



Redknee Solutions Inc.

**REDKNEE**

Innovate. Personalize. Profit.

FISCAL 3Q 2010 RESULTS CALL ▶ AUGUST 12, 2010

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# About Us

## • Our Focus

- Redknee is a leading global provider of communication software infrastructure to price and charge all subscribers for data, content & voice across wireless, cable, fixed & satellite companies around the world.

## • Key Drivers

- Wireless data growth
- Wireless adoption growth – next 1 billion subscribers
- Convergence across content, data and voice across wireless and fixed networks

## • Key Advantages

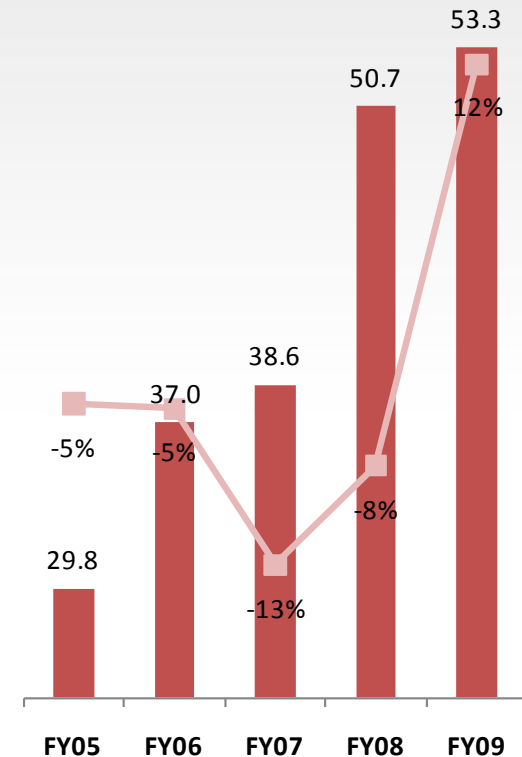
- Strong global organization, product platform with growing number of patents
- Strong global customer base with 80+ customers in 50+ countries
- Cash, no-debt & increasing scale of business



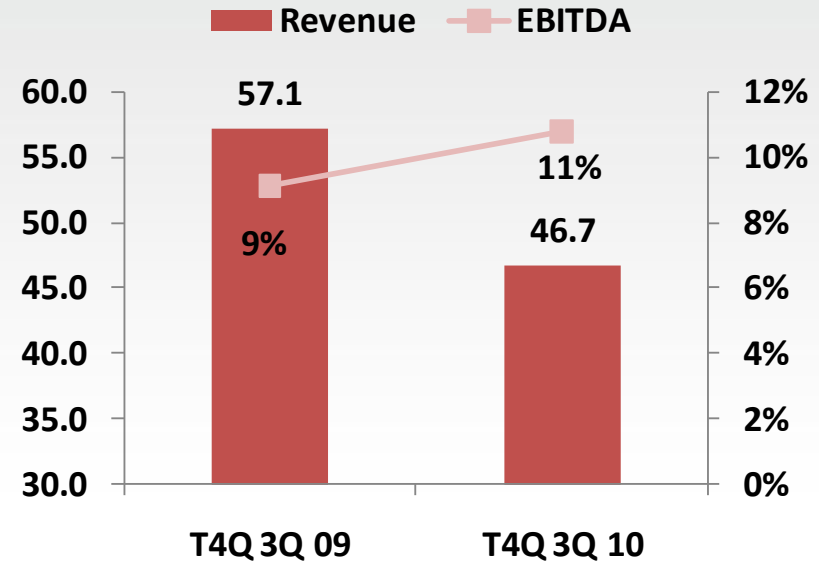
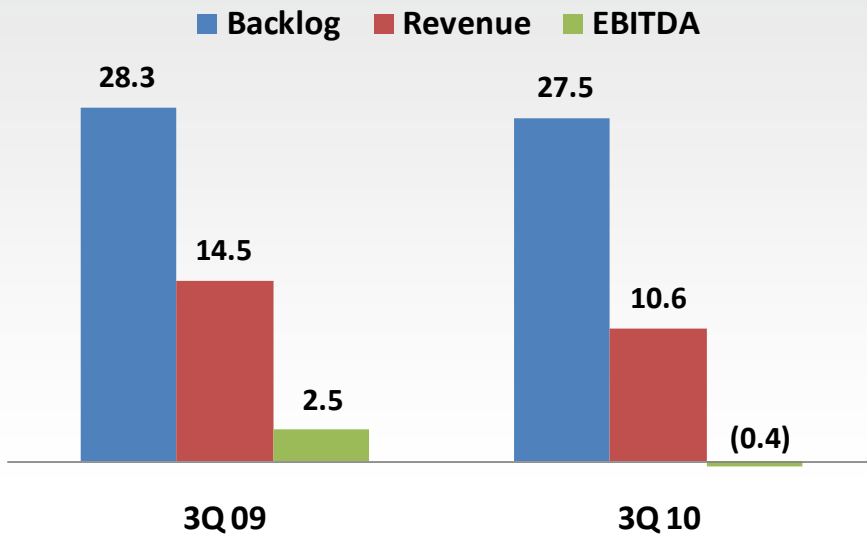
# Third Quarter Fiscal 2010 Highlights

- Revenue of \$10.6M (Q3 2009: \$14.5M)
  - Constant currency \$12.1M
- EBITDA of \$(0.4) M (Q3 2009: \$2.5M)
  - \$0.3M after one-time items
- EPS of \$0.00 (Q3 2009: \$0.01)
- Strong recurring revenues (T4Q 43%)
- Backlog of \$27.5M
- Strategic acquisition & multi-year contracts
- Cash of \$19.8M

Revenues & EBITDA %



# Third Quarter – Revenue Lumpiness



- Revenue at \$10.6M (Q3 2009: \$14.5M)
- Constant currency: revenue of \$12.1M

## Strategic Acquisition of Nimbus Systems

### • Acquisition Rationale:

- Strong customer Tier-1 footprint with employee base to service them
- Channel partners: equipment providers + system integrators
- Complementary product lines: NG billing & customer care systems

### • Expected Synergies:

- Full product and service cross-sell into joint customer base
- Ability to win additional operators with joint offering & references
- Long-term opportunity to enter new markets

### • Transaction Details:

- ~€11.25M: ~€7M cash (portion subject to earn out) + Redknee shares

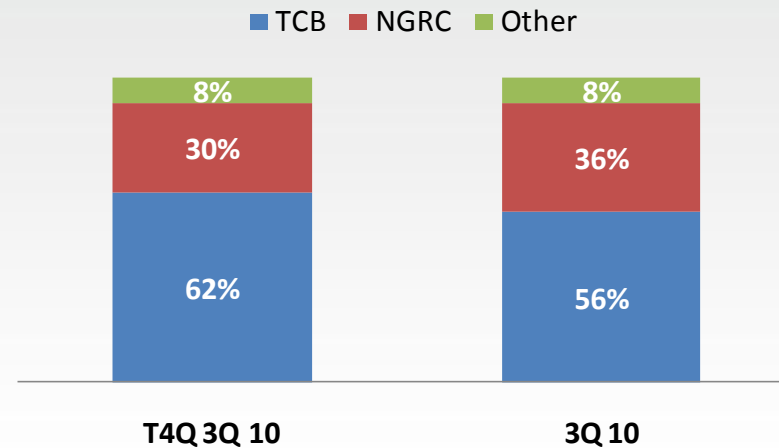


## Redknee's Long Term Measures of Success

- **Continued expansion of our business-critical solutions to our global customer base**
- **Market share growth in our addressable markets**
- **Growing recurring revenues**

# Redknee's Business-Critical Solutions

## Revenue by Product



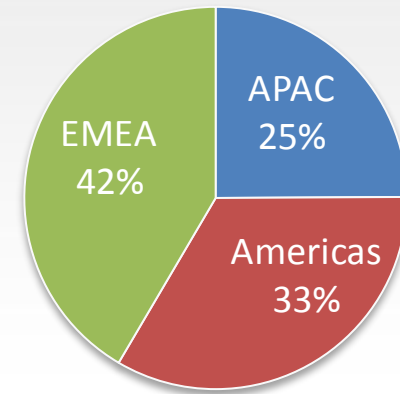
- **Monetization continues to be our focus – 90%+ of T4Q revenues**
  - Converged real-time rating, charging & billing
  - Data monetization & content settlement
  - Customer care systems
- **Compelling & competitive product portfolio**
  - 19 granted patents & 58+ pending
  - Redknee's NGRC wins 2010 Billing & OSS World Excellence Awards



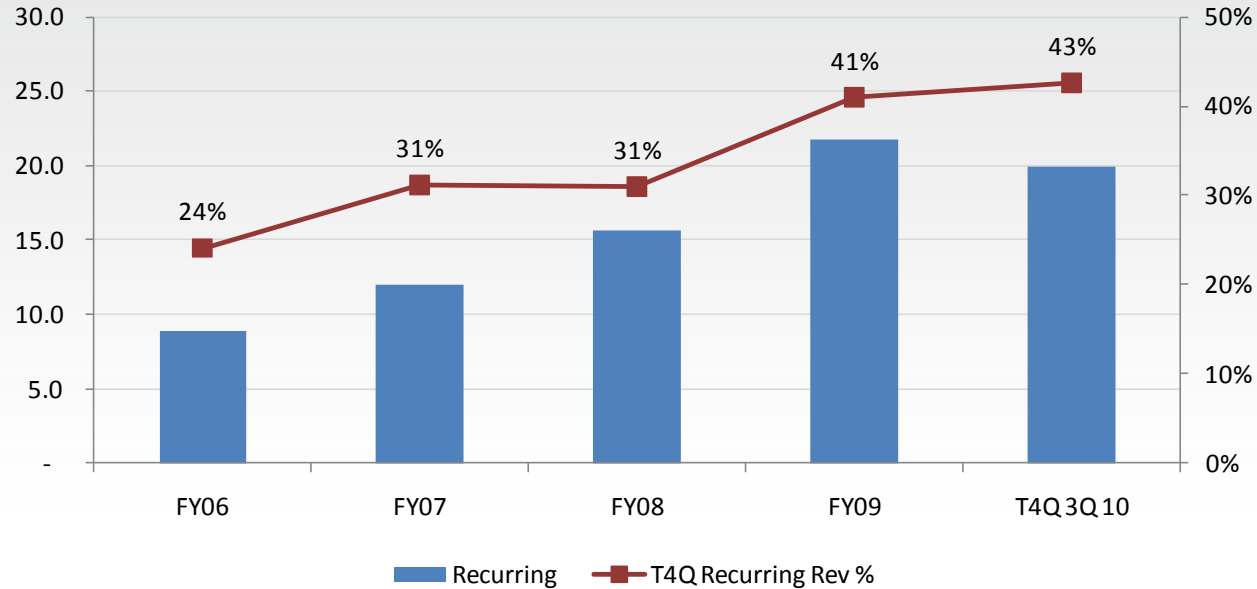
## Redknee's Market Share Growth

- **Market share focus**
- **Globally diversified revenue**
- **Notable contracts**
  - **Multi-year contracts in Americas & EMEA**
  - **TCB upgrades in existing customers**
  - **License & functionality expansion of our NGRC platforms globally**

### Revenue Segmentation T4Q 3QFY10



# Redknee's Recurring Revenues



- **Recurring revenues**

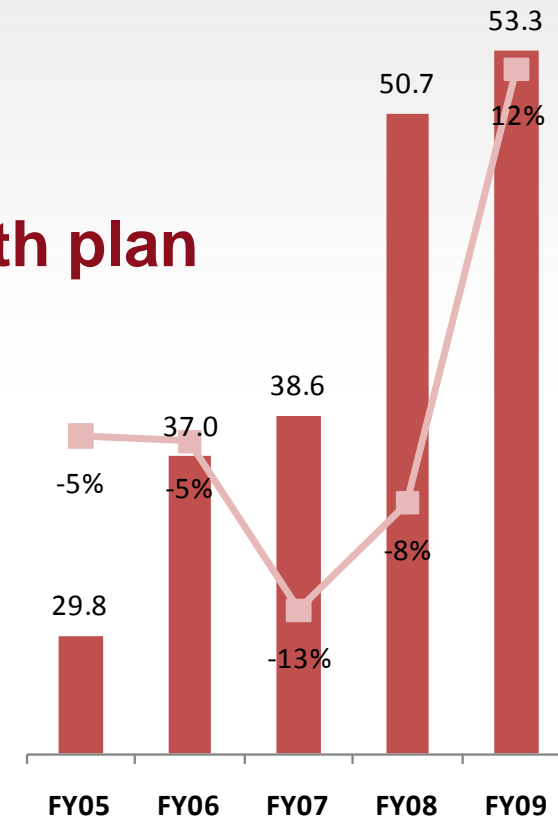
- **Support & Maintenance Agreements**
- **Software Subscription**
- **Term based product licenses**

- **Recurring revenues on T4Q basis was 43% of revenues**

# Third Quarter 2010 Summary

- **Growing global market opportunity**
  - **Wireless data growth**
  - **Global wireless subscriber growth**
  - **Move towards converged monetization**
- **Disciplined execution of strategic growth plan**
- **Strong recurring revenues**
- **Good cash position**
- **Competitive product with patents**

Revenues & EBITDA %



# Third Quarter Financial Summary

	3Q 10	3Q 09	% Δ	YTD 3Q10	YTD 3Q09	% Δ
Revenue	10,632	14,480	-27%	35,878	42,447	-15%
Gross Profit \$	7,519	11,471	-34%	26,312	33,146	-21%
Gross Profit %	71%	79%		73%	78%	
EBITDA <sup>1</sup>	(359)	2,494	-114%	3,147	4,575	-31%
Operating Profit (Loss)	(157)	823	-119%	1,149	4,490	-74%
Basic EPS	\$ -	\$ 0.01	100%	\$ 0.01	\$ 0.06	-83%

- Cash and investments at \$19.8 million (September 30, 2009: \$25.8 million)

1) EBITDA = Income (Loss) from Operations, plus foreign exchange gain (loss), amortization and stock-based compensation

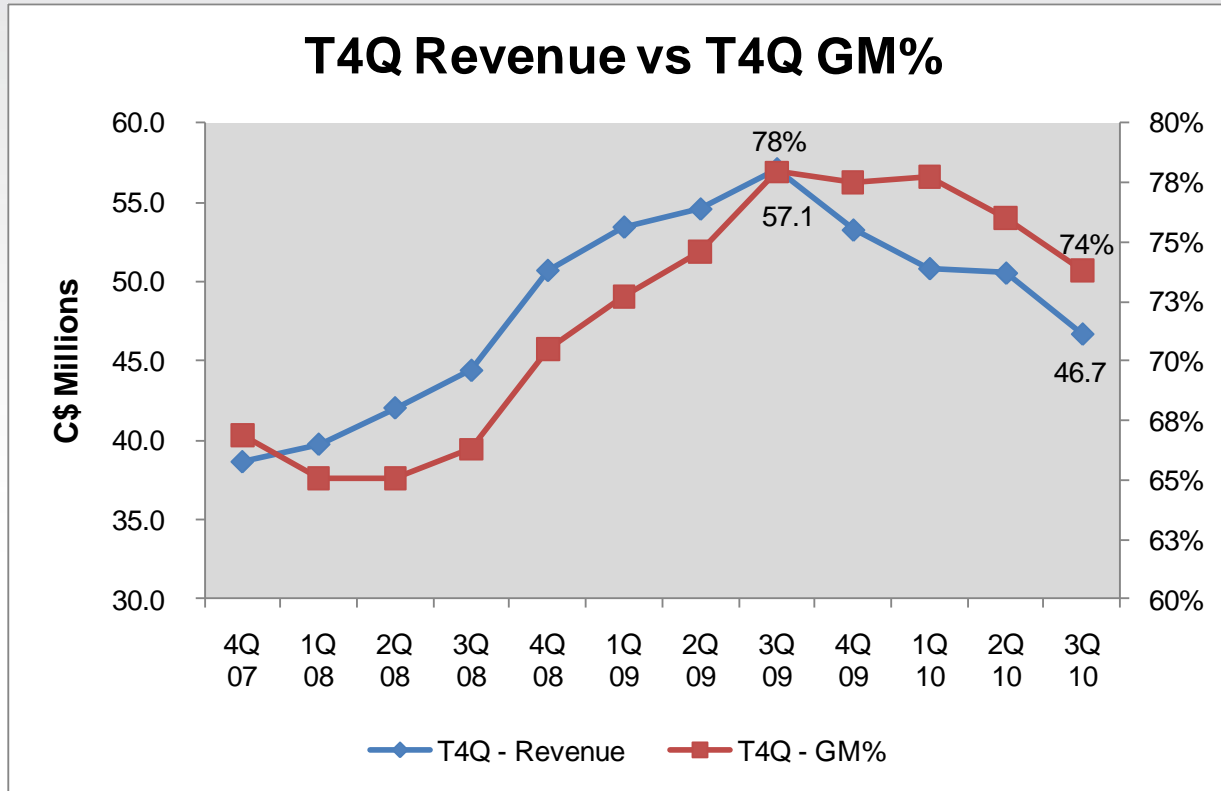
## Third Quarter Financial Summary - Revenue

(CDN \$000's)	3Q 10	3Q 09	%Δ	YTD 3Q10	YTD 3Q09	%Δ
Software and Services	4,942	8,094	-39%	19,711	24,774	-20%
<i>%of Total</i>	46%	56%		55%	58%	
Third Party	797	767	4%	2,186	1,421	54%
<i>%of Total</i>	7%	5%		6%	3%	
Support and Subs.	4,893	5,618	-13%	13,981	16,252	-14%
<i>%of Total</i>	46%	39%		39%	38%	
<b>Total Revenue</b>	<b>10,632</b>	<b>14,480</b>	<b>-27%</b>	<b>35,878</b>	<b>42,447</b>	<b>-15%</b>

(CDN \$000's)	3Q 10	3Q 09	%Δ	YTD 3Q10	YTD 3Q09	%Δ
Recurring Rev. \$ (a)	5,174	5,779	-10%	14,833	16,745	-11%
<i>%of Total</i>	49%	40%		41%	39%	

- Recurring revenue 49% of total

# Third Quarter Financial Summary – Gross Margins



- **Gross Profit of \$7.5M or 74% of revenue in Q3 FY10**
- **T4Q 3Q 2010 Gross Margin at 74% (3Q 2009: 77%)**

## Third Quarter Financial Summary – Operating Costs

(CDN 000's)	3Q 10	3Q 09	\$ Change	% Δ	YTD 3Q10	YTD 3Q09	\$ Change	% Δ
S & M	2,804	3,765	(961)	-26%	9,483	12,040	(2,557)	-21%
	26%	26%			26%	28%		
G & A	2,400	2,470	(70)	-3%	5,772	7,451	(1,680)	-23%
	23%	17%			16%	18%		
R & D	2,811	2,932	(121)	-4%	8,185	9,592	(1,406)	-15%
	26%	20%			23%	23%		
<b>Total OpEx</b>	<b>8,015</b>	<b>9,167</b>	<b>(1,152)</b>	<b>-13%</b>	<b>23,440</b>	<b>29,084</b>	<b>(5,643)</b>	<b>19%</b>
	75%	63%			65%	69%		

**Operating costs declined as a % of revenue to 65% in YTD 3Q10 from 69% in YTD 3Q09; reflects management's efforts to reduce cost structure**

Operating Expenses exclude amortization and foreign exchange gain (loss).

## Balance Sheet Highlights and Backlog

	As at Jun 30, 2010	As at Sep 30, 2009	% Δ
Cash and Investments	\$19,812	\$25,770	-23%
A/R	\$10,673	\$8,160	31%
DSO	78 days	75 days	3 days
Working Capital	\$24,462	\$22,144	10%
Backlog	\$27,511	\$25,200	9%



# Q&A

# Thank you.

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