



**SARGENT AND GREENLEAF**

## Q3 2019 Audit Committee Meeting

October 23, 2019

## Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllershship Matters
- ④ Financial Matters
- ④ 2019 Financial Outlook
- ④ Special Topics and Executive Session
- ④ Appendix

## Summary | CFO Hot Buttons

- Financial planning process for 2020 AOP – in process, revenue dependent
- ERP Implementation of NetSuites Go Live 03/01/2020
  - Currently in the Design and Build Phase – Process is on-time
  - Includes financial reporting module (HFM) to consolidate multiple entities and currencies
- Internal control process capability
  - Sales price authorization and returns
  - Direct material forecasting
  - Recurring and Subscription Revenue – emerging area for upcoming launch of the digital platform products
- Organization key performance measurements
  - Operating accountability and process disciplines
  - Clearly defined roles and responsibilities
  - NetSuite's business processes to close operating gaps:
    - Cost of Poor Quality
    - Customer Satisfaction
    - Value added services for design, training, and installation
- Debt paydown planning

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# Controllershship Matters | Auditor Discussion

***Steve Jennings – Partner with Crowe LLP***

## **Opening Balance Sheet:**

- Modified Net Working Capital Adjustment Assigned to Purchase Price
- Fund flow – transaction/diligence expenses of \$3.4 million recognized against 2019 net income
- Goodwill basis and amortization methods
- Second review by KPMG – deal advisors

## **2019 Audit Plan:**

- Engagement Letter requirements and price quote
- Risk areas:
- Pre-year-end audit testing to permit S&G staff time in Q1 to focus on new ERP transition
- Financial statement draft February EOM
- Management/audit committee letter

# Controllershship Matters | Management Governance Report

## **Disclosure Committee:**

- Members include: CEO, CFO, VP Sales, VP Operations, VP and General Counsel

## **Anonymous Hotline:**

- Navex implemented July 16, 2019

## **Modification of Internal Control and Authority Matrix:**

- Internal Control and Authority Matrix implemented August 1, 2019 – attached next four pages

# Controllership Matters | Management Governance Report Con't

A - Approval I - Inform	Approvals Required By:						
	Dept Manager	Plant Mgr (C. Saunders)	Controller (B. Callihan)	CFO (S. Tonkel)	CEO/COO (M. LeMire)	OGC Operations	BOD
<b>Financial</b>							
All non-inventory purchases-Plant(Requisitioned or invoiced)							
\$0-\$10,000		A					
\$10,001-\$50,000			A				
\$50,001-\$150,000				A			
>\$150,000					A	I	
All non-inventory purchases-S&GA (Requisitioned or invoiced)							
\$0-\$10,000			A				
\$10,001-\$50,000			A				
\$50,001-\$150,000				A			
>\$150,000					A	I	
Inventory Purchases							
\$1-\$10,000	A						
\$25,001-\$350,000	A	I					
>\$350,000					A	I	
*Approval limits assume inventory is purchased according to a forecast approved by Sales and Operations.							
Vendor Payments							
Check Runs			A				
Individual payments, non-recurring, outside ordinary business <\$50,000			A				
Individual payments, non-recurring, outside ordinary business >\$50,000			A	I			
Individual payments >\$500,000					A	I	
Capital Expenditures							
Budgeted \$1-\$25,000			A				
Budgeted \$25,001-\$100,000				A	I		
Budgeted > \$100,000					A	I	
Unbudgeted Cap Ex. < \$50K					A		
Unbudgeted Cap Ex. > \$50K <\$250K					A		
Unbudgeted Cap Ex. > \$250K					A	I	A
NOTE: non-budgeted Expenditures require minimum Director/Dept Head Approval							
<b>Sales Orders</b>							
Product Sales Quote (inc line items on combined quote)							
Set pricing policy and price list					A		
Discount to standard price <10%				A	I		
Discount to standard price >10%					A		
Credit Terms							
New				A			
Special Terms (Le > 45 days<60)				A	I		
Special Terms (Le > 60 days)					A		

# Controllershship Matters | Management Governance Report Con't

A - Approval I - Inform	Approvals Required By:						
	Dept Manager	Plant Mgr (C. Saunders)	Controller (B. Callihan)	CFO (S. Tonkel)	CEO/COO (M. LeMire)	OGC Operations	BOD
<b>Marketing</b>							
Public Announcements (Press Releases-General)					A	I - All referencing OGC	A - All referencing OGC
Public Announcements (Press Releases-New Products)					A	I - All referencing OGC	A - All referencing OGC
Use of Company Names/Logos					A		
Interviews with media					A		
Trade Shows (annual exhibition plan)					A		
Advertising (campaign)					A		
<b>Product Management</b>							
Warranty Terms (Product Liability - Non Standard)					A		
Patents & Trademarks (filing)	A			I	I		
Patents & Trademarks (maintenance)	A						
<b>Human Resources</b>							
Policies and Procedures (Manual)					A		
Replacements <\$100,000 & within 5% of incumbent					A		
Replacements >\$100,000					A		
New Hires Budgeted <\$75,000				I	I		
New Hires Not Budgeted >\$1					A	I - > \$100k	
New Hires if operating below planned EBITDA target					A		
(contractors follow same process)					A		
Other HR Related Expenditures (relocation, recruitment, etc.)					A		
Employee Terminations					A	I	
All Severance Payments >1 Week Per Year (policy)					A	I	
Compensation:							
Sales Commission Agreements					A		
Sales Commission Targets					A		
Special Bonuses, all					A		
All Leadership Team Employment Matters					A	I	A
All Employment Contracts					A	I - All Leadership Team	A - All Leadership Team
All Union/Labor Related Matters					A	I	
All MIP-related Matters					A	I	A
All matters involving equity or change of control					A	I	A
<b>Travel</b>							
Travel policy Implementation/Changes					A		
Travel Advances				A	I		
<b>Contracts (incl. third party suppliers)</b>							
General operating contracts:							
Customer					A		
Lease (facility or equipment)					A	I > \$250K	I > \$250K
Agent/Distributor Agreements					A	I	A
Consultant / Professional Services					A	I - Note 1	A - Note 1
All other contracts				A	I		
All other contracts > 2 yrs in duration					A	I	A
Loan Agreements or any incurrence of indebtedness or guarantee					A	I <sup>8</sup>	A
Purchase and Sale Agreements (Acquisitions/Divestitures)					A	I	A
IP License or Cross License (exc. software and hardware)					A	I	I
Software and hardware				A <=\$50K	I / A >\$50K		
Contracts containing non-compete					A	I	A
Agreements relating to the potential issuance of securities					A	I	A
Investment banking or similar engagement agreements					A	I	A
Agreement requiring consent for change in control, unless immaterial					A	I	A
Agreement relating to insurance outside OGC program					A	I	A
Any agreement not terminable at will on 90 days notice					A	I	A



# Controllership Matters | Management Governance Report Con't

A - Approval I - Inform	Approvals Required By:						
	Dept Manager	Plant Mgr (C. Saunders)	Controller (B. Callihan)	CFO (S. Tonkel)	CEO/COO (M. LeMire)	OGC Operations	BOD
<b>Reserves</b>							
Accounts Receivable			A	I	I		
Inventory			A	I	I		
Other (including but not limited to warranty)			A	I	I		
<b>Tax</b>							
Letter of Engagement for Outside Tax Counsel				A		I	A
Filing of Income tax returns – federal, state, local and foreign				A		I	A
Notice of Tax Examinations				A	I	I	A
(Customs)				A	I	I	A
(income, payroll, sales / VAT, and property)				A	I	I	A
Settlement of Tax Examinations - for all tax examinations				A		I	A
Tax Provision for Audited Financial Statements				A		I	A
Material Tax Elections				A		I	A
Transfer and Cross-Charge Agreements				A		I	A
Tax Sharing Agreements					A	I	A
Penalty or tax payments (excluding Sales and Use Taxes, and Payroll Taxes)					A	I	A
<b>Treasury</b>							
Signatory on Bank Accounts					A	I	A
LOC, Bank Guarantees, Bank Fees				A		I	A
Overdrafts on Current Accounts				A			
<b>Other</b>							
Initiate or settle litigation or gov't or regulatory actions					A	I	A
Charitable contributions					A		
Political contributions					Not allowed		
Accounting & controllers manual (policies)					A		

Note 1 - Professional Services Contracts >75k/yr or >5 yr term require OGC approval.

# Controllershship Matters | Management Governance Report Con't

Category	Decision	Corp. Execs	Board	Investors (Note 2)
<b>Governance</b>	Define CEO and BOD roles and responsibilities; charter creation and enforcement	R	R/D	A
	Define BOD structure; BOD member selection; BOD committees (inc. members); Code of Ethics and/or Conflicts Manual	R	R/D	A
	Define BOD agenda, logistics including meeting schedules, reporting, agenda and authority levels	R	R/D	
	Define Internal Control Policies	R/D	A	
	Define Management team's way of working and roles and responsibilities	R/D	I	
	Develop investment horizon and blueprint	R/D	A	I
	Develop annual plans and budget	R/D	A	I
	Define KPIs and key milestones developed to track business performance and target delivery levels	R/D	A	I
<b>Strategy and Operations</b>	Develop and implement corporate vision and key strategies	R/D	A	I
	Develop annual operating plans and budgets, quarterly targets, key initiative and underlying KPIs/tracking metrics	R/D	A	I
	Manage revisions of plans and reforecasting	R/D	A	I
	Prioritize areas for performance improvement	R/D	I	
	Manage changes in operations footprint, especially geography	R/D	A	
	Approve acquisitions or disposals - including post deal claims, adjustments and settlements	R	D	A
	Set and manage a multi year product roadmap updated annually (inc. restructure, introductions, retirements and modification)	R/D	I	
	Develop Product and Service delivery roadmaps and development schedules	R/D	I	
<b>Debt Management</b>	Determine debt structure and protocols	R	D	A
	Manage day-to-day interactions with debt holders and manage debt compliance	R/D		I
	Manage repayments or refinancing with debt holders	R	D	A
	Resolve issues with debt holders and non-compliance with covenants	R	D	A
<b>Risk Management</b>	Manage/assess (ongoing) risk (part of Strategic planning exercise)	R	D	
	Implement or change of insurance policies or coverages	R	D	A
<b>Organization</b>	Set & Manage HR Strategy & Policy	R/D	A	
	Manage CEO/COO/EVP/CFO compensation	R	R/D	I
	Manage senior executive team compensation	R/D	A	
	Manage changes to senior executive team	R	R/D	
	Implement and manage employee equity/stock option/profit sharing or EPP plans	R	R/D	A
	Materially change headcount/organizational structure	R/D	A	
	Approve human and capital resource allocation, all expenditures and commitments (extra budget required)	R	D	
	Hire external consultants and advisors (extra budget required)	R	D	
<b>Financial/ Controlling</b>	Manage balance sheet optimization - significant changes in assumptions or practices	R/D	A	
	Manage changes in operating principals	R/D	A	
	Manage major asset disposal or liquidation (Line closure, facility closure and others using good judgment)	R/D	A	
	Commence and settle material litigation (excluding A/R collections)	R/D	A	
	Change corporate or legal structure/bylaws	R	D	A
	Set and manage tax policy and approach	R/D	A	A
	Approve exclusive or materially restrictive contracts	R/D	A	
	Contracts or or other financial commitments in excess of \$1 million	R/D	A <sup>10</sup>	
	Manage changes in accounting or reporting principles	R	D/AA	
	Appoint, evaluate, compensate, oversee and if needed terminate the independent auditors	R	D/AA	
	Determine scope of all audit and non-audit related services	R	D/AA	
	Ensure compliance with all legal and regulatory requirements of the business	R	D	
	Ensure compliance with Code of Ethics or Conflicts Manual	R	D	
	Review and approve Company financial statements	R/D	AA	
	Manage internal accounting and financial and disclosure controls	R/D	AA	
	Establish bank accounts or make changes to signatories or signing levels	R/D	A	

R - Recommend  
D - Decide: Makes the decision

A - Approved

AA - Approval has been delegated

I - Inform: Must be informed of the decision taken

## Controllershship Matters | Management Governance Report Con't

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	None
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

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# Financial Matters | Executive Summary

**September revenues of \$3.2M**, unfavorable to revised Standalone AOP (budget) (\$0.9M)/(21%), unfavorable to PY (\$0.8M)/(21%)

- Favorable, Government padlocks \$0.1M
- At target, EMEA
- Unfavorable, NA (\$0.5M)/(26%)
  - OEM: Diebold (\$0.1M), Timing of 6128 shipments and a decline in 6880 sales
  - Distributors: Southern Lock/Silver Sales (\$0.2M)
  - Government: Krieger (\$0.1M)
- Unfavorable, APAC (\$0.5M)/(33%) driven by NCR return order from replacements shipped in August (\$0.3M), Arya (\$0.2M), Qingdao (\$0.1M)
- Unfavorable, LAG (\$0.1M)/(38%) driven by distributors MAPA and International Latino American

**QTD Q3 revenues of \$10.5M**, unfavorable to budget by (\$1.7M)/(14%), unfavorable to PY (\$1.1M)/(9%)

- At target, APAC
- Unfavorable to Budget, NA by (\$2.0M)/(34%)
  - OEM: Diebold (\$0.3M), Diebold Canada (\$0.2M), Liberty (\$0.1M), Global File (\$0.1M)
  - Distributors: Timemaster (\$0.5M), Anixter (\$0.3M), Southern Lock/Silver Sales (\$0.2M)
  - Atm Deployers: Payment Alliance International (\$0.1M), 247 ATM Providers (\$0.1M)
  - Government: Krieger (\$0.2M)
- Unfavorable to Budget, LAG by (\$0.4M)/(39%) driven by decline in Sales to American Locks (distributor)
- Favorable to Budget, EMEA by \$0.2M driven by sales to Servus, a Ukrainian Distributor

**YTD revenues of \$33.3M**, unfavorable to budget by (\$3.3M)/(9%), unfavorable to PY (\$0.9M)/(3%)

- Favorable to Budget, APAC by \$0.6M/6%
  - India Favorable to PY \$1.1M/19%, driven by A-Series orders to the ATM market
- Unfavorable to Budget, NA by (\$3.3M)/(21%)
  - OEM: Liberty (\$0.7M), Diebold (\$0.5M), Genmega (\$0.4M), Global File (\$0.4M), Hamilton Safe (\$0.1M)
  - Distributors: Southern Lock/Silver Sales (\$0.3M), Anixter (\$0.3M)
  - CIT: Hitachi (\$0.3M)
  - ATM Deployers: 247 ATM Providers (\$0.1M)
  - Government: Krieger (\$0.2M)
- Unfavorable to Budget, LAG by (\$0.6M)/(22%) driven by decline in Sales to American Locks (distributor) and Cogar (Cash in Transit)

# Financial Matters | Executive Summary (continued)

## Hits

- Total September bookings of \$4.4M favorable to PY \$0.8M
  - NCR (OEM) in India, additional stocking order of \$0.4M, represents 20% growth over 2018 YTD
  - Abusarhad (CIT) in Saudi Arabia, ASWD order of \$0.2M, inactive in 2018 YTD
  - APAC, SQ 6651 order totaling \$0.6M displaces Lagard partner Hyosung
  - NA, new OEM customer, APSM \$0.1M order for 1,800 lock project
- Favorable Opex by \$0.2M versus September budget related to timing of strategic initiative expense and IT carve-out expense. Full year Opex projected to be \$1.4M favorable to full year budget.
- New design of network capable modular digital platform with display and keypad finalized – launch Feb. 2020

## Misses

- (\$0.8M) of revenue slippage in September may have been avoidable
  - (\$0.5M) of revenue moved to October due to change in customer directed shipments on the dock at September month-end
  - (\$0.3M) from correcting overstated revenue in August due to a credit for product returns not recognized in the same month as the replacement order
- Continued NA decline in both OEM and distribution
  - YTD revenue declines in OEM Liberty (\$0.5M), Diebold (\$0.5M), Genmega (\$0.4M), Global File (\$0.4M); and Distributor Anixter (\$0.3M)
  - Exploratory meeting with Residential safe OEM's, Liberty and ProSteel, reveals decline in their YTD volume
  - Recent exit of NA Sales Director – search in progress for replacement
- Unfavorable Gross Margin versus Standalone AOP (budget) by (\$0.4M) mostly related to volume
- Unfavorable Gross Margin versus PY, excluding OBS entries, by (\$0.6M) mostly related to volume

# Financial Matters | Summary P&L - YTD

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$		%
<b>Gross Revenue</b>	\$ 38,451	\$ 41,294	\$ (2,844)	(6.9%)	\$ 38,836	\$ (386)		(1.0%)
Adj. to Gross Revenue	(5,176)	(4,752)	(424)	8.9%	(4,624)	(552)		11.9%
<b>Net Revenue</b>	<b>33,275</b>	<b>36,543</b>	<b>(3,268)</b>	<b>(8.9%)</b>	<b>34,212</b>	<b>(937)</b>		<b>(2.7%)</b>
Material	12,225	11,984	241	2.0%	12,407	(182)		(1.5%)
Labor	5,092	5,537	(446)	(8.1%)	4,859	233		4.8%
Other COGS	2,143	2,169	(26)	(1.2%)	1,559	584		37.5%
<b>Total COGS</b>	<b>19,459</b>	<b>19,690</b>	<b>(231)</b>	<b>(1.2%)</b>	<b>18,825</b>	<b>635</b>		<b>3.4%</b>
<b>Gross Margin</b>	<b>13,815</b>	<b>16,852</b>	<b>(3,037)</b>	<b>(18.0%)</b>	<b>15,388</b>	<b>(1,572)</b>		<b>(10.2%)</b>
Gross Margin %	41.5%	46.1%			45.0%			
R&D	1,055	1,640	(585)	(35.7%)	1,359	(304)		(22.4%)
Sales & Marketing	3,007	3,541	(534)	(15.1%)	2,901	106		3.7%
Administrative	7,107	3,970	3,137	79.0%	3,087	4,020		130.2%
Other Opex	—	—	—	N/A	—	—		N/A
<b>Total Opex</b>	<b>11,169</b>	<b>9,151</b>	<b>2,018</b>	<b>22.1%</b>	<b>7,347</b>	<b>3,822</b>		<b>52.0%</b>
<b>EBITDA</b>	<b>2,646</b>	<b>7,701</b>	<b>(5,055)</b>	<b>(65.6%)</b>	<b>8,041</b>	<b>(5,394)</b>		<b>(67.1%)</b>
EBITDA %	8.0%	21.1%			23.5%			
Adj. EBITDA	8,319	9,342	(1,022)	(10.9%)	8,041	279		3.5%
Adj. EBITDA %	25.0%	25.6%			23.5%			
<b>Net Income (Loss)</b>	<b>\$ (876)</b>	<b>\$ 3,345</b>	<b>\$ (4,222)</b>	<b>(126.2%)</b>	<b>\$ 7,100</b>	<b>\$ (7,977)</b>		<b>(112.3%)</b>
<b>Capex</b>	<b>\$ 252</b>	<b>\$ 798</b>	<b>\$ (546)</b>	<b>(68.4%)</b>	<b>\$ 938</b>	<b>\$ (686)</b>		<b>(73.1%)</b>

## Management Discussion

### Budget

- YTD Adjusted EBITDA unfavorable variance of (\$1.0M).
- Excluding the impact of the OBS entries, gross margin is unfavorable (\$2.1M) with a volume impact of (\$1.4M) and manufacturing variances of (\$0.7M).
  - *OBS inventory revalued at step-up costs of \$0.9M to COGS*
  - (\$0.2M) of other impact related to warranty expense on MPP
- Excluding the impact of the OBS entries, Opex is favorable \$1.4M related to open positions, timing of strategic initiative spend and unearned commissions
  - Actual 1x adjustments were \$1.4M versus Budget of \$1.6M
  - *OBS transaction fee expenses incurred of \$3.4M*

### PY

- YTD Adjusted EBITDA favorable \$0.3M. Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$0.7M) with a volume impact of (\$0.4M) and manufacturing variances (\$0.3M).
  - *OBS inventory revalued at step-up costs of \$0.9M to COGS*
  - (\$0.2M) of other impact related to warranty expense on MPP
- Excluding the impact of the OBS entries, Opex is unfavorable (\$0.4M) related to professional fees, recruiting fees, and other 1x costs.
  - Actual 1x adjustments were \$1.4M versus \$0 in PY
  - *OBS transaction fee expenses incurred of \$3.4M*

# Financial Matters | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Gross Revenue</b>	\$ 3,825	\$ 4,560	\$ (735)	(16.1%)	\$ 4,617	\$ (792)	(17.2%)	
Adj. to Gross Revenue	(629)	(510)	(119)	23.4%	(580)	(48)	8.3%	
<b>Net Revenue</b>	<b>3,196</b>	<b>4,050</b>	<b>(854)</b>	<b>(21.1%)</b>	<b>4,037</b>	<b>(841)</b>	<b>(20.8%)</b>	
Material	1,067	1,433	(366)	(25.6%)	1,408	(341)	(24.2%)	
Labor	528	646	(118)	(18.2%)	495	33	6.7%	
Other COGS	198	217	(20)	(9.0%)	126	71	56.3%	
<b>Total COGS</b>	<b>1,793</b>	<b>2,296</b>	<b>(504)</b>	<b>(21.9%)</b>	<b>2,029</b>	<b>(236)</b>	<b>(11.6%)</b>	
<b>Gross Margin</b>	<b>1,403</b>	<b>1,754</b>	<b>(350)</b>	<b>(20.0%)</b>	<b>2,008</b>	<b>(604)</b>	<b>(30.1%)</b>	
Gross Margin %	43.9%	43.3%			49.7%			
R&D	114	288	(174)	(60.4%)	167	(53)	(31.8%)	
Sales & Marketing	338	435	(97)	(22.4%)	550	(212)	(38.5%)	
Administrative	480	379	102	26.9%	301	179	59.4%	
Other Opex	—	—	—	N/A	—	—	N/A	
<b>Total Opex</b>	<b>932</b>	<b>1,102</b>	<b>(169)</b>	<b>(15.3%)</b>	<b>1,018</b>	<b>(86)</b>	<b>(8.4%)</b>	
<b>EBITDA</b>	<b>471</b>	<b>652</b>	<b>(181)</b>	<b>(27.8%)</b>	<b>989</b>	<b>(518)</b>	<b>(52.4%)</b>	
EBITDA %	14.7%	16.1%			24.5%			
<b>Adj. EBITDA</b>	<b>771</b>	<b>932</b>	<b>(161)</b>	<b>(17.2%)</b>	<b>989</b>	<b>(218)</b>	<b>(22.1%)</b>	
Adj. EBITDA %	23.8%	23.0%			24.5%			
<b>Net Income (Loss)</b>	<b>\$ 45</b>	<b>\$ 96</b>	<b>\$ (50)</b>	<b>(52.5%)</b>	<b>\$ 879</b>	<b>\$ (834)</b>	<b>(94.8%)</b>	
<b>Capex</b>	<b>\$ 3</b>	<b>\$ 47</b>	<b>\$ (44)</b>	<b>(93.2%)</b>	<b>\$ 18</b>	<b>\$ (14)</b>	<b>(81.9%)</b>	

## Management Discussion

### Budget

- September Adjusted EBITDA unfavorable variance of (\$161k).
- Gross margin is unfavorable (\$350k) with a volume/mix impact of (\$333k) and one-time sales price discount to SQ for (\$17k.)
- Opex is favorable \$169k related timing of vacant salary positions not filled, delayed strategic initiative spend and commissions not earned.
  - Actual 1x adjustments were \$300k versus budget of \$280k

### PY

- September Adjusted EBITDA unfavorable (\$218k).
- Gross Margin is unfavorable (\$604k) with a volume/mix impact of (\$393k), one-time sales price discount to SQ for (\$17k) and unfavorable manufacturing cost of (\$195k).
- Opex is favorable to PY \$86k related primarily to salary position vacancies not filled.
  - Actual 1x adjustments were \$300k versus PY of \$0



# Financial Matters | Summary P&L - QTD

\$'000	QTD		Variance		PY QTD		Variance	
	Act	Bud	\$	%	Act	\$		%
<b>Gross Revenue</b>	\$ 12,242	\$ 13,769	\$ (1,527)	(11.1%)	\$ 13,212	\$ (970)		(7.3%)
Adj. to Gross Revenue	(1,729)	(1,539)	(190)	12.3%	(1,615)	(115)		7.1%
<b>Net Revenue</b>	<b>10,513</b>	<b>12,230</b>	<b>(1,717)</b>	<b>(14.0%)</b>	<b>11,597</b>	<b>(1,085)</b>		<b>(9.4%)</b>
Material	4,304	4,104	201	4.9%	3,944	361		9.1%
Labor	1,718	1,846	(129)	(7.0%)	1,658	59		3.6%
Other COGS	743	605	138	22.7%	417	326		78.0%
<b>Total COGS</b>	<b>6,765</b>	<b>6,555</b>	<b>210</b>	<b>3.2%</b>	<b>6,019</b>	<b>746</b>		<b>12.4%</b>
<b>Gross Margin</b>	<b>3,748</b>	<b>5,675</b>	<b>(1,927)</b>	<b>(34.0%)</b>	<b>5,578</b>	<b>(1,830)</b>		<b>(32.8%)</b>
Gross Margin %	35.6%	46.4%			48.1%	(12.4%)		(25.9%)
R&D	406	738	(332)	(45.0%)	478	(72)		(15.0%)
Sales & Marketing	1,128	1,319	(191)	(14.5%)	978	150		15.4%
Administrative	4,747	1,525	3,223	211.4%	1,037	3,711		357.9%
Other Opex	—	—	—	N/A	—	—		N/A
<b>Total Opex</b>	<b>6,281</b>	<b>3,581</b>	<b>2,700</b>	<b>75.4%</b>	<b>2,492</b>	<b>3,789</b>		<b>152.1%</b>
<b>EBITDA</b>	<b>(2,534)</b>	<b>2,094</b>	<b>(4,627)</b>	<b>(221.0%)</b>	<b>3,086</b>	<b>(5,620)</b>		<b>(182.1%)</b>
EBITDA %	(24.1%)	17.1%			26.6%	(50.7%)		(190.6%)
<b>Adj. EBITDA</b>	<b>2,635</b>	<b>3,148</b>	<b>(513)</b>	<b>(16.3%)</b>	<b>3,086</b>	<b>(451)</b>		<b>(14.6%)</b>
Adj. EBITDA %	25.1%	25.7%			26.6%	(1.5%)		(5.8%)
<b>Net Income (Loss)</b>	<b>\$ (4,860)</b>	<b>\$ 128</b>	<b>\$ (4,988)</b>	<b>(3896.7%)</b>	<b>\$ 2,771</b>	<b>\$ (7,631)</b>		<b>(275.4%)</b>
<b>Capex</b>	<b>\$ 3</b>	<b>\$ 197</b>	<b>\$ (194)</b>	<b>(98.4%)</b>	<b>\$ 284</b>	<b>\$ (281)</b>		<b>(98.9%)</b>

## Management Discussion

### Budget

- September Adjusted EBITDA unfavorable variance of (\$0.5M).
- Excluding the impact of the Opening Balance Sheet (OBS) entries, the Gross margin is unfavorable (\$1.1M) with a volume/mix impact of (\$0.8M) and manufacturing variance of (\$0.3M).
  - OBS inventory revalued at step-up costs by \$0.9M to COGS
- Excluding the impact of the OBS entries, Opex is favorable \$0.7M related to open positions, timing of HR specialist fees, timing of strategic initiative spend and unearned commission.
  - Actual 1x adjustments were \$0.9M versus budget of \$1.1M
  - OBS transaction fee expenses incurred of \$3.4M

### PY

- September Adjusted EBITDA unfavorable (\$0.5M).
- Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$1.0M) with a volume/mix impact of (\$0.5M) and manufacturing cost of (\$0.5M).
  - OBS inventory revalued at step-up costs by \$0.9M to COGS
- Excluding the impact of the OBS entries, Opex is unfavorable (\$0.3M) from recruiting fees and other 1x expenses
  - Actual 1x adjustments were \$0.9M versus PY of \$0
  - OBS transaction fee expenses incurred of \$3.4M

# Financial Matters | Summary P&L - YTD

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$		%
<b>Gross Revenue</b>	\$ 38,451	\$ 41,294	\$ (2,844)	(6.9%)	\$ 38,836	\$ (386)		(1.0%)
Adj. to Gross Revenue	(5,176)	(4,752)	(424)	8.9%	(4,624)	(552)		11.9%
<b>Net Revenue</b>	<b>33,275</b>	<b>36,543</b>	<b>(3,268)</b>	<b>(8.9%)</b>	<b>34,212</b>	<b>(937)</b>		<b>(2.7%)</b>
Material	12,225	11,984	241	2.0%	12,407	(182)		(1.5%)
Labor	5,092	5,537	(446)	(8.1%)	4,859	233		4.8%
Other COGS	2,143	2,169	(26)	(1.2%)	1,559	584		37.5%
<b>Total COGS</b>	<b>19,459</b>	<b>19,690</b>	<b>(231)</b>	<b>(1.2%)</b>	<b>18,825</b>	<b>635</b>		<b>3.4%</b>
<b>Gross Margin</b>	<b>13,815</b>	<b>16,852</b>	<b>(3,037)</b>	<b>(18.0%)</b>	<b>15,388</b>	<b>(1,572)</b>		<b>(10.2%)</b>
Gross Margin %	41.5%	46.1%			45.0%			
R&D	1,055	1,640	(585)	(35.7%)	1,359	(304)		(22.4%)
Sales & Marketing	3,007	3,541	(534)	(15.1%)	2,901	106		3.7%
Administrative	7,107	3,970	3,137	79.0%	3,087	4,020		130.2%
Other Opex	—	—	—	N/A	—	—		N/A
<b>Total Opex</b>	<b>11,169</b>	<b>9,151</b>	<b>2,018</b>	<b>22.1%</b>	<b>7,347</b>	<b>3,822</b>		<b>52.0%</b>
<b>EBITDA</b>	<b>2,646</b>	<b>7,701</b>	<b>(5,055)</b>	<b>(65.6%)</b>	<b>8,041</b>	<b>(5,394)</b>		<b>(67.1%)</b>
EBITDA %	8.0%	21.1%			23.5%			
Adj. EBITDA	8,319	9,342	(1,022)	(10.9%)	8,041	279		3.5%
Adj. EBITDA %	25.0%	25.6%			23.5%			
<b>Net Income (Loss)</b>	<b>\$ (876)</b>	<b>\$ 3,345</b>	<b>\$ (4,222)</b>	<b>(126.2%)</b>	<b>\$ 7,100</b>	<b>\$ (7,977)</b>		<b>(112.3%)</b>
<b>Capex</b>	<b>\$ 252</b>	<b>\$ 798</b>	<b>\$ (546)</b>	<b>(68.4%)</b>	<b>\$ 938</b>	<b>\$ (686)</b>		<b>(73.1%)</b>

## Management Discussion

### Budget

- YTD Adjusted EBITDA unfavorable variance of (\$1.0M).
- Excluding the impact of the OBS entries, gross margin is unfavorable (\$2.1M) with a volume impact of (\$1.4M) and manufacturing variances of (\$0.7M).
  - *OBS inventory revalued at step-up costs of \$0.9M to COGS*
  - (\$0.2M) of other impact related to warranty expense on MPP
- Excluding the impact of the OBS entries, Opex is favorable \$1.4M related to open positions, timing of strategic initiative spend and unearned commissions
  - Actual 1x adjustments were \$1.4M versus Budget of \$1.6M
  - *OBS transaction fee expenses incurred of \$3.4M*

### PY

- YTD Adjusted EBITDA favorable \$0.3M. Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$0.7M) with a volume impact of (\$0.4M) and manufacturing variances (\$0.3M).
  - *OBS inventory revalued at step-up costs of \$0.9M to COGS*
  - (\$0.2M) of other impact related to warranty expense on MPP
- Excluding the impact of the OBS entries, Opex is unfavorable (\$0.4M) related to professional fees, recruiting fees, and other 1x costs.
  - Actual 1x adjustments were \$1.4M versus \$0 in PY
  - *OBS transaction fee expenses incurred of \$3.4M*

# Financial Matters | Cost of Goods Sold by Component

\$'000	MTD		Var		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
<b>Material</b>												
Material costs at standard	\$ 1,102	\$ 1,423	\$ (320)	(22.5%)	\$ 4,339	\$ 4,064	\$ 275	6.8%	\$ 12,219	\$ 11,917	\$ 302	2.5%
Materials FX loss / (gain)	0	–	0	N/A	(0)	0	(0)	(985.2%)	(0)	(0)	(0)	35.8%
Purchase price variance	(64)	5	(69)	(1339.3%)	(164)	17	(181)	(1083.0%)	(305)	20	(325)	(1637.1%)
Freight in	35	22	13	58.2%	101	78	24	30.3%	450	409	41	10.0%
Cost revision	–	–	–	N/A	–	–	–	N/A	(232)	(232)	–	0.0%
Scrap costs	(2)	(23)	21	(92.7%)	13	(75)	88	(117.7%)	0	(179)	179	(100.2%)
Consumables	(5)	6	(12)	(188.9%)	16	20	(4)	(21.9%)	93	49	44	89.4%
<b>Total Material COGS</b>	<b>\$ 1,067</b>	<b>\$ 1,433</b>	<b>\$ (366)</b>	<b>(25.6%)</b>	<b>\$ 4,304</b>	<b>\$ 4,104</b>	<b>\$ 201</b>	<b>4.9%</b>	<b>\$ 12,225</b>	<b>\$ 11,984</b>	<b>\$ 241</b>	<b>2.0%</b>
<b>Labor</b>												
Direct labor	\$ 235	\$ 335	\$ (100)	(30.0%)	\$ 771	\$ 882	\$ (111)	(12.5%)	\$ 2,276	\$ 2,610	\$ (335)	(12.8%)
Direct labor - overtime	27	10	17	177.4%	61	30	31	102.8%	151	99	52	53.0%
Direct labor - benefits	66	102	(36)	(35.5%)	230	330	(99)	(30.2%)	754	987	(233)	(23.6%)
Indirect labor	145	152	(8)	(4.9%)	462	461	1	0.2%	1,428	1,396	32	2.3%
Indirect labor – benefits	57	47	9	19.9%	193	144	49	34.4%	482	445	37	8.4%
<b>Total Labor COGS</b>	<b>\$ 528</b>	<b>\$ 646</b>	<b>\$ (118)</b>	<b>(18.2%)</b>	<b>\$ 1,718</b>	<b>\$ 1,846</b>	<b>\$ (129)</b>	<b>(7.0%)</b>	<b>\$ 5,092</b>	<b>\$ 5,537</b>	<b>\$ (446)</b>	<b>(8.1%)</b>
<b>Other</b>												
Repairs and maintenance	\$ 14	\$ 17	\$ (3)	(15.1%)	\$ 47	\$ 54	\$ (7)	(12.7%)	\$ 151	\$ 145	\$ 6	4.0%
Rent / facilities	155	166	(11)	(6.5%)	530	520	10	1.9%	1,645	1,618	27	1.7%
Utilities	28	23	5	20.7%	77	74	3	4.0%	210	218	(9)	(4.0%)
Other cost of sales	0	11	(11)	(97.6%)	88	(43)	131	(305.2%)	138	188	(51)	(27.0%)
<b>Total Other COGS</b>	<b>\$ 198</b>	<b>\$ 217</b>	<b>\$ (20)</b>	<b>(9.0%)</b>	<b>\$ 743</b>	<b>\$ 605</b>	<b>\$ 138</b>	<b>22.7%</b>	<b>\$ 2,143</b>	<b>\$ 2,169</b>	<b>\$ (26)</b>	<b>(1.2%)</b>
<b>Total COGS</b>	<b>\$ 1,793</b>	<b>\$ 2,296</b>	<b>\$ (504)</b>	<b>(52.8%)</b>	<b>\$ 6,765</b>	<b>\$ 6,555</b>	<b>\$ 210</b>	<b>20.7%</b>	<b>\$ 19,459</b>	<b>\$ 19,690</b>	<b>\$ (231)</b>	<b>(7.3%)</b>

## Management Discussion

### September

- Material costs at standard variance decreased volume (\$296k) and mix (\$24k)
- Favorable PPV from commodity pricing for 6120 Satin Chrome Housings (\$22k) and zinc commodity (\$14k). Purchased components 2006-101 Titan (\$10k), 951 cylinders (\$7k), and 6870-130 key blanks (\$6k)
- Freight-in unfavorable from duties \$35k
- Unfavorable scrap from key pad production errors \$31k

### QTD

- Excluding the impact of the OBS entries, favorable Material costs at standard decreased volume (\$380k) and other (\$214k)
  - *OBS inventory revalued step-up incurred of \$869k to material cost*
- Favorable PPV from commodity pricing for zinc (\$62k) and 6120 Satin Chrome housings (\$43k). Purchased components 2006/2007-101 Titan (\$29k), 605-284 packing tray (\$22k) and 6124 keypad (\$11k)
- Freight-in unfavorable from duties \$46k
- Unfavorable Scrap from 6124 case \$13k, 2740 covers \$11k, 6870 key blanks \$6k and key pad production errors \$31k

### YTD

- Excluding the impact of the OBS entries, material costs at standard decreased volume (\$327k) and other(\$301k)
  - *OBS inventory revalued step-up incurred of \$869k to material cost*
- Favorable PPV of (\$325k) driven primarily zinc and 6120 Satin Chrome Housings
- Unfavorable Scrap from 2740 covers, 6124 Case and key pad production errors

# Financial Matters | Balance Sheet

\$'000	Sep-19		Variance	
	Act	Bud	\$	%
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,600	\$ 6,175	\$ (2,576)	(41.7%)
Accounts receivable, gross	7,131	7,125	6	0.1%
Accounts receivable, reserves	(186)	(128)	(57)	44.7%
Accounts receivable, net	6,945	6,997	(51)	(0.7%)
Inventory, gross	7,404	6,329	1,074	17.0%
Inventory, reserves	(462)	(443)	(19)	4.3%
Inventory, net	6,942	5,886	1,055	17.9%
Prepaid expenses and other current assets	142	189	(47)	(25.0%)
<b>Total Current Assets</b>	<b>17,629</b>	<b>19,248</b>	<b>(1,619)</b>	<b>(8.4%)</b>
<b>Non-Current Assets</b>				
Property, plant & equipment, gross	11,492	11,991	(499)	(4.2%)
Accumulated depreciation	(405)	(480)	75	(15.6%)
Property, plant & equipment, net	11,087	11,511	(424)	(3.7%)
Goodwill	45,034	43,973	1,061	2.4%
Identifiable intangible assets, gross	15,100	15,100	—	0.0%
Accumulated amortization	—	—	—	N/A
Identifiable intangible assets, net	15,100	15,100	—	0.0%
Deferred financing cost	1,646	1,646	—	0.0%
Other non-current assets	131	131	(0)	(0.0%)
<b>Total Non-Current Assets</b>	<b>72,999</b>	<b>72,362</b>	<b>637</b>	<b>0.9%</b>
<b>Total Assets</b>	<b>\$ 90,628</b>	<b>\$ 91,609</b>	<b>\$ (982)</b>	<b>(1.1%)</b>
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 1,003	\$ 1,003	\$ —	0.0%
Accounts payable	3,483	4,291	(809)	(18.8%)
Accrued liabilities	1,564	1,218	346	28.4%
Accrued compensation	321	374	(53)	(14.2%)
Income taxes payable	160	(389)	549	(141.2%)
Short-term unearned revenue	141	56	84	149.1%
<b>Total Current Liabilities</b>	<b>6,671</b>	<b>6,554</b>	<b>117</b>	<b>1.8%</b>
<b>Long-term liabilities</b>				
Long-term debt less current maturities	43,360	43,360	0	0.0%
Deferred income taxes	2,989	2,989	—	0.0%
Other non-current liabilities	87	87	—	0.0%
<b>Total Long-Term Liabilities</b>	<b>46,436</b>	<b>46,436</b>	<b>0</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>53,108</b>	<b>52,990</b>	<b>117</b>	<b>0.2%</b>
<b>Shareholders' Equity</b>				
Common stock	40,228	40,228	—	0.0%
Retained earnings	(4,054)	(2,963)	(1,091)	36.8%
Accumulated other comprehensive income	1,346	1,354	(8)	(0.6%)
Other equity transactions	1	1	—	0.0%
<b>Total Shareholders' Equity</b>	<b>37,521</b>	<b>38,619</b>	<b>(1,099)</b>	<b>(2.8%)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 90,628</b>	<b>\$ 91,609</b>	<b>\$ (981)</b>	<b>(1.1%)</b>

## Management Discussion

- Lower Accounts Receivable by (\$51k) compared to Budget due to lower than budgeted sales
  - Slow pay A/R > than 16 days
    - AGS \$183k
    - Arya \$166k
    - Diebold \$150k
    - AGS \$183k
- Accounts Payable lower by (\$809k) compared to Budget due to lower volume
- Unfavorable inventory position \$1,074k
  - \$625k components inventory for pre-tariff opportunity buy of ASWD keypads and electronic locks – less than 6-months on-hand
  - \$275k FAS mechanical key lock inventory purchased from ASSA at 25%-35% discount in Oct. 2018 – greater than 6-months stock on-hand
  - \$481 finished goods on dock due to delayed pickup – shipping terms controlled by customer and delivered in Oct.
  - Initiative to disposition excess and obsolescence stock in 4Q
- Budgeted Balance sheet has been adjusted to reflect Opening Balance Sheet position.

# Financial Matters | Opex Summary vs AOP

\$'000	MTD		Variance		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
<b>Opex Overview:</b>												
Payroll	\$ 290	\$ 301	\$ (10)	(3.4%)	\$ 898	\$ 873	\$ 26	2.9%	\$ 2,637	\$ 2,670	\$ (33)	(1.2%)
Overtime	–	1	(1)	(100.0%)	–	2	(2)	(100.0%)	0	7	(7)	(95.0%)
Benefits	56	23	33	146.3%	173	49	124	254.3%	651	535	116	21.7%
Bonus	16	42	(26)	(63.0%)	34	131	(97)	(74.1%)	147	314	(168)	(53.3%)
Commissions	24	60	(36)	(60.4%)	89	191	(102)	(53.3%)	228	567	(339)	(59.8%)
Marketing	(0)	14	(14)	(101.6%)	100	52	48	93.1%	322	238	84	35.4%
Travel and Entertainment	73	68	5	7.4%	150	141	9	6.4%	348	379	(30)	(8.0%)
Insurance	–	3	(3)	(100.0%)	–	8	(8)	(100.0%)	1	25	(24)	(95.6%)
Professional Fees	193	433	(240)	(55.5%)	4,265	1,442	2,823	195.8%	5,537	2,979	2,559	85.9%
Utl., Repair, Maint., & Sec.	1	4	(2)	(69.6%)	2	18	(16)	(89.1%)	14	41	(27)	(65.9%)
IT	271	88	183	209.5%	491	477	14	3.0%	811	764	47	6.2%
Bad Debts	(9)	0	(9)	(2202521.8%)	9	0	9	2299070.5%	68	0	68	16887501.1%
Supplies	(5)	10	(16)	(152.3%)	4	32	(28)	(89.0%)	36	96	(60)	(62.2%)
Other Expenses	22	57	(35)	(61.7%)	61	165	(104)	(63.1%)	356	538	(181)	(33.7%)
<b>Total Opex</b>	<b>\$ 932</b>	<b>\$ 1,102</b>	<b>\$ (169)</b>	<b>(15.3%)</b>	<b>\$ 6,281</b>	<b>\$ 3,581</b>	<b>\$ 2,700</b>	<b>75.4%</b>	<b>\$ 11,169</b>	<b>\$ 9,151</b>	<b>\$ 2,018</b>	<b>22.1%</b>

## Management Discussion

- September vs Budget – favorable \$0.2M related to timing of vacant salary positions not filled, delayed strategic initiative spend and commissions not earned
  - Actual 1x adjustments were \$0.3M was at Budget of \$0.3M
- QTD vs Budget- favorable \$0.7M ,excluding the impact of the OBS entries, related to open positions, timing of HR specialist fees, timing of strategic initiative spend and unearned commission
  - Actual 1x adjustments were \$0.9M versus Budget of \$1.1M
  - OBS transaction fee expenses incurred of \$3.4M
- YTD vs Budget - favorable \$1.4M, excluding the impact of the OBS entries, related to open positions, timing of strategic initiative spend and unearned commissions
  - Actual 1x adjustments were \$1.4M versus Budget of \$1.6M
  - OBS transaction fee expenses incurred of \$3.4M

# Financial Matters | Opex Summary vs PY

\$'000	MTD		PY MTD		Variance		QTD		PY QTD		Variance		YTD		PY YTD		Variance				
	Act		Act		\$	%	Act		Act		\$	%	Act		Act		\$	%			
Opex Overview:																					
Payroll	\$	290	\$	315	\$	(24)	(7.7%)	\$	898	\$	954	\$	(56)	(5.9%)	\$	2,637	\$	2,816	\$	(179)	(6.4%)
Overtime		–		0		(0)	(100.0%)		–		1		(1)	(100.0%)		0		5		(5)	(92.9%)
Benefits		56		84		(27)	(32.7%)		173		250		(77)	(30.6%)		651		712		(60)	(8.5%)
Bonus		16		26		(10)	(39.3%)		34		69		(35)	(51.2%)		147		201		(54)	(27.1%)
Commissions		24		7		17	237.7%		89		29		60	208.5%		228		183		45	24.6%
Marketing		(0)		69		(69)	(100.3%)		100		151		(51)	(33.6%)		322		439		(117)	(26.7%)
Travel and Entertainment		73		28		45	157.4%		150		78		72	92.6%		348		335		13	3.8%
Insurance		–		3		(3)	(100.0%)		–		9		(9)	(100.0%)		1		27		(26)	(95.9%)
Professional Fees		193		183		9	5.0%		4,265		534		3,731	698.5%		5,537		1,528		4,009	262.3%
Utl., Repair, Maint., & Sec.		1		38		(36)	(97.1%)		2		48		(46)	(95.8%)		14		64		(50)	(78.4%)
IT		271		45		226	505.0%		491		134		356	265.1%		811		403		408	101.3%
Bad Debts		(9)		(64)		55	(86.2%)		9		(17)		26	(155.2%)		68		28		40	142.3%
Supplies		(5)		11		(17)	(147.2%)		4		18		(15)	(80.9%)		36		51		(15)	(29.1%)
Other Expenses		22		273		(251)	(92.0%)		61		232		(171)	(73.8%)		356		555		(198)	(35.8%)
Total Opex	\$	932	\$	1,018	\$	(86)	(8.4%)	\$	6,281	\$	2,492	\$	3,789	152.1%	\$	11,169	\$	7,347	\$	3,822	52.0%

## Management Discussion

- September vs PY – favorable \$0.1M related primarily to salary position vacancies not filled
  - Actual 1x adjustments were \$0.3M versus \$0 in PY
- QTD vs PY – unfavorable (\$0.3M), excluding the impact of the OBS entries, from recruiting fees and other 1x expenses
  - Actual 1x adjustments were \$300k versus \$0 in PY
  - OBS transaction fee expenses incurred of \$3.4M
- YTD vs PY – unfavorable (\$0.4M), excluding the impact of the OBS entries, related to professional fees, recruiting fess, and other 1x costs
  - Actual 1x adjustments were \$1.4M versus \$0 in PY
  - OBS transaction fee expenses incurred of \$3.4M

# Financial Matters | YTD Opex Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Act	Bud	Variance B / (W)	One-Time / Non-recurring	Timing	Change in Run-rate	Other	Total Variance B / (W)	YoY Impact B / (W)	Annualized Impact B / (W)
Payroll	\$ 2,637	\$ 2,670	\$ (33)	\$ –	\$ (33)	\$ 0	\$ –	\$ (33)	\$ 0	\$ 0
Overtime	0	7	(7)	–	–	(7)	–	(7)	(7)	(7)
Benefits	651	535	116	–	–	116	–	116	116	116
Bonus	147	314	(168)	–	–	(168)	–	(168)	(168)	(168)
Commissions	322	567	(245)	–	–	(245)	–	(245)	(245)	(245)
Marketing	228	238	(10)	–	–	(10)	–	(10)	(10)	(10)
Travel and Entertainment	348	379	(30)	–	–	(30)	–	(30)	(30)	(30)
Rent and Facilities	13	–	13	–	–	13	–	13	13	13
Insurance	1	25	(24)	–	–	(24)	–	(24)	(24)	(24)
Professional Fees	5,537	2,979	2,559	4,285	–	(1,726)	–	2,559	(1,726)	(1,726)
Utl., Repair, Maint., & Sec.	14	41	(27)	–	–	(27)	–	(27)	(27)	(27)
IT	811	764	47	519	(472)	0	–	47	0	0
Bad Debts	68	0	68	–	–	68	–	68	68	68
Supplies	36	96	(60)	–	–	(60)	–	(60)	(60)	(60)
Other Expenses	356	538	(181)	–	–	(181)	–	(181)	(181)	(181)
<b>Total Opex</b>	<b>\$ 11,169</b>	<b>\$ 9,151</b>	<b>\$ 2,018</b>	<b>\$ 4,804</b>	<b>\$ (505)</b>	<b>\$ (2,280)</b>	<b>\$ –</b>	<b>\$ 2,018</b>	<b>\$ (2,280)</b>	<b>\$ (2,280)</b>

## Management Discussion

- Bonus and Commissions are under budget due to lower than budgeted revenue.
- Professional fees included non recurring expense of \$3.4M in OBS transaction fee expense, as well as, other 1x costs (recruiting fees, consultants). Change in run rate related to the timing of Innovation spend and open sales positions (now filled).
- IT contains 1x costs \$499k in TSA fees and \$20k in other carve-out costs. The decline in run rate is related to timing of technology carve-out costs.
- Rent and Insurance variances are mapping issues. Rent mapped to COGS in budget. Insurance actual expense mapped to COGS.

# Financial Matters | Standalone Costs

\$'000		MTD		Variance		QTD		Variance		YTD		Variance	
Description		Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
<b>IT</b>		<b>10</b>	<b>39</b>	<b>(29)</b>	<b>-73.8%</b>	<b>31</b>	<b>284</b>	<b>(253)</b>	<b>-89.0%</b>	<b>31</b>	<b>308</b>	<b>(277)</b>	<b>-89.8%</b>
Manager	Salary and Benefits	9	9	-	0.0%	27	28	(1)	-2.3%	27	37	(10)	-27.2%
Analyst	Salary and Benefits	-	6	(6)	0.0%	-	19	(19)	0.0%	-	19	(19)	0.0%
Direct Technology Cha Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill		-	7	(7)	-100.0%	-	199	(199)	-100.0%	-	210	(210)	-100.0%
Business Services	Offset to TSA	-	8	(8)	0.0%	-	16	(16)	0.0%	-	16	(16)	0.0%
Sales Force	Licensing	-	2	(2)	0.0%	-	2	(2)	0.0%	-	2	(2)	0.0%
Accounting / HR syster Concur Set-up and monthly fee		1	2	(1)	-46.0%	5	6	(1)	-19.0%	5	10	(5)	-54.6%
ERP tranisition licensir Licensing		-	5	(5)	0.0%	-	15	(15)	0.0%	-	15	(15)	0.0%
Data Communications Licensing		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
<b>Legal</b>		<b>-</b>	<b>19</b>	<b>(19)</b>	<b>-100.0%</b>	<b>-</b>	<b>56</b>	<b>(56)</b>	<b>-100.0%</b>	<b>-</b>	<b>75</b>	<b>(75)</b>	<b>-100.0%</b>
Headcount costs (1 FTE Salary and Benefits		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
External legal fees anc Legal Fees		-	13	(13)	-100.0%	-	38	(38)	-100.0%	-	50	(50)	-100.0%
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	19	(19)	-100.0%	-	25	(25)	-100.0%
<b>Finance</b>		<b>30</b>	<b>30</b>	<b>-</b>	<b>0.0%</b>	<b>89</b>	<b>89</b>	<b>0</b>	<b>0.0%</b>	<b>103</b>	<b>117</b>	<b>(14)</b>	<b>-12.1%</b>
CFO	Salary and Benefits	21	21	-	0.0%	62	62	0	0.0%	68	82	(14)	-17.3%
Base compensation (2 Salary and Benefits		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Audit Fees	2019 Audit Fees	9	9	-	0.0%	26	26	-	0.0%	35	35	-	0.0%
<b>Sales</b>		<b>22</b>	<b>22</b>	<b>(0)</b>	<b>0.0%</b>	<b>58</b>	<b>56</b>	<b>2</b>	<b>4.0%</b>	<b>58</b>	<b>58</b>	<b>0</b>	<b>0.5%</b>
VP of Sales	Salary and Benefits	22	22	(0)	0.0%	58	56	2	4.0%	58	58	0	0.5%
<b>HR</b>		<b>2</b>	<b>2</b>	<b>(0)</b>	<b>-14.4%</b>	<b>5</b>	<b>6</b>	<b>(1)</b>	<b>-14.4%</b>	<b>7</b>	<b>8</b>	<b>(1)</b>	<b>-14.4%</b>
Specialist	Salary and Benefits	-	0	(0)	-100.0%	-	1	(1)	-100.0%	-	1	(1)	-100.0%
Business Travel and Ac Business Travel and Accident		0	0	-	0.0%	1	1	-	0.0%	1	1	-	0.0%
Global Emergency Trav Global Emergency Travel Services		1	1	-	0.0%	4	4	-	0.0%	6	6	-	0.0%
<b>Trade Compliance</b>		<b>1</b>	<b>1</b>	<b>-</b>	<b>0.0%</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>0.0%</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>0.0%</b>
Export Compliance Dai Export Compliance Daily/ICPA annual fee		0	0	-	0.0%	0	0	-	0.0%	1	1	-	0.0%
Trade Flow software li Trade Flow software license		1	1	-	0.0%	3	3	-	0.0%	4	4	-	0.0%
<b>Bonuses</b>		<b>15</b>	<b>15</b>	<b>-</b>	<b>0.0%</b>	<b>41</b>	<b>46</b>	<b>(5)</b>	<b>-11.2%</b>	<b>41</b>	<b>62</b>	<b>(21)</b>	<b>-33.4%</b>
<b>Risk</b>		<b>16</b>	<b>16</b>	<b>-</b>	<b>0.0%</b>	<b>49</b>	<b>49</b>	<b>-</b>	<b>0.0%</b>	<b>65</b>	<b>65</b>	<b>-</b>	<b>0.0%</b>
<b>Freight</b>		<b>47</b>	<b>42</b>	<b>5</b>	<b>12.4%</b>	<b>155</b>	<b>125</b>	<b>30</b>	<b>23.9%</b>	<b>155</b>	<b>166</b>	<b>(12)</b>	<b>-7.1%</b>
<b>401(k) compensation</b>		<b>10</b>	<b>10</b>	<b>-</b>	<b>0.0%</b>	<b>29</b>	<b>29</b>	<b>-</b>	<b>0.0%</b>	<b>39</b>	<b>39</b>	<b>-</b>	<b>0.0%</b>
<b>Total Standalone Costs</b>		<b>153</b>	<b>196</b>	<b>(42)</b>	<b>-21.7%</b>	<b>461</b>	<b>744</b>	<b>(283)</b>	<b>-38.0%</b>	<b>504</b>	<b>904</b>	<b>(400)</b>	<b>-44.2%</b>



# Financial Matters | 1X Costs

\$'000		MTD		Variance		QTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
<b>IT</b>		<b>33</b>	<b>64</b>	<b>(32)</b>	<b>-48.9%</b>	<b>75</b>	<b>237</b>	<b>(162)</b>	<b>-68.4%</b>	<b>115</b>	<b>286</b>	<b>(171)</b>	<b>-59.9%</b>
IT Specialist	Gray Drohan consulting fees	12	20	(8)	-39.5%	45	60	(15)	-25.2%	85	109	(24)	-22.1%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	21	44	(24)	0.0%	30	177	(147)	0.0%	30	177	(147)	0.0%
<b>Legal/Professional Fees</b>		<b>40</b>	<b>41</b>	<b>(1)</b>	<b>-1.2%</b>	<b>345</b>	<b>353</b>	<b>(7)</b>	<b>-2.1%</b>	<b>707</b>	<b>785</b>	<b>(78)</b>	<b>-9.9%</b>
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	—	—	—	#DIV/0!	56	—	56	#DIV/0!	56	55	1	1.0%
HR Specialist	Joel Tokarz consulting fees	8	18	(11)	-58.3%	8	96	(89)	-92.2%	283	309	(26)	-8.3%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	10	—	10	#DIV/0!	211	164	47	28.4%	268	259	8	3.2%
OGX	Consulting Fees	23	23	(1)	-2.2%	68	69	(1)	-1.4%	91	92	(1)	-1.4%
Other	Navex	—	—	—	#DIV/0!	4	25	(22)	-86.0%	10	72	(62)	-86.5%
<b>Marketing/Rebranding</b>	Deal related external communications, rebranding (signage, business cards, etc)	—	<b>20</b>	<b>(20)</b>	<b>-100.0%</b>	<b>35</b>	<b>56</b>	<b>(21)</b>	<b>-37.5%</b>	<b>35</b>	<b>63</b>	<b>(28)</b>	<b>-44.5%</b>
<b>Payroll Implementation</b>	Internaltion GEO, Domestic PEO set up fees	—	—	—	#DIV/0!	—	<b>16</b>	<b>(16)</b>	<b>-100.0%</b>	<b>7</b>	<b>27</b>	<b>(20)</b>	<b>-73.1%</b>
<b>Market Parity</b>	Products to catch up to competitors' offerings	—	<b>82</b>	<b>(82)</b>	<b>0.0%</b>	—	<b>157</b>	<b>(157)</b>	<b>0.0%</b>	—	<b>157</b>	<b>(157)</b>	<b>0.0%</b>
<b>TSA</b>		<b>227</b>	<b>73</b>	<b>155</b>	<b>212.8%</b>	<b>402</b>	<b>237</b>	<b>166</b>	<b>69.9%</b>	<b>498</b>	<b>324</b>	<b>174</b>	<b>53.9%</b>
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	194	41	153	369.5%	305	142	163	115.0%	362	196	165	84.3%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	33	31	2	6.2%	98	95	3	3.2%	137	127	9	7.4%
<b>Total 1X Costs</b>		<b>300</b>	<b>279</b>	<b>21</b>	<b>7.6%</b>	<b>858</b>	<b>1,052</b>	<b>(195)</b>	<b>-18.5%</b>	<b>1,362</b>	<b>1,638</b>	<b>(276)</b>	<b>-16.9%</b>

# Financial Matters | Cash Flow Statement

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ (4,397)	\$ 252	\$ (4,649)	(1847.7%)	\$ 7,100	\$ (11,498)	(161.9%)	
Depreciation, amortization and other	253	730	(476)	(65.3%)	922	(668)	(72.5%)	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	102	419	(317)	(75.7%)	(1,721)	1,823	(105.9%)	
Inventory	846	1,256	(410)	(32.6%)	(680)	1,526	(224.4%)	
Prepaid expenses and other current assets	(61)	(130)	69	(53.3%)	3	(64)	(2270.3%)	
Accounts payable	517	600	(83)	(13.8%)	134	383	286.9%	
Accrued expenses	963	464	499	107.4%	(105)	1,067	(1020.4%)	
Accrued income taxes	160	(887)	1,047	(118.1%)	(12)	172	(1424.1%)	
Other changes in operating assets and liabilities	(8,693)	263	(8,956)	(3406.4%)	(721)	(7,972)	1105.0%	
Other cash flow from operations	—	—	—	N/A	—	—	N/A	
<b>Total Cash Flow from Operations</b>	<b>\$ (10,310)</b>	<b>\$ 2,966</b>	<b>\$ (13,276)</b>	<b>(447.6%)</b>	<b>\$ 4,919</b>	<b>\$ (15,229)</b>	<b>(309.6%)</b>	
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ 52	\$ (422)	\$ 474	(112.3%)	\$ (887)	\$ 939	(105.8%)	
<b>Total Cash Flow from Investing</b>	<b>\$ 52</b>	<b>\$ (422)</b>	<b>\$ 474</b>	<b>(112.3%)</b>	<b>\$ (887)</b>	<b>\$ 939</b>	<b>(105.8%)</b>	
<b>Cash flow from financing</b>								
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ (800)	\$ —	0.0%	\$ —	\$ (800)	N/A	
Proceeds from the issuance of debt	—	—	—	N/A	—	—	N/A	
Repayment of debt	(223)	(223)	0	(0.1%)	—	(223)	N/A	
Other cash flow from financing costs	12,474	225	12,249	5438.8%	(3,976)	16,449	(413.8%)	
<b>Total Cash Flow from Financing</b>	<b>\$ 11,451</b>	<b>\$ (798)</b>	<b>\$ 12,249</b>	<b>(1535.5%)</b>	<b>\$ (3,976)</b>	<b>\$ 15,427</b>	<b>(388.0%)</b>	
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>N/A</b>	<b>\$ —</b>	<b>\$ —</b>	<b>N/A</b>	
<b>Net change in cash</b>	<b>\$ 1,193</b>	<b>\$ 1,746</b>	<b>\$ (554)</b>	<b>(31.7%)</b>	<b>\$ 56</b>	<b>\$ 1,137</b>	<b>2018.0%</b>	
Beginning cash	—	—	—	N/A	11,601	(11,601)	(100.0%)	
Change in cash	1,193	1,746	(554)	(31.7%)	56	1,137	2018.0%	
<b>Ending cash</b>	<b>\$ 3,600</b>	<b>\$ 6,175</b>	<b>\$ (2,575)</b>	<b>(41.7%)</b>	<b>\$ 11,658</b>	<b>\$ (8,058)</b>	<b>(69.1%)</b>	

YTD Cash Flow calculated from May 30<sup>th</sup> 2019.

# Financial Matters | 13-Week Cash Flow Projection

In US\$	Forecast 10/7	Forecast 10/14	Forecast 10/21	Forecast 10/28	Forecast 11/4	Forecast 11/11	Forecast 11/18	Forecast 11/25	Forecast 12/2	Forecast 12/9	Forecast 12/16	Forecast 12/23	Forecast 12/30	Forecast 1/6
<b>Cash Inflows - Operational</b>														
Collections from customers (Actual)														
Collections from customers based on projected aging (Foreca	750	835	1,121	1,380	682	1,171	494	440	327	87	91	30	39	50
Collections from new forecasted sales	-	-	-	-	-	175	263	450	588	550	775	800	1,025	600
<b>Total AR Collections</b>	750	835	1,121	1,380	682	1,346	757	890	915	637	866	830	1,064	650
Other non-AR inflows														
<b>Total Cash Inflows - Operational</b>	750	835	1,121	1,380	682	1,346	757	890	915	637	866	830	1,064	650
<b>Cash Outflows - Operational</b>														
Product inventory (SAP AP)	(478)	(258)	(309)	(434)	(222)	(475)	(547)	(340)	(297)	(327)	(347)	(393)	(415)	(384)
Payroll	(213)	(290)	(70)	(245)	(213)	(245)	(115)	(245)	(213)	(245)	(125)	(245)	(70)	(388)
Commissions														
Bonus														
Facilities & other (Freight)	(10)	(116)	(10)	(10)	(10)	(195)	(10)	(10)	(10)	(195)	(10)	(10)	(10)	(55)
Professional services	-	-	(62)	-	-	-	(62)	-	-	-	(62)	-	-	-
Marketing		(18)												
Recruiter fees														
Other expenses (Insurance, TSA, CC)	-	(224)	-	(144)	-	(157)	-	(144)	-	(157)	-	-	(144)	-
<b>Total Cash Outflows - Operational</b>	(701)	(907)	(451)	(833)	(445)	(1,071)	(734)	(739)	(520)	(924)	(544)	(648)	(639)	(827)
<b>Cashflows - Financial and Other</b>														
Revolving Loan Draw (Paydown)														
Term Loan paydowns													(223)	
Interest and financial amortization													(885)	
Other financial income/expense (e.g. fx, hedging)														
Non-financial income/expense														
Estimated Tax Payments										(600)				
Monitoring fees (including travel expenses)														(250)
Non-recurring items														
<b>Total Cash Outflows - Financial and Other</b>	-	-	-	-	-	-	-	-	-	(600)	-	-	(1,108)	(250)
<b>TOTAL CASH FLOW</b>	49	(72)	670	547	236	275	23	150	395	(886)	323	183	(683)	(427)
<b>Cash Rollforward</b>														
Beginning cash balance	2,777	2,826	2,754	3,424	3,971	4,207	4,482	4,505	4,655	5,050	4,164	4,486	4,669	3,985
Cash activity	49	(72)	670	547	236	275	23	150	395	(886)	323	183	(683)	(427)
<b>ENDING CASH BALANCE</b>	2,826	2,754	3,424	3,971	4,207	4,482	4,505	4,655	5,050	4,164	4,486	4,669	3,985	3,559
<b>Debt Summary</b>														
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,140	44,140
<b>TOTAL DEBT</b>	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,140	44,140
<b>TOTAL NET DEBT</b>	41,537	41,609	40,939	40,392	40,156	39,881	39,858	39,708	39,313	40,199	39,877	39,694	40,155	40,581
<b>AVAILABILITY</b>	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500

## Financial Matters | Covenant Analysis

	Fixed Charge Ratio			
000's	Sep	Oct	Nov	Dec
TTM Fixed Charges:				
TTM Net Cash Interest	3,608	3,428	3,489	3,539
Plus:				
TTM Mandatory Principal Debt Payments	892	892	892	892
<b>Fixed Charges</b>	<b>4,500</b>	<b>4,320</b>	<b>4,381</b>	<b>4,430</b>
TTM EBITDA for defined Period	10,458	10,757	11,023	11,169
Less:				
TTM Unfinanced Capital Expenditures	846	1,006	1,107	1,048
TTM OGC Monitoring Fees	1,000	1,000	1,000	1,000
TTM Cash Taxes Paid	3,185	3,185	3,185	3,185
<b>TTM Operating Cash Flow</b>	<b>5,426</b>	<b>5,566</b>	<b>5,730</b>	<b>5,936</b>
Fixed Charge Coverage Ratio	1.21	1.29	1.31	1.34
Minimum Ratio	1.10	1.10	1.10	1.10
In Compliance	YES	YES	YES	YES
TTM Minimum Operating Cash Flow	4,950	4,752	4,819	4,873
TTM Operating Cash Flow Cushion	477	814	911	1,062

*Amounts for October 2018 through April 2019 defined per credit agreement*

# Financial Matters | Covenant Analysis

## Total Debt to EBITDA Ratio

000's	Sep	Oct	Nov	Dec
Total Debt:				
Revolver Balance	-	-	-	-
Plus: Term Loan Balance	44,363	44,363	44,363	44,140
Plus: Other Debt	-	-	-	-
Less: Qualified Cash	3,600	5,894	7,439	6,640
<b>Total Debt</b>	<b>40,763</b>	<b>38,469</b>	<b>36,924</b>	<b>37,500</b>
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	10,458	10,757	11,023	11,169
<b>TTM Adjusted EBITDA</b>	<b>10,458</b>	<b>10,757</b>	<b>11,023</b>	<b>11,169</b>
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.24	4.12	4.02	3.95
Maximum Permitted Total Debt to EBITDA Ratio for the Defined Period	6.00	6.00	6.00	6.00
In Compliance	YES	YES	YES	YES
Minimum TTM EBITDA required	6,794	6,412	6,154	6,250
TTM EBITDA Cushion	3,664	4,346	4,869	4,919

Amounts for October 2018 through April 2019 defined per credit agreement

## Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ 2019 Financial Outlook
- ④ Special Topics and Executive Session
- ④ Appendix

## 2019 Financial Outlook | Summary P&L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Act	\$	%	
<b>Gross Revenue</b>	<b>\$ 51,431</b>	<b>\$ 54,275</b>	<b>\$ (2,844)</b>	<b>(5.2%)</b>	<b>\$ 50,276</b>	<b>\$ 1,154</b>	<b>2.3%</b>	
Adj. to Gross Revenue	(6,627)	(6,203)	(424)	6.8%	(6,409)	(218)	3.4%	
<b>Net Revenue</b>	<b>44,804</b>	<b>48,072</b>	<b>(3,268)</b>	<b>(6.8%)</b>	<b>43,867</b>	<b>937</b>	<b>2.1%</b>	
Material	15,958	15,717	241	1.5%	15,626	332	2.1%	
Labor	6,768	7,214	(446)	(6.2%)	6,473	295	4.6%	
Other COGS	2,928	2,955	(26)	(0.9%)	1,968	960	48.8%	
<b>Total COGS</b>	<b>25,655</b>	<b>25,886</b>	<b>(231)</b>	<b>(0.9%)</b>	<b>24,067</b>	<b>1,588</b>	<b>6.6%</b>	
<b>Gross Margin</b>	<b>19,150</b>	<b>22,186</b>	<b>(3,037)</b>	<b>(13.7%)</b>	<b>19,800</b>	<b>(651)</b>	<b>(3.3%)</b>	
<i>Gross Margin %</i>	<i>42.7%</i>	<i>46.2%</i>			<i>45.1%</i>			
R&D	1,926	2,511	(585)	(23.3%)	1,763	162	9.2%	
Sales & Marketing	4,396	4,930	(534)	(10.8%)	3,727	670	18.0%	
Administrative	8,544	5,407	3,137	58.0%	4,254	4,290	100.9%	
Other Opex	—	—	—	N/A	—	—	N/A	
<b>Total Opex</b>	<b>14,866</b>	<b>12,848</b>	<b>2,018</b>	<b>15.7%</b>	<b>9,744</b>	<b>5,122</b>	<b>52.6%</b>	
<b>EBITDA</b>	<b>4,283</b>	<b>9,338</b>	<b>(5,055)</b>	<b>(54.1%)</b>	<b>10,056</b>	<b>(5,773)</b>	<b>(57.4%)</b>	
<i>EBITDA %</i>	<i>9.6%</i>	<i>19.4%</i>			<i>22.9%</i>			
<b>Adj. EBITDA</b>	<b>11,168</b>	<b>12,190</b>	<b>(1,022)</b>	<b>(8.4%)</b>	<b>10,056</b>	<b>1,111</b>	<b>11.1%</b>	
<i>Adj. EBITDA %</i>	<i>24.9%</i>	<i>25.4%</i>			<i>22.9%</i>			
<b>Net Income (Loss)</b>	<b>\$ (1,068)</b>	<b>\$ 3,154</b>	<b>\$ (4,222)</b>	<b>(133.9%)</b>	<b>\$ 8,802</b>	<b>\$ (9,870)</b>	<b>(112.1%)</b>	
<b>Capex</b>	<b>\$ 820</b>	<b>\$ 1,366</b>	<b>\$ (546)</b>	<b>(40.0%)</b>	<b>\$ 1,412</b>	<b>\$ (592)</b>	<b>(41.9%)</b>	

## 2019 Financial Outlook | Opex Summary

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Act	\$	%	
<b>Opex Overview:</b>								
Payroll	\$ 3,558	\$ 3,591	\$ (33)	(0.9%)	\$ 3,716	\$ (158)	(4.2%)	
Overtime	3	9	(7)	(71.0%)	5	(2)	(47.0%)	
Benefits	704	588	116	19.8%	967	(264)	(27.2%)	
Bonus	277	445	(168)	(37.7%)	193	84	43.7%	
Commissions	422	761	(339)	(44.5%)	222	200	90.3%	
Marketing	395	311	84	27.1%	546	(151)	(27.7%)	
Travel and Entertainment	465	495	(30)	(6.1%)	434	31	7.1%	
Insurance	9	33	(24)	(72.1%)	36	(27)	(74.5%)	
Professional Fees	6,979	4,421	2,559	57.9%	1,996	4,984	249.7%	
Utl., Repair, Maint., & Sec.	25	52	(27)	(51.7%)	73	(48)	(65.9%)	
IT	1,050	1,003	47	4.7%	538	513	95.4%	
Bad Debts	68	0	68	N/A	55	13	23.4%	
Supplies	68	128	(60)	(46.6%)	67	1	2.0%	
Other Expenses	520	703	(182)	(26.0%)	897	(376)	(42.0%)	
<b>Total Opex</b>	<b>\$ 14,866</b>	<b>\$ 12,847</b>	<b>\$ 2,018</b>	<b>15.7%</b>	<b>\$ 9,744</b>	<b>\$ 5,122</b>	<b>52.6%</b>	



# 2019 Financial Outlook | Monthly P&L

\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var		PY	Var	
	Act	Act	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Gross Revenue	\$ 3,737	\$ 4,592	\$ 4,440	\$ 4,311	\$ 3,933	\$ 5,195	\$ 4,885	\$ 3,532	\$ 3,825	\$ 5,043	\$ 4,055	\$ 3,882	\$ 51,431	\$ 54,275	\$ (2,844)	(5.2%)	\$ 50,276	\$ 1,154	2.3%
Adj. to Gross Revenue	(387)	(504)	(536)	(538)	(698)	(782)	(626)	(474)	(629)	(564)	(453)	(434)	(6,627)	(6,203)	(424)	6.8%	(6,409)	(218)	3.4%
Net Revenue	3,350	4,088	3,904	3,773	3,235	4,413	4,259	3,058	3,196	4,480	3,601	3,448	44,804	48,072	(3,268)	(6.8%)	43,867	937	2.1%
Material	1,083	1,424	1,272	1,488	1,169	1,485	1,516	1,722	1,067	1,425	1,166	1,142	15,958	15,717	241	1.5%	15,626	332	2.1%
Labor	621	550	539	632	543	489	656	533	528	642	523	511	6,768	7,214	(446)	(6.2%)	6,473	295	4.6%
Other COGS	190	292	255	184	168	311	310	236	198	301	245	239	2,928	2,955	(26)	(0.9%)	1,968	960	48.8%
Total COGS	1,894	2,266	2,066	2,303	1,881	2,284	2,482	2,490	1,793	2,368	1,934	1,893	25,655	25,886	(231)	(0.9%)	24,067	1,588	6.6%
Gross Margin	1,456	1,821	1,838	1,469	1,354	2,129	1,777	567	1,403	2,111	1,668	1,555	19,150	22,186	(3,037)	(13.7%)	19,800	(651)	(3.3%)
Gross Margin %	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.9%	47.1%	46.3%	45.1%	42.7%	46.2%			45.1%		
R&D	133	112	103	109	109	84	176	116	114	294	276	301	1,926	2,511	(585)	(23.3%)	1,763	162	9.2%
Sales & Marketing	374	336	315	308	305	240	388	402	338	466	474	450	4,396	4,930	(534)	(10.8%)	3,727	670	18.0%
Administrative	390	362	297	348	306	656	513	3,754	480	370	381	686	8,544	5,407	3,137	58.0%	4,254	4,290	100.9%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—	—	N/A
Total Opex	898	810	715	765	720	980	1,077	4,272	932	1,129	1,131	1,436	14,866	12,848	2,018	15.7%	9,744	5,122	52.6%
EBITDA	559	1,011	1,123	705	634	1,149	700	(3,704)	471	982	536	119	4,283	9,338	(5,055)	(54.1%)	10,056	(5,773)	(57.4%)
EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	14.7%	21.9%	14.9%	3.4%	9.6%	19.4%			22.9%		
Adj. EBITDA	559	1,011	1,123	705	634	1,653	1,064	800	771	1,245	870	734	11,168	12,190	(1,022)	(8.4%)	10,056	1,111	11.1%
Adj. EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	23.8%	27.8%	24.1%	21.3%	24.9%	25.4%			22.9%		
Net Income (Loss)	\$ 440	\$ 909	\$ 1,028	\$ 609	\$ 535	\$ 463	\$ 41	\$ (4,947)	\$ 45	\$ 76	\$ 12	\$ (279)	\$ (1,068)	\$ 3,154	\$ (4,222)	(133.9%)	\$ 8,802	\$ (9,870)	(112.1%)
Capex	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ —	\$ —	\$ 3	\$ 283	\$ 223	\$ 63	\$ 820	\$ 1,366	\$ (546)	(40.0%)	\$ 1,412	\$ (592)	(41.9%)

## Q3 2019 Audit Committee Meeting Agenda

- ➔ Summary
- ➔ Controllershship Matters
- ➔ Financial Matters
- ➔ 2019 Financial Outlook
- ➔ Special Topics and Executive Session
- ➔ Appendix

## Special Topics and Executive Session

**Nothing to Report at this Time**

## Q3 2019 Audit Committee Meeting Agenda

- ➔ Summary
- ➔ Controllershship Matters
- ➔ Financial Matters
- ➔ 2019 Financial Outlook
- ➔ Special Topics and Executive Session
- ➔ Appendix

# Appendix | Standalone Costs

\$'000		Pre-close Proforma Standalone Costs					Post-Close Standalone Revised Costs								2019
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19		
IT	Description	81	81	81	81	81	24	39	207	39	39	42	42	837	
Manager	Salary and Benefits	12	12	12	12	12	9	9	9	9	9	9	9	124	
Analyst	Salary and Benefits	25	25	25	25	25	-	6	6	6	6	6	6	160	
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windd	14	14	14	14	14	10	16	177	7	7	7	7	297	
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	11	11	98	
Sales Force	Licensing	-	-	-	-	-	-	-	-	2	2	2	2	8	
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	4	2	2	2	2	2	2	99	
ERP tranisition licensing fees	Licensing	-	-	-	-	-	-	5	5	5	5	5	5	30	
Data Communications	Licensing	4	4	4	4	4	-	-	-	-	-	-	-	21	
Legal		34	34	34	34	34	19	19	19	19	19	19	19	303	
Headcount costs (1 FTE)	Salary and Benefits	16	16	16	16	16	-	-	-	-	-	-	-	78	
External legal fees and other expenses	Legal Fees	13	13	13	13	13	13	13	13	13	13	13	13	150	
Patent fees	Patent Fees	6	6	6	6	6	6	6	6	6	6	6	6	75	
Finance		29	29	29	29	29	28	30	30	30	30	30	30	352	
CFO	Salary and Benefits	19	19	19	19	19	19	21	21	21	21	21	21	238	
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	-	-	-	-	-	-	-	52	
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	9	9	62	
Sales		-	-	-	-	-	2	11	22	22	22	22	22	125	
VP of Sales	Salary and Benefits	-	-	-	-	-	2	11	22	22	22	22	22	125	
HR		6	6	6	6	6	2	2	2	2	8	8	8	59	
Specialist	Salary and Benefits	6	6	6	6	6	0	0	0	0	6	6	6	47	
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	0	0	0	0	2	
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	1	1	10	
Trade Compliance		8	8	8	8	8	1	1	1	1	1	1	1	50	
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	6	6	6	6	6	0	0	0	0	0	0	0	32	
Trade Flow software license	Trade Flow software license	2	2	2	2	2	1	1	1	1	1	1	1	18	
Bonuses	Incremental management bonuses	-	-	-	-	-	15	15	15	15	15	15	15	108	
Risk	Incremental cost of business insurances	24	24	24	24	24	16	16	16	16	16	16	16	232	
Freight	Adjust freight to actual charges versus allocation	77	77	77	77	77	42	42	42	42	42	42	42	676	
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	10	10	83	
Total Standalone Costs		262	262	262	262	262	159	185	364	196	202	205	205	2,826	

# Appendix | 1X Costs

\$'000		Revised AOP							2019 AOP
	Description	19-Jun AOP	19-Jul AOP	19-Aug AOP	19-Sep AOP	19-Oct AOP	19-Nov AOP	19-Dec AOP	
<b>IT</b>		<b>49</b>	<b>28</b>	<b>175</b>	<b>85</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>547</b>
IT Specialist	Gray Drohan consulting fees	49	20	20	20	20	20	20	169
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	–	8	155	65	50	50	50	378
<b>Legal/Professional Fees</b>		<b>433</b>	<b>247</b>	<b>66</b>	<b>41</b>	<b>51</b>	<b>46</b>	<b>41</b>	<b>925</b>
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	55	–	–	–	–	–	–	55
HR Specialist	Joel Tokarz consulting fees	213	60	18	18	18	18	18	363
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	95	164	–	–	–	–	–	259
OGX	Consulting Fees	23	23	23	23	23	23	23	161
Other	Navex, Affirmative Action Policy, Morgan Lewis DSS invoice	47	–	25	–	10	5	–	87
<b>Marketing/Rebranding</b>	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	<b>7</b>	<b>19</b>	<b>17</b>	<b>20</b>	<b>30</b>	<b>108</b>	<b>58</b>	<b>259</b>
<b>Payroll Implementation</b>	International GEO, Domestic PEO set up fees, visa transfer fees	<b>11</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27</b>
<b>Market Parity</b>	Products to catch up to competitors' offerings	<b>–</b>	<b>–</b>	<b>74</b>	<b>82</b>	<b>56</b>	<b>56</b>	<b>83</b>	<b>351</b>
<b>SA Closure</b>	Severance	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>310</b>	<b>310</b>
<b>TSA</b>		<b>87</b>	<b>87</b>	<b>78</b>	<b>73</b>	<b>73</b>	<b>70</b>	<b>70</b>	<b>535</b>
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	54	54	46	41	41	38	38	314
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	32	32	31	31	31	31	31	221
<b>Total 1X Costs</b>		<b>587</b>	<b>380</b>	<b>427</b>	<b>301</b>	<b>279</b>	<b>349</b>	<b>632</b>	<b>2,955</b>

# Appendix | Monthly Cost of Goods Sold by Component

\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var		PY	Var	
	Act	Act	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
<b>Material</b>																			
Material costs at standard	\$ 1,075	\$ 1,395	\$ 1,318	\$ 1,462	\$ 1,122	\$ 1,508	\$ 1,535	\$ 1,701	\$ 1,102	\$ 1,414	\$ 1,160	\$ 1,131	\$ 15,925	\$ 15,623	\$ 302	1.9%	\$ 14,987	\$ 937	6.3%
Materials FX loss / (gain)	–	(0)	0	–	–	–	–	(0)	0	–	–	–	(0)	(0)	(0)	35.8%	(2)	2	(91.7%)
Purchase price variance	14	(32)	(48)	14	(44)	(45)	(65)	(36)	(64)	6	5	5	(288)	37	(325)	(888.7%)	68	(356)	(526.3%)
Freight in	57	82	58	38	84	30	41	25	35	25	18	23	516	475	41	8.6%	681	(165)	(24.2%)
Cost revision	(50)	(30)	(50)	(50)	(50)	–	–	–	–	–	–	–	(232)	(232)	–	0.0%	–	(232)	N/A
Scrap costs	5	(11)	(54)	11	47	(11)	10	5	(2)	(29)	(23)	(23)	(75)	(254)	179	(70.6%)	(200)	125	(62.7%)
Consumables	(18)	20	49	12	11	2	(5)	26	(5)	8	6	6	113	69	44	63.4%	92	20	22.0%
<b>Total Material COGS</b>	<b>\$ 1,083</b>	<b>\$ 1,424</b>	<b>\$ 1,272</b>	<b>\$ 1,488</b>	<b>\$ 1,169</b>	<b>\$ 1,485</b>	<b>\$ 1,516</b>	<b>\$ 1,722</b>	<b>\$ 1,067</b>	<b>\$ 1,425</b>	<b>\$ 1,166</b>	<b>\$ 1,142</b>	<b>\$ 15,958</b>	<b>\$ 15,717</b>	<b>\$ 241</b>	<b>1.5%</b>	<b>\$ 15,626</b>	<b>\$ 332</b>	<b>2.1%</b>
<b>Labor</b>																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 290	\$ 246	\$ 235	\$ 297	\$ 207	\$ 194	\$ 2,973	\$ 3,307	\$ (335)	(10.1%)	\$ 2,736	\$ 236	8.6%
Direct labor - overtime	15	19	17	16	8	14	19	16	27	13	15	16	195	143	52	36.6%	194	1	0.7%
Direct labor - benefits	102	83	81	98	81	80	92	72	66	125	101	101	1,081	1,314	(233)	(17.7%)	971	110	11.3%
Indirect labor	168	161	158	167	164	149	182	135	145	158	153	153	1,893	1,861	32	1.7%	1,971	(78)	(4.0%)
Indirect labor – benefits	60	48	48	57	47	29	73	64	57	50	47	47	626	589	37	6.3%	600	26	4.3%
<b>Total Labor COGS</b>	<b>\$ 621</b>	<b>\$ 550</b>	<b>\$ 539</b>	<b>\$ 632</b>	<b>\$ 543</b>	<b>\$ 489</b>	<b>\$ 656</b>	<b>\$ 533</b>	<b>\$ 528</b>	<b>\$ 642</b>	<b>\$ 523</b>	<b>\$ 511</b>	<b>\$ 6,768</b>	<b>\$ 7,214</b>	<b>\$ (446)</b>	<b>(6.2%)</b>	<b>\$ 6,473</b>	<b>\$ 295</b>	<b>4.6%</b>
<b>Other</b>																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 12	\$ 14	\$ 21	\$ 17	\$ 17	\$ 205	\$ 199	\$ 6	2.9%	\$ 220	\$ (15)	(6.7%)
Rent / facilities	206	215	193	167	157	178	199	175	155	187	169	167	2,167	2,140	27	1.3%	979	1,188	121.3%
Utilities	22	25	21	22	21	21	24	25	28	29	23	23	284	293	(9)	(3.0%)	300	(15)	(5.1%)
Other cost of sales	(50)	46	5	(29)	(21)	98	65	23	0	65	36	33	271	322	(51)	(15.8%)	469	(198)	(42.2%)
<b>Total Other COGS</b>	<b>\$ 190</b>	<b>\$ 292</b>	<b>\$ 255</b>	<b>\$ 184</b>	<b>\$ 168</b>	<b>\$ 311</b>	<b>\$ 310</b>	<b>\$ 236</b>	<b>\$ 198</b>	<b>\$ 301</b>	<b>\$ 245</b>	<b>\$ 239</b>	<b>\$ 2,928</b>	<b>\$ 2,955</b>	<b>\$ (26)</b>	<b>(0.9%)</b>	<b>\$ 1,968</b>	<b>\$ 960</b>	<b>48.8%</b>
<b>Total COGS</b>	<b>\$ 1,894</b>	<b>\$ 2,266</b>	<b>\$ 2,066</b>	<b>\$ 2,303</b>	<b>\$ 1,881</b>	<b>\$ 2,284</b>	<b>\$ 2,482</b>	<b>\$ 2,490</b>	<b>\$ 1,793</b>	<b>\$ 2,368</b>	<b>\$ 1,934</b>	<b>\$ 1,893</b>	<b>\$ 25,655</b>	<b>\$ 25,886</b>	<b>\$ (231)</b>	<b>(5.5%)</b>	<b>\$ 24,067</b>	<b>\$ 1,588</b>	<b>55.5%</b>

## Appendix | Balance Sheet

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
\$'000	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b><u>Current Assets</u></b>												
Cash and cash equivalents	\$ 2,407	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 5,894	\$ 7,439	\$ 6,640	\$ 6,640	\$ 6,640	\$ -	0.0%
Accounts receivable, gross	7,203	8,117	8,149	7,047	7,131	7,512	6,940	6,424	6,424	6,424	-	0.0%
Accounts receivable, reserves	(156)	(177)	(195)	(195)	(186)	(135)	(125)	(116)	(116)	(116)	-	0.0%
Accounts receivable, net	7,047	7,940	7,955	6,852	6,945	7,376	6,816	6,309	6,309	6,309	-	0.0%
Inventory, gross	8,254	7,911	7,875	7,226	7,404	6,505	6,374	5,948	5,948	5,948	-	0.0%
Inventory, reserves	(466)	(458)	(548)	(467)	(462)	(455)	(446)	(416)	(416)	(416)	-	0.0%
Inventory, net	7,788	7,453	7,327	6,760	6,942	6,049	5,928	5,532	5,532	5,532	-	0.0%
Prepaid expenses and other current assets	81	46	273	196	142	173	157	141	141	141	-	0.0%
<b>Total Current Assets</b>	<b>17,324</b>	<b>18,317</b>	<b>19,135</b>	<b>18,825</b>	<b>17,629</b>	<b>19,493</b>	<b>20,340</b>	<b>18,621</b>	<b>18,621</b>	<b>18,621</b>	-	0.0%
<b><u>Non-Current Assets</u></b>												
Property, plant & equipment, gross	11,544	11,570	11,569	11,569	11,492	12,273	12,496	12,559	12,559	12,559	-	0.0%
Accumulated depreciation	(92)	(193)	(290)	(389)	(405)	(573)	(667)	(758)	(758)	(758)	-	0.0%
Property, plant & equipment, net	11,452	11,377	11,278	11,180	11,087	11,700	11,829	11,801	11,801	11,801	-	0.0%
Goodwill	44,975	44,972	44,974	44,223	45,034	43,723	43,473	43,223	43,223	43,223	-	0.0%
Identifiable intangible assets, gross	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	-	0.0%
Accumulated amortization	-	(1)	-	-	-	-	-	-	-	-	-	N/A
Identifiable intangible assets, net	15,100	15,099	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	-	0.0%
Deferred financing cost	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	-	0.0%
Other non-current assets	(8,873)	294	131	131	131	131	131	131	131	131	-	0.0%
<b>Total Non-Current Assets</b>	<b>64,299</b>	<b>73,389</b>	<b>73,129</b>	<b>72,280</b>	<b>72,999</b>	<b>72,301</b>	<b>72,180</b>	<b>71,901</b>	<b>71,901</b>	<b>71,901</b>	-	0.0%
<b>Total Assets</b>	<b>\$81,623</b>	<b>\$91,706</b>	<b>\$92,263</b>	<b>\$91,106</b>	<b>\$90,628</b>	<b>\$91,793</b>	<b>\$92,520</b>	<b>\$90,522</b>	<b>\$90,522</b>	<b>\$90,522</b>	\$ -	0.0%
<b><u>Current Liabilities</u></b>												
Current portion of long-term debt	\$ 892	\$ 892	\$ 892	\$ 892	\$ 1,003	\$ 1,003	\$ 1,003	\$ 1,115	\$ 1,115	\$ 1,115	\$ -	0.0%
Accounts payable	2,966	3,682	3,374	3,531	3,483	3,921	4,191	4,041	4,041	4,041	-	0.0%
Accrued liabilities	601	891	1,370	1,804	1,564	1,535	1,816	1,226	1,226	1,226	-	0.0%
Accrued compensation	149	179	287	302	321	277	311	347	347	347	-	0.0%
Income taxes payable	(0)	266	266	266	160	(130)	(2)	(792)	(792)	(792)	-	0.0%
Short-term unearned revenue	43	70	315	56	141	56	56	56	56	56	-	0.0%
<b>Total Current Liabilities</b>	<b>5,450</b>	<b>5,981</b>	<b>6,505</b>	<b>6,851</b>	<b>6,671</b>	<b>6,662</b>	<b>7,377</b>	<b>5,993</b>	<b>5,993</b>	<b>5,993</b>	-	0.0%
<b><u>Long-term liabilities</u></b>												
Long-term debt less current maturities	43,694	43,694	43,694	43,694	43,360	43,360	43,360	43,025	43,025	43,025	-	0.0%
Deferred income taxes	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	-	0.0%
Other non-current liabilities	46	87	87	87	87	87	87	87	87	87	-	0.0%
<b>Total Long-Term Liabilities</b>	<b>46,729</b>	<b>46,770</b>	<b>46,770</b>	<b>46,770</b>	<b>46,436</b>	<b>46,436</b>	<b>46,436</b>	<b>46,102</b>	<b>46,102</b>	<b>46,102</b>	-	0.0%
<b>Total Liabilities</b>	<b>52,179</b>	<b>52,751</b>	<b>53,275</b>	<b>53,621</b>	<b>53,108</b>	<b>53,098</b>	<b>53,813</b>	<b>52,094</b>	<b>52,094</b>	<b>52,094</b>	-	0.0%
<b><u>Shareholders' Equity</u></b>												
Common stock	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	-	0.0%
Retained earnings	(16,975)	(2,644)	(2,593)	(4,098)	(4,054)	(2,887)	(2,876)	(3,155)	(3,155)	(3,155)	-	0.0%
Accumulated other comprehensive income	1,336	1,370	1,352	1,354	1,346	1,354	1,354	1,354	1,354	1,354	-	0.0%
Other equity transactions	4,855	1	1	1	1	1	1	1	1	1	-	0.0%
<b>Total Shareholders' Equity</b>	<b>29,444</b>	<b>38,955</b>	<b>38,988</b>	<b>37,484</b>	<b>37,521</b>	<b>38,695</b>	<b>38,707</b>	<b>38,428</b>	<b>38,428</b>	<b>38,428</b>	-	0.0%
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$81,623</b>	<b>\$91,706</b>	<b>\$92,262</b>	<b>\$91,106</b>	<b>\$90,628</b>	<b>\$91,793</b>	<b>\$92,520</b>	<b>\$90,522</b>	<b>\$90,522</b>	<b>\$90,522</b>	\$ -	0.0%



## Appendix | Cash Flow Summary

\$'000	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>											
Net Income (Loss)	\$ 463	\$ 41	\$ (4,947)	\$ 45	\$ 76	\$ 12	\$ (279)	\$ (4,589)	\$ 60	\$ (4,649)	(7761.3%)
Depreciation, amortization and other	104	96	849	(795)	344	343	341	1,282	1,758	(476)	(27.1%)
<i>Change in operating assets and liabilities:</i>									\$ -		
Accounts receivable	(893)	(15)	1,102	(93)	(380)	561	507	790	1,107	(317)	(28.6%)
Inventory	335	126	567	(182)	(163)	121	396	1,201	1,611	(410)	(25.5%)
Prepaid expenses and other current assets	35	(227)	77	54	16	16	16	(12)	(81)	69	(85.4%)
Accounts payable	717	(308)	157	(48)	(371)	271	(150)	267	350	(83)	(23.7%)
Accrued expenses	290	479	433	(240)	317	281	(590)	970	472	499	105.6%
Accrued income taxes	266	0	(0)	(106)	259	128	(791)	(243)	(1,291)	1,047	(81.1%)
Other changes in operating assets and liabilities	(9,069)	515	(243)	103	(97)	34	36	(8,720)	236	(8,956)	(3796.9%)
Other cash flow from operations	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ (7,751)</b>	<b>\$ 708</b>	<b>\$ (2,004)</b>	<b>\$ (1,262)</b>	<b>\$ 1</b>	<b>\$ 1,768</b>	<b>\$ (514)</b>	<b>\$ (9,054)</b>	<b>\$ 4,222</b>	<b>\$ (13,276)</b>	<b>(314.5%)</b>
<b>Cash flow from investing</b>											
Additions to property, plant and equipment	\$ (26)	\$ 1	\$ (0)	\$ 77	\$ (283)	\$ (223)	\$ (63)	\$ (516)	\$ (990)	\$ 474	(47.9%)
<b>Total Cash Flow from Investing</b>	<b>\$ (26)</b>	<b>\$ 1</b>	<b>\$ (0)</b>	<b>\$ 77</b>	<b>\$ (283)</b>	<b>\$ (223)</b>	<b>\$ (63)</b>	<b>\$ (516)</b>	<b>\$ (990)</b>	<b>\$ 474</b>	<b>(47.9%)</b>
<b>Cash flow from financing</b>											
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800)	\$ (800)	\$ -	0.0%
Proceeds from the issuance of debt	-	-	-	-	-	-	-	-	-	-	N/A
Repayment of debt	-	-	-	(223)	-	-	(223)	(446)	(446)	0	(0.1%)
Other cash flow from financing costs	9,048	(9)	3,443	(9)	0	0	-	12,474	225	12,249	5438.8%
<b>Total Cash Flow from Financing</b>	<b>\$ 8,248</b>	<b>\$ (9)</b>	<b>\$ 3,443</b>	<b>\$ (232)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (223)</b>	<b>\$ 11,228</b>	<b>\$ (1,021)</b>	<b>\$ 12,249</b>	<b>(1200.1%)</b>
<b>Effect of FX rates on cash and cash equivalents</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>N/A</b>
<b>Net change in cash</b>	<b>\$ 471</b>	<b>\$ 701</b>	<b>\$ 1,439</b>	<b>\$ (1,417)</b>	<b>\$ (281)</b>	<b>\$ 1,546</b>	<b>\$ (800)</b>	<b>\$ 1,658</b>	<b>\$ 2,211</b>	<b>\$ (554)</b>	<b>(25.0%)</b>
Beginning cash	2,407	2,878	3,579	5,017	6,175	5,894	7,439	2,407	4,429	(2,021)	(45.6%)
Change in cash	471	701	1,439	(1,417)	(281)	1,546	(800)	1,658	2,211	(554)	(25.0%)
<b>Ending cash</b>	<b>\$ 2,878</b>	<b>\$ 3,579</b>	<b>\$ 5,017</b>	<b>\$ 3,600</b>	<b>\$ 5,894</b>	<b>\$ 7,439</b>	<b>\$ 6,640</b>	<b>\$ 6,640</b>	<b>\$ 6,640</b>	<b>\$ 0</b>	<b>0.0%</b>

Forecast and Budgeted Cash Flow has been updated to reflect opening balance sheet position. Full year Cash Flow calculated from May 30<sup>th</sup> 2019.

## Appendix | Headcount by Month

Month	Direct Labor	Indirect Labor - Hourly	Indirect Labor - Salary	Delivery & Dist.	Research & Development	Sales & Marketing	Administrative	Other	Total Permanent	Agency FTE & Temps	Total Headcount	Bud Headcount	Difference to Bud
2019 January (A)	67	–	18	7	10	17	7	–	126	6	132	143	(11)
2019 February (A)	65	–	19	7	10	17	7	–	125	6	131	143	(12)
2019 March (A)	65	–	19	7	10	16	7	–	124	5	129	143	(14)
2019 April (A)	65	–	19	7	10	16	7	–	124	9	133	143	(10)
2019 May (A)	64	–	19	7	10	16	7	–	123	8	131	143	(12)
2019 June (A)	63	–	19	7	10	17	8	–	124	8	132	145	(13)
2019 July (A)	62	–	19	7	10	19	10	–	127	9	136	147	(11)
2019 August (A)	63	–	19	7	10	20	10	–	129	12	141	147	(6)
2019 September (A)	61	–	19	7	10	20	10	–	127	12	139	147	(8)
2019 October (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
2019 November (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
2019 December (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
<b>Final Headcount</b>	<b>71</b>	<b>–</b>	<b>18</b>	<b>7</b>	<b>10</b>	<b>21</b>	<b>11</b>	<b>–</b>	<b>138</b>	<b>10</b>	<b>148</b>	<b>148</b>	<b>–</b>