

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS,
FINANCIAL SITUATION AND RESULTS FOR YEAR ENDED DECEMBER 31, 2016

Introduction

Looking back to the past year, 2016 was a year of steady progress. We won two new EU-funded collaborative projects, STAMP and CROSSMINER, registered nine new corporate members, kicked off the OW2 Open Source Accessibility initiative and prepared for the launch in 2017 of our marketplace, new forge and fully revamped quality program we also made significant progress in developing the second generation of our quality program; these services are part of OW2's new strategy, called the "OW2 process", aimed at creating value for our projects and making OW2 attractive to new members. And at Paris Open Source Summit OW2 received the Special Jury Award for its contribution to the open source ecosystem! On the down side however new project recruitment and initiatives activities were moderate and the evolution of membership remains a serious concern..

Membership

- With 24 paying members in 2016 compared to 25 in 2015, membership remained stable at a historically low level since the inception of the consortium: 24 in 2014, 39 in 2013, 37 in 2012, 35 in 2011, 36 in 2010, 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).
- The main event regarding membership in 2016 is the provisional withdrawal of Chinese strategic members due to a change in regulations in China and the repositioning of another strategic member as corporate member, leaving us with only one full standing strategic member. We attracted nine new members, essentially SMEs, and lost four corporate members. In 2016 162 individual members joined OW2 compared to 155 in 2015 (Fig. 2).

Activities

- New projects. Only three new projects were accepted by the Technology Council in 2016, compared to five in 2015 and 2014, only one in 2013, 11 in 2012 and 2011, six in 2010, 19 in 2009, 12 in 2008 and eight in 2007 (Fig. 3).
- Collaborative projects: In 2016 we had three on-going projects (OCCIware, AppHub and CHOReVOLUTION) and we won two H2020 projects (STAMP and CROSSMINER). AppHub was successfully finished and helped define what the OW2 marketplace would be. While publicly-funded projects ease the cash situation, they put pressure on the Management Office's priorities.
- Initiatives. The main event was the successful launch of Open Source Accessibility initiative (OSAi) led by Orange with a strong commitment. Other initiatives, including Open Source Cloudware initiative (OSCi), Big Data initiative, Future Internet Software and Services initiative (FISSi) and the Privacy and Security initiative (PRISi) did not show significant progress.

Communication

- We maintain OW2's website and those of several collaborative projects as well as their private wikis. We are present on LinkedIn, Twitter, SlideShare and YouTube where the OW2 channel publishes videos of our project presentations and events, including all presentations given at OW2con'16.
- In 2016, OW2 was involved in 19 events worldwide (compared to 24 and 17 the two previous years) to promote the community, its code base and announce our marketplace. The main third-party events at which OW2 showcased its projects and community included: Cloud Expo Europe in London, Cloud Computing World Expo and Paris Open Source Summit in Paris, OpenStack Summit in Austin and Barcelona, OSCON in Austin and London and FISL in Porto Alegre.
- We successfully organized OW2con'16, our eighth Annual Conference, with video capture of all presentations. While OW2con'14 and 15 were co-located with the OpenStack Summit, and the Paris Open Source Summit we decided to make OW2con a stand-alone event again.

Organization:

- Technical Infrastructure: We run a dozen services including mailing lists, websites, private wikis, continuous integration, bug reporting, etc. with an average availability time of 99.5% in 2016. In 2016 we accelerated the upgrade of our technical infrastructure, migrated several services, implemented a state-of-the-art user management system, and set-up the marketplace for our mature projects. (Fig. 4)
- Management Office (MO): The structure of the Management Office remained unchanged. Priorities of the team in 2016 included the upgrade of the technical infrastructure, launch of the AppHub marketplace and the Open Source Accessibility initiative (OSAI). The team's activity was this year again significantly influenced by efforts dedicated to collaborative projects (including taking part in nine proposals in the first quarter).
- Technology Council (TC): TC meetings were held regularly fostered by our new CTO and a new TC chair. The TC started a Best Practices series covering the main aspects of open source collaborative software engineering. The OW2 project maturity model OMM evolved with a new section about cloud deployment, and collaborations with other workgroups were ignited, in particular with the Linux Foundation Badge Program. The TC also spearheaded the setup of the new OW2 forge based on GitLab and FusionDirectory.

Conclusion and outlook

Thanks to our four on-going collaborative projects we ended 2016 with the strongest cash position ever. In 2016, we were focused as planned on running, fine-tuning and promoting both the quality program and the marketplace. They are now the foundation of the new strategic cycle we announced at OW2con'16: we call it "The OW2 Process", it's a way to combine technology, governance, quality and the marketplace to create value for our projects and make OW2 a more attractive open source organization. This should help address our main challenge which remains today grow our membership number up to the level required to ensure the sustainability of the organization. Our priority in 2017 is to recruit an engineer to help with collaborative projects and to attract a new strategic member. We will keep promoting our community and code base through an ambitious global event program, including Cloud Expo Europe, FOSDEM, OpenStack Summit, FISL and Paris Open Source Summit.

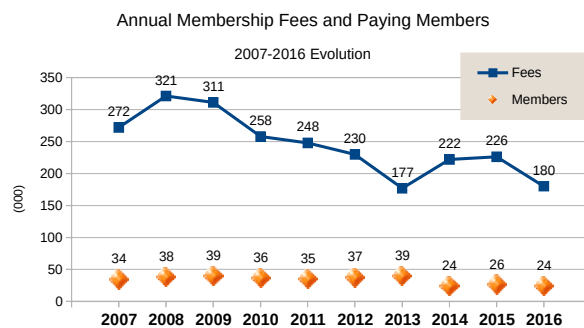


Fig 1: Corporate Membership Numbers and Revenue

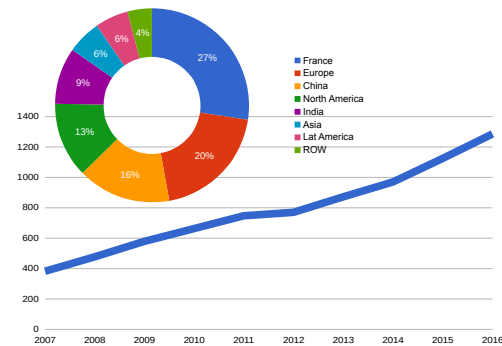


Fig 2: New Individual Members per Year and Geography

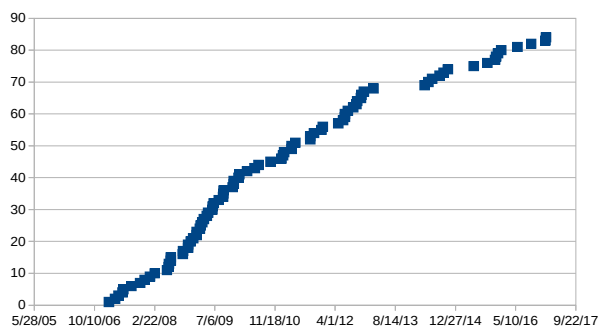


Fig 3: New Projects Accepted in the OW2 Code Base

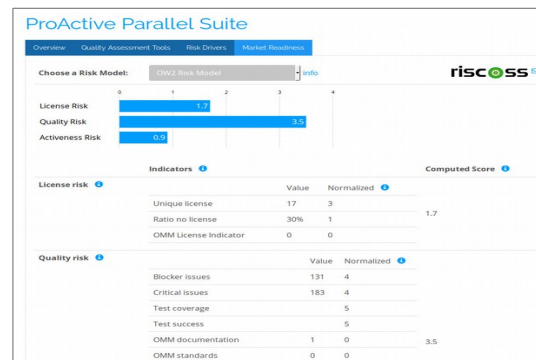


Fig 4: OSCAR Market Readiness Scorecard

FINANCIAL REPORT

The following tables set forth, in a US GAAP-like presentation, selected financial data for OW2 for the last five years. The data should be read in conjunction with the *Comptes Annuels de l'Exercice Clos le 31/12/2016*, established in compliance with French law by our bookkeeping firm.

The growth of revenue from publicly-funded projects which somehow balanced the sharp decrease in membership revenue (-27%) and our cautious control of operating expenses (-15%) contributed to a positive net result (8.5% of revenue). Cash advances by collaborative projects explain the record level of our balance sheet (+37%).

Revenue: For the year ended December 31, 2016, total revenue shows a marginal decrease of 1% to to €630,820 compared to an increase of 23% to € 639,201 for the year ended December 31, 2015. Membership fees decreased by 28%, while subsidies from collaborative projects increased by 12%. Sponsoring revenue remained limited.

Expenses: Total expenses for the year ended December 31, 2016, increased modestly by 3% to €571,229 compared to an increase of 16% to €555,327 for the year ended December 31, 2015. Salaries and benefits representing 62% of total expenses grew 17% while Operating expenses, representing 28% decreased by 15%.

Net result: Our net revenue for the year ended December 31, 2016 amounts to €59,591, a decrease of 29% compared to 2015. Net result represent 9.4% of total revenue for the year ended December 31, 2016 compared to 13.1% of total revenue for the year ended December 31, 2015.

Cash and cash equivalent : Cash and cash equivalent on December 31, 2016 were at a record high of €813,058 compared to €279,614 on December 31, 2015.

2017 OUTLOOK

In 2017 we will run a budget with increased expenses (+7.5%) and a negative result (up to 15% of revenue); this is made possible by positive results for the two preceding years and our strong cash position at end 2016. The recruitment of a new engineer will impact our cost structure. Financially, the reduced number of strategic members is a concern going forward, it makes us increasingly dependent on collaborative projects. To reverse that trend, our recruitment efforts will prioritize strategic membership and large organizations.

