

April 5, 2020

OneSoft's Annual Report 2020

2020 was not a bad year for OneSoft. They missed their pre-pandemic revenue growth target of doubling revenue, but few made their pre-pandemic targets. They achieved 50% revenue growth. That is not so bad through a pandemic.

OneSoft's CIM is a complex product that requires intense explanation, demonstration, and collaboration between OneSoft and multiple parties within the interested company. When face to face meetings and travel are disallowed, sales will suffer. Missing their revenue target during a pandemic is reasonable.

Metrics

Gross revenue jumped to \$4.1 million in 2020 from \$2.7 million in 2019. Annual recurring revenue jumped to \$3.8 million from \$2.5 million.

Cash on hand on Dec 31 was \$7.2 million and cash burn from operations in 2020 was \$3.6 million. Revenue is growing so cash on hand and cash generated from operations is sufficient. The company does not anticipate a need to raise cash in financial markets.

The Investment Thesis Remains Intact

OneSoft's CIM product increases Oil & Gas pipeline company profit by reducing the cost to maintain pipeline integrity. CIM is a "born-in-the-cloud", compute-power intensive, machine learning based software solution.

CIM has an ever-growing set of machine-learned algorithms that ingest, normalize, and evaluate pipeline integrity data. CIM uses all data from the first data set from potentially decades ago ([half of US pipelines are more than 46 years old](#)) to the latest data set. Current legacy processes are human resource intensive and by necessity ignore most data.

CIM learns from data. The algorithms get smarter the more data ingested. OneSoft has first mover advantage and is building a competitive moat. By the time competition creates a similar product, OneSoft will have a massive data advantage. A data advantage translates to more and smarter algorithms. There is no known competitor at this point. Pipeline companies cannot compete. They only have their own data.

CIM is simply better than current legacy processes. This translates in safer pipelines maintained efficiently with quick regulatory compliance response.

CIM is expanding into non-piggable pipeline and other areas resulting in a TAM increase.

Recent Progress

- CIM ingests data from non-piggable pipeline. TAM increases as more non-piggable data types are ingestible. The non-piggable pipeline market is large.
- Pay-As-You-Go sales model – "Test, learn, scale" breaks the buying decision into smaller, more palatable, buying decisions.

What do we want to see?

- Continued progress into the non-piggable pipeline market. Currently Cathodic Protection data (from non-piggable pipe) can be ingested into CIM. There are other types of non-piggable data.
- Continued progress with onboarding prospects. Near term goal is self serve CIM trials where prospects load their own data and OneSoft's staff are not involved. Likely Covid inspired.
- More white papers demonstrating CIMs superiority over legacy, human-intensive processes.
- More client testimonial-like events such as the recent webinar with Onebridge and a pipeline integrity engineer with Flint Hills Resources (Flint Hills owns and/or operates over 4,000 miles of pipeline in the US).

Summary

OneSoft is ending the second inning. They have a built and tested product. Their product is demonstrably better than current legacy practices. They have early adopter clients. They have potential clients sampling the product. They are in "sell-mode".

The coup de grace is CIM improves with each data ingestion.

Value & Forecasts

See below.

			Blue = forecast			
Valuation						
P/S at \$72C million MC (Apr 1 2021)		23	14	7.2	3.6	1.8
Income Statement	2019	2020	2021	2022	2023	2024
Revenue						
Annual Recurring Revenue	\$ 2,460,000	\$ 3,872,000				
Other Revenue	\$ 251,000	\$ 184,000				
Direct Costs	702,000	921,000				
Net Revenue	\$ 2,009,000	\$ 3,135,000	\$ 5,000,000	\$ 10,000,000	\$ 20,000,000	\$ 40,000,000
Operating Expense						
Salary & Employee Ben	\$ 3,527,000	\$ 4,436,000	\$ 5,000,000	\$ 6,500,000	\$ 9,000,000	\$ 12,000,000
Sales & Marketing	460,000	563,000	\$ 1,000,000	2,000,000	3,000,000	6,000,000
General & Administrative	716,000	706,000	\$ 950,000	1,400,000	2,400,000	4,000,000
Other	(102,000)	(51,000)	\$ -			
Total Op Ex	\$ 4,601,000	\$ 5,654,000	\$ 6,950,000	\$ 9,900,000	\$ 14,400,000	\$ 22,000,000
Op Income	\$ (2,592,000)	\$ (2,519,000)	\$ (1,950,000)	\$ 100,000	\$ 5,600,000	\$ 18,000,000
Other Expense (Income)						
Stock Based Comp	\$ 663,000	\$ 589,000	\$ 500,000	\$ 700,000	\$ 1,000,000	\$ 1,200,000
Amortization of Intangible Assets	386,000	402,000	\$ 500,000	500,000	1,000,000	2,000,000
Depreciation	21,000	14,000	\$ 50,000	200,000	400,000	600,000
Interest (income)	(147,000)	(115,000)	\$ -	\$ -	\$ 80,000	\$ 80,000
Other	91,000	(154,000)	\$ 100,000	100,000	100,000	200,000
Total Other Expense (Income)	1,014,000	736,000	1,150,000	1,500,000	2,580,000	4,080,000
Net Income Before Tax	\$ (3,606,000)	\$ (3,255,000)	\$ (3,100,000)	\$ (1,400,000)	\$ 3,020,000	\$ 13,920,000
Tax	\$ -	\$ -	\$ -	\$ -	\$ 453,000	\$ 2,088,000
Foreign exchange gain	\$ 21,000	\$ (23,000)	\$ -	\$ -	\$ -	\$ -
Net Income	\$ (3,585,000)	\$ (3,278,000)	\$ (3,100,000)	\$ (1,400,000)	\$ 2,567,000	\$ 11,832,000
NI %	-178%	-105%	-62%	-14%	13%	30%
EBITDA	\$ (1,522,000)	\$ (1,514,000)	\$ (900,000)	\$ 1,500,000	\$ 8,000,000	\$ 21,800,000
W A # of Shares	108,974,000	114,522,000	125,974,200	132,272,910	136,241,097	137,603,508
NI / Shar				\$ (0.01)	\$ 0.02	\$ 0.09
ASSUMPTIONS						
			Assumptions			
Revenue						
Net Revenue	2,009,000	3,135,000	5,000,000	10,000,000	20000000	40000000
		156%	159%	200%	200%	200%
Op Expense						
Salary & Employee Ben	176%	141%	100%	65%	45%	30%
Sales & Marketing	23%	18%	20%	20%	15%	15%
General & Administrative	36%	23%	19%	14%	12%	10%
Other	-5%	-2%	0	0	0	0
Other Expense						
Stock Based Comp	33%	19%	10%	7%	5%	3%
Amortization of Intangible Assets	19%	13%	10%	5%	5%	5%
Depreciation	1%	0%	1%	2%	2%	1.5%
Interest (income) rate	-7%	-4%	0%	0%	8%	8%
Other	5%	-5%	2%	1%	0.5%	0.5%
Tax Rate	0%	0%	0%	0%	15%	15%
FX Gain	1%	-1%	0%	0%	0%	0%
Share outstanding growth			10%	5%	3%	1%

