



## Investor Presentation

Chuck Moran, Chief Executive Officer  
Tom McDonald, Chief Financial Officer



# Safe Harbor

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# SkillSoft Overview

- SkillSoft is the largest public company in the world with a sole focus on e-Learning
- Uniquely positioned to help global enterprises leverage e-learning for maximum business impact
- Dual excellence in e-learning content & technology
  - Content Depth, Breadth & Currency
    - 30,000+ titles of high-quality e-learning content in 19 languages
    - Offerings cover wide spectrum of enterprise learning needs with courses, simulations, online books, videos, live virtual ILT classes, 24x7 online mentoring
  - Software as a Service (SaaS) Technology Excellence
    - SkillPort® - LMS platform for delivering, managing, and reporting on e-learning
    - OLSA (Open Learning Services Architecture) – web services technology integrating SkillSoft’s advanced learning structures with 3rd-party LMS platforms and portals



# SkillSoft Corporate Highlights

## Sales & Service

- Large direct sales & support organization with approximately:
  - 240+ commissioned field sales personnel
- Serving over 3,000 customer organizations globally
  - Approximately 55% of the Fortune 500 and 24% of the Global 2000
  - In business, government and education
  - Over 10 million licensed users
- Telesales focus on SMB market



## Product Development

- Targeted investment of 14 - 15% of revenue for R&D for fiscal 2010
- Ownership of all major content and technology products
- Systematic customer feedback process ensures market focus



# SkillSoft Courseware Collections



**Business Skills**  
790+ English titles  
1,820+ localized



**IT Professional**  
1,450+ English Titles  
430+ localized



**ES&H**  
112+ English titles  
88+ localized



**Desktop**  
255+ English titles  
680+ localized



**Legal Compliance**  
66 English titles  
6 Localized

- **A sustainable content resource to support changing business needs**
  - 2,670+ U.S. English courses
  - 3,000+ localized courses in 18 languages
  - ~640+ new and localized titles to be developed this year
- **Support for mission critical skills**
  - Project management, Six Sigma, ITIL, Microsoft, Cisco, Oracle, IT Security and more
  - 115+ IT and business certification exams supported
  - Hundreds of courses qualify for CPE and college credit
    - *NASBA, PMI, HRCI*
    - *University of Phoenix, ACE*

# Books24x7 On Demand Solution

## Content: Strong breadth & depth

- Books, book summaries & white papers
- Full text, graphics, charts, etc.
- 25,800+ titles, with 3,400+ new titles in past 12 months
- 560+ leading publisher imprints
- New complementary collections of French, German and Spanish books

## Search: Immediate drill-down for just-enough, just-in-time information

- Patented search technology
- All content tagged & indexed
- Precise, relevancy-ranked results



**ExecBlueprints**  
Exclusive Executive content  
900+ titles



**ExecSummaries**  
420+ Top Business Titles



**EngineeringPro**  
2,490+ titles



**FinancePro**  
1,070+ titles



**Well-BeingEssentials**  
1,070+ titles



**GovEssentials**  
1,120+ titles



**ITPro**  
8,580+ titles



**OfficeEssentials**  
450+ titles



**BusinessPro**  
5,740+ titles



**AnalystPerspectives**  
2,790+ titles



**ITIL®**  
16 titles

# Leadership Development Channel

- Rich portfolio of video content of top business authors & executive leaders
- 1,280+ on-demand and live video titles, including:
  - CEO and Thought-Leader QuickTalks (3-to-5 minutes)
  - Video training programs (20-to-120 minutes)
  - 6-to-8 live executive leadership web events each year (~90 minutes)
- Focus on B2B leadership development market
- 320+ new video titles added in past 12 months

## *Featured Speakers Include:*



Pat  
Lencioni



Ken  
Blanchard



Stephen  
Covey



John  
Kotter



Marshall  
Goldsmith



Dan  
Goleman



Anne Mulcahy  
CEO, Xerox



Jeff Immelt  
CEO, GE

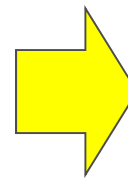


Sir Howard Stringer  
CEO, Sony

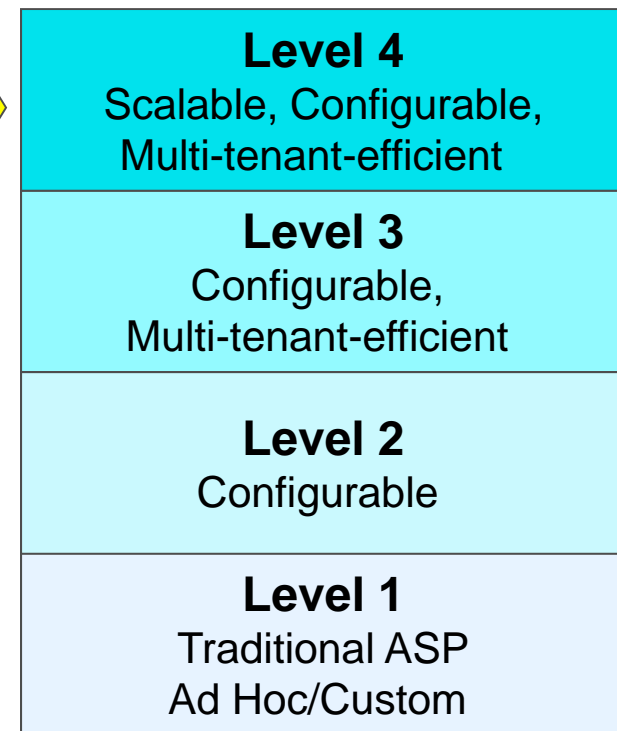


# Scalable, Enterprise-Class SaaS Architecture

- SkillSoft learning architecture designed from 'ground up' to leverage the web
- Delivered as a 24x7x365 global service
- Over 2,100+ active SaaS clients
- Managed entirely by SkillSoft with flexible options for clients with sensitive data or hosting requirements
- Priced on a subscription basis
- Operates at Level 4 (highest level) of Microsoft SaaS Maturity Model
- Consistently above 99.9% uptime performance



## Microsoft SAAS Maturity Model







# SkillPort SaaS Learning Management Platform

- **Scalable, reliable, flexible**
- **Support wide range of global users**
  - User interface in 10 languages
- **Search & Learn®**
  - provides unified discovery/view/access of all multi-modal learning assets on system
- **Strong management and reporting capabilities**
- **Optional add-ons**
  - Custom content tools & hosting
  - ILT management
  - Virtual classroom
- **7.0 Release released in March 2009**
  - Next-generation user interface
  - Simplifies and speeds the process for users to find the exact content they need

## # of Customers using SkillPort

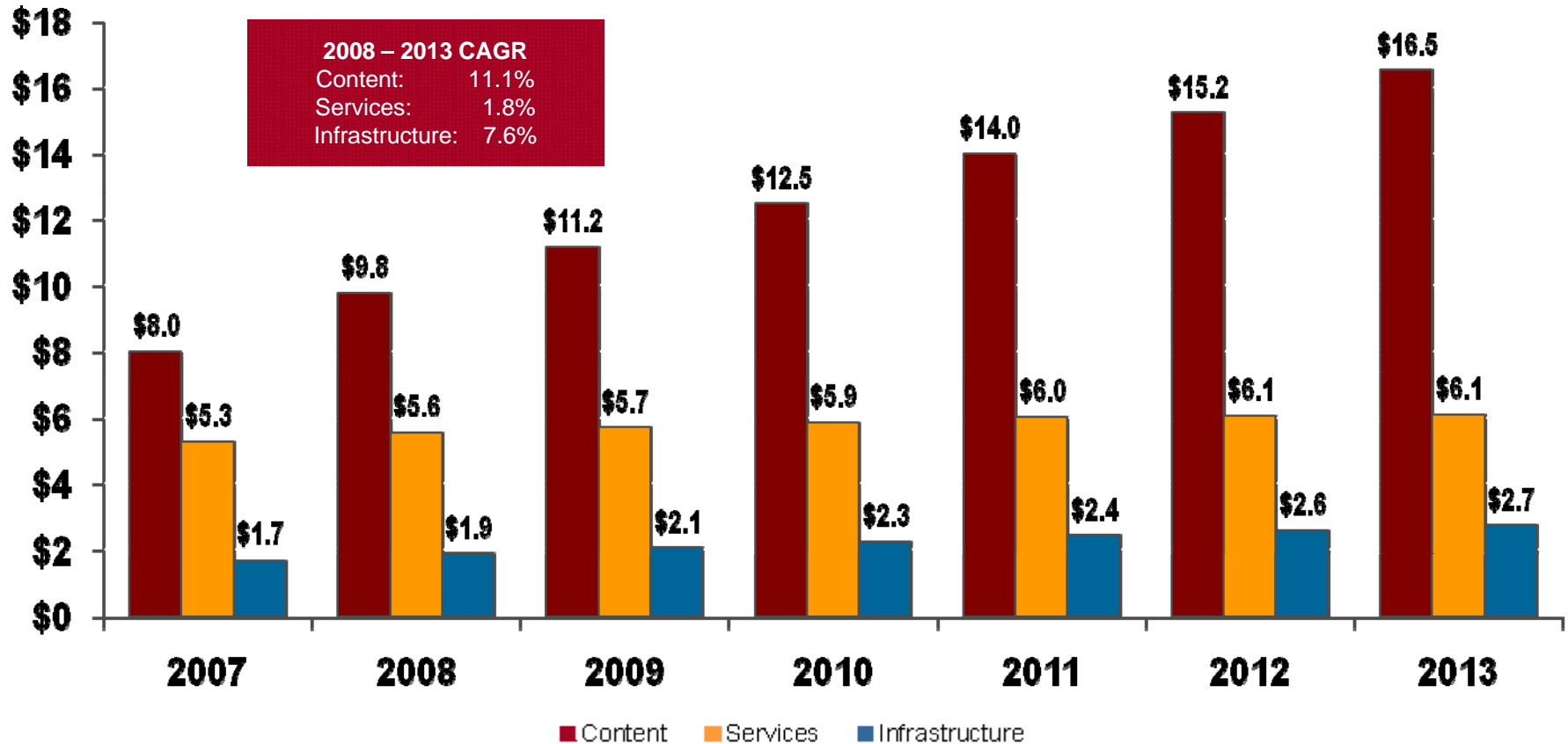




# Compelling Industry Dynamics

## Worldwide Corporate e-Learning Market Growth Forecast

(\$ in billions)



Source: IDC (August 2009).



# Growth Initiatives for FY10

## Key Product Initiatives

- **Continued strong development plan for FY10**
  - 520+ new courseware titles
  - 3,000+ new Books24x7 titles
  - 200 new Leadership Development Channel titles
- Additional investments being made in 2<sup>nd</sup> Half of FY10 and 1<sup>st</sup> Half FY11 to expand content production
  - 750+ new localized titles in 13 languages (incremental)
- **Innovation Lab projects**
  - New Web 2.0 collaboration features
  - SkillSoft Leadership Advantage
  - New mobile learning content architecture being prototyped, with target of FY11 product delivery

## Sales Organizational Initiatives

### Planned growth for FY10

- **Adding 20+ new field-based sales reps**
- **Adding 5+ new telesales reps**
  - Currently 70+ (up from 50+)
- **Increased focus toward new business for core field sales organization**
- **Continuing to refine compensation plans to reward focus on revenue growth and multi-year contracts**
- **Continuing significant lead generation investments**
  - Lead generation reps, paid search advertising, etc.



## Definition of Adjusted EBITDA

- Adjusted EBITDA is calculated by taking net income and adding back (in the case of expense items) or deducting (in the case of income or gain items) depreciation and amortization, amortization of intangible assets and capitalized software development costs, stock-based compensation, restatement expenses (SEC Investigation), merger and integration related expenses, interest expense, interest income, other income/(expense), income/(loss) from discontinued operations, business realignment strategy feasibility expenses, and the provision or benefit from income taxes.
- An important leverage covenant included in our credit facility is adjusted EBITDA; given this covenant the Company feels that adjusted EBITDA is useful for investors in assessing the Company's business and operating performance on a comparable basis for the periods presented. However, this information should not be used as a substitute for financial measures determined under accounting principles generally accepted in the USA (GAAP).



# Financial Highlights

- **Strong Revenue Visibility**

- 95+% Subscription model generates significant forward visibility
- Approximately 78% of FY2010 projected midpoint revenue contractually determined (backlog of \$239 million at 1/31/09)

- **Significant Operating Leverage**

- Highly scalable technology platform
- Minimal incremental R&D / SG&A with increased subscriptions
- Significant operating margin<sup>(1)</sup> leverage on incremental sales dollars (20% on first \$230 million in revenue and 51% on every incremental revenue dollar in fiscal 2009)

- **Capital Efficient Business Model**

- Minimal CAPEX requirements
  - 1.7% of revenue in FY2009 (2-3% of revenue is the target); Implementing a Virtualization Strategy
- Up front billing self funds growth

- **Strong Free Cash Flow Generation (see slide 21 for table)**

- FY 2009 free cash flow of \$96 million; YTD 2010 free cash flow of \$88.3 million <sup>2</sup>
- Adjusted EBITDA conversion (FCF / Adjusted EBITDA) 88% at 1/31/09 and 89% at 10/31/09 <sup>3</sup>
- Repurchased ~11.1 million shares for \$91.9 million in fiscal 2009; 3.7 million shares for \$29.8 million in 2010 YTD.
- Reduced debt by \$75.6 million in fiscal 2009; \$38.8 million in 2010 YTD.
- Cash, short-term investments on hand, and restricted cash of \$66.2 million at 10/31/09

- **Conservative Business Model**

- Subscription (pro rata) revenue recognition
- Reseller revenue recognized net
- All technology and content development expensed (R&D)
- Backlog does not include multi-year commitments or any contract-based revenue where a cancellation option exists

**Relevant Operating Statistics:**

- 1/31/08 Backlog – ~\$255 million
- 1/31/09 Backlog – ~\$239 million (Flat adj for fx)
- \$ renewal rate of 102% for fiscal 2008
- \$ renewal rate of 97% for fiscal 2009



(1)  
(2)  
(3)

Excludes Merger and Integration and Amortization Expenses

See slide 28 for FCF Reconciliation

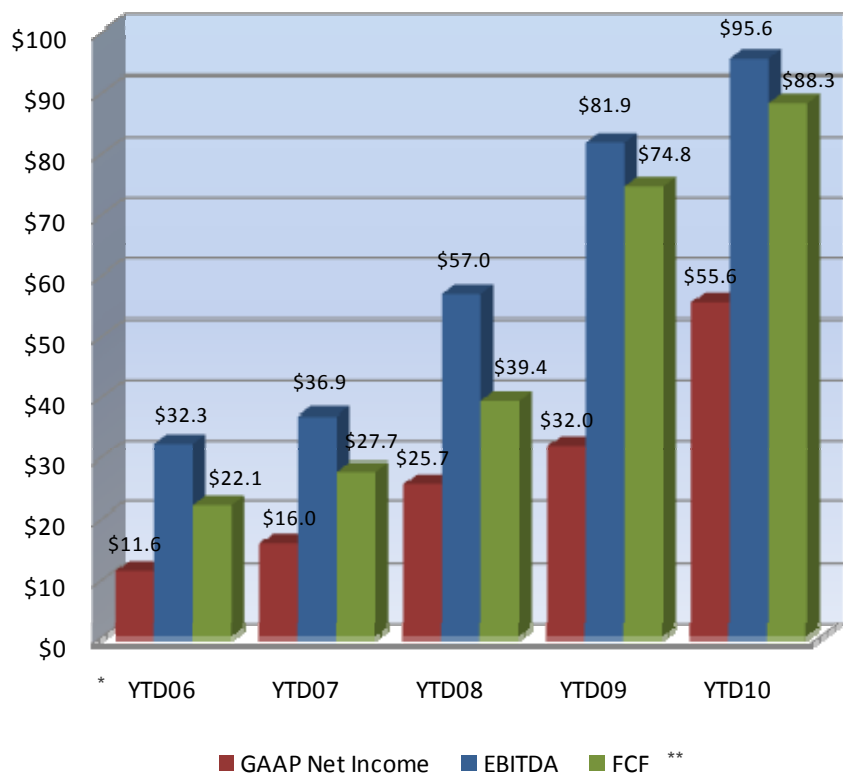
This represents the % of Adjusted EBITDA that translates to free cash flow; See slide 29 for Adjusted EBITDA conversion reconciliation



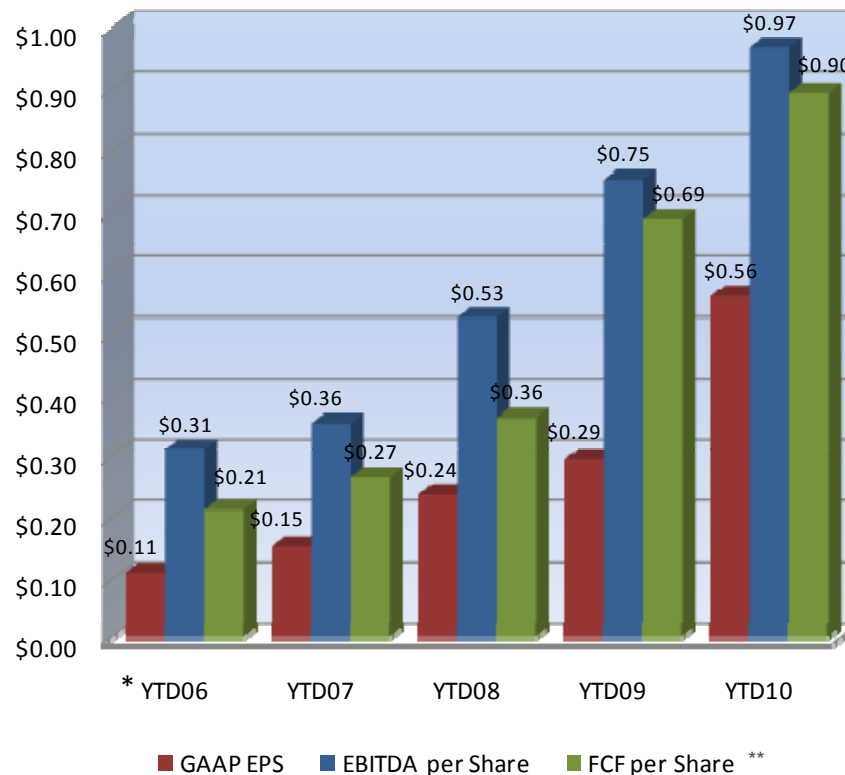


# Year-to-date Actuals through October 31: Historical Comparison

### \$USD Value



### Per Share Data



\* Excludes insurance settlement income of \$19,500

\*\* See slides 26 & 27 for Reconciliation

# Annual Earnings Projections – FY2010

|  | <b>Q4 2010<br/>Guidance Range</b> | <b>FY2010<br/>Guidance Range</b> |
|--|-----------------------------------|----------------------------------|
|  | <u>Q4</u>                         | <u>FY2010</u>                    |
| <b>Annual Revenue</b>                                    | \$76.2- \$78.2 million            | \$312 - \$314 million            |
| <b>Net Income</b>  | \$11.5 - \$14.5 million           | \$67 - \$70 million              |
| <b>Earning Per Share</b>                                 | \$0.12 - \$0.15                   | \$0.68- \$0.71                   |
| <b>Earnings per share growth (continuing operations)</b> | (33%) - (17%)                     | 48% - 54%                        |
| <b>Adjusted EBITDA</b>                                   | \$19.5 - \$23.5 million           | \$115 - \$119 million            |
| <b>Share Count</b>                                       | 98 - 99 million                   | 98 - 99 million                  |
| <b>Effective Tax Rate</b>                                | 23% - 25%                         | 23% - 25%                        |
| <b>Cash Tax Rate</b>                                     | 9%                                | 9%                               |
| <b><u>Other Targets</u></b>                              |                                   |                                  |
| - <b>Projected Gross Margins:</b>                        | 89% - 91%                         |                                  |
| - <b>Projected incremental operating leverage*:</b>      | 35% - 40%                         |                                  |
| - <b>Adjusted EBITDA cash conversion**:</b>              | 70% - 80%                         |                                  |
| - <b>Capital Expenditures (% of revenue):</b>            | 2 % - 3%                          |                                  |

\* See slide 20 for an explanation of incremental operating leverage

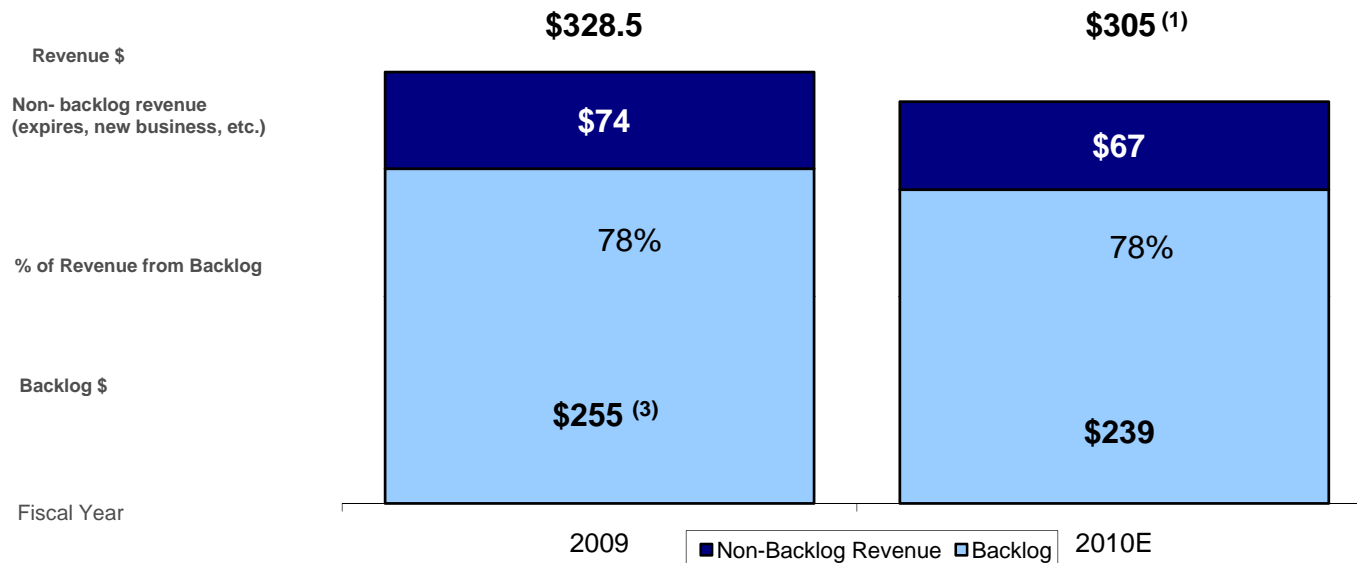
\*\* See slide 13 footnote 3 for definition



# Excellent Revenue Visibility

## Non-Cancelable Backlog As a % of Next Year's Revenue

(\$ in millions)



- Annual subscription license model with pro-rata revenue recognition
- Historic dollar renewal rates in excess of 97% since FY2006
- Over the past 4 years, 75+% visibility into the next 12 months revenue from contractually committed backlog<sup>(2)</sup>
- Additional visibility from expiring contracts up for renewal and with out-clauses

(1) Represents midpoint of Company guidance at 1/31/09 exchange rates

(2) Backlog is calculated by combining the amount of deferred revenue at fiscal year end with the amounts to be added to deferred revenue throughout the next twelve months as a result of committed customer contracts and determining how much of these amounts are scheduled to amortize into revenue. The amount scheduled to amortize into revenue during the next fiscal year is disclosed as "backlog".

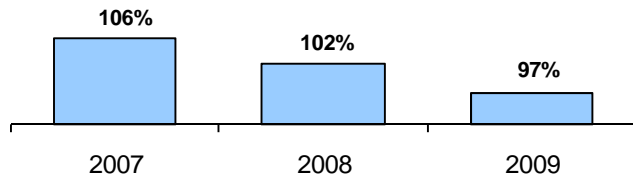
(3) \$255 million in backlog at January 31, 2008 compares to \$239 million when adjusted at the foreign exchange rates at January 31, 2009.(see slide 13)



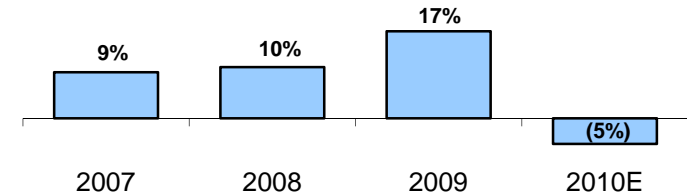
# SkillSoft Performance Metrics (1)

## Dollar Renewal Rate

(Fiscal Years Ended January 31)

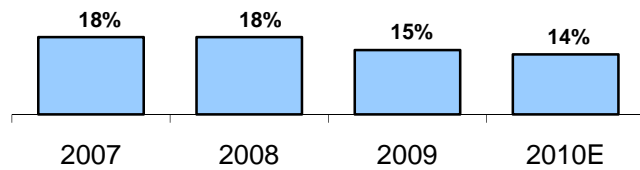


## Revenue Growth Excl Retail Certification

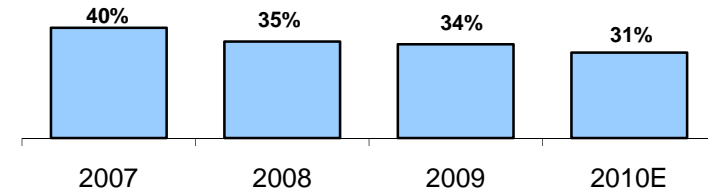


## Research & Development Expense

(% of Sales)

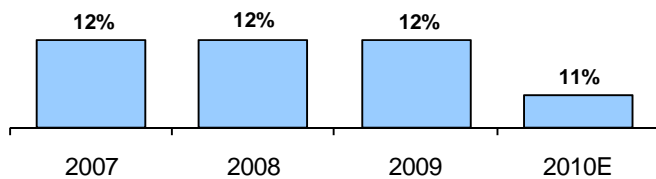


## Sales & Marketing Expense



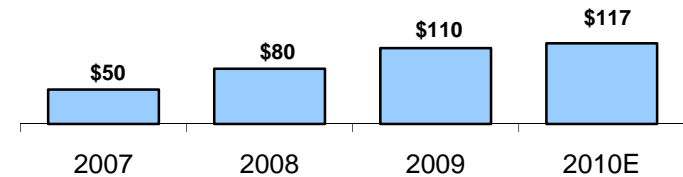
## General & Administrative Expense

(% of Sales)



## Adjusted EBITDA

(\$ in millions)

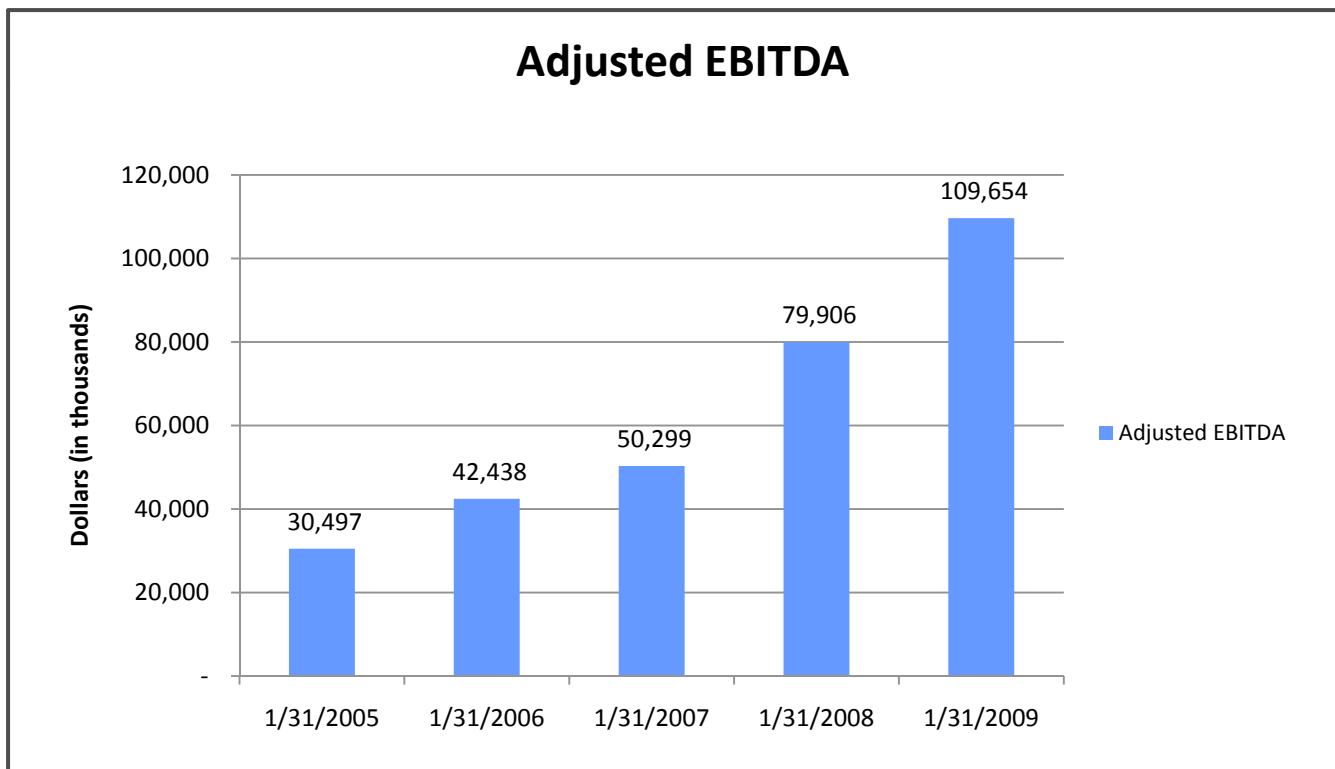


(1) 2010 metrics are midpoint range targets



# Historic Adjusted EBITDA

|                         | January 31,   |               |               |               |                |
|-------------------------|---------------|---------------|---------------|---------------|----------------|
|                         | 2005          | 2006          | 2007          | 2008          | 2009           |
| Net income, as reported | \$ (20,113)   | \$ 35,215     | \$ 24,153     | \$ 59,998     | \$ 50,789      |
| EBITDA                  | (5,190)       | 57,179        | 44,342        | 60,393        | 102,628        |
| <b>Adjusted EBITDA</b>  | <b>30,497</b> | <b>42,438</b> | <b>50,299</b> | <b>79,906</b> | <b>109,654</b> |
| <b>Growth %</b>         |               | 39%           | 20%           | 59%           | 37%            |
| <b>CAGR</b>             | <b>38%</b>    |               |               |               |                |



# Quarterly Adjusted EBITDA (Trailing 12-months)



|   | Unaudited<br>\$ in Thousands    |                  |                   |                     |                     |
|---|---------------------------------|------------------|-------------------|---------------------|---------------------|
|   | Trailing<br>Twelve Months Ended |                  |                   |                     |                     |
|   | October 31,<br>2009             | July 31,<br>2009 | April 30,<br>2009 | January 31,<br>2009 | October 31,<br>2008 |
| Net income, as reported                                     | \$ 74,384                       | \$ 66,784        | \$ 62,495         | \$ 50,789           | \$ 66,281           |
| Less: Interest income and other income/(expense)            | (265)                           | 1,151            | 2,268             | 3,030               | 3,856               |
| Add: Interest expense                                       | 9,314                           | 11,046           | 12,677            | 14,218              | 15,423              |
| Add: Income tax expense/(gain) (GAAP)                       | 17,963                          | 19,112           | 19,941            | 18,958              | (4,911)             |
| Add: Amortization of acquired intangibles and FAS 86 assets | 9,555                           | 11,833           | 14,165            | 16,415              | 18,668              |
| Add: Depreciation and amortization                          | 4,775                           | 5,013            | 5,084             | 5,277               | 5,375               |
| <b>EBITDA</b>   | <b>116,256</b>                  | <b>112,637</b>   | <b>112,094</b>    | <b>102,627</b>      | <b>96,980</b>       |
| Add: Restatement, Merger & Integration                      | -                               | -                | 227               | 810                 | 2,002               |
| Add: Stock-based compensation amortization                  | 6,268                           | 6,261            | 6,149             | 6,132               | 6,447               |
| Less: Discontinued operations income/(loss)                 | (25)                            | (62)             | 2,005             | 1,912               | 2,034               |
| Add: Business Realignment Strategy - Feasibility            | 741                             | 1,060            | 1,571             | 1,996               | 1,457               |
| <b>Adjusted EBITDA</b>                                      | <b>123,290</b>                  | <b>120,020</b>   | <b>118,036</b>    | <b>109,653</b>      | <b>104,852</b>      |
| Revenue   | 316,222                         | 318,884          | 323,290           | 328,494             | 325,529             |
| <b>as % of revenue</b>                                      | <b>39%</b>                      | <b>38%</b>       | <b>37%</b>        | <b>33%</b>          | <b>32%</b>          |
| Total debt  | 84,581                          | 94,824           | 105,091           | 123,384             | 143,697             |
| <b>Total debt ratio to EBITDA, as adjusted</b>              | <b>0.69</b>                     | <b>0.79</b>      | <b>0.89</b>       | <b>1.13</b>         | <b>1.37</b>         |

# Operating Margin Analysis (Trailing 12-months)

|  | Unaudited<br>\$ In Thousands                   |               |
|--|--|---------------|
|  | Trailing<br>Twelve Months Ended<br>October 31, |               |
|  | 2009   | 2008          |
| Revenue, as reported   | \$ 316,222                                     | \$ 325,529    |
| Gross Margin, as reported  | 286,272  | 281,796       |
| Operating Expense, as reported                                   | 184,320  | 210,893       |
| <b>Operating Income, as reported</b>                             | <b>101,952</b>                                 | <b>70,903</b> |
| Add: Amortization of acquired intangibles and FAS 86 assets      | 9,555  | 18,668        |
| Add: NETg merger and integration related expenses                | -  | 1,935         |
| <b>Operating Income, as adjusted</b>                             | <b>111,507</b>                                 | <b>91,506</b> |
| Operating Income, as adjusted, as a % of Revenue                 | 35%  | 28%           |
| 20% Operating Income on first \$230* million revenue             | 46,000   | 46,000        |
| Incremental Operating Income over 20% threshold                  | 65,507   | 45,506        |
| Incremental Revenue over \$230 million threshold                 | 86,222   | 95,529        |
| <b>Incremental Operating income % over \$230 million revenue</b> | <b>76%</b>                                     | <b>48%</b>    |

\* The Company expects the operating margin to be 20% at \$230 million in revenue. Every dollar in revenue above the \$230 million threshold exemplifies incremental operating leverage in the model. The Company targets 35-40% incremental operating leverage.



# Free Cash Flow (Trailing 12-months)

Net cash provided by operating activities, as reported  
 Less: purchases of property, equipment and software  
 Free Cash Flow  
 Add: acquisition/restructure related expenses\*  
 Add: merger and Integration expenses  
 Less: tax benefit on stock based compensation  
 Free Cash Flow, as adjusted  
 Net revenue  
**as % of net revenue**  
**ADJ EBITDA Conversion (Percentage of ADJ EBITDA converted to FCF)\*\***

| Unaudited<br>\$ in Thousands                   |                |
|--|----------------|
| Trailing<br>Twelve Months Ended<br>October 31, |                |
| 2009   | 2008           |
| \$ 110,110                                     | \$ 89,082      |
| 3,385  | 4,713          |
| <u>106,725</u>                                 | <u>84,369</u>  |
| 3,446  | 5,632          |
| -  | 1,901          |
| 415  | 2,007          |
| <u>109,756</u>                                 | <u>89,895</u>  |
| <u>316,222</u>                                 | <u>325,529</u> |
| <u>35%</u>                                     | <u>28%</u>     |
| <u>89%</u>                                     | <u>86%</u>     |

\* Represents reduction of merger and restructuring accruals on the balance sheet

\*\* The Company targets 70-80% EBITDA Conversion



# Estimated Tax Schedule

|                                | <u>FY 07A</u> | <u>FY 08A</u> | <u>FY 09A</u> | <u>FY 10E</u> |
|--------------------------------|---------------|---------------|---------------|---------------|
| <b>Effective Cash Tax Rate</b> | <b>5%</b>     | <b>8%</b>     | <b>6%</b>     | <b>9%</b>     |
| Effective Non - Cash Tax Rate  | 28%*          | 31%*          | 30%           | 14% - 16%     |
| Effective Tax Rate             | 33%           | 39%           | 35%           | 23% - 25%     |

\* Reflects the use of acquired tax assets realized through reductions in Goodwill

FY08 excludes effects of purchase accounting and the valuation allowance release of (\$34.0) million or (121%); GAAP tax rate of (112.2%)

FY09 excludes effects of the Irish valuation allowance release of (\$5.1) million  
GAAP tax rate of 28%



# Operating Model (% of Revenue)

|                | <b>Actual<br/>CY07/FY08<br/>% (act)</b> | <b>Actual<br/>CY08/FY09<br/>% (act)</b> | <b>Target<br/>CY09/FY10<br/>% (est)</b> | <b>Target<br/>Long-term<br/>% (est)</b> |
|----------------|---|---|---|---|
| <b>Revenue</b> | <b>100%</b>                             | <b>100%</b>                             | <b>100%</b>                             | <b>100%</b>                             |
| <b>GM</b>      | <b>86%*</b>                             | <b>87%*</b>                             | <b>89-91%</b>                           | <b>89-91%</b>                           |
| <b>R&amp;D</b> | <b>18%</b>                              | <b>15%</b>                              | <b>14-15%</b>                           | <b>13-15%</b>                           |
| <b>S&amp;M</b> | <b>35%</b>                              | <b>33%</b>                              | <b>31-32%</b>                           | <b>33-35%</b>                           |
| <b>G&amp;A</b> | <b>12%</b>                              | <b>11%</b>                              | <b>11-12%</b>                           | <b>8-10%</b>                            |

\*Includes non-cash intangible amortization expense which reduced gross margin by 1.5% - 2% which is fully amortized as of 10/31/08



**skills**oft

**books24x7**  
a SkillSoft Company



# Appendix: EBITDA Reconciliation 2005-2010

|   | Unaudited in thousands |               |               |               |                |                   |
|---|------------------------|---------------|---------------|---------------|----------------|-------------------|
|   | FY<br>2005             | FY<br>2006    | FY<br>2007    | FY<br>2008    | FY<br>2009     | FY 2010<br>Target |
| Net income, as reported                                     | \$ (20,113)            | \$ 35,215     | \$ 24,153     | \$ 59,998     | \$ 50,789      | \$ 68,500         |
| Less: Interest income and other income/(expense)            | 399                    | 1,934         | 4,214         | 4,243         | 3,030          | 600               |
| Add: Interest expense                                       | 337                    | 431           | 278           | 12,630        | 14,218         | 7,400             |
| Add: Income tax expense/(gain) (GAAP)                       | 631                    | 9,130         | 11,951        | (31,587)      | 18,959         | 21,400            |
| Add: Amortization of acquired intangibles and FAS 86 assets | 9,575                  | 9,113         | 6,074         | 16,660        | 16,415         | 8,400             |
| Add: Depreciation and amortization                          | 4,779                  | 5,224         | 6,100         | 6,935         | 5,277          | 5,000             |
| <b>EBITDA</b>   | <b>(5,190)</b>         | <b>57,179</b> | <b>44,342</b> | <b>60,393</b> | <b>102,628</b> | <b>110,100</b>    |
| Add: Restatement, Merger & Integration                      | 15,228                 | 1,988         | 898           | 13,629        | 810            | -                 |
| Add: Stock-based compensation amortization                  | 1,191                  | 981           | 5,059         | 5,951         | 6,132          | 6,500             |
| Less: Discontinued operations (loss)/income                 | -                      | -             | -             | 270           | 1,912          | -                 |
| Less: Insurance Recoveries                                  | -                      | 17,710        | -             | -             | -              | -                 |
| Add: Impairment Charge                                      | 19,268                 | -             | -             | -             | -              | -                 |
| Add: Business Realignment Strategy - Feasibility            | -                      | -             | -             | 203           | 1,996          | -                 |
| <b>Adjusted EBITDA</b>                                      | <b>30,497</b>          | <b>42,438</b> | <b>50,299</b> | <b>79,906</b> | <b>109,654</b> | <b>116,600</b>    |

# Appendix: EBITDA Reconciliation to GAAP

|   | Unaudited<br>\$ in Thousands |                     |                     |                     |                     |
|---|------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | Year-to-date through         |                     |                     |                     |                     |
|   | October 31,<br>2009          | October 31,<br>2008 | October 31,<br>2007 | October 31,<br>2006 | October 31,<br>2005 |
| Net income, as reported                                     | \$ 55,580                    | \$ 31,984           | \$ 25,701           | \$ 15,962           | \$ 31,094           |
| Less: Interest income and other income/(expense)            | (1,239)                      | 2,056               | 2,443               | 2,945               | 1,333               |
| Add: Interest expense                                       | 6,110                        | 11,014              | 8,221               | 205                 | 342                 |
| Add: Income tax expense/(gain) (GAAP)                       | 17,794                       | 18,789              | (7,887)             | 9,176               | 8,832               |
| Add: Amortization of acquired intangibles and FAS 86 assets | 6,786                        | 13,646              | 11,638              | 5,443               | 6,838               |
| Add: Depreciation and amortization                          | 3,419                        | 3,921               | 5,481               | 4,502               | 3,790               |
| <b>EBITDA</b>   | <b>90,928</b>                | <b>77,298</b>       | <b>40,711</b>       | <b>32,343</b>       | <b>49,563</b>       |
| Add: Restatement, Merger & Integration                      | -                            | 810                 | 12,437              | 435                 | 1,591               |
| Add: Stock-based compensation amortization                  | 4,640                        | 4,504               | 4,008               | 4,152               | 676                 |
| Less: Discontinued operations income/(loss)                 | -                            | 1,937               | 173                 | -                   | -                   |
| Add: Business Realignment Strategy - Feasibility            | (1)                          | 1,254               | -                   | -                   | (19,500)            |
| <b>Adjusted EBITDA</b>                                      | <b>95,567</b>                | <b>81,929</b>       | <b>56,983</b>       | <b>36,930</b>       | <b>32,330</b>       |
|   | <b>Per Share Data</b>        |                     |                     |                     |                     |
|   | October 31,<br>2009          | October 31,<br>2008 | October 31,<br>2007 | October 31,<br>2006 | October 31,<br>2005 |
| Diluted Shares Outstanding                                  | 98,602                       | 108,656             | 108,019             | 103,888             | 103,727             |
| Adjusted EBITDA   | <b>\$ 0.97</b>               | <b>\$ 0.75</b>      | <b>\$ 0.53</b>      | <b>\$ 0.36</b>      | <b>\$ 0.31</b>      |

# Appendix: FCF Reconciliation to GAAP

|   | Unaudited<br>\$ in Thousands |                     |                     |                     |                     |
|---|------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | Year-to-date through         |                     |                     |                     |                     |
|   | October 31,<br>2009          | October 31,<br>2008 | October 31,<br>2007 | October 31,<br>2006 | October 31,<br>2005 |
| Net cash provided by operating activities, as reported        | \$ 87,816                    | \$ 75,393           | \$ 8,469            | \$ 32,339           | \$ 36,521           |
| Add: Legal settlement   | -                            | -                   | 15,250              | -                   | (19,500)            |
| Add: acquisition/restructure related expenses (Balance Sheet) | 2,346                        | 3,980               | 7,756               | 815                 | 10,623              |
| Add: Merger and Integration expenses (P&L)                    | -                            | 761                 | 11,143              |                     |                     |
| Less: purchases of property, equipment and software           | 1,703                        | 4,066               | 2,321               | 3,989               | 5,404               |
| Less: tax benefit on stock based compensation                 | 169                          | 1,247               | 921                 | 1,453               | 147                 |
| Free Cash Flow, as adjusted                                   | <u>88,290</u>                | <u>74,821</u>       | <u>39,376</u>       | <u>27,712</u>       | <u>22,093</u>       |
|   | Per Share Data               |                     |                     |                     |                     |
|   | October 31,<br>2009          | October 31,<br>2008 | October 31,<br>2007 | October 31,<br>2006 | October 31,<br>2005 |
| <b>Diluted Shares Outstanding</b>                             | 98,602                       | 108,656             | 108,019             | 103,888             | 103,727             |
| Free Cash Flow, as adjusted                                   | <u>\$ 0.90</u>               | <u>\$ 0.69</u>      | <u>\$ 0.36</u>      | <u>\$ 0.27</u>      | <u>\$ 0.21</u>      |



# Appendix: FCF Reconciliation (FY09 & YTD FY10)

**Unaudited  
\$ in Thousands**

Net cash provided by operating activities, as reported  
 Less: purchases of property, equipment and software  
 Free Cash Flow  
 Add: acquisition/restructure related expenses\*  
 Add: merger and Integration expenses  
 Less: tax benefit on stock based compensation  
 Free Cash Flow, as adjusted

| Nine months ended<br>October 31,<br>2009 | Fiscal year ended<br>January 31,<br>2009 |
|--|--|
| \$ 87,816                                | \$ 97,687                                |
| 1,703                                    | 5,748                                    |
| <u>86,113</u>                            | <u>91,939</u>                            |
| 2,346                                    | 5,080                                    |
| -  | 761                                      |
| <u>169</u>                               | <u>1,494</u>                             |
| <u><u>88,290</u></u>                     | <u><u>96,286</u></u>                     |

# Appendix: Adjusted EBITDA Conversion to GAAP

|  | Unaudited<br>\$ in Thousands<br>Trailing<br>Twelve Months Ended |                  |                   |                     |
|--|---|------------------|-------------------|---------------------|
|  | October 31,<br>2009   | July 31,<br>2009 | April 30,<br>2009 | January 31,<br>2009 |
| Net cash provided by operating activities, as reported                     | \$ 110,110  | \$ 112,756       | \$ 116,017        | \$ 97,687           |
| Less: purchases of property, equipment and software                        | 3,385   | 4,493            | 5,476             | 5,748               |
| Free Cash Flow   | 106,725   | 108,263          | 110,541           | 91,939              |
| Add: acquisition/restructure related expenses*                             | 3,446   | 5,798            | 5,284             | 5,080               |
| Add: merger and Integration expenses                                       | -   | -                | 240               | 761                 |
| Less: tax benefit on stock based compensation                              | 415   | 843              | 1,326             | 1,753               |
| Free Cash Flow, as adjusted  | 109,756   | 113,218          | 114,739           | 96,026              |
| Net revenue  | 316,222   | 318,884          | 323,290           | 328,494             |
| <b>as % of net revenue</b>   | <b>35%</b>  | <b>36%</b>       | <b>35%</b>        | <b>29%</b>          |
| <b>ADJ EBITDA</b>  | <b>123,290</b>  | <b>120,020</b>   | <b>118,037</b>    | <b>109,653</b>      |
| <b>ADJ EBITDA Conversion (Percentage of ADJ EBITDA converted to FCF)**</b> | <b>89%</b>  | <b>94%</b>       | <b>97%</b>        | <b>88%</b>          |

\* Represents reduction of merger and restructuring accruals on the balance sheet

\*\* The Company targets 70-80% EBITDA Conversion