FROST & SULLIVAN

ELEMENT RECEIVES THE 2023 TECHNOLOGY INNOVATION LEADERSHIP AWARD

Identified as best in class in the global secure messaging solutions industry

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Element excels in many of the criteria in the secure messaging solutions space.

AWARD CRITERIA

Technology Leverage	Business Impact
Commitment to Innovation	Financial Performance
Commitment to Creativity	Customer Acquisition
Stage Gate Efficiency	Operational Efficiency
Commercialization Success	Growth Potential
Application Diversity	Human Capital

Adapting to Evolving Communication Needs

The communication needs of organizations are changing. Enterprises must adapt their corporate communication methods to meet changing expectations and ensure improved real-time collaboration.

The threat landscape continues to evolve rapidly – a significant challenge for cybersecurity solution vendors and enterprises alike. As attackers become more sophisticated, enterprise messaging solutions must evolve to minimize the impact of new attacks. The shift to remote working has introduced new vulnerabilities for users and organizations. Threat actors have taken advantage with new, more sophisticated cyberattacks, particularly targeting email. Messaging apps are a new attack vector. Security leaders must act now to establish relationships with trusted secure messaging solutions providers, ensure end-to-end encryption for messaging data, and optimize corporate messaging performance to meet user expectations.

Element – A Pioneer for Interoperable Open Communications

Element is headquartered in London, United Kingdom. The founders of Element created Matrix in 2014 as an open-source solution for secure, decentralized communication. Like email, Matrix eliminates fragmentation and allows real-time online communications platforms to connect. Matrix serves over 84 million users, through over 100 thousand servers, with more than 1,000 enterprise customers globally.

Element offers secure messaging communications solutions deployed on-premises or through Element's cloud hosting service. The solution is deployable on all popular operating systems, including iOS, Android,

macOS, Windows, and Linux. Standard features include 1 on 1 chat, group chat, VoIP, file transfer, read receipts, and voice messaging capabilities. Utilizing end-to-end encryption with device verification, only the sender and intended recipient can view messages, with no private conversations stored unencrypted on a server for hackers to potentially steal.

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>
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> *Industry Principal*

Enterprise functionalities offer audit, antivirus, and data loss prevention. Private, internal, and public rooms can be created to facilitate communication with a defined group of people. Through its features and capabilities, Element has positioned itself to benefit from the European Union's Digital Market Act, which requires gatekeepers to provide interoperability (to include end-to-end encryption), as well as let businesses own their data.

Element focuses on eliminating silos and opening communication across various networks. A unique feature offered is its own app store. Through bridges, bots, and widgets, communication can occur through a multitude of different methods. Bridges extend native interoperability between platforms such as WhatsApp and Slack for communication with people using those platforms, but still harnessing Matrix's security protocol measures. Bots can carry out task automation and interact directly with third-party apps from Element. Widgets take apps such as YouTube, Etherpad, Google calendar, Jitsi, and Spotify and embed them into Element user rooms to enable automated information sharing.

A Platform Built to Grow with Communication Demands

Element's long-term growth strategy includes new solutions building onto the Matrix platform, as well as supporting existing vendors for interoperable communications. This is already occurring with some vendors, such as Rocket. Chat, and through the acquisition of the chat platform Gitter in 2020. The Gitter acquisition migrated over 1.7 million users to Matrix. With a strong emphasis on product-led and word-of-mouth organic growth, commercial investment is strategic and product funding takes priority. In 2021, Element raised $30 million in a Series B round of funding from an impressive group of investors including Metaplanet, WordPress.com parent company Automattic, Protocol Labs, and Notion.[1] [2]

The company has a strong direct sales strategy with large-scale partners in place. Germany's adoption of the Matrix standard for its healthcare, education and national security sectors has partially driven this sales strategy demonstrating entire commercial ecosystems revolve around Matrix.

Secure Communication Adaptability Across Verticals

Element has tailored its messaging solution to appeal to various types of industries, with a specific focus on education, defense, government, and healthcare. Many organizations within these sectors are faced

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[1] Element bolsters decentralized team messaging with $30M raise: Source: https://venturebeat.com/data-infrastructure/element-bolsters-decentralized-team-messaging-with-30m-raise/
[2] Element, a messaging app built on the decentralized Matrix protocol, raises $30M: Source: https://techcrunch.com/2021/07/27/element-a-messaging-app-built-on-the-decentralized-matrix-protocol-raises-30m/

with slow and cumbersome email communication challenges, leading to the need for a secure, compliant, and many times on-premises messaging solution. A key theme is the ability to connect across not only the immediate organization, but also to connect to outside affiliates.

In the defense sector, national security is the core challenge regarding real-time communication messaging services. Element, along with the open-source Matrix protocol, enables defense organizations to improve communication by developing their own secure communication infrastructure to support messaging and collaboration. Element enables each participant to host its own service, thus delivering digital sovereignty for all parties – a vital component for secure communications across federated organizations.

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Government and public sector organizations such as healthcare, education, and law enforcement have adopted Element for their communication needs due to its interoperable secure collaboration capabilities. Matrix is the official communications network for The French State, German Bundeswehr (Armed Forces), and German NHS. The French government utilized Matrix to build its secure collaboration tool for the public sector, Tchap.

Popular consumer messaging applications that claim to be suitable for secure enterprise communications are typically centralized and pose security risks by keeping data within their systems. Also centralized systems are inherently weaker because if the platform is taken offline all participants are unable to communicate. In a decentralized system only the users associated with the offline server will be impacted, meaning no more global outages. Healthcare providers face similar security challenges as they must follow strict guidelines for protected health information. High standards and requirements for confidentiality and data security create constraints adopting traditional messaging and collaboration solutions. Element has created solutions to address these unique challenges and deliver digital sovereignty for real-time communications.

Conclusion

Communication has always been an essential component of business efficiency but has now converged both physical and virtual communication. Secure communications solutions must be adaptable to such changes for businesses to thrive. While email has traditionally been the most widely used virtual business communication tool, enterprise communications are now transitioning to (and becoming dependent upon) enterprise messaging solutions. Such solutions offer enterprises enhanced security efficacy, interoperability, and improved team productivity.

Frost & Sullivan applauds Element for addressing modern communication challenges across various industries and delivering secure and sovereign communication tools. Element focuses on customer needs and tailors its product to unique vertical market priorities, including those with high security requirements.

With its strong overall performance, Element earns Frost & Sullivan's 2023 Global Technology Innovation Leadership Award in the secure messaging solutions industry.

What You Need to Know about the Technology Innovation Leadership Recognition

Frost & Sullivan's Technology Innovation Leadership Award recognizes the company that has introduced the best underlying technology for achieving remarkable product and customer success while driving future business value.

Best Practices Award Analysis

For the Technology Innovation Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Technology Leverage

Commitment to Innovation: Continuous emerging technology adoption and creation enables new product development and enhances product performance

Commitment to Creativity: Company leverages technology advancements to push the limits of form and function in the pursuit of white space innovation

Stage Gate Efficiency: Technology adoption enhances the stage gate process for launching new products and solutions

Commercialization Success: Company displays a proven track record of taking new technologies to market with a high success rate

Application Diversity: Company develops and/or integrates technology that serves multiple applications and multiple environments

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

About Frost & Sullivan

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The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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Key Impacts:

- **Growth Pipeline:** *Continuous Flow of Growth Opportunities*
- **Growth Strategies:** *Proven Best Practices*
- **Innovation Culture:** *Optimized Customer Experience*
- **ROI & Margin:** *Implementation Excellence*
- **Transformational Growth:** *Industry Leadership*

The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- Mega Trend (MT)
- Business Model (BM)
- Technology (TE)
- Industries (IN)
- Customer (CU)
- Geographies (GE)