

inrule

# inrule



Monthly Operating Review  
January 2020

12 August 2020

# Monthly Operating Review Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

# Executive Summary

## Good News / Positives to Business and Plan:

- Overachieved budget in both revenue and bookings. Total revenue up 37.9% over January 2019.
- \$9.9M in ARR which represents a 21% increase over January 2019
- New business acquisition:
  - New logos: The Saudi Investment Bank (\$10)
  - Upsells: Shell (\$58K)
- Completed and billed Milestone 2 of Microsoft Service Hub Project (\$96K)
- New upsell and cross-sell prospects: Caliber Home Loan, HMS, Bupa
- New ARR pipeline of \$1.8M supports Q1 goal of \$560K
- Growing services backlog
- Progressing SaaS readiness
  - Completed DevOps evaluation and executing plan
  - Beginning compliance certification
- Finalizing contracts with Velocity Global for 2020 planned UK hires
- Finalizing selection of ERP system

## Risks / Challenges to the Business and Plan:

- Upper level funnel metrics weak for Jan
- Hosting cost increase due to new SaaS customers – IT manager is working on efficiencies to reduce costs
- Hiring fast enough to meet product goals/delay in outsourced development team (budgeted to be onboard on 1/1) may also impact product delivery






# Executive Summary (Continued)

	Description	Potential Impact	Plan to Address
Risks	<ul style="list-style-type: none"> <li>More than budgeted SaaS customers</li> </ul>	<ul style="list-style-type: none"> <li>Not ready for larger scale SaaS customers</li> <li>Hosting cost increase</li> </ul>	<ul style="list-style-type: none"> <li>Started compliance certification process</li> <li>Investigating efficiencies</li> </ul>
	<ul style="list-style-type: none"> <li>Hiring fast enough to meet product goals</li> </ul>	<ul style="list-style-type: none"> <li>Not releasing product in a cadence that allows us to close projected H1 opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Signing agreement with outside recruiting firm to place 4+ resources for tech team</li> </ul>
	<ul style="list-style-type: none"> <li>Sales leads for Jan lighter than budgeted</li> </ul>	<ul style="list-style-type: none"> <li>Less than budgeted opportunities and closed deals</li> </ul>	<ul style="list-style-type: none"> <li>Adding additional marketing campaigns to existing marketing plan</li> <li>Readying targeted content to help buyer evaluation</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Establish Center of Excellence and upsell at Caliber Home Loans</li> </ul>	<ul style="list-style-type: none"> <li>Potential upsell of \$100K+ ARR with large services engagement</li> </ul>	<ul style="list-style-type: none"> <li>Map out potential services engagement</li> <li>Present proposal to leadership at Caliber</li> </ul>
	<ul style="list-style-type: none"> <li>Potential partnership with The Business Analyst based on Belgium and part of Cronos Groep</li> </ul>	<ul style="list-style-type: none"> <li>Source of additional leads from Benelux region and greater Europe</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meeting scheduled in Mar in Belgium</li> </ul>

# January Sales Summary





Wins				Delays/Potential Losses		
<ul style="list-style-type: none"><li>SaaS:</li><li>Perpetual<ul style="list-style-type: none"><li>Shell - \$58,352</li></ul></li></ul>		<ul style="list-style-type: none"><li>Subscription:<ul style="list-style-type: none"><li>Veripark OEM - Saudia Arabia Investment Bank - \$10,000</li></ul></li></ul>		<ul style="list-style-type: none"><li>Lost:<ul style="list-style-type: none"><li>American Family Insurance - \$78K (lost to Sapiens Decision)</li></ul></li></ul>		
Upcoming Pipeline						
Potential Customer	Est. Close Date	Perpetual	Annual Subscription	Forecast	Industry (Account) (Account)	Revenue Subclass
DXC HLS - WISCONSIN	February		\$122,000.00	Likely	Government - State/Province and Local	Initial/New Project
STATE OF SOUTH CAROLINA - WORKERS COMPENSATION	February		\$35,000.00	Commit	Government - State/Province and Local	Expanded Revenue (Add Licenses to Existing Project)
SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED	February	\$116,704.00		Commit	Oil and Gas	Expanded Revenue (Add Licenses to Existing Project)
TECH DATA	March		\$92,041.00	Likely	Information Technology and Services	Initial/New Project
BELGOPROCESS N.V.	March		\$94,797.00	Likely	Power and Utilities	Initial/New Project
VERIPARK	March		\$10,000.00	Likely	Financial Services - Retail Banking/Mortgage/Lending	Initial/New Project
CONDUENT (FORMERLY XEROX SERVICES)	March		\$104,000.00	Likely	Information Technology and Services	Additional Project
	Total	\$116,704.00	\$457,838.00			

# 2020 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Restructure the product machine organization		<ul style="list-style-type: none"> <li>Flattened development organization</li> <li>Upskilling product management team</li> </ul>	<ul style="list-style-type: none"> <li>Start agile training and team structure changes</li> <li>Determine optimal DevOps and IT Ops infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Organization flattening and agile transformation may result in employee churn</li> </ul>
Portal Web Authoring		<ul style="list-style-type: none"> <li>Discarded frameworks option</li> <li>Negotiating potential outsourcer</li> </ul>	<ul style="list-style-type: none"> <li>Team composition and resource scheduling</li> <li>Completing UX design backlog</li> </ul>	<ul style="list-style-type: none"> <li>Existing portal may be too limiting</li> <li>Timing of resources availability</li> </ul>
Deliver embedded authoring services		<ul style="list-style-type: none"> <li>Finished work on Web BL Editor</li> </ul>	<ul style="list-style-type: none"> <li>Finalize design</li> </ul>	<ul style="list-style-type: none"> <li>Including too much DT functionality for MVP</li> </ul>
Implement ERP system		<ul style="list-style-type: none"> <li>Completed POC with both Intaact and Netsuite</li> <li>Received quotes from vendors</li> </ul>	<ul style="list-style-type: none"> <li>Select technology and provider</li> </ul>	<ul style="list-style-type: none"> <li>More difficult to provide accurate financials without more sophisticated ERP</li> </ul>
Build 2020 Analyst interaction plan		<ul style="list-style-type: none"> <li>Considered timing of Wave report and analyst day and scheduled interactions as needed</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

 Complete
  On-Schedule
  At Risk
  Behind

# 2020 Key Initiatives (Continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Develop channel strategy		<ul style="list-style-type: none"> <li>• Built profile for channel manager hire</li> <li>• Reached out to network to identify candidate</li> </ul>	<ul style="list-style-type: none"> <li>• Source candidate</li> </ul>	<ul style="list-style-type: none"> <li>• Less time to establish 2020 opportunities with larger System Integrators</li> </ul>
Develop sales team strategy		<ul style="list-style-type: none"> <li>• SDR candidate in UK took another offer</li> </ul>	<ul style="list-style-type: none"> <li>• Source new candidates</li> </ul>	<ul style="list-style-type: none"> <li>• Less leads sourced from outbound efforts</li> <li>• UK tax law change impeding contract hires</li> </ul>
Revamp InRule.com		<ul style="list-style-type: none"> <li>• Work underway for revised website</li> </ul>	<ul style="list-style-type: none"> <li>• Validate work on track with vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Less leads sourced from website</li> </ul>
Develop recruiting strategy to fill key open positions		<ul style="list-style-type: none"> <li>• Recruiting company identified</li> <li>• Product developer and manager role definitions completed.</li> </ul>	<ul style="list-style-type: none"> <li>• Onboard recruiting resource</li> <li>• Recruit candidates for front-end developer and product manager</li> </ul>	<ul style="list-style-type: none"> <li>• Further delays in portal web authoring</li> </ul>

# Bookings & Revenue - Jan 2020 MTD & YTD by Product

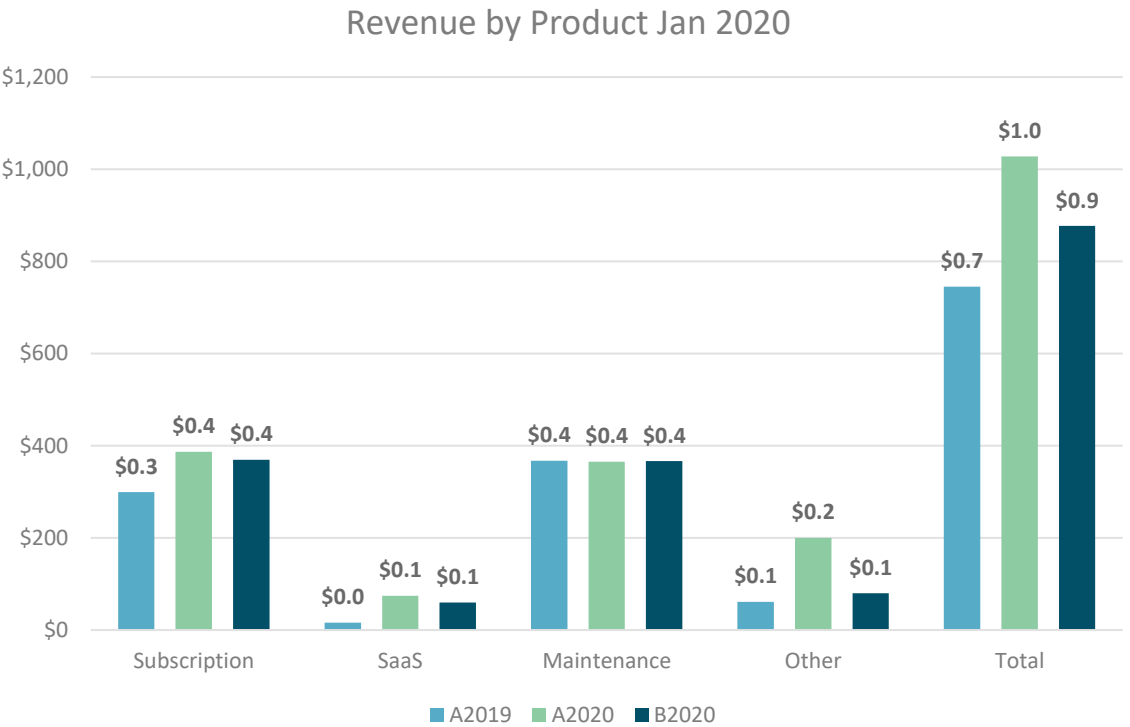
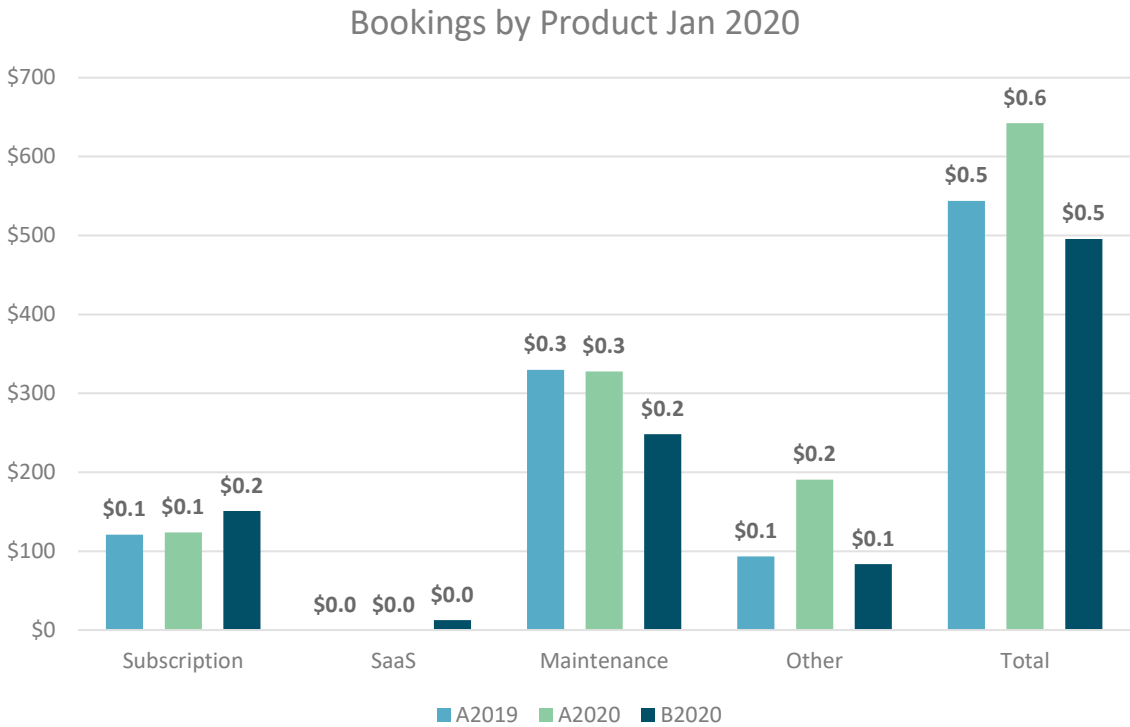
\$000's

\$000's	Bookings & Revenue MTD Jan-20							Bookings & Revenue YTD Jan-20						
	MTD		Variance		PY MTD	Variance		YTD		Variance		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%
Bookings														
Recurring														
Subscription	\$124	\$151	(\$27)	(18.1%)	\$121	\$3	2.5%	\$124	\$151	(\$27)	(18.1%)	\$121	\$3	2.5%
SaaS	-	13	(13)	(100.0%)	-	-	0.0%	-	13	(13)	(100.0%)	-	-	0.0%
Maintenance	328	248	79	32.0%	330	(2)	(0.7%)	328	248	79	32.0%	330	(2)	(0.7%)
Total Bookings Recurring	\$451	\$412	\$39	9.5%	\$451	\$1	0.2%	\$451	\$412	\$39	9.5%	\$451	\$1	0.2%
Other	191	84	107	128.0%	93	97	104.2%	191	84	107	128.0%	93	97	104.2%
Total Bookings	\$642	\$496	\$146	29.5%	\$544	\$98	18.0%	\$642	\$496	\$146	29.5%	\$544	\$98	18.0%
Revenue														
Recurring														
Subscription	\$387	\$370	\$18	4.8%	\$300	\$87	29.2%	\$387	\$370	\$18	4.8%	\$300	\$87	29.2%
SaaS	74	60	15	24.5%	16	58	361.6%	74	60	15	24.5%	16	58	361.6%
Maintenance	365	367	(2)	(0.5%)	368	(2)	(0.7%)	365	367	(2)	(0.5%)	368	(2)	(0.7%)
Total Recurring Revenue	\$827	\$796	\$31	3.8%	\$683	\$143	21.0%	\$827	\$796	\$31	3.8%	\$683	\$143	21.0%
Other	200	80	120	149.2%	62	139	224.8%	200	80	120	149.2%	62	139	224.8%
Total Revenue	\$1,027	\$877	\$151	17.2%	\$745	\$282	37.9%	\$1,027	\$877	\$151	17.2%	\$745	\$282	37.9%
ARR	\$9,923	\$9,556	\$367	3.8%	\$8,202	\$1,721	21.0%	\$9,923	\$9,556	\$367	3.8%	\$8,202	\$1,721	21.0%

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

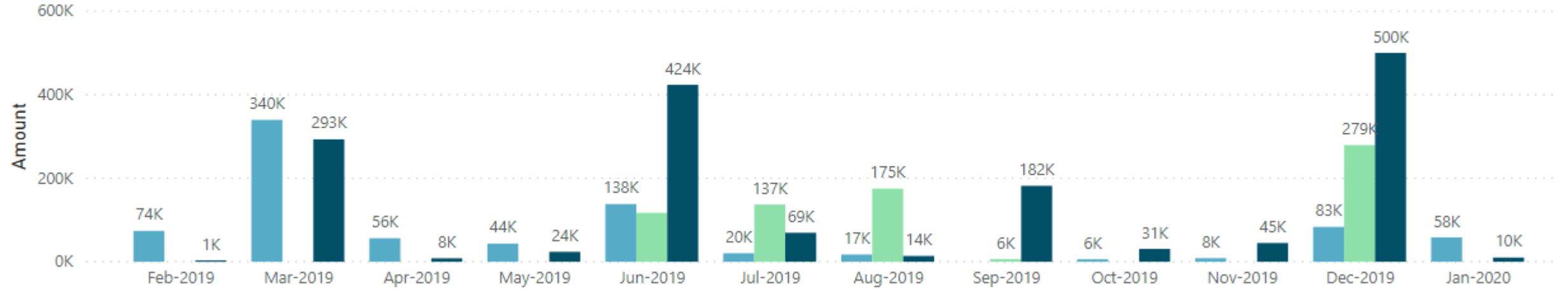


# Total Bookings & Revenue - Jan 2020 by Product

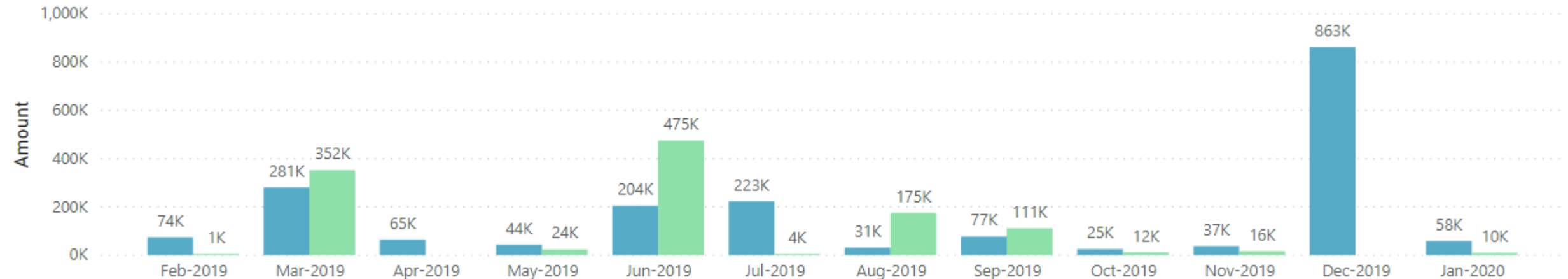


# New License Bookings - Product & Channel

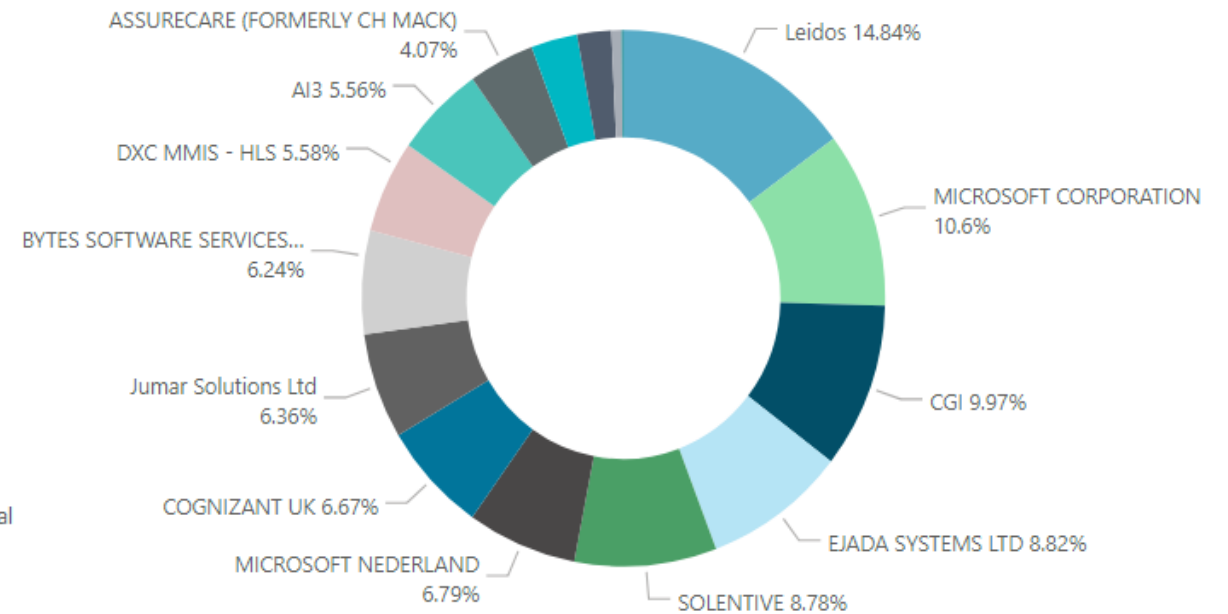
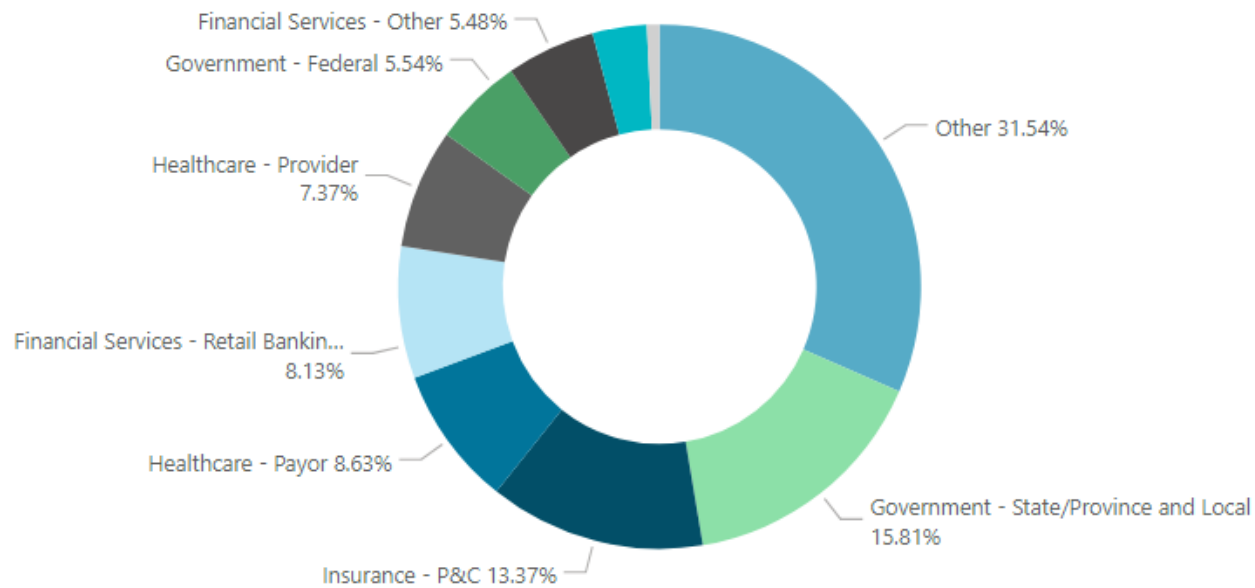
License Type ● Perpetual ● SaaS New ● Subscription New



Direct/Indirect ● Direct ● Indirect

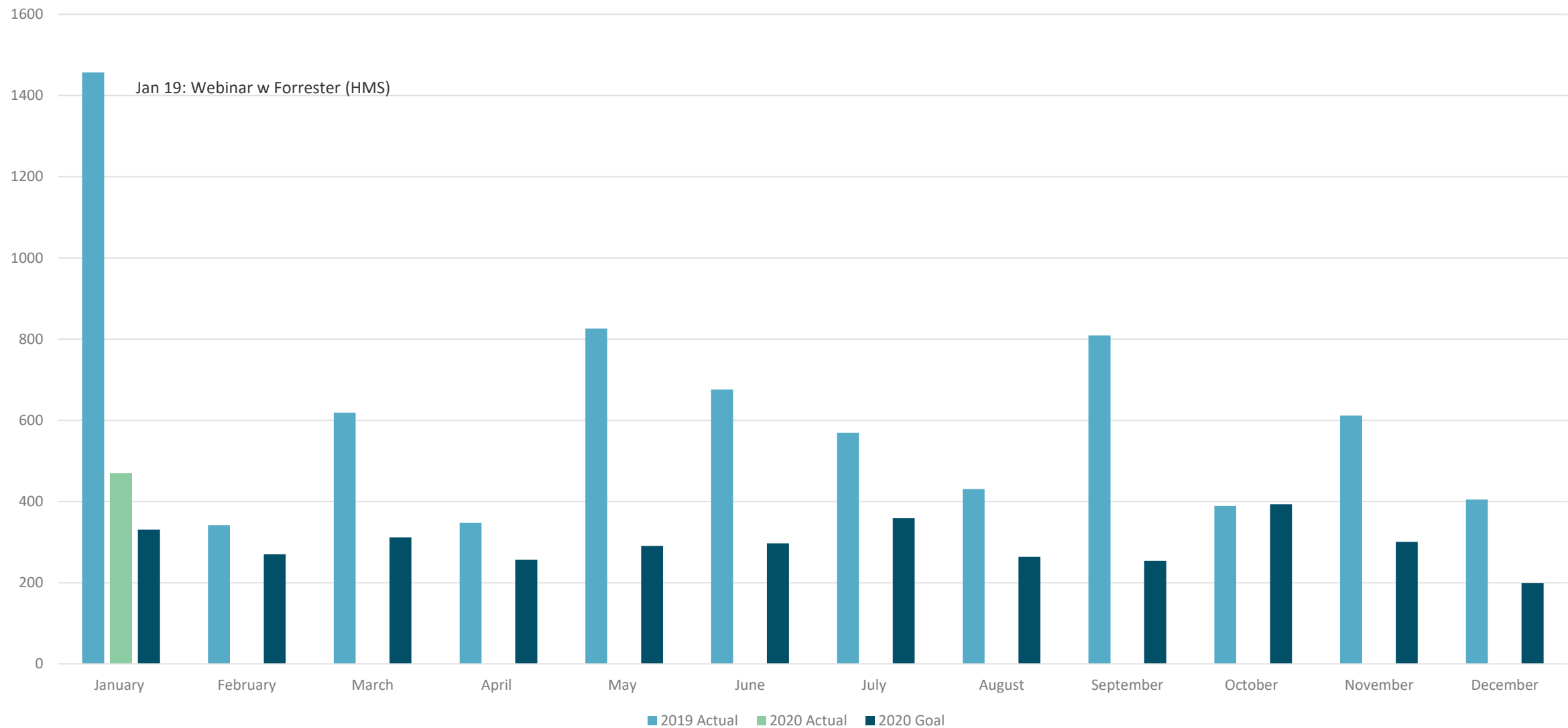


# New License Bookings – Vertical and Channel

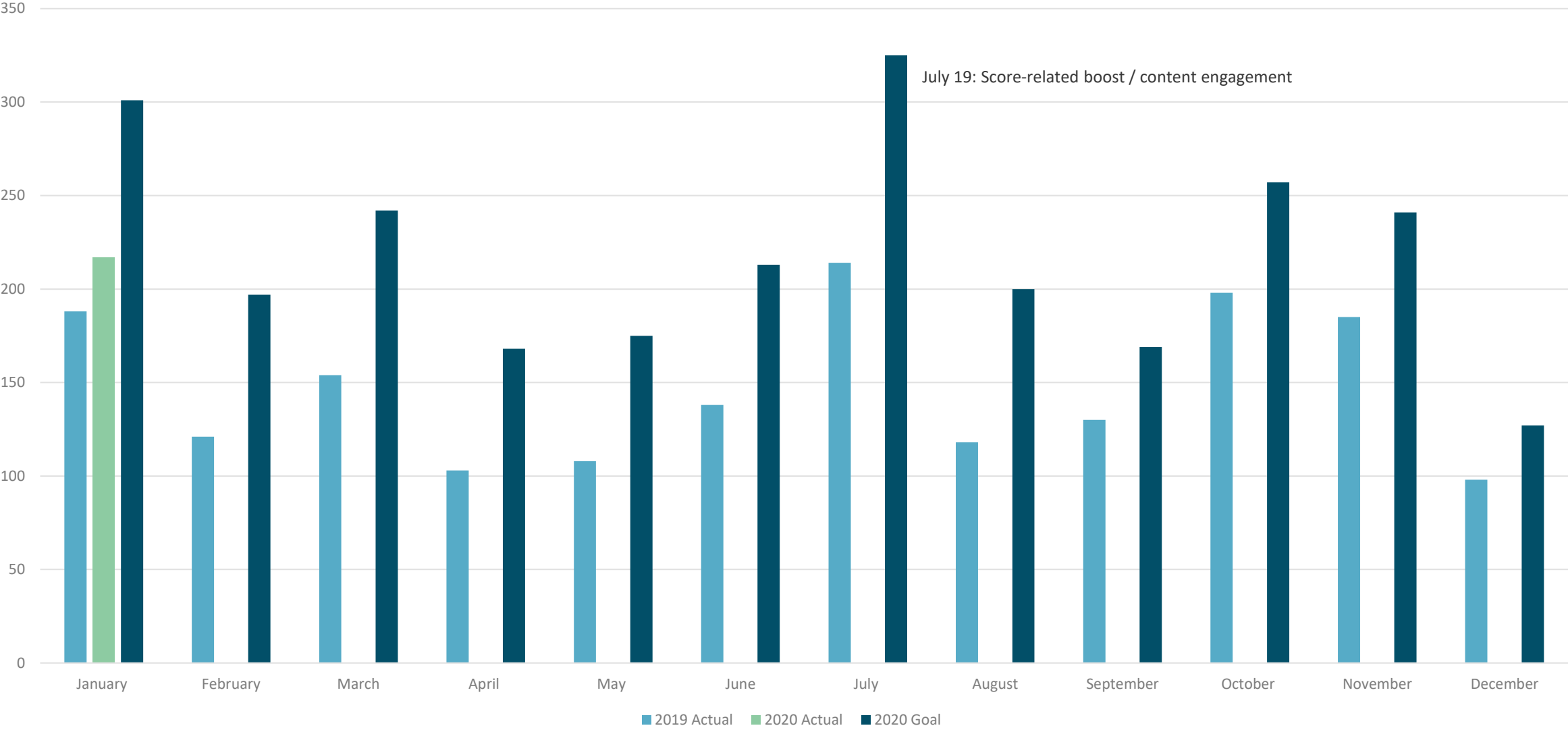


February 2019 – January 2020

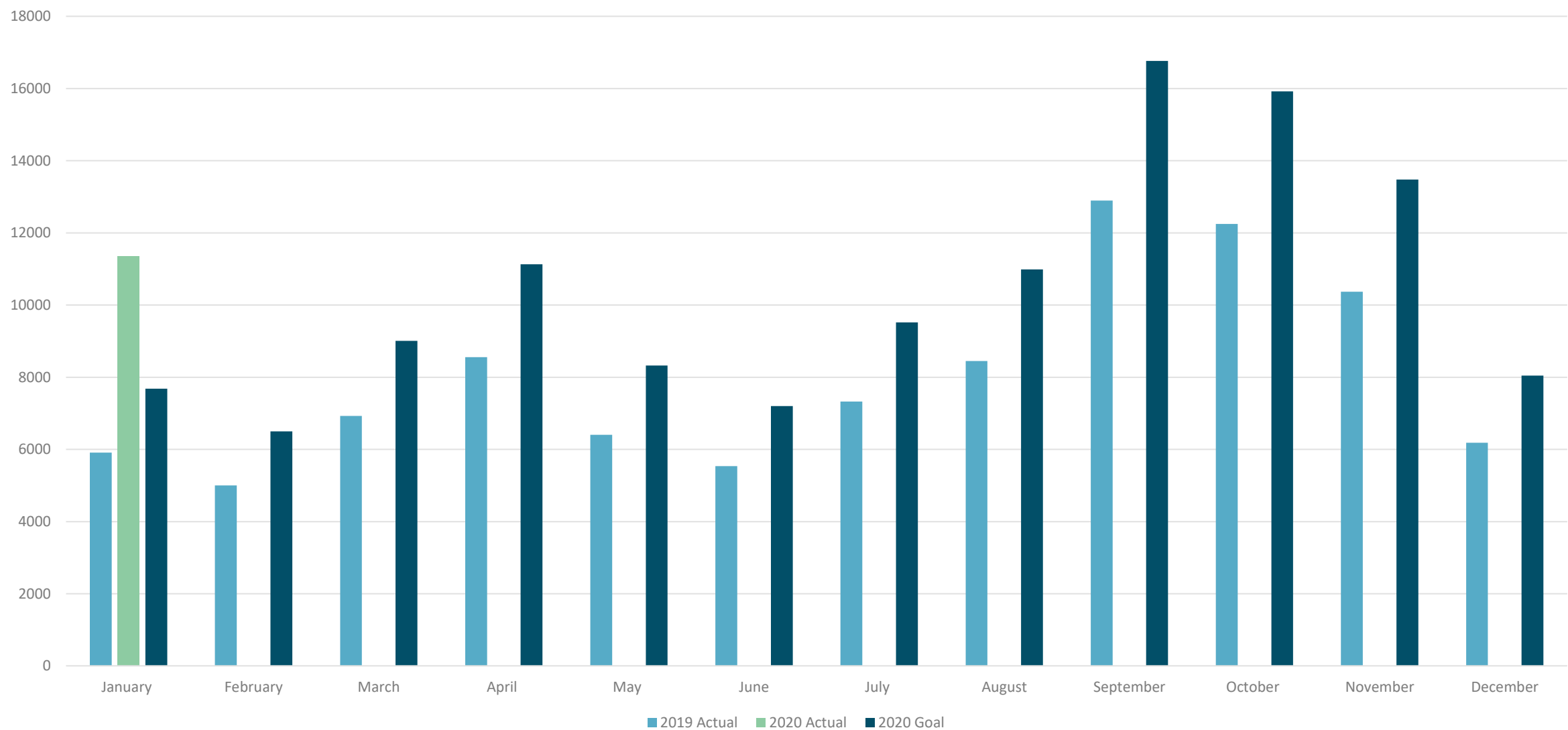
# Marketing Leads



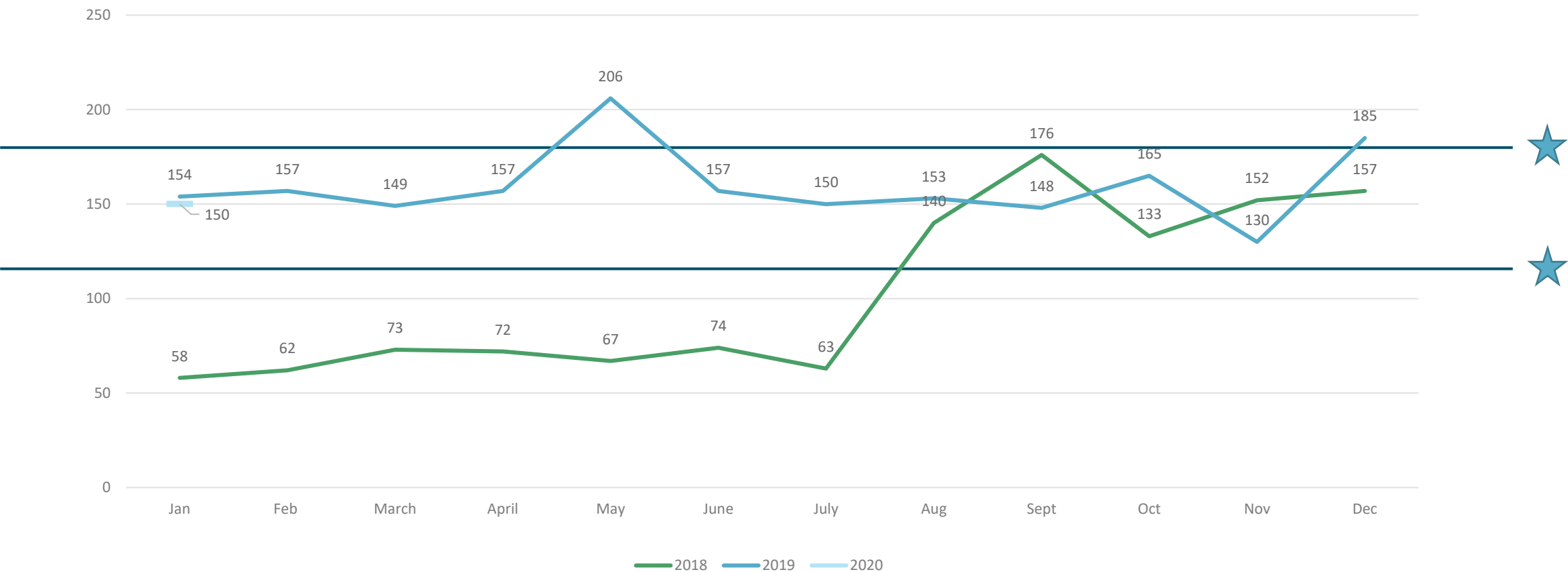
# Sales Leads



# Website Visitors



# Website Visit Duration (Avg. in Seconds)



★ Industry Avg: 120-180 seconds

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# Summary P&L through January 2020

\$000's	Summary P&L MTD Jan-20								Summary P&L YTD Jan-20							
	MTD		Variance		PY MTD	Variance		YTD		Variance		PY YTD	Variance			
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%		
Net Revenue	\$1,027	\$877	\$151	17.2%	\$745	\$282	37.9%	\$1,027	\$877	\$151	17.2%	\$745	\$282	37.9%		
ARR	\$9,923	\$9,556	\$367	3.8%	\$8,202	\$1,721	21.0%	\$9,923	\$9,556	\$367	3.8%	\$8,202	\$1,721	21.0%		
Labor	144	142	(2)	(1.4%)	138	(5)	(3.6%)	144	142	(2)	(1.4%)	138	(5)	(3.6%)		
Other COGS	8	7	(1)	(7.9%)	4	(4)	(44.7%)	8	7	(1)	(7.9%)	4	(4)	(44.7%)		
Total COGS	\$152	\$149	(\$3)	(1.7%)	\$143	(\$9)	(5.7%)	\$152	\$149	(\$3)	(1.7%)	\$143	(\$9)	(5.7%)		
Gross Margin	\$876	\$728	\$148	20.3%	\$602	\$273	45.4%	\$876	\$728	\$148	20.3%	\$602	\$273	45.4%		
Gross Margin %	85.2%	83.0%		2.2%	80.8%		4.4%	85.2%	83.0%		2.2%	80.8%		4.4%		
R&D	342	401	60	17.5%	313	(29)	(8.5%)	342	401	60	17.5%	313	(29)	(8.5%)		
Sales & Marketing	299	282	(17)	(5.6%)	243	(56)	(18.7%)	299	282	(17)	(5.6%)	243	(56)	(18.7%)		
Administrative	146	206	60	40.8%	162	16	10.8%	146	206	60	40.8%	162	16	10.8%		
Total OPEX (excl D&A)	\$787	\$890	\$103	13.0%	\$718	(\$69)	(8.8%)	\$787	\$890	\$103	13.0%	\$718	(\$69)	(8.8%)		
Total OPEX (excl D&A) %	76.6%	101.5%		24.9%	96.4%		19.7%	76.6%	101.5%		24.9%	96.4%		19.7%		
Net Income (Loss)	(\$293)	(\$543)	\$250	(46.0%)	(\$125)	\$125	100.0%	(\$293)	(\$543)	\$250	46.0%	(\$125)	\$125	100.0%		
Reported EBITDA	\$89	(\$162)	\$251	154.7%	(\$116)	\$204	176.5%	\$89	(\$162)	\$251	154.7%	(\$116)	\$204	176.5%		
EBITDA Margin %	8.6%	(18.5%)		27.1%	(15.5%)		24.2%	8.6%	(18.5%)		27.1%	(15.5%)		24.2%		
EBITDA, adjusted	\$133	(\$106)	\$239	225.7%	(\$119)	\$252	211.3%	\$133	(\$106)	\$239	225.7%	(\$119)	\$252	211.3%		
EBITDA, adjusted %	12.9%	(12.1%)		25.0%	(16.0%)		28.9%	12.9%	(12.1%)		25.0%	(16.0%)		28.9%		
Change in Deferred Revenue	(385)				(201)	(184)	91.4%	(385)				(201)	(184)	91.4%		
Adjusted Cash EBITDA	(\$252)				(\$321)	\$68	21.3%	(\$252)				(\$321)	\$68	21.3%		
Adj. Cash EBITDA %	(24.6%)				(43.0%)		18.5%	(24.6%)				(43.0%)		18.5%		

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

## Management Discussion

- Revenue:
  - Recurring revenue outperformed budget by \$31K or 3.8% driven by strong Q4 2019 bookings.
    - ARR prior to impact of the opening balance sheet deferred revenue haircut is \$10,441K compared to budgeted \$10,074K and \$8,202K PY MTD.
  - Consulting revenue outperformed budget by \$75K or 97.8% driven by completion of Milestone #2 on Microsoft project (\$96K).
  - Perpetual revenue outperformed budget by \$45K driven by rollout of additional licenses to Shell (\$58K).
- Cost of Goods Sold:
  - Expenses were in line with budget. Small negative variance due to variability in Azure hosting costs.
- Operating Expense:
  - R&D – Favorable MTD variance due to current open positions (\$30K), delay in outsourced development team (\$20K), and timing of computer hardware and software purchases (\$20K). Offset by \$10K unfavorable variance for DevOps evaluation consultant.
  - Sales & Marketing – Unfavorable MTD variance in marketing due to timing of Forrester Research invoicing (\$30K, originally budgeted for February 2020). Offset by \$10K favorable variance from timing of sales software purchase.
  - G&A – MTD favorable variance due to delay in purchase of ERP software (\$60K). ERP system selection process is ongoing.

# Operating Expense Summary – January 2020 MTD & YTD

\$000's

	OPEX Summary MTD Jan-20								OPEX Summary YTD Jan-20							
	MTD		Variance		PY MTD	Variance		Act	YTD		Variance		PY YTD	Variance		Act
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	\$ 415	\$ 455	\$ 39	9.5%	\$ 391	(25)	(6.0%)		\$ 415	455	\$ 39	9.5%	\$ 391	(25)	(6.0%)	
Benefits (Medical, Dental, Life, AD&D & 401K)	70	65	(4)	(6.3%)	76	6	9.2%		70	65	(4)	(6.3%)	76	6	9.2%	
Bonus	7	9	2	31.2%	-	(7)	(100.0%)		7	9	2	31.2%	-	(7)	(100.0%)	
Marketing	107	87	(20)	(18.7%)	73	(35)	(32.3%)		107	87	(20)	(18.7%)	73	(35)	(32.3%)	
Commissions	13	15	2	13.6%	10	(3)	(25.2%)		13	15	2	13.6%	10	(3)	(25.2%)	
Travel and Entertainment	9	26	17	188.0%	10	1	15.5%		9	26	17	188.0%	10	1	15.5%	
Rent and Facilities	28	31	3	9.5%	27	(2)	(6.0%)		28	31	3	9.5%	27	(2)	(6.0%)	
Insurance	7	6	(1)	(14.7%)	47	40	576.3%		7	6	(1)	(14.7%)	47	40	576.3%	
Professional Fees	60	66	7	11.0%	49	(11)	(17.7%)		60	66	7	11.0%	49	(11)	(17.7%)	
Utilities, Repairs, Maint. & Security	3	3	0	2.4%	3	(0)	(6.9%)		3	3	0	2.4%	3	(0)	(6.9%)	
Office Supplies	1	1	0	21.1%	0	(0)	(23.9%)		1	1	0	21.1%	0	(0)	(23.9%)	
IT	45	118	72	159.9%	29	(16)	(35.2%)		45	118	72	159.9%	29	(16)	(35.2%)	
Bad Debt	-	-	-	0.0%	-	-	0.0%		-	-	-	0.0%	-	-	0.0%	
Real Estate Taxes	-	-	-	0.0%	-	-	0.0%		-	-	-	0.0%	-	-	0.0%	
Other Expenses	23	9	(14)	(61.8%)	4	(19)	(83.3%)		23	9	(14)	(61.8%)	4	(19)	(83.3%)	
<b>Total OPEX</b>	<b>\$787</b>	<b>\$890</b>	<b>\$103</b>	<b>13.0%</b>	<b>\$718</b>	<b>(\$69)</b>	<b>(8.8%)</b>		<b>\$787</b>	<b>\$890</b>	<b>\$103</b>	<b>13.0%</b>	<b>\$718</b>	<b>(\$69)</b>	<b>(8.8%)</b>	
<i>OPEX % of Revenue</i>	<i>76.6%</i>	<i>101.5%</i>		<i>24.9%</i>	<i>96.4%</i>		<i>19.7%</i>		<i>76.6%</i>	<i>101.5%</i>		<i>24.9%</i>	<i>96.4%</i>		<i>19.7%</i>	

## Management Discussion

- Favorable variance in payroll & benefits due to timing of 2020 hires
- Unfavorable variance in marketing due to timing of Forrester Research invoicing (\$30K, originally budgeted for February 2020).
- Favorable variance in T&E due to timing of employee expense report submissions.
- Favorable variance in professional fees due to delay in outsourced development team (\$20K) which is partially offset by consulting fees for the DevOps evaluation (\$10K).
- Favorable variance in IT due to delay in timing of ERP computer software purchase as well as delay in purchase of computer hardware and software for planned new hires.
- Unfavorable variance in other expenses due to timing of invoicing for outside training courses for R&D. This will even out by the end of Q2.

# Balance Sheet

\$000's

	2020 Monthly Balance Sheet											
	Jan-20 Actual	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	\$ 3,836	\$ 3,668	\$ 3,401	\$ 2,938	\$ 2,742	\$ 2,668	\$ 2,401	\$ 2,286	\$ 2,190	\$ 2,355	\$ 2,373	\$ 2,644
Accounts receivable, net	2,029	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	177	118	115	117	118	118	120	121	121	122	126	128
<b>Total Current Assets</b>	<b>\$ 6,042</b>	<b>\$ 5,781</b>	<b>\$ 5,460</b>	<b>\$ 5,028</b>	<b>\$ 4,851</b>	<b>\$ 4,788</b>	<b>\$ 4,541</b>	<b>\$ 4,447</b>	<b>\$ 4,360</b>	<b>\$ 4,538</b>	<b>\$ 4,622</b>	<b>\$ 4,930</b>
<b>Non-Current Assets</b>												
Property, plant & equipment, gross	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Accumulated depreciation	(22)	(26)	(30)	(34)	(38)	(42)	(46)	(50)	(54)	(58)	(62)	(66)
Property, plant & equipment, net	183	179	175	171	167	163	159	155	151	147	143	139
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
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)
Identifiable intangible assets, net	27,962	27,691	27,421	27,151	26,881	26,611	26,341	26,071	25,801	25,531	25,261	24,991
<b>Total Non-Current Assets</b>	<b>\$ 28,144</b>	<b>\$ 27,870</b>	<b>\$ 27,596</b>	<b>\$ 27,322</b>	<b>\$ 27,048</b>	<b>\$ 26,774</b>	<b>\$ 26,500</b>	<b>\$ 26,226</b>	<b>\$ 25,952</b>	<b>\$ 25,678</b>	<b>\$ 25,404</b>	<b>\$ 25,130</b>
<b>Total Assets</b>	<b>\$ 34,186</b>	<b>\$ 33,651</b>	<b>\$ 33,056</b>	<b>\$ 32,350</b>	<b>\$ 31,899</b>	<b>\$ 31,562</b>	<b>\$ 31,041</b>	<b>\$ 30,673</b>	<b>\$ 30,312</b>	<b>\$ 30,216</b>	<b>\$ 30,026</b>	<b>\$ 30,060</b>
<b>Current Liabilities</b>												
Accounts payable	341	197	198	199	201	206	208	212	215	217	218	220
Accrued liabilities	451	409	399	405	408	410	414	418	420	423	436	443
Deferred Revenue	6,241	6,832	6,874	6,610	6,719	7,085	7,122	7,115	7,478	7,810	7,900	8,478
Other current liabilities	11	12	14	16	17	19	21	22	24	25	25	25
<b>Total Current Liabilities</b>	<b>\$ 7,044</b>	<b>\$ 7,450</b>	<b>\$ 7,485</b>	<b>\$ 7,229</b>	<b>\$ 7,346</b>	<b>\$ 7,721</b>	<b>\$ 7,765</b>	<b>\$ 7,769</b>	<b>\$ 8,137</b>	<b>\$ 8,474</b>	<b>\$ 8,578</b>	<b>\$ 9,167</b>
<b>Long-term liabilities</b>												
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
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
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
<b>Total Long-Term Liabilities</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>	<b>\$ 12,449</b>
<b>Total Liabilities</b>	<b>\$ 19,493</b>	<b>\$ 19,899</b>	<b>\$ 19,934</b>	<b>\$ 19,678</b>	<b>\$ 19,795</b>	<b>\$ 20,170</b>	<b>\$ 20,214</b>	<b>\$ 20,218</b>	<b>\$ 20,586</b>	<b>\$ 20,923</b>	<b>\$ 21,027</b>	<b>\$ 21,616</b>
<b>Shareholders' Equity</b>												
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
Retained earnings	(1,874)	(2,815)	(3,445)	(3,896)	(4,463)	(5,174)	(5,740)	(6,112)	(6,841)	(7,274)	(7,568)	(8,122)
<b>Total Shareholders' Equity</b>	<b>\$ 14,693</b>	<b>\$ 13,752</b>	<b>\$ 13,122</b>	<b>\$ 12,671</b>	<b>\$ 12,104</b>	<b>\$ 11,393</b>	<b>\$ 10,827</b>	<b>\$ 10,455</b>	<b>\$ 9,726</b>	<b>\$ 9,293</b>	<b>\$ 8,999</b>	<b>\$ 8,445</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 34,186</b>	<b>\$ 33,651</b>	<b>\$ 33,056</b>	<b>\$ 32,350</b>	<b>\$ 31,899</b>	<b>\$ 31,562</b>	<b>\$ 31,041</b>	<b>\$ 30,673</b>	<b>\$ 30,312</b>	<b>\$ 30,216</b>	<b>\$ 30,026</b>	<b>\$ 30,060</b>

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

## Management Discussion

- Continued strong cash position. Zero balance on revolving line of credit.
- Payments received from Q4 activity generally exceed new bookings in January driving a lower AR balance.
- High AP balance due to quarterly Azure bills, fees related to the opening balance sheet and year-end audit, as well as several marketing expenses that are payable in advance (trade shows, research etc).
- Lower deferred revenue balance due to decrease in bookings in January compared to December. Adjusted deferred revenue is \$6,428K which excludes deferred revenue haircut resulting from opening balance sheet entries.
- Intangible assets include Goodwill (\$19.8M, Technology (\$2.3M), Customer Relationships (\$6.1M), and Trademark (\$1.2M).
- Other non-current liabilities represents earnout provision which has target date of 12/31/2020
- Current Balance Sheet does not reflect the impact of ASC 606. Deferred revenue will be restated for ASC 606 in conjunction with the year-end audit.

# Cash Flow Statement

\$000's

\$000's

	2020 Monthly Cash Flow													
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	YTD	
Cash flow from operations	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Jan-20	
Net Income (Loss)	\$ (293)	\$ (427)	\$ (626)	\$ (451)	\$ (567)	\$ (710)	\$ (565)	\$ (371)	\$ (728)	\$ (433)	\$ (297)	\$ (556)	\$ (293)	
Depreciation, amortization and other	275	274	274	274	274	274	274	274	274	274	274	274	275	
Change in operating assets and liabilities:														
Accounts receivable	452	(23)	51	(29)	(19)	(10)	(19)	(19)	(8)	(12)	(63)	(34)	452	
Prepaid expenses and other current assets	(28)	(1)	3	(2)	(1)	(1)	(1)	(1)	(0)	(1)	(4)	(2)	(28)	
Accounts payable	114	0	2	1	3	5	3	4	2	2	0	2	114	
Accrued expenses	(93)	5	(10)	6	4	2	4	4	2	3	13	7	(93)	
Accrued income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other changes in operating assets and liabilities	2	2	2	2	2	2	2	2	2	0	0	0	2	
Deferred Revenue	(385)	142	42	(264)	109	366	36	(6)	363	332	90	578	(385)	
Total Cash Flow from Operations	\$ 43	\$ (29)	\$ (262)	\$ (463)	\$ (196)	\$ (73)	\$ (267)	\$ (114)	\$ (94)	\$ 164	\$ 15	\$ 270	\$ 43	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	
Common stock issued (repurchased)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other cash flow from financing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Flow from Financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net change in cash	\$ 43	\$ (29)	\$ (262)	\$ (463)	\$ (196)	\$ (73)	\$ (267)	\$ (114)	\$ (94)	\$ 164	\$ 15	\$ 270	\$ 43	
Beginning cash	3,793	3,836	3,808	3,545	3,082	2,886	2,813	2,546	2,432	2,338	2,502	2,517	3,793	
Change in cash	43	(29)	(262)	(463)	(196)	(73)	(267)	(114)	(94)	164	15	270	43	
Ending cash	\$ 3,836	\$ 3,808	\$ 3,545	\$ 3,082	\$ 2,886	\$ 2,813	\$ 2,546	\$ 2,432	\$ 2,338	\$ 2,502	\$ 2,517	\$ 2,787	\$ 3,836	

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

## Management Discussion

- See P&L and Balance Sheet management discussion points for further explanation of cash flow items.

# Net Income to EBITDA Bridge

\$000's	Summary P&L MTD Jan-20							Summary P&L YTD Jan-20						
	MTD		Variance		PY MTD		Variance	YTD		Variance		PY YTD		Variance
	Act	Bud	\$	%	Act	\$		Act	Bud	\$	%	Act	\$	
<b>Net Income (Loss)</b>	<b>(\$293)</b>	<b>(\$543)</b>	<b>\$250</b>	<b>(46.0%)</b>	<b>(\$125)</b>	<b>(\$169)</b>	<b>(135.5%)</b>	<b>(\$293)</b>	<b>(\$543)</b>	<b>\$250</b>	<b>46.0%</b>	<b>(\$125)</b>	<b>(\$169)</b>	<b>(135.5%)</b>
Depreciation	4	4	(0)	(0.3%)	-	(4)	(100.0%)	4	4	(0)	(0.3%)	-	(4)	(100.0%)
Amortization	271	270	(1)	(0.3%)	-	(271)	(100.0%)	271	270	(1)	(0.3%)	-	(271)	(100.0%)
Interest and financial amortization	42	42	0	0.3%	-	(42)	(100.0%)	42	42	0	0.3%	-	(42)	(100.0%)
Other financial income/expense (e.g. fx, hedging)	-	(0)	(0)	0.0%	(2)	(2)	0.0%	-	(0)	(0)	0.0%	(2)	(2)	0.0%
Monitoring fees (including expenses)	65	65	-	0.0%	-	(65)	(100.0%)	65	65	-	0.0%	-	(65)	(100.0%)
Non-recurring items	-	-	-	0.0%	11	11	0.0%	-	-	-	0.0%	11	11	0.0%
<b>Reported EBITDA</b>	<b>\$89</b>	<b>(\$162)</b>	<b>\$251</b>	<b>154.7%</b>	<b>(\$116)</b>	<b>\$204</b>	<b>176.5%</b>	<b>\$89</b>	<b>(\$162)</b>	<b>\$251</b>	<b>154.7%</b>	<b>(\$116)</b>	<b>\$204</b>	<b>176.5%</b>
<b>EBITDA Adjustments</b>														
Non-recurring integration exp	-	10	(10)	(100.0%)	-	-	0.0%	-	10	(10)	(100.0%)	-	-	0.0%
Out of period employee raises	-	-	-	0.0%	(4)	4	(100.0%)	-	-	-	0.0%	(4)	4	(100.0%)
OBS Deferred Revenue Haircut	44	46	(2)	(4.6%)	-	44	0.0%	44	46	(2)	(4.6%)	-	44	0.0%
<b>Total EBITDA Adjustments</b>	<b>\$44</b>	<b>\$56</b>	<b>(\$12)</b>	<b>(21.5%)</b>	<b>(\$4)</b>	<b>\$48</b>	<b>1,361.4%</b>	<b>\$44</b>	<b>\$56</b>	<b>(\$12)</b>	<b>(21.5%)</b>	<b>(\$4)</b>	<b>\$48</b>	<b>1,361.4%</b>
<b>EBITDA, adjusted</b>	<b>\$133</b>	<b>(\$106)</b>	<b>\$239</b>	<b>225.7%</b>	<b>(\$119)</b>	<b>\$252</b>	<b>211.3%</b>	<b>\$133</b>	<b>(\$106)</b>	<b>\$239</b>	<b>225.7%</b>	<b>(\$119)</b>	<b>\$252</b>	<b>211.3%</b>
<i>EBITDA, adjusted %</i>	<i>12.9%</i>				<i>(16.0%)</i>			<i>12.9%</i>				<i>(16.0%)</i>		
Change in Deferred Revenue	(385)				(201)	(184)	91.4%	(385)				(201)	(184)	91.4%
<b>Adj. Cash EBITDA</b>	<b>(\$252)</b>				<b>(\$321)</b>	<b>\$68</b>	<b>21.3%</b>	<b>(\$252)</b>				<b>(\$321)</b>	<b>\$68</b>	<b>21.3%</b>
<i>Adj. Cash EBITDA %</i>	<i>(24.6%)</i>				<i>(43.0%)</i>	<i>18.5%</i>		<i>(24.6%)</i>				<i>(43.0%)</i>	<i>18.5%</i>	

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

## Management Discussion

- **Non-recurring integration expense:** ERP and support system implementation. ERP system search is ongoing; therefore, no fees were incurred in January 2020.
- **Out of Period Employee Raises:** Retro pay for employees related to raises prior to 2019
- **OBS Deferred Revenue Haircut:** Deferred revenue haircut as a result of opening balance sheet accounting.

# Monthly Operating Review Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

# Management Governance Report

## Board of Directors

- Rik Chomko
- Loren Goodman
- Rob Young
- Paul Bridwell
- Shahram Haghighi

## 2019 Year End Auditors

- Miller Cooper & Co., Ltd.

## Anonymous Hotline

- Navex live 2/14/20

## Internal Control & Authority Matrix

- Complete

## Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Miller Cooper identified a lack of segregation of duties. This is being addressed with the addition of the Accounting Manager
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None



# Monthly Operating Review Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

# Monthly P&L

\$000's

\$000's	2020																		
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var		PY	Var	
	Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Forecast	Budget	\$	%	ACT	\$	%
Net Revenue	\$1,027	\$878	\$916	\$899	\$865	\$907	\$936	\$944	\$985	\$988	\$1,027	\$1,085	\$11,458	\$11,307	\$151	1.3%	\$10,464	\$994	9.5%
ARR	\$9,923	\$9,572	\$9,729	\$9,818	\$9,415	\$9,611	\$10,244	\$10,328	\$10,327	\$10,851	\$11,325	\$11,448	\$11,448	\$9,556	1,892	19.8%	\$8,202	3,246	39.6%
Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Labor	144	142	152	142	142	152	142	141	154	143	142	152	1,746	1,744	(2)	(0.1%)	1,679	(68)	(3.9%)
Other COGS	8	10	11	9	29	35	28	32	13	14	14	24	228	227	(1)	(0.3%)	75	(153)	(67.1%)
Total COGS	\$152	\$152	\$163	\$150	\$171	\$187	\$170	\$172	\$167	\$158	\$156	\$176	\$1,974	\$1,972	(\$3)	(0.1%)	\$1,754	(\$221)	(11.2%)
Gross Margin	\$876	\$726	\$753	\$748	\$694	\$719	\$766	\$771	\$818	\$830	\$871	\$909	\$9,483	\$9,335	\$148	1.6%	\$8,710	\$773	8.9%
Gross Margin %	85.2%	82.7%	82.2%	83.3%	80.3%	79.3%	81.8%	81.7%	83.1%	84.0%	84.8%	83.8%	82.8%	82.6%		0.2%	83.2%		(0.5%)
R&D	342	356	398	365	357	393	377	364	418	364	362	401	4,497	4,557	60	1.3%	3,539	(958)	(21.3%)
Sales & Marketing	299	319	468	280	435	552	402	313	633	356	322	563	4,940	4,923	(17)	(0.3%)	3,115	(1,825)	(36.9%)
Administrative	146	158	195	173	150	166	171	145	177	162	165	182	1,994	2,053	60	3.0%	1,990	(4)	(0.2%)
Total OPEX (excl D&A)	787	834	1,060	818	942	1,111	950	823	1,228	882	849	1,146	11,431	11,533	103	0.9%	8,644	(2,786)	(24.4%)
Total OPEX (excl D&A) %	76.6%	95.0%	115.7%	91.0%	108.9%	122.5%	101.5%	87.3%	124.6%	89.3%	82.7%	105.6%	99.8%	102.0%		2.2%	82.6%		(17.1%)
Net Income (Loss)	(\$293)	(\$427)	(\$626)	(\$451)	(\$567)	(\$710)	(\$565)	(\$371)	(\$728)	(\$433)	(\$297)	(\$556)	(\$6,024)	(\$6,273)	\$250	4.0%	(\$1,603)	(\$4,421)	(275.8%)
Reported EBITDA	\$89	(\$108)	(\$307)	(\$69)	(\$248)	(\$392)	(\$184)	(\$52)	(\$409)	(\$52)	\$22	(\$237)	(\$1,947)	(\$2,198)	\$251	(11.4%)	\$66	(\$2,013)	(3,060.6%)
EBITDA Margin %	8.6%	(12.3%)	(33.5%)	(7.7%)	(28.6%)	(43.2%)	(19.6%)	(5.5%)	(41.5%)	(5.3%)	2.1%	(21.8%)	(17.0%)	(19.4%)		2.4%	0.6%		1.8%
EBITDA, adjusted	\$133	(\$38)	(\$238)	\$2	(\$188)	(\$347)	(\$130)	(\$8)	(\$386)	(\$26)	\$43	(\$214)	(\$1,399)	(\$1,638)	\$239	(14.6%)	\$734	(\$2,133)	290.7%
EBITDA, adjusted %	12.9%	(4.3%)	(26.0%)	0.2%	(21.8%)	(38.3%)	(13.9%)	(0.9%)	(39.2%)	(2.7%)	4.2%	(19.8%)	(12.2%)	(14.5%)		2.3%	7.0%		(4.7%)
Change in Deferred Revenue	(385)	142	42	(264)	109	366	36	(6)	363	332	90	578	1,806						
Adjusted Cash EBITDA	(\$252)	\$104	(\$196)	(\$262)	(\$79)	\$19	(\$94)	(\$14)	(\$23)	\$305	\$133	\$364	\$407						
Adj. Cash EBITDA %	(24.6%)	11.8%	(21.4%)	(29.1%)	(9.2%)	2.1%	(10.0%)	(1.5%)	(2.4%)	30.9%	12.9%	33.5%	3.6%						

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

# AR & AP Aging

A/R Aging					
Age	Nov-19		Dec-19		Jan-20
0-30	\$	1,563	\$	1,780	\$ 1,528
30-60		329		423	209
60-90		95		187	34
>90		114		91	258
Gross A/R	\$	2,101	\$	2,481	\$ 2,029
Reserve		-		-	-
Net A/R	\$	2,101	\$	2,481	\$ 2,029

A/P Aging						
Age	Nov-19		Dec-19		Jan-20	
0-30	\$	180	\$	227	\$	322
30-60		2		-		19
60-90		-		-		-
>90		5		-		-
Total A/P	\$	188	\$	227	\$	341

# Headcount by Month

Headcount (2019-2020)

