



FOR IMMEDIATE RELEASE

ARI Network Services Reports Fiscal 2017 Second Quarter Results

Record Quarterly Revenue of \$13.2 Million, Cash Flow From Operations of Over \$2.0 Million

Milwaukee, Wis., March 9, 2017 – ARI Network Services, Inc. (NASDAQ: [ARIS](#)), an award-winning provider of SaaS, software tools and marketing services that help dealers, distributors and manufacturers Sell More Stuff!™, reported financial results for its fiscal 2017 second quarter ended January 31, 2017.

Highlights for the fiscal second quarter included:

- Revenue increased for the 12th consecutive quarter to \$13.2 million, which compares to \$11.8 million for the same period last year, a 12.7% increase. Recurring revenue increased 12.5% to \$12.1 million, which compares to \$10.8 million for the same period last year.
- Operating income was \$672,000 compared to \$873,000 in the same period last year and included approximately \$250,000 in non-cash depreciation and amortization charges related to the Company's acquisition of Auction 123 in November 2016, and approximately \$200,000 in proxy contest and acquisition-related costs.
- Adjusted EBITDA (a non-GAAP measure) was up 6% to a new record of \$2.2 million despite the proxy contest and acquisition-related charges noted above. This compares to adjusted EBITDA of \$2.1 million in the same period last year.
- Cash generated from operations was \$2.0 million compared to \$1.2 million for the same period last year.
- Annualized churn for the quarter was 12.2% compared to 15.6% for the same period last year. Excluding the impact of the newly acquired Auction 123 business, which tends to run at a higher churn rate, the annualized churn for the quarter would have been 11.3%.

Fiscal 2017 Second Quarter Financials

Revenues in the second quarter of fiscal 2017 increased 13% to \$13.2 million compared to \$11.8 million in the same period last year. Recurring revenue comprised 91.4% of total revenue versus 91.6% for the same period last year.

Gross margin for the second quarter of fiscal year 2017 was 80.3% compared to 82.4% last year. Gross margin was negatively impacted by the gross margin of Auction 123 which, inclusive of the acquired amortization expense, is lower than ARI's historically.

The company reported net income of \$242,000 or \$0.01 per diluted share for the quarter, compared to net income of \$448,000 or \$0.03 per share last year.

Adjusted EBITDA for the second quarter of fiscal 2017 increased to \$2.2 million compared to \$2.1 million in the same period last year.



Management Discussion

“We are pleased with where we stand halfway through our fiscal year,” said Roy W. Olivier, President and CEO of ARI. “With our proxy matter concluded and several one-time charges behind us, we are well-positioned to expand adjusted EBITDA margins in the back half of the year. In addition, the initiatives we have put forth to address churn are working as we experienced our third straight quarter of year-over-year churn improvement. Combined with the strong second quarter bookings, we expect stronger organic revenue growth in the second half of the year, complemented by the revenue we are driving through our acquisition of Auction 123.”

William Nurthen, CFO of ARI, commented: “Our adjusted EBITDA and cash flow performance in the quarter exceeded our expectations. Further, we believe the second half of the year sets up well for us to show significant improvement in both these areas. We remain on track to finish the second half of the year with an annualized adjusted EBITDA run rate of over \$10 million and with adjusted EBITDA margins such that our fiscal 2017 performance should be equal to or above fiscal 2016, despite the proxy and acquisition-related expenses incurred in the first half of the year. Lastly, while our operating income and EPS results for the quarter were impacted by the non-cash charges associated with the Auction 123 acquisition, we believe that there is still an opportunity for us to show improvement in both these items for fiscal 2017 over fiscal 2016.”

Fiscal 2017 Second Quarter Conference Call

ARI will conduct a conference call on Thursday, March 9, 2017 at 4:30 p.m. EST to review the financial results for the fiscal second quarter ended January 31, 2017. Investors and interested parties can access the conference call by dialing 877.359.3639 or 408.427.3725 and referring to conference ID 51526443. The conference call is also being webcast and is available via the Company’s investor relations website at investor.arinet.com. A replay of the webcast will be archived on the Company’s investor relations website for 60 days.

Non-GAAP Measures

Adjusted EBITDA, a non-GAAP measure, is defined as earnings before interest, income taxes, depreciation and amortization, excluding stock-based compensation. Management believes Adjusted EBITDA to be a meaningful indicator of our performance that provides useful information to investors regarding our financial condition and results of operations. While management considers Adjusted EBITDA to be an important measure of comparative operating performance, it should be considered in addition to, but not as a substitute for, net income and other measures of financial performance reported in accordance with generally accepted accounting principles (GAAP). Not all companies calculate Adjusted EBITDA in the same manner and the measure as presented may not be comparable to similarly titled measures presented by other companies. A reconciliation of net income to Adjusted EBITDA can be found in this release and at the Company’s investor relations website for all periods presented.

About ARI

ARI Network Services, Inc. (ARI) (NASDAQ: ARIS) offers an award-winning suite of SaaS, software tools, and marketing services to help dealers, equipment manufacturers and distributors in selected vertical markets Sell More Stuff!™ – online and in-store. Our innovative products are powered by a proprietary



data repository of enriched original equipment and aftermarket electronic content spanning more than 17 million active part and accessory SKUs and 750,000 equipment models. Business is complicated, but we believe our customers' technology tools don't have to be. We remove the complexity of selling and servicing new and used vehicle inventory, parts, garments and accessories (PG&A) for customers in the automotive tire and wheel aftermarket, powersports, outdoor power equipment, marine, home medical equipment, recreational vehicles and appliance industries. More than 23,500 equipment dealers, 195 distributors and 3,360 brands worldwide leverage our web and eCatalog platforms to Sell More Stuff!™ For more information on ARI, visit investor.arinet.com.

Additional Information

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Forward-Looking Statements

Certain statements in this news release contain "forward-looking statements" regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933. All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projects about the markets in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "endeavors," "strives," "may," or variations of such words, and similar expressions are intended to identify such forward-looking statements. Readers are cautioned that these forward-looking statements are subject to a number of risks, uncertainties and assumptions that are difficult to predict, estimate or verify. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Such risks and uncertainties include those factors described in Part 1A of the Company's most recent annual report on Form 10-K, as such may be amended or supplemented by subsequent quarterly reports on Form 10-Q, or other reports filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements. For more information, please refer to the Company's filings with the Securities and Exchange Commission.

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