

| [Clean Technologies](#) | [Communications](#) | [Consumer](#) | [Enterprise Infrastructure](#) | [Healthcare](#) |
| [Industrial & Diversified Growth](#) | [Semiconductors & Equipment](#) | [Software & Services](#) |

The Fourteenth Annual

Needham Growth Conference

January 10-12th, 2012, New York City

Datawatch Corporation

The Leading Growth Company Focused Investment Bank for 27 Years



Disclaimer



Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any such statements, including but not limited to those relating to results of operations, contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The factors that could cause actual future results to differ materially from current expectations include the following: risks associated with the continuing weak global economy; risks associated with fluctuations in quarterly operating results; the volatility of Datawatch's stock price; limitations on the effectiveness of internal controls; rapid technological change; Datawatch's dependence on the introduction of new products and possible delays in those introductions; competition in the software industry; Datawatch's dependence on its principal products; proprietary software technology and software license agreements; risks associated with international sales; risks associated with indirect distribution channels; the adequacy of Datawatch's sales returns reserve; risks associated with a subscription sales model; risks associated with acquisitions; Datawatch's dependence on its ability to hire and retain skilled personnel; and uncertainty and additional costs that may result from evolving regulation of corporate governance and public disclosure. Further information on factors that could cause actual results to differ from those anticipated is detailed in various publicly-available documents, which include, but are not limited to, filings made by Datawatch from time to time with the Securities and Exchange Commission, including but not limited to, those appearing in the Company's Annual Report on Form 10-K for the year ended September 30, 2011. Any forward-looking statements should be considered in light of those factors.

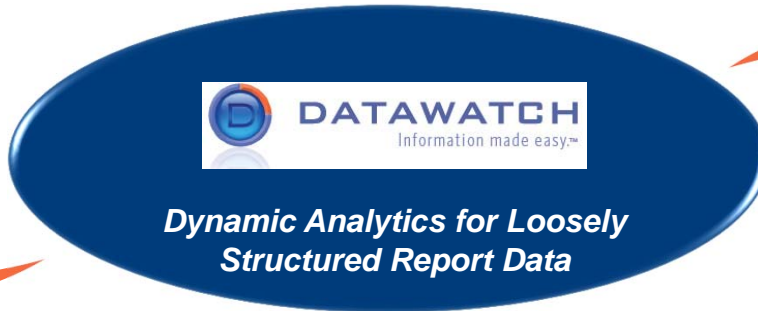
“Datawatch helps 40,000+ global customers unlock the intelligence and value from the information trapped in customers’ diverse data - through the power of a new paradigm – report analytics.”



Datawatch Overview



Content-Rich, Chaotic Data



Operational Analytics



Corporate Background

- **Locations:** Chelmsford, MA (HQ), London, Munich, Sydney and Manila
- **Founded:** 1986; Public since 1992 (NASDAQ: DWCH)
- **FY11:** Revenue - \$18 mm; profitable; 110 employees
- **Singular focus on reports analytics market leadership**
- **125+ resellers in 75 countries**
- **15+ years of deep report analytics technology and domain expertise**

Customer Overview

- **Customers:** 40,000+ in 100+ countries
 - 99 of the Fortune 100
 - 487 of the Fortune 500
- **Core verticals:**
 - **Financial Services**
 - 2,000+ banks
 - 500+ credit unions
 - **Healthcare**
 - 3,000+ health care organizations
 - **Manufacturing, Retail, Government**

Monarch Report Analytics



A Company Transformation Play



- Strong, differentiated technology
- Extensive, passionate 40,000+ global customer base
- New leadership
 - **David Mahoney**, Vice Chairman (Banyan, Verbind, Applix)
 - **Michael Morrison**, President and CEO (Cognos, Applix, IBM)
 - **Mike Carroll**, VP, Worldwide Sales Support (Cognos, Applix, IBM)
 - Sales leaders (IBM, Oracle, Cognos, SAP, Applix, Open Text, Clarity)
- New go-to-market strategy
- Solid messaging, positioning
- Rapid transition to improved sales execution
- Proven playbook
- Favorable market trends



David Mahoney



Michael Morrison



Mike Carroll

The Datawatch Opportunity



- Megatrends provide strong tailwinds
 - Proliferation of diverse data types requiring sophisticated analytics
 - Maturation of enterprise BI & data warehousing strategies
 - “Big Data” analytics going mainstream with platform vendors
 - Exponential increase in machine-generated data
- Growth in cloud/SaaS-based analytics
- Enviable position as the visionary market leader for diverse data analytics & the only pure play in the space
- Extraordinary installed base presents significant up-sell opportunities going forward
- Well-suited for a variety of strategic alliances

Aberdeen *Group*

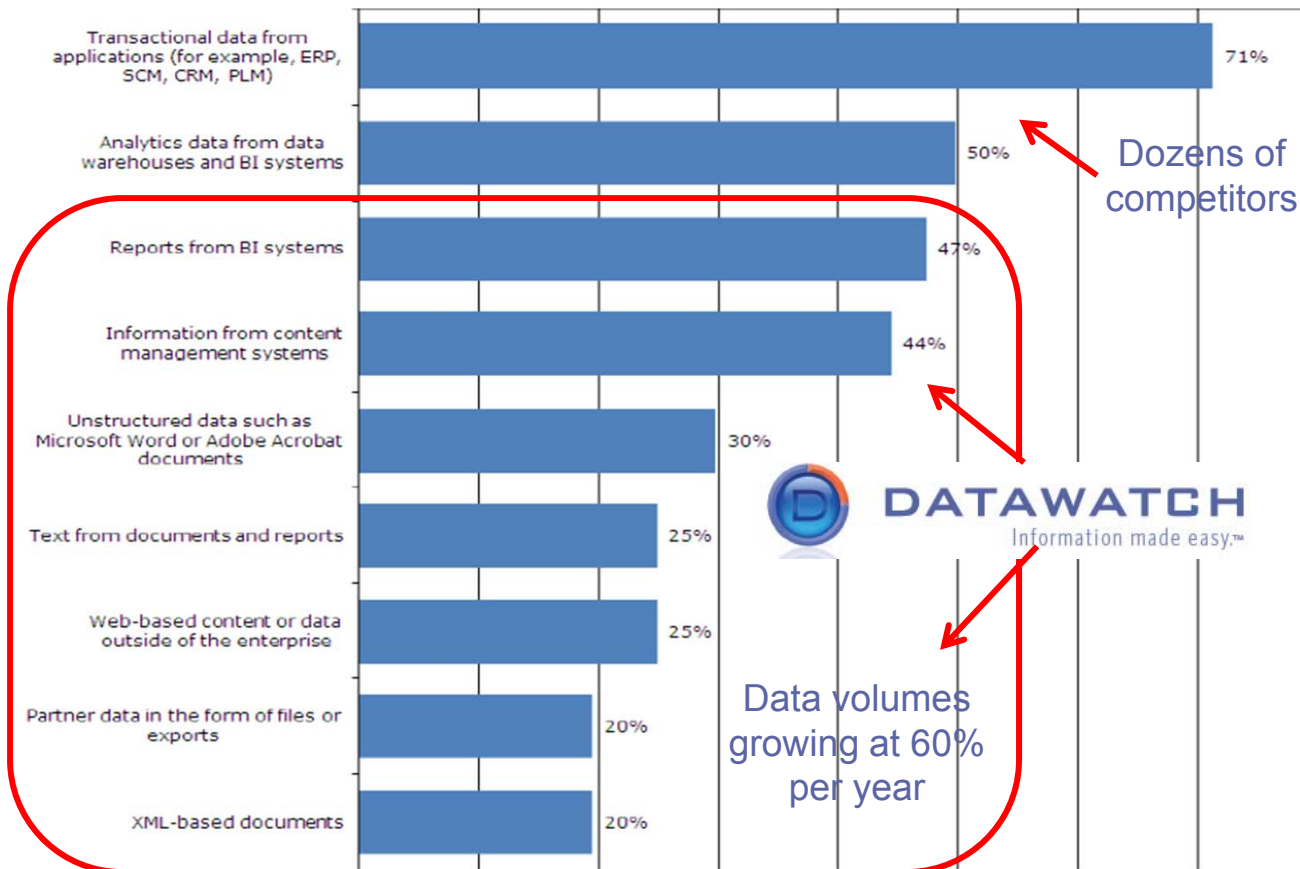
“While structured data dominates today, the future growth driving integration within the next 12 months is coming from unstructured (e.g., free-form text, images, and video) and semi structured data (e.g., EDI [electronic data interchange] and XML).” - June 2011

Datawatch harnesses both loosely structured report data and traditional application data to deliver truly operational, self-service analytics to its customers.

Diverse Data is the Missing Link



DATA SOURCES WHERE CUSTOMERS ARE SEEKING ANALYTICAL VALUE

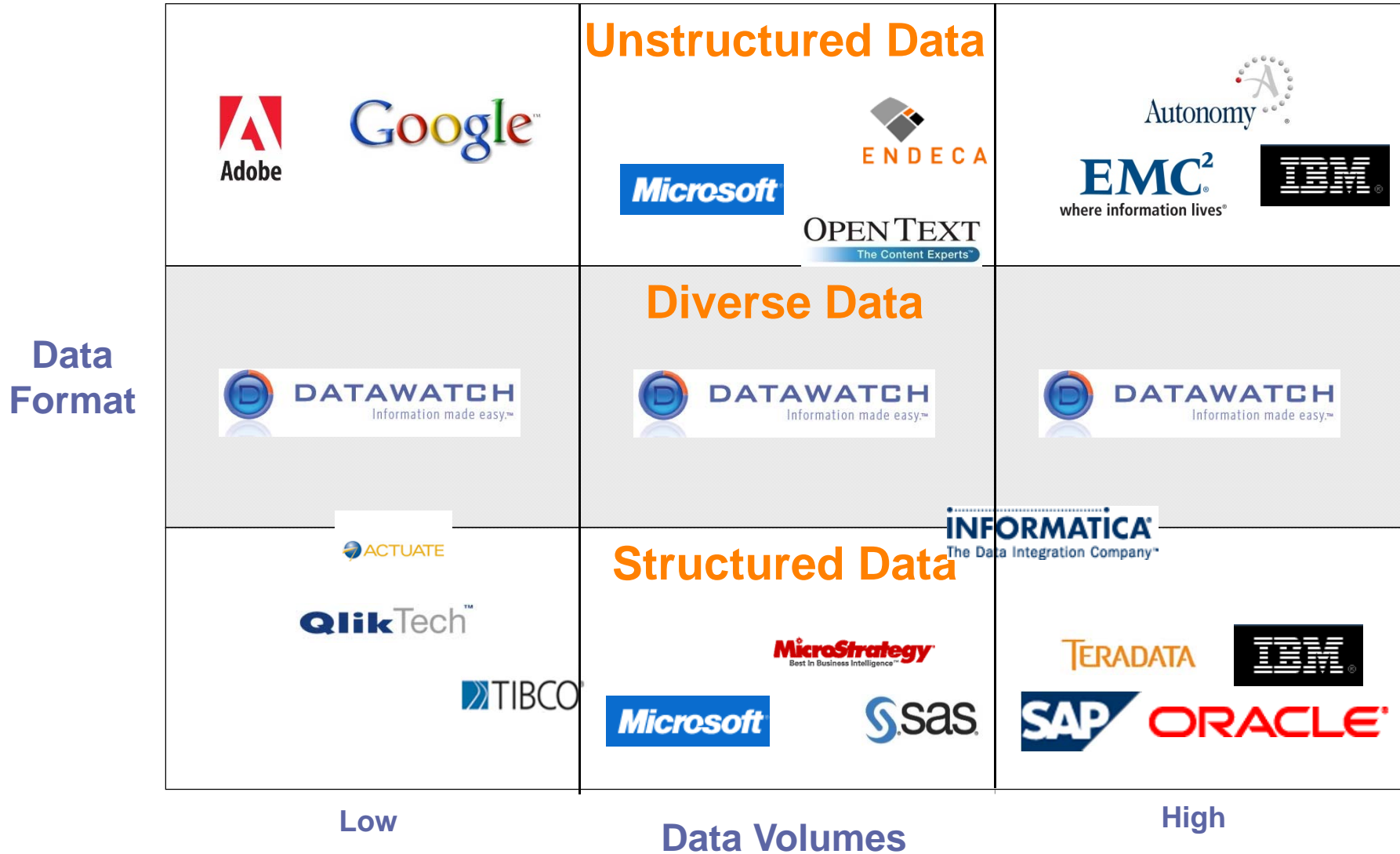


Source: Ventana Research Information Applications Benchmark Research

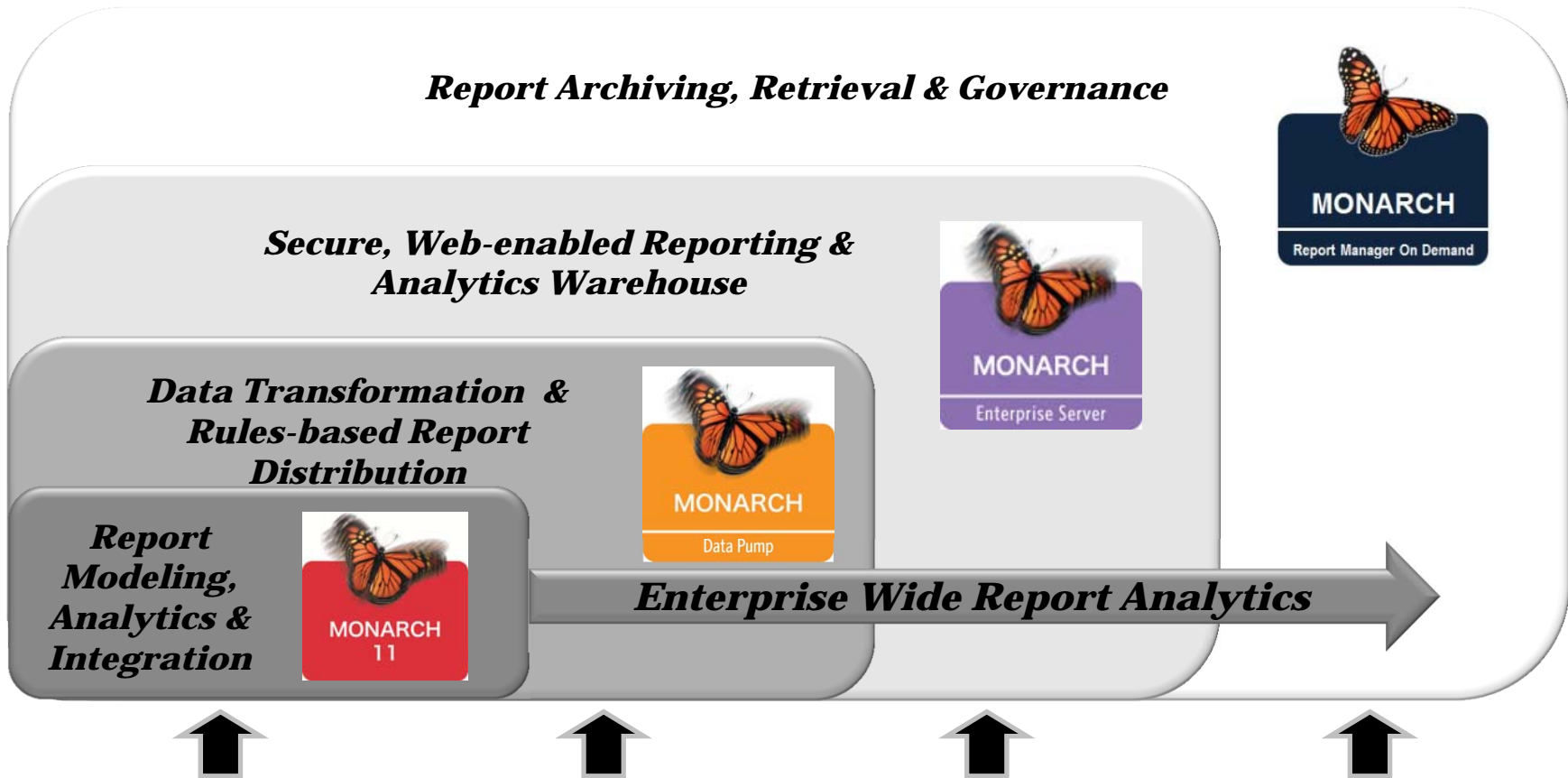
“To facilitate decision-making, companies must make the right information available to employees whenever and wherever it is needed. The process is complicated because information typically resides in multiple, incompatible applications...In addition, information includes not only conventional data, but text and documents, content from websites and images.

Where analysts have the primary responsibility, even more participants ranked transactional data most important. As second-most important, however, those analysts cited unstructured content and text from within Word and pdf documents.”

Datawatch Positioning in the Market



Monarch Report Analytics Platform



Datawatch's Differentiated Expertise



Traditional BI Sources



Global Customer Leadership



Industry

<p>Financial Services</p>	
<p>Healthcare</p>	
<p>Government</p>	
<p>Retail</p>	
<p>Manufacturing</p>	
<p>Technology</p>	

Business Description: With \$2 billion in annual revenue, Broadridge provides brokerage processing outsourcing services to the global financial industry.

Challenge

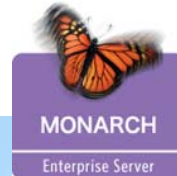
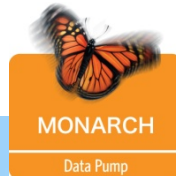
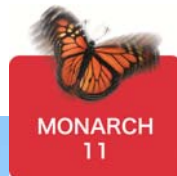
- Extract and print 200,000,000+ transaction report pages per month for 100+ customers
- Regulatory requirement for secure, auditable access to reports for multiple user groups

Solution

- With the Monarch Report Analytics platform, Broadridge offers a dynamic & flexible solution for self-service analysis of brokerage statements, confirmations and reports

Benefits

- Higher customer loyalty
- Value-add service offering to maximize revenue
- High volume overnight report production, indexing and archiving
- Easy trend analysis over multiple reports and periods with user-friendly interface
- Secure web-based interface to satisfy all regulatory governance needs



Description: Logica is a \$6 billion full service business and technology consultancy, providing consulting, system integration and outsourcing services to clients around the world.

Opportunity

- Cloud-based archive service to hundreds of clients in Scandinavia
- Archived reports are static & provide limited analytic value
- Extending the cloud archive to include report mining analytic capabilities offers new revenue stream

Solution

- With Monarch Report Mining Server, Logica offers its clients a cloud-based, dynamic solution for self-service analysis of archived statements, documents and reports

Benefits

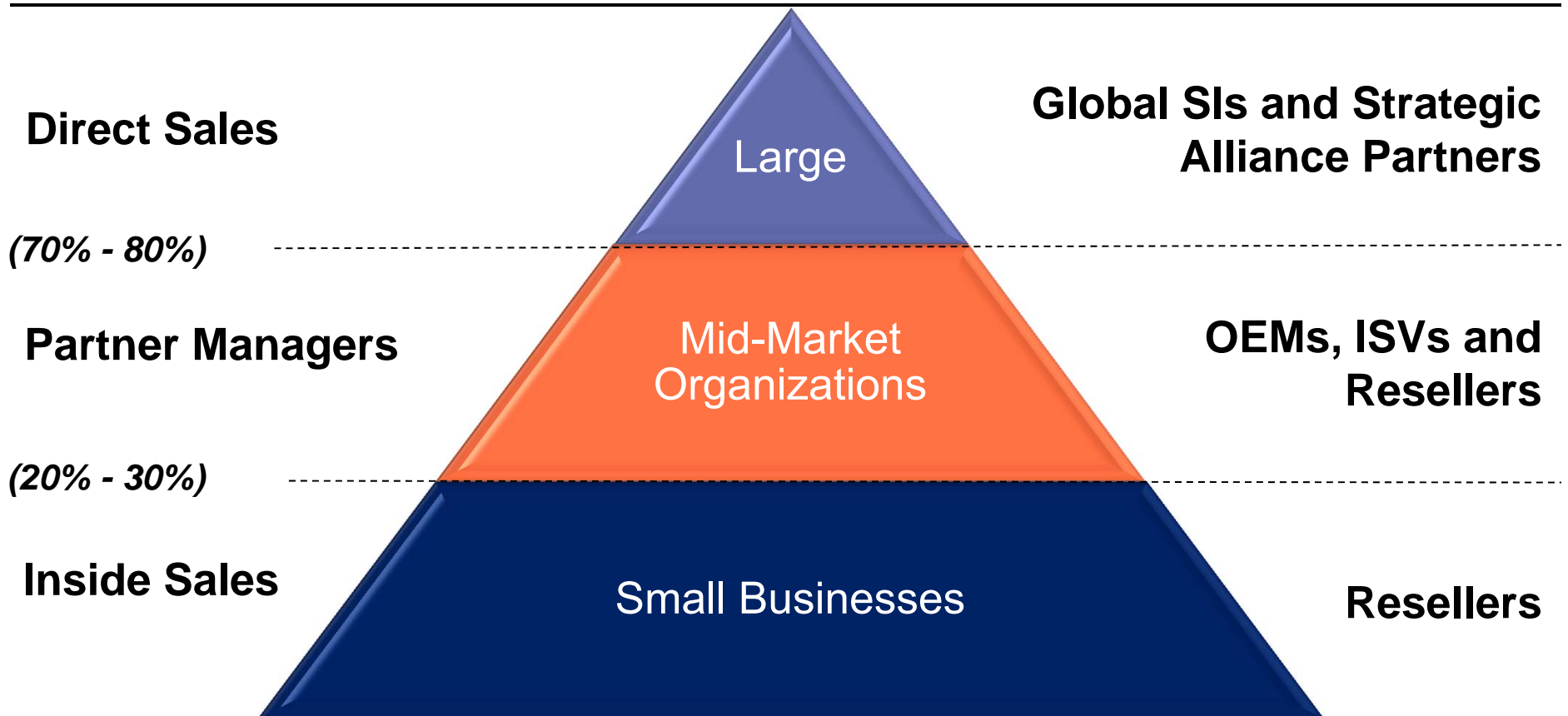
- Clients can perform trend analysis over multiple reports & periods with a user-friendly interface
- Secure web-based interface to satisfy regulatory governance needs
- Self-service analytics & export of the right data, at the right time, in the right format from Logica's cloud archive
- Business users have timely, dynamic information to make faster and more accurate decisions



Go-To-Market Distribution Model

Internal Focus

Partner Focus



- Headcount 110: 50% in field operations
 - 11 quota carrying reps; sales/pre-sales ratio 3:2
- Geographic revenue split
 - NA/EMEA/AP: 77%/17%/6% (FY11); target 70%/22%/8% (FY12)
- Average deal size (license only for deals of \$15K+)
 - \$31K FY2011; target \$45K+ FY12
- Target 70%-80% of license revenue from customer up-sell
 - Aggressive “hunter” sales mentality, focused lead generation programs, more effective portfolio positioning
- Aggressively expand partner ecosystem
 - Strategic alliances with complementary software vendors
 - Partnerships with major business consultancies
 - Geographic distributors/resellers

Q4 2011 vs. Q4 2010

- Total revenue: *\$4.8 million up 13%*
- License revenue: *\$2.8 million up 19%*
- Operating margin: *3% in FY2011*
- First quarter in four years with year over year growth

P&L Summary



	Fiscal Year Ended September 30,		
	2009A	2010A	2011A
Revenue			
Licenses	10,931	9,563	9,858
Maintenance	6,641	6,322	6,219
Professional Services	2,046	1,789	1,808
<i>Total Revenue</i>	<u>19,618</u>	<u>17,674</u>	<u>17,885</u>
Cost of Sales			
Cost of licenses	2,248	2,382	2,237
Cost of maintenance and services	3,135	2,893	2,537
<i>Total Cost of Sales</i>	<u>5,383</u>	<u>5,275</u>	<u>4,774</u>
<i>Gross Profit</i>	14,235	12,399	13,111
Operating Expenses			
Sales & Marketing	6,423	5,786	6,268
Research & Development	2,433	2,658	2,502
General & Administrative	4,272	3,564	4,274
Impairment of good will	6,401	-	-
<i>Total Operating Expenses</i>	<u>19,529</u>	<u>12,008</u>	<u>13,044</u>
<i>Operating (Loss) Profit</i>	(5,294)	391	67

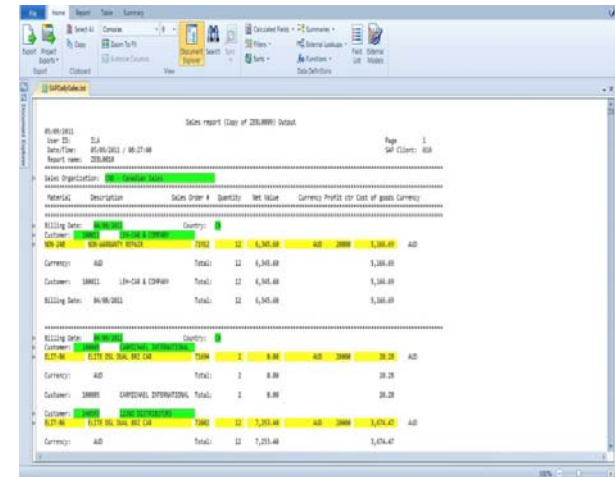
Margin Calculations

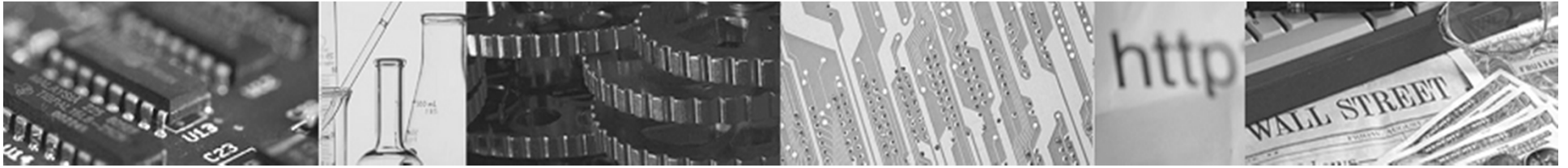
Revenue Growth	-15%	-10%	1%
Gross Margin	73%	70%	73%
S&M as % of Revenue	33%	33%	35%
R&D as % of Revenue	12%	15%	14%
G&A as % of Revenue	22%	20%	24%
Operating Profit Margin	-27%	2%	0%

Datawatch Investment Opportunity



- Technology leadership with 20+ years of continuous innovation
- Little direct competition
- New leadership in 2011 with a singular focus on aggressive, profitable revenue growth
- Hybrid go-to-market model
- Extensive, global blue-chip customer base
- Significant opportunity to increase customer penetration
- Well situated for strategic partnering opportunities
- Front runner in a new paradigm in the broader business analytics space





| [Clean Technologies](#) | [Communications](#) | [Consumer](#) | [Enterprise Infrastructure](#) | [Healthcare](#) |
| [Industrial & Diversified Growth](#) | [Semiconductors & Equipment](#) | [Software & Services](#) |

The Fourteenth Annual

Needham Growth Conference

January 10-12th, 2012, New York City

Datawatch Corporation

The Leading Growth Company Focused Investment Bank for 27 Years

