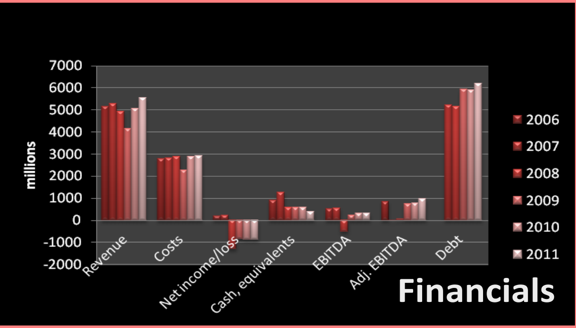
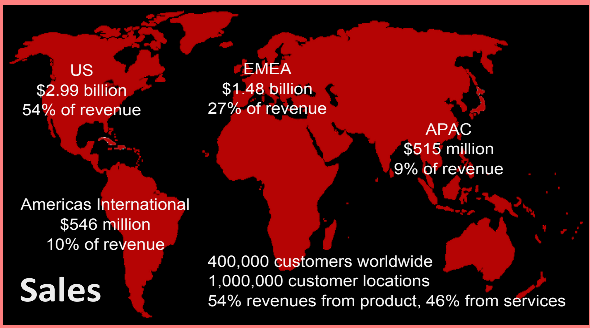
AVAYA from division of Lucent to IPO

By Brian Riggs, Current Analysis

Financials



Sales



400,000 customers worldwide
1,000,000 customer locations
54% revenues from product, 46% from services

SW

Dominant standing in North America made stronger with Nortel acquisition

Two years of reorganizations, downsizing and product rationalization due to the Nortel acquisition

SIP

Strong portfolio of SIP-based solutions

Comparatively ill-defined cloud strategy

Leadership position in the contact center systems market

OT

Under-penetrated in EMEA, so plenty of growth opportunities there

Large base of Nortel customers to migrate

NORTEL → AVAYA

Differentiated conferencing product in web.alive

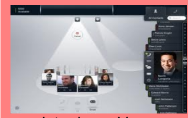
Competitors ... strong ones ... everywhere

CISCO, hp, Microsoft, NEC, AASTRA, MITEL, HUAWEI, ShoreTel, SIEMENS Siemens Enterprise Communications

Timeline

Conferencing end points, enterprise SBCs:

2012



Introduces Vena architecture, Flare Experience. Sells Ubiquity

2011

AVAYA aura

Wins auction for Nortel Enterprise Solutions, paying $933 million, almost twice its initial bid

2010

D'Ambrosio resigns for medical reasons. Kevin Kennedy appointed CEO

2009

Acquired and taken private by Silver Lake and TPG for $8.2 billion, quashing rumors that Nortel would take over Avaya

2008

SIP software: Acquires Ubiquity for

Mobility software: Acquires Traverse Networks for $15 million

2007

Net income plummets; Lou D'Ambrosio, Avaya's president of global sales and marketing, replaces Peterson as CEO

2006

2005 — AVAYA one-X. Introduces new line of client interfaces and devices - one-X Communicator, Desktop, Mobile and (briefly) Quick

2004 — Global expansion. Acquires Tenovis for $370 million, Spectel for $103 million, and majority interest in Tata Telecom for $18 million (TENOVIS)

2003 — Sells structured cabling business, ceases development of stackable switches to focus on communications

Introduces MultiVantage Communications Apps

2002 — Introduces Communications Manager, S8700 IP Office, Unified

2001 — Don Peterson named CEO

Releases IP600, its first IP PBX in response to Cisco CallManager

2000 — Lucent spins off its enterprise group to focus on core carrier market after a 23% earnings shortfall

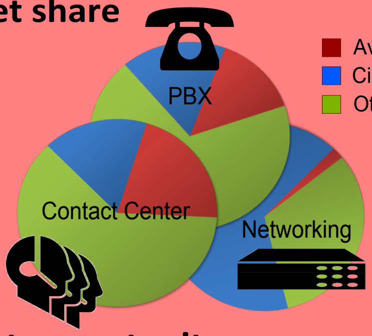
IPO

Date: Unknown. Was expected in 2011 but delayed, presumably to wait for more favorable market conditions
Ticker symbol: NYSE: AVYA
Underwriters: J.P. Morgan, Morgan Stanley, Goldman Sachs
Percentage of Avaya to be sold: 20%
Potential money raised: $1 billion
Potential valuation of Avaya: $5 billion

Pros:
- Debt relief, which will strengthen the balance sheet and increase customer confidence
- Financial transparency

Cons:
- Expected valuation only 40% what investors paid
- Unclear how, or if, customers and partners will benefit

Market share



Market opportunity

$59+ billion PBX systems market worldwide

Ethernet switch market worldwide **$21+ billion**

€670+ million Contact center systems market EMEA

Contact center systems market North America **$1.6+ billion**

What $933 million buys

An enterprise business that brought in **>$2 billion revenues** in the four quarters leading up to its acquisition, despite a >25% year-over-year decline.

Networking gear. Switches, routers, wireless systems previously absent from Avaya's portfolio. Sales of these products brought in $304 million in revenue in 2011.

About **4,000 resellers**. Instrumental to Avaya growing indirect sales from 53% in 2009 to a desired 85% by 2012. (Channel sales were 76% of Avaya's 2011 revenue, so the company is on course.)

5,900 employees out of the 8,000 working at Nortel Enterprise Solutions before the acquisition. Included about 1,000 direct sales reps.

More than **20 executives**, among them Joel Hackney and Steven Bandrowczak who are now leaders in Avaya's global sales organization.

About **450 hosted and managed services customers**. Hosted contact center, telephony, and messaging services based on the Nortel 2100 platform. These are not actively sold or marketed.

LANDOR ASSOCIATES INVENTED THE NAME AVAYA BY COMBINING WORDS THAT MEAN "ARRIVE" AND "TO INFORM" IN OLD ENGLISH AND SANSKRIT.
आयात

Sources: SEC filings, No Jitter, CRN, Network Worldpublicly available stats from MZA, Infonetics, Frost & Sullivan, IDC