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Quarterly Operating Review

Q1 2020

12 August 2020

Agenda

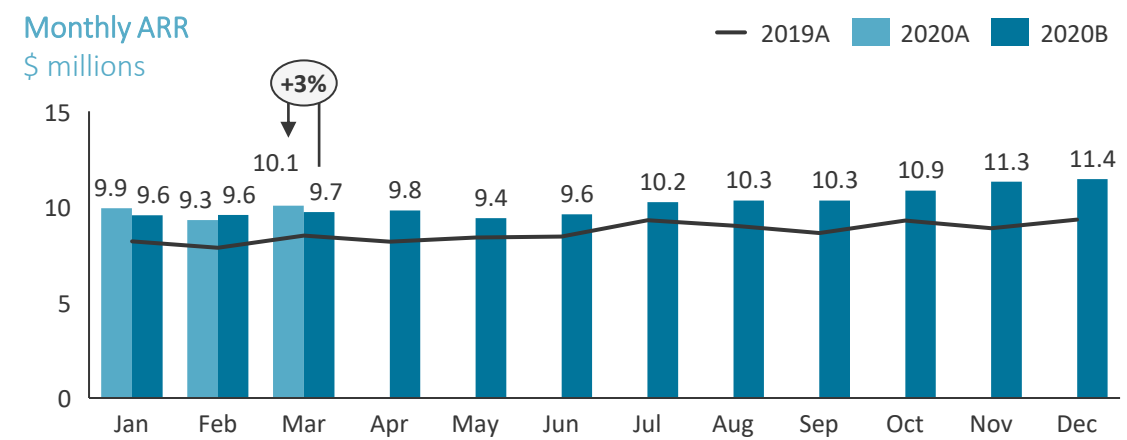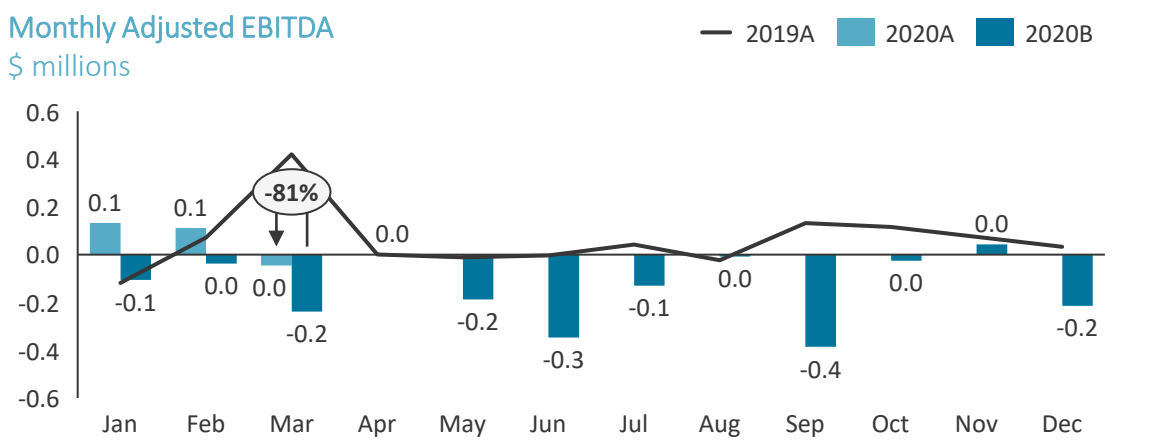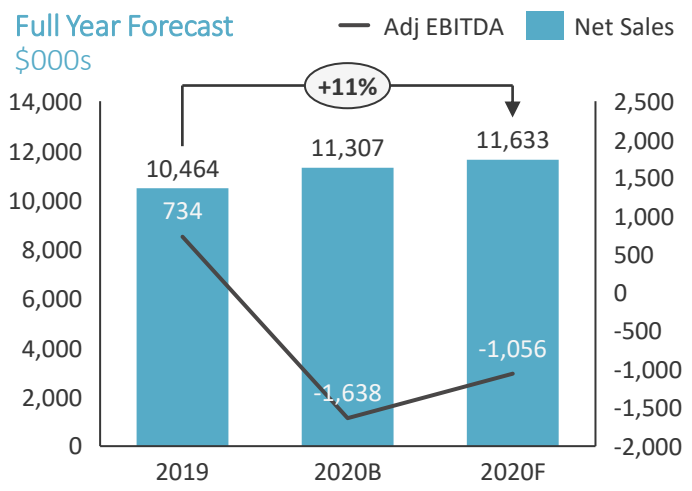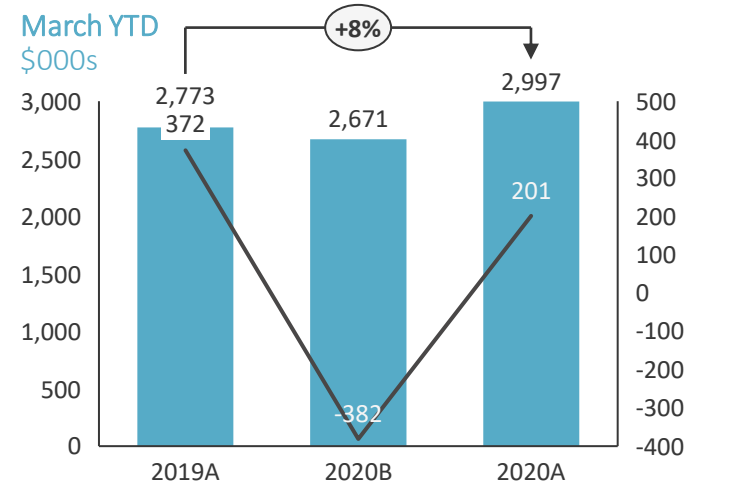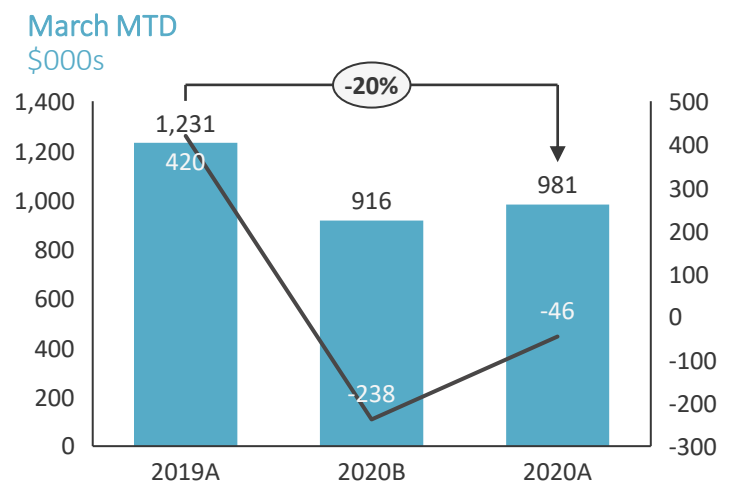## Agenda

- Financial Overview
- Executive Overview
- Sales & Marketing
- M&A Discussion
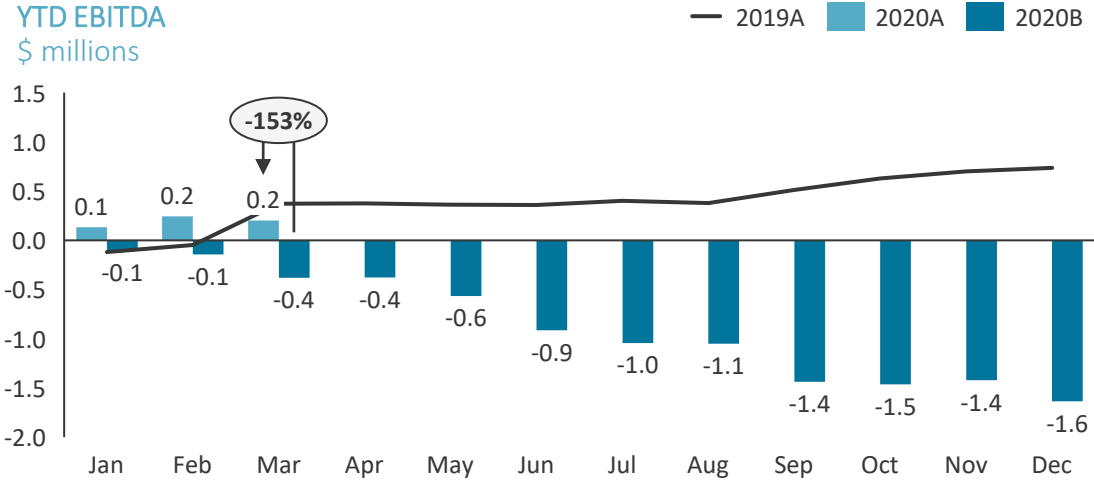- Scenario B Additional Spend

Objectives

- Gain collective economic outlook and assess opportunities and risks
- Debrief on M&A activities
- Understand opportunities for additional spend under Scenario B

Financial Overview

Financial Overview

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March MTD
$000s

	2019A	2020B	2020A
Net Sales	1,231	916	981
Adj EBITDA	420	-238	-46

-20%

March YTD
$000s

	2019A	2020B	2020A
Net Sales	2,773	2,671	2,997
Adj EBITDA	372	-382	201

+8%

Full Year Forecast
$000s — Adj EBITDA — Net Sales

	2019	2020B	2020F
Net Sales	10,464	11,307	11,633
Adj EBITDA	734	-1,638	-1,056

+11%

Monthly Adjusted EBITDA
$ millions — 2019A — 2020A — 2020B

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020A	0.1	0.1	0.0							0.0	0.0	
2020B	-0.1	0.0	-0.2	0.0	-0.2	-0.3	-0.1	0.0	-0.4			-0.2

-81%

Monthly ARR
$ millions — 2019A — 2020A — 2020B

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	9.9	9.3	10.1	9.8	9.4	9.6	10.2	10.3	10.3	10.9	11.3	11.4
	9.6	9.6	9.7									

+3%

Financial Overview

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YTD EBITDA
$ millions

Legend: — 2019A ■ 2020A ■ 2020B

-153%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020A/B	0.1 / -0.1	0.2 / -0.1	0.2 / -0.4	-0.4	-0.6	-0.9	-1.0	-1.1	-1.4	-1.5	-1.4	-1.6

YTD Revenue
$ millions

Legend: — 2019A ■ 2020A ■ 2020B

+12%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020A/B	1.0 / 0.9	2.0 / 1.8	3.0 / 2.7	3.6	4.4	5.3	6.3	7.2	8.2	9.2	10.2	11.3

Monthly Net Revenue
$ millions

Legend: — 2019A ■ 2020A ■ 2020B

+7%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020A/B	1.0 / 0.9	1.0 / 0.9	1.0 / 0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1

Liquidity
$ millions

Legend: ···· Liquidity — Net External Debt

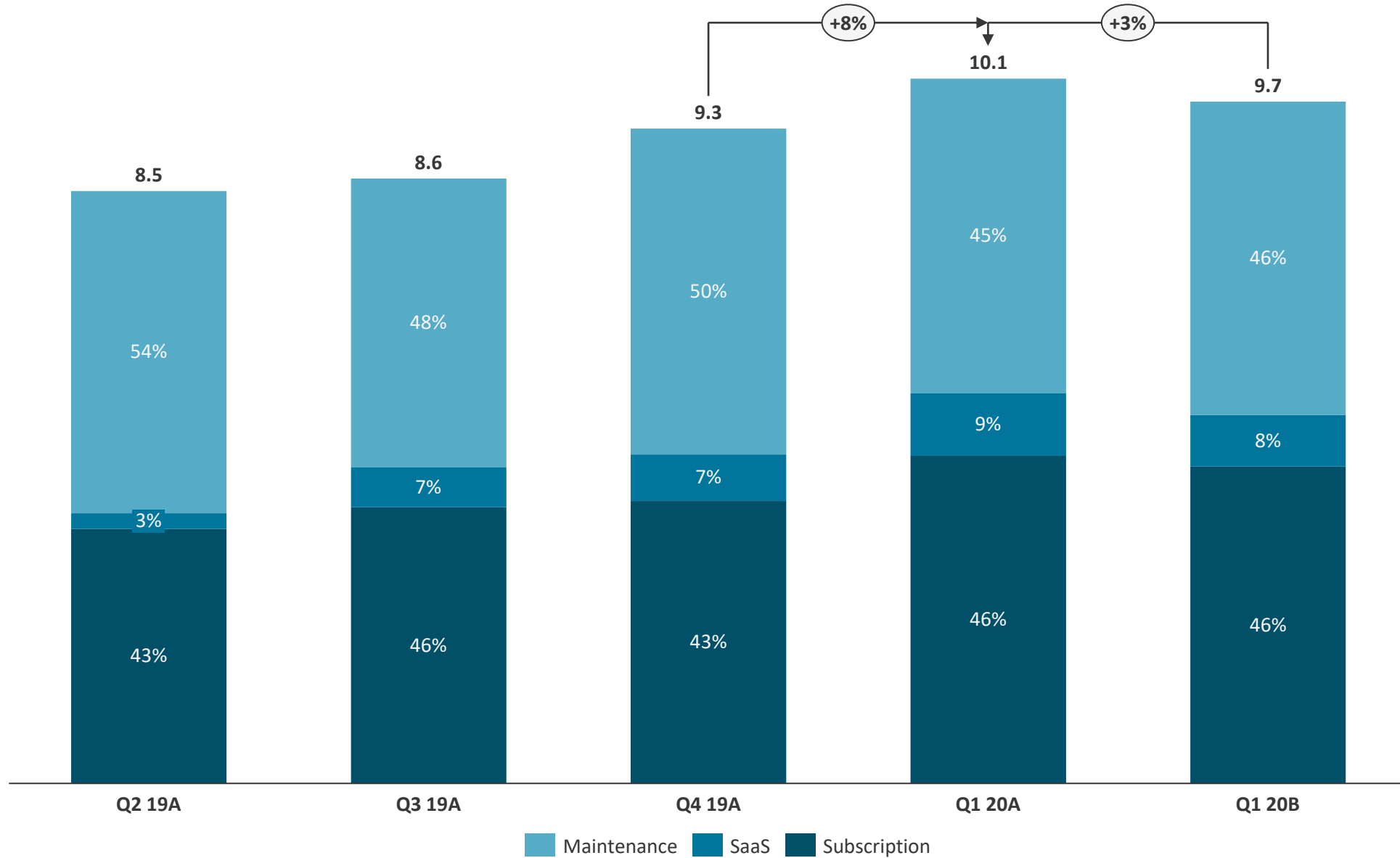|	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20
Liquidity	1.9	2.3	2.0	1.9	3.1	3.2	3.8	3.6	3.8	3.8	3.6	4.5
Net External Debt					5.4	5.3	4.7	4.9	4.7	4.7	4.9	4.5

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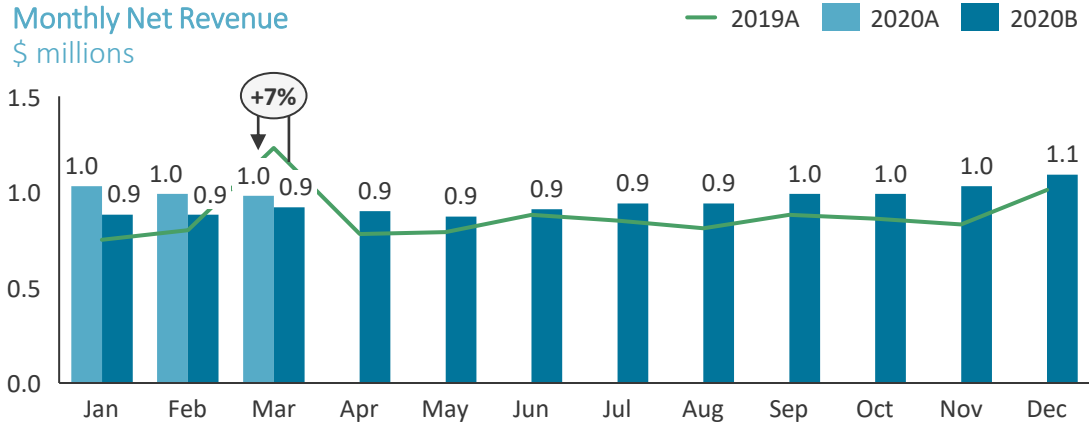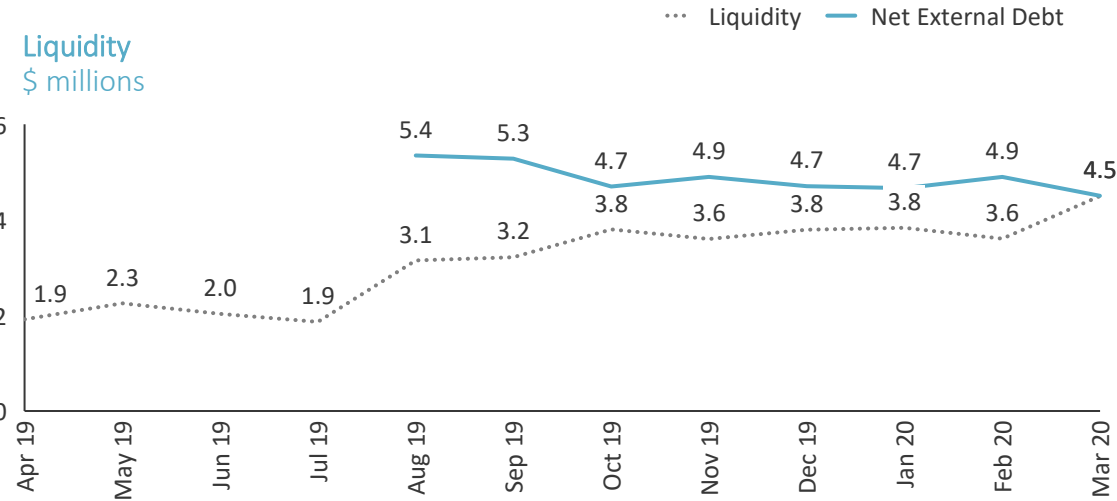
Recurring Revenue

ARR by Quarter
$ millions

Nonrecurring License Revenue

Quarterly Perpetual Revenue
$000's

- TTM Avg

Bar chart showing Quarterly Perpetual Revenue: Q2 19A 248, Q3 19A 166, Q4 19A 225, Q1 20A 189, Q1 20B 36. Annotation +425% between Q1 20A and Q1 20B.
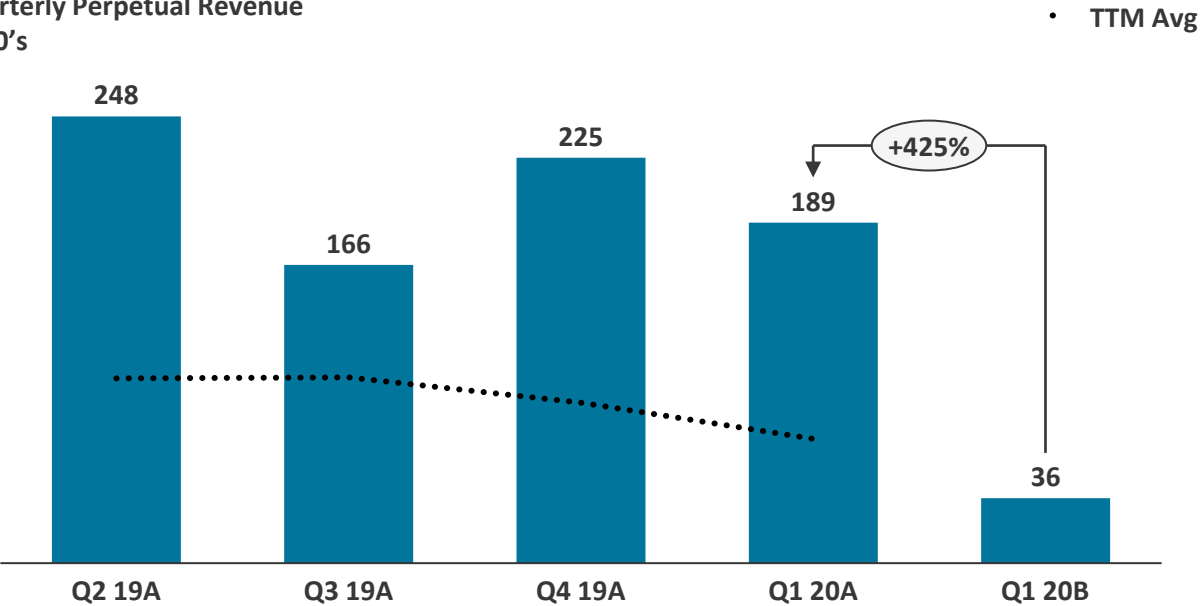
Key Wins		
Customer	Perpetual	Comments
Shell	$175K	Phase II License Rollout
Total	$175K	

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Nonrecurring Services Revenue

Consulting Services Revenue & Gross Margin
$000's

	Q2 19A	Q3 19A	Q4 19A	Q1 20A	Q1 20B
Revenue	116	125	187	368	230
Gross Profit	36	37	64	207	
Gross Margin	30.9%	29.4%	34.2%	56.4%	

+97% +60%

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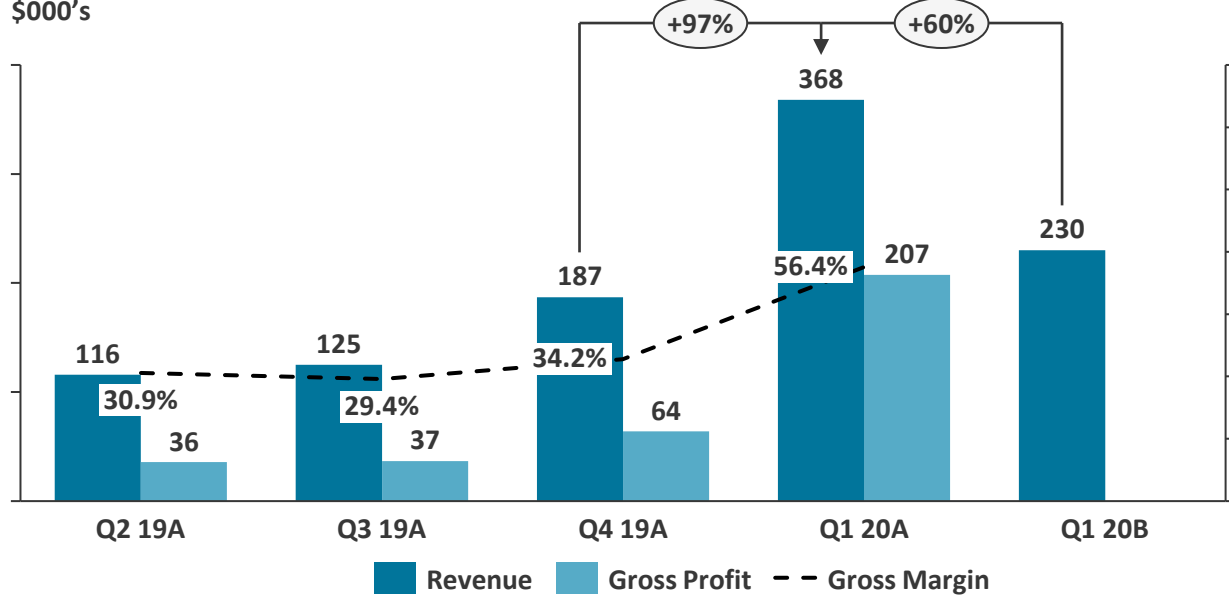
Consulting Services Revenue Forecast / Backlog
$000's

Q1 20A	QTD Q2 20A	Prepaid Backlog	SOW Backlog	Total Fcst	Budget
368	55	213	363	1,000	961

+4.1%

Legend: Consulting Revenue
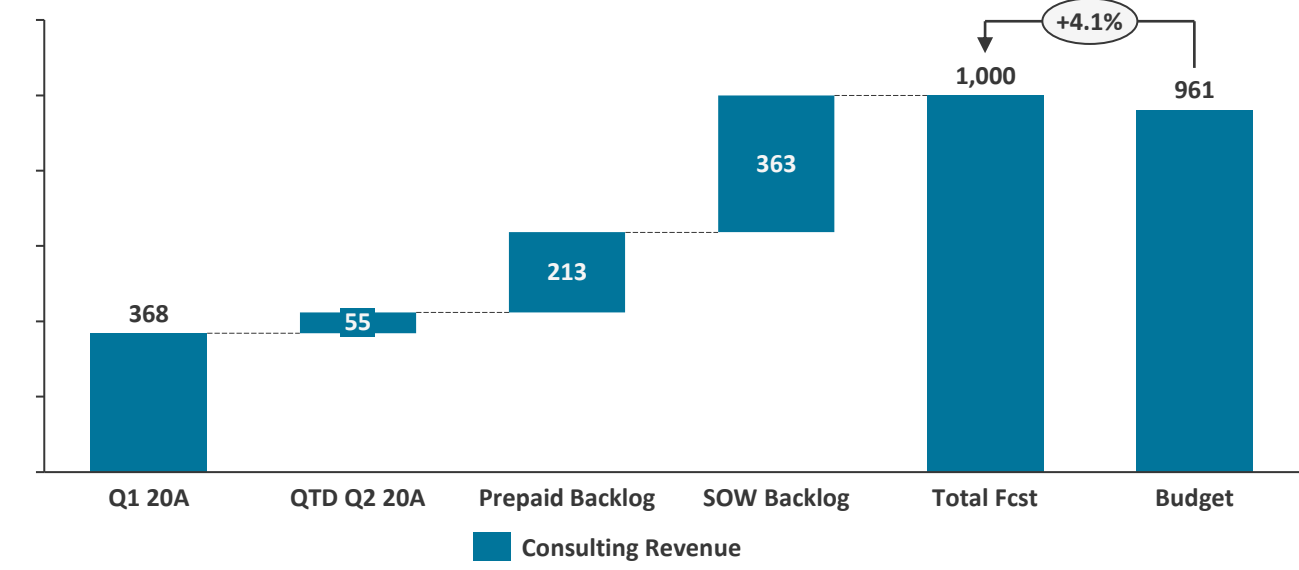
Key Projects Delivered in Q1

Customer	Services	Comments
Life Labs	$102K	70 days delivered in Q1
Microsoft	$ 96K	Service Hub Milestone 2 delivered
Microsoft	$ 45K	Service Hub Milestone 3 delivered
Aetna	$ 39K	25 days delivered in Q1; 60 additional days purchased
Quicken Loans	$ 11K	4 Rule Authoring training sessions delivered; 6 additional classes purchased
Total	**$293K**	

Consulting Utilization (%'s)

Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
31.1%	21.0%	24.4%	32.1%	40.8%

+31.2% +26.9%

Legend: Utilization

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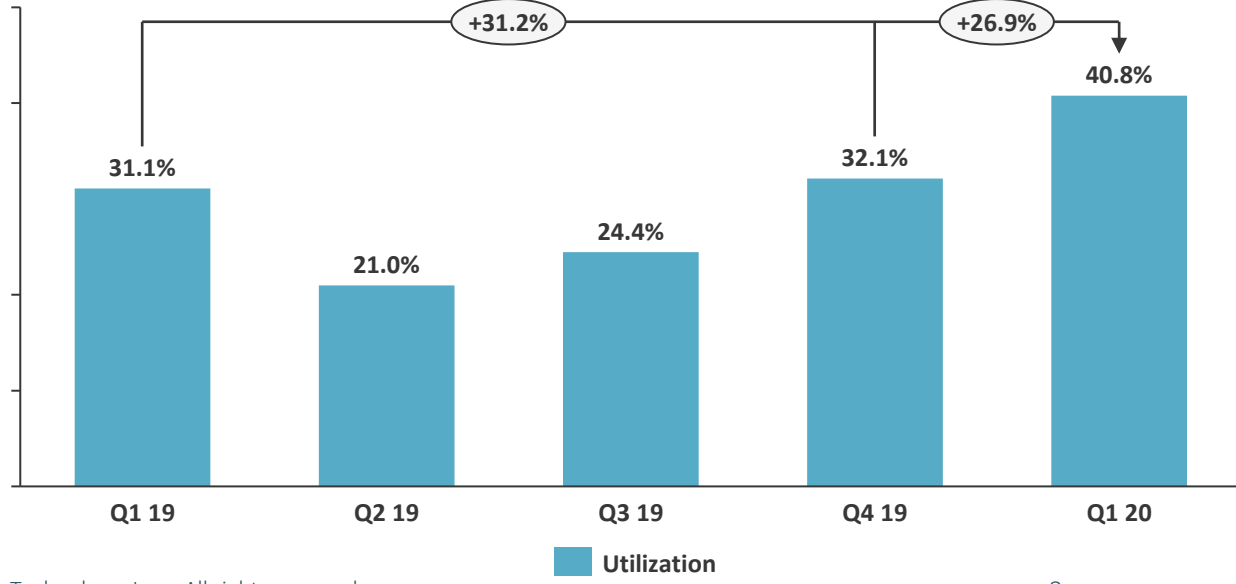
Summary P&L – Q1 2020

$000's	Summary P&L QTD Mar-20							Summary P&L 2020			
	QTD		Variance		PY QTD	Variance		FY		Variance	
	Act	Bud	$	%	Act	$	%	Fcst	Budget	$	%
Net Revenue											
Subscription	1,137	1,122	15	1.4%	877	260	29.6%	5,212	5,197	15	0.3%
SaaS	219	181	38	21.1%	47	172	366.7%	917	879	38	4.3%
Maintenance	1,085	1,102	(18)	(1.6%)	1,123	(39)	(3.4%)	4,092	4,109	(18)	(0.4%)
Recurring Revenue	**$2,440**	**$2,405**	**$36**	**1.5%**	**$2,048**	**$393**	**19.2%**	**$10,221**	**$10,185**	**$36**	**0.3%**
Perpetual	189	36	153	424.7%	434	(245)	(56.5%)	353	200	153	76.5%
Services	368	230	138	59.8%	291	77	26.5%	1,059	922	138	14.9%
Nonrecurring Revenue	**$557**	**$266**	**$291**	**109.1%**	**$725**	**($168)**	**(23.2%)**	**$1,412**	**$1,122**	**$291**	**25.9%**
Net Revenue	**2,997**	**2,671**	**$326**	**12.2%**	**2,773**	**$225**	**8.1%**	**11,633**	**11,307**	**$326**	**2.9%**
ARR	*$10,055*	*$9,729*	*$326*	*3.3%*	*$8,502*	*$1,553*	*18.3%*	*$10,055*	*$9,729*	*$326*	*3.3%*
Labor	453	435	(18)	(3.9%)	427	(25)	(5.6%)	1,762	1,744	(18)	(1.0%)
Other COGS	28	29	0	0.8%	14	(15)	(52.0%)	227	227	0	0.1%
Total COGS	**$481**	**$464**	**($17)**	**(3.6%)**	**$441**	**($40)**	**(8.4%)**	**$1,989**	**$1,972**	**($17)**	**(0.9%)**
Gross Margin	**$2,516**	**$2,207**	**$309**	**14.0%**	**$2,332**	**$184**	**7.9%**	**$9,644**	**$9,335**	**$309**	**3.3%**
Gross Margin %	*83.9%*	*82.6%*		*1.3%*	*84.1%*		*(0.2%)*	*82.9%*	*82.6%*		*0.3%*
R&D	1,014	1,155	141	13.9%	872	(142)	(14.0%)	4,415	4,557	141	3.2%
Sales & Marketing	919	1,069	151	16.4%	688	(231)	(25.1%)	4,773	4,923	151	3.2%
Administrative	505	560	54	10.8%	429	(76)	(15.1%)	1,999	2,053	54	2.7%
Total OPEX (excl D&A)	**$2,438**	**$2,784**	**$346**	**14.2%**	**$1,989**	**($449)**	**(18.4%)**	**$11,187**	**$11,533**	**$346**	**3.1%**
Total OPEX (excl D&A) %	81.3%	104.2%		22.9%	71.7%		(9.6%)	96.2%	102.0%		5.8%
Net Income (Loss)	($935)	($1,596)	$660	41.4%	$313	($313)	100.0%	($5,614)	($6,273)	$660	10.5%
Reported EBITDA	**$78**	**($577)**	**$655**	**113.5%**	**$343**	**($265)**	**(77.2%)**	**($1,543)**	**($2,198)**	**$655**	**29.8%**
EBITDA Margin %	*2.6%*	*(21.6%)*		*24.2%*	*12.4%*		*(9.8%)*	*(13.3%)*	*(19.4%)*		*6.2%*
EBITDA, adjusted	**$201**	**($382)**	**$582**	**152.6%**	**$372**	**($172)**	**(46.1%)**	**($1,056)**	**($1,638)**	**$582**	**35.6%**
EBITDA, adjusted %	*6.7%*	*(14.3%)*		*21.0%*	*13.4%*		*(6.7%)*	*(9.1%)*	*(14.5%)*		*5.4%*
Change in Deferred Revenue	(251)					(6)	(245)	4,078.8%	1,706		
Adjusted Cash EBITDA	**($51)**				**$366**	**($417)**	**(113.8%)**	**$650**			
Adj. Cash EBITDA %	*(1.7%)*				*13.2%*		*(14.9%)*	*5.6%*			

The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit.

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Accounting Standards Update

ASC 606 Revenue Recognition (change not reflected in current numbers, numbers will be restated in April MOR)
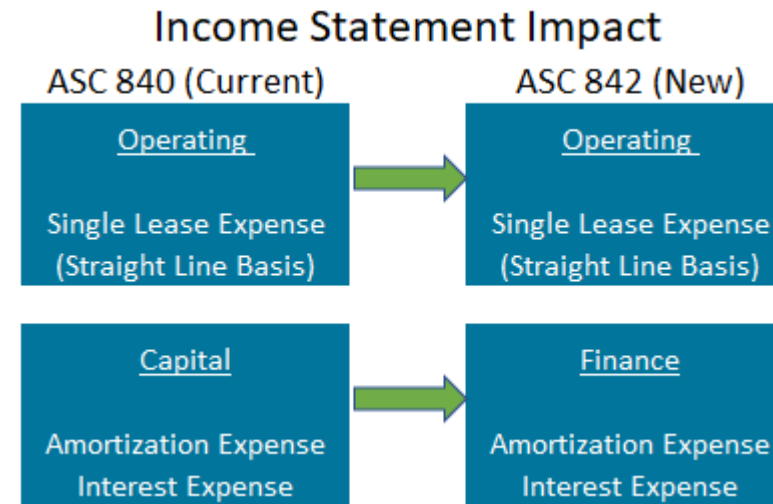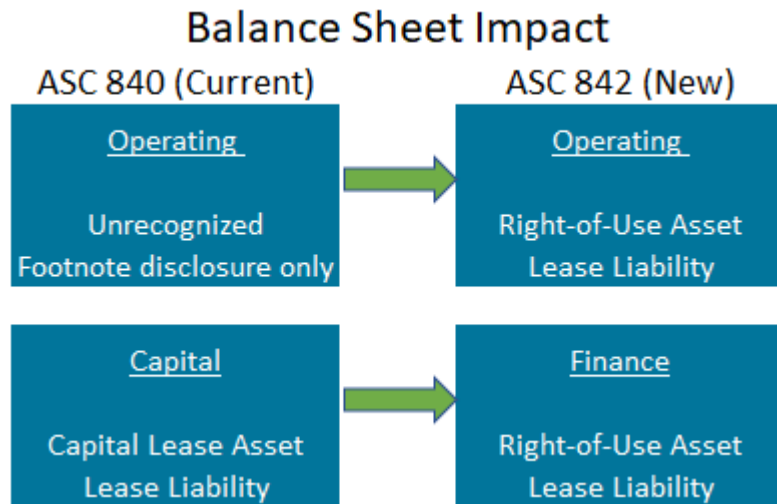
- The new revenue standard (ASC 606-*Revenue from Contracts with Customers*) brings US GAAP in line with IFRS and standardizes revenue recognition across industries

- Private companies required to implement for fiscal year 2019

- Non-SaaS Subscription contracts:
    - Revenue recorded based on separate performance obligations (software license and annual maintenance)
    - Revenue will be recognized faster

- Tax Implications:
    - $2.0M of **taxable revenue** created from existing contracts in deferred revenue at 12/31/18
    - $.5M taken into income in 2019, $1.5M deferred to 2020-2022
    - Accounting change creates a 2019 tax liability of $25K ($0 Federal/$25K State), due 7/15/20

Revenue	Change	2019 Impact
SaaS	No Change	$0
Non-SaaS Subscription	Recognize revenue ratable over term -> Recognize 90% up front, and remaining 10% over term	+$680K
Maintenance	No Change	$0
Perpetual	No Change	$0
Consulting	No Change	$0

Type	1/1/19	12/31/19	3/31/20
Book Revenue	N/A	+680K	-187K
ARR vs ACV method	$0	$0	$0
EBITDA	N/A	+680K	-187K
Deferred Revenue	-$2,158K	-$2,733K	-$2,506
Retained Earnings	-$2,158K	N/A	N/A
Tax Revenue	N/A	+500K	+125K

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ASC 842 Lease Accounting

- New standard will close the loophole of off-balance sheet operating leases by requiring both capital and operating leases to be included on the balance sheet
    - **Capital Lease** (Finance Lease under the new standard)
        - No accounting change treatment with ASC 842
    - **Operating Lease** (defined as anything other than Sales-type or direct Financing Leases)
        - Right of Use (ROU) assets will be recognized on the balance sheet along with a corresponding liability for the lease obligation

Balance Sheet Impact

ASC 840 (Current)		ASC 842 (New)
Operating	→	Operating
Unrecognized Footnote disclosure only		Right-of-Use Asset Lease Liability
Capital	→	Finance
Capital Lease Asset Lease Liability		Right-of-Use Asset Lease Liability

Income Statement Impact

ASC 840 (Current)		ASC 842 (New)
Operating	→	Operating
Single Lease Expense (Straight Line Basis)		Single Lease Expense (Straight Line Basis)
Capital	→	Finance
Amortization Expense Interest Expense		Amortization Expense Interest Expense

- Private Companies must implement for December 31, 2021 fiscal year end
- FASB considering delaying another year due to COVID-19 which would push implementation back to 2022

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Executive Summary

Executive Summary

- Achieved 100% of COVID cost savings in Q1
- Overachieved Q1 budget in both revenue and bookings. YTD total revenue 12.2% over AOP, YTD total bookings 10.3% over AOP
- 18% increase in ARR over March 2019 and 3% favorable variance vs 2020 AOP
- New business acquisition:
    - New logos: American Homes 4 Rent (ARR-$75K), Bank of Turkey (ARR-$10K)
    - Upsells: TechData (ARR-$92K), ServiceLink (ARR-$40K), Hudson Insurance (ARR-$35K), Embrace Pet (ARR-$7K)
- New ARR pipeline for Q2 supports Q2 bookings goal. Continue to see strong activity in new demos and POCs
- Completed and billed final milestone of Microsoft Service Hub Project ($45K)
- Progressing SaaS readiness
    - Continuing DevOps readiness remediation based on review
    - Received SOC II remediation report. Will trigger completion window of July 31 before official examination starting 8/1.
    - Consolidated Support under Product for better efficiency
- Resource management
    - Onboarded outsourced development team and 2 backfill Senior Product Engineers
    - Onboarded 2 Sales Development Representatives (SDR) - 1 US/1 UK
    - Backfilled DevOps/Cloud Ops Manager to start 4/27 and Product Marketing Manager to start 4/29
    - Backfilled Customer Support Manager to start 4/30

State of the Union – "What's Not Working"

- Further cancellation of 2020 trade-shows has continued to focus marketing activities on digital

- Overall solid funnel progression and coverage for Q2, despite slow-down of upper funnel metrics, may impact H2

- Some customers requesting more favorable payment terms and/or quarterly/monthly payment plans

- Delayed product feature delivery
  - Experienced higher level of turnover in product machine into the new year slowing development activities
  - Have restored COVID-19 capacity as of April 15th (backfills and new hires)
  - Kicked-off web-related projects with near capacity March 25th with one agile team including outsourced resources
  - Decision Services feature for customer trials and web-based interface complete end-April
  - Phase 1 of web-based authoring starting May 1st – Expect incremental MVP capability release starting second sprint (end of May)

2020 Strategic Pillars

Decision Platform Expediency	Market Expansion	Customer Experience	Operational Excellence
Build an innovative market-leading SaaS-first Decision Platform that generates, demonstrates, and captures uncontested value	Increase brand awareness and boost market demand through education and thought leadership; Develop robust, global commercial strategy	Develop comprehensive Services, Support, and Customer Success program that effectively and efficiently drives exception experience throughout the customer journey	Maximize effectiveness of and value from human resources, software and systems
Readiness for SaaS strategy • Agile development transformation • Quality automation processes • Integrated cloud ops	Funnel to Revenue • Maximize the funnel • Optimize funnel conversion • Capitalize on funnel value potential	Develop services strategy to increase services sales, utilization and client value • Continuous and actionable project engagement • Incentive plan for consultants • Train for customer engagement • Onsite delivery of services • Broader offerings/activities	Improve financial reporting efficiency and tracking of key metrics • Leverage and optimize new ERP system • Combine data from key operational systems • Provide dashboard view for key stakeholders
Evolution to Platform • Iterative delivery of web and cloud enabled capabilities	Buyer Journey & Content • Provide the appropriate content at the right time in the buyer journey	Improve renewal and upsell to other projects • Trusted advisor level relationships • Executive reach out • Roadshow/Customer tour	Advance company culture and support personal growth • Management Guide • Culture guide • Regular company activities • Self-learning guidance • Hackathons

Operational cost efficiency
• Tactical distribution of resource investment
	Brand Strategy & Experience
	• Positioning and Identity for key audiences
	   • Analyst community
	   • Prospects
	   • Customers
		Expand on-boarding, support, and go-live process	Standardize recruiting process
			• Training guide before posting a req
			• Approved marketing messages
			• Normalized position advertising
			• Approval levels
			• Library of job descriptions
			• Salary ranges by position

2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing	KPI Impact
Decision Platform	**A. Obtain SOC II Certification** *(Alan Young)*	🟢	• Finalized information gathering for assessment • Received remediation report from Barr Advisory on Apr 16 • Next step: Start remediation activities for identified deficiencies in the SOC2 certification process	Nov 15	TBD
Decision Platform	**B. Transform DevOps to CloudOps** *(Alan Young)*	🔵	• Hired lead for Cloud Ops team starting • Next steps: Transition DevOps and CloudOps activities to new employee	May 29	TBD
Decision Platform	**C. Deliver Web Authoring MVP** *(Alan Young)*	🟢	• Finalized and onboarded web authoring team • Identified deliverables for web authoring MVP and received feedback from stakeholders • Next steps: Kickoff scheduled for week of 4/27	Jun 30	TBD
Market Expansion	**D. Expand sales team** *(Mike Bonner)*	🟡	• Next Steps: Channel Manager on hold due to COVID-19 budget concerns	April 15	TBD
Market Expansion	**E. Deliver FY 2020 Digital content** *(Renee Wagner)*	🟢	• Engaged with Developer Media for whitepaper on Dynamics and Power Platform • Started work on Performance Whitepaper • Next Steps: Finalize outline and webinar date with Markel	July 31	TBD

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

2020 Key Initiatives

Pillar	Project		Current Status and Next Steps	Timing	KPI Impact
Decision Platform	**F. Extend integrations with Dynamics and SalesForce and expand partnership** *(Mark Lonsway)*	🟢	• Provided input on Dynamics and Power Platform white paper • Delivered critical fix and guidance for AA deployment into • Next Steps: Submit for approval to SalesForce AppExchange	Jun 15	TBD
Operational Excellence	**G. Implement new ERP system** *(Beth Worthem)*	🟢	• Had kickoff and Discovery meetings with KeyStone involving feedback from Sales and Services for required integration with CRM • Prepared draft of required Chart of Accounts for Netsuite • Next Steps: Finalize Chart of Accounts; Determine integration strategy and technology	Sep 1	TBD
Customer Experience	**H. Increase Services Utilization** *(Mark Lonsway)*	🟢	• Established baseline of services utilization and standardized reporting • Determine backlog of services work • Next steps: Develop services strategy and plan	Jun 30	TBD

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

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Sales & Marketing

New Business Bookings

Key Wins

Customer	ARR	Other	Comments
Shell		$175k	Phase II License Rollout
SC Workers Comp Comm	$ 35K		Phase II License Rollout
Saudi Investment Bank	$ 10K		New Subscription – VeriPark Partnership
DXC Wisconsin	$122K		New Subscription – MMIS Solution
Bank of Turkey	$ 10K		New Subscription – VeriPark Partnership
American Homes 4 Rent	$ 75K		New Subscription
ServiceLink	$ 40K		Upsell - .Net Core Licenses
Hudson Insurance	$ 35K		Upsell – Additional Licenses
Tech Data	$ 92K		New Subscription – US location
Total	**$419K**	**$175K**	

First Quarter New Bookings by Product
$000's

Legend: Perpetual, Maintenance, SaaS, Subscription

-22%   +13%

Q1 19A: 804 total — Perpetual 434, Maintenance 46, SaaS 0, Subscription 324

Q1 20A: 625 total — Perpetual 189, Maintenance 10, SaaS 0, Subscription 426

Q1 20B: 552 total — Perpetual 36, Maintenance 7, SaaS 127, Subscription 382

Key Delays/Losses

Customer	ARR	Other	Comments
Payoneer	$68K		Delaying new project due to COVID
Conduent	$104K		Delaying new project due to COVID
Total	**$172K**	**$0K**	

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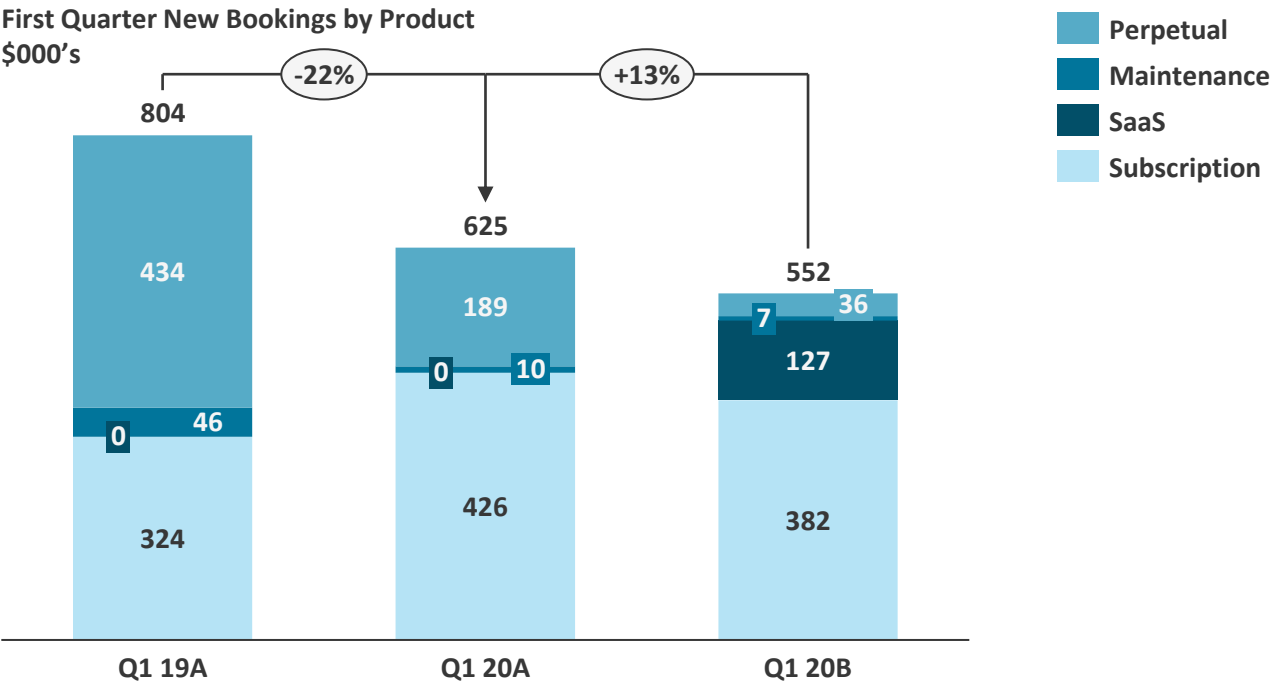
Sales Pipeline - Quarter 2

Q2 Sales Pipeline
$000's

-6%

| | 518 | | 553 |
| QTD Pipeline | ARR 460 / Other 58 | | Q2 Budget: ARR 517 / Other 36 |

ARR **Other**
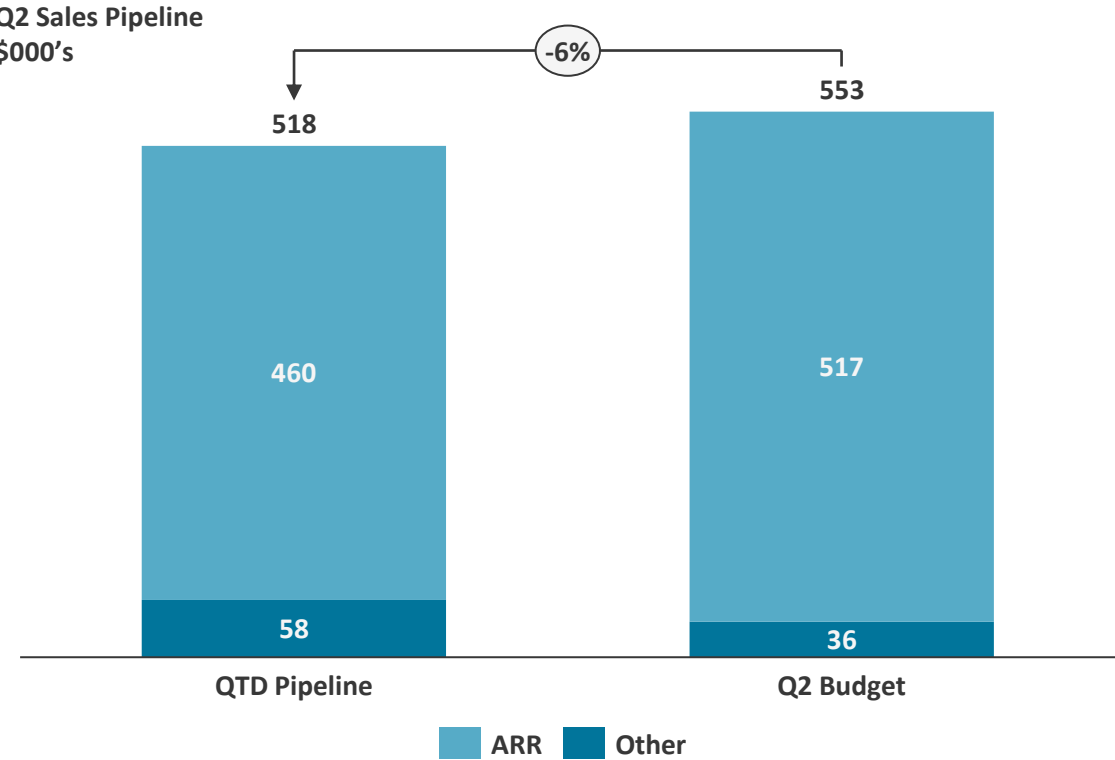
Q2 Likely/Commit Pipeline

Customer	Subscription	Perpetual	Comments
HMS Java Engine	$250K		Expected Close June
Haventree Bank	$129K		Expected Close June
Microsoft	$70K		Expected Close June
Shell	$11K	$58K	Expected Close June
Total	**$460K**	**$58K**	

Pipeline Commentary

- Solid Q2 Pipeline Coverage against AOP

- COVID related uncertainty is resulting in a frequently changing forecast

Marketing Metrics

2019A 2020A 2020B

Web Visitors
- 17,838 (2019A)
- 28,821 (2020A) **+24%**
- 23,190 (2020B)

Marketing Leads
- 2,418 (2019A)
- 1,181 (2020A) **-20%**
- 1,481 (2020B)

Sales Leads
- 570 (2019A)
- 482 (2020A) **+5%**
- 459 (2020B)

SQLS
- 55 (2019A)
- 36 (2020A) **-43%**
- 63 (2020B)

Pipeline Conversion %'s

- Marketing Leads
- Sales Leads — **28%**
- Sales Qualified Leads — **10%**
- Custom Demos — **18%**
- Net New Deals — **68%**
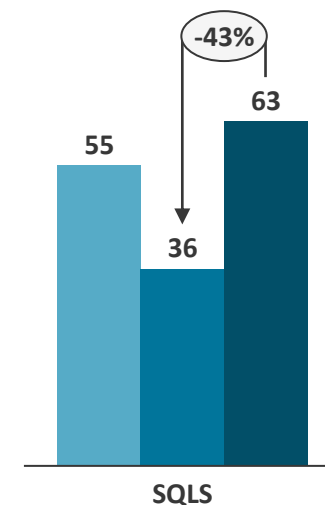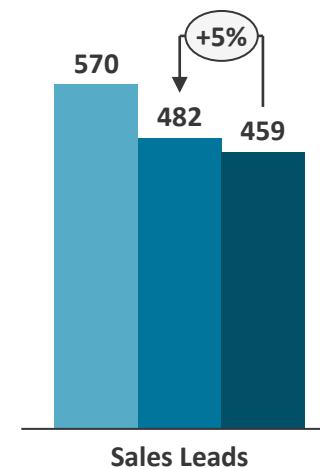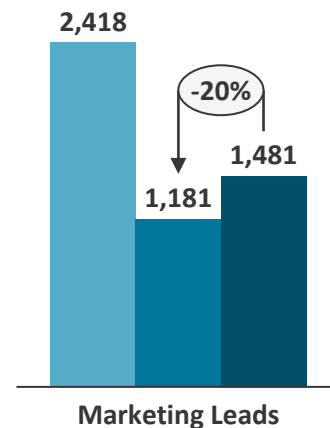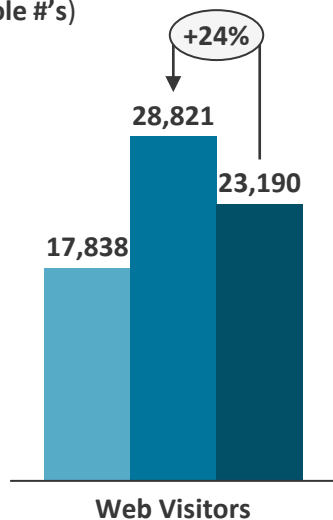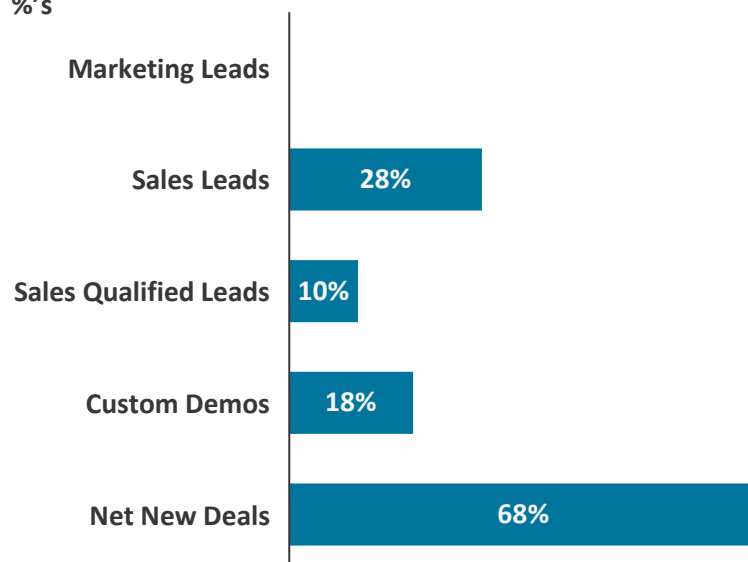
- Website visitors could trend down in the future given reduction in Adwords spend
- Conference cancellations continue to put pressure on Marketing Leads, despite Sales Lead overachieve
- Despite SQL miss, we are 5% above Custom Demo goal

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M&A Discussion

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.

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Adjacent Capabilities Towards a Horizonal Platform

Decision Modeling

ETL

Robotic Process Automation

Decision Management (e.g. Authoring)

Case Management

Process

Administration & Management

Low Code

InRule Decision Platform

Simulation & Correlation

Integration

Analytics and Reporting

Testing and Deployment

Machine Learning (ML)

AI: Most significant value opportunity

M&A – Market for Decision Platform and ML

Machine Learning Market
$12B
(34% Growth)

Decision Management
$6B

Large, growing market for Decision Management and Machine Learning

More overlap with AI/ML versus than other adjacent spaces such as BPM, RPA, ETL, Optimization, etc (Forrester, Gartner)

Innovative customers desire the merging of ML capabilities and BRMS into a single platform

Greater visibility and LOB selling as enterprises hire Chief Data Officers to drive new revenue initiatives

Key use cases align on pricing, eligibility and detection in primary segments insurance, government, lending and healthcare

Risks
- Machine Learning companies are at a historical premium given the size and growth of the market
- Key up-market competitors offer this capability such as FICO, IBM, and Pega

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Compellon Opportunity

- Pros
  - Strong analytics and machine learning capability
  - Fully web-based
  - Focused on similar user personas – business analysts
  - Right-sized as an add-on opportunity

- Cons
  - No data cleaning/data wrangling capability
  - Aggressive growth projections

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Other M&A Discussion

- Review of M&A Pipeline (OpenGate)
- Pros/Cons of buy-side banker
  - Costs
  - Alternatives

Scenario B Additional Spend

Services Background

- Historically services has either broke even or lost money

- Services can be strategic in driving more ARR
  - More services leads to higher go-lives and renewal percentages
  - More services leads to InRule being viewed as a trusted advisor
  - More services leads to upsells and cross sells

- Competitors and adjacent companies deliver more services
  - InRule service revenues are currently 9% of overall company revenue
  - Industry comparisons of service revenues are generally between 15-30% of overall company revenue (FICO, Appian, Pega)

- Current VP of Services dedicates 50% of time to Integrations Product Management
  - CRM Integrations drive ~30% of all new and existing business
  - Service is structured and managed to meet the needs of supporting customer engagement vs delivering solutions

- Pre-COVID 19 budgeted for a Jr Product Manager to join product team

Services Revamp Proposal

- Move VP of Services to Product Management in charge of Integrations

- Hire new VP of Services to implement best practices:
  - Increase utilization by selling larger, longer-term engagements
  - Identify upsell and cross sell opportunities by being a trusted advisor
  - Develop repeatable solutions practice by vertical
  - Grow services by 56% in 2021

- 2020 budget variance: $160-170K (annualized $225K)

- 2021 revenue impact: ~$540,000

Alliance Manager

- Planned hire, 4/20 to focus on SIs (most profitable and repeatable partner category)
  - COVID Scenario B delay

- Further delay of Alliance Manager will result in a negative variance against 2021 plan

- Additional 2020 $200K spend beyond Scenario B to have Alliance Manager productive by 2021

Appendix

ARR Current FY Trend

Chart legend: ARR-2019A (dashed line), ARR-2020A (teal bars), ARR-2020B (solid line)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
ARR-2020A	9.9	7.9	10.1									
ARR-2020B	9.6	9.6 / 9.3	9.7	9.8	9.4	9.6	10.2	10.3	10.3	10.9	11.3	11.4
ARR-2019A	8.2		8.5	8.2	8.4	8.5	9.3	9.0	8.6	9.3	8.9	9.3

+4%
+19%

Feb bar base: 7.9

Recurring Revenue

Monthly ARR
$ millions

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total	8.2	8.4	8.5	9.3	9.0	8.6	9.3	8.9	9.3	9.9	9.3	10.1
Maintenance	55%	54%	54%	51%	50%	48%	50%	49%	50%	44%	45%	45%
SaaS	2%	2%	3%	3%	5%	7%	7%	7%	7%	9%	9%	9%
Subscription	43%	44%	43%	45%	45%	46%	43%	44%	43%	47%	46%	46%

+8%   +8%   +23%

Monthly New ARR
$ millions

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total	2.2	2.2	2.2	2.6	2.5	2.3	2.3	2.2	2.2	2.5	2.3	2.5
Maintenance	15%	15%	14%	12%	12%	11%	12%	13%	13%	9%	9%	9%
SaaS	9%	9%	8%	10%	15%	19%	18%	19%	22%	29%	29%	28%
Subscription	76%	76%	77%	78%	73%	70%	70%	69%	65%	62%	62%	63%

+15%   +10%   +17%

Monthly Renewal ARR
$ millions

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total	6.0	6.2	6.3	6.7	6.5	6.3	7.0	6.7	7.1	7.5	7.0	7.5
Maintenance	69%	68%	68%	67%	64%	61%	63%	61%	61%	56%	56%	57%
SaaS	0%	0%	1%	1%	1%	2%	3%	3%	3%	3%	3%	3%
Subscription	31%	32%	31%	32%	35%	37%	34%	36%	36%	42%	41%	41%

+5%   +7%   +25%

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Operating Expense Summary

$000's

	Jan-20 Act	Feb-20 Act	Mar-20 Act	Apr-20 Fcst	May-20 Fcst	Jun-20 Fcst	Jul-20 Fcst	Aug-20 Fcst	Sep-20 Fcst	Oct-20 Fcst	Nov-20 Fcst	Dec-20 Fcst	MTD Mar-20 Bud	MTD Mar-20 Var $	MTD Mar-20 Var %	YTD Mar-20 Act	YTD Mar-20 Bud	YTD Mar-20 Var $	YTD Mar-20 Var %
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	$ 415	$ 385	$ 357	$ 455	$ 434	$ 431	$ 459	$ 456	$ 490	$ 483	$ 481	$ 469	$ 449	$ 33	9.3%	$ 1,157	$ 1,340	$ 183	15.8%
Benefits (Medical, Dental, Life, AD&D & 401K	70	79	72	69	69	71	74	74	76	76	76	76	67	(2)	(3.2%)	220	197	(23)	(10.3%)
Bonus	7	5	82	11	11	75	11	11	75	11	11	75	73	67	81.4%	94	91	(3)	(3.1%)
Marketing	107	89	69	52	187	195	94	67	166	97	52	66	133	26	37.3%	266	314	48	18.2%
Commissions	13	43	65	15	15	116	84	24	212	27	27	236	116	102	158.2%	120	145	25	20.7%
Travel and Entertainment	9	12	28	29	28	48	27	26	31	24	21	41	36	27	96.3%	49	86	38	76.8%
Rent and Facilities	28	29	34	31	33	31	31	31	31	32	34	32	31	3	8.0%	92	94	2	2.0%
Insurance	7	(2)	6	6	6	6	6	6	7	7	23	8	6	(1)	(16.0%)	12	18	6	52.8%
Professional Fees	60	59	94	107	99	96	114	92	86	76	72	76	104	44	46.7%	213	254	41	19.1%
Utilities, Repairs, Maint. & Security	3	3	4	3	3	4	3	3	4	3	3	4	4	1	24.2%	9	10	1	5.7%
Office Supplies	1	1	0	1	1	1	1	1	1	1	1	1	1	0	35.5%	2	2	0	25.1%
IT	45	39	57	31	30	31	37	31	38	34	47	48	31	(14)	(24.7%)	141	180	39	27.4%
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Other Expenses	23	13	28	7	26	6	11	2	11	11	2	13	10	(12)	(44.7%)	63	53	(11)	(16.9%)
Total OPEX	**$787**	**$756**	**$895**	**$818**	**$942**	**$1,111**	**$950**	**$823**	**$1,228**	**$882**	**$849**	**$ 1,146**	**$1,060**	**$273**	**30.5%**	**$2,438**	**$2,784**	**$ 346**	**14.2%**
OPEX % of Revenue	76.6%	76.4%	91.3%	91.0%	108.9%	122.5%	101.5%	87.3%	124.6%	89.3%	82.7%	105.6%	115.7%			81.3%	104.2%		

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Balance Sheet Summary

$000's	Jan-20 Act	Feb-20 Act	Mar-20 Act	Apr-20 Fcst	May-20 Fcst	Jun-20 Fcst	Jul-20 Fcst	Aug-20 Fcst	Sep-20 Fcst	Oct-20 Fcst	Nov-20 Fcst	Dec-20 Fcst	Mar-20 Bud	Var $	Var %
Current Assets															
Cash and cash equivalents	$ 3,836	$ 3,604	$ 4,499	$ 2,938	$ 2,742	$ 2,668	$ 2,401	$ 2,286	$ 2,190	$ 2,355	$ 2,373	$ 2,644	$ 3,401	$ 435	11.3%
Accounts receivable, net	2,029	2,164	1,962	1,972	1,992	2,002	2,021	2,040	2,049	2,061	2,124	2,158	1,944	85	4.2%
Prepaid expenses and other current assets	177	183	191	117	118	118	120	121	121	122	126	128	115	62	35.1%
Total Current Assets	**$ 6,042**	**$ 5,951**	**$ 6,652**	**$ 5,028**	**$ 4,851**	**$ 4,788**	**$ 4,541**	**$ 4,447**	**$ 4,360**	**$ 4,538**	**$ 4,622**	**$ 4,930**	**$ 5,460**	**$ 582**	**9.6%**
Non-Current Assets															
Property, plant & equipment, gross	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ 205	$ -	0.0%
Accumulated depreciation	(22)	(26)	(30)	(34)	(38)	(42)	(46)	(50)	(54)	(58)	(62)	(66)	(30)	8	(36.3%)
Property, plant & equipment, net	183	179	175	171	167	163	159	155	151	147	143	139	175	8	4.4%
Identifiable intangible assets, gross	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	29,446	-	0.0%
Accumulated amortization	(1,485)	(1,755)	(2,025)	(2,295)	(2,565)	(2,835)	(3,105)	(3,375)	(3,645)	(3,915)	(4,185)	(4,455)	(2,025)	540	(36.4%)
Identifiable intangible assets, net	27,962	27,692	27,422	27,151	26,881	26,611	26,341	26,071	25,801	25,531	25,261	24,991	27,421	541	1.9%
Total Non-Current Assets	**$ 28,144**	**$ 27,870**	**$ 27,596**	**$ 27,322**	**$ 27,048**	**$ 26,774**	**$ 26,500**	**$ 26,226**	**$ 25,952**	**$ 25,678**	**$ 25,404**	**$ 25,130**	**$ 27,596**	**$ 548**	**1.9%**
Total Assets	**$ 34,186**	**$ 33,821**	**$ 34,249**	**$ 32,350**	**$ 31,899**	**$ 31,562**	**$ 31,041**	**$ 30,673**	**$ 30,312**	**$ 30,216**	**$ 30,026**	**$ 30,060**	**$ 33,056**	**$ 1,130**	**3.3%**
Current Liabilities															
Accounts payable	$ 341	$ 265	$ 315	$ 199	$ 201	$ 206	$ 208	$ 212	$ 215	$ 217	$ 218	$ 220	$ 198	$ 143	41.9%
Accrued liabilities	451	480	545	405	408	410	414	418	420	423	436	443	399	53	11.7%
Deferred Revenue	6,241	6,166	6,375	6,610	6,719	7,085	7,122	7,115	7,478	7,810	7,900	8,478	6,874	(633)	(10.1%)
Other current liabilities	11	12	14	16	17	19	21	22	24	25	25	25	14	(3)	(27.7%)
Total Current Liabilities	**$ 7,044**	**$ 6,923**	**$ 7,749**	**$ 7,229**	**$ 7,346**	**$ 7,721**	**$ 7,765**	**$ 7,769**	**$ 8,137**	**$ 8,474**	**$ 8,578**	**$ 9,167**	**$ 7,485**	**$ (441)**	**(6.3%)**
Long-term liabilities															
Long-term debt less current maturities	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ -	0.0%
Deferred income taxes	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	-	0.0%
Other non-current liabilities	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	-	0.0%
Total Long-Term Liabilities	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ 12,449**	**$ -**	**0.0%**
Total Liabilities	**$ 19,493**	**$ 19,372**	**$ 20,198**	**$ 19,678**	**$ 19,795**	**$ 20,170**	**$ 20,214**	**$ 20,218**	**$ 20,586**	**$ 20,923**	**$ 21,027**	**$ 21,616**	**$ 19,934**	**$ (441)**	**(2.3%)**
Shareholders' Equity															
Common stock	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ 16,567	$ -	0.0%
Retained earnings	(1,874)	(2,118)	(2,517)	(3,896)	(4,463)	(5,174)	(5,740)	(6,112)	(6,841)	(7,274)	(7,568)	(8,122)	(3,445)	(1,571)	83.8%
Total Shareholders' Equity	**$ 14,693**	**$ 14,449**	**$ 14,051**	**$ 12,671**	**$ 12,104**	**$ 11,393**	**$ 10,827**	**$ 10,455**	**$ 9,726**	**$ 9,293**	**$ 8,999**	**$ 8,445**	**$ 13,122**	**$ 1,571**	**10.7%**
Total Liabilities and Shareholders' Equity	**$ 34,186**	**$ 33,821**	**$ 34,249**	**$ 32,350**	**$ 31,899**	**$ 31,562**	**$ 31,041**	**$ 30,673**	**$ 30,312**	**$ 30,216**	**$ 30,026**	**$ 30,060**	**$ 33,056**	**$ 1,130**	**3%**

Note: These numbers do not reflect the impact of ASC606 which will be completed in conjunction with the year-end audit.

Cash Flow Summary

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	MTD Mar-20 Bud	MTD Mar-20 Var $	YTD Mar-20 Act	YTD Mar-20 Bud	YTD Mar-20 Var $
	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	Var $	Act	Bud	Var $
Cash flow from operations																	
Net Income (Loss)	$ (293)	$ (244)	$ (398)	$ (451)	$ (567)	$ (710)	$ (565)	$ (371)	$ (728)	$ (433)	$ (297)	$ (556)	$ (543)	$ 250	$ (935)	$ (1,596)	$ 660
Depreciation, amortization and other	275	274	274	274	274	274	274	274	274	274	274	274	274	1	823	822	1
Change in operating assets and liabilities:																	
Accounts receivable	452	(135)	202	(29)	(19)	(10)	(19)	(19)	(8)	(12)	(63)	(34)	(33)	485	519	(5)	524
Prepaid expenses and other current assets	(28)	(6)	(9)	(2)	(1)	(1)	(1)	(1)	(0)	(1)	(4)	(2)	(2)	(26)	(42)	(0)	(42)
Accounts payable	114	(76)	50	1	3	5	3	4	2	2	0	2	1	114	88	3	86
Accrued expenses	(93)	28	65	6	4	2	4	4	2	3	13	7	7	(100)	(0)	1	(1)
Accrued income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in operating assets and liabilities	2	2	2	2	2	2	2	2	2	0	0	0	2	(0)	5	5	(0)
Deferred Revenue	(385)	(75)	209	(264)	109	366	36	(6)	363	332	90	578	20	(405)	(251)	204	(455)
Total Cash Flow from Operations	$ 43	$ (232)	$ 395	$ (463)	$ (196)	$ (73)	$ (267)	$ (114)	$ (94)	$ 164	$ 15	$ 270	$ (276)	$ 319	$ 206	$ (567)	$ 772
Cash flow from investing																	
Additions to property, plant and equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	$ -	$ -	-
Investment in intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other cash flow from investing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow from Investing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash flow from financing																	
Proceeds from the issuance of debt	-	-	500	-	-	-	-	-	-	-	-	-	-	-	$ 500	$ -	500
Common stock issued (repurchased)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other cash flow from financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow from Financing	$ -	$ -	$ 500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500	$ -	$ 500
Net change in cash	$ 43	$ (232)	$ 895	$ (463)	$ (196)	$ (73)	$ (267)	$ (114)	$ (94)	$ 164	$ 15	$ 270	$ (276)	$ 319	$ 706	$ (567)	$ 1,272
Beginning cash	3,793	3,836	3,604	4,499	4,036	3,840	3,767	3,500	3,386	3,291	3,456	3,470	3,973	(180)	11,233	11,339	(106)
Change in cash	43	(232)	895	(463)	(196)	(73)	(267)	(114)	(94)	164	15	270	(276)	319	706	(567)	1,272
Ending cash	$ 3,836	$ 3,604	$ 4,499	$ 4,036	$ 3,840	$ 3,767	$ 3,500	$ 3,386	$ 3,291	$ 3,456	$ 3,470	$ 3,740	$ 3,697	$ 139	$ 11,939	$ 10,773	$ 1,166

The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit.

Human Capital

Open Positions

Open Position	Type	Annual OTE	Status
Sales Dev Rep	Backfill	$90K	Filled-March 23rd start
Sales Dev Rep (Europe)	New	$70K	Filled-April 6th start
Product Marketing Manager	Backfill	$187K	Filled-April 29th start
Senior Product Engineer	Backfill	$175K	Filled-March 25th start
Senior Product Engineer	Backfill	$112K	Filled-April 13th start
Dev Ops/Cloud Ops	Backfill	$187K	Filled-April 27th start
Customer Experience Manager	Backfill	$150K	Filled-April 30th start

Termed Staff (Q1 2020)

Position	Exit Reason	Exit Date	Severance
Senior Product Engineer	Termination	01/08/2020	5 weeks
Sr VP, Engineering	Voluntary	01/31/2020	N/A
Director of Engineering	Position Eliminated	02/14/2020	3 weeks
Sales Dev Rep	Voluntary	02/14/2020	N/A
Product Engineer	Voluntary	03/06/2020	N/A
Manager of DevOps	Voluntary	03/27/2020	N/A
Director of Support	Mutual	05/08/2020	4 weeks

$000's	Payroll Expenses by Dept											
	MTD		Var		QTD		Var	YTD		Var		
	Act	Bud	$	%	Act	Bud	%	Act	Bud	%		
COR	$159	$152	($7)	(4.4%)	$453	$435	(3.9%)	$453	$435	(3.9%)		
R&D	259	314	$56	21.5%	780	895	14.8%	780	895	14.8%		
Sales & Marketing	169	196	$27	15.9%	477	530	11.2%	477	530	11.2%		
General & Admin	93	89	($4)	(4.2%)	241	231	(4.5%)	241	231	(4.5%)		
Total	$680	$752	$72	10.5%	$1,951	$2,091	7.2%	$1,951	$2,091	7.2%		

Payroll Expenses Commentary

- COR - Unfavorable variance due to increase in cost of contractor performing billable services 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 open 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

Headcount

Headcount (2019-2020)

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