



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		
Deferred taxes - current	<u>1,410</u>	Total current liabilities	36,510
Total current assets	35,207	Long term debt, net of current portion	38,400
Property, equipment and software	41,616	Deferred taxes, noncurrent	4,698
Less accumulated depreciation and amortization	<u>26,513</u>	Other liabilities	<u>2,012</u>
Net property, equipment and software	15,103	Total liabilities	\$ 81,620
Deferred finance costs, net	275		
Intangible assets, net	29,959	Shareholders' equity	<u>33,862</u>
Goodwill	34,404		
Other assets	<u>534</u>	Total liabilities and shareholders' equity	\$ <u>115,482</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
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		Net receipts on purchased receivables
Depreciation	2,264	<u>2,441</u>
Amortization of intangibles	4,329	Net cash provided by investing activities
Amortization of deferred finance costs	467	1,601
Amortization of original issue discount on debt	1,575	Financing activities
Stock-based compensation expense	246	Payments on long-term debt
Cost of cancellation of derivative contracts	1,760	(12,829)
Changes in operating assets and liabilities:		Financing costs
Decrease in accounts receivable	2,377	<u>(275)</u>
Increase in income tax receivable	(616)	Net cash used in financing activities
Increase in other current assets and other assets	(214)	(13,104)
Decrease in trade accounts payable	(984)	Effect of exchange rate changes on cash
Decrease in third-party payables	(128)	<u>23</u>
Increase in accrued liabilities	1,099	Net decrease in cash and cash equivalents
Provision for deferred taxes	(497)	(2,328)
Decrease in other liabilities	<u>(1,760)</u>	Cash and cash equivalents at beginning of period
Net cash provided by operating activities	9,152	<u>12,557</u>
		Cash and cash equivalents at end of period
		<u>\$ 10,229</u>