

# Veramark finds black ink in first year under CEO

By MARY STONE

Now comfortably past his first anniversary at Veramark Technologies Inc., Anthony Mazzullo is launching a comeback for the company, with help from the country's economic downturn.



Mazzullo

In its fourth quarter under his leadership as president and CEO, the Pittsford company had a profit after a tide of consistent losses over the previous seven quarters.

Meanwhile, the firm has stepped up new product releases from once every two years to twice a year.

In 2008, Mazzullo maintained the work force, now at 83, and expanded sales with employees positioned in the Midwest and at a satellite office in California. The objective is to diversify the company's client base and make the most of a recession that has companies looking for deep cost cuts.

Veramark's telecommunications expense-tracking software is made for cutting costs, and with companies more motivated than ever to find efficiencies, Mazzullo wants Veramark to help in any way it can.

The firm is adding services to its traditional product-based business to enable clients to outsource their telecom usage—repair, replacement, dispute settlement, reporting, expense and payment—from cell phones to landlines.

Similar service packages emerging in the industry were something Mazzullo noted after joining Veramark in January 2008. He knew it was a foray Veramark was going to make.

Taking that step now makes the recession seem almost serendipitous.

In a report published last May, Aberdeen Group Inc. found that an average 3 percent of company revenue goes to telecom expenses. Cutting those costs, Aberdeen stated, is an obvious focus for streamlining.

And in a survey Aberdeen did a year ago, 75 percent of respondents said their company's wireless expenses had increased

over the previous two years.

The recession, combined with climbing costs, creates a tripartite strategy for companies, Aberdeen explained: curtail cost of services per user, cut overhead costs related to telecom expenses and reduce the average number of services used by each employee.

To make sure those things get done, clients this year have been asking Veramark to take over administration for everything related to telecom.

"While we're a software company, people really want our expertise and our service," Mazzullo said. "So the deals that are happening in this quarter, clients are saying, 'We want you to manage our telecom invoices. You run your own software. You process these invoices, and you recapture the credits and even pay the bills for us.'"

## Services grow

With the company already providing services, Mazzullo expects to have a significant volume of invoices under Veramark's management. That will widen the revenue pipeline for the company beyond software orders, he said.

"We're excited about that because these are multiyear contracts, so when you sign up in this business, you're setting yourself up for a long-term relationship where you can provide a lot of value, and at the same time a stream of revenue every month to perform these processes for clients," he said.

At U.S. corporations, telecom management generally has not had its own department. Aberdeen has found 61 percent of respondents did not use standardized reports for telecom usage. However, many companies realize that to control expenses they need to be on guard not only against abuses by employees but against billing errors by telecom vendors.

At the convenience store chain Sheetz Inc., a telecom department handles contracts but managers are left to manage cell phone distribution and usage.

"We expected managers to be able to manage their folks, but in actuality, cell phones are like the ones you have at home:

They get out of control in a hurry. You just pay the bill and hope that everything is all right," said George Medairy, Sheetz director of information services.

"We really didn't manage it; it kind of managed us," he said.

Last month Sheetz began moving its cell phone invoicing to Veramark. In the process, the company found 600 cell phones in use, and with 90 percent of them now transferred, Sheetz already has found savings, mainly from detecting billing errors by telecom carriers.

"They always make mistakes on their bills. They have never been 100 percent flawless. Actually we thought they were one month, and it actually scared us more than the fact that they were wrong," Medairy joked.

But savings were not the reason Sheetz chose to use Veramark's software. It wanted analytics to improve service and control costs through better management.

For the process, Sheetz paid Veramark for the software, for hosting the data, for translating it into a consistent format and for managing invoices on an ongoing basis.

"We've had to use Veramark extensively to work with our telecommunication providers to get the data into a format that we can load. That is not a trivial process," Medairy said. "Telecom vendors are notoriously the worst vendors you have. None of their stuff makes any sense; they don't follow any standards and change things whenever they feel like it."

Once the transfer of its cell phone usage is complete, Veramark will begin transferring the landline accounts at Sheetz. The entire project will take 10 months, at the end of which Sheetz will have transferred more than 50 pounds of bills, Medairy estimates.

Because of the complexity of telecom management, the Technology Co. Inc. this year began marketing Veramark's product and service packages among its other IT services.

Philip Ferranti Jr. is CEO at the Penfield firm.

"A lot of companies don't really have policies for wireless devices. Going with this type of (Veramark) solution, they can

get those policies in place,” Ferranti said. “The problem is not that companies have been ignoring these issues. It’s just that they are more complex than people think.”

In its product lineup, Veramark last month released a software suite designed for wireless device procurement. The new component, which plugs into Veramark’s VeraSMART Service Management system, uses a configurable online catalog that automatically routes orders to pre-assigned managers for approval, while updating invoice and inventory systems.

“Tony brings a lot to the table: his vision, passion, his integrity,” Ferranti said. “He is trying to bring new products into the company and improve ones that are already in the product mix. I’ve seen that already from him.”

Ferranti began selling Veramark’s products last year.

“I believe in Tony. We’ve had a long relationship: We’ve partnered over the years, and then again since he took over at Veramark,” Ferranti said.

### **New leadership**

Mazzullo took the reins of the firm from

retiring CEO and President David Mazzella, who in recent years had faced sharp criticism from a handful of shareholders on executive compensation and company performance.

During Mazzella’s tenure, the firm’s stock price dropped from \$7.25 to approximately 72 cents a share in his last month at Veramark.

Ranked by 2007 net income, Veramark last year placed 19th on the Rochester Business Journal’s annual list of local public companies.

In 2007 it had a net loss of approximately \$700,000, compared with a net loss of roughly \$500,000 in 2006.

Last year, the net loss dropped to \$431,000. Veramark had \$23,000 in profit in the second half, compared with a loss of \$450,000 in the first half.

Net income for the fourth quarter, announced Feb. 11, totaled \$59,000, or a penny per diluted share, compared with a net loss of \$443,000, or 5 cents a share, the year before.

Sales for the quarter totaled \$2.74 million, up from nearly \$2.6 million a year earlier.

The stock, however, continues to languish, trading recently at 30 to 35 cents a share.

When Mazzullo took over, a major part of his job was restoring the confidence of shareholders. He reinstated quarterly conference calls and began reaching out to investors. Some of the most critical expressed cautious optimism about the new CEO.

One of them, Summit Capital Group LLC in Seattle, initially protested new board member openings at the firm following the leadership change and in an e-mail to Veramark suggested that it might use its voting power against future board initiatives.

But in the end, 2008 was generally a smooth transition for Mazzullo. In recent months, he has not heard a peep from shareholders. And for this story, Summit Capital Group did not respond to a request for comment.

“I haven’t gotten any calls from screaming shareholders in quite some time,” Mazzullo reflected. “I’m not sure why it is. Maybe it’s because they’re thinking, ‘Maybe we’ll give these guys a chance.’”

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