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Monthly Operating Review
May 2020

24 June 2020

Agenda

Agenda

- Executive Overview
- Financial Overview
- Sales & Marketing

Executive Summary



Executive Summary

- **Good News / Positives to Business and Plan:**

- Over 300% growth in SaaS business in the last 12 months. Achieved 10% SaaS ARR milestone in May
- Current projections support achievement of Scenario B for 2020
- ARR increased 28% over May 2019 resulting in a 6% favorable variance vs 2020 AOP
- Overachieved May budget in both Revenue and Adjusted EBITDA
- Added Rob Levy as Senior Advisor to the Board
- Strong renewals with no customer churn for the month
- New business acquisition:
 - New logos: Haventree Bank (ARR SaaS-\$129K)
 - Upsells: AZ Department of Education (ARR-\$34)
- New notable cross-sell and upsell prospects: Conduent, CVS and California Department of Corrections & Rehabilitation
- New business pipeline activity continues to support Q2 reforecast goal
- Completed Thought Leadership Paper with Forrester supporting market position for Digital Decision Platform. Recently completed successful webinar with over 200 registrants
- New production deployment topology for SaaS customers. Realized 25% cost savings in May
- Continuing SOC2 Remediation activities which are currently ahead of target (July 31)
- Finished coding phase for InRule version 5.6. Release target mid-June
- Resource management
 - Actively recruiting Alliance Manager
 - Finalized contract with VP of Services recruiter. Discovery sessions with leadership underway.

State of the Union – “What’s Not Working”


- Ensure InRule company vision and product are well positioned for upcoming Forrester Digital Decisioning Wave Report
- Overall solid funnel progression and coverage for Q2 (Scenario B), despite slow-down of intro calls/SQLs, may impact H2
- Zoom Fatigue – Based on discussions with employees and management team, provided ad-hoc Mental Health Day on June 12th for all employees. Feedback was extremely positive.

2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
<i>Decision Platform</i>	A. Obtain SOC II Certification <i>(Alan Young)</i>		<ul style="list-style-type: none"> On track for July 31 start of official examination period Rolled security awareness training and enterprise password control addressing anti-fraud, phishing, malware, spam and virus software Next step: implement business-process related to security committee and engineering candidate selection process 	Nov 15
<i>Decision Platform</i>	C. Deliver Web Authoring MVP <i>(Dan Reynolds)</i>		<ul style="list-style-type: none"> Cross-Platform Web Authoring and 5.6 scheduled for completion Jun 23rd. Increased scope opportunistically including rulesets, logging Governance Model underway Jun 24th with both teams working on storage architecture and decision tables integration into Web Authoring Next steps: Start Cross-Platform Approval Workflow by end of July 	Jun 30
<i>Market Expansion</i>	D. Expand sales team <i>(Mike Bonner)</i>		<ul style="list-style-type: none"> Pursuing top two candidates Next Steps: Make offer(s) and hire candidate 	June 30
<i>Market Expansion</i>	E. Deliver FY 2020 Digital content <i>(Renee Wagner)</i>		<ul style="list-style-type: none"> Successful webinar with 242 registrants/on-demand watchers to-date Began work on new “explainer video” and insurance e-book Next Steps: Follow-up with registrants; Release Dynamics and Power Platform Whitepaper 	July 31

 **Complete**
 **Just started**
 **On Track**
 **At Risk**
 **Behind Schedule**

2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
<i>Decision Platform</i>	F. Extend integrations with Dynamics and Salesforce and expand partnership (Mark Lonsway)		<ul style="list-style-type: none"> Submitted approval for Salesforce AppExchange Next Steps: Still waiting on sign off from Salesforce; Press release. 	Jun 15
<i>Operational Excellence</i>	G. Implement new ERP system (Beth Worthem)		<ul style="list-style-type: none"> Alpha Testing/Process Walkthroughs complete Data Cleansing and Data Migration in process Integration between NetSuite and Dynamics CRM in process Setup of Professional Services module underway Next Steps: Beta Review scheduled for late July 	Sep 1
<i>Customer Experience</i>	H. Increase Services Utilization (Rik Chomko)		<ul style="list-style-type: none"> Selected executive recruiter Took first pass at identifying target candidates Next steps: Finalized “discovery” interviews for VP of Services; reach out to target candidates 	Aug 1
<i>Market Expansion</i>	Obtain GSA Schedule (Mike Bonner)		<ul style="list-style-type: none"> Signed agreement with Centre Law for get on GSA Next steps: Provide documentation and work with Centre to build MAS proposal 	October 31

 **Complete**
 **Just started**
 **On Track**
 **At Risk**
 **Behind Schedule**

Financial Overview



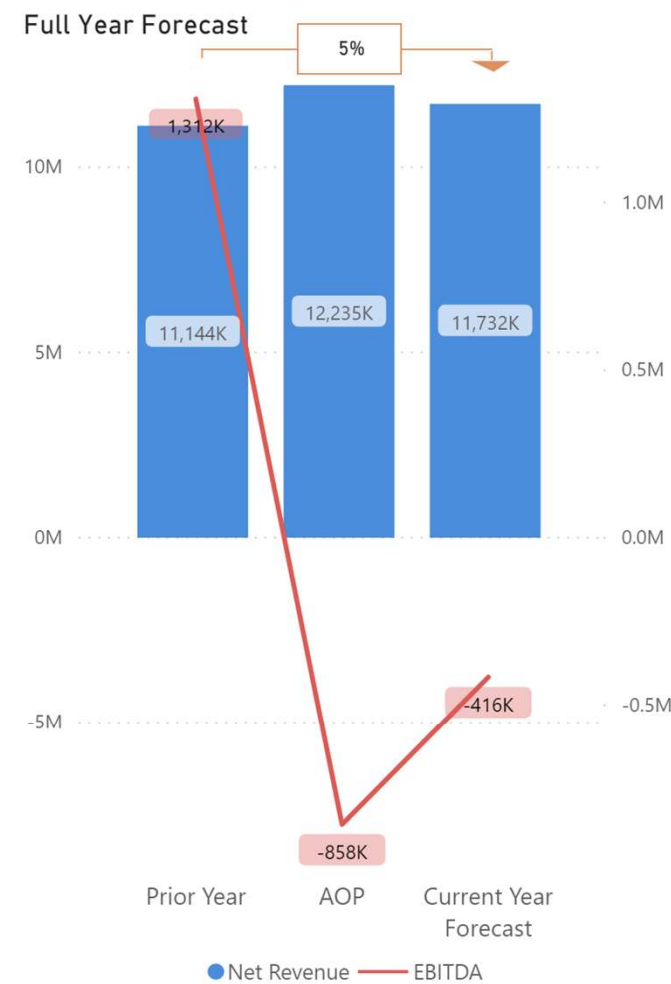
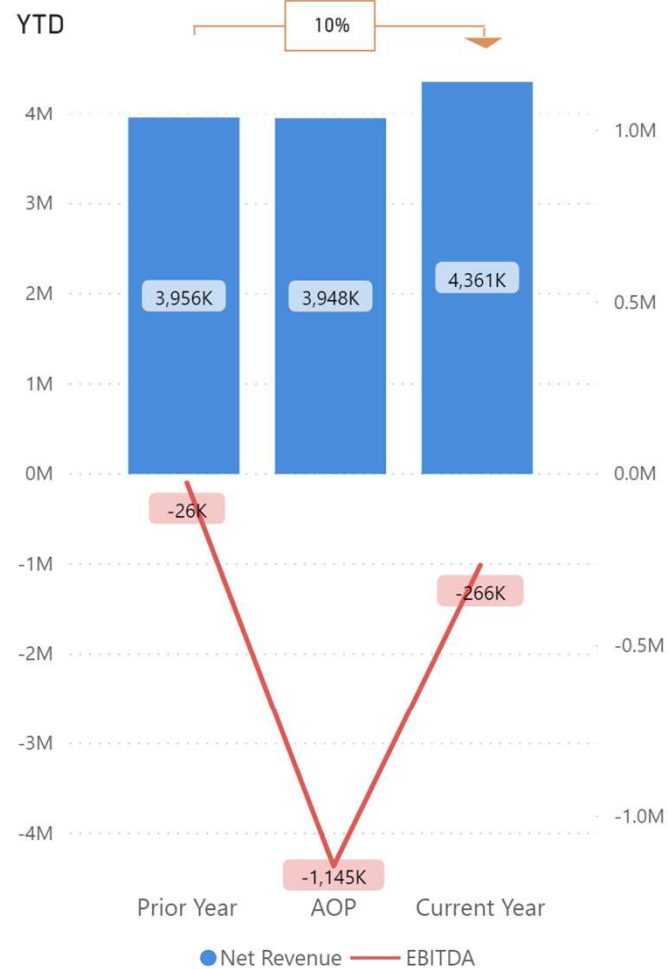
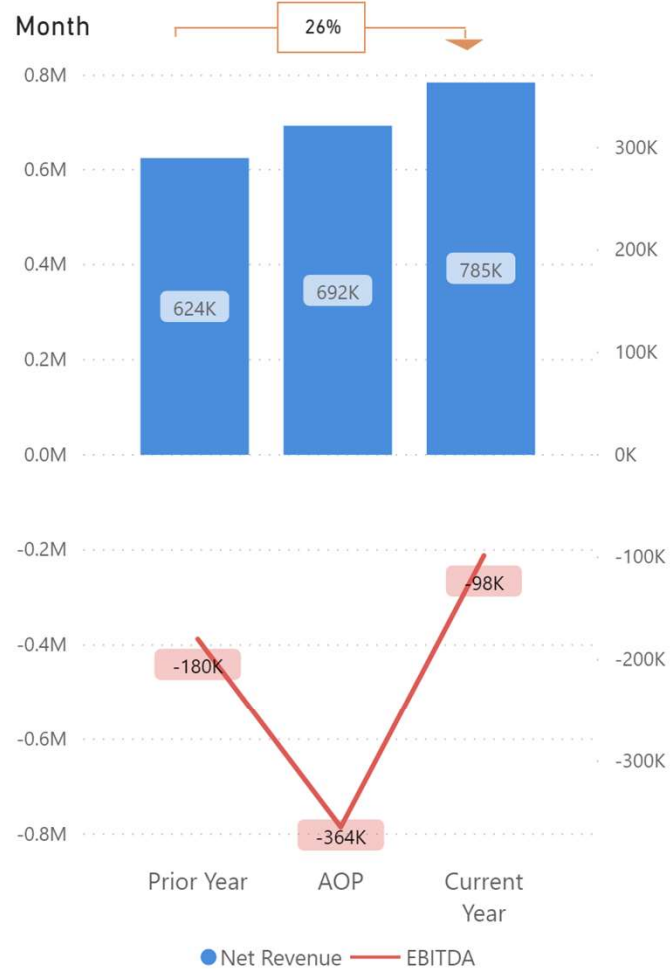
Latest Month ▾

May 2020

Current Year ▾

2020

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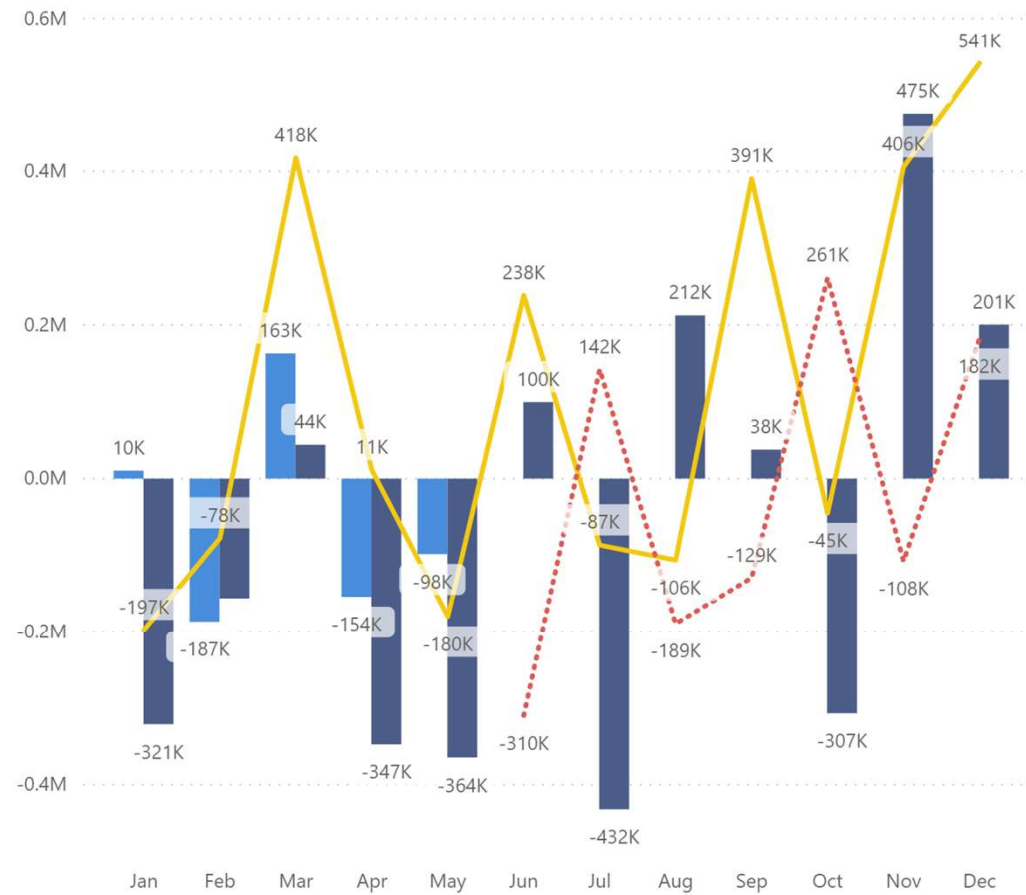
Current Year ▾

2020

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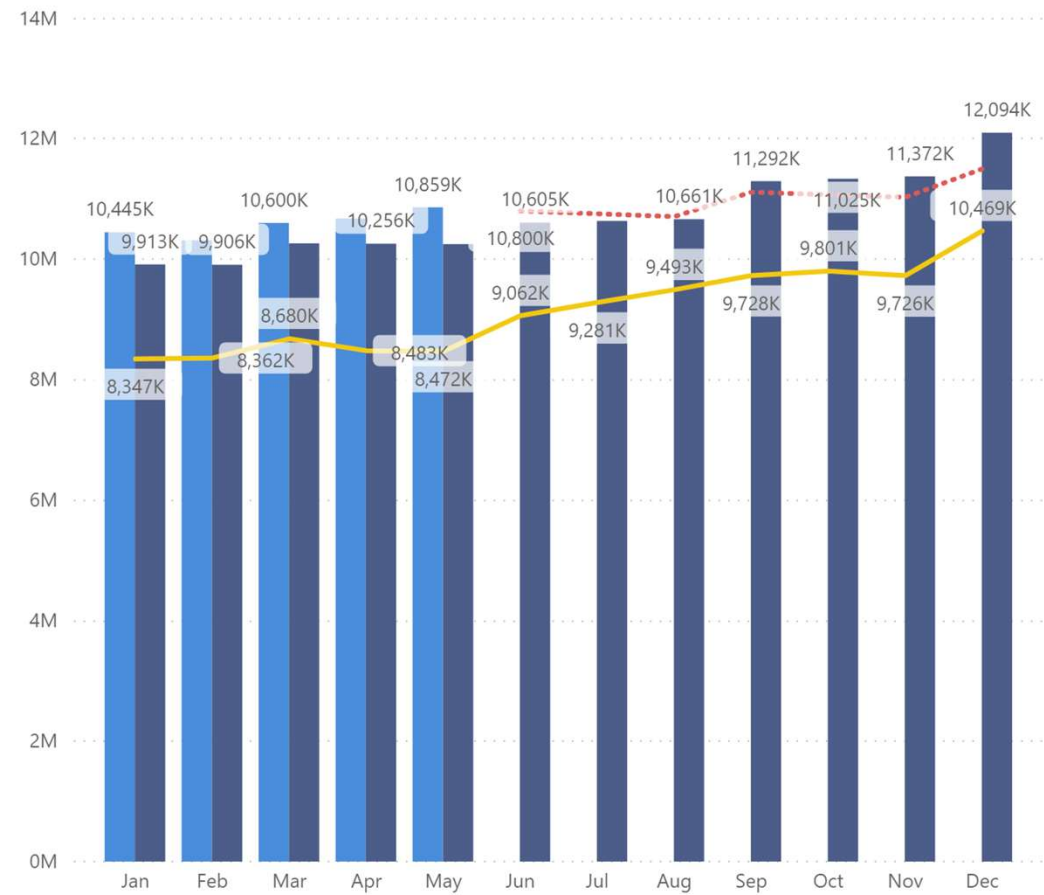
Monthly EBITDA

● Actuals ● Plan ● Prior Year ● Forecast



Monthly ARR

● Actuals ● Plan ● Prior Year ● Forecast



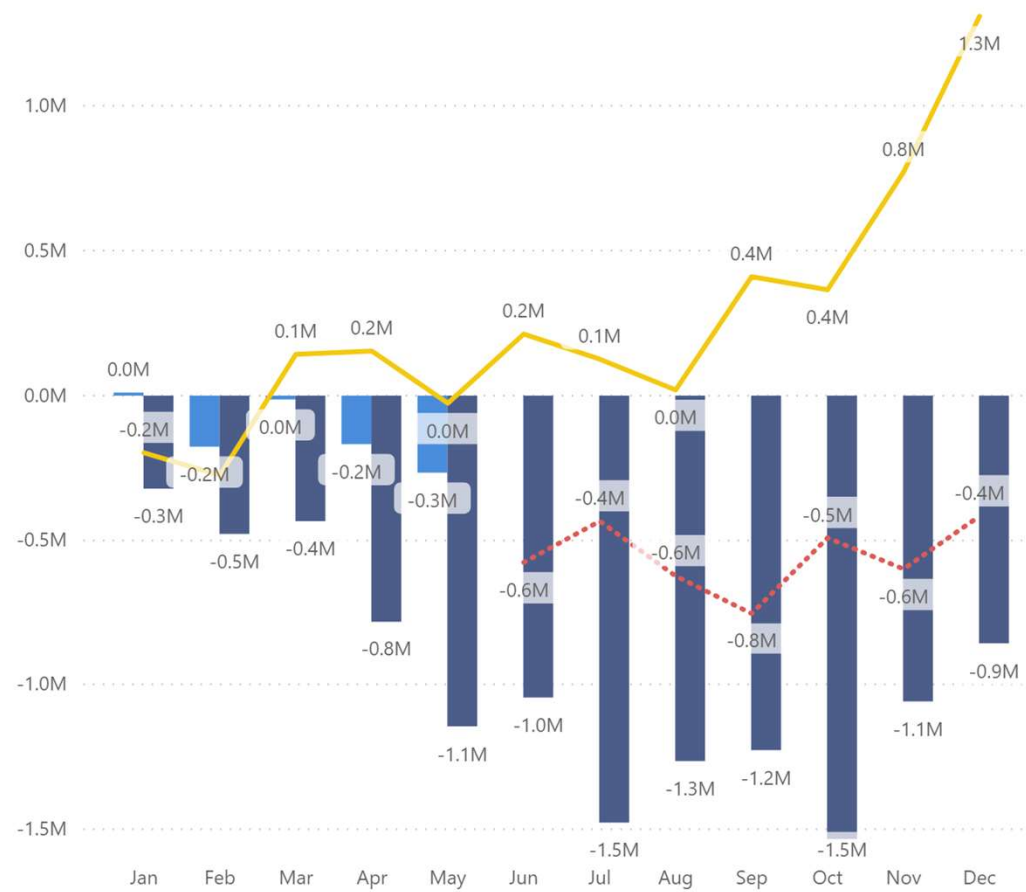
Current Year

2020

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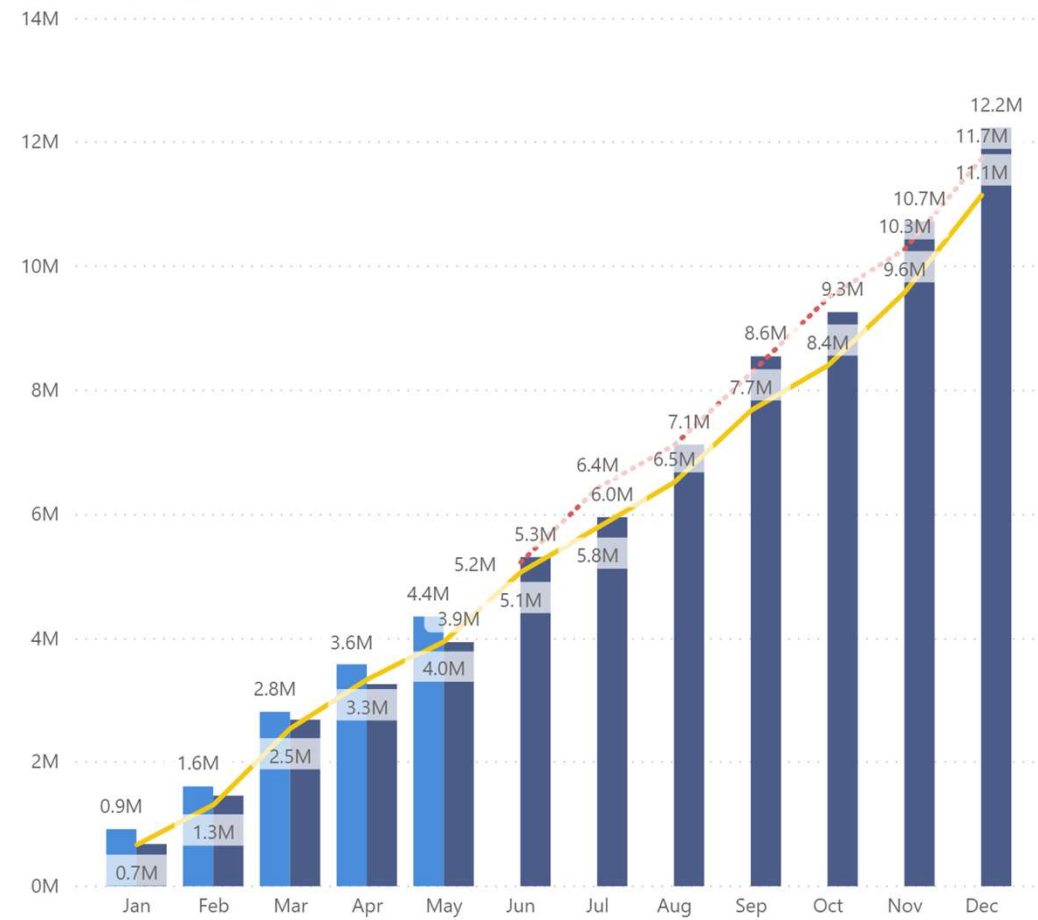
YTD EBITDA

Actuals Plan Prior Year Forecast



YTD Net Revenue

Actuals Plan Prior Year Forecast



Current Year ▾

2020

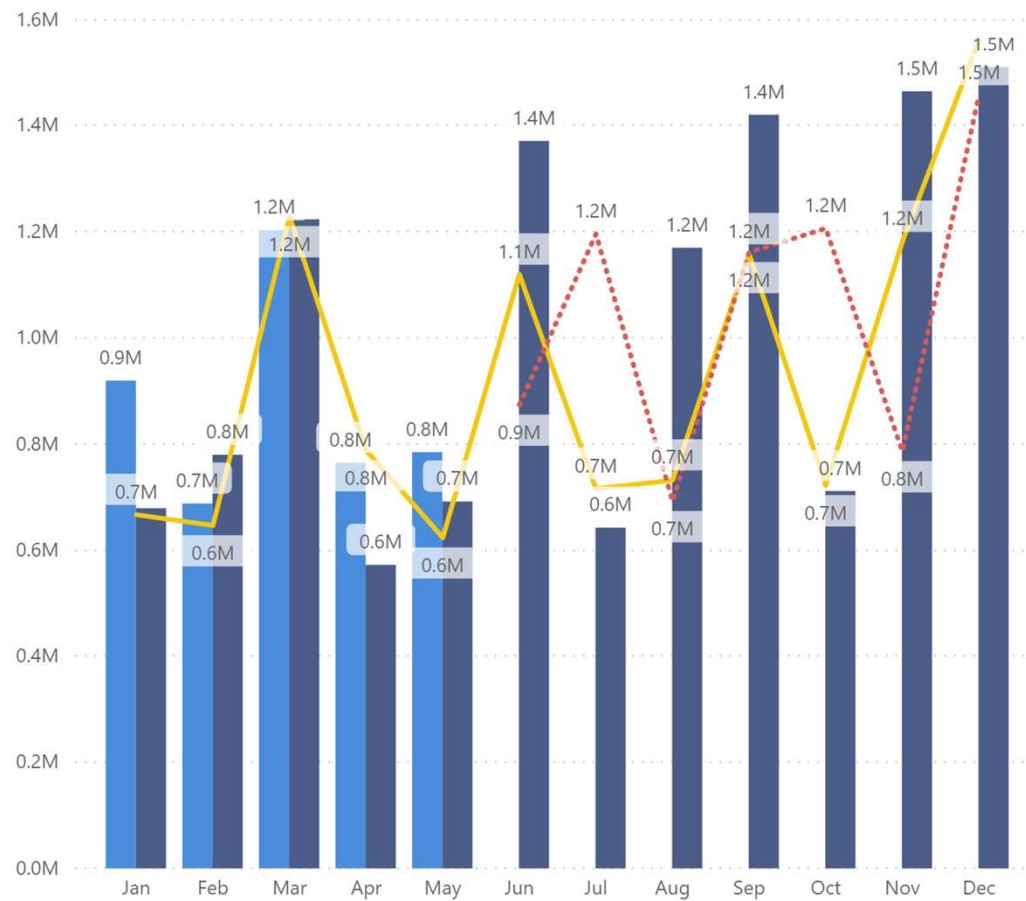
Latest Month ▾

May 2020

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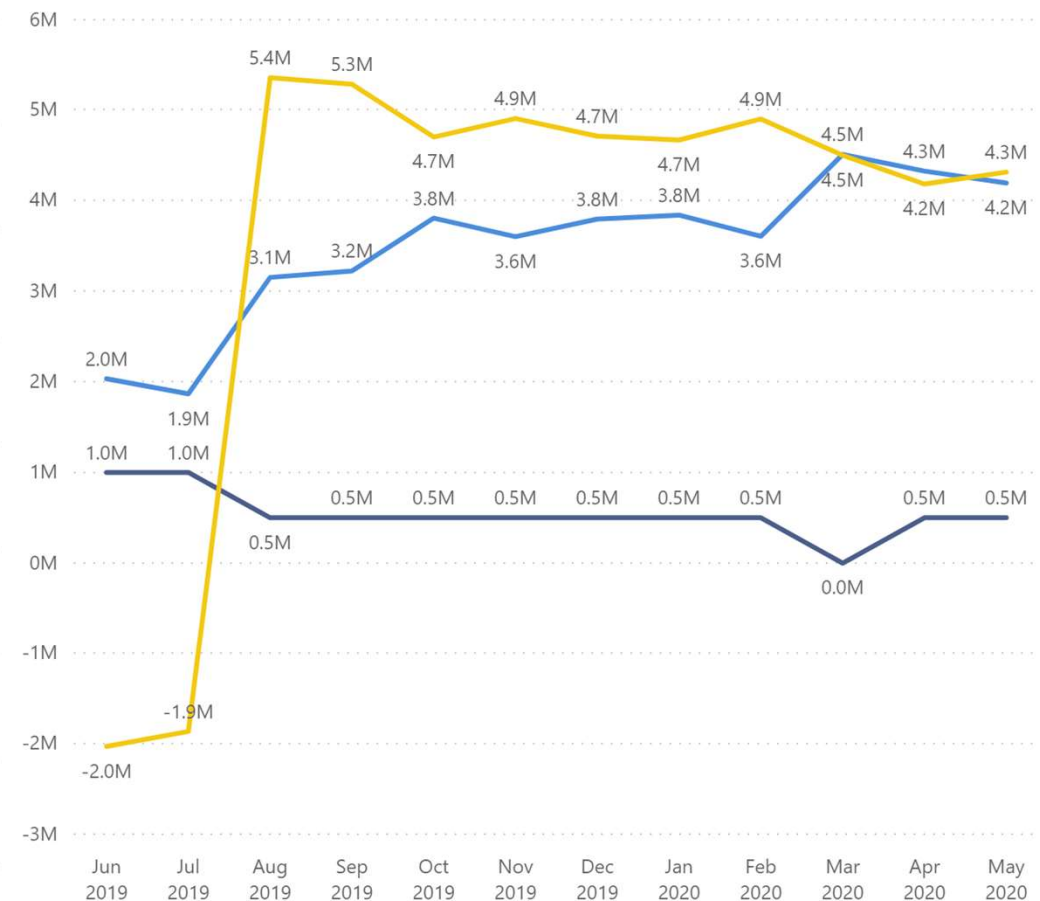
Monthly Net Revenue

● Actuals ● Plan ● Prior Year ● Forecast



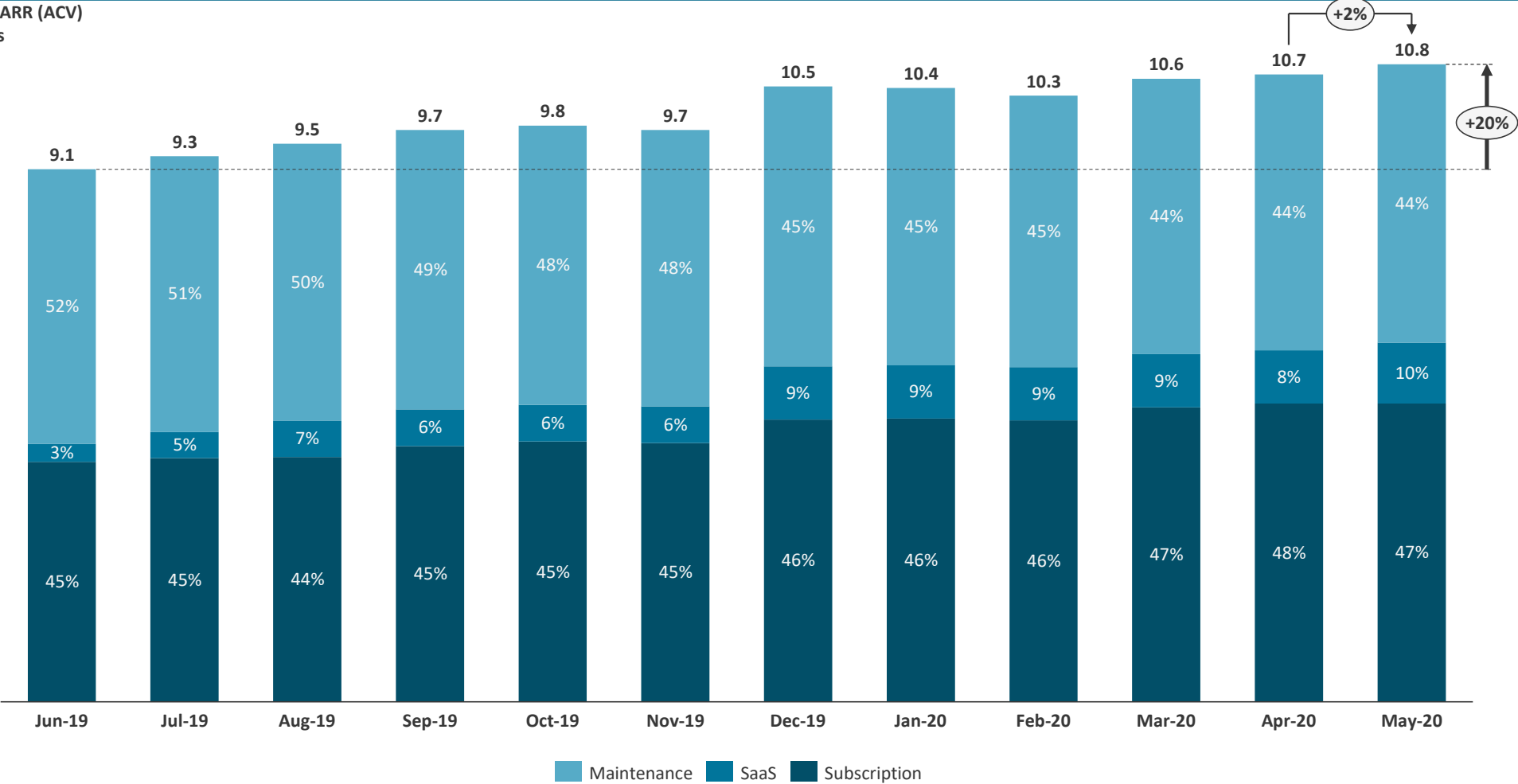
Liquidity

● Ending Cash Balance ● Excess ABL Availability ● Total Net External Debt



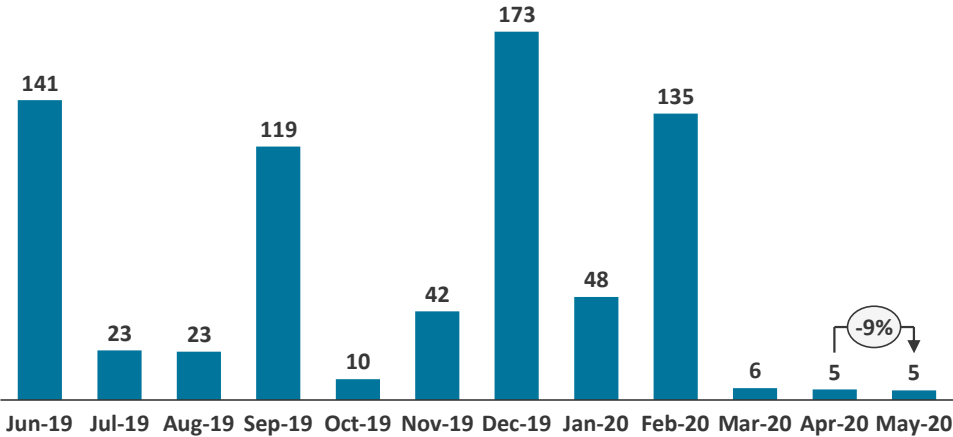
Recurring Revenue (ACV)

Monthly ARR (ACV)
\$ millions



Nonrecurring License Revenue

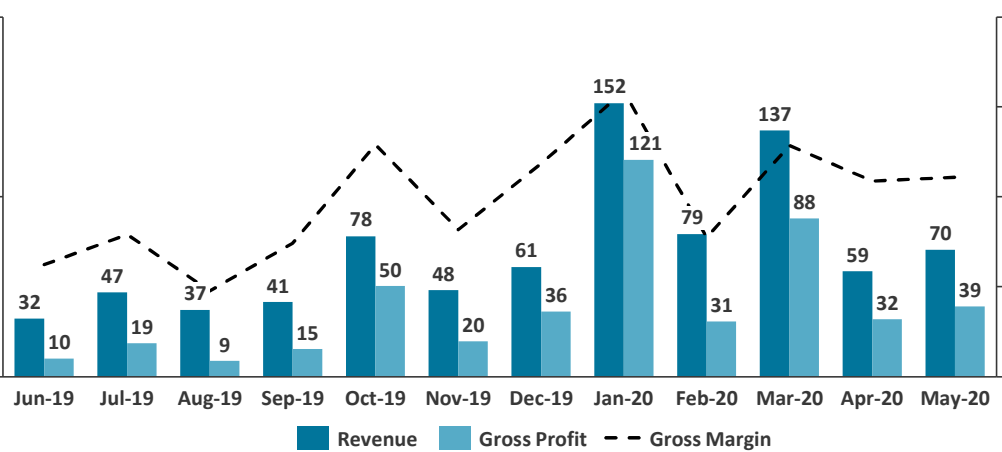
Monthly Perpetual
\$000's



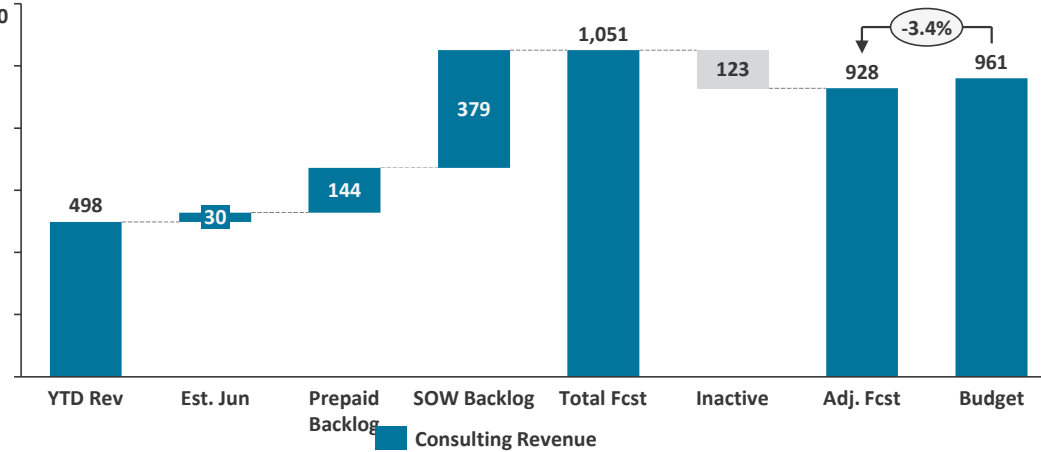
Key Wins		
Customer	Perpetual	Comments
		No activity in May

Nonrecurring Services Revenue

Consulting Services Revenue & Gross Margin
\$000's



Consulting Services Revenue Forecast / Backlog
\$000's



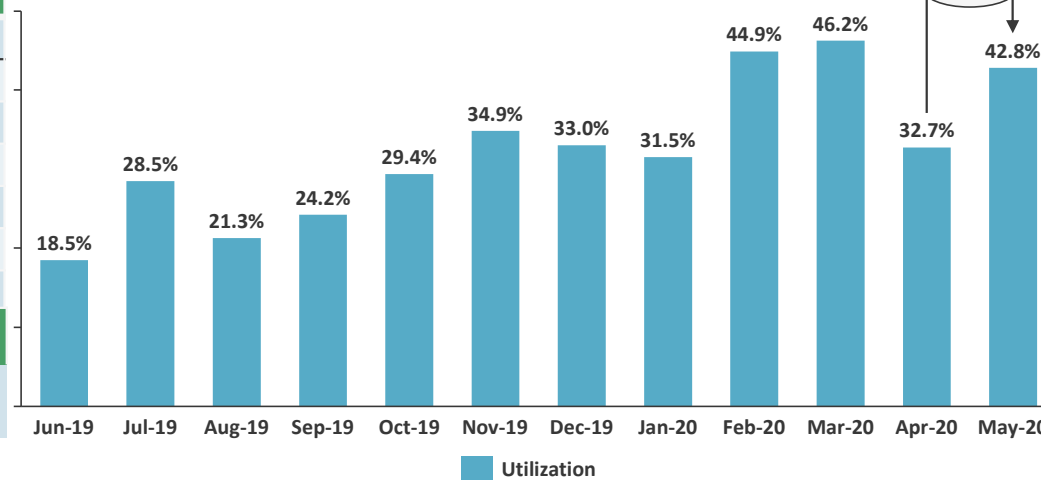
Key Projects Delivered in May

Customer	Services	Comments
Aetna	\$25K	16 days delivered in May
Abbott	\$ 8K	7 days delivered in May
Fidelity Inv Mgmt	\$ 7K	4 days delivered in May
Caliber Home	\$ 5K	3 days delivered in May
Hudson Insurance	\$15K	9 days delivered in May
Total	\$60K	

Projects Forecasted for June

Abbott, Aetna, Caliber Home Loans, Fidelity Investment Mgmt, Haventree, Hudson Insurance, Quicken Loans

Consulting Utilization (%'s)



Income Statement



Latest Month ▼

May 2020

Month

QTD

YTD

Plan Scenario

AOP ▼

Income Statement

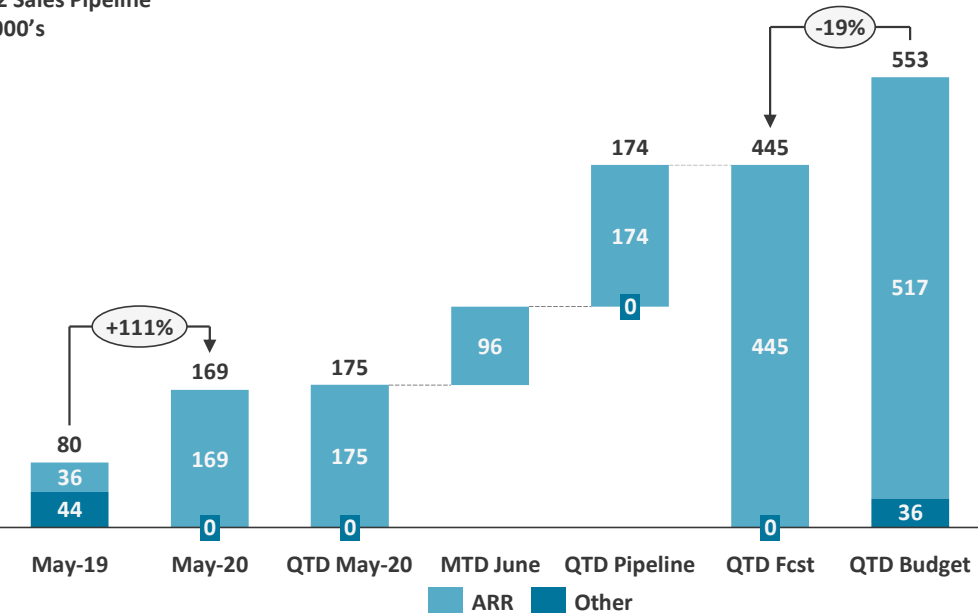
	Current Year	Prior Year	Plan	Δ Prior Year (%)		Δ Plan (%)	
= Bookings	854K	838K	965K	+2		(11)	
= ARR	10,859K	8,472K	10,249K	+28		+6	
= Total Recurring Revenue	710K	531K	612K	+34		+16	
= Recurring Product	710K	531K	612K	+34		+16	
Cloud/saas	83K	16K	65K	+412		+28	
TBL	248K	136K	240K	+82		+3	
Maintenance & Support	380K	378K	307K	+0		+24	
= Total Non Recurring Revenue	70K	90K	80K	(22)		(12)	
Non Recurring Product	0K	44K	4K	(100)		(100)	
Professional Services	70K	47K	77K	+51		(8)	
Other Revenue	5K	4K	0K	+23			
= Net Revenue	785K	624K	692K	+26		+13	
- Labor	54K	43K	47K	+25		+15	
- Hosting	7K	4K	7K	+101		+12	
- Professional Services COGS	31K	30K	22K	+5		+40	
- Other COGS	2K	0K	23K	+563		(90)	
= Total COGS	95K	77K	99K	+23		(4)	
= Gross Margin	690K	547K	594K	+26		+16	
= Total Product	651K	531K	539K	+23		+21	
= Total Services	39K	17K	54K	+133		(28)	
- R&D	357K	299K	362K	+19		(1)	
- Sales	140K	116K	187K	+21		(25)	
- Marketing	107K	121K	218K	(12)		(51)	
- Administrative	142K	107K	152K	+33		(6)	
- pre-Sales OPEX	34K	20K	34K	+70		(0)	
- Services Labor	28K	55K	61K	(50)		(55)	
= Total OPEX (excl D&A)	808K	718K	1,015K	+12		(20)	
= Reported EBITDA	(118K)	(171K)	(421K)	+31			+72
= Adjusted EBITDA	(98K)	(180K)	(364K)	+45			+73
= Adjusted Cash EBITDA	(29K)	34K	(82K)	(185)			+65
= Bank EBITDA	(98K)	(180K)	(364K)	+45			+73

Sales & Marketing



Sales Pipeline - Quarter 2

Q2 Sales Pipeline
\$000's

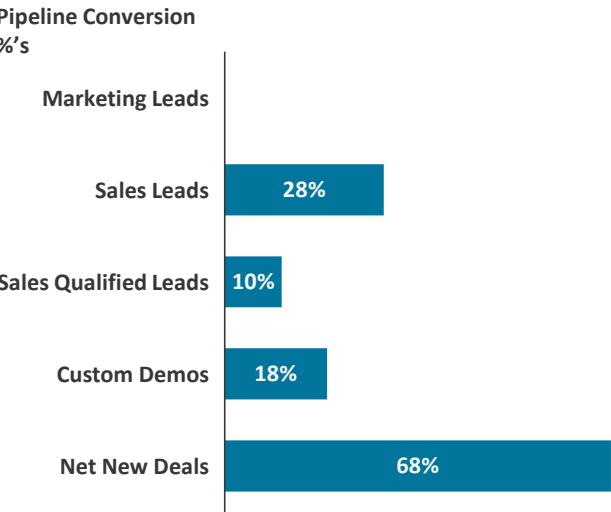
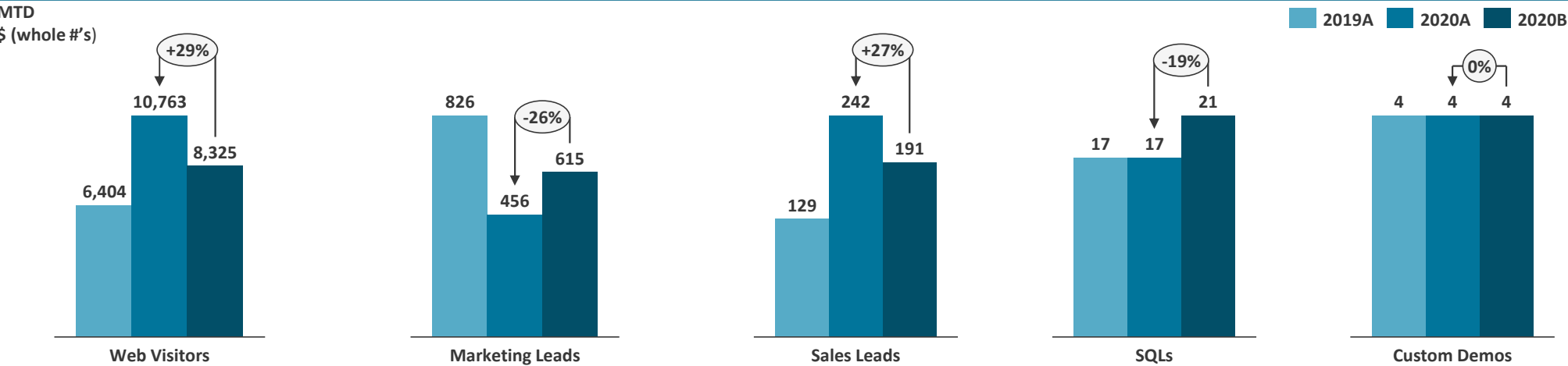


Q2 Likely/Commit Pipeline			
Customer	Subscription	Perpetual	Comments
Conduent	\$104K		Expected Close June
Microsoft	\$70K		Expected Close June
Total	\$174K	\$0K	

Pipeline Commentary

- HMS slipped to Q3 due to COVID based delays
- Additional Q2 upside possible, but will likely Q3 deals

Marketing Metrics



Appendix



Opex Overview



Latest Month ▼

May 2020

Month

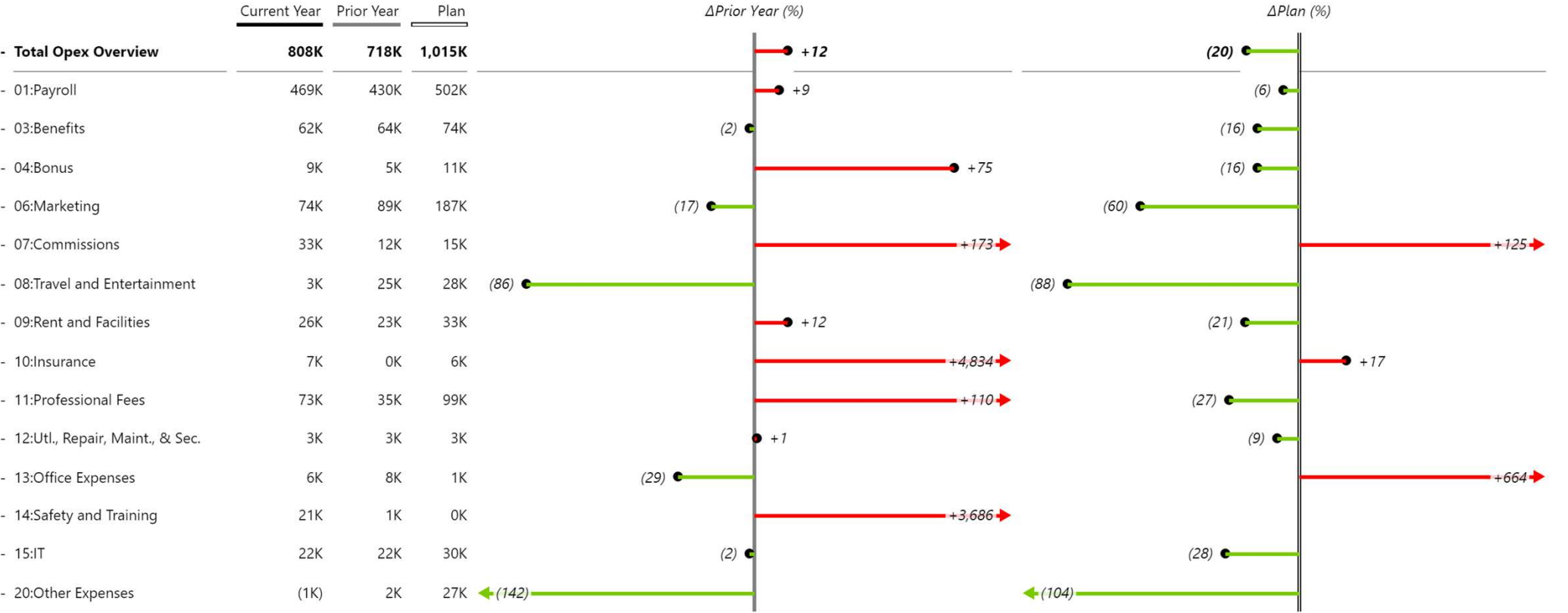
QTD

YTD

Plan Scenario

AOP ▼

Opex Overview



Total Opex

Current Year ▼

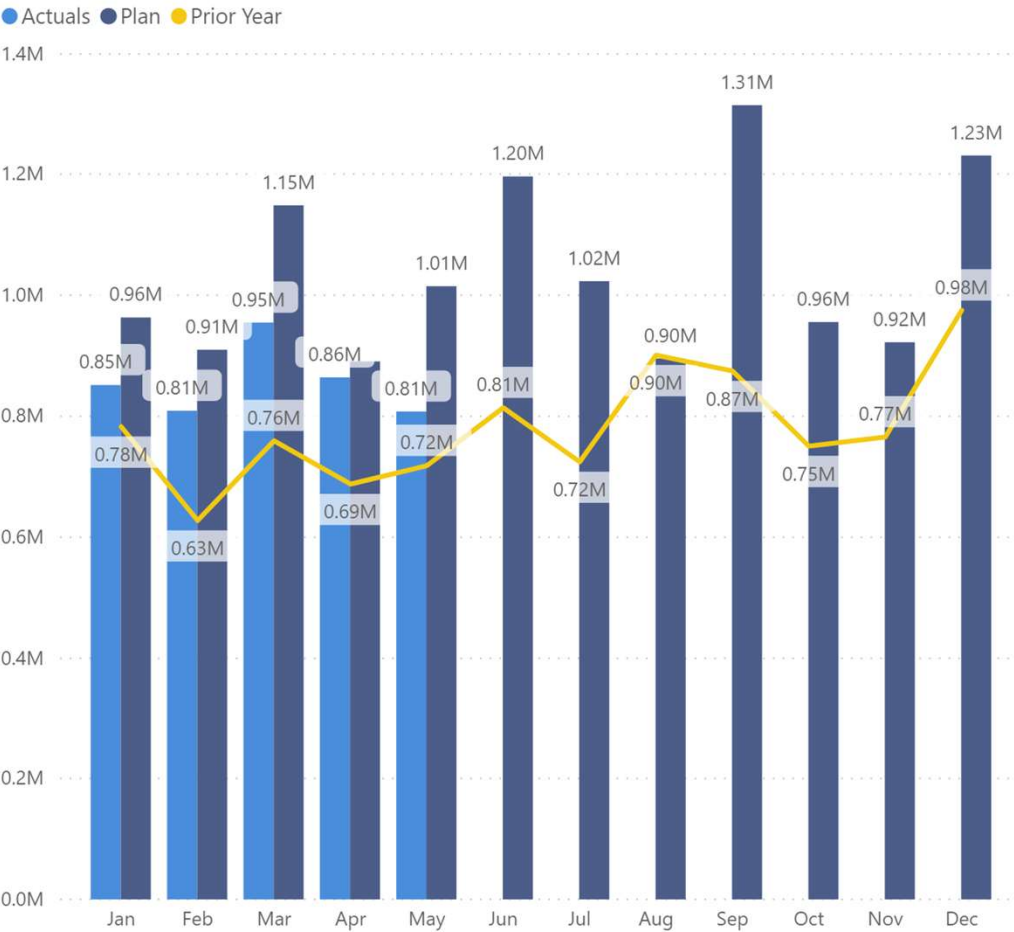
2020

Plan Scenario ▼

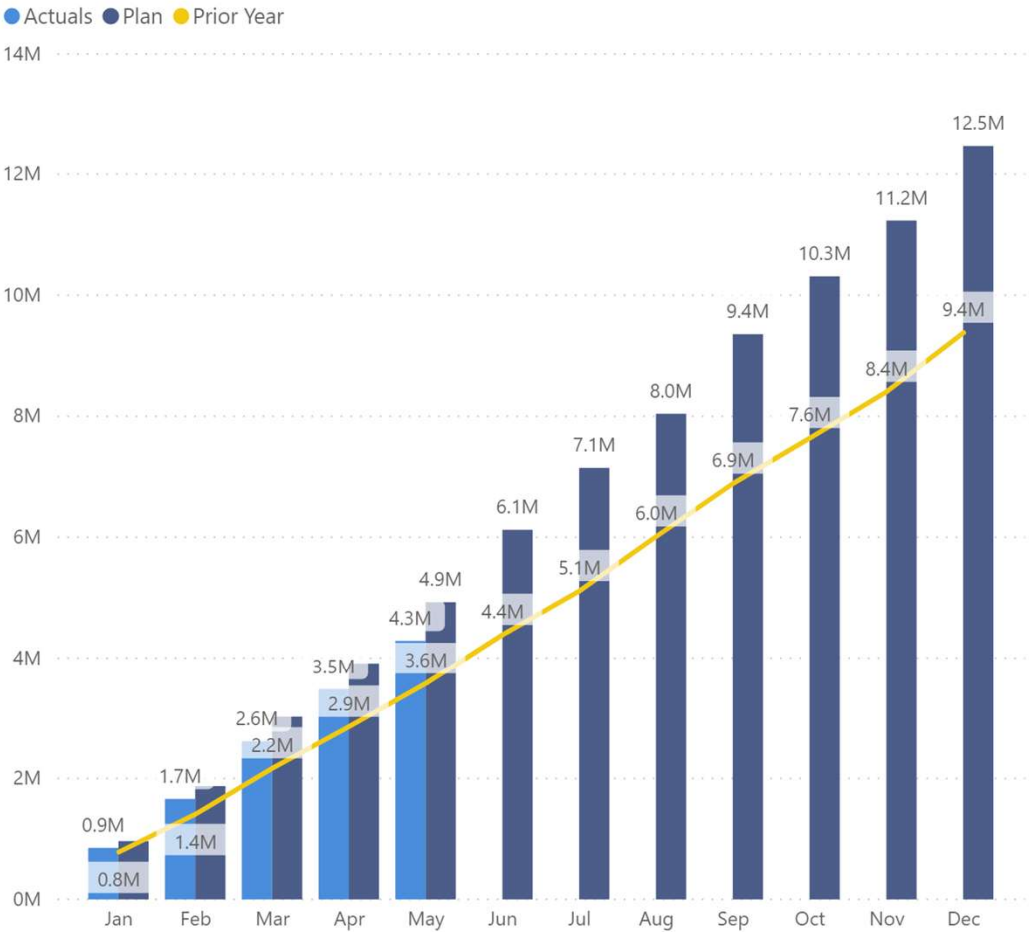
AOP ▼



Monthly Total Opex (excl. D&A)



Total Opex (excl. D&A) - YTD



Gross Margin

Current Y... ▾

2020

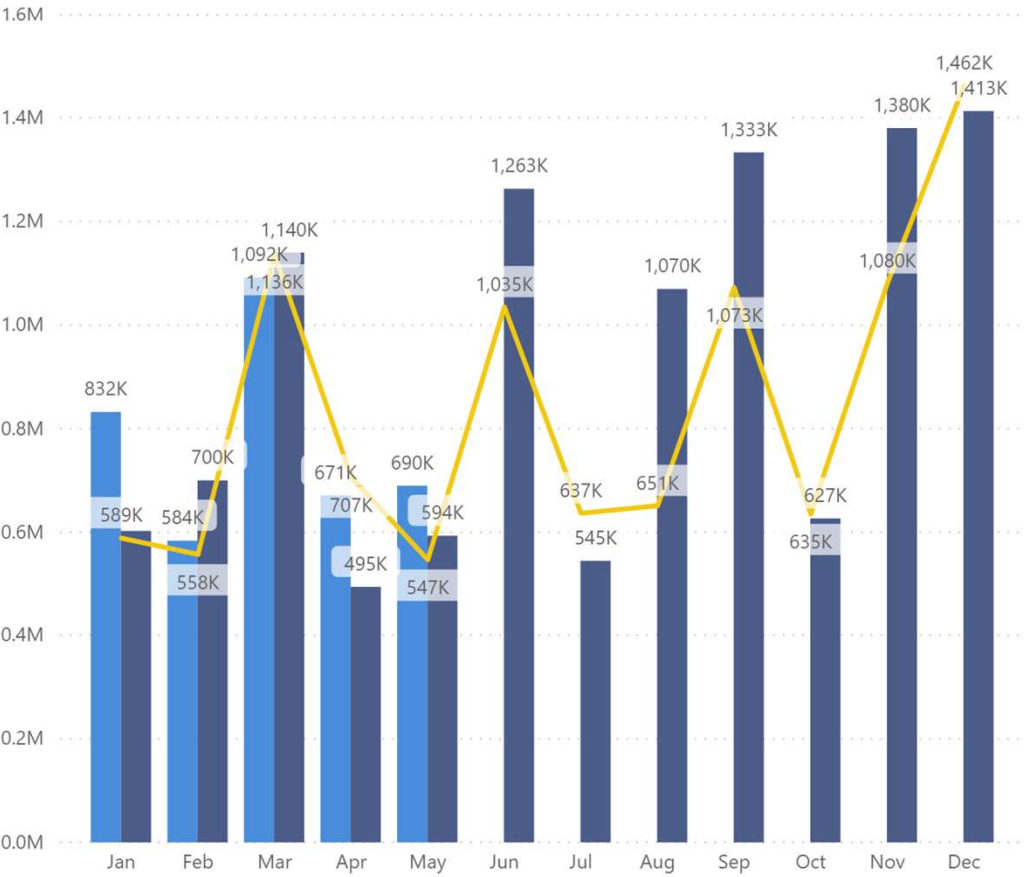
Plan Scenario

AOP ▾



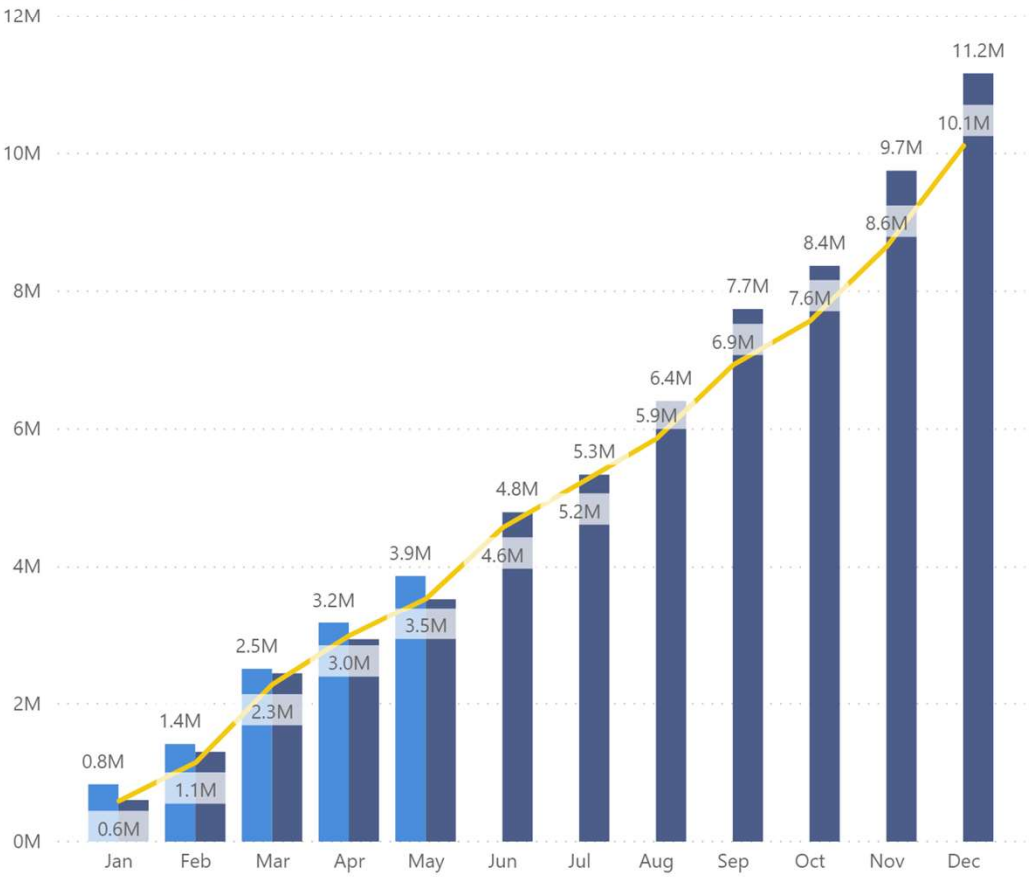
Monthly Gross Margin

● Actuals ● Plan ● Prior Year



Gross Margin - YTD

● Actuals ● Plan ● Prior Year



Gross Margin and Total COGS as % of Revenue

Tech

Current Year

2020

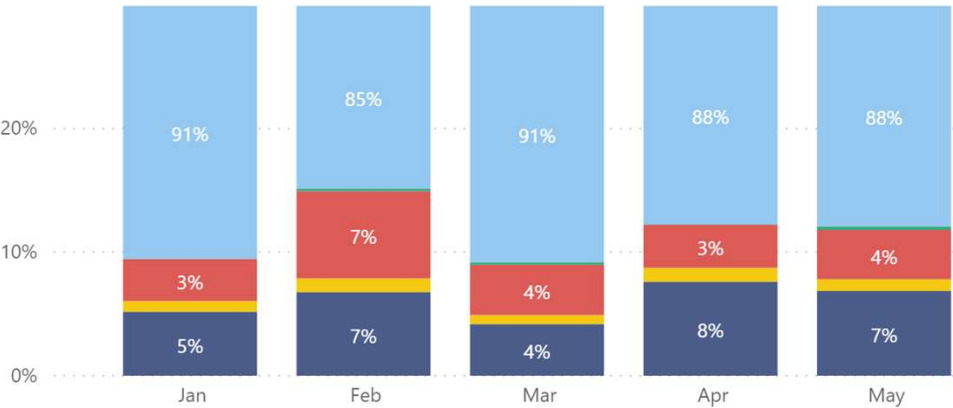
Compare to:

Prior Year



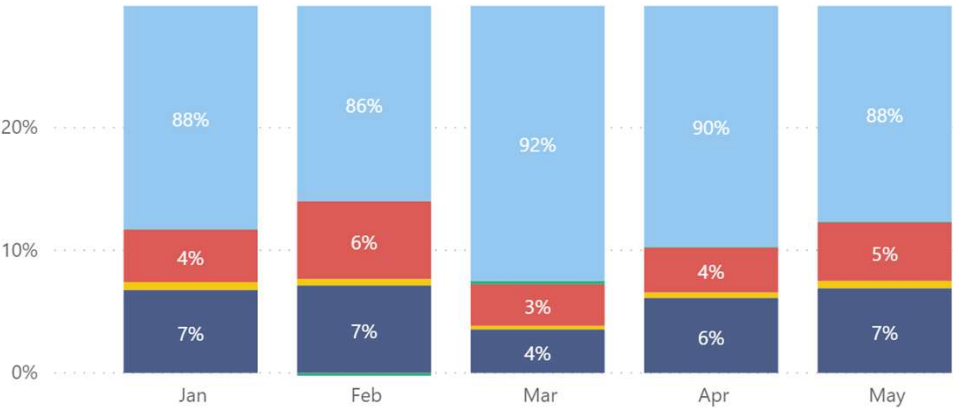
Monthly GM and Total COGS as % of Revenue - Actuals

Material Labor Hosting Professional Services COGS Other COGS Gross Margin



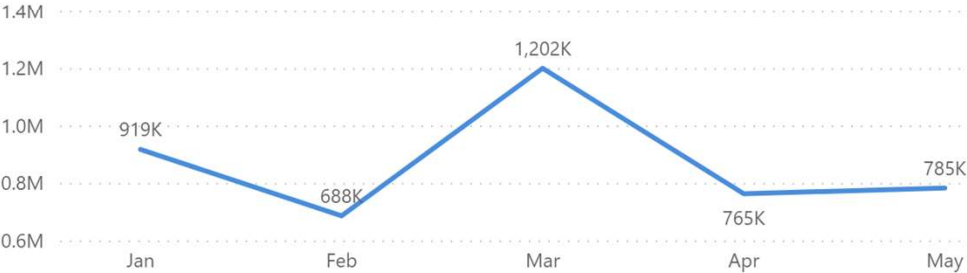
Prior Year

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



Latest Month

▼

May 2020

Month

QTD

YTD

Plan Scenario

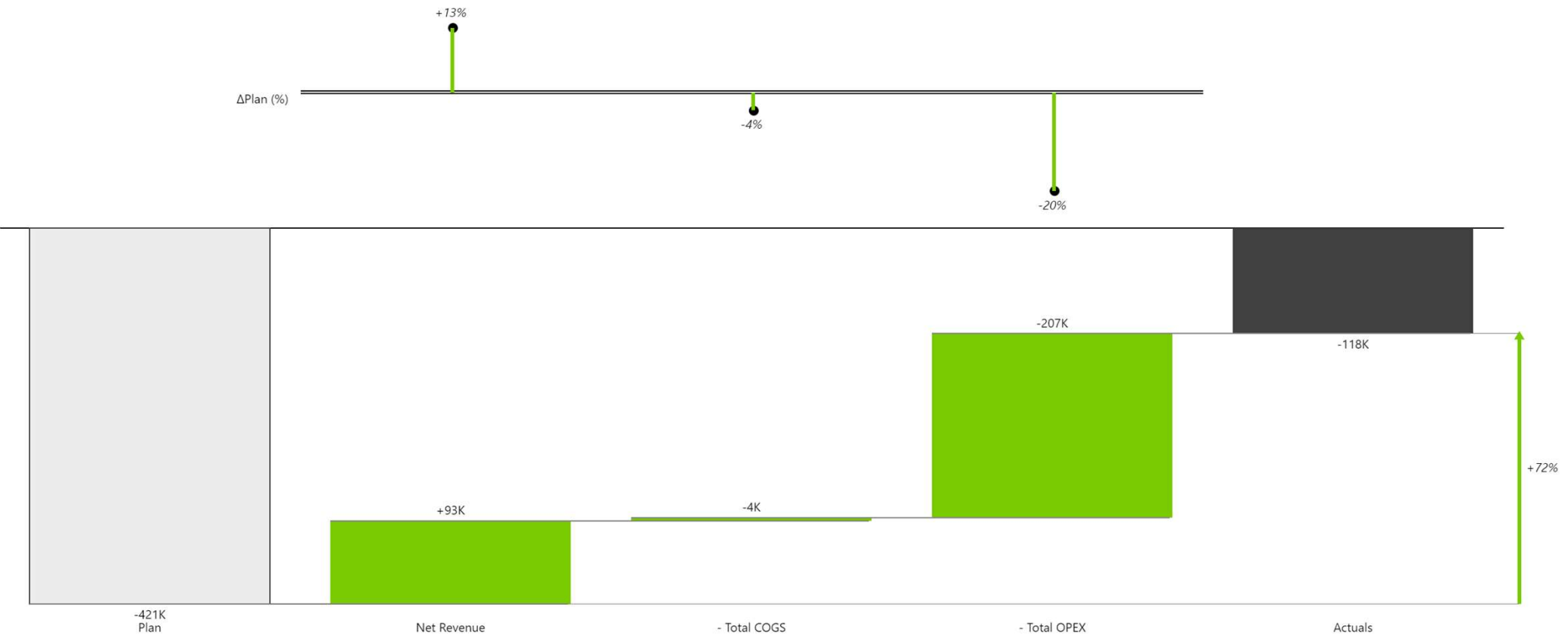
AOP

▼

* Reported EBITDA

[Drill down for detailed view](#)

EBITDA Bridge - Actuals vs. Plan



EBITDA Bridge - Actuals vs. Prior Year

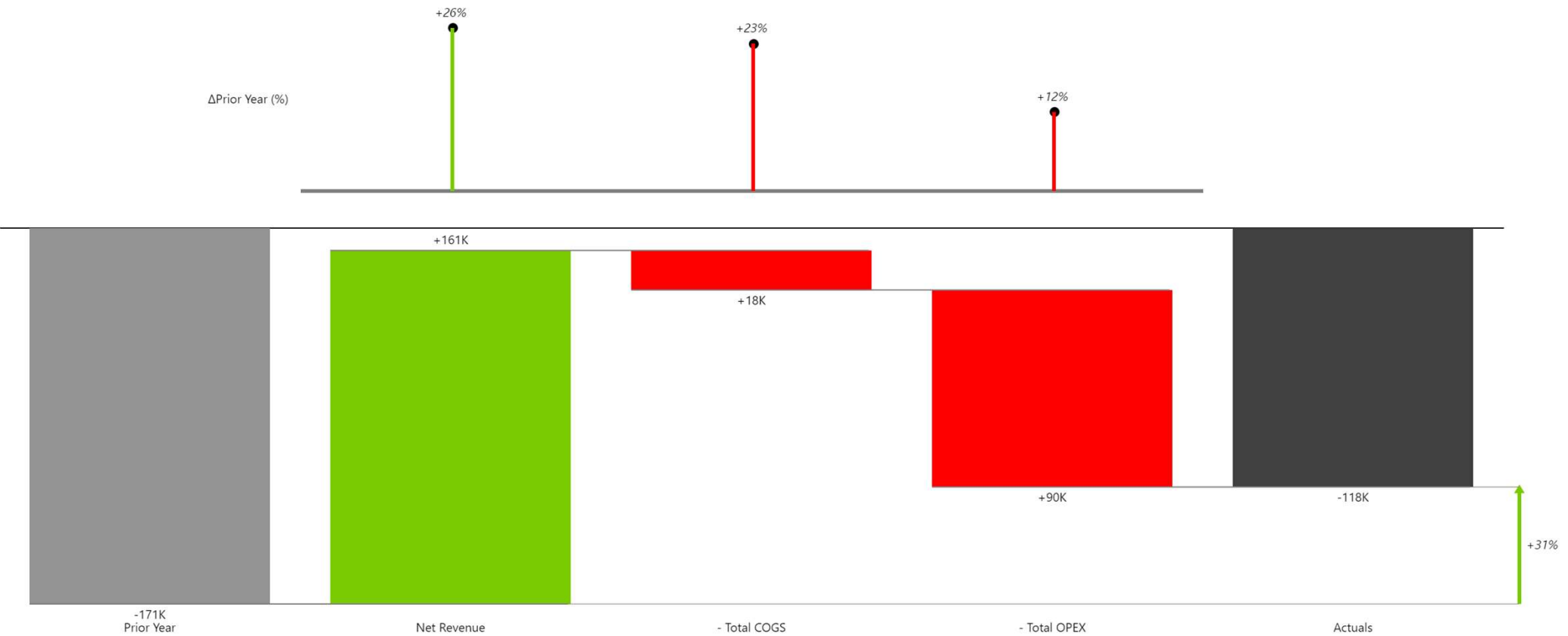


Latest Month May 2020 Month QTD YTD

* Reported EBITDA

[Drill down for detailed view](#)

EBITDA Bridge - Actuals vs. Prior Year



Balance Sheet



Latest Month ▼

May 2020

Month

QTD

YTD

Plan Scenario

AOP ▼

Balance Sheet

	Current Year	Prior Year	Plan	Δ Prior Year (%)		Δ Plan (%)	
Cash and cash equivalents	4,190K	2,252K	2,742K		+86		+53
Accounts receivable, gross	1,339K	1,317K	1,992K	+2		(33)	
Accounts receivable, reserves	(20K)	0K	0K			(34)	
= Accounts receivable, net	1,319K	1,317K	1,992K	+0			
Prepaid expenses and other current assets	178K	108K	118K		+65		+51
= Total Current Assets	5,686K	3,678K	4,851K		+55		+17
Property, plant & equipment, gross	205K	472K	205K	(57)		(0)	
Accumulated depreciation	(38K)	(237K)	(38K)		+84	(0)	
= Property, plant & equipment, net	167K	235K	167K	(29)		(0)	
Identifiable intangible assets, gross	0K	0K	28,005K			(100)	
Accumulated amortization	0K	0K	(2,450K)				+100
= Identifiable intangible assets, net	25,555K	0K	25,555K				+0
Deferred tax asset	0K	469K	0K	(100)			
Other non-current assets	0K	125K	0K	(100)			
= Total Non-Current Assets	25,721K	828K	25,722K		+3,005	(0)	
= Total Assets	31,407K	4,506K	30,573K		+597		+3
- Accounts payable	249K	115K	201K		+116		+24
- Accrued liabilities	212K	78K	408K		+173	(48)	
- Accrued compensation	79K	63K	0K		+24		
- Short-term unearned revenue	3,984K	3,732K	4,499K		+7	(11)	
- Other current liabilities	82K	19K	17K		+329		+372
= Total Current Liabilities	4,606K	4,008K	5,127K		+15	(10)	
- Long-term debt less current maturities	8,500K	0K	8,500K				+15
- Deferred income taxes	2,368K	0K	2,059K				+10
- Other non-current liabilities	2,071K	276K	1,890K		+651		+4
= Total Long-term liabilities	12,939K	276K	12,449K		+4,594		
= Total Liabilities	17,545K	4,283K	17,576K		+310	(0)	
- Common stock	(0K)	1K	16,567K	(100)		(100)	
- Preferred stock	0K	0K	0K	(100)			
- Capital in excess of stated value	16,517K	2,461K	0K		+571		
- Retained earnings	(2,654K)	(2,189K)	(3,570K)	(21)			+26
- Other equity transactions	0K	(50K)	0K		+100		
= Total Shareholders' Equity	13,863K	222K	12,997K		+6,132		+7
= Total Liabilities and Shareholders' Equ...	31,407K	4,506K	30,573K		+597		+3

Cash Flow Statement



Latest Month ▼

May 2020

Month

QTD

YTD

Plan Scenario

AOP ▼

Cash Flow Statement	Current Year	Prior Year	Plan		Δ Prior Year (%)		Δ Plan (%)
Net Income (Loss)	(359K)	(195K)	(728K)	(84)			+51
D&A	214K	0K	262K			(18)	
Changes in accounts receivable	49K	367K	(19K)	(87)			+353
Changes In Prepaid expenses and other current as...	16K	55K	(1K)	(71)			+1,471
Changes in Accounts payable	(127K)	(80K)	3K	(59)		(5,157)	
Changes in Accrued expenses	4K	(26K)	4K		+117		+12
Other changes in operating assets and liabilities	2K	0K	2K				+0
Other cash flow from operations	69K	214K	282K	(68)		(75)	
= Total Cash Flow from Operations	(132K)	335K	(196K)	(139)			+33
Beginning Cash Balance	4,322K	1,918K	2,943K		+125		+47
Net change in cash	(132K)	335K	(196K)	(139)			+33
= Ending Cash Balance	4,190K	2,252K	2,747K		+86		+53

Liquidity

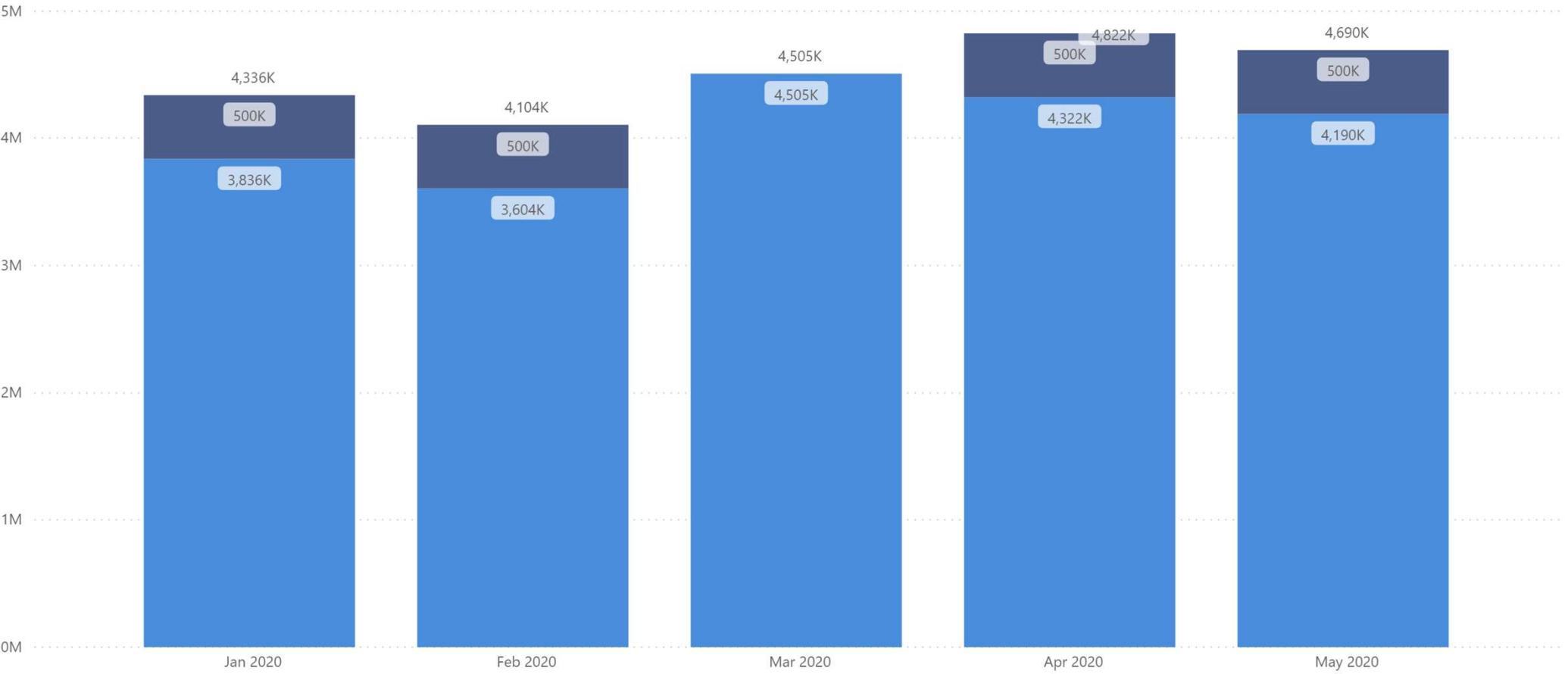
Current Y... ▾

2020



Monthly Liquidity

● Ending Cash Balance ● Excess ABL Availability Actuals



Human Capital

Open Positions

Open Position	Type	Annual OTE	Status
Sales Dev Rep (Europe)	New	\$70K	Filled-April 6 th start
Senior Product Engineer	Backfill	\$187K	Filled-April 13 th start
Dev Ops/Cloud Ops	Backfill	\$170K	Filled-April 27 th start
Product Marketing Manager	Backfill	\$163K	Filled-April 29 th start
Customer Support Manager	Backfill	\$150K	Filled-April 30 th start
Alliance Manager	New	\$250K	Actively Recruiting
VP, Services	New	\$225K	Actively Recruiting

Termed Staff (Q2 2020)

Position	Exit Reason	Exit Date	Severance
Director of Customer Support	Termination	05/08/2020	4 weeks

\$000's	Payroll Expenses by Dept											
	MTD		Var		QTD		Variance		YTD		Variance	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
COR	\$85	\$62	(\$23)	(27.4%)	\$170	\$124	(\$46)	(27.2%)	\$444	\$313	(\$131)	(29.5%)
R&D	\$266	\$279	\$14	5.2%	\$491	\$559	\$68	13.9%	\$1,286	\$1,455	\$169	13.1%
Sales & Marketing	\$167	\$193	\$26	15.8%	\$332	\$386	\$54	16.3%	\$829	\$917	\$88	10.6%
G&A	\$80	\$71	(\$10)	(12.0%)	\$161	\$142	(\$19)	(12.0%)	\$407	\$372	(\$34)	(8.4%)
OPEX Services	\$28	\$61	\$34	121.5%	\$53	\$122	\$69	130.1%	\$195	\$314	\$119	61.0%
Total	\$626	\$667	\$41	6.5%	\$1,208	\$1,334	\$126	10.4%	\$3,160	\$3,370	\$210	6.6%

Payroll Expenses Commentary

- COR/OPEX Services – Combined categories results in MTD \$11K favorable variance due to services team working on NetSuite integration with CRM (G&A expense). 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 and YTD variance due to open positions budgeted in 2020
- G&A – Unfavorable MYD and YTD variance due to allocation of time from services team working on NetSuite integration with CRM.

Headcount

