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Quarterly Operating Review  
Q2 2020

28 July 2020

## Agenda

- Quarterly Review
  - Executive Summary
  - Financial Overview
  - Sales & Marketing
- 18 Month Forecast
- M&A Activity

# Executive Summary







## Good News / Positives to Business and Plan:

- Reached \$11.2M in ARR which represents a 24% increase over June 2019
- Continue to outperform YTD AOP in both revenue and EBITDA
- Achieved 112% of Q2 new business bookings goal
- Strong renewals with minimal customer churn in H1 (~5%)
- New business acquisition:
  - New logos: Microsoft (ARR-\$70K),
  - Upsells: CDCR (ARR SaaS-\$130K), Tokio Marine (ARR-\$130K), Kaiser Permanente Medical Group (ARR-\$50K-3-year commit), New Zealand MBIE (ARR-\$14K), Caliber Home Loans (ARR-\$13K)
- New notable cross-sell and upsell prospects: Conduent (closed 7/8)
- New business pipeline activity supports Q3 re-forecast goal
- June was a record setting month for website visitors (12,973), marketing leads (1,180) and sales leads (439)
- SOC2 certification is removing barriers for new and existing customers
- Released InRule version 5.6. All teams working on web authoring for SaaS
- Resource management
  - Director of Alliances started July 20th
  - VP of Services recruiter actively screening candidates; CEO starting to interview candidates

# 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

# 2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
<i>Decision Platform</i>	<b>Obtain SOC II Certification</b> <i>(Alan Young)</i>		<ul style="list-style-type: none"> <li>Official audit period starting Aug 1. All new processes in place and Barr will be requesting sampling data through the period.</li> <li>New information security policies and business-processes on track for completion this week</li> <li>Next milestone: completion of audit period Oct 31. SOC2 cert issuance by mid-December.</li> </ul>	Nov 15
<i>Decision Platform</i>	<b>Deliver Web Authoring MVP</b> <i>(Dan Reynolds)</i>		<ul style="list-style-type: none"> <li>Completed end-point override and logging enhancements to SaaS offering (also Bupa request)</li> <li>First functionality for Decision Table is operational in Decision Platform (web). Will continue to expand.</li> <li>Starting integration of current Catalog functionality with new Storage Governance (web)</li> <li>This integration is critical for complete cross-functionality between on-premise/hosted and new web for current customers to consider</li> <li>Awaiting deal commitment from customers (Bupa, HMS) to schedule enhancement requests during this period. Will minimize effect on web platform progress by utilizing augmented resources from Esfera</li> </ul>	Aug 30
<i>Market Expansion</i>	<b>Deliver FY 2020 Digital content</b> <i>(Renee Wagner)</i>		<ul style="list-style-type: none"> <li>Released explainer video</li> <li>Release Dynamics and Power Platform Whitepaper</li> <li>Next Steps: Engage with Forrester on Digital Decisioning Wave Report, release Insurance e-book</li> </ul>	July 31
<i>Decision Platform</i>	<b>Acquire Strategic Technology thru M&amp;A</b> <i>(Rik Chomko)</i>		<ul style="list-style-type: none"> <li>Evaluated digital decision platform market for key features and functionality</li> <li>Identified add-on technology components</li> <li>Sourced potential targets and conducted first round of investigation</li> <li>Next Steps: Determine top 3 candidates and determine if open to M&amp;A</li> </ul>	Dec 15

 Complete
  Just started
  On Track
  At Risk
  Behind Schedule

# 2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing
<i>Decision Platform</i>	<b>Extend integrations with Dynamics and Salesforce and expand partnership</b> <i>(Mark Lonsway)</i>		<ul style="list-style-type: none"> <li>Submitted approval for Salesforce AppExchange</li> <li>Next Steps: Still waiting on sign off from Salesforce; Press release.</li> </ul>	Jun 15
<i>Operational Excellence</i>	<b>Implement new ERP system</b> <i>(Beth Worthem)</i>		<ul style="list-style-type: none"> <li>Data Cleansing and Data Migration in process</li> <li>Integration between NetSuite and Dynamics CRM in process</li> <li>Setup of Professional Services module underway</li> <li>Next Steps: Beta Review scheduled for next week/UAT testing full month of August</li> </ul>	Sep 1
<i>Customer Experience</i>	<b>Increase Services Utilization</b> <i>(Rik Chomko)</i>		<ul style="list-style-type: none"> <li>Actively interviewing candidates for VP of Services position</li> <li>Next steps: Narrow list to 3-4 candidates</li> </ul>	Sep 1
<i>Market Expansion</i>	<b>Obtain GSA Schedule</b> <i>(Mike Bonner)</i>		<ul style="list-style-type: none"> <li>Signed agreement with Centre Law</li> <li>Next steps: Provide documentation and work with Centre to build MAS proposal</li> </ul>	October 31

 Complete
  Just started
  On Track
  At Risk
  Behind Schedule

# Financial Overview





Latest Month ▾

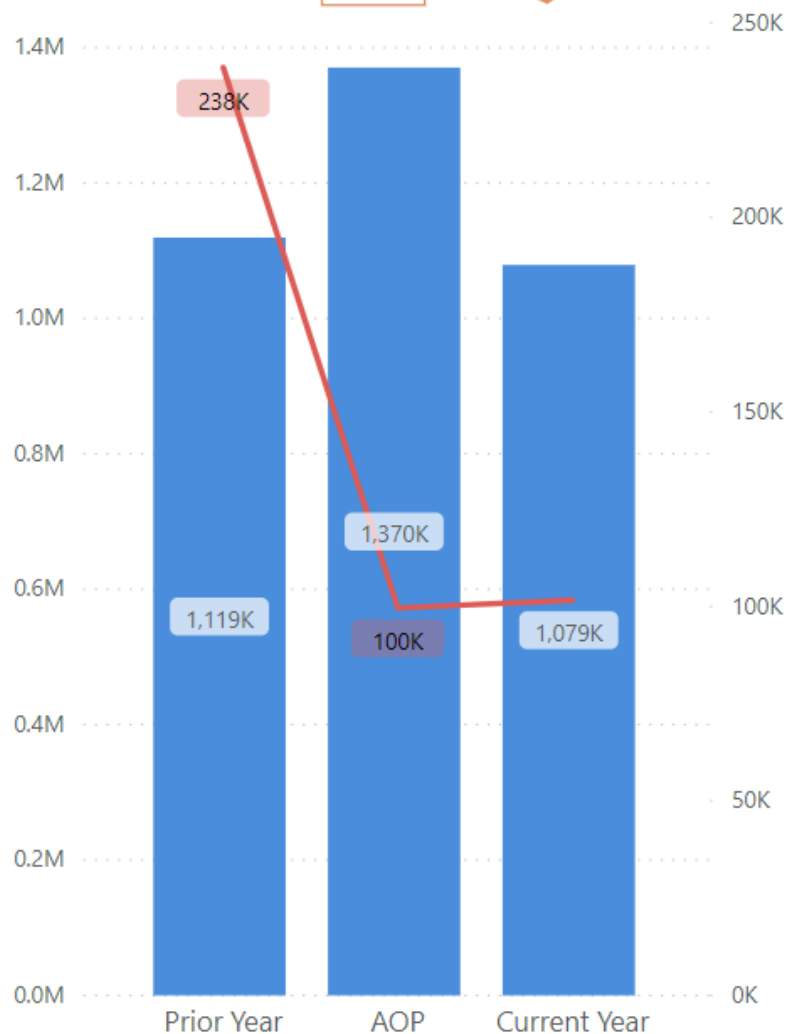
Jun 2020

Current Year ▾

2020

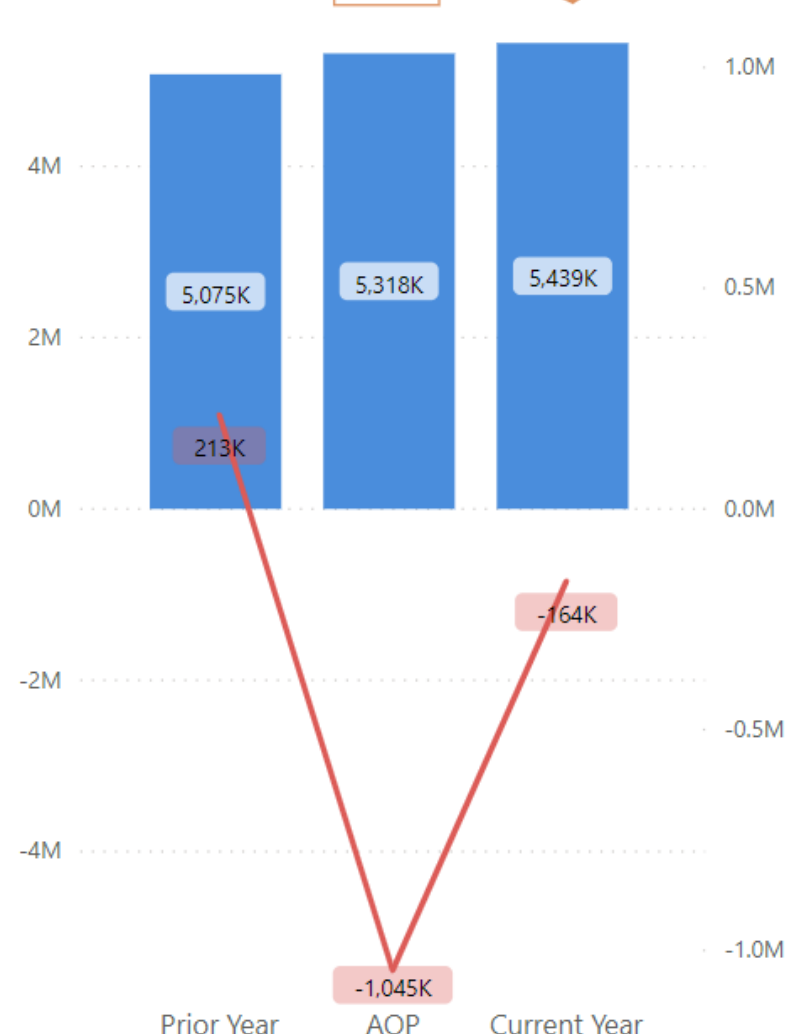
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Month



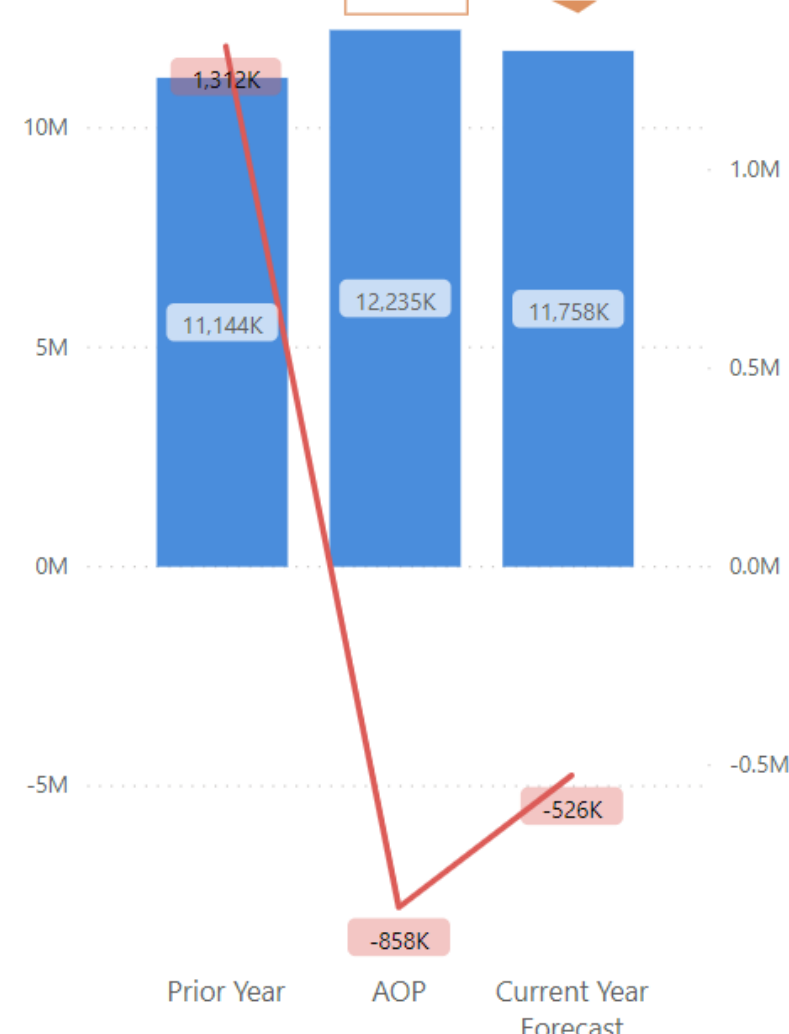
● Net Revenue — EBITDA

YTD



● Net Revenue — EBITDA

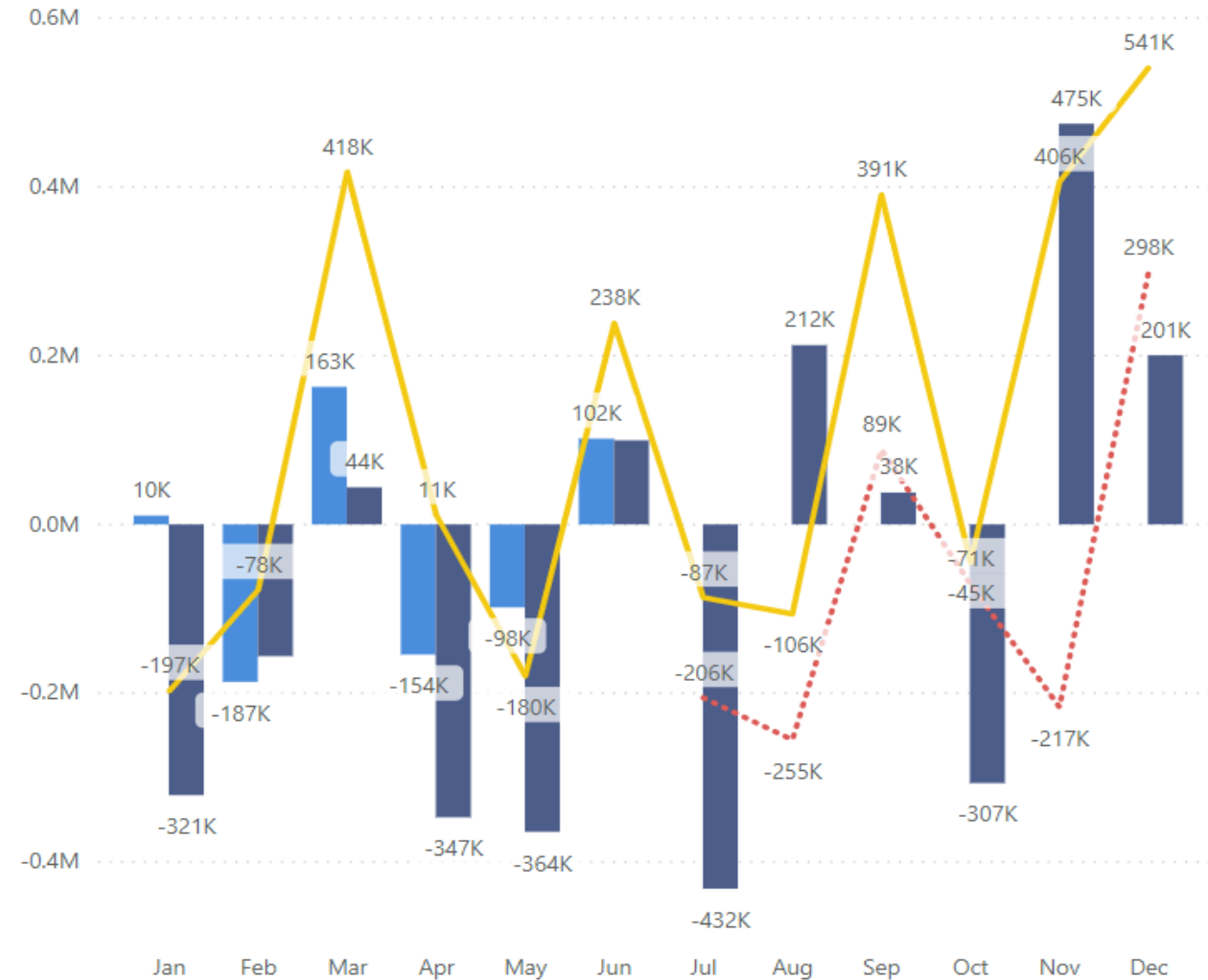
Full Year Forecast



● Net Revenue — EBITDA

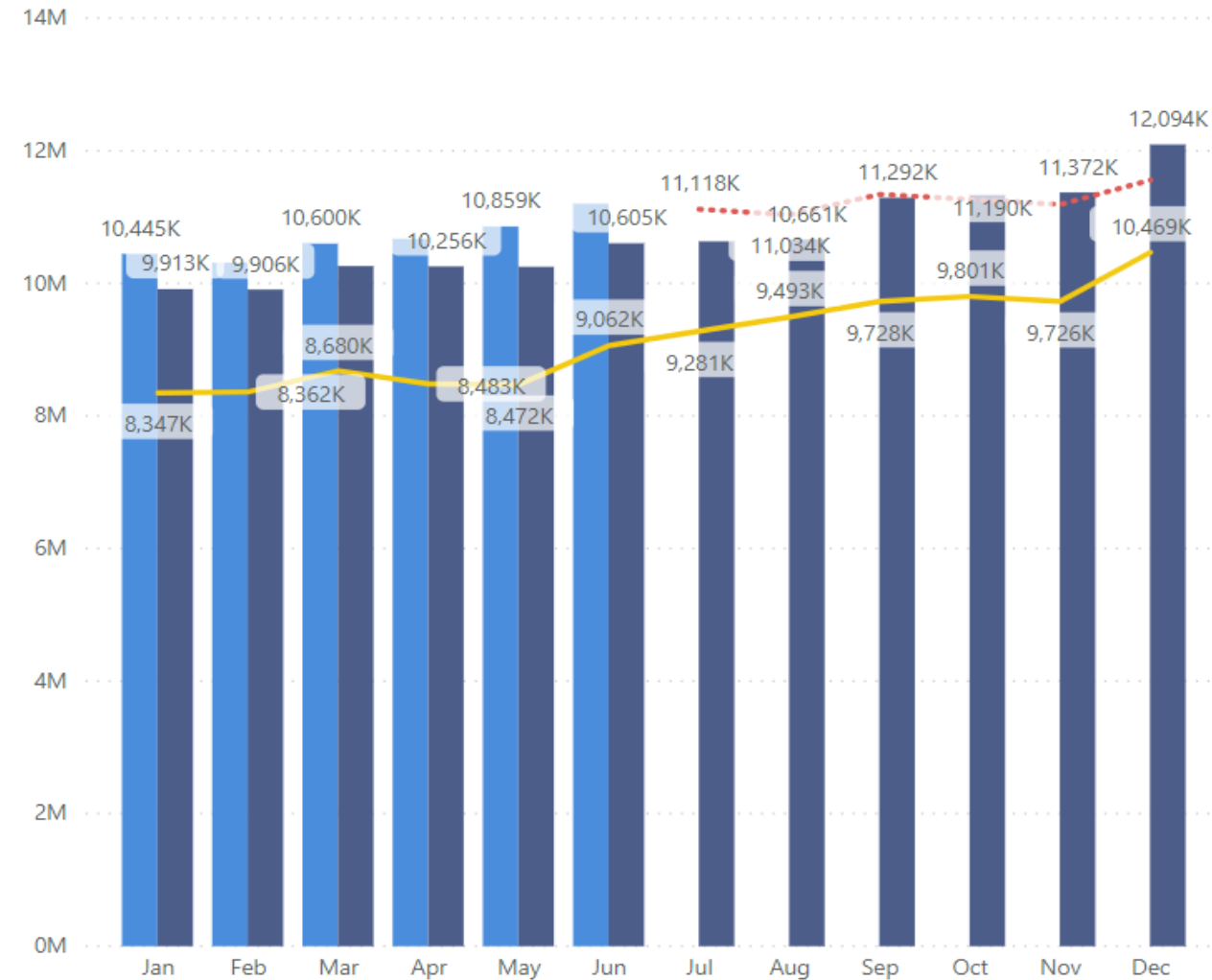
## Monthly EBITDA

● Actuals ● Plan ● Prior Year ● Forecast



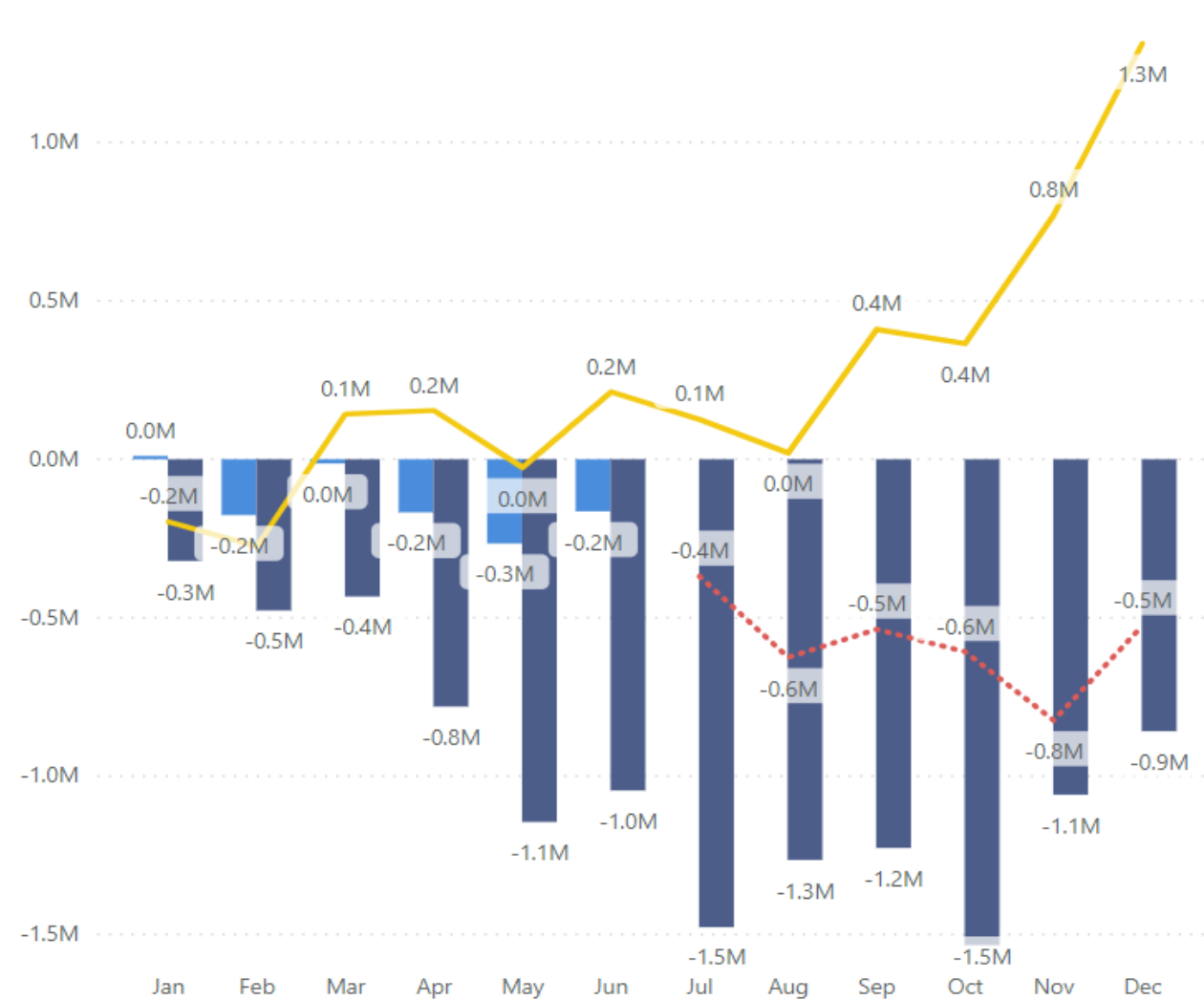
## Monthly ARR

● Actuals ● Plan ● Prior Year ● Forecast



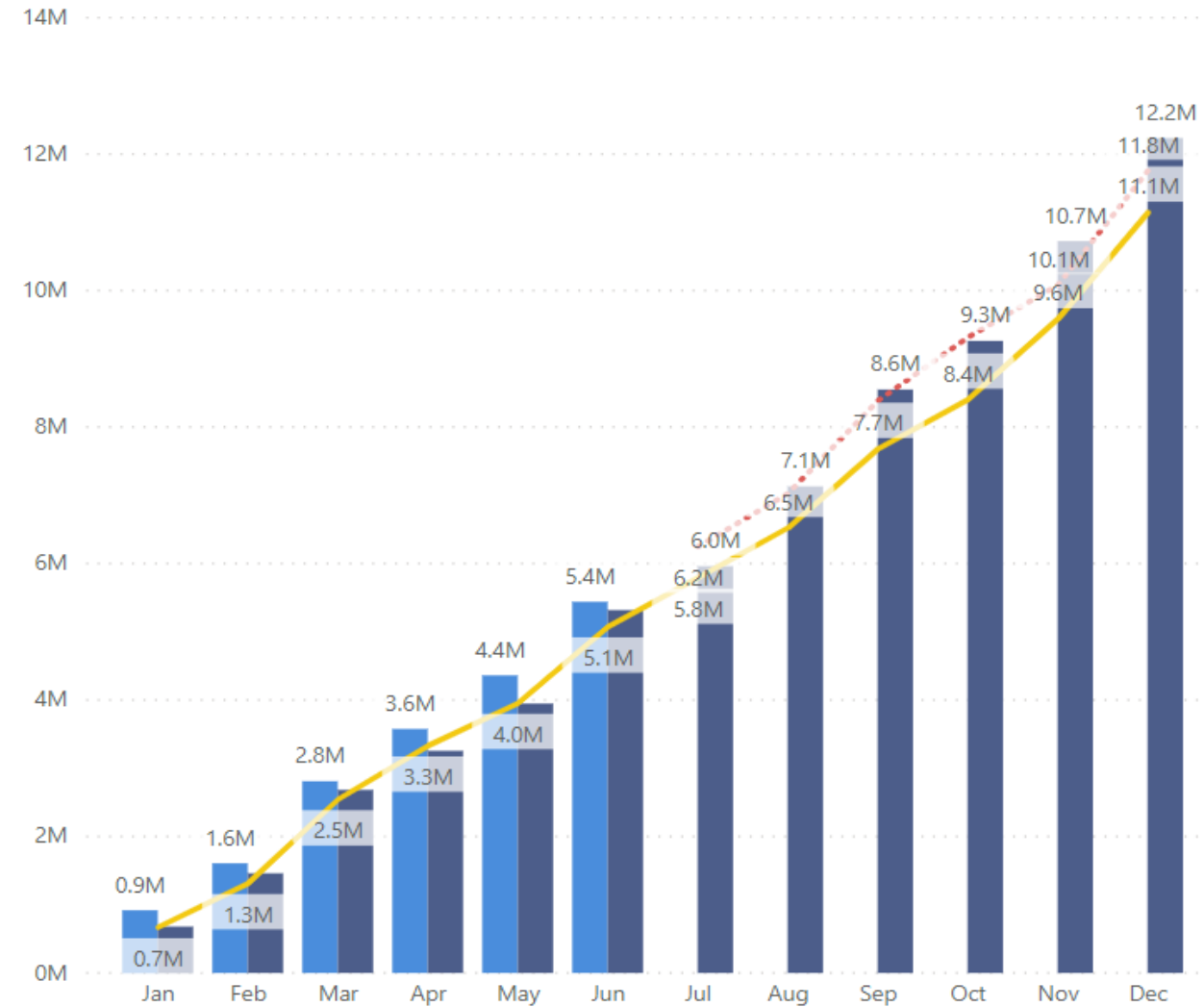
## YTD EBITDA

● Actuals ● Plan ● Prior Year ● Forecast



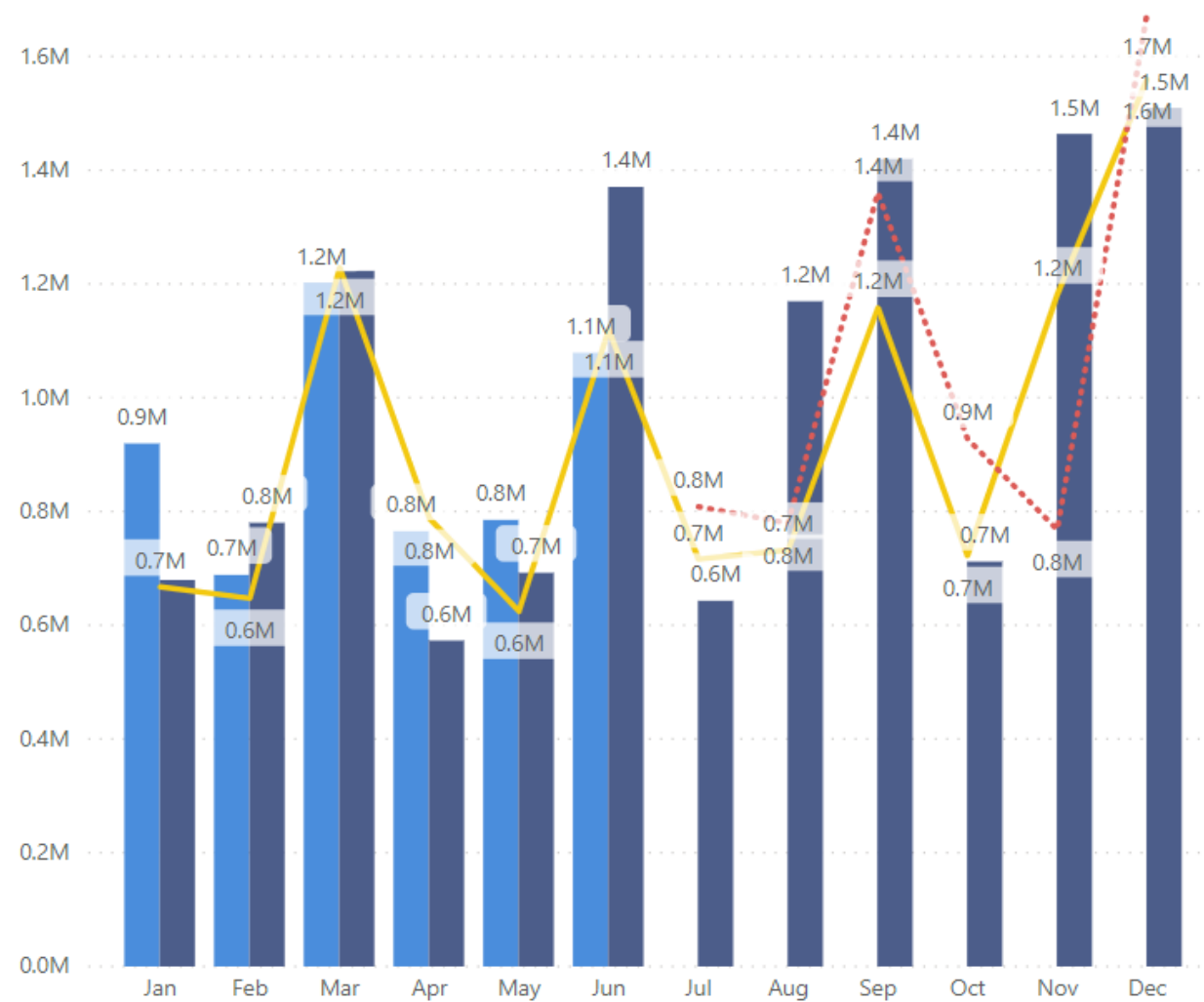
## YTD Net Revenue

● Actuals ● Plan ● Prior Year ● Forecast



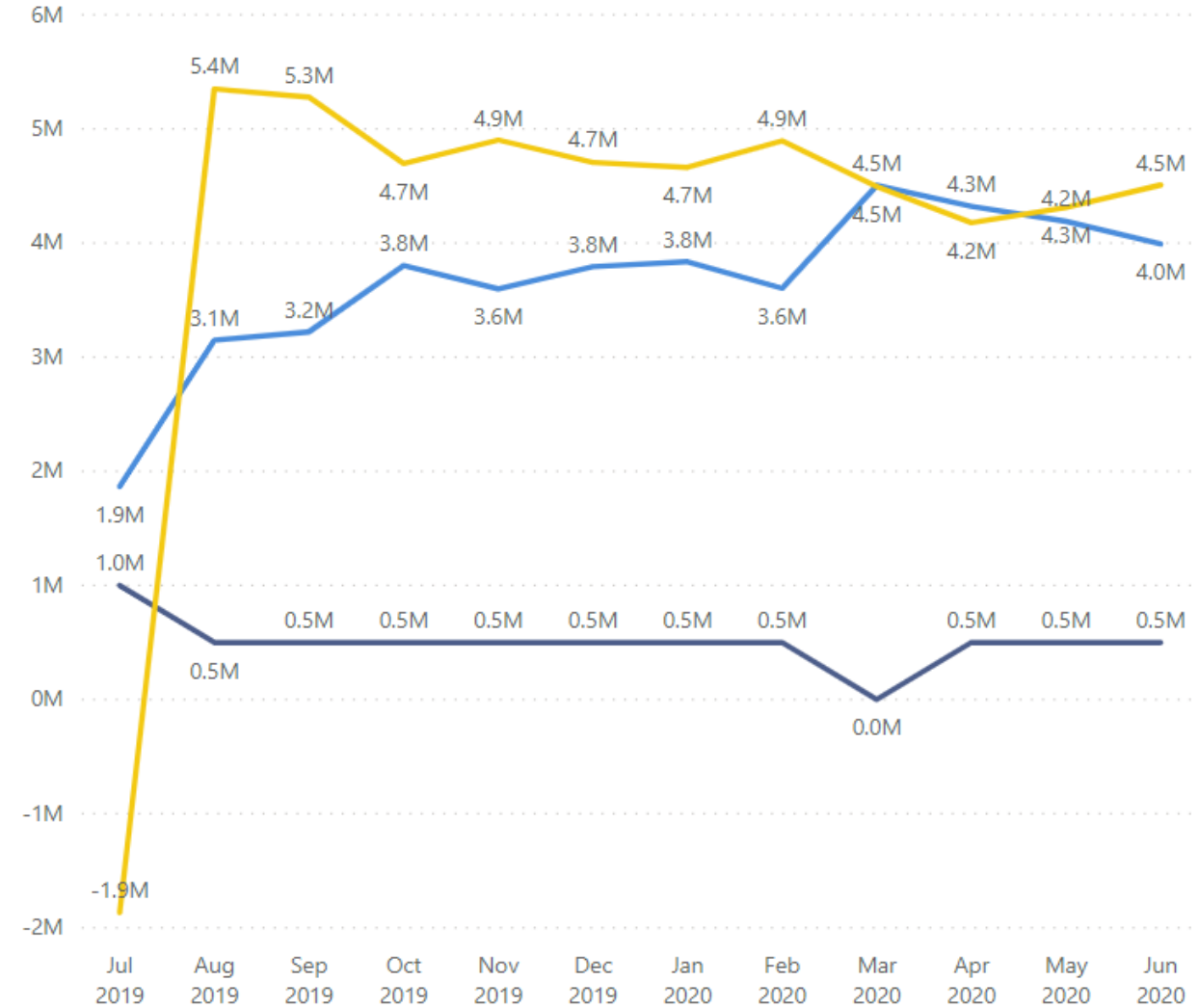
## Monthly Net Revenue

● Actuals ● Plan ● Prior Year ● Forecast



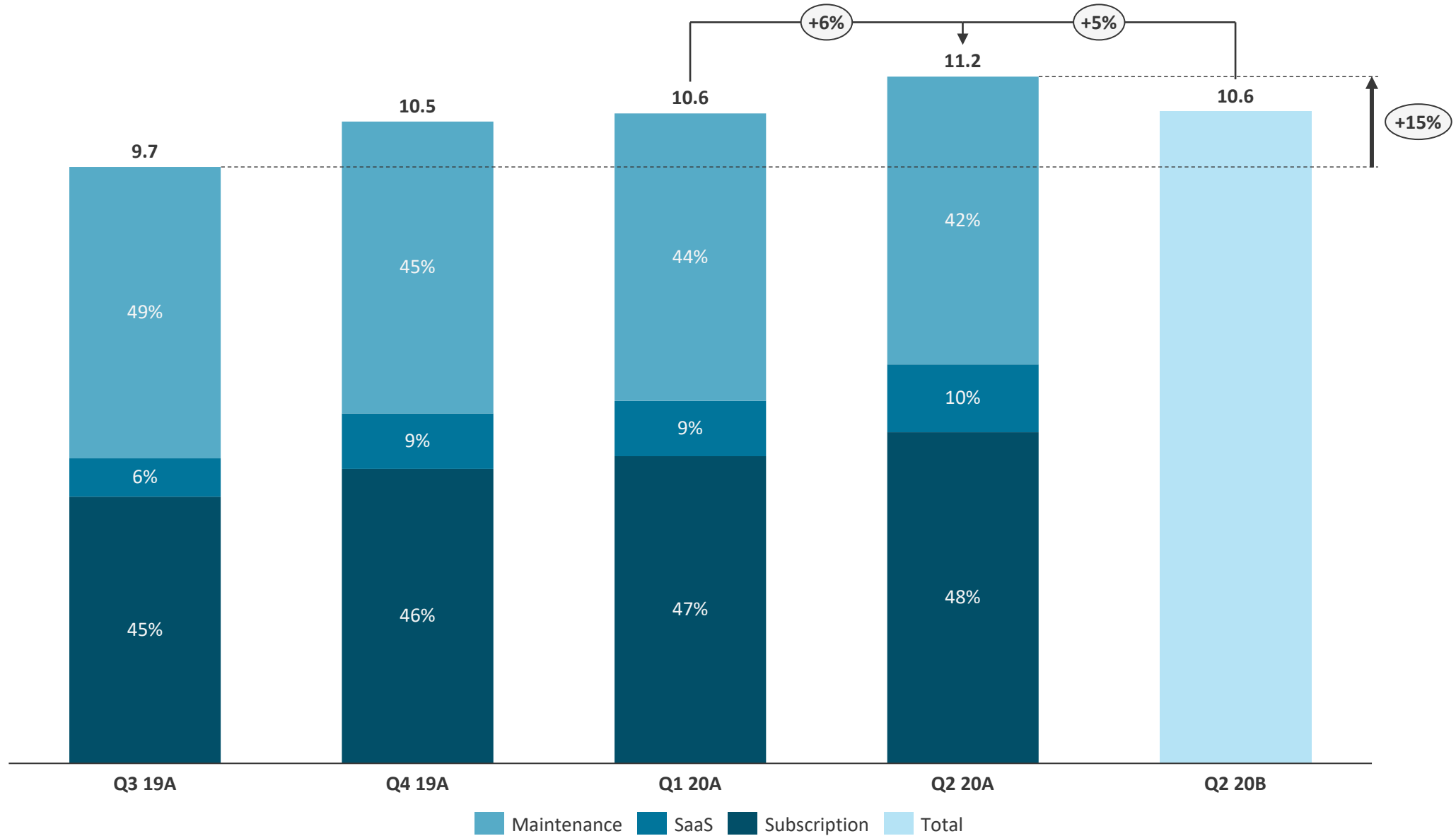
## Liquidity

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



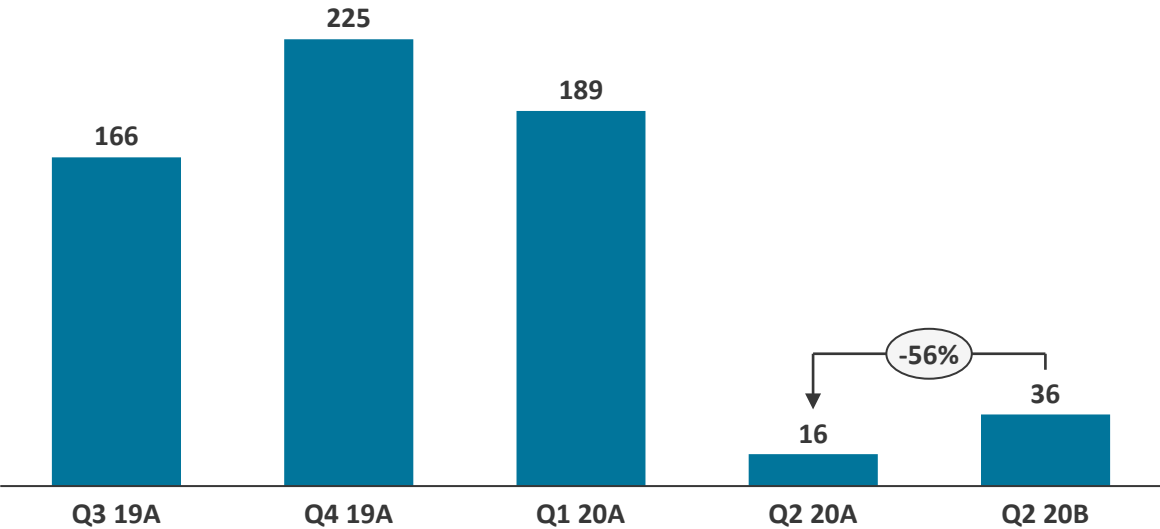
# Recurring Revenue (ACV)

ARR by Quarter  
\$ millions



# Nonrecurring License Revenue

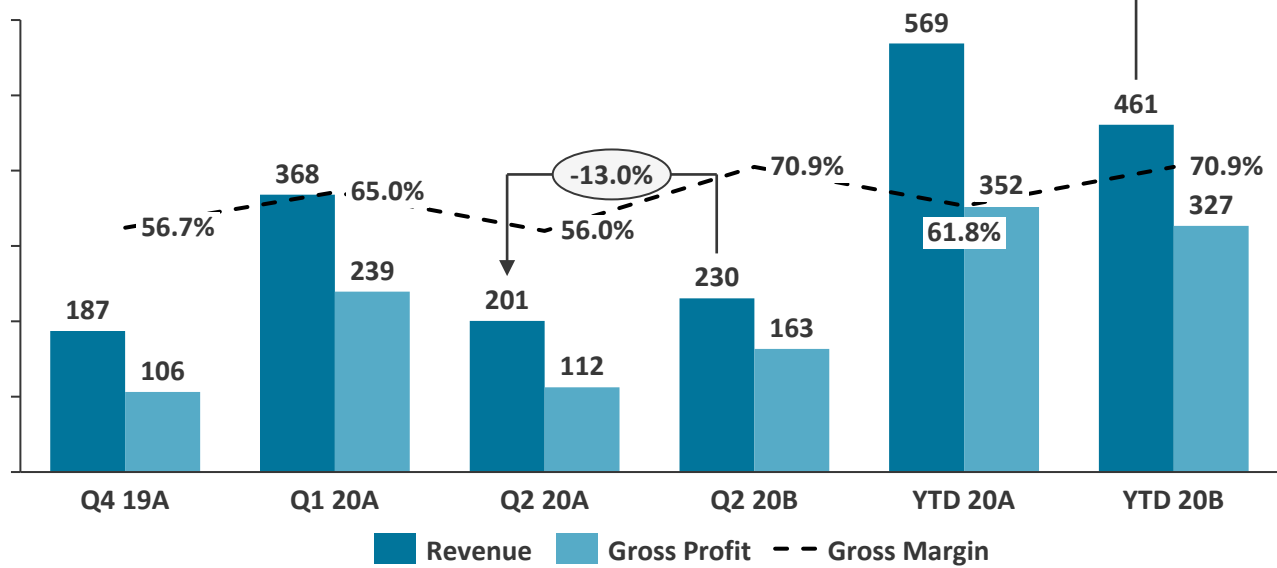
Quarterly Perpetual Revenue  
\$000's



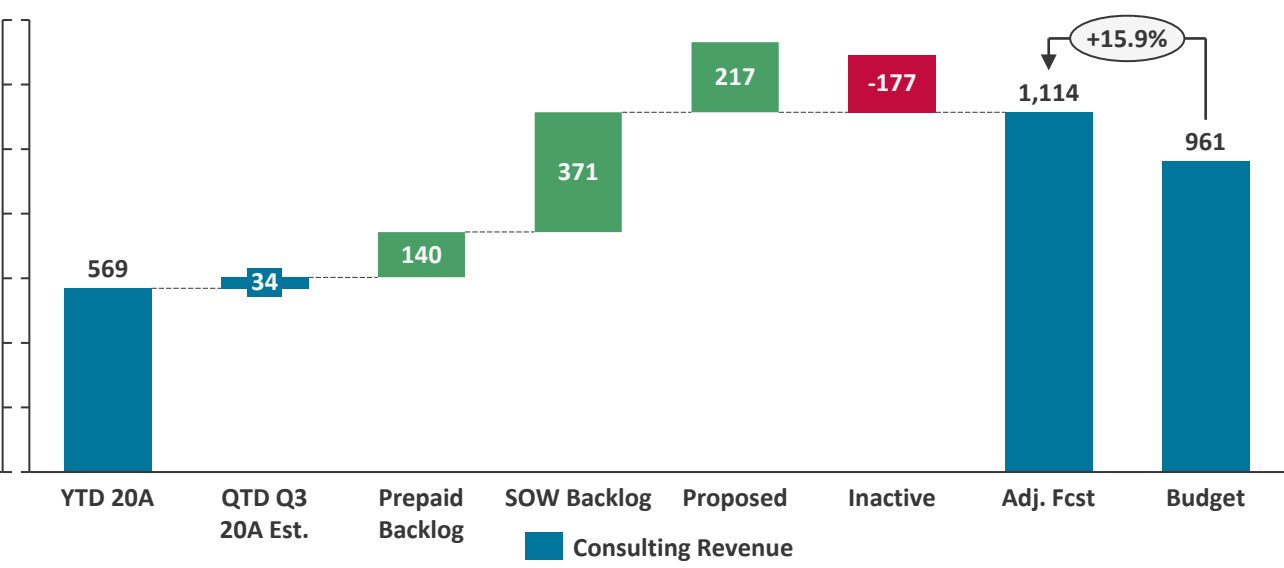
Key Wins		
Customer	Perpetual	Comments
Royalty Revenue	\$16K	Various Customers
Total	\$16K	

# Nonrecurring Services Revenue

Consulting Services Revenue & Gross Margin  
\$000's

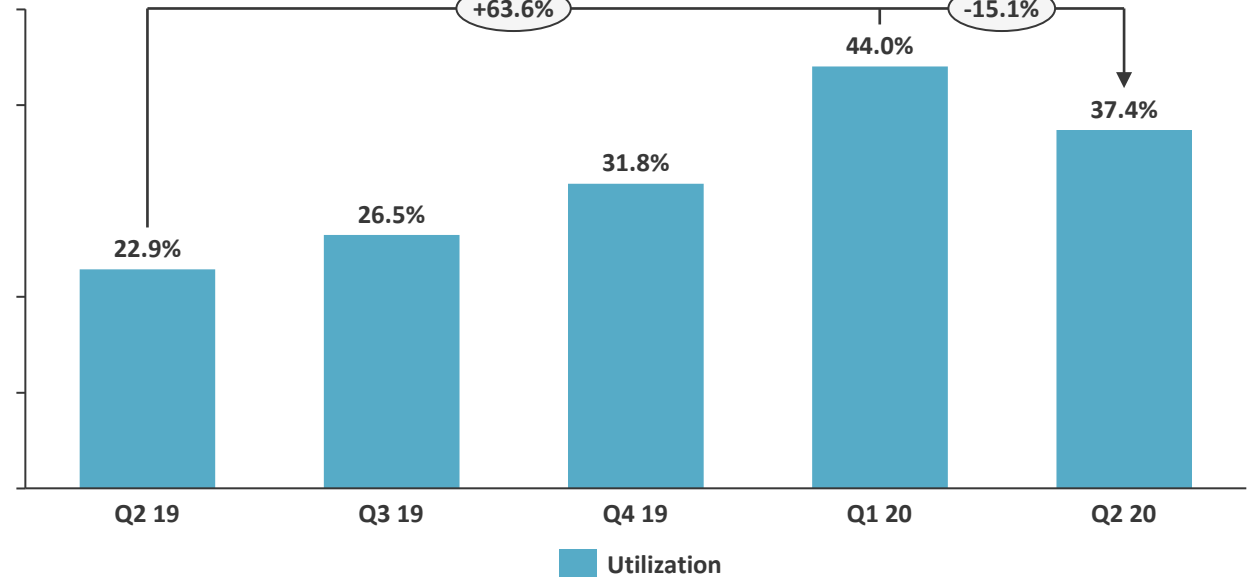


Consulting Services Revenue Forecast / Backlog  
\$000's



Key Projects Delivered in Q2		
Customer	Services	Comments
Aetna	\$72K	47 days delivered in Q2
Hudson	\$ 28K	18 days delivered in Q2
Abbott	\$ 20K	18 days delivered in Q2
Fidelity	\$ 19K	12 days delivered in Q2
Caliber	\$ 13K	9 days delivered in Q2
Total	\$152K	

Consulting Utilization (%'s)



# Income Statement

Plan Scenario

Latest Month ▾

Jun 2020

Month

QTD

YTD

TTM

AOP ▾



## Income Statement

	Current Year	Prior Year	Plan		$\Delta$ Prior Year (%)	$\Delta$ Plan (%)
= Bookings	3,289K	3,075K	3,210K		+7	+2
= ARR	11,201K	9,062K	10,605K		+24	+6
= Total Recurring Revenue	2,413K	2,168K	2,369K		+11	+2
= Recurring Product	2,413K	2,168K	2,369K		+11	+2
Cloud/saas	238K	50K	191K		+375	+24
TBL	1,042K	985K	1,207K		+6	(14)
Maintenance & Support	1,133K	1,133K	971K		(0)	+17
Recurring Services	0K	0K	0K			
= Total Non Recurring Revenue	201K	354K	266K		(43)	(25)
Non Recurring Product	0K	238K	36K		(100)	(100)
Professional Services	201K	116K	230K		+74	(13)
Training	0K	0K	0K			
Other Revenue	16K	10K	0K		+62	
= Net Revenue	2,629K	2,532K	2,636K		+4	(0)
- Material	0K	0K	0K			
- Labor	163K	144K	144K		+13	+13
- Hosting	21K	11K	20K		+90	+8
- Professional Services COGS	88K	81K	67K		+9	+31
- Other COGS	23K	6K	54K		+252	(58)
= Total COGS	294K	243K	284K		+21	+4
= Gross Margin	2,335K	2,289K	2,352K		+2	(1)
= Total Product	2,222K	2,255K	2,188K		(1)	+2
= Total Services	112K	35K	163K		+225	(31)
- R&D	1,072K	905K	1,130K		+19	(5)
- Sales	427K	433K	620K		(1)	(31)
- Marketing	399K	290K	536K		+38	(26)
- Administrative	537K	371K	500K		+45	+7
- pre-Sales OPEX	105K	65K	126K		+62	(17)
- Services Labor	91K	157K	191K		(42)	(52)
- Other	0K	0K	0K			
= Total OPEX (excl D&A)	2,631K	2,220K	3,102K		+19	(15)
= Reported EBITDA	(296K)	69K	(750K)		(529)	+60
= Adjusted EBITDA	(151K)	70K	(612K)		(317)	+75
= Adjusted Cash EBITDA	508K	613K	(360K)		(17)	+241



# Sales & Marketing

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# New Business Bookings

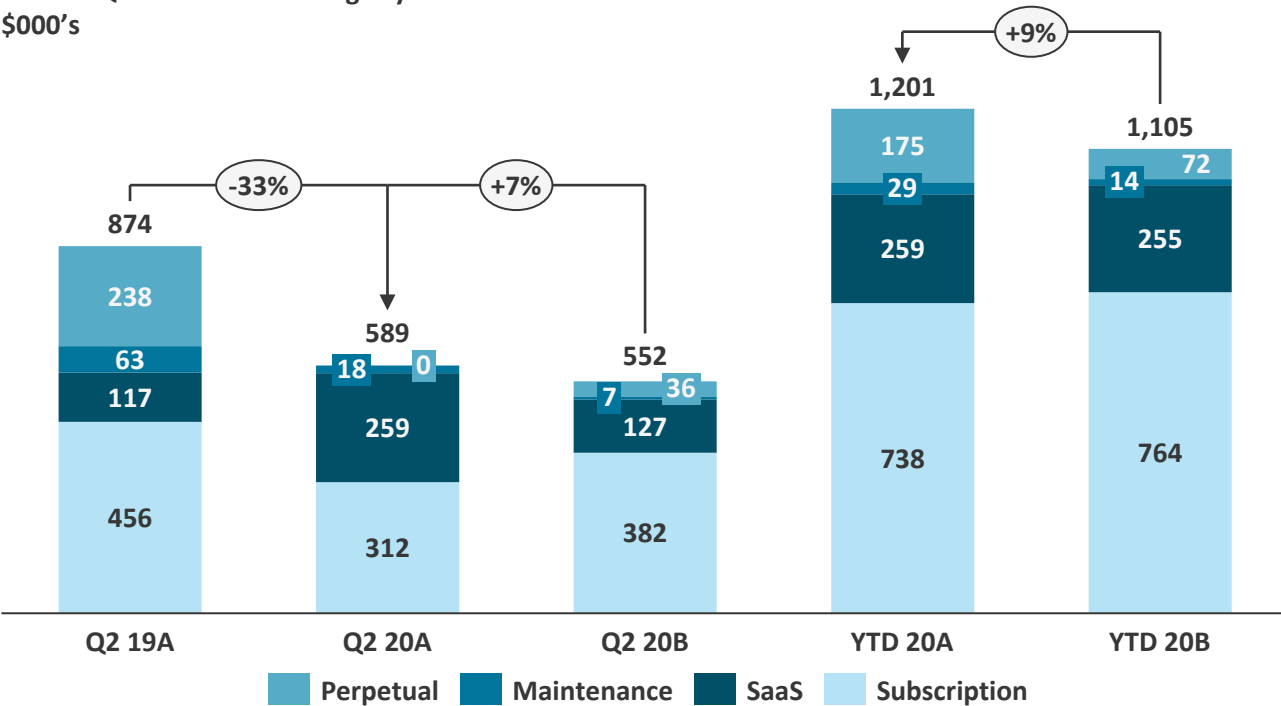
## Key Wins

Customer	ARR	Other	Comments
Haventree Bank	\$ 129K		New SaaS Deal
St. of Cal. Dept Corrections	\$ 65K		Upsell SaaS (\$130K for 2-year term)
St. of AZ Dept of Ed	\$ 34K		Upsell Subscription
New Zealand MBIE	\$ 14K		Upsell Subscription – Solentive Partnership
Microsoft	\$ 70K		New Subscription Deal
Caliber	\$ 13K		Upsell Subscription Licenses
Tokio Marine	\$ 130K		Upsell - JavaScript
Kaiser	\$ 50K		New Subscription Deal
Total	\$505K	\$0K	

## Key Delays/Losses

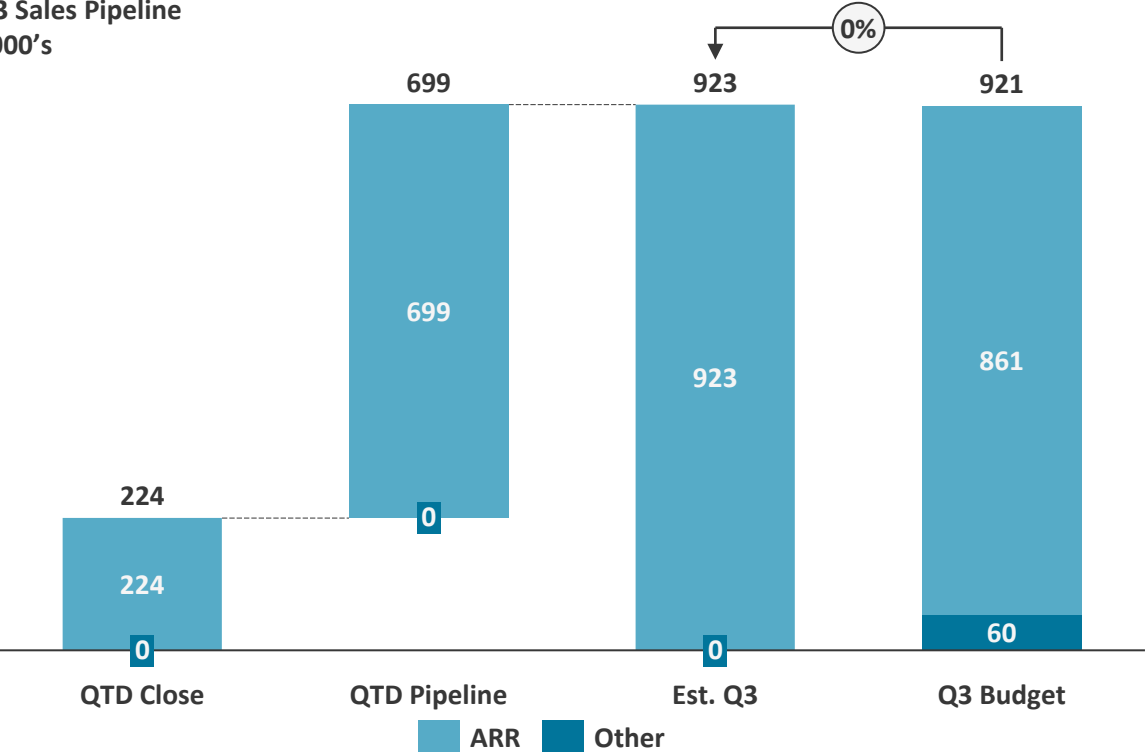
Customer	ARR	Other	Comments
Hometrust Mortgage	\$88K		Reduced budget due to COVID - will continue using SAP
Securian Bank	\$118K		Project placed on hold due to COVID
Bank of America	\$100K		Project placed on hold due to COVID
Total	\$306K	\$0K	

Second Quarter New Bookings by Product  
\$000's



# Sales Pipeline - Quarter 3

Q3 Sales Pipeline  
\$000's



Q3 Likely/Commit Pipeline			
Customer	Subscription	SaaS	Comments
HMS Java Engine	\$250K		Expected Close September
Retail Business Services		\$116K	Expected Close August
BUPA Global Claims		\$150K	Expected Close September
CVS	\$117K		Expected Close September
NN Group	\$66K		Expected Close September
Total	\$549K	\$205K	

## Pipeline Commentary

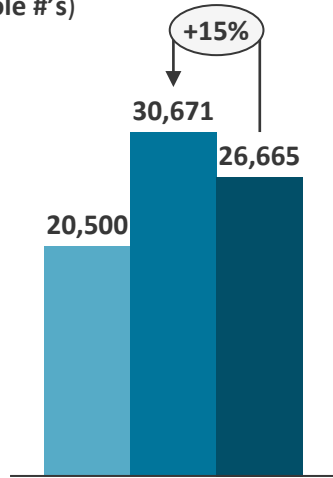
- Strong early start to Q3
- Solid pipeline coverage against AOP
- COVID related uncertainty is resulting in a frequently changing forecast

# Marketing Metrics

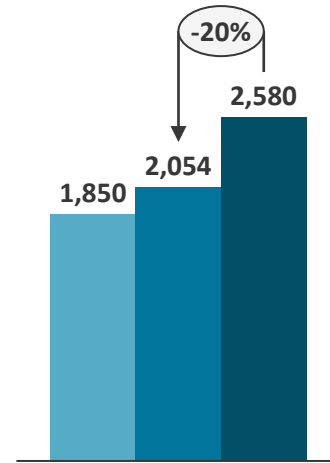
QTD

\$ (whole #'s)

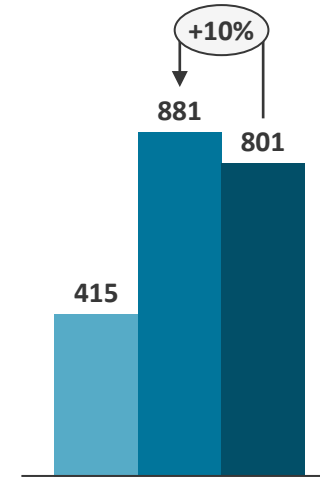
2019A 2020A 2020B



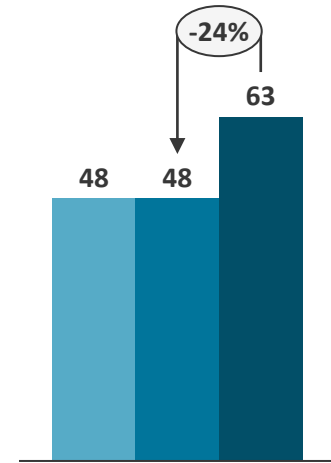
Web Visitors



Marketing Leads

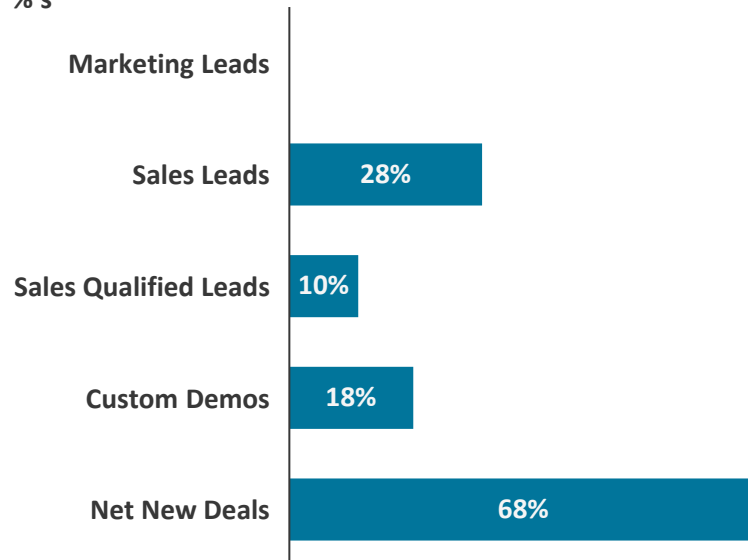


Sales Leads



SQLs

Pipeline Conversion  
%'s



- COVID is resulting in conversion model “drift”:
  - Conference cancellations continue to put pressure on Marketing Leads
  - Overachieve of Sales Leads, but fewer SQLs

# 18 Month Forecast



# Assumptions and Key Results

## 2020 Re-Forecast (Realistic Case) Key Assumptions:

- Churn Rate-9% for H1 and 16% for H2
- \$1.0M New ARR Bookings in H1; Projecting \$1.2M in H2-FY \$2.2M
- Pro Services \$550K in H1; Projecting a slow down to \$400K in H2
- DSO = 60; DPO = 40

## 2020 Re-Forecast (Realistic Case) Key Results:

- Full Year 2020 churn expected to be 12.5% as projected in Scenario B
- New License ARR Bookings expected to be 77% of Original AOP
- Overall Revenue Growth of 5.5%; Recurring Revenue \$10.5M, 12% growth over 2019
- ARR Growth of 10% in 2020 ending at \$11.6M
- Projecting 100% achievement of full year Pro Services Original AOP
- Neutral cash flow from operations in 2020
- Ending Liquidity \$3.3M

## 2021 Forecast Key Assumptions:

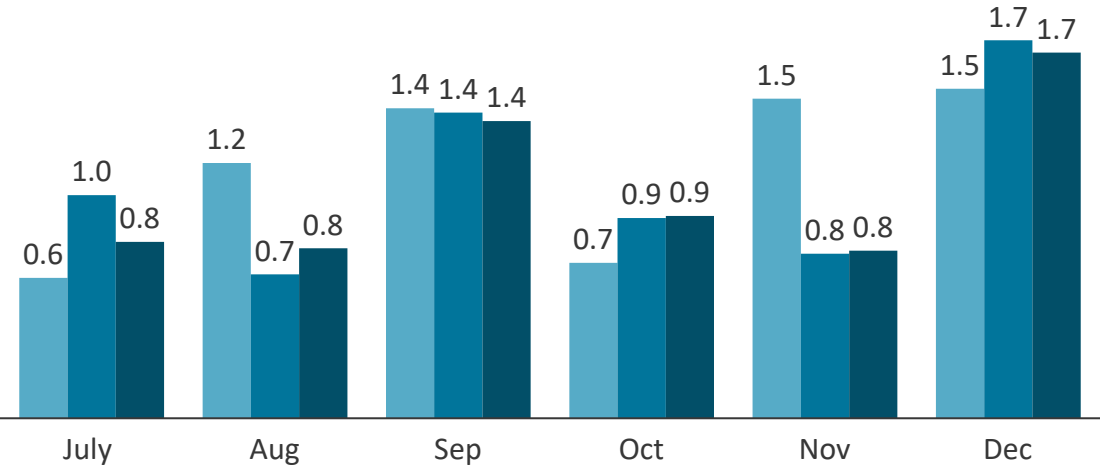
- Full Year 2021 churn expected to be 10%
- New Business ARR Bookings \$2.4M
- Pro Services Revenue \$1.1M
- DSO = 56 ; DPO = 40
- 10% increase in overall expenses
- 5 headcount adds throughout the year (1 Support/1 R&D/2 Sales/1 G&A)
- Any investment in AI/ML will come through acquisition

## 2021 Forecast Key Results:

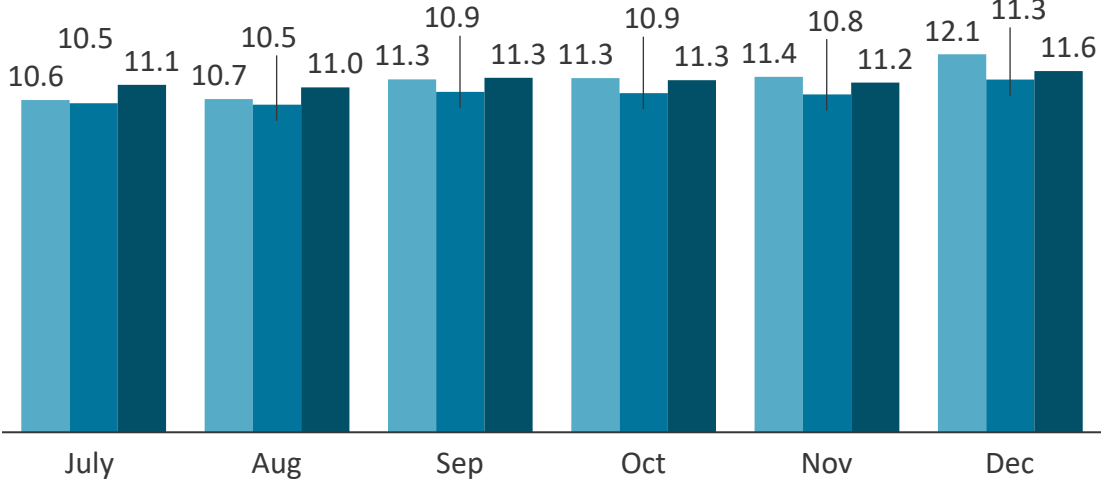
- New License ARR Bookings expected to grow 10% over 2020
- Overall Bookings growth of 11%
- Overall Revenue Growth 15.4%; Recurring Revenue \$12.3M, 17.6% growth over 2020
- ARR Growth of 11% in 2021 ending at \$12.8M
- Neutral cash flow from operations in 2021
- Ending Liquidity \$2.5M

AOP Scenario B Re-Forecast (RC)

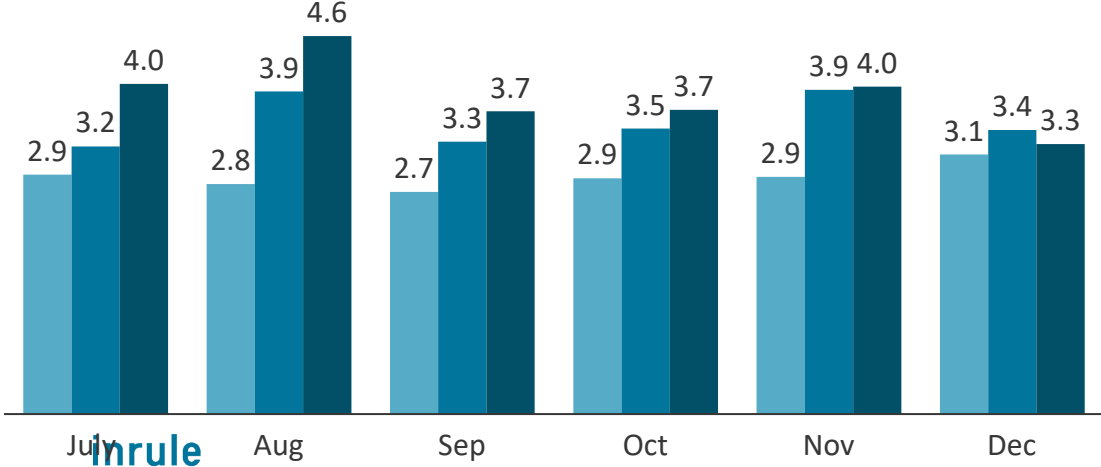
2020 Net Revenue forecast comparisons



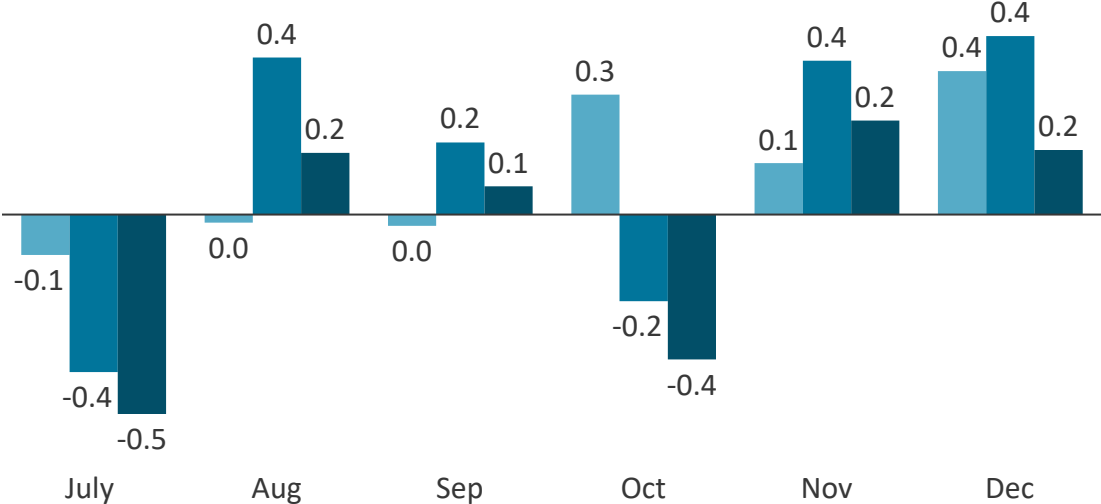
2020 ARR forecast comparisons



2020 Total Liquidity forecast comparisons



2020 Cash EBITDA comparisons



## 2020 Re-Forecast (RC) is tightly aligned with full year Scenario B assumptions

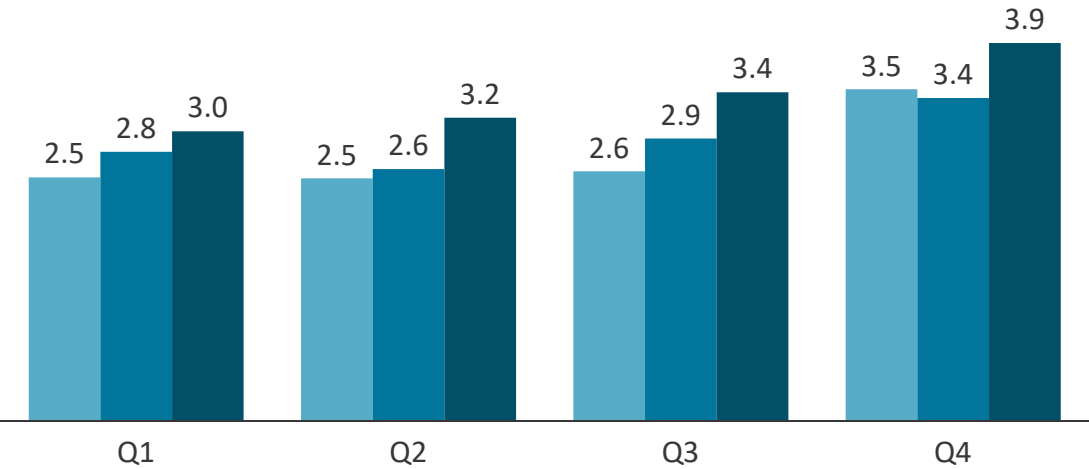
\$000's	2020 Summary P&L																
	Actual Jan-20	Actual Feb-20	Actual Mar-20	Qtr Ending Mar-20	Actual Apr-20	Actual May-20	Actual Jun-20	Qtr Ending Jun-20	Forecast Jul-20	Forecast Aug-20	Forecast Sep-20	Qtr Ending Sep-20	Forecast Oct-20	Forecast Nov-20	Forecast Dec-20	Qtr Ending Dec-20	Forecast FY 2020
Bookings	642	915	1,189	2,746	793	854	1,641	3,289	513	1,190	1,343	3,047	636	1,220	1,539	3,394	12,476
ARR	10,445	10,311	10,600	10,600	10,673	10,859	11,201	11,201	11,118	11,034	11,342	11,342	11,266	11,190	11,558	11,558	11,558
Gross Revenue	919	688	1,202	2,810	765	785	1,079	2,629	808	779	1,361	2,948	927	768	1,675	3,370	11,758
Total Recurring Revenue	719	474	1,060	2,253	702	710	1,001	2,413	741	712	1,251	2,705	859	700	1,559	3,118	10,489
Recurring Product	719	474	1,060	2,253	702	710	1,001	2,413	741	712	1,251	2,705	859	700	1,559	3,118	10,489
Cloud/SAAS	74	70	74	219	72	83	83	238	93	84	73	250	92	100	101	294	1,000
TBL	279	59	611	950	237	248	558	1,042	290	281	837	1,408	402	243	1,084	1,728	5,129
Maintenance & Support	365	345	374	1,085	393	380	360	1,133	358	347	341	1,046	365	357	374	1,096	4,360
Recurring Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non Recurring Revenue	210	196	137	543	59	70	72	201	67	67	109	244	68	68	116	252	1,239
Non Recurring Product	58	117	-	175	-	-	-	-	6	6	48	60	7	7	54	68	303
Professional Services	152	79	137	368	59	70	72	201	61	61	61	184	61	61	61	184	936
Training	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(10)	18	6	14	5	5	7	16	-	-	-	-	-	-	-	-	30
Net Revenue	919	688	1,202	2,810	765	785	1,079	2,629	808	779	1,361	2,948	927	768	1,675	3,370	11,758
Material	-	-	-		-	-	-		-	-	-		-	-	-		-
Labor	48	47	50		58	54	50		45	43	49		46	46	49		585
Hosting	8	8	9		9	7	5		7	7	7		7	7	7		87
Professional Services COGS	31	49	49		27	31	30		20	15	22		22	22	22		340
Other COGS	0	1	3		0	2	20		5	85	6		3	2	11		139
Total COGS	87	104	111	302	94	95	106	294	77	150	84	310	78	77	89	244	1,151
Gross Margin	832	584	1,092	2,508	671	690	973	2,335	731	630	1,277	2,638	850	691	1,586	3,126	10,607
Total Product	712	553	1,004	2,269	640	651	932	2,222	690	583	1,238	2,511	811	651	1,546	3,008	10,011
Total Services	121	31	88	239	32	39	41	112	41	47	39	127	39	39	39	118	596
Total OPEX (excl D&A)	852	809	955	2,616	864	808	959	2,631	1,008	942	1,217	3,167	947	924	1,306	3,178	11,592
Reported EBITDA	(19)	(225)	137	(107)	(193)	(118)	14	(296)	(276)	(313)	60	(529)	(98)	(234)	279	(52)	(985)
Adjusted EBITDA	10	(187)	163	(13)	(154)	(98)	102	(151)	(206)	(255)	89	(372)	(71)	(217)	298	11	(526)
Adjusted Cash EBITDA	(267)	40	150	(77)	(127)	(29)	664	509	(500)	155	71	(274)	(363)	236	162	35	193
Ending Cash	3,836	3,604	4,505	4,505	4,322	4,190	3,992	3,992	3,499	4,080	3,168	3,168	3,185	3,467	2,770	2,770	2,770



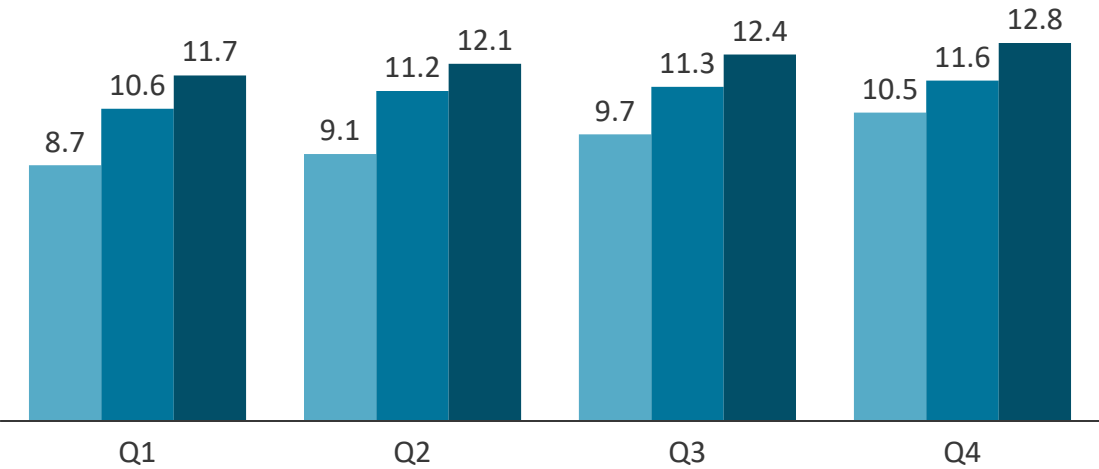
Due to COVID -19 we expect 2021 new business bookings growth to be equivalent to 2019

2019 2020 2021

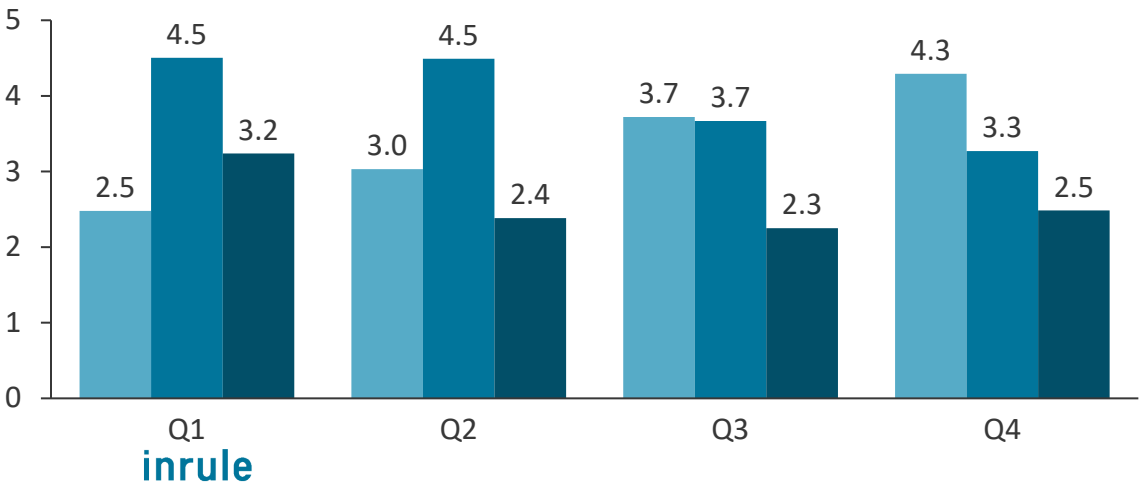
2021 Net Revenue forecast comparisons



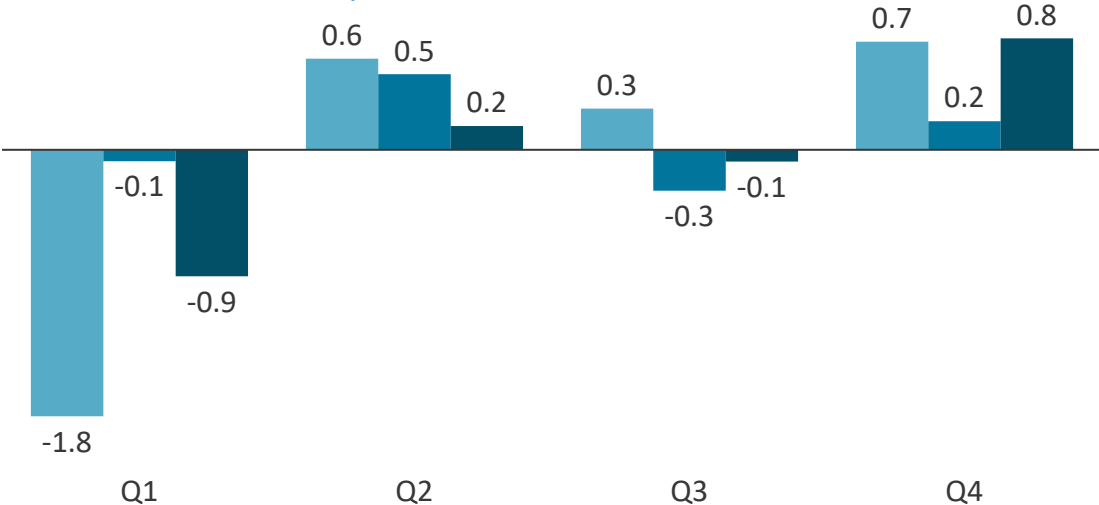
2021 ARR forecast comparisons



2021 Total Liquidity forecast comparisons



2021 Cash EBITDA comparisons



\$000's	2021 Summary P&L				
	Q1 Mar-21	Q2 Jun-21	Q3 Sep-21	Q4 Dec-21	FY 2021
<b>Bookings</b>	<b>2,495</b>	<b>3,683</b>	<b>3,440</b>	<b>4,238</b>	<b>13,856</b>
<i>ARR</i>	<i>11,731</i>	<i>12,127</i>	<i>12,442</i>	<i>12,832</i>	<i>12,832</i>
<b>Gross Revenue</b>	<b>3,023</b>	<b>3,166</b>	<b>3,431</b>	<b>3,945</b>	<b>13,565</b>
<b>Total Recurring Revenue</b>	<b>2,724</b>	<b>2,854</b>	<b>3,124</b>	<b>3,633</b>	<b>12,335</b>
<b>Recurring Product</b>	<b>2,724</b>	<b>2,854</b>	<b>3,124</b>	<b>3,633</b>	<b>12,335</b>
Cloud/SAAS	329	363	405	425	1,522
TBL	1,293	1,387	1,611	2,084	6,375
Maintenance & Support	1,103	1,103	1,107	1,125	4,437
Recurring Services	-	-	-	-	-
<b>Total Non Recurring Revenue</b>	<b>299</b>	<b>312</b>	<b>307</b>	<b>312</b>	<b>1,230</b>
Non Recurring Product	29	42	37	42	150
Professional Services	270	270	270	270	1,080
Training	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Revenue</b>	<b>3,023</b>	<b>3,166</b>	<b>3,431</b>	<b>3,945</b>	<b>13,565</b>
<b>Total COGS</b>	<b>266</b>	<b>270</b>	<b>282</b>	<b>276</b>	<b>1,095</b>
<b>Gross Margin</b>	<b>2,756</b>	<b>2,895</b>	<b>3,149</b>	<b>3,669</b>	<b>12,470</b>
<i>Total Product</i>	<i>2,579</i>	<i>2,718</i>	<i>2,972</i>	<i>3,492</i>	<i>11,762</i>
<i>Total Services</i>	<i>177</i>	<i>177</i>	<i>177</i>	<i>177</i>	<i>708</i>
<b>Total OPEX (excl D&amp;A)</b>	<b>3,079</b>	<b>3,252</b>	<b>3,237</b>	<b>3,271</b>	<b>12,840</b>
<b>Reported EBITDA</b>	<b>(323)</b>	<b>(357)</b>	<b>(88)</b>	<b>398</b>	<b>(370)</b>
<b>Adjusted EBITDA</b>	<b>(323)</b>	<b>(357)</b>	<b>(88)</b>	<b>458</b>	<b>(310)</b>
<b>Adjusted Cash EBITDA</b>	<b>(850)</b>	<b>160</b>	<b>(79)</b>	<b>750</b>	<b>(19)</b>
<b>Ending Cash</b>	<b>2,738</b>	<b>1,884</b>	<b>1,750</b>	<b>1,986</b>	<b>1,986</b>

# M&A Discussion

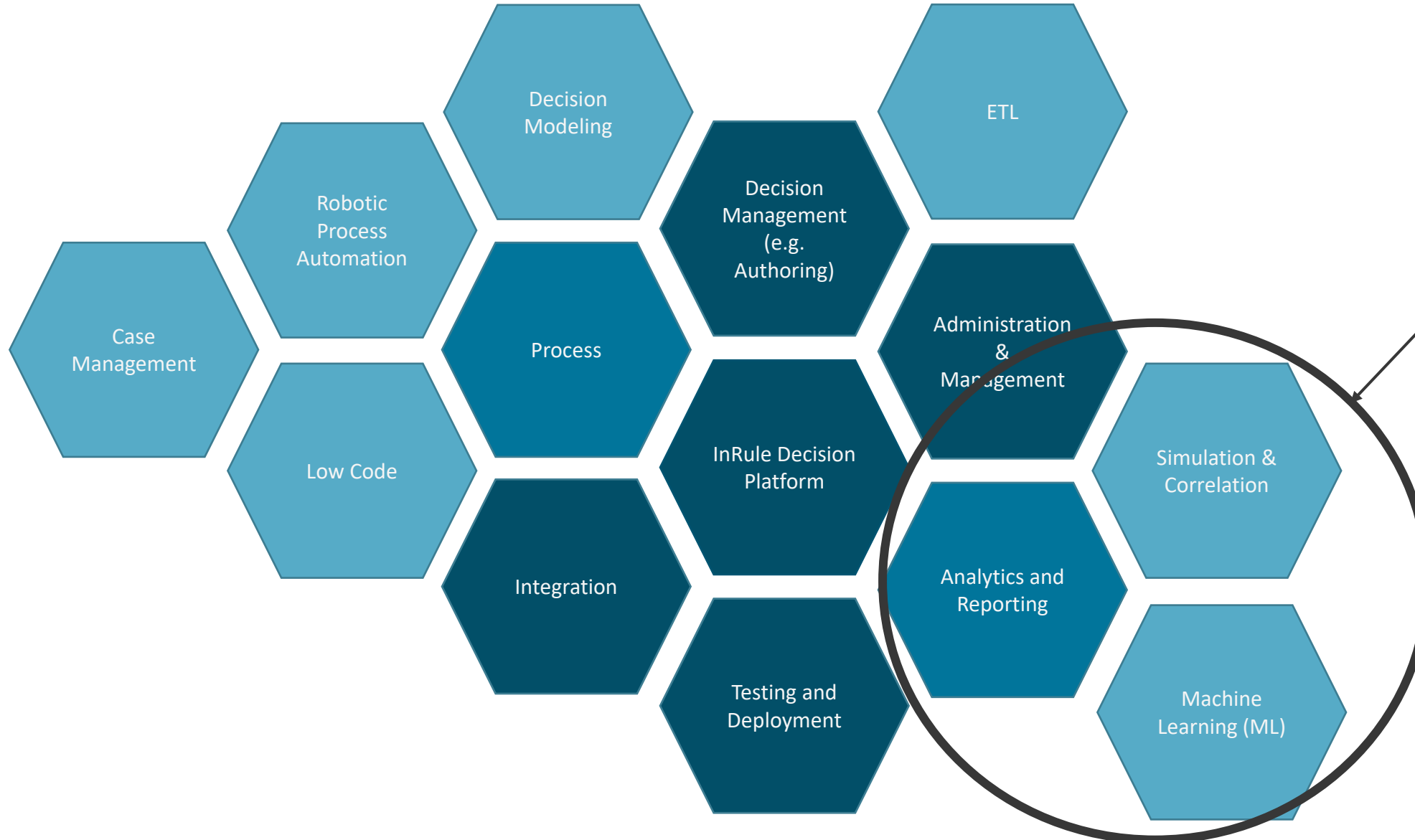
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# Vision

**InRule will be recognized as the leading Decision Platform in the modern enterprise within key verticals.**

**Our best-of-breed solution will operationalize, accelerate, and optimize the application of artificial intelligence to address complex decisions with dynamic requirements.**

# Adjacent Capabilities Towards a Horizontal Platform



## AI + Digital Decisions:

- ✓ Validated with Forrester and Gartner as credible for InRule
- ✓ Aligns with their views on AI and Digital Decisioning

# M&A Activities Since Last Update

- Identified key features and functions for Digital Decisioning
- Met with Forrester and Gartner analysts to validate strategy for M&A
- Developed framework for M&A fit
- Established initial pipeline of opportunities

# M&A Targets

- Adjacent technology stack that will “move the needle” for overall ARR
  - Low-code, process, RPA, etc.
  - Current opportunities/targets: 1 (low-code, FinTech)
- AutoML
  - InRule’s core market is moving towards machine learning; need to fill the gap
  - Not enough time to build it ourselves
  - Most in the \$1-2M ARR range
  - Current opportunities/targets: 6
- Model Ops
  - Nascent space
  - Most <\$1M ARR
  - Possible to fill the gap through in-house technology

# M&A Sequence

- If possible, acquire AutoML first
  - Market is moving fast
  - It will be easier to absorb quickly than a larger company
  - Smaller “pilot” will exercise InRule’s capability for M&A
  - Allows us to build-out a framework and playbook for assimilation
- Acquire larger, adjacent technology after AutoML
  - Larger upsell opportunity to Target Co with stronger declarative/non-declarative story
  - InRule Sales and Marketing in a better position to absorb/merge Target Co Sales and Marketing
- Build out Model Ops as needed



# M&A Pipeline

Company	Lead	Category	Initial Contact	Connected	Intro Call	NDA	Call / Web	Diligence Request Li	IOI	History	Next Steps	Notes
Active												
Ople.ai	InRule	AutoML	Pedro Alves, CEO	7/8/2020	7/20/2020	No	<a href="https://inrule.zoom.us/j/60454940000">https://inrule.zoom.us/j/60454940000</a>			Demo 7/21. Trial started	InRule to follow-up	2017. 18 people, SF/Russia. Pure Cloud (AWS). Industries: insurance, manufacturing, operational prediction, marketing. OEM pocs with 4 software companies. Revenue: \$300k. Market price per user \$5k-\$20k
DMWay	InRule	AutoML	Gil Nizri (Founder, CEO) , Ronen Meiri (Founder, CTO)	7/1/2020	7/7/2020	No	<a href="https://inrule.zoom.us/j/60454940000">https://inrule.zoom.us/j/60454940000</a>			Demo 7/17. Common customer follow-up by InRule	InRule to follow-up	10 emp, Round 2 diligence, EMEA. US Indirect, LOI with Experian, expect better Wave 2020, Insurance, Lending, Elect, Telco, \$1M revenue
Lityx	InRule	AutoML	Paul Maiste (Founder, CEO)	7/1/2020	7/8/2020	No				Demo 7/23.	InRule to follow-up	20 emp, 25% 4y CAGR,\$3M, \$1.5M ARR, no funding, mid-level market, Mktg/HiEd/Healthcare
Quickpath	InRule	ModelOps	Alex Fly (Co-founder, CEO), Trent McDaniel (Co-founder, CTO)	6/23/2020	7/1/2020	No				Follow-up call to be scheduled by InRule	InRule to follow-up	Interested in OEM only
SquarkAI	InRule	AutoML	Judah Phillips (Founder, CEO)	7/8/2020	7/13/2020	No	<a href="https://inrule.zoom.us/j/60454940000">https://inrule.zoom.us/j/60454940000</a>			Demo 7/20. Common customer follow-up by InRule	InRule to follow-up	8-14 emp, \$400K ARR, Price: \$10-\$20k/user. Currently raising pre-money. Mktg/Sales/Insurance/Healthcare
PI.Exchange	OGC	AutoML	Quan Pham (Founder, CEO), Richard Everett (Head of Sales/BD)	7/1/2020	7/14/2020	No				Demo 7/23.	InRule to follow-up	25 emp, \$1M, 60%/55%, some funding, pricing enterprise: \$18k/m with \$60-\$70k consulting. Churn, profitability, finance, CX, SI: Deloitte, others. IPO now plan BAPAC, Vietnam/Singapore, EU. About 20 customers. 50% Malaysia, 50% Vietnam (dead). Plans for India
OrangeGrid	OGC	Low-Code	Anup Agarwal (Marlin LLC)	6/19/2020	7/13/2020	No				Follow-up call to be scheduled by InRule	InRule to follow-up	
Plot.ly	OGC	AutoML	Jack Parmer (Founder, CEO)	7/9/2020		No				Follow-up call to be scheduled by InRule	InRule to follow-up	Interested in OEM only

# Appendix

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Latest Month

▼

Jun 2020

Month

QTD

YTD

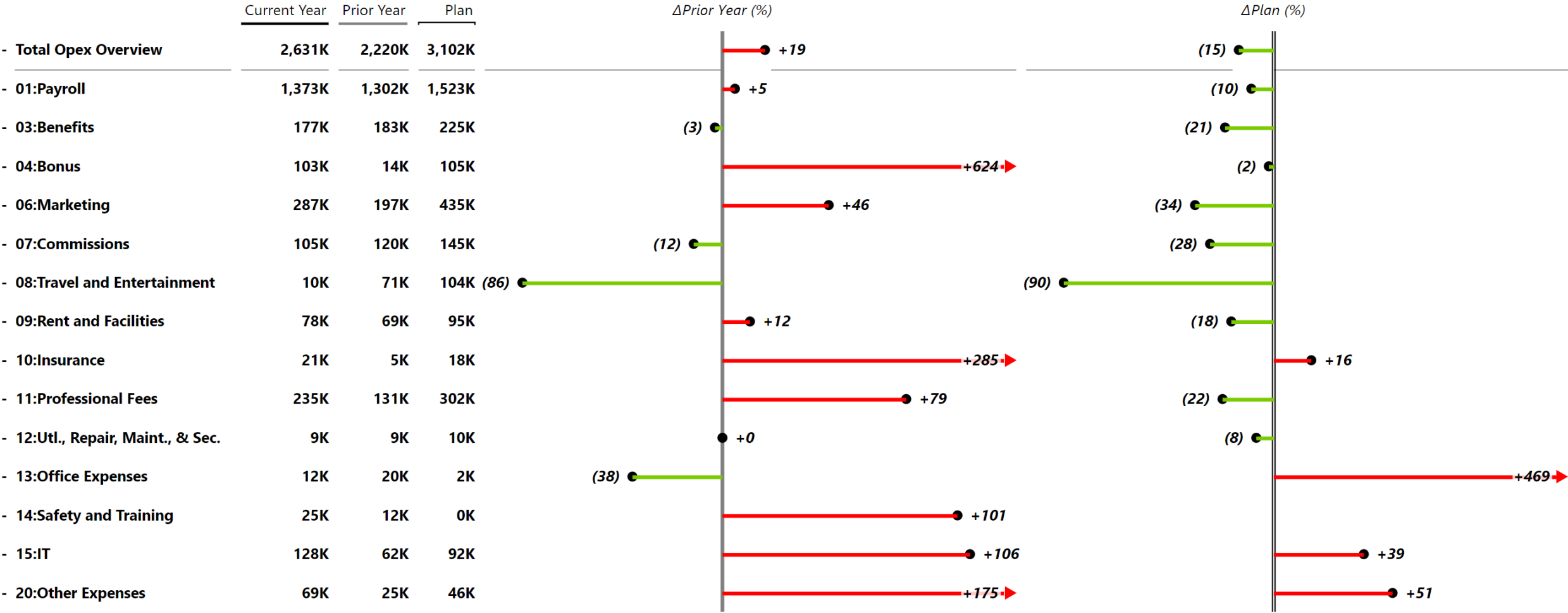
TTM

Plan Scenario

AOP

▼

Opex Overview



# Total Opex

Current Year

2020

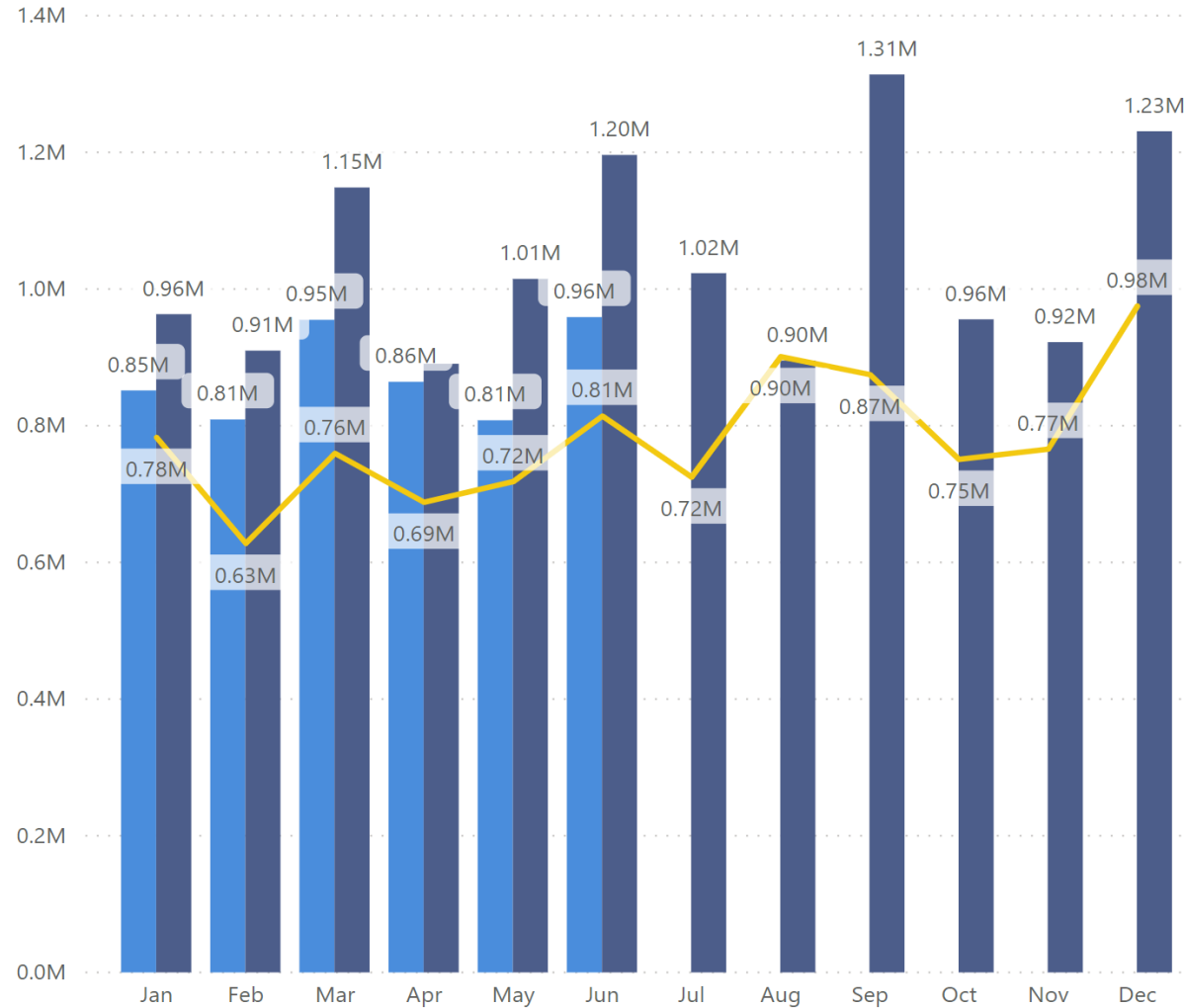
Plan Scenario

AOP

inrule

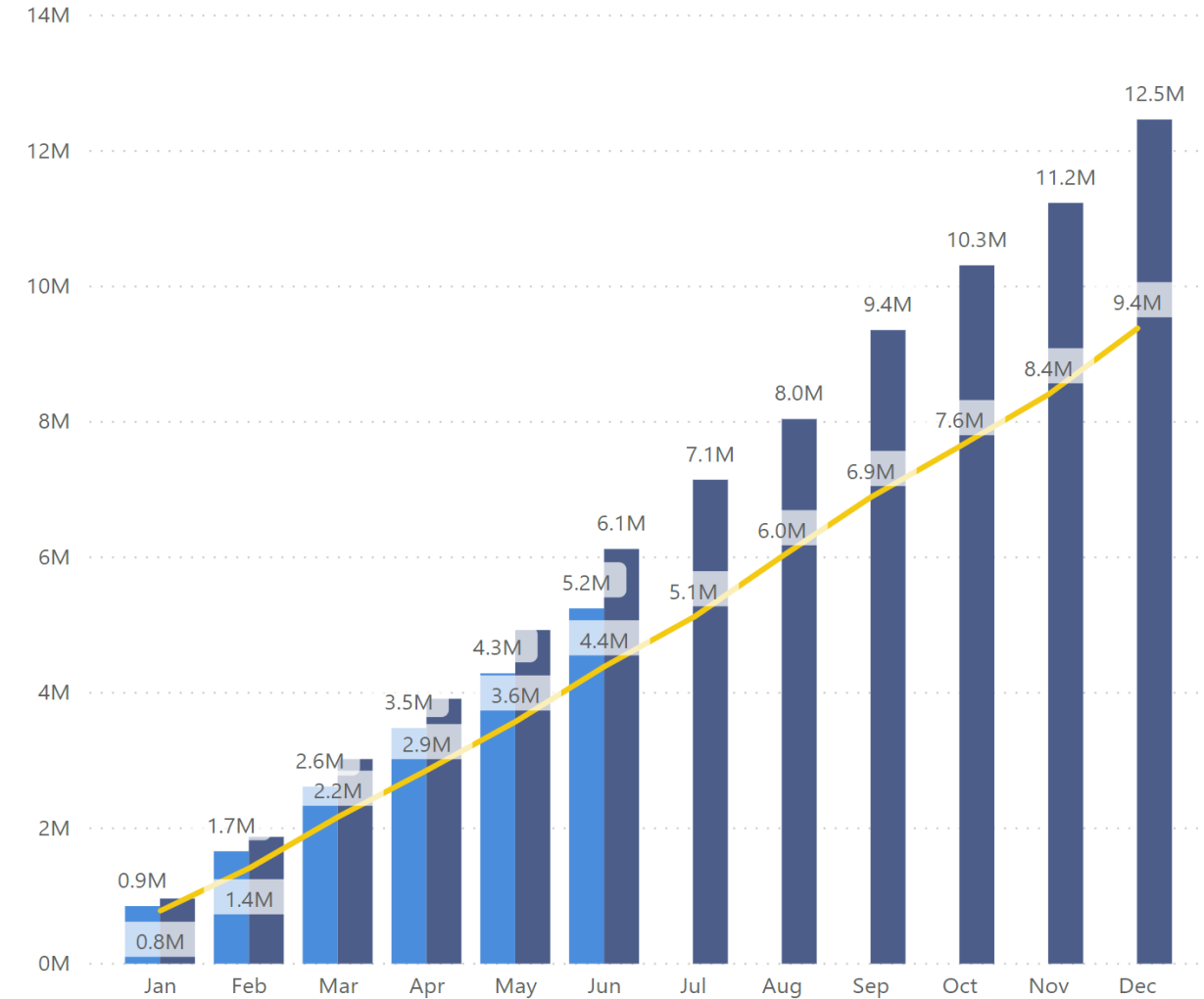
## Monthly Total Opex (excl. D&A)

Actuals Plan Prior Year



## Total Opex (excl. D&A) - YTD

Actuals Plan Prior Year



inrule

# Gross Margin

Current Year ▾

2020

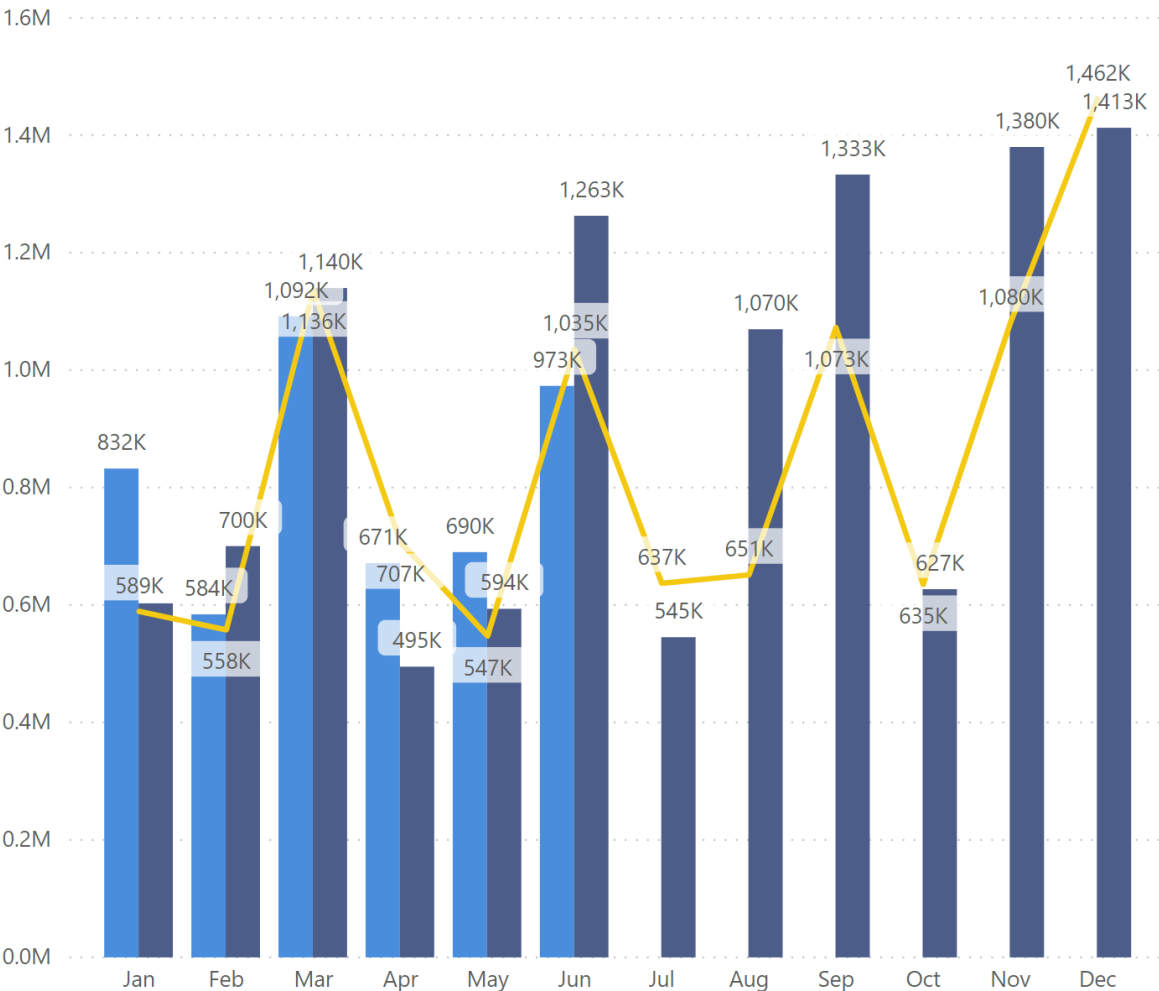
Plan Scenario

AOP ▾

inrule

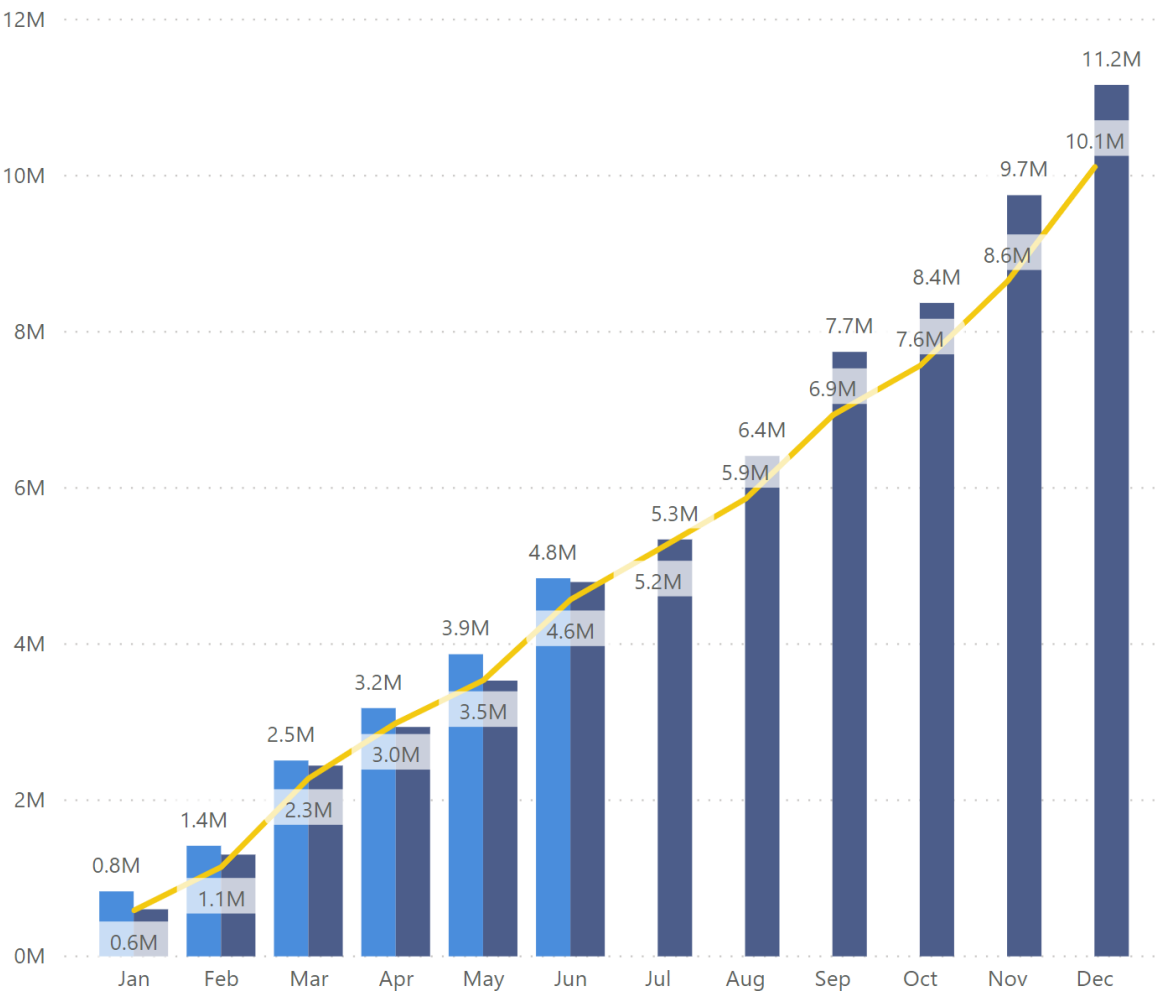
## Monthly Gross Margin

Actuals Plan Prior Year



## Gross Margin - YTD

Actuals Plan Prior Year



# Gross Margin and Total COGS as % of Revenue

## Tech

Current Year

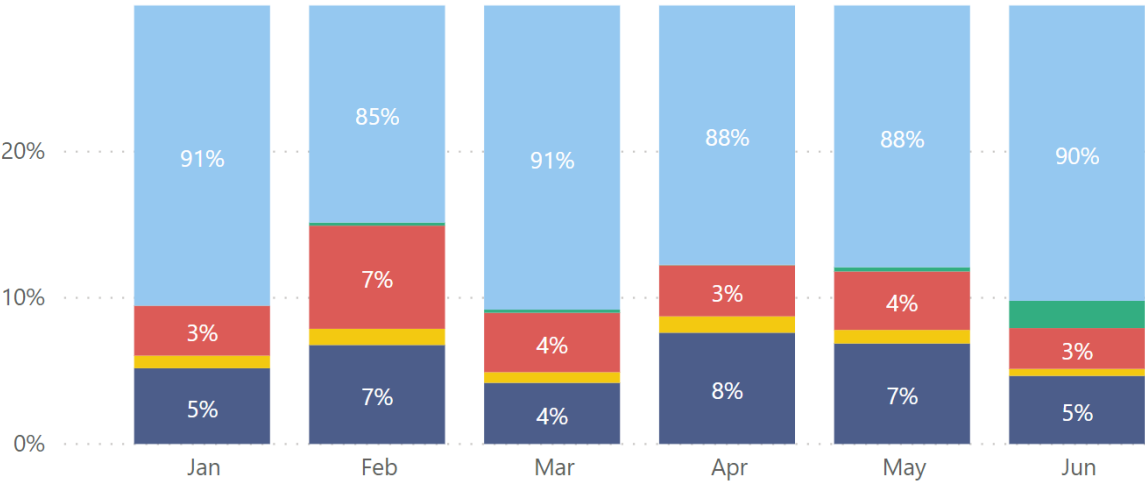
2020

Compare to:  
Prior Year



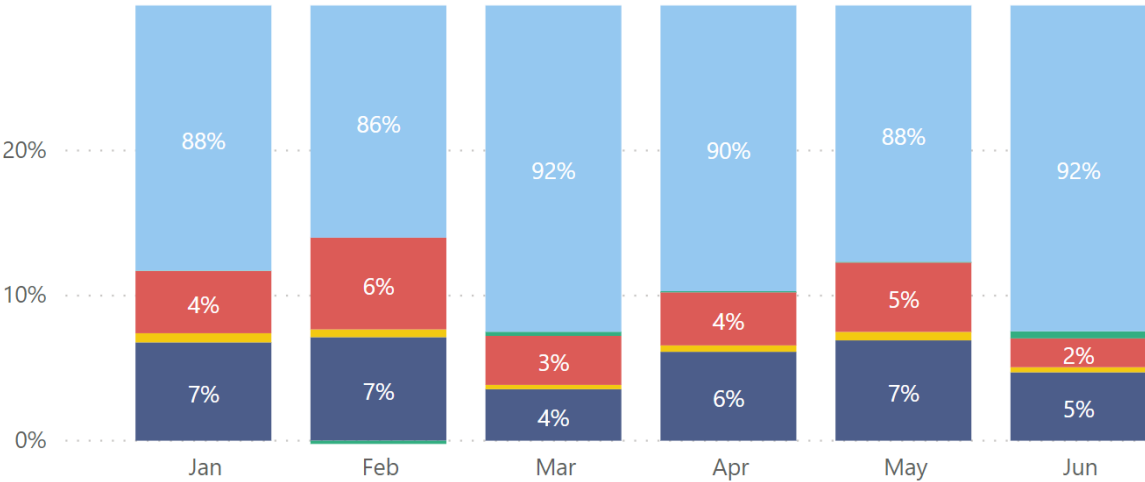
Monthly GM and Total COGS as % of Revenue - Actuals

Material Labor Hosting Professional Services COGS Other COGS Gross Margin



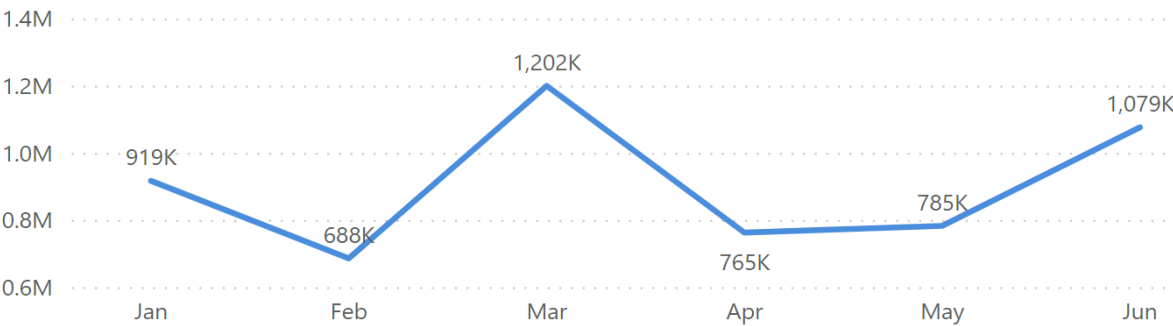
Prior Year

Material Labor Hosting Professional Services COGS Other COGS Gross Margin



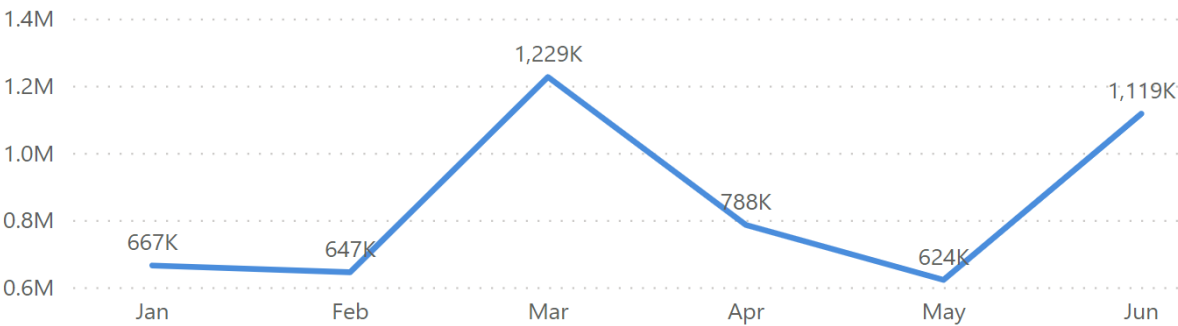
Monthly Net Revenue - Actuals

Net Revenue



Prior Year

Net Revenue



# EBITDA Bridge - Actuals vs. Plan

Latest Month

Jun 2020

Month

QTD

YTD

TTM

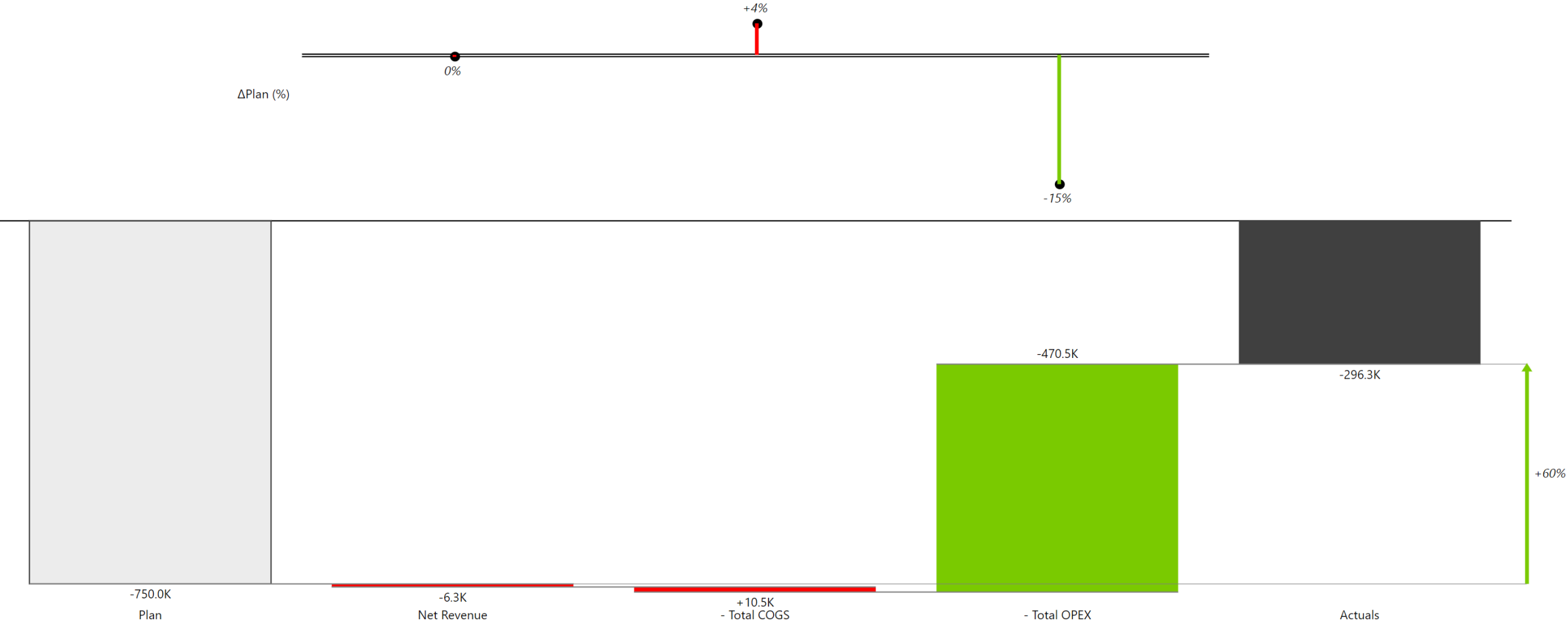
Plan Scenario

AOP

\* Reported EBITDA

Drill down for detailed view

EBITDA Bridge - Actuals vs. Plan



# EBITDA Bridge - Actuals vs. Prior Year

Latest Month ▾

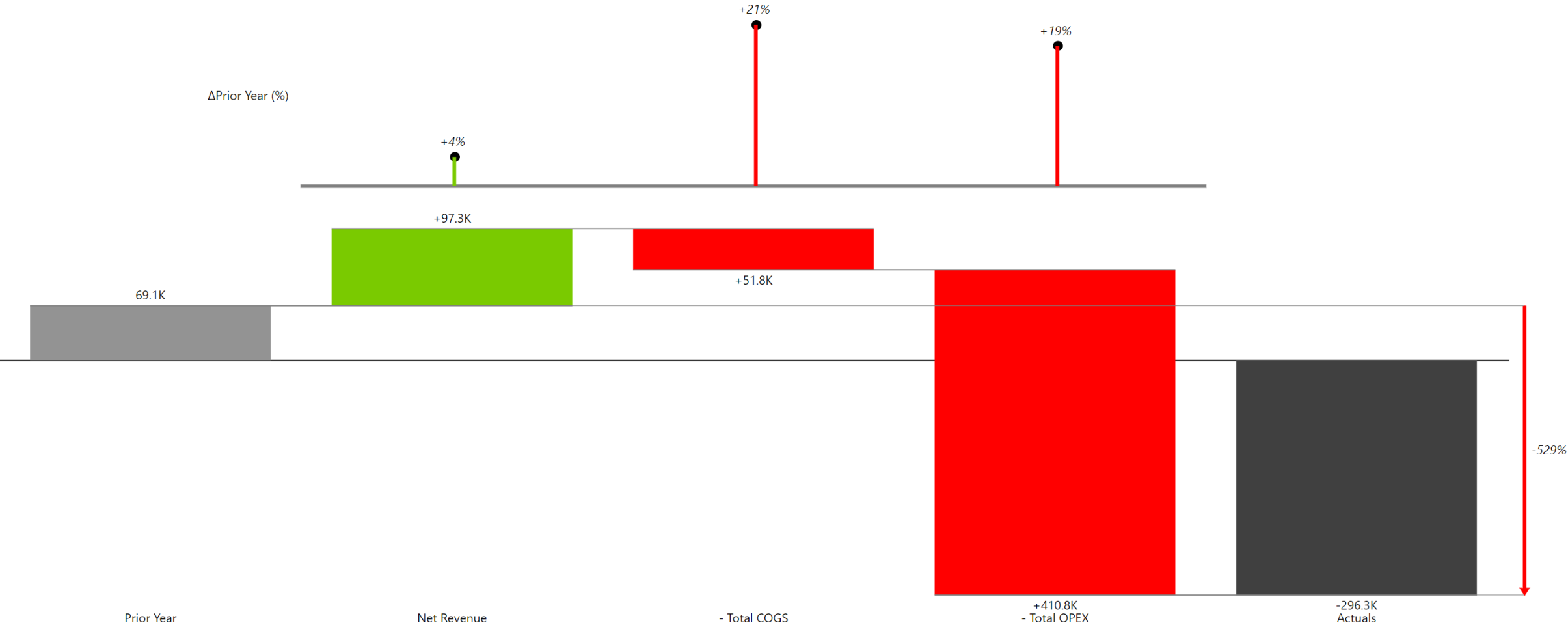
Jun 2020

Month QTD YTD TTM

\* Reported EBITDA

Drill down for detailed view

EBITDA Bridge - Actuals vs. Prior Year





# Balance Sheet

Latest Month ▾

Jun 2020

Plan Scenario

AOP ▾

## Balance Sheet

	Current Year	Prior Year	Plan	ΔPrior Year (%)	ΔPlan (%)
Cash and cash equivalents	3,992K	2,032K	2,668K	+96	+50
Accounts receivable, gross	2,211K	2,244K	2,002K	(1)	+10
Accounts receivable, reserves	(20K)	0K	0K		
<b>= Accounts receivable, net</b>	<b>2,191K</b>	<b>2,244K</b>	<b>2,002K</b>	<b>(2)</b>	<b>+9</b>
Prepaid expenses and other current assets	162K	81K	118K	+100	+37
<b>= Total Current Assets</b>	<b>6,345K</b>	<b>4,357K</b>	<b>4,788K</b>	<b>+46</b>	<b>+33</b>
Property, plant & equipment, gross	205K	472K	205K	(57)	(0)
Accumulated depreciation	(42K)	(237K)	(42K)	+82	(0)
<b>= Property, plant &amp; equipment, net</b>	<b>163K</b>	<b>235K</b>	<b>163K</b>	<b>(31)</b>	<b>(0)</b>
Identifiable intangible assets, gross	0K	0K	28,005K		(100)
Accumulated amortization	0K	0K	(2,708K)		+100
<b>= Identifiable intangible assets, net</b>	<b>25,297K</b>	<b>0K</b>	<b>25,297K</b>		<b>+0</b>
Deferred tax asset	0K	469K	0K	(100)	
Other non-current assets	0K	125K	0K	(100)	
<b>= Total Non-Current Assets</b>	<b>25,459K</b>	<b>828K</b>	<b>25,460K</b>	<b>+2,974</b>	<b>(0)</b>
<b>= Total Assets</b>	<b>31,804K</b>	<b>5,185K</b>	<b>30,248K</b>	<b>+513</b>	<b>+5</b>
- Accounts payable	173K	163K	206K	+6	(16)
- Accrued liabilities	301K	120K	410K	+150	(27)
- Accrued compensation	118K	151K	0K	(22)	
- Short-term unearned revenue	4,546K	4,045K	4,407K	+12	+3
- Other current liabilities	113K	39K	19K	+194	+495
<b>= Total Current Liabilities</b>	<b>5,251K</b>	<b>4,518K</b>	<b>5,043K</b>	<b>+16</b>	<b>+4</b>
- Long-term debt less current maturities	8,500K	0K	8,500K		
- Deferred income taxes	2,368K	0K	2,059K		+15
- Other non-current liabilities	2,106K	268K	1,890K	+687	+11
<b>= Total Long-term liabilities</b>	<b>12,974K</b>	<b>268K</b>	<b>12,449K</b>	<b>+4,748</b>	<b>+4</b>
<b>= Total Liabilities</b>	<b>18,225K</b>	<b>4,786K</b>	<b>17,492K</b>	<b>+281</b>	<b>+4</b>
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	(2,938K)	(2,019K)	(3,811K)	(46)	+23
Other equity transactions	0K	(50K)	0K	+100	
<b>= Total Shareholders' Equity</b>	<b>13,579K</b>	<b>399K</b>	<b>12,756K</b>	<b>+3,299</b>	<b>+6</b>
<b>= Total Liabilities and Shareholders' Equity</b>	<b>31,804K</b>	<b>5,185K</b>	<b>30,248K</b>	<b>+513</b>	<b>+5</b>

# Cash Flow Statement

Latest Month ▾

Jun 2020

Month

QTD

YTD

TTM

Plan Scenario

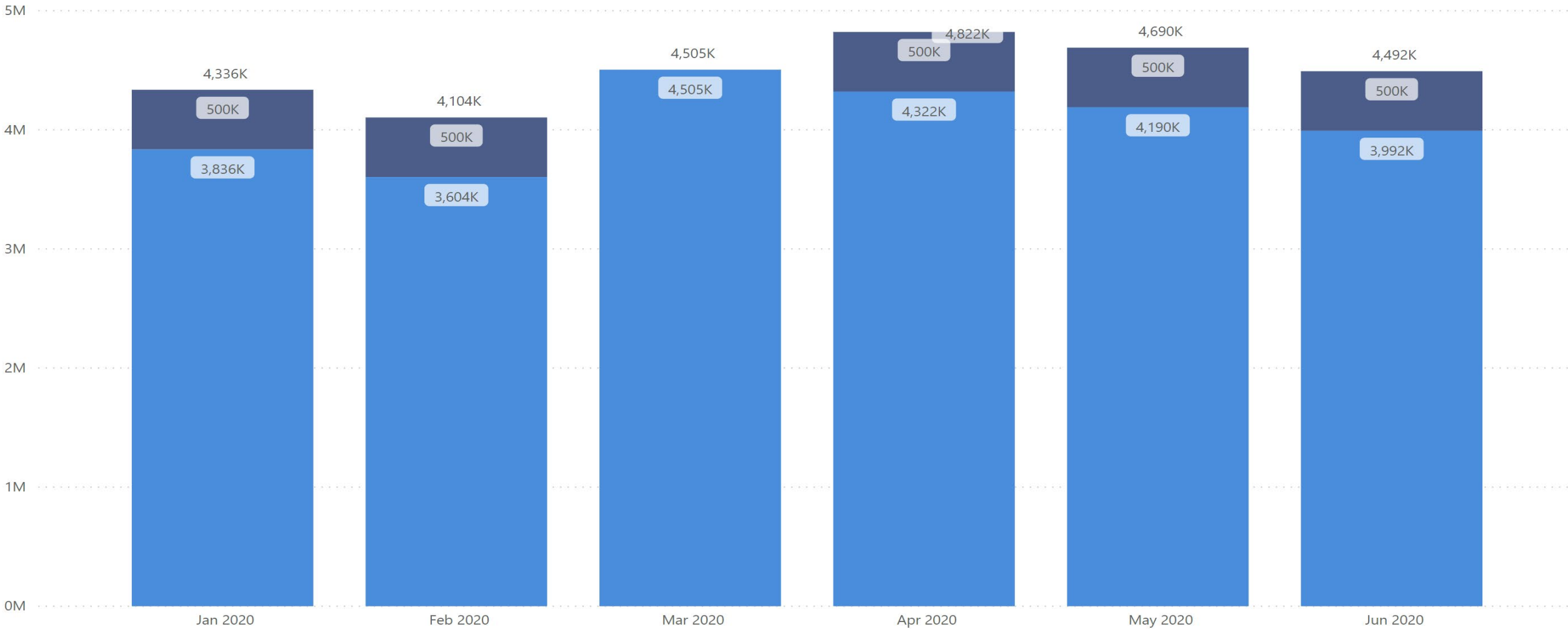
AOP ▾

Cash Flow Statement

	Current Year	Prior Year	Plan	ΔPrior Year (%)		ΔPlan (%)	
Net Income (Loss)	(1,224K)	(17K)	(1,733K)	◀ (7,072)			● +29
D&A	750K	0K	786K			(5)	●
Changes in accounts receivable	(248K)	(149K)	(58K)	(67)	●	(329)	●
Changes In Prepaid expenses and other current as...	29K	77K	(3K)	(62)	●		● +952
Changes in Accounts payable	(148K)	(15K)	8K	◀ (911)		◀ (2,046)	
Changes in Accrued expenses	164K	105K	12K		● +56		● +1,280
Other changes in operating assets and liabilities	5K	0K	5K				● +0
Other cash flow from operations	660K	543K	252K		● +21		● +161
<b>= Total Cash Flow from Operations</b>	<b>(13K)</b>	<b>544K</b>	<b>(732K)</b>	<b>(102)</b>	●		● +98
Other cash flow from investing	0K	7K		(100)	●		
<b>= Total Cash Flow from Investing</b>	<b>0K</b>	<b>7K</b>		<b>(100)</b>	●		
Proceeds from the issuance (repayment) of short-t...	(500K)	0K					
<b>= Total Cash Flow from Financing</b>	<b>(500K)</b>	<b>0K</b>					
Beginning Cash Balance	4,190K	2,252K	2,747K		● +86		● +53
Net change in cash	(198K)	(220K)	(73K)		● +10	(173)	
<b>= Ending Cash Balance</b>	<b>3,992K</b>	<b>2,032K</b>	<b>2,675K</b>		● +96		● +49

Monthly Liquidity

Ending Cash Balance Excess ABL Availability Actuals



\$000's

\$000's	Payroll Expenses by Dept											
	MTD		Var		QTD		Variance	Var	YTD		Variance	Var
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
COR	\$80	\$65	(\$15)	(19.2%)	\$251	\$189	(\$62)	(24.6%)	\$524	\$378	(\$146)	(27.9%)
R&D	\$300	\$312	\$12	4.1%	\$791	\$871	\$81	10.2%	\$1,586	\$1,766	\$181	11.4%
Sales & Marketing	\$177	\$213	\$35	20.0%	\$510	\$599	\$89	17.6%	\$1,006	\$1,129	\$123	12.2%
G&A	\$101	\$88	(\$12)	(12.2%)	\$261	\$230	(\$31)	(12.0%)	\$507	\$461	(\$47)	(9.2%)
OPEX Services	\$38	\$69	\$31	82.1%	\$91	\$191	\$100	110.2%	\$233	\$383	\$150	64.4%
Total	\$696	\$747	\$51	7.4%	\$1,903	\$2,081	\$177	9.3%	\$3,856	\$4,117	\$261	6.8%

## Payroll Expenses Commentary

- COR/OPEX Service – Overall favorable variance due to lower billing rate of contractor performing internal project work
- R&D – Backfill and budgeted open positions is causing a favorable MTD, QTD and YTD variance
- S&M – Favorable MTD, QTD and YTD variance due to unfilled budgeted positions
- G&A – Unfavorable variance due to accrual for new STD/LTD/Life/ADD in admin, will be allocated out to departments once bill is received from Cigna. Allocation of admin time from VP, Services is also contributing to the variance.

## Open Positions

Open Position	Type	Annual OTE	Status
VP of Services	New	\$250K	Open-Actively Recruiting
Content Marketing Manager	New	\$125K	Open-Preparing to Post

## Termed Staff (Q2 2020)

Position	Exit Reason	Exit Date	Severance
Director of Product Support	Voluntary	5/8/2020	2 weeks

Headcount (2019-2020)

