

## MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS, FINANCIAL SITUATION AND RESULTS FOR YEAR ENDED DECEMBER 31, 2018

### Introduction

2018 was another year of contrast for OW2. On the up side, OW2 has proven to be a popular and successful partner at the European level, winning three EU-funded research projects after being invited to take part in 14 proposals. OW2 members and projects won three of the five “Champion of Free Software” awards at Paris Open Source Summit, and we recruited our new CTO. On the down side, our financial results is negative for the second year in a row and the second worst since the inception of OW2. Moreover, with three new projects and four new corporate members, our ability to grow our code base and membership was limited. Looking forward to 2019, our challenge is to perform successfully in our five collaborative projects and make OW2 more attractive to new members and projects by completing what we call the OW2 Process and apply our Market Readiness methodology to our code base.

### Membership

- Despite recruiting four new members in 2018 (Fig. 1), with 21 paying members in 2018 compared to 23 in 2017, membership hits the lowest level since the inception of the consortium: 24 in 2016, 26 in 2015, 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. 2).
- OW2's membership is essentially comprised of SMEs and corporate membership is still characterized by a high membership turnover. In 2018, 101 individual members joined OW2 compared to 66 in 2017 (Fig. 3). The situation is partly due to the lack of resources to grow membership

### Activities

- New projects: The technology Council accepted three new projects in the OW2 code base in 2018, a rather mediocre performance compared to six in 2017, three in 2016, 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. 4).
- Collaborative projects: This is a high point in our performance in 2018. We have been a popular and successful partner in the 2018 H2020 ICT-16 call for projects on software engineering by the European Commission. OW2 was invited to define and lead the dissemination activities in 14 proposals. Although only six projects were funded in this call, OW2 was in three of them (50%). These projects, Decoder, Fasten and ReachOut are being launched in 2019..
- Initiatives: We currently have six open initiatives: Open Source Accessibility initiative (OSAi), Open Source Cloudware initiative (OSCi), Big Data initiative, Future Internet Software and Services initiative (FISSi), the Privacy and Security initiative (PRISi), and the OSS in Big Cities initiative. Only the later one did show significant progress in 2018.

### 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'18.
- In 2018, OW2 was involved in 17 events in five countries (compared to 14, 19, 24 and 17 the previous years). We are proud to report that OW2 projects and members won three of the five “Champion of Free Software” awards at the Paris Open Source Summit (POSS). Our main events included Cloud Computing World Expo in Paris, Cloud Expo Europe in Paris, Paris Open Source Summit in Paris, and EclipseCon in Germany, OSCON in Portland and, of course, OW2con'18.
- In 2018, OW2 took an active part in two EU-level lobbying campaigns: “Save the Internet” against an EU legislation that could threaten OW2 as a code distribution platform, and “Public Money, Public Code” launched by the FSFe. We provided a contribution, “Making economic and business sens of free software” published in the campaigns brochure to be distributed to EU policy makers.

## Organization:

- Technical Infrastructure: 2018 was the first full year running our on virtualized infrastructure. We still run a dozen services including mailing lists, websites, private wikis, continuous integration, bug reporting, etc. with an average availability time superior to 99%. The old forge, GForge was decommissioned on June 30, 2018.
- Management Office (MO): The team's activity was this year again significantly influenced by efforts dedicated to the collaborative projects. In 2018, we recruited a new Chief Technology Officer and an additional Software Engineer to take care of the use cases OW2 is developing in 2019 for three collaborative projects.
- Technology Council (TC): The activity in 2018 was adversely impacted by the vacancy of the Chief Technology Officer role. We nevertheless maintained a minimum level of activity and accepted three new projects in the OW2 code base. The TC was consulted on the management of OW2 projects releases,

## Conclusion and outlook

Last year we concluded our report with this sentence: "Looking into 2019, OW2's stability depend on our success rate in winning new EU-funded collaborative projects." Winning three EU-funded collaborative projects provided OW2 a renewed lease of sustainability for the next three years. We have five on-going collaborative projects now and this will substantially determine the activity of the Management Office in 2019. Our members and projects are becoming more visible, they won three of the five awards at POSS, their success is our success. Now with the Management Office fully staffed, we can move forward with the implementation of our Market Readiness index which will enhance OW2's value proposition and help further promote projects in the OW2 code base. The real challenge is to grow membership and attract larger companies; although without visible results at this stage, we started working in that direction and hope to sign several of them in 2019.

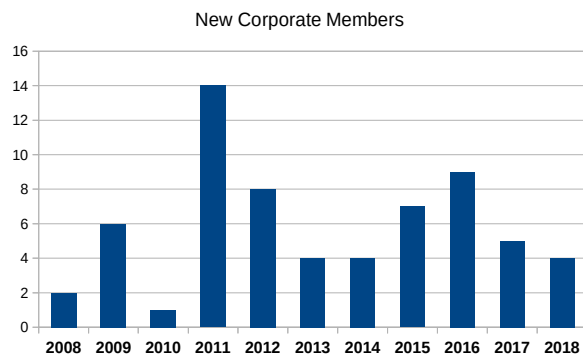


Fig 1: New Corporate Members Joining

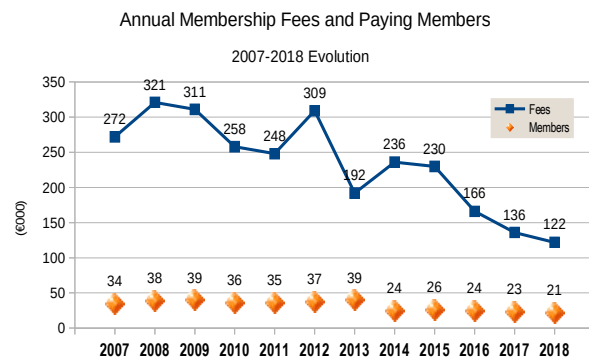


Fig 2: Corporate Membership Numbers and Revenue

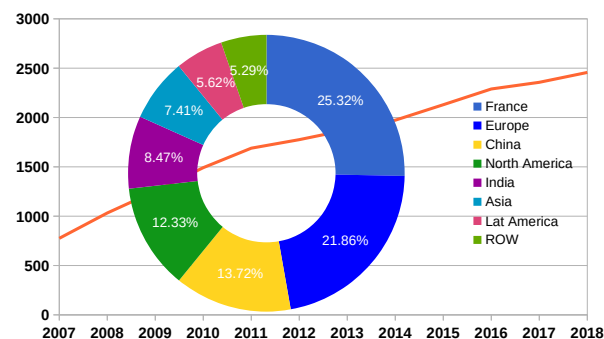


Fig 3: New Individual Members per Year and Geography

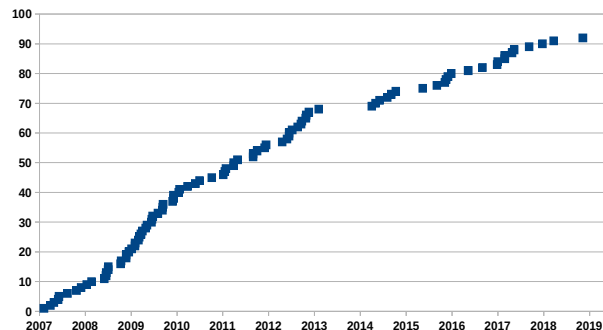


Fig 4: New Projects Accepted in the OW2 Code Base

## **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 31/12/2018*, established in compliance with French law by our bookkeeping firm.

### **2018 ANALYSIS**

The long-term decline in membership fees continued in 2018, although at a less steep pace than in the two previous years. It contributed to the negative financial result which, at -35% of revenues, is our second worst since the inception of OW2. Fortunately, we have been able to absorb these losses thanks to the cash situation we had built up in the previous years. Cash advances from collaborative projects help maintain our cash situation at a workable level.

#### **Revenue**

For the year ended December 31, 2018, total revenue shows a decrease of 6% to €408,170 compared to a sharp decrease of -31% to €436,097 in 2017. Membership fees decreased by 10%, while recognized revenue from collaborative projects grew 3%. Sponsoring revenue remained marginal at 2% of total revenue.

#### **Expenses**

Total expenses for the year ended December 31, 2018, decreased by 8% to €551,578 compared to an increase of 4% to €596,359 for the year ended December 31, 2017. Salaries and benefits representing 109% of total revenue (compared to 99% in 2017) grew a modest 3% (compared to +10% in 2017). Operating expenses, representing 26% of total revenue (37% in 2017) decreased 35% due to savings in trade shows and marketing (-63%), travel (-39%) and hosting (-32%) expenses.

#### **Net result**

Our net result for the year ended December 31, 2018 is negative again at €-143,408 compared to a negative result of €-160,262 in 2017. Net loss represent 35% of total revenue for the year ended December 31, 2018 (37% in 2017).

#### **Cash and cash equivalent**

Cash and cash equivalent on December 31, 2018 were €393,591 compared to €701.770 on December 31, 2017.

### **2019 OUTLOOK**

In 2018, we used our positive cash position to finance operations. With a reduction of 35% (a much more drastic reduction than the 20% announced a year ago) in our operating expenses we made a significant effort to align with our revenues. It is the second year in a row with substantial negative results. Fortunately, winning three EU-funded collaborative projects helps us balance the situation. However, as already said last year, the limited number of strategic members is a concern going forward, making us increasingly dependent on collaborative projects and the ups and downs of their cycles. We must try harder to reverse that trend by focusing our member recruitment efforts on strategic membership and large organizations.

