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2020 Annual Operating Plan

12 August 2020

# 2020 Annual Operating Plan Agenda

- Executive Summary & Company Evolution Overview
- 2020 Corporate Priorities & H1 Key Initiatives
- 2020 Financial Plan
- Strategic Plan
  - Product Machine Overview
  - Sales and Marketing Overview
- Appendix

# Company Evolution

	2017	2018	2019	2020	2021
	Focus on Customer Success	Tipping Point to Subscription	SaaS to the Future	It's all about the Decision Platform	Innovate
Product	<ul style="list-style-type: none"> <li>InRule for Javascript</li> <li>InRule for Salesforce</li> <li>Cloud-based trial</li> </ul>	<ul style="list-style-type: none"> <li>First SaaS customer</li> <li>.NET Core</li> <li>Web-based catalog manager</li> <li>AveriSource partnership</li> </ul>	<ul style="list-style-type: none"> <li>Portal</li> <li>Metrics</li> <li>Centralized Authentication</li> <li>Decision Services</li> <li>Merge and check-in utility</li> </ul>	<ul style="list-style-type: none"> <li>Complete web-based experience</li> <li>Java runtime engine</li> <li>ML capabilities</li> <li>Microsoft Flow integration</li> <li>Simulation</li> </ul>	<ul style="list-style-type: none"> <li>Natural language processing</li> <li>Marketplace</li> <li>Acquire add-ons</li> </ul>
Sales Strategy	<ul style="list-style-type: none"> <li>Introduce Market to Cash funnel</li> <li>Add dedicated resource for Customer Success</li> <li>Expand SDR team</li> </ul>	<ul style="list-style-type: none"> <li>Sell subscription!</li> <li>Expand into Southern Europe (GFI, AI3 partnerships)</li> <li>Invest in new prospecting tools</li> </ul>	<ul style="list-style-type: none"> <li>CRM Improvements</li> <li>Push SaaS</li> <li>Get in Dynamics AppSource</li> <li>Formalize Salesforce partnership (planned)</li> </ul>	<ul style="list-style-type: none"> <li>Focus on channel</li> <li>Add SDR</li> <li>Add vertical expertise/specialist</li> </ul>	<ul style="list-style-type: none"> <li>Add more sellers and supporting staff</li> <li>Staff multilingual presales capability</li> </ul>
Marketing	Enhance <ul style="list-style-type: none"> <li>Consistency / Standards</li> <li>Content Basics</li> <li>Focus on lead gen</li> <li>Grow team</li> </ul>	Elevate <ul style="list-style-type: none"> <li>Standardize reporting / analytics</li> <li>Boost content/assets</li> <li>Leverage new tech (e.g. ABM)</li> </ul>	Scale <ul style="list-style-type: none"> <li>Boost prospect engagement (e.g. Chatbot, Watch It Wednesdays)</li> <li>Increase AdWords spend in H2</li> <li>Expand breadth and depth of marketing (branding / messaging)</li> <li>Reimagine product trial process</li> </ul>	Engage <ul style="list-style-type: none"> <li>Promote InRule thought leadership</li> <li>Redesign InRule.com homepage for better prospect experience</li> <li>Foster relationships with analyst community</li> <li>Hire product marketer for technical content</li> </ul>	Expand <ul style="list-style-type: none"> <li>Hire media relations</li> <li>Conduct media relations/PR</li> <li>Podcast!</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Adopt Scale Up methodology</li> <li>Regular financial reporting</li> <li>Weekly, Monthly, Quarterly management meetings</li> <li>New customer onboarding process</li> </ul>	<ul style="list-style-type: none"> <li>Office remodel</li> <li>Comply with GDPR</li> <li>4Qs</li> <li>Migrated to hosted version of Dynamics CRM</li> <li>Establish budget process</li> </ul>	<ul style="list-style-type: none"> <li>Find a financial partner</li> <li>Introduce Workshops</li> <li>Executive sponsorship for top customers</li> <li>Hire accounting manager</li> </ul>	<ul style="list-style-type: none"> <li>Migrate to new ERP system</li> <li>Establish recruiting strategy and standardized process</li> <li>Add culture guide</li> <li>Implement tighter performance management policies</li> </ul>	<ul style="list-style-type: none"> <li>Hire HR manager</li> <li>Training programs for management and by department</li> </ul>

# 2019 Forecast to 2020 AOP – Summary Bridge

2019 Forecast		2020 Budget		2023 Projection
Net Revenue \$10.4M Rec-Rev: \$8.8M	<ul style="list-style-type: none"> <li>Targeting 90%+ new business to come from SaaS/Subscription licenses. 11% overall revenue and 18% recurring revenue growth projected in 2020. Targeting 93% renewal rate in 2020.</li> </ul>	Net Revenue \$11.6M Rec-Rev: \$10.4M		Net Revenue \$22.6M Rec-Rev: \$19.9M
Gross Margin \$8.6M 83.1%	<ul style="list-style-type: none"> <li>Downward pressure on margins due to restructure of the services group and strategic initiative investments</li> </ul>	Gross Margin \$9.6M 83.1%		Gross Margin \$20.1M 88.6%
OPEX \$8.6M 82.6%	<ul style="list-style-type: none"> <li>Significant investment in the product machine, sale &amp; marketing and back office process improvements to fuel growth</li> </ul>	OPEX \$11.2M 97.0%		OPEX \$17.1M 75.3%
EBITDA \$.1M .6%	<ul style="list-style-type: none"> <li>Downward pressure on margins due to strategic initiative investments</li> </ul>	EBITDA (\$1.6M) -14.0%		EBITDA \$3.0M 13.3%
Adjustments \$0.4M	<ul style="list-style-type: none"> <li>1X Costs Allowed as EBITDA Addbacks</li> </ul>	Adjustments \$.2M		Adjustments \$0
Adj EBITDA \$.4M 4.2%	<ul style="list-style-type: none"> <li>Downward pressure on margins due to strategic initiative investments</li> </ul>	Adj EBITDA (\$1.4M) -12.3%		Adj EBITDA \$3.0M 13.3%
Change in DR \$1.5M	<ul style="list-style-type: none"> <li>Seasonality results in DR remaining flat despite bookings increase in 2020</li> </ul>	Change in DR \$1.5M		Change in DR (over 2022) \$3.0M
Adj Cash EBITDA \$1.9M 18.7%	<ul style="list-style-type: none"> <li>Downward pressure on margins due to strategic initiative investments</li> </ul>	Adj Cash EBITDA .1 1.0%		Adj Cash EBITDA \$6.0M 26.6%
Capex \$0M	<ul style="list-style-type: none"> <li>No planned spend</li> </ul>	Capex \$0M		Capex \$0M

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# Vision and Strategic Pillars

## 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.



# 2020 Key Initiatives

Initiative	2020 H1 Objectives	Risks
Optimize the product machine	<ul style="list-style-type: none"> <li>• Drive efficiencies in all areas of the product development process</li> <li>• Leverage outsourced development</li> <li>• Align operational teams with separated product concerns as pods</li> </ul>	<ul style="list-style-type: none"> <li>• Not hiring a CPO in a timely manner</li> </ul>
Deliver web authoring capability	<ul style="list-style-type: none"> <li>• Deliver embedded authoring services</li> <li>• Build a web-based solution that will serve as the foundation for a guided experience</li> <li>• Provide ability to author, test and publish decisions as part of the decision lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>• Resources for web development</li> </ul>
Scale sales and marketing	<ul style="list-style-type: none"> <li>• Develop channel through the hiring of a channel manager</li> <li>• Revamp InRule.com</li> <li>• Increase delivery of technical marketing content</li> <li>• Boost relationships with analysts</li> <li>• Add SDRs to drive more funnel activity</li> </ul>	<ul style="list-style-type: none"> <li>• Finding channel manager from target companies</li> </ul>
Implement ERP system	<ul style="list-style-type: none"> <li>• Set objectives and define scope</li> <li>• Determine requirements/modules</li> <li>• Identify and get demos from potential vendors</li> <li>• Select vendor</li> <li>• Integration with CRM and go-live</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of software and implementation is too high</li> <li>• Integration with CRM is not feasible</li> </ul>
Develop integrations team strategy and roadmap	<ul style="list-style-type: none"> <li>• Extend Dynamics integration capabilities</li> <li>• Get into Salesforce AppExchange</li> <li>• Expand Salesforce integration</li> <li>• Add PowerPlatform integration</li> </ul>	<ul style="list-style-type: none"> <li>• Required product changes to simplify integration necessitate large investment to core product</li> </ul>

# 2020 Key Initiatives (cont)

Initiative	2020 H1 Objectives	Risks
Extend vertical capability	<ul style="list-style-type: none"><li>• Develop industry case studies, whitepaper, and sample decisions for key verticals</li><li>• Reorganize website and marketing content to showcase vertical aligned solutions</li></ul>	<ul style="list-style-type: none"><li>• Establish subject matter expertise in vertical</li></ul>
Develop services strategy to increase service sales and utilization	<ul style="list-style-type: none"><li>• Outline programs and packages that expand capability to provide onsite customer presence</li><li>• Enhance sales material for training, services, and workshops</li></ul>	<ul style="list-style-type: none"><li>• Current services workload makes it difficult to proactively initiate reorg changes in short-term</li></ul>



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# Summary P&L – 2019 Forecast to 2020 Budget

\$000's	2019 - Actuals	2020 - Base	2020 Base vs 2019	
			\$	%
<b>Net Revenue</b>	<b>\$ 10,391</b>	<b>\$ 11,569</b>	<b>\$ 1,178</b>	<b>11%</b>
Labor	1,692	1,744	52	3%
Other COGS	61	216	156	257%
<b>Total COGS</b>	<b>\$ 1,753</b>	<b>\$ 1,961</b>	<b>\$ 208</b>	<b>12%</b>
<b>Gross Margin</b>	<b>\$ 8,639</b>	<b>\$ 9,608</b>	<b>\$ 969</b>	<b>11%</b>
<i>Gross Margin %</i>	83.1%	83.1%		
R&D	3,583	4,564	980	27%
Sales & marketing	3,016	4,632	1,616	54%
Administrative	1,982	2,031	49	2%
Other	-	-		
<b>Total OPEX</b>	<b>\$ 8,581</b>	<b>\$ 11,226</b>	<b>\$ 2,645</b>	<b>31%</b>
<i>Total OPEX%</i>	82.6%	97.0%		
<b>Reported EBITDA</b>	<b>\$ 58</b>	<b>\$ (1,618)</b>	<b>\$ (1,676)</b>	<b>-2897%</b>
<i>EBITDA Margin %</i>	0.6%	-14.0%		
EBITDA addbacks	375	192	(183)	
<b>EBITDA, adjusted</b>	<b>\$ 433</b>	<b>\$ (1,426)</b>	<b>\$ (1,859)</b>	<b>-430%</b>
	4.2%	-12.3%		
Change in Deferred Revenue	1,505	1,546	41	
<b>Cash EBITDA, adjusted</b>	<b>\$ 1,938</b>	<b>\$ 120</b>	<b>\$ (1,818)</b>	<b>-94%</b>
<i>Cash EBITDA, adjusted %</i>	18.7%	1.0%		

## Management Discussion

### Revenue

- All numbers are pre-ASC 606
- Increases 11% to \$11.6M in 2020 from \$10.4M in 2019
- Projecting recurring revenue growth of 18% from \$8.8M in 2019 to 10.4M in 2020. ARR growing from \$9.7M in Dec 2019 to \$11.1M in Dec 2020
- Recurring revenue to make up 90%+ of total revenue in 2020
- Restructured Services team will result in YoY revenue growth in 2020

### COGS

- Strategic initiative for new support site in 2020 is a \$110K investment. All other cost increases are nominal.

### Opex

- Significant investment in the product machine as well as sales & marketing to fuel future growth. Impact in 2020 will be minimal with the full impact to be recognized in 2021-2023.

# Bookings & Revenue by Product (2019 Forecast-2020 Budget)

	2019					2020				
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Forecast	Total Forecast	Q1 Budget	Q2 Budget	Q3 Budget	Q4 Budget	Total Budget
<b>Bookings</b>										
<i>Recurring</i>										
Saas/Subscription - New	\$324	\$573	\$583	\$730	\$2,211	\$509	\$509	\$849	\$962	\$2,830
Saas/Subscription - Renewal	\$485	\$495	\$1,090	\$1,095	3,166	756	998	1,564	1,705	5,024
Maintenance & Support - New	\$46	\$62	\$17	\$12	137	7	7	12	14	40
Maintenance & Support - Renewal	\$1,251	\$1,628	\$1,094	\$467	4,440	940	1,419	884	1,034	4,277
<b>Total Recurring Bookings</b>	<b>\$2,106</b>	<b>\$2,759</b>	<b>\$2,785</b>	<b>\$2,304</b>	<b>\$9,954</b>	<b>\$2,213</b>	<b>\$2,933</b>	<b>\$3,309</b>	<b>\$3,715</b>	<b>\$12,171</b>
Perpetual	434	248	166	60	908	36	36	60	68	200
Consulting	227	68	159	80	534	240	240	240	240	961
<b>Total Bookings</b>	<b>\$2,767</b>	<b>\$3,075</b>	<b>\$3,110</b>	<b>\$2,444</b>	<b>\$11,395</b>	<b>\$2,489</b>	<b>\$3,210</b>	<b>\$3,609</b>	<b>\$4,024</b>	<b>\$13,332</b>
<b>Revenue</b>										
<i>Recurring</i>										
Saas/Subscription - New	\$507	\$465	\$577	\$531	\$2,080	\$560	\$608	\$554	\$639	\$2,362
Saas/Subscription - Renewal	\$418	\$487	\$607	\$709	2,220	794	861	1,028	1,131	3,814
Maintenance & Support - New	\$82	\$82	\$77	\$60	301	34	21	9	10	74
Maintenance & Support - Renewal	\$1,041	\$1,051	\$1,086	\$1,048	4,226	1,136	993	1,001	1,028	4,157
<b>Total Recurring Revenue</b>	<b>\$2,048</b>	<b>\$2,086</b>	<b>\$2,346</b>	<b>\$2,348</b>	<b>\$8,828</b>	<b>\$2,524</b>	<b>\$2,483</b>	<b>\$2,593</b>	<b>\$2,808</b>	<b>\$10,408</b>
Perpetual	434	248	166	60	908	36	36	60	68	200
Consulting	291	116	129	120	656	240	240	240	240	961
<b>Total Revenue</b>	<b>\$2,773</b>	<b>\$2,449</b>	<b>\$2,641</b>	<b>\$2,528</b>	<b>\$10,391</b>	<b>\$2,800</b>	<b>\$2,760</b>	<b>\$2,893</b>	<b>\$3,116</b>	<b>\$11,569</b>
<b>ARR (December*12)</b>					<b>\$9,666</b>					<b>\$11,469</b>

## Management Discussion

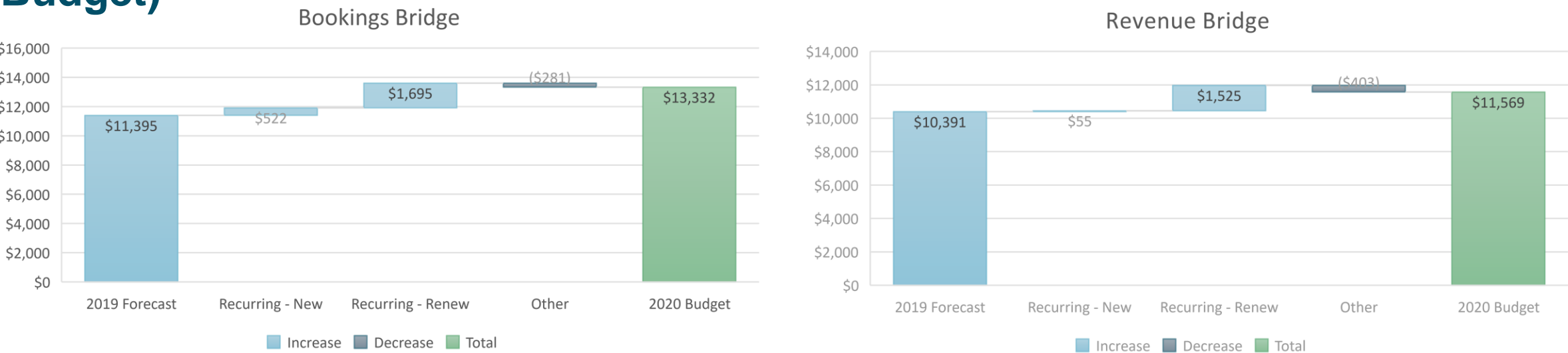
### Invoiced Sales (Bookings)

- Target \$13.3M in 2020 from forecasted \$11.4M in 2019
- Subscription/SaaS new license sales projected to increase 28% over 2019. Targeting \$2.8M vs \$2.2M in 2019
- Maintenance and Subscription renewals \$9.0M, 29% growth over the renewal base in 2019
- Renewal rate will continue to be strong at 93%
- Perpetual license sales limited to upsells to existing customer base

### Revenue

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# Bookings & Revenue Bridge by Product (2019 Forecast – 2020 Budget)



## Management Discussion

### Invoiced Sales (Bookings)

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# P&L - 2019 Forecast & 2020 Budget

	2019					2020				
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Forecast	Total Forecast	Q1 Budget	Q2 Budget	Q3 Budget	Q4 Budget	Total Budget
<b>Gross Revenue</b>	\$ 2,773	\$ 2,449	\$ 2,650	\$ 2,528	\$ 10,401	\$ 2,800	\$ 2,760	\$ 2,893	\$ 3,116	\$ 11,569
Discounts	-	-	(9)	-	(9)	-	-	-	-	-
Returns	-	-	-	-	-	-	-	-	-	-
Rebates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net Revenue</b>	\$ 2,773	\$ 2,449	\$ 2,641	\$ 2,528	\$ 10,391	\$ 2,800	\$ 2,760	\$ 2,893	\$ 3,116	\$ 11,569
Labor	427	423	413	429	1,692	435	435	436	438	1,744
Other COGS	14	17	16	14	61	21	66	79	51	216
<b>Total COGS</b>	\$ 441	\$ 440	\$ 428	\$ 443	\$ 1,753	\$ 456	\$ 502	\$ 515	\$ 488	\$ 1,961
<b>Gross Margin</b>	\$ 2,332	\$ 2,009	\$ 2,213	\$ 2,085	\$ 8,639	\$ 2,344	\$ 2,258	\$ 2,378	\$ 2,628	\$ 9,608
<i>Gross Margin %</i>	84.1%	82.0%	83.8%	82.5%	83.1%	83.7%	81.8%	82.2%	84.3%	83.1%
R&D	872	887	893	932	3,583	1,123	1,117	1,176	1,148	4,564
Sales & marketing	688	774	749	805	3,016	1,043	1,237	1,216	1,136	4,632
Administrative	429	362	672	519	1,982	582	478	472	499	2,031
Other	-	-	-	-	-	-	-	-	-	-
<b>Total OPEX (excl D&amp;A)</b>	\$ 1,989	\$ 2,023	\$ 2,313	\$ 2,256	\$ 8,581	\$ 2,747	\$ 2,832	\$ 2,864	\$ 2,783	\$ 11,226
<i>Total OPEX %</i>	71.7%	82.6%	87.6%	89.2%	82.6%	98.1%	102.6%	99.0%	89.3%	97.0%
Net Income (Loss)	313	(100)	(213)	(368)	(368)	(605)	(776)	(688)	(357)	(2,425)
<b>Reported EBITDA</b>	\$ 343	\$ (14)	\$ (101)	\$ (171)	\$ 58	\$ (403)	\$ (574)	\$ (486)	\$ (155)	\$ (1,618)
EBITDA Addbacks	30	1	256	89	375	66	86	40	-	192
<b>Adjusted EBITDA</b>	\$ 372	\$ (13)	\$ 155	\$ (82)	\$ 433	\$ (337)	\$ (488)	\$ (446)	\$ (155)	\$ (1,426)
<i>Adjusted EBITDA %</i>	13.4%	-0.5%	5.9%	-3.2%	4.2%	-12.0%	-17.7%	-15.4%	-5.0%	-12.3%
<i>Change in Deferred Revenue</i>	(6)	626	429	457	1,505	75	122	365	984	1,546
<b>Adjusted Cash EBITDA</b>	\$ 366	\$ 613	\$ 584	\$ 375	\$ 1,938	\$ (263)	\$ (367)	\$ (80)	\$ 829	\$ 120
<i>Adjusted Cash EBITDA %</i>	13.2%	25.0%	22.1%	14.8%	18.7%	-9.4%	-13.3%	-2.8%	26.6%	1.0%

\*Equity Incentive Plan is not yet reflected in the budget projections

## Management Discussion

### Invoiced Sales (Bookings)

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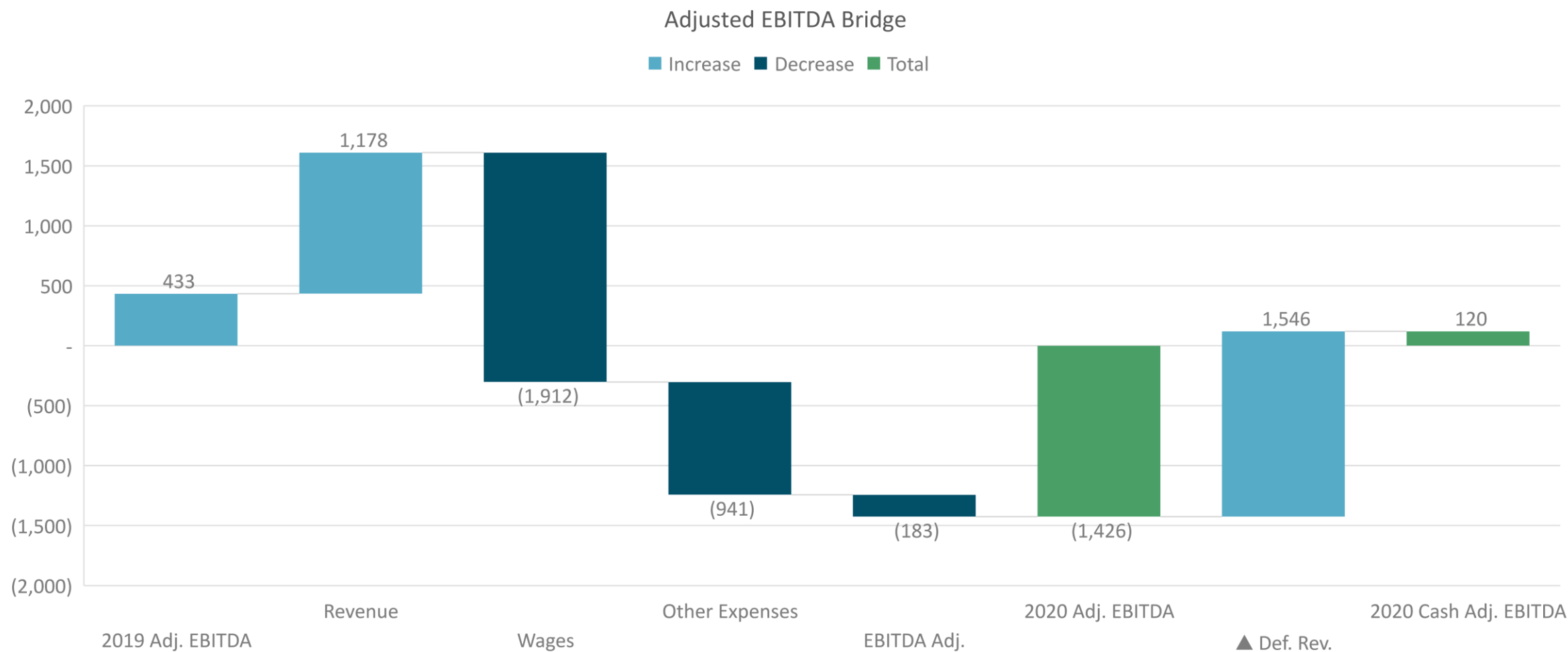
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### Opex

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# Adjusted EBITDA Bridge (2019 Forecast – 2020 Budget)



# Operating Expense Detail – 2019 Forecast & 2020 Budget

	2019					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	Actual	Actual	Actual	Forecast	Forecast	Budget	Budget	Budget	Budget	Budget
<b>Opex Overview</b>										
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)*	1,140	1,060	1,186	1,120	4,506	1,374	1,350	1,397	1,428	5,551
Benefits (Medical, Dental, Life, AD&D & 401K	216	207	208	230	861	204	214	223	227	868
Bonus	7	17	20	9	54	91	98	98	98	384
Marketing	117	197	183	188	684	309	430	329	218	1,285
Commissions	111	120	139	134	504	110	114	181	205	611
Travel and Entertainment	40	71	59	95	265	46	73	64	125	308
Rent and Facilities	85	89	87	88	350	93	98	96	97	385
Insurance	46	5	9	30	90	51	6	10	33	99
Professional Fees	129	131	296	204	759	243	290	294	195	1,022
Utilities, Repairs, Maint. & Security	9	9	9	8	35	10	10	10	9	39
Office Supplies	1	1	2	2	7	2	2	2	2	8
IT	72	73	88	101	335	167	98	130	111	506
Other Expenses	14	43	27	47	131	48	49	31	34	162
<b>Total OPEX (excl D&amp;A)</b>	<b>\$ 1,989</b>	<b>\$ 2,023</b>	<b>\$ 2,313</b>	<b>\$ 2,256</b>	<b>\$ 8,581</b>	<b>\$ 2,747</b>	<b>\$ 2,832</b>	<b>\$ 2,864</b>	<b>\$ 2,783</b>	<b>\$ 11,226</b>

\*Equity Incentive Plan is not yet reflected in the budget projections

## Management Discussion

### Payroll/Benefits/Bonus

- 9 FTEs added in the product machine, sales & marketing, IT operations
- Leadership cash incentive plan to be implemented in 2020

### Marketing

- Program increases to support funnel metrics requirements and fuel sales growth in 2020

### Professional Fees

- Additional investment in an outsourced development team

# Working Capital - 2019 Forecast & 2020 Budget

	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Actual	Forecast	Budget	Budget	Budget	Budget
<b><u>Current Assets</u></b>								
Cash and cash equivalents	\$ 1,480	\$ 2,032	\$ 3,221	\$ 3,973	\$ 3,452	\$ 2,771	\$ 2,433	\$ 2,991
Accounts receivable, net	2,095	2,244	2,773	1,939	1,944	2,002	2,049	2,158
Prepaid expenses and other current assets	158	81	80	115	115	118	121	128
<b>Total Current Assets</b>	<b>\$ 3,733</b>	<b>\$ 4,357</b>	<b>\$ 6,074</b>	<b>\$ 6,026</b>	<b>\$ 5,511</b>	<b>\$ 4,891</b>	<b>\$ 4,603</b>	<b>\$ 5,276</b>
<b><u>Current Liabilities</u></b>								
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-	-
Accounts payable	177	163	266	196	197	204	214	219
Accrued liabilities	362	467	502	398	399	410	420	443
Deferred Revenue	5,431	6,057	6,485	6,942	7,017	7,139	7,504	8,488
Other current liabilities	110	110	115	115	115	119	122	128
<b>Total Current Liabilities</b>	<b>\$ 6,081</b>	<b>\$ 6,797</b>	<b>\$ 7,368</b>	<b>\$ 7,651</b>	<b>\$ 7,728</b>	<b>\$ 7,872</b>	<b>\$ 8,260</b>	<b>\$ 9,278</b>
Working Capital	(2,347)	(2,440)	(1,294)	(1,624)	(2,217)	(2,981)	(3,657)	(4,002)
Working Capital, less cash	(3,828)	(4,472)	(4,514)	(5,597)	(5,670)	(5,752)	(6,090)	(6,992)

## Management Discussion

- Working capital analysis based on historical trends in AR, prepaid expenses, AP and accrued expenses. Deferred revenue growth commensurate with revenue growth.
- A full balance sheet budget will be completed once the Opening Balance Sheet Audit is complete.



# Cash Flow - 2019 Forecast & 2020 Budget

	2019					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	Actual	Actual	Actual	Forecast	Forecast	Budget	Budget	Budget	Budget	Budget
<b>Cash flow from operations</b>										
Net Income (Loss)	\$ 313	\$ (100)	\$ (213)	\$ (368)	\$ (368)	\$ (605)	\$ (776)	\$ (688)	\$ (357)	\$ (2,425)
Depreciation, amortization and other	-	-	36	12	48	12	12	12	12	48
Change in operating assets and liabilities:										
Accounts receivable	183	(149)	(529)	834	339	(5)	(58)	(47)	(110)	(220)
Inventory	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	(37)	77	1	(34)	6	(0)	(3)	(3)	(6)	(13)
Accounts payable	20	(15)	103	(70)	39	2	7	10	5	23
Accrued expenses	29	105	34	(104)	64	1	12	10	22	45
Other cash flow from operations (1)	(6)	626	433	457	1,510	75	125	368	991	1,559
<b>Total Cash Flow from Operations</b>	<b>\$ 502</b>	<b>\$ 544</b>	<b>\$ (134)</b>	<b>\$ 727</b>	<b>\$ 1,639</b>	<b>\$ (521)</b>	<b>\$ (681)</b>	<b>\$ (338)</b>	<b>\$ 557</b>	<b>\$ (982)</b>
<b>Cash flow from investing</b>										
Additions to property, plant and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other cash flow from investing	-	-	125	-	125	-	-	-	-	-
<b>Total Cash Flow from Investing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash flow from financing</b>										
Repayment of debt	-	-	-	-	-	-	-	-	-	-
Common stock issued (repurchased)	-	7	1,198	25	1,230	-	-	-	-	-
<b>Total Cash Flow from Financing</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ 1,198</b>	<b>\$ 25</b>	<b>\$ 1,230</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in cash</b>	<b>\$ 502</b>	<b>\$ 552</b>	<b>\$ 1,189</b>	<b>\$ 752</b>	<b>\$ 2,994</b>	<b>\$ (521)</b>	<b>\$ (681)</b>	<b>\$ (338)</b>	<b>\$ 557</b>	<b>\$ (982)</b>
Beginning cash	979	1,480	2,032	3,221	979	3,973	3,452	2,771	2,433	3,973
Change in cash	502	552	1,189	752	2,994	(521)	(681)	(338)	557	(982)
<b>Ending cash</b>	<b>\$ 1,480</b>	<b>\$ 2,032</b>	<b>\$ 3,221</b>	<b>\$ 3,973</b>	<b>\$ 3,973</b>	<b>\$ 3,452</b>	<b>\$ 2,771</b>	<b>\$ 2,433</b>	<b>\$ 2,991</b>	<b>\$ 2,991</b>

(1) Consists of deferred revenue and deferred lease incentives. Deferred revenue makes up the vast majority of the cash flow

## Management Discussion

- Heavy investment in the Product Machine, Marketing and Sales which will result in a decrease in cash in 2020.
- A full analysis of cash flow will be completed once the Opening Balance Sheet Audit is complete.

# Bookings & Revenue by Product – 5 Year Projection

	2019 Total Forecast	2020 Total Budget	2021 Total Budget	2022 Total Budget	2023 Total Budget	19 - 20 % Change	20 - 23 CAGR
<b>Bookings</b>							
<i><b>Recurring</b></i>							
Saas/Subscription - New	\$2,211	\$2,830	\$3,690	\$4,613	\$5,766	28.0%	26.8%
Saas/Subscription - Renewal	3,166	5,024	7,338	10,146	13,578	58.7%	39.3%
Maintenance & Support - New	137	40	44	48	53	-70.8%	10.0%
Maintenance & Support - Renewal	4,440	4,277	4,034	3,752	3,496	-3.7%	-6.5%
<b>Total Recurring Bookings</b>	<b>\$9,954</b>	<b>\$12,171</b>	<b>\$15,106</b>	<b>\$18,559</b>	<b>\$22,893</b>	<b>22.3%</b>	<b>23.4%</b>
Perpetual	908	200	220	242	266	-78.0%	10.0%
Consulting	534	961	1,500	1,950	2,437	80.0%	36.4%
<b>Total Bookings</b>	<b>\$11,395</b>	<b>\$13,332</b>	<b>\$16,826</b>	<b>\$20,751</b>	<b>\$25,597</b>	<b>17.0%</b>	<b>24.3%</b>
<b>Revenue</b>							
<i><b>Recurring</b></i>							
Saas/Subscription - New	\$2,080	\$2,362	\$3,109	\$3,990	\$4,987	13.6%	28.3%
Saas/Subscription - Renewal	2,220	3,814	5,771	8,245	11,256	71.8%	43.4%
Maintenance & Support - New	301	74	51	45	50	-75.3%	-12.4%
Maintenance & Support - Renewal	4,226	4,157	4,165	3,904	3,634	-1.6%	-4.4%
<b>Total Recurring Revenue</b>	<b>\$8,828</b>	<b>\$10,408</b>	<b>\$13,096</b>	<b>\$16,185</b>	<b>\$19,928</b>	<b>17.9%</b>	<b>24.2%</b>
Perpetual	908	200	220	242	266	-78.0%	10.0%
Consulting	656	961	1,500	1,950	2,437	46.5%	36.4%
<b>Total Revenue</b>	<b>\$10,391</b>	<b>\$11,569</b>	<b>\$14,816</b>	<b>\$18,377</b>	<b>\$22,631</b>	<b>11.3%</b>	<b>25.1%</b>
<b>ARR (December*12)</b>	<b>\$9,666</b>	<b>\$11,469</b>	<b>\$14,194</b>	<b>\$17,513</b>	<b>\$21,616</b>	<b>18.7%</b>	<b>23.5%</b>

## Management Discussion

- 2020 – 2023 Assumptions:
  - New license bookings growth: 28%, 30%, 25%, 25%
  - Average Renewal Rate: 93%
  - Perpetual licenses limited to upsells

# P&L – 5 Year Projections

	2019	2020	2021	2022	2023	19 - 20	20 - 23
	Total Forecast	Total Budget	Total Budget	Total Budget	Total Budget	% Change	CAGR
<b>Gross Revenue</b>	<b>\$ 10,401</b>	<b>\$ 11,569</b>	<b>\$ 14,816</b>	<b>\$ 18,377</b>	<b>\$ 22,631</b>	<b>11.2%</b>	<b>25.1%</b>
Discounts	(9)	-	-	-	-	-100.0%	0.0%
Returns	-	-	-	-	-	0.0%	0.0%
Rebates	-	-	-	-	-	0.0%	0.0%
Other	-	-	-	-	-	0.0%	0.0%
<b>Net Revenue</b>	<b>\$ 10,391</b>	<b>\$ 11,569</b>	<b>\$ 14,816</b>	<b>\$ 18,377</b>	<b>\$ 22,631</b>	<b>11.3%</b>	<b>25.1%</b>
Labor	1,692	1,744	1,972	2,164	2,430	3.1%	11.7%
Other COGS	61	216	139	141	144	256.7%	-12.7%
<b>Total COGS</b>	<b>\$ 1,753</b>	<b>\$ 1,961</b>	<b>\$ 2,111</b>	<b>\$ 2,305</b>	<b>\$ 2,574</b>	<b>11.9%</b>	<b>9.5%</b>
<b>Gross Margin</b>	<b>\$ 8,639</b>	<b>\$ 9,608</b>	<b>\$ 12,706</b>	<b>\$ 16,072</b>	<b>\$ 20,057</b>	<b>11.2%</b>	<b>27.8%</b>
<i>Gross Margin %</i>	<i>83.1%</i>	<i>83.1%</i>	<i>85.8%</i>	<i>87.5%</i>	<i>88.6%</i>		
R&D	3,583	4,564	5,064	5,873	6,351	27.4%	11.6%
Sales & marketing	3,016	4,632	5,374	6,605	7,800	53.6%	19.0%
Administrative	1,982	2,031	2,250	2,513	2,899	2.5%	12.6%
Other	-	-	-	-	-	0.0%	0.0%
<b>Total OPEX (excl D&amp;A)</b>	<b>\$ 8,581</b>	<b>\$ 11,226</b>	<b>\$ 12,688</b>	<b>\$ 14,991</b>	<b>\$ 17,050</b>	<b>30.8%</b>	<b>14.9%</b>
<i>Total OPEX %</i>	<i>82.6%</i>	<i>97.0%</i>	<i>85.6%</i>	<i>81.6%</i>	<i>75.3%</i>		
Net Income (Loss)	(368)	(2,425)	(1,064)	14	1,116	559.8%	N/A
<b>Reported EBITDA</b>	<b>\$ 58</b>	<b>\$ (1,618)</b>	<b>\$ 18</b>	<b>\$ 1,081</b>	<b>\$ 3,008</b>	<b>-2897.0%</b>	<b>N/A</b>
EBITDA Addbacks	375	192	-	-	-	-48.8%	-100.0%
<b>Adjusted EBITDA</b>	<b>\$ 433</b>	<b>\$ (1,426)</b>	<b>\$ 18</b>	<b>\$ 1,081</b>	<b>\$ 3,008</b>	<b>-429.6%</b>	<b>N/A</b>
<i>Adjusted EBITDA %</i>	<i>4.2%</i>	<i>-12.3%</i>	<i>0.1%</i>	<i>5.9%</i>	<i>13.3%</i>		
<i>Change in Deferred Revenue</i>	<i>1,505</i>	<i>1,546</i>	<i>2,047</i>	<i>2,408</i>	<i>3,023</i>	<i>2.7%</i>	<i>25.0%</i>
<b>Adjusted Cash EBITDA</b>	<b>\$ 1,938</b>	<b>\$ 120</b>	<b>\$ 2,065</b>	<b>\$ 3,489</b>	<b>\$ 6,030</b>	<b>-93.8%</b>	<b>269.0%</b>
<i>Adjusted Cash EBITDA %</i>	<i>18.7%</i>	<i>1.0%</i>	<i>13.9%</i>	<i>19.0%</i>	<i>26.6%</i>		

\*Equity Incentive Plan is not yet reflected in the budget projections

# Operating Expense Detail – 5 Year Projections

	2019 Total Forecast	2020 Total Budget	2021 Total Budget	2022 Total Budget	2023 Total Budget	19 - 20 % Change	20 -23 CAGR
<b>Opex Overview</b>							
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)*	4,506	5,551	6,392	7,545	8,291	23.2%	14.3%
Benefits (Medical, Dental, Life, AD&D & 401K	861	868	1,024	1,240	1,392	0.8%	17.1%
Bonus	54	384	429	461	518	616.1%	10.5%
Marketing	684	1,285	1,413	1,808	2,313	87.9%	21.6%
Commissions	504	611	785	973	1,208	21.1%	25.5%
Travel and Entertainment	265	308	354	408	472	16.3%	15.3%
Rent and Facilities	350	385	423	465	511	9.9%	10.0%
Insurance	90	99	109	120	132	10.0%	10.0%
Professional Fees	759	1,022	962	1,056	1,160	34.6%	4.3%
Utilities, Repairs, Maint. & Security	35	39	42	47	51	10.0%	10.0%
Office Supplies	7	8	9	10	11	10.0%	10.0%
IT	335	506	584	681	796	51.3%	16.3%
Other Expenses	131	162	162	178	195	23.6%	6.4%
<b>Total OPEX (excl D&amp;A)</b>	<b>\$ 8,581</b>	<b>\$ 11,226</b>	<b>\$ 12,688</b>	<b>\$ 14,991</b>	<b>\$ 17,050</b>	<b>30.8%</b>	<b>14.9%</b>

\*Equity Incentive Plan is not yet reflected in the budget projections

# Working Capital – 5 Year Projections

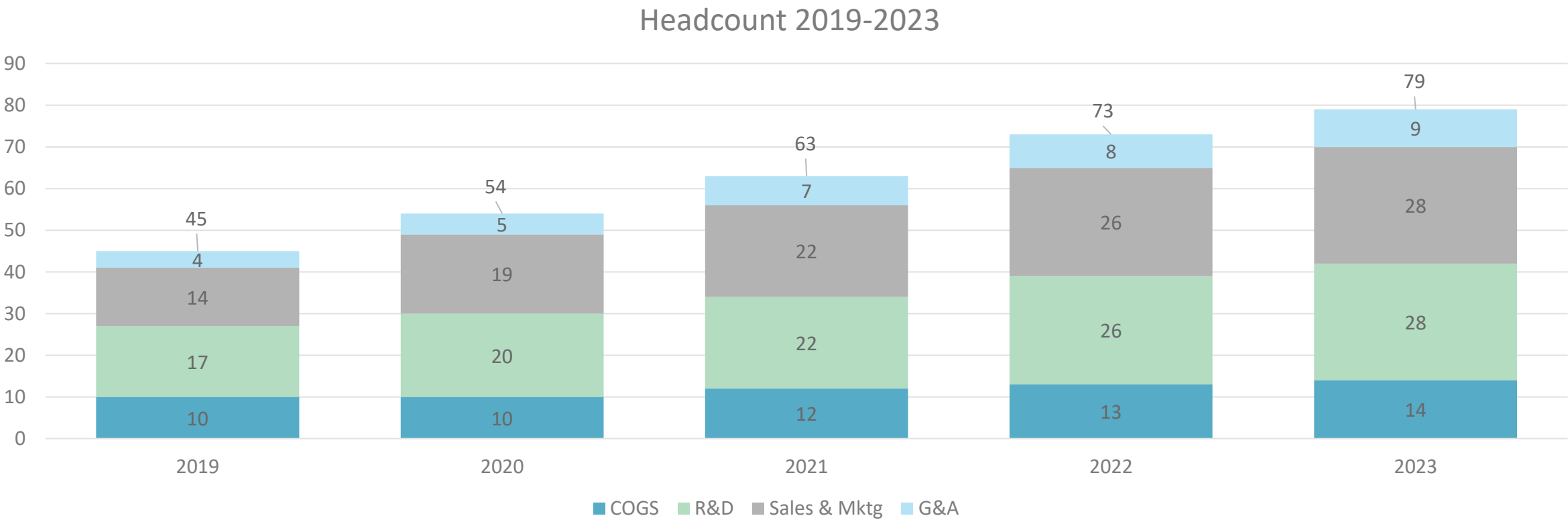
	2019 Q4 Forecast	2020 Q4 Budget	2021 Q4 Budget	2022 Q4 Budget	2023 Q4 Budget
<b><u>Current Assets</u></b>					
Cash and cash equivalents	\$ 3,973	\$ 2,991	\$ 3,402	\$ 4,966	\$ 8,135
Accounts receivable, net	1,939	2,158	2,764	3,428	4,222
Prepaid expenses and other current assets	115	128	164	203	250
<b>Total Current Assets</b>	<b>\$ 6,026</b>	<b>\$ 5,276</b>	<b>\$ 6,329</b>	<b>\$ 8,597</b>	<b>\$ 12,607</b>
<b><u>Current Liabilities</u></b>					
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-
Accounts payable	196	219	236	257	287
Accrued liabilities	398	443	567	703	866
Deferred Revenue	6,942	8,488	10,536	12,944	15,967
Other current liabilities	115	128	164	203	251
<b>Total Current Liabilities</b>	<b>\$ 7,651</b>	<b>\$ 9,278</b>	<b>\$ 11,502</b>	<b>\$ 14,108</b>	<b>\$ 17,371</b>
Working Capital	(1,624)	(4,002)	(5,173)	(5,511)	(4,764)
Working Capital, less cash	(5,597)	(6,992)	(8,575)	(10,477)	(12,899)

# Cash Flow – 5 Year Projections

	2019	2020	2021	2022	2023
	Total	Total	Total	Total	Total
	Forecast	Budget	Budget	Budget	Budget
<b>Cash flow from operations</b>					
Net Income (Loss)	\$ (368)	\$ (2,425)	\$ (1,064)	\$ 14	\$ 1,116
Depreciation, amortization and other	48	48	73	73	56
<i>Change in operating assets and liabilities:</i>					
Accounts receivable	339	(220)	(606)	(664)	(794)
Inventory	-	-	-	-	-
Prepaid expenses and other current assets	6	(13)	(36)	(39)	(47)
Accounts payable	39	23	17	22	30
Accrued expenses	64	45	124	136	163
Other cash flow from operations (1)	1,510	1,559	2,083	2,447	3,070
<b>Total Cash Flow from Operations</b>	<b>\$ 1,639</b>	<b>\$ (982)</b>	<b>\$ 592</b>	<b>\$ 1,989</b>	<b>\$ 3,594</b>
<b>Cash flow from investing</b>					
Additions to property, plant and equipment	\$ -	\$ -	\$ (75)	\$ -	\$ -
Other cash flow from investing	125	-	-	-	-
<b>Total Cash Flow from Investing</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ (75)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash flow from financing</b>					
Repayment of debt	-	-	(106)	(425)	(425)
Common stock issued (repurchased)	1,230	-	-	-	-
<b>Total Cash Flow from Financing</b>	<b>\$ 1,230</b>	<b>\$ -</b>	<b>\$ (106)</b>	<b>\$ (425)</b>	<b>\$ (425)</b>
<b>Net change in cash</b>	<b>\$ 2,994</b>	<b>\$ (982)</b>	<b>\$ 411</b>	<b>\$ 1,564</b>	<b>\$ 3,169</b>
Beginning cash	979	3,973	2,991	3,402	4,966
Change in cash	2,994	(982)	411	1,564	3,169
<b>Ending cash</b>	<b>\$ 3,973</b>	<b>\$ 2,991</b>	<b>\$ 3,402</b>	<b>\$ 4,966</b>	<b>\$ 8,135</b>

(1) Consists of deferred revenue and deferred lease incentives. Deferred revenue makes up the vast majority of the cash flow

# Headcount – 5 Year Projection



## Management Discussion

- Key Hires in 2020:
  - R&D-CPO/Project Lead/Engineer
  - S&M-Alliance Manager/Sales Engineer/Sales Development Representative (2)/Marketing Specialist
  - G&A-IT Manager
- 2021-2023 scaling overall headcount with growth



# 2020 Headcount Additions

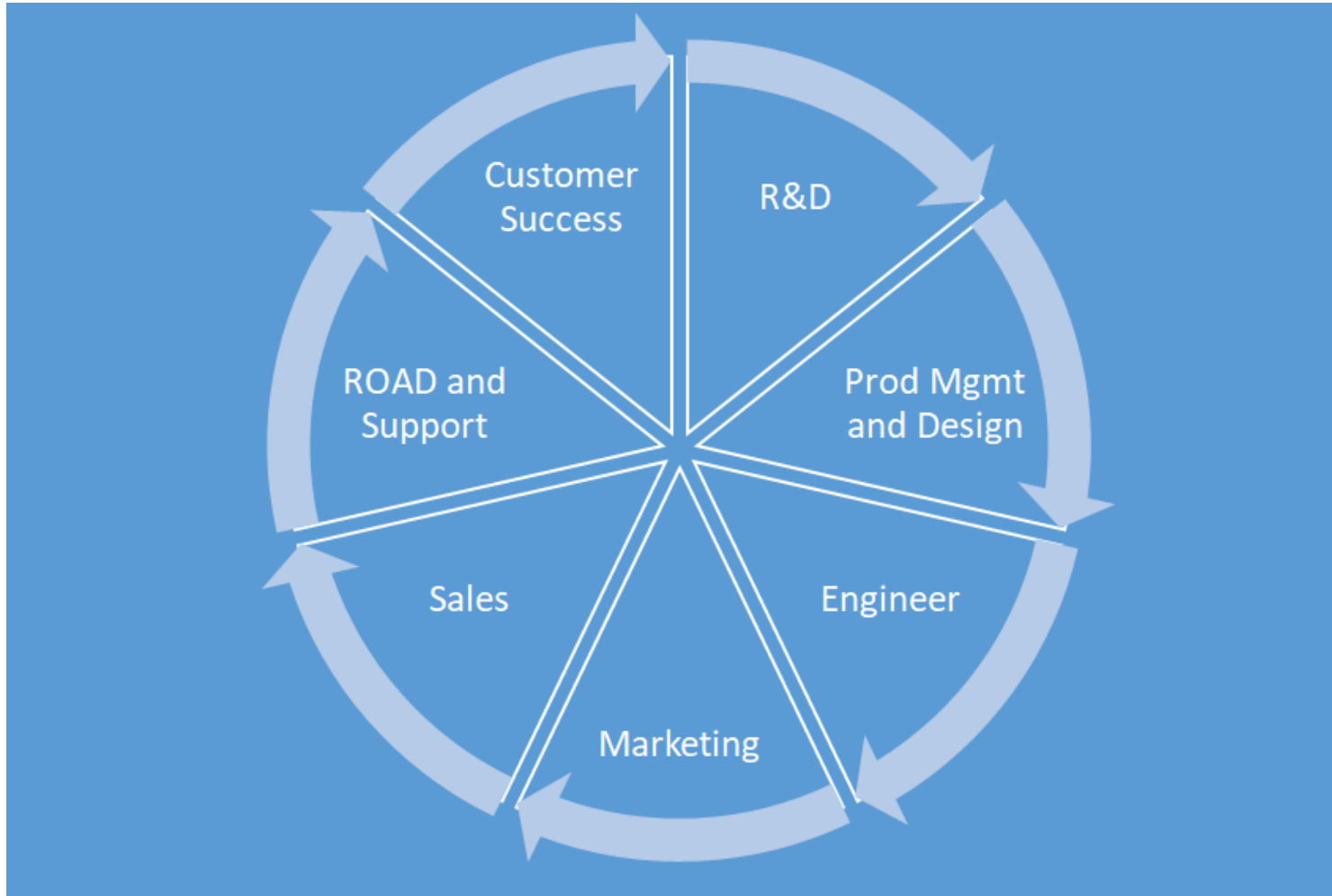
	<u>Hire Date</u>	<u>Annual Impact</u>
<b>R&amp;D</b>		
CPO (offset by Sr. VP Engineering)	Dec-19	125,000
Product Lead	Dec-19	187,500
Engineer	Jan-20	100,000
Head Architect	Jul-20	250,000
<b>Total R&amp;D</b>		<u>\$ 662,500</u>
<b>Sales &amp; Marketing</b>		
<i><b>Sales</b></i>		
Alliance Manager	Jan-20	168,750
Sales Development Rep	Dec-19	62,500
Sales Engineer - Europe	Apr-20	143,750
Sales Development Rep	Apr-20	62,500
<i><b>Marketing</b></i>		
Marketing Specialist	Sep-20	93,750
<b>Total Sales and Marketing</b>		<u>\$ 531,250</u>
<b>G&amp;A</b>		
<i><b>Infrastructure</b></i>		
IT Manager	Dec-19	137,500
<b>Total Administrative</b>		<u>\$ 137,500</u>
<b>Total Company</b>		<u><u>\$ 1,393,750</u></u>



# 2020 Annual Operating Plan Agenda

- Executive Summary & Company Evolution Overview
- 2020 Corporate Priorities & Q1 Key Initiatives
- 2020 Financial Plan
- Strategic Plan
  - Product Machine Overview
  - Sales and Marketing Overview
- Appendix

# The InRule Flywheel



## Management Discussion

- Product, Marketing and Sales are the largest levers of ARR growth
- H1 2020 Focus:
  - Product Management & Design
  - Engineering
  - Marketing
  - Sales
- H2 2020 Focus:
  - Road and Support

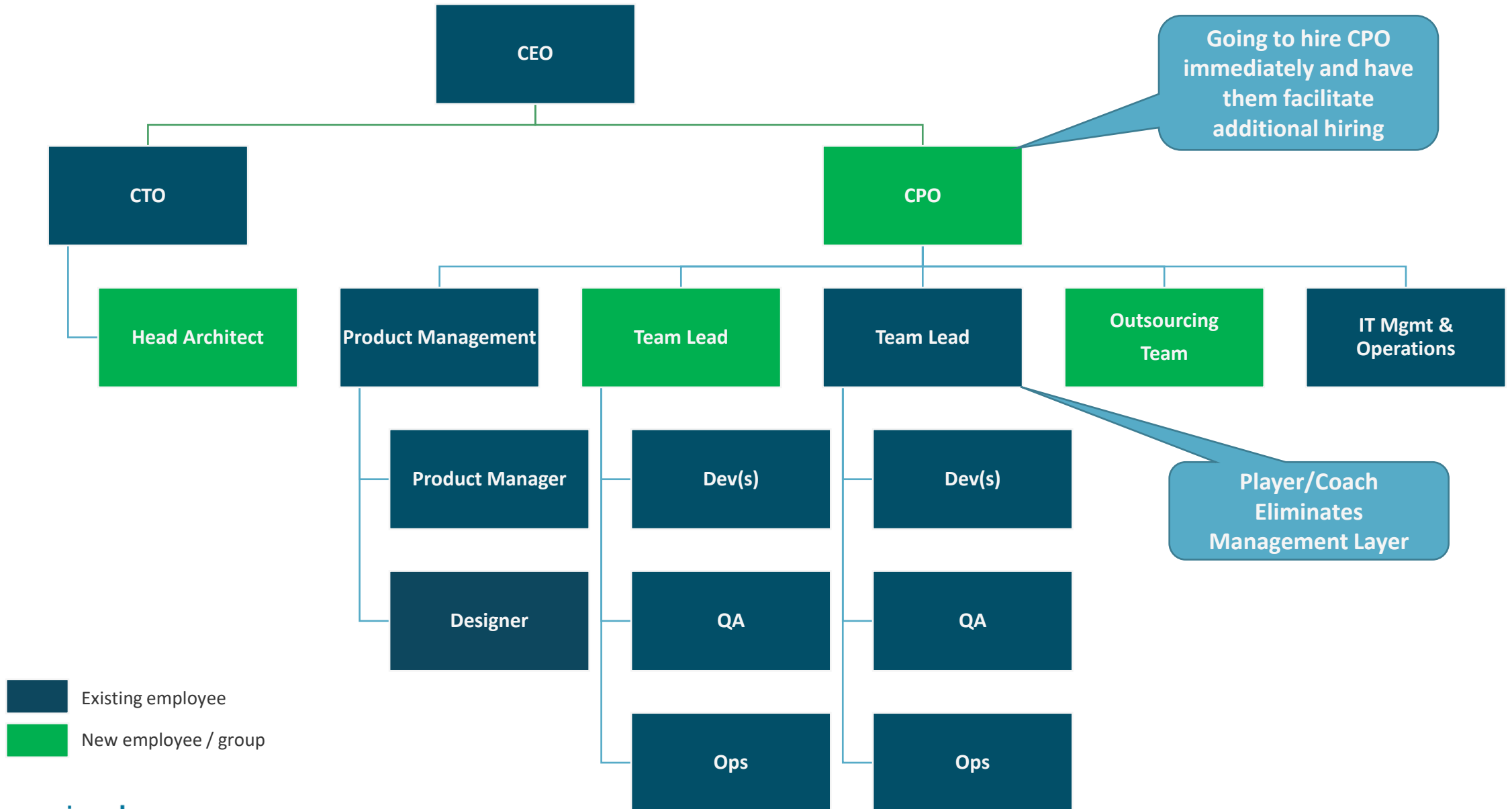
# Product Group Organization Plan

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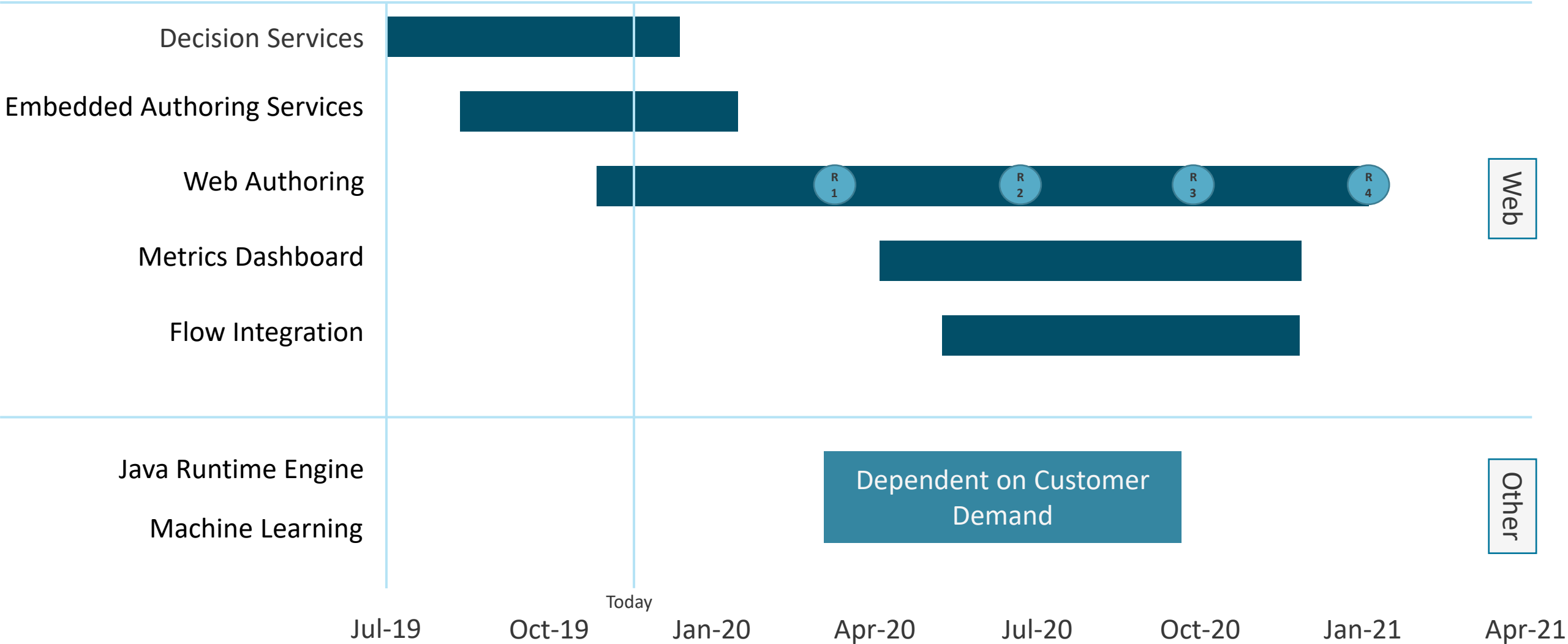
# Optimization of the Product Group

- Separate vision and execution (CTO, CPO)
  - CTO is responsible for vision
  - CPO is responsible for execution
- Unified management of engineering and product management
- Establishing player/coach team leads
- Implement KPIs and ensure accountability and responsibility

## 2020 PRODUCT ORG



# Product Roadmap



# Sales and Marketing Organization Plan



# ARR Bookings - Company Goal to Quota

	2019 (Actual)	2020 (Forecast)
Company Goal	\$3,250	\$2,800
Goal to Quota Variance	0%	20%
Sales Quota	\$3,250	\$3,500
Forecast Achieved	\$2,254	
New Deals %	74%	70%
New License	\$1,671	\$2,450
Upsell License	\$673	\$1,050
Average New License	\$93	\$80
Total New License	18	31

- Plan allows for a 20% quota variance from company budget
- Expected decrease in new license ASP due to 70% increase in new deals



# Marketing and Sales Funnel Metrics

Funnel Metric	Historical Average	Historical Conversion Rate	2020 Requirements (at Current Conversion Rate)
Marketing Leads	6373		8407
Sales Leads	1711	27%	2257
Sales Qualified Leads	191	11%	252
Custom demos	35	18%	46
Net New Deals	24	68%	31

- In order to achieve 2020 goal of 31 new deals, metrics need to increase 32% over 2019 actual
- Priority is increasing Sales Lead to SQL conversion rate

# 2020 Marketing Budget

- Marketing Budget increasing 35% (in line with Funnel Metric requirements)
  - 2019 estimated spend: \$1,006k
  - 2020 budget: \$1,350k
- Headcount cost increase:
  - Marketing Specialist – develop target personas and buyer journey to content map, event coordination, operations and data management
- Program Increase
  - Forrester Thought Leadership
  - Technology and Industry Events & Tradeshow
  - Revamp website & leverage marketing technology to enhance web presence and buyer experience

# 2020 Annual Operating Plan Agenda

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  - Sales and Marketing Overview
  - Product Machine Overview
- Appendix

# 2020 Bookings - Base AOP by Product

\$000's	2020												
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	Total Budget
<b>Bookings</b>													
<i><b>Recurring</b></i>													
Saas/Subscription - New	\$51	\$51	\$407	\$51	\$51	\$407	\$85	\$85	\$679	\$96	\$96	\$770	\$2,830
Saas/Subscription - Renewal	113	232	412	11	184	803	196	809	559	113	917	675	5,024
Maintenance & Support - New	1	1	6	1	1	6	1	1	10	1	1	11	40
Maintenance & Support - Renewal	248	433	260	228	646	545	226	358	300	434	274	326	4,277
<b>Total Recurring Bookings</b>	<b>\$412</b>	<b>\$716</b>	<b>\$1,085</b>	<b>\$291</b>	<b>\$882</b>	<b>\$1,761</b>	<b>\$508</b>	<b>\$1,253</b>	<b>\$1,547</b>	<b>\$645</b>	<b>\$1,289</b>	<b>\$1,781</b>	<b>\$12,171</b>
Perpetual	4	4	29	4	4	29	6	6	48	7	7	54	200
Consulting	80	80	80	80	80	80	80	80	80	80	80	80	961
<b>Total Bookings</b>	<b>\$496</b>	<b>\$800</b>	<b>\$1,194</b>	<b>\$374</b>	<b>\$965</b>	<b>\$1,870</b>	<b>\$594</b>	<b>\$1,340</b>	<b>\$1,675</b>	<b>\$732</b>	<b>\$1,376</b>	<b>\$1,916</b>	<b>\$13,332</b>

# 2020 Revenue – Base AOP by Product

\$000's	2020												
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	Total Budget
<b>Revenue</b>													
<i><b>Recurring</b></i>													
Saas/Subscription - New	\$184	\$186	\$190	\$200	\$203	\$205	\$194	\$184	\$176	\$216	\$218	\$205	\$2,362
Saas/Subscription - Renewal	264	266	264	286	287	288	328	344	355	368	374	389	3,814
Maintenance & Support - New	11	11	11	8	7	6	4	3	3	3	3	3	74
Maintenance & Support - Renewal	380	373	382	354	316	323	337	334	330	319	351	358	4,157
<i><b>Total Recurring Revenue</b></i>	<b>\$839</b>	<b>\$836</b>	<b>\$848</b>	<b>\$848</b>	<b>\$813</b>	<b>\$822</b>	<b>\$863</b>	<b>\$866</b>	<b>\$864</b>	<b>\$907</b>	<b>\$946</b>	<b>\$956</b>	<b>\$10,408</b>
Perpetual	4	4	29	4	4	29	6	6	48	7	7	54	200
Consulting	80	80	80	80	80	80	80	80	80	80	80	80	961
<b>Total Revenue</b>	<b>\$923</b>	<b>\$920</b>	<b>\$957</b>	<b>\$932</b>	<b>\$897</b>	<b>\$931</b>	<b>\$949</b>	<b>\$952</b>	<b>\$992</b>	<b>\$993</b>	<b>\$1,032</b>	<b>\$1,090</b>	<b>\$11,569</b>
<i><b>ARR (December*12)</b></i>													<b>\$11,469</b>

# P&L - 2020 Monthly Budget

\$000's	2020												
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	Total Budget
<b>Gross Revenue</b>	\$ 923	\$ 920	\$ 957	\$ 932	\$ 897	\$ 931	\$ 949	\$ 952	\$ 992	\$ 993	\$ 1,032	\$ 1,090	\$ 11,569
Discounts	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Revenue</b>	\$ 923	\$ 920	\$ 957	\$ 932	\$ 897	\$ 931	\$ 949	\$ 952	\$ 992	\$ 993	\$ 1,032	\$ 1,090	\$ 11,569
Labor	142	142	152	142	142	152	142	141	154	143	142	152	1,744
Other COGS	7	5	10	8	27	32	32	34	12	14	18	19	216
<b>Total COGS</b>	\$ 148	\$ 146	\$ 162	\$ 149	\$ 168	\$ 184	\$ 174	\$ 175	\$ 166	\$ 157	\$ 160	\$ 171	\$ 1,961
<b>Gross Margin</b>	\$ 775	\$ 774	\$ 795	\$ 783	\$ 728	\$ 747	\$ 775	\$ 777	\$ 826	\$ 836	\$ 873	\$ 919	\$ 9,608
<i>Gross Margin %</i>	83.9%	84.1%	83.1%	84.0%	81.2%	80.2%	81.7%	81.6%	83.3%	84.2%	84.5%	84.3%	83.1%
R&D	384	351	387	361	361	395	376	376	424	372	374	402	4,564
Sales & marketing	316	304	424	285	418	534	329	317	570	362	313	461	4,632
Administrative	270	145	167	175	150	153	150	146	176	162	164	174	2,031
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OPEX (excl D&amp;A)</b>	\$ 970	\$ 800	\$ 978	\$ 821	\$ 929	\$ 1,082	\$ 855	\$ 839	\$ 1,170	\$ 895	\$ 851	\$ 1,037	\$ 11,226
<i>Total OPEX %</i>	105.0%	86.9%	102.2%	88.1%	103.6%	116.2%	90.1%	88.1%	117.9%	90.1%	82.4%	95.1%	97.0%
Net Income (Loss)	(304)	(72)	(229)	(147)	(247)	(381)	(189)	(108)	(390)	(168)	(25)	(164)	(2,425)
<b>Reported EBITDA</b>	\$ (403)	\$ (574)	\$ (486)	\$ (155)	\$ (403)	\$ (574)	\$ (486)	\$ (155)	\$ (403)	\$ (574)	\$ (486)	\$ (155)	\$ (1,618)
EBITDA Addbacks	10	28	28	28	38	20	20	20	-	-	-	-	192
<b>Adjusted EBITDA</b>	\$ (393)	\$ (546)	\$ (458)	\$ (127)	\$ (365)	\$ (554)	\$ (466)	\$ (135)	\$ (403)	\$ (574)	\$ (486)	\$ (155)	\$ (1,426)
<i>Adjusted EBITDA %</i>	-42.6%	-59.4%	-47.8%	-13.6%	-40.7%	-59.5%	-49.1%	-14.2%	-40.7%	-57.8%	-47.0%	-14.2%	-12.3%
<i>Change in Deferred Revenue</i>	(27)	100	2	(297)	77	342	24	(15)	356	326	85	573	1,546
<b>Adjusted Cash EBITDA</b>	\$ (420)	\$ (446)	\$ (456)	\$ (424)	\$ (288)	\$ (212)	\$ (442)	\$ (150)	\$ (47)	\$ (248)	\$ (401)	\$ 418	\$ 120
<i>Adjusted Cash EBITDA %</i>	-45.5%	-48.5%	-47.7%	-45.5%	-32.1%	-22.8%	-46.5%	-15.7%	-4.8%	-25.0%	-38.8%	38.4%	1.0%

# Detail Operating Expenses

\$000's

	2020												Total Budget
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	
<b>Opex Overview</b>													
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	471	454	449	466	446	439	454	453	490	481	475	472	5,551
Benefits (Medical, Dental, Life, AD&D & 401K)	69	67	67	71	71	71	74	74	76	76	76	76	868
Bonus	9	9	74	11	11	76	11	11	76	11	11	76	384
Marketing	84	94	130	54	185	191	95	68	167	98	53	67	1,285
Commissions	12	14	84	11	15	88	19	23	139	22	25	158	611
Travel and Entertainment	12	16	18	13	21	40	15	30	18	31	59	36	308
Rent and Facilities	29	32	32	32	34	32	31	35	30	37	30	31	385
Insurance	52	(1)	-	6	0	-	0	3	6	6	6	20	99
Professional Fees	74	81	88	97	101	92	118	87	89	71	63	61	1,022
Utilities, Repairs, Maint. & Security	3	3	4	3	3	4	3	3	4	3	3	3	39
Office Supplies	1	0	1	0	1	1	1	1	1	1	1	1	8
IT	115	25	27	33	32	32	41	43	46	37	42	32	506
Other Expenses	39	5	4	25	8	16	(6)	8	29	22	7	5	162
<b>Total OPEX (excl D&amp;A)</b>	<b>\$ 970</b>	<b>\$ 800</b>	<b>\$ 978</b>	<b>\$ 821</b>	<b>\$ 929</b>	<b>\$ 1,082</b>	<b>\$ 855</b>	<b>\$ 839</b>	<b>\$ 1,170</b>	<b>\$ 895</b>	<b>\$ 851</b>	<b>\$ 1,037</b>	<b>\$ 11,226</b>

# Working Capital - 2020 Monthly Budget

\$000's	2020											
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget
<b>Current Assets</b>												
Cash and cash equivalents	\$ 3,621	\$ 3,634	\$ 3,452	\$ 2,989	\$ 2,810	\$ 2,771	\$ 2,597	\$ 2,467	\$ 2,433	\$ 2,588	\$ 2,603	\$ 2,991
Accounts receivable, net	1,972	1,995	1,944	1,972	1,992	2,002	2,021	2,040	2,049	2,061	2,124	2,158
Prepaid expenses and other current assets	117	118	115	117	118	118	120	121	121	122	126	128
<b>Total Current Assets</b>	<b>\$ 5,709</b>	<b>\$ 5,747</b>	<b>\$ 5,511</b>	<b>\$ 5,078</b>	<b>\$ 4,920</b>	<b>\$ 4,891</b>	<b>\$ 4,738</b>	<b>\$ 4,629</b>	<b>\$ 4,603</b>	<b>\$ 4,771</b>	<b>\$ 4,852</b>	<b>\$ 5,276</b>
<b>Current Liabilities</b>												
Accounts payable	196	196	197	198	200	204	207	212	214	216	217	219
Accrued liabilities	404	409	399	405	408	410	414	418	420	423	436	443
Deferred Revenue	6,915	7,015	7,017	6,720	6,797	7,139	7,163	7,148	7,504	7,830	7,915	8,488
Other current liabilities	117	118	115	117	118	119	120	121	122	122	126	128
<b>Total Current Liabilities</b>	<b>\$ 7,633</b>	<b>\$ 7,739</b>	<b>\$ 7,728</b>	<b>\$ 7,439</b>	<b>\$ 7,524</b>	<b>\$ 7,872</b>	<b>\$ 7,904</b>	<b>\$ 7,899</b>	<b>\$ 8,260</b>	<b>\$ 8,591</b>	<b>\$ 8,694</b>	<b>\$ 9,278</b>
Working Capital	(1,924)	(1,992)	(2,217)	(2,361)	(2,604)	(2,981)	(3,166)	(3,270)	(3,657)	(3,820)	(3,841)	(4,002)
Working Capital, less cash	(5,545)	(5,626)	(5,670)	(5,350)	(5,414)	(5,752)	(5,764)	(5,738)	(6,090)	(6,408)	(6,444)	(6,992)



# Cash Flow - 2020 Monthly Budget

\$000's	2020												
	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	Total Budget
<b>Cash flow from operations</b>													
Net Income (Loss)	\$ (304)	\$ (72)	\$ (229)	\$ (147)	\$ (247)	\$ (381)	\$ (189)	\$ (108)	\$ (390)	\$ (168)	\$ (25)	\$ (164)	\$ (2,425)
Depreciation, amortization and other	4	4	4	4	4	4	4	4	4	4	4	4	48
<i>Change in operating assets and liabilities:</i>													
Accounts receivable	(33)	(23)	51	(29)	(19)	(10)	(19)	(19)	(8)	(12)	(63)	(34)	(220)
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	(2)	(1)	3	(2)	(1)	(1)	(1)	(1)	(0)	(1)	(4)	(2)	(13)
Accounts payable	1	(0)	1	0	2	4	3	4	2	2	1	2	23
Accrued expenses	7	5	(10)	6	4	2	4	4	2	3	13	7	45
Other cash flow from operations (1)	(25)	101	(2)	(296)	78	342	25	(13)	357	327	89	575	1,559
<b>Total Cash Flow from Operations</b>	<b>\$ (352)</b>	<b>\$ 13</b>	<b>\$ (181)</b>	<b>\$ (463)</b>	<b>\$ (179)</b>	<b>\$ (39)</b>	<b>\$ (173)</b>	<b>\$ (130)</b>	<b>\$ (34)</b>	<b>\$ 155</b>	<b>\$ 15</b>	<b>\$ 388</b>	<b>\$ (982)</b>
<b>Cash flow from investing</b>													
Additions to property, plant and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other cash flow from investing	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Flow from Investing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash flow from financing</b>													
Repayment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock issued (repurchased)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Flow from Financing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in cash</b>	<b>\$ (352)</b>	<b>\$ 13</b>	<b>\$ (181)</b>	<b>\$ (463)</b>	<b>\$ (179)</b>	<b>\$ (39)</b>	<b>\$ (173)</b>	<b>\$ (130)</b>	<b>\$ (34)</b>	<b>\$ 155</b>	<b>\$ 15</b>	<b>\$ 388</b>	<b>\$ (982)</b>
Beginning cash	3,973	3,621	3,634	3,452	2,989	2,810	2,771	2,597	2,467	2,433	2,588	2,603	3,973
Change in cash	(352)	13	(181)	(463)	(179)	(39)	(173)	(130)	(34)	155	15	388	(982)
<b>Ending cash</b>	<b>\$ 3,621</b>	<b>\$ 3,634</b>	<b>\$ 3,452</b>	<b>\$ 2,989</b>	<b>\$ 2,810</b>	<b>\$ 2,771</b>	<b>\$ 2,597</b>	<b>\$ 2,467</b>	<b>\$ 2,433</b>	<b>\$ 2,588</b>	<b>\$ 2,603</b>	<b>\$ 2,991</b>	<b>\$ 2,991</b>

(1) Consists of deferred revenue and deferred lease incentives. Deferred revenue makes up the vast majority of the cash flow

# 2020 Base AOP EBITDA to Net Income (Loss) Bridge

\$'000	Jan-20 Budget	Feb-20 Budget	Mar-20 Budget	Apr-20 Budget	May-20 Budget	Jun-20 Budget	Jul-20 Budget	Aug-20 Budget	Sep-20 Budget	Oct-20 Budget	Nov-20 Budget	Dec-20 Budget	2020 - Budget	2019 - Actual	Variance (\$)	%
EBITDA, Adjusted	\$ (185)	\$ 2	\$ (155)	\$ (10)	\$ (163)	\$ (315)	\$ (60)	\$ (42)	\$ (344)	\$ (59)	\$ 21	\$ (118)	\$ (1,426)		\$ (1,426)	0%
EBITDA Addbacks	10	28	28	28	38	20	20	20	-	-	-	-	\$ 192		\$ 192	0%
Depreciation	4	4	4	4	4	4	4	4	4	4	4	4	\$ 48		\$ 48	0%
Interest and financial amortization	42	42	42	42	42	42	42	42	42	42	42	42	\$ 509		\$ 509	0%
Other financial income/expense (e.g. fx, hedging)	-	-	-	-	-	-	-	-	-	-	-	-	\$ -		\$ -	0%
Non-financial income/expense	-	-	-	-	-	-	-	-	-	-	-	-	\$ -		\$ -	0%
Monitoring fees (including expenses)	63	-	-	63	-	-	63	-	-	63	-	-	\$ 250		\$ 250	0%
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	\$ -		\$ -	0%
Non-recurring items	-	-	-	-	-	-	-	-	-	-	-	-	\$ -		\$ -	0%
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	\$ -		\$ -	0%
Net Income (Loss)	\$ (304)	\$ (72)	\$ (229)	\$ (147)	\$ (247)	\$ (381)	\$ (189)	\$ (108)	\$ (390)	\$ (168)	\$ (25)	\$ (164)	\$ (2,425)		\$ (2,425)	0%