

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Megadata Corporation (MDTA)

JAMES T. BARRY is President and CEO of Megadata Corporation. Since Mr. Barry joined the company in 1998, he has held the positions of Chief Operating Officer, Chief Financial Officer, Secretary and Executive Vice President. He is also a Senior Vice President of Field Point Capital Management Company. From 1989 to 1998 Mr. Barry was with Dianon Systems, Inc., most recently as Vice President of Marketing. Prior to Dianon, Mr. Barry was an officer in the United States Marine Corps.

TWST: May we start with a general overview and an overview of Megadata's services and solutions?

Mr. Barry: Megadata offers airlines, airports and corporate aviation, including fixed base operators (FBOs) and corporate flight departments, software solutions that provide unique information, not otherwise available, relating to critical decision areas.

We provide services to over 45 airports, including eight of the top 10, to dozens of airlines, including seven of the top 10, and to a wide audience of FBOs as well as corporate flight departments, including some of the largest in the world.

We have a national and international database primarily powered by a network of company-owned passive radars. Our PAS-SUR radar network covers 43 of the top 50 US airports and over 110 airports throughout the world.

Today, aviation organizations have a major need for the right information at the right time to make important decisions. The situation in the aviation industry is analogous to what once prevailed in the financial services industry when the only information available to participants in the industry included disparate, competing sources of data, little or no "decision support", and masses of uncorrelated data. Until Bloomberg and others provided a solution, it was often very difficult to access the key information needed to make important decisions. The fully integrated information we've come to ex-

pect in the financial markets is sorely lacking in the aviation industry, and it's costing the industry billions.

The following are examples of problems we help solve for our customers: When is the plane really going to land? How can five more planes land at the airport in the next hour without disrupting the schedule for others? How can unnecessary diversions be avoided (airlines lose tens of thousands of dollars and passengers' schedules are disrupted when planes are diverted)? When should runways be plowed to cause the least possible disruption? How can landing fees charged to an airline be reduced? And the converse, is there a way to automate the collection of landing fees for airports, now a very manual, expensive process, and also identify customers that are underpaying their fees? Which customers should FBOs contact when trying to increase fuel and service sales; and what price should be charged for fuel? The list above includes just some of the many problems we help solve.

TWST: What were your customers doing before your solutions?

Mr. Barry: Before our systems were available, the aviation industry either spent too much money on complicated systems powered by inadequate data, or used inexpensive systems powered by information that was available to anybody in the public domain. With our solutions, the aviation industry doesn't need to overpay or settle for inaccurate or delayed information.

We don't sell technology, we provide solutions driven by innovative technology that have a major impact on our customers. It's important to note that we continually deliver more solutions, higher up the value-added chain, as additional customer problems are identified.

TWST: How is the information accumulated, compiled into a database and delivered to your customers?

Mr. Barry: Our information comes both from our domestic and international passive radar network, from other aviation databases, from partner companies and from customers themselves. All of this information is consolidated in our facility on Long Island. In summary, we are taking live information from our customers, integrating it with our real time database and providing the customer with a one-of-a-kind Web-hosted solution.

TWST: Does Megadata have exclusive rights to this information?

Mr. Barry: Yes, we have exclusive rights to our technology, with five basic patents and 18 pending patents. We file approximately five new patents each year.

TWST: Do you have a sense of the market size that you are addressing?

Mr. Barry: We believe the size of the market for aviation information is at least \$6 billion.

new aviation markets, like FBOs and corporate aviation, which are less susceptible to the ups and downs of the business cycle. In addition, airports are generally not as cyclical as airlines. As long as we continue to listen to our customers, deliver on their requirements and continue to exceed their expectations, we believe the outlook for our business will be good and the company will be increasingly less impacted by economic cycles.

TWST: Some of your competitors are big companies. How do you keep your edge?

Mr. Barry: Surprisingly, big companies do not currently offer the same products and services we offer. We are also very sensitive to our customers needs. We listen, we're nimble and we're focused. We can react very quickly with a very talented technical and marketing team, and our sales group can get the product to market quickly. Not many big companies can do the same.

TWST: How do you view the landscape of future opportunities, and what are the essential elements of your strategy to capitalize on them?

Mr. Barry: First, our mission and the key element of our business strategy is to listen to and deliver greater value to our large customer base to fulfill their needs. Also, we're continuing to expand sales to new customers in the same markets. Finally, as I've men-

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TWST: The airlines are enjoying a good recovery from the lows of 9/11. Has your company also benefited from this upturn?

Mr. Barry: Airlines increased their business with us after 9/11 because they recognize we save them money and provide them with vital information they couldn't get any other way. Yes, we're experiencing the benefits of airlines investing today in operational improvements as a result of their improved financial resources. Please remember that our continued focus is on products that improve the economic condition of our customers. Improved profitability and quick payouts on new investments are always important.

TWST: How will you maintain this momentum, given the cyclical nature of your customer base?

Mr. Barry: As we develop new products that impact the economic welfare of our existing customers, we are also moving into

tioned, almost any aviation organization — or any organization that serves aviation — has a need for timely, accurate information presented in an understandable, meaningful way. We'll continue our expansion into other market segments where their economic well-being can be improved with our products.

TWST: Given the strong global economy, do you see potential outside of the US?

Mr. Barry: Yes, recent changes in market demand, company software and hardware innovations have made the international market much more attractive. We're already international with systems in Amsterdam; Narita, Japan; Toronto; and Vancouver. We are moving quickly down this path.

TWST: What might be the roadblocks or challenges for further success?

Mr. Barry: Our biggest threats are complacency and current business practices within our market segments. Many aviation organizations have just never imagined that our type of solutions could be available, and sometimes it takes time for them to realize that the information they need is really available.

TWST: Do you have the management team in place to accomplish your goals?

Mr. Barry: Yes, good people are everything to a company. We have a talented group and we're always looking for more, talented, smart people who want to be part of an exciting, meaningful business opportunity.

TWST: You reported a profit in your last quarter and expressed satisfaction with the results. What can you share with us about future expectations?

Mr. Barry: We are pleased with our momentum, but still have a long way to go. Megadata has recorded eight straight quarters of EBITDA growth as well as profits in the last fiscal year and in the first quarter of the current year. Sales have grown for six consecutive years. We believe we're well positioned going forward and are optimistic about the future.

TWST: Looking into the near future, do you expect any major changes in the structure of your balance sheet?

Mr. Barry: We're thankful that our major investor, who owns over 65% of the company and is also our Chairman, is optimistic about Megadata's future and his support allows us to continue to focus on the customer and performance.

TWST: Are the company's investors frustrated with the sideways movement since the September spike of your stock price last year?

Mr. Barry: Our emphasis is on providing long-term value to our shareholders. We don't focus on day-to-day fluctuations in the stock price. We expect our long-term investors are probably very pleased with our stock price increase from several months back.

TWST: Does Megadata have an adequate IR program to get its message to analysts and shareholders?

Mr. Barry: Good business performance is the best IR program any company can have.

TWST: Is there anything you would like to add?

Mr. Barry: We have momentum right now, but we have a long way to go. We're growing the top and bottom line, we're focused on the customer; there is plenty of market demand, we continue to invest heavily to roll out innovative products, and we're taking care of our people. We thank our customers and shareholders for their confidence and support.

TWST: Thank you.

JAMES T. BARRY

President & CEO

Megadata Corporation

47 Arch Street

Greenwich, CT 06830

(203) 622-4086

www.passur.com