

Investor Presentation



Billing Services Group Limited
September 2010



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Agenda



- First Half 2010 Items and Financial Results
- Enhanced Service Summary and Second Half Plan
- Bill2Phone™ Status
- June 2010 Financial Statements
- Core Product Offering Review

First Half 2010 Items and Financial Results



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First Half 2010 Items and Financial Results



- First half 2010 consolidated financial results reflect revenue improvements and EBITDA that were modestly better than expectations
- Reduced term debt balance through mandatory prepayments totaling \$5.6 million in the first half of 2010 (June 2010 balance: \$74.5 million; December 2009 balance: \$80.1 million)
- Bill2Phone™ gaining traction as revenue increased by \$3.7 million to \$4.3 million in the first half of 2010 (2009 first half: \$0.6 million; 2009 second half: \$1.3 million), but with cautionary note that over one-half of the increase related to customer service elements
- Implemented a reduction in force which will lower future annual operating expenses by approximately \$2.2 million
- Certain LECs have recently limited the Company's ability to bill charges related to newly marketed enhanced services
- New corporate website and separate Bill2Phone™ website completed

First Half 2010 Items and Financial Results (continued)



(\$ in thousands)	Six Months Ended	
	Actual 30 June 2010	Actual 30 June 2009
	(Unaudited)	(Unaudited)
Operating revenues	\$ 75,479	\$ 71,620
Cost of services	<u>45,309</u>	<u>42,465</u>
Gross profit	30,170	29,155
<i>Gross margin</i>	40.0%	40.7%
SG&A	<u>11,522</u>	<u>9,943</u>
EBITDA	18,648	19,212

- Increase in revenue year-over-year by 5.4% to \$75.5 million (2009: \$71.6 million)
- Increase in gross profit year-over-year by 3.5% to \$30.2 million (2009: \$29.2 million)
- Increase in SG&A of \$1.6 million primarily related to higher compensation costs from additional personnel (\$0.9 million); increases in professional fees (\$0.4 million); and additional bad debt expense (\$0.4 million)

Enhanced Service Summary and Second Half Plan



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Enhanced Service Summary and Second Half Plan



- As noted in the Company's interim results, certain LECs have recently limited the Company's ability to bill charges related to newly marketed enhanced services
- Enhanced service billings include offerings such as voice mail, e-mail, web hosting and directory listings
- Because of the nature of the products, the inability to market enhanced services to new customers generally results in revenue attrition as residual billings run off
- The clearinghouse industry (including the Company) has been engaged in ongoing dialog with the LEC community regarding best practices
- The largest LEC in the United States has now taken a restrictive position on all newly marketed enhanced services that are not exclusively provided by it, or by the Company on its behalf
- Based on a meeting that occurred September 1, and in the current absence of a resolution of the open issues with the LEC concerned, the Company believes that this position will have a modest negative impact on 2010 revenue and EBITDA
- If the situation remains unresolved, it is likely that there will be a more serious impact on the Company's financial performance in 2011

Enhanced Service Summary and Second Half Plan (continued)



- Focus for the second half of 2010 will be on continuing to implement the sales and marketing plan for Bill2Phone™ and resolving the enhanced billing situation with the specific LEC
- Until such time as there is more clarity regarding the Company's enhanced services base, it is unlikely that the Company will be in the credit markets for debt refinancing
- The Company's principal capital markets focus will be maximizing voluntary prepayments of its senior debt in addition to making the required quarterly payments
- As previously announced, the Company's Board appointed Tom Richter as a non-executive director of the Company, effective August 12, 2010. New director options covering 913,022 shares of common stock will be awarded in due course, carrying the same terms and conditions as contained in the option plan described in the footnotes to the Company's financial statements

Bill2Phone™ Status



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Bill2Phone™ Status



- **2008**

- Executed contractual amendment to allow for the billing of specific digital content services, including music, video, print, gaming, on-line dating and other forms of downloaded digital content
- Developed B2P authentication platform
- Identified specific market verticals and targets of opportunity
- Executed first B2P contract with Atlantic Records – subsequently delayed and ultimately cancelled by Warner Music
- Executed ten B2P agreements for the year

- **2009**

- Over the course of the year, increased Business Development Managers by five
- Substantially increased sales opportunity pipeline and began market vertical segmentation
- Increased public and market awareness of B2P through tradeshows and media placement
- Executed sixteen agreements for the year

Bill2Phone™ Status (continued)



- **2010**
 - Hired marketing executive and staff for a total of four
 - Refined and expanded the authentication platform to include several validation components
 - Targeted charities and other non-profit organizations
 - Revised website and marketing communications plan
 - Executed nine agreements through July 2010
- **Sales Challenges and Merchant Objections**
 - Specific to landline telephone only – ***not*** wireless or other mobile device
 - Lack of, or limited, IT resources on the part of the merchant
 - Lack of specific or universal metrics around incremental sales
 - Increased costs to merchant compared to credit card alternative
 - Underlying cost differences between LEC regions
 - No solution yet for 'micro' transactions (e.g., iTunes download)
- **Management Observations**
 - Encouraged about receptivity within charities vertical – ideal demographic
 - Continued focus on sales pipeline and contract implementation queue
 - Revenue and expense evaluation

June 2010 Financial Statements



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June 2010 Financial Statements



(\$ in thousands)

	Six Months Ended	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
	(Unaudited)	(Unaudited)
Operating revenues	\$ 75,479	\$ 71,620
Cost of services	<u>45,309</u>	<u>42,465</u>
Gross profit	30,170	29,155
Selling, general, and administrative expenses	<u>11,522</u>	<u>9,943</u>
EBITDA	18,648	19,212
Depreciation and amortization expense	7,302	7,246
Non-recurring restructuring expense	761	-
Stock-based compensation expense	<u>310</u>	<u>337</u>
Operating income	10,275	11,629
Interest expense	(2,730)	(2,964)
Settlement and mark-to-market of derivatives	(101)	(299)
Interest income	287	400
Other (expense) income, net	<u>(114)</u>	<u>437</u>
Income from operations before income taxes	7,617	9,203
Income tax expense	<u>(3,125)</u>	<u>(3,445)</u>
Net income	<u>\$ 4,492</u>	<u>\$ 5,758</u>



Confidential

June 2010 Financial Statements

(continued)



(\$ in thousands)	(Unaudited)
<u>Assets</u>	<u>June 30, 2010</u>
Current assets:	
Cash and cash equivalents	\$ 18,748
Accounts receivable	15,559
Purchased receivables	11,100
Income tax receivable	1,023
Other current assets	1,061
Deferred taxes, current	<u>1,864</u>
Total current assets	49,355
Property, equipment and software	39,405
Less accumulated depreciation and amortization	<u>22,008</u>
Net property, equipment and software	17,397
Deferred finance costs, net	586
Intangible assets, net	38,491
Goodwill	34,368
Other assets	<u>659</u>
Total assets	<u>\$ 140,856</u>

	(Unaudited)
<u>Liabilities and Shareholders' Equity</u>	<u>June 30, 2010</u>
Current liabilities:	
Trade accounts payable	\$ 12,222
Third-party payables	12,941
Accrued liabilities	3,563
Current portion of long-term debt	<u>11,250</u>
Total current liabilities	39,976
Long term debt, net of current portion and unamortized OID	61,227
Deferred taxes, noncurrent	4,952
Other liabilities	<u>4,592</u>
Total liabilities	\$ 110,747
Shareholders' equity	<u>30,109</u>
Total liabilities and shareholders' equity	<u>\$ 140,856</u>



June 2010 Financial Statements

(continued)



(\$ in thousands)	Six Months Ended June 30, 2010 (Unaudited)	Investing activities	Six Months Ended June 30, 2010 (Unaudited)
Operating activities		Purchases of property, equipment and software	(828)
Net income	\$ 4,492	Net receipts on purchased receivables	<u>8,290</u>
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		Net cash provided by investing activities	7,462
Depreciation	2,537	Financing activities	
Amortization of intangibles	4,321	Payments on long-term debt	<u>(5,625)</u>
Amortization of deferred finance costs	101	Net cash used in financing activities	(5,625)
Amortization of original issue discount on debt	342	Effect of exchange rate changes on cash	<u>(84)</u>
Stock-based compensation expense	310	Net increase in cash and cash equivalents	4,323
Loss on settlement of derivative contracts	101	Cash and cash equivalents at beginning of period	<u>14,425</u>
Changes in operating assets and liabilities:		Cash and cash equivalents at end of period	<u>\$ 18,748</u>
Decrease in accounts receivable	3,446		
Increase in other assets, net	(359)		
Increase in trade accounts payable	(225)		
Decrease in third-party payables	(12,168)		
Increase in accrued liabilities	1,171		
Provision for deferred taxes	(1,039)		
Decrease in other liabilities	<u>(460)</u>		
Net cash provided by operating activities	2,570		



Core Product Offering Review



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Core Product Offering Review



Wireline Service Offerings		
Service	Description	Commentary
1+	<ul style="list-style-type: none"> ■ Provides direct dial long distance companies with billing clearinghouse services ■ Processes call records for 1+ residential and commercial long distance calls ■ Includes dial around (10 – 10) and PIC'd services 	<ul style="list-style-type: none"> ■ Pricing increasing ■ Volumes decreasing ■ Low rate per record ■ Slow revenue decline
0+/-	<ul style="list-style-type: none"> ■ Provides billing, clearinghouse, and information management services to the operator services industry ■ Includes third-party calls, collect calls and calls made with calling cards ■ Markets include correctional facilities and resort traffic 	<ul style="list-style-type: none"> ■ Pricing increasing ■ Moderate rate per record ■ Movement to pre-paid cards
Enhanced Services (ESBI)	<ul style="list-style-type: none"> ■ Processes non-regulated and enhanced telecom services through local telephone companies ■ Provides innovative bill processing solutions ■ Products include: e-mail and voicemail services, directory listings, telephone/Internet routing and website hosting 	<ul style="list-style-type: none"> ■ Pricing high and stable ■ Historic volume growth ■ Historic revenue growth ■ High rate per record
Third-Party Verification	<ul style="list-style-type: none"> ■ Third-party verification services ■ Underwriting, authentication, age verification and analytics 	<ul style="list-style-type: none"> ■ Stable pricing ■ Declining volumes with signs of stability ■ Slow revenue decline
Payment Services	<ul style="list-style-type: none"> ■ Bill2Phone™ – Non-branded payment solution for subscription-based billing ■ Credit Card – Gateway and processor for eCommerce and CNP transactions 	<ul style="list-style-type: none"> ■ Pricing encouraging ■ Increasing volumes ■ Poised to generate growth
Other	<ul style="list-style-type: none"> ■ DAC – Compensates PSPs that comply with FCC mandates for carriers who offer toll-free numbers, debit-card calling, etc. ■ Revenue Recovery (Return Code 50) ■ BC BETI™ identifies potential uncollectible calls before service is ever provided 	<ul style="list-style-type: none"> ■ Customer service function ■ Stable revenue stream