



APPTIX™
EMAIL • CALL • UNITE

Fourth Quarter 2010: Earnings Presentation

Presented by:

David Ehrhardt, CEO

Chris Mack, CFO

February 9, 2011

Agenda

- **Fourth Quarter 2010 Highlights**
- **Fourth Quarter 2010 Financials**
- **2011 Outlook**
- **Q&A**

Certain statements made in this document may include forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions, or strategies regarding the future. The forward-looking statements reflect the Company's current views and assumptions with respect to future events, and are subject to risks and uncertainties. The Company does not assume any liability for these forward-looking statements, and does not assume any obligation to update these statements.



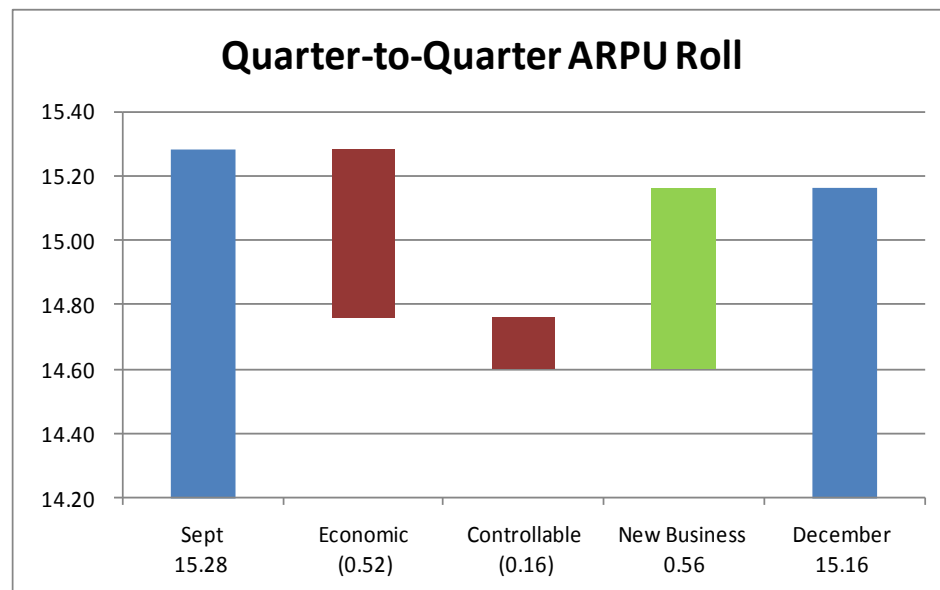
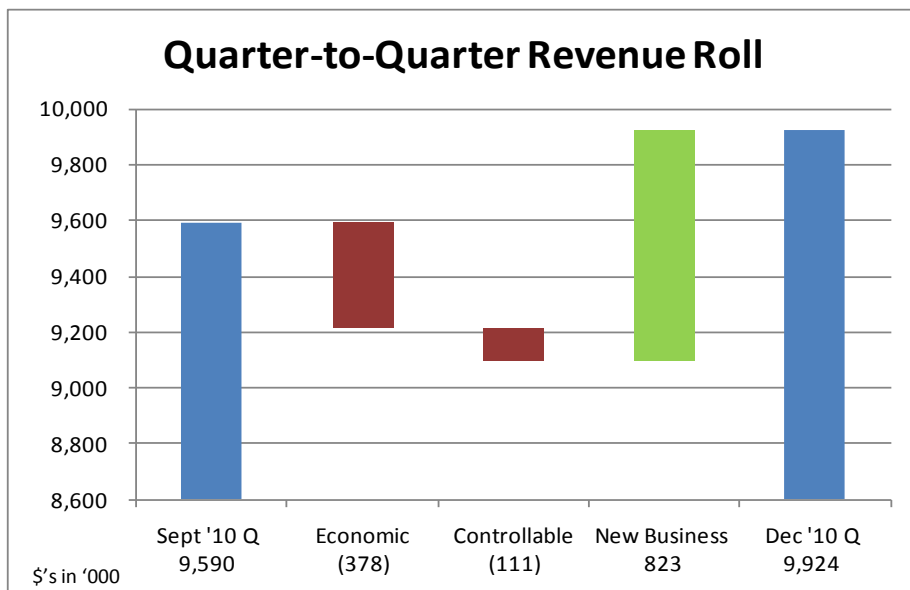
APPTIX™
EMAIL • CALL • UNITE

Fourth Quarter 2010 Highlights

Business continues trend towards profitability

- **Revenue of USD 9.92 million; increase of 3.5% Q/Q**
- **Total user count exceeds 311,000; increase of 26% Q/Q**
 - Speedway fully on board
- **Substantial improvement in overall operating results**
 - EBIT Loss of \$22k, a 95% improvement Q/Q
 - Net Loss of \$413k , a 51% improvement over Q/Q
- **New user bookings increased 13% in 2010 over 2009**
 - 100% increase in user bookings from accounts with greater than 100 users
- **Investments in channel/business development team continues to show progress**
 - Channels agreements with CPA2Biz (AICPA marketing arm) and Cox Communications
- **On track to see positive Net Income in 2011**

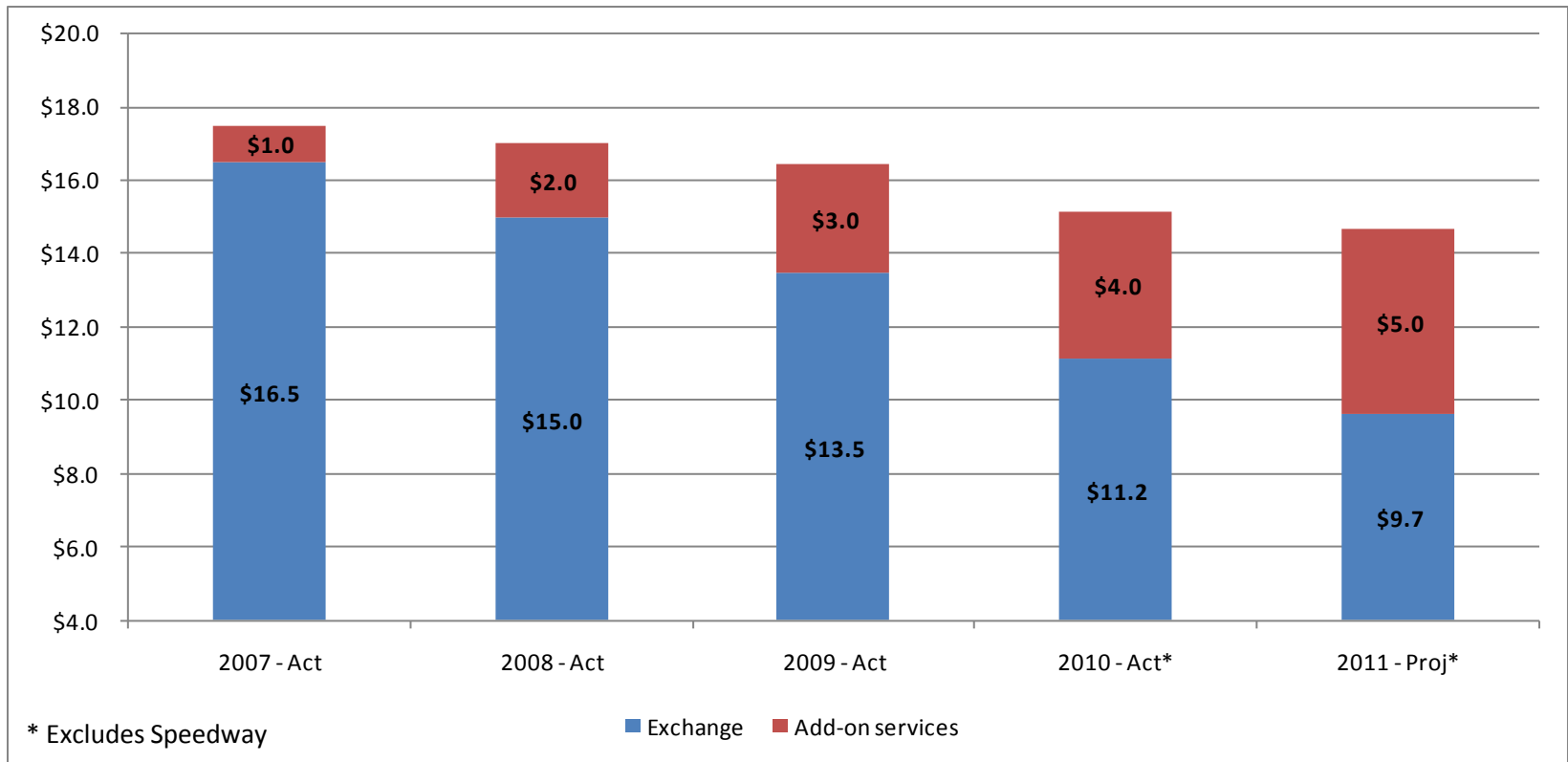
Q4-10 Revenue Development



ARPU excludes Speedway

- **Revenue gains driven by Speedway on-boarding**
 - Base revenue down slightly; off-set by Speedway
 - Controllable churn flat Q/Q; economic churn driven by pricing commoditization
- **ARPU stabilizing**
 - Targeting mid-market customers and trading volume based ARPU concessions for stickier customers
 - Base mailbox pricing continues to face pressure; offset by add-on services

Historical ARPU Trend



- Service portfolio expansion (mobility, archiving, VoIP, SharePoint, etc) continue to gain traction
- Base mailbox pricing reflects market pressures (commoditization)



APPTIX™
EMAIL • CALL • UNITE

Fourth Quarter 2010 Financials

Key Performance Indicators

| \$ in Millions | Trend | Q4 - 10 | Q3 - 10 | Q/Q | Q4 - 09 | Y/Y |
|----------------------------|-------|----------|----------|-------|----------|-------|
| Users (including Speedway) | ↑ | 311,000 | 247,000 | 26% | 197,000 | 58% |
| Customers | ↔ | 21,300 | 21,520 | -1.0% | 21,800 | -2.3% |
| ARPU* | ↔ | \$15.16 | \$15.28 | -0.8% | \$16.45 | -7.8% |
| Revenues | ↑ | \$9.92 | \$9.59 | 3.5% | \$9.66 | 2.7% |
| Gross Margins | ↔ | 72% | 72% | 0.0% | 80% | -10% |
| EBIT | ↑ | (\$0.02) | (\$0.40) | 95% | \$0.00 | -3.4% |
| Net Earnings | ↑ | (\$0.41) | (\$0.84) | 51% | (\$0.75) | 45% |

* ARPU Excludes Speedway

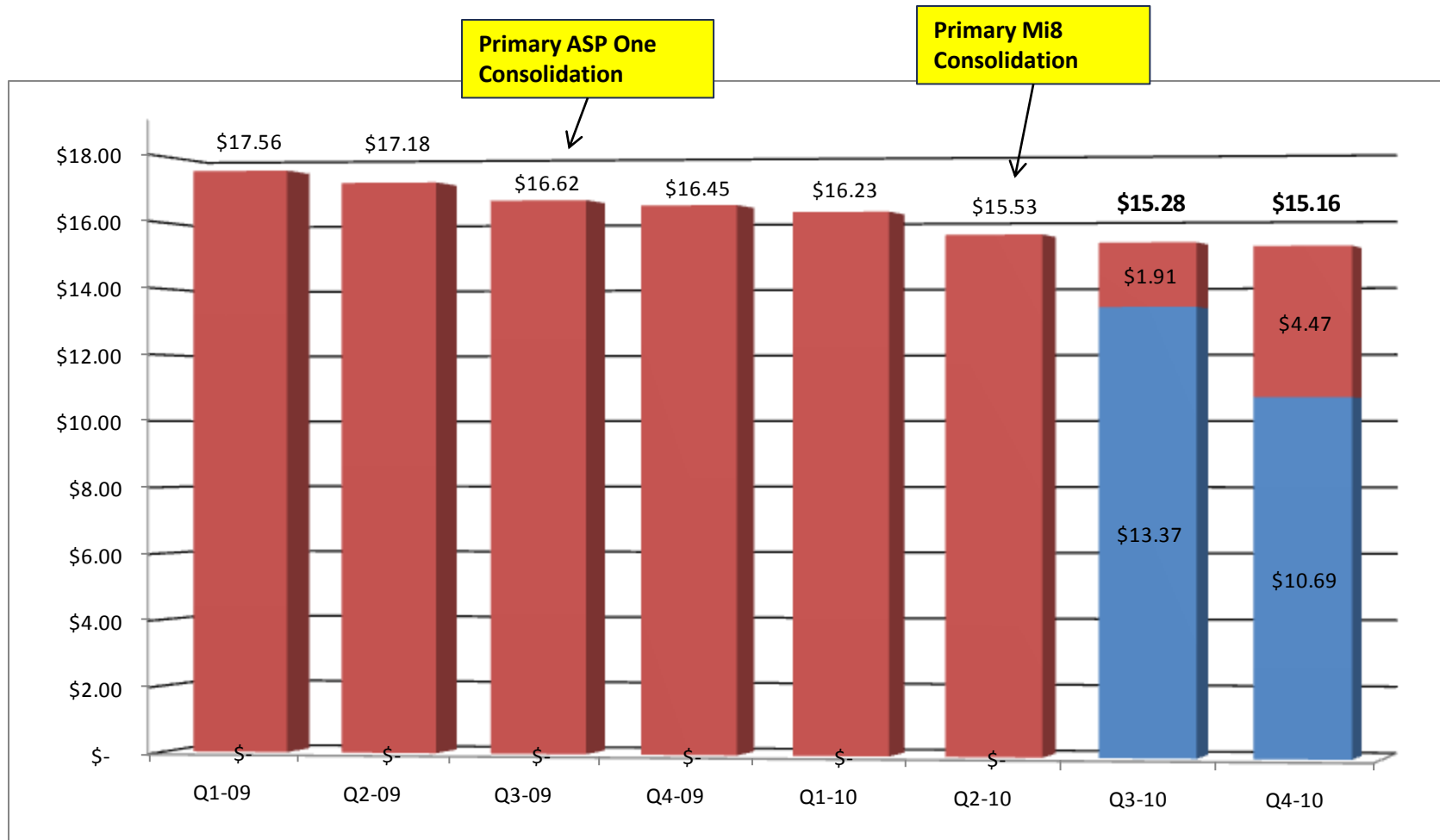
- **Speedway users fully on-board**
- **Customer counts flat Q/Q; focus on mid-market customers**
- **ARPU and Gross Margins stabilizing**
- **EBIT and Net Earnings continue to reflect improved operating efficiency of the business**
- **Tracking to positive Net Income in FY 2011**

Core Business Supports Healthcare Investment

| Pro-Forma Income Statement | Core | | | Speedway | | | Total | | |
|-----------------------------|------------|------------|---------------|--------------|--------------|---------------|-------------|--------------|--------------|
| | Q4-10 | Q3-10 | % Δ | Q4-10 | Q3-10 | % Δ | Q4-10 | Q3-10 | % Δ |
| Revenues | 9,177 | 9,330 | -1.6% | 747 | 260 | 187.3% | 9,924 | 9,590 | 3.5% |
| Gross margin | 6,695 | 6,839 | -2.1% | 411 | 47 | 774.5% | 7,106 | 6,886 | 3.2% |
| Operating expenses (ex D&A) | 5,991 | 5,972 | 0.3% | 349 | 399 | -12.5% | 6,340 | 6,371 | -0.5% |
| EBITDA | 704 | 867 | -18.8% | 62 | (352) | 117.6% | 766 | 515 | 48.7% |
| D&A | 577 | 705 | -18.2% | 211 | 210 | 0.5% | 788 | 915 | -13.9% |
| EBIT | 127 | 162 | -21.6% | (149) | (562) | 73.5% | (22) | (400) | 94.5% |

- **Speedway users fully on-board in Dec-10**
 - Fully ramped quarterly revenues ~ \$900k
- **Base business revenue experiencing erosion due to pricing commoditization**
- **Overall business reflects 90%+ improvement due to Speedway ramp up**

Total Average Revenue per User (ARPU)



- Fully loaded ARPU (including Speedway) totals \$10.69; contribution margins expected to remain relatively stable

Comparative Cash Flows - Consolidated

| Cash Flow Statement: | Consolidated | | | | Core | | | | Speedway | | | |
|--|--------------|------------|----------|----------|----------|----------|----------|----------|----------|------------|----------|----------|
| | Q1-10 | Q2-10 | Q3-10 | Q4-10 | Q1-10 | Q2-10 | Q3-10 | Q4-10 | Q1-10 | Q2-10 | Q3-10 | Q4-10 |
| Net gain/(loss) | \$ (776) | \$ (1,081) | \$ (840) | \$ (413) | \$ (202) | \$ (253) | \$ (93) | \$ (95) | \$ (574) | \$ (828) | \$ (747) | \$ (318) |
| Depreciation, amortization and impairment | 973 | 1,037 | 915 | 788 | 856 | 830 | 705 | \$ 577 | 117 | 207 | 210 | 211 |
| Stock based compensation | 54 | 247 | 80 | (29) | 54 | 247 | 80 | \$ (29) | - | - | - | - |
| Net changes in working capital & FX impact | 298 | 100 | (528) | 398 | 267 | 150 | (566) | \$ 82 | 31 | (50) | 38 | 316 |
| Cash from (used in) operating activities | 549 | 303 | (373) | 743 | 975 | 974 | 126 | 534 | (426) | (671) | (499) | 209 |
| Fixed asset purchases, net of financings | (25) | (85) | (54) | (119) | (25) | (85) | (54) | (119) | - | - | - | - |
| Debt and lease related payments | (1,106) | (900) | (943) | (830) | (884) | (613) | (651) | (523) | (222) | (287) | (292) | (307) |
| Proceeds from working capital & debt facility | 425 | - | 1,350 | - | - | - | - | - | 425 | - | 1,350 | - |
| Cash from (used in) financing & investing | (706) | (985) | 353 | (949) | (909) | (698) | (705) | (642) | 203 | (287) | 1,058 | (307) |
| Change in cash position during the period | (157) | (682) | (20) | (206) | 66 | 276 | (579) | (108) | (223) | (958) | 559 | (98) |
| Beginning period cash | 2,031 | 1,874 | 1,192 | 1,172 | 2,021 | 2,087 | 2,363 | 1,784 | - | (223) | (1,181) | (622) |
| Ending period cash | \$ 1,874 | \$ 1,192 | \$ 1,172 | \$ 966 | \$ 2,087 | \$ 2,363 | \$ 1,784 | \$ 1,676 | \$ (223) | \$ (1,181) | \$ (622) | \$ (720) |

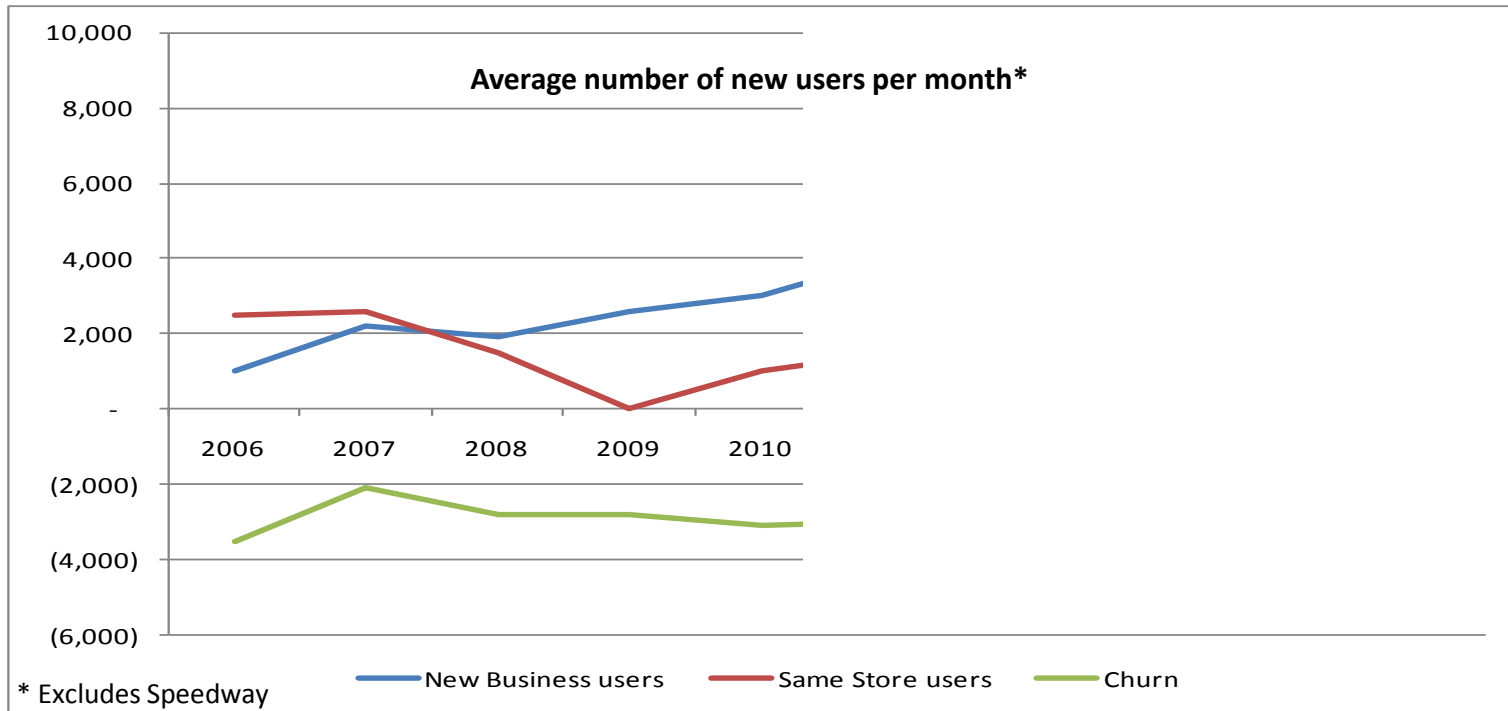
- Positive operating cash flow trend from all components of the business
- Available and unused capacity under working capital facility combined with cash reserves provides sufficient liquidity (~\$1.7M) going into FY 2011 with Speedway fully on-board



APPTIX™
EMAIL • CALL • UNITE

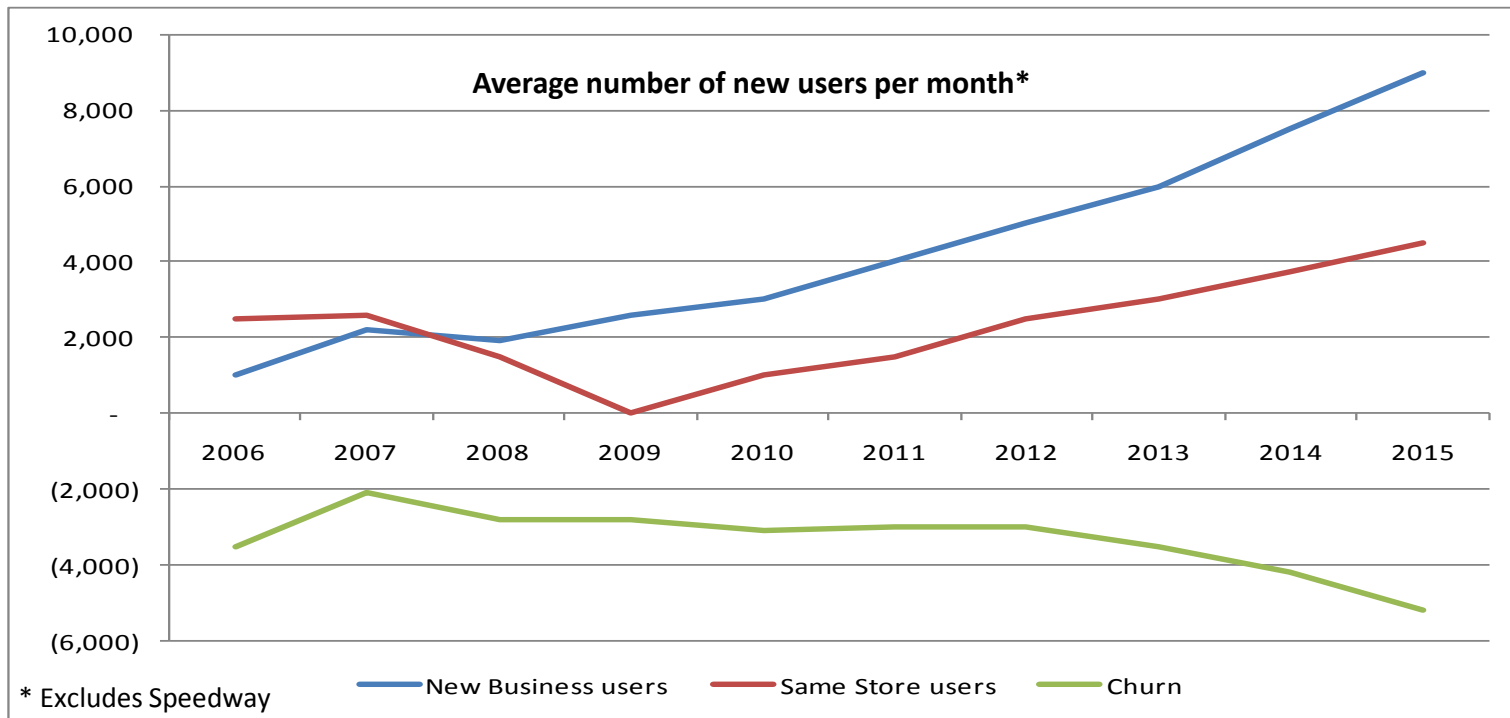
2011 Outlook

User Growth – A Look Back.....



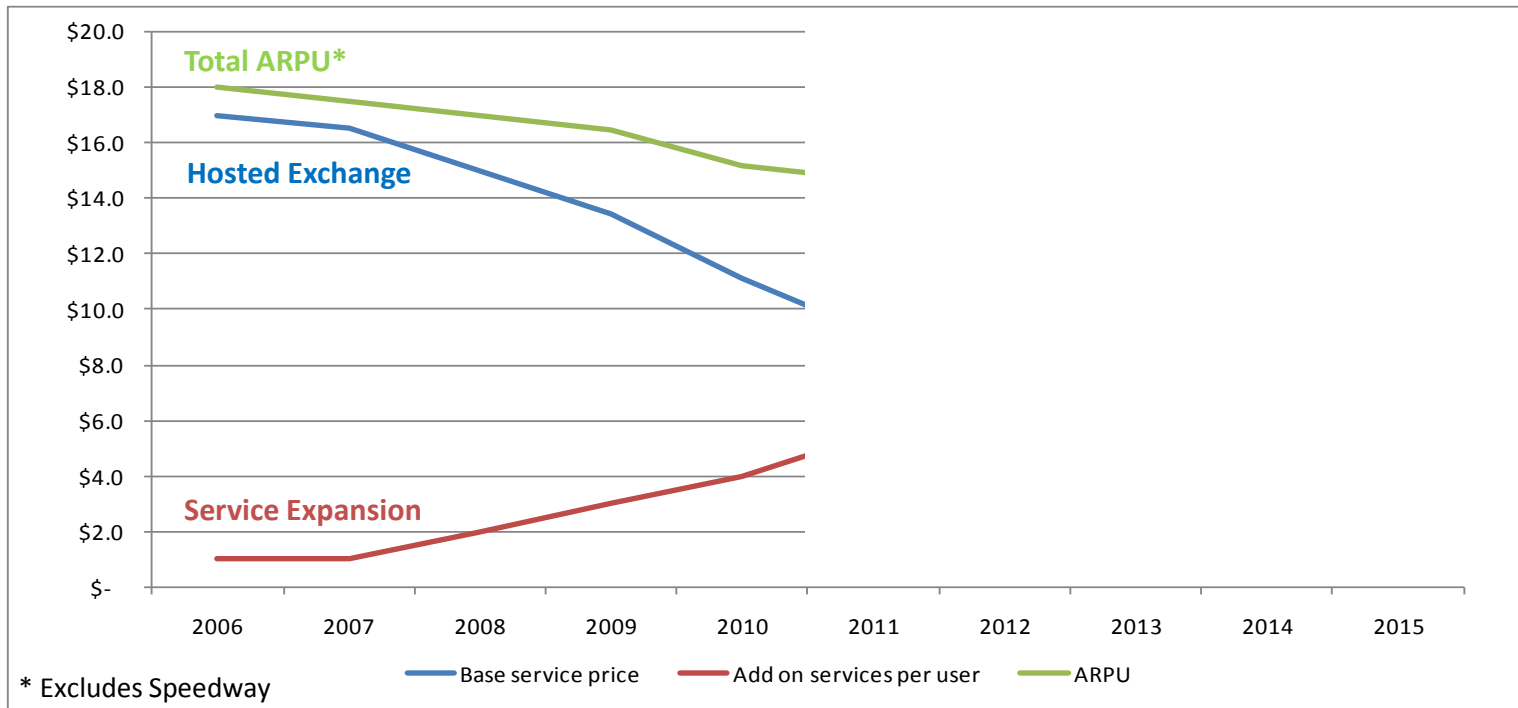
- **Bookings growth driven by focus on proactive sales and larger accounts**
- **Financial crisis eliminated same store growth which is seeing some recovery**
- **Platform consolidation churn offset by service improvements led to stable churn rates**

User Growth – A Directional Look Forward.....



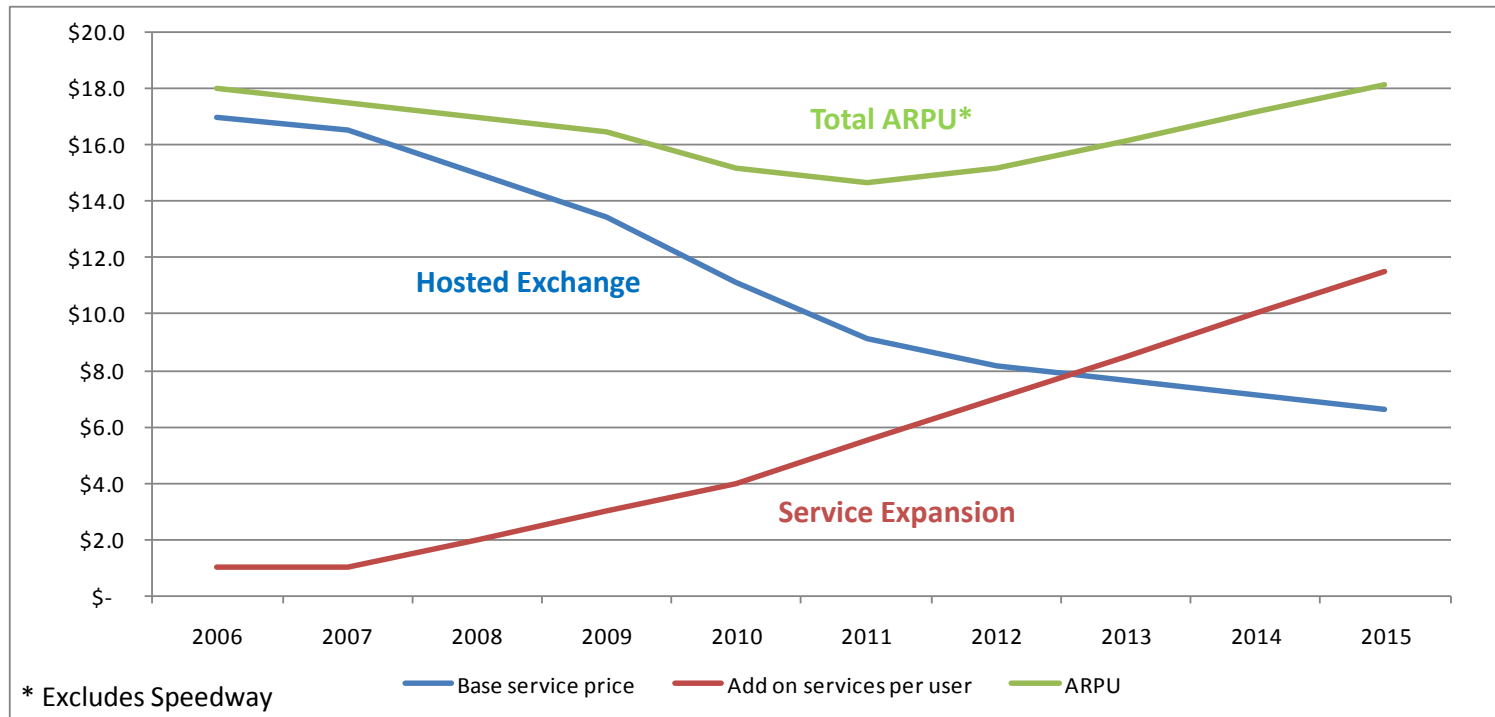
- **Increased focus on larger accounts will be accelerated by new channel development and improved market development**
- **Recovering economy should drive same store growth as businesses begin to hire**
- **Consolidated platform environment will allow service improvements to drive real churn gains (% basis)**

ARPU – A Look Back.....



- Exchange pricing, and related storage billing, has undergone significant price deterioration (\$17 to \$11)
- Focus on broadening service portfolio is beginning to show gains but yet to offset email declines (SharePoint, VoIP, Mobility alternatives, Web Conferencing, Archiving/Compliance)

ARPU – A Directional Look Forward.....

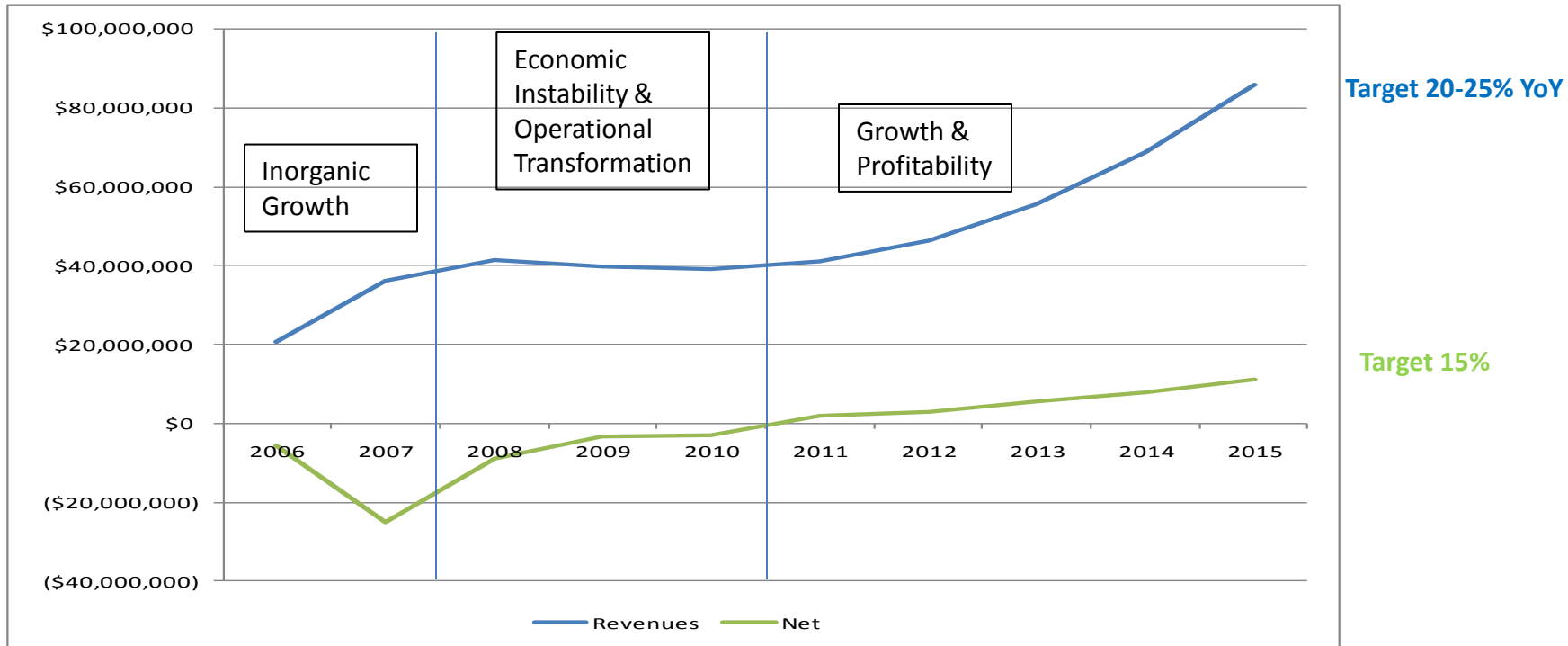


- **Anticipate further declines in mailbox pricing (commoditization), albeit at reduced rates**
- **Acceleration of service portfolio expansion (unified communications, hosted desktop, professional services, etc) will overtake mailbox declines**
 - Mid market accounts have broader needs
 - Full service customer contact center broadens avenues to customers

FY11 Roadmap

- **Continue to broaden reach with channels**
 - Partner service enhances stickiness
- **Focus on mid-market drives accelerated growth**
 - Downside is longer sales cycles and fewer customers
- **Product diversification strategy leads to higher ARPU**
 - Mid-market customers have broader needs and resources as well as deeper pockets
 - Full service customer contact center broadens avenues to customers
- **Improve churn rates**
 - Mid-market customers demonstrate a higher degree of loyalty
 - Consolidated platform environment will highlight service delivery improvements
- **Continued profitability**
 - Higher ARPU and lower churn drives improvements

Foundation for Profitability



- **Platform and service investments over the past 24 to 30 months will drive profitability and top line momentum**
 - ~20 to 25% growth rates long term
 - ~15% net margins long term



APPTIX™
EMAIL • CALL • UNITE

Q & A