



## **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)

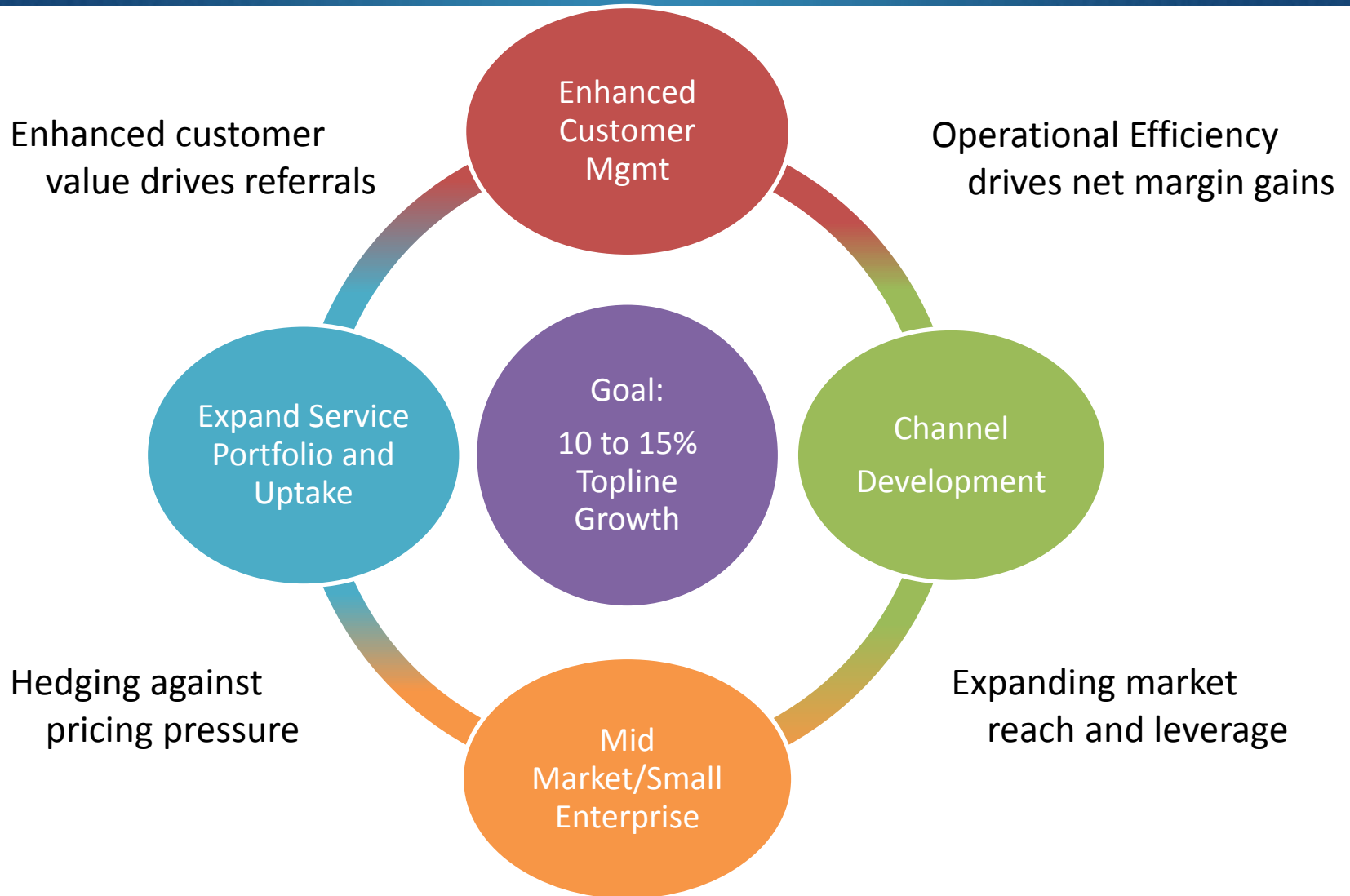
# Comparative Cash Flows

## Cash Flow Statement:

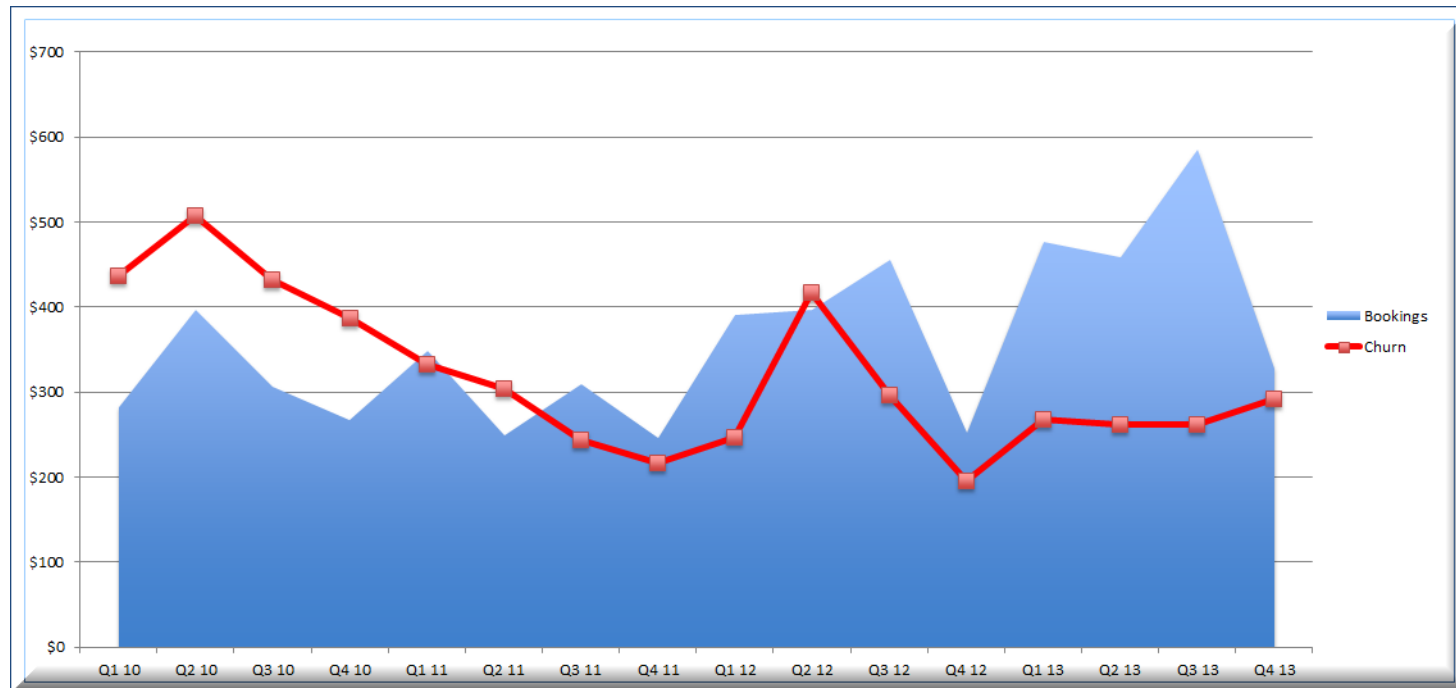
	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13
<b>Net income</b>	\$ 438	\$ 366	\$ 175	\$ 182	\$ 58
Depreciation, amortization and impairment	1,000	939	967	1,196	1,286
Stock based compensation	45	36	41	28	24
Net changes in working capital & FX impact	278	(150)	(286)	(577)	525
<b>Cash from operating activities</b>	1,761	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)
<b>Cash used in financing &amp; investing activities</b>	(1,122)	(966)	(911)	(1,216)	(951)
<b>Change in cash position during the period</b>	639	225	(14)	(387)	942
<b>Beginning period cash</b>	1,719	2,358	2,583	2,569	2,182
<b>Ending period cash</b>	\$ 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



# 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