



CEOCFO

Interviews & News!

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Astea International is a software company that is focused on helping customers worldwide keep track of equipment in the field and provide better service to their customers giving them a competitive edge

ASTE^A

**Technology
Application Software
(ATEA-NASDAQ)**

Astea International Inc.

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Horsham, PA 19044
Phone: 215-682-2500**

**Fredric (Rick) Etskovitz
Chief Financial Officer**



**Debbie Geiger
Vice President, Marketing**

BIO:

**Fredric (Rick) Etskovitz
Chief Financial Officer**

Rick Etskovitz joined Astea International in June 2000, when he was elected chief financial officer and treasurer. Responsible for the firm's financial planning, investor relations, and executive guidance to help drive corporate performance, Rick brings to his position 25 years of experience in financial management and reporting. A certified public accountant, he

previously served Astea for seven years as the engagement partner from an independent accounting firm. Before beginning his career in private practice, Rick was part of the financial management team at Dupont where he held responsibilities for Mergers and Acquisitions, Financial Planning, Corporate Accounting and Benefits. Rick received his Bachelor of Science from the Pennsylvania State University and his Masters of Business Administration from the Wharton Graduate School at the University of Pennsylvania.

**Debbie Geiger
Vice President, Marketing**

Debbie brings more than 14 years of progressive technology, healthcare and consumer product experience in marketing. Prior to joining Astea, she held a marketing management position for Draeger Medical, a Draeger and Siemens Company, responsible for developing, implementing and leading the global strategic and tactical marketing communications and launch plans for acute point-of-care software. She has also worked as an independent marketing consultant, working with clients that ranged from small startups to larger more mature service and product technology companies, providing both strategic and tactical marketing services. Debbie began her career in consumer products, holding both sales and marketing positions with Lever Brothers and ACNielsen. Debbie earned her BS degree in Marketing from Indiana University of Pennsylvania and MS degree in Information Systems from Drexel University.

Company Profile:

Astea International (Nasdaq: ATEA) is a

global provider of service management software that addresses the unique needs of companies who manage capital equipment, mission critical assets and human capital. With the acquisition of FieldCentrix, Astea complements its existing portfolio with the industry's leading mobile field service execution solutions. Astea is helping companies drive even higher levels of customer satisfaction with faster response times and proactive communication, creating a seamless, consistent and highly personalized experience at every customer relationship touch point. Since its inception in 1979, Astea has licensed applications to companies, around the world, in a wide range of sectors including information technology, telecommunications, instruments and controls, business systems, HVAC, gaming/leisure, imaging, industrial equipment, and medical devices.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Etskovitz, please describe Astea and your target markets.

Mr. Etskovitz: "Astea is a software company. We are headquartered in Horsham, Pennsylvania, which is outside of Philadelphia, but we have locations throughout the world. We develop software that is geared specifically to help companies that provide services either in the form of services to equipment or to people out in the field so that companies can keep track of their equipment in the field, service their equipment and provide better services to their customers in order to give them a competitive edge."

CEOCFO: Do you target specific industries?

Ms. Geiger: “We target specific verticals such as medical devices, IT services, industrial equipment, banking like ATM machines and any kind of capital equipment, HVAC, process controls. These are high-end enterprises that have service operations that are strategic to their overall businesses. It is typically targeted towards the type of equipment where you have ongoing maintenance and service contracts. Our software supports the entire service life cycle from lead generation to sales quotation to servicing out in the field to bringing that piece of equipment back in and refurbishing it or retiring that piece of equipment.”

CEOCFO: What is unique about equipment that requires special software to control sales and the complete cycle?

Mr. Etskovitz: “Equipment is complex. If you talk about a piece of medical imaging equipment; the hospital for example has this very complex piece of equipment that is extremely expensive, it can never go down. It generates revenue for that hospital as long as it is working and it has to be working properly. You need to know what the parts are, what kind of service contract there is related to that piece of equipment so that if there is a problem the service person can get there within the required amount of time with the right parts. In the case of a piece of medical equipment, you need to do preventative maintenance so that it does not go down. You need to know every time it was serviced, what they found when they did the service, and if there are parts needed, what parts are needed, where those parts are located and which service person has the requisite skills in order to properly service the equipment so it does not go down. Some of our customers sell gaming equipment and provide services to those pieces of equipment. In the case where gaming equipment goes down, there are no revenues that could be generated while it is not working, so those revenues are lost forever. What is important is in case there is a problem, the service company finds out about that and

immediately gets out there as soon as possible and fixes the problem.”

Ms. Geiger: “To expand on Rick’s statement, that piece of equipment is made up of multiple parts that may be sourced from other vendors. Therefore, tracking the warranty, manufacturer, and every component that makes up that MRI machine or piece of equipment, and understanding if it is still under warranty is important. Servicing high-end equipment can be very complicated. For example, it could be a dial on the machine that is sourced from a third party manufacturer, and you may need to know if that part is under warranty or not. You want to be able to track all of the components down to that item that makes us that equipment.”

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- Fredric (Rick) Etskovitz

CEOCFO: Would a company typically have all their machinery under contract with you?

Mr. Etskovitz: “The software is actually a perpetual license to the customer who is generally the manufacturer or distributor of that equipment. We are not directly involved in providing the service itself. Our basic philosophy is that in the manufacturing environment that exists today, most of what we manufacture is manufactured abroad in order to take advantage of lowest cost manufacturing wherever they can find that. Services are something that you really can’t subcontract out to another country; particularly services where you need to see somebody face-to-face. What differentiates one manufacturer or distributor from another is the quality of the services that it provides to its customers. We feel that with our software the

companies that use that software, have a competitive leg up against their competition because that differentiates them from everybody else. They can provide more timely and faster service and that is going to be making money for those companies. Providing services, which years ago was not considered a profit center, are now becoming a profit center for businesses and a great differentiator when competing for new business as well as retaining existing customers.”

CEOCFO: Is there much customization involved with your software?

Mr. Etskovitz: “It depends on the needs of the customer. Our software is extremely flexible. It allows a number of setups based on the way a particular company provides its services, where its warehouses are located, how many service people it has. For the most part, customization is not something that we think would be a significant part of our software but in the event that a company has a unique need that can’t be covered by what the software does, we have the capability to customize where necessary.”

CEOCFO: What is the competitive landscape and why are customers choosing Astea?

Ms. Geiger: “Astea is in an interesting position in the market. We compete against the large ERP vendors like SAP, Oracle or Siebel who is now part of Oracle; traditionally we will run into them just because our software is so broad and covers a lot. We will also run into niche vendors, which are further dissected by things such as a mobility opportunity and it may be just to connect to the back-office, connecting the indoor and outdoor users, or it may be a scheduling optimization opportunity. Even depending on the opportunity, our competitive landscape differs. We will see some smaller vendors based upon the type of opportunity as well as the type of vertical market. In regards to differentiation, Astea is the only company that has been in the service management space for 28 years. There is probably one other competitor that maybe got into this a couple of years after us so everyone else has

either just entered into this space or has only been in it for a few years, and that is one of our core competitive differentiators. We also have extensive service management expertise. We have done over 400 implementations around the world and helped companies optimize their processes. It is really our people and professional services, with some of these people being with Astea for more than seventeen years. When it comes to helping a company with the reorganization of their business processes, streamlining their business processes, they look to Astea for advice. They want to know what are other companies in their space are doing to optimize their service businesses, what they could be doing better such as streamlining to reduce costs out and also continuing to increase revenues.”

CEOCFO: Do you reach your customers directly or is it through third parties or joint ventures?

Ms. Geiger: “Yes, we have a direct sales force.”

Mr. Etskovitz: “Most of our business is dedicated to direct sales. We do use resellers in other parts of the world, primarily Japan. We have some resellers in Europe as well but the large bulk of our sales are direct through our sales staff.”

CEOCFO: How is business?

Mr. Etskovitz: “Business is good. We have a solid pipeline of opportunities. We announced decent results for our 1st Quarter, which was an improvement over the 4th Quarter of last year and an improvement over the 1st Quarter of 2006. We think there is a lot of activity there. We came out with a new version of our product in the first quarter of 2007. It is much improved in terms of quality and functionality. In addition, we are pursuing a new market with a product that we have just released in March 2007. We have taken our FieldCentrix® solution and we have integrated embedded it in Microsoft Dynamics CRM, which is a powerful highly recognized and widely utilized piece of soft-

ware in the industry. We have worked with the Microsoft development team to better understand their solution and identify what we feel is a shortcoming in their CRM and that is in their service area. By integrating our field service solution with the Microsoft product, we have a powerful piece of software that is appropriate for small to mid-size businesses. We are working with a large group of resellers and utilizing them and their connections and expertise to market this product. We are excited about the opportunities and we think business is good and hoping it will get a lot better.”

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CEOCFO: Please tell us about your FieldCentrix acquisition and do you see additional acquisitions?

Mr. Etskovitz: “We acquired FieldCentrix® in September of 2005; they were a competitor of ours and they had a nice install base of customers. The product was known for good quality and its leading edge mobility solution, which effectively enables organizations to communicate back and forth with its service people out in the field. We have recently been integrating their mobility expertise and their solution into the Astea Alliance solution. We feel it has worked very well.

Their product is not quite as broad as ours but when mobility is a key decision criteria it becomes a powerful differentiator for us. It has contributed to our results in terms of profitability as well as revenues. That acquisition was a good one and it worked well. As for future acquisitions we are always looking at new opportunities and in the event that an opportunity should increase the functionality of our software or increase our market share we are open to it.”

CEOCFO: Where do you see growth in the next few years?

Ms. Geiger: “A lot of folks have been taking a look at their back office, trying to optimize it. Some of the growth areas that we are seeing are in the areas of mobility and scheduling and optimization. Organizations are now looking at how they can increase productivity from their workers out in the field. There is where the mobility and real time scheduling optimization come into play, and their ability to drive costs out of that process and increase technician productivity. Traditionally you could have high ratios of dispatchers to technicians because the dispatchers had to get on the phone, try to figure where the technician was and whether or not they were available and have the right skill sets. Today many companies are using white boards or paper and it is a very inefficient process. Now by optimizing the mobility and

connecting the front office to the back office, you can see on an electronic schedule board where that technician is, where they are in the work order process. You can estimate how soon they are going to be done with that job and then give them their next job without even getting on the phone. You can see, even with that process you can eliminate a lot of downtime as well as cost. We are also seeing GPS as a growing trend, knowing where that person is and giving turn-by-turn directions to ensure that they arrive at the right place at the right time. We are going to be there right along with that tech-

nology. It is getting more transparent into what that technician is doing out in the field as well as tracking the assets; making sure the truck is getting utilized and making sure the technician is where he is supposed to be. It is not intended to provide management with the "big brother" mentality but it is just to make sure that they see that this technician may be right down the street from another customer and then determine if they the right parts and then request that they stop by that customer. It is clearly about being more efficient, which translates into being more profitable."

CEOCFO: In closing, why should potential investors be interested and what might they miss about Astea?

Mr. Etskovitz: "We have been in business 28 years. There are not a lot of software companies that have that longevity. We didn't start yesterday so we are not fly by night. One of the keys is that we have long relationships with many companies. While it may not be recognized on our balance sheet, but our customers

are a good source of opportunities such as upgrading their old software. We are pretty well installed for a company of our size, all over the world. In addition, because of the companies, we have a nice maintenance revenue which comes year after year, in order for them to help with their software and help them to do upgrades on new versions. As those companies grow, they are sources to buy new licenses and new services from us, which is not something that is reflected in our financial statements. We have a large net operating loss for tax purposes which does not present any value on our balance sheet either, however we have the capacity to generate profits for many years in the future and not be charged with any income tax, so that has some ongoing value."

Ms. Geiger: "In regards to the development and the product/technology, we continue to leverage the latest tools out there and continue to bring our customers along with us and keep them as up to date in order to benefit from performance im-

provements and continuously lowering their cost of ownership. We continue to develop and optimize our software to make it easier for our existing and new customers to implement, and get a quicker return on investment."

Mr. Etskovitz: "We have been focused on cost containment from an operational standpoint so that we have very little extra operating cost in running this company. As soon as we are able to close more of the opportunities that we feel are in front of us, we feel that because of our low cost structure, we will be able to bring a tremendous amount of those revenues down to the bottom line and it can be very profitable. Therefore, a small increase in revenues could have a dramatic increase on the bottom line, which in effect is sharing those earnings with our shareholders. If the plans we have in place for marketing and selling our product materialize, our investors should see a big return on their investment."



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