

OneSoft Solutions Inc.

Dec 2020 Q3 Reporting & Update

Financial Statements

OneSoft had a decent 3rd (Covid 19) quarter. Revenue increased slightly from to a year ago. Annual recurring revenue, a more important revenue metric, increased to \$721,000 in Q3, a 19% annual growth rate. Cash flow from operations was negative \$2,464,000 and cash at the end of the quarter was \$8,249,000. I've communicated with the CEO and he doesn't expect to need to raise capital.

Product Development

OneSoft continues to expand CIM's functionality. CIM can now incorporate data sets of various types of inspection methods. Different inspection methodologies are used to evaluate the condition of pipelines and OneSoft is increasing CIM's ability to ingest, combine, and analyze different types of data sets. This increases OneSoft's total addressable market.

New Pricing Model

OneSoft introduced a pay-as-you-go (PAYG) pricing model. PAYG provides the client with an intermediate step between CIM evaluation and full commitment and provides a pricing model that accommodates a scale rollout of CIM across pipeline infrastructure. Companies asked for an intermediate step between evaluation and full commitment and OneSoft accommodated. PAYG allows for a test, learn, and scale client experience. Larger pipeline owning companies seem to be rolling out CIM on a portion of their pipeline and discarding legacy process in a piecemeal fashion. PAYG accommodates this.

In the original research, one of the concerns is a long sales cycle. It is a big decision to discard legacy processes. PAYG has effectively shortened the sales cycle.

PAYG is more expensive than the CIM SAAS contract. OneSoft predicts that most PAYG clients will migrate to the SaaS pricing model. This is a positive step. A restrictive pricing model could discourage sales.

Sales Since Q3 Quarter End

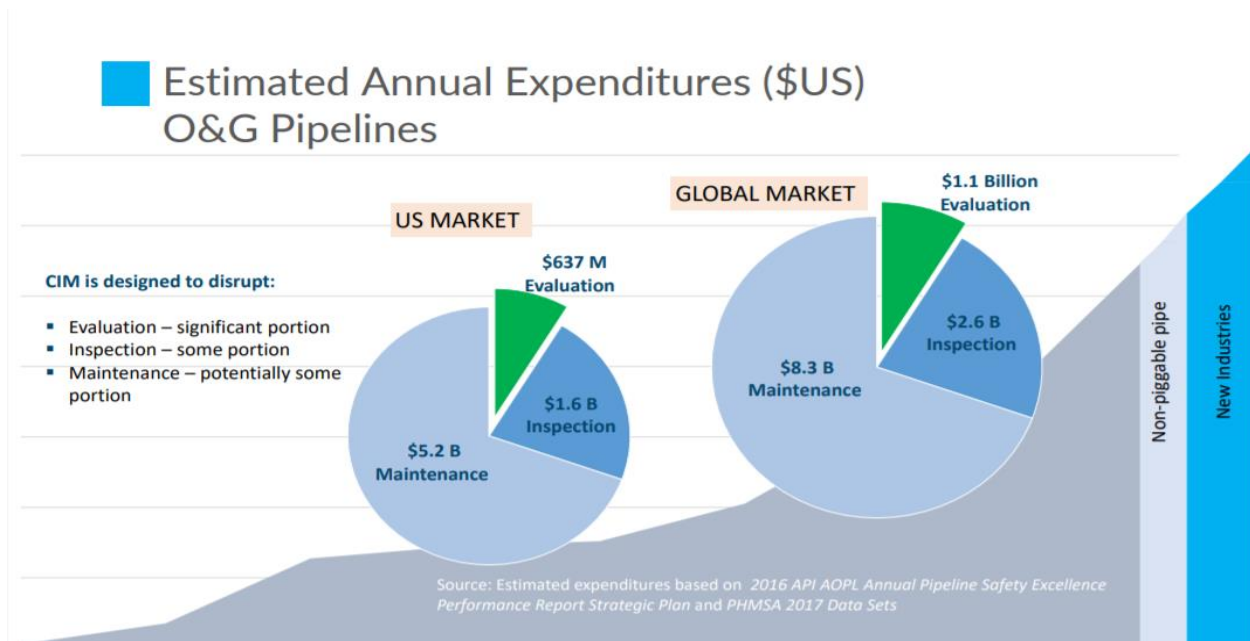
OneSoft has some recent impressive client wins. The new VP of Sales seems to be working out.

Sep 2020

OneSoft Solutions Inc. An Interesting, Novel Idea Aiming to Solve a Big Problem

OneSoft Solutions is a small company with a big idea. The idea is to reform how Oil & Gas pipeline companies evaluate potential structural problems in their pipeline infrastructure. Failing pipelines is a problem. According to PHMSA data, there has been an average of 1.7 incidents per day over the last 20 years with an average cost per incident of over \$750,000. Three major incidents over the past 20 years have cost over a billion dollars each and lives were lost. A failure at any point in a pipeline can be catastrophic and, consequentially, pipeline operators devote much time, energy, and money evaluating data, digging up pipeline, and repairing problems.

Estimated global annual expenditure on Oil & Gas pipeline is \$1.1 billion on pipeline evaluation, \$2.6 billion on pipeline inspection, and \$8.3 billion on pipeline maintenance (see appendix). OneSoft directly aims at the evaluation phase and indirectly at the inspection and maintenance phase.



How Pipeline Evaluation is Performed Now

How do pipeline owning companies get data and evaluate it? A standard method to gather data is to send a pipeline inspection gauge (pig) down the pipeline. The pig is equipped with sensors that gather data. The pig is extracted at the end of the pipeline. This is done frequently and is mandated by regulators. All other methods are similar. The data is downloaded into software, historically Excel, manipulated a little and analyzed for potential problems. It is estimated that less than 6% of the data is analyzed. Analysis and evaluation are substantially manual, and the process can take up to 6 months until decisions can be made. A repair crew is then sent out or anomalies are further monitored.

Decisions are heavily skewed by the latest data. Pipeline companies have been doing this for years and have reams of historical data.

What Does OneSoft Do?

OneSoft takes the reams of data and loads it into Microsoft Azure's cloud infrastructure and applies Azure's computational power to run the data through OneSoft's algorithms within their Cognitive Integrity Management (CIM) software product. The results are presented to the client through the client interface on CIM. It is a software-as-a-service (SAAS) business model.



The totality of client data helps drive and improve OneSoft's algorithms. The more data that is fed into CIM, the smarter CIM's algorithms become. This is data science and machine learning at its finest. Machine learning loves data and extracts every ounce of information.

The algorithms produce better analysis than "eyeballing" the latest data. Progress of an anomaly can be better measured, analyzed, and monitored, and the probability of pipeline failure can be minimized. Better dig and non-dig decisions can be made. Digs, especially unproductive digs, are expensive. The fewer digs the better. Even a small reduction in digs saves a lot of money. Ultimately, the algorithms chart the best course of action on an anomaly and do this substantially quicker than current legacy processes.

Regulators and compliance departments appreciate the product as data is always up to date to the last pig run and easily presentable. PHMSA, the pipeline regulator, is aware of OneSoft's CIM product and was present during some testing.

OneSoft's association with Microsoft Azure is not new. The relationship has been in effect for many years. OneSoft needs the computational power of Azure and Azure wants oil & gas industry clients. OneSoft is responsible for a significant portion Azure's oil & gas computational use. OneSoft was recognized as a finalist in [Application Innovation 2020 Microsoft Partner of the Year](#).

The Most Interesting Aspect

OneSoft's exciting potential is they may develop an unbreachable moat. Machine learning's appeal is that algorithms get smarter as the data consumed grows. The more data clients load the smarter and more predictive algorithms become. This has first mover competitive advantage ramifications. It is difficult to take on a competitor that has more data. Think of Google's search engine. It is almost impossible for someone or something like artificial intelligence to derive better search algorithms than Google's. A start-up search engine is at a data disadvantage. Google's data advantage results in a smarter search engine. This leads to more Google searches and therefore more data and yet smarter algorithms. OneSoft says it has yet to find a stand-alone competitor and first mover advantage could work a data advantage into an unbreachable moat.

Timing

OneSoft is a company with a product set that seems well timed. Timing is an important success variable with micro-cap companies. Machine learning seems sufficiently advanced to render CIM possible and superior to current, legacy processes, and the cost of computational power continues to fall.

An example of why timing is critical. Shareyourworld.com contrasted with YouTube is illuminating. Shareyourworld.com was created in 1997 and shut down in 2001. It did the same thing that YouTube does. Shareyourworld was 8 years too early. Broadband hadn't reached critical mass and even those with broadband experienced poor video quality due to insufficiently advanced technology (HTML wasn't around, and other things). Enter YouTube in 2005. Broadband was prevalent and all technological problems had been resolved. The viewing experience was fantastic, and YouTube sold in 2007 for over \$1.5 billion. The difference between Shareyourworld and YouTube was only timing.

The Sales & Marketing Phase is Near

OneSoft moved from a product research and developmental phase to a commercialization phase in 2018. Since then, with assistance from clients and prospects testing and implementing the product, they have been in a product refinement phase and a tentative sales and marketing phase. Now it's time for a full-on sales and marketing phase. They recently hired a Senior Vice President of Sales with Oil and Gas industry connections and he is building a team. He is based in Texas. He will be challenged. The sales cycle is long, and it likely is not the best time to be selling to the Oil & Gas industry. Companies are not eager to dump legacy technology in a market downturn, but Covid will eventually end. OneSoft's marketing message is a more efficient and better predictive pipeline integrity management solution with ultimately a lower cost due to less pipeline failure and fewer unproductive digs

The 4th quarter is annual planning and budget time for the oil and gas industry. OneSoft entered 2020 with backlogs and promise. Covid messed things up. Let's hope 2021 isn't the same but, if so, OneSoft has the cash and access to cash to wait.

The regulatory environment is a boost for OneSoft. Their product makes regulatory compliance easy and always up to date.

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