

# **First Half FY10 Results**

## **8 February 2010**

**Reynolds C. Bish, CEO**  
**Stefan Gaiser, CFO**

# Agenda

- CEO's Operational Review
- CFO's Review of Our First Half FY10 Results & Financial Position
- CEO's Review of Our Mission & Strategy
- Our Outlook
- Questions?

# CEO's Operational Review

- Very pleased with our overall results
- Solid organic growth in software revenues on both an “as reported” and “constant” currencies basis
  - Benefits of our strategic initiatives are beginning to be realised
- Applications software & services business
  - Improving sales execution & performance in the Americas & EMEA
  - Growth but less than expected in Asia Pacific although we believe its results will be in line for the full financial year
  - 170 Systems performed in line with our expectations
- OEM / POS software business
  - Essentially flat revenues Y/Y mask underlying improvement
  - Revenues actually grew 22% on both an “as reported” and “constant” currencies basis compared to H2 FY09
- Substantial increase in the adjusted EBITA of the software business
  - Underlying improvement & leverage is even greater as this includes an anticipated \$2.1m loss from 170 Systems
  - Driven by revenue growth & cost savings arising from our restructurings over the last two years

# CEO's Operational Review

- Low single digit decline in hardware business revenues on both an “as reported” and “constant” currencies basis
  - A result of the inherent challenges in this market
  - Believe we've nonetheless retained or increased our market share
- Substantial decline in the adjusted EBITA of the hardware business
  - In both “as reported” & “constant” currencies
  - Reflects the lower revenues & gross profit margins

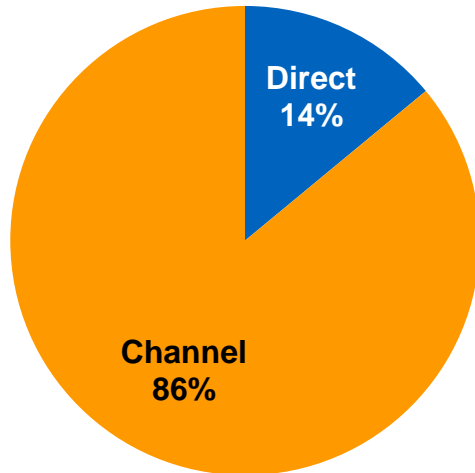
# CEO's Operational Review

- Acquired 170 Systems
  - All cost savings affected as planned by 31 December 2009
  - Sales resources completely aligned, integrated & properly incentivised on a global basis
  - Anticipated revenue growth opportunities are beginning to develop, particularly in selling Kofax products into the 170 installed base of customers
    - Less than 20% of 170 Systems' customers currently use capture software
    - Most of 170 Systems' customers do not yet use electronic invoice processing software
- Released two new software products
  - Kofax Front Office Server 2.7 – scan-to-email and scan-to-fax capabilities
  - Kofax Transformation Modules 4.5 – additional invoice processing capabilities
- Received widespread recognition for our market position & products
- Produced a 45% increase in attendance at our Transform Americas & EMEA events

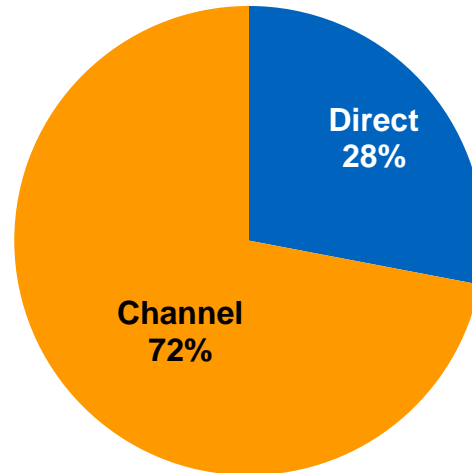
# CEO's Operational Review

- Pleased with the continued progress in implementing our strategic initiatives, particularly moving to a hybrid go-to-market model
  - EMEA closed the largest single software transaction in the history of the company at \$5.9m including several years of maintenance
  - This inflated our direct applications software license revenues this half year

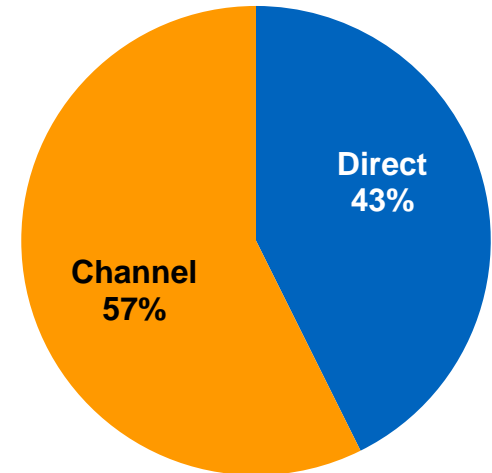
## Applications Software License Revenues



First Half FY09



Second Half FY09



First Half FY10

# **CFO's Review of Our First Half FY10 Results & Financial Position**

# HY FY10 Financial Highlights

- Total revenues up 9%
- Software business revenues up 17% (8% on an organic & “constant currencies” basis)
- Hardware business revenues down 1%
- Total adjusted EBITA down to \$10.0m from \$11.3m \*
  - Up 5% on an organic & constant currencies basis
- Software business adjusted EBITA improved substantially to \$8.0m from \$5.7m
- Adjusted EPS down to \$.06 from \$.09 \*\*
- Operating cash flow before restructuring payments up to \$8.5m from \$3.4m
- Cash of \$30.9m & no bank debt at 31 December 2009

\* “Adjusted” amounts exclude the amortisation of intangible assets, non cash share and option based compensation charges, financial instrument charges & exceptional charges

\*\* Adjusted EPS includes non cash share and option based compensation charges

# H1 FY10 Total Company P & L

	H1 FY10 \$m	H1 FY09 \$m	% Change	Organic & Constant Currencies
Software Business	101.5	86.7	17%	8%
Hardware Business	66.8	67.8	(1%)	(3%)
<b>Total Revenues</b>	<b>168.3</b>	<b>154.5</b>	<b>9%</b>	<b>3%</b>
<b>Gross Profit</b>	<b>88.4</b>	<b>80.0</b>	10%	6%
Research & Development	15.8	15.1	5%	(10%)
Sales & Marketing	44.2	33.2	33%	23%
General & Administrative	18.4	20.4	(10%)	(10%)
<b>Total Expenses</b>	<b>78.4</b>	<b>68.7</b>	<b>14%</b>	<b>6%</b>
<b>Adjusted EBITA</b>	<b>10.0</b>	<b>11.3</b>	(11%)	5%
Margin	6.0%	7.3%	-	-
Adjusted EPS	\$.06	\$.09	-	-

# Software Business P&L

	H1 FY10 \$m	H1 FY09 \$m	% Change	Organic & Constant Currencies
Applications Software Licenses	40.9	36.9	11%	7%
Applications Software Services	48.6	37.7	29%	11%
<b>Total Applications Software</b>	<b>89.5</b>	<b>74.6</b>	<b>20%</b>	<b>9%</b>
OEM / POS Software	12.0	12.1	(1%)	(1%)
<b>Total Software Business Revenues</b>	<b>101.5</b>	<b>86.7</b>	<b>17%</b>	<b>8%</b>
<b>Gross Profit</b>	<b>76.6</b>	<b>65.0</b>	<b>18%</b>	<b>12%</b>
Research & Development	15.8	15.1	5%	(10%)
Sales & Marketing	37.6	27.8	35%	23%
General & Administrative	15.2	16.4	(7%)	(9%)
<b>Total Expenses</b>	<b>68.6</b>	<b>59.3</b>	<b>15%</b>	<b>6%</b>
<b>Adjusted EBITA</b>	<b>8.0</b>	<b>5.7</b>	<b>41%</b>	<b>69%</b>

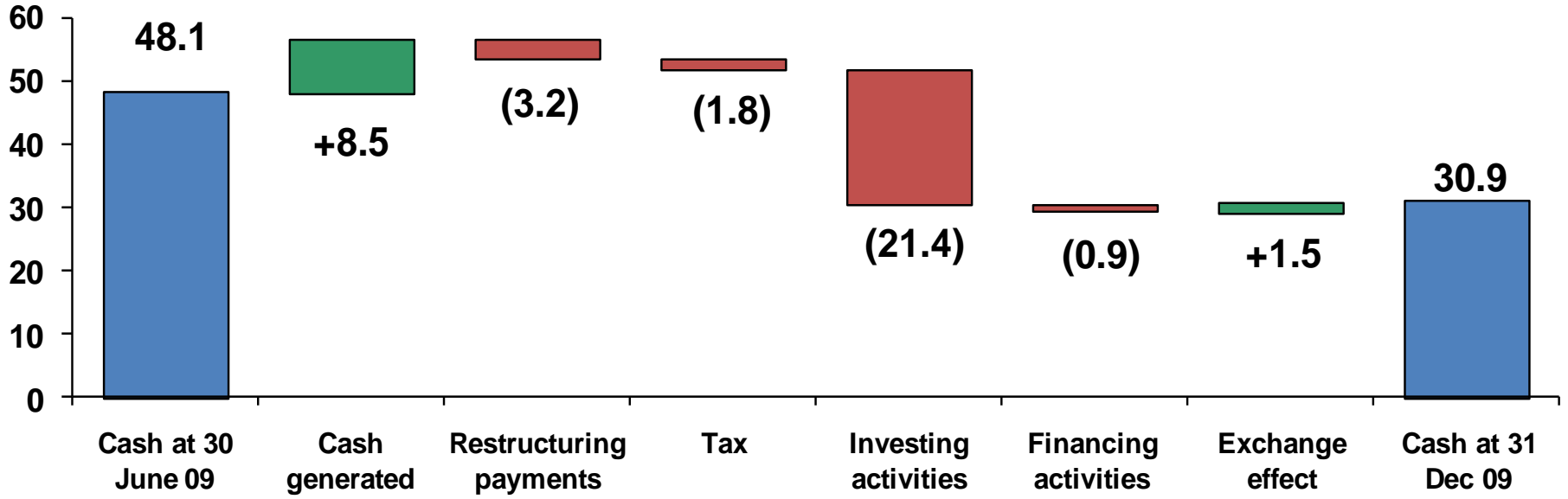
# Hardware Business P&L

	H1 FY10 \$m	H1 FY09 \$m	% Change	Organic & Constant Currencies
Hardware Products	47.8	49.0	(2%)	(4%)
Hardware Services	19.0	18.8	1%	(1%)
<b>Total Hardware Business Revenues</b>	<b>66.8</b>	<b>67.8</b>	<b>(1%)</b>	<b>(3%)</b>
<b>Gross Profit</b>	<b>11.8</b>	<b>15.0</b>	<b>(21%)</b>	<b>(23%)</b>
Sales & Marketing	6.6	5.4	22%	18%
General & Administrative	3.2	4.0	(20%)	(18%)
<b>Total Expenses</b>	<b>9.8</b>	<b>9.4</b>	<b>5%</b>	<b>3%</b>
<b>Adjusted EBITA</b>	<b>2.0</b>	<b>5.6</b>	<b>(64%)</b>	<b>(67%)</b>

# Geographic Turnover

	Americas			EMEA			Asia Pacific			Total	
	\$m	% change	Organic & constant currencies	\$m	% change	Organic & constant currencies	\$m	% change	Organic & constant currencies	\$m	% Change
App'ns SW Licenses	16.7	14%	7%	21.7	8%	4%	2.5	44%	44%	40.9	11%
App'ns SW Services	23.2	59%	17%	22.2	12%	6%	3.2	18%	18%	48.6	29%
<b>Total App'ns Software</b>	<b>39.9</b>	<b>37%</b>	<b>12%</b>	<b>43.9</b>	<b>10%</b>	<b>5%</b>	<b>5.7</b>	<b>34%</b>	<b>34%</b>	<b>89.5</b>	<b>20%</b>
OEM / POS Software	10.4	9%	9%	1.5	(27%)	(27%)	0.1	(50%)	(50%)	12.0	(1%)
<b>Software Business</b>	<b>50.3</b>	<b>12%</b>	<b>8%</b>	<b>45.4</b>	<b>12%</b>	<b>5%</b>	<b>5.8</b>	<b>25%</b>	<b>25%</b>	<b>101.5</b>	<b>17%</b>
Hardware Products	-	-	-	47.8	(2%)	(4%)	-	-	-	47.8	(2%)
Hardware Services	-	-	-	19.0	1%	(1%)	-	(100%)	(100%)	19.0	1%
<b>Hardware Business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66.8</b>	<b>(1%)</b>	<b>(3%)</b>	<b>-</b>	<b>(100%)</b>	<b>(100%)</b>	<b>66.8</b>	<b>(1%)</b>
<b>Total Revenues</b>	<b>50.3</b>	<b>12%</b>	<b>8%</b>	<b>112.2</b>	<b>8%</b>	<b>(5%)</b>	<b>5.8</b>	<b>9%</b>	<b>9%</b>	<b>168.3</b>	<b>9%</b>

# Cash Flow Summary - \$m



\* Includes \$19.9m for the acquisition of 170 Systems

## Other Matters

- Substantial progress in driving operational efficiency & cost savings arising from our restructurings over the last two years (reduced operations, logistics & G&A costs), with further savings anticipated over time
- Weakness in cash collections during 2H FY09 due to our new accounting system implementation has been successfully addressed
- Share based payment charge of \$2.6m – of which \$1.8m relates to the cancellation of old LTIP`s (a one time charge) and \$.8m from underlying expenses

# **CEO's Review of Our Mission & Strategy**

**To be the leading provider of  
document driven business process  
automation solutions**

# Corporate Strategy

- Deliver organic software business revenue growth to consistently meet or exceed capture market revenue growth rates
- Augment capture market revenue growth rates with document driven BPA solutions
- Augment organic software business revenue growth with strategic acquisitions to enhance our competitive position or broaden our market reach
- Continue to transform our software business model to improve its EBITA margins
- Control costs to meet or exceed enterprise software company EBITA standards
- Focus on maintaining revenues & improving EBITA margins in our hardware business

# Revenue Growth Strategies

1. Grow our #1 market share position in the “back office” image capture segment
2. Grow our #2 market share position to a #1 position in the “back office” transaction capture segment
3. Establish a top five position in the “front office” or ad hoc image & transaction capture segments
4. Leverage our capabilities to better include electronic sources of documents while maintaining a compelling ROI
5. Automate related, document driven business processes in vertical solutions when & as justified
6. Expand our overall market reach by accelerating the transition to a hybrid go-to-market model
7. Increase our OEM / POS software revenues through new product offerings
8. Explore growth opportunities in our hardware business through new product offerings

# Our Outlook

# Outlook

- Pleased with the continued progress in implementing our strategic initiatives but there's still room for improvement in our sales execution
- Market conditions seem to have stabilized & started to slowly improve but it's still a very unsettled economic environment
- So for FY10 we cautiously expect
  - Mid single digit growth in our software business revenues, excluding the effect of the 170 Systems acquisition
  - Flat to a low single digit decline our hardware business revenues

**Questions?**

**Reynolds C. Bish, CEO**  
**Stefan Gaiser, CFO**