

WAN Optimization Appliance Market Highlights 1Q09

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WEATHERING THE ECONOMIC STORM

Like many other network equipment sectors, the WAN optimization market shrank in the first quarter of 2009, with revenue down 14%, to \$226 million, compared to \$262 million the previous quarter. On a year-over-year basis, quarterly revenue is 9% lower.

We always expected this segment's high double-digit revenue growth (29% in 2008) to decelerate, but the global economic crisis is exacerbating the slowdown in 2009. The good news is that the WAN optimization market will likely do better than many other networking segments, which saw 20% to 30% declines in the first quarter.

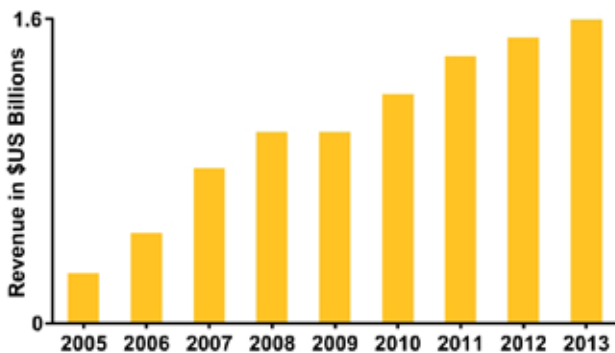
This market is driven by fundamental organizational and networking trends that are causing a squeeze on wide area networks, including:

- **Geographically dispersed organizations**, from branch and remote offices to telecommuters and mobile workers
- **Data center consolidation, server centralization, and virtualization**, which concentrates data and applications at a few locations
- **General growth in data traffic**, due to ever-increasing file sizes and media-rich communication, including video

These trends will require organizations to re-evaluate their connectivity options to keep up with the growing demands placed on their wide area networks. By deploying WAN optimization appliances, organizations can keep their operational costs in check, or reduce them outright, which will help this segment weather the downturn better than other infrastructure types. In addition, there is a soft ROI resulting from increased employee productivity when applications become more responsive.

As a result, we expect 2009 worldwide revenue to be essentially even with 2008, at \$1.0 billion. Once global economic conditions improve, likely in 2010, we expect the market to resume growth.

WORLDWIDE MANUFACTURER REVENUE FROM WAN OPTIMIZATION APPLIANCES

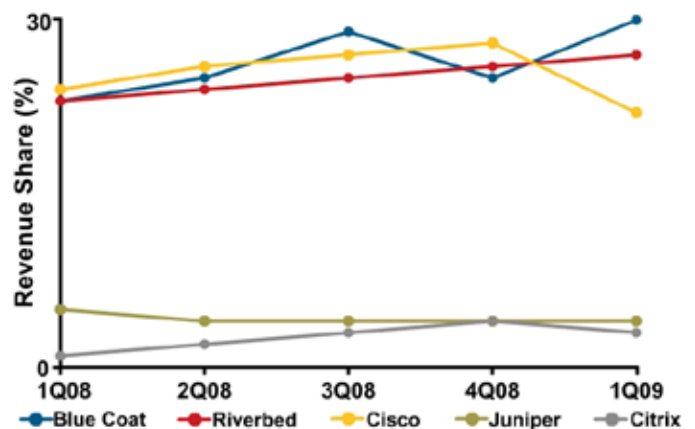


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BLUE COAT IS BACK ON TOP IN 1Q09

Vendor market share positions shuffled once again in 1Q09: With Cisco down 30%, Riverbed down 10%, and Blue Coat holding steady, Blue Coat is back on top with 30% revenue market share. This market has essentially become a 3-horse race, with the top 3 vendors capturing roughly 3/4 of the overall market. The next tier of vendors (Juniper, Citrix) has much lower share, each in the mid-single digits.

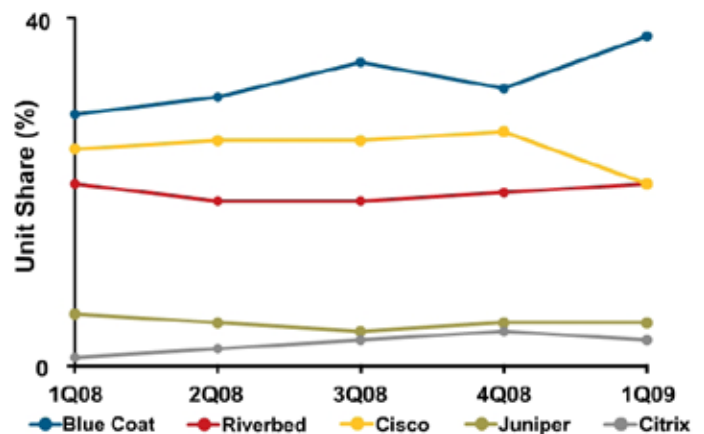
WORLDWIDE WAN OPTIMIZATION APPLIANCE VENDOR MARKET SHARE: REVENUE



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Unit market share patterns are similar to revenue, although Blue Coat has been consistent at #1, Cisco consistent at #2, and Riverbed consistent at #3 over the last 5 quarters.

WORLDWIDE WAN OPTIMIZATION APPLIANCE VENDOR MARKET SHARE: UNITS



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ABOUT US

Infonetics Research is an international market research and consulting firm serving the communications industry since 1990. A leader in defining and tracking emerging and established technologies in all world regions, Infonetics helps clients plan, strategize, and compete more effectively.

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Matthias Machowinski is a leading expert on enterprise voice and data technologies and end-user buying trends. He has been an analyst in the communications and data networking industry for 9 years, with extensive expertise in communication networks deployed by SMBs and enterprises at the desktop, wiring closet, and network backbone.

He tracks unified communication (UC), IP contact centers (IPCC), TDM and IP PBXs, Ethernet and application switches, enterprise routers, and wireless LAN and WiFi mesh equipment. He authors several quarterly market share and forecast reports and *Continuous Research Service* (CRS) research notes and surveys on enterprise data, voice, and UC, including a recent end-user survey on 2009 voice communication spending.

In addition to authoring regular market research reports, Matthias is a consultant to startups, service providers, manufacturers, and the investment community, identifying new market opportunities, providing due diligence, and advising on positioning, product development, business plans, and M&A activity.

An insightful thought leader, Matthias is frequently quoted in vendor press releases and trade and business publications, including *BusinessWeek*, *eWeek*, *Network World*, *New Telephony*, *San Francisco Chronicle*, and *Telephony Magazine*. He also contributes articles to networking publications such as *Telephony Online*, moderates webinars, speaks at industry events, and meets with vendors and carriers regularly.

Matthias has a BS in Psychology with a concentration in statistics, research methodology, and data analysis. He has been with Infonetics Research since 2001 and is based in their Boston Metro office.

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