

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## Bridgewater Systems Corporation (BWC:TSX)



ED OGONEK joined Bridgewater Systems Corporation in May 2004 as its President and CEO, bringing more than 20 years of experience in telecommunications, data networking and network/service management. Before joining Bridgewater Systems, Mr. Ogonek held the position of Senior Vice President and General Manager of Metro and Enterprise Solutions for CIENA. Prior to CIENA, Mr. Ogonek was President and Chief Executive Officer of Akara Corporation, which was acquired by CIENA in August 2003. His prior experience includes key executive and general management positions at Newbridge Networks, Alcatel, British Telecom and Bellcore. Mr. Ogonek received a Bachelor's degree in Mathematics from John Carroll University and a Master's degree in Operations Research from Case Western Reserve University.

**TWST: We'd like to begin with a brief historical sketch of the company and a picture of the things you are doing at the present time.**

**Mr. Ogonek:** Bridgewater is a growing public technology company. We have over 11 years of success delivering software solutions to support mobile and broadband data services. In a nutshell, our solutions enable service providers to personalize, manage and deliver mobile data services and applications such as mobile Internet access, mobile video, mobile commerce and social networking. We have over 100 service provider customers, including large service providers like Verizon Wireless, Sprint, and Bell Canada, as well as an emerging set of customers in new markets such as Scartel in Russia, SmarTone-Vodafone in Hong Kong, and a large service provider in Australia. We're based in Ottawa, Canada and we have sales offices across North America and in key European and Asian markets.

We partner with large network equipment and IT vendors that complement our solutions and in specific cases serve as a channel to market. Some of these partners include Alcatel-Lucent, Motorola, Nortel, Alvarion, Sun and Oracle. We've delivered strong revenue growth and profitability over each of the past four years and

despite a challenging global market, we're encouraged by some key market trends that underpin our growth. These trends include the growth in smart devices like the Apple iPhone, the Google G1 or the BlackBerry Storm, the growth in new mobile applications like mobile video and social networking, and the growth in bandwidth on wireless networks.

When you combine these trends with the move toward open access and applications on wireless networks, you can see that we're at the early stages of shifting from a "walled garden" approach to open mobile networks in a similar way to how the Internet was opened up 15 years ago. Service personalization and, in particular, subscriber and policy management are critical in making this transition successful because they enable service providers to deliver new services on any mobile device in a profitable way.

**TWST: Do you feel that in these respects you are fundamentally different from and better than the competition?**

**Mr. Ogonek:** Yes, we're different from and better than the competition in a couple of key ways. First, we've been focused on this industry now for over 10 years and our solutions have the depth and breadth to address a market approaching 4 billion mobile sub-

scribers. We've invested heavily to be able to build a very scalable solution that can grow as service providers' mobile subscribers and applications grow. Today, our solutions enable mobile services for over 150 million subscribers.

Another area where we've developed strong intellectual property around is personalization — how you manage the subscriber and the subscriber experience, no matter what type of network they're using, no matter what type of device they're using, and no matter what type of applications they're accessing.

**TWST: What could get in your way?**

**Mr. Ogonek:** We're currently in a challenging market environment at a macro level. This will slow growth for some service providers, particularly any service provider that requires additional capital investment to grow its network. Another challenge for us is that there is a level of complexity that we're working through with our existing customers as they evolve their infrastructure with their current vendors and look to introduce new vendors. We need to demonstrate that we can interoperate with a broad set of different technologies so we can help our customers manage this complexity. In some cases, our customers have to feel the pain first before they're ready to invest.

**TWST: Have you revised some of your estimates for the near future?**

**Mr. Ogonek:** Yes, we have. We've taken a conservative approach to how we project the business and manage our investments going forward. We are in the fortunate position of having a strong cash position and no debt and we have put in place long-term customer contracts that will help us get through some of the uncertainty in the market. In some cases, the transition to long-term contracts could have a short-term impact on growth, but this sets us up well to establish good visibility over the next two years.

**TWST: What is the picture you would like to see for the company in two years?**

**Mr. Ogonek:** Let me give you a better picture of where we are today and where we want to take the company going forward. Today, the majority of our business comes from our customers in North America and from subscriber management that's tied directly into the network. For example, how the subscriber gets on the network, and how that subscriber accesses services in a secure way. We're now expanding globally and we've had several good customer wins in Europe, Asia Pacific and CALA. Three examples are Scartel in Russia, a major service provider in Australia, and SmartTone-Vodafone in Hong Kong.

In addition, we are expanding beyond a network access orientation to service personalization and subscriber management. We are enabling service providers to deliver new revenue-generating services by taking advantage of the static and dynamic information they have on their subscribers such as service entitlements, devices being used, billing profiles and preferences based on location, context or time of day. If I look ahead two or three years, I want Bridge-

water to be seen as the personalization solutions company. We're the company that provides the solutions that personalize the mobile experience for global subscribers.

**TWST: How interested are you in mergers and acquisitions?**

**Mr. Ogonek:** We went public on the Toronto Stock Exchange in December 2007, so we've been public for a little less than a year. One of the key tenets of our strategy in going public was to provide an opportunity for us to augment our organic growth with potential acquisitions. We are continuing to move forward with this strategy. There are good opportunities to accelerate the growth of our portfolio and to accelerate customer acquisition through targeted acquisitions. At the same time, we're being cautious given current market conditions. We're in a very nice position today — we have no debt and a strong cash balance.

**TWST: I understand that you have experienced some rapid growth. What have been the principal drivers of that growth?**

**Mr. Ogonek:** The principal driver of our rapid growth is our ability to deliver innovative solutions that support the growth in mobile data and applications. For example, if you look at the top mobile service providers in the US, voice revenues are growing in the single digits and data revenues are growing by over 50%. A key part of our success is the ability to deliver solutions that scale to millions of subscribers and that can be integrated into their networks as they experience rapid growth.

**TWST: Would you tell us about your own background and expertise and the same for a couple of your colleagues?**

**Mr. Ogonek:** I've been in the communications and Internet business for 25 years. In the first half of my career, I developed a good appreciation of service provider requirements while working at Bell Labs, Bellcore and British Telecom where I launched BT's Internet services in the mid 1990s. The second half of my career has been from a vendor perspective, with companies like Alcatel-Lucent and Newbridge Networks, and now with Bridgewater Systems.

If I look at the broader Bridgewater Systems team, I'd say we've been highly selective in our approach to bringing talented people on board. We have a very strong engineering team that can provide both the innovation and the experience to build highly scalable and robust solutions for a demanding market. We have been expanding the overall Bridgewater team with key executives and employees who have deep business and commercial expertise and can help us build creative business and service models and bring those models to market for our customers. One of the key success factors for us is leadership continuity. We have several talented business leaders who have been with the company from the start.

Russ Freen, who is the founder and Chief Technology Office, is a well-known entrepreneur in the Ottawa area and a recognized technology expert in subscriber and policy management. Kim Butler, our Chief Financial Officer, has a long finance tenure with technology companies. As for myself, I joined the company in 2004

when we started to transform the company into a leader in subscriber management solutions for mobile service providers. In the past year, Phil Thrasher joined us as the Senior Vice President of Global Sales and Service. He brings a wealth of experience in building successful sales teams and commercial models as we augment our software products with professional services and integrate with our partner's solutions to bring more value to our customers.

**TWST: What was it that you brought to the company that may have been lacking?**

**Mr. Ogonek:** In 2004, we had a company that was successful with a couple of key customers and was looking to identify the next growth driver. I came in at a time when we had a number of assets in place to take the company to the next level. I focused first on building the operational depth required to get us to our first strong

that. We've got a strong capital base today including a healthy cash balance and no debt. As we look at potential growth scenarios, there may be some opportunities down the road where a broader capital base could be helpful, but those aren't shorter-term scenarios for us right now.

**TWST: How do you feel about the recognition that you've gotten since the IPO?**

**Mr. Ogonek:** We're making good progress in becoming a more recognized brand as a small cap company that is delivering profitable growth by addressing the large market opportunity to personalize mobile services. Of course, we have more work to do to get the market attention in the investment community. As we continue to execute on our growth strategy and continue our outreach activities, we expect to get more exposure and recognition by investors.

*“We have market leading subscriber management solutions that have been proven with some of the largest and most innovative service providers in the world. We’ve got a strong financial base including a good cash position and no debt. We’ve put in place key multi-year contracts that give us a solid business foundation over the next two years as well as the opportunity to invest in new solutions and continue to expand globally.”*

year of profitability. We have now been able to deliver profitable revenue growth in each of the past four years. This operational success has enabled us to accelerate our growth by expanding our portfolio and extending our market reach globally through a direct sales model as well as through global channel partners.

**TWST: Would you describe the corporate culture, training and development, recruitment, and incentives that you have in place?**

**Mr. Ogonek:** At Bridgewater Systems, achieving business success, and the welfare and skills development of our employees go hand in hand. We have a number of programs and initiatives across the company including participation in local community and charitable events, and an active employee committee that organizes monthly activities. We have taken a holistic compensation approach that includes competitive salaries, a bonus plan tied to company performance, a focused stock option plan, a matched retirement savings plan, and a health and wellness benefits plan.

**TWST: Did you seek to improve the company's capital structure?**

**Mr. Ogonek:** One of the things we wanted to achieve with the IPO was to establish a stronger capital structure and we achieved

**TWST: What would be the two or three best reasons for the long-term investor to look very closely at Bridgewater?**

**Mr. Ogonek:** First of all, Bridgewater Systems represents an opportunity to invest in a focused company with a proven track record of success in the attractive and growing market for mobile data services. If you look at the telecommunications space, the number one revenue and profitability growth driver for our customers is mobile data. We have market leading subscriber management solutions that have been proven with some of the largest and most innovative service providers in the world. We've got a strong financial base including a good cash position and no debt. We've put in place key multi-year contracts that give us a solid business foundation over the next two years as well as the opportunity to invest in new solutions and continue to expand globally.

**TWST: Would you tell us about the possibilities that exist or will exist in worldwide business?**

**Mr. Ogonek:** The mobile data market can be thought of in two ways. One is you have developed markets like the US, Canada, Western Europe, Japan and Korea. In these markets, smart devices like the Apple iPhone, the Blackberry Storm and the Google G1 are driving mobile data usage. In fact, they drive 30 to 50 times more

data usage than other devices. The challenge in these markets is for service providers to upgrade capacity in their data networks to support these new devices and at the same time generate revenues from new mobile applications and service models. They want to make sure that they deliver the best customer experience and so service personalization and subscriber management are critical.

In developing markets, service providers are often at an earlier stage. First, they want to put broadband wireless services and infrastructure in place. An important driver for mobile data in these markets is that wireless is the primary vehicle for both communications and Internet services. When subscribers want high speed Internet, they look to mobile service providers rather than traditional cable and telephone companies. In these countries, it's important to have the flexibility to deliver broadband wireless services and have charging and usage models in place that address different subscriber needs. One example is casual usage, where a subscriber may want to use services a few times a month, or may want the flexibility to mix and match different services. The common theme in developed and developing markets is the ability to personalize services and support different service models.

**TWST: Is there anything that you'd like to add?**

**Mr. Ogonek:** We've hit on the high points. We are at an interesting stage as a small cap company focused on a very large growth opportunity. We've succeeded in acquiring large, tier one customers that validate our solutions and our commercial model. The next stage of growth will provide us with the opportunity to significantly increase our revenues and profitability. As an investor, it's a good time to look at Bridgewater Systems because there is an opportunity to participate in mobile data market growth at an early stage.

**TWST: What really is the most inspiring product today?**

**Mr. Ogonek:** The most important opportunity today is enabling the mobile Internet, personalization and mobile transactions. When I was at BT in the mid-1990s, we were trying to determine whether to launch proprietary or what I like to call "walled garden" Internet services like CompuServe, Prodigy, News Corporation and Microsoft Network or to offer an Internet access service that let

people access whatever content they wanted. At the time, BT decided to launch both services. The one that still exists today is open Internet access. The walled garden services didn't stand the test of time.

Today, we have a similar situation with mobile service providers that have built a "walled mobile garden" that ties together service provider-specific devices, proprietary content and portals as an end-to-end offering. In a Web 2.0 world, these service providers now have to open up their networks, devices and applications. Big Internet brands like Apple, Google and Yahoo are driving some of these changes.

For me, this is a very exciting time to be in the industry because we are going to help mobile service providers embrace popular Internet applications like Facebook, YouTube, instant messaging and payments, and we're going to help Internet brands become network aware so they can offer a broad set of personalized mobile services that will drive the industry over the next five to 10 years.

**TWST: Thank you.**

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