



FOR IMMEDIATE RELEASE

Bank Street Releases 4Q12 Commercial Services Market Survey

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

STAMFORD, CT – December 28, 2012 – The Bank Street Group LLC released its proprietary *4Q12 Commercial Services Market Sizing & Trending Survey*. The quarterly survey covers 38 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 \$24.9 billion for the quarter ending September 30, 2012, down 0.4% sequentially. Overall Commercial Services revenue has been essentially flat over the past four quarters as growth from new entrants and new services has been offset by the negative trends from legacy providers and legacy services.
- Broadband Transport continues to be the strongest product category 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.
- Voice over Internet Protocol (VoIP) is the other product in the commercial market that is demonstrating remarkable growth as evidenced by the performance of the Cable MSOs, pureplay VoIP providers such as 8x8 and Cbeyond as well as diversified carriers with VoIP product offerings. However, unlike the organic growth in the Broadband Transport category, we see most VoIP growth cannibalizing legacy TDM-based voice services.
- The Cable MSOs have been the most aggressive new entrant into the Commercial Services market in the past decade. With pervasive network assets and a differentiated high-bandwidth product offering, the Cable MSOs have been most successful in the SMB market. Cable MSOs have approximately 7% Commercial Services market share, up from 5% in the period one year ago. The companies are now setting their sights on larger customers in the carrier and enterprise segments.

- In addition to Broadband Transport 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. These products could provide a powerful next wave of growth for companies focused on the SMB sector, particularly those diversified competitive carriers with substantial customer bases and large sales forces.
- 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 switched voice has been particularly weak in both the retail and wholesale markets with double-digit revenue declines for many companies. Inter-carrier compensation has also been a source of pressure for legacy competitive and incumbent players.

With approximately \$100 billion in annual revenue, Commercial Services remains a large and highly profitable market that represents a compelling opportunity, particularly for companies focused on high-growth sectors such as Broadband Transport and Managed Services. 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 Group is an investment banking firm providing a comprehensive array of financial advisory services to middle-market companies. Our senior professionals have originated, structured and executed more than \$500 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. With a portfolio of capabilities that includes Financial Advisory, Mergers & Acquisitions, Private Placements of Debt & Equity, Restructuring & Turnaround Advisory, Valuation and Fairness Opinions, Bank Street offers one-stop shopping for our clients seeking sophisticated financial services. Bank Street is a member of FINRA and SIPC. Visit www.bankstreet.com for more information.