

Model **N**

# Investor Supplemental

## Fourth Quarter and Fiscal Year 2018 Financial Results

November 6, 2018



# Fiscal 2018 Financial Results

Model N, Inc.						
Condensed Consolidated Statements of Operations - GAAP (Unaudited, in thousands)						
	Q1'18	Q2'18	Q3'18	Q4'18	FY 18	
<b>Revenues:</b>						
SaaS and maintenance	\$ 32,323	\$ 32,997	\$ 35,623	\$ 34,984	\$ 135,927	
License and implementation	6,744	6,237	3,994	1,730	18,705	
Total revenues	39,067	39,234	39,617	36,714	154,632	
<b>Cost of Revenues:</b>						
SaaS and maintenance	13,024	12,866	14,599	13,414	53,903	
License and implementation	3,785	4,387	1,846	1,413	11,431	
Total cost of revenues	16,809	17,253	16,445	14,827	65,334	
Gross profit	22,258	21,981	23,172	21,887	89,298	
<b>Operating Expenses:</b>						
Research and development	9,068	8,047	7,746	7,555	32,416	
Sales and marketing	8,492	9,015	9,338	8,637	35,482	
General and administrative	8,731	7,324	17,044	9,079	42,178	
Total operating expenses	26,291	24,386	34,128	25,271	110,076	
Loss from operations	(4,033)	(2,405)	(10,956)	(3,384)	(20,778)	
Interest (income) expense, net	1,423	1,449	4,478	828	8,178	
Other (income) expenses, net	125	(87)	(344)	(416)	(722)	
Loss before income taxes	(5,581)	(3,767)	(15,090)	(3,796)	(28,234)	
Provision (benefit) for income taxes	(324)	129	345	(177)	(27)	
Net loss	\$ (5,257)	\$ (3,896)	\$ (15,435)	\$ (3,619)	\$ (28,207)	

These schedules have been derived from, and should be read in conjunction with, our financial statements in our reports on Forms 10-Q and 10-K which are filed with the SEC.

# Intangibles Amortization & SBC

<b>Model N, Inc.</b>					
<b>Amortization and Stock-based Compensation recorded in the Statements of Operations --- Non GAAP Adjustments</b>					
<b>(Unaudited, in thousands)</b>					
	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>FY18</b>
Amortization	\$ 476	\$ 476	\$ 476	\$ 476	\$ 1,904
Stock-based compensation	278	357	326	308	1,269
<b>Adjustment to cost of revenue - SaaS and maintenance</b>	<b>754</b>	<b>833</b>	<b>802</b>	<b>784</b>	<b>3,173</b>
Stock-based compensation	292	346	373	376	1,387
<b>Adjustment to cost of revenue - license and implementation</b>	<b>292</b>	<b>346</b>	<b>373</b>	<b>376</b>	<b>1,387</b>
Stock-based compensation	657	743	744	839	2,983
<b>Adjustment to cost of revenue - research and development</b>	<b>657</b>	<b>743</b>	<b>744</b>	<b>839</b>	<b>2,983</b>
Amortization	942	906	905	905	3,658
Stock-based compensation	871	660	986	1,007	3,524
<b>Adjustment to cost of revenue - sales and marketing</b>	<b>1,813</b>	<b>1,566</b>	<b>1,891</b>	<b>1,912</b>	<b>7,182</b>
Stock-based compensation	1,938	1,140	9,601	1,482	14,161
<b>Adjustment to cost of revenue - general and administrative</b>	<b>\$ 1,938</b>	<b>\$ 1,140</b>	<b>\$ 9,601</b>	<b>\$ 1,482</b>	<b>\$ 14,161</b>
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# Fiscal 2018 Revenues

Model N, Inc.						
Condensed Consolidated Statements of Operations - Key Metrics						
(Unaudited, in thousands)						
	Q1'18	Q2'18	Q3'18	Q4'18	FY 18	
<b>Recurring Revenues</b>						
Subscription	\$ 23,847	\$ 24,004	\$ 24,944	\$ 25,513	\$ 98,308	
	23,847	24,004	24,944	25,513	98,308	
<b>Non-Recurring Revenues</b>						
Subscription implementations	8,476	8,993	10,679	9,471	37,619	
Perpetual license implementations	6,744	6,237	3,994	1,730	18,705	
	15,220	15,230	14,673	11,201	56,324	
<b>Total Revenues</b>	\$ 39,067	\$ 39,234	\$ 39,617	\$ 36,714	\$ 154,632	
These schedules have been derived from, and should be read in conjunction with, our financial statements in our reports on Forms 10-Q and 10-K which are filed with the SEC.						

# ASC 606 Adoption

- ASC 606 adopted on October 1, 2019 at the start of Model N's 2019 fiscal year
  - Adopted using the modified retrospective method which requires a one-time cumulative effect adjustment
  - The one-time adjustment reduces FY19 revenue, profitability, and deferred revenue
- 1. FY19 Revenues will be reduced by \$(7.1) million**
    - Subscription revenues impacted by \$(3.2) million, and
    - Professional Services revenues impacted by \$(3.9) million
  - 2. Adoption of ASC 606 led to a new commission accounting policy**
    - In FY19, the Company will commence capitalizing commissions and amortizing over 5 years
    - ASC 606 adoption required Model N to capitalize prior years' commission expense of \$(3.3) million
    - Despite the capitalization of prior year commission expense, the Company expects commission expense to be lower by approximately \$1 million
  - 3. FY19 Adjusted EBITDA will be reduced by approximately \$2.2 million**
    - Represents the impact of the adoption on our Subscription revenues less the favorability we expect to realize with the capitalization of our sales commissions
  - 4. Deferred revenue will be reduced by approximately \$8 million**

# Comparing FY18 and FY19

SaaS Transition combined with ASC 605 → ASC 606 transition makes it challenging to compare FY18 financial results with FY19

