**InContact, Inc.**
**First Quarter 2014 Earnings Conference Call**
**May 6, 2014**

**Operator:** Good day, everyone, and welcome to today's program. InContact, Inc. First Quarter 2014 Earnings Conference Call. At this time all participants are in a listen-only mode and please note this call may be recorded. I will be standing by if you should need any assistance.

It is now my pleasure to turn the conference over to Mr. Greg Ayers. Please go ahead, sir.

**Gregory Ayers:** Thank you, and good afternoon. This is Greg Ayers, CFO of InContact. Welcome to our Q1 2014 Conference Call. I will begin the call with some prepared remarks, and I will then turn the call over to CEO, Paul Jarman, to review our first quarter results and discuss our announcement of the Uptivity acquisition. Finally, I will provide additional detail on our financial results for the quarter, as well as additional details on the Uptivity transaction before opening it up for Q&A.

For access to our news release and other information about InContact, please visit our website at www.incontact.com.

The purpose of today's call is to provide you with information regarding our first quarter 2014 results and to discuss our acquisition of Uptivity. Some of our discussion and responses to your questions may contain forward-looking statements, which are subject to risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize or should our assumptions prove to be incorrect, actual Company results could differ materially from these forward-looking statements. These risks, uncertainties and assumptions, as well as other information on potential risk factors that could affect our financial results, are included in our filings with the SEC, including our most recent report on Form 10-Q, particularly under the heading Risk Factors. During the call, we may offer incremental metrics to provide additional insight into our business or quarterly results. Please be advised, this detail may be one time and may or may not be provided in the future.

And now, I'll turn the call over to Paul Jarman.

**Paul Jarman:** Thanks, Greg. I am pleased to announce that we had a strong start for 2014 with record Q1 bookings, growing revenues and strong performance from our distribution channels. The cloud is rapidly gaining widespread acceptance, even in industries that were previously slow to transition in the past. For example in Q1, we added customers in healthcare, finance and government, and we expect these verticals to continue to drive growth throughout 2014

For the first quarter, bookings were up 21% year-over-year in estimated contract value, with 82 total contracts signed, including 50 new customers and 32 expansion deals. Software revenue increased 24% year-over-year to $20 million for Q1, and combined software and software-related Network connectivity revenue increased by 21% to $34.4 million. Same-store sales were solid at 1.2%, and EBITDA for the quarter was 3 million versus 2.2 million during the same period last year.

Overall, we are encouraged by the continued growth in both bookings and revenue in the quarter. The 21% bookings growth is at the lower end of the range that we have discussed, but the dollar amount of these bookings is the highest of any first quarter in the Company's history.

You may recall in Q1 of 2013, we signed a very large enterprise contract, which helped produce 51% bookings growth in that quarter, which made for a tougher comparison for this year. Most importantly, we are on track to achieve our targeted annual 30-plus percent growth for the year, when you exclude the unified guarantee.

There are four aspects of our business that were important in Q1, and that will continue to drive growth in both bookings and revenue in 2014. These include; the power of our growing sales and distribution channel; our proven implementation and deployment; the ability to land and expand within enterprise accounts; and finally, aggressive innovation and expanding cloud ecosystems.

In the first quarter, our distribution partners contributed 45% of bookings. Verizon had an excellent quarter, bringing in new State Government divisions plus a Federal Government account. Unify had its best bookings quarter since our relationship began and we continue to make progress there.

Beyond these two well-known strategic partners, InContact has a strong and diversified channel including telecom carriers, ISVs, Telco agents and value-added resellers, or VARs. During the quarter we added additional partners, most of whom who have historically sold competitive premise solutions, but they are now looking to InContact for a viable cloud alternative.

The second growth factor is the speed and success of new Contact Center deployments and we had the best quarter ever in new implementation contract value. As you know, the successful implementation is a critical link to realized revenue in the cloud model and ensures that as we continue to scale our bookings, we can transform these rapidly and consistently to revenue. Even as we have scaled our implementation process, we have also maintained a high level of customer satisfaction with those implementations. This gives us a vital start to long-term customer relationships and solidifies our ability to land and expand within enterprise accounts.

In Q1, we also began to utilize third-party partners to add speed and scale to our implementation process.

Expansion within existing customers is a third area of strength in our business. This quarter was the strongest in our Company history for expansion bookings, as many of our key customers add new products and services, agent seats and new Contact Centers. Three of the expansion deals in the quarter were with Fortune 500 customers and another 18 with new divisions or departments within state governments. Our new products including WFO, agent console for Salesforce and InContact's Personal Connection outbound solution are driving these upsell/cross-sell deals.

Innovation is the fourth area of strength for InContact. In April, we launched our first major release of the year, strengthening our cloud platform and suite of products to address the advanced interactions that customers expect today. One of these advanced interactions is in mobile customer service. This month, we introduced new context-aware SMS conversations, a first in the cloud for Contact Centers. Now mobile SMS messages can be routed through the InContact Cloud Universal Queue to the appropriate Contact Center agent. What the agent sees on their screen is exactly the same as what consumers see on their cell phone, making it a faster and more intuitive 2-way conversation.

In fourteen one, we also enhanced key capabilities in our personal connection outbound solution, which has been a game changer in competitive deals and is being well-received by our customers. With this product release, we introduced a breakthrough concept for connecting the Contact Center core infrastructure to workforce optimization. We call this concept the Workforce Intelligent Contact Center, which is about making WFO technology work much harder and smarter. What's new is that we are automating actions between the ACD or the core routing engine and the data in WFO. In this release, we delivered the first phase of this new functionality and this will be key to our enterprise and mid-market WFO strategy. In short, our rapid pace of innovation sets us apart from other cloud competitors and is helping us win business across a variety of markets.

To summarize our Q1 results, we had a solid start to the year. We are gaining traction every quarter because of our growing partner channels, successful implementations, rapid pace of innovation and expansion with satisfied customers.

Now I'd like to discuss our acquisition of workforce optimization WFO provider, Uptivity. This is a strong competitive play that will extend our lead in the Contact Center space and will open up an additional $1 billion opportunity in the under-penetrated WFO market for midsized Contact Centers. The combined Cloud Contact Center infrastructure and workforce optimization offering is a major competitive advantage. Measured by the number of agent seats, we are already the leader in the cloud Contact Center software market and over the past year, we have grown to be number one in attached cloud WFO seats.

From this position of market leadership in both segments, we will deliver compelling offerings for both large enterprises and the mid-market. There is increasing interest in buying WFO solutions bundled with the Contact Center infrastructure from a single vendor, with a single point-of-purchase and ongoing support. In fact, according to Gartner, the future of WFO will primarily reside in the Contact Center infrastructure domain. An alignment between the two is gaining momentum. We've seen this in our growing success with our existing Verint-powered solution, which we will continue to offer to enterprise customers. With the addition of Uptivity's full-featured WFO solution for the mid-market, InContact will now have a solid 2-tiered offering in a multibillion dollar industry.

We believe that this acquisition will create 3 important growth opportunities for InContact. The first is owning the midsize Contact Center market for WFO. This is the market's fastest-growing area, as large companies move to smaller, multisite operations, and fast-growing medium-sized companies create new Contact Centers. This segment has historically been underpenetrated by WFO because premise solutions have been pricey and complex. But as smaller centers expand into more multichannel service, the value proposition for WFO becomes more compelling. The flexibility and economic benefits of WFO in the cloud will drive further disruption in the mid-market.

The second opportunity is to leverage the expanded sales team and upsell, cross-sell opportunities. We are already seeing an increased attach rate of WFO with our current customers, based on our Verint-powered offering. With Uptivity's WFO products, we'll have an even broader portfolio to offer to organizations with midsize Contact Centers. Uptivity gives us 22 additional quota-carrying salespeople who are successfully selling into the mid-market today, and will help accelerate our traction in that market.

Uptivity has approximately 700 customers, of which 36 are among the Fortune 500 and when you add those to the InContact list of Fortune 500 customers, the combined total is over 60. There is ample opportunity to build on this space, expand into new business units and selling new products, as well as to target new customers with the combined offering.

The third opportunity is Uptivity's well-established channel program. That includes a wide network of distributors, telephony resellers and IT VARs. Up until now, Uptivity's partners have sold products from Legacy premise vendors. Including Avaya, Nortel, Cisco, Aspect and others. Many of these VARs have already expressed interest in having a cloud portfolio alternative, and we will leverage Uptivity's relationship with these 50-plus resellers to further expand the channel for our cloud portfolio. We believe there is a tremendous opportunity for SaaS innovation and disruption in this sector. This strategic acquisition will enable InContact to close more, combine WFO and ACD deals, expand our addressable market and further distance us from other cloud competition.

Now I'd like to provide some financial color on the acquisition, including terms of the transaction and the anticipated impact on revenues and expenses. InContact acquired Uptivity for 45.8 million, consisting of 8.8 million in cash and approximately 37 million in stock, of which 4 million is restricted as an incentive to ensure a retention of Uptivity key management.

Before the effect of any purchase accounting adjustments, Uptivity's revenues for 2013 were almost 20 million and represented growth of over 20%. Of their total revenues, approximately 35% are recurring with a retention rate of 94%. Uptivity is already in the process of moving their business to the cloud. Uptivity's recurring revenue has similar gross margins to our non-GAAP software gross margins.

Our expectations before the effect of any purchase accounting adjustments on a non-GAAP basis, we anticipate InContact's recurring software revenue to come in between 90 and 92 million for the full year. The range for total software revenue is expected to be between 99 and 101 million and consolidated revenue totals for the year is expected to be between 168 and $171 million. We also expect EBITDA to be between 3 and $4 million for the year.

Now I will turn the time over to Greg.

**Gregory Ayers:** Thank you, Paul. Our first segment is the Software segment, which includes all monthly recurring revenue related to the delivery of our software applications, associated professional services and setup fees, as well as minimum purchase commitment revenue. For Q1 2014, I am pleased to report that our Software segment revenue increased to $20 million, which represents a 24% increase over the $16.2 million recorded in Q1 2013. Excluding the unified guaranteed amounts, Software segment revenue grew in excess of 27%.

The first driver of quarterly software revenue growth is existing customer retention. Our software revenue retention for the quarter remained very strong at a rate above 92%.

The second driver of quarterly software revenue growth is the variable utilization of software services by existing customers. This metric fluctuates due to seasonality, customer service activities and macroeconomic conditions, as well as the revenue generated from the sale of additional services to existing customers. The measurement of this revenue growth is similar in concept to the retail industry's use of the same-store sales metric. In other words, it excludes attrition and new customer revenues. With these existing customers, we experienced a 1.2% sequential increase during the quarter. This measure was in line with the historical uptick for the March quarter.

The third and final driver of our Q1 software revenue growth is revenue from new contracts that are not yet included in the same-store sales metric. We closed 82 new contracts in the quarter, 50 of which came from new customers and fees (ph), new locations or additional software application offerings. We estimate the expected future value of these contracts will be approximately 21% higher than the total estimated annual contract value of our Q1 2013 bookings.

I'd like to take a moment to remind you how InContact calculates bookings. Bookings are an estimate of the annual contract value of new software sales. It does not reflect the full value of a multiyear contract, nor does it include estimated Network connectivity revenue. We believe that this conservative approach to bookings calculation is an accurate reflection of the true software revenue run rate that will be added to the business.

In Q1 2014, Software segment gross margin was 59% on a GAAP basis and 72% with noncash charges added back, compared to Q1 2013, 60 and 72%, respectively. Q1's 11.8 million of Software segment gross profit represents a new Company record.

Our second segment is the Network Connectivity segment, which includes all communication services provided to both our software customers, as well as to Legacy Telco customers. Network connectivity segment revenue for Q1 2014 was 17 million, an increase of 10% over the 15.5 million in Q1 2013. Approximately 84% of the Network connectivity segment revenue is now generated by customers using our Contact Center software. With the exception of accounts sold by telecom-based partners, such as Verizon, we typically provide such connectivity services to customers using our software.

The Q1 Network connectivity segment gross margin increased to 36%, up from 35% a year ago. This increase in gross margin is principally attributable to continued leverage from our telecom equipment investments. Q1's 26.9% Network connectivity segment operating margin is the highest in the Company's history.

Our consolidated results for Q1 are as follows; consolidated revenue increased to 37.1 million, an 18% increase from Q1 2013's 31.6 million. This revenue increase was driven primarily by the growth in our Software segment. Including software-related telecom business, 93% of our consolidated revenue is derived from SaaS contract billings.

Consolidated gross margin was 49% in 2014, up from 48% in Q1 2013. This increase in gross margin is attributable to the continued segment shift mix and improvement in the Network Connectivity segment through leveraging fixed costs. Adding back noncash charges, consolidated gross margin percentage on a non-GAAP basis was 56% for Q1 compared to 55% for the same period in 2013.

Operating expenses were 19.1 million, up 18% from Q1 2013, $16.2 million. More than 90% of the increase in operating expenses came from higher levels of investment in Software segment sales and marketing and R&D.

GAAP net loss for the quarter was 1.4 million or $0.02 per share as compared to a net loss of 1.2 million or $0.02 per share for Q1 2013. The increase in the net loss is primarily attributable to an increase in noncash charges.

Adjusted EBITDA, which is a non-GAAP measure, is an important metric of our operating results due to the significant amount of depreciation and amortization, resulting primarily from previous acquisitions of software products, customer bases, and network technology, the amortization of capitalized software development costs and stock-based comp. Adjusted EBITDA was 3 million for Q1 2014 compared to 2.2 million in 2013.

This past quarter marks the ninth sequential quarter that we've generated positive adjusted EBITDA. As of quarter end, we had 44.7 million in cash and had access to an additional 18.5 million under our line of credit and term note facility. Paul?

**Paul Jarman:** Thanks, Greg. According to Forrester Research, the cloud is moving into a second growth phase. With cloud services set to rival traditional infrastructure deployments by 2020. InContact is in an outstanding position to exploit this trend. Our current position and long-term objective is to be the high-growth leader in the cloud Contact Center market. With our positive Q1 results, our industry-leading cadence of innovation and with the acquisition of Uptivity, we are opening new industry segments, increasing our competitive advantage and creating great momentum for this year and next. We now have an even stronger go-to-market engine, a more robust distribution channel, an even larger sales team with which to harness these opportunities to drive strong results in 2014 and beyond.

Greg and I will now take your questions.

**Operator:** At this time if you would like to ask a question, please star one on your touchtone telephone. You may withdraw your question at any time by pressing the pound key. Once again, to ask a question, please the star, one on your touchtone phone.

We’ll take our first question from the side of Mark Murphy with Piper Jaffray.

**Mark Murphy:** Yes, thank you. Paul, your deal volumes look fantastic. I think that perhaps they translated into slightly slower bookings growth than we've seen in the last few quarters. So I'm curious. Did you not close any larger transactions in the quarter, or do you think that this is really a function of the tough year-over-year comparison that you had?

**Paul Jarman:** So first of all, I'd say this, Mark, that the 51% last year was a larger number because of some bigger deals. I'd also say that we have a lot of larger deals in our funnel, of which we had mostly midsized deals closed in Q1.

**Mark Murphy:** Okay. So I actually did want to specifically ask you about that, Paul. In terms of the pipeline, how would you characterize it if I were to ask you between the larger sized deals and the midsized deals, looking forward to the rest of the year? We've heard good feedback on that from your partner ecosystem. Is there anything that stands out? Are you seeing an acceleration or deceleration in the pipeline growth? Is there any way to walk us through that? Are you seeing larger opportunities than you've even seen in the past?

**Paul Jarman:** Mark, we're seeing really all of the above. So first of all, the pipeline. If you just take gross over gross, it's a good 50% higher than a year ago and so, we feel very comfortable with what's coming at us and we're seeing it frankly from all over the place. We're seeing it in small, mid, large, direct sales, partners and we're pushing all that through the different processes, but we're seeing very good interest

**Mark Murphy:** Okay and Paul, when you say 50% higher than a year-over-year, than a year-ago growth-over-growth, can you just explain exactly what you mean by that and is that 50% growth in the pipeline? Is that different, is that an acceleration from what you'd seen in the last couple of years?

**Paul Jarman:** Yes, and I don't want to go through all the specific metrics. But I just want to say from a momentum standpoint, you go through the different stages and the different sizes. It looks very good for us and that's before we add in the opportunity regardless with Uptivity.

**Mark Murphy:** Okay. So can I ask you this way, do you think that the 21% bookings growth this quarter—I do realize looking back on it, I guess, three of the last eight quarters that the bookings growth has been in the twenties and you've been at that 20% level twice. So there's just been a big range in terms of the trajectory of the bookings. But is there any way to look at it and say that you think that the 21% number could be a low watermark for this year in terms of the year-over-year growth. Is there a way to say that you think the bookings growth for the year in total would be at a higher rate than that?

**Paul Jarman:** Yes. So Mark, I would just say this. Our pipeline supports a higher number and secondly, you're going to see that fluctuate a little bit through the year as you bring in some of the largest deals. But I would definitely say that would be a low watermark.

**Mark Murphy:** Okay. That's great. That's great news and then can I ask you, Greg, why was there so much EBITDA upside in the quarter. I'm just curious if you feel as though you're hiring activity was on track during Q1 and is there any way you can walk us through maybe how to model your quota-carrying sales headcount by the time you get to year end, because I think you said there's quite a few quota-carriers you're going to be adding with acquisition of Uptivity?

**Gregory Ayers:** Yes, Mark, so I think that there were dynamics both above the gross margin line and below it. So we had an improvement with regard to our gross margin from operations both in the Telco and the Software segment from an adjusted EBITDA standpoint. And then with regard to operating expenses, we have brought on more sales folks. They came on lower—sorry later in the quarter than we had originally projected but now that they're in the run rate, obviously, they'll be in the quarter for almost a full quarter in Q2 and obviously, the rest of the year. So we would look to obviously, not generate as high of an adjusted EBITDA as we did in Q1 for the remainder of the year.

**Mark Murphy:** Okay. The last question I wanted to ask you. Uptivity, I think, you said has 36 Fortune 500 customers, but I think the way you're characterizing it is that it's a mid-market offering? Can you explain that one to us. Why did they have that number of larger customers if it's a mid-market offering?

**Paul Jarman:** I think that when we used the word mid-market, I want to be clear that we're thinking of midsized call centers. And so when you look at the market today, today about 90% of Contact Centers have less than 100 seats and that represents about 50% of the revenue. So what we're really seeing here is that a lot of midsize companies and a lot of larger companies have midsize Contact Centers and so the reason Uptivity has those 36 in the Fortune 500 is because they have a lot of toeholds or opportunities that they've created in the midsize Contact Center in a larger company.

**Mark Murphy:** Okay. Got it. Makes good sense. Thanks very much for taking my questions.

**Paul Jarman:** Okay. Thank you.

**Operator:** And we'll take our next question from the side of Mark Schappel from Benchmark.

**Mark Schappel:** Congratulations on the Uptivity deal. Starting with that, I have a couple questions on Uptivity. With respect to the revenue model, Paul, I believe you said that they generated about 35% recurring revenue generally and just -- is it fair to assume that the other revenue streams are license and maintenance?

**Paul Jarman:** So basically, there would be one-time services, and there would be license revenue and what they have done is they have been transitioning to the cloud with the reoccurring revenue and we would continue to accelerate that process the rest this year.

**Mark Schappel:** Great and is that a process that will be complete this year or will it be ongoing for the most part?

**Paul Jarman:** Well, I would say this. We will work to finish that process and really it will become a very non-material number to us, almost as it is now. But I don't want it put a perfect end date on it, but know that we see a lot of opportunity for the reoccurring revenues with them, and we'll just continue to make that transition.

**Mark Schappel:** Okay, great and then based on your prepared remarks, it sounds like they also are transitioning architecture. Is that fair to say as well, to the cloud?

**Paul Jarman:** Yes, so the great news is, first of all, they have the exact same code base and structure that we have and secondly, they already have experience in running the infrastructure for a reoccurring cloud model. We will continue to enhance how they do it and how they run the data centers and the code that they use that combines with us and with them, but they've already had a good start on it.

**Mark Schappel:** Okay, great and then finally, kind of switching gears a little bit here. Investors are showing a little bit more of an appetite for -- or a little bit less appetite, excuse me, for less high-growth kind of minimal profitability companies over the last few months here and I was wondering if you just kind of sketch out broad-based what your plans are for future surpluses? Whether it's plowing them back in the sales and marketing or getting a little bit more leverage?

**Paul Jarman:** Well, I think we have two things we want to do simultaneously, Mark. One is, as you saw this quarter, we became very efficient across the business to create (ph) that EBITDA. But secondly, we do feel like there's a wonderfully good market opportunity where we can create very high margin, reoccurring revenue at a great retention rate. So as we can show that we can efficiently sell it and turn it up and run it, we will still push for growth while simultaneously focusing on efficiency.

**Mark Schappel:** Okay. Great. Thank you. That’s all for me.

**Operator:** We’ll take our next question from the side of Brian Schwartz from Oppenheimer.

**Brian Schwartz:** Yes, hi. Thanks for taking my question here this afternoon. Wanted to build on a question that Mark talked about on the new deal front, you know, this was the second quarter in a row now that you've eclipsed 80 in terms of total deals. Paul, you did give us some hints on what's driving that. But I’m wondering if you could possibly parse that even more from us in terms of what is the largest driver of this record-deal flow between your sales productivity gains, the cloud computing trend and the channel contribution.

**Paul Jarman:** You know I would say, Brian, it's really those three. So first of all, we continue to see more and more production from the channel, which gives us just a wider breadth in the market. Number two is, as we've continued to increase the sales process, the marketing process, the demand gen process, we just have greater access to possible deals; and then three, is that it really -- we keep seeing this conversion to the cloud where in a lot of cases, especially in the midsize opportunities, they're really no more cloud selling. They already understand it, they understand the message, they're excited about it and that simplifies the sales process. So I think all three of those are there and we've just leveraged that significantly with what we just did with Uptivity.

**Brian Schwartz:** Okay and then Paul, I noticed in the press release, you kind of highlighted very strong growth expectation from the government in finance verticals. Can you talk a little bit how that has shifted over time, and when you look at your pipeline today, is it broader from a vertical perspective than say it was last year or two years ago. I'm just wondering if this broader vertical trend is something that you expect seeing going forward?

**Paul Jarman:** You bet. So some of the addition to the pipeline is absolutely that. So we're seeing more deals. In areas a year ago, we would've done very little. A year ago, we did very little in government. We did very little in health care, very little in financial. So those kind of deals are now coming. We're also seeing more opportunities in outbound with the release of Personal Connection. As we offer the whole platform together, we see opportunities going upwards into bigger deals. So I would agree with you that these additional verticals are giving us more width in the pipeline.

**Brian Schwartz:** The—thank you for the updated—actually the raised guidance that you did today. Just wanted to ask your opinion whether you feel that your bookings growth, which is very strong right now, it's against a very tough comp here this quarter. If it's anyway being constrained by the ability to step up the InContact sales and services for the organization?

**Paul Jarman:** No. I think that, obviously, we continue to hire. Currently, we're at 46 salespeople today. We just added the 22 through Uptivity, and we'll keep adding there as we need to and I think that—I don't think that's a major constraint. I think what I would say around this quarter is that sometimes those bigger deals are going to hit in different quarters and most of the bigger deals will hit this year versus in first.

**Brian Schwartz:** Great and then last question for me, just on the competition front, Paul, we've seen a couple of new cloud issuance here come to the market over the past nine months and wondering if you're seeing any changes in the competitive landscape or still mostly Legacy replacements out there? Thanks.

**Paul Jarman:** Yes. So first of all, I would say that we're not seeing a significant difference from the premise competitors. We're -- so most of that has stayed fairly similar. Really, I wouldn't say, you know, I look at our different win rates, I look at who we're usually competing with. The first thing I would say is, in first quarter, we had our highest win rate percentage ever as a Company, which we were very excited about and secondly, is that really as you look at the different market opportunities out there, we're seeing that our sales team is getting better at wider sell versus just a single piece.

**Brian Schwartz:** Great and then last follow-up question. On that commentary, Paul, you mentioned you saw the highest win rate that you've ever seen in the Company. Is there any way that you can quantify that for us, even if it's not the exact percentage on the win rate? Maybe how much better the win rate was in Q1 compared to the previous record for the Company? Thanks for taking my questions today.

**Paul Jarman:** You bet. So I would say that it was about 16% over Q4 and Q3 as a direct percent and a lot of that came from additional sales training, it came from the additional products that we've offered like Personal Connections and other things and just our continued experience and brand in the market. So I think all those helped, but it was a nice significant jump for us.

**Brian Schwartz:** Thanks again for taking my questions this afternoon.

**Paul Jarman:** Okay. Thank you.

**Operator:** We'll take our next question from the site of Mike Latimore from Northland Capital.

**Michael Latimore:** Just on the sales headcount, maybe the organic sales headcount. Given that you have acquired 22 more here salespeople. Is the sort of percent in growth for the year organically going to be a little bit lower than you had originally thought or is it a similar pace there?

**Paul Jarman:** We talked about getting to around 50 by mid-summer, and we think we'll still get to at least 48. We feel that there's enough market opportunity in the segments that we just acquired into to support the additional sales people. So we'll work through that over the next two, three months. But we feel this is an opportunity to leverage both those teams and as we see this increasing interest in some of these key verticals, we'll keep supporting it with additional people.

**Michael Latimore:** I may have missed this, but was Uptivity profitable last year?

**Paul Jarman:** Yes, they were.

**Michael Latimore:** Okay and when you got...(cross talking).

**Paul Jarman:** That would be pre-purchase accounting, but yes.

**Michael Latimore:** Let me talk about recurring revenue there. That's the maintenance revenue -- maintenance line, is that, right?

**Paul Jarman:** That would be a combination of their cloud revenue and their reoccurring maintenance revenue

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**Michael Latimore:** Okay. Got it and just in terms of your customers to date, what percent of the seats are using workforce optimization of some sort at this point?

**Paul Jarman:** Across our existing base, I'd say less than 30%. Across the new customers coming in about 30% are taking some form of workforce optimization.

**Michael Latimore:** Okay. I got it. Great. Thank you.

**Paul Jarman:** All right. Thanks Mike.

**Operator:** As a reminder if you'd like to ask a question on today's call, that is the star and one on your touchtone telephone.

We'll go next to the site of Jeff Van Rhee from Craig-Hallum.

**Jeffrey Van Rhee:** Okay, thank you. A number of questions. First, I guess, Paul, as you look at the bookings growth year-over-year, can you help us get a little more comfort with that number. Maybe you could tell us what the number would be like without the large deal a year earlier just to give us a sense of the magnitude of the bigger deal?

**Paul Jarman:** Yes. Let me -- Greg will check that. Keep asking, I'll come back with that.

**Jeffrey Van Rhee:** Okay. Sounds good and then on the guidance, on the categories that you gave. Could you just segregate out what numbers would have been X the new business? I mean we've got a revenue transition, a lot of moving parts here. I'm just trying to break out what you're adding from the acquired versus what was the core guidance.

**Paul Jarman:** Yes. So first of all, Jeff, there is no change to our core guidance. So the 85 to 87 and then the consolidate over-the-top is the same. We're on track for that 30% non-Siemens number. We're on track for the guidance. So what we added to it really is the Uptivity numbers.

**Jeffrey Van Rhee:** Okay and then in terms of the Uptivity customer base. I don't know how much time you've had to really dissect that base. But what do you know about that customer base in terms of what solutions that might compete with you that they're running. I guess the question is how much is Greenfield, how much is already got a cloud vendor in there? Did you get any sort of good data coming in?

**Paul Jarman:** You bet. So first of all, from that perspective, most of their Contact Centers that they would have done business with, they obviously have some larger accounts. A lot of them are going to be kind of that 50 to 200 type centers and most of those, because there were sold through the different channels, would have Legacy equipment. When I say Legacy equipment, I'm referring to their ACD and IVR that they have today. So I would say probably 90-plus percent is currently connected to a perma (ph) solution.

**Jeffrey Van Rhee:** Okay and then just very briefly, the timeline, I didn't see in the release and apologize if it's in there, but the close on the transaction is when and can you give us any background on the length or timing of the discussions?

**Paul Jarman:** You bet. So we did sign today the definitive agreement and we did close it today. Just so you know, if you take out that one deal, we would have added a 50% growth rate this quarter.

**Jeffrey Van Rhee:** Fifty percent. Excellent. Okay that's great. Then just lastly, just -- can you revisit architecturally they're partway through this or I guess revenue-wise, they're part way through this revenue model transition to the recurring side. But just hit the technology side again, what has to be done to have this ready on a fully on-demand, fully integrated basis? Just to flesh out a bit more about the integration there.

**Paul Jarman:** You bet. So first of all, they're already selling an on-demand model. So over the first 90 days, we will be integrating our platform with theirs. So the 2 can be seamlessly sold together and then, from 90 days to about six months, we'll do a stage one of additional features in how they host and run the product and then by nine months, we'll have this primarily done to look just like what we do. We will be selling as they're selling now, hosted revenue right tomorrow and within 90 days, we'll be having them connected into our solutions.

**Jeffrey Van Rhee:** Okay, then last one from me, just jumping over to the universal queue. As you look at the breadth of interactions you're looking to route, can you talk about the, I guess, the penetration of the newer channels. Just give us a sense of how much of those features and functions that the existing customers or new customers are taking advantage of. Just to I guess give us a sense of where you are in absolute terms and maybe the sense of momentum through what you're seeing in the bookings?

**Paul Jarman:** So first of all, if you look at the market in general, the last data we've seen on this is that only 20% of Contact Centers today have multichannel. Most of them are still primarily voice-only with a toll-free number or local numbers. So there's a large market out there that is transitioning to multichannel. Secondly, what we're finding is, is that the customers are starting to use the email, the chat, what we just announced this week was around the SMS and so in some cases, they're saying, I'll start using it, in some cases they're already using a point solution, but it doesn't work with their primary product. But we are seeing more and more traction with our customers saying, not only do I want your voice solution, but I'm also making a major part of this decision because I need to go to the non-voice channels. And you have them for me to use now or to use when I need them.

**Jeffrey Van Rhee:** So of the -- I guess, only 20% are multichannel, but of the folks that you're selling, is there a percent you can give now that are coming in and taking the whole basket and implementing and using all those features in the new bookings right now?

**Paul Jarman:** I don't know that I have that perfectly tracked as a stat. But I would guess that, that would be around 50% or more that would be using at least one other channel besides voice.

**Jeffrey Van Rhee:** Okay. Okay, thank you.

**Operator:** This does conclude our question-and-answer portion on today's call. And I would like to turn it back over to Mr. Paul Jarman for closing remarks. Please go ahead.

**Paul Jarman:** Okay. Well, we appreciate everybody's time today. We appreciate your interest in InContact. We're very excited about our opportunity in the market, and the actions that were taking to take advantage of the growth and the opportunity to really create a return for all of you and thanks for your time today.

**Operator:** Thank you for your participation in today's conference call. Please feel free to disconnect at any time.