



## Second Quarter 2012 Earnings Report

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# Top Line Beginning to Develop

- **Strong bookings in Q2 due to channel performance**
  - User bookings increased 66% Q/Q and 241% Y/Y
  - Channels accounted for 50%+ of Q2-12 bookings value up from 10% in Q1-12
  - Revenue diversification continues with SharePoint, VoIP and Security & Compliance products accounting for 20% of Q2 bookings value
  - Sales to GT100 accounts accounted for 77% of total Q2 user bookings
- **Channel continues to develop**
  - Signed ThinkGrid, a channel focused IT solutions provider based in the UK
  - Cincinnati Bell launched private label cloud in early Q2
  - Sprint Nextel on track for Q4 launch
- **User count increased 3% Q/Q and 13% Y/Y to 362,000**
  - Churn rates remain less than 10% annually
  - SSG substantially offsets user churn
- **Revenue of USD 10.7 million; increase of 4% Q/Q and 6% Y/Y**
  - Implementation cycles remain longer for mid-market and channel accounts; as such revenue gains follow users gains by approximately a quarter
  - User backlog of ~5,000 users at quarter end
- **Net income of USD 302 thousand; increase of 196% Q/Q and 96% Y/Y**
  - Record quarterly earnings
  - Company continued to invest in toolsets in support of expanding partner network

# Key Performance Indicators

\$ in Millions	Trend	Q2-12	Q1 -12	Q/Q	Q2 - 11	Y/Y
Users (including Speedway)*	↑	362,000	351,000	3%	321,000	13%
Customers *	↔	20,145	20,780	-3%	20,610	-2%
ARPU *	↔	\$10.15	\$10.00	2%	\$10.53	-4%
Revenues	↑	\$10.70	\$10.30	4%	\$10.12	6%
Gross Margins	↑	73%	72%	1%	71%	3%
EBIT	↑	\$0.64	\$0.42	52%	\$0.52	23%
Net Earnings	↑	\$0.30	\$0.10	196%	\$0.15	96%

\* User/customer data shown as actual

- **Mid-market and non-exchange related revenues driving gains Y/Y**
  - Channel sales represented over 50% of new bookings value in Q2-12
  - Accounts greater than 100 users accounted for 77% of Q2 user bookings growth
  - Sales backlog (signed not implemented or billable) continues to develop
  - Same store growth remains consistent
- **ARPU and Gross Margins stable**
  - VoIP, SharePoint and Security / Compliance gains continue to favorably impact ARPU; offsetting price erosion from market pressure
- **6<sup>th</sup> consecutive quarter of positive net income**

# Comparative Cash Flows

<b>Cash Flow Statement:</b>					
	<b>Q2-11</b>	<b>Q3-11</b>	<b>Q4-11</b>	<b>Q1-12</b>	<b>Q2-12</b>
<b>Net income</b>	\$ 154	\$ 271	\$ 272	\$ 102	\$ 302
Depreciation, amortization and impairment	821	854	917	906	925
Stock based compensation	80	58	62	74	59
Net changes in working capital & FX impact	4	(559)	(154)	20	255
<b>Cash from operating activities</b>	<b>1,059</b>	<b>624</b>	<b>1,097</b>	<b>1,102</b>	<b>1,541</b>
Fixed asset purchases, net of financings	(175)	(80)	(142)	(122)	(135)
Debt and lease related payments	(950)	(960)	(983)	(936)	(884)
Proceeds from working capital & debt facility	100	250	-	-	-
<b>Cash from financing &amp; investing activities</b>	<b>(1,025)</b>	<b>(790)</b>	<b>(1,125)</b>	<b>(1,058)</b>	<b>(1,019)</b>
<b>Change in cash position during the period</b>	<b>34</b>	<b>(166)</b>	<b>(28)</b>	<b>44</b>	<b>522</b>
<b>Beginning period cash</b>	<b>928</b>	<b>962</b>	<b>796</b>	<b>768</b>	<b>812</b>
<b>Ending period cash</b>	<b>\$ 962</b>	<b>\$ 796</b>	<b>\$ 768</b>	<b>\$ 812</b>	<b>\$ 1,334</b>

- **Positive operating cash flow trend continues across the business; improved net income driving cash increases**
- **Overall leverage ratios improving due to operating income and reduced debt load**
- **Liquidity of USD 2.6 million, including cash balances and available**

# Strategy for Growth: Aligning Channel to Targeted Market Segments



Enterprise Adoption

## Enterprise Adoption

- World class integrators → Fujitsu America, Insight Technologies, ThinkGrid
- Industry-leading data centers → Data Foundry and SAVVIS



Specific Market Verticals

## Mid-Market Verticals

- Nearly 50% of revenue
- Healthcare a focus
- Increasingly able to leverage channels



## Aspiring Entrepreneur, Rising Small Business Market

- Broadband providers → Cincinnati Bell, MegaPath, Cox, Sprint
- Business service organizations → Web.com

## Why Apptix?

- Accelerated launch of cloud strategy
- Breadth of service portfolio
- Leverage Apptix hosting infrastructure
- Pay-As-You-Go model
- Repeatable and consistent processes for bringing new services to market

# 2012 Outlook

## Driving Top Line Increase Is Our Priority

### – **Channel first strategy gaining traction**

- Bookings up 119% in the first half of the year vs. same period in 2011
- Channels delivering 50% of bookings value in Q2
- Partner pipeline continues to expand

### – **Developing partner network is a marathon, not a sprint**

- Commitment and time are key
- Continuing to invest in channel; both headcount and tools

### – **Mid market focus will drive revenue diversification**

- GT100 customers accounted for 77% of second quarter user bookings and 75% of bookings value
- 20% of H1 bookings value came from VoIP, SharePoint and Security & Compliance

### – **Continued success with enhanced customer management and priority routing**

- Churn rates continue to be less than 10% annually and offset by SSG
- Customer management increasingly a revenue generator; 14% of H1 bookings



# Q & A