Greetings and welcome to Phunware's 2019 Earnings Transcript presenting our financial results for the full year of 2019. I am Marcus Chan, Phunware's Vice President of Finance. This transcript has been pre-prepared and pre-loaded to the investor relations section of our website at investors.phunware.com, so there will be no question and answer session upon its completion.

Joining me today are Alan Knitowski, President, Chief Executive Officer and Co-Founder; Randall Crowder, Chief Operating Officer; and Matt Aune, Chief Financial Officer. The format today will include prepared remarks by Alan, Randall and Matt.

Today's discussion will include forward-looking statements. These forward-looking statements reflect our current views as of today and are based on various assumptions that are subject to risks and uncertainties disclosed in the Risk Factors section of our SEC filings. Actual results may differ materially, and undue reliance should not be placed on them.

Additionally, the matters we will be discussing today may include Non-GAAP financial measures. Reconciliation of GAAP to Non-GAAP financial information is set forth in our earnings press release, which is available on the investor relations section of our website at investors.phunware.com. I further encourage you to visit investors.phunware.com to access not only our earnings press release, but also our current investor presentation, our SEC filings, this pre-prepared Earnings Transcript and other information about Phunware.

At this time, I would like to turn things over to Alan. Please go ahead.
Alan Knitowski

Thank you, Marcus. Today marks a rather surreal day for all of us here at Phunware. About 90 days ago, we completed calendar and fiscal year 2019, and then initiated our routine 10-K business timeline to close our financials, complete our annual audit and prepare our SEC filings for today’s announcement. On March 11th, however, the World Health Organization (WHO) formally announced and declared their first-ever global pandemic caused by a coronavirus, now referred to as COVID-19, and our collective personal and professional lives have never been the same since. Each day and week now marks a new set of announcements and actions, whether from local, state or federal governments, or from domestic and international bodies and organizations, with President Trump declaring only yesterday that national social distancing guidelines here in the United States will remain in place through at least April 30th.

While we are releasing our full year financial results for last year as part of today’s announcement and filing requirements, it is extremely important to understand that our executive team, board and staff are hyper-focused on our existing and pending business activities for both current and future quarters despite the realities we and all other businesses currently face with the uncertainties surrounding COVID-19. Importantly, this focus not only includes our investors, customers and partners, but also our employees and their families as well.

Today, we are pleased to share our trailing financial results for the Company from last year, which included a dramatic year-over-year revenue transformation from one-time, non-recurring application transactions revenue to annual and multi-year recurring platform subscriptions and services revenue tied to the licensing and use of our Multiscreen-as-a-Service (MaaS) enterprise cloud platform for mobile. More importantly, and specific to the subsequent events and recent operational actions taken to address our go-forward business activities while the ongoing COVID-19 pandemic continues to unfold worldwide, we have announced a $3 million structured debt financing to address our balance sheet as well as a furlough of 37 Phunware employees to optimize our cost structure during the existing governmental “stay-in-place” orders unique to our business facilities and operations in Central Texas, Southern California and Southern Florida.

Our team is continuing to execute against our existing customer contracts and are aggressively pursuing new business opportunities where our mobile, cloud, big data and remote expertise intersects directly with the needs of our Fortune 1000 customers, including remote telehealth and telemedicine triage for healthcare patient capacity management, virtual rallies for political advocacy during a Presidential election year, remote work optimization for corporate campuses and social distance policy enforcement, engagement and asset tracking for smart cities and government organizations at the local, state and federal level.
For those who are new to our story, I’d first like to give a quick overview and summary of what Phunware does, including the capabilities of our platform and our overall business model and strategy. Thereafter, I will offer some additional commentary regarding what we are seeing in the business environment with our customers and partners and how we expect to engage throughout Q2 and the balance of the year in light of the uncertainties and unknowns surrounding the timelines and effects of COVID-19 on our Company. Our COO, Randall Crowder, and our CFO, Matt Aune, will then work through the Operations and Financials of our Company in more detail, respectively, before transitioning back to our VP of Finance, Marcus Chan, for closing comments.

Phunware is the pioneer of Multiscreen-as-a-Service, or MaaS, a fully-integrated enterprise cloud platform for mobile that provides the world’s most respected brands with the products, solutions, data and services necessary to build, manage and monetize their mobile application portfolios and audiences globally, at scale.

Founded more than 11 years ago in February 2009, Phunware helps brands transition from the web to mobile by enabling enterprise-level mobile applications through its MaaS platform, including the software, data and infrastructure needed to support these mobile application portfolios on Apple iOS and Google Android devices, including smartphones, tablets, wearables, smart televisions and digital signage. Our ideal customer is a Fortune 1000 brand that standardizes on our MaaS offerings for all of their mobile initiatives and needs, much like they would standardize on Microsoft Office for their productivity software or Salesforce for their CRM. Throughout our history as both a private and public company, Phunware has successfully raised over $105 million in financing from notable investors including Cisco Systems, Samsung, PLDT, WWE, Firsthand Technology Value Fund, Wavemaker Partners, Maxima Ventures, Fraser McCombs Ventures, Khazanah and the Central Texas Angel Network amongst many others, while providing Fortune 1000 brands everything they need to succeed on mobile.

We focus our competitive efforts globally at the intersection of mobile, cloud, big data and blockchain through four key differentiators:

1. Building robust mobile ecosystems for enterprises that can't afford to fail at scale, including the unique requirements and challenges associated with both live events and remote engagement.

2. Locating and engaging mobile devices and mobile application users both indoors and outdoors, both onshore and offshore, and both on the ground and in the air, in real-time, including the needs of the hearing impaired, visually impaired and wheelchair bound.

3. Curating disparate, real-time data sets to make big data actionable, while enabling 1:1 interactions between brands and consumers anywhere and
anytime globally, including geofence-based policy enforcement, workflow optimization and process compliance.

4. Leveraging blockchain technology to optimize media spend, reduce fraud, enhance transparency, drive profitable behaviors and maintain an immutable, auditable public record of brand interactions with consumers worldwide.

![Top-Tier Customers, Partners and Investors](image)

**Fig 1.**

We have a diverse enterprise customer base across multiple verticals because we offer a comprehensive digital transformation platform with products and solutions for mobile that are seamless, flexible, cost-effective and proven at production scale globally. While we have historically supported Healthcare, Media & Entertainment, Hospitality & Real Estate, Retail and Sports as a core focus, we expect our COVID-19 operating focus to be much more specific during Q2 and the balance of the year to Healthcare, Corporate Campus, Political and Smart City environments, consistent with the needs of patients and clinicians, remote workforces, elections and government bodies and agencies interacting with and managing our country’s citizens at the local, state and federal level.

Our short-term focus is operational stability and continuity, including the strengthening of our balance sheet, the achievement of operational self-sufficiency and the deployment of our MaaS infrastructure with our customers and partners in order to address the technological and data needs underlying COVID-19 specific products and solutions for communities worldwide. One such example of this new
focus area is the recent launch of our Phunware National Ventilator Registry, which is intended to help identify and track critical medical equipment for our nation’s domestic healthcare professionals. In parallel, we continue to find success with new customer contracts and partnerships, including AVIA, Cisco Meraki, a destination casino resort operator, two pediatric healthcare companies, a national railway operator, one of the top cancer centers in the United States and one of the nation’s largest healthcare systems.

Over the mid and long term, our ideal operating scenario is to achieve and maintain cash neutrality and operational self-sufficiency while reinvesting excess cash and profit for growth, both organically and inorganically. To that end, and post COVID-19, we intend to accelerate our top line growth to 30% or more year-over-year net revenue growth. In the interim, however, we are not providing any specific guidance for the current calendar and fiscal year until more specificity is known with regards to the existing pandemic and the timelines that will underlie Corporate America getting back to “business as usual”.

At this time, we expect to be extremely judicious with our balance sheet improvements, focusing only on equity, structured debt, debt and government-specific alternatives wherever they might make sense, including the recently passed CARES Act legislation that appears to provide long-term, low interest rate debt directly from the United States government. Beyond our recently announced $3M structured debt financing from last week, we have nothing new to announce or share at this time across any of these options or alternatives.

As has been the case previously, we remain committed to driving awareness of everything Phunware has to offer and also to increase the institutional exposure to our stock. Recently we announced a new investor relations partnership with Hayden IR to facilitate these efforts, as large institutional stock ownership is a high priority for both our Board and our Executive Team alike. In parallel, and as previously promised, we finalized an initial mid-market investment banking relationship with Canaccord Genuity to facilitate both research coverage and institutional outreach for our stock, having successfully partnered with their team on our recently closed debt financing.

In conclusion, I want to express a very special thank you to our employees and their families who have supported us tirelessly despite “stay-at-home” mandates tied to COVID-19 that have completely upended their personal and professional lives and routines in material, unexpected and still evolving ways. In parallel, I also want to thank our customers and partners, who are not only our biggest advocates, but also trust us with their most valued assets and needs in these extremely turbulent times. Importantly, I want to express our gratitude to both our public and private investors for their continued assistance and support in all that we do daily as we continue to execute operationally and financially on their behalf.
Finally, I want to thank our government leaders, healthcare professionals and the citizens of the world for collectively contributing to humanity’s efforts to unify, “flatten the curve” and persevere together. This too will pass.

To now discuss our operations, I will turn things over to our Chief Operating Officer, Randall Crowder.

Randall Crowder

Thanks, Alan. Before I highlight some of our 2019 operational efforts and results, I would also like to take a moment to address the current coronavirus pandemic specific to COVID-19 and its impact on Phunware.

First and foremost, our hearts go out to all of those affected by the current crisis. There is no person or industry that isn’t impacted and it underscores just how interconnected society is today. We face a common enemy that doesn’t care about race, religion or gender and we must come together as humans to prevail. The coming months will also be a great time of innovation because technology will help us not only overcome this pandemic, but also return us to our daily lives as we establish a new normal. We are excited to play our part because our enterprise cloud platform for mobile is uniquely suited to address many of the challenges that the world now faces.

Phunware’s Multiscreen-as-a-Service (MaaS) platform enables any organization to ensure that the right person receives the right content on the right screen at the right time in the right place. This type of dynamic, seamless engagement is important for any business, but it's even more critical in times of crisis and recovery when there is an extremely high degree of uncertainty. We are working hard to ensure key industry verticals can access all of Phunware’s functionality and we intend to announce additional capabilities in the near future. However, in the interim it’s important to understand that we have proven solutions today that can be deployed right now to address many of the challenges that have emerged in the wake of COVID-19. These include, but are not limited to:

1. **Healthcare** - Our digital front door for mobile can enable everything from dynamic social distancing policy enforcement to patient capacity utilization optimization to seamless integrations with electronic health records (EHR), telehealth, telemedicine and facility management platforms.

2. **Smart City** - Our solution integrates our proven Location Based Services (LBS) and Mobile Engagement (ME) products and can be deployed by city officials within weeks to coordinate essential activities such as disaster response efforts, citizen engagement and volunteer initiatives, all through a city-specific, native, mobile application portfolio.
3. **Corporate Campus** - Our state-of-the-art mobile campus experience will help employers better manage their employees as they return to the office with push notifications, messaging, dynamic routing, wayfinding, occupancy monitoring, route tracking, interaction tracking, health status tracking and access control.

While we know we have the right team with the right solution for today’s challenges, no one knows just how long the current situation is going to last. What we do know is that a true recovery and a return to “business as usual” will take much longer. Critical to our operating strategy is our ability to manage existing cash, access additional cash and continue our aggressive drive towards self-sufficiency through operational excellence.

We finished 2019 with approximately $13 million of backlog, where we require one to five years over 12 to 60 months for forward revenue recognition against our contract wins and terms. This is always important to remember as we move forward since closing MaaS contracts, invoicing and collecting payments annually in advance from our customers is always distinctly different from recognizing the underlying revenues over the course of each 12 to 60 month contract period. Throughout 2019, we have accelerated our efforts to reduce our burn rate and streamline our operations, which ultimately reduced our OPEX spend by 14% year-over-year on a GAAP basis and 18% year-over-year on a non-GAAP basis. To put this further into perspective, we used $5.4 million less cash in operations during the second half of 2019 than the first half, which represents a 95% improvement as we continue our efforts toward reaching break-even on both operating cash and adjusted EBITDA.

In 2019, we achieved $4.8 million in total annualized savings through workforce reductions as we continued to optimize our resources as a true Software-as-a-Service (SaaS) company. However, to ensure that we maximize our ability to operate under current market conditions, we implemented a furlough program in March 2020 that reduced our headcount by 37 full-time employees and our annual operating expenses by approximately $3.3 million.

At this time, we do not anticipate any loss of operational capacity due to these furloughs. Of course, many companies we sell to have hit pause on new expenditures temporarily, but we have retained the necessary talent to ensure continuity of our platform and continue working on business that is not likely to be delayed, including our work with healthcare organizations, cities, large corporations and political campaigns. 54% of our furloughed employees were from Product & Engineering, 19% were from Sales & Marketing and 14% were from Media, with the remainder specific to both Office Staff and Program Management. For our remaining workforce, we will operate remotely until we receive further guidance from government officials in Texas, California and Florida. With four offices in three
states, we have a long history of being able to work efficiently in a remote and distributed manner, so we don’t believe “shelter-in-place” orders will have any material impact on our ability to operate. Importantly, we expect to build on the momentum that we created previously in 2019.

Although our MaaS platform is applicable across all industries, 2019 saw strong interest and traction in our unique Healthcare, Corporate Campus and Hospitality solutions, which Alan already touched upon earlier. Brands in these industries continue to struggle transitioning from merely having a mobile application to embracing a true mobile strategy because they are trying to manage numerous vendor relationships with numerous point solutions that were never designed to be interoperable. Phunware enables brands to power their entire mobile strategy with a single vendor relationship to ensure accountability and responsiveness. With MaaS, a brand can access all of the proven features and capabilities that we have developed over the past decade to deliver everything they need to succeed on mobile.

In fact, Frost & Sullivan recognized Phunware with its 2019 North American Company of the Year Award for MaaS. A Frost & Sullivan executive commented:

“Phunware extended MaaS to a range of verticals, offering turnkey native solutions to address various industry-specific needs. Leveraging its experience across industries, it created an exceptional ‘one-stop-shop’ suite of offerings designed to appeal to newcomers and incumbents in the mobile space.”

Awards like this are important for our channel strategy because they raise our visibility with notable industry decision-makers. We will continue to leverage existing channel partners like Cisco Systems (NASDAQ: CSCO) to achieve greater distribution of our Products and Solutions without the need to build out a costly direct sales force. In addition to this award, we recently announced the availability of our Location Based Services in the Cisco Meraki Marketplace, while our digital front door was recognized as an AVIA Vetted Product. We now live in a mobile-first world that is quickly becoming mobile-only and we’re seeing brands embrace digital transformation initiatives that require an enterprise cloud platform for mobile like Phunware’s.

In 2019, we continued our commitment to design thinking by focusing our product roadmap strategy and updates on the people we’re innovating for. During the calendar year, we introduced several important features and capabilities to MaaS to improve user experience and enhance our platform’s value proposition. These included, but were not limited to:

1. Location Based Services. A key competitive market differentiator for customers with MaaS is Phunware’s patented Location Based Services
software and **beacon management** solution. These native, mobile-first capabilities deliver both proximity and sub one-second real-time blue dot for indoor positioning, navigation and wayfinding across any campus or facility, all while simplifying and streamlining the underlying beacon deployment and management for both the facility staff and administrators alike. These mobile solutions are not only **ADA-compliant**, addressing the needs of anyone who is visually impaired, hearing impaired or wheelchair bound, but also transition seamlessly between indoor and outdoor environments. Phunware’s MaaS LBS functionality is so powerful that it can even help venues handle real-time emergency response scenarios on mobile by contacting and dynamically routing people to safety, while simultaneously guiding first responders to an identified threat or emergency. In 2019, we not only introduced **landmark routing** to improve user experience and **web wayfinding** to extend navigation capabilities to desktop browsers and kiosks, but also **released sample code enhancements** to provide walk time calculations, voice prompts and off-route alerts without the need for developers to build and design custom interfaces.

2. **Mobile Engagement.** The MaaS platform now provides access to automatically created user segments based on mobile key performance indicators (KPI) metrics to increase engagement and retention. This includes daily active users, monthly active users, users based on session duration or screen views, retention of users that frequently return and re-engage and churned users that have not engaged in a specific time period.

3. **Data.** In 2019, we were excited to announce the addition of the **Data Exchange** to MaaS, which includes features such as:
   - A self-service audience builder that enables digital marketers to design custom audiences within minutes using geographic, interest, intent and demographic **segments**.
   - Audience segment metadata that provides data transparency on how the segment was constructed, where the data components were sourced and the label for the segment.
   - **High quality GPS location data points** from 100+ million devices in the United States to increase scale of location-based audiences.
   - United States Congressional District targeting for political and advocacy campaigns.
   - Direct integration with programmatic advertising platforms for easy audience activation.
   - A dashboard that provides a daily audit trail for the impressions delivered and unique devices reached for each audience activated on an advertising platform.
   - **Dataset** enhancements to the **Phunware Ontology**.
Support for delivering high-scale datasets in Apache Parquet storage format for use in all leading cloud platforms.

4. **Training.** The Phunware Phenom Certified Developer Program is available to provide on-demand courses and live training sessions remotely to learn more about MaaS and how it helps brands establish a true mobile presence. In parallel, we have provided full MaaS documentation and software portals via [https://docs.phunware.com/](https://docs.phunware.com/) and [https://github.com/phunware](https://github.com/phunware), respectively.

Although the majority of our focus has been on platform subscriptions and services, our team continues to develop our blockchain-enabled Phun Ecosystem with a specific focus on the creation of our proprietary PhunWallet. The PhunWallet will serve as the center-of-gravity for our dual-token economy, which has the potential to empower consumers and reimagine how brands engage with their audiences by creating a mobile loyalty ecosystem that recognizes the value of data and engagement. However, given the current bear market for cryptocurrencies, we have not formally launched PhunCoin or Phun on any available exchanges. We will provide additional updates on timing as they become available, but we anticipate PhunWallet live user testing to commence by July 2020.

For a complete breakdown of Phun Ecosystem milestones and product releases completed in 2019, as well as a glimpse into our roadmap for 2020, please see our detailed press release from January 2020.

Separately, and to get more information about Phunware’s MaaS products and solutions, including supporting documentation, quick start guides, software development kits (SDKs), application program interfaces (APIs) and more, visit the Phunware Documentation Portal and the Phunware Software Portal.

Now I’d like to turn things over to Matt, who will discuss our trailing 2019 financials in more detail.

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**Matt Aune**

Thanks, Randall and good afternoon everyone. I’d like to thank you for joining us today for a review of our full year 2019 financial performance, and our progress on key strategic initiatives. For clarity, I will be discussing GAAP financial measures unless otherwise specifically noted. Our press release, 8-K and website provide a reconciliation of all GAAP to non-GAAP financial results.

Net revenues for the full year 2019 totaled $19.2 million, of which platform subscriptions and services revenue was $17.2 million. I’d like to point out that despite the headwinds that Alan and Randall spoke about previously, our non-GAAP
adjusted platform subscriptions and services revenue was roughly flat year-over-year. If I peel the onion back an additional layer and segregate our customer relationship with Fox Media Group, the remaining portion of our platform subscriptions and services revenue actually grew 76% year-over-year, which we are extremely pleased about.

Gross margin was 52.9% compared to 61.8% last year. On a non-GAAP adjusted basis, gross margin was 53.8% compared to 47.9% in the previous year. That is roughly a 600 basis point improvement year-over-year and it not only validates the conscious decisions we made earlier in the year to focus on higher margin software and data deals and away from lower margin legacy application transactions, but it also gives Phunware a launching pad for more profitable revenues in the future.

Total operating expense was $22.4 million, down from $25.9 million last year, a 14% improvement year-over-year. I’d like to point out, though, that stock-based compensation and amortization of intangibles made up $2.0 million this year compared to just $0.8 million in the prior year. By excluding these non-cash charges, adjusted operating expense was $20.6 million, down from $25.2 million for the same period last year, or an 18% improvement year-over-year.

Non-GAAP adjusted EBITDA loss was ($10.2) million, which is a $6.8 million, or 40% improvement, compared to last year’s ($17.0) million loss.

Net loss for the year was $12.9 million, or $0.35 per share, or a 31% improvement over the same period last year.

Moving to the Balance Sheet, ending cash for the year was $276 thousand, with $6.2 million of cash used in operations for the year. We are pleased to see that our operational cash burn continues to decrease in line with our expectations.

Looking ahead, and as Alan highlighted previously, we continue to execute against our existing customer contracts and are aggressively pursuing new business opportunities where our mobile, cloud, big data and remote expertise intersects directly with the needs of our Fortune 1000 customers, including remote telehealth and telemedicine triage for healthcare patient capacity management, virtual rallies for political advocacy during a Presidential election year, remote work optimization for corporate campuses and social distance policy enforcement, communications and people and asset tracking for smart cities and government organizations at the local, state and federal level alike. As we continue to win deals and help customers enhance their mobile experiences, we intend to drive revenue and gross margin expansion to reduce our operational cash burn and move toward break-even on an adjusted EBITDA basis.
In parallel, and as highlighted by Alan, we will continue expanding our IR-related activities in order to introduce Phunware to more institutional investors. While we announced the engagement of Hayden IR already, we were also thrilled to introduce former T. Rowe Price Executive Todd Ruppert and former Wikipedia Founder Larry Sanger as new Phunware Advisors. We believe that these world class resources, along with additional expertise on our Board from Wall Street veterans like former JP Morgan Executive Blythe Masters and Draper Network and Wavemaker Partners Founder Eric Manlunas, will help us share the Phunware story and drive interest from new investors of all sizes.

With that, I’ll turn things back over to Marcus for closing remarks.

Marcus Chan

We have reached the end of today's prepared remarks. As a reminder, there will be no question and answer session. We look forward to updating you on our first quarter 2020 performance in mid-May.

Please visit and monitor investors.phunware.com for the latest information on the Company.

Thank you.