



First Quarter 2012 Earnings

David Ehrhardt, CEO

Chris Mack, CFO

May 9, 2012

Strong First Quarter Bookings & Targeted Investments Supporting 2012 Growth Initiatives

- **Strong bookings in Q1 driven by sales of security/compliance and SharePoint services as well as sales to mid market accounts**
 - Bookings value increased 59% Q/Q; user bookings increased 65%
- **User count increased 4.5% Q/Q and 11% Y/Y to 351,000**
 - Churn rates steady at less than 10% annually
- **Channel partnerships continue to develop**
 - Signed Sprint Nextel Corporation, a USD 34 billion provider of wireless and wire line voice and data transmission services
 - Insight Enterprises, Inc. and MegaPath Corporation launched private label cloud in February (minimal impact on Q1-12)
 - Cincinnati Bell (NYSE: CBB) launching their cloud services initiative in early Q2-12
- **Revenue of USD 10.3 million; flat Q/Q, an increase of 2% Y/Y**
 - Implementation cycles longer for mid-market accounts and channel accounts; as such revenue gains follow users gains by approximately a quarter
 - User backlog greater than 10,000 users at quarter end
- **Net income of USD 102 thousand; down USD 170 thousand Q/Q; USD 96 thousand increase Y/Y**
 - Targeted investments in support of growing channel; customer acquisition, migration and support toolset enhancements and staffing
 - Anticipate net income growth trends to resume in H2

Key Performance Indicators

\$ in Millions	Trend	Q1-12	Q4-11	Q/Q	Q1-11	Y/Y
Users (including Speedway)*	↑	351,000	336,000	4%	317,000	11%
Customers *	↔	20,780	20,760	0%	20,840	0%
ARPU *	↔	\$10.00	\$10.40	-4%	\$10.67	-6%
Revenues	↔	\$10.30	\$10.31	0%	\$10.09	2%
Gross Margins	↔	72%	72%	0%	72%	0%
EBIT	↑	\$0.42	\$0.63	-33%	\$0.38	11%
Net Earnings	↑	\$0.10	\$0.27	-62%	\$0.01	920%

** User/customer data shown as actual

- **Mid-market and non-exchange related revenues driving gains Y/Y**
 - Channel sales represented about 10% of new bookings value in Q1-12
 - Accounts greater than 100 users accounted for 59% of sales bookings
 - Sales backlog (signed not implemented or billable) is developing
 - Same store growth continues to trend positively
- **ARPU and Gross Margins stable**
 - VoIP and Security / Compliance gains offset shift to channel sales model
- **5th consecutive quarter of positive net income**

Comparative Cash Flows

Cash Flow Statement:					
	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12
Net income	\$ 6	\$ 154	\$ 271	\$ 272	\$ 102
Depreciation, amortization and impairment	827	821	854	917	906
Stock based compensation	70	80	58	62	74
Net changes in working capital & FX impact	28	4	(559)	(154)	20
Cash from operating activities	931	1,059	624	1,097	1,102
Fixed asset purchases, net of financings	(119)	(175)	(80)	(142)	(122)
Debt and lease related payments	(850)	(950)	(960)	(983)	(936)
Proceeds from working capital & debt facility	-	100	250	-	-
Cash from financing & investing activities	(969)	(1,025)	(790)	(1,125)	(1,058)
Change in cash position during the period	(38)	34	(166)	(28)	44
Beginning period cash	966	928	962	796	768
Ending period cash	\$ 928	\$ 962	\$ 796	\$ 768	\$ 812

- Positive operating cash flow trend continues across the business
- Overall leverage ratios improving due to operating income and reduced debt load
- Liquidity of USD 2.1 million, including cash balances and available borrowings

Strategy for Growth: Aligning Channel to Targeted Market Segments

Create force multipliers to increase reach into the marketplace



Enterprise Adoption

Enterprise Adoption

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



Specific Market Verticals

Mid-Market Verticals

- Nearly 50% of revenue
- 60% of new customers



Aspiring Entrepreneur

Aspiring Entrepreneur, Rising Small Business Market

- Broadband providers → Cincinnati Bell, MegaPath, 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 progress continues to support case for double digit growth in 2012**
 - Strong first quarter bookings, both in terms of dollars and user value
 - Building momentum from expanding partner network a key focus for 2nd quarter
- **Mid-market and enterprise customers driving revenue diversification**
 - GT100 customers accounted for 59% of first quarter bookings
 - SharePoint accounted for 20% of first quarter bookings
 - VoIP and Security/Compliance revenue continue to grow at 40%+ annually
 - Collaboration, Security/Compliance and Voice now account for 20% of revenues
- **Continued success with enhanced customer management and priority routing**
 - Churn rate less than 10% annually
 - Solid same store growth in existing base; 10% run rate
 - Account management structure accelerating sales of add-on services
- **Margin gains being reinvested into business to further drive growth**
 - Approximately USD 300 thousand in Q1 incremental spending on staffing and toolset enhancements geared towards customer acquisition, migration and support
 - To continue in second quarter; anticipate revenue gains will offset and return net income growth trends in H2



Q & A