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## Conference Call Transcript

**GTLT.OB - Q1 2008 Global Telecom & Technology, Inc. Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Mike Bauer**

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**Richard Calder**

*Global Telecom & Technology, Inc. - President, CEO*

**Kevin Welch**

*Global Telecom & Technology, Inc. - CFO*

**Brian Thompson**

*Global Telecom & Technology, Inc. - Executive Chairman*

## PRESENTATION

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**Operator**

Good day, everyone. Welcome to the Global Telecom & Technology, Inc. Quarter 1 2008 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the call over to Mike Bauer, Vice President of Finance and Investor Relations, for opening remarks and introductions. Please go ahead, sir.

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**Mike Bauer - Global Telecom & Technology, Inc. - VP - Finance & IR**

Thank you and good morning. I'm joined today by Rick Calder, GTT's President and CEO, Kevin Welch, our Chief Financial Officer, and Brian Thompson, GTT's Executive Chairman of the Board.

Our discussion this morning is being made available via webcast through our website. The replay of this call will be available for one month. Dial-in information for the replay, as well as access to a replay of the webcast is available on our website at [www.gt-t.net](http://www.gt-t.net).

I would also like to mention that our comments today will contain certain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that involve the use of words such as anticipates, expects, intends, plans, believes, may, will, and similar expressions are intended to identify forward-looking statements.

Forward-looking statements include, by way of example, revenue and margin expectations or projections, and various references to trends in the industry and GTT's business. Such statements reflect our current views with respect to future events, and are subject to risks, uncertainties and other factors, some beyond our control, which could cause the Company's actual results to differ materially from those anticipated in these forward-looking statements.

There are many risks, uncertainties and other factors that can prevent the Company from achieving its goals or cause the Company's actual results to differ materially from those expressed in or implied by the forward-looking statements contained in our comments.

These factors and others are more fully discussed under "Risk Factors" in GTT's most recent Form 10-K, as filed with the Security and Exchange Commission on March 27, 2008. Statements in this call should be evaluated in light of these important factors. I will now turn the call over to GTT's President and CEO, Rick Calder. Rick?

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**Richard Calder - Global Telecom & Technology, Inc. - President, CEO**

Great. Thank you, Mike. And good morning, everyone. I will begin our prepared comments this morning with an overview of our progress during the first quarter of 2008, and I will then turn the call over to Kevin, who will walk you through the quarter's financial results. We will then open the call for your questions.

During the quarter of 2008, we achieved many important milestones. We had strong year-over-year revenue growth of 19.9%, and continue to grow our business properly, with adjusted -- with positive adjusted EBITDA for the third consecutive quarter. This success is a direct result of our ability to execute on our strategy as a multi-network operator.

Unlike firms that require heavy capital investment or are large consumers of cash, GTT's model is built -- is based on building a best-fit network solution from the many available facility-based carrier networks. Moreover, our revenue and cost of revenue are matched very closely, so that we can successfully fund our operations without the need for external financing.

I would like to take this opportunity to reflect on some of the key news we announced since our last conference call. We highlighted some key sales wins, including Continental AG in Germany, iCORE Networks in the U.S., and Carrier to Carrier, C2C in the Netherlands.

We launched both our GTT hub service private-line offering, as well as GTT-managed network services. We entered a strategic agreement with U.S. based fiber provider, Indatel Group, to extend the network reach of U.S. and international customers into rural U.S. markets. We established a new \$2 million credit facility with Silicon Valley Bank. And we recently appointed a general counsel, Chris McKee, to support our strategic business goals for 2008 and beyond.

Moving forward, GTT is keenly focused on profitable growth and generating internal cash flow to fund our ongoing operations. We are driving the success of our multi-network-operator business through the expansion of our supplier relationships, our global sales force and our global product portfolio. I'd like to turn the call over to Kevin, now, to walk you through the financials.

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**Kevin Welch - Global Telecom & Technology, Inc. - CFO**

Thank you, Rick, and good morning, everyone. For the quarter ended March 31, 2008, was the Company's first quarter of year-over-year-period comparisons without the need to combine predecessor-company results prior to their acquisitions. However, our discussion today will refer to adjusted EBITDA, which is a non-GAAP measure. A presentation of GAAP financial measures and reconciliation of non-GAAP information to GAAP financial measures is included in the press release we issued yesterday, which is available on our website.

As Rick mentioned, revenue for the quarter of \$16.3 million was 19.9% growth over the first quarter 2007 revenue of \$13.6 million. First quarter revenue also grew 5.1% on a sequential basis, compared to the \$15.5 million in revenue reported in the fourth quarter of 2007.

Revenue growth was organic, driven by increased new sales and installation activity. We ended the first quarter with 25 quota-bearing reps, representing 30% of the total employees, up from 19 quote-bearing reps or 21% of the total employees, at the end of the first quarter of 2007.

Year-over-year revenue growth in the first quarter did benefit, but to a much less degree than in previous quarter, by the increase in the exchange rate of both the British Pound and Euro against the U.S. dollar. Adjusting for the exchange rate impact on a year-over-year basis, revenue growth in the first quarter would still have been over 17%.

Gross margin for the first quarter of 2008 of 29% remained relatively flat, compared to the gross margin in first quarter of 2007 and down slightly from the gross margin in the first quarter of 2007 of 29.8%

Our selling general and administrative expense, or SG&A, excluding non-cash comp, was \$4.6 million during the quarter, down from \$4.7 million during the first quarter of 2007, even though revenue growth of nearly even though we had revenue growth of nearly 20% during the year.

SB&A, excluding non-cash comp as a percentage of revenue, was 28.1% during the quarter, down from 34.3% of revenue in the first quarter of 2007, a significant improvement and key contributor to our adjusted EBITDA performance.

On a sequential basis, our SG&A, excluding non-cash comp did increase from \$4.2 million in the fourth quarter of last year. As I had mentioned in last quarter's call, this increase was expected, given the additional costs relating to the annual 2007 audit and tax work, including the development of our 10-K public filing, which are recognized in the first quarter.

Incrementally, these items cost approximately \$200,000 in the quarter. Additional increased related to our headcount growth, as we ended the quarter with 38 employees, up from 78 employees at year end.

Going forward, we expect SG&A, excluding non-cash comp, to continue to decrease as a percentage of revenue and for the second quarter of this year, to also decrease in absolute dollars.

As Rick discussed, we continued to generate positive adjusted EBITDA during the first quarter. Our adjusted EBITDA of \$150,000 was our third consecutive quarter of positive adjusted EBITDA, and a significant improvement over the first quarter 2007 adjusted EBITDA loss of over \$600,000.

Adjusted EBITDA was lower, sequentially, compared to the fourth quarter of last year, a result of the costs associated with the year end expenses, as I mentioned earlier. Finally, during the first quarter, we also announced the completion of a \$2 million, 364-day credit facility with Silicon Valley Bank.

We do not currently have any amounts outstanding under the facility, but the facility does carry a quarterly minimum-interest fee. We may draw an amount on the facility that would generate the minimum-interest level to help minimize our quarterly interest expense. And with that, I'll turn it back to Rick.

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**Richard Calder** - *Global Telecom & Technology, Inc. - President, CEO*

Great. Thank you, Kevin. Operator, we are ready to begin taking questions now.

## QUESTION AND ANSWER

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**Operator**

(OPERATOR INSTRUCTIONS). And we don't have any questions.

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**Kevin Welch** - *Global Telecom & Technology, Inc. - CFO*

Okay, great. We'll have -- thank you, Operator. Before we conclude the call our Executive Chairman, Brian Thompson, would like to say a word.

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**Brian Thompson** - *Global Telecom & Technology, Inc. - Executive Chairman*

Yes. I just wanted to add to Rick's comments earlier, for those of you who have been involved with us since the beginning of the merger of these companies. I think that we've gotten to the point, now, where we had anticipated we would be. We have a single Company on a single platform. We have a growing number of good names of new customers as well as return of the older customers again and again to order from us.

I feel as though we're just on the beginning of a very important inflection point in this Company, at which point we can go to growth of significant proportions. We have, as Kevin pointed out, we have a situation with our charges in the first quarter, which is unique to reduce a bit the EBITDA as adjusted. But that means going forward we will smooth those charges, and we'll have a significant improvement take place over the course of the next several months in that line item.

We believe that we're on course. We feel very confident, based on the business, that we've been booking that this model of -- that we've put in place in this marketplace is a winner. And we are very anxious to expand our business, both here and abroad, as we move forward.

A final point is we believe we have our team in place now, including our new general counsel, that will allow us to not only take advantage of the marketplace, but it will allow us to get back on our course of evaluating opportunities for acquiring other business as we go forward.

With that, I'm going to turn it back to Rick, and thank him for the work he's done over the past year. For those on the call, this is Rick's anniversary. He's been here a year now. So the honeymoon's over. He's got to really get to work.

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**Richard Calder** - *Global Telecom & Technology, Inc. - President, CEO*

Great. Thank you very much, Brian. Thank you, Operator, and everyone, for listening today. We had a great start to the year, and we very much look forward to sharing our results with you as we move through the year. Thank you again.

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