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# First Quarter 2011: Earnings Presentation

**Presented by:**

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**May 4, 2011**

# Agenda

- **First Quarter 2011 Highlights**
- **First Quarter 2011 Financials**
- **2011 Outlook**
- **Q&A**

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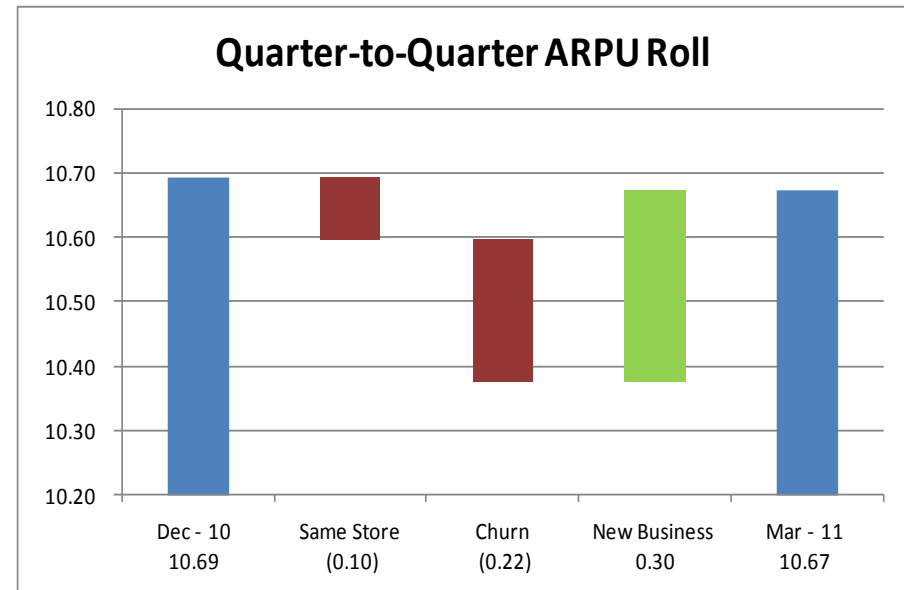
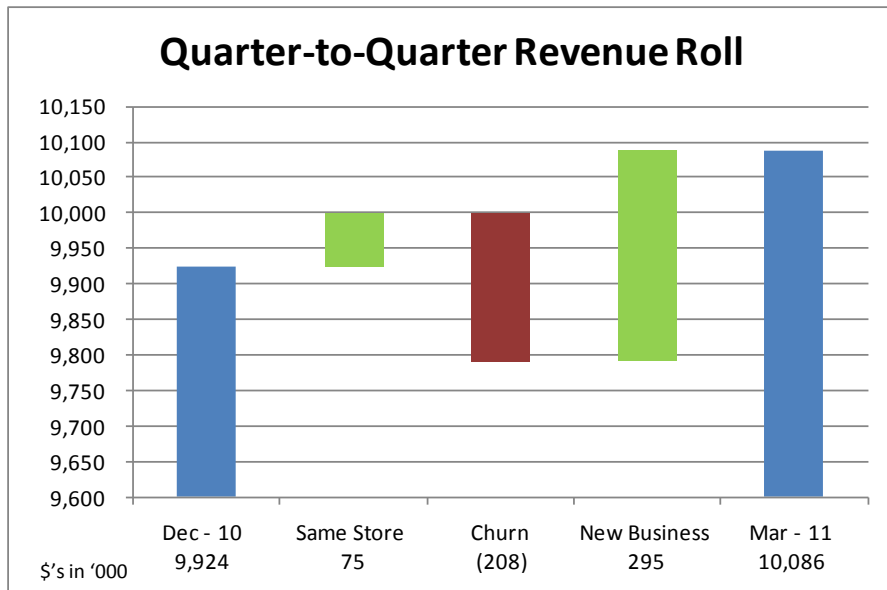
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## First Quarter 2011 Highlights

# Business reaches profitability milestone

- **Net income of USD 6 thousand, an improvement of USD 0.42 million Q/Q; USD 0.78 Y/Y million**
  - Achieved long standing goal of positive net income
- **EBIT of USD 0.38 million, an improvement of USD 0.40 million Q/Q; USD 0.75 million Y/Y**
  - Improvements driven by revenue growth and operating efficiencies
- **Revenue of USD 10.1 million; an increase of 2% Q/Q; 4% Y/Y**
- **Total user count exceeds 317,000; increase of 2% Q/Q; 59% Y/Y**
  - Mid market growth significantly outpacing overall user growth
  - Speedway on boarded and growing
- **New user bookings increased 14% Q/Q**
  - Mid market bookings accounted for 41% of overall Q1 bookings (outpacing FY10 rate of ~30%)
- **Channels beginning to form**
  - Channels agreements with Network Solutions and CMIT
  - CMIT already producing; Cox Communications (Dec-10 signing) and Network Solutions to come on line in June

# Q1-11 Revenue Development



- **Q1 revenue gains driven by mid market, Speedway and VoIP**
- **ARPU stable**
  - Despite lower ARPU, mid market customers are significantly more profitable than traditional small customers
  - Same store being impacted by shift in mobility market (Active Sync vs. Blackberry)
  - ARPU becoming a less important business metric due to emphasis on mid market accounts (revenue centric)



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## First Quarter 2011 Financials

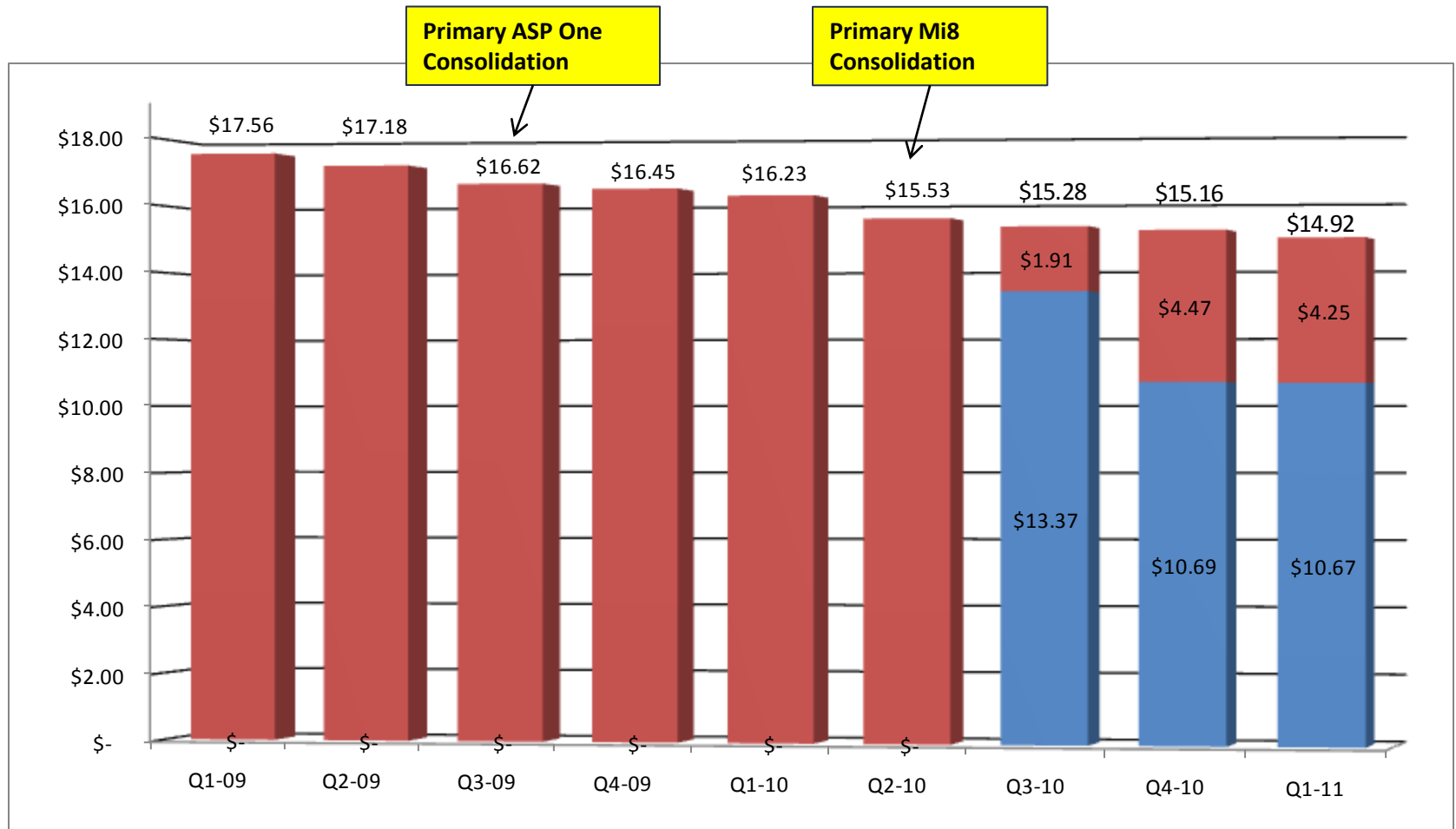
# Key Performance Indicators

\$ in Millions	Trend	Q1-11	Q4 - 10	Q/Q	Q1- 10	Y/Y
Users (including Speedway)	↑	317,000	311,000	2%	199,000	59%
ARPU*	↔	\$14.92	\$15.16	-2%	\$16.23	-8%
Revenues	↑	\$10.09	\$9.92	2%	\$9.72	4%
Gross Margins	↔	72%	72%	0%	75%	-4%
EBIT	↑	\$0.38	(\$0.02)	2000%	(\$0.37)	203%
Net Earnings	↑	\$0.01	(\$0.41)	101%	(\$0.78)	101%

\*For comparative purposes ARPU shown Net of Speedway. Full ARPU = \$10.67

- Mid market, Speedway and VoIP driving top line gains
- Customer counts flat Q/Q; focus on mid-market customers
- ARPU and Gross Margins stable
- Substantial improvement in operating results
- Achieved long standing goal of net income positive

# Total Average Revenue per User (ARPU)



- Fully loaded ARPU (including Speedway) totals \$10.67
- Focus on key priorities – channel and mid market accounts may lead to lower ARPU however, higher margins



# Comparative Cash Flows - Consolidated

<b>Cash Flow Statement:</b>					
	<b>Q1-10</b>	<b>Q2-10</b>	<b>Q3-10</b>	<b>Q4-10</b>	<b>Q1-11</b>
<b>Net income/(loss)</b>	\$ (776)	\$(1,081)	\$ (840)	\$ (413)	\$ 6
Depreciation, amortization and impairment	973	1,037	915	788	827
Stock based compensation	54	247	80	(29)	70
Net changes in working capital & FX impact	298	100	(528)	398	28
<b>Cash from (used in) operating activities</b>	<b>549</b>	<b>303</b>	<b>(373)</b>	<b>743</b>	<b>931</b>
Fixed asset purchases, net of financings	(25)	(85)	(54)	(119)	(119)
Debt and lease related payments	(1,106)	(900)	(943)	(830)	(850)
Proceeds from working capital & debt facility	425	-	1,350		
<b>Cash from (used in) financing &amp; investing</b>	<b>(706)</b>	<b>(985)</b>	<b>353</b>	<b>(949)</b>	<b>(969)</b>
<b>Change in cash position during the period</b>	<b>(157)</b>	<b>(682)</b>	<b>(20)</b>	<b>(206)</b>	<b>(38)</b>
<b>Beginning period cash</b>	<b>2,031</b>	<b>1,874</b>	<b>1,192</b>	<b>1,172</b>	<b>966</b>
<b>Ending period cash</b>	<b>\$ 1,874</b>	<b>\$ 1,192</b>	<b>\$ 1,172</b>	<b>\$ 966</b>	<b>\$ 928</b>

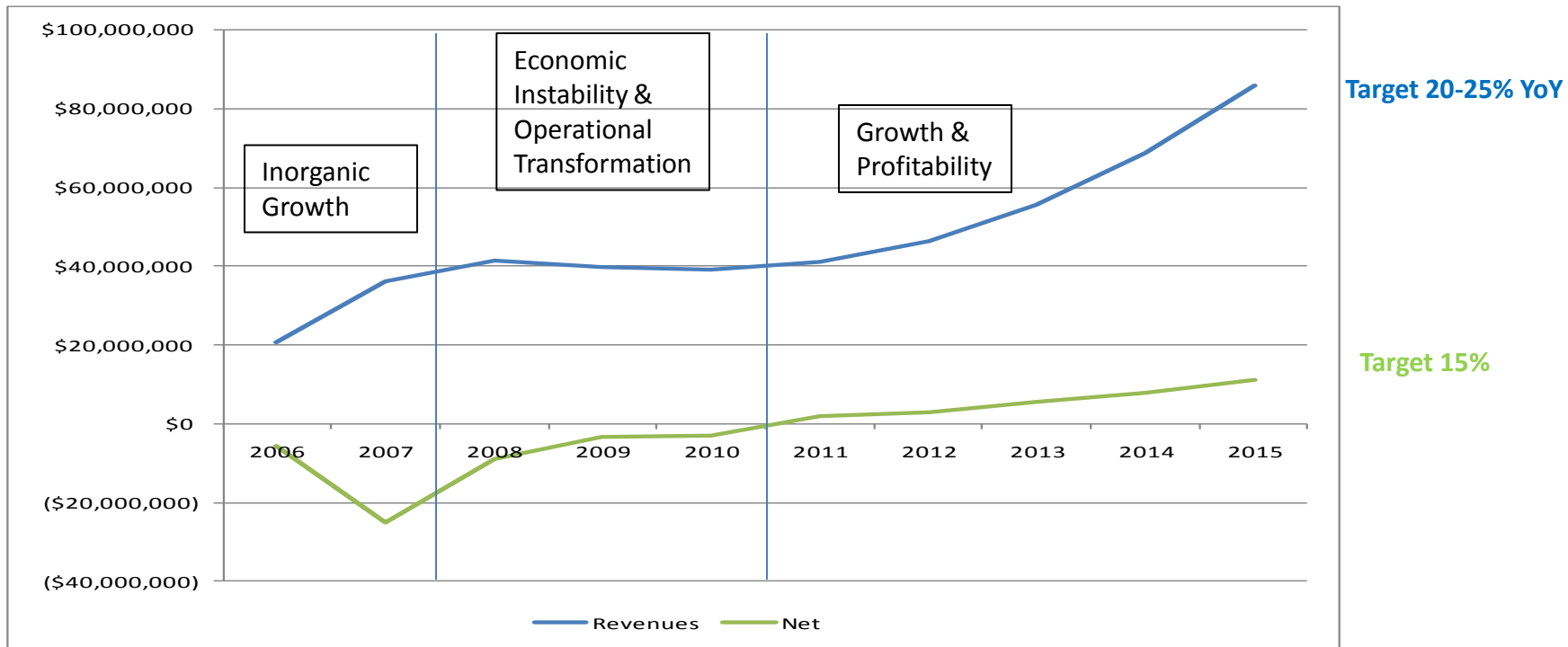
- Essentially a net neutral cash position during Q1-11
- Positive operating cash flow trend continues across the business
- Expanded working capital facility during Q1 to provide greater flexibility
  - Available capacity under working capital facility combined with cash reserves provides sufficient liquidity (~\$2.0M) for balance of FY11
- Overall leverage ratios are improving due to operating income and reduced debt load



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## 2011 Outlook

# 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

# FY11 Priorities

- **Continue to broaden reach with channels**
  - Channel beginning to form
  - Partner service enhances stickiness
- **Focus on mid-market drives accelerated growth**
  - Significantly higher customer profit margins, despite volume pricing concessions
  - Retention rates of 90% plus, compared to less than 80% with legacy “S” customers
  - Downside is longer sales cycles
- **Product diversification strategy will enhance profitability and retention**
  - Mid-market customers have broader needs and resources as well as deeper pockets
  - Full service customer contact center broadens avenues to customers
- **Continued profitability**
  - Significant operating efficiencies from having 90% of user base consolidated
  - Higher profitability and improved retention of growing mid market user base



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Q & A