

Billing Services Group Limited

Investor Presentation





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First Half 2009 Highlights and Financial Results





Recent Developments



- First half 2009 consolidated financial results reflect improvements in revenue and earnings
- Continued to achieve meaningful savings through ongoing cost management program
- Positive market response to BSG's ability to place non-telephony related charges on the telephone bill
 - Won several Bill2Phone™ customers in both digital content and technical support
 - Gaining additional carrier support
- Decommissioned the East Coast third-party verification data center and consolidated this operation into our Texas-based facility, resulting in meaningful expense reduction
- Continued improvement in new customer implementations



First Half 2009 Highlights and Financial Results

(\$ in thousands)	Six Months Ended	
	<u>30 June 2009</u>	<u>30 June 2008</u>
	(Unaudited)	(Unaudited)
Operating revenues	\$ 71,620	\$ 65,711
Cost of services	<u>42,465</u>	<u>37,294</u>
Gross profit	29,155	28,417
<i>Gross margin</i>	40.7%	43.2%
Selling, general, and administrative expenses	<u>9,943</u>	<u>11,059</u>
EBITDA ⁽¹⁾	\$ 19,212	\$ 17,358

- Revenue increased by 9% to \$71.6 million (2008: \$65.7 million)
- EBITDA⁽¹⁾ increased 10% to \$19.2 million (2008: \$17.4 million)
- Net income of \$5.8 million or \$0.021 per basic share, and \$0.020 per diluted share (2008: \$1.6 million or \$0.006 per basic and diluted share)
- Debt reduced by 11% to \$83.6 million (31 December 2008: \$93.6 million), inclusive of all unamortized original issue discount

⁽¹⁾ EBITDA (a non-GAAP measure) is computed as earnings before interest expense, income taxes, depreciation, amortization and other non-cash and non-recurring expenses.



New Initiatives





Bill2Phone and Digital Content Billing



■ PRODUCT

- Secure and convenient payment solution that allows consumers to charge approved digital content to their local telephone bill
- Provides online merchants and content aggregators with authorization, authentication and settlement for online digital content purchases

■ OPPORTUNITY

- 80% of decisive consumers are inclined to purchase more online if given easier and more secure payment options⁽¹⁾
- More than half of all consumers indicate a likelihood to purchase more digital services when *no credit card required* payment option is available⁽¹⁾
- Access to bill between 60 and 70 million households at competitive rates

■ MARKET

- In 2008, the U.S. online retail industry was \$132.3 billion, growing at an estimated 4.4% per year⁽²⁾
- Digital paid content including online games, music, personals and dating, news and research, *etc.*, represents a \$7.2 billion immediate market opportunity for BSG and is projected to grow at a five-year CAGR of 13.1%⁽³⁾

■ DISTRIBUTION

- Working with major carriers to include purchases on the phone bill and directly with online merchants to deploy this in the U.S.
- Adding to direct sales force to focus on specific market vertical opportunities

⁽¹⁾ Javelin Strategy & Research, September 2008

⁽²⁾ eMarketer US Retail E-Commerce, August 2009

⁽³⁾ Jupiter Research Paid Content & Services Model, October 2007



Appendices





June 2009 Financial Statements



(\$ in thousands)	Six Months Ended	
	<u>30 June 2009</u>	<u>30 June 2008</u>
	(Unaudited)	(Unaudited)
Operating revenues	\$ 71,620	\$ 65,711
Cost of services	<u>42,465</u>	<u>37,294</u>
Gross profit	29,155	28,417
Selling, general, and administrative expenses	<u>9,943</u>	<u>11,059</u>
EBITDA	19,212	17,358
Depreciation and amortization expense	7,246	6,405
Restructuring expense	-	2,358
Stock-based compensation expense	<u>337</u>	<u>653</u>
Operating income	11,629	7,942
Interest expense	(2,964)	(5,418)
Settlement and mark-to-market of derivatives	(299)	(368)
Interest income	400	838
Other income (expense), net	<u>437</u>	<u>(81)</u>
Income from operations before income taxes	9,203	2,913
Income tax expense	<u>(3,445)</u>	<u>(1,352)</u>
Net income	<u>\$ 5,758</u>	<u>\$ 1,561</u>



June 2009 Financial Statements



(\$ in thousands)

(Unaudited)

(Unaudited)

Assets 30 June 2009

Current assets:

Cash and cash equivalents	\$ 18,632
Accounts receivable	20,719
Purchased receivables	19,341
Other current assets	1,030
Deferred taxes - current	<u>3,607</u>

Total current assets 63,329

Property, equipment and software	37,213
Less accumulated depreciation and amortization	<u>17,061</u>

Net property, equipment and software 20,152

Deferred finance costs, net 796

Intangible assets, net 47,132

Goodwill 34,615

Other assets 534

Total assets \$ 166,558

Liabilities and Shareholders' Equity 30 June 2009

Current liabilities:

Trade accounts payable	\$ 13,452
Third-party payables	39,262
Accrued liabilities	4,455
Income tax payable, net	(323)
Current portion of long-term debt	<u>9,187</u>

Total current liabilities 66,033

Long term debt, net of current portion and unamortized OID 71,767

Deferred taxes - noncurrent 5,475

Other liabilities 7,524

Total liabilities \$ 150,799

Shareholders' equity 15,759

Total liabilities and shareholders' equity \$ 166,558





June 2009 Financial Statements



<i>(\$ in thousands)</i>	Six Months Ended 30 June 2009 (Unaudited)	Six Months Ended 30 June 2009 (Unaudited)
Operating activities		
Net income	\$ 5,758	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,351	
Amortization of intangibles	4,321	
Amortization of deferred finance costs	132	
Amortization of original issue discount on debt	442	
Stock-based compensation expense	337	
Loss on settlement of derivative contracts	299	
(Gain) on extinguishment of debt	(185)	
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,469	
Increase in other assets	(494)	
Increase in trade accounts payable	43	
Decrease in third-party payables	(8,235)	
Decrease in accrued liabilities	(100)	
Provision for deferred taxes	(362)	
Decrease in other liabilities	<u>(1,633)</u>	
Net cash provided by operating activities	4,143	
Investing activities		
Purchase of property, equipment and software		(1,862)
Net advances on purchased receivables		<u>(1,082)</u>
Net cash used in investing activities		(2,944)
Financing activities		
Payments on long-term debt		(9,591)
Payments in settlement of derivative contracts		<u>(835)</u>
Net cash used in financing activities		(10,426)
Effect of exchange rate changes on cash		<u>505</u>
Net decrease in cash and cash equivalents		(8,722)
Cash and cash equivalents at beginning of period		<u>27,354</u>
Cash and cash equivalents at end of period		<u>\$ 18,632</u>



BSG

