



REDKNEE
Looking Beyond

Q1 FY17 - Investor Conference Call

February 9, 2017

TSX: RKN



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ESW CAPITAL, LLC

**\$83.2M
PRIVATE
PLACEMENT**

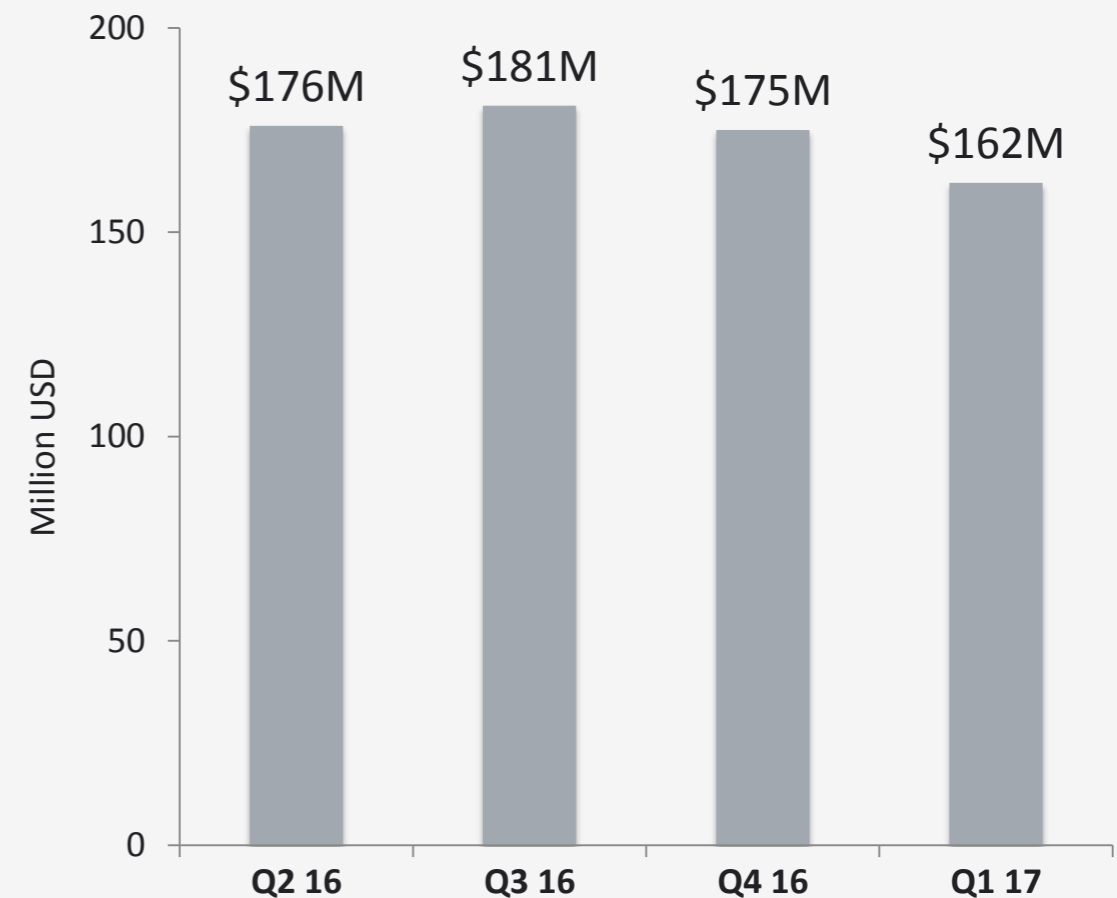
(completed January 26, 2017)

- Culmination of a fulsome process that identified and evaluated all available alternatives
- Provides significantly improved financial stability and flexibility – used a portion of the proceeds to repay all borrowings
- Deal structure preserves possibility of a premium change of control transaction
- Adds a knowledgeable strategic partner

MANAGEMENT DEVELOPING VARIOUS RESTRUCTURING PROPOSALS FOCUSED ON REALIZING ADDITIONAL COST SAVINGS WITH OBJECTIVE TO DELIVER BEST-IN-CLASS OPERATING MARGIN

Revenue:	\$37.2M (Q1 FY16: \$50.1M)
Gross Margin:	57%
Recurring Revenue:	67% of total
EBITDA:	\$2.0M, 5% of Revenue (Q1 FY16: \$3.7M, 7% of Revenue)
Cash:	\$31.8M
Order Backlog:	\$162.1M

ORDER BACKLOG



Highlights:

- Successfully implemented Redknee Unified, a converged multi-play billing, charging and customer care platform at Omantel, a leading communication service provider (CSP) in the Middle East
- Completed an expansion of Redknee's real-time monetization and subscriber management platform at Telecommunications Services of Trinidad and Tobago Limited (TSTT)
- Signed multi-million dollar customer orders in APAC and EMEA, as Redknee continues to see demand for its products and services

Customer	Region	Value	Closed
Unnamed	APAC	Multi-million dollar	Q1/17
Unnamed	EMEA	Multi-million dollar	Q1/17

CONTINUE TO BE IN ACTIVE DISCUSSIONS AND EXPECT ADDITIONAL CONTRACTS IN FISCAL 2017

REVENUE BREAKDOWN BY QUARTER

(US\$ MILLIONS)

	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	\$ Change	% Change
Software	10.8	16.7	9.7	4.7	2.7	6.1	3.3	(6.4)	(66%)
<i>% of revenue</i>	23%	28%	19%	12%	7%	15%	9%		
Services	10.7	15.3	13.0	11.6	9.6	9.0	9.1	(3.9)	(30%)
<i>% of revenue</i>	23%	26%	26%	29%	24%	22%	25%		
Third Party	3.4	4.0	2.5	0.8	4.8	1.6	1.6	(0.9)	(36%)
<i>% of revenue</i>	7%	7%	5%	2%	12%	4%	4%		
Support	21.7	23.7	25.0	22.7	23.4	23.9	23.2	(1.8)	(7%)
<i>% of revenue</i>	47%	40%	50%	57%	58%	60%	62%		
Total Revenue	46.7	59.8	50.1	39.8	40.5	40.7	37.2	(12.9)	(26%)
Recurring Revenue¹	24.6	26.0	25.9	25.1	25.6	25.7	24.9	(1.0)	(4%)
<i>% of revenue</i>	53%	44%	52%	63%	63%	63%	67%		

¹ 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

Q1 FY17 OPERATING COSTS

(US\$ MILLIONS)	Q1 FY17	Q1 FY16	\$ CHANGE	% CHANGE
S & M	5.0	8.4	(3.4)	(40%)
<i>% of Revenue</i>	<i>13%</i>	<i>17%</i>		
G & A	7.7	7.3	0.4	5%
<i>% of Revenue</i>	<i>21%</i>	<i>15%</i>		
R & D	9.2	12.8	(3.6)	(28%)
<i>% of Revenue</i>	<i>25%</i>	<i>25%</i>		
Restructuring Costs	0.2	0.3	(0.1)	(33%)
<i>% of Revenue</i>	<i>1%</i>	<i>1%</i>		
Acquisition Costs	0	0.8	(0.8)	(100%)
<i>% of Revenue</i>	<i>0%</i>	<i>2%</i>		
Adjusted Total OPEX ¹	21.9	28.4	(6.5)	(23%)
<i>% of Revenue</i>	<i>59%</i>	<i>57%</i>		

¹ Adjusted Total OPEX : Total OPEX less acquisition costs and restructuring costs.

BALANCE SHEET & BACKLOG

(US\$ MILLIONS)	Q1 FY17	Q4 FY16	% CHANGE
Cash and Investments	\$31.8M	\$41.7M	(24%)
A/R	\$38.9	\$43.2M	(10%)
DSO	90 days	92 days	(2 days)
Unbilled Revenue	\$25.2M	\$27.3M	(8%)
Deferred Revenue	\$15.7M	\$19.6M	(20%)
Working Capital	\$(24.0)M	\$(15.5)M	(55%)
Backlog	\$162.1M	\$175.0M	(7%)

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 optimization 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

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

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