



FOR IMMEDIATE RELEASE

Bank Street Releases 4Q13 Commercial Services Market Survey

U.S Market for Commercial Broadband and Voice Services is \$100+ Billion Annually

STAMFORD, CT – April 4, 2014 – Bank Street released its proprietary *4Q13 Commercial Services Market Sizing & Trending Survey*. The quarterly survey covers 40 U.S. publicly reporting companies across the fixed-line telecommunications and managed services sectors that are either Commercial Services pureplays or diversified companies that specifically disclose revenue from Commercial Services customer segments, including small to medium-size business (SMB), enterprise, government and carrier wholesale.

- Commercial Services revenue for the companies in our survey was \$25.5 billion for the quarter ended December 31, 2013, up 0.2% sequentially and down 1.6% on a year-over-year basis. Overall Commercial Services revenue has been essentially flat over the past four years as growth from new entrants and new services has been offset by the negative trends in legacy product categories.
- Bandwidth Infrastructure and Managed Network Services remain standouts in the fixed-line Commercial Services market with robust growth in carrier, enterprise and government customer demand for capacity (i.e. Dark Fiber, Ethernet and Wavelengths) and enterprise demand for multi-point networking solutions (i.e. IP VPNs and MPLS) with security and other valued-added services.
- The VoIP and UC segment of the market is demonstrating remarkable growth as evidenced by the performance of the Cable MSOs and pureplay VoIP providers, such as 8x8 and RingCentral, as well as diversified carriers with VoIP product offerings. Unlike the raw organic growth in the Broadband category, most VoIP growth is cannibalizing legacy TDM-based voice services.
- The Cable MSOs have done a remarkable job of leveraging their pervasive networks to serve business customers, exiting 2013 with approximately 9% share of the total Commercial Services market, up from 7% at year-end 2012. The sheer momentum and strength of the Cable MSOs cannot be overstated as they are taking nearly half a percentage point of market share per quarter.
- In addition to Broadband and VoIP services, we see growing demand for a broad array of Cloud Hosted Services, including Microsoft Exchange, Data Storage for Backup and Archiving, Collaboration, Unified Communications, and Virtual Desktop. Cloud Hosted products could provide the next powerful wave of growth, particularly for companies focused on the SMB sector.

- The weak points in the Commercial Services market continue to be legacy products that are seeing sharp revenue declines as a result of both price compression and customer churn due to product or technology substitution. Usage-based TDM voice has been particularly weak in both the retail and wholesale markets with double-digit revenue declines for many players.

With more than \$100 billion in annual revenue, the U.S. Commercial Services is a large and highly profitable market representing a compelling opportunity, particularly for companies with exposure to high-growth sectors such as Bandwidth Infrastructure, Managed Network Services and other Managed Services such as Hosted VoIP and Unified Communications.

Although the incumbent LECs still comfortably enjoy dominant market share after nearly 20 years of competition, facilities-based competition from the Cable MSOs and over-the-top Hosted VoIP providers represent a serious threat to the ILECs in the SMB market while fiber-based competitive carriers continue to gain ground in the Enterprise, Government and Carrier markets.

For further information or to receive a copy of the full survey, contact Bank Street at (203) 252-2800 or info@bankstreet.com.

About Bank Street

Bank Street provides insightful and objective advice to help our corporate and institutional clients achieve their financial and strategic goals. We are a private investment banking firm primarily serving growth companies in the communications, media and technology sectors with a comprehensive array of services, including Merger & Acquisition advisory, Private Placements of Debt and Equity, and Restructuring. Our senior professionals have originated, structured and executed more than \$100 billion of financial and strategic transactions and are dedicated to bringing the breadth and depth of this experience to bear to the benefit of our clients. Bank Street is a member of FINRA and SIPC. Visit www.bankstreet.com for further information on our practice.