



Billing Services Group

Investor Presentation
September 2011

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Agenda

- First Half 2011 Highlights and Financial Results
- New Initiatives - OrderBridge
- June 2011 Financial Statements



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First Half 2011 Highlights and
Financial Results



First Half 2011 Highlights and Financial Results

- Successfully completed the Accenture audit, which measured compliance with specific performance requirements set out by the largest local exchange carrier in the United States
- Introduced OrderBridge (originally developed to support the Bill2Phone payment option), an e-commerce and customer relationship management gateway, consolidating multiple payment offerings into one seamless application
- Began testing with Bill2Mobile, a service that provides third-party billing to AT&T and Verizon wireless customers
- Expanded our eZ-Wi™ relationship with AT&T Mobility
- Renegotiated our outsourced call center contract, resulting in decreased costs and allowing for expansion of other BSG service initiatives

First Half 2011 Highlights and Financial Results (cont'd)

- Generated \$9.2 million of cash from operations
- Reduced overhead expenses by \$2.3 million, largely as the result of personnel reductions and other restructuring actions initiated in 2010
- Reduced outstanding debt by \$12.8 million, for a period-end balance of \$48.0 million (December 31, 2010: \$60.8 million)
- Refinanced debt on more favorable terms, including lower interest rate, lower required annual principal payments and one-year extension of maturity date
- Incurred \$3.5 million of pre-tax expense (\$1.7 million in non-cash accelerated amortization) in connection with the debt refinancing

First Half 2011 Highlights and Financial Results (cont'd)

- Year-to-date results are in line with expectations
- Year-over-year revenue and gross profit of \$52.4 million and \$21.1 million, respectively, compare unfavorably to 2010 primarily due to declines in enhanced service transaction volumes
- Reduction in SG&A year-over-year of \$2.3 million, or 19.9%, to \$9.2 million
- Second half revenues and earnings are expected to be modestly lower than first half results

(\$ in thousands)	Six Months Ended	
	Actual June 30, 2011	Actual June 30, 2010
	(Unaudited)	(Unaudited)
Operating revenues	\$ 52,444	\$ 75,479
Cost of services	<u>31,387</u>	<u>45,309</u>
Gross profit	21,057	30,170
<i>Gross margin</i>	40.2%	40.0%
SG&A	<u>9,225</u>	<u>11,522</u>
EBITDA	11,832	18,648



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New Initiatives - OrderBridge

New Initiatives - OrderBridge

- OrderBridge is an e-commerce and customer relationship management (CRM) gateway that consolidates multiple payment types into one integrated software interface
- Industry agnostic and not dependent on telecommunications carriers for its success
- Leverages credit card, PayPal, Bill2Phone and Bill2Mobile payment options
- Sold in a SaaS (Software as a Service) environment. BSG receives a percentage of revenue for every transaction processed
- Enables BSG business development personnel to pursue new revenue opportunities in virtually every market, with specific focus on digital commerce
- Target customers include:
 - Online gaming (not gambling)
 - Online music and video merchants
 - Mobile and other device applications



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June 2011 Financial Statements

June 2011 Financial Statements

(\$ in thousands)	Six Months Ended	
	June 30, 2011	June 30, 2010
	(Unaudited)	(Unaudited)
Operating revenues	\$ 52,444	\$ 75,479
Cost of services	<u>31,387</u>	<u>45,309</u>
Gross profit	21,057	30,170
Selling, general, and administrative expenses	<u>9,225</u>	<u>11,522</u>
EBITDA	11,832	18,648
Depreciation and amortization expense	8,635	7,302
Non-recurring restructuring expense	-	761
Stock-based compensation expense	<u>246</u>	<u>310</u>
Operating income	2,951	10,275
Other income (expense):		
Interest expense	(2,055)	(2,730)
Settlement and mark-to-market of derivatives	(1,760)	(101)
Interest income	151	287
Other expense, net	<u>(176)</u>	<u>(114)</u>
Total other expense, net	<u>(3,840)</u>	<u>(2,658)</u>
(Loss) income from operations before income taxes	(889)	7,617
Income tax benefit (expense)	<u>123</u>	<u>(3,125)</u>
Net (loss) income	<u>\$ (766)</u>	<u>\$ 4,492</u>

June 2011 Financial Statements (cont'd)

(\$ in thousands)	(Unaudited)		(Unaudited)
<u>Assets</u>	<u>June 30, 2011</u>	<u>Liabilities and Shareholders' Equity</u>	<u>June 30, 2011</u>
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 10,229	Trade accounts payable	\$ 9,646
Accounts receivable	14,155	Third-party payables	14,193
Purchased receivables	6,612	Accrued liabilities	3,071
Income tax receivable	1,858	Current portion of long-term debt	<u>9,600</u>
Prepaid expenses and other current assets	943	Total current liabilities	36,510
Deferred taxes - current	<u>1,410</u>	Long term debt, net of current	
Total current assets	35,207	portion	38,400
Property, equipment and software	41,616	Deferred taxes, noncurrent	4,698
Less accumulated depreciation		Other liabilities	<u>2,012</u>
and amortization	<u>26,513</u>	Total liabilities	\$ 81,620
Net property, equipment and software	15,103	Shareholders' equity	<u>33,862</u>
Deferred finance costs, net	275	Total liabilities and shareholders'	
Intangible assets, net	29,959	equity	\$ <u>115,482</u>
Goodwill	34,404		
Other assets	<u>534</u>		
Total assets	<u>\$ 115,482</u>		

June 2011 Financial Statements (cont'd)

(\$ in thousands)	Six Months Ended June 30, 2011 (Unaudited)	Six Months Ended June 30, 2011 (Unaudited)	
Operating activities		Investing activities	
Net loss	\$ (766)	Purchase of property, equipment and software	(840)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		Net receipts on purchased receivables	<u>2,441</u>
Depreciation	2,264	Net cash provided by investing activities	1,601
Amortization of intangibles	4,329	Financing activities	
Amortization of deferred finance costs	467	Payments on long-term debt	(12,829)
Amortization of original issue discount on debt	1,575	Financing costs	<u>(275)</u>
Stock-based compensation expense	246	Net cash used in financing activities	(13,104)
Cost of cancellation of derivative contracts	1,760		
Changes in operating assets and liabilities:		Effect of exchange rate changes on cash	<u>23</u>
Decrease in accounts receivable	2,377	Net decrease in cash and cash equivalents	(2,328)
Increase in income tax receivable	(616)	Cash and cash equivalents at beginning of period	<u>12,557</u>
Increase in other current assets and other assets	(214)	Cash and cash equivalents at end of period	<u>\$ 10,229</u>
Decrease in trade accounts payable	(984)		
Decrease in third-party payables	(128)		
Increase in accrued liabilities	1,099		
Provision for deferred taxes	(497)		
Decrease in other liabilities	<u>(1,760)</u>		
Net cash provided by operating activities	9,152		