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Monthly Operating Review

July 2020

26 August 2020

Agenda

- Executive Overview

- Financial Overview

- Sales & Marketing

- Vertical Strategy

- M&A Update

Executive Summary

Executive Summary

Good News / Positives to Business and Plan:

- ARR increased 20% over July 2019 resulting in a 5% favorable variance vs 2020 AOP and a 6% favorable variance vs Scenario B
- Continue to outperform YTD AOP in both revenue and EBITDA
- Achieved 270% of July new business bookings goal
- Strong renewals with minimal customer churn
- New business acquisition:
    - New logos: RXP (ARR-$69K), Pelitas (ARR-$55K)
    - Upsells: Conduent (ARR-$104K)
- New business pipeline activity supports Q3 reforecast goal
- Targeting mid-Oct for complete Web Authoring lifecycle functionality available in Trials
- Resource management
    - Director of Alliances started July 20th
    - VP of Services recruiter actively screening candidates; starting 2nd round of candidate interviews
    - Actively recruiting for Content Marketing Manager; strong initial response to position posting

Top Challenges

- Ensure InRule company vision and product are well positioned for upcoming Forrester Digital Decisioning Wave Report
- Overall solid funnel progression and coverage for Q3, despite slow-down of marketing leads and sales qualified leads (SQLs)
- Larger portion of revenue coming from upsells vs new logos
- Renewals requiring roughly 2x more touchpoints than pre-COVID

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2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
Decision Platform	**Obtain SOC II Certification** (Alan Young)	🟢	• Official virtual audit period scheduled for Oct 21-22. Barr will be requesting evidence data starting early Sep • Information security policies and business-processes posted on BambooHR. Employess signature next • Next milestone: completion of audit period Oct 31. SOC2 cert issuance by mid-December.	Nov 15
Decision Platform	**Deliver Web Authoring MVP** (Dan Reynolds)	🟢	• Completed: Storage foundation testing and error handling infrastructure. • In-progress: Storage API design for check-out/check-in • Mid-Sept: 1. Storage API implementation complete. 2. Decision table basic functionality complete. 3. Centralized Authentication implemented into Trials. • Mid-Oct: Web authoring work into Trials supporting the MVP experience. Prospects can create Decisions that leverage BL and Decision Tables. • Mid-Sept: API work to support end point overrides in Bupa's CI/CD pipeline deal commitment • Complete: irVerify for Dynamics and Salesforce • End-Aug: irVerify integration to enable decision testing by Salesforce/Dynamics users	Oct 15
Market Expansion	**Deliver FY 2020 Digital content** (Renee Wagner)	🟢	• Events and content completed: Money 2020 virtual event, first draft of Insurance e-book, PWC case study • Submitted Forrester Wave Report questionnaire including customer references, product overview • Next Steps: Deliver demo company strategy to Forrester on Digital Decisioning Wave Report; planning virtual IUCM; explainer videos for vertical solutions	July 31
Decision Platform	**Acquire Strategic Technology thru M&A** (Rik Chomko)	🟢	• Identified six targets in AutoML space and inquired about interest in M&A; two interested • Requested and received initial information package from two AutoML companies • Tested two AutoML products for initial fit and to understand strengths/weaknesses • Reviewed DD materials from Project Overture • Next Steps: Review information request materials from AutoML companies. Make go, no go decision	Dec 15

🔵 Complete   ⚪ Just started   🟢 On Track   🟡 At Risk   🔴 Behind Schedule

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2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
Decision Platform	**Extend integrations with Dynamics and Salesforce and expand partnership** *(Mark Lonsway)*	🟡	• SalesForce review process is undermanned and unprepared causing delays in AppExchange review process • After three weeks of scheduling delays, received feedback that there are two apparent technical issues blocking approval • Next Steps: Address tech issues and resubmit for approval	Sep 30
Operational Excellence	**Implement new ERP system** *(Beth Worthem)*	🟢	• Integration between NetSuite and Dynamics CRM in process • Setup of Professional Services module and training for employee time tracking underway • UAT testing complete • Next Steps: Historical balance and open transaction import, training. NS & QB in parallel for September	Sep 1
Customer Experience	**Increase Services Utilization** *(Rik Chomko)*	🟢	• CEO interviewed 4 candidates from pipeline. 3 candidates moved to 2nd round interviews. • 2nd round interviews scheduled week of 8/17 and 8/24. • Investigating comp requirements for one candidate. • Next steps: CEO to interview two candidates for 1st round. Complete 2nd round for 2 candidates. Get comp requirements for one candidate.	Sep 30
Market Expansion	**Obtain GSA Schedule** *(Mike Bonner)*	🟢	• Signed agreement with Centre Law • Next steps: Provide documentation and work with Centre to build MAS proposal	Oct 31

🔵 **Complete**   ⚪ **Just started**   🟢 **On Track**   🟡 **At Risk**   🔴 **Behind Schedule**

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Financial Overview

Currency

USD ▾

Plan Scenario

AOP ▾
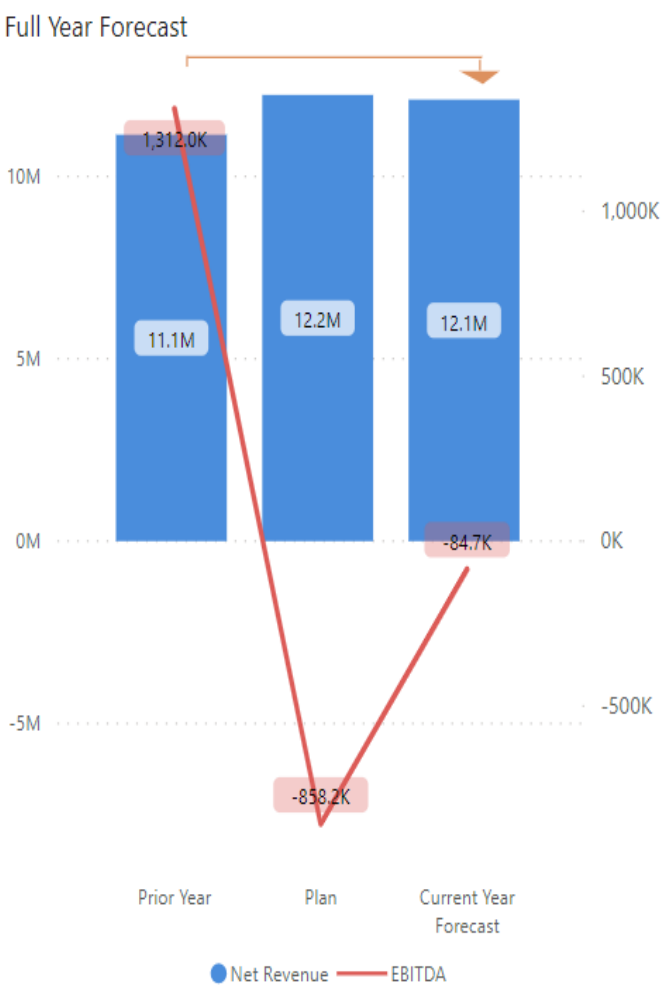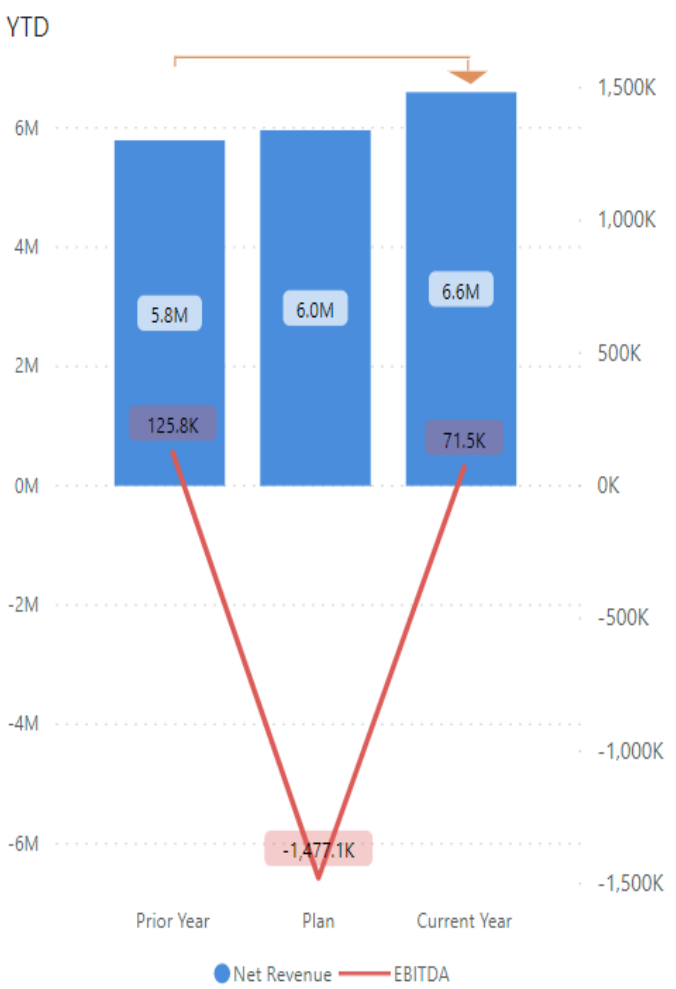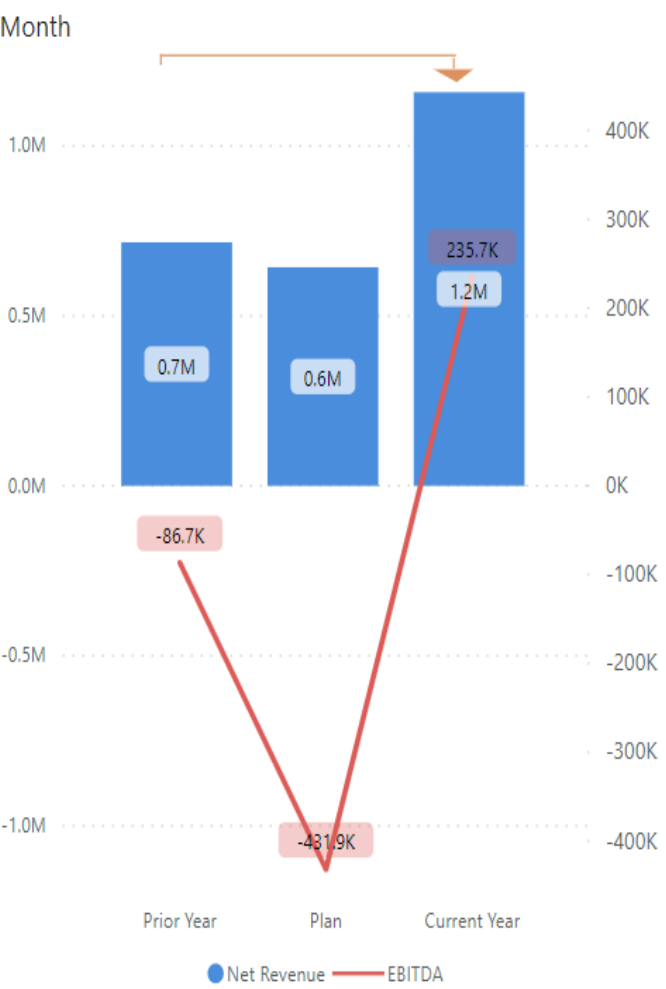
Year

Current Year ▾

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YTD EBITDA

● Actuals ● Plan ● Prior Year ● Forecast
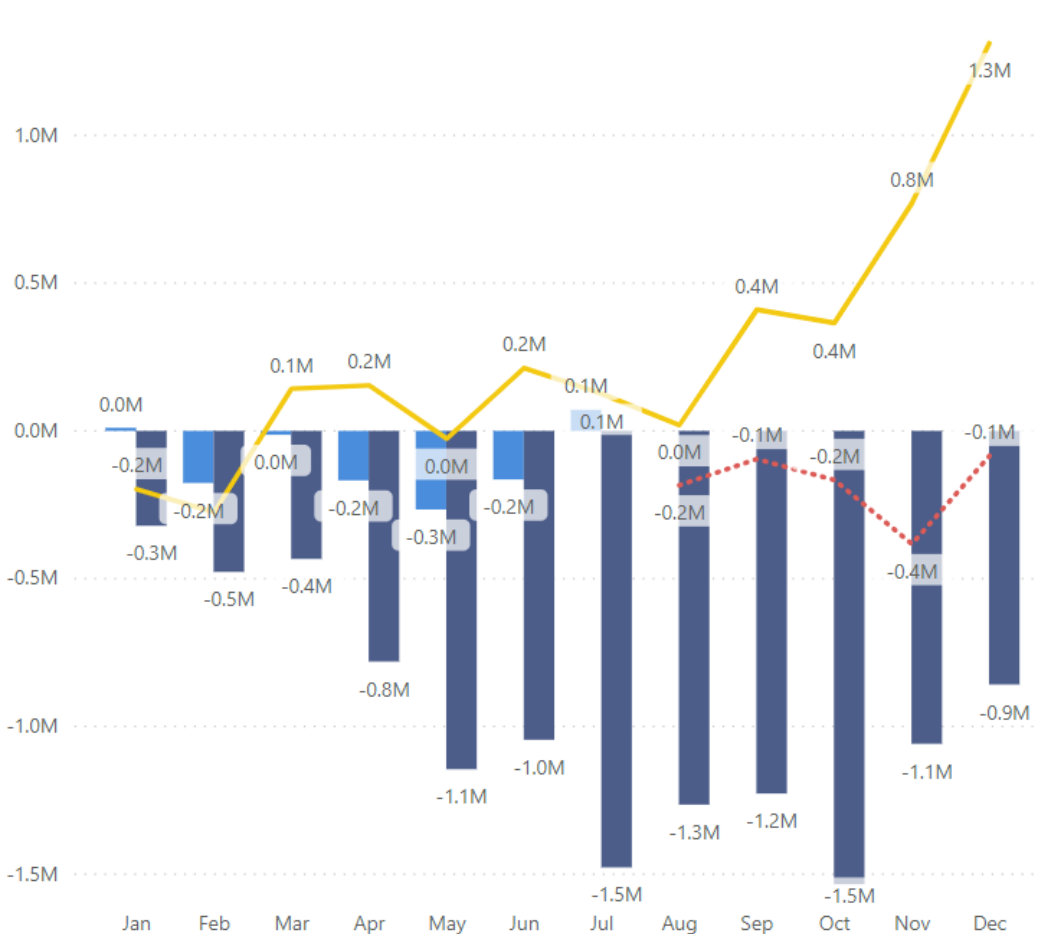
YTD Net Revenue
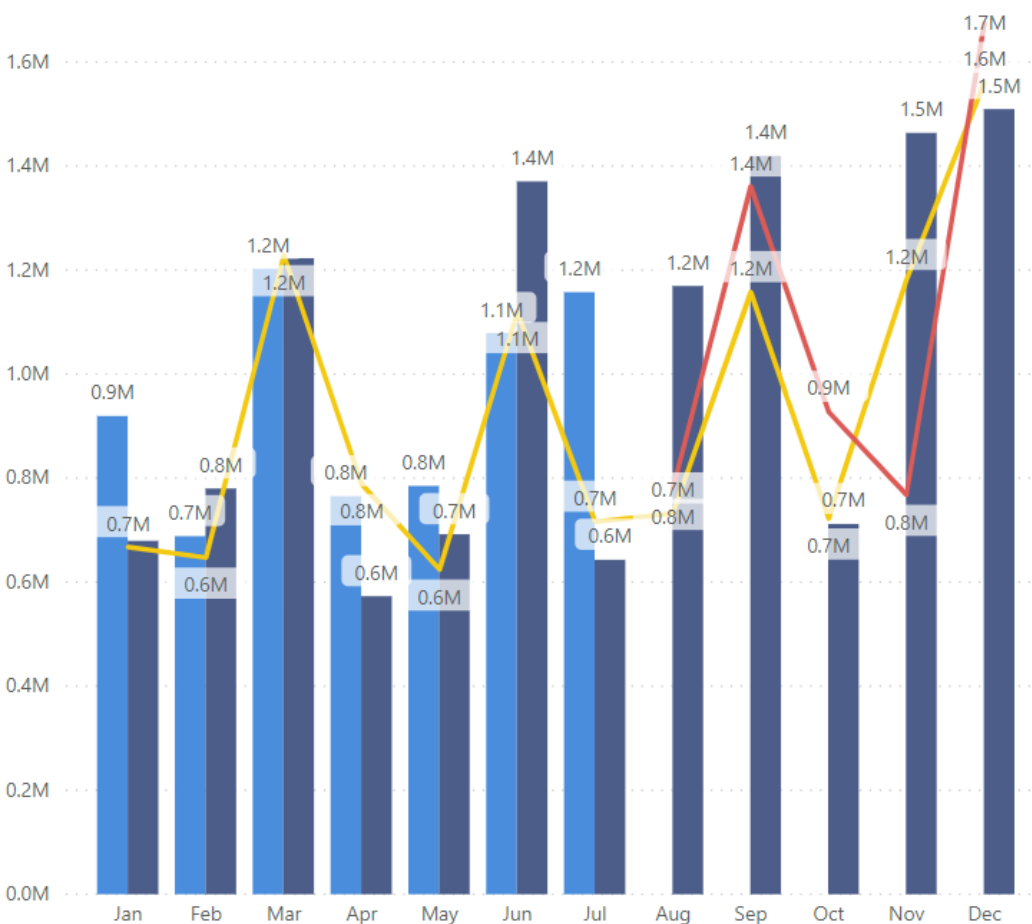
● Actuals ● Plan ● Prior Year ● Forecast
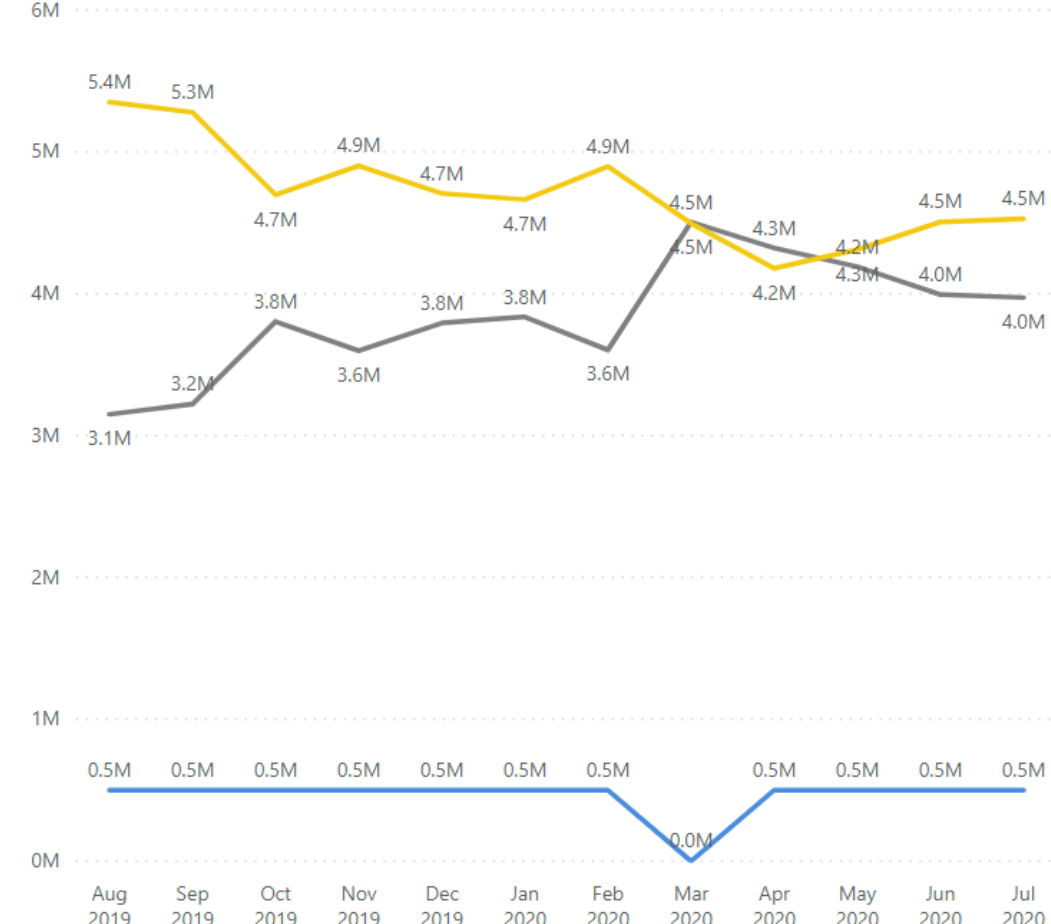
Recurring Revenue (ACV)

Monthly ARR (ACV)
$ millions

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Total	9.5	9.7	9.8	9.7	10.5	10.4	10.3	10.6	10.7	10.9	11.2	11.2
Maintenance	50%	49%	48%	48%	45%	45%	45%	44%	44%	44%	42%	42%
SaaS	7%	6%	6%	6%	9%	9%	9%	9%	8%	10%	10%	10%
Subscription	44%	45%	45%	45%	46%	46%	46%	47%	48%	47%	48%	49%

0%

+18%

Maintenance   SaaS   Subscription

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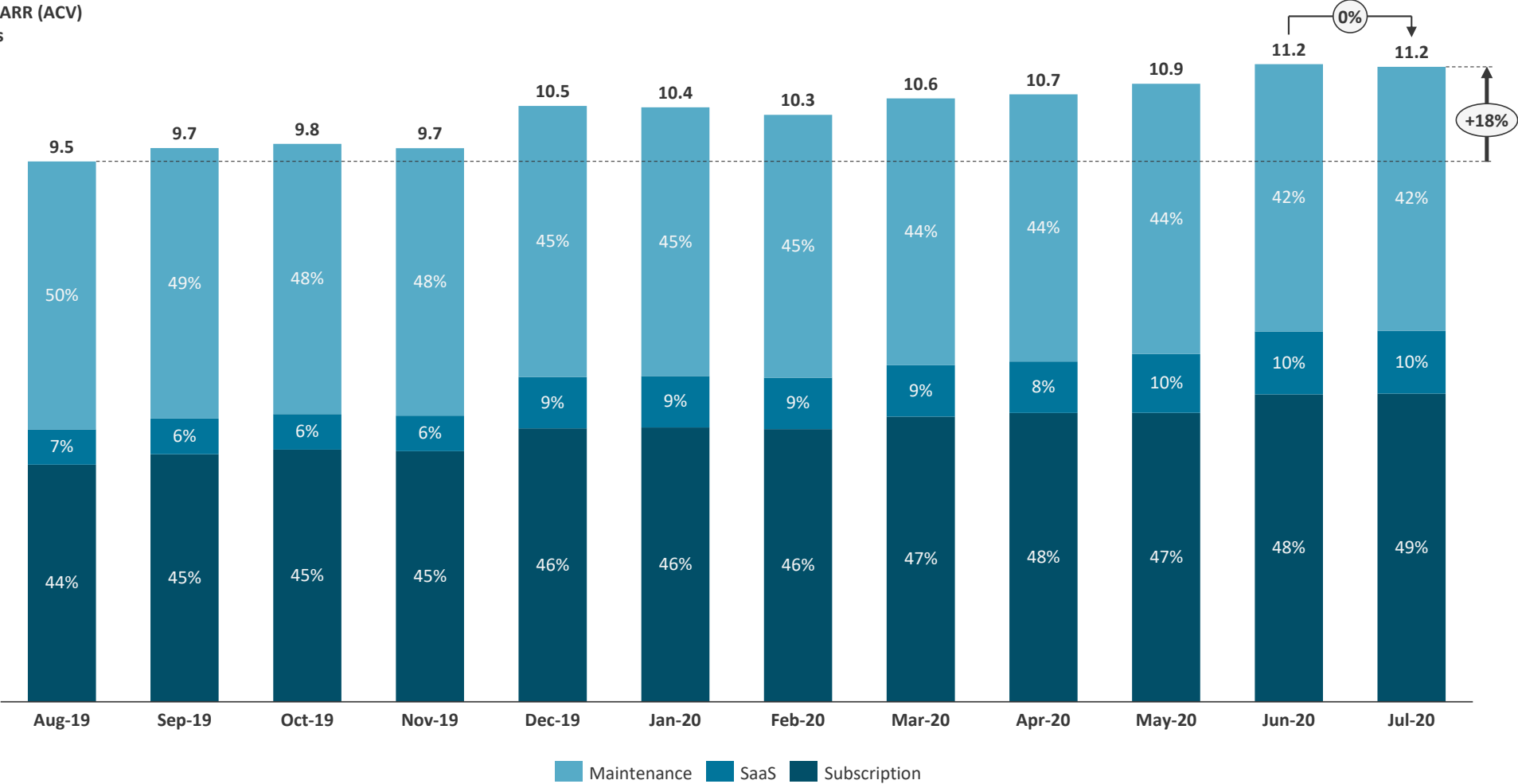
Nonrecurring License Revenue

**Monthly Perpetual
$000's**
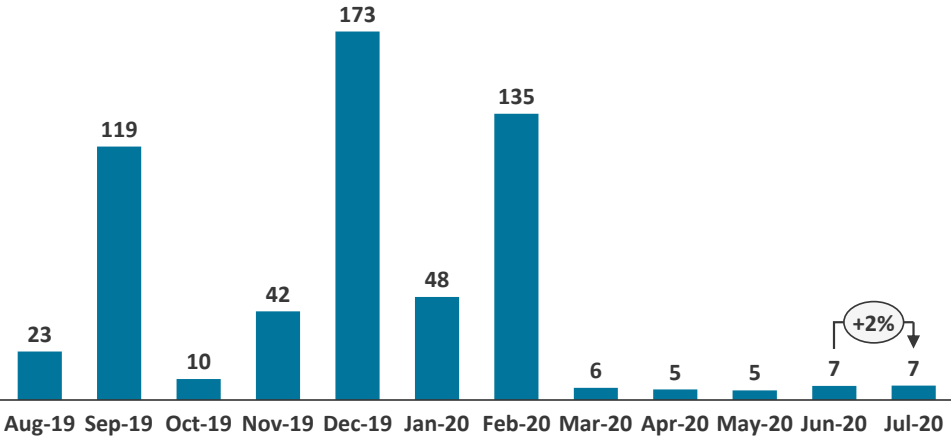
Key Wins		
Customer	**Perpetual**	**Comments**
		No activity in July

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Nonrecurring Services Revenue

Consulting Services Revenue & Gross Margin
$000's

Month	Revenue	Gross Profit
Aug-19	37	9
Sep-19	41	15
Oct-19	78	50
Nov-19	48	20
Dec-19	61	36
Jan-20	152	121
Feb-20	79	31
Mar-20	137	88
Apr-20	59	32
May-20	70	39
Jun-20	72	41
Jul-20	52	30

Legend: Revenue ■ Gross Profit ■ Gross Margin - - -
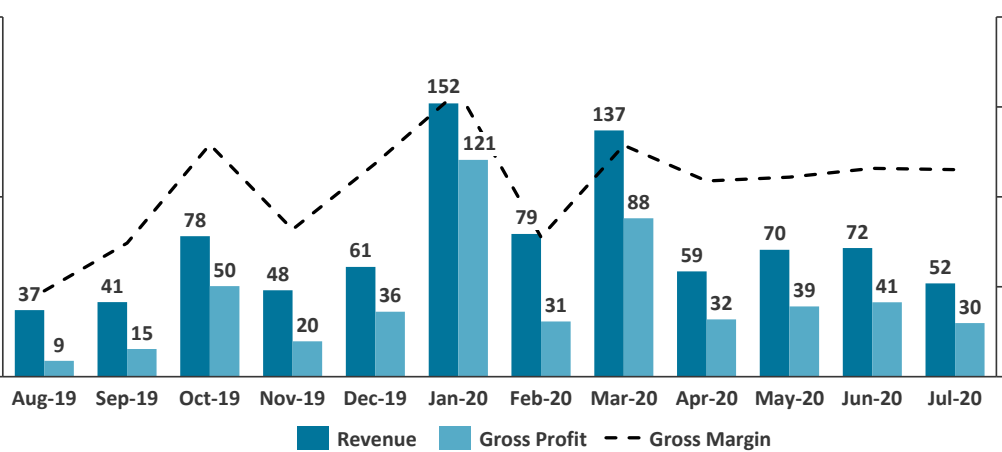
Consulting Services Revenue Forecast / Backlog
$000's

Category	Value
YTD Rev	621
Est. Aug	39
Prepaid Backlog	128
SOW Backlog	370
Total Fcst	1,158
Inactive	177
Adj. Fcst	981
Budget	961

+2.1%

Legend: ■ Consulting Revenue
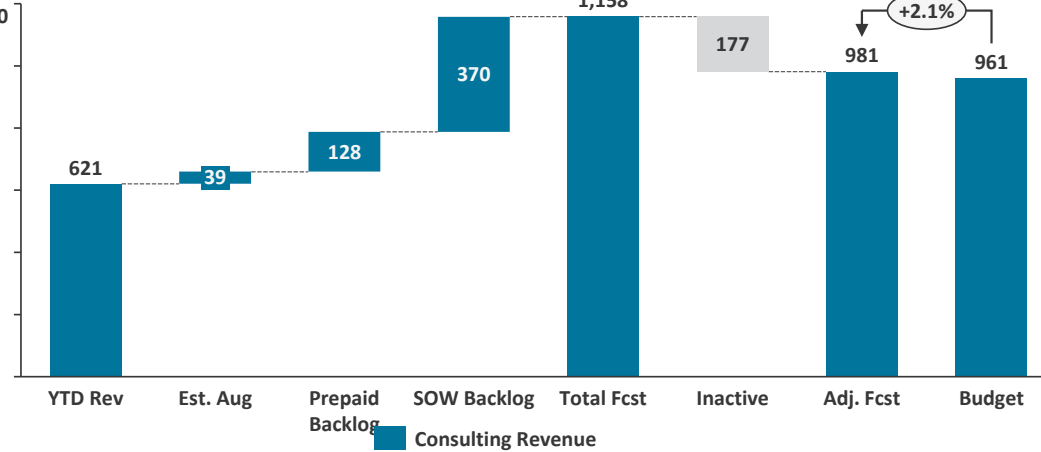
Key Projects Delivered in July

Customer	Services	Comments
Hudson Insurance	$17K	10 days delivered in July
Aetna	$12K	8 days delivered in July
Abbott	$ 8K	7 days delivered in July
Caliber Home	$ 4K	3 days delivered in July
Total	$41K	

Projects Forecasted for Aug

Abbott, Aetna, Bupa BHF, Fidelity Investment Mgmt, Haventree, Hudson Insurance, Lifelabs

Consulting Utilization (%'s)
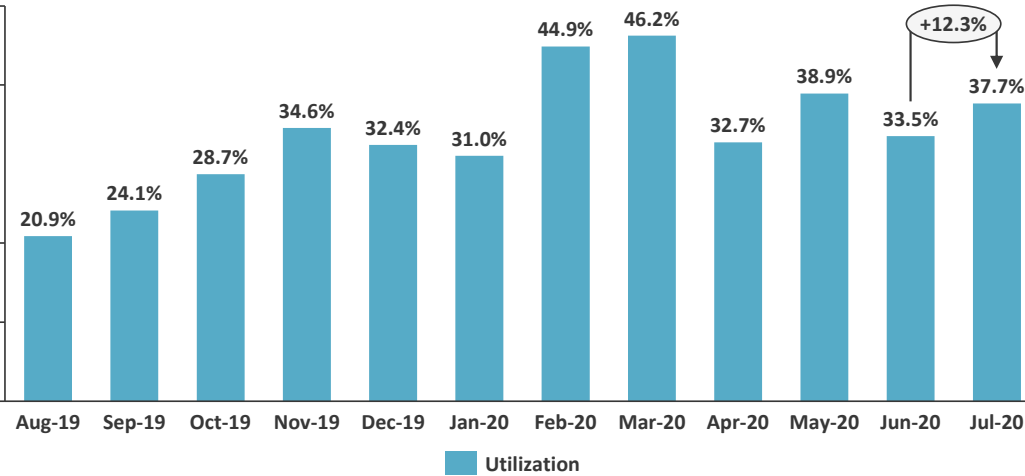
Month	Utilization
Aug-19	20.9%
Sep-19	24.1%
Oct-19	28.7%
Nov-19	34.6%
Dec-19	32.4%
Jan-20	31.0%
Feb-20	44.9%
Mar-20	46.2%
Apr-20	32.7%
May-20	38.9%
Jun-20	33.5%
Jul-20	37.7%

+12.3%

Legend: ■ Utilization

Income Statement

Currency: USD | Month: Latest Month | Jul 2020 | Month | QTD | YTD | TTM | Plan Scenario: AOP

Income Statement

Income Statement	Current Year	Prior Year	Plan	ΔPrior Year (%)	ΔPlan (%)
= Bookings	889K	534K	594K	+67	+50
= ARR	11,156K	9,281K	10,633K	+20	+5
= Total Recurring Revenue	1,099K	646K	560K	+70	+96
= Recurring Product	1,099K	646K	560K	+70	+96
Cloud/saas	93K	26K	69K	+255	+34
TBL	625K	222K	155K	+181	+304
Maintenance & Support	381K	398K	336K	(4)	+13
Recurring Services	0K	0K	0K		
= Total Non Recurring Revenue	52K	67K	83K	(23)	(37)
Non Recurring Product	0K	20K	6K	(100)	(100)
Professional Services	52K	47K	77K	+11	(32)
Training	0K	0K	0K		
Other Revenue	7K	3K	0K	+122	
= Net Revenue	1,158K	716K	643K	+62	+80
- Material	0K	0K	0K		
- Labor	46K	46K	47K	(0)	(1)
- Hosting	7K	4K	7K	+87	+10
- Professional Services COGS	22K	28K	22K	(22)	(2)
- Other COGS	0K	0K	22K	(70)	(100)
= Total COGS	76K	79K	98K	(4)	(22)
= Gross Margin	1,082K	637K	545K	+70	+98
= Total Product	1,052K	619K	491K	+70	+114
= Total Services	30K	19K	54K	+61	(45)
- R&D	343K	296K	382K	+16	(10)
- Sales	149K	137K	232K	+8	(36)
- Marketing	90K	38K	94K	+134	(5)
- Administrative	165K	143K	173K	+16	(5)
- pre-Sales OPEX	34K	24K	49K	+42	(31)
- Services Labor	44K	55K	61K	(20)	(27)
- Other	0K	0K	0K		
= Total OPEX (excl D&A)	865K	725K	1,023K	+19	(15)
= Reported EBITDA	217K	(88K)	(478K)	+348	+145
= Adjusted EBITDA	236K	(87K)	(432K)	+372	+155
= Adjusted Cash EBITDA	(33K)	(269K)	(101K)	+88	+68
= Bank EBITDA	236K	(87K)	(432K)	+372	+155

Sales & Marketing

Sales Pipeline - Quarter 3

Q2 Sales Pipeline
$000's

Legend: ■ ARR ■ Other

Chart data by category:
- Jul-19: 234 (ARR 213, Other 20)
- Jul-20: 235 (ARR 235, Other 0) — +1%
- QTD Jul-20: 235 (ARR 235, Other 0)
- MTD Aug: 233
- QTD Pipeline: 390 (390, 0)
- QTD Fcst: 858 (858, 0) — 0%
- QTD Budget: 861 (861, 0)
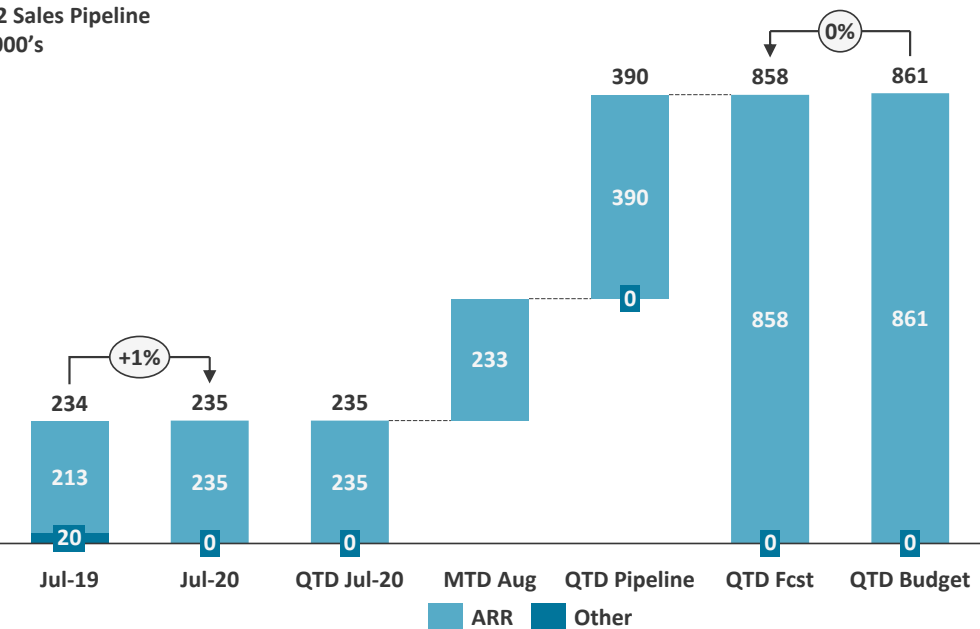
Q3 Likely/Commit Pipeline

Customer	Subscription	Perpetual	Comments
NN Group	$66K		
Deloitte OPM/GSA	$110K		Deloitte Pension Automation to OPM
BUPA Global	$214K		Bupa Claims SaaS; ILOG conversion
Total	**$390K**	**$0K**	

Pipeline Commentary

- Solid coverage to achieve Q3 AOP
- Additional Q3 upside possible

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Marketing Metrics

MTD
$ (whole #'s)

Web Visitors
- +34%
- 7,323
- 12,779
- 9,520

Marketing Leads
- +10%
- 569
- 528
- 480

Sales Leads
- +34%
- 246
- 200
- 149

SQLs
- -24%
- 12
- 16
- 21

Custom Demos
- +25%
- 3
- 5
- 4

Pipeline Conversion %'s

Marketing Leads	
Sales Leads	28%
Sales Qualified Leads	10%
Custom Demos	18%
Net New Deals	68%

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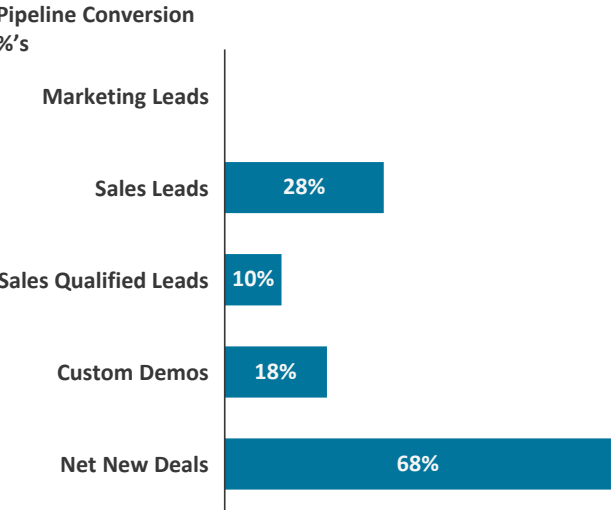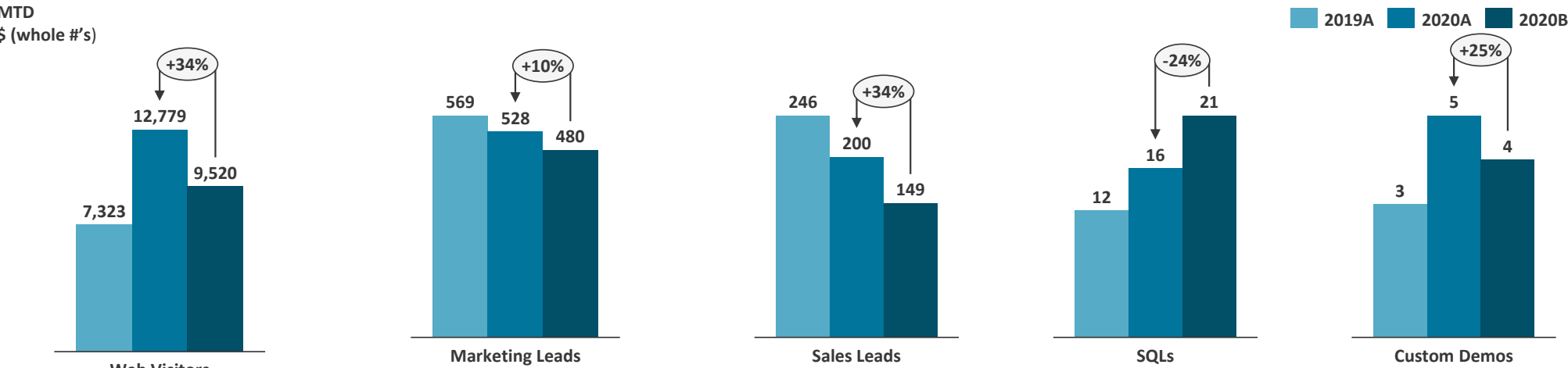
Vertical Research

Objective:
Evaluate the market opportunity for creation of a vertical offering to serve one of the following markets:

- Life Insurance
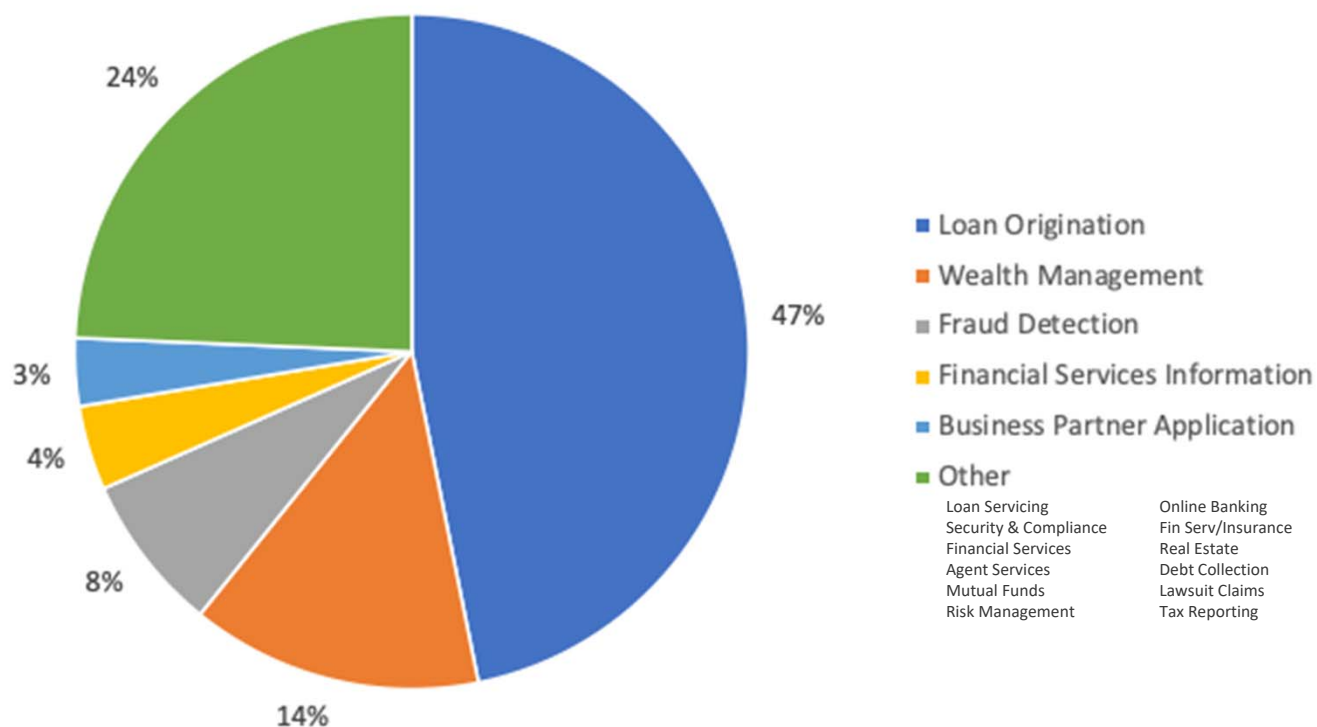- Specialty Insurance
- Loan Origination

Goals

- Understand our existing customer base within the offering candidates and the revenue generated – and costs associated with supporting – each;

- Research the Total Available Market (TAM) and Serviceable Available Market (SAM) opportunity for each of the offering candidates (US and Europe at this time);

- Prepare an analysis report detailing the above;

- Present a recommendation for which vertical offering to pursue.

CUSTOMER ANALYSIS

Financial Services – Percentage of Revenue by Sub Industry

Pie chart legend:
- Loan Origination — 47%
- Wealth Management — 14%
- Fraud Detection — 8%
- Financial Services Information — 4%
- Business Partner Application — 3%
- Other — 24%

Other:
Loan Servicing	Online Banking
Security & Compliance	Fin Serv/Insurance
Financial Services	Real Estate
Agent Services	Debt Collection
Mutual Funds	Lawsuit Claims
Risk Management	Tax Reporting

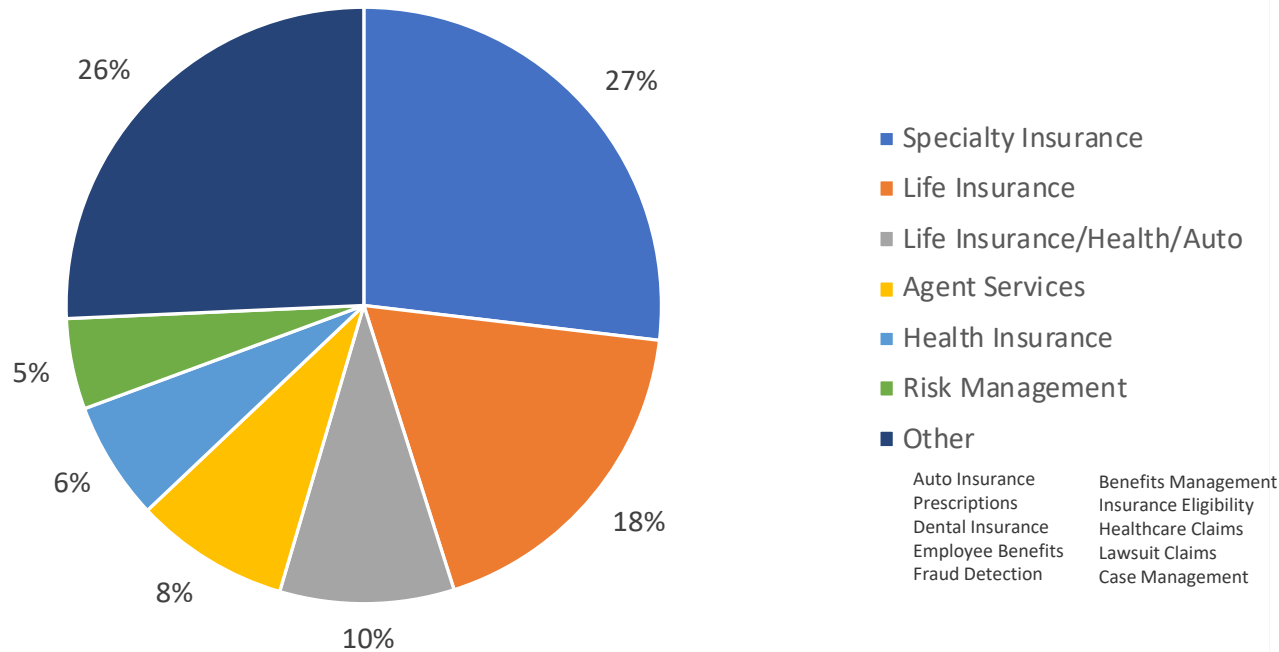**Customers:**

BANK OF AMERICA

JPMORGAN CHASE & CO.

Quicken Loans

loanDepot

Other:
- Barclays
- Caliber Home Loans
- Data Action
- Fidelity International
- First American
- Haventree Bank
- InComm
- Jersey Financial Services
- Commission
- Loan Depot
- MCAP
- Nationwide Building Society
- Payoneer
- Wells Fargo Advisors

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Insurance – Percentage of Revenue by Sub Industry

- ■ Specialty Insurance — 27%
- ■ Life Insurance — 18%
- ■ Life Insurance/Health/Auto — 10%
- ■ Agent Services — 8%
- ■ Health Insurance — 6%
- ■ Risk Management — 5%
- ■ Other — 26%

Auto Insurance	Benefits Management
Prescriptions	Insurance Eligibility
Dental Insurance	Healthcare Claims
Employee Benefits	Lawsuit Claims
Fraud Detection	Case Management

Customers:

Specialty

AON

TOKIO MARINE HCC

AA
Beazley
Distinguished Programs
Gainsco
GeoVera
Horace Mann
Hudson
Insurance Technology SA
La Positiva
Markel
NN Group
OneBeacon
RLI
Safety National
Shipowners
SE2
The Standard
Tower Insurance
Voogd & Voogd
West Bend Mutual

Life

Allstate

PACIFIC LIFE

Fortegra
Illinois Mutual Life
London Life
Manulife
Western & Southern

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Vertical Offering Market Research

MARKET RESEARCH

TAM & SAM

- TAM - Total Available Market for all products in business applications market
- SAM - Serviceable Available Market for which InRule product fills a need, shown as 10% of TAM

Total Addressable Market

Serviceable Available Market

Serviceable Obtainable Market

Business Applications TAM

- Analytics & Business Intelligence Platforms
- Application Development Services
- Application Platform Services
- BPM Suites
- BRMS/Decision Management
- CRM
- ERP
- Event Stream Processing
- Master Data Management
- Content Management Systems
- Enterprise Asset Management

Financial Services and Insurance Spending 2020

2019 US industry tech budget spending by category — Forrester industry groups
(US$ billions)

	Computer equipment	Communications equipment	Software	Tech consulting and systems integration services	Tech outsourcing	Telecommunications services	CIO staff costs	Total, US tech budget spending
Financial services	$14	$11	$70	$9	$35	$30	$75	$244
Insurance	$4	$1	$36	$9	$3	$12	$24	$91

Financial Services and Insurance Spending 2018

- Break out of spending
- Software accounted for 18%
- Business Applications accounted for 11%
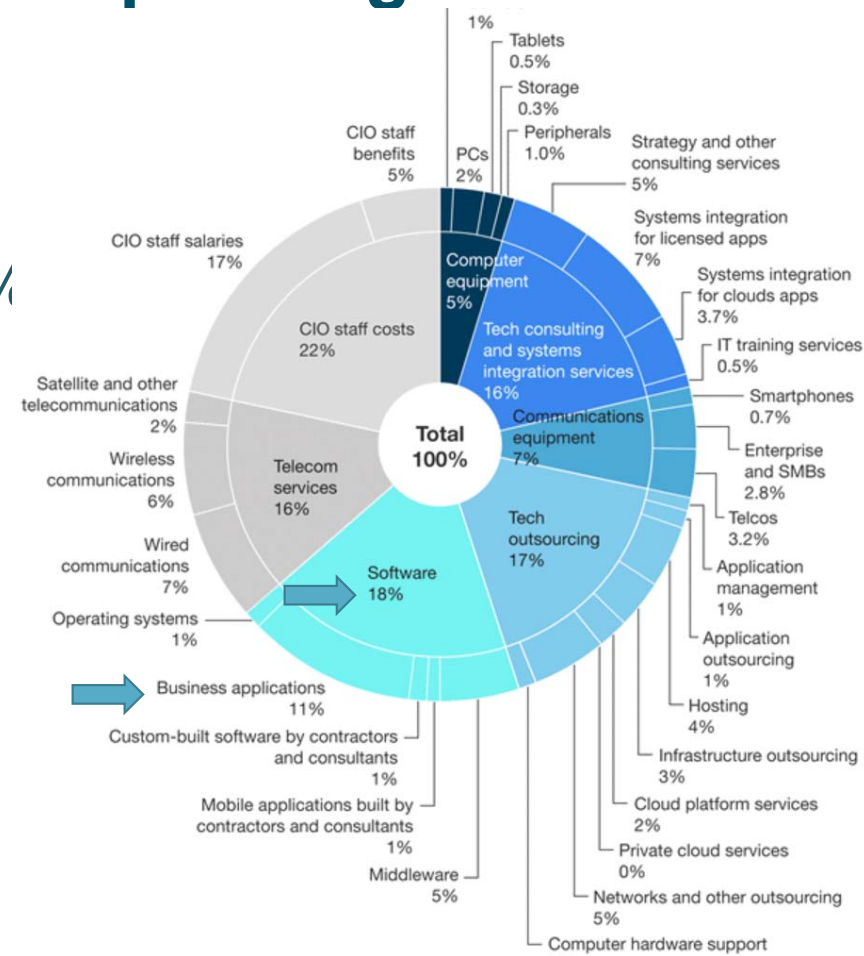
Financial Services Industry

Establishments

Data series	Back data	1st quarter 2018	2nd quarter 2018	3rd quarter 2018	4th quarter 2018
Number of establishments					
Private industry	📈	(P) 488,577	(P) 490,541	(P) 493,126	(P) 495,328
Local government	📈	(P) 172	(P) 173	(P) 174	(P) 174
State government	📈	(P) 85	(P) 85	(P) 85	(P) 85
Federal government	📈	(P) 792	(P) 787	(P) 785	(P) 793
Footnotes (P) Preliminary					

(Source: Quarterly Census of Employment and Wages)

Credit Intermediation and Related Activities Subsector

Establishments

Data series	Back data	1st quarter 2018	2nd quarter 2018	3rd quarter 2018	4th quarter 2018
Number of establishments					
Private industry	〽	(P) 180,207	(P) 180,229	(P) 180,172	(P) 180,553
Local government	〽	(P) 36	(P) 35	(P) 35	(P) 35
State government	〽	(P) 21	(P) 21	(P) 21	(P) 21
Federal government	〽	(P) 653	(P) 648	(P) 646	(P) 654
Footnotes (P) Preliminary					

(Source: Quarterly Census of Employment and Wages)

Insurance Industry

- According to the National Association of Insurance
  - 5,954 insurance companies in 2017 in the U.S.
  - Life/Annuities establishments - 852
  - Specialty insurance establishments - 259

Loan Origination – Market Sizing

Fin Serv		
Software Spend	$	70,000,000,000
% of Software Spend on Business Apps 2018		11%
Business Application Spend 2018	$	7,700,000,000
Fin Serv Establishments		487845
Loan Establishments		180553
Loan Establishments as % of Industry		37%
Loan Establishment Spend on Bus Apps TAM	$	2,849,794,709
Loan Origination/Servicing Solution SAM	$	284,979,471
InRule Market ARR	$	1,300,000

10% of TAM

InRule ARR % of SAM: 0.46%

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Life Insurance – Market Sizing

Insurance		
Software Spend	$	36,000,000,000
% of Software Spend on Business Apps 2018		11%
Business Application Spend 2018	$	3,960,000,000
Insurance Establishments		5954
Life Insurance Establishments		852
Life Insurance Establishments as % of Industry		14%
Life Insurance Establishments Spend on Bus Apps TAM	$	566,664,427
Life Insurance Solution SAM	$	56,666,443
InRule Market ARR	$	300,000

10% of TAM

InRule ARR % of SAM: 0.54%

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Specialty Insurance - Market Sizing

Insurance	
Software Spend	$ 36,000,000,000
% of Software Spend on Business Apps 2018	11%
Business Application Spend 2018	$ 3,960,000,000
Insurance Establishments	5954
Specialty Insurance Establishments	259
Specialty Insurance Establishments as % of Industry	4%
Specialty Insurance Establishments Spend on Bus Apps TAM	$ 172,260,665
Specialty Insurance Solution SAM	$ 17,226,067
InRule Market ARR	$ 927,000

Need to revisit this #

10% of TAM

InRule ARR % of SAM: 5.38%

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Conceptual Approach/Playbook

Phase One: Foundation

- Hire industry analyst to support the effort
- Join industry organizations and standards bodies
- Cultivate vertical partners
- Thick descriptions of the problem (journey map, operations);
- Conceptual content

Phase Two: Message

- Showcase key customers in the industry and highlight on inrule.com
- Produce reasonably mature content as a starting point for specific use cases
- White paper/webinar series at industry events
- Enable vertical partners

Phase Three: Market

- Package a specific use case + services that solves an industry problem
- Showcase successes with key customers and partners
- Cultivate internal/external vertical talent
- Cadence of releases with new capability

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M&A Update

M&A Update

- **Low-Code**
  - Project Overture
    - Positives: Financial services-focused; install base and customer opportunity overlap
    - Questions: Uncertainty around ARR; customer concentration; market-place aspirations; financial oddities (employee advances)
    - Next Steps: Discussion with management team to be scheduled, week of August 31

- **AutoML**
  - Lityx
    - Positives: Technology and culture fit, strong product capability (machine learning and optimization), well organized company (functions, org chart, etc.), defensible ARR number and minimal customer concentration
    - Questions: Services revenue: 50% (internal initiative to address)
    - Next Steps: Valuation conversation with OGC and Lityx
  - Ople.AI
    - Positives: Modern, cloud-native product, focused on model creation (rather than data engineering, deployment, etc.)
    - Questions: Significant funding relative to revenue (~$13m : ~$400k ARR), 1 year of burn based on current funding; lack of focus on product market fit
    - Next Steps: Valuation conversation with OGC and Ople

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Appendix

Opex Overview

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Opex Overview

Opex Overview	Current Year	Prior Year	Plan	ΔPrior Year (%)	ΔPlan (%) ↓
- **Total Opex Overview**	**865K**	**725K**	**1,023K**	+19	(15)
- 13:Office Expenses	3K	5K	1K	(42)	+294
- 10:Insurance	8K	0K	6K	+10,849	+43
- 04:Bonus	13K	9K	11K	+40	+17
- 06:Marketing	90K	38K	94K	+134	(5)
- 12:Utl., Repair, Maint., & Sec.	3K	3K	3K	+5	(5)
- 01:Payroll	481K	435K	527K	+11	(9)
- 11:Professional Fees	100K	66K	114K	+51	(12)
- 15:IT	32K	22K	37K	+43	(13)
- 09:Rent and Facilities	26K	23K	31K	+12	(17)
- 03:Benefits	62K	62K	78K	(1)	(21)
- 20:Other Expenses	7K	4K	11K	+77	(41)
- 07:Commissions	37K	40K	84K	(7)	(56)
- 08:Travel and Entertainment	3K	17K	27K	(85)	(90)
- 14:Safety and Training	1K	0K	0K	+175	

Total Opex

Currency	Year		Plan Scenario
USD ▼	Current Year ▼	**2020**	AOP ▼

Monthly Total Opex (excl. D&A)

● Actuals ● Plan ● Prior Year
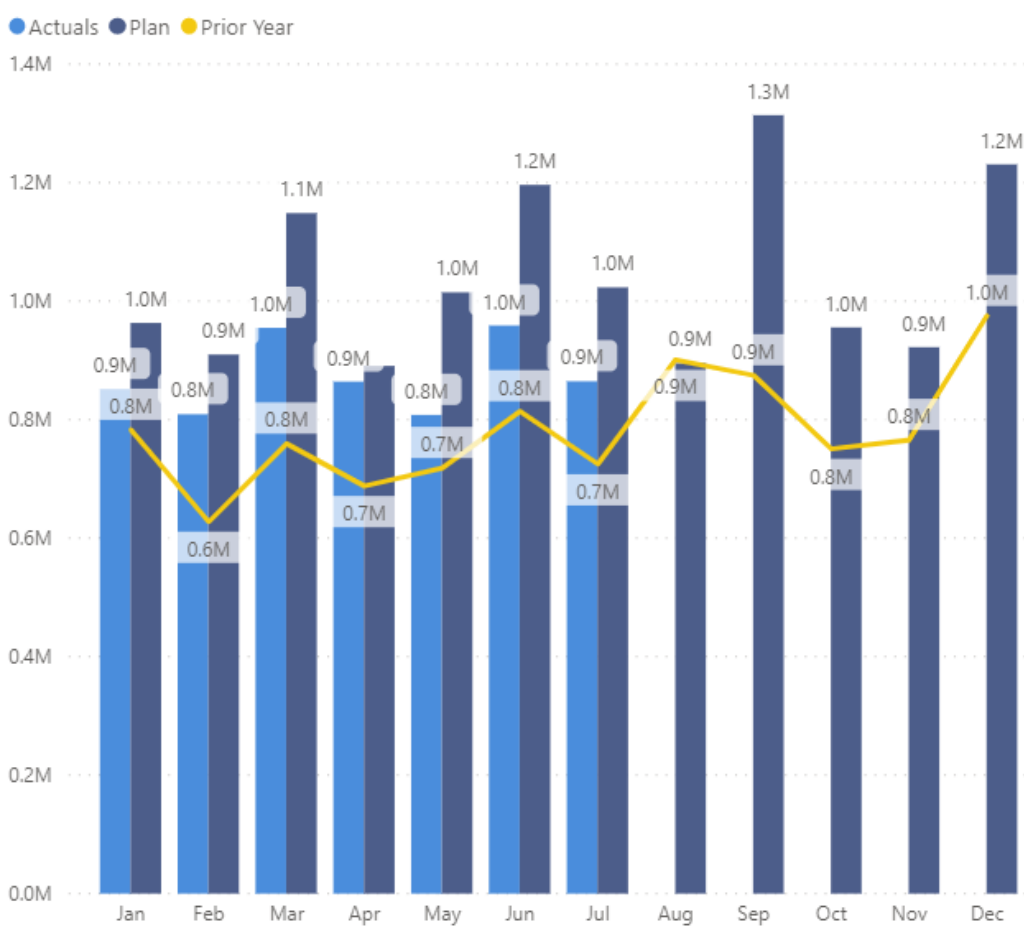
Total Opex (excl. D&A) – YTD

● Actuals ● Plan ● Prior Year
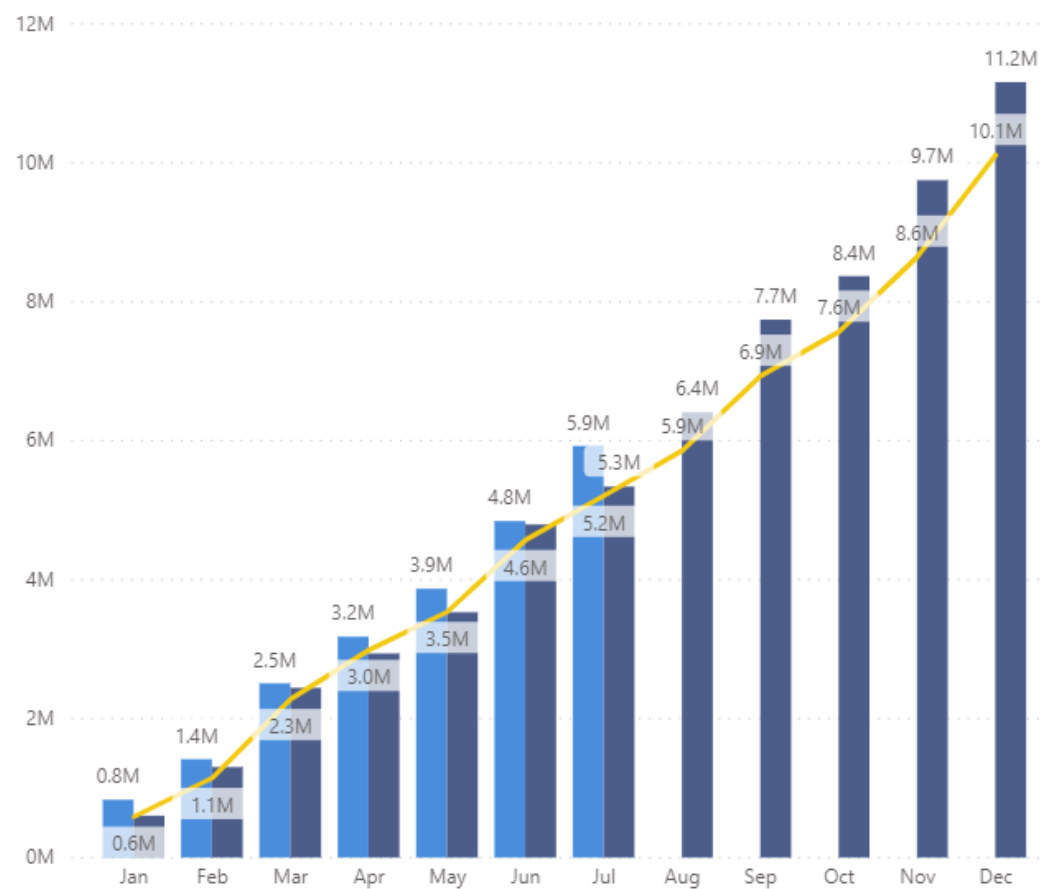
Gross Margin

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Monthly Gross Margin

● Actuals ● Plan ● Prior Year
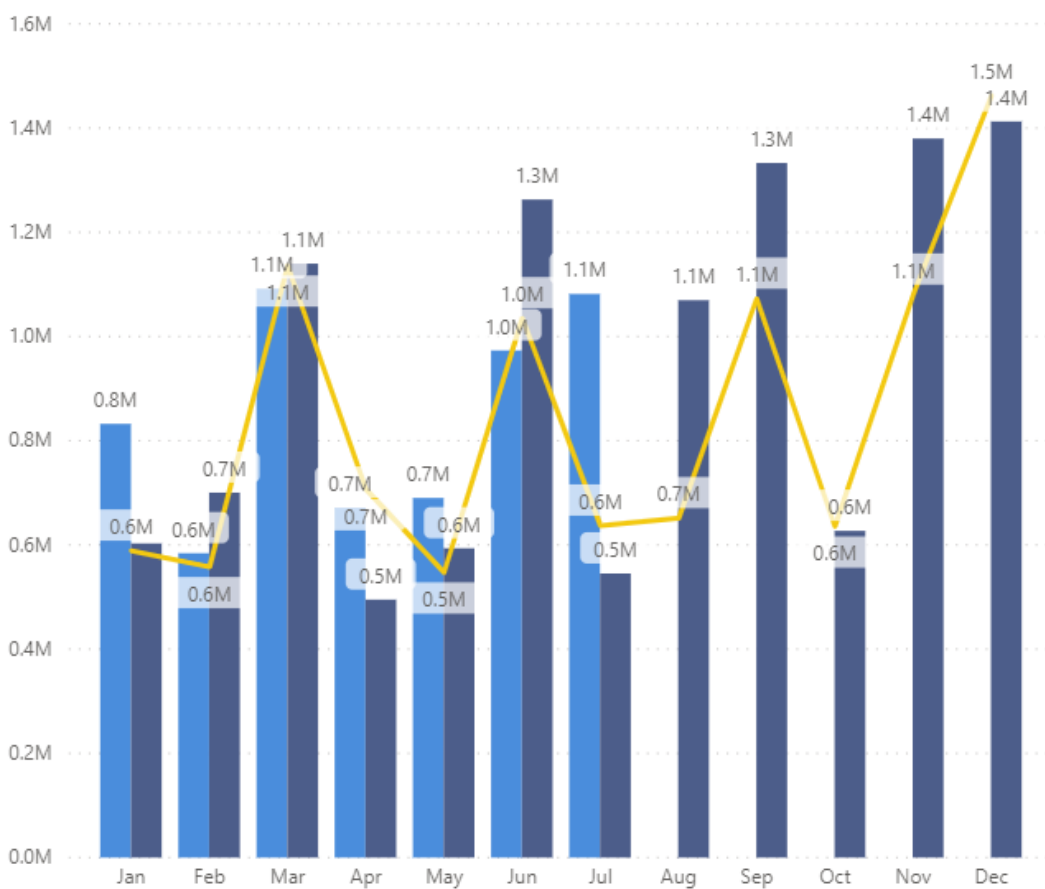
Gross Margin - YTD

● Actuals ● Plan ● Prior Year
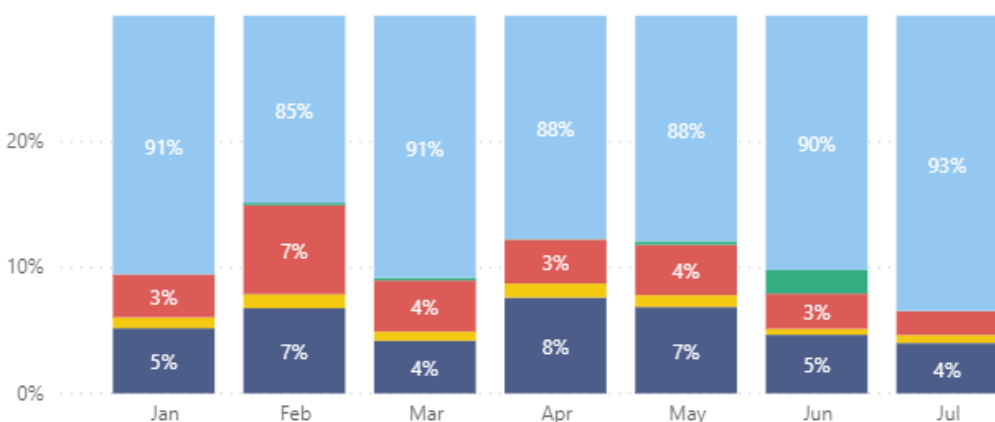
Gross Margin and Total COGS as % of Revenue
Tech

inrule

Currency
USD

Year
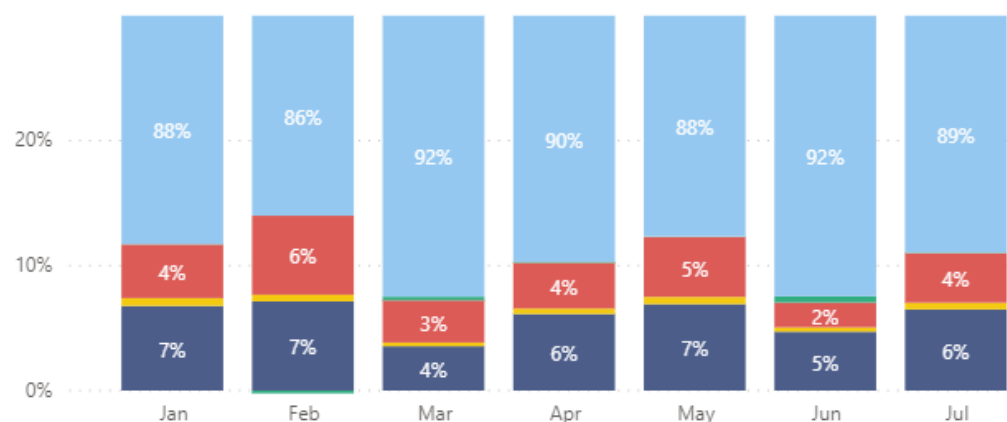Current Year

2020

Compare to:
Prior Year

Monthly GM and Total COGS as % of Revenue - Actuals

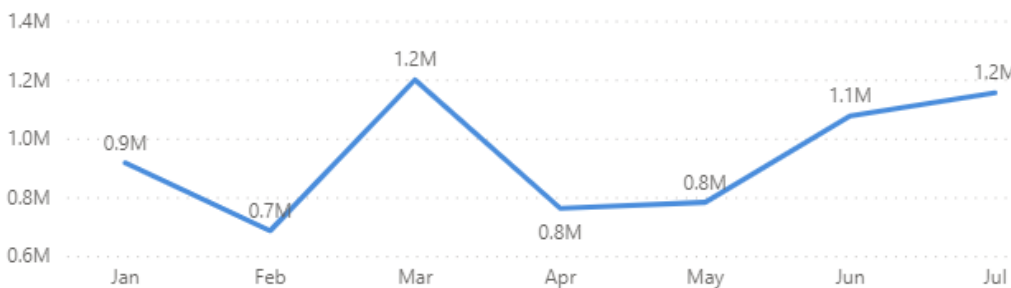● Material ● Labor ● Hosting ● Professional Services COGS ● Other COGS ● Gross Margin

Prior Year

● Material ● Labor ● Hosting ● Professional Services COGS ● Other COGS ● Gross Margin

Monthly Net Revenue - Actuals

● Net Revenue

Prior Year

● Net Revenue
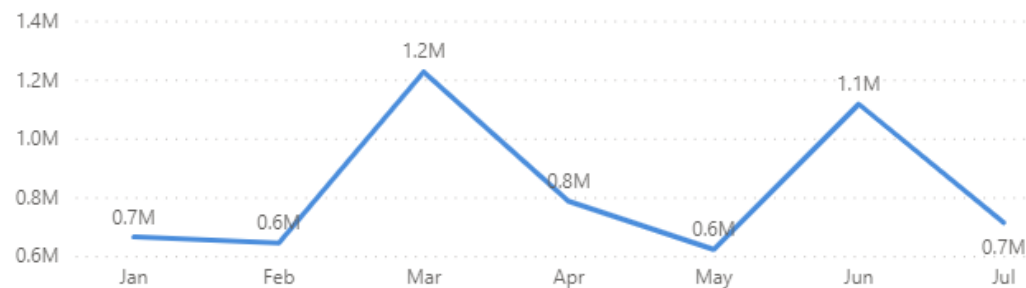
EBITDA Bridge - Actuals vs. Plan

inrule

Currency
USD ▼

Month
Latest Month ▼

Jul 2020

| Month | QTD | YTD | TTM |

Plan Scenario
AOP ▼

* Reported EBITDA

Drill down for detailed view

EBITDA Bridge - Actuals vs. Plan

ΔPlan (%)

+80%

-22%

-17%

-166.7K

256.5K

+514.6K

-21.9K

+157%

-446.7K
Plan

Net Revenue

- Total COGS

- Total OPEX

Actuals

Balance Sheet

inrule
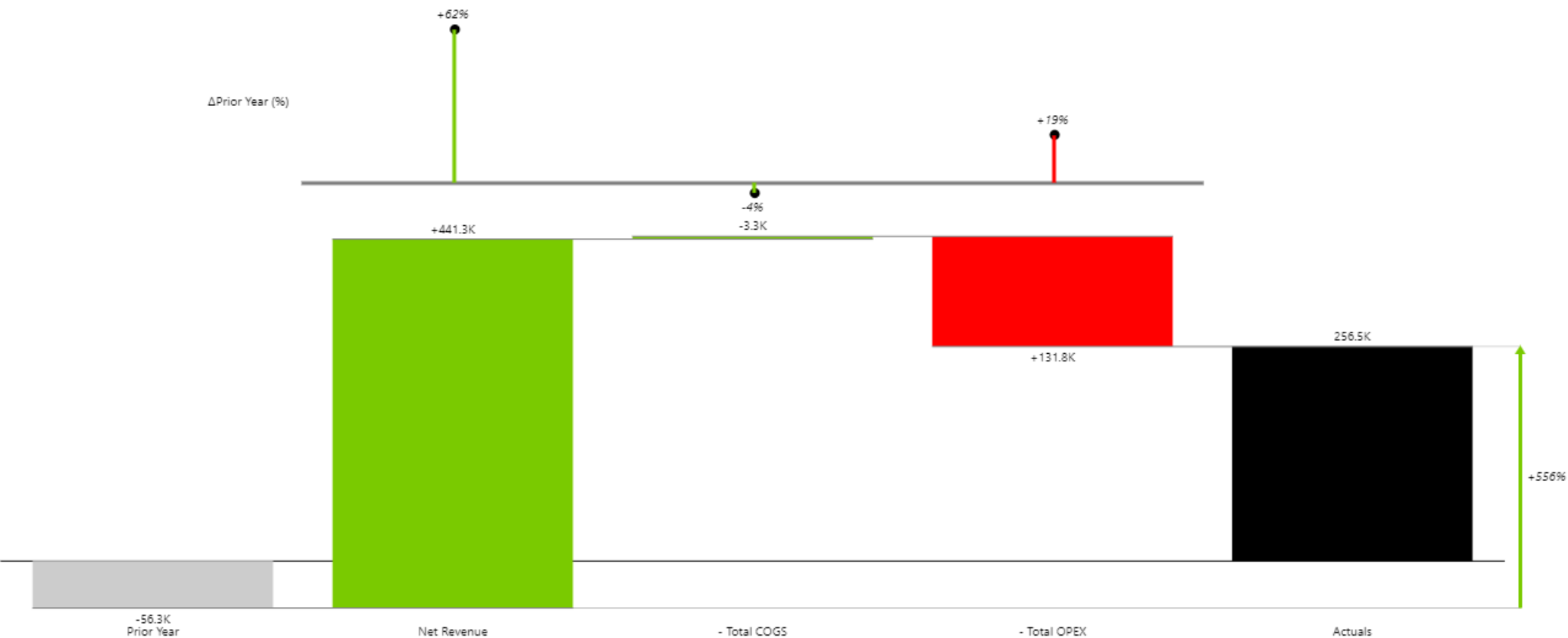
Currency
| USD |

Month
| Latest Month | **Jul 2020**

Plan Scenario
| AOP |

Balance Sheet

Balance Sheet	Current Year	Prior Year	Plan	ΔPrior Year (%)	ΔPlan (%)
Cash and cash equivalents	3,972K	1,867K	2,401K	+113	+65
Accounts receivable, gross	2,159K	2,072K	2,021K	+4	+7
Accounts receivable, reserves	(20K)	0K	0K		
= Accounts receivable, net	2,139K	2,072K	2,021K	+3	+6
Prepaid expenses and other current assets	134K	74K	120K	+82	+12
= Total Current Assets	6,246K	4,013K	4,541K	+56	+38
Property, plant & equipment, gross	205K	472K	205K	(57)	(0)
Accumulated depreciation	(46K)	(237K)	(46K)	+81	(0)
= Property, plant & equipment, net	159K	235K	159K	(32)	(0)
Identifiable intangible assets, gross	0K	0K	28,005K		(100)
Accumulated amortization	0K	0K	(2,966K)		+100
= Identifiable intangible assets, net	25,039K	0K	25,039K		+0
Deferred tax asset	0K	469K	0K	(100)	
Other non-current assets	0K	125K	0K	(100)	
= Total Non-Current Assets	25,197K	828K	25,198K	+2,942	(0)
= Total Assets	31,443K	4,841K	29,739K	+549	+6
- Accounts payable	259K	180K	208K	+44	+24
- Accrued liabilities	259K	103K	414K	+151	(38)
- Accrued compensation	108K	147K	0K	(27)	
- Short-term unearned revenue	4,278K	3,863K	4,738K	+11	(10)
- Other current liabilities	143K	18K	21K	+715	+588
= Total Current Liabilities	5,046K	4,310K	5,382K	+17	(6)
- Long-term debt less current maturities	8,500K	0K	8,500K		
- Deferred income taxes	2,368K	0K	2,059K		+15
- Other non-current liabilities	2,088K	253K	1,890K	+725	+10
= Total Long-term liabilities	12,956K	253K	12,449K	+5,021	+4
= Total Liabilities	18,002K	4,563K	17,831K	+295	+1
Common stock	(0K)	1K	16,567K	(100)	(100)
Preferred stock	0K	0K	0K	(100)	
Capital in excess of stated value	16,517K	2,468K	0K	+569	
Retained earnings	(3,076K)	(2,141K)	(4,659K)	(44)	+34
Other equity transactions	0K	(50K)	0K	+100	
= Total Shareholders' Equity	13,441K	278K	11,908K	+4,735	+13
= Total Liabilities and Shareholders' Equ...	31,443K	4,841K	29,739K	+549	+6

Cash Flow Statement

Currency: USD

Month: Latest Month

Jul 2020 | **Month** | QTD | YTD | TTM

Plan Scenario: AOP

Cash Flow Statement

Cash Flow Statement	Current Year	Prior Year	Plan	ΔPrior Year (%)	ΔPlan (%)
Net Income (Loss)	(138K)	(121K)	(847K)	(14)	+84
D&A	262K	0K	262K		+0
Changes in accounts receivable	52K	172K	(19K)	(70)	+369
Changes In Prepaid expenses and other current as…	28K	7K	(1K)	+283	+2,506
Changes in Accounts payable	84K	17K	3K	+387	+3,062
Changes in Accrued expenses	(42K)	(57K)	4K	+27	(1,152)
Other changes in operating assets and liabilities	2K	0K	2K		+0
Other cash flow from operations	(269K)	(183K)	331K	(47)	(181)
= Total Cash Flow from Operations	(21K)	(165K)	(267K)	+87	+92
Beginning Cash Balance	3,994K	2,032K	2,675K	+97	+49
Net change in cash	(21K)	(165K)	(267K)	+87	+92
= Ending Cash Balance	3,972K	1,867K	2,408K	+113	+65

Liquidity

Currency   Year

| USD ⌄ | Current Year ⌄ | **2020**

Monthly Liquidity

● Ending Cash Balance ● Excess ABL Availability ● Actuals
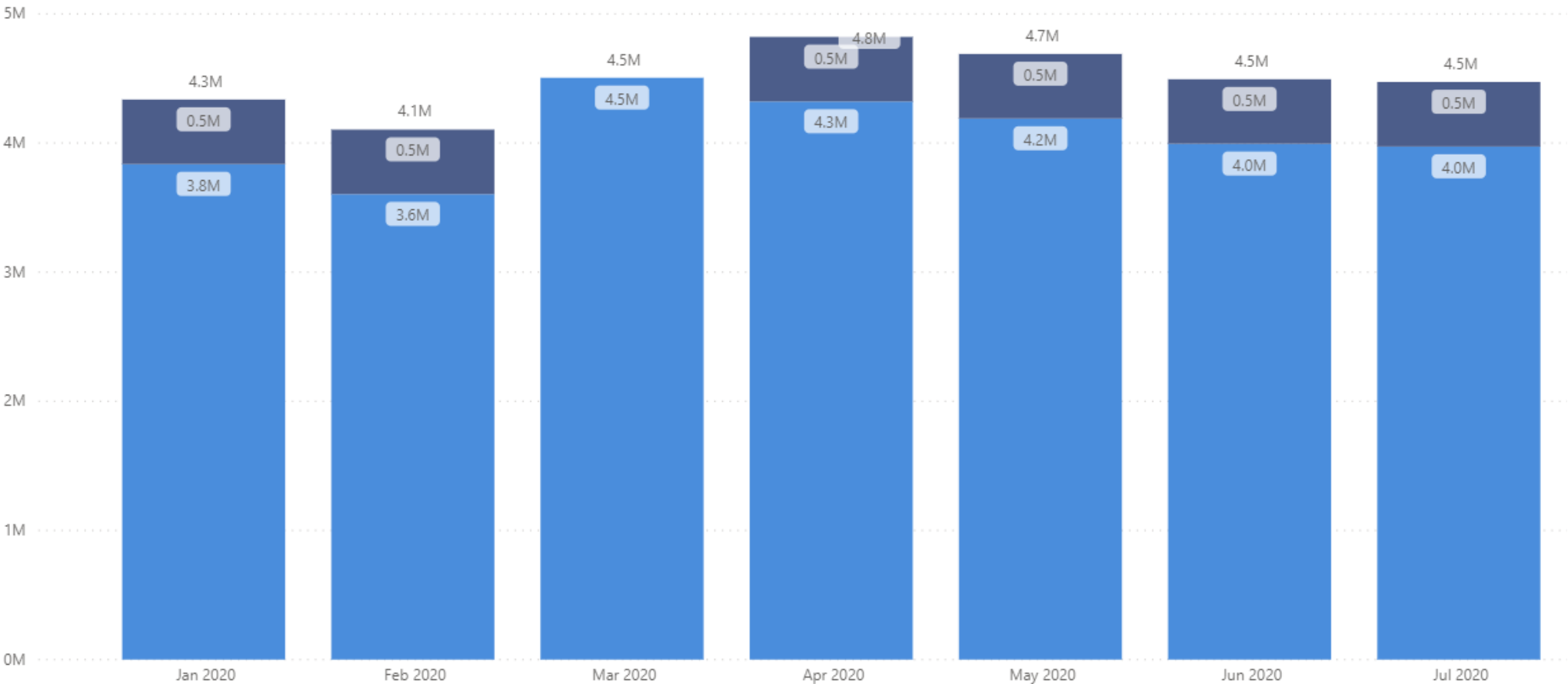
Human Capital

Payroll Expenses Commentary

$000's	Payroll Expenses by Dept													
	MTD		Var		QTD		Variance	Var		YTD		Variance	Var
	Act	Bud	$	%	Act	Bud	$	%	Act	Bud	$	%	
COR	$68	$62	($6)	(9.3%)	$68	$62	($6)	(9.3%)	$593	$440	($153)	(25.7%)
R&D	$258	$297	$39	15.1%	$258	$297	$39	15.1%	$1,843	$2,063	$220	11.9%
Sales & Marketing	$171	$206	$35	20.4%	$171	$206	$35	20.4%	$1,177	$1,335	$158	13.4%
G&A	$83	$69	($13)	(16.3%)	$83	$69	($13)	(16.3%)	$590	$530	($60)	(10.2%)
OPEX Services	$44	$61	$17	37.7%	$44	$61	$17	37.7%	$277	$444	$167	60.1%
Total	$624	$695	$71	11.3%	$624	$695	$71	11.3%	$4,480	$4,812	$332	7.4%

- COR/OPEX Services – Overall favorable variance due to lower billing rate of contractor performing internal project work. Allocation of services budget is based on 2019 actuals and may not accurately reflect current activity.

- R&D – Backfill and budgeted open positions is causing a favorable MTD and YTD variance

- S&M – Favorable MTD, QTD and YTD variance due to unfilled budgeted positions

- G&A – Unfavorable MTD, QTD and YTD variance due to allocation of admin time from VP, Services. In addition, the timing of payroll taxes is making an impact, this should start to decrease as individual FICA limits are met (the budget is spread evenly over the year).

Open Positions

Open Position	Type	Annual OTE	Status
Director of Alliances	New	$225K	Filled – July 20th start
VP, Services	New	$250K	Actively Recruiting
Solution Architect	Backfill	$175K	Actively Recruiting
Content Marketing Manager	New	$125K	Actively Recruiting

Termed Staff (Q3 2020)

Position	Exit Reason	Exit Date	Severance
Sr Solution Architect	Voluntary	7/17/2020	N/A

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Headcount

Headcount (2019-2020)

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