



ShoreTel

Brilliantly Simple Business Communication

ShoreTel Announces Acquisition of M5 Networks

Safe Harbor

These slides and the accompanying oral presentation contain forward-looking statements and information. The use of words such as “may”, “might”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “project”, “intend”, “future”, “potential” or “continue”, and other similar expressions are intended to identify forward looking statements. All of these forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain. The risks and uncertainties include our ability to integrate M5 Networks, our ability to retain M5 Networks’ customer base, potential unknown liabilities, security breaches or outages which may negatively affect our reputation, managing geographically-dispersed operations, increased risk of intellectual property litigation by entering into new markets, uncertainty as to ShoreTel’s ability to retain and motivate key personnel from the acquired company, increased competition by entering into new markets, the potential for litigation in our industry, and other risk factors set forth in ShoreTel’s Form 10-K for the year ended June 30, 2011, as updated by our Quarterly Reports on Form 10-Q on a quarterly basis. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Highlights of the Deal

- **Initial consideration of \$146 million**
 - \$84 million in cash
 - 9.5 million shares of SHOR worth \$62 million based on the January 31, 2012 closing price
- **\$13.7 million in additional contingent payments payable over 2 years based on achievement of certain revenue performance milestones for the year ended 12/31/12**
- **Deal expected to close by the end of the March 2012**

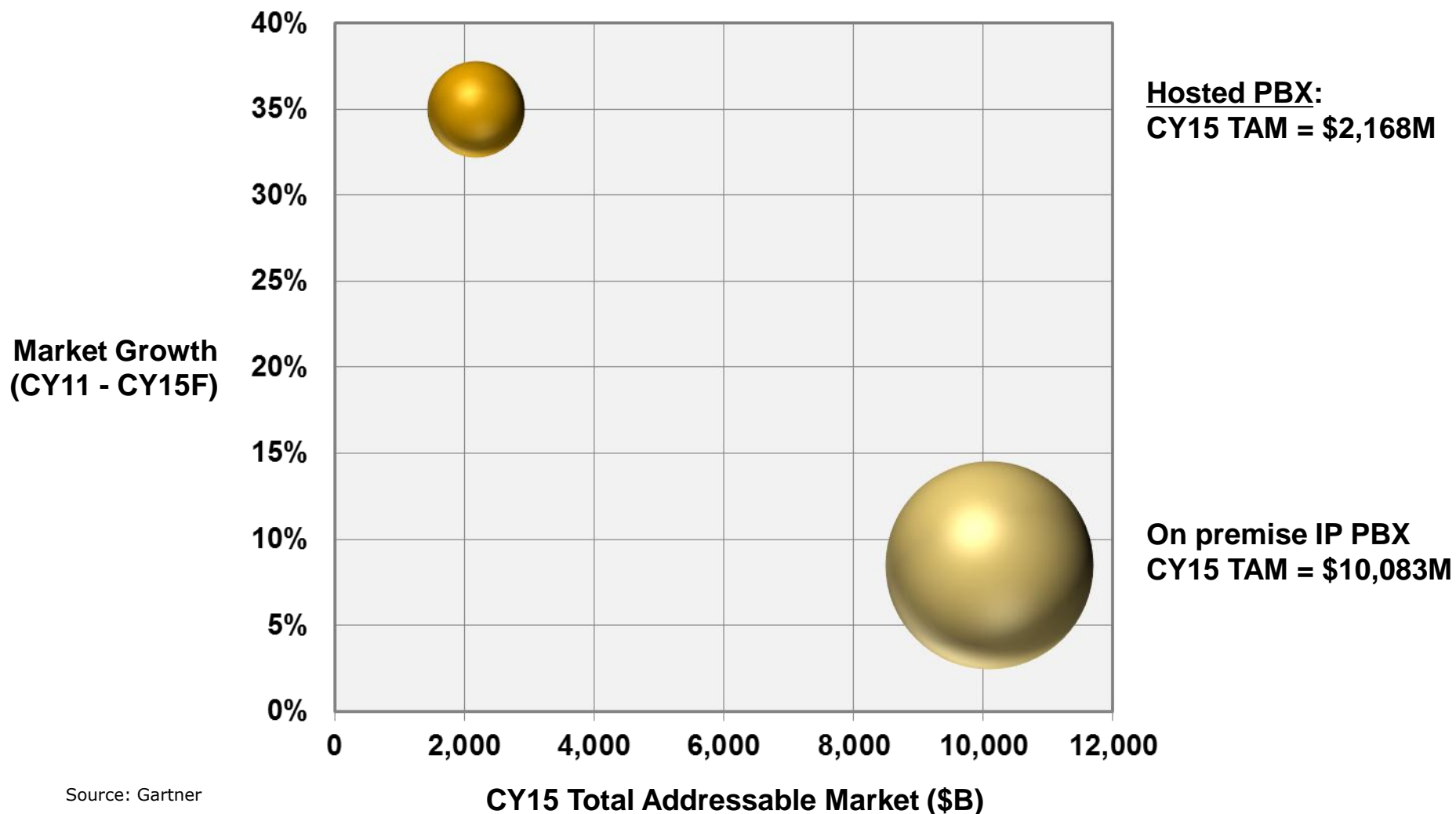
Why M5 Networks

- **M5 allows ShoreTel rapid entry into the fast growing hosted Unified Communications (UC) market**
 - A leader in hosted UC with over 2,000 customers and over 60,000 recurring revenue seats
 - Private company with over 200 employees, HQ in New York City
 - Rated by Gartner as a “visionary” in hosted UC
 - Strong management team with proven experience in hosted environment
 - Annual growth rate of approximately 50% with revenues (CY 11) in the high \$40 million range
 - Predictable, recurring revenue model
 - Outstanding business operation metrics including:
 - Low annual churn rate
 - High ARPU (average revenue per user)
 - Success in the enterprise mid-market

Hosted UC Opportunity

- **Gartner estimates the North America IP Voice as a Service market is \$700 million in 2012 growing at a 36% CAGR to \$2.2 billion in 2015**
- **Complementary to current on-premise business as most customers have a predisposition to a hosted or on premise solution**
- **Recurring revenue model allows ShoreTel to have more predictable, higher valued revenues**
- **ShoreTel remains committed to and excited about its opportunities in the larger, and still growing, on-premise market and will continue to drive its best in class solution in that market**

Worldwide Hosted and On-Premise PBX Markets Relative Growth and Market Size



Integration Plans

- **M5 will be operated as a separate business unit, led by M5's CEO, Dan Hoffman**
- **New business unit will share ShoreTel's brilliantly simple approach to UC as well as high-degree of focus on customer satisfaction**
- **Business integration risk is low because the hosted UC business will be run as a separate business unit**
- **Over time, there will be synergies in the businesses including:**
 - Using ShoreTel's strong lead generation engine to support M5
 - Leveraging ShoreTel's 600 partner channel in the U.S.
 - Supporting ShoreTel phones in the new cloud UC solution
 - Putting ShoreTel's world-class mobility offering in the cloud
 - Modest cost savings in administrative functions

ShoreTel On-Premise Business

- **On-premise IP-PBX market expected to grow to \$10B by 2015**
- **ShoreTel's award winning UC solution continues to be highly differentiated in the market**
 - Continued high competitive win rate (greater than 50%)
- **Ongoing recruitment and launch of world class channel partners who continue to invest strategically in the ShoreTel solution**
- **Investments over past several years have propelled significant gains in US and worldwide market share**
- **ShoreTel will continue to invest in sales, marketing and innovation to drive profitable growth and UC industry leadership**