ARI NETWORK

Moderator: Roy W. Olivier
December 11, 2014
4:30 p.m. ET

Operator: Good day, ladies and gentlemen, and welcome to ARI Network's first quarter fiscal 2015 conference call and webcast. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session, and instructions will be given at that time.

If anyone should require operator assistance during the conference call, please press star, then zero on your touch-tone telephone. As a reminder, this conference call may be recorded. I would now like to hand the conference over to Mr. Steven Hooser, investor relations for ARI Networks. Sir, you may begin.

Steven Hooser: Thank you for joining us today to discuss our fiscal year 2015 first quarter financial results. With me on the call today are Roy W. Olivier, President and Chief Executive Officer, and Bill Nurthen, Chief Financial Officer.

After prepared remarks, we will open up the call to a Q&A session. Please note that we are also webcasting this call on our investor relations Web site at investor.arinet.com. The earnings press release was issued earlier and is also posted on the investor relations Web site.

Before I turn the call over to management, I'd like to remind everyone that during today's call, including the Q&A session, we may make forward-looking statements regarding expected revenue earnings, future plans, opportunities, and other expectations of the company.

These estimates, plans, and other forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied on this call. These risks are detailed in our most recent annual report on Form 10-K, as such may be amended or supplemented by subsequent quarterly reports on Form 10-Q or other reports filed with the Securities and Exchange Commission.

These statements made during this conference call are based upon information known to ARI as of the date and time of this call. ARI assumes no obligation to update the information presented in today's call.

During today's call, we will also discuss non-GAAP financial measures, including EBITDA. These measures, when used in combination with GAAP results, provide us with an additional analytical tool that allow us to better understand our business. A reconciliation of GAAP to non-GAAP measures can be found on our investor relations Web site.

With that, I'd like to turn the call over to Roy W. Olivier, ARI's President and Chief Executive Officer.

Roy W. Olivier: Thanks, Steven. And thank you for participating in today's call. We sincerely appreciate your time and your continued interest in ARI.

Results for the first quarter were in line with our expectations. They included record revenues and improvement in operating income, net income, cash flow, and EBITDA over F.Y. '14. Also, we continue to see strong performance in terms of new sales bookings. I'm particularly happy with the dramatic improvement in free and operating cash flow. It's a strong testament to Bill and his team's hard work over the past two or three quarters to position the company so well.

As you know we're very excited about our latest acquisition of TCS Technologies, which closed during the quarter. This quarter's results include one month of TCS's results, which were basically in line with our expectations. I remain very excited about our progress into the wheel and tire vertical. The combination of our business and the TCS business makes this one of the largest segments of ARI's revenues.

Considering we entered this business in December of 2012, we're proud of the progress we have made moving ARI into larger vertical markets and our journey to drive higher revenues and ultimately higher profits. I'll discuss these items and our progress versus our strategy in more detail later in the call.

For now, I'll turn the call over to Bill to go over the financials in detail, and then I'll be back to comment on our strategic progress and outlook.

Bill Nurthen: Thanks, Roy, and good afternoon to everyone listening on the call. I will now share with you some more details regarding our financial results for the first quarter ending October 31, 2014.

Before I go through some of the financial details, I wanted to remind everyone that we closed the TCS transaction on September 30, 2014. The impact of this is that there is approximately one month of TCS's performance incorporated into today's Q1 financial results.

Total revenues for the first quarter were $9.1 million, which compares to $8.2 million in the same period last year and $8.5 million in the prior quarter. The year-over-year increase represents approximately 6 percent organic growth with the remainder coming from the incorporation of TCS. Recovering revenues were $8.2 million compared to $7.7 million in the same period last year and $7.8 million in the prior quarter. Recurring revenues represented 89.5 percent of total revenues for the three months ended October 31, 2014, versus 94.7 percent in the same period last year and 91.7 percent in the prior quarter.

The primary reasons for the year-over-year decline in the recurring revenue mix are that TCS has a lower mix of recurring revenues, and we also had a large professional services engagement which impacted the mix this quarter, as well as in the prior quarter.

With respect to the TCS mix, their recurring revenues are technically lower given their business management software suite is sold through perpetual licenses. That said, this revenue has recurring revenue components to it, given these licenses often come with recurring maintenance. Additionally, the

business management software has similar gross margins to ARI's recurring revenue businesses.

Turning to profitability, we are off to a good start in the first quarter of our fiscal year. Our gross profit improved to $7.4 million, or 80.8 percent of revenue, compared to $6.6 million, or 80.9 percent in the same period last year, and $7 million, or 81.6 percent of revenue, in the prior quarter.

The sequential decline in the growth margin was driven by the mix of TCS revenue for the consolidated month ahead of lower gross margin, as well as the additional professional services revenue in the quarter, which also has a lower gross margin.

The firm recorded an operating profit this quarter of $283,000 versus an operating profit of $167,000 in the same period last year and $430,000 in the prior quarter. We were pleased to be able to achieve this increase in operating profit, despite incurring over $200,000 in charges in the quarter related to the TCS acquisition.

The sequential decline in profit was a result of the aforementioned charges related to the TCS transaction, as well as an increase in sales and marketing expense, as Q1 is traditionally a high trade show spend time for us, versus Q4, where there is very little trade show spend.

Pre-tax profit was $193,000 versus pre-tax profit of $109,000 in the prior year and $404,000 in the prior quarter. Interest expense was $19,000 higher than both the same period last year, as well as in the prior quarter, as a result of the refinancing of our term loan in order to finance the TCS transaction.

From an earnings per share perspective, debt income for the first quarter was $104,000, or $0.01 per share, compared to net income of $25,000, or $0.00 per share, a year ago, and $174,000, or $0.01 per share, in the prior quarter.

Looking at EBITDA, EBITDA as $1.2 million in the first quarter compared to $1.0 million in the same period last year and $1.4 million in the prior quarter. Similar to our operating profit, we feel good about the start to the year from an EBITDA perspective. Despite the aforementioned TCS charges of over

$200,000 in the quarter, we are essentially at the same EBITDA performance as we achieved in the first and second quarters combined for the prior fiscal year.

Sequentially, the EBITDA did decline. However, this was attributable to the TCS charges, as well as the previously noted seasonality in trade show expense. Turning to cash flow, we continue to see strong performance in both operating and free cash flow. The first quarter once again represented record performances for the company in both these categories.

Cash flow from operations for the quarter was over $1.6 million compared to negative $26,000 in the same period last year and $1.3 million in the prior quarter. In the first quarter, we have already achieved more cash flow than we did in the first three quarters combined last year.

On a trailing 12-months basis, our cash flow is in line with our EBITDA. And for the last nine months, it has actually exceeded our EBITDA. Free cash flow, which we calculate as cash flow from operations, less capital expenditures and software capitalization, was $1.3 million for the period versus negative $800,000 in the same period last year, and $900,000 in the prior quarter. Again, we are off to a great start here when you consider free cash flow for all of fiscal year 2014 was negative $46,000.

As we look ahead to Q2, it is seasonally a period of our lowest cash receipts. We also expect higher cash outflows relate to payment of TCS's transaction costs. Additionally, CAPEX has been lower for the prior quarters, and we anticipate a ramp-up for that in the second quarter.

As a result, it is likely that the Q2 cash flow result will not be as strong as Q1 or some of the recent quarters. That said, as I stated on the last call, we do believe the overall trend in year-over-year cash flow improvement remains intact.

As we turn to the balance sheet, I wanted to make some comments regarding how we financed the TCS transaction. The consideration for the TCS transaction consisted of a $4.2 million cash upfront payment, a seller note for $3 million, and approximately 619,000 shares of ARI common stock. There's

also an earn-out based upon the attainment of certain revenue targets over the next three years.

The upfront payment was funded through a refinancing of our senior debt with Silicon Valley bank, which resulted in incremental funding of $2.1 million. The resulting new balance on our term debt is $6,050,000, and this will come due September 30, 2019.

We funded the remainder of the closing payment through a mix of our line of credit and operational cash flow. As of October 31st, we had $1 million outstanding on the line of credit, meaning we funded approximately $1.1 million of the initial payment through our operational cash flow.

As stated, our cash flow was strong for the quarter, so even with this funding, we were able to maintain a cash balance at $1.6 million as of the quarter end, compared with $1.8 million as of the end of the fiscal year 2014.

Looking at debt, our current and long-term notes payable on our balance sheet summed to $9,050,000. This represents the $6,050,000 of the new term debt, as well as the $3 million in seller financing associated with the TCS transaction.

Total debt, which we calculate as debt from our line of credit, notes payable, and capital lease obligations was $10.5 million as of the quarter end. The company's debt to equity ratio stood at 54.1 percent versus 26 percent at the end of last quarter. While this debt-to-equity ratio is significantly higher than recent quarters, the company has operated with a debt-to-equity ratio as high as 76 percent as recently as the second quarter of fiscal year 2013.

Additionally, our profitability and cash flow prospects today are much stronger than they were back then, and when you consider the combined operation – operations of TCS, we feel comfortable that we can continue to service this debt, as well as continue to pay down the line of credit.

I will now turn the call back over to Roy.

Roy W. Olivier: Thanks, Bill. To start, I'd like to summarize some of the key accomplishments since our last call, many of which were previously reported. First, we launched our first mobile application that allows dealers to quickly add inventory to their Web site, including taking photographs of that inventory, to drive more leads and ultimately increase sales. This is a first-of-its-kind solution in the industries we serve.

Second, we launched a major upgrade to our e-commerce platform that improves the user experience in virtually every area and allows dealers to feed their new and used inventory to major marketplaces like Craigslist, eBay, CycleTrader, BoatTrader, and more.

This works in conjunction with our mobile application so that a dealer can add a new or used inventory item using the mobile app, take pictures of it with their phone, and then automatically feed that item to one or multiple marketplaces.

All of these changes were designed to drive more leads and sales of new and used inventory for our dealers. We do charge for some of these upgrades, which we expect to translate into improved upsells and new bookings for ARI. We've already seen an improvement in new bookings and upsells with this release, and we expect to see churn reduction in the coming months.

Third, we continue to show progress with our new digital marketing suite of services. During the quarter, the editors of HME Business, the leading home medical trade magazine, awarded our service a 2014 New Product Award. In addition, a major marine OEM selected ARI to provide digital marketing services. Both of these accomplishments underscore that we're on the right track with this new offering, which is posting triple-digit year-over-year growth.

Fourth, we added Chad J. Cooper to our board of directors. Chad is a long-term shareholder of ARI and has over 15 years' experience in investment banking and capital markets.

Finally, we announced the acquisition of TCS Technologies. As previously reported, we expect TCS to add about $5 million in revenues in F.Y. '15 and

be accretive to our EBITDA and cash flow. All in all, it was another busy quarter here at ARI.

Since the close of the quarter, we also announced our first partnership with Shopatron. This is a solution utilizing our e-catalog with Shopatron's backend technology that allows an OEM to provide a centralized Web site for consumers to order parts, but routes those orders to the local dealer for fulfillment. This provides a feature-rich experience for consumers, but routes the order and ultimately the revenue to the local dealer.

This partnership is consistent with our strategy to support the local dealer channel, and we view this as a revenue opportunity for most of the 120 OEMs that we work with.

Before I discuss our progress on key performance indicators and strategy, I'd like to quickly review our growth strategy. Over the next few years, we expect ARI to grow through a combination of organic growth and acquisitions that in line with our strategy. We expect almost half of that growth to be organic, with the remaining coming through strategic acquisitions.

Given our current market share in many of the markets we serve, we expect growth in our current verticals to primarily be driven by the automotive wheel and tire vertical, the home medical equipment vertical, and from the sales of our new digital marketing services, into all verticals.

We also plan on launching a solution suite into the automotive after-market service segment. We believe that the combination of ARI's software solutions with the new TCS solutions will deliver a powerful value proposition in this new vertical market.

I'll also remind you that there are about 80,000 service centers in this segment, making it one of the largest markets we serve in terms of its total addressable market.

Within the markets we currently serve, we think about growing them in three ways. First, we focus on adding new customers or new logos. A majority of our sales and marketing spend is dedicated to onboarding new logos. Over the

past 12 months, we've seen strong new bookings in this area, and we plan on continuing to invest in adding salespeople that take market share as long as the economic conditions support it and it generates results.

Our payback period for our new sales investment versus the annual contract value, or ACV, of new deals was about 12 months in the quarter. As long as this payback period that we refer to as our CAC ratio remains a 12- to 18-month payback, we will continue to invest in growing our market share as long as market conditions support it.

Second, we have a team that focuses on upsells, with the intent to raise our average revenue per dealer across our customer base. Examples of upsells include adding new catalog content to an existing dealer or adding new features, like our mobile application or marketplace feeds products discussed earlier. With the addition of these new features, we've also seen strong upsell bookings during the quarter and expect to continue to see growth in this important area of our business.

Finally, we have and continue to spend considerable time on reducing customer churn. This is the measurement in dollars of customers that do not renew their subscription. Some of the new upgrades and new features discussed earlier in the call are specifically targeted at improving the return on investment for the dealer and ultimately reducing ARI's churn rates. We have successfully reduced churn over the past four years and will continue to improve our products and services with the long-term goal of driving churn below 10 percent across all products.

Turning to the TCS acquisition, we're off to a great start. We found their staff to be very dedicated to helping their customers sell more stuff, and we are delighted to find that their culture is similar to ARI's. We expect that the combination of ARI's wheel and tire business with TCS's business will result in strong growth over the next year.

All of the quarter's accomplishments are in line with the five strategic pillars that we have discussed in previous calls and in our 10-Q. Overall, I continue

to believe that the business is on a strong footing, and our leading indicators point to another strong year for ARI.

In summary, we continue to make good progress executing on our plan and returning toward historic EBITDA margin levels. We continue to expect high-single-digit organic growth early in F.Y. '15, growing toward low double-digit growth as we progress through the latter half of F.Y. '15. As previously mentioned, we also expect TCS to contribute about $5 million in revenue during F.Y. '15.

We continue to see a lot of new sales and business development opportunities, and we will continue to aggressively pursue those to the extent they are consistent with our overall strategy. I continue to be very excited about our prospects for F.Y. '15 and believe it will be another year – another record year in many respects.

Before I open up the call for questions, let me ask you to please limit your questions to two, and if you have more than two questions, please go back into the queue. Operator, please instruct our listeners how to queue up.

Operator: Thank you, sir. Ladies and gentlemen, if you'd like to ask a question, please press star, then one on your touch-tone telephone. If your questions have been answered and you wish to remove yourself from the queue, please press the pound key. Once again, if you'd like to ask a question, please press star, then one.

And our first question comes from Ed Woo from Ascendiant Capital. Your line is open. Please go ahead. If you have your phone on mute, can you unmute your phone, please?

Ed Woo: Sure, congratulations on a great quarter, guys. I had a question in terms of the you know macroeconomic environment in the U.S. It looks like unemployment is you know improving significantly. It looks like the economy seems to be you know getting much better. Is there an impact on your business and on some of your dealer businesses?

Roy W. Olivier: Yes, certainly that, plus oil prices, is leaving more cash in consumers' pockets, and that's driven some additional (door swings) in revenue in our dealer base especially as it relates to recreational products like RVs, boats, motorcycles, et cetera.

So our dealers have continued to be very, very busy during the summer and fall, and that ultimately means they buy more stuff from us. So it has been helpful.

Ed Woo: That sounds good. And then a second question I have is you know now that you are you know completed the TCS acquisition you know how much capabilities do you have to you know do another acquisition of this size in the near term, in terms of (inaudible) probably about you know a year-and-a-half or two years? And do you think that there could be another acquisition you know within the next 12 months?

Roy W. Olivier: Yes, our ability to do acquisitions at this point is limited by our ability to integrate them and fund them. There's certainly a lot of opportunities out there. We are integrating TCS in a different way than we have historically, and I'll remind the group that TCS is profitable, has been fairly high growth, and has had substantial cash flows. So unlike 50 Below, it's not a project that will require a tremendous amount of effort to take cost out and to integrate the business very rapidly in order to get it cash flow positive.

So we feel like this business is a business that can run and integrate a little bit quicker than some of the previous acquisitions we've done. And we do feel like the timeframe between TCS and a future possible acquisition will be much shorter than the timeframe between 50 Below and TCS. However, as I mentioned earlier, our ability to do acquisitions will be limited by our ability to fund them and our ability to integrate them.

Ed Woo: Great. Thank you, and good luck.

Roy W. Olivier: Thank you.

Operator: Thank you. And again, ladies and gentlemen, if you'd like to ask a question, please press star, then one on your touch-tone telephone. Our next question

comes from Kevin Dede from H.C. Wainwright. Your line is open. Please go ahead.

Kevin Dede: Thanks. Good afternoon, guys, and let me add my congratulations on the nice quarter, Roy.

Roy W. Olivier: Thanks, Kevin.

Kevin Dede: Sure. So I guess mostly for Bill at this point, I'm curious on your outlook for operating expenses, given that you'll have the full three months at TCS in the January quarter, and you also mentioned that, yes, you had $200,000 worth of expenses related to that deal. I'm just wondering what you see in – for the January quarter in terms of expenses for that acquisition. Will that include them all?

Bill Nurthen: Yes. So you know we're – just to answer the latter part of that, we are beyond the significant charges related to the TCS acquisition. So you know as I look out for operating expenses going forward you know I think that $200,000 is – that is something in Q1 that is not going to be in Q2 and go forward.

I also mentioned in the script just some of our seasonality and trade show expense. Just on trade show, booth space and things like that for the quarter, we spent over $100,000 in trade shows in the quarter. So that will abate as we head into next quarter.

Typically, trade show season kind of kicks off right after the summer, so we see heavy trade show, September, October, and it does go into November, but then it starts to go down a bit as you get into the holidays. So the outlook from an operating expense standpoint, I think you know when you look at those, those are a couple of things that will not be in future quarters going forward.

Kevin Dede: OK, thanks, Bill. Roy, this question's a little loaded. I apologize in advance. Could you compare and contrast the Shopatron deal with the Fidelitone deal and then highlight what you liked about the LCT agreement?

Roy W. Olivier: Yes, all great questions. First off, the Shopatron deal is really where the manufacturer Shopatron and ARI team up to you know build an online presence for the sale of something, either parts or accessories. But the order is ultimately fulfilled by the dealer, so the order goes to your local dealer there in town, and they pick back and ship it, and they get the revenue, et cetera.

The Fidelitone deal that we announced previously is a relationship we have in place where they are literally a distribution center. So that's a case where we work with, frankly, it's 22 – it's a group of 22 (inaudible) power manufacturers. They sell products to a big box chain here in the United States. That big box chain wants to sell parts for the 22 brands of outdoor power products that they sell in their big box stores.

And if you walk into one of those big box stores and you order a part for your snowblower or your mower that's broken, it's literally picked, packed, and shipped by Fidelitone. So Fidelitone is a third-party logistics provider that can enhance a manufacturer or a large customer's pick, pack and ship capability, because a lot of the OEMs we deal with, they're used to B2B shipping. They're used to shipping product to their dealer channel. And they don't have the capacity or willingness to do B2C shipments. And that's where we would partner with Fidelitone to have a B2C shipment – third-party logistics provider where we can help that manufacturer ship directly to a consumer, instead of having to do that out of their own warehouse.

Kevin Dede: OK, I apologize for interrupting, but the Shopatron guys just route the order to the dealer and the dealer will be responsible for shipping?

Roy W. Olivier: Yes. The dealer will be responsible for shipping, exactly.

Kevin Dede: OK. And then last time I saw you – and I apologize for running over my two question allotment, but this will be my last one. Just last time I saw you, you mentioned the – you know the Liquid Combustion Technology agreement and that – you just like the way that works out for ARI. And I just didn't get a chance at that point to ask you why and, given that, we're probably six months past that announcement. Can you give us some insight on how it's developing?

Roy W. Olivier: Yes, LCT is a Chinese engine manufacturer. We're excited about that opportunity, because it is the first time we've actually directly entered into a relationship with a Chinese manufacturer of any kind. And it is really intended to strengthen our value proposition in the United States and outside the United States for the multi-line dealer.

So a dealer that carries five, six, seven brands and also carries the LCT engine product, it gives us catalog content that we did not have previously that we can round out our value prop and other markets, and LCT is also making a push to move more aggressively into the U.S. market.

So we're excited about it, because it's the first time we've dealt directly with a large Chinese manufacturer.

Kevin Dede: Got it. Thanks a lot, Roy, and congrats again. And, also, thank you, too, Bill.

Roy W. Olivier: Thank you.

Bill Nurthen: Thanks.

Operator: Thank you. Again, ladies and gentlemen, if you'd like to ask a question, please press star and then one on your touch-tone telephone. Once again, if you'd like to ask a question, please press star, then one. Our next question comes from Sam Namiri from Grand Slam Asset Management. Your line is open. Please go ahead.

Sam Namiri: Nice quarter, guys. Just want to congratulate you guys on the team.

Roy W. Olivier: Thank you.

Bill Nurthen: Thank you.

Sam Namiri: Just a quick question for Bill. In terms of just backing out the TCS acquisition, in terms of revenues, am I fair to assume that it's like around $400,000 the revenues came from that month?

Bill Nurthen: Yes, there was about $450,000.

Sam Namiri: OK. OK, that's all I really had. Thank you.

Roy W. Olivier: Thanks, Sam.

Bill Nurthen: Thanks, Sam.

Operator: Thank you. We have a follow-up from Kevin Dede from H.C. Wainwright. Your line is open. Please go ahead.

Kevin Dede: Great. OK, so thanks, Roy. So you talked about the mobile app. I was wondering if you – you also mentioned that some of your new applications will cost your dealers. I'm assuming that that one does. I'm just wondering – I know you mentioned that your customers were looking at it favorably. I'm just wondering if you could talk to – talk to the take-up rate and – if you could give sort of a rough percentage terms of how much more it costs to your average subscription cost or fee.

Roy W. Olivier: Yes, just to summarize, there was kind of three things released. There was major enhancements to the e-commerce platform. All dealers got that, and that was no incremental cost. The mobile application is an incremental up-charge, and the application that automatically will feed all your new and used inventory to these various marketplaces is also an up-charge.

And in terms of the size of the up-charge…

Bill Nurthen: For the mobile app? Yes, it's – it's a small increment to their monthly bill.

Roy W. Olivier: (Inaudible).

Bill Nurthen: Yes, it's $50. Yes.

Roy W. Olivier: And the market – the feed – the market feed app is a little bit more expensive than that. We've only launched the apps in October, so I don't know that we have a really good idea – or I definitely don't have any data to share with you in terms of uptake rate, but they've exceeded our original plan that we used to do the ROI on the development or required to do both of those.

So, so far, it looks pretty good, but I think we'll have better data that we could report in next quarter's call.

Kevin Dede: OK, then I don't – unless I missed it, did you discuss your CAC ratio this quarter and the churn and the recent trend from 4Q?

Bill Nurthen: Yes, I did actually just mention it. I did change the way I talk about it, which probably added a little bit of confusion. Our CAC ratio for the quarter was about 12 months. And you know as long as it remains 12 months, we'll continue to press the pedal to the floor in terms of sales and marketing and adding new headcount.

Kevin Dede: OK, so no real change there?

Bill Nurthen: No, it's stayed about 12. We are a few people under headcount right now, but – in other words, we've authorized the addition of some additional people, and we're recruiting for those seats, but it has been sitting right at 12. It hasn't changed materially.

In terms of our churn rate, our churn rate for the quarter – annualized churn rate was 13 percent for the quarter. Your catalog churn was pretty much where we expected it to be in line. Web site churn came down from the last quarter, but was still a little bit higher than we'd like to see it. You know but TCS has historically been a – a large component of the churn entire wheel, given a program that they have with Goodyear that sponsors payment for Web sites.

So we counted the TCS churn in our August and September numbers, but not in October and will not count that going forward, now that we're all one family.

Roy W. Olivier: Yes, just to be clear there, if you look at our wheel and tire churn pre-acquisition, a lot of our churn was actually going to TCS. So you know that's countered in two months of that '13 number.

Kevin Dede: OK, and then just to be clear, the – how does the '13 annualized number compare to what you posted? And I apologize for not seeing it in front of me, the – for the churn ratio at year end.

Bill Nurthen: So at year end, it was 12.6 percent. So that's for fiscal year end 2014, so the '13 represents the first quarter (inaudible) annualized.

Kevin Dede: Right, got it. OK. And then, Roy, could you just peel back the onion a little bit on the integration of TCS? I know that you're – the plan is to let them run pre-independently and migrate you know ARI's wheel and tire over there. I'm just wondering where you are in terms of that integration and what your timeline is for completion.

Roy W. Olivier: Well, the (entrepreneur) that owned TCS, Barry Reese, is now VP general manager of our wheel and tire business. We have changed ARI's historic reporting structure, where our new sales team and our retention sales teams now report to Barry, including the upsell sales team.

So you know Barry basically runs the combined business today. It'll take us a little bit longer to combine some of the operational delivery aspects of the business, but Barry is the VP general manager of that business, and he does run it pretty independently.

We have done a little bit of integration in terms of HR. We'll continue to a little bit of integration in terms of accounting. We've already integrated accounts payable in the cash management, but we will not attempt to integrate it to the extent we did 50 Below, because we plan on letting Barry run it as an independent business unit. Does that help?

Kevin Dede: Helps a lot, yes, thanks, Roy. So he'll have his own P&L that he has to deliver to you? Is that what you're saying?

Roy W. Olivier: Yes, exactly.

Kevin Dede: Got it. Thanks very much for indulging all of my questions. I appreciate it, gentlemen. Congrats again on the nice job.

Roy W. Olivier: Thank you.

Bill Nurthen: Thank you.

Operator: And, again, ladies and gentlemen, if you'd like to ask a question, please press star, then one. And our next question comes from Avi Fisher from (Longcast Adviser). Your line is open. Please go ahead.

Avi Fisher: Hi, good afternoon. Just following up on the last question, did you disclose the total ACV plus upsell in new bookings growth?

Bill Nurthen: We had not disclosed that yet, but the ACV bookings in the quarter were about $1.5 million. That's total of new sale up-sale.

Roy W. Olivier: So the trailing 12-month ACV, which is in our investor deck, which would be filed as an 8-K today, shows about 30 percent on our trailing 12-month basis.

Bill Nurthen: Yes, that's correct, 30 percent year over year trailing 12 months growth.

Avi Fisher: That was the up-sale (inaudible)

Bill Nurthen: That's new sale and up-sale together, combined.

Avi Fisher: Gotcha. That's all. Thank you very much.

Roy W. Olivier: Thank you.

Operator: Thank you. I'm showing no further questions at this time. I'd like to hand the conference back over to Mr. Roy Olivier for closing remarks.

Roy W. Olivier: Thank you. And thank you again for joining us on today's call. You know we look forward to talking to you again at the conclusion of our Q2. And we hope you have a great evening.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes our program. You may all disconnect and have a wonderful day.

END