



Proginet Corporation Investor Conference Call (Q1 2009)

Tuesday, November 18th, 2008 @ 4:30 pm

Sandy Weil

President and CEO

Debra DiMaria

Chief Financial Officer and Corporate Secretary

Introduction – Sandy Weil

Good afternoon everyone. I'm Sandy Weil, the President and CEO of Proginet Corporation.

The results from the first quarter were announced today and are in line with preliminary estimates announced just over a week ago. We came up marginally short of break-even which is close to what we anticipated. The numbers would have been more favorable were it not for some non-recurring consulting and legal fees. I'll discuss these in more depth when we cover operating costs. As for this quarter, as noted in our release of November 7, we had solid execution on top line, and had a significant contribution to the quarter's results from the Beta transaction.

I believe that we are starting to do better. There's still a ways to go of course but I feel that the Company is moving in the right direction.

I will now turn the call over to Debra DiMaria, Proginet's Chief Financial Officer, who will provide the quarterly results. After that I will provide an analysis and perspective on going forward.

Before this, however, it is important that participants be aware of the information related to Regulation Fair Disclosure (FD) and the disclosure of information related to our Quarterly Financials and other information to be provided. Now, I will ask Debra to read the Safe Harbor Disclosure.



Safe Harbor Disclosure – Debra DiMaria

Thank you Sandy.

Regulation Fair Disclosure, FD, regulates how material news can be released to investors and the general public. FD also regulates that specific information must be disclosed publicly before it can be discussed privately. However, the SEC does allow corporations, like us, to provide complementary information on matters that have been publicly disclosed.

With the exception of certain current or historical information, the matters to be discussed in today's conference call include forward-looking statements that involve risks and uncertainties. The important factors that could cause actual results to differ from those indicated in the conference call include the risk factors described in our Form 10KSB as well as the successful implementation of the Company's various recently executed agreements with Beta Systems Software AG.

Proginet disclaims any obligation to update any such forward-looking statements after the date of this conference call.

Lastly, the referenced financial information provided in this call does not contain the details and footnotes provided in our SEC filings. It is important that participants obtain and thoroughly review these details and footnotes when they are filed with the SEC in Proginet's 10Q, on or about December 5, 2008.

Please consider these factors throughout our discussion today.



Financial Review - Debra DiMaria

Now I would like to begin with a discussion of our first-quarter results.

On a quarter-over-quarter basis, total revenues increased 43% to \$2.9 million. These results were driven by an increase in software-license revenue, specifically a non-exclusive license agreement with Beta Systems for our SecurAccess and SecurForce products. As previously announced, on November 3, the Company entered into a Secur-Line Product License Agreement with Beta Systems as well as an Asset Exchange Agreement, a Support Services Agreement and a Master Distribution Agreement. More detailed information regarding these agreements can be found in our Form 8-K filed on November 6, 2008, and in the Management Discussion and Analysis section of our Form 10Q, to be filed on or about December 5, 2008.

On the expense side, operating expenses increased \$450,000 to \$2.9 million. We experienced increases in consulting, legal, and professional fees relating to costs associated with the Beta transaction, the Red Oak matter, and general corporate governance. We also incurred additional costs in sales and marketing relating to lead generation programs such as the Business Trends Quarterly (BTQ) Podcast and the development of the Company's new Web site which we expect to go live with by early next week.

For the quarter, we reported a \$3,200 net loss compared to an almost \$400,000 net loss in last year's first quarter.

Now, I would like to turn the call back to Sandy.



CEO Perspective – Sandy Weil

Thank you Debra. As I said earlier, we believe the Company is starting to move in the right direction.

Optimization of the Company

We believe that our efforts to optimize the Company will continue to yield improvements in both operational and financial performance. Essentially, we've recognized that we can run a much tighter ship. We're doing this through a fair amount of reorganization and by reassigning resources to where we feel they can deliver greater value.

Having Steve Flynn on board as our Chief Operating Officer has been tremendously important in this regard. Steve was working with us as an independent consultant for about two months before I finally convinced him to come on board full time. He's a very strong asset to have on our management team and he's been invaluable in helping us improve how we operate.

Focus on Core Competencies

From a strategic perspective, our technology exchange with Beta Systems was critical. It was a great deal for both companies and it enables two major players in their respective industries to strengthen their security solution offerings while bringing greater focus to their core lines of business. Proginet's future lies in secure managed file transfer for the enterprise. This has long been our core competency and the leading analyst groups are recognizing us as a major player in the space.

We had Frank Kenney of Gartner here a few weeks ago for an all-day strategy session with the management team. As Research Director, Frank is the lead Gartner analyst on the managed file transfer (MFT) space. Our conversations with Frank about the Beta deal and the Company's overall strategic direction prompted him to release a highly favorable research note on Proginet in which he states that the "deal will make Proginet more competitive in the managed file transfer (MFT) market." You can get to this report via the *Media Coverage* section of our Web site.



We believe that we are establishing our credentials as one of the top three vendors in multi-platform managed file transfer and our customers will continue to see the best price/performance in the industry.

Sales & Alliance

Our sales team is focused on selling the core CFI Suite and the Slingshot Application. The recent reorganization of our sales and alliances teams has reinvigorated how we approach the market and we're seeing positive activity in the pipeline. We've built a solid team that comprises junior and senior sales executives working together in teams on both inbound and outbound opportunities.

Additionally, our Alliance team is very focused on driving the success of the Beta relationship, in addition to a number of others that we are developing.

We're also managing the overall sales process much more efficiently. Our use of Salesforce.com as the central productivity and sales tracking tool has been extensive and has made the whole sales process more transparent and manageable. As the CEO, having this centralized dashboard at my fingertips at all times is critical to my overall decision making.

The downside, from a sales perspective, is that we're in a tough economic climate. We have to be cautious because we're selling enterprise-level software at a time when many large corporations are nervous about spending money. It is always hard to know how much it has affected us but we need to be careful moving forward.

Government Success and Ongoing Opportunity

As you all know, we announced a large government software license award at the end of the last quarter. As previously noted we should begin recognizing revenues associated with this award in the second quarter.

We remain on track for our FIPS 140-2 support; this will increase our competitiveness in the government sector which tends to be somewhat recession-proof.

Exclusive Distribution Agreement in Europe (Beta Systems)

The other part of the Beta Systems deal is that we've signed a major strategic agreement whereby they have become our exclusive distributor in Europe, where they have a very strong presence in the enterprise software market. They've got



a very large install base in Europe so they can really hit the ground running with their existing customers.

Gartner's Frank Kenney's position on this, again, is that "with Beta as a reseller, Proginet can put pressure on its competitors in Europe such as Axway and Primeur." We, at Proginet, firmly believe this to be true.

Products

As previously stated, we have developed a much more rigorous and tighter product focus based around innovation. Slingshot, Slingshot Vault, RocketStream and Edge Server are evidence of this. The customers and prospects we are talking to are very interested in these innovations.

The bottom line is that we're all about secure managed file transfer and being the leader in our field. This is where our core competency lies and our strategic technology exchange with Beta Systems strengthens our focus considerably.

Web

As you know, we recently launched our e-commerce storefront in order to package and sell our products online. We are very pleased to have recorded our first online sales during the first fiscal quarter.

We're also more than 90% of the way through developing a completely new Web site. We expect this to launch early next week.

Operating Costs

And finally, operating costs. This quarter included significant non-recurring consulting and legal fees associated with developing our strategic arrangement with Beta Systems, as well as with our corporate reorganization. Because most of these are non-recurring, I expect that we'll be able to show quite a bit of reduction in our ongoing operating costs from this and from other steps we intend to take. And with Steve on board, we'll continue to look to become more efficient and effective in how we operate as a business.

Conclusion

We've made many changes in a short time at Proginet and it will take time before we see the full results. I'm confident, however, that we're on the right track and I look forward to continuing to lead the new, improved Proginet.