InfoVista SA
Q1 FY06/07 Financial Results
Conference Call Script
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Karena D'Arcy

Hello and thank you for joining us for a discussion of InfoVista's first quarter results. With me on the call today are Gad Tobaly, our Chief Executive Officer and Philippe Ozanian our Chief Financial Officer. Philippe will begin with a review of our financial results for the first quarter of the fiscal year 2007. He will then hand over to Gad who will discuss the key operational highlights before discussing the outlook for the Company. We will then open the floor to your questions.

Before we begin, please be reminded that the comments made on this call and the responses to your questions may contain forward looking information. These statements are subject to risks and uncertainty as described in our press release and other filings with the SEC. You can find our press release and presentation materials at infovista.com.

Now I will turn the call over to Philippe. Philippe, please go ahead.

Philippe Ozanian

Thank you Karena and good morning and afternoon everyone.

Q1 performance was solid on many fronts despite the disappointing results from our American operations on which Gad will elaborate in a while.

As always I will begin by reviewing our top line numbers and drivers, then I will go through our cost structure before concluding with some remarks on the balance sheet.

As you can see on slide 3, total revenues in Q1 were **9.2 million euros**, up slightly from a year ago.

License revenues amounted to **4.1 million euros**, down from last year. Most of the shortfall in license revenue came from America. The drop in license was offset by the strong contribution of our Service revenues which increased by **21 per cent** to **5.1 million** from **4.2 million euros** last year.

Our Maintenance activity produced healthy recurring business of **3.9 million euros** representing a **16 per cent** year on year increase while our Professional service business increased **43 per cent** over the past year.

Now turning to revenues per geography on slide 4, you can see the impressive contribution from our European operations. Continuing from their good performance last quarter, Europe generated a significant **47 percent** year on year increase, ending Q1 at **5.5 million euros**, or nearly **60 per cent** of total revenues.

In America revenues were **2.8 million euros,** or just a modest contribution of **30 percent** to the total.

With almost **1 million euros** in revenues, our Asian operations contributed **10 per cent** of the total.

In terms of verticals, **74 per cent** of Q1 revenues came from service providers which increased **18 per cent** over last year. Our Enterprise revenues were **2.3 million euros** or **26 per cent** of total revenues for Q1.

Turning now to slide 5 you will see that we have continued to improve the productivity of our organization in Q1.

Gross margin was, at **80.4 per cent**, a good performance due to a strong increase in the gross margin produced by our service activities.

Operating Expenses, including **0.2 million euros** of stock-based compensation, amounted to **7.7 million euros**. This is almost flat compared to Q1 last year and shows our ability to adapt our cost structure to our revenue stream.

We had a net loss of **0.1 million euros for the quarter,** a sizable improvement compared to the net loss of **0.5 million euros** a year ago.

We had **216** employees at the end of September as compared to **207** employees a year ago. This represents a slight **4 per cent** increase in our workforce.

Before handing over the call to Gad, let's turn to slide 7 for some quick remarks on the balance sheet.

First, our DSO has improved to **96 days** at the end of September 30, as compared to **108 days** a year ago.

Second, our cash, cash equivalent and marketable securities ended at **34.7 million euros** as a result of **3.3 million euros** spent during the last quarter in repurchasing **700 thousand** of our own shares.

Now, allow me to turn over this call to Gad. Gad please?

Gad Tobaly

Thank you. Yes, this quarter was solid on many aspects. I am very pleased with the strong performance of our European operations and the good management of our costs structure in a seasonally weak period. However, I'm disappointed with the level of license revenues we delivered in the US. I'm confident that America will show improvement by the December quarter. Let me now add some color on some of our achievements in Q1.

Significant deals have taken place with communication service providers with existing customers such as Telekom Malaysia or NTL / Telewest and new customers such as Cricket communication in the U.S. or Omantel in the Middle East.

We had significant wins in the broadband residential space around triple play. This is a market in the making, shifting cautiously from trials to early deployment and we are well positioned to capture a significant part of it as it matures.

Additionally a number of the repeat deals confirm our de facto standard position in the business service line market. That is the communication service provider or CSP segment that is focused on selling to the enterprise services related to MPLS-VPN, Metro Ethernet, VoIP or IPT. This is the case of Telewest, now ntl / Telewest Business for instance which provides critical communications to high profile customers in the UK including Heathrow Airport and Birmingham City Council.

Large expansions are in the process as well, as illustrated with project SIGRES at Telefonica which aims to standardize all OSS operations of Telefonica properties across Latin and South America. InfoVista has been selected as the only performance management partner for all subsidiaries and we have room to grow there.

Last but not least many of our wins this quarter were the result of strong cooperation with partners such as Dimension Data and Cap Gemini. Let me conclude with our growth strategy for the full fiscal year and our guidance for Q2.

As I had the opportunity to explain during our recent analyst conference, we will make the most of 3 sources of growth.

The first comes from increasing the penetration of our targeted markets; the service providers and large enterprises. In the service provider area, as the examples I just gave you illustrate, we are very competitive. On the enterprise side, we expect to bring to market innovative products related to unified communications and IT operations service management by early 2007. These will contribute to an accelerated growth of the company in this sector.

The second source of growth will derive from services. This is a healthy business with good margins as demonstrated in our Q1 gross profit

And the third source of growth is external growth. This is one of our top priority this fiscal year and the recent purchase of **700 thousand** of our own shares will help serve this objective.

To conclude, I would like to share my confidence in the successful implementation of this growth strategy that will provide profitable double-digit growth for the full fiscal year. As such, we are expecting a profitable quarter in Q2 with total revenues coming between **10.8** and **11.5 million euros**.

Now Philippe and I would be pleased to take your comments and questions. Operator, would you please explain the procedures to our audience. Thank you…