First Quarter 2014 Earnings Report

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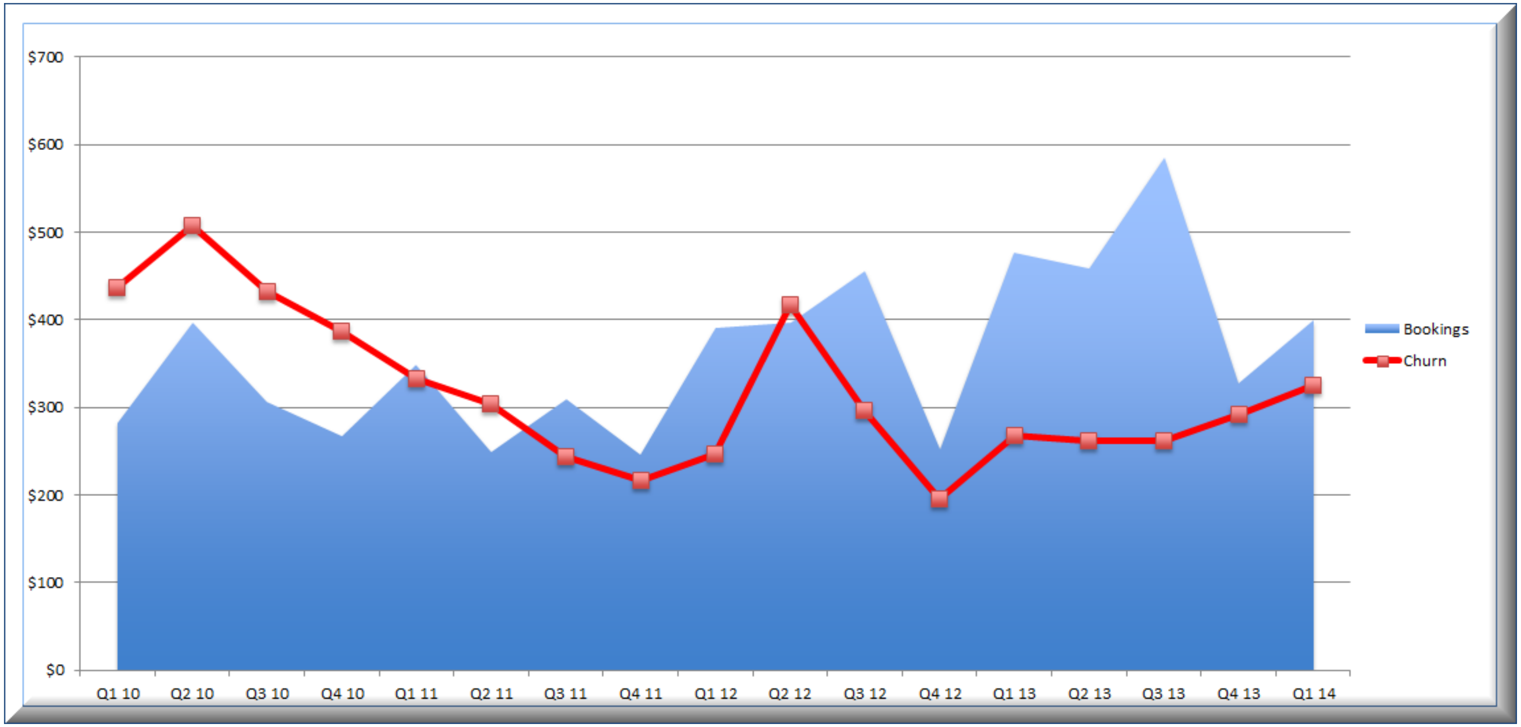
First Quarter Highlights

- **Revenue of USD 10.0M; down 1% Q/Q and down 6% Y/Y**
  - Partners remain measured in the pace of onboarding as they balance resource allocation priorities
- **Backlog of USD 1.1 million of QRR (111 thousand users); flat Q/Q**
  - ~50% of backlog to be on-boarded over Q2/Q3
  - Speedway pushes Q2-13 new users (40 thousand users and USD 300k QRR) to late 2014 for onboarding
- **Bookings of USD 400 QRR; up 22% Q/Q and down 16% Y/Y**
  - Challenged to move partners to closure in Q1
  - 82% of bookings from Channels
- **User churn at 13% annualized level**
  - Larger account consolidated with parent company during Q1-14; excluding this account churn just below 10% annually
- **Business continues positive net income and cash flow trends**
  - Continue to invest most operating margin gains into sales and onboarding resources

APPTIX

Reaching an Inflection Point?



- Bookings exceed churn for 7th quarter; backlog building
- Further development in partner run rate bookings required

Key Performance Indicators

$ in Millions	Trend	Q1 - 14	Q4 - 13	Q/Q	Q1 - 13	Y/Y
Users - Billable *	↑	416,000	403,000	3%	380,000	9%
Users - Under Contract *	↑	527,000	509,000	4%	416,000	27%
Backlog (QRR)	⇔	$1.07	$1.05	2%	$0.35	208%
Revenues	⇔	$10.04	$10.15	-1%	$10.71	-6%
Gross Margins	↓	69%	72%	-4%	74%	-6%
EBIT	⇔	$0.31	$0.35	-12%	$0.71	-57%
Net Earnings	⇔	$0.07	$0.06	21%	$0.37	-81%

* User/customer data shown as actual

- **Revenue of USD 10.04 million in Q1-14; down 1% Q/Q and 6%Y/Y**
  - Revenue backlog of ~ USD 1.1 million QRR (contracted and in process of implementing)
  - Anticipate ~50% of backlog to be onboarded in Q2/Q3; revenue lags onboarding by a quarter
- **Billable user counts up 3% Q/Q; up 9% Y/Y to 416,000**
  - Net user churn of 13% annualized due to larger account being consolidated; pricing churn is ~3%
  - Total Users under contract totals 527,000 (including backlog)
- **Gross margin declining due to mix of wholesale and retail pricing; anticipate trend to continue as channel dominates sales focus**
  - Despite lower gross margins of channel revenue; contribution margins at EBITDA level as strong as retail
- **Net income of USD 70 thousand; up 21 % Q/Q and down 81% Y/Y**

Comparative Cash Flows

Cash Flow Statement:

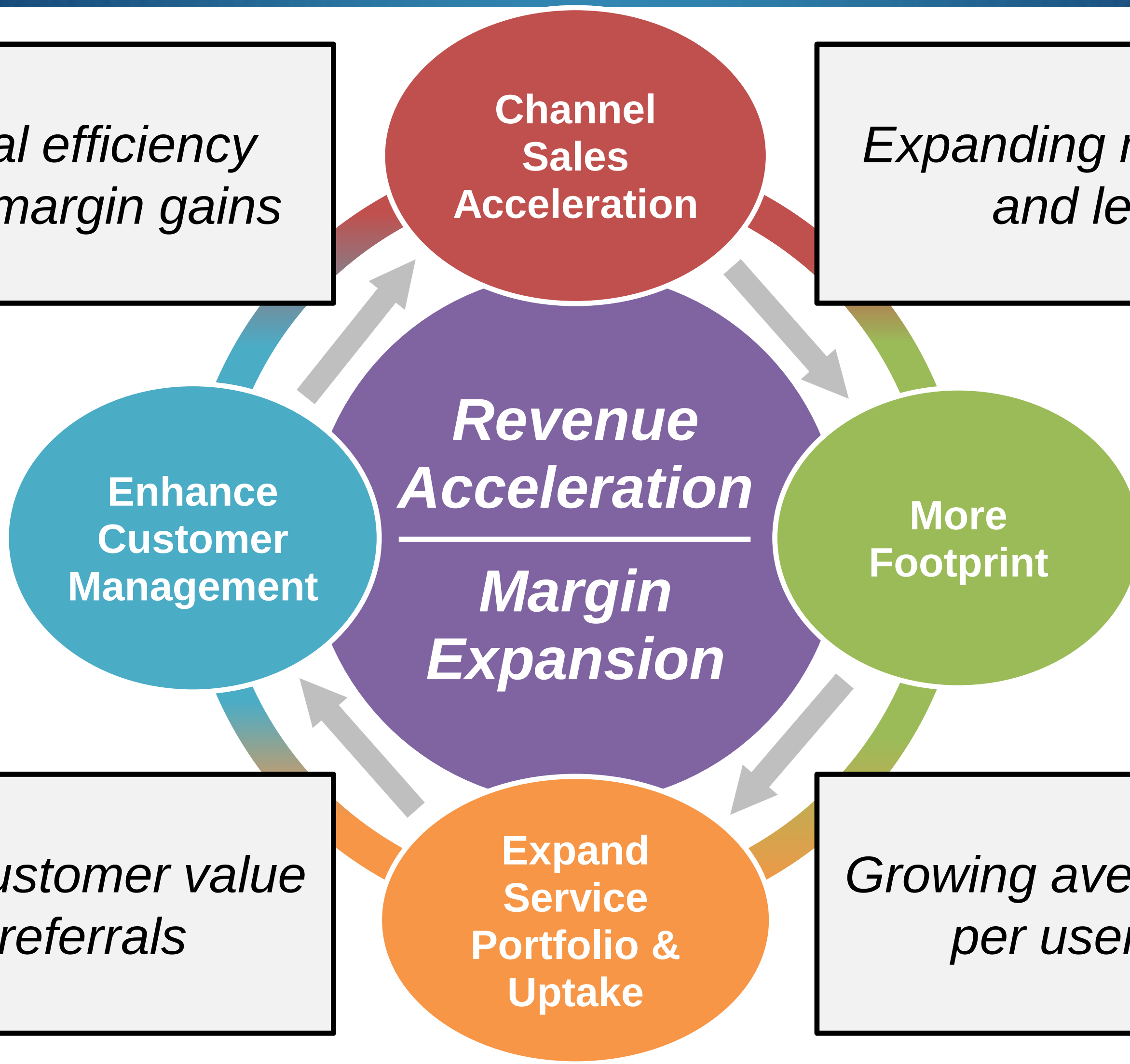
	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14
Net income	$ 366	$ 175	$ 182	$ 58	$ 70
Depreciation, amortization and impairment	939	967	1,196	1,286	1,100
Stock based compensation	36	41	28	24	18
Net changes in working capital & FX impact	(150)	(286)	(577)	525	(860)
Cash from operating activities	1,191	897	829	1,893	328
Fixed asset purchases, net of financings	(51)	(34)	(283)	(132)	(59)
Debt and lease related payments	(915)	(877)	(933)	(819)	(810)
Cash used in financing & investing activities	(966)	(911)	(1,216)	(951)	(869)
Change in cash position during the period	225	(14)	(387)	942	(541)
Beginning period cash	2,358	2,583	2,569	2,182	3,124
Ending period cash	$ 2,583	$ 2,569	$ 2,182	$ 3,124	$ 2,583

- **Positive operating cash flow trend continues across the business**
- **Q1-14 operating cash flow impacted by working capital fluctuations (prepaid insurance, sales/marketing initiatives, license subscriptions)**
- **Liquidity of USD 3.6 million, including cash balances and available borrowings**
- **No change in working capital facility during Q1-14**

Strategic Priorities Address Growth Challenges

Operational efficiency driving net margin gains

Expanding market reach and leverage



Enhanced customer value driving referrals

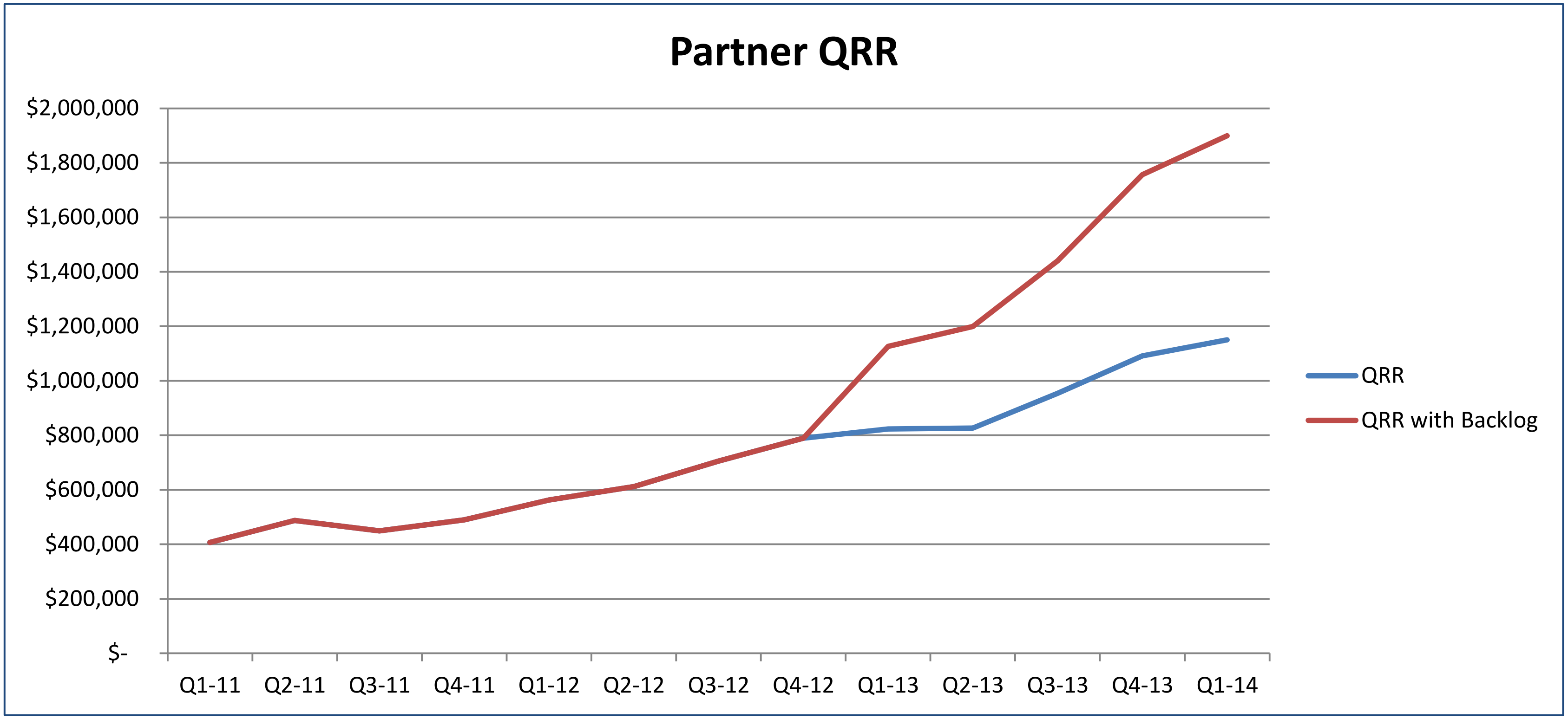
Growing average revenue per user (ARPU)

Strategy Success

Result	Evidence
Profitability & cash flow	• Consistently positive net income and cash flow • CapEx trending lower than depreciation • Financing costs at ~10% levels (versus 15+% in 2010)
Channel-first strategy accelerating	• 82% of Q1-14 and 61% of 2013 bookings value from channels (up from 30% in 2012) • Channel revenue growing at 41% CAGR (Q1 2011 to Q1 2014); 10% of total revenue (17% including backlog) • Contribution margins equivalent to retail
Expanded service portfolio & uptake	• Non-exchange revenue growing at 30% of revenue from non-Exchange services • Security / Compliance attach rates at 10%*; 40% of customers have expressed interest • Lync showing promise with attach rate of 4%*; 33% of customers have expressed interest
More footprint through channel partners & larger direct customers	• Over 75% of user bookings in last 6 quarters are from partners or customers with >100 seats
Enhanced customer management	• User churn below industry average at ~ 10% annually for last three years • 90% customer satisfaction rating

* Attach rates do not include users from “Speedway,” Apptix’s largest direct customer

Channel Revenues Growing



- **41% Channel CAGR since Q1-11; 67% when including backlog QRR**
- **With backlog, Channels revenues account for 17% of total revenues**
- **Channel margins equivalent to retail**

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