

*Welcome to InfoVista's conference call for the results of our third quarter of the fiscal year 2009/2010. From the Company today are Philippe Ozanian and David Forlizzi, InfoVista's CEO and CFO respectively. At this time, all participants have been placed in listen-only mode. Later, we'll conduct a question and answer session, for which we will provide instructions at that time. As a reminder, today's call is being recorded and may not be reproduced without written permission from InfoVista. Now, I'd like to hand over the call to Mr. Ozanian. Please go ahead, sir.*

**Philippe Ozanian**

Thank you, Operator. Before we begin, let me remind you 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. You can find our press release and other publications at [infovista.com](http://infovista.com).

As we begin, I'd like you to note that all the growth comparisons that I will provide relate to the corresponding quarter of the previous fiscal year and exclude any contribution of the Microsoft contract.

During our last earnings call in February, I indicated that we would return to growth in the second half of our fiscal year. I'm pleased that we have delivered on our promises with a **13 percent** revenue increase for Q3! And the growth is even stronger, up **15 percent**, using a constant dollar exchange rate.

This significant growth comes from both licenses and services: Licenses increased by **10 percent** while services grew by **14 percent**. On a constant dollar rate, the percentage increases would have been **12 percent** and **17 percent** respectively.

By region and in dollar terms both Americas and AP delivered a strong double-digit growth of **20 per cent** and **30 percent** respectively. EMEA total revenues also grew by **7 percent**.

This sharp growth in total revenues, combined with a continuing optimization of our cost structure yielded a net margin of **6 percent**.

With these results, we are without doubt on track to achieve our fiscal year objectives of **5 percent** top line growth and **5 percent** net margin.

These results are just a milestone in the turnaround story that InfoVista has been delivering over the past 2 years. I've previously stated that InfoVista has come to a point of inflection. I'm pleased to confirm this statement. InfoVista from now on will continue to deliver year-on-year growth and bottom line improvement.

The reasons for the turnaround lie in the ability of our team to execute on two fronts: First is a strong Sales and Marketing strategy that includes a successful partnership with Cisco and secondly is Product Innovation where our recent launches have already been endorsed by the market and our strong base of marquee customers. Let me give you a few examples on these two points starting on our product front:

- On December 30<sup>th</sup>, we released Vista360, our new solution for customer reporting and service troubleshooting. Since then, we have already sold to 8 customers, including 6 in Q3. What makes this solution so appealing is the extreme simplicity of the graphical interface that complements our carrier-grade analytic platform. I expect Vista360 to be adopted by a significant portion of our installed base in the next 12 months and also be a catalyst for accelerating sales cycle with prospects.
- We also believe that our new Application Performance Management (or APM) products we just launched are about to become another strong source of growth. According to a recent survey we conducted, 50% of our customers report that they will launch application-aware VPN offerings and WAN optimization services in the coming 18 months. Our APM solution addresses precisely that need, enabling Service Providers to increase their VPN service margin by offering application visibility to their corporate customers and help them optimize the delivery of their critical application. Our recent wins as well as our pipeline underscore this market potential.

- Last but not least, we expect strong revenue growth from our mobile offering starting this quarter. Mobile data services management, mobile network performance management or mobile backhaul are areas in which InfoVista has recently made significant technological breakthroughs. I am confident that our Q4 results will confirm the competitiveness of our solution in this domain.

On our sales and marketing strategy & partnerships, our numbers speak for themselves: In a bit more than a year since the signature of our worldwide agreement, we have booked almost **2 million US dollars** of revenues directly through Cisco or with the help of Cisco. This is just the beginning. If we continue to remain focused and execute well on this strategy we expect to see much more coming from this partnership. In fact, based on the achievements from this first year of collaboration, we are looking at ways of moving this partnership to the next level and increasing Cisco's contribution to our top line.

To conclude on the sales strategy, our sales team has been very productive over the past quarters selling more licenses and services with a reduced cost structure. They were quick to address new opportunities in the emerging markets when the mature markets came under software spending pressure. They have also successfully promoted our new product lines to our installed base and prospects.

On that note, I would like to hand the call over now to David who will provide a review of our financials. Dave, please?

**David Forlizzi**

Thank you Philippe. And good morning and afternoon to everyone.

At the beginning of this fiscal year, we set 2 important objectives for the full year: **5 percent** revenue growth, normalized from Microsoft and **5 percent** net income. When we set these objectives, we knew that the second half of the fiscal year would be key in achieving them. The third quarter validates this; normalized revenue growth was **13 percent**, while our net income was

**6 percent.** On a year-to-date basis, normalized revenues are up **2 percent**, while net margin hit the **4 percent** mark. In the fourth quarter when we typically experience higher revenue seasonality, we expect this positive trend to continue. As a result, we can confirm that we are on track to achieve our FY10 objectives. Now let's go through some of the details of the past quarter's results.

For the third quarter, license revenues stood at **4 million euros**, which represents a **10 percent** increase as compared to last year's third quarter. New products (released over the past 12 months) contributed to the license growth in the third quarter. In fact 10 customer orders in 6 different countries contained new products, which underscores InfoVista's innovation and ability to successfully address the markets that we serve.

Service revenues grew by **14 percent** as compared to last year's third quarter. Strong maintenance renewals and adaptive service offerings remain at the heart of the service revenues growth that we have experienced for several quarters now. On top of that, service gross margins remain strong at **69 percent** for the third quarter (compared to **60 percent** for the same period last year). The strong service gross margins once again allowed overall gross margin to remain stable at **76 percent** in the third quarter.

Excluding the **1.5 million euros** restructuring charge from last year, operating expenses remained roughly flat year-on-year. Sales and marketing expenses came in at **3.6 million euros**, representing **34 percent** of total revenues, nearly unchanged from the prior year. This stable level of spending reveals a significant productivity gain, since normalized license revenues increased by **10 percent**. As communicated last quarter, we continue to target a sales and marketing run-rate of around **35 percent** of total revenues.

Next, R&D expenses were **2.2 million euros** or **20 percent** of total revenues for the third quarter, flat compared to last year. R&D costs were reduced by **0.4 million euros** from additional tax credit related to calendar year 2009. We remain focused on reaching our objective of no more than **20 percent** R&D costs as a percentage of revenues in the upcoming fiscal year.

G&A expenses stood at **1.5 million euros** in the third quarter or **15 percent** of total revenues. G&A contained non-recurring costs of **0.1 million euros** in Q3. We expect G&A expenses to return to a level of around **12 – 13 percent** of total revenues in the quarters to come.

To sum up the P&L, we recorded an operating profit of **0.6 million euros** in the third quarter, compared to last year's operating loss of **0.5 million euros**. Our net income was **0.7 million euros** in the third quarter, as compared to a previous third quarter net loss of **0.4 million euros**.

Now, I would like to share some key points on our March 31 balance sheet. First, cash, cash equivalents and short-term deposits stood at **23.1 million euros** as compared **23.5 million euros** at the end of last quarter.

During this past quarter, we used **1 million euros** on our share buyback program, where we re-purchased **2 percent** of our issued capital. Conversely, we generated **0.5 million euros** of cash from operations in the third quarter. In Q4, a significant cash generation from operations is anticipated from increased cash collections and the cash receipt of the annual tax credit in France for almost **1 million euros**.

Days Sales Outstanding (or DSOs) stood at **105 days** for the third quarter, as compared to **92 days** in the comparable quarter last year. Our receivable balance ended at **12.3 million euros** at March 31<sup>st</sup>. With increased business activity in emerging markets over the past 2 - 3 quarters, we have experienced cash receipt delays that impacted the past quarter. In the month of April, we collected **1.7 million euros** of cash on receivables that were overdue as of the March end.

Well, that about wraps it up for the key financial points on the quarter. Philippe....

### **Philippe**

Thanks Dave. Before taking your questions, I'd like to reiterate our satisfaction for this quarter. Obviously, our objectives for this fiscal year were not an end in themselves, but intermediary steps in the turnaround process we've begun 2 years ago. Having achieved them, and with a new

product portfolio, an efficient and driven sales force, and successful partnerships, we expect next fiscal year to show the resumption of a real software growth story. We'll discuss our plans and objectives for next fiscal year 2011 during analyst meetings that we are scheduling for mid September.

Now, Dave and I will be pleased to take any questions that you may have. Operator, can you please provide the instructions for the Q&A session?

**After the Q&A session - Philippe**

Thank you Operator. Thank you everyone for attending this call and your continued support for InfoVista.