

A 3D rendering of a dark red cube with the letters 'ORC' embossed on its top face. The cube is positioned in the upper left corner of the page, set against a dark red background that transitions to black at the bottom.

ORC

ORC

## Orc Group Q1-3 2010 Report

Thomas Bill, CEO

Anders Berg, CFO

# Agenda

- Orc Group Overview, Q3 2010
- Orc Offering
  - Technology
  - Transaction Services
- Orc Software Q3, 2010
  - Technology
  - Transaction Services
- Neonet Integration
- Financials
- Outlook

# VISION

The leading provider of  
technology and services for  
the global financial industry

# Orc Group: Located in major financial centers

**400+**  
employees

**EMEA:**

Amsterdam  
Frankfurt  
London  
Milan  
Moscow  
Paris  
Stockholm

**Americas:**

Chicago  
New York  
New Jersey

**Asia Pacific:**

Hong Kong  
Sydney  
Tokyo

**600+** customer sites in more than **25** countries worldwide including leading banks, trading and market-making firms, exchanges, brokerage houses, institutional investors and hedge funds.

# Orc Group: Diversified and financially sound

## TECHNOLOGY & MANAGED SERVICES

Orc Financial Technologies  
CameronTec

*~75% of revenue*

Solid platform – stable,  
reliable, visible

Recurring revenue model  
through licensing & hosting

## TRANSACTION SERVICES

Neonet Securities  
*~25% of revenue*

Creates leverage

Transaction service fee

*Publicly traded on the Stockholm Stock Exchange since 2000*

# Orc Group: Well positioned for growth

- Increased use of listed derivatives
  - Increased requirements for integrated equities and derivatives solutions.
  - New segments opens up, asset managers, long/short hedge funds
  - The combination of manual and automated trading in one product is extremely important
- Continued market fragmentation
  - Increased importance for Smart Order Routing and Exec. Algorithms
  - Driving firms to outsource market access
- Brokers looking for best of breed technology as a competitive differentiator
  - Increased demand for DMA and Sponsored Access solutions
  - Offering advanced trading applications to clients to attract flow
- Increased demand for managed services
  - Reduces operational risk as dependencies on key personnel disappears
  - Faster time to market at a lower cost with economies of scale

We provide an unmatched offering to the trading and investment community

## TECHNOLOGY & MANAGED SERVICES

Market Making

Volatility Trading

High Frequency Trading

Sponsored Access

Direct Market Access

CameronTec FIX Engine

# Orc Financial Technologies

## TECHNOLOGY & MANAGED SERVICES

### Orc Trading

- Market Making
- Volatility Trading
- High Frequency Trading

### Orc Brokerage

- Sponsored Market Access
- Direct Market Access



### Delivery Models

- Deployed Software
- Managed Services

# 100+ Market connections to worldwide exchanges



# CameronTec

- CameronFIX, the financial industry's most widely utilized FIX infrastructure and connectivity solution.
- CameronFIX is universally regarded as the reference standard for reliable, mature FIX engine applications
- CameronFIX is the only long-established FIX engine that delivers continuous, compelling version upgrades.
- CameronTec provides worldwide sales and reliable support from its regional offices.

**CAMERON**

An Orc Software Company



## TRANSACTION SERVICES

Global, neutral low-touch  
transaction services

Low Latency Market Access

Smart Order Routing

Execution Algorithms

Execution Desk

# Neonet

- Comprehensive transaction services with smart functionality such as trading algorithms and smart order routing
- Offers trading on 40 markets and counting in US, Europe and Asia
- 24 hours service trading desk in the US and Europe
- Trade via the trading desks, the Neonet Trader or virtually any trading application supporting the FIX protocol
- Integrated settlement services



Orc Software  
Q3 2010

# Outcome P/L and ACV Q3 2010

- Revenues SEK 256 (181) m
  - System Revenues 184 (180) m
  - Transaction Revenues 66 (-) m
  - Other Revenue 6 (1) m
- EBIT excluding NRI SEK 21m
- EBIT margin excluding NRI 8%
- EBIT excluding NRI and fx effects SEK 41m, 16%
- ACV end Q3: SEK 692 m (SEK -58 m from Q2 2010)
  - With Q2 FX rates SEK -16 m
- End Q3 2009: SEK 628m (+ SEK 64 m Y-o-Y)
  - Excluding currency effects the ACV increased with SEK 88 m Y-o-Y

# Orc Software Q3 2010: Technology

- Good technology sales across the regions
- Largest deal of the quarter a cross selling opportunity with Orc and Neonet technology
  - Positive development of cross selling pipeline
  - Mainly Nordics
- Two customers in production with Orc Hosted
  - Demand looks very strong
- Orc Managed Services to provide a strong fundament for growth during coming quarter
- Regulatory uncertainty in the US, some deals put on hold

# Orc Software Q3 2010: Technology

- Very high churn, total level for 2010 now higher than same period 2009
- Most market participants are suffering from lower trading revenues and profits
  - Low liquidity and volatility
  - July and August exceptionally bad. See reports from banks
- Different causes to the high churn
  - Banks/trading firms going under, biggest loss in Q3 result of Swedish bank collapse
  - Downsizing or cancellations because of profitability problems
  - Merger of banks or systems for cost cutting reasons
- Orc cancelling because of bad strategic fit, three big contracts this quarter

# Orc Software Q3 2010

- The four biggest downsizings/terminations in the quarter :
  1. Local Bank (EMEA)
  2. Regional Bank (EMEA)
  3. Regional Bank (EMEA)
  4. Regional Bank (EMEA)
  
- The four biggest orders in the quarter:
  1. Local Bank (EMEA)
  2. Regional Bank (EMEA)
  3. Regional Bank (Americas)
  4. Local Trading Firm (Americas)

# Orc Software Q3 2010: Transaction Services

- July and August bad months for volumes in the global equity markets and so for Neonet
- Pick up of both transaction revenues and margin in September
- Focus on bottom line and transaction margins
  - Ending relationships with non-profitable customers – some effect on top line
  - Review of trading patterns to improve transaction margin
- New combined offerings such as Sponsored Access in pipeline
- New complex products to be offered using Orc technology

# Milestones

	COMPLETED BY	STATUS
▪ <b>New organization in place</b>	Q2 2010	
▪ <b>Revenue synergies</b>		
▪ First Orc/Neonet customer win	Q2 2010	
▪ New combined product offering, full cross selling	Q3 2010	
▪ Increase recurring revenues		
▪ Bundle transactions and technology	Q1 2011	
▪ New packaging, branding	Q3 2010	
▪ <b>Cost synergies</b>		
▪ Cost synergies reached	Q4 2010	
▪ Review of Neonet business, cost cutting, restructuring	Q3 2010	
▪ <b>Total synergies SEK of 130 m reached</b>	2012	



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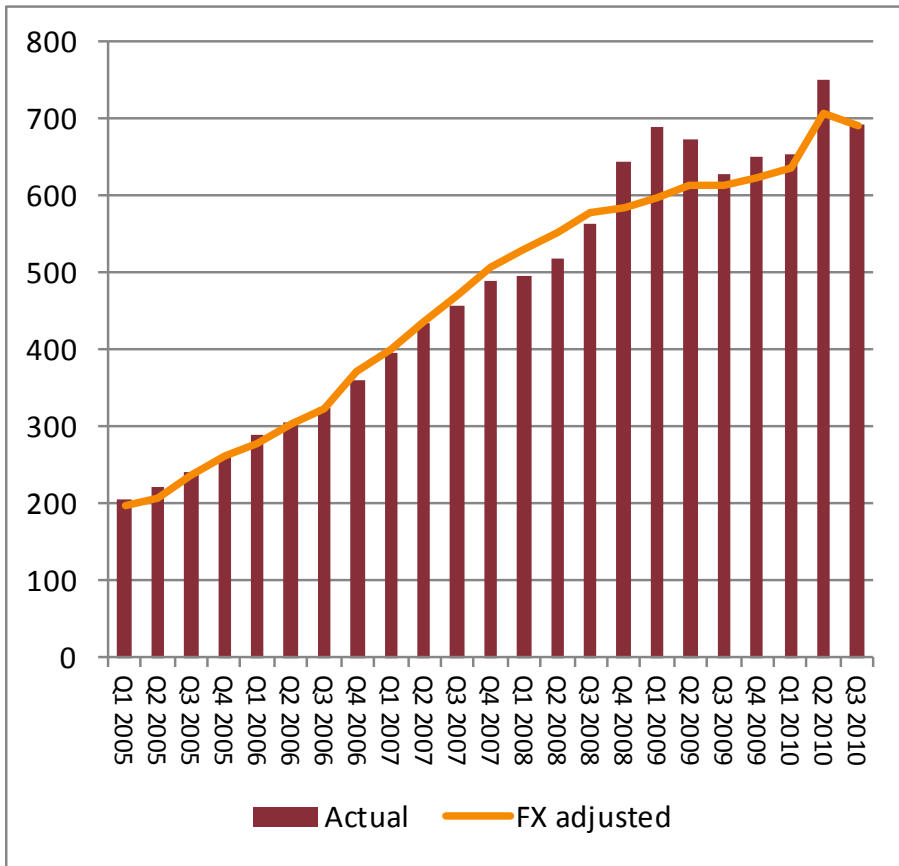
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## Financials

Anders Berg, CFO, Orc Software

**TECHNOLOGY &  
MANAGED SERVICES**

# Technology - Annualized Contract Value (ACV)



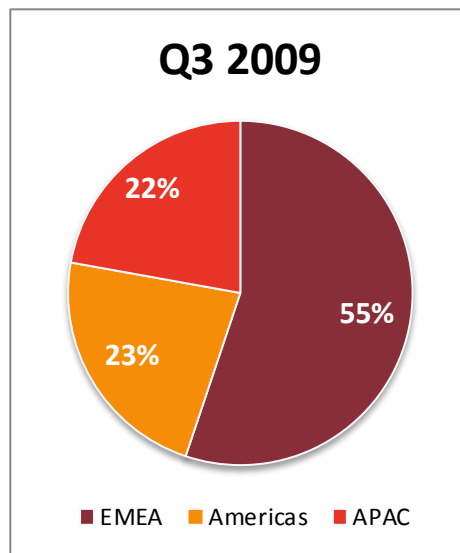
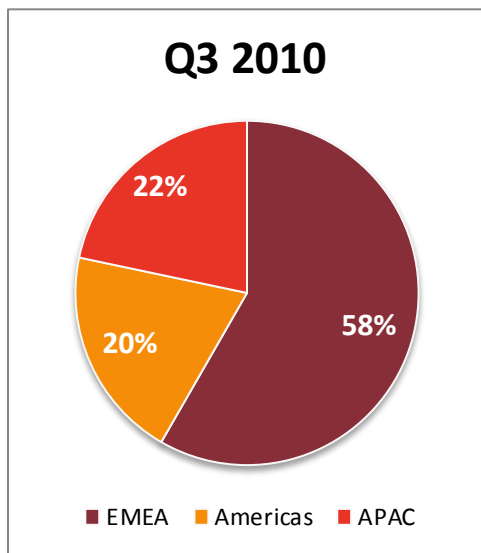
- Amounts to SEK 692 m at end of Q3 2010
  - Contracted revenue for the coming twelve months
  - Equals 85% on Operating expenses, Q3 2010 annualized\*
  - SEK 52 m XG Technology (Neonet) at merger
- Up 10% compared to end of Q3 2009
  - Up 14% FX adjusted\*\*
- Down 8% compared to Q2 2010
  - Down 2% FX adjusted\*\*

\*) Excluding NRI, FX rev and Amortization on acquired intangibles

\*\* ) September 2009 average rates

# Technology - Regional ACV

SEK million	Q3 2010	Q3 2009	Change	%	
EMEA	403,7	346,3	57,4	17%	Whereof XG (Neonet) SEK 52.1 m at merg.
Americas	138,2	142,5	-4,3	-3%	
APAC	150,2	139,2	11,0	8%	
<b>Total</b>	<b>692,1</b>	<b>628,0</b>	<b>64,1</b>	<b>10%</b>	



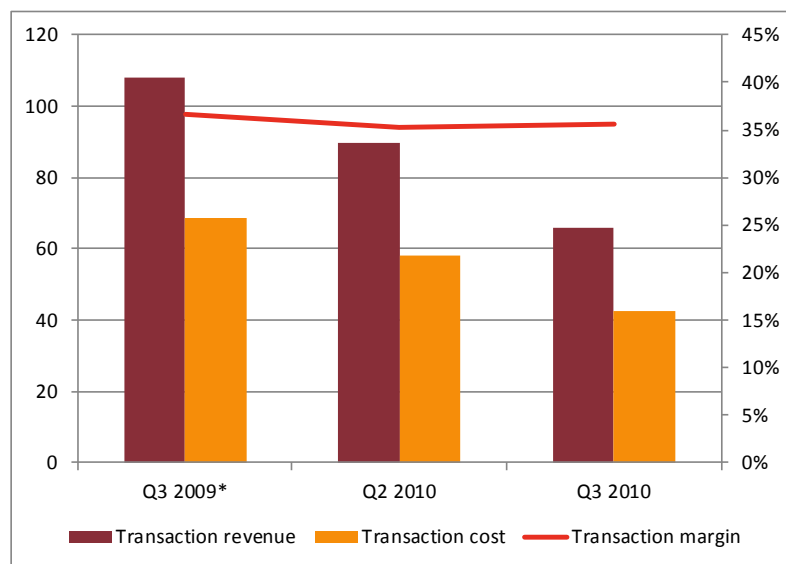


**TRANSACTION  
SERVICES**

# Transaction Services

	Q3 2010	Q2 2010	Change	%	Q3 2009*	Change	%
Transaction revenue	65,8	89,5	-23,7	-26%	108,0	-42,2	-39%
Transaction cost	-42,4	-57,9	15,5	-27%	-68,5	26,1	-38%
<i>Transaction net</i>	23,4	31,6	-8,2	-26%	39,5	-16,1	-41%
Transaction margin	35,6%	35,3%	0,3%		36,6%	-1,0%	

\*) From Neonet's Interim Report pre merger



- Trading volumes still low compared to 2007-2008
  - Volumes in Q3 very low July-August, picked up in September
- Margin change close to flat both Q/Q and Y/Y
- Actions to increase revenue and raise margins started

# Orc Group

## TECHNOLOGY & MANAGED SERVICES

Orc Financial Technologies  
CameronTec

## TRANSACTION SERVICES

Neonet Securities

# Consolidated Income Statement

SEK million	Q3 2010	Q3 2009	Change	%	Comments
System revenue	184	180	4	2%	Increase in recurring revenue <b>5%</b>
Transaction revenue	66		66	n/a	
Other revenue	5	1	4	400%	
<b>Operating revenue</b>	<b>255</b>	<b>181</b>	<b>74</b>	<b>41%</b>	
Cost of goods sold	-8	-11	3	-27%	
Transaction cost	-42		-42	n/a	
External expenses	-66	-30	-36	120%	SEK 3 m NRI, Neonet
Personnel costs	-93	-65	-28	43%	SEK 1 m NRI, Neonet
Capitalized work	15	1	14	1400%	More R&D activity; Neonet
Depreciation etc	-25	-6	-19	317%	Amortization on intangibles from merger
FX revaluation	<b>-19</b>	-15	-4		Rev. of Balance Sheets items, e.g. A/R etc
<b>Operating expenses</b>	<b>-238</b>	<b>-126</b>	<b>-112</b>	<b>89%</b>	<b>SEK 4 m NRI</b>
<b>Operating income</b>	<b>17</b>	<b>55</b>	<b>-38</b>	<b>-69%</b>	
Net financial income	0	0	0		
<b>Income before tax</b>	<b>17</b>	<b>55</b>	<b>-38</b>	<b>-69%</b>	
Tax	<b>-17</b>	-18	1		Capitalization of acq costs in Parent Company
<b>Net income</b>	<b>0</b>	<b>37</b>	<b>-37</b>	<b>-100%</b>	
Operating margin	7%	30%	-24%		
NRI	-4		-4	n/a	
EBIT excl NRI	21		21	n/a	
OPEX margin excl NRI	8%		8%	n/a	

# Balance Sheet

SEK million	Sept 30, 2010	June 30, 2010	Change	Comments
Goodwill	1 034	1 034	0	
Other fixed assets	830	841	-11	
Current financial assets	84	33	51	
Current receivables	166	170	-4	
Cash and equivalents	190	192	-2	
	<b>2 304</b>	<b>2 270</b>	<b>34</b>	
Equity	1 699	1 708	-9	
Long-term liabilities	160	146	14	
Current financial liabilities	38	26	12	
Current liabilities	407	390	17	
	<b>2 304</b>	<b>2 270</b>	<b>34</b>	
Equity/Assets ratio	74%	75%	-2%	



# Outlook

# Outlook

- We have secured the 40 MSEK annual cost synergies and are confident in our new combined offering
- We are taking big steps to improve the profitability in the Transaction business
- We are moving towards having an operating margin of at least 20% in a weak market and a 35%+ operating margin in a strong market



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