Greetings and welcome to Phunware's Q1 2020 Earnings Transcript presenting our financial results for the first quarter of 2020. 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 S. 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.
Thank you, Marcus. Today, we are pleased to update shareholders on our quarterly progress both operationally and financially here at Phunware. While I will touch on many of the high level activities and themes that we have been seeing since the onset of the COVID-19 pandemic and our annual financial update at the end of March, our COO Randall Crowder and our CFO Matt Aune will follow me with more specific granularity on what this has meant to our business operations and our financial results during the first quarter of 2020.

During extremely challenging times, we are successfully executing our operational model and business strategy to become the premier digital transformation source for mobile initiatives worldwide. Our latest quarter closed with nearly $11 million in Backlog and accelerated our Net Revenues composition specific to the use of our Multiscreen-as-a-Service (MaaS) platform for mobile to more than 90% of Net Revenues. These results represent 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 the software and infrastructure underlying our enterprise cloud platform. Anecdotally, and during the underlying transformation period highlighted for the customer set of core interest to the Company, we have seen our average customer contract length expand approximately 50% to 18 months while our average contract value has increased approximately 250% to $250,000 in parallel.

Our team is continuing to execute against our existing customer contracts and Backlog and is aggressively pursuing new business opportunities and partnerships where our mobile, cloud, big data and remote expertise intersects directly with the needs of our Fortune 1000 customers. This includes, but is not limited to remote telehealth and telemedicine triage for healthcare patient capacity management, virtual rallies for political advocacy during a Presidential election year, remote work optimization and back-to-work initiatives 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 MaaS platform and our overall business model and strategy. Phunware is the pioneer of 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, Salesforce Marketing Cloud for their CRM or Oracle NetSuite for their ERP. Throughout our history as both a private and public company, Phunware has successfully raised over $110 million in debt and equity 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.

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 the Healthcare, Media & Entertainment, Hospitality & Real Estate, Retail, Aviation and Sports verticals as a core focus, we expect our COVID-19 vertical focus to be much more specific during Q2 and the balance of the year within the Healthcare, Enterprise / Corporate Campus, Government / Smart City and Political Advocacy environments, consistent with the needs of patients and clinicians, remote workforces, elections and government bodies and agencies that are interacting with and managing our country’s citizens at the local, state and federal level. While we expect to see some
modest engagements and contracts to continue across all of our customer types in each vertical, including MaaS renewals, we also expect that market and economic pressures will remain heightened for an extended timeframe within the (Live-Event) Media & Entertainment, Hospitality & Real Estate, Retail, Aviation and Sports verticals, potentially well in to the second half of 2021 should a COVID-19 vaccine either remain elusive to researchers or not widely available to populations worldwide.

Our short-term focus is operational stability and continuity, including the continued 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. Examples of this new focus area include MaaS Pandemic Responses for Smart Cities and Healthcare, MaaS Mobile Engagement Software Developer Kits (SDKs) for Small and Medium Businesses (SMBs) and the Phunware National Ventilator Registry, which helps identify and track critical medical equipment for our nation’s domestic healthcare professionals. In parallel, we continue to find success with new MaaS customer contracts and partnerships, including Cisco Meraki, AVIA, Red River, Diversified, Noviant, a global multinational for mobile corporate campus, a NYC-based integrated health system for mobile healthcare and COVID-19, one of the nation’s largest health systems for mobile healthcare and digital front door patient engagement, a top national cancer center for mobile healthcare and digital front door patient engagement and a myriad of application transaction customers from a variety of industries and verticals for mobile engagement and monetization.

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 pandemic, we intend to accelerate our top line growth to 30% or more year-over-year Net Revenues growth. In the interim, however, we expect to see a flat to slightly down Net Revenues total for the coming quarter, which we believe will represent a bottom for the year and a Net Revenues base from which we will re-accelerate our growth sequentially during both the third quarter and fourth quarter thereafter.

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 post Coronavirus Aid, Relief and Economic Security (CARES) Act legislation that may provide additional long-term, low interest rate debt directly from the United States government. Beyond our earlier announced $3.0 million structured debt financing and our more recently announced $2.8 million Small Business Administration (SBA)
Paycheck Protection Program (PPP) loan, we have nothing new to announce or share at this time across any of these potential 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 BUYINS.NET to supplement our previously announced investor relations partnership with Hayden IR to facilitate these efforts, as large institutional stock ownership remains a high priority for both our Board and our Executive Team alike. In parallel, and also as previously announced, we are actively engaged with Canaccord Genuity as our mid-market investment bank to facilitate the institutional outreach and research coverage for our stock, having successfully partnered with their team on our previously announced and closed structured debt financing.

I want to conclude my remarks today by expressing a very sincere and special thank you to both our employees and their families. Not only have they supported us tirelessly despite “shelter-in-place” and “work-from-home” mandates tied to COVID-19, but they have also done so despite a complete upheaval to both 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 as we jointly prepare for a reopening the economy and getting back to work and life in as safe and responsible a manner as possible. Importantly, I want to express our sincere gratitude and indebtedness 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 humbly thank our government leaders, healthcare professionals and the citizens of the world for collectively contributing to humanity’s efforts to unify and persevere together now that we appear to have “flattened the curve” and ultimately prepare for business and life in a post pandemic environment.

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

Randall Crowder

Thanks, Alan. As the world wrestles with how to respond to and recover from the coronavirus pandemic, we are working hard to ensure businesses understand how our Multiscreen-as-a-Service (MaaS) enterprise cloud platform for mobile can help.

As I discussed during our last earnings call, we have seen a lot of traction and interest in our Healthcare, Government / Smart City and Enterprise / Corporate Campus solutions, as well as our Political Advocacy solutions. To better meet the
needs of our customers who need mobile solutions right now, we announced four new offerings across three of our key verticals:

1. Healthcare
   a. Healthcare Pandemic Response Solution - an optimized digital front door solution to deliver critical features such as:
      i. Notify and route to designated parking facilities, test sites, treatment facilities or along specified paths by engaging patients and staff with contextual triggers, including location and time.
      ii. Care for patients remotely and minimize patient leakage with a comprehensive telemedicine portal that includes Eligibility Checks, Co-Pay Collection, Streamlined Reimbursement, Automated Patient Workflow, Patient Notifications, Customized Clinical Protocols and EHR / PM Integration.
      iii. Coordinate patients, staff and critical resources with express check-in, asset tracking and real-time wayfinding.
      iv. Track and prevent exposure by tracing and monitoring device locations, including both real-time and historical lookbacks.
      v. Manage and enforce social distancing and quarantine policies, including proactive and reactive messaging, reminders and notifications.
      vi. Foster population health management and engagement through a robust patient portal.
   b. Enterprise Telemedicine Solution - a fully-compliant remote healthcare platform with streamlined reimbursement and automated patient workflows to enable virtual visits, drive revenue and reduce patient leakage.

2. Government / Smart City
   a. Smart City Pandemic Response Solution - an optimized mobile solution for local government organizations and officials to deliver critical features such as:
      i. Notify and route to designated healthcare and testing locations, essential businesses still open, donation sites, government services and community events by engaging users with contextual triggers, including location, mapping, navigation and time.
      ii. Designate essential versus nonessential businesses and offer additional details, including operating hours, services provided and contact information, all while enabling citizens to discover and receive notifications about these points-of-interest in real-time based on their proximity and location.
iii. Track and prevent potentially harmful exposure by contact tracing and monitoring device locations, including both real-time and historical lookbacks.

iv. Manage and enforce social distancing and quarantine policies, including proactive and reactive messaging, reminders and notifications.

v. Coordinate the sharing of information by neighborhood, community and region to ensure that the right citizens are given the right messaging specific to their specific situation and individual needs.

b. A more comprehensive Smart City solution is also available to address non-pandemic related city functions, such as that highlighted in this concept video for Houston, Texas.

3. Enterprise / Corporate Campus

a. Gather Safe - implemented as either a stand-alone mobile application portfolio or a software integration into existing mobile applications, Gather Safe will tech-enable MaaS customers to safely and responsibly bring their employees back to corporate work environments and facilities with features such as:

i. Collect and share key employee attributes and data to better assess health, habits and risk amongst individuals, teams and groups.

ii. Organize and schedule one-time or recurring meetings based on proof of health.

iii. Monitor and trace movements and activities, including audit trails.

iv. Provide real-time guidance on emerging government and/or corporate policies.

v. Manage and enforce social distancing and quarantine policies, including proactive and reactive messaging, reminders and notifications.

vi. Coordinate the sharing of information and events by contact or custom groups.

b. A consumer version of Gather Safe is expected to launch on Apple iOS and Google Android in June, which can be used similarly for both personal and professional use across any group, organization, team, class or business.

In addition to these new platform offerings, we strengthened our MaaS intellectual property (IP) portfolio with our most recent Notice of Allowance issued by the United States Patent and Trademark Office (USPTO), which covers additional functionality provided through MaaS to promote brand extension and support a
plurality of users within a dynamic mobile ecosystem. For a comprehensive list of the 17 issued patents and 5 patents pending underlying our MaaS platform, please visit here.

This kind of IP protection is important as we further differentiate our technology in the market and accelerate our efforts to distribute MaaS through both direct and indirect channels. New such indirect channel partnerships recently signed include:

1. **Cisco Systems** (NASDAQ: CSCO) - the Cisco Meraki Marketplace is an exclusive catalog of technology partners that showcases applications developed on top of the Meraki platform, allowing customers and partners to view, demo and deploy commercial solutions.
2. **AVIA** - a leading partner for digital health insights, strategic guidance and consulting services serving over 25 distinguished health systems.
3. **Red River** - a technology transformation company specializing in end-to-end technology support for state, local and education (SLED) government agencies.
4. **Diversified** - a leading global technology solution provider with 2,500+ employees in 50+ locations worldwide.
5. **Noviant** - a full service network consulting firm offering small and mid-sized businesses, government agencies and enterprise clients a range of enhanced technology solutions.

To better support these new partnerships, we continue to offer comprehensive webinars, case studies, articles, eBooks and additional training opportunities. 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 provide full MaaS documentation and software portals via https://docs.phunware.com/ and https://github.com/phunware, respectively.

By partnering with and supporting larger companies and distribution networks, we will be able to scale faster without incurring the heavy expense of a direct sales force. However, it’s important to remember that the underlying revenues for any new business we win will be recognized over the course of a 12-month to 60-month contract period. Therefore, we will continue to point to our recent press releases, video interviews and Backlog as important indicators of our success in sales. As Alan suggested earlier above, we finished the quarter with approximately $11 million of Backlog for MaaS.

During the first quarter, we continued to focus on streamlining operations and reduced our OPEX spend year-over-year by 10% on a GAAP basis and 19% on a Non-GAAP basis. To put this into perspective, and to better understand our long term commitment to managing cash flow, we used $2.2 million less cash in
operations during the first quarter of 2020, as compared to the same time period last year, which represents a 54% improvement as we continue our efforts toward reaching break-even in terms of both operating cash and Adjusted EBITDA.

In March, we implemented a furlough program that reduced our headcount by 37 full-time employees and our annual operating expenses by approximately $3.3 million, which we anticipate will reduce our cash used in operations for next quarter by as much as 43% without any loss of operational capacity due to these furloughs. 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, 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 expect to work remotely for the foreseeable future until we receive more definitive guidance from government officials in Texas, California and Florida, where we have our physical offices. We are more easily able to work remote than most companies, but do expect to reopen our physical facilities in a safe, responsible and auditable way through the use of our new Gather Safe solutions. Currently Florida and Texas have begun to formally reopen and we expect California to follow similarly over the coming months, if not sooner. In the meantime, however, we have been able to bring back three furloughed employees to full-time status to date and will continue to look for additional opportunities to not only unfurlough others in the future, but also to recruit new top talent with a near-term bias on sales, business development and channel development personnel. To learn more about working at Phunware, please visit https://www.phunware.com/company/careers/.

I will now turn things over to our Chief Financial Officer, Matt Aune, who will discuss our first quarter financials in more detail.

**Matt Aune**

Thanks Randall, and good afternoon everyone. I’d like to thank you for joining us today for a review of our first quarter 2020 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 first quarter 2020 totaled $2.6 million, of which Platform Subscriptions and Services Revenue was $2.4 million. Our focus continues to be on higher margin longer term software customers and we are pleased to see that we
are continuing to follow this strategy into the first quarter of 2020, with over 90% of our Net Revenues derived from our MaaS Platform Subscriptions and Services customers.

Gross Margin was 58.7% compared to 50.8% last year. On a Non-GAAP adjusted basis, Gross Margin was 60.9% compared to 51.2% in the previous year. That is nearly a 1,000 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 and predictable revenues in the future.

Total Operating Expense was $5.4 million, down from $6.0 million last year, a 10% improvement year-over-year. I’d like to point out, though, that Stock-Based Compensation and Amortization of Intangibles made up $618 thousand this year compared to just $61 thousand in the prior year. By excluding these non-cash charges, Adjusted Operating Expense was $4.8 million, down from $5.9 million for the same period last year, or a 19% improvement year-over-year.

I am especially proud of our Non-GAAP Adjusted EBITDA compared to last year, as we were able to proactively make changes to our operational structure and commit to bringing in higher margin business. As a result, and even though we did have lower Net Revenues year-over-year overall, our Non-GAAP Adjusted EBITDA loss was ($3.2) million, or flat compared to last year.

Net Loss for the year was $4.0 million, or $0.10 per share, compared to $3.5 million, or $0.12 per share, in the same period last year.

Moving to the balance sheet, ending cash for the quarter was $833 thousand, with $1.9 million of cash used in operations for the quarter. As previously mentioned, we recorded a $3.0 million structured debt financing in the quarter, with net proceeds to the Company totaling $2.4 million.

Looking ahead, and as we manage through the uncertainty of the ongoing pandemic, we continue to position ourselves for success in the future by strengthening our balance sheet and lowering our operational expenses. We intend to continue this process during the quarter to further bolster our balance sheet as needed and also to extend our operational runway for maximum stability and flexibility as business demand returns more broadly.

As detailed previously, we made the difficult decision to furlough 37 employees on April 1, which we anticipate will save the Company approximately $3.3 million annually. Shortly thereafter, we received $2.8 million from JPMorgan Chase pursuant to the PPP loan provisions under the CARES Act on April 10. Rolling forward through the second quarter and the balance of the 2020 calendar year, we
will continue to execute against our existing customer contracts and Backlog and will aggressively pursue new business and partner opportunities as outlined above by Alan and Randall. As we continue to win deals and help customers enhance their mobile application experiences, we intend to drive Net Revenues 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. With that, I will turn things back over to Marcus for his 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 second quarter 2020 performance and financial results in mid-August.

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

Thank you.