along with its applications that frequently complete the solution, can be virtualized in VMware environments. The integration is so complete that VMware administrators need not make special accommodations for the Mitel unified communications solution. The software suite does not require specialized hardware or management tools, or dedicated VMware resources. Virtual systems can be blended with hardware-based Mitel solutions (or not) as a seamless UC deployment.

MCD's mobility features also offer impressive depth and breadth. Customers seeking breadth will find smartphone applications for iPhone, Android and RIM. Additionally, MCD offers non-smartphone solutions for traditional cell phones via the Dynamic Extension feature. Teleworker, hot desking and UC Advanced round out the work-anywhere agenda of MCD. Users looking for depth will be impressed with features such as location awareness on the mobile clients, or single sign-on with VMware View and MCD hot desking. In short, MCD is not a shallow solution; it has impressive capabilities and flexibility.

But the cold reality is MCD's features and architecture go largely unnoticed by many organizations seeking these exact features. Mitel enjoyed a strong reputation with telecom managers, particularly in hospitality. But over the past decade, while Mitel diversified its offerings, the buyer changed, and the CIO, or IT leadership, is not as likely to be familiar with Mitel. Mitel clearly needs to expand and/or build its market awareness. The company is looking to its indirect sales channel to assist in this task and is implementing numerous changes to strengthen its distribution and sales effectiveness.

Mitel appears to be in a reasonable competitive position. Its products are current with a wide range of UC features and capabilities. Some major architectural product changes have already largely been accomplished by the company. Due to the IPO, Mitel significantly reduced its debt. New management is shaking things up and refocusing on sales channels. Perhaps most importantly, Mitel is enjoying a close partnership with VMware, a current IT darling. This relationship includes several technical underpinnings that are not easily replicated.

Mitel Networks Overview

Overview

Folklore posits that Mitel was initially intended to be a lawnmower company and gets its name from its two founders, Terry Matthews and Mike Cowpland: **MI**ke and **TE**rry's **L**awnmowers. Whether the legend is true or not, Mitel has never sold lawnmowers, and instead has provided business communications systems for over 30 years. The Canadian company was founded in 1972 and has successfully transitioned through several major industry shifts.

In 2010, for the second time, Mitel became a public company (NASDAQ: MITL). Mitel's products serve both very small and very large organizations, but the company currently targets organizations with 100 to 2,500 extensions, the sector where it has realized the best results. Mitel operates in 90 countries but generates the majority of its revenue in six: US, Canada, UK, Netherlands, France and Australia.

Today, Mitel is organized into three separate business units: Mitel Communications Solutions (this is what most people know as "Mitel"); Mitel NetSolutions, which provides carrier services (wired and mobile); and Mitel DataNet/CommSource, a distributor of complementary products. Mitel Networks reported 2010 overall revenue of \$650 million USD with a gross margin of 48 percent. Each business contributed as follows:

- Mitel Communications Solutions: Revenue \$485 million USD, GM 54 percent
- Mitel Network Solutions: Revenue \$80 million USD, GM 47 percent
- Mitel DataNet/CommSource: Revenue \$85 million USD, GM 15 percent

Recent Performance

In June 2011 Mitel announced lackluster FY2011 results. The company showed negligible growth with revenue of \$649.7 million USD compared to FY2010 at \$647.9 million USD. Net income for 2011 sharply increased to \$88.1 million USD compared to 2010's \$37.2 million USD. FY2012 will be the first year under the management of Rich McBee.

In 2007, Mitel acquired Inter-Tel, a fairly bold move as the two companies were about the same size in revenue. Market consolidation was reasonable, and Mitel saw a complementary fit with Inter-Tel. Inter-Tel's sales were largely North American small businesses, and Mitel's sales were more international with mid-sized customers. The combined company could break a billion in revenue—at least on paper.

The merger was complex. It took Mitel longer than anticipated to consolidate the products and channels. Additionally, Inter-Tel's 40 direct sales offices created channel conflict within the Mitel dealer network, and the two cultures and channels of the companies were very different. The situation worsened in 2009 with the beginning of a major recession that impacted the entire industry. The debt was high and combined revenue was down. Mitel completed an IPO in 2010 (arguably, not the best timing) with the stated objective of paying down debt. The company is now listed on NASDAQ as MITL, but the stock price has declined steadily during its first year. Aggravating the reported results, the company missed guidance on its first two quarters as a public company.

After the IPO, CEO Don Smith retired (he remains on the board) and was soon followed by President Paul Butcher. Rich McBee joined as CEO in 2011. The company admits the timing and execution of the merger wasn't great, but believes it is now positioned for success and growth. Management cites better-aligned products and

channels, little momentum lost in product development, and the company's emergence from deep debt. Mitel blamed its poor sales growth on merger-created US channel problems that have now been addressed.

Citing a weak channel is not particularly unique. The industry is experiencing major changes exacerbated by a weak economy. Quite simply, many dealers are not making the transition from IP telephony to unified communications. Mitel's strong reputation in telephony has not crossed over to IT, where the company suffers from poor name recognition. The good news is Mitel Communications Director (MCD) is a strong product with multiple competitive advantages that are difficult to imitate. MCD has key strengths around virtualization and mobility as well several core design strengths such as its "single stream" approach. The company reports it holds a solid third position in worldwide market share.¹

In September 2011, Mitel announced its FY2012 first quarter results with revenue of \$164.1 million USD. This exceeded company guidance of \$158 million USD to \$162 million USD issued in June. However, most of the growth actually came from DataNet/CommSource. The company issued guidance for 2Q12 with incremental growth in revenue.

¹ "According to market research firm MZA Mitel is in a solid #3 market position globally in respect of IP desktop shipments in the SME and enterprise space, with strong growth in key regional markets," said Stephen Beamish, Vice President of Marketing for Mitel.

Current Portfolio

Mitel offers a wide range of platforms and applications. MCD is Mitel's core and strategic platform. The 5000 CP is suitable for simpler and/or smaller implementations. Mitel considers the 5000 CP functionally mature, signaling a reduction in its ongoing development. Mitel positions its SX-200-ICP for the hospitality sector, and the Mitel 3000 is offered for SOHO and residential applications.

Mitel MCD Features at a Glance

- ✓ MCD is a software-based solution, available as software or preinstalled on Mitel hardware.
- ✓ Broad support for virtualization
- ✓ Strong solutions for mobility
- ✓ Built-in unified messaging
- ✓ Contact center
- ✓ IVR
- ✓ Built-in mobility features
- ✓ Highly customizable
- ✓ Strong UC suite (UCA)
- ✓ Web-based administration
- ✓ Native SIP trunking
- ✓ Available in several flavors—appliance, S/W, vS/W, service

Mitel Communications Director (MCD)

Mitel Communications Director is Mitel's flagship communications platform. MCD started off as the Mitel 3300 ICP, an appliance VoIP solution introduced in 2001. In 2009, Mitel unbundled its software from the hardware. The appliance continues to be known as the Mitel 3300 ICP (now referring to the hardware only), and the software component became known as MCD. Decoupling MCD from various deployment considerations is a recurring theme with MCD, culminating in what Mitel calls its Freedom Architecture to describe its numerous configuration and deployment options.

The key thing to keep in mind with MCD is its roots were an all-in-one system. The Mitel 3300 ICP was a single-box VoIP solution that included traditional PBX functionality as well as voice mail, gateway services, call center and more. Because it was positioned as a VoIP migration path with Mitel's legacy SX2000 PBX, MCD also fully supports digital infrastructure. The software is now a decade old and has morphed into several products, all sharing the same core software. Mitel refers to this design approach as "single stream" development. The current offerings are:

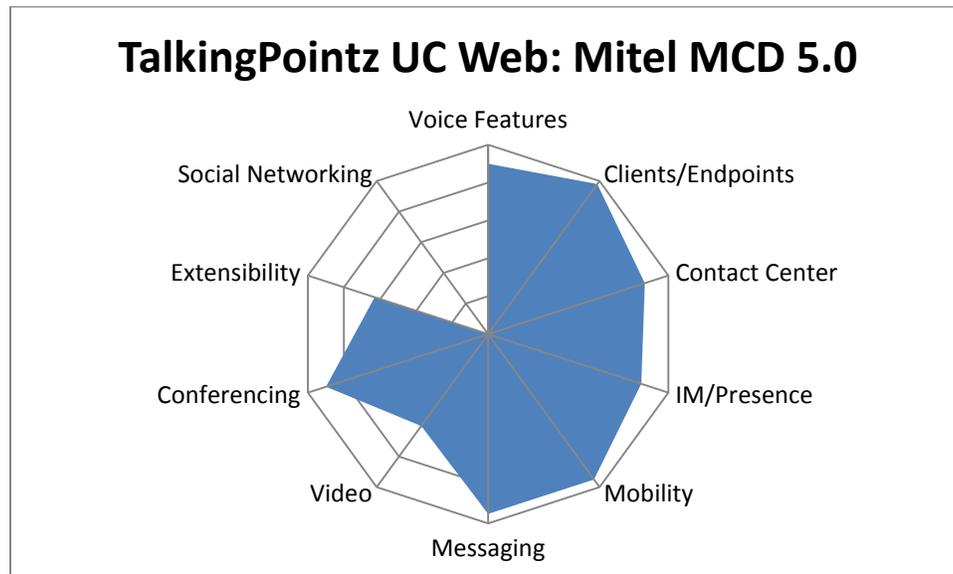
- Mitel 3300 ICP appliance (several models)
- MCD software for industry standard servers
- vMCD optimized for VMware implementations
- MICD, Multiple-instance Communications Director, optimized for service providers or large enterprises
- Mitel AnyWare, the hosted version, sold per seat per month, offered by Mitel NetSolutions

MCD features and core call control are the same regardless of the hardware platform. An organization can deploy MCD on a single server, or a cluster of servers, or with distributed servers. Branch offices can network to a data center, or use a local server for primary or failover situations. In all cases, the core server is the same, and Mitel allows user licenses to migrate deployment designs without penalty.

The appliance concept generally refers to hardware-based telephony, but in Mitel’s case, the appliance is simply an optimized server for MCD. Each appliance model supports PSTN hardware for analog, T1/E1 and PRI. Some models are equipped with POE Ethernet switches, and some support connections to Mitel cabinets for digital infrastructure. One controller model, optimized for hospitality, supports nearly 300 analog extensions in one chassis. Mitel offers an advanced server-on-a-card expansion option for its appliances so it can host separate Mitel applications within a single chassis.

MCD has a modular licensing model, meaning that an appliance configured as a PSTN gateway is reasonably cost competitive because only MCD’s trunking capabilities are activated. MCD has built-in voice mail (licensed per mailbox and can host various Mitel UC applications such as a wireless gateway). This approach allows Mitel to sell MCD as a Trojan horse. A customer in need of an SIP to PRI gateway, for example, could acquire a Mitel 3300 ICP appliance for that purpose and, once installed, could subsequently add a few phones, voice mail boxes, teleworkers, mobility apps and so on. The majority of these features can be licensed one phone at a time—the core software is already there.

MCD supports multiple servers in a single deployment—up to 999, or effectively more than necessary. Initially the 3300 ICP required a separate server administration tool to manage multiple servers, but over the years, competition and Moore’s law conspired to make multi-server deployments a native feature. This is significantly strengthened in Release 5.0. However, MCD does not send out updates in real time. Instead, changes are propagated through a scheduled synchronization utility. Resiliency is also addressed with multiple servers. Mitel offers licensing solutions so IP phones can automatically failover to a secondary controller if the primary becomes unavailable.



Mitel MCD has an impressive footprint on the TalkingPointz Web (see Appendix B: UC Market Overview for more information on the [TalkingPointz Web](#)) as indicated above. Its PBX heritage shows up with strong scores around voice, endpoints and contact center solutions. MCD’s call control is very mature and its built-in features are very broad, including a skills-based ACD with broad mobility features. “Built-in” means the functionality is there; licensing is a different matter. Mitel offers a range of endpoints including wireless solutions, softphone options and a rich UC client. Mitel’s advanced contact center solutions are fairly robust. The presence solution from Mitel is nicely integrated into its UC Advanced offering, but does not support federation or public gateways.

MCD has strong desktop video features with UC Advanced—even a multi-party software-based video bridge. No video endpoints are offered other than desktop webcams through UC Advanced. Mitel does not offer any direct or partner-based solutions to interface with mobile devices, room-based or telepresence systems. There are known solutions for telepresence through Magor Communications, and Polycom's desktop video phones are known to work on MCD, but neither is considered here as the TalkingPointz Web only evaluates capabilities from Mitel and its strategic partners.

In regard to conferencing, MCD has numerous options including eight-way conferencing as a base feature. Of Mitel's several conferencing and collaboration solutions, the most feature-rich is Mitel's Collaboration Advanced solution, which is also suitable for webcasts. Regarding extensibility, Mitel supports the typical interfaces associated with the PBX era, enabling features such as call recording and call accounting from third parties—however, its APIs and SDKs are a bit limited from a Web-era perspective. At this time, Mitel has no solutions for integrating with public or private social networking technologies, but has stated plans to do so in its near-term MCD roadmap.

Mitel is one of the few traditional PBX vendors that broadly include the cloud in their UC reinvention. Mitel has two hosted strategies (MICD and Mitel AnyWare) and also encourages virtualization for private cloud implementations. MICD is aimed at the growing market of voice service providers (or large enterprises) and allows for almost completely distinct and independent instances of the software—even at different versions. It is also suitable for self-hosting enterprise customers serving multiple locations and/or divisions.

Mitel NetSolutions uses MICD to host its Mitel AnyWare service. Many of the Mitel UC applications are available in the solution. The vast majority of competitive hosted voice service providers expect customers to purchase an inexpensive third-party entry-level SIP phone. Mitel AnyWare currently includes a mid-level Mitel IP phone. This endpoint, though SIP capable, is set to use Mitel's proprietary MiNet protocol, which provides rich phone-top features not found in most SIP-based alternatives.

Licensing

MCD licensing is both a core strength and liability. The strength, as with most Mitel strengths, is its technical approach. Not long ago, Mitel keyed its software licenses to system hardware. This was and remains a common practice in the industry. The traditional PBX had a unique system ID, and software licensing was locked to that system. The model worked well for decades, but as the industry moved from hardware to software, and from physical to virtual servers, a new approach became necessary. Mitel completely redesigned its approach to licensing around 2009. Mitel now takes an enterprise software approach to licensing and validates licensing via the Mitel Applications Management Center (AMC). The AMC is a result of Mitel's 2001 acquisition of E-Smith, a pioneer in managed services.

This change in licensing is what fueled Mitel's commitment to virtualization. A physical server can be paired for resilience with a virtualized server on VMware. An MCD backup of a physical server can be restored to a virtual server and vice versa. This gives MCD significant flexibility around capacity and resiliency. It might seem fairly obvious as a strategy, but it is far from common.

The liability around licensing is complexity. Where other vendors create separate products for gateways and branch offices, Mitel does it all with MCD and licensing. Ask not what MCD can do, but what license is required to do it. Virtually every MCD feature has its own set of licensing options. IP phones are licensed differently for SIP or MiNet. The three types of voice mail Mitel offers are all licensed differently. The MCD voice mail is licensed per user, while the standalone NuPoint voice mail server is licensed per port. NuPoint can also be licensed as part of the Mitel Application Suite (MAS) (per mailbox) and there it includes features that are licensed separately in the standalone NuPoint.

Virtualization and Mobility

MCD does offer significant competitive strength in the areas of virtualization and mobility. Despite how much Mitel screams about this strength, its message gets diffused partly because of the complexity of the topics, but also because the majority of Mitel's competitors make similar claims. Both of these areas involve multiple layers of capabilities and benefits that are not initially apparent.

Virtualization is rapidly becoming key to IT strategy. For some, the trend is driven by the motivation to stretch hardware budgets, or by a response to constrained hardware space. But for the majority of users, exploring virtualization has more to do with operational economies. A virtual environment allows resources to be added, removed and re-allocated as needed. Traditional computing resources are frequently underutilized; virtualization allows pooled resources to more efficiently meet pooled demand. Virtualizing resources also simplifies the design for high availability and disaster recovery.

Server virtualization represents the single most important re-architecting of the data center in modern history. The shift has to do with how IT views and delivers its services and positions IT for a blend of distributed, centralized, and cloud based solutions. The undisputed leader in this space is VMware. Most market share reports show VMware with 70 percent to 90 percent of the server virtualization market (vSphere). In 2010, VMware reported annual revenue growth of 49 percent, including a 95 percent increase in operating income. More recently, in October 2011, VMware reported third-quarter earnings more than doubled on demand growth across its products. The company issued fourth-quarter revenue projections largely higher than the consensus forecast from a survey of analysts by Thomson Reuters.

Initially, virtualization and real-time communications were incompatible. Instead, communication vendors virtualized related applications, but not call processing. Processors and virtualization software matured, and the solution was discovered. In early 2010, Mitel and VMware jointly announced the first virtualized call processing solution (MCD and vSphere). Mitel created vMCD, which was MCD shipped in a vSphere-ready format. Over the years, Mitel has released virtualized wrappers for all of its MCD products (vMCD, vMAS, vMBG, vUCA and vCCS).

Mitel appears to enjoy a tight relationship with VMware. The two companies continue to issue regular joint statements, most recently in September 2011 when they mutually announced the first softphone implementation on a virtual desktop (VMware View and Mitel UC Advanced). The two are found together at each other's major events. Both recognize each other in their various forms of partner programs.

Several UC vendors are happy to claim virtualization capabilities, but noisy distractions abound in this area. Not all support VMware, and not all those that do are certified by VMware. Some only virtualize applications and not call control. Many solutions are still tied to hardware, so their virtual solutions can only be moved or restored to environments on identical hardware. Then there are management issues to consider. Mitel integrates its applications with VMware's vCenter management tools, and all of Mitel's vProducts tightly integrate with vCenter. This allows the MCD environment to be managed with the same tools and processes that data centers are adopting for other virtualized applications. Mitel is leading the industry with its level of integration with VMware—call processing, all applications, VMware certifications, vSphere-ready implementations, and tight integration with vCenter create a very real virtual advantage. These feats are not easily copied, and they afford Mitel a competitive advantage in this area.

Mobility is also a core strength for MCD. The mobility solution set includes Teleworker, Dynamic Extension, smartphone clients, UC Advanced, and hot desking. Teleworker is Mitel's solution that allows Mitel phones to connect over the Internet. The phones operate as if local, with all phone-top features. MCD has clients for all the major smartphones and tightly integrates with RIM's MVS. The smartphone clients are very rich—supporting numerous advanced features including location-aware routing. Non-smartphone users can utilize Dynamic

Extension, which is an advanced form of simultaneous ring. MCD continues to monitor Dynamic Extension calls for star-code commands, so users can still access features such as transfer. Dynamic Extension users do not require a Mitel phone at all—the mobile device can be the primary extension. Mitel’s UC advanced client runs on Windows desktops and on virtualized desktops by VMware View, including softphone functionality. The client allows calls (in and out) to work with any PSTN phone. Hot desking allows users to log in to a phone to make it theirs, which is attractive for organizations with highly mobile staff, as fewer phones can be deployed to support a greater number of users.

MCD supports location aware routing, a highly innovative feature. MCD dynamically determines a user’s location from the smartphone client (using GPS), or by detecting Bluetooth or Wi-Fi signals. MCD then can update presence status and call routing rules if appropriate (e.g., send calls to voice mail when at church). This feature capability is currently rare among competitive offerings.

Release 5.0

Mitel MCD release 5.0 (released Fall 2011) offers the following major features:

- Management improvements
- Contact center improvements
- Licensing improvements

The 5.0 management improvements bring a laundry list of fixes and improvements. The biggest by far is a major improvement with how MCD integrates with Microsoft’s Active Directory. A user can now be almost completely configured in MCD from external systems via Active Directory synchronization.

For the contact center, Mitel finally brought its Dynamic Extension to the ACD. This means remote users can now be call center agents—potentially using their home phones with call center features such as reporting and monitoring. A related improvement is a 40 percent increase in agent capacity.

New in MCD 5.0 is a core MCD service called License Manager that switches the paradigm to activate first and ask questions later. This addresses a very real problem that plagues the industry regarding failover servers that reuse licensing. License Manager enables and tracks licensing and enforces license compliance later. It simplifies the failover scenario, as well as enabling new capabilities such as “try before you buy” and allows users to over allocate and then purchase.

Until now, the AMC was used by Mitel and its dealers to manage and distribute licensing. With Release 5.0, enterprise end users now can manage enterprise licensing directly on the AMC. A customer with multiple MCD systems can reallocate licenses should various locations contract and expand.

An interesting feature found in 5.0 is support for Redundant CPU. It is unknown why Mitel prioritized this feature, but MCD now can run on Stratus ftServers (models 2600 and 4500) for deployments that require processor redundancy. As one might expect, these servers are also typically configured with RAID, hot swappable drives, redundant fans and dual network connections. Mitel clearly has its sights on some mission-critical opportunities.

Selected Mitel Applications

MAS

The Mitel Application Suite is Mitel's application platform that can host multiple, optional applications for MCD or 5000 CP. The Application Suite, like MCD, runs on a Linux-based server supported on industry-standard servers or a virtualized virtual container. Most applications within the suite can be licensed per user; the MAS represents a platform. Applications supported in the suite include: UC Advanced, Mitel NuPoint Unified Messaging (UM), Mitel Speech Auto-Attendant, Mitel Unified Communicator (UC) Mobile, Mitel Collaboration Advanced, Mitel Customer Service Manager (CSM), Mitel Business Dashboard, and Mitel Teleworker Solution integrated with the Mitel Border Gateway (MBG).

Mitel Unified Communicator

Mitel Unified Communicator comes in two flavors: Unified Communicator Express (UCE) and Unified Communicator Advanced (UCA).

Express, now free, is a serverless desktop client that provides base-level desktop integration such as click-to-dial, incoming caller-ID popups, call lists and integration with personal contacts in Microsoft Outlook. The client itself is a toolbar that enables users to manage telephony features from the desktop computer. UC Express is supported on MCD and the 5000 CP. MCD users can optionally add a softphone known as UC Express Softphone.

Unified Communicator Advanced is Mitel's flagship UC offering. It is a desktop suite and server solution that transforms MCD and/or the 5000 CP into a rich UC solution including desktop telephony controls, Web and mobile phone features, softphone capabilities, and presence/IM. UC Advanced has several unique features such as the ability to add context to the outbound caller ID on internal calls and the ability to promote an IM session into a voice or video conversation. The IM and presence solution uses XMPP and can connect to external services. Key features of UCA include:

- **Dynamic Status:** Allows the user to specify IM, presence and call routing from the client, a Web browser or a mobile portal. Or status can automatically update based on the user's Outlook calendar.
- **Softphone:** UCA has the ability to control the user's hard phone and/or replace it. Additionally, a user can use UCA to designate any number (cell, home) as their primary number for both inbound and click-to-dial outbound calling.
- **Instant Messaging:** IM or chat, single or multi-party. Integrated document sharing. Encrypted and logged. The only public gateway option is with MSN.
- **UCA clients:** Smartphone clients for Blackberry, Android, and IOS enable access to corporate directory, view or change status, access call logs, visual voice mail and outbound corporate dialing. A unique feature is geo-awareness, which allows a user to define via GPS, Bluetooth and/or Wi-Fi specific locations which impact both status and routing.
- **The UCA client supports desktop point-to-point video calling between UCA clients only.** However, multi-user video conferencing is supported.

Mitel Collaboration Advanced (MCA)²

MCA integrates with the 5000 CP and MCD platforms. The product provides collaboration and conferencing tools for users, including audio conferencing, webcasting and document sharing. It supports up to 200 conferencing “ports.” MCA is an optional add-on to MAS and also is supported on Virtual MAS.

Many organizations justify unified communications by eliminating external conferencing services. Owning MCA eliminates usage fees and offers several unique features such as integration with Microsoft calendaring, multiple hosts, whiteboarding and integrated recording. MCA sits outside the firewall for Internet access, so it works in conjunction with MAS and MBG.

NuPoint Unified Messaging

All Mitel platforms offer an optional integrated voice mail. NuPoint is Mitel’s high-end feature-rich solution. It is sold as a standalone server, a virtual server application or an option on the Mitel Application Suite (MAS). Numerous features on NuPoint are unavailable on Mitel’s integrated messaging solutions, including text-to-speech email reading, fax support, additional call filtering and routing options, and fully synchronized integration with both Microsoft Exchange and IBM’s Domino servers. NuPoint also offers personal distribution lists, broadcasts, and numerous greeting options. Services can be accessed from the user’s email client, a Web portal, a Mitel phone or any phone. NuPoint has most of the expected advanced messaging features, as well as a few extra such as the ability to announce a user’s presence status before routing a call. An optional Speech Server package upgrades the auto attendant to route calls via voice prompts. Mitel prices NuPoint by the port and the built-in MCD voice mail by the mailbox, making NuPoint actually less expensive for larger deployments.

Mitel Border Gateway (MBG)

MCD should be securely placed inside the data center without direct connections to the Internet to mitigate security exposure. However, applications such as Teleworker and MCA and, potentially, Internet SIP trunks are delivered to the data center via the Internet. MBG insulates and offloads the call director by performing the external public-facing services. Also, separating the trunks from the primary call director provides an additional level of resilience, as a backup MCD can replace the primary in a failover situation.

Mitel 5000 Communications Platform (CP)

The Mitel 5000-CP, previously known as the Inter-Tel 5000, is a hybrid communications appliance offering digital and IP communications for small business and branch locations. Its hybrid architecture is particularly well suited for organizations seeking a migration strategy to VoIP. Its design supports add-on modules and processors in a form factor designed for shelf-top, rack-mount and wall-mount scenarios. The 5000 CP may be networked with or migrated from the legacy Inter-Tel Axxess systems. The 5000 CP can support up to 250 users.

The 5000 CP supports hot desking, meet-me conferencing, ACD and enhanced mobility, and teleworking, and offers built-in messaging. Most Mitel applications now work with both the 5000 and MCD platforms including the Mitel Applications Suite (MAS), the Mitel Unified Communicator Express (UCE) and the Mitel Unified Communicator Advanced (UCA). The 5000 and MCD also share the same IP phones, but Mitel digital phones are not compatible between platforms.

² MCA is the new name for the Mitel Audio and Web Conferencing solution which Mitel obtained from Inter-Tel.

Other Communications Platforms

The company offers two other platforms. The Mitel **SX-200-ICP** is the current incarnation of its first mid-size PBX, originally known as the SX-200. The 200 platform has a fair degree of penetration in hospitality. Prior to the 5000, Mitel positioned the SX-200-ICP for hospitality and small to mid-sized businesses. Now the product is relegated to hospitality which requires very little ongoing research and development. The Mitel SX-200-ICP is widely supported among hospitality property management software makers. Mitel also offers the 3000 platform, which came from Inter-Tel—and in fact Inter-Tel acquired it by purchasing Lake Communications (UK) in 2005. The **3000** is suitable for SOHO and residential markets.

Mitel Endpoints

Mitel designs its own desktop devices, but no longer manufactures them. Its IP phones work across the 5000, 200, and MCD platforms. All Mitel IP phones are dual boot—SIP or MiNet (Mitel's proprietary signaling protocol). Most Mitel endpoints are HD/wideband audio and contain graphical displays. Some of the more advanced phones support add-on peripherals such as integrated DECT handsets and headsets, Wi-Fi transmission and GB networking. This fairly unique approach eliminates the need for those ridiculous handset lifters associated with wireless headsets.

A unique line interface module (LIM) adds analog functionality to an IP phone. A remote home worker could have one phone for both work (IP) and home (analog). Emergency calls (911 in US) are automatically routed out via the analog interface. Mitel also produces specialty desktop devices, including IP operator consoles and conference units. Mitel's approach to conference saucers is to offer them as phone accessories or add-ons. This eliminates the need for conference rooms to have a secondary, familiar phone. Wi-Fi and DECT phones produced by partners are also available from Mitel.

Although Mitel phones include SIP client software, they are rarely used in SIP mode. It makes little sense to use a Mitel phone in SIP mode on a Mitel platform. Since the phones are not widely distributed via Internet dot-coms, and SIP mode requires an esoteric key code boot combination, the SIP version of the phones is rarely used outside of Mitel implementations.

Mitel Company Information

Timeline

- 1973 Mitel is founded
- 1976 Expands into semiconductors with acquisition of Siltex
- 1981 Reaches \$100 million in annual revenue
- 1985 British Telecom obtains controlling interest in Mitel. Subsequently exits equipment and sells its shares to Schroeder Ventures.
- 2001 Terry Matthews returns. Mitel is split; Matthews takes the PBX division private and renames it Mitel Networks. The remaining semiconductor division is renamed Zarlink.
- 2001 Mitel launches 3300 ICP VoIP PBX
- 2001 Mitel acquires E-Smith (to become AMC)
- 2002 Mitel Networks splits out its manufacturing division, known as BreconRidge
- 2006 Microsoft places Mitel 3300 ICPs in all of its Technology Centers worldwide
- 2007 Mitel acquires Inter-Tel
- 2009 3300 ICP unbundled; software only made available (MCD)
- 2010 (April) IPO (MITL-NASDAQ)
- 2010 Mitel AnyWare launches—hosted voice
- 2011 Rich McBee joins as CEO
- 2011 Mitel and VMware offer first scalable softphone for VDI
- 2011 Mitel MCD Release 5.0 GA

Organization

Mitel Communication Solutions

Mitel Communications Solutions is the division generally known as Mitel. It provides unified communications platforms in both hardware and software forms. The company positions its solutions as best-of-breed options that leverage its nearly 40-year telephony heritage and reputation. The company's key strategy is to exploit and extend its competitive advantages in virtualization and mobility.

Mitel's systems scale to very large implementations (up to 65,000 endpoints), but the company's historical success is in the mid-market and SMB sectors. Mitel's complete solution involves a Mitel calling platform, branded desktop devices and various optional applications. Mitel Networks' other units offer complementary solutions such as Mitel-branded network services including cellular. MCS serves multiple vertical sectors, including education, government, health care, hospitality and retail in the United States and abroad.

NetSolutions

Mitel Networks might be the only UC equipment and software provider that offers a branded network/carrier service. NetSolutions offers Mitel carrier services including simple SIP trunks, managed MPLS switched networks and even cellular services. This is possible through wholesale relationships with carriers; NetSolutions does not lay cable.

The key customer benefit is verified compatibility with Mitel products and streamlined invoicing (as opposed to multiple carriers). The services are competitive, but are rarely the low cost option. The company's network services are offered primarily in the United States and some international markets. Mitel is licensed as a competitive local exchange carrier (CLEC) in 44 states. NetSolutions offers:

- Local access services
- Mobile voice and data services
- SIP trunks
- Mobile smartphones
- MPLS networking
- Hosted offerings
- Hosted voice (Mitel AnyWare)
- Network monitoring and management
- Audio conferencing
- Web conferencing
- Hosted secure Internet access
- Long distance services

NetSolutions caters primarily to the customers and dealers of Mitel Communications. Mitel Communications, however, keeps NetSolutions at an arm's length because many of its channel partners compete directly or offer competitive services. NetSolutions sells directly to end users and works with non Mitel dealers.

DataNet/CommSource

DataNet/CommSource represents two distributors wrapped into one. The two divisions were separately acquired by Inter-Tel and then both later acquired by Mitel. Mitel CommSource distributes telephony-related third-party products. Mitel DataNet distributes data-related products. (Literally, the division has separate line cards and sales staff associated with each division. Why the company has not consolidated into a single brand is a mystery.) The unit is a traditional two-tier distributor offering a portfolio of products that complement Mitel's core solutions including servers, cabling, wireless solutions, storage area networks (SANs) and other items. The division sells through Mitel dealers and Mitel offices, currently throughout North and Latin America.

Current Management

After the IPO, CEO Don Smith announced his retirement. Subsequently, President Paul Butcher departed, ending nearly a 10-year span when the two ran the company. CEO Rich McBee was hired in January 2011 and began publicly announcing changes in May 2011. At that time, the Mitel Communications Director (MCD) and to a lesser degree Inter-Tel's 5000 were reinforced as the company's primary strategic platforms. Most of Mitel's applications and endpoints now work with both systems.

Richard McBee, CEO



Rich McBee was named Chief Executive Officer effective January 17, 2011. He brings to Mitel more than 20 years of experience in telecommunications, most recently as President of the Communications and Enterprise Group of Danaher. He got to Danaher when it acquired Tektronix in 2007, where McBee held a variety of positions over 15 years including Senior Vice President and General Manager, Communications Business Unit. McBee holds a Master's Degree in Business Administration from the Chapman School of Business and Economics and graduated from the United States Air Force Academy with a Bachelor of Science degree in 1986.

Steve Spooner, CFO



Steve Spooner joined in June 2003 as CFO and has more than 25 years of financial, administrative and operational experience in high technology and telecommunications. Spooner has worked for 23-plus years in the high-tech and telecommunications sector. He brings a wealth of experience in corporate finance and strategic business planning to Mitel. Prior to Mitel, Spooner was Chief Executive Officer of privately held Stream Intelligent Networks Corp. During his time as CEO, Spooner led the company to substantial growth during a recessed telecom market, through focused activities in investor relations, corporate strategy and development, strategic alliances and marketing. Spooner sits on numerous strategic advisory boards and is an active board member of the Canadian Wireless Telecom Association (CWTA) as well as a former chairman of CWTA's fixed wireless committee. He is a Chartered Accountant and a Commerce graduate of Carleton University, Ottawa. Spooner also holds the ICD.D certification, having completed the Directors' Education Program of the Institute of Corporate Directors of Canada.

Terry Matthews, Chairman of the Board



Sir Terence H. Matthews, is co-founder and Chairman. Matthews has been a member of the board of directors since 2001 and had been involved previously with Mitel Corporation 1.0 (now Zarlink) for over 19 years. In 1972, he co-founded Mitel Corporation and served as its President until 1985 when British Telecommunications bought a controlling interest in the company. In 2001, companies controlled by Matthews purchased a controlling interest in Mitel Corporation's communications systems division and the "Mitel" trademarks to form Mitel. Between 1986 and 2000, Matthews founded Newbridge Networks Corporation and served as its Chief Executive Officer and Chairman. Matthews is also the founder and Chairman of Wesley Clover International Corporation, an investment group with offices in the United Kingdom and Canada with investments in telecommunications, real estate and leisure. In addition, Matthews is currently Chairman or serves on the board of directors of a number of high technology companies including March Networks Corporation, Bridgewater Systems Inc., CounterPath Corporation, TrueContext Corporation and DragonWave Inc. Matthews holds an honors degree in electronics from the University of Wales, Swansea and is a Fellow of the Institute of Electrical Engineers and of the Royal Academy of Engineering. He has

been awarded honorary doctorates by several universities, including the University of Wales, Glamorgan and Swansea, and Carleton University in Ottawa. In 1994, he was appointed an Officer of the Order of the British Empire, and in the Queen's Birthday Honours 2001, he was awarded a Knighthood.

Phil Keenan, EVP Americas Sales, Service and Field Marketing



Phil Keenan was appointed to the position in April 2011, and is responsible for Sales, Service and Field Marketing for the United States and Canada. He brings to Mitel over 25 years' global experience in Sales, Marketing and General Management in technology, predominantly in the unified communications industry. Keenan is responsible for the strategy and execution of Mitel's go to market in North America. Prior to joining Mitel, Keenan held senior positions at Nortel and Polycom. At Nortel he was responsible for establishing the Telepresence and Multimedia Services business. During his decade-long tenure at Polycom he was member of the executive management team where he held a variety of positions including Senior VP Strategy and Solutions Marketing, Senior VP Worldwide Sales, and Senior VP and General Manager for the Network Systems Division. He holds a Bachelor of Science from Cardiff University.

Ron Wellard, EVP and GM Mitel Communications Solutions



Ron G. Wellard joined Mitel in 2003 as VP of Research and Development and until recently held the position of EVP of Product Development and Operations. In May 2011, Wellard was appointed EVP and GM of Mitel Communications Solutions (MCS). He is responsible for the MCS business unit including Research and Development, Product Management, Marketing, Operations, Technical Support and Service. Wellard's experience spans Enterprise and Carrier/Service Provider portfolios. Wellard holds more than a dozen patents in varied areas of telecommunications and holds a Bachelor of Engineering degree from the University of Waterloo.

Ownership

Since 2010, Mitel has been a publicly traded company on NASDAQ (MITL). The company filed an IPO to pay off a significant portion of its debt associated with its 2007 Inter-Tel acquisition. As a result of the acquisition and IPO, the founder and Chairman of the Board reduced his ownership to about 23 percent. Francisco Partners, a San Francisco venture capital firm, owns about a third of Mitel and two board seats via Andrew Kowal and Benjamin Ball. Francisco Partners tends to invest in mature or maturing technology companies, typically in communications, hardware and information technology. The two largest institutional shareholders are Wellington Management Company (8.5 percent of outstanding shares) and Morgan Stanley (7.45 percent of outstanding shares) as of June 2011.

Two of three analysts (Merrill Lynch and Canaccord Genuity) monitoring MITL on StarMine give the company four out of five stars. The third analyst of JP Morgan rates it five out of five.