



## Letter to Shareholders of Apivio Systems Inc.

### YOU HAVE AN OPPORTUNITY TO REALIZE IMMEDIATE VALUE FOR YOUR APIVIO SHARES

February 8, 2017

Dear Fellow Apivio Systems Inc. shareholders:

This is an exciting time for shareholders of Apivio Systems Inc. ("Apivio" or the "Company") as you have an opportunity to realize immediate liquidity for your shares under the **PREMIUM ALL CASH OFFER** being made by 1101324 B.C. Ltd (the "Offeror"), a wholly owned subsidiary of Nuri Telecom Company Limited ("Nuri").

Today, Apivio's position in the competitive landscape is tenuous and I am writing to encourage you to determine for **yourself**, whether our offer to acquire all of the outstanding common shares (the "Common Shares") of Apivio at a price of CAD\$0.40 per Common Share on an all cash basis (the "Nuri Offer"), is in **your** best interest and in the best interests of Apivio.

The board of directors (the "Board") of Apivio has imprudently recommended rejection of the 51% premium all cash offer by Nuri, in their directors' circular (the "Directors' Circular"). As we have heard from many shareholders, Apivio's reasons for rejection are weak and appear to be focused on delaying shareholders from tendering to the Nuri Offer. The information below highlights key facts to help you understand why it is advantageous to tender to the Nuri Offer.

#### FICTION

*The Directors' Circular claims that the Nuri Offer is "opportunistic" and "does not represent full and fair value for Nuri". This claim is false.*

*The Directors' Circular paints a promising picture of Apivio's growth trajectory and operational efficiencies. However, this is only half the story.*

#### REALITY

##### **The Nuri Offer Represents Fair Value, Offers a Significant Premium and Provides Immediate Liquidity**

- The Nuri Offer represents a significant premium of 51% to the closing price of the Common Shares on January 16, 2017, the day prior to the announcement of the Nuri Offer, and a premium of 49% to the volume weighted average trading price over the 30 trading days ending January 16, 2017.
- Importantly, the size of the premium under the Nuri Offer was determined by benchmarking the Enterprise Value/EBITDA multiples of other public companies of a similar size to Apivio (including public companies that are both smaller and larger than Apivio). The Enterprise Value/EBITDA valuation metric is the primary metric used to gauge value amongst companies like Apivio and was used by Nuri to ensure that the premium in the Nuri Offer represented fair value for shareholders.

***Rather than being "opportunistic" – the Nuri Offer, in addition to offering a significant premium to Apivio shareholders, is a welcome and necessary source of liquidity.***

##### **Operational Issues at Apivio are Compounded by Slowing Growth**

- The Directors' Circular outlines that during the time Rob Bakshi, the current chief executive officer of Apivio, executed direction over the Company, Apivio achieved an increase in gross margins from over 10% to just over 17% (down from a peak of just over 18%). However, **the Company continues to struggle with a low level of profitability. The thin gross margins only highlight the marginal level of Apivio's business – after a 70% increase in gross margins, Apivio remains barely profitable and makes little sense for any buyer who is unable to realize cost synergies. This also impairs Apivio's options for a sale of the business in the future.**
- The Directors' Circular also suggests that Apivio's growth is on an upward trajectory. To illustrate this point, the Directors' Circular disclosed a chart highlighting its past growth in unit sales of VOIP phones in South Korea. Shareholders must be aware that this chart implies that sales have already peaked and are currently flat (1,072,164 units were sold in 2015 and, based on the implied annualized total, 1,020,611 units were sold in 2016).

*The Board, in the Directors' Circular, suggests that it is in the process of considering "strategic alternatives" to the Nuri Offer.*

*The Directors' Circular states that the Nuri Offer "undervalues future growth" of Apivio and states that the "focus in the coming years will be to maximize sales expansion in North America."*

### **The Board Has Been Looking for "Strategic Alternatives" or a "White Knight" for Some Time and Nothing Seems to Be Forthcoming**

- Nuri first engaged the Board in friendly discussions about the possibility of a strategic acquisition in August 2016. These discussions continued through the fall and after such discussions failed, Nuri submitted the Nuri Offer on January 17, 2017.
- The Board, in the Directors' Circular, suggests that it is now in the process of considering "strategic alternatives" to the Nuri Offer. **The fact of the matter is that the Board began considering "strategic alternatives" many months ago and their failure to solicit a competing bid simply means that there are no strategic alternatives or a white knight available to them. More importantly, it means the market believes that the Nuri Offer represents the best offer available to the Board and Apivio shareholders.**

***Shareholders should ask themselves, what happens to the share price should the Nuri Offer not proceed?***

### **Despite Promises to Shareholders and Investors, the Company Has Failed to Execute on Its International Growth Plan**

- Apivio has already spent years trying to develop higher margin products.
- According to the Directors' Circular, the current CEO was first approached to "help develop international markets" back in 2009 yet despite years of concerted effort on the development, sales and marketing of two new products intended for the North American market, including the support and assistance of global partner NEC Corporation of Japan, Apivio has managed no more than a rounding error in unit sales outside of South Korea.
- While Nuri understands it is difficult to introduce new products into new markets (Nuri currently and successfully operates in 19 countries around the world), time has run out and Apivio's shareholders need liquidity.

***Apivio makes reference to "potential" future success. Considering Apivio's slow track record to date, how much longer should Apivio's shareholders wait for such "potential"?***

**Don't risk missing this opportunity. Tender your shares today and realize the premium and liquidity which has long avoided Apivio shareholders.**

Sincerely,

(signed) "Song Man Cho"  
Chairman and Chief Executive Officer  
Nuri Telecom Company Limited

### **The Nuri Offer expires on May 2, 2017 at 11:59 p.m. (Toronto Time)**

If you have any questions regarding the Nuri Offer or how to tender shares, please call our Information Agent and Depositary, Laurel Hill Advisory Group at 1-877-452-7184 (416-304-0211 collect outside North America), or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

You may also visit [www.ApivoOffer.com](http://www.ApivoOffer.com) for more information.