



CEOCFO

Interviews & News!

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No Longer Just A Wide-Area-Networks Company, NUVO Network Management Has Broadened Its Focus To Manage The Computing Infrastructure Including Servers, Security, And IP Telephone As Well As Software Tools To Run The Operation

NUVO[®]

Technology
Network Management
(NVO-TSXV)

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Phil Weaver
President and CEO

BIO:

Phil Weaver, President and CEO is responsible for NUVO's business operations, strategy, corporate vision, and external shareholder and investment relationships. Phil joined NUVO in 2002, bringing more than 25 years of results-oriented leadership in high technology and international commerce, with a

proven record of growing forward-looking companies from small, local operations to North American and worldwide service delivery.

Company Profile:

NUVO provides remote management and protection of IT infrastructures for businesses worldwide to maximize the availability of their computing infrastructure. NUVO enables our customers to excel by delivering fully integrated, proactive management software, services and business data. This provides the critical information needed for effective analysis and decision-making to maximize performance and control costs. NUVO achieves this through certified experts, best-of-class technology, deep integration, highly automated processes, and best practices in a 24x7, resilient infrastructure.

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

CEOCFO: Mr. Weaver, you have been with Nuvo for a couple of years, how has Nuvo changed under your leadership?

Mr. Weaver: "NUVO initially was focused 100% on managing wide-area networks for its Fortune 500 clients and some large agencies like the Canadian government. Over the last number of years we have done a couple of things; one is that we have broadened that to manage the computing infrastructure which is servers, security, IP telephone, the LAN infrastructure as well as the LAN. This is because when companies run businesses, they run the entire infrastructure and all of the applications. Whether you are running an email for

your interface or an IP phone, it needs all of those components to run well together. That was a big step forward. Secondly, to do that effectively we built a number of software technology tools that will allow a company to make use of them to actually run that operation without using it. We have a software suite available through the web that will take all of the secrets of what we do and make it available to them on a very affordable monthly-use fee and it allows them to get operational in a number of weeks."

CEOCFO: Who is your typical customer; what do you provide them?

Mr. Weaver: "Our customers range from companies that have a few hundred employees to ten or twenty thousand employees. The initial core base of our client base, we are typically in the five to ten thousand employees base and that represents probably 60 or 70% of our customers today. Over the last two years, we have expanded that to the few hundred to five thousand area where a lot of them are using our software solution to manage and augment it with the current IT teams. When they need some flexibility then they contract with us to do the management on top of that. We are what I call mid-sized to a large enterprise type client sets in terms of our customer base."

CEOCFO: You recently won a contract to manage seventy-five hundred IP phones, Is that a good example of what you do?

Mr. Weaver: "Yes, that is a mid-sized client. They are a large property manager in the United States. They have well over 800 properties. What they need to do is make sure that the network connectivity in that infrastructure was up all the time

and their infrastructure needed to have phone access. The typical environment has switch and router and so called managed infrastructure and we manage that 24/7 for them. They can then extend that as a service within the building in terms of providing other adjunct services into that network environment, and expand into wireless and other revenue generating options that will help make their business stronger.”

CEOCFO: Please tell us about the competition in your industry and why companies are choosing Nuvo?

Mr. Weaver: “Today there are a lot of smaller players typically servicing a small city. If you look at what typically companies do, they are running operations that span not only multiple states, but a lot of times multiple countries. We are well positioned. We manage infrastructures across fifty countries in the world. That is kind of representative of companies when they grow; they have many locations and have to deal with many carriers, different service providers, and maintenance providers. We have experience with that. If you get into the software technologies, we are using typically the software companies to build a product and they let you go and do it. That means you have to hire special people and take some time to implement, install and understand how it operates. You typically see many months to sometimes well in excess of a year to get tools effective within a business. Our positioning of that is that if you look at us vs. tools companies, we give you access within weeks fully running and operational and you do not need specialists to set-up, you do not need to spend capital dollars to do it. If you are using us to do the actual management, the same story except you now do not even need the people to worry about the problems, because we will take those problems on and worry about the relationship links to the various suppliers that you depended upon. This is because we take that accountability and manage it for

you. We think that in the industry we are a strong leader. We are very well positioned to provide this kind of service and create a one-stop-shop for an organization to deal with the computing infrastructure aspects of what they have to do.”

CEOCFO: How are sales going for MAXadvantage?

Mr. Weaver: “The product has been on the market for about a year; it is going extremely well and becoming a significant part of our revenues. Clients are giv-

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ing us great feed-back around, it is a central point of integration for all of what is going on in their operation for problem management, change, IT inventory assets and anything they need to know about what is happening. We are getting strong excitement and really good at options.”

CEOCFO: How do you expand your reach for new customers?

Mr. Weaver: “Historically we have been doing this through a channel relationship. We have very deep relationships with IBM, both in Canada and in the United States. That gets us into a lot of these

larger organizations. We work with British Telecom who resells our technology and solutions under their branded name throughout Europe and Asia and the States. We have a few regional partner relationships in different strategic locations, NexInnovations, being an example in Canada, which is the largest systems integration hardware provider in the Canadian market. We have also done about 50% of our business direct and that is through a series of direct sales resources located both in the United States and in Canada. That is augmented with marketing programs and direct call activities. The direct call activity is the growth area of our business over the last few years. Partnering is a good solid business for us, but sometimes you will have a number of large contracts and then you might have less activity for a few months. Therefore, direct is actually getting us much more consistency in terms of being able to build backlog and position the company going forward.”

CEOCFO: What is the financial picture of the company?

Mr. Weaver: “The company is very strong financially; we have a great balance sheet. We do not have a lot of debt and we are generating well over \$500 thousand EBITDA per quarter, which is running roughly at 13%, and is a fairly solid number considering we are not a capital intensive business. We have been consistently performing at that level.

We do not capitalize all kinds of costs and all of the R&D invested to build our software is expensed directly. It is a very solid business. We think that there is a lot of opportunity for valuation growth considering the earnings that we have and where we are moving. There is good upside potential from a business perspective.”

CEOCFO: What do you see two or three years down the line that might be different?

Mr. Weaver: “Number one, our MAXadvantage product being a year into the market is going to be going through some accelerated growth. It is getting some very good traction and that is a revenue driver for us. We think that will be a good growth engine which will accelerate. The managed services business is very healthy for us, however you do suffer prices erosion on contract renewals over time, so that means that your growth is not as robust as we would like it to be. We have good solid cash flow generation, good profitability, good consistency of recurrent revenue, but we think the growth engine is going to come through MAXadvantage and we are certainly seeing that as we getting adoption with the

clients. I think that is going to create a significantly larger business over the next few years.”

CEOCFO: Why should potential investors be interested?

Mr. Weaver: “The company today has a market cap of around \$8 million and generating \$2.2 million EBITDA; that is a pretty good multiple when you consider it is recurrent revenue. We think that the MAXadvantage product has some significant growth leverage and that is going to drive acceleration of the revenue going forward and the margins on that product are extremely high, so that will help to accelerate the EBITDA earnings for the company. I think that given those two

factors and that we are a recurrent revenue business and financial risk is low and upside potential is very good.”

CEOCFO: What should readers remember most about NUVO Network Management, and what might they miss that they should understand?

Mr. Weaver: “This market is growing and there are not a lot of single players that dominate the market share. We are well positioned to start taking that space on. We are in an industry that is a couple billion dollar a year industry so it is not like we do not have headspace, we have a lot of head space and we are positioned now to start accelerating and create a shareholder value as we move forward.”

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