INSTRUCTURE

FedRamp Analysis June 2021
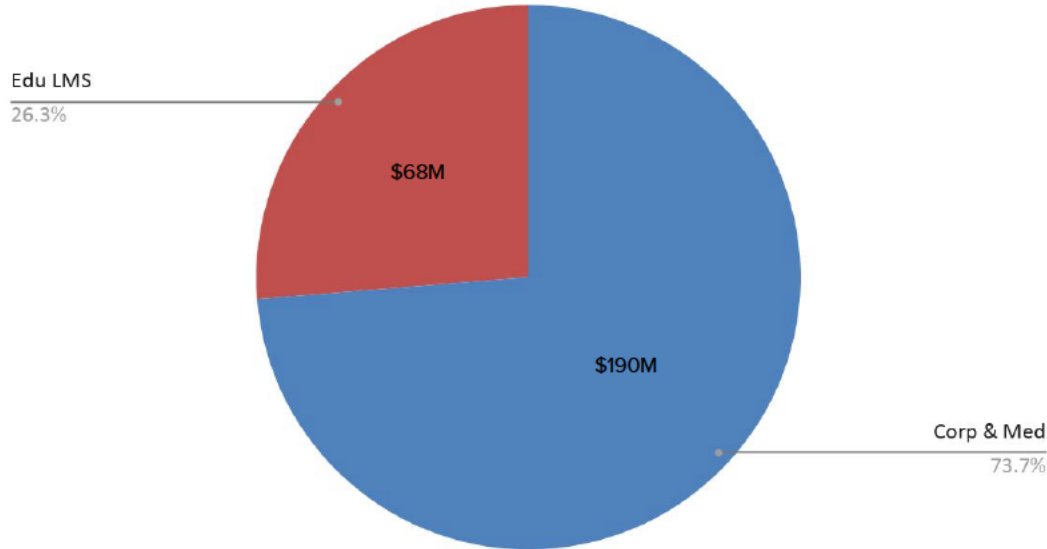
Danny Wahl, ▮▮▮▮▮▮▮, ▮▮▮▮▮

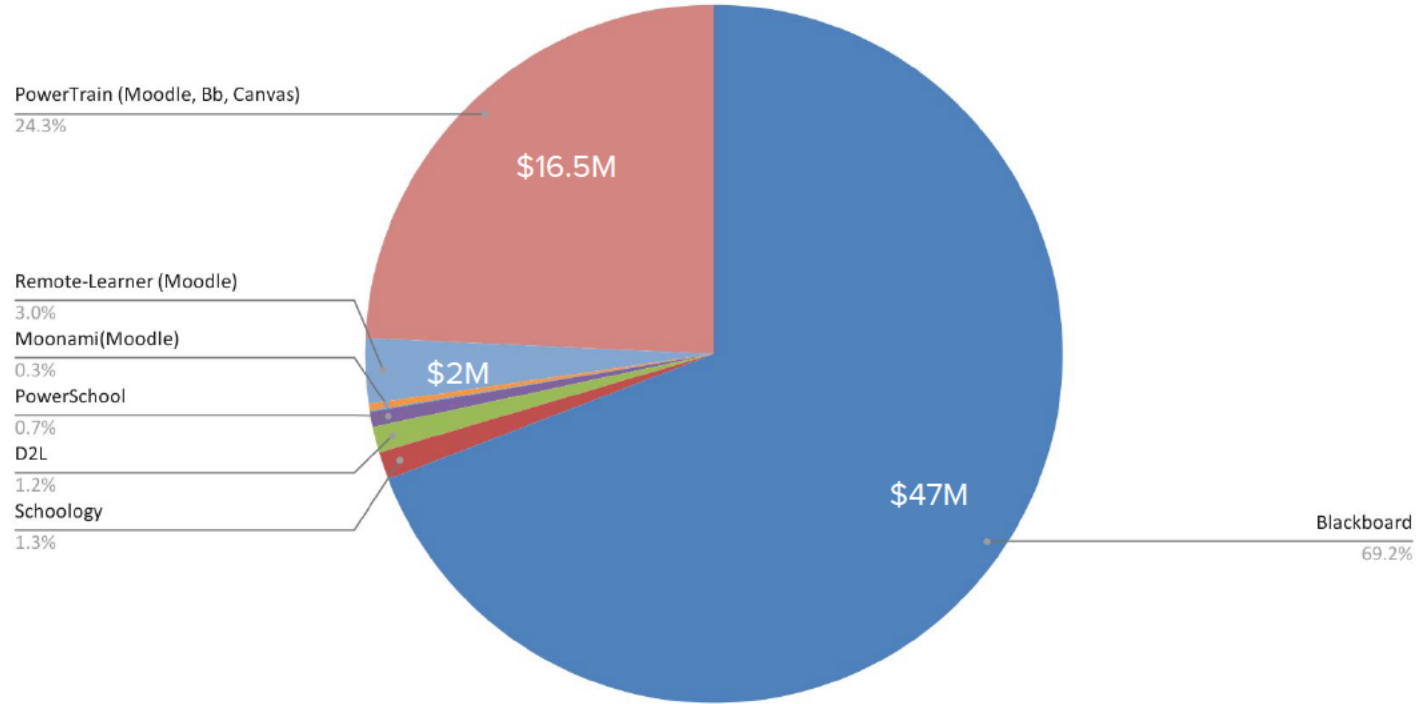# tl;dr - ~$5M investments required in the first 2 years, ~100% return around Year 3, significant profit in year 4-5

- We can go after at least ~**$14M** Edu LMS and Services/year (cashflow) in the Gov/Fed space, likely increasingly more with the Fed Cloud initiative

- It will take **~9 months** to get to the point of "FedRamp Moderate in Process" so we can **start selling**, **~16 months** to "FedRamp Authorized" so we can **implement** for customers

LMS/Training/Professional Development Related Gov Contracts

- ~$258M paid out in 2016-2020
- 74% awarded to Corporate and Medical Vendors: CornerStone, Skillsoft, HRTec, etc.

Fed/Gov Paid ~$68M to Edu LMS Vendors in 2016-2020

PowerTrain (Moodle, Bb, Canvas)
24.3%

$16.5M

Remote-Learner (Moodle)
3.0%

Moonami(Moodle)
0.3%

PowerSchool
0.7%

D2L
1.2%

Schoology
1.3%

$2M

$47M

Blackboard
69.2%

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Edu LMS Buying Agencies

- Mainly DoD, OPM, & VA, so FedRamp Moderate Likely Sufficient

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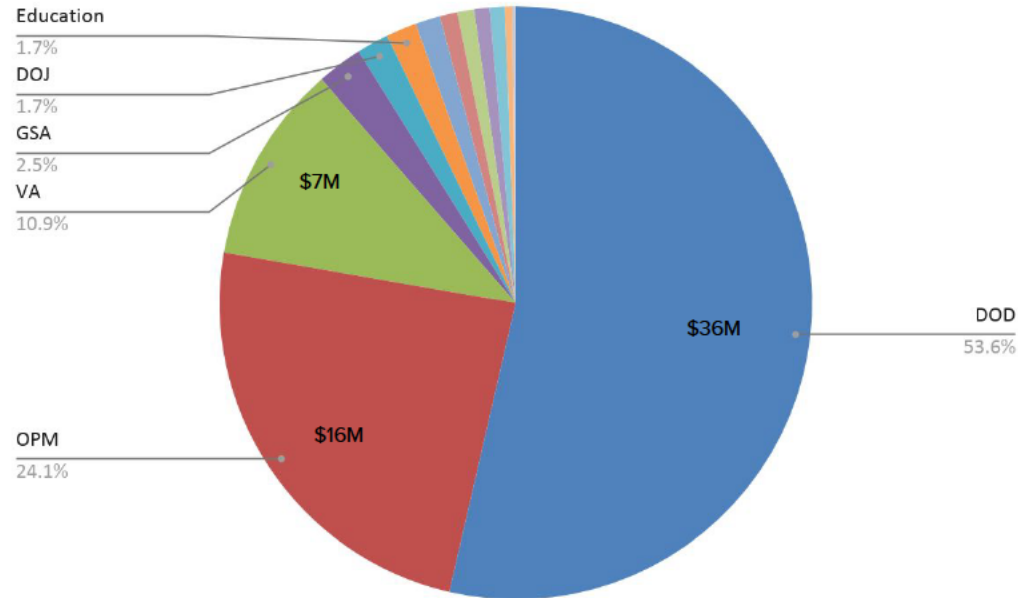
Potential Timeline & Person-Month

~9 months to start selling
~16 months to customer implementation

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15	Month 16
Phase	Discover	Design	Env. Build Out			Initial Product Deployment										
Ops Engineering	1	1	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Canvas & Platform Eng Teams	1 prep services, 3 for Canvas, 6 for Studio, New Quizzes, and Analytics					Core Canvas and Studio										
						New Quizzes and Analytics										
	10					35 to 50										
Documentation and Certifcaiton	1	1	1	1	1	1	1	1 SSP w/Anitian	1 SSP w/Anitian							
Program Mgt	1	1	1	1	1	1	1	1	1							
Anitian			Start SSP and security stack in env.						Audit Ready - Start Selling							Audit PATO and ATO - Start Customer Implementation
Person-Month	20		27			63-78				5	5	5	5	5	5	5
Total	110-125															

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Costs (Mainly HC)

- **~$3M** in year 1
  - **110-125** Person-Month of engineering and documentation **over 9 months** to get to the point we can **start selling** (FedRamp Moderate audit starts)
  - 5-7 months after that to receive authorization to implement customers
  - External services - including Anitian $███████
  - AWS GovCloud Hosting & 3rd party vendor services

- **~$1.5M**/year thereafter
  - All US citizens, qualified to gain security clearance if necessary
  - Potentially a dedicated business entity - Instructure Government Solutions
  - 5 engineers, quarterly release - pulling into separate GovCloud stage and production env.
  - Engineering ticket volume will go up supporting these 5 engineers
  - 1 Tech/Proposal Writer
  - 2-3 RDs and 1 SE, potentially with military/gov/FedRamp experiences and connections
  - 1 IC when applicable and dedicated Support Reps may not be required, as long as they are US citizens
  - Lobbyists/lobbying budget?
  - AWS GovCloud Hosting & 3rd party vendor services including Anitian's stack in the evn. long term

Pricing

- Past on-prem pricing was complicated, $███/user for LMS software license, plus significant storage, hosting, and services

- Bb list price for Cloud SaaS is ~**$100-200**/user, ~**75%** of contracts signed at list price

- We are reasonably confident to gain ~**50%** of that **$14+M/year** once FedRamp Moderate authorized and fully ramped

- Our per user cost is likely lower due to the majority of the usage scenarios are for periodic trainings and certifications, thus lower usage than typical NorAm HE users

Conservative 5-Year ROI

~Potentially much higher returns as Fed agencies increasingly accept Cloud SaaS and signed longer term contracts than 1-2 years

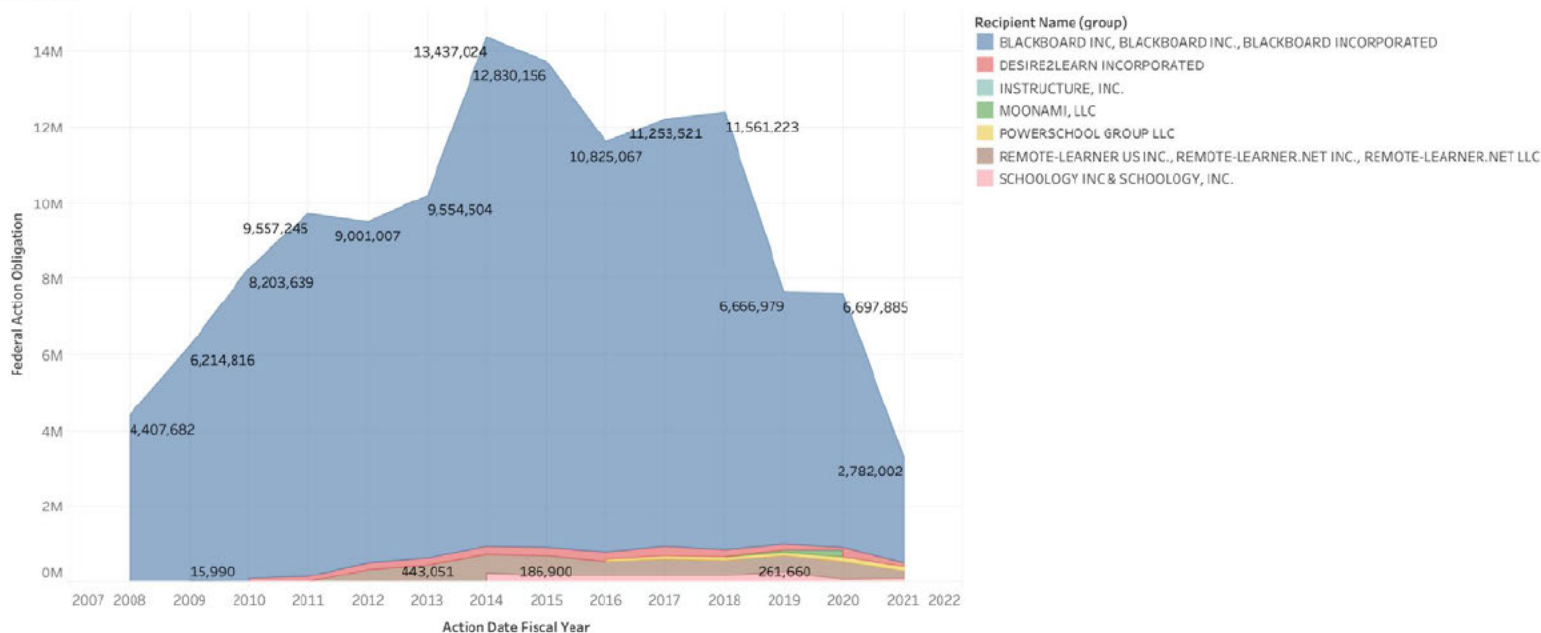|	Year 1	Year 2	Year 3	Year 4	Year 5	5-yr Total
Investments (k)	$3,000	$1,500	$1,500	$1,500	$1,500	**$9,000**
Available ACV (k)	$14,000	$14,000	$16,000	$18,000	$20,000	
Win Rate by ACV	0%	5%	25%	50%	50%	
Return (k)	$0	$700	$4,000	$9,000	$10,000	**$23,700**
Accumulative ROI	**0**	**0.16**	**0.78**	**1.83**	**2.63**	

Appendix

IDIQ > TCV under Contract

- Indefinite Delivery, Indefinite Quantity Contracts

- Can only pay for the actual amount for services rendered

- So in practice, IDIQ always > TCV

All Time Edu LMS in Fed (excluding PowerTrain)

Sheet 6

Recipient Name (group)
- BLACKBOARD INC, BLACKBOARD INC., BLACKBOARD INCORPORATED
- DESIRE2LEARN INCORPORATED
- INSTRUCTURE, INC.
- MOONAMI, LLC
- POWERSCHOOL GROUP LLC
- REMOTE-LEARNER US INC., REMOTE-LEARNER.NET INC., REMOTE-LEARNER.NET LLC
- SCHOOLOGY INC & SCHOOLOGY, INC.

The plot of sum of Federal Action Obligation for Action Date Fiscal Year. Color shows details about Recipient Name (group). The marks are labeled by sum of Federal Action Obligation. The view is filtered on Recipient Name (group), which excludes BLACKBOARD CONNECT INC., NTI GROUP INCORPORATED THE and NTI GROUP, INC, THE.

The FedRAMP Journey