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Fourth Quarter & Year End 2013 Earnings Report

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Fourth Quarter & Year End 2013 Highlights
Strong Bookings Trend Continues; Implementation Still Lagging

- **USD 7.4 million annualized bookings in 2013, up 24% over 2012**
  - 509 thousand users under contract as of December 31, 2013; up 33% over Dec 2012

- **Backlog of USD 1.1 million of QRR (107 thousand users); increased 18% Q/Q**
  - New partner install base onboarding times extending to 6 months
  - Speedway pushes Q2 new users (40 thousand users and USD 300 QRR) to late 2014 for onboarding

- **Channels driving H2 and YTD bookings**
  - 70% of H2 bookings and 61% of 2013 bookings from Channels
  - Consistency in bookings beginning to materialize; shrinking onboarding time increasingly a focus

- **Churn saw an uptick in Q4 pushing annual rate to 11%**
  - Memory management issues within upgraded load balancers resulted in connectivity challenges early in the quarter
  - Anticipate return to normalized levels in Q1-14

- **Business continues positive net income and cash flow trends**
  - Continue to invest most operating margin gains into sales and onboarding resources

Key Performance Indicators

$ in Millions	Trend	Q4 - 13	Q3 - 13	Q/Q	Q4 - 12	Y/Y
Users - Billable *	⬆	403,000	405,000	0%	381,000	6%
Users - Under Contract *	⬆	509,000	502,000	1%	384,000	33%
Backlog (QRR)	⬆	$1.05	$0.89	18%	$0.21	399%
Revenues	⬇	$10.15	$10.43	-3%	$10.90	-7%
Gross Margins	↔	72%	69%	3%	72%	0%
EBIT	⬇	$0.35	$0.50	-29%	$0.69	-49%
Net Earnings	⬇	$0.06	$0.18	-68%	$0.44	-87%

* User/customer data shown as actual

- **Revenue of USD 10.15 million in Q4-13; down 3% Q/Q and 7%Y/Y**
  - Revenue backlog of ~ USD 1.1 million QRR (contracted and in process of implementing)
- **Q4 bookings of USD 327 thousand QRR, down 45% Q/Q ; up 30% Y/Y**
  - Fourth quarter traditionally seasonally low bookings quarter
  - Due to complexity of contracts and customer requirements, onboarding can be up to 6 months
- **Net income of USD 58 thousand; down 68 % Q/Q and down 87% Y/Y**
  - Attributed to revenue declines (churn) ahead of onboarding of current year bookings
- **Billable user counts flat Q/Q; up 6% Y/Y to 403,000**
  - Net user churn of 11% annualized due to spike in Q4-13; pricing churn is ~3%
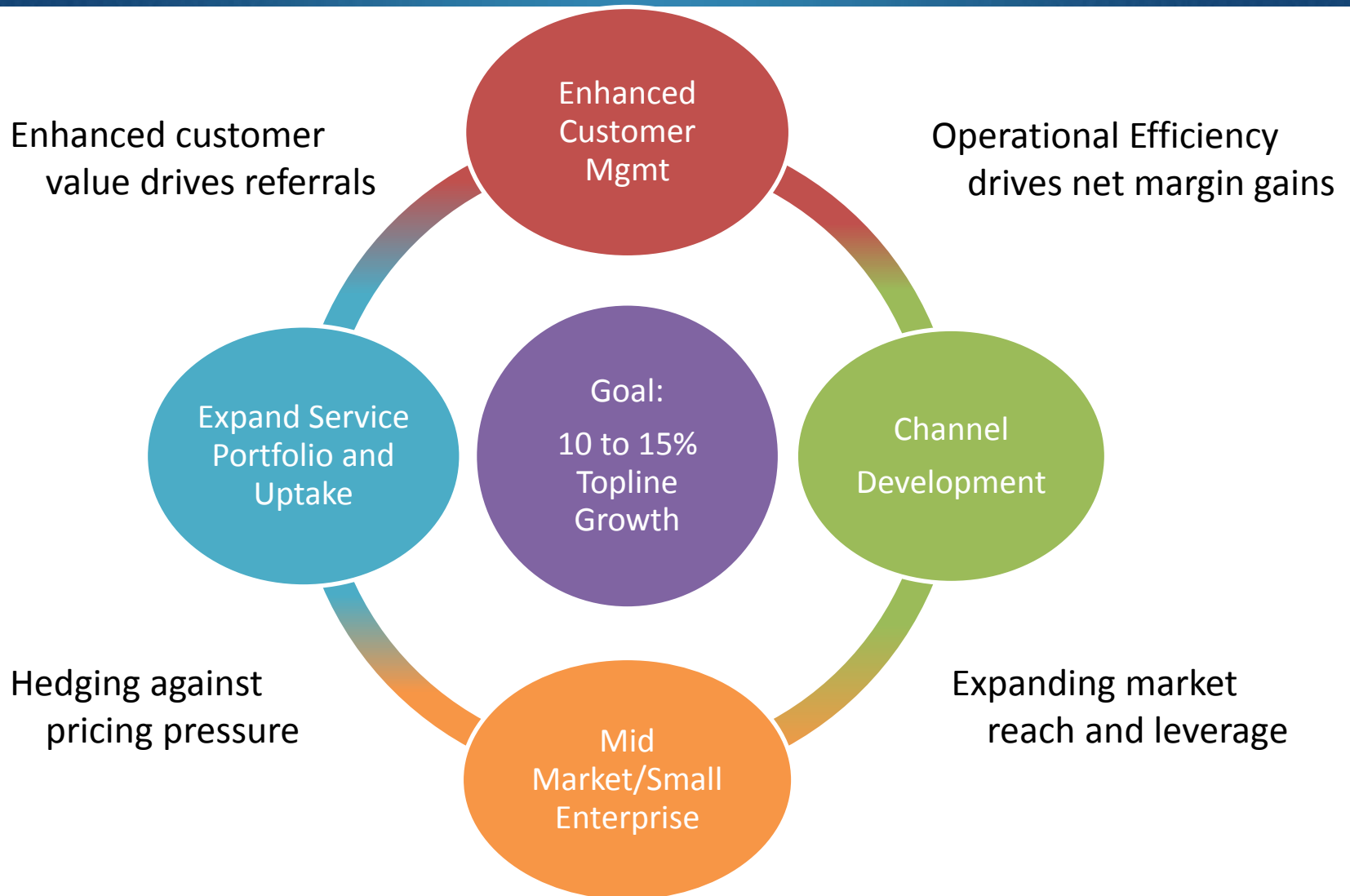 - Total Users under contract now exceeds 509,000 (including backlog)
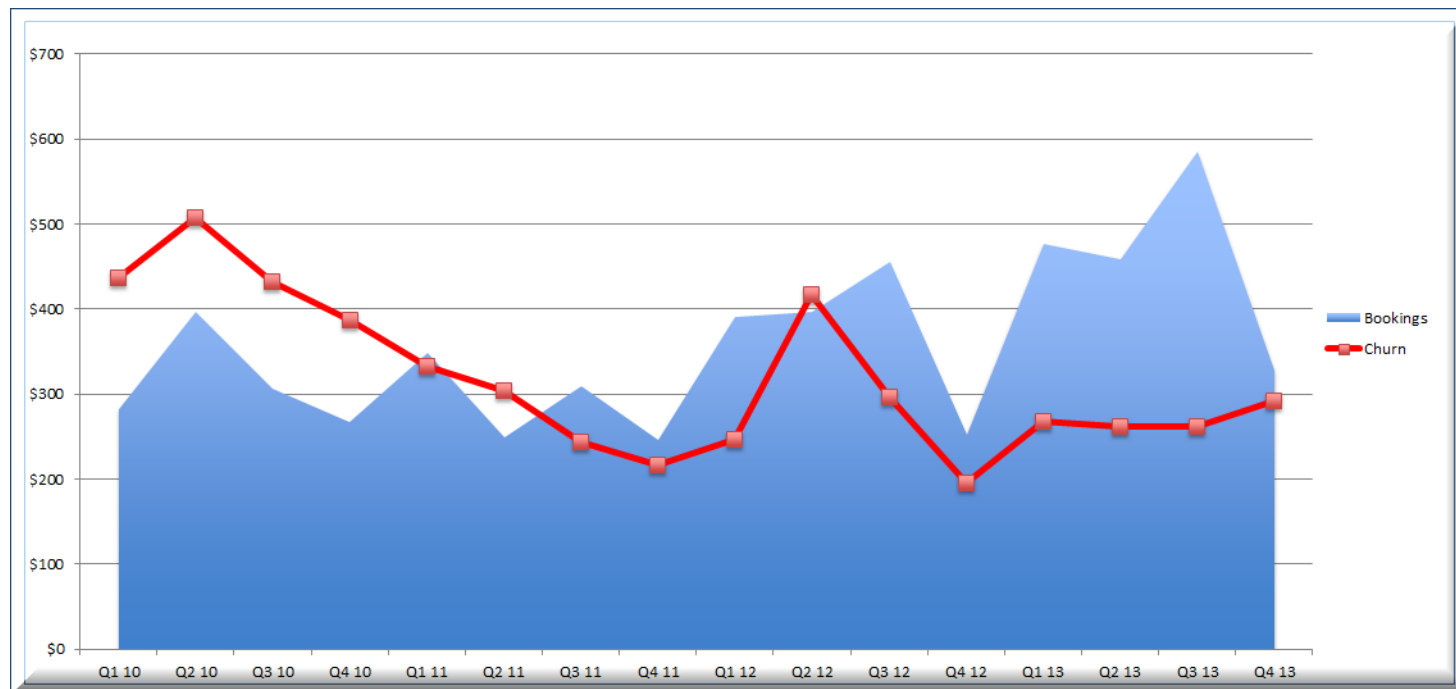
Comparative Cash Flows

Cash Flow Statement:

	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13
Net income	$ 438	$ 366	$ 175	$ 182	$ 58
Depreciation, amortization and impairment	1,000	939	967	1,196	1,286
Stock based compensation	45	36	41	28	24
Net changes in working capital & FX impact	278	(150)	(286)	(577)	525
Cash from operating activities	1,761	1,191	897	829	1,893
Fixed asset purchases, net of financings	(119)	(51)	(34)	(283)	(132)
Debt and lease related payments	(1,003)	(915)	(877)	(933)	(819)
Cash used in financing & investing activities	(1,122)	(966)	(911)	(1,216)	(951)
Change in cash position during the period	639	225	(14)	(387)	942
Beginning period cash	1,719	2,358	2,583	2,569	2,182
Ending period cash	$ 2,358	$ 2,583	$ 2,569	$ 2,182	$ 3,124

- **Consistent, positive operating cash flow trend continues across the business**
- **New credit facility in place January 2013**
- **Liquidity of USD 4.1 million, including cash balances and available borrowings**

Strategic Priorities Address Growth Challenges

Enhanced customer value drives referrals

Operational Efficiency drives net margin gains

Enhanced Customer Mgmt

Expand Service Portfolio and Uptake

Goal: 10 to 15% Topline Growth

Channel Development

Mid Market/Small Enterprise

Hedging against pricing pressure

Expanding market reach and leverage

Reaching an Inflection Point

- **Selling Above Churn Level YTD (QRR basis)**
  - USD 7.4 million of bookings in 2013, an increase of 24% year over year
  - Bookings exceed churn by over 70%; but "net bookings" resides in backlog
  - Onboarding backlog key focus for H1-14

2014 Priorities

– Accelerate development of channel network

- Channel is primary "go-to-market" strategy; drive resource allocation in favor of channel
- Run rate production from existing partners remains a focus

– Shrinking on-boarding time

- New partner install base on-boarding times have grown to 6 months
- Turning backlog regularly will help overcome consistency of even low churn levels

– Expand uptake of service portfolio

- Key to fighting pricing pressures
- Value differentiator to both partners and end customers

– Protecting the base – continued focus on operational excellence

Q & A