

Freshtel AGM

17th Nov 2009

voicedot™
NETWORKS

virbiage™

Freshtel™

2009 the year in brief

Key areas	2009 Actual \$
Lower than budgeted revenue streams (particularly from existing customers)	3.2M
High overheads	8.7M
High cash burns	7.9M

voicedot™
NETWORKS

virbiage™

Freshtel™

Typical company overheads

- R&D, Admin and sales costs today (2010) represent 99% of revenue for Freshtel
- Industry average, for small companies is approx 25%
- The clear problem for Freshtel is costs as a percentage of revenue

voicedot™
NETWORKS

virbiage™

Freshtel™

The last six months

During the last six months we have invested significant time in understanding the strategic issues facing the company, in particular:

- Legacy issues
- Costs
- Revenues

We have focused on the most important cost items and the resultant cash flow issues and addressed them with a sense of urgency

voicedot™
NETWORKS

virbiage™

Freshtel™

Our legacy issues

1. Network quality

- our network quality is much better, but costs for quality are still too high

2. Customer support

- We have caught up with customer support but it will take time to improve our image

3. Revenue Vs costs

- our network support costs and bespoke billing system costs far exceed revenue margins

4. Wholesale sales

- will only emerge when our network quality and support services remain consistently good

voicedot[™]
NETWORKS

virbiage[™]

Freshtel[™]

Cost containment

Key areas	2009 Actual \$	2010 Target \$
<p>Reductions in overheads</p> <p>Employee costs = \$600k</p> <p>Employee costs \$5M down to \$2.7M</p> <p>Occupancy \$800k down to \$600k</p> <p>Consultants \$1M down to \$300k</p> <p>Other down \$200k</p> <p>Total = \$3.4M</p>	600k	3.4M
<p>Targeted redundancies</p>	265k	200k
<p>Key resignations (incl in employee costs)</p>	475k	520k



Cost containment - examples

Rental comparisons

- \$580k pa at Coventry Street
incl. on costs (rates, elec, cleaning, etc)

-Vs-

- \$100k pa at High Street
payable from July 2010 i.e. first 9 mths RENT FREE
- Commercial settlement at Coventry Street
reached to finalise the 2 $\frac{1}{3}$ years of lease for a
fraction of the contracted \$1.3M

voicedot™
NETWORKS

virbiage™

Freshtel™

Cost containment - question

Do we go further and license a third party carrier grade software package and reduce our platform operating costs even further?

voicedot™
NETWORKS

virbiage™

Freshtel™

Revenue

- The key issue is how do we generate increased revenue
- We are currently reliant on a white label model
- We must add products like hosted PBX to drive wholesale revenue
- PBX is ready to deploy but iPhone requires further testing

voicedot™
NETWORKS

virbiage™

Freshtel™

Management

- We have had major changes in management
- We are now looking to appoint a CEO with a sales / marketing focus to drive wholesale revenue

voicedot™
NETWORKS

virbiage™

Freshtel™

The company's future

- Unless we can generate significant increases in revenue and get company cash flow break even, we are in a perilous situation
- We cannot be beholden to white labels; we need a differentiated premium wholesale channel with multiplication effect. PBX and related applications must generate \$\$ in termination revenue
- We have addressed a couple of M&A alternatives but merging with entities creating additional losses does not help

voicedot™
NETWORKS

virbiage™

Freshtel™

Conclusion

Legacy issues

- We are moving on stabilising legacy issues

Costs

- We have been decisive in reducing the cost base

Rent -\$580k down to \$100k

Staff - 69 down to 20

Management - 7 down to 2

Do we need to go further?

Revenue

- We need growth in channels generating revenue for Freshtel. This is still the open challenge

voicedot[™]
NETWORKS

virbiage[™]

Freshtel[™]