



Third Quarter 2013 Earnings Report

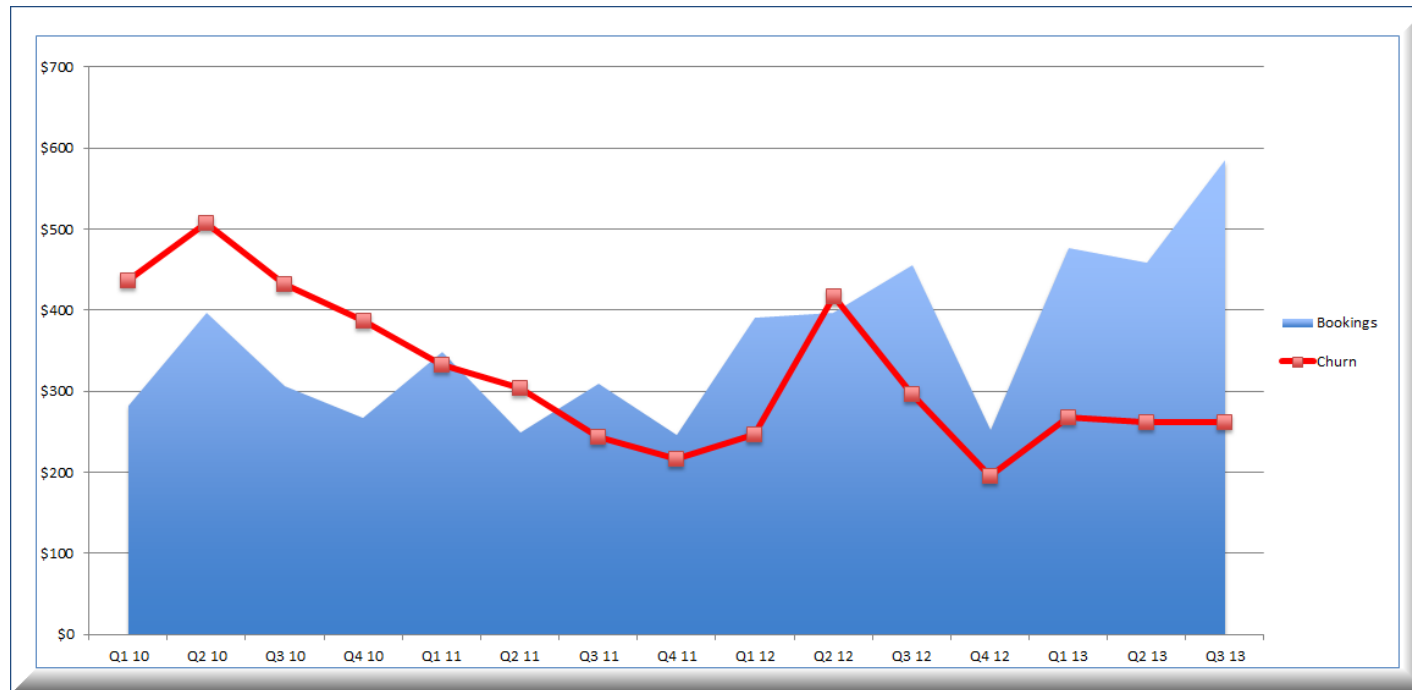
David Ehrhardt, CEO
Chris Mack, CFO
November 7, 2013

Third Quarter 2013 Highlights

Strong Bookings Trend Continues; Implementation Still Lagging








- **Strong Bookings in Q3-13; 29% increase both Q/Q and Y/Y**
 - Booked USD 591 thousand of QRR (37 thousand users) during quarter
 - USD 6.1 million annualized bookings YTD, *up 23% over 2012*
 - 502 thousand users under contract as of September 30, 2013; up 31% over Dec 2012
- **Backlog of USD 894 thousand of QRR; increased 13% Q/Q and over 3X's Dec 2012**
 - ~30% of Q2-13 backlog was on-boarded in Q3-13; albeit late in quarter
 - Customer resource priorities proving to be a challenge; ~USD 300 thousand of Q2 – 13 backlog delayed by customer until 2014
- **Channels and Account Management driving Q3 and YTD bookings**
 - 54% of bookings from Channels; 34% of bookings from Account Management
 - Driving consistency quarter to quarter with channel performance (marathon vs. sprint) remains a focus
- **Expanded key relationship with Enterprise Data Security partner to add 30 thousand additional users**
- **Business continues positive net income and cash flow trends**

Reaching an Inflection Point?



- **Selling Above Churn Level YTD (QRR basis)**
 - USD 6.1M of bookings YTD, an increase of 23% year over year
 - Bookings exceed churn by 92% YTD
 - Need to see further development in partner run rate bookings

Key Performance Indicators

\$ in Millions	Trend	Q3 - 13	Q2 - 13	Q/Q	Q3 - 12	Y/Y
Users - Billable *		405,000	380,000	7%	376,000	8%
Users - Under Contract *		502,000	470,000	7%	382,000	31%
Backlog (QRR)		\$0.89	\$0.80	12%	\$0.30	195%
Revenues		\$10.43	\$10.51	-1%	\$10.98	-5%
Gross Margins		69%	73%	-5%	73%	-5%
EBIT		\$0.50	\$0.50	-1%	\$0.70	-29%
Net Earnings		\$0.18	\$0.18	4%	\$0.42	-57%

* User/customer data shown as actual

Revenue of USD 10.4 million in Q3-13; down < 1% Q/Q and 5%Y/Y

Q3 bookings of USD 591 thousand QRR, up 29% Q/Q and Y/Y

Due to complexity of contracts and customer requirements, on-boarding can be up to 6 months

Revenue backlog of ~ USD 894 thousand QRR (contracted and in process of implementing)

Net income of USD 182 thousand; flat Q/Q and down 57% Y/Y

Decrease primarily related to revenue declines (churn) ahead of on-boarding of current year bookings

Channels and Account Management heavily influenced Q3-13 business activities (88% of bookings)

Billable user counts up 7% Q/Q; 8% Y/Y to 405,000

Net user churn remains flat at 10%; pricing churn is 3%

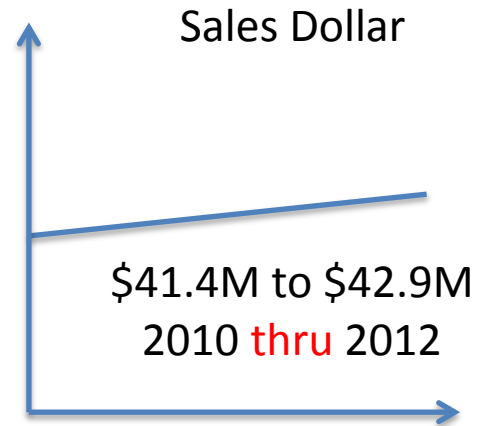
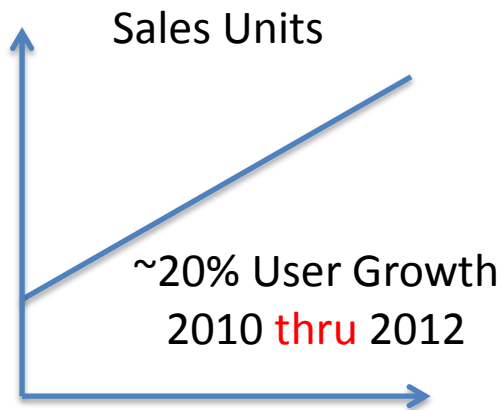
Total Users under contract now exceeds 500,000 (including backlog)

Comparative Cash Flows

Cash Flow Statement:					
	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13
Net income	\$ 423	\$ 438	\$ 366	\$ 175	\$ 182
Depreciation, amortization and impairment	937	1,000	939	967	1,196
Stock based compensation	50	45	36	41	28
Net changes in working capital & FX impact	(29)	278	(150)	(286)	(577)
Cash from operating activities	1,381	1,761	1,191	897	829
Fixed asset purchases, net of financings	(136)	(119)	(51)	(34)	(283)
Debt and lease related payments	(860)	(1,003)	(915)	(877)	(933)
Cash used in financing & investing activities	(996)	(1,122)	(966)	(911)	(1,216)
Change in cash position during the period	385	639	225	(14)	(387)
Beginning period cash	1,334	1,719	2,358	2,583	2,569
Ending period cash	\$ 1,719	\$ 2,358	\$ 2,583	\$ 2,569	\$ 2,182

- Consistent, positive operating cash flow trend continues across the business
- New credit facility in place January 2013
- Liquidity of USD 3.6 million, including cash balances and available borrowings

Top Line Growth Challenges



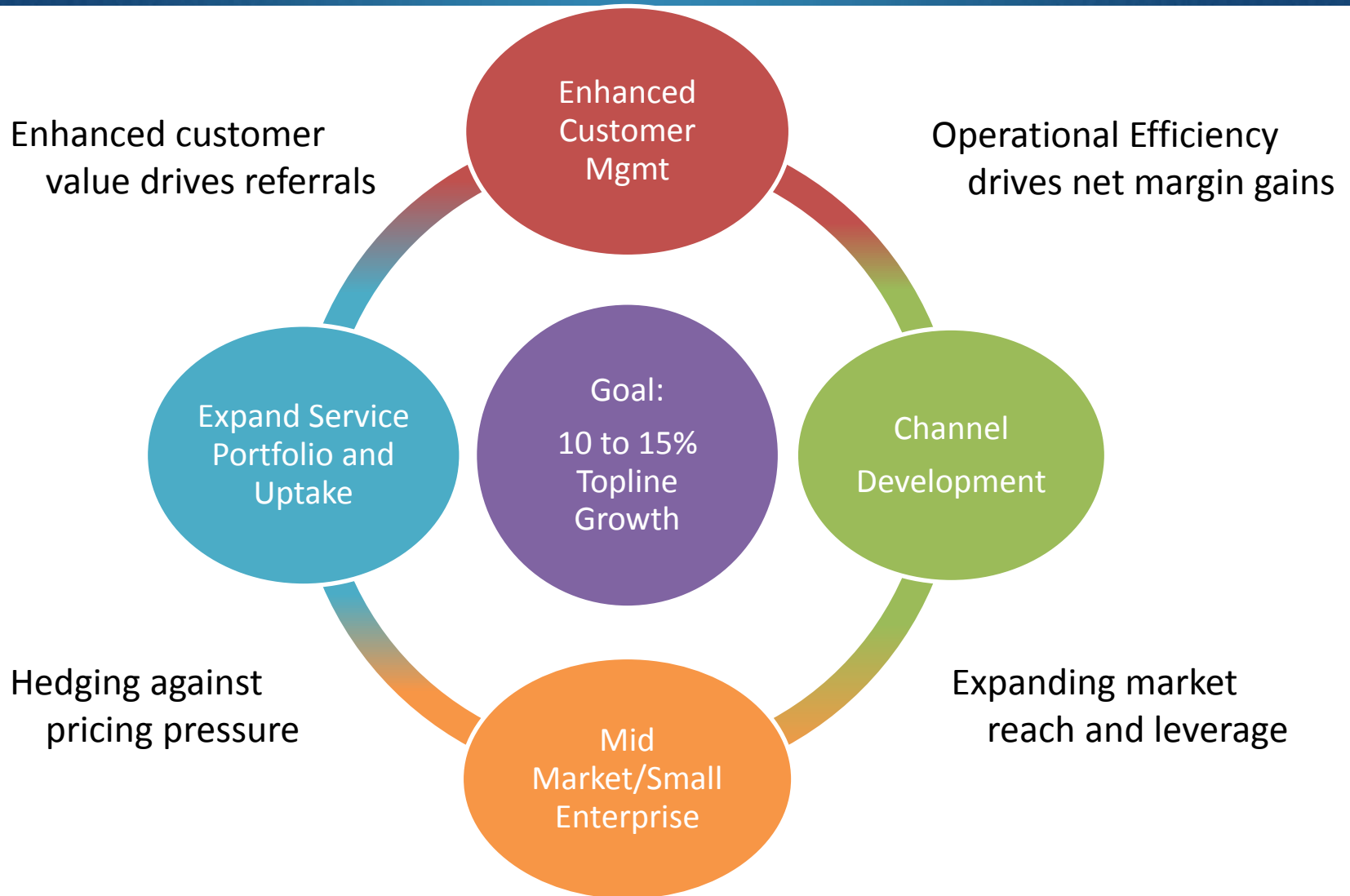
- **Exchange pricing evolution**

- External – 60% decline in retail pricing 2010 to 2012
- Internal – Increasingly selling at wholesale pricing as channel gains traction

- **Overcoming churn**

- Significant improvement over years, under control at ~10% per year
- But USD 250 to 300 thousand of QRR bookings to stay even

Strategic Priorities Address Growth Challenges



Defining Success

- **User Growth**
 - Significantly expand on historical average of 20% annual growth
- **Focused resources in business development**
 - Channel is the future; continue to evolve resource allocation in favor of channel
 - Drive improved run rate selling within partner network
- **Expand on recent success in uptake of service portfolio**
 - Key to fighting pricing pressures and demonstrating value
 - At current rate, collaboration services revenue can grow at 20% in 2013/2014
 - Expanding attach rate can drive 50%+ growth in security/compliance revenues annually
 - Modest success with IaaS, specifically enterprise backup and server on demand can add USD 2 million in revenue annually
- **Progress will be lumpy**
 - Channels with existing user base can help accelerate growth; but implementation cycles are complex and often multiple steps (entry, migration, add on's)
 - Channel development is a marathon, not a sprint; consistency quarter to quarter is a key focus



Q & A