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Direct Insite Corp. is Allowing their Enterprise and Business Customers to Accelerate Cash Flow with Going Green – Using their Paperless eInvoice Management Service

**Technology
 Business Software & Services
 (DIRI-OTCBB)**



Matthew E. Oakes
President and CEO

BIO:

Matthew E. Oakes was named Chief Executive Officer and President of Direct Insite Corp. in May of 2011. Since joining the company in 2002 Mr. Oakes previously served as the Chief Operating Officer, Executive Vice President of Client Services, Director of Business Operations, Quality Assurance, Contracts and Administration. Mr. Oakes is experienced at running the day-to-day internal operations of an organization, and he applies execution skills through both strong cost controls and a commitment to deliver quality customer service.

Prior to joining Direct Insite, Mr. Oakes was the Chief Operating Officer for Direct Media Networks, a New York based eCommerce and technology company. During his tenure, Mr. Oakes led a company-wide restructuring of all internal operations that led to improved cost efficiencies, en-

hanced product development delivery, and a dramatic turn-around in quality controls.

Previously, Mr. Oakes worked for Westinghouse Inc. in the role as Managing Director of Operations. Mr. Oakes earned his JD from Nova Southeastern University and a Bachelors degree in Agricultural Economics from Cornell University. A former United States Marine, Mr. Oakes served with the Special Operations Group of the 3rd Marine Division and served as a Drill Instructor at Parris Island, South Carolina.

Company Profile:

Direct Insite Corp. provides best practice financial supply chain automation and workflow efficiencies for procure-to-pay and order-to-cash processing. The Company's global eInvoice Management services automate complex manual business processes such as invoice validation; order matching, consolidation, dispute handling, and e-payment processing. Direct Insite solutions are used by more than 50,000 users across 100 countries, 35 languages and multiple currencies.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Oakes, you have been with the company awhile, but you are fairly new to the CEO position; what changes should we look for?

Mr. Oakes: The one thing that was changing is me. This is because when you go through a time of change, you have to look at yourself, the job that you have and what your new responsibilities are. The responsibilities of a chief operating officer are much dif-

ferent than that of a chief executive. Now instead of just having inside operating capability and responsibility and then being responsive to the customers, I am actually responsive and responsible for everyone both inside and outside the business. Therefore, it tends to set a much higher bar for you and you tend to set a much higher bar for those around you; your customers always set a high bar for you. This role for me is a challenge, but it is a welcome challenge. It makes me really focus on what our core business is, on taking the services that we have that we have been successful with and changing those into products and products that can be sold, as well as serviced after the sale. Rather than just selling a service. We are in a great space as it relates to electronic payments and invoicing and all things paper going to electronic. I look forward to the new challenge as CEO. There is a massive amount of change, not just in the title, but in everything that goes on around me.

CEOCFO: What is it that Direct Insite provides for its customers?

Mr. Oakes: If you boil it down to its simplest sense, we take what is traditionally a paper process of invoicing and/or check payment, both on the inbound ARN/AP outbound and we make that an electronic process. We provide workflow solutions and automate AP processes internally. We take a paper invoice that would traditionally be sent by the AP department and we route that through a capture center where we make that an electronic invoice that is scanned and brought into our system. We are the interface that sits out in front of a company's SAP or ARP system. We

allow that invoice to be entered in electronically and go through the workflow channels. Our core competency on the AP side is we allow the vendor to come in and examine the status of what that invoice is currently doing. They can find out where it is in the approval process, if it is held up, or if it has been approved for payment, when that payment may be made. On that electronic distribution side, we also facilitate the out-bound electronic delivery of invoices and then we also as we are payment card industry compliant. We facilitate payment and we do either one of these three services on behalf of some of the largest companies in the world; specifically here in the U.S. and primarily in Europe. We have been doing that for about four or five years now pretty successfully.

CEOCFO: At this stage of the game, are most large companies doing electronics?

Mr. Oakes: There are three phases to this kind of digitization of their world. Obviously there are early adopters and those are companies that we are currently engaged in business with. There are also companies that have big disparate large legacy systems that are examining the process and then there are those that are just still kind of trapped in a paper world. What we are seeing is that the success and our success with customers is in driving adoption and in getting their vendors and/or their customers to adopt to the new electronic system. That is kind of what we are good at, which is the sweet spot where we are. We make our system really seamless and easy to use, to board into. Then we do an extensive amount of outbound calling and boarding to ensure that their vendors or their customers are in the system. The space itself is probably entering year three of a ten-year maturation cycle and the early adopters are in, and I think people are starting to pile in the space. Therefore, there is a lot of room for growth. There is a lot of different and disparate solutions out there, because there are a lot of different disparate ERP systems and

the way companies approach this space. However, the world is consolidating. You are starting to see banks and everybody else get involved because maintaining and growing your customer base is important and your vendors are your customers as well. It is a good time to be in this space and in this business.

CEOCFO: Why choose Direct Insite as opposed to your competitors?

Mr. Oakes: The quick answer would be because we have done it for some of the biggest and best. Our largest customers are IBM and Hewlett Packard. Through Hewlett Packard we service three of their major global accounts. We also have Siemens Corporation in the United States, Latin America, and Canada. Then we have several other companies that are

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sprinkled in different sizes, up and down that kind of food chain of opportunity. We have proved that we can scale and do it really big and very well because those companies do not keep you unless you are effective and productive. Then we are also tailoring our solutions into products that will serve the smaller mid-market businesses in an efficient and cost effective way.

CEOCFO: How does Direct Insite reach its customers?

Mr. Oakes: We traditionally have been kind of channel based and we had one big customer. Then we had two big customers and at that point you kind of get referenced out. We have taken a really proactive approach to more outbound marketing activities. We are really working on our website, attending tradeshow, and some direct contacts. It is kind of

a feeder group of all those combined. The reference thing really works well. When you have reference customers like we do, you are kind of better pretty quickly. We are starting to see a lot of success here. Just recently, in this last quarter, we are starting to sign multiple customers, so our approach is starting to pay off. We have a lot of work to do and we have to be more aggressive, but we are seeing the results of our efforts.

CEOCFO: What is involved in changing from paper to electronic, and how long does it take?

Mr. Oakes: First the company has to have a mindset of being innovative to change, so the decision-maker on the other side is going to have to really drive it. It is a very different process, although it is just changing for paper to electronic. It requires a different mindset on the transformation piece, so integration is anywhere between on a simple application up to thirty days and in a larger ERP system it could be ninety. You would have to have the cooperation of the internal resources. They have to understand and go through training so they can operate it. Once they have gone through it once, it is very seamless and very

easy. Then the usage just ramps up in a very incredibly quick way. We have to integrate feeds. We have to take the legacy paper, scan it and get that into one of five or six different formats. We also have to be able to receive EDI or any other forms that their vendors would like to submit now that there is electronic capability. Therefore, there is some integration, some learning curve, some training, and then there is deployment. It is anywhere between thirty and ninety days depending on your size and complexity. We have lowered the barrier to entry as far as cost is concerned, so it is really efficient for people to get boarded. As we are a SaaS (Software as a Service) model, we only charge for what you use. We are a hosted application, so there is almost the complete elimination of internal cost. It is not a license product, it does not require any internal re-

sources to maintain or upgrade, so it is a very easy way to migrate from what your current paper process is and then it is pay for what you use.

CEO CFO: What is driving the change for people; is it the ease of use or the ultimate savings with they sign up with Direct Insite?

Mr. Oakes: First, there is a cultural bias to getting green and there are green initiatives in almost every major company. You also want to automate process and take fear and stakes out of it. Getting rid of paper eliminates a lot of that because now it is electronic and it is tracked and traceable; so paper just becomes less and less a popular item. Probably the biggest benefit is the day's sales outstanding or the day's payable outstanding, so now you have an electronic process which paper-wise may have taken twenty-one to twenty-three days and that is now accomplished in three. Therefore, it is really accelerating your cash flow. It is about making your business better, making better use of your capital, and making better use of your resources. Everyone is looking for that next 10% and our invoice Management service really provides that.

CEO CFO: What is the financial picture for Direct Insite today?

Mr. Oakes: We just went through one of our roughest quarters ever. We had a proxy fight for control of our board. We had a change in executive management, and we had to right off all those expenses in the quarter, but if you look back prior to that quarter to the recurring revenues that the business had, we have a very strong balance sheet and we have almost zero debt. In addition, we have a very strong customer list to provide us with some really good revenue streams, which we support in a very robust way and the growth possibilities in the business are unlimited and really positive. We have a lot of very robust opportunities in our pipeline and we have the right solutions to go ahead and close those deals. We also have the right staff and the teams to deploy them, so we are positioned very well.

CEO CFO: What is it that Direct Insite

is developing for smaller and mid-sized companies?

Mr. Oakes: Large companies historically because of their size require a lot of complexity. For a small business or a mid-size business, they just want the ability to simply log in, understand that their data is already in there and examine these steps of where it is in the approval process or where it is in the distribution process. Therefore, what we are doing is developing lighter, faster, easier-to-use, AP and AR level-one entry-level solutions, where historically we kind of were heavy level-one, level-two, level-three combined. It is just a lighter opportunity. Then with our electronic payment services offering, we are taking what is traditionally a localized computer-based disc software that is loaded and maintained and we are just deploying those electronic payment services over the web, so that it can be used anywhere through a mobile device or through any computer anywhere provided you have the correct log-in information. You can also utilize our payment card industry certified service to take that payment.

CEO CFO: There is a lot of concern over security with anything done electronically let alone in the cloud; what does Direct Insite do to make sure it is safe?

Mr. Oakes: Number-one, when ever you look at a company to determine its safety and security, you look at the history of the business and you look at their customer set. Then you look at their certifications and their internal processes. A large customer base will not stay with you unless you provide the right environments to securely host and process their information. Number-two, we are an ISO 9000-2001 organization and we live and breathe the ISO process internally. We have very robust examinations of our internal processes and we almost never have an issue. What I mean by an issue is non-conformity. When we have those, they are addressed immediately. In addition, we are payment card industry certified and that is kind of the gold standard for the payment side. We host everything internally, inside our tier-four secure data centers. We pay very close at-

tention to how we handle all of our customers' data, both invoice and payment data, and that is the world we live in. That is how we run our business. We exist in that space and we have been able survive and thrive in that space, because we do have those processes.

CEO CFO: You mentioned that Europe is an area for you; are there areas that Direct Insite would like to be involved in geographically that you are not or that you are doing initiatives into?

Mr. Oakes: We see the market maturing. Europe is a mature market for these type offerings and that is because they have VAT tax compliance. Probably because they are just an older society, there seems to be a lot more rules and regulations around this type of offering. We are starting to see real penetration here in the United States as the U.S. market matures. Obviously, the opportunity in Asia is a huge one. They are still sorting out some things prior to us making a large impact over there, but that is going to come. We are really focused here in the United States and North America, Latin America, and then also over in Europe. We will continue to be in the short term, because we see the most opportunity and our biggest ability to close to revenue in those spaces.

CEO CFO: Do you do any investor outreach?

Mr. Oakes: We started that about a year ago and it is going to be very robust. We actually just had our first earnings call that was live, as opposed to a web-based call responding to emails here in the last quarter. We are really focused on being a shareholder-friendly, shareholder-focused business and doing outreach, not only to our existing investors, but to new investors and to investing opportunities. So that is a focus and we will put more energy on it as we go forward.

CEO CFO: Why should potential investor pay attention to Direct Insite?

Mr. Oakes: Number-one, we have existing business with a strong balance sheet, a very good energized board and leadership team. We have a very strong customer base, and a

strong group of associates providing solutions that the marketplace wants: the migration from paper to electronic, the ability to process electronic payments over the web, the cash management aspect, and the acceleration of your cash flow. It is the overall migration of where businesses are heading that positions us properly to go ahead and leverage a lot of that. In addition, the productization of what traditionally has been heavy services we sold, while still offering those services, but having a couple of simpler, more easy to adopt, lower entry, lower cost to entry and dropping the integration fees. We are really focusing on providing those products efficiently, with great response time. We are

meeting our SLAs and a focus on our customer satisfaction has us positioned for growth. There are a lot of people climbing into the space, but we are positioned well and this business is really going to thrive in the next year to three years.

CEOCFO: Final thoughts, what should people remember most about Direct Insite?

Mr. Oakes: It is a big challenge becoming the CEO, but I am enjoying every single minute of it. I really enjoy the customers that we have and interacting with them to see what they need and working with them to provide new solutions. The fact that we have closed three or four new cus-

tomers here in the last month tells you that we are beating the drum in the right direction. I welcome the opportunity to talk to anybody else that has questions about our business. We are going to be shareholder-focused and we are going to take care of our employees, as well as our customers. We are also going to continue to innovate, we are going to look forward, be aggressive, and we are going to thrive. We are going to be very successful.

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