

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS,
FINANCIAL SITUATION AND RESULTS FOR YEAR ENDED DECEMBER 31, 2019

Introduction

OW2 made significant progress in 2019, our membership revenue increased substantially, we recruited key open source players like the Gendarmerie Nationale and Microsoft, we signed seven associate organisations such as the Eclipse Foundation, the Document Foundation and the OpenStack Foundation, we launched three collaborative projects, Decoder, Fasten and ReachOut, we made significant progress in the Open Source Governance and the OSS in Big Cities initiatives, we launched our Market Readiness Levels project assessment methodology, we enhanced OW2's visibility in the European open source ecosystem, and OW2con'19 was our best annual conference ever. We successfully completed two major collaborative projects: Stamp and Crossminer. Our financial result is balanced after two years of negative results.

Membership

- We recruited six new corporate members in 2019 compared to four in 2018. After an all-time low with 21 members in 2018 our membership bounced back to 27 paying members in 2019 compared to 24 in 2017 and 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. 1 and 2).
- OW2's membership is still essentially comprised of SMEs and corporate membership is characterized by a high turnover. We are slowly making progress in recruiting large organisations but our efforts are hampered by lack of resources to grow membership. 90 individual members joined OW2 in 2019, interestingly 1/3 of them from North-America, bringing the total number of individual members to slightly over 2500 (Fig. 3).

Activities

- New projects: The technology Council accepted five new projects in the OW2 code base, an improved result compared to three in 2018, 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: With five projects concurrently open, 2019 has been the busiest year in terms of collaborative projects since the inception of OW2. We successfully completed the Stamp and Crossminer projects and got started on the Decoder, Fasten and ReachOut projects. We have been invited to take part in six proposals in a subsequent H2020 call for projects.
- Initiatives: Out of seven open initiatives, only two of them did show significant progress in 2019, the OSS in Big Cities initiative and the OSS Good Governance initiative. The other ones are: 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).

Communication

- We maintain OW2's websites 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'19.
- In 2019, OW2 was involved in six events in five countries (compared to 17, 14, 19, 24 and 17 the previous years). Our main events included keynoting at the European Commission "beyond 2020" open source workshop, setting up exhibition and sessions at the Paris Open Source Summit, exhibiting at EclipseCon in Germany and, of course, organizing OW2con'19 which was our best annual conference ever.

Organization:

- Technical Infrastructure: We are proud of our technical infrastructure that is both fully open source and independent. 2019 was the second full year offering our services from a virtualized infrastructure, we run open source software such as GitLab, Maven, Sympa, Nextcloud, Collabora Office, Matomo and Scancode. The computing resources are provided by a local hosting company with whom we can have easy human interaction.

- Management Office (MO): With five collaborative projects the team's activity was more than ever significantly influenced by efforts dedicated to the collaborative projects. Neither the CTO nor the software engineer on the payroll at the beginning of the year met expectations and we had to apply contingency measures including letting go the CTO and recruiting a new software engineer which fortunately provided a satisfactory solution.
- Technology Council (TC): The activity of the TC in 2019 was, this year again, adversely impacted by the vacancy of the Chief Technology Officer role. We nevertheless maintained a minimum level of activity and accepted five new projects in the OW2 code base.
- Market Readiness Levels (MRL): Thanks to collaborative project Crossminer, we finalised our MRL methodology inspired by the well-known Technology Readiness Levels developed and popularised by the NASA. MRL will help conventional decision makers assess projects on the OW2 code base. This methodology is state of the art and was praised by the European Commission reviewers when presented at the Crossminer final review.

Conclusion and outlook

Our fundamentals are good and we have a relevant value proposal to develop. Our main objective in 2020 is to promote our code base of open source software for complex information systems and to enhance its attractiveness thanks to our unique project Market Readiness Assessment methodology. In 2020 we will apply it to all projects in the OW2 code base and we will consolidate the technical resources that will make it a seamless, automated process. We have hired a new CTO and are now in position to develop the Good Governance initiative. With this we expect to be able to address our three main challenges for 2020: grow membership and attract larger companies, improve the operations of the Technology Council and deliver on the three ongoing collaborative projects.

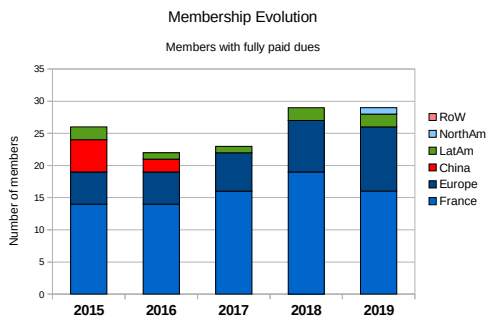


Fig 1: Corporate Members By Geography

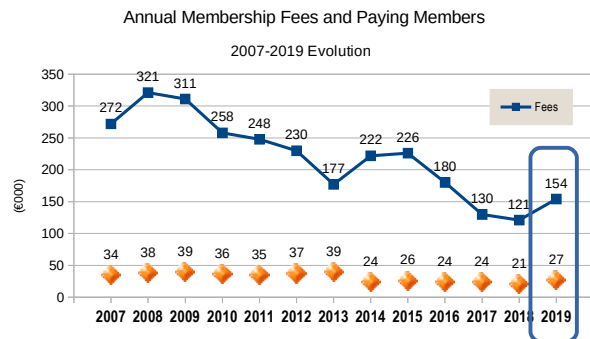


Fig 2: Corporate Membership Numbers and Revenue

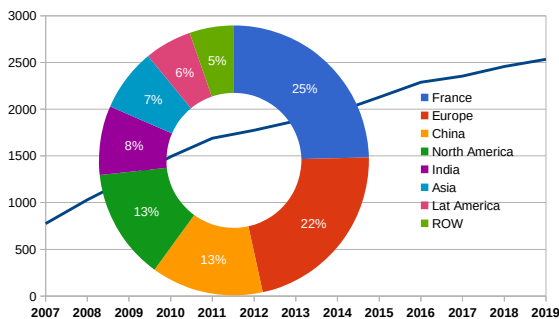


Fig 3: New Individual Members per Year and Geography

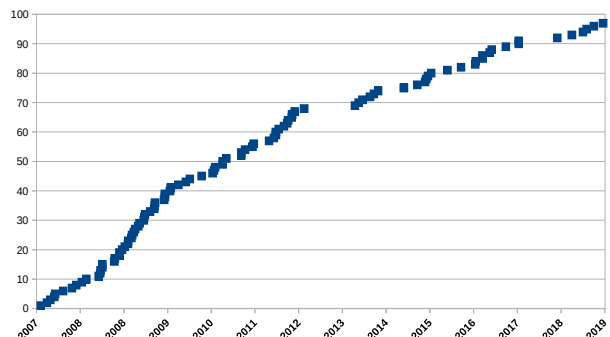


Fig 4: New Projects Accepted in the OW2 Code Base

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 31/12/2019*, established in compliance with French law by our bookkeeping firm.

2019 ANALYSIS

The steep growth in revenues fuelled by a rebound in membership fee collection and five collaborative projects in production generated a welcome, albeit modest, benefit after two years of negative results. In 2019, thanks to cash advances from three new collaborative projects we rebuilt the cash position that we had used to finance operations in 2018.

Revenue

For the year ended December 31, 2019, total revenue shows an increase of 61% to €656,152 compared to a 6% decrease to €408,170 in 2018. Membership fees increased 36% while recognized revenue from collaborative projects grew 71%. Sponsoring revenue remained marginal at 2% of total revenue.

Expenses

Total expenses for the year ended December 31, 2019, increased by 17% compared to a decrease of 8% to €551,578 for the year ended December 31, 2018. Salaries and benefits representing 77% of total revenue (compared to 109% in 2018) grew by 13% (compared to +3% in 2018). Operating expenses, representing 21% of total revenue (26% in 2018) increased by 31% due to increased spending in trade shows and marketing (+50%) and travel (+44%) as a consequence of the collaborative projects activities.

Net result

Our net result for the year ended December 31, 2019 is positive at €12,006 compared to a severe negative result of €-143,408 in 2018. Net benefit represent 2% of total revenue for the year ended December 31, 2019 (-35% in 2018).

Cash and cash equivalent

Cash and cash equivalent on December 31, 2019 were comfortable at €809,416 compared to €393,591 on December 31, 2018.

2020 OUTLOOK

Our cash position at the end of 2019 is solid which guarantees OW2's operations throughout 2020. However, as already noted, the limited number of strategic members is a concern going forward, making us continuously dependent on collaborative projects and the ups and downs of their cycles. Our result in 2020 will still be highly influenced by collaborative projects and we expect to end the year with a negative result, but still well manageable thanks to our cash position. Further down the road, we will be optimistic for 2021 if we manage to boost member recruitment thanks to the Market Readiness Methodology and the Good Governance initiative and if we win a new collaborative project.

