

# Annual Earnings 2009-10

June 24, 2010



Avanquest® software  
Innovation Inspired



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New growth dynamic and sustainable rise in earnings



Avanquest® software  
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# Creation of a world leader



Company profile: A group on the offensive after two years of major change

1984 - 1995



1996 - 2005



2006 - 2010

**THE GROUP'S EARLY DAYS**  
€100K - €3M

**1984**

Creation of BVRP Software

**1995**

Launch of WinPhone  
in France

**1995**

Launch of PhoneTools  
worldwide

The foundations  
of an international  
company

**RAPID GROWTH**  
€3M - €55M

**1996**

Stock-market listing

**2002**

Launch of  
Mobile PhoneTools

**1998-2005**

Geographic expansion  
and growth of the catalog

Presence on 3 continents  
A line of 300 products  
in 27 languages

**CREATION OF A WORLD LEADER**  
€ 55M - € 88M

**January 2007**

Acquisition of Nova  
Development in the USA

**April 2007**

Acquisition of the  
Emme Group in Europe

**June 2008**

Creation of Avanquest Canada  
R&D Centre and SoftCity headquarters

Avanquest in the top 10  
in consumer software publishing  
(excluding games)

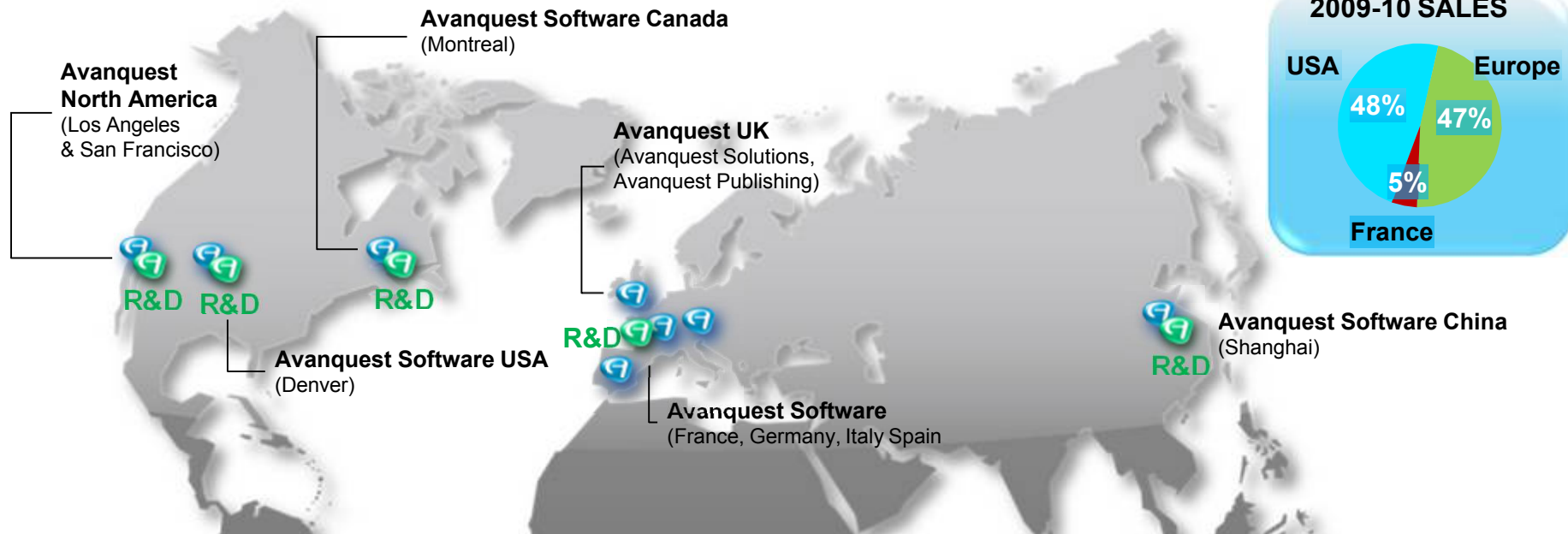


**From 1984 to 2010:**  
**23 years of profitable growth in 26 years of existence**

# A worldwide presence



Company profile: A group on the offensive after two years of major change



## A worldwide presence

- 500 employees distributed over three continents
- 12 subsidiaries: North America, Europe & Asia
- Presence in all distribution channels: OEM, corporate, Web, Retail

## Build-up strategy

- From 1996 to 2009: company size increased 30 times
- An ambition to be a world leader

## Innovation as growth engine

- 150 engineers in France, USA, Canada and China
- Investments in R&D exceeding € 10M
- 300 products, some in 27 languages
- Partnerships with the biggest names: Microsoft, Sony Ericsson, Motorola, Asus, Intel...

- A strategy of online convergence at the cutting edge of new modes of consumption
- Shift from a unit sales model towards a recurring-revenue model

# Avanquest Software: Leading Publisher In Retail (excl. games)



Company profile: A group on the offensive after two years of major change

**Avanquest Software is an essential independent player now ranking ...**

➔ **7th** in sales

	#	Dollar Volume May-Apr 2010	Dollar Volume Share May-Apr 2010
<i>Total</i>		\$2 102 583 131	100
Microsoft	1	\$584 287 522	27,8
Intuit	2	\$422 208 884	20,1
Symantec	3	\$215 382 807	10,2
Apple	4	\$208 753 510	9,9
Adobe	5	\$108 977 982	5,2
Kaspersky Lab	6	\$67 077 924	3,2
<b>Avanquest Software</b>	<b>7</b>	<b>\$46 947 843</b>	<b>2,3</b>
Webroot	8	\$39 164 666	1,9
H&R Block	9	\$37 526 289	1,8
Rosetta Stone Ltd	10	\$36 133 282	1,7
Trend Micro	11	\$35 829 919	1,7
McAfee Inc.	12	\$34 341 426	1,6
Nuance Communications	13	\$22 905 528	1,1
Roxio	14	\$17 932 629	0,9
Encore	15	\$16 030 585	0,8

➔ **8th** in volume

	#	Unit Volume May-Apr 2010	Unit Volume Share May-Apr 2010
<i>Total</i>		33 097 352	100
Intuit	1	6 229 860	18,8
Microsoft	2	4 766 849	14,4
Symantec	3	3 717 672	11,2
Apple	4	2 399 389	7,2
Kaspersky Lab	5	2 330 310	7
Webroot	6	1 818 516	5,5
Trend Micro	7	1 425 815	4,3
<b>Avanquest Software</b>	<b>8</b>	<b>1 272 934</b>	<b>3,8</b>
McAfee Inc.	9	1 101 163	3,3
H&R Block	10	965 340	2,9
Encore	11	623 061	1,9
Adobe	12	585 704	1,8
Cosmi	13	392 511	1,2
Knowledge Adventure	14	357 384	1,1
iolo technologies	15	311 408	0,9

# Many partnerships with major players



Company profile: A group on the offensive after two years of major change

## Technological partnerships:

**Microsoft**  
GOLD CERTIFIED  
Partner

Les Gold Certified Partners présentent un haut degré de compétences et d'expertise dans les technologies Microsoft et entretiennent des relations de travail étroites avec Microsoft

*Since 2000!*



## Business partnerships:

- ④ Sony Ericsson, Motorola...  
*and most recently Puma Phone by Sagem Wireless*
  - ▶ Two world leaders have chosen Avanquest
  - ▶ 200 million Mobile PhoneTools software suites
- ④ Agfa Photo
  - ▶ Avanquest SendPhotos
- ④ Asus, PCD/Cricket...
  - ▶ 3G Connection Manager
- ④ Darty, Earthlink, F-Secure, Synacor...
  - ▶ PC Optimization, Network Diagnostics
- ④ Netgear, US Robotics...
  - ▶ LAN Wizard, Classic PhoneTools
- ④ Lexmark, HP, Epson...
  - ▶ FaxTools, Print Artist
- ④ BMW
  - ▶ Bluetooth Synchronization Application



# 2008-2010: 2 years of change and investment



Company profile: A group on the offensive after two years of major change

## A PROACTIVE GROUP FACING A CRISIS

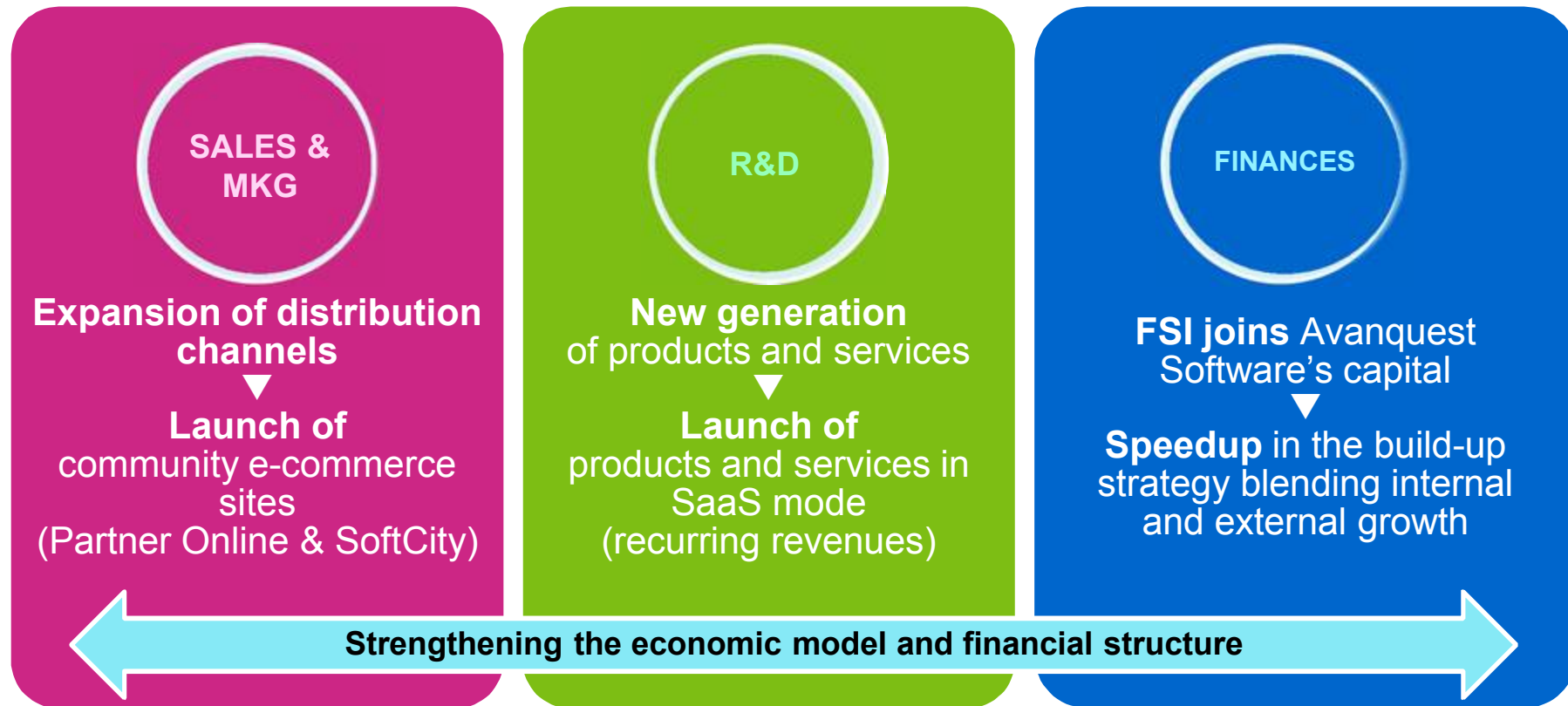


Drop in sales to the benefit of profitability  
Reinforced positions in the most buoyant market sectors

# 2010: a group on the offensive after two years of change



Company profile: A group on the offensive after two years of major change



- 2 strategic objectives:**
- 1- Return to a dynamic of steady growth in sales and revenues**
  - 2- Participate in industry consolidation**

**A mid-term ambition:**  
"Become one of the Top 5 software publishers"



## 2009/10 sales and annual earnings

Business recovery in the second half and return to profitability



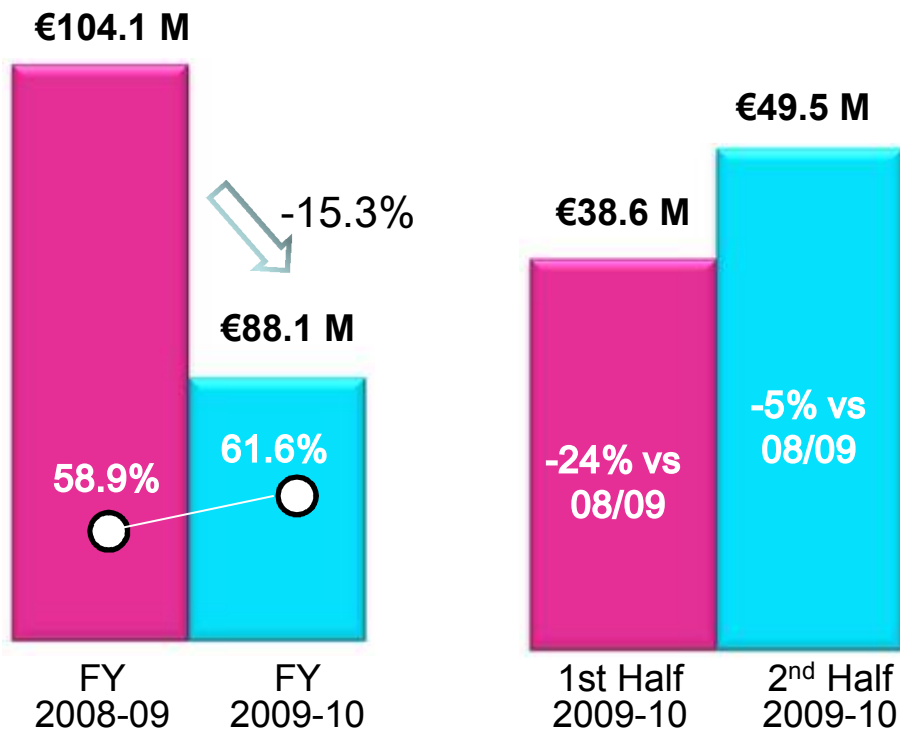
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# A pivotal year: confirmation of the return to profit



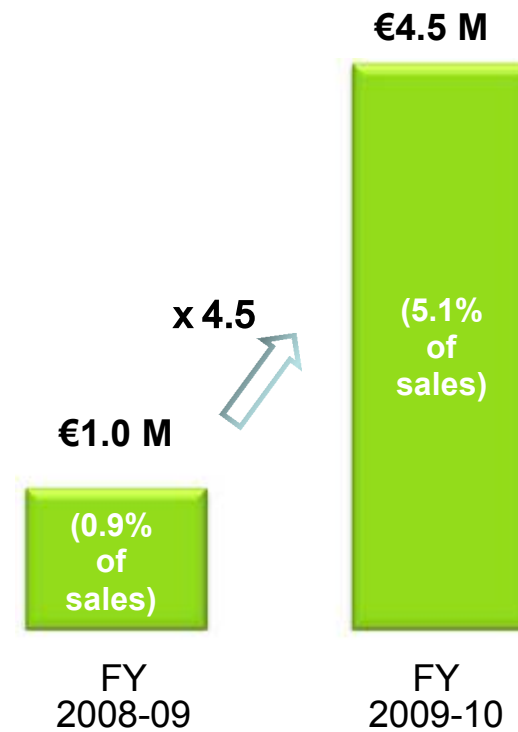
Business recovery in the second half and return to profit

## Consolidated sales figures



○ Gross margin rate

## Earnings before interest and taxes



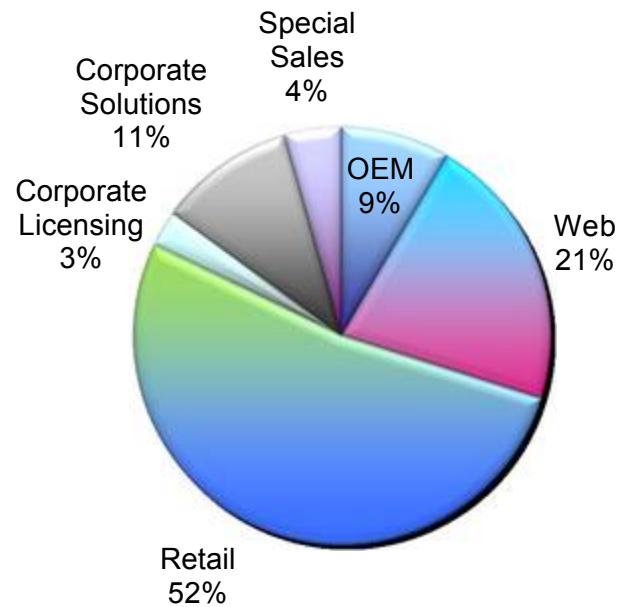
The drop in sales and the rise in gross margin are the result of measures aimed at favoring profitability over over growth, in an uncertain worldwide context

# Distribution of annual sales

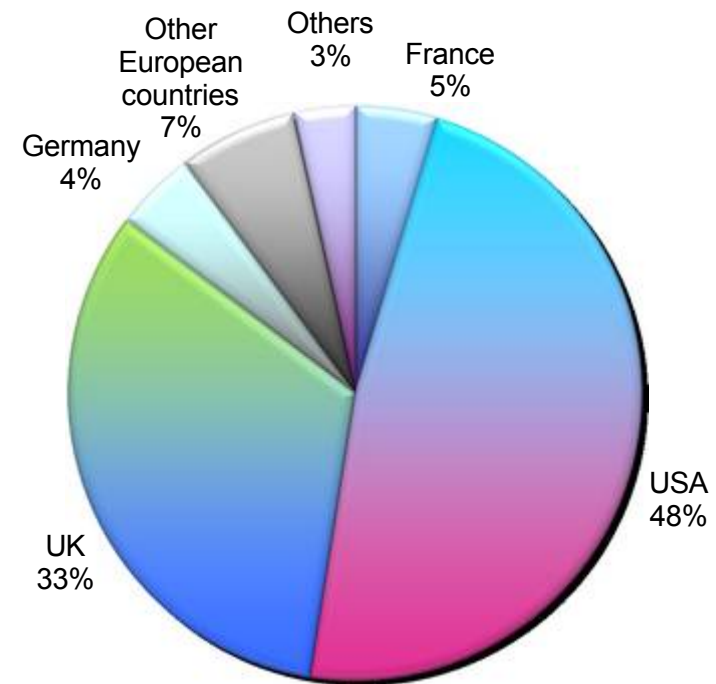


Business recovery in the second half and return to profit

## Distribution of sales by channel



## Distribution of sales by geographic area



The Web continues its growth +14%



Excellent performance by the U.K.



Market share maintained in USA

# Quadrupling of the EBIT



Business recovery in the second half and return to profit

## Summary income statement

In millions of Euros	2009/10	2008-09	Variation
Consolidated sales	88.2	104.1	-15.3%
Gross margin	54.4	61.3	-11.2%
% of sales	61.7%	58.9%	
EBIT before cost of stock-options	5.3	1.9	X2.9
% of sales	6.0%	1.8%	
EBIT	4.5	1.0	X4.5
% of sales	5.1%	0.9%	
Non-recurring items	-	(7,1)	--
Financial result	(1.5)	(3.4)	--
Net taxes	2.8	2.1	--
Net earnings	0.3	(11.8)	--



**Quadrupling of the current operating result  
and return to profit of the net result**

# A healthy financial situation



Business recovery in the second half and return to profit

In millions of Euros	2009-10	2008-09
<b>Self-financing capacity</b>	<b>7.6</b>	<b>2.6</b>
Variation in WCR and other factors excluding current operations	(5.7) <sup>(1)</sup>	(0.6)
Net interest and taxes paid out	(3.3)	(2.3)
Net cash flow from operation	(1.5)	(0.3)
Net cash flow associated with investment	(4.3)	(10.7)
Net cash flow associated with financing <sup>(2)</sup>	11.7	13.9
<b>Variation in cash position</b>	<b>+5.8</b>	<b>+2.9</b>
Cash position at opening	14.0	11.1
<b>Cash position at closing</b>	<b>20.0</b>	<b>14.0</b>

(1) Primarily payment of restructuring costs provisioned during previous year

(2) Of which capital increase, respectively €7.7 M and €6.7 M

# Strengthened financial structure



Entry of a new key shareholder to support Avanquest Software's growth

## 🔗 New mid-term bank credit line obtained

- ▶ Amount: €7M
- ▶ Term: 5 years
- ▶ OSEO partial guarantee

## 🔗 Successful €8M capital increase

- ▶ 2.2 million new shares issued (16% of current capital) at a price of €3.60 per new share
- ▶ Operation 110% subscribed

## 🔗 Successful issue of convertible bonds for €4.0 M

- ▶ Issue of 867,747 convertible bonds with face value of €4.60
- ▶ Term: 5 years
- ▶ Coupon: 6.50% - IRR (if not converted): 7.78%
- ▶ Early conversion or reimbursement possible as of 02/15/2012
- ▶ Operation 108% subscribed



**FSI takes 9% of capital**

**Maximum amount of FSI's investment: €20M**

**Maximum equity financing: 20%**

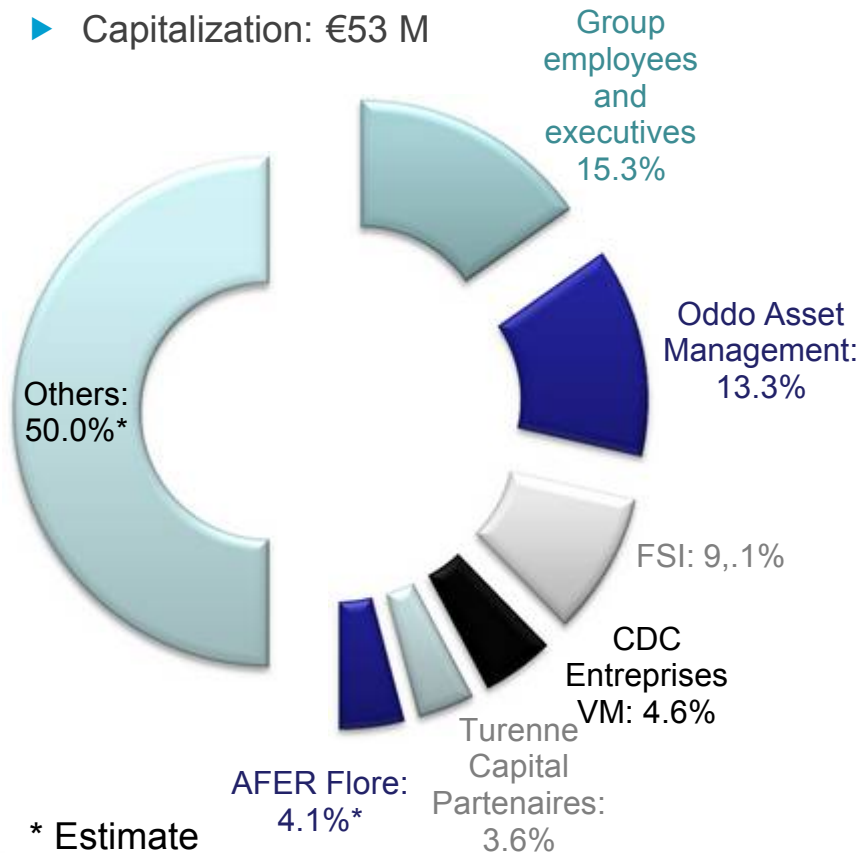
# Avanquest and the Stock Market



Entry of a new key shareholder to support Avanquest Software's growth

## Capital distribution at 05/31/10

- ▶ After the capital increase completed in February 2010
- ▶ Number of shares: 16,105,398
- ▶ Capitalization: €53 M



## Avanquest Software eligible for long-only DSS since May 26 2010

- ▶ Extension of the Deferred Settlement Service (DSS) to Buying
- ▶ Involves the securities listed on Euronext Paris with a minimum daily transaction volume of €100,000
- ▶ Enables shareholders to benefit from the effect of the deferred-payment lever



Innovation strategy: convergence of technologies and platforms, Online and SaaS

Launch of new products and services producing recurring revenues

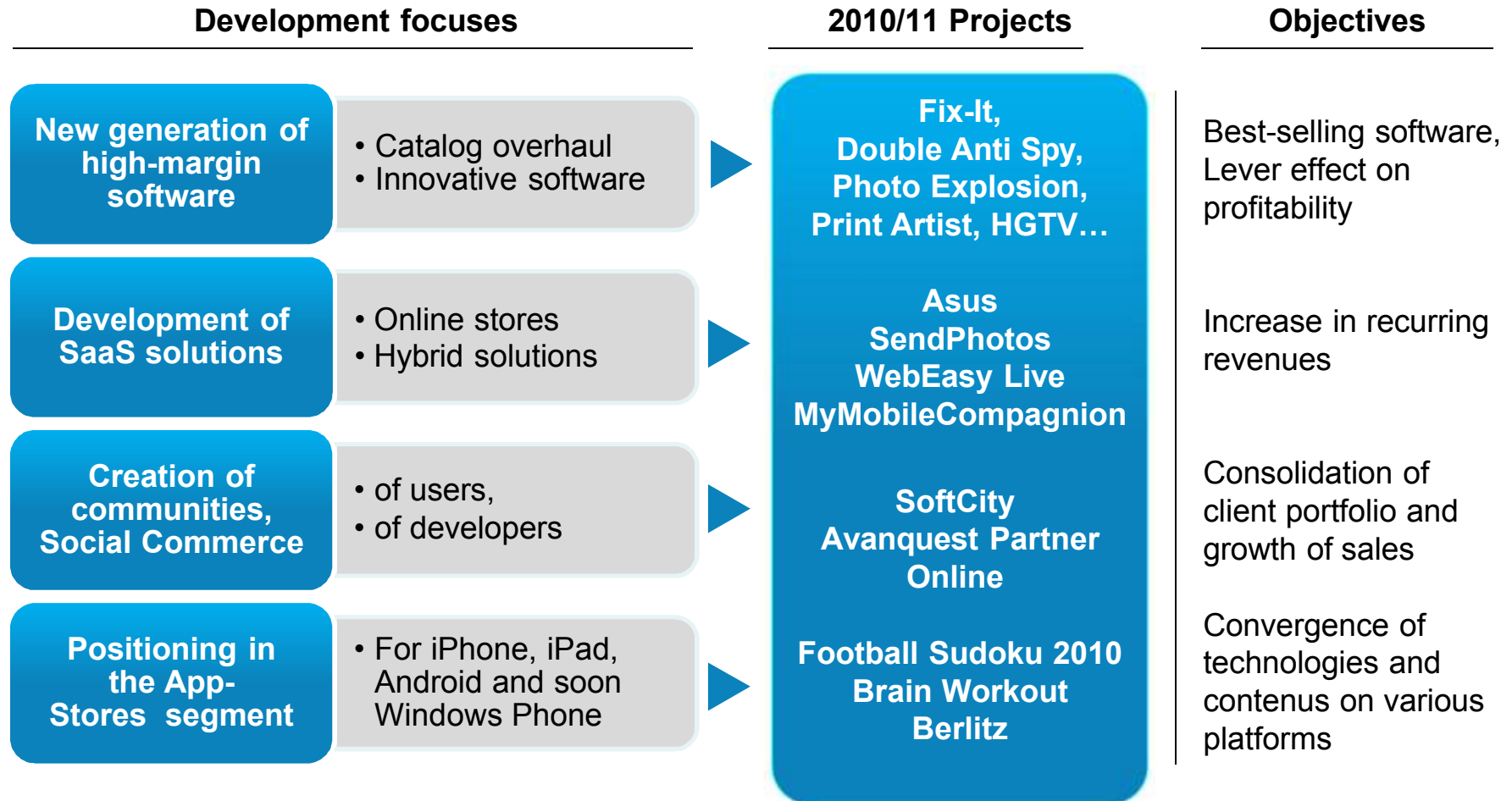


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# New advances to support and even anticipate changes in marketing technologies and methods



Innovation strategy: convergence of technologies and platforms, Online and SaaS



**Convergence of technologies, Expansion of sales channels, Recurring revenues**

# The fundamentals: A line of best-selling software constantly updated



Innovation strategy: convergence of technologies and platforms, Online and SaaS

## Utilities & Security

Avanquest Software

**N° 1**

In the USA  
in the

**Disk Utility** category  
according to NPD  
Techworld

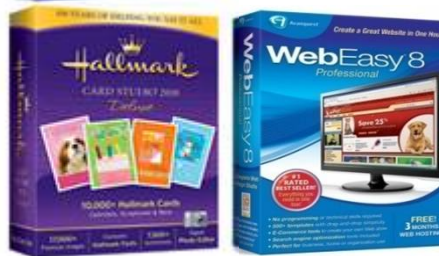


## Multimedia & Graphics

Avanquest Software

**N° 2**

in the  
**Imaging & Graphics**  
Category behind  
Adobe  
According to NPD  
Techworld



## Digital games

Proprietary content for the  
new platforms



In the UK,  
3 games published by  
Avanquest in the  
**Nintendo DS and Wii**  
top 10



## Mobility & Networks

Agreements with the  
biggest names in the  
computer and  
telecom industry,  
operators totaling  
more than

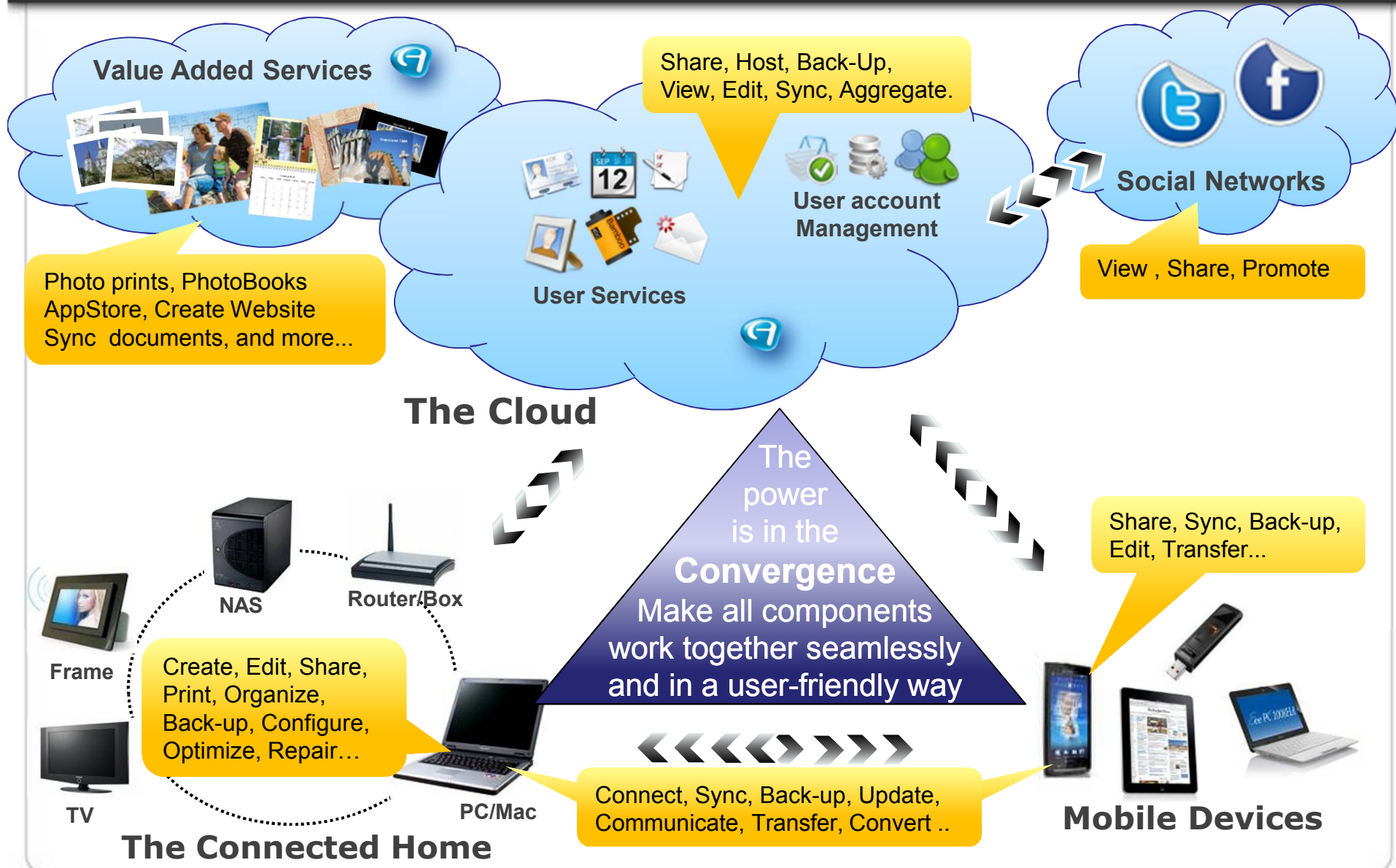
**200 M**  
licenses



# Innovation strategy: Ultimate convergence of technologies, platforms, Online and Software as a Service



Innovation strategy: convergence of technologies and platforms, Online and SaaS



# MobileCompanion: the new generation of MobilePhoneTools



Innovation strategy: convergence of technologies and platforms, Online and SaaS

*myMobileCompanion is the next generation of MobilePhoneTools, offering the best of online, mobile and local apps & services!*

**myMobileCompanion** is a global framework based on a 3-component functional model:

- 📍 Online portal and services
- 📍 Desktop applications
- 📍 Mobile apps and services



Development supported by OSEO Innovation  
First demos at Mobile World Congress in Barcelona, February 2010

# SendPhotos: The Ultimate convergence between cell phone, PC and Web



Innovation strategy: convergence of technologies and platforms, Online and SaaS

**SendPhotos**, The whole world of photos just a few clicks away:

- 1) **Print**: Professional online printing of Photo Books, Calendars, Objects, Greeting Cards, Printings...
- 2) **Share**: Private sharing of Photos and Albums, Photo Books with Friends and Family and over Social Photos and Albums Networks, photo...
- 3) **Store**: All images and projects are saved and secure



# SendPhotos for the OEM channel: full personalization



Innovation strategy: convergence of technologies and platforms, Online and SaaS

SendPhotos is already successful in OEM

First customer: Agfa Photo, launched in March 2010 - MyAgfaPhoto.com

**Modular Architecture**  
**100% customizable**

- ⇒ Branding,
- ⇒ Account management,
- ⇒ Sharing,
- ⇒ Publishing,
- ⇒ Printing,
- ⇒ Secure storage,
- ⇒ Shopping cart/payment,
- ⇒ Back office, ...

# WebEasy Live: WebEasy takes over as SaaS



Innovation strategy: convergence of technologies and platforms, Online and SaaS

WebEasy Live is a 100% online application for creating Web sites easily and quickly from templates, with the same level of functionality as the best classic applications

- ⑦ First commercial implementation of a fully SaaS solution under the Avanquest name
- ⑦ It will be actively marketed both generically as an OEM solution, and as an Avanquest service.
- ⑦ Launch in Q4 2010

Build your site - Member log in  
email    
• Register • Forgot your password?

## Web design power you can share

**GET STARTED NOW!**

- 1 1000s of style options for the perfect look.
- 2 Add, remove and rearrange pages in a snap
- 3 Click to edit everything directly on the page
- 4 Drag and drop objects: videos, maps, forms and more!

Discover a visual website builder **powerful** enough for designers and **easy** enough for small businesses to use. Share **fully editable sites** and collaborate on content and style

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# Convergence of technologies: photos, videos, photo retouching



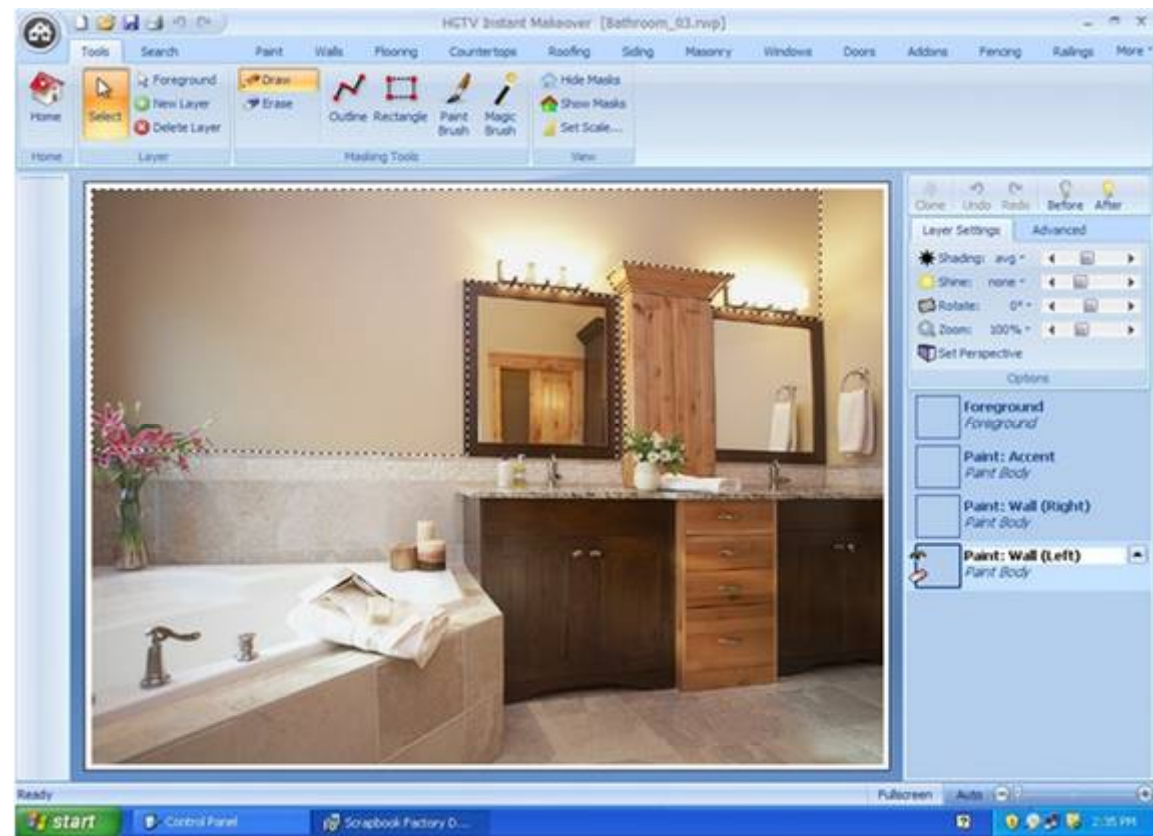
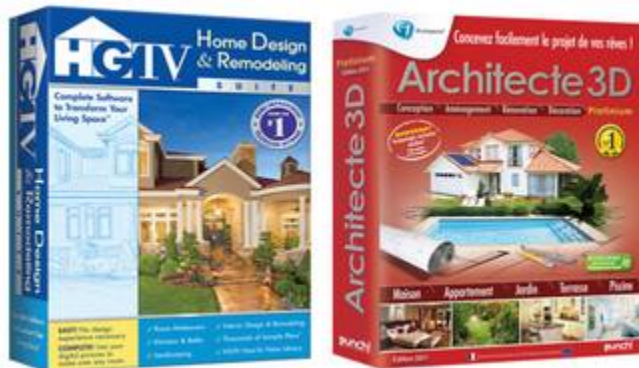
Innovation strategy: convergence of technologies and platforms, Online and SaaS

## Huge international successes

- 🔗 Allows easy visualization of possible changes using real photos
- 🔗 Rotation of elements possible to better visualize the results
- 🔗 Includes “How-To tips” videos

Available for Windows & Mac

Beginning March 2010



# Proprietary content for SmartPhones & Tablets: iPhone, iPad, Android, Windows Mobile 7



Innovation strategy: convergence of technologies and platforms, Online and SaaS

🔗 Launch of first paid application: +3,000 downloads in one week



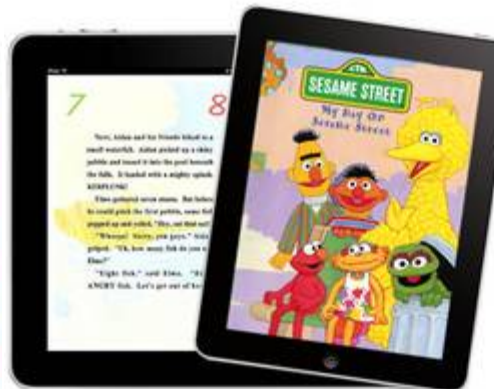
Soccer Sudoku 2010



🔗 A whole series of applications scheduled for the second half: range effect



To complement the Retail offer



eBooks on iPad

Applications for children, to learn to read or for fun



OEM partners have big demand for applications for their platforms

# A new initiative: Avanquest Goes Green



Innovation strategy: convergence of technologies and platforms, Online and SaaS

- The first line of Green IT software to be marketed in all channels: Retail, Web, Corporate

Avanquest Software Innovation Digital

Green Technology

Print saver eco

Réduisez jusqu'à 60% votre consommation de cartouche d'encre et de toner, sans perte de performance\*

Idéal pour préserver la planète et réduire vos factures!

Satisfait ou remboursé\*\* 30 jours

Licence 3 postes

Avanquest Software Innovation Digital

Green Technology

Energy saver eco

Réduisez jusqu'à 40% la consommation d'électricité de votre PC, sans perte de performance\*

Idéal pour préserver la planète et réduire vos factures!

Satisfait ou remboursé\*\* 30 jours

Licence 3 postes



- Simple positioning:



Idéal pour préserver la planète et réduire vos factures !

- Creation of a European label to support the line in all countries



# Development of the Corporate channel through Online



Innovation strategy: convergence of technologies and platforms, Online and SaaS

A single portal for downloading a complete range of software in single- or multi-station versions for companies (up to 10,000 user licenses)

**Avanquest Partner Online**

Introducing Avanquest Partner Online...  
*...the one-stop solution for all your business software products; all delivered via instant electronic download!*

Dear Partner  
 As a reseller of business software, we thought you'd be interested in the new Avanquest Partner Online Reseller Program. Offering **competitive trade discounts**, great margin and no logistical costs, it's a **fast and flexible** way of **electronically delivering** some of the **world's best-selling business titles** directly to your customers.

Joining Avanquest Partner Online is completely free and offers a host of great benefits for you and your customers!

Find out more by visiting our website at [www.resellers.avanquest.com/uk](http://www.resellers.avanquest.com/uk)

Kind regards  
 Louise Hunter  
 Avanquest Partner Online Sales Team

**MEMBERSHIP BENEFITS:**

- Printed Reseller Welcome Pack
- Great margin with zero delivery and storage costs
- A wide range of products all available via electronic download - So you're never out of stock!
- Instant pricing and 30 day credit terms
- Exclusive offers and loyalty scheme
- Comprehensive sales and marketing support

"Sign up today to receive 2 free copies of each of these best-selling products!"  
 "One for your personal use, and one to sell on to your customers!"

**WORTH OVER £200**

Plus, earn up to an extra 5% discount with

**Avanquest Partner Online**

LOGIN:  PASSWORD:  [Log in](#)

[If you've forgotten your password, Click here](#)

Join today and receive over **£200** worth of **FREE** software

MACROSOFT OFFICE TOOLS SECURITY UTILITIES WEB, GRAPHICS & DESIGN

SEARCH:  [OK](#) [Cancel](#) [Go](#) [Click here for a Virtual Tour of Avanquest Partner Online](#)

Welcome to Avanquest Partner Online, your one-stop solution for Corporate Software products; all delivered via instant, electronic download!

With competitive trade discounts, great margin potential and no logistical costs, Avanquest's Partner Online offers you a fast, flexible and simple solution for delivering best-selling corporate products to your customers.

There are great reasons to join and signing up is quick and easy to do. Simply click on the 'Create An Account' button and start making money today!

[Create an account](#)

**YOUR RESELLER ADVANTAGES** **10 Great Reasons to Sign-Up Now!**

- Great Margin**  
Excellent trade discounts on all titles
- Instant Customer Satisfaction**  
Immediate delivery to your customers 24/7
- Never Out of Stock**  
Everything supplied as ESD
- Days a week**
- Reduced Costs**  
Zero delivery and storage costs for you
- Free Up Your Cash**  
30 days credit instantly available
- Easy to Sell**  
Marketing info available online, for you and your customer!
- Exclusive Offers**  
Regular money-making promotions delivered to your inbox
- Instant Pricing**  
No confusion over single and multiple licence prices
- Loyalty Programme**  
Earn extra discount with every purchase

**TOP SELLING PRODUCTS:** Expert PDF 8 Pro

**NEW PRODUCTS JUST IN!** Hero 10 Multimedia Suite

**SPECIAL OFFERS:** FREE SOFTWARE!



**Avanquest Partner Online: the unique European portal selling software online for resellers**

# SoftCity, the Unique Software Social Marketplace



Innovation strategy: convergence of technologies and platforms, Online and SaaS

## A major innovation

- ④ The merging of merchant e-commerce on one hand and the communication-based social network on the other form what is called **Social Commerce**.
- ④ Avanquest is participating with SoftCity in what is the basic trend for the next 5 years.



### SoftCity iPhone

All SoftCity Café in your pocket

The SoftCity iPhone app puts expert software advice at your fingertips. SoftCity is a social commerce community for software users of all skill levels to find advice from experts and developers on the applications you use every day. ...

Mobile



## SoftCity enjoys Microsoft's trust:

*"We are thrilled that SoftCity, which brings many independent developers into its community, has joined our network of partners for the BizSpark™ program,"* declared Cliff Reeves, General Manager, Emerging Business Team at Microsoft. *"SoftCity, one of the first communities built around software, bringing together users, experts and developers, features a completely innovative social-commerce concept for BizSpark members to engage with each other, and to try and buy software."*



## Outlook

A new growth dynamic and sustainable rise in earnings



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# 2010-11 Outlook



A new growth dynamic in revenues and earnings

## Innovation remains the growth driver

- ☞ A catalog of best-sellers as strong foundation
  - ▶ Lever effect of SaaS solutions
- ☞ A capacity for innovation providing new bases for organic growth
  - ▶ Expansion of distribution channels ⇒ access to new customers
- ☞ A value-creation pool for the future
  - ▶ Multiplatform technologies and content

## New growth dynamic

- ☞ Economic recovery in the USA
- ☞ Pursuit of the Web strategy
- ☞ New growth drivers
  - ▶ Avanquest Partner Online, SoftCity

## Continuation of the strategy targeting profitability increase

- ☞ Focus on high-margin products
- ☞ Volume effect
- ☞ Lever effect of download solutions

## Purposeful participation in industry consolidation

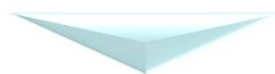
- ☞ A market with limited growth over the last two years but rapidly consolidating
  - ▶ Market opportunities to be seized
- ☞ Well-defined acquisition criteria
  - ▶ Technological building blocks
  - ▶ Geographic complementarity

# Conclusion

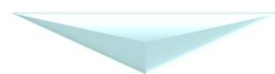


A new growth dynamic in revenues and earnings

Despite the crisis, Avanquest has maintained its R&D investment in strategic areas like convergence of technologies among mobiles, PC and Internet



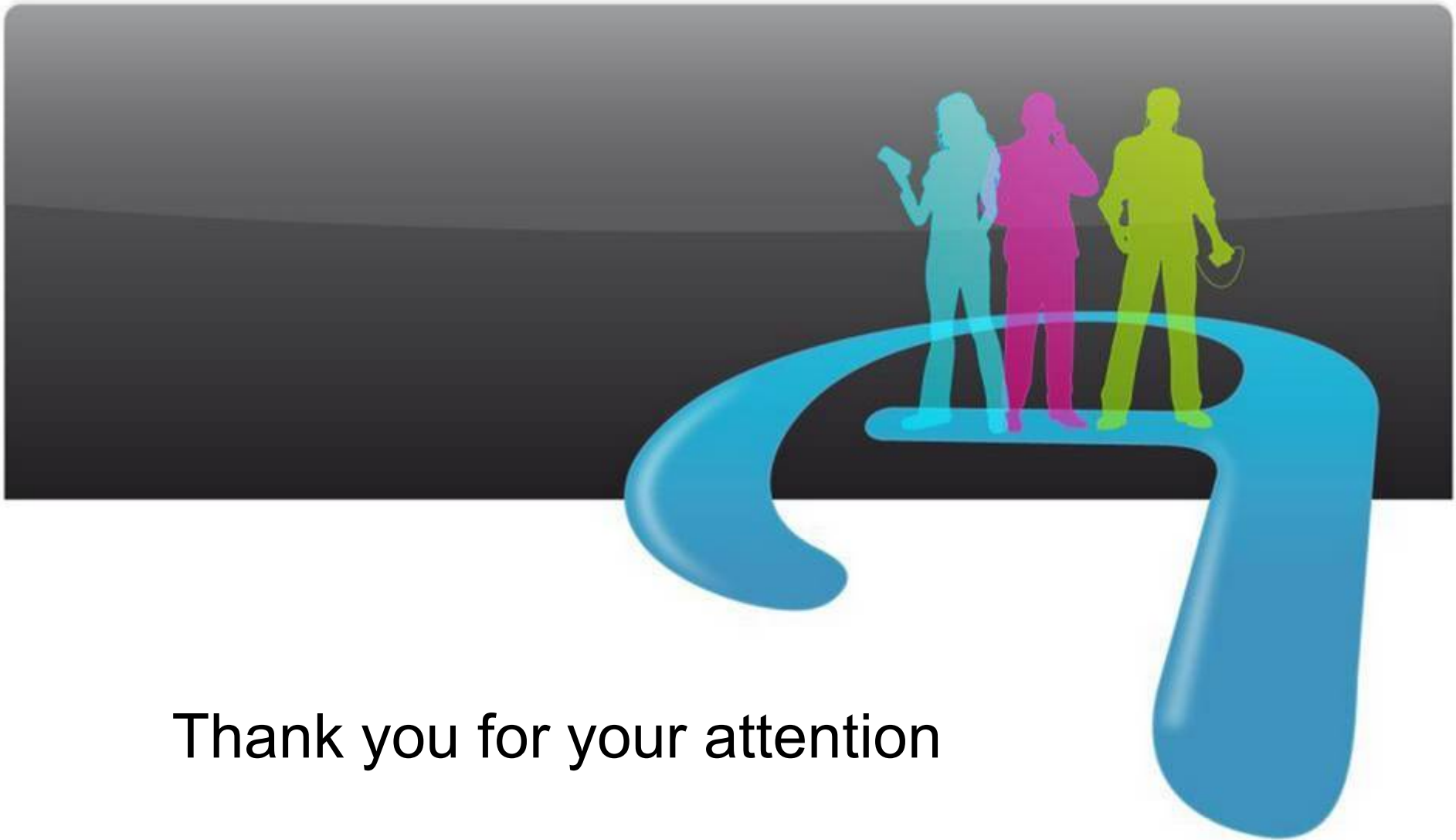
Conditions are right for a new spurt and a steady increase in revenues, and Avanquest has the cash and equity necessary to grow



The additional funds contributed by FSI will allow a more aggressive build-up strategy, in a rapidly consolidating market



Considering the technological advances over the last two years, the trends seen in recent months and the rise of the dollar which favors the Group's revenues (48% of sales made in dollars), Avanquest is confident of its prospects. For 2010-11 the group expects growth in sales associated with a new rise in profitability in the second half.



Thank you for your attention



Avanquest® *software*  
Innovation Inspired