









Fourth Quarter 2012 Earnings Report

David Ehrhardt, CEO
Chris Mack, CFO
February 13, 2013

Solid Progress in 2012, Challenging Q4

- **Net income of USD 1.27 million in 2012; up 80% over 2011**
- **Revenue of USD 42.9 million in 2012; up 6% over 2011 and flat Q/Q at USD 10.9 million**
 - Implementation cycles continue to grow with larger/more complex customers (i.e. mid market/enterprise)
 - Revenue backlog of ~ USD 211 thousand QRR (contracted and in process of implementing)
- **Bookings of USD 1.5 million of quarterly recurring revenue (QRR) in 2012; up 30% over 2011**
 - Revenue diversification continues with non-exchange services accounting for 32% of 2012 bookings
 - Bookings of GT100 accounts accounted for 63% of 2012 user bookings
 - Q4 historically slow, further impacted by multitude of events from Hurricane Sandy to US Fiscal Cliff uncertainty
 - Pricing pressures escalated during the fourth quarter
- **Channel continues to develop**
 - Channels continue to build, accounting for 30% of 2012 bookings
 - Driving consistency quarter to quarter in channel performance is a focus (marathon vs. sprint)
 - Sprint Nextel launched at the end of Q4
- **User count increased 13% Y/Y and 1% Q/Q to 381,000**
 - Churn rates remain less than 10% annually, offset substantially by Same Store Growth

Key Performance Indicators

\$ in Millions	Trend	Q4 - 12	Q3 - 12	Q/Q	Q4 - 11	Y/Y
Users *		381,000	376,000	1%	336,000	13%
Customers *		18,960	19,770	-4%	20,760	-9%
Revenues		\$10.90	\$10.98	-1%	\$10.31	6%
Gross Margins		72%	73%	-1%	72%	0%
EBIT		\$0.69	\$0.70	-1%	\$0.63	11%
Net Earnings		\$0.44	\$0.42	4%	\$0.27	61%

* User/customer data shown as actual

- **Mid-market and non-exchange related revenues driving gains Y/Y**
 - Channel sales represented 25% of new bookings value in Q4-12; 30% YTD
 - Accounts greater than 100 users accounted for 20% of Q4 user bookings growth; 63% YTD
 - Sales backlog (signed not implemented or billable) continues to develop
 - Same store growth remains consistent
- **Average Revenue Per User (ARPU) and Gross Margins stable**
 - VoIP, SharePoint and Security/Compliance gains continue to partially offset price erosion from market pressure; collectively product set has grown 6% Q/Q and 19% Y/Y
- **Positive net income trend continues – USD 1.3 million YTD (up 80% over FY11)**
 - Business model delivering 25%+ of incremental revenue to net income
 - 8th consecutive quarter of positive net income

Comparative Cash Flows

Cash Flow Statement:					
	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12
Net income	\$ 272	\$ 102	\$ 302	\$ 423	\$ 438
Depreciation, amortization and impairment	917	906	925	937	1,000
Stock based compensation	62	74	59	50	45
Net changes in working capital & FX impact	(154)	20	255	(29)	278
Cash from operating activities	1,097	1,102	1,541	1,381	1,761
Fixed asset purchases, net of financings	(142)	(122)	(135)	(136)	(119)
Debt and lease related payments	(983)	(936)	(884)	(860)	(1,003)
Cash used in financing & investing activities	(1,125)	(1,058)	(1,019)	(996)	(1,122)
Change in cash position during the period	(28)	44	522	385	639
Beginning period cash	796	768	812	1,334	1,719
Ending period cash	\$ 768	\$ 812	\$ 1,334	\$ 1,719	\$ 2,358

- **Positive operating cash flow trend continues across the business; improved net income driving cash increases**
- **Liquidity of USD 3.7 million, including cash balances and available borrowings**
- **New credit facility in place Jan-13; providing up to USD 1 million of additional availability**

Continued Confidence in Strategic Priorities

- **Expanding sales to the mid market and enterprise**
 - Sales to GT100 accounts accounted for 63% of bookings in 2012
 - Higher value add with mid market and enterprise customers will help to fight pricing pressure
 - Substantially higher uptake on growing service portfolio
- **Channel first strategy gaining traction**
 - Channels continue to build, accounting for 30% of our 2012 bookings
 - Partner pipeline continues to expand
 - Driving consistency quarter to quarter in channel performance is both a challenge and a focus but consistent with industry norms
- **Growing uptake of expanding service portfolio leading to revenue diversification**
 - Non-exchange services accounted for 32% of 2012 bookings
 - Security/Compliance attach rates are at 10% vs. 6% a year ago
 - SharePoint also gaining traction, particularly with enterprise customers
 - Expanding service portfolio key to fighting pricing pressures, demonstrating value and success in key verticals
- **Continued success with enhanced customer management and priority routing**
 - Churn well controlled with rates less than 10% annually

Strategy for Growth: Aligning Channel to Targeted Market Segments



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
- Healthcare a focus
- Increasingly able to leverage channels



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

Outlook for 2013 – Double Digit Top Line Growth Remains a Goal

- **Pipeline remains strong; continues to grow in all channels to market**
 - Mid market and enterprise dominates content
 - End customer complexity and size is lengthening both sales and implementation cycles
- **Further expansion of channel partner network a key to long term bookings consistency**
 - Commitment and time are key (marathon vs. sprint)
 - Continuing to invest in channel; both headcount and tools
- **Customer management increasingly a bookings generator**
 - 30% of 2012 bookings
- **Further expansion in service portfolio**
 - Mobile Device Management in Q1
 - Full integration of voice, messaging and presence (“UC”) in Q1
 - Moving further into IaaS with Enterprise Backup, Cloud Storage and On-Demand Servers
- **Further margin gains with scale**



Q & A