

Q2 2010

31.08.10



## Cloud Computing – The future of Software



Unlimited power.Unlimited access.

# Record revenue and strategy update

## Highlights 2Q 2010

- Record revenue of MNOK 24.9 in 2Q10, up 38% compared to 2Q09
- Operating revenue in Sweden up 23% from 2Q09
- Software revenue up 34%, compared to 1H09
- Changed Group name to 24Seven Technology Group ASA and focused company strategy purely towards technology and innovation.
- Acquired Propartner Holding AS and sold the daughter company Propartner Defence AS, containing the manual production activities to the Propartner Defence management.
- Sold AccountOnIt for MNOK 25, received MNOK 12 bid on Phonzo's private customer portfolio and received an offer for a credit line of MNOK 17.

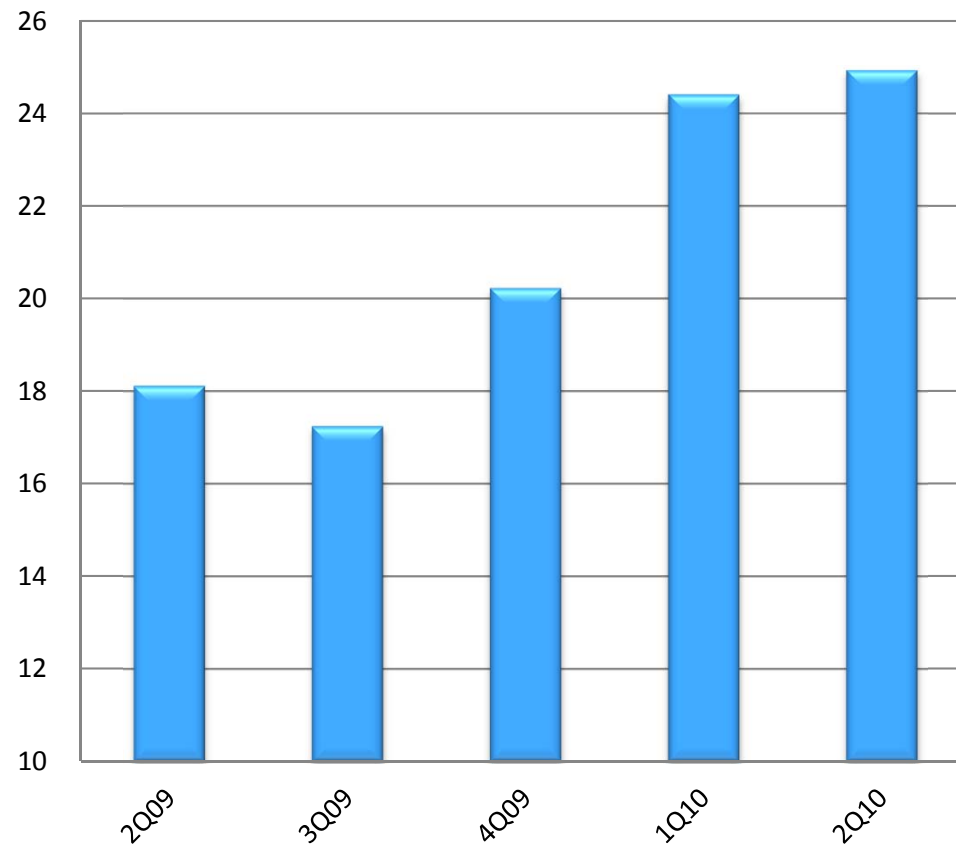


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# Revenue

Record revenue of MNOK 24.9 in 2Q10, up 38 % compared to 2Q09.

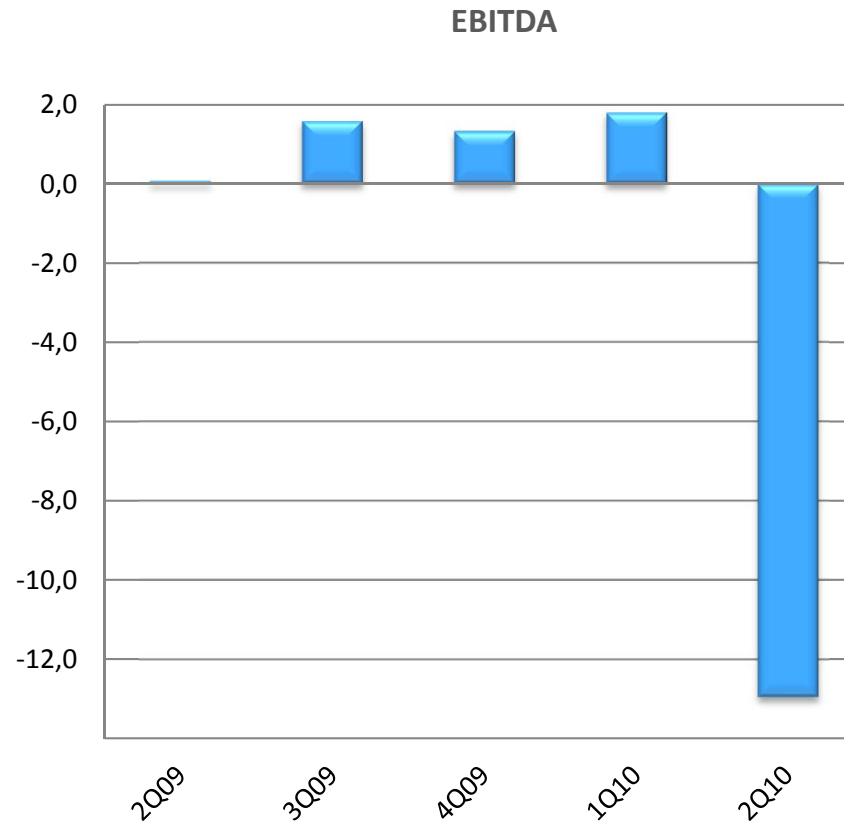
OPERATING REVENUE



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# EBITDA

EBITDA ended at MNOK -12.9 in 2Q10. The negative EBITDA is due to expenses and accruals made in connection with the law suit from Active 24



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# Profit & loss

(all figures in NOK 1.000)

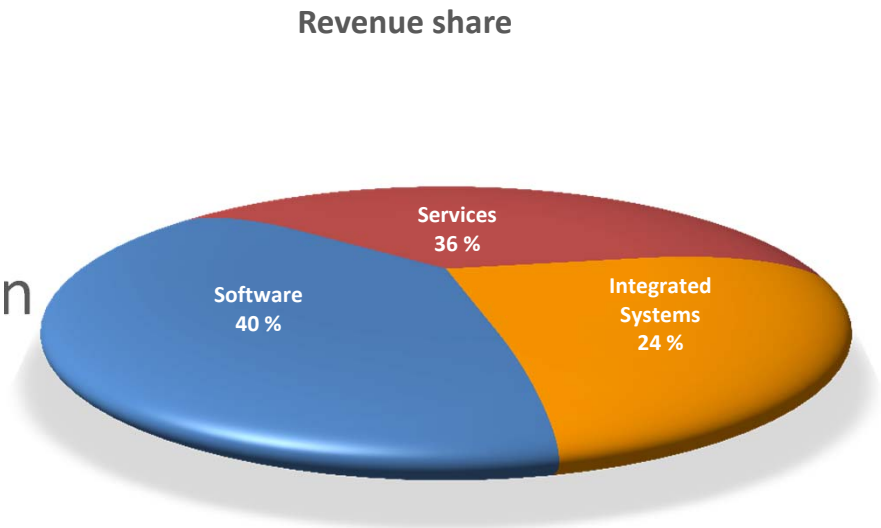
	Q2 - 2010	YTD 2010	Q2 - 2009	YTD 2009	2009
<b>Revenue</b>					
Operating Revenue	24 943	49 361	18 121	37 184	74 977
Other Income	-	-	-	-	10
<b>Expenses</b>					
Cost of sales	7 786	13 577	3 404	6 554	18 558
Wages and salaries	10 993	21 921	8 739	21 065	36 746
Other operating expenses	19 114	25 006	5 906	14 788	22 041
Total operating expenses	37 893	60 504	18 049	42 408	77 345
<b>EBITDA</b>	(12 949)	(11 143)	73	(5 224)	(2 358)
Depreciation, amortisation & write-down	1 379	2 671	1 057	2 448	5 008
<b>EBIT</b>	(14 329)	(13 814)	(985)	(7 672)	(7 365)
Net financial items	132	474	208	437	1 258
<b>EBT</b>	(14 461)	(14 288)	(1 193)	(8 109)	(8 624)
Taxes	(3 959)	(3 612)	207	42	(19 107)
<b>Net profit / loss</b>	(10 502)	(10 676)	(1 400)	(8 151)	10 483



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# Segment revenue information

- Software MNOK 10.8 in 2Q10
  - Up 34% from 2Q09
- Services MNOK 9.7 in 2Q10
  - Up 13% from 2Q09
- Integrated Systems MNOK 6.4 in 1Q20
  - Up 158% from 2Q09



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# Segment information 2Q10

## Q2 - 2010

Business segment	Software	Services	Integrated Systems	Elimination	Total
Operating Revenue	10 758	9 667	6 427	(1 909)	24 943
Other Income	-	-	-	-	-
Operating Expenses	24 178	9 592	6 031	(1 909)	37 892
<b>Operating profit before depreciation</b>	<b>(13 420)</b>	<b>75</b>	<b>396</b>	<b>-</b>	<b>(12 949)</b>
Depreciation	594	496	313	(24)	1 379
<b>Operating Result</b>	<b>(14 014)</b>	<b>(421)</b>	<b>83</b>	<b>24</b>	<b>(14 328)</b>

## Q2 - 2009

Business segment	Software	Services	Integrated Systems	Elimination	Total
Operating Revenue	8 033	8 553	2 494	(958)	18 121
Other Income	-	-	-	-	-
Operating Expenses	9 244	7 223	2 540	(958)	18 049
<b>Operating profit before depreciation</b>	<b>(1 211)</b>	<b>1 330</b>	<b>(47)</b>	<b>-</b>	<b>73</b>
Depreciation	629	504	48	(123)	1 057
<b>Operating Result</b>	<b>(1 840)</b>	<b>826</b>	<b>(94)</b>	<b>123</b>	<b>(985)</b>



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# Balance sheet

ASSETS	30.06.2010	30.06.2009	31.12.2009
<i>Non current assets</i>			
Deferred tax asset	23 829	695	19 736
Development cost / Technology	9 676	7 163	7 837
Goodwill	57 976	21 991	20 856
Customer bases	3 346	5 404	4 363
Brand name	962	962	962
Property, Plant & Equipment	14 157	2 494	1 402
Other non-current assets	2 000	23	159
<b>Total non current assets</b>	<b>111 946</b>	<b>38 731</b>	<b>55 315</b>
<i>Current assets</i>			
Inventory	69	98	70
Trade receivables	18 777	8 255	9 263
Other current receivables	14 387	7 600	8 515
Cash and short-term deposits	10 091	7 516	8 115
<b>Total current assets</b>	<b>43 324</b>	<b>23 469</b>	<b>25 962</b>
<b>TOTAL ASSETS</b>	<b>155 270</b>	<b>62 200</b>	<b>81 278</b>



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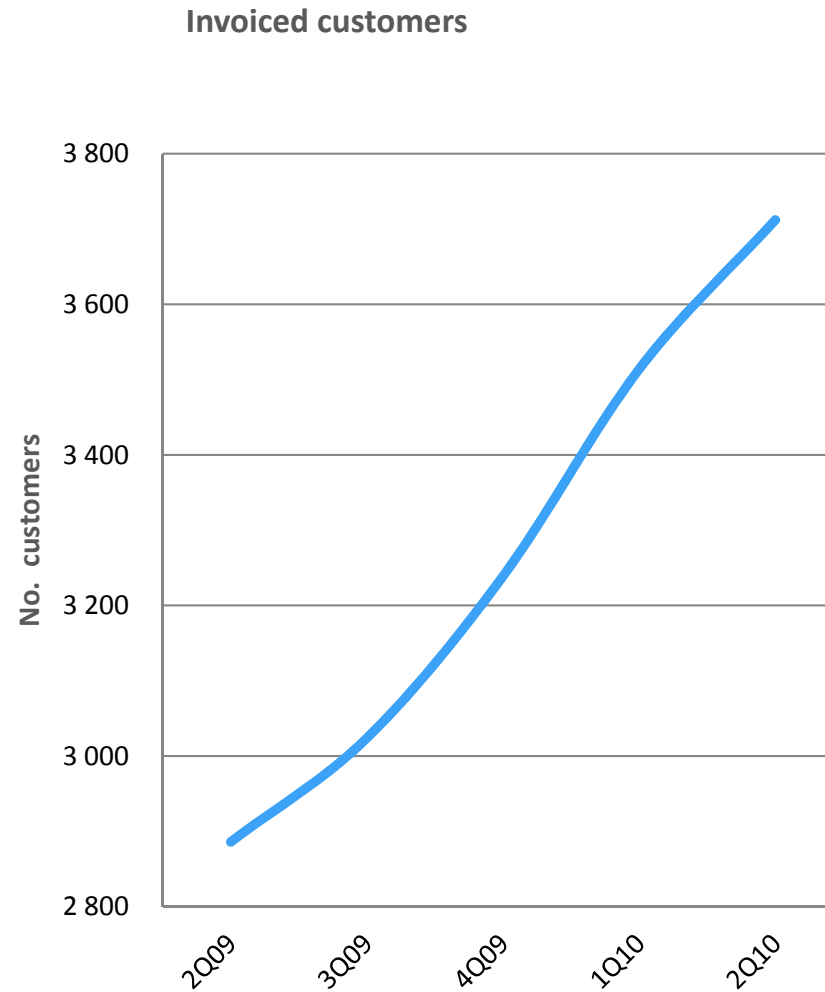
# Balance sheet

EQUITY AND DEBT	30.06.2010	30.06.2009	31.12.2009
<i>Equity</i>			
Share capital	1 900	1 755	1 755
Share premium	108 123	95 633	95 633
Translation reserve	-160	-174	-158
Retained earnings	-80 111	-87 397	-67 900
Equity before minority interest	29 751	9 817	29 331
Minority	695	2 885	1 931
<b>Total equity Capital</b>	<b>30 446</b>	<b>12 702</b>	<b>31 261</b>
<i>Liabilities</i>			
Debt to credit institutions	30 743	5 466	4 179
Sellers credit	29 259	12 027	11 501
Deferred taxes	1 334	2 077	1 648
<b>Total non current liabilities</b>	<b>61 336</b>	<b>19 570</b>	<b>17 327</b>
Accounts payable	16 231	7 286	7 659
Deferred revenue	4 567	3 417	4 156
Public duties payable	3 635	3 419	3 947
Taxes payable	1 080	0	325
Debt to credit institutions	7 311	6 057	8 436
Other current liabilities	30 664	9 749	8 166
<b>Total current liabilities</b>	<b>63 488</b>	<b>29 929</b>	<b>32 689</b>
<b>Total liabilities</b>	<b>124 824</b>	<b>49 499</b>	<b>50 016</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>155 270</b>	<b>62 200</b>	<b>81 278</b>



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# Customer growth



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# Software as a Service (SaaS\*) business model

## Benefits for the customer

- Small or no initial investment
- No need to develop and maintain complex infrastructure
- More frequent software upgrades at no additional costs
- Always up to date
- Automatic backup of data
- Software can be accessed from any PC with internet connection, not only from the office

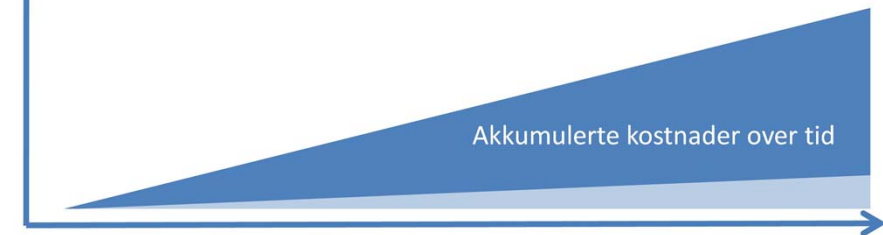
## Benefits for the provider

- Predictable recurring revenue stream.
- Easier to upgrade/develop software as it resides in the providers premises.

## SaaS vs. traditional software

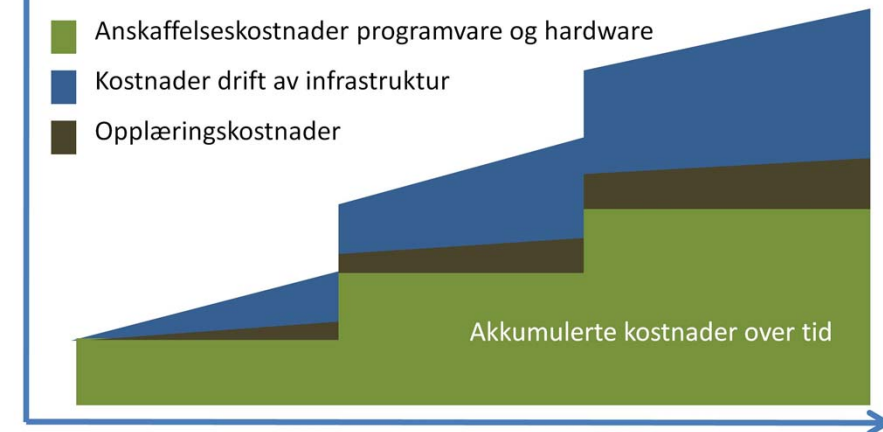
Løpende programvarekostnader ved SaaS

- Abonnementskostnader
- Opplæringskostnader



Totale kostnader ved eierskap til programvare

- Anskaffelseskostnader programvare og hardware
- Kostnader drift av infrastruktur
- Opplæringskostnader



\*SaaS is short for Software as a Service and is the term used for software where an application is hosted as a service provided to customers across the Internet through the web browser.



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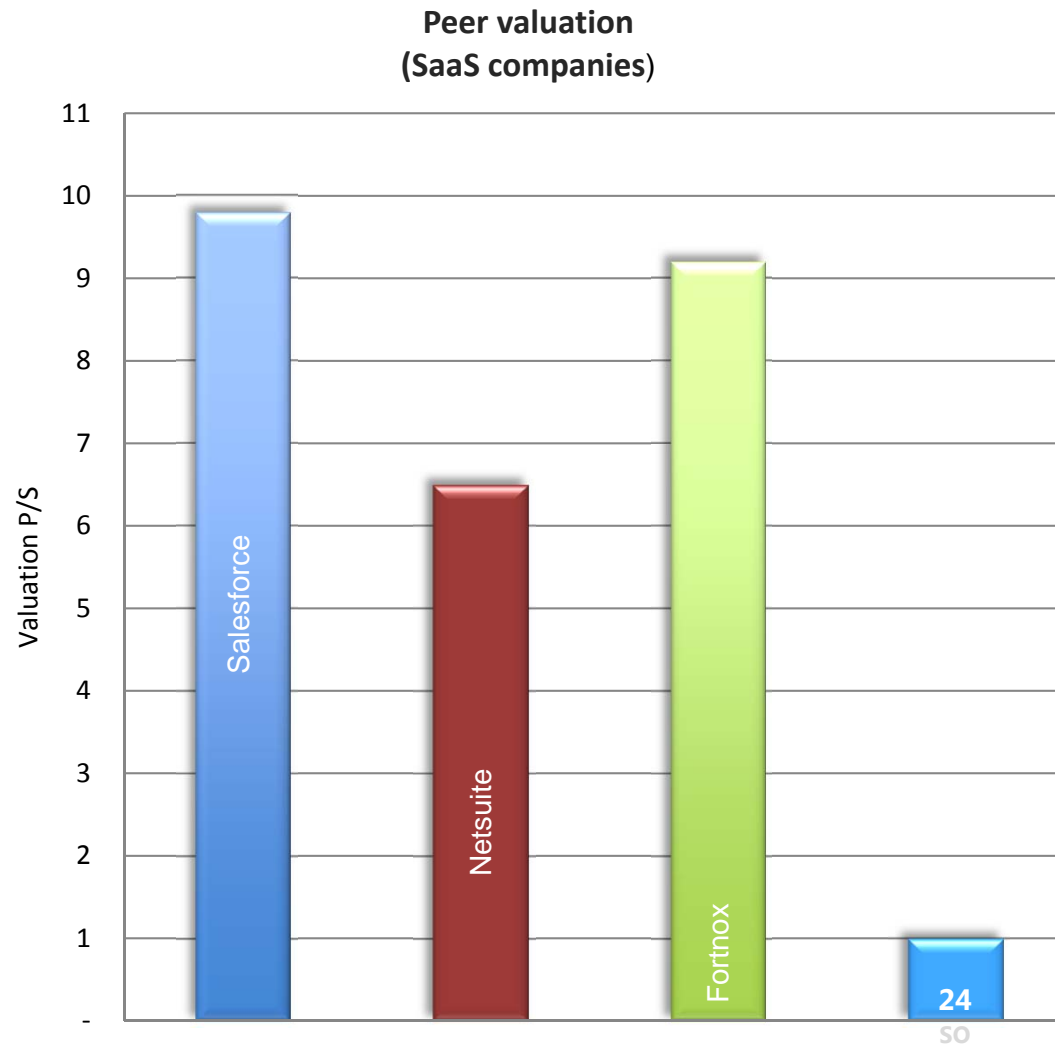
# Cloud Computing/ SaaS market growth - according to IDC

IDC predicts that the Internet based cloud computing/ SaaS market for infrastructure, software and services will grow by 27% annually over the next four years , in contrast to traditional license based local installations, that will grow 4% annually during the same period.



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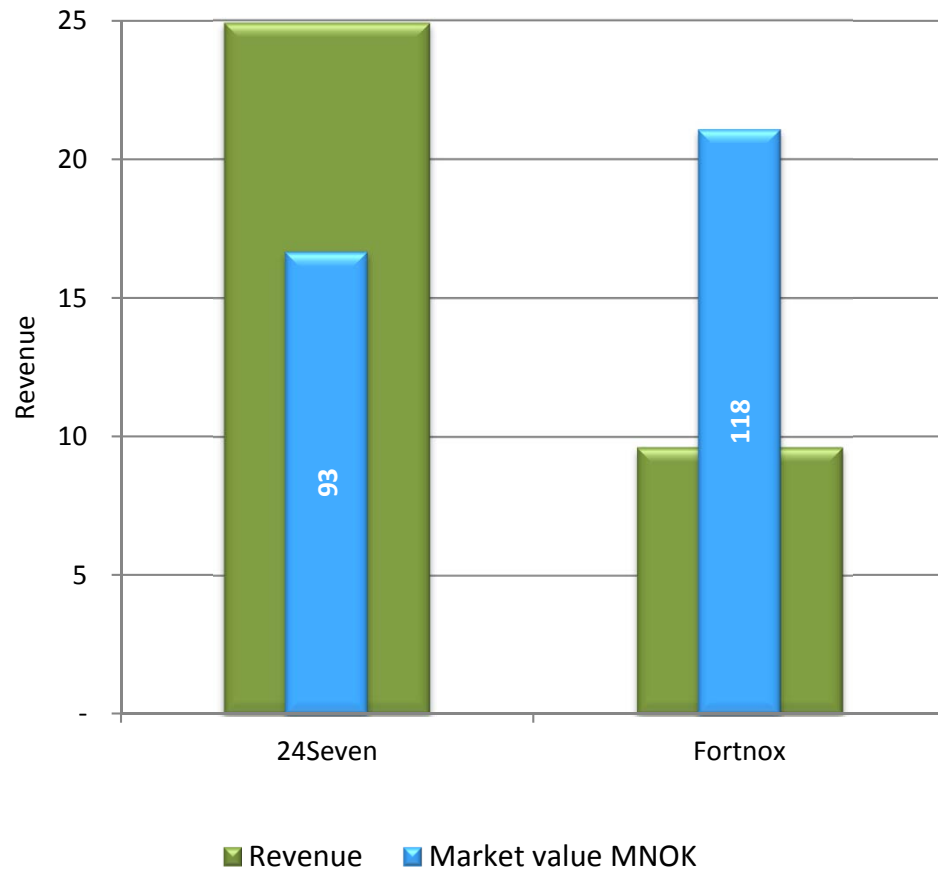
# SaaS valuation internationally



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# Peer revenue v.s. market value

Peer valuation (SaaS companies)



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# 24Seven Technology Group ASA

- International growth -





# Products



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Bringing Telecom to the Cloud



# Status

- Listed at Oslo Stock Exchange, Axess list, in 2007 with focus on high growth, reaching critical mass and show profitability
  - 20 MNOK to over 100MNOK in three years
  - Profitability since 2Q09
- Company structured as a pure technology company with mostly recurring revenue
- Solid cash position after sale of these non strategic business units

# Waiting for the right timing

## Market

- SaaS have high growth compared with traditional software
- Marketplaces for third party apps getting traction
  - Google
  - Microsoft
  - Apple

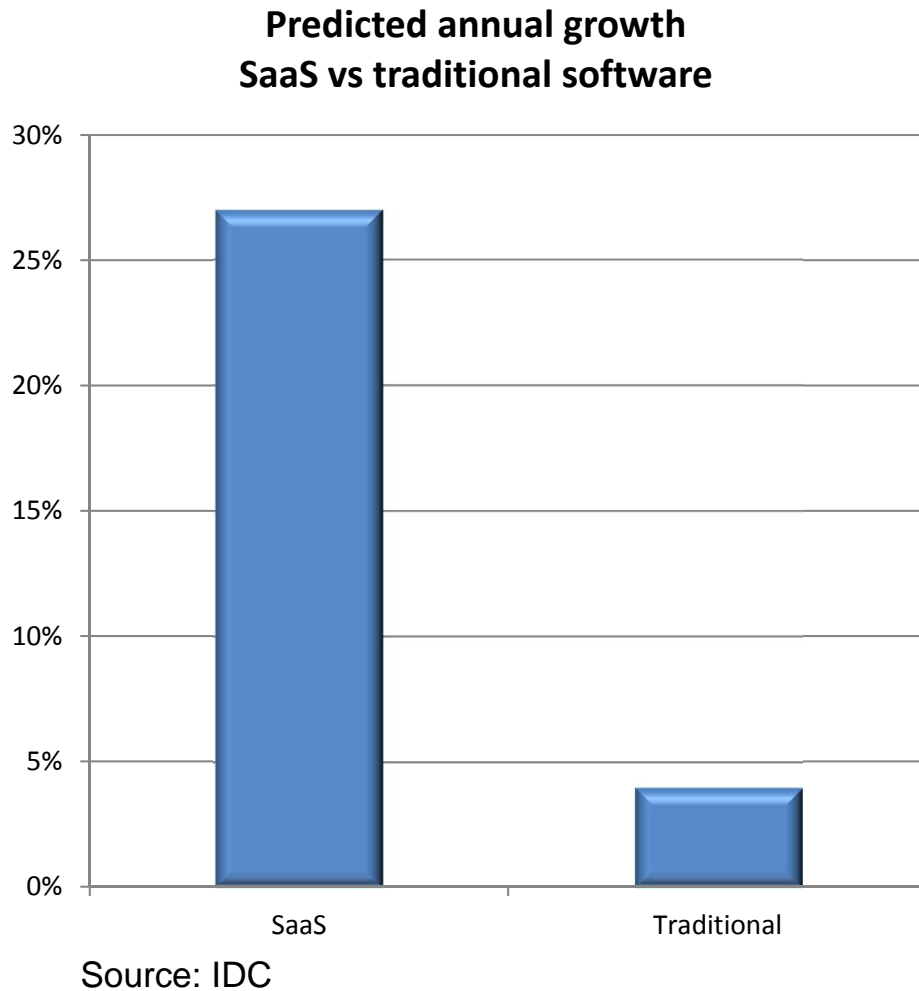
## Technology

- We have invested heavily the last three years in preparing products and infrastructure for international growth

## Organisation

- Organisation “fully trained” and ready to manage international growth

# Market >> SaaS Growth



- 30% of all new software in the business market will be delivered as SaaS by 2012
  - Source: Gartner
- SaaS will be the business standard in the SME market by 2020
  - Source: Social Issues Research (SIRC)
- Transition from traditional software to SaaS will be more a revolution than an evolution
  - Source: Gartner

# Market >> Marketplaces

- Google Apps Marketplace promoting and selling third party apps integrated with Google Apps such as Google Docs, Gmail and Google Calendar
  - 25 million users, 2 million companies
  - 3000 new companies every day
- Microsoft Marketplace
  - Will launch in September 2010
- Apple's The App Store
  - 5 billion app downloads since its inception two years ago

# Market >> Marketplaces >> Potential

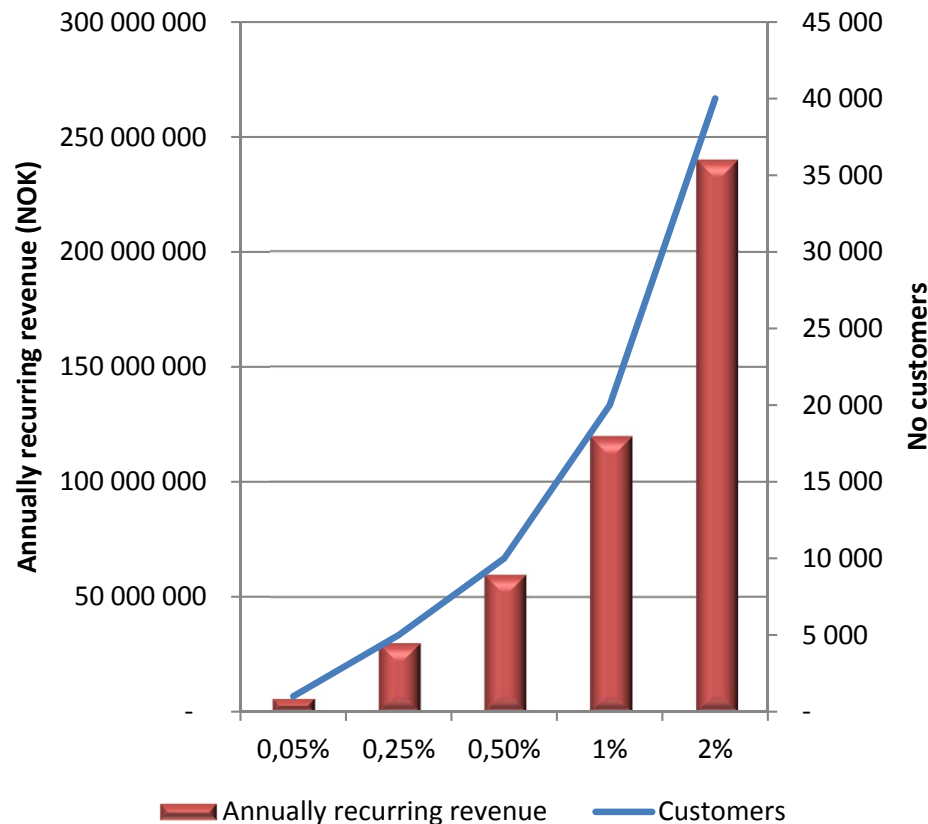


Figure shows potential customers and annually recurring revenue based on how many of existing customers 2 million companies in Google Apps Marketplace start using 24SevenOffice modules. Average price per company is forecasted at 500 NOK per month (compared to 2000 NOK per month today)

- Basecamp has a simple project management solutions with more than 5 million users worldwide and 1000 companies signing up every week
- Angry Bird, a Iphone/Ipad game developed by Rovio and sold on Apple's App Store has sold 6.5 million copies without any advertising

– Source: [www.tuaw.com](http://www.tuaw.com)

# Technology

- Invested heavily last 3 years preparing the product and infrastructure
- Cross-browser
  - 24SevenOffice was one of the pioneers in AJAX programming and IE was only browser supporting this technology at that time
  - 24SevenOffice core technology cross-browser compatible
  - All new modules are cross-browser compatible
  - Work on all browsers such as Firefox, Opera, Chrome, etc
- International infrastructure
  - Virtualisation of infrastructure
  - Independent of geography
  - Working environment in the US

# Technology

- Invested heavily last 3 years preparing the product and infrastructure
- Mobile applications
  - Trend toward mobile workforce and smart phones such as Iphone and Android
  - Developed mobile applications to be launched on Apple's App Store
- Community and viral
  - 24SevenOffice platform is community based allowing users to share information across companies
  - New modules are developed on this platform
  - Effective marketing tool for viral spread (can be compared to facebook, linked in, etc)
- Synchronisation
  - Developed a synchronisation engine that synchronise contacts, emails, tasks and appointments between local computer, Outlook and mobile phones with the web



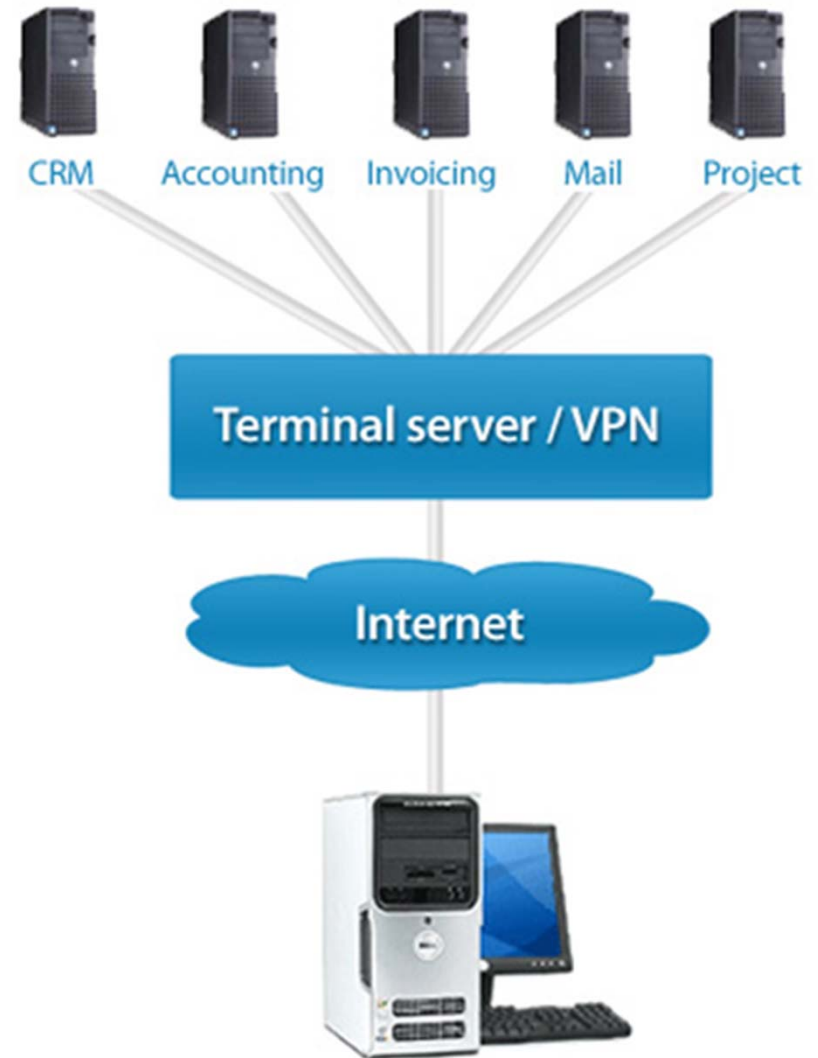
# Partner strategy

- Build and develop partner program allowing others to connect with 24SevenOffice
- Increase distribution through resellers
- Closing phase of important strategic US partner

# Sales and marketing

- Product and infrastructure investments already taken
- Internationalisation is pure sales and marketing job
- Only variable sales and marketing costs
- All marketing initiatives will be tracked from A-Z for optimising ROI
- All marketplaces are based on revenue share on actual sales
  - Google marketplace listing at \$100 and 20% revenue share
- Google marketing with optimization software where ads are linked directly to sales value
- Viral spread
- Blogs
- Press and analysts
- Social media

# 24SevenOffice vs Traditional model



# Software as a Service (SaaS\*) business model

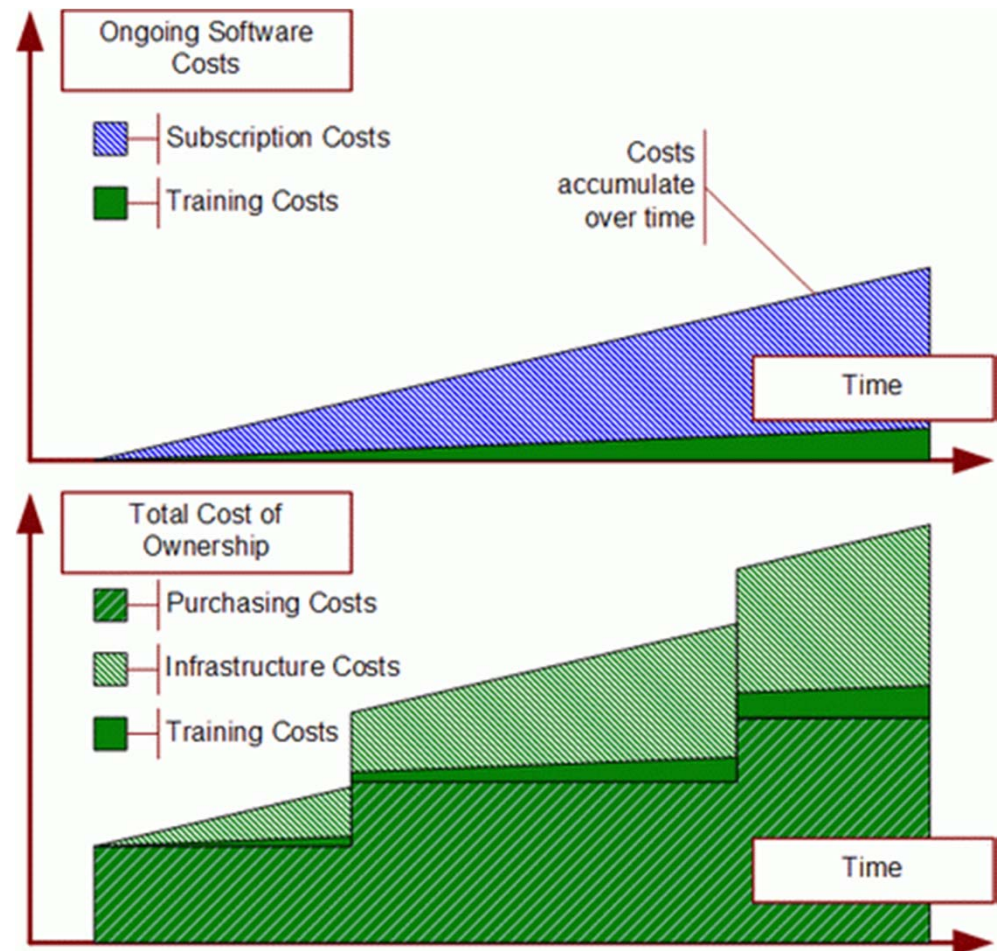
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Source: tynerblain.com

# Partners



filial av Danske Bank



Regnskap - Lønn - Outsourcing



BLUEGARDEN



Decide with Confidence



# Total market size for business software and VoIP in existing SMB segment

Market / region	Total market size (billion NOK annually)
Norway	14
Sweden	27
Northern Europe*	360

\*Scandinavia, Netherlands, Germany and UK



24SevenOffice will present its 3Q 2010 figures on November 30<sup>th</sup> 2010