
THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Agistix



DAVID FOX is the Founder, President and Chief Executive Officer of Agistix and has also served as Chairman of the Board since the company's founding in 2003. With the goal of establishing Agistix as the leading on-demand global logistics solutions provider, David has been responsible for driving the company's strategic direction and growth while establishing a high-performance, results-driven organization. From product to professional services to support, he holds customer satisfaction as the key measurement of success. As a result, the company has grown revenues year over year by nearly 40X and earned the company a number of innovative technology awards from prestigious industry publications. During David's tenure, Agistix has achieved profitability, quadrupled headcount, and recruited industry veterans to the advisory board. Prior to founding Agistix, David spent 13 years in high-tech sales, marketing,

and business strategy with companies such as Akamai Technologies, US Robotics, and Diamond Multimedia. He serves on the strategic advisory boards of several emerging technology companies. He holds an MBA from Santa Clara University and a BA from Denison University.

TWST: May we start with a short overview of your company's products and services.

Mr. Fox: Agistix was founded in 2003 to develop the market for a new class of global logistics solutions called Logistics Management Automation (LMA). We provide on-demand products and services for the VP of Operations or VP of Logistics with complex global supply chains that need to see what's really going on in order to reduce transportation freight spending. Agistix LMA is a practical, immediate solution to the need to control inbound and outbound shipments. With hundreds of carriers and suppliers already on the system, it's the only truly global, carrier-neutral, mode-agnostic SaaS platform that supports the entire shipping ecosystem.

Software as a service provides the opportunity for companies to gain greater visibility and control into global logistics operations and ultimately reduce freight spend in a very simple easy fashion right out of the gate. That's why you're seeing software as a

service companies start to make as big a push in the logistics industry as they have in other areas and other industries such as CRM with Salesforce or NetSuite.

TWST: Given the constant motion in global logistics and the complexity associated with a flat world, what are the most pressing demands that you're seeing from your customer?

Mr. Fox: I think the most pressing demand is global visibility. Moving freight internationally is a non-trivial project. There are a lot of compliance issues, there are a lot of custom regulations that have to be adhered to, but there are not a lot of software products that help. Moving international heavy freight was one of the first products that we came out with. We do very, very well at moving international heavy freight because we address those complexities upfront and our platform is a rules-based engine, which is very easy to use and very easy to customize within the user's supply chain. We find that most of the people that we're talking to don't have great vis-

ibility and don't have great control over the decision-making process of how people are moving freight, where they're moving it, and when they're moving it and oftentimes those fall out of the typical carrier contracts that they've established and as a result of that, their freight spend gets increased. So, coming back to the original question, I think it's global visibility and ultimately control of how the freight is being moved.

TWST: How does automation deal with unforeseen circumstances associated with logistics such as carrier breakdowns and no shows where manual interventions become inevitable?

Mr. Fox: I'm going to address that in two parts because I think there are two key differentiating components to that question. First is a carrier being a no-show. We're a company with a select pool of carriers. We don't go out and solicit 1,000, 2,000, or 4,000 carriers. We have a very select ecosystem of tested partners that are trusted carriers that we work very closely with. We rate their quality of service, and we try and minimize no-shows or delays or things of that nature. The carriers that we have on the system go through a very serious vetting process and then we rank them and we ask for our customers' feedback to rank them. If they fall out of a certain category in terms of the ranking on our system with either a high breakage rate or too many no-shows, we end up removing them from the system and bringing somebody else on that we can grow the partnership with because we want to provide a high quality of service. That's why we work with a lot of brand name carriers — to mitigate that, but you're absolutely right. Does it happen? Sure it happens occasionally, but we feel that we do a very effective job of developing those relationships because we also have a lot of volume through our customers. These are carriers that want to work with us. We have dedicated personnel that build that partnership together so that we can drive that down to as little of an issue as we possibly can. The other side of that question, which I think is an important distinction, is if you look at the software as a service model, we have a unique ability that I feel that enterprise software solutions don't quite have today. If you have a tsunami in Asia or you have a snowstorm in Chicago, these are things that you just can't avoid, nature happens and trucking lanes get shut down or cities get shut down for a variety of different reasons. This is an area that I think gives us a distinct competitive advantage in the marketplace because with our rules-based engine, you can log on to our application and say there is a snowstorm in Chicago, I'm going to click a few buttons in the application and route around Chicago immediately. It's real time manipulation of our engine within their supply chain that gives our customers the quick flexibility to make changes on the fly with a large enterprise solution.

I love to tell this story. We hired a Director of Global Logistics away from a large semiconductor company. She had an enter-

prise software solution and had a person from that company sitting in her offices dedicated to make needed changes, and typically those changes would take two to three weeks to become effective. She took a look at our system and loved it because she could make those changes in five minutes herself — no programmer required — and route around Chicago or Southeast Asia or wherever the trouble spots were in the world to make sure that her supply chain wasn't hung up and her freight would continue to move.

TWST: Is your solution optimized for a certain class or size of a customer?

Mr. Fox: We have a wide variety of customers. Typically we work with a lot of high tech manufacturers, companies that are global in nature, multi-nationals; but we have small retail shops that work with us, we have distributors that work with us, so it's a wide variety. I think one of the two benefits of software as a service is that you have this customizable application that can work for just about any type of industry anywhere in the world if they've got computer access.

TWST: From a value proposition point of view, what percentage of the total cost is logistics and how do you quantify your customer's savings?

Mr. Fox: That really depends on the customers total freight spend. It typically ranges anywhere from 1% to 5% of revenues. We've seen it sometimes as high as 10% to 12% for different types of manufacturers, but typically it's in that 1% to 5% range. In terms of savings, typically we're going to save the company anywhere between 10% and 20%.

TWST: How large is your customer base and at what rate is your business growing?

Mr. Fox: We're growing very rapidly, doubling year-over-year and have achieved profitability in our first three years. In 2006 we were driving between 2,500 and 3,000 transactions a week and now it's hundreds of thousands of transactions a year.

TWST: How does the competitive environment look?

Mr. Fox: We have overlapping competitors such as vendors who offer small parcel solutions or Transportation Management Solutions that we would be a nice add-on to, but for the most part we are selling against home grown systems or the status quo, which is people's willingness to change the way they currently have their processes set up. We're an exceptional play with companies that have either grown by rapid acquisition or just have had rapid growth in general and haven't made a significant investment into technology on the logistics side. They may not be willing to invest multiple millions of dollars in an enterprise level solution but they can get into a software as a service model like ours at a very inexpensive rate and start to see a lot of the benefits that they would from an enterprise level solution.

TWST: Are you compensated on the basis of transactions?

Mr. Fox: It depends on what module the customer is using, but typically it's a monthly subscription fee for the platform and a percentage of every transaction.

TWST: How would you characterize the current global environment of the logistics industry, how fast is it changing and the adaptability of your solutions?

Mr. Fox: I think the global logistics industry is always changing. There is always complexity being built into supply chains. So, I would say that in terms of the growth of the industry, in terms of us as a software company, it's changing almost daily. There is a lot of consolidation going on in the industry; IBM acquiring i2, Wal-Mart acquiring Manhattan Associates. You have a lot of international freight moving back and forth and people are outsourcing things to other countries, are manufacturing things in other countries; that just adds to the level of complexity and software has to address those complexities and automate them and make them easier so that companies can continue to drive down the costs. So, it's everchanging, always evolving, and because we're using software as a service model we can adapt easily to the changes.

TWST: This is a very crowded field, what might set you apart?

Mr. Fox: We don't see it as that crowded. I think it's crowded on the enterprise software side, it's crowded on the TMS side, but we're really a shipment execution platform that complements those solutions very well and that's what we've seen with the customers that we have that may already have an enterprise solution or a TMS, we bolt on nicely and we bookend freight. We're a shipment execution platform that handles small parcel all the way to heavy freight inbound and outbound. We have managed services to support that as well. We're that last mile, if you will, of the shipment execution phase where the guy in the dock is actually putting up the paperwork and creating all the documentation for whatever they are shipping. That's the niche that we play in — end-to-end freight. We can handle any type of shipment anywhere in the world on any mode and it's a nice complementary solution that can layer on top of any other solution to give customers that added layer of visibility on a global basis.

TWST: As you look ahead, what will be the key elements of your strategy for success?

Mr. Fox: Acquiring customers one at a time, making sure that they love our solution, and finding prospects that have the largest amount of inefficiencies from rapid growth, rapid acquisition and processes that they've outgrown. That's where we can really have an immediate impact on their bottom line — by reducing their freight spending and giving them global visibility over the supply chain.

TWST: Could you comment on your company's marketing and customer acquisition strategy?

Mr. Fox: Our target market is small and medium sized businesses although we talk to Global 25 companies too and they have some of the same problems that the smaller companies do, but we really focus on small and medium sized businesses. We also target a number of verticals; distributors, high tech manufacturers such as pharmaceuticals, equipment manufacturers, computer manufacturers, semiconductor manufacturers. The retail space is another vertical that we've done a very effective job in as well. So, we target those types of verticals through direct marketing, webinars, seminars, just about every facet of marketing that you can imagine.

TWST: What could possibly go wrong? What worries you the most?

Mr. Fox: I think one of the Achilles' heel in software as a service is maintaining uptime of the application. We've done a very effective job of maintaining our application with minimal outages. I think that is one area that people will recognize because it's not behind someone's firewall and they're relying on us to maintain that application. That's something that we take very, very seriously. I think we've had one outage over the last four years, so we've got an exceptional track record. While we do a very effective job of managing that, that's an area that we're constantly reviewing to make sure that we have the right pieces in place to monitor it.

TWST: Do you have the necessary skill sets to take you to your goals? What are the expertise of the key members of your management team, including yourself?

Mr. Fox: We've got over 100 years of logistics experience just in my executive staff. We feel we have a very solid cross section of domain expertise from the carrier side and the customer side. We also have the right people on board in terms of the application and technology and also freight and software sales. I think one of the things that made us a successful company is we have been able to execute on our strategy and vision over the past few years and have been profitable for the last three years. I think that's a testament to our ability to understand what people are looking for, go after the types of customers where our application can have the most benefit, and provide world-class customer support to make sure they like us and want to continue to work with us because they see value.

TWST: What occupies most of your time?

Mr. Fox: It depends. I like spending my time out in front of our customers and prospects. I rely on my team to execute and make smart business decisions and that frees me up to spend my time talking to people and being out of the office making sure that I get the right feedback from the field and that we take those comments and suggestions very seriously and reflect them back in product and service enhancements.

TWST: As a profitable company are you sufficiently capitalized for the future?

Mr. Fox: Yes. We're not looking for financing right now. We've grown organically since day one and because we're profitable, we don't see the need right now for any outside funding.

TWST: How large is your staff and at what pace is it growing?

Mr. Fox: We're doubling year-over-year. We don't give out exact numbers, but we have over 40 people. We're seeing healthy growth in our business right now.

TWST: What is the intermediate and long-term vision for your company?

Mr. Fox: We want to be the dominant software as a service logistics player in the industry.

TWST: Any final thoughts?

Mr. Fox: More and more companies are reducing their supply chain costs — not just freight costs — by getting logistics under control and improving visibility. The trend toward using logistics

technology for strategic advantage is accelerating and we're at the forefront of delivery solutions to address these emerging needs.

TWST: Thank you.

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