



**REDKNEE**  
Looking Beyond

## Q3 FY16 - Investor Conference Call

August 4, 2016

TSX: RKN





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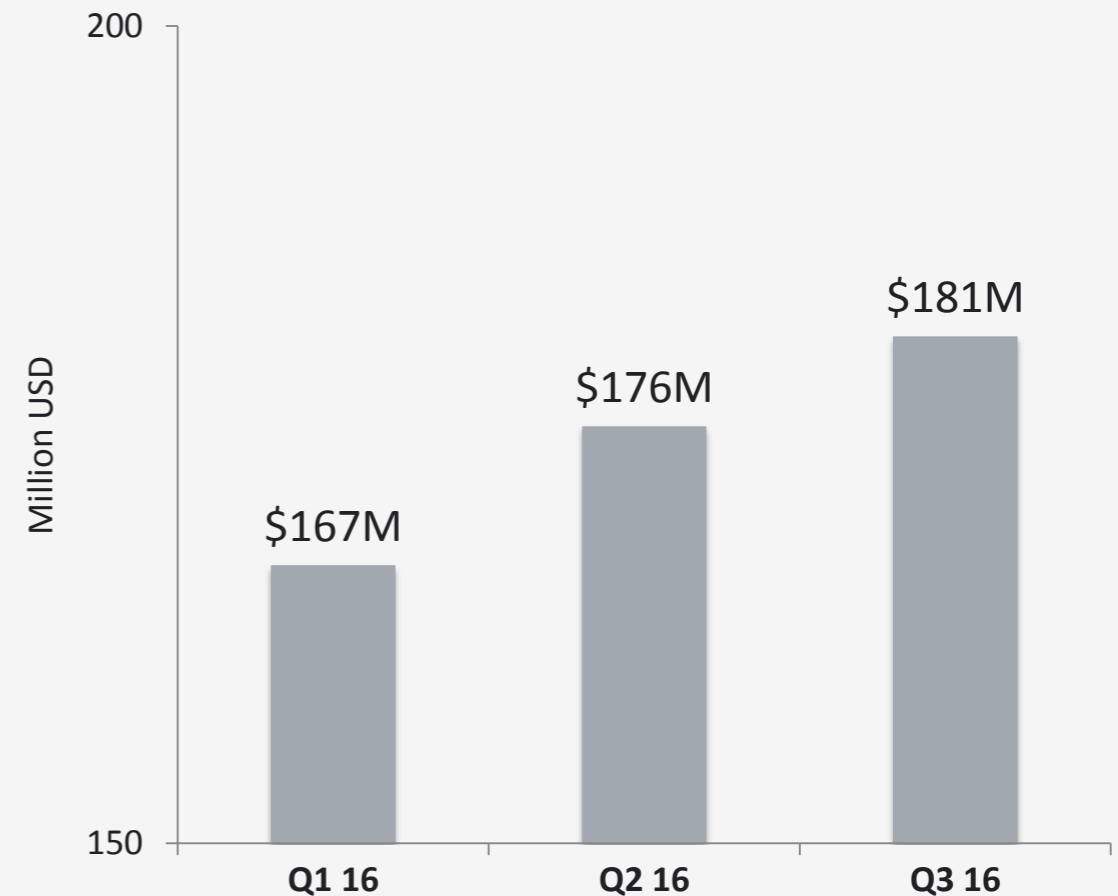
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<b>Revenue:</b>	\$40.5M (Q3 FY15: \$46.7M)
<b>Order Backlog:</b>	\$180.7M
<b>Gross Margin:</b>	45%
<b>Recurring Revenue:</b>	63% of total
<b>Adjusted EBITDA:</b>	\$(1.9M) (Q3 FY15: \$5.3M, 11% of Revenue)
<b>Cash:</b>	\$43.0M

## ORDER BACKLOG



### Highlights:

- Won new and renewed contracts over \$60M leading to the record order backlog
- Positive cash flow from operations (after cash used for restructuring) of \$4.0M
- New partnership with L&T Technology Services to deliver IoT architecture
- Continues to progress on planned restructuring – overall annual expense reduction of up to \$25 million by Fiscal 2017

# CONTINUED MOMENTUM: MAJOR CONTRACT WINS



Customer	Region	Value	Closed
Tier 1 CSP	APAC	>\$20M	Q3
Tier 1 CSP	Americas	\$8M	Q3
Tier 1 CSP	EMEA	Multi-million dollar	Q3
Tier 1 CSP	EMEA	Not disclosed	Q3
lifecell	EMEA	Not disclosed	Q3
Tbaytel	Americas	Multi-million dollar	Q3

CONTINUE TO BE IN ACTIVE DISCUSSIONS AND EXPECT ADDITIONAL NEW CONTRACTS THROUGHOUT REMAINDER OF FISCAL 2016 AND INTO FISCAL 2017

# REVENUE BREAKDOWN BY QUARTER

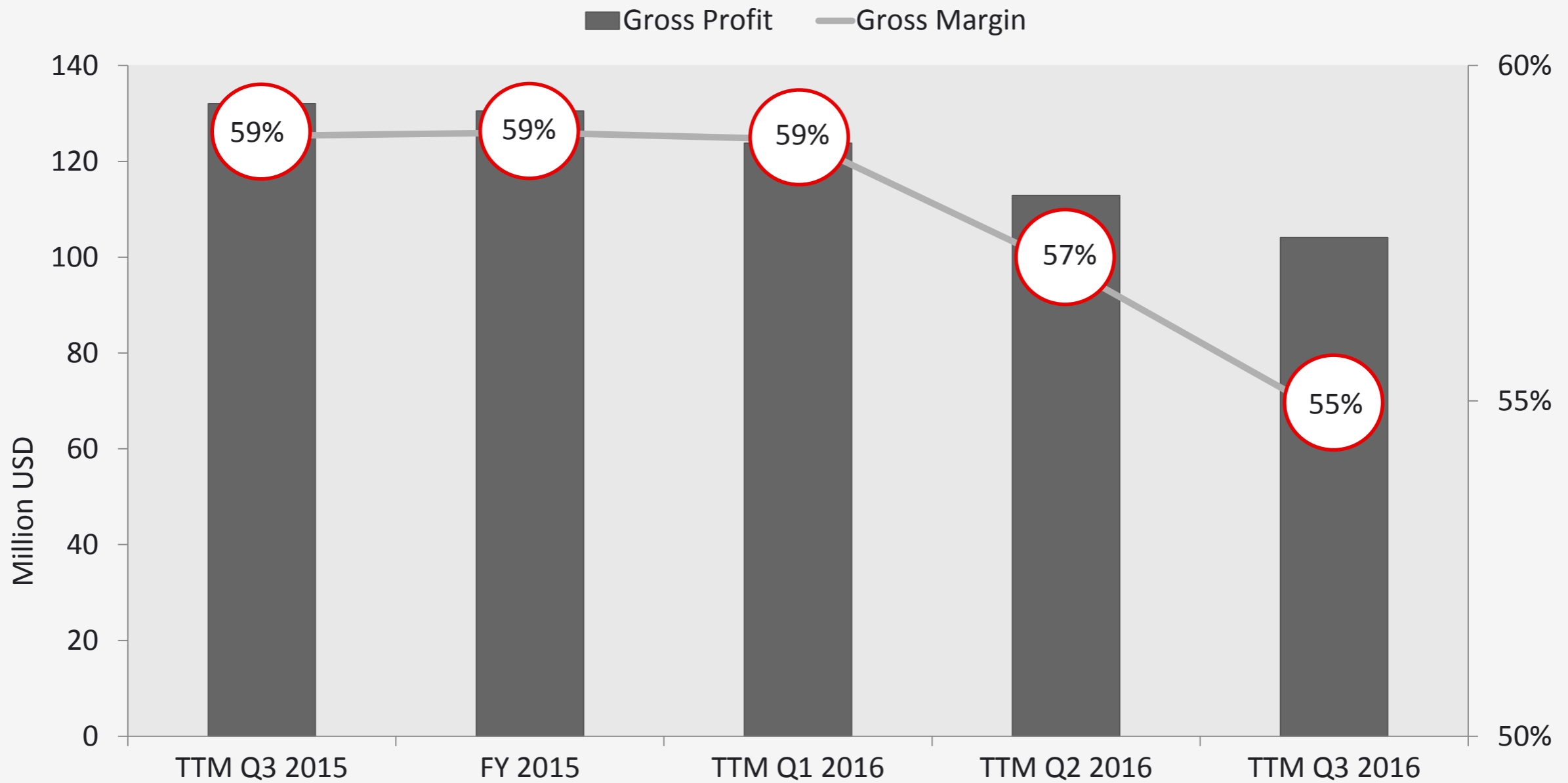
(US\$ MILLIONS)

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	\$ Change	% Change
Software	20.0	18.7	<b>10.8</b>	16.7	9.7	4.7	<b>2.7</b>	(8.1)	(75%)
<i>% of revenue</i>	32%	35%	23%	28%	19%	12%	7%		
Services	13.8	10.1	<b>10.7</b>	15.3	13.0	11.6	<b>9.6</b>	(1.1)	(10%)
<i>% of revenue</i>	22%	19%	23%	26%	26%	29%	24%		
Third Party	4.2	2.4	<b>3.4</b>	4.0	2.5	0.8	<b>4.8</b>	1.4	41%
<i>% of revenue</i>	7%	4%	7%	7%	5%	2%	12%		
Support	24.6	22.5	<b>21.7</b>	23.7	25.0	22.7	<b>23.4</b>	1.7	8%
<i>% of revenue</i>	39%	42%	47%	40%	50%	57%	58%		
<b>Total Revenue</b>	62.6	53.7	<b>46.7</b>	59.8	50.1	39.8	<b>40.5</b>	(6.2)	(13%)
<b>Recurring Revenue<sup>1</sup></b>	27.4	24.8	<b>24.6</b>	26.0	25.9	25.1	<b>25.6</b>	1.0	4%
<i>% of revenue</i>	44%	46%	53%	44%	52%	63%	63%		

<sup>1</sup> Recurring revenue includes support and maintenance agreements, term based product licenses, subscription, cloud service and long term service agreements.

\*The above noted information is based on management estimates and is unaudited

# GROSS MARGIN SUMMARY



Q3 FY 2016  
**45%\***

\*Impacted by uncharacteristically high proportion of very low margin third party revenue

# Q3 FY16 OPERATING COSTS

(US\$ MILLIONS)	Q3 FY16	Q3 FY15	\$ CHANGE	% CHANGE
S & M	6.7	8.0	(1.3)	(17%)
<i>% of Revenue</i>	16%	17%		
G & A	7.4	5.8	1.6	27%
<i>% of Revenue</i>	18%	12%		
R & D	9.9	11.2	(1.3)	(12%)
<i>% of Revenue</i>	24%	24%		
Restructuring Costs	4.1	0.6	3.5	622%
<i>% of Revenue</i>	10%	1%		
Acquisition Costs	0.2	4.5	(4.3)	(96%)
<i>% of Revenue</i>	0%	10%		
<b>Adjusted Total OPEX <sup>1</sup></b>	<b>24.0</b>	<b>25.1</b>	<b>(1.1)</b>	<b>(4%)</b>
<i>% of Revenue</i>	59%	54%		

<sup>1</sup> Adjusted Total OPEX : Total OPEX less acquisition costs and restructuring costs.

# STRONG BALANCE SHEET & BACKLOG

(US\$ MILLIONS)	Q3 FY16	Q2 FY16	% CHANGE
Cash and Investments	\$43.0	\$44.3	(3%)
A/R	\$52.6	\$61.3	(14%)
DSO	101 days	106 days	(5 days)
Unbilled Revenue	\$32.7	\$34.9	(6%)
Deferred Revenue	\$19.7	\$19.0	3%
<b>Working Capital</b>	<b>\$40.4</b>	<b>\$58.8</b>	<b>(31%)</b>
<b>Backlog</b>	<b>\$180.7</b>	<b>\$175.5</b>	<b>3%</b>



## Fiscal 2016

Revenue: Between **\$170M** and **\$172M**

EBITDA: Between **\$1M** and **\$3M**

## Fiscal 2017

Revenue: Between **\$170M** and **\$180M**

EBITDA: Between **\$15M** and **\$20M**

## 1 SOFTWARE & SERVICE BUSINESS MODEL

- Driving gross margin improvement, while growing our recurring revenues to increase our revenue predictability

## 2 DISCIPLINED COST MANAGEMENT

- Continuing the cost structure realignment programs with our core and the acquired businesses, while ensuring high customer satisfaction & retention

## 3 CASH FLOW GENERATION

- Continue to improve by focusing on working capital optimization, and disciplined collections



- L&T provides innovative solutions in IoT and machine-to-machine to customers, including Fortune 500 companies, globally across a spectrum of industries
- L&T will integrate Redknee's connected suite to provide IoT end-point connectivity, advanced analytics and monetization in one integrated solution

**\$1.3 TRILLION OPPORTUNITY FOR THOSE WITH SOPHISTICATED MONETIZATION CAPABILITIES**

## 1 BUSINESS-CRITICAL MONETIZATION PLATFORM

- Continue to secure contracts for our core Telecom Platform and Redknee Connected Suite
- Leverage our technologies to diversify our customer base beyond communication vertical

## 2 MARKET SHARE GROWTH

- Customer-for-life and expanding share of wallet with existing customers

## 3 SUSTAINABLE RECURRING REVENUE GROWTH

- Focus on growing recurring revenues to drive EBITDA margins
- Term licenses, cloud services and support are the key recurring revenue sources



**\$190M** (USD)

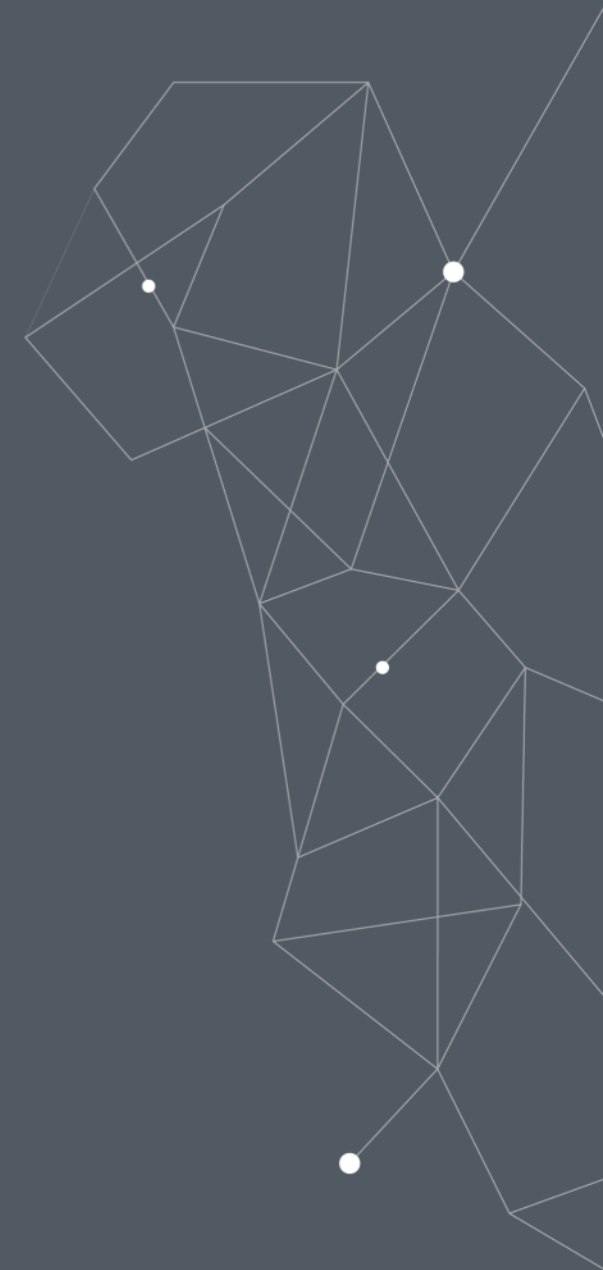
TTM Revenue

TTM Recurring  
Revenue: **54%**

TTM EBITDA  
Margin: **4%**

Available Liquidity:  
**\$63.0M** (USD)

Focused on Executing  
on our Strategy



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## **REDKNEE SOLUTIONS INC.**

2560 Matheson Blvd East, Suite 500  
Mississauga, ON  
Canada L4W 4Y9

### **David Charron**

Chief Financial Officer  
investor\_relations@redknee.com  
www.redknee.com

## INVESTOR RELATIONS:

### **NATIONAL | Equicom**

### **Lawrence Chamberlain**

416-848-1457  
lchamberlain@national.ca



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