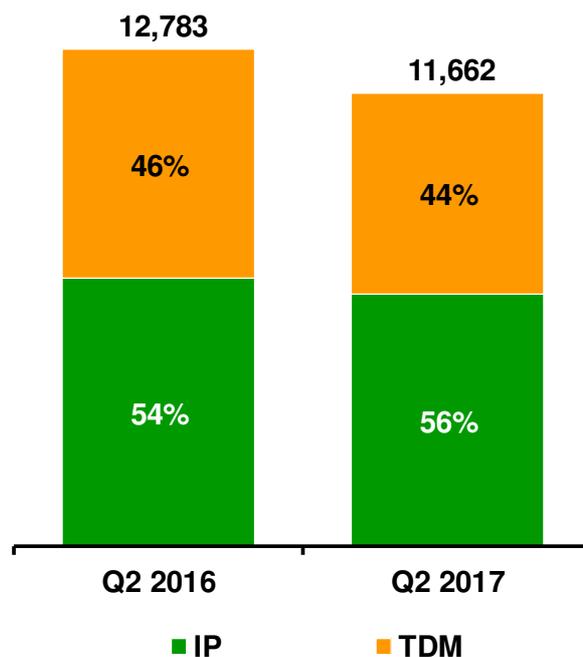


The latest figures from MZA have shown that the 2017 global Call Control market continues to slow, with a second successive significant quarterly decline of 9% year-on-year. The market fell to 11.7 million licenses, following a 7% year-on-year decline in Q1 2017. Although global sales grew by 8% sequentially, it is important to understand that Q1 2017 is typically the weakest global quarter for Call Control license sales annually, due to seasonality.

Both SME (solutions ≤100 licenses) and the enterprise segments (solutions >100 licenses), fell at the same rate of 9%, with a large proportion of the global decline driven by a double-digit decline in the North American market. A second successive quarter of year-on-year decline in Asia Pacific, the world’s largest regional Call Control market, was also a key influence and steered the market downwards.

**WORLD CALL CONTROL (PBX/IP PBX) MARKET
Total Licenses, by Technology - 000s**



While there is a continuation of expected declines due to growth of competing multi-tenant voice services in the North American SME segment, and heightened uncertainty amongst the business community over the economic and geopolitical impact of the new United States president’s policy proposals, vendor specific influences have exacerbated declines in the region.

The North American Call Control market is undergoing a period of transition and disruption in 2017, with Mitel active in consolidating vendors who are especially prominent in the region, and Avaya filing for Chapter 11 bankruptcy protection in the United States. For Mitel, this culminated in a definitive merger agreement to acquire ShoreTel and the completion of its acquisition of Toshiba’s Unified Communications business in July 2017. Prior to news of Mitel’s Toshiba acquisition, Toshiba’s North American channel became aware of its intentions to exit the market and considered a

refreshed product portfolio, deflating Toshiba sales in the quarter. For Avaya, sales to North American large enterprises have lessened significantly in 2017. This is understood to be influenced by enterprises stalling on high end investments while Avaya's debt reconstruction plans are examined through the United States Bankruptcy Courts. Moreover, license sales for market leader Cisco were down, against a particularly strong performance in Q2 2016 steering the Q2 2017 North American market further into decline. Similarly, in Asia Pacific, regional declines were accentuated by the strong performance of its market leader, NEC, in Q2 2016. NEC's license sales in Japan were heightened significantly by replacement sales in Q2 2016, as it migrated its enterprise customers to its SV9000 series of platforms, while its promotional activity in SME stimulated growth in IP licenses. The Japanese market fell by double digits driving the regional decline, while other main markets in the region performed a lot better on a comparative basis, with China, Australia and India reasonably stable. In Korea, there had been some impact on investment in Call Control deployments in Q1 2017, primarily in the government vertical, following continued fallout from the 2016 presidential corruption scandal. However, after the new Korean government took office it is understood that many of the delayed government projects were deployed in Q2 2017 which pushed the Korean market into year-on-year growth.

Western Europe, alongside North America, witnessed greater market declines in solutions in enterprise (solutions >100 licenses) than in SME (solutions <100 licenses) with replacements of legacy SME platforms driven by the termination of ISDN sales and services in key markets improving SME volume levels in Western Europe. For example, in Belgium, growth continued in the quarter through the leading Telco, Proximus, and its partnership with Mitel which continued to move a large proportion of SMEs towards on premise IP systems, IP licenses and UC solutions. In MEA, market conditions in South Africa partially influenced a double-digit regional decline, as increased political uncertainty and exchange rate volatility impacted on local price.

Only the long suffering regional markets of Latin America and Eastern Europe witnessed growth in the quarter against comparatively poor Q2 2016 volumes. Eastern Europe witnessed more moderate growth than Latin America in Q2 2017, with Russian volumes reasonably stable on an annualised basis alongside growth in Poland, Ukraine and Hungary. In Latin America, the market was boosted by enterprise sales for Huawei and Cisco. A key influence in recent Latin American market growth in enterprise has been an increased push of digitisation within the Latin American public sector. Huawei and Cisco, are in a better position than most to upsell or include their Call Control platforms and licenses through winning large tenders through their digital innovations in the areas of data transmission, software defined networking (SDN), distributed storage and 'Big Data'.

Competitive Landscape – Q2 2017

Cisco maintained its market share lead over its nearest competitors in Q2 2017 despite recording a decreased global market share of 12%. Seasonal fluctuations in Chinese investment spending often surprise those used to market economy business cycles and its leading vendor Huawei, typically surge sequentially in home license sales in the second quarter of the year. Aided by strong growth in Latin America and EMEA, Huawei recorded a 10% share and climbed to second position, ahead of Avaya and NEC who recorded global market shares of 10% and 9% respectively in third and fourth positions.

Mitel remained in fifth position with an 8% share of total license sales in Q2 2017. Mitel gained market share in the global SME market, influenced by volume growth in Belgium and Switzerland, alongside share growth in the diminishing North American SME market.

Panasonic maintained sixth position, ahead of Alcatel-Lucent Enterprise, Microsoft, Unify and Ericsson-LG Enterprise who complete the global top ten.

Notes: All licenses deployed on premise or within a public multi-instance, as well as public and private single instance environments are included within this analysis however multi-tenant services are excluded** in MZA's Call Control (PBX/IP PBX) analysis. The full publication provides granular analysis on vendor and market performance by region and key country and by size and technology segment for Call Control (PBX/IP PBX) licenses. The commentary within this press release excludes Micro PBX products.

**An additional annual service on Hosted/Cloud Business Telephony provides insight on trends for deployment models for single-instance and multi-instance call control solutions together with multi-tenant services.

Further Information: This press release is a summary of MZA's Q2 2017 Call Control analysis. The complete analysis provides granular insight at a regional, country and segment level of all leading players active, including a **full market commentary**. Additional MZA analysis services are available covering the UC Applications, Hosted/Cloud Business Telephony, Contact Centre and the business mobility markets.

About MZA

MZA specialises in the provision of insight and analysis into developments and trends in the business communications market at a global, regional and country level.

For more information on MZA insight or services please contact:

General Manager: Stephanie Watson (swatson@mzaconsultants.com) on +44 1672 516144