Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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March 28, 2014

THIS JUST IN!

EPSON SHOWING REVAMPED SCANNER LINE

Epson was showing its updated line of scanners at **Kofax's** recent Transform show. The highlight of the four scanners ranging in MSRP from $400 to $1,100, is a new roller configuration that debuted last year on the DS-510 model. The new configuration, which improves feeding and enables dynamic skew correction, bifurcates the paper feed rollers (there are now four total rollers) and replaces the separation pad used in previous Epson sheetfed models with a bifurcated roller as well.

The DS-510 was introduced last summer as a successor to Epson's successful GT-S50 personal/workgroup model. It is rated at 26ppm/52ipm at 300 dpi in color, lists for $400, and includes both TWAIN and ISIS drivers. It includes Epson Document Capture Pro, which features connections to SharePoint, **Google** Docs and **Evernote**. Last week, Epson announced it was introducing scan-to-OneNote capabilities with the 510— as well as with its portable DS-30 and the new DS-560 model.

For an additional $60, with the DS-560 users get wireless scanning built into the 510 model. The 560 was announced in January and began shipping this month. It features 802.11 b/g/n and can be configured in either a Wi-Fi mode to connect to single device or AP mode, through which the scanner can act as a virtual access point for up to four devices. Wireless capture can be executed utilizing Epson Document Capture Pro on the desktop or the Epson Document Capture app on mobile devices.

In January, Epson also announced its new DS-760 and DS-860 workgroup/departmental models. Both models feature an 80-sheet ADF. The DS-760, which is the successor to the GT-S80, is rated at 45/90 at 300 dpi in color. It has a recommended daily duty cycle of 4,500 pages

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First Mile Marketing Strategy Gaining Steam

SAN DIEGO—Last year, **Kofax** used its Transform partner and customer conference to introduce its First Mile marketing strategy. This year's event, held once again at the Hilton San Diego Bayfront, showed attendees how the rubber hits the road in smart process applications (SPA) built on Kofax's First Mile platform. "It's great to see how it all comes together to solve First Mile problems in the real world," said Kofax VP, Field Enablement Phillip Jones from the dais, as the event wrapped up.

Reynolds Bish, CEO, Kofax

The keynote speaker was customer experience management expert Lior Arussy of the consulting firm **Strativity**. "[Speaking at conferences] is not what I do for a living," Arussy told the assembled crowd of more than 700 attendees. "My main gig is helping organizations in multiple verticals improve their customer experience results. Business is the result of thousands of decisions that employees make every day. We need to ask ourselves, are we giving them the tools to make the right decisions?"

Providing these tools is the exact purpose of the First Mile strategy that **AIIM's** John Mancini and Geoffrey Moore of **The Chasm Group** laid out at last year's Transform [*see* DIR 3/29/13]. Kofax makes these tools available through a combination of technologies starting with document capture, but also including application integration, data analysis, and BPM. "When we introduced our Total Agility (TA) 7.0 platform [in October], we combined all of those technologies, as well as mobile capture, in a single platform," said CTO Anthony Macciola. "Each of the technologies is still available on its own, but we spent quite a bit of time creating a tight integration under the control of a management layer, which includes the ability to lay out a process flow within our designer."

In addition to marketing TA 7 as a platform, Kofax has plans to build out SPA frameworks that can be utilized to address specific applications. Kofax has already built out an accounts payable framework that provides capture, analytics, and integration with ERP systems other than **SAP** and **Oracle** (which are addressed by its MarkView A/P automation software). It also has digital mailroom [*see DIR 2/1/13*] and customer onboarding frameworks built on TA 7.

Currently in the works is a TA 7 mortgage application framework, which was previewed during a financial analyst and investor session at Transform. "In addition to the TA 7 functionality, it includes a portal for the loan officer, an administrative/set-up function, a mobile app for the borrower, a borrower portal, and third-party integration with loan-origination software (LOS) packages," said Macciola. "We will also be providing integration with third-party verification service providers—we will include some examples, but expect users will replicate this integration with their own providers."

The framework is designed to address five steps in a mortgage application process:

- borrower engagement: leverages a Web portal and mobile app that enables borrowers to register for mortgages and submit supporting documentation
- content collection: leverages the same channels for a borrower to submit more information over time, after which it is automatically classified and data extraction is applied; only when the proper information is captured is the loan allowed to move to the next step in a workflow
- content validation and verification
- application completion
- submission into a LOS system

"Kofax has been in the mortgage market in the past," said Macciola. "But our software has been mostly used to capture closing documents, where the benefit to a lender is minimal. With this new SPA framework, we are focusing on the front-end where the benefits are greater. There are other areas like underwriting and post-underwriting processes that we think we can also address, and that may come later. For now, we are focusing on loan origination in the mid-market, where we don't think lenders have the resources to build out similar capabilities on their own."

On cue, Macciola introduced Eric Egenhoefer, CEO, **Waterstone Mortgage**, which employs 700 people and processes about 10,000 mortgage applications annually, while lending approximately $2 billion. "The small- to mid-size banking markets are definitely underserved by the technology included in TA 7," said Egenhoefer. "We utilize **Ellie Mae** [LOS software], and, while it offers capture, like with everybody else, the rest of the technology provided by TA 7 is non-existent.

"Our software might be able to indicate that it has a W-2 in an application folder, but there is no way to automatically check that. Often times, a loan officer will be gathering information, but nobody will look at it for 10-12 days. I'd love First Mile technology to push that stuff forward.

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DIR is the leading executive report on managing documents for e-business. Areas we cover include:

1. Document Capture
2. Image Processing
3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
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"And recently passed government regulations have made our job so much more complicated that a number of credit unions and smaller banks want out of the mortgage business altogether. The number of touches is up and the number of times looking at the same document has added to our costs and burdens. The big guys like Wells Fargo and Quicken Loans might have the capability to automatically read documents, write business rules, and more intelligently process them, but in the mid-market we haven't been able to afford it.

"With TA 7, Kofax has technology that should enable us to process far more transactions with far less staff, in addition to making fewer errors and improving our customer satisfaction. Quite frankly, with our current system, we are so afraid of making mistakes that it's increasing our costs. [The TA 7 mortgage application framework] should help us significantly."

Anthony Macciola, CTO, Kofax

Bish bullish on SPA

In a one-on-one interview with *DIR*, Kofax CEO Reynolds Bish said that the First Mile and SPA message seems to be resonating well with the market. "Everybody can relate to it," he said. "We think of it as a much higher value proposition than just capture. Capture is definitely part of it and plays an important role. Capture continues to help reduce costs, but all the other stuff [in TA 7] really helps our customers better grow their businesses."

Last month, Kofax announced a $4 million sale of TA 7 to a wealth and asset management company headquartered in western Europe. The sale included approximately $1.25 million in software licenses and $2.75 million of maintenance, professional services, and training. That breakdown was a bit out of character for a company where, in 2013, professional services made up only about 12% of total revenue. "That deal was an extreme exception," noted Bish. "We do not expect to have that high a level of professional services in all TA 7 deals."

Bish added that Kofax only recently opened up TA 7 sales to its most qualified top tier resellers, who have traditionally handled a good bit of the professional services related to Kofax software.

Revamped sales model drives success

The evolution of Kofax's sales organization was a major topic of discussion at Transform. Bish cited a re-organization, spearheaded by EVP of Field Operations Howard Dratler, as key to the company's returning to growth in the second half of its fiscal '13 [ended June 30]—a trend Kofax has sustained through the first half of its fiscal '14. Dratler, who had previously worked in a similar capacity for Bish at Captiva Software, was hired by Kofax in the summer of 2012.

"When I joined Kofax six years ago, 100% of our revenue was coming through an indirect channel," Bish told *DIR*. "I concluded that one reason the company was struggling with revenue growth and losing market share was that it wasn't getting its fair share of high-end deals. Large corporate and government entities prefer to buy direct, and it was through primarily direct selling in those markets that we had success at Captiva.

"At Kofax, I wanted to put in place a model to facilitate direct selling without creating channel conflict and cannibalizing indirect sales. So, we had each of our reps handle both direct and indirect sales in their territories. That worked well for awhile, and we grew both our license sales and total revenue.

"However, as we developed some new products and acquired others, our sales people started to become overwhelmed. They ended up spending a lot of time servicing the multitude of lower end orders from the indirect channel. Because of the distribution efforts and noise level associated with serving that channel, they weren't spending enough time building up their pipelines of what we call Category A, $75,000-$1 million (revenue to Kofax), deals.

"Instead, in a desperate attempt to hit their numbers, they were chasing seven-figure deals, or what we call whales. If you look at the 18-24 months preceding the sales re-organization, we had some very volatile quarterly numbers.

"To correct this, we took the most sophisticated 15% of our sales staff and had them focus on high-volume opportunities with our entire product line. We took our more junior reps, the bottom 15%, and had them focus on all deals below $75,000. The other 70% we had focus on capture—that's what they're comfortable with and good at. Capture is still a significant part of our revenue stream (During his keynote Bish said 86% of Kofax's revenue comes from capture.), and we wanted them to focus on deals greater than $75,000.

"As soon as we did all that, immediately more Category A deals started showing up in our pipeline and forecast. As we started closing them, our results started to even out."

Indeed. During his presentation at the analyst session, Dratler said Kofax's number of Category A deals increased from 32 in the second quarter of fiscal 2013 to 65 in Q2 '14. "Our previous focus was on satisfying the run rate and hunting whales," summarized Dratler. "Now, our strategy is to drive Category A deals and drive deeper into the enterprise. We should be able to meet the sales goals in all our regions without seven-figure deals. Seven-figure deals should be the icing on the cake."

Kofax continues to ramp up its sales force, from 87 quota carrying representatives in Q2 '13, to 117 a year later, with 15 positions still to be filled. Bish added that a large-scale sales force reorganization does not come without a cost. "Our margins were down in fiscal 2013," he acknowledged. (Kofax's EBITDA margin for its FY13 was 17.5%.) "And they continued to decline in the first half of this year as our new salespeople are getting up to speed.

"We should be able to meet the sales goals in all our regions without 7-figure deals. [They] should be the icing on the cake."

—Howard Dratler, Kofax

"We have issued guidance that we expect our EBITDA margins for fiscal 2014 to be 14.5-15.5%. However, over the next three years, fiscal '15, '16, and '17, we expect to increase those to 20%. We will continue to make investments in sales and product development, but by then, we should also have better economies of scale."

Acquisition on the horizon

The lower EBITDA margins do not mean Kofax is not profitable. Far from it. For FY '13, it reported $46.7 million in earnings, with another $21.3 million in EBITDA through the first half of FY '14. Kofax currently has approximately $80 million in the bank, at least some of which is earmarked for an acquisition before the end of the calendar year, if not the fiscal year. In addition to its own money, Kofax has a $40 million line of credit with **Bank of America Merrill Lynch**.

"We are looking at acquiring ISVs in adjacent spaces that will help us better service our customers," Bish told *DIR*. "Ideally, we look at small to mid-size ISVs, with between several and up to $15-20 million in annual revenue. This is called a tuck-in strategy."

"Should we come across a larger opportunity, if it's compelling enough and we need to raise more money, we would go ahead and do that. I'm firmly convinced that because of the way we run our company, we could go out and raise $100-150 million of debt and then pay that down with our profits."

Bish added that he has no plans to acquire a capture or ECM ISV. "We will not acquire market share, and we have no interest in rolling up the industry," he said. "You'll have to tell our competitors they will have to find someone else to acquire them."

Market cap soaring

Consistent growth and profitability were keys to Bish's success in driving the valuation of his former company, Captiva, on the Nasdaq. And, for the past few months at least, they seem to be working for Kofax too.

If you remember, after last year's Transform, we reported that Kofax's market capitalization was not much greater than it had been when Bish was hired five years earlier [*see DIR 3/29/13*]. Since then, however, Kofax has reported four straight quarters of software license and overall growth and has watched its market capitalization increase by (depending on the day) somewhere around 75%. [As of last week, even after the mini-downturn triggered by the **U.S. Federal Reserve's** announcement that it might increase some key lending rates, the Nasdaq listed Kofax's market cap at approximately $750 million— a valuation up from approximately $400 million at the end of March last year].

In addition to, and maybe more important than, Kofax's financial success for driving its market valuation, is the company's securing a Nasdaq listing. On Dec. 5, Kofax shares began trading on that exchange through an IPO of two million shares priced at $5.85. This raised approximately $11.8 million, but more importantly it enabled all its shares to be traded on both the Nasdaq and the London Stock Exchange (LSE), where they have historically been primarily traded.

Since the IPO, Kofax's shares have soared as high as $9 on the Nasdaq, which translates to more than 5 British Pounds on the LSE. To give you some perspective, previous to the Nasdaq IPO, it had been more than two years since Kofax's share value had risen above 4 British Pounds per share on the LSE.

It has always been Bish's view that Kofax's stock has been undervalued on the LSE. "The Nasdaq listing has really unlocked our shareholder value," he said. "From what I understand, the way we went about getting that listing has never been done before. People told me the IPO was for too small a volume and that it would never work. But, it's working out better than even we thought it would. Once again, we are blazing new trails."

Bish concluded our discussion on market capitalization by saying that he sees a very real opportunity to double the company's current value in the next three years.

Meeting the SaaS challenge

That's not to say it's all blue skies for Kofax. Like any ISV with an established model focused on on-premise software sales, Kofax faces challenges from the cloud computing paradigm and the predominantly subscription-based sales model that goes with it. Bish, however, is optimistic that SaaS sales will be accretive to Kofax's current revenue stream, rather than cannibalistic. In its most recently reported quarter (ended Dec. 31, 2013), Kofax reported just short of $3 million in SaaS revenue, which represented 8% of recurring revenue (which also includes maintenance revenue), and 4% of overall revenue.

"We think the reason there has been a limited demand for hosted software in our market is that many of our customers are in verticals like financial services—that want everything behind their firewalls for security purposes," said Bish. "And 15% of our business comes from BPOs, who often see what they do as an alternative to hosted services.

"That said, we know it's important to bring our software to the cloud, and we've done that by the leveraging the capabilities inherent in KTA (which has a Web-based architecture). With KTA 7.1, we've improved some of the capabilities and put the software on Windows Azure. Users can license it in a multi-tenant or dedicated hosting environment. We think this will open up parts of the market that we have not been able to address—including customers who don't have the capital expenditure budget for an on-premise solution or the IT staff to support one. Our SaaS options will provide a convenient and easy option for them. We believe there are opportunities in markets like A/P and mortgage origination.

"But, we have no plans or programs in place to transition to a perpetual licensing model. We think our subscription sales will slowly add to our substantial maintenance revenue and increase our recurring revenue. In addition to the 45-50% of our revenue that is currently generated through maintenance, we think maybe another 15-20% could eventually come from SaaS."

Revamping its OEM business

Kofax also faces the challenge of potentially declining revenue from its VRS image processing technology. When it debuted in 1999, VRS' ability to apply dynamic thresholding to grayscale images to create higher quality bi-tonal images was fairly unique. However, while VRS remains the gold standard in our industry for image processing, the gap has been narrowed between what scanner and application software vendors have developed themselves and what VRS can provide.

The biggest blow to Kofax's VRS revenue may have been **Fujitsu's** recent decision to drop a bundling agreement that had been in place since 2003 in favor of its internally developed PaperStream IP software [*see DIR 1/31/14*]. (Fujitsu and Kofax continue to have a strong relationship, however. Fujitsu was the Platinum sponsor at Transform and still recommends VRS for forms processing and other OCR-intensive applications.) There has been some wild speculation as to how much the change in the relationship with Fujitsu will cost Kofax, but Bish downplays its effect. (The last time Kofax broke out OEM/POS revenue, which primarily included VRS and Kofax Express sales, was its fiscal 2012. At the time, it was a $28 million annual business—which is not insignificant.)

"The bundling arrangements we have with scanner manufacturers are confidential, so I can't offer any comment specifically on our relationship with Fujitsu," said Bish. "I can say that to any extent there have been any changes in our OEM agreements, we've already seen their impact on our software license revenue.

"Also, to any extent that there has been a decline in revenue from bundling VRS, we have a number of efforts underway to offer additional products through OEM channels. These are not directed at the same audience, but to other kinds of customers. We think there are other ISVs, for example, that might want to license our mobile capture and image enhancement capabilities to bundle in their products.

"We also believe there are significant OEM opportunities with our Altosoft and Kapow lines. Last year, in fact, Kapow signed an OEM agreement with **Oracle**. We've also established more distribution for VRS. This has included an agreement with [VAD] **Spigraph** in western Europe, and we've increased our presence in other geographies like Africa."

Diversification a hit

Overall, business is certainly looking up for Kofax. Its capture software sales were up through in Q2 of 2014, while its growth from mobile technology and "new or acquired products" was up significantly more (107% YOY overall growth in Q2, including more than 30% organic growth)—all the while turning a profit. It's significant to note that for Q2 '14, Kofax reported 22% of software license revenue came from this second category of products, up from 18% the previous quarter—so the company is clearly diversifying, without seemingly losing focus on capture—after all, 70% of its sales force is focused on that market.

The question has always been, can Kofax bring its amalgamation of technologies together in a single unified offering? TA 7 represents the first crack at that and the initial feedback, while still inconclusive, certainly isn't negative. One of the keynote speakers at the event was Olivia Leong, head of commercial and prepaid payment solutions, Asia Pacific, for **Visa**. She discussed an A/P solution that included elements of Capture, Kapow (application integration), and Altosoft (data analysis) deployed on the TA 7 platform. Granted, this is just one customer, but Visa is a fairly big organization—a good place to start with any type of new technology offering.

We came away from Transform impressed with Kofax's direction. We are impressed that Kofax continues to strive to be the leader in the still growing capture space. But, we are also impressed that it has diversified into potentially faster growing markets like application integration, as offered by Kapow—and that Kofax has a clear vision of how to integrate its new technologies and leverage its leadership in the capture space as a differentiator.

The nice thing about covering Kofax is that as a public company all its financial successes, and missteps, are clear to see. We will obviously continue to watch the company closely and keep you abreast of how its plans are working out.

For more information:
http://www.kofax.com/transform/

EPSON SCANNERS, FROM PAGE 1

and lists for $900. The DS-860 is Epson's fastest model to date. It is rated at 65/130 and carries a list of $1,100 with a daily duty cycle of 6,000 pages. Both models include Document Capture Pro and TWAIN and ISIS drivers.

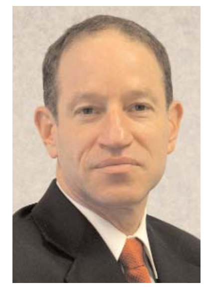
Epson continues to be very active in increasing its channel presence. From Transform, Robert Esquivel, Epson's business development manager, Imaging, was heading to Las Vegas for the **ITEX** MFP channel show. Epson is also a sponsor at next week's **AIIM** Conference being held in Orlando, FL.

http://bit.ly/Epson760-860; http://bit.ly/EpsonOneNote; http://bit.ly/Epson560; http://bit.ly/AIIMSponsors

Datacap Founder to Retire

Scott Blau is retiring from **IBM**. The Datacap founder told *DIR* that he will be leaving IBM, which bought his company in 2010 [*see DIR 8/20/10*] at the end of the month. Since the acquisition, Blau had been serving officially as IBM's worldwide director of document capture and unofficially as "capture guru."

Datacap's Paper Keyboard, which began shipping in 1989 was one of the first forms processing products on the market. When I was introduced to Blau almost 10 years later, he was on the forefront of the movement to consolidate the document and data capture markets. Datacap also was on the cutting edge in Web services architecture, when it released its *Taskmaster Web Service* edition back in 2006 [*see DIR 6/2/06*].



Scott Blau, founder, Datacap, "Capture Guru" IBM

It was in regards to Web services that we reached out to Blau, as seven years later it is still an emerging trend in the capture industry [*see DIR 3/7/14*]. "The whole idea behind our Rule Runner platform was to make it possible to invoke capture processes through services calls," Blau told *DIR*. "We wanted to decouple the processes from the capture platform.

"One thing that initially attracted IBM to Datacap was our architecture. Of course, IBM has continued to extend, improve, and ruggedize our software. Our software is now installed in some gigantic accounts and very demanding applications."

According to Blau, IBM retained 100% of Datacap's employees for the first two years after the acquisition. "Now that it has been four years, some people have moved on, but what I am most proud of related to Datacap are the people that have been with the business—some of them stuck with the company for more than 15 years," said Blau. "Also, I think we created a very durable product. We always had a clear vision and an integrated platform. We did not cobble together a bunch of software.

"If you look at some of the other acquisitions in our market, they didn't turn out as well as ours did. Datacap is recognized by IBM as one of its most successful acquisitions in the last 10 years. It's not just that the business has been increasing, but it's also the contributions Datacap people have made."

Blau feels like he is leaving Datacap is a good place. “One of the first things IBM did was integrate Datacap with FileNet Capture and P8 in an offering called PIE (production imaging environment) to create a single source with a complete set of document imaging capabilities,” he said. “IBM is also working to expand its capture platform to work with MFPs and mobile devices (Blau noted that the mobile integration is being enabled through Web services calls). And IBM has a new generation UI called Content Navigator, which provides access to all its content repositories, any third-party repositories that comply with CMIS, as well as capture. It basically creates a single user experience platform for all a user’s capture and imaging needs.”

Blau told *DIR* that he has no immediate plans to found a start-up or anything like that. It sounds like he will be enjoying more time with his family and quite likely on his bike. We wish Scott the best and have enjoyed working with him for more than 15 years—as a great source of info. for *DIR* and as an all around good person know.

For more information:
http://www-01.ibm.com/software/info/datacap/;
http://www-03.ibm.com/software/products/en/content-navigator/

TIS Americas GM Says Cloud Prep will Pay Off

There is certainly a lot of talk in the capture market about the potential transition to SaaS (software as a service) or cloud implementations. But for all the talk, adoption rates are still fairly low. **ReadSoft** and **Kofax,** for example, two market leaders, still report minimal SaaS sales—although both are ramping up their efforts. And Ike Kavas of **Ephesoft**, a capture start-up with a Web-based architecture that lends itself nicely to SaaS, recently told *DIR* that “90% of customers still buy Ephesoft on premise.”

Last year, **Top Image Systems** (TIS) revamped the architecture of its flagship eFLOW platform to make its offering more Web-centric and cloud-ready [*see DIR 9/20/13*]. In the fourth quarter of 2013, TIS reported $360,000 in SaaS revenue—out of $8 million in total revenue. Despite these modest beginnings, TIS has not lost confidence in the SaaS model. It continues to invest heavily in both cloud and mobile technologies and recently hired a new EVP and GM for the Americas who has a strong background in enterprise cloud sales.

Avi Mileguir joined TIS in February after several years with **ClickSoftware**, which sells field and workforce management software. “At ClickSoftware, we went from a point where nobody was adopting cloud solutions to where 12 months later half our sales pipeline was cloud,” Mileguir told *DIR*. “When cloud is adopted by the market, it gets adopted quickly. If, as a vendor, you are not there to meet this adoption, you get left in the dust.

“That is why it is so important for TIS to continue to invest in the cloud. I think you will see adoption increase in the second half of 2014 and accelerate in 2015. All it takes is one or two CIOs with a vision to get things started. Once one CIOs gets up on the podium at an industry event and explains how they saved 25% of operating expenses in a year by investing in a cloud solution, his peers will take notice.”

With eFLOW 5, TIS architected its product for the cloud—now it is looking for partners who will help it bring a complete solution to market. “When you deal with markets like banking and health insurance, it’s very important to make sure you have all your security and privacy controls in place,” said Mileguir. “We are not an infrastructure provider. We want to deliver our functionality and rely on a well-known vendor for infrastructure.”

Mileguir said TIS is currently working with some of the biggest names in cloud computing to build its platform. “I can’t say who we are talking to because everything is still in the kitchen being cooked, but these are names that are synonymous with cloud computing.”

TIS already has a partnership with **Amazon** to leverage its Mechanical Turk crowdsourcing services. “That has more to do with the ability to complete a capture process than with cloud licensing of our software,” said Mileguir.

A Wider Focus

In 2012, when TIS first re-launched its business in the U.S., its focus was selling mobile capture technology to the banking market. While that remains a strong focus, Mileguir has a wider charter that includes the entire spectrum of markets that can be addressed by eFLOW. “Our mobile capture efforts remain mainly focused on banking,” he said. “But, we’re also seeing increased levels of interest for mobile in insurance. And while our mobile capture can be sold separately, we often find it leads to sales of the eFLOW platform.

“With our traditional invoice reading and digital mailroom software, we see potential across the board, in almost any vertical. We have several partnerships in North America that enable us to bring end-to-end solutions to the table. These include partners **Open Scan, Feith Systems,**

Fiserv, TransCentra, and **K2**. When we sell through partners we are typically in the field working side by side with them."

Mileguir views the cloud as an enabler to help TIS expand its reach. "Many companies today, especially smaller ones, do not want to invest in high end systems, especially to start with," he said. "A SaaS offering gives us the ability to address these organizations. This potentially creates a lower revenue per customer but can increase our overall customer base."

A look at ClickSoftware's financial reports reveals that Mileguir former company went through exactly such a transition. In 2013, it increased its number of new customers by 50%, including adding 19 new customers in Q4, 10 of which chose Click's SaaS platform. However, for 2013 ClickSoftware's revenue increased only 3%, which led to an operating loss of $6 million compared to a profit of $7 million in 2012.

"At any company making the transition to SaaS, you are always going to get excited when you make your first two or three sales," said Mileguir, whose team was responsible for ClickSoftware's first major cloud sale in 2012. "However, in the second year, when 30-40% of your pipeline is cloud sales, you realize your payments per customer are becoming much less. So, initially, at least you have to prepare for a diminishing amount of revenue."

ClickSoftware seems to have done a pretty good job of this, at least when managing investor expectations. After seeing its stock value dip to below $6 per share following its Q2 '13 financials announcement, ClickSoftware's stock has enjoyed a steady climb, recently peaking at more than $10.50 per share.

Despite the challenging transition, Mileguir believes that companies like TIS and ClickSoftware, that have a strong on-premise legacy, have an advantage over cloud-focused start-ups. "The legacy companies bring a mature offering to the table and eventually will surpass the start-ups," he said. "There is also the opportunity to convert the current install base to the cloud. This can result in significant professional services."

Americas ramp-up

With Mileguir's hiring, TIS has combined its Latin and North American operations. It is currently ramping up its Americas business with current plans to employ about 20 people. This has included re-locating VP of Global Engineering, Oren Ilan, to the U.S. Mileguir himself is moving back to Boston after spending the previous two years in Orange County, where he was based when handling western U.S. and Mexican sales for ClickSoftware.

"I am ramping up quickly and learning about TIS' solutions," concluded Mileguir. "My team is very experienced and a great help to me. Oren has spent 14 years with the company and is very knowledgeable. He is my right hand."

For more information:
http://www.topimagesystems.com/news-a-events/press-releases