



## Quarterly Operating Review – March 2020

April 21, 2020

# Quarterly Operating Review Agenda

- ➔ **Executive Summary**
- ➔ Financial Review
- ➔ Governance Reporting
- ➔ Appendix

## Hits

- MTD ASP \$826 vs budget of \$771.
- MTD strong upfront attach rate of 44%.
- Q1 2020 subscription invoiced sales \$3.2m vs budget of \$3.1m. Q1 2019 was \$1.7m.
- Adj. EBITDA for March was \$(31k) compared to budget of \$(255k). Q1 2020 was \$(942k) compared to budget of \$(1.2m). Q1 2019 was \$(80k).
- Solstice Cloud Management and Solstice Active Learning were launched at the end of March/beginning of April
- Solstice Conference is still set for end of May release
- Refactored Miracast on schedule for release in late April/early May
- COVID-19 response – all facets of business have been adapted to function optimally to the ‘new normal’

## Organization/Workforce

- Key hires include a Vice President of Channel Sales and a Regional Sales Director for the West
- All but “essential” employees sent to work from home the week of March 9<sup>th</sup>
- Took measures to protect core team of “essential” workers in the office
- Put COVID-19 communications plan in place; includes more frequent Town Halls and communications from leadership, updated policies and resources
- Supported three employees who contracted Coronavirus in March

## Customer Adoption

- Existing customers – Nike (\$399k), WeWork (\$139k), BAMTECH Media (\$95k), Manchester University (\$77k), Comcast (\$68k).
- New/Land orders – UT-Dallas (\$92k), Reliance Standard Life Insurance Company (\$55k), University of Wollongong in Dubai(\$42k), Community College of Baltimore (\$34k).

# Executive Summary (Continued)

## Misses

- March invoiced sales were \$3.4m compared to target of \$5.2m. Bookings were \$3.4m compared to a \$5.2m target. There was backlog of \$226k at month end. March 2019 was \$3.8m.
- March subscription sales at \$770k compared to plan of \$1.1m. March 2019 was \$566k.
- Invoiced EBITDA for March was \$140k compared to budget of \$394k. March 2019 was \$891k. Q1 2020 was \$202k compared to budget of \$550k. Q1 2019 was \$1.2m.
- March GAAP Revenue is \$3.2m which is below plan of \$4.6m. March 2019 was \$3.1m. Q1 2020 was \$9.5m compared to budget of \$12.6m. Q1 2019 was \$7.7m.
- WeWork monthly sales lowest in 2 years
- Voluntary resignation of Chief Marketing Officer, Martin Payne

## Key Go-Forward Actions

- Unknown impact of COVID-19 – travel restrictions, meetings and shows cancelled, offices closed, projects delayed, budgets frozen, reduction in cash collections;
  - Cost cutting measure in place – salary reductions for highest earners (10%-20% progressive, 25% and 30% for execs), hiring freeze and accelerated attrition for marginal performers
  - Adapted business practices – Support techs and inside sales doing credit collections, culture craft – Mersive Mingles, poker, trivia, online happy hour
  - Marketing program spend reduced by 90%
  - Eliminated matching portion of 401K
  - Sales activities and in-person events have moved 100% to web conferencing, webinars, live streaming 'office hour', podcasts
  - Smart and Mersive have agreed to a deferred payment plan
- Professional Development – we selected LinkedIn Learning for management and leadership training for our Senior Management team and rolled out in March – the timing could not have been better given the stay at home edict we've seen a surge in usage
- Continuing work on NetSuite and Sales Force integration led by Megan Callaghan – quoting now live in Salesforce, sales dashboard for channel partners in Salesforce

# Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>▪ <b>New Product Launches</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales Shortfall</li> <li>▪ Competitive Positioning</li> <li>▪ Market Adoption</li> <li>▪ Installed Base Growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Version 4.5, Solstice Active Learning and Solstice Cloud Management set to released on 3/29</b></li> <li>▪ <b>Solstice Conference set to release on or about 4/15 – delayed to May 31</b></li> <li>▪ <b>Focus on significant amount of marketing awareness campaigns leading up to release</b></li> <li>▪ <b>Intensive sales demo activity leading up to release</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Customer Operations</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Cost savings</li> <li>▪ Customer Satisfaction</li> <li>▪ Deployment Friction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued focus on customer onboarding</li> <li>▪ Improved RMA process - <b>\$125K in credits</b></li> <li>▪ Better inventory controls</li> <li>▪ Operations as strategic differentiator</li> </ul>
<ul style="list-style-type: none"> <li>▪ AV industry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our competitors are all in the process of launching a video conference integration capability – <b>Barco has been quiet on the conferencing feature</b></li> <li>▪ <b>Numerous lay-offs, furloughs and reduction in force</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure timely release of Solstice Video Conference Integration – <b>on schedule for Active Learning and Solstice Management</b></li> <li>▪ <b>Continue to focus on channel mindshare</b></li> <li>▪ <b>Rehired and appointed Amelia Vrabel VP Channels</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ Improve margin/EBITDA while continuing to invest and grow</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure to hit financial targets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Launch professional development training - <b>launched</b></li> <li>▪ Improve onboarding of new staff</li> <li>▪ Renegotiate Solstice BOM cost - <b>done</b></li> <li>▪ RMA and inventory process improvements – <b>done</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ HR/Staffing/Comp</li> </ul>	<ul style="list-style-type: none"> <li>▪ Productivity</li> <li>▪ OPEX</li> <li>▪ Morale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview training</li> <li>▪ Culture brand development</li> <li>▪ Professional Development - <b>launched</b></li> <li>▪ Staff training</li> </ul>
<ul style="list-style-type: none"> <li>▪ Sales Team Productivity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Move faster to hire empty territories</li> <li>▪ Improve onboarding</li> <li>▪ Double down in ‘hi-po’ territories</li> <li>▪ Continued focus on sales enablement</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Solstice Subscription Services</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Impact on enterprise value</li> <li>▪ Customer/technology scale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expand customer success inside sales team</li> <li>▪ 3 Q1 product launches that are Solstice Subscription priced</li> <li>▪ <b>Broad renewal/swap campaign</b></li> </ul>

# March '20- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> <li>• <b>Shell</b> – Ongoing Q&amp;A related to final decision – looking at SC</li> <li>• <b>Marathon Oil</b> – Solstice is in the spec for 149 room building–early '20</li> <li>• <b>IBM</b> – early evaluation for new HQ in Germany</li> <li>• <b>Northrop Grumman</b> – Land order in Q2 basis for standard discussion</li> <li>• <b>BP</b> – Made final cut. 75 unit pilot pending in Q2</li> <li>• <b>Continental AG</b> – In pilot but waiting for SC</li> <li>• <b>GM</b> – being evaluated for national standard in Austin and Detroit</li> <li>• <b>Morgan Stanley</b> – evaluation taking place in UK...Miracast</li> <li>• <b>Paypal</b> – evaluation taking place for global standard</li> <li>• <b>SC Johnson</b> – been told we've been selected as standard – 800 rooms</li> <li>• <b>Gentex</b> - evaluating bulk order vs phased purchased – Q2 decision</li> <li>• <b>7-Eleven</b> – AirMedia swap out – 100+ units in Q2</li> <li>• <b>Grainger</b> – about to standardize with a 100+ order - Q2 order</li> <li>• <b>Zillow</b> – new building late '20. Waveguide spec</li> <li>• <b>Raytheon</b> – Acquiring UTC and may adopt UTC Solstice standard</li> <li>• <b>UPS</b> – Replacing ~900 AirMedias in Q2</li> <li>• <b>DVAG Investments</b> – in pilot for 100+ rooms</li> <li>• <b>Nike EMEA</b> – 2020 stock order for 300+ units</li> <li>• <b>Warner Media (LA)</b> – 300+ rooms by July – standard pending</li> <li>• <b>Exertis Stocking Order (UK)</b> – quantities TBD</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Numerous C-19 delays</b></li> <li>• <b>Bloomberg</b> – paused pending Miracast. Awaiting firmer direction</li> <li>• <b>U of Hawaii</b> – Went all Extron</li> <li>• <b>Radford College (AU)</b> – List to Vivi due to price</li> <li>• <b>Mercedes Benz Financial</b> – stayed with Clickshare</li> <li>• <b>UT Chattanooga</b> – lost to Vivi as project was too far along</li> </ul>
Big Wins	
<ul style="list-style-type: none"> <li>• Nike - \$399K</li> <li>• WeWork – \$139K</li> <li>• BAMTECH Media - \$95K</li> <li>• U of Texas at Dallas - \$92K</li> <li>• Manchester University - \$77K</li> <li>• Comcast - \$68K</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance Standard Life Insurance - \$55K</li> <li>• Fifth Third Bank - \$49K</li> <li>• U of Illinois at Chicago - \$48K</li> <li>• Blue Cross Blue Shield - AZ - \$47K</li> <li>• Colby College - \$44K</li> <li>• U of Wollongong in Dubai - \$42K</li> </ul>

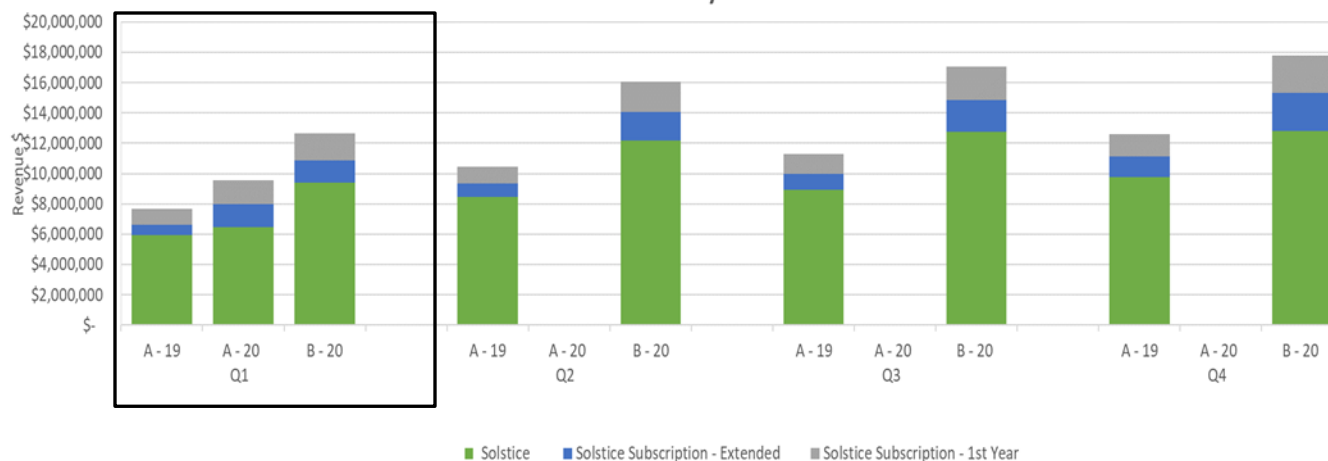
# Sales Metrics – Q1

## Invoiced Sales & Bookings



Q1 invoiced sales of \$10.7m is \$3.6M below budget of \$14.3M and \$1.7M above Q1-19 mostly due to weaker Solstice Sales.

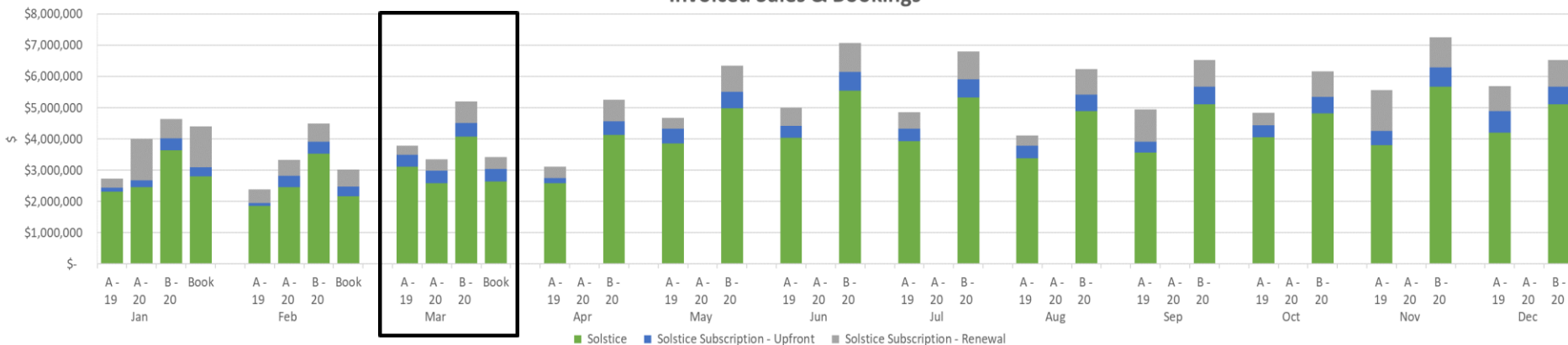
## Revenue by Product



Q1 revenue of \$9.6m is \$3.0m below budget of \$12.6m, due to lower than expected pod sales, but 2.0m above PY Q1.

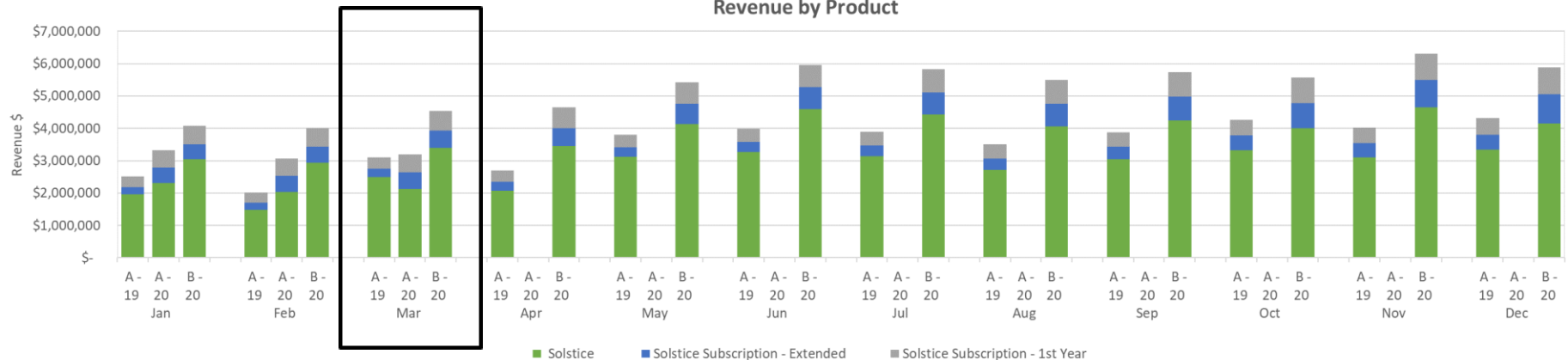
# Sales Metrics – Monthly Trend

## Invoiced Sales & Bookings



- March invoiced sales were \$3.4m compared to target of \$5.2m, which is 65% of budget and 89% of PY sales at 3.8m. This is a 17% MoM decrease. Bookings were \$3.4m compared to a \$5.2m target.
- YTD invoiced sales were \$10.7m compared to target of \$14.3m, which is 75% of budget.
- There was backlog of \$133k MTD and \$226k YTD.

## Revenue by Product

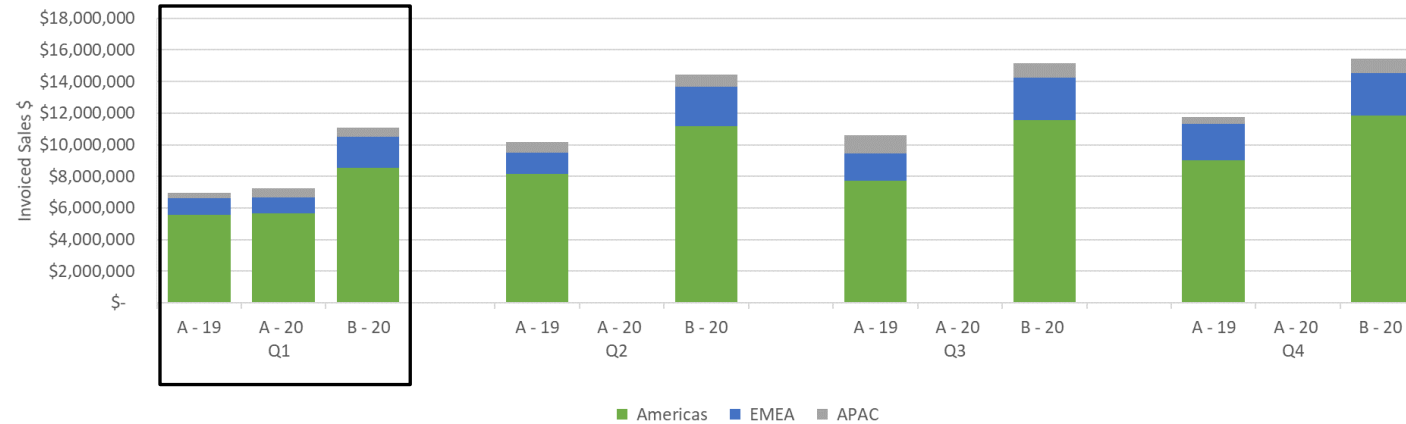


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 Budget
- MTD GAAP revenue was \$3.2m compared to budget of \$4.5m, due to lower than expected Solstice sales in Americas and EMEA. PY MTD GAAP was 3.1m.
- YTD GAAP revenue was 9.6m compared to budget of 12.6m, due to lower than expected Solstice sales in Americas and EMEA. PY YTD GAAP was 7.7m.



# Solstice Sales Metrics – Q1

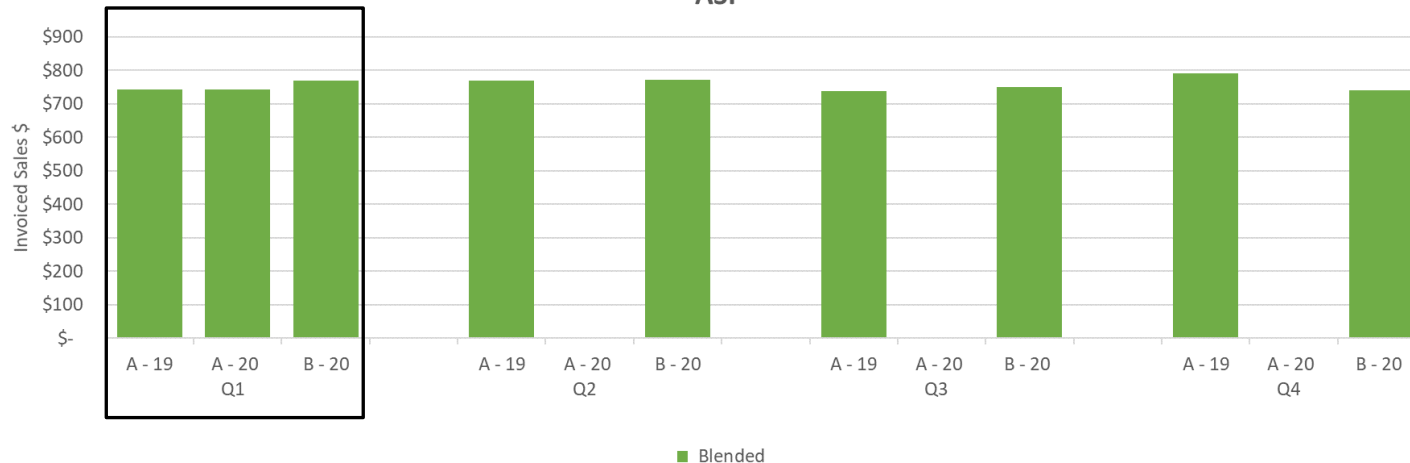
Solstice Sales by Region



Q1-20 Solstice sales of \$7.3m is below budget of \$11.1m by \$3.8m, but above Q1-19 of 7.0m by \$0.3m.

This underperformance was primarily driven by target shortfalls in Americas of 2.9m and EMEA of \$1.0m.

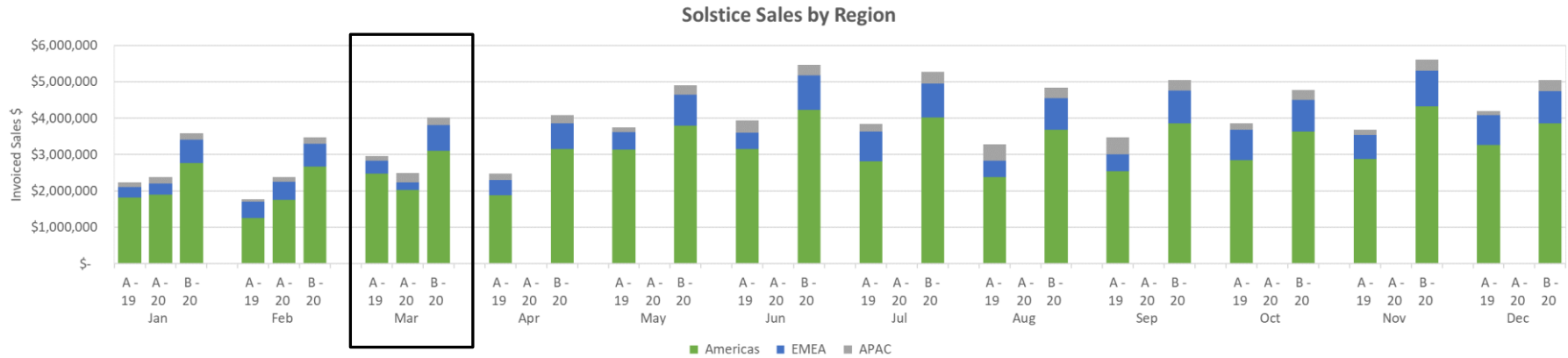
ASP



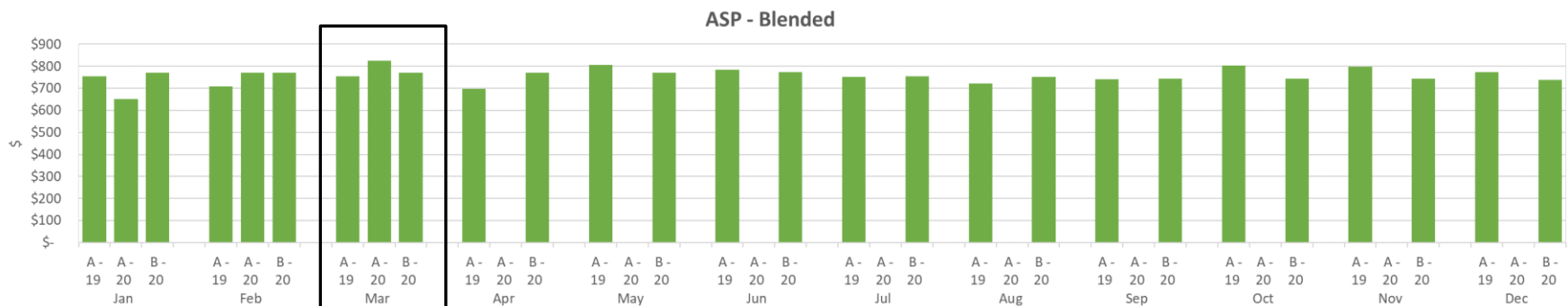
Overall ASP across all regions was \$743 in Q1, which is below plan of \$770. Americas and APAC drove the underperformance as Americas ASP was \$772 vs budget of \$828, while APAC was 584 vs Budget of 623

EMEA and APAC have an overall lower ASP than Americas due to all sales are through distributor channel.

# Solstice Invoiced Sales Metrics – Monthly Trend – Region

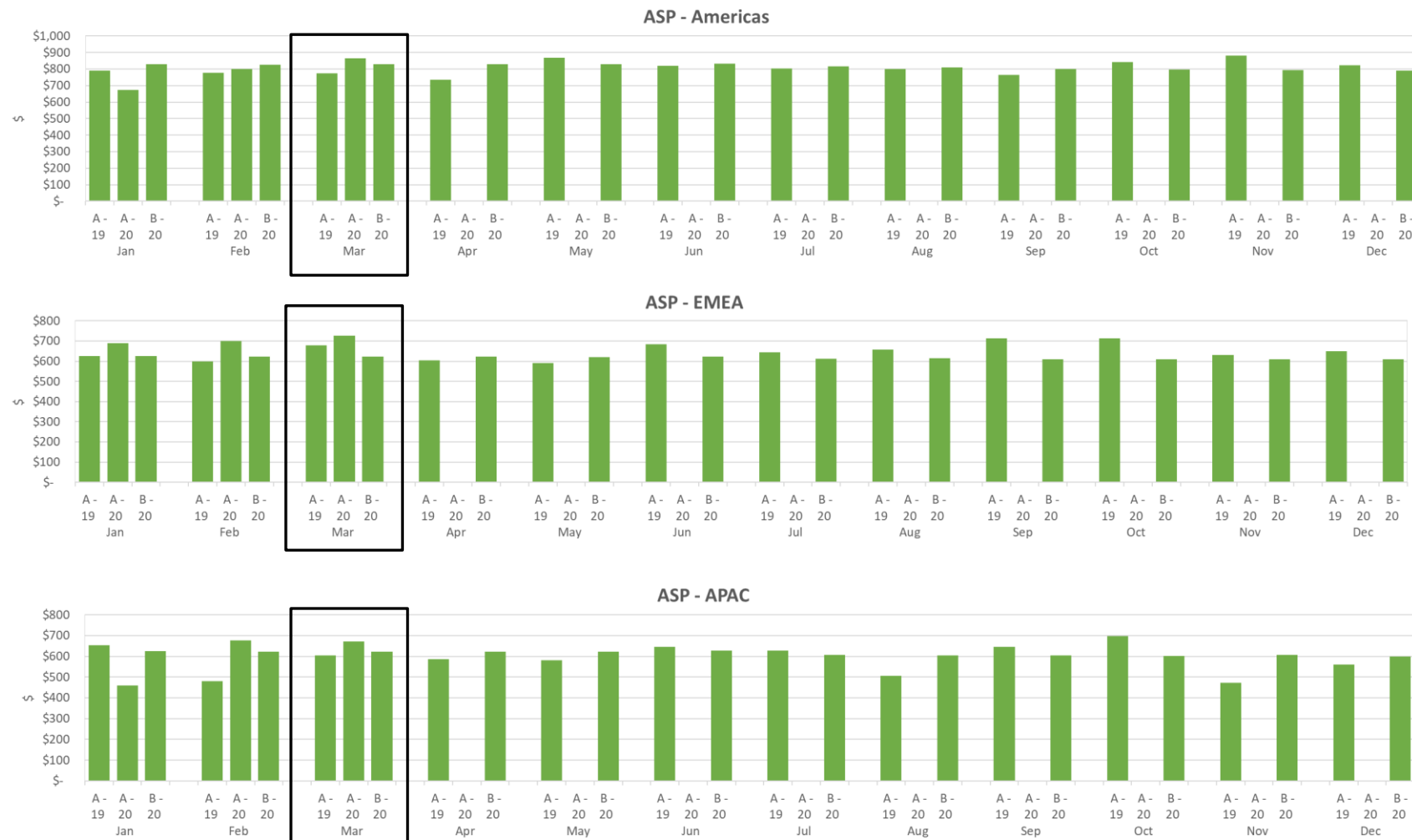


- March Solstice sales were \$2.5m compared to target of \$4.0m, which is 62% of budget and 84% of PY sales at 3.0m. March invoiced sales were below budget primarily due to underperformance in Americas and EMEA.
- YTD Solstice invoiced sales were \$7.3m compared to target of \$11.1, which is 65% of budget.
- March Solstice unit sales were 3,013 compared to target of 5,211, while PY was at 3,927.



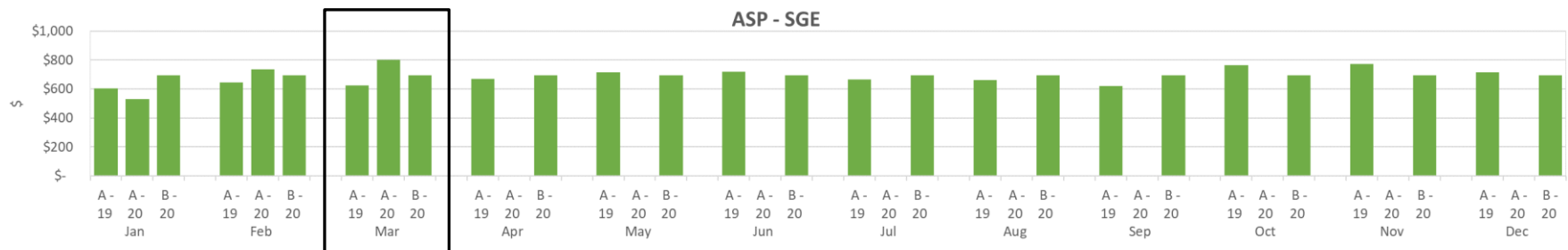
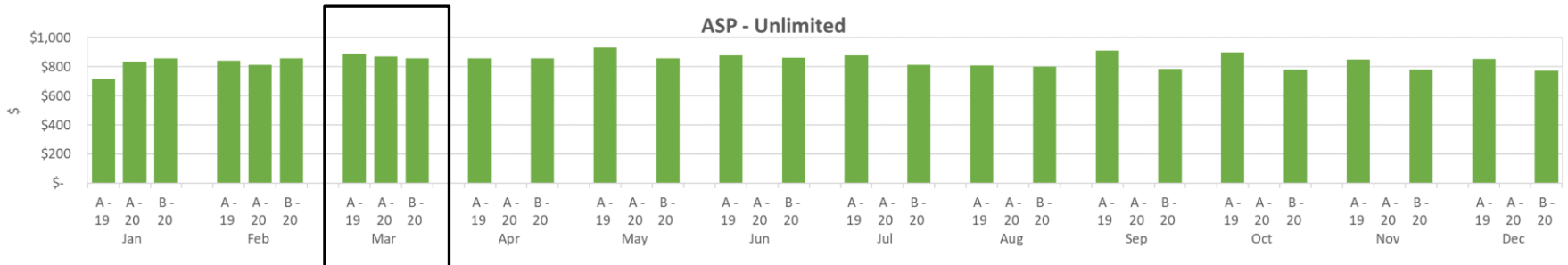
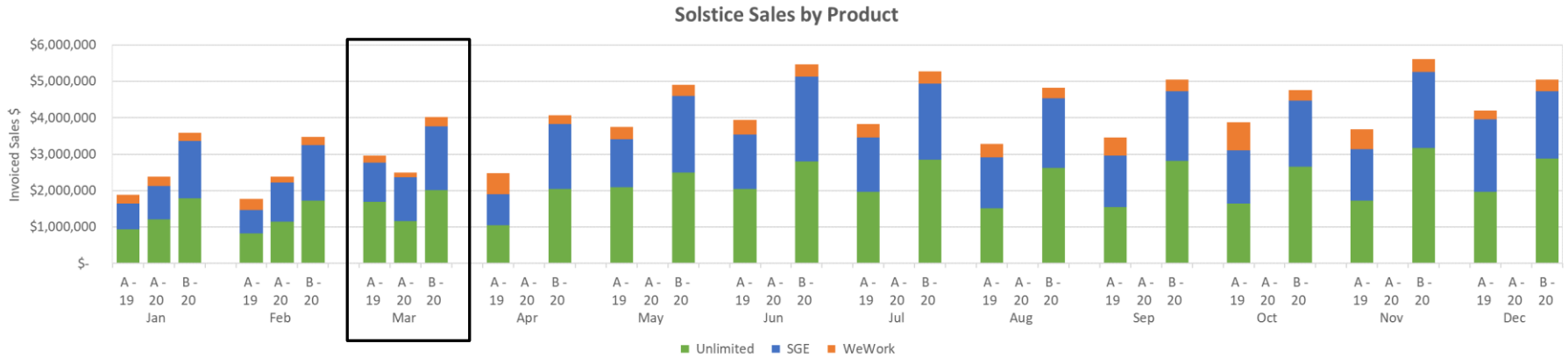
- Graph shows ASP by region historically and planned for remaining 2020
- Overall MTD ASP across all regions was \$826 including Gen 3 Solstice upgrades above plan of \$771, compared to \$753 in PY. This is due to higher than expected ASP in all regions.
- Solstice ASP excluding Solstice upgrades is \$871.

# ASP by Region – Monthly Trend



- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 81% actual vs 76% Target, EMEA 11% actual vs 18% Target, APAC 8% actual vs 5% target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
  - Americas - \$918 vs \$903 in prior month
  - EMEA - \$739 vs \$700 in prior month
  - APAC - \$693 vs \$676 in prior month

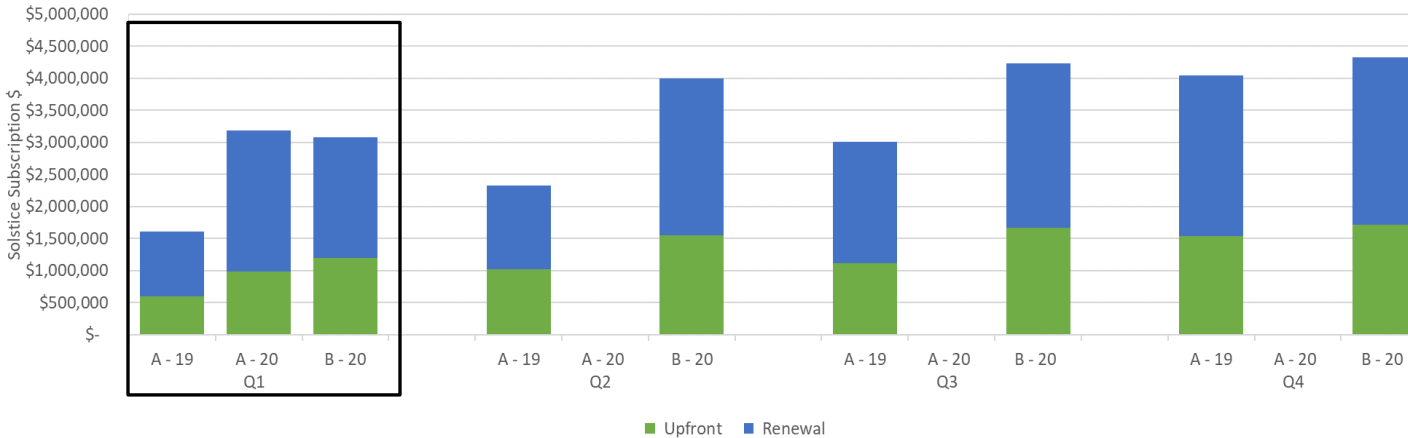
# Solstice Invoiced Sales Metrics – Monthly Trend - Product



- Unlimited - March invoiced Solstice sales were \$1.2m compared to target of \$2.0m vs PY of \$1.7m.
- SGE - March invoiced sales were \$1.2m compared to target of \$1.7m vs PY of \$1.1m.
- WeWork - March invoiced sales were \$124k compared to target of \$251k vs PY of \$193k.
- Unlimited – March ASP was \$870 compared to target of \$860 vs PY of \$891.
- SGE - March invoiced sales were \$800 compared to target of \$695 vs PY of \$624.

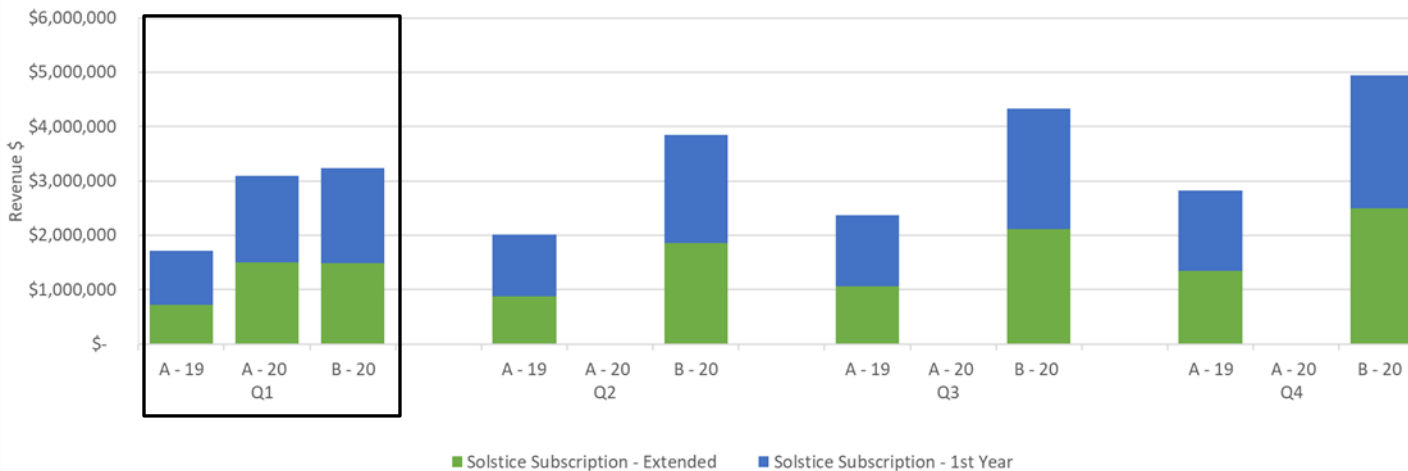
# Solstice Subscription Metrics – Q1

invoiced Sales - Solstice Subscription



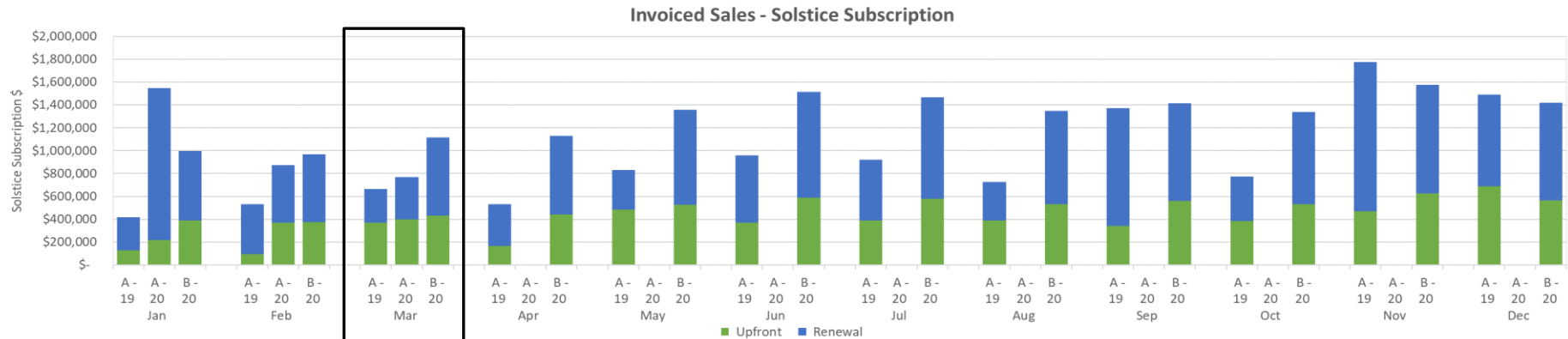
Overall Q1 invoiced sales for Solstice subscriptions was \$3.2m vs. budget of \$3.1m, which is 104% of plan vs \$1.6m in PY.

Solstice Subscription Revenue

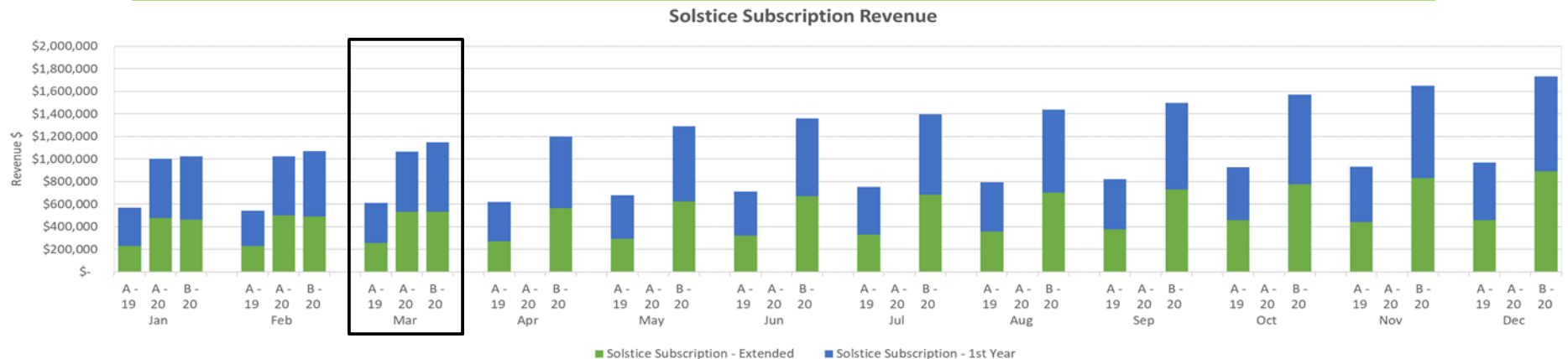


Solstice Subscription Revenue in Q1 was \$3.1m vs. budget of \$3.2m vs \$1.7m in PY. Note there is no direct correlation between invoiced sales in a particular month and revenue.

# Solstice Subscription Metrics – Monthly Trend

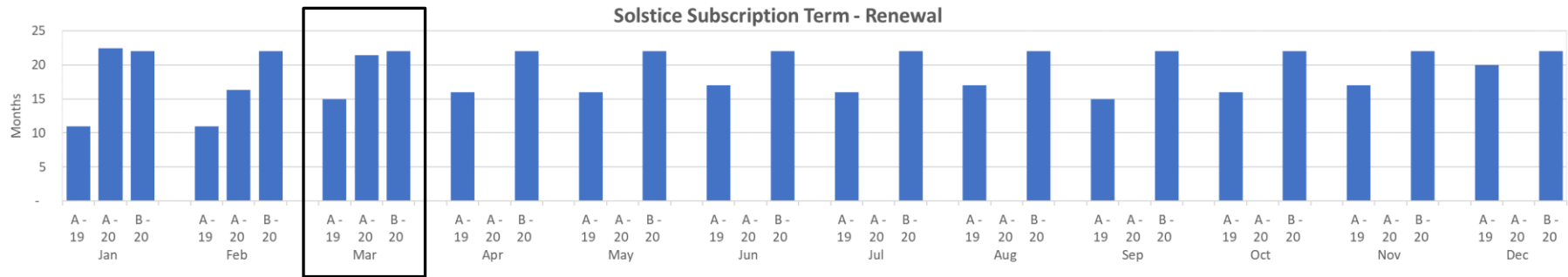


- March invoiced sales for solstice subscriptions was \$0.8m vs budget of \$1.1m, which is 69% of budget. PY was \$0.7m.
- YTD invoiced sales for solstice subscriptions was \$3.2m vs budget of \$3.1m, which is 104% of budget.
- March renewal ASP was \$246 compared to target of \$196 vs PY of \$165.
- March upfront ASP was \$300 compared to target of \$260 vs PY of \$266.
- Large renewal deals - Nike (63k), Blue Cross Blue Shield (37k), Baptist Health (25k)
- Large upfront deals - Nike (109k), Manchester University (42k), UT-Dallas (31k)

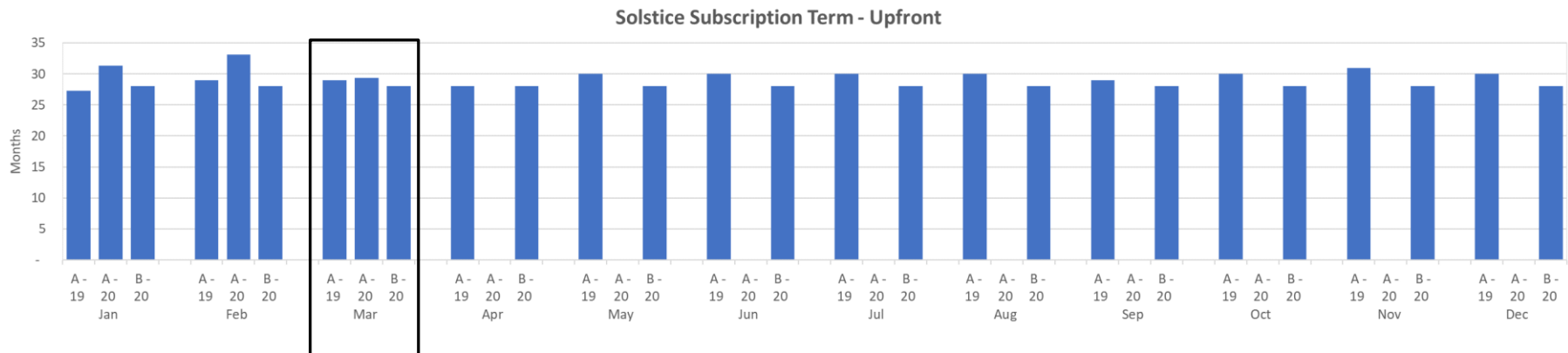


- March Solstice Subscription – Extended (renewal + upfront) was \$529k vs budget of \$534k vs PY of \$264k
- March Solstice Subscription – 1st year was \$535k vs budget of \$613k vs PY of \$351k
- March total Solstice Subscription was slightly under expectations at \$1.07m vs budget of \$1.15m, but above PY of \$614k
- YTD total Solstice Subscription is slightly under expectations at 2.1m vs budget of 2.3m vs PY of 1.8m

# Solstice Subscription Metrics – Average Subscription Term

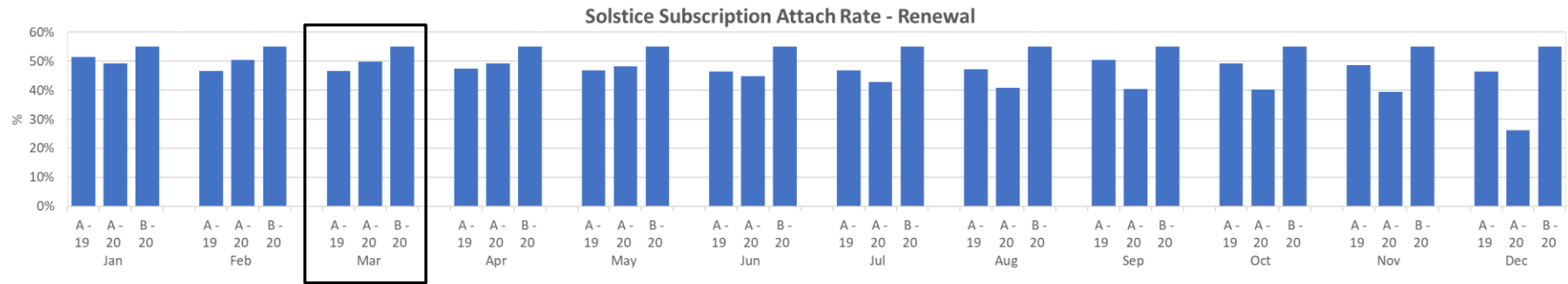


- Renewal average term was 21 months compared to target of 22 months.

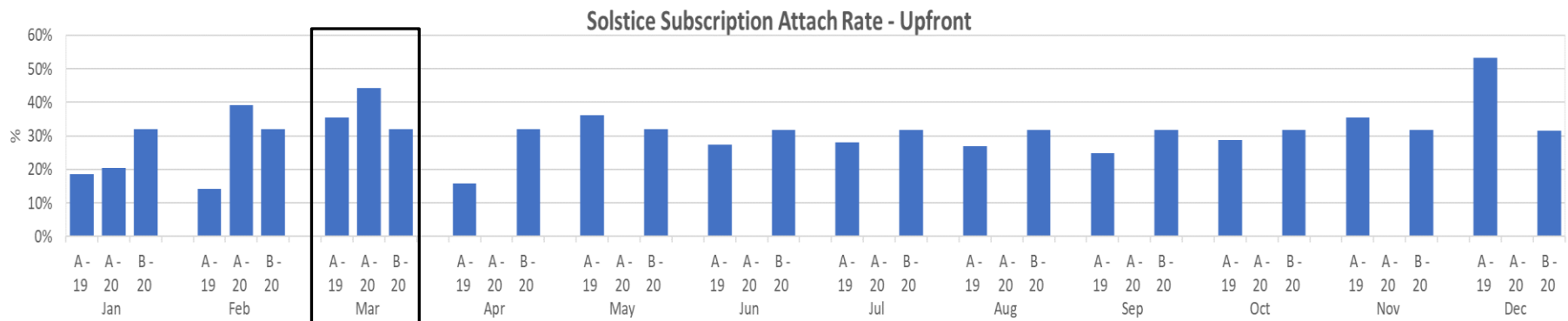


- Upfront average term was 29 months compared to target of 28 months.

# Solstice Subscription Metrics – Attach Rate

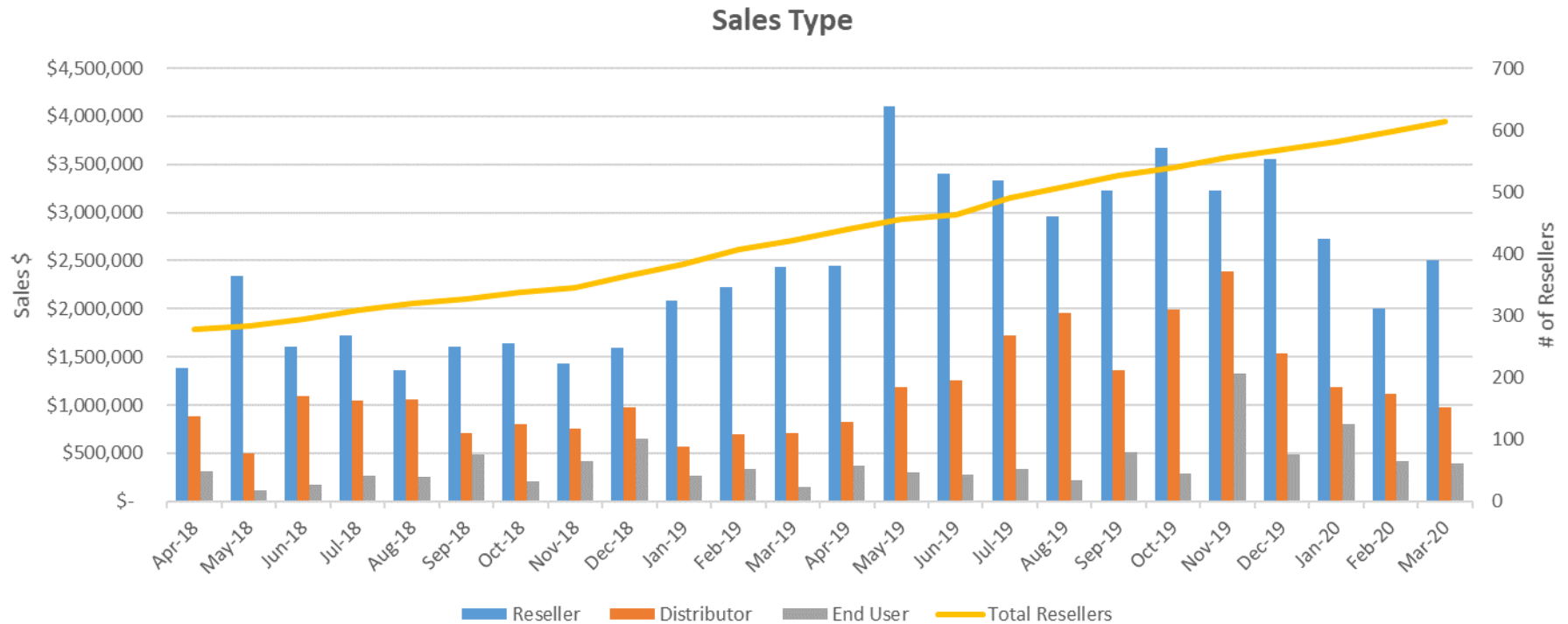


- Renewal rate was consistent at 50% during March and February. Target was 55%.



- Upfront attach rate increased to 44% during March above target of 32%.



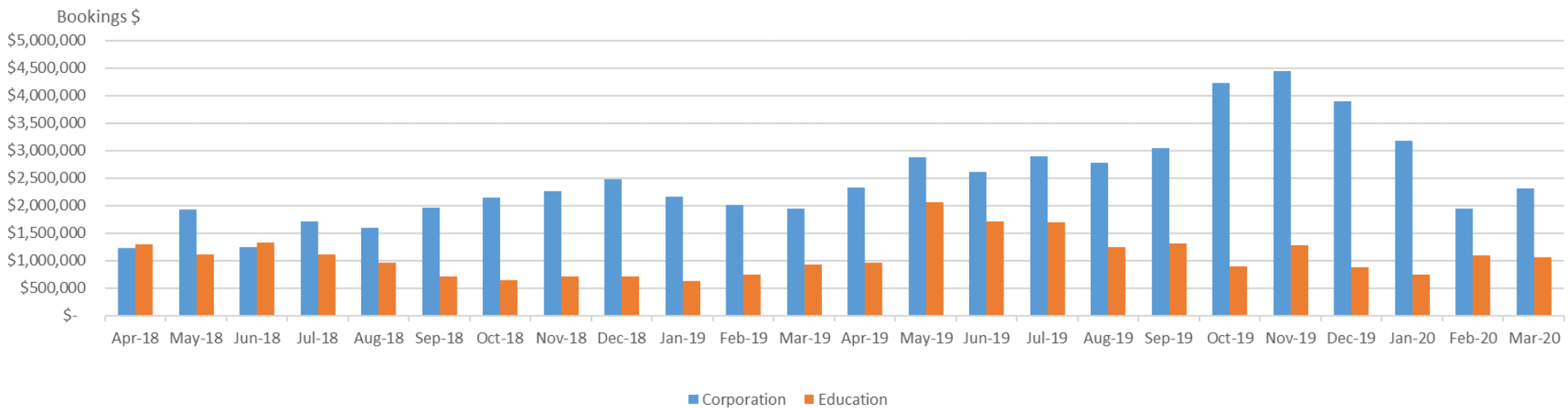


- Bookings
- New Resellers by Region:
  - TOLA = 3, West Coast = 1, Southeast = 3, Rocky Mountain = 1, Midwest = 5, Northeast = 1, LATAM = 1, EMEA = 1
  - Unique resellers in Mar 2020 were at 235 vs 230 for Feb 2020

# Customer Segment Metrics



Vertical



• Bookings excluding stocking orders and including sales out

# Top Customer Metrics - MTD

End User - Corporate	Mar 2020 Amount	% of Total
Nike	\$399,934	17%
WeWork	\$139,137	6%
BAMTECH Media	\$95,447	4%
Comcast	\$91,507	4%
Reliance Standard Life Insurance Company	\$77,123	3%
Fifth Third Bank	\$67,960	3%
Blue Cross Blue Shield - Arizona	\$54,841	2%
Booz Allen Hamilton	\$48,542	2%
Jones Lang Lasalle	\$48,018	2%
ReSources	\$46,757	2%
Other Customers	\$1,321,290	55%
<b>Total</b>	<b>2,390,555</b>	<b>100%</b>

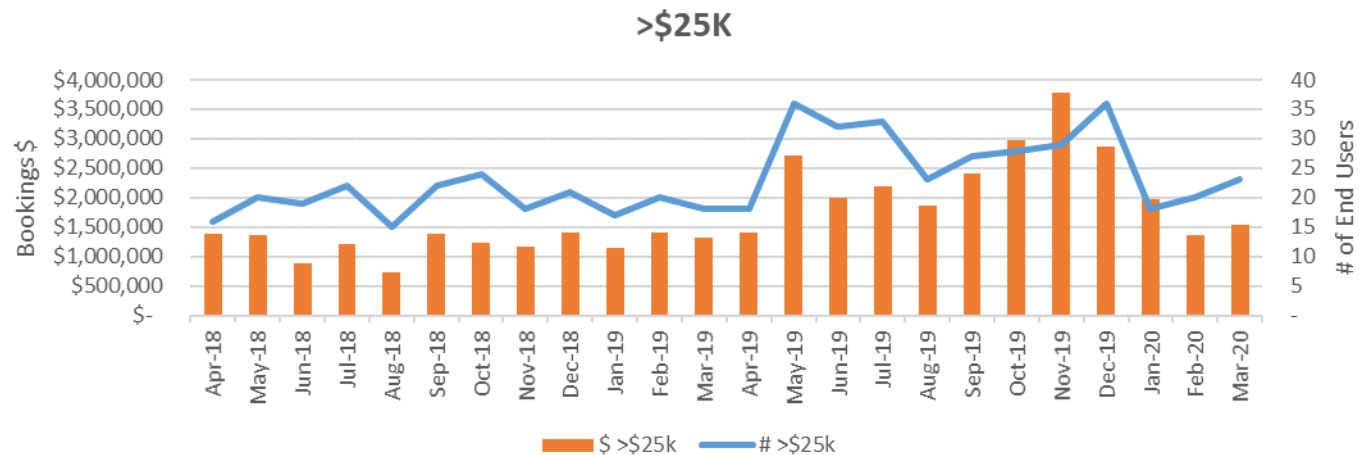
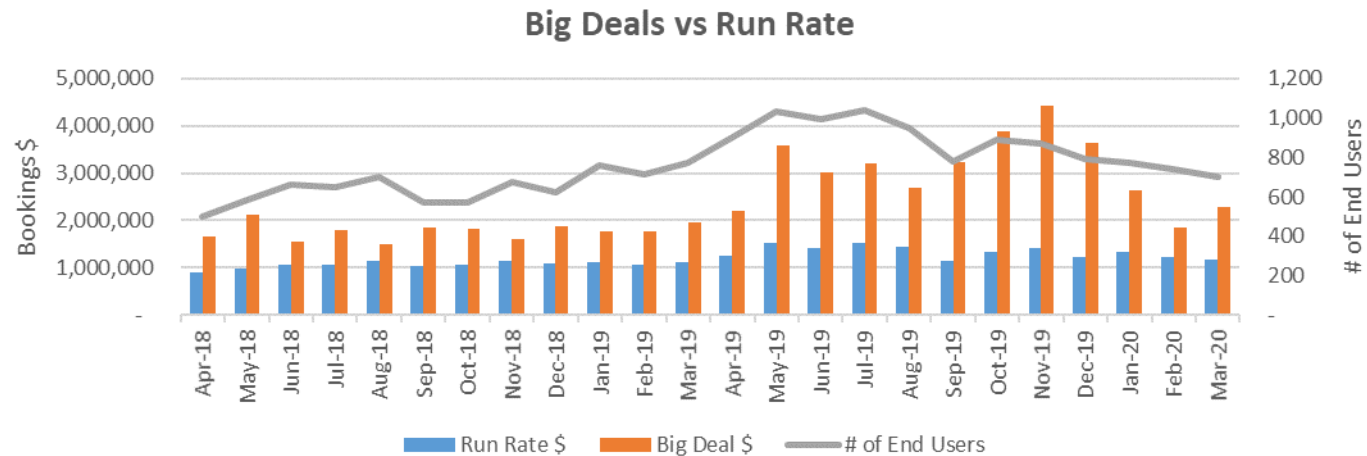
End User - Education	Mar 2020 Amount	% of Total
University of Texas at Dallas	\$91,507	9%
Manchester University	\$77,123	7%
University of Illinois at Chicago	\$48,018	4%
Colby College	\$44,372	4%
University of Wollongong in Dubai	\$42,320	4%
University of Wisconsin - LaCrosse	\$41,019	4%
Community College of Baltimore	\$33,747	3%
University of California San Francisco	\$32,085	3%
Indiana University	\$29,237	3%
University of North Texas - Health Science Center	\$27,657	3%
Other Customers	\$603,079	56%
<b>Total</b>	<b>1,070,163</b>	<b>100%</b>

# Top Customer Metrics - LTM

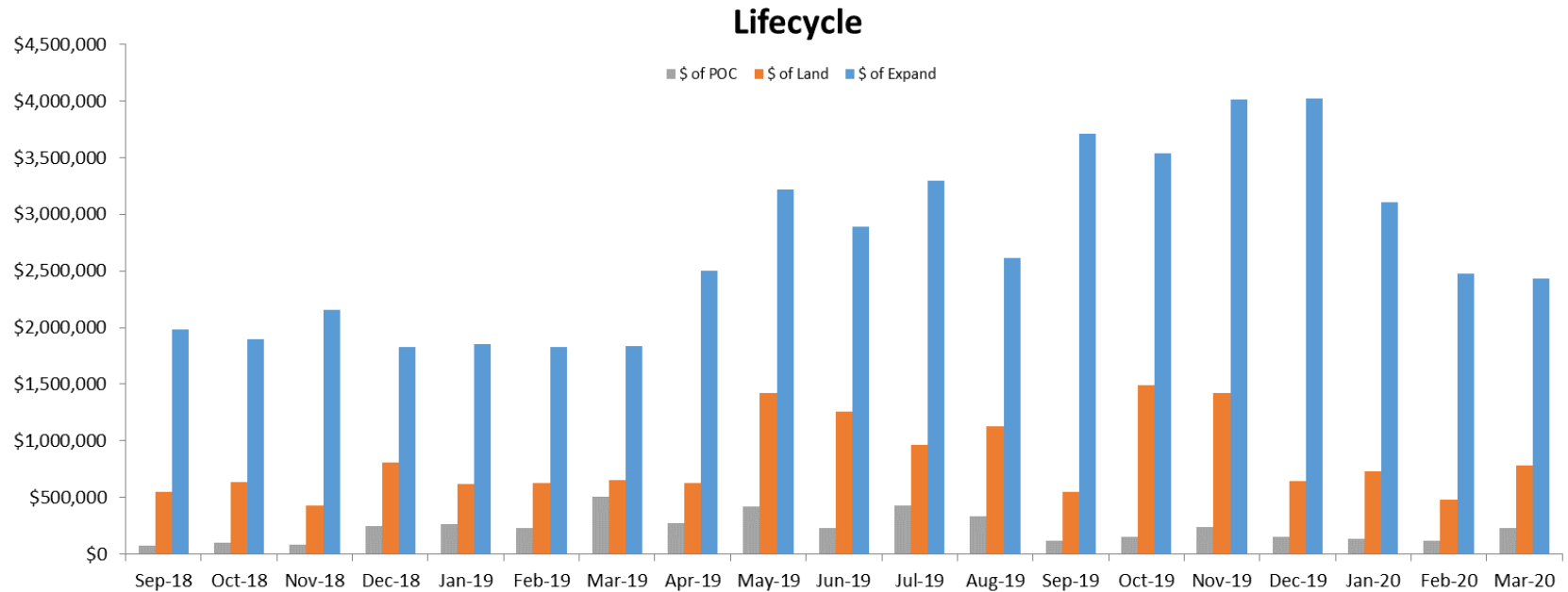
End User - Corporate	LTM Amount	% of Total
WeWork	\$6,562,837	18%
Nike	\$1,057,150	3%
Kiewit Corporation	\$926,454	2%
Comcast	\$735,029	2%
The Vanguard Group	\$694,475	2%
Mastercard	\$591,524	2%
Accenture	\$528,942	1%
Charter Communications	\$479,198	1%
McDermott	\$421,596	1%
Nestle USA - NJ	\$370,106	1%
Other Customers	\$24,883,717	67%
<b>Total</b>	<b>37,251,028</b>	<b>100%</b>

End User - Education	LTM Amount	% of Total
Iowa State University	\$347,039	2%
Texas Tech University	\$314,724	2%
Carnegie Mellon University	\$295,894	2%
Penn State University	\$267,333	2%
University of Illinois at Urbana-Champaign	\$254,580	2%
Indiana University	\$252,918	2%
University of Illinois	\$237,332	2%
Case Western Reserve University	\$233,282	2%
Nexus International School (Singapore)	\$226,468	2%
HUAZHONG UNIVERSITY	\$218,000	1%
Other Customers	\$12,303,475	82%
<b>Total</b>	<b>14,951,044</b>	<b>100%</b>

# Big Deals and Run Rate Metrics



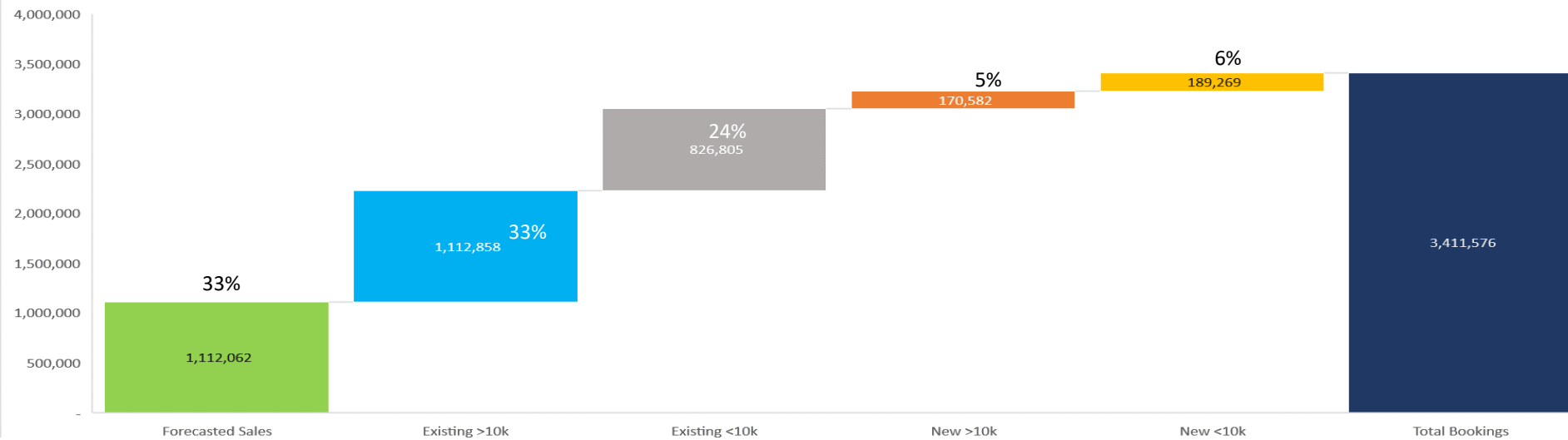
# End User Lifecycle Metrics



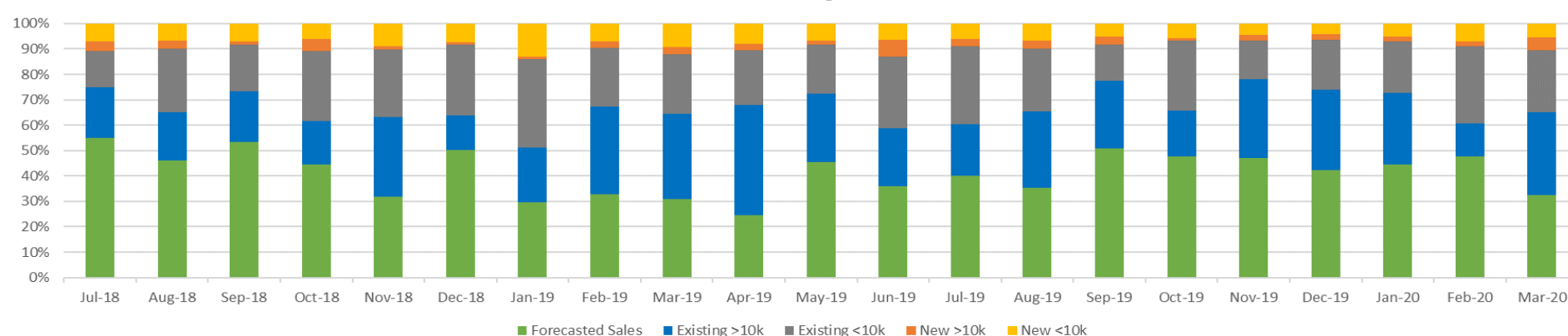
Lifecycle																			
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total																			
\$ of POC	\$78,454	\$98,798	\$82,215	\$243,862	\$265,374	\$226,336	\$503,914	\$272,401	\$416,792	\$229,211	\$428,380	\$336,264	\$116,920	\$156,670	\$240,194	\$153,515	\$132,399	\$120,266	\$233,694
\$ of Land	\$545,622	\$639,324	\$429,220	\$810,840	\$618,152	\$630,944	\$650,960	\$631,466	\$1,422,369	\$1,258,717	\$966,741	\$1,129,011	\$546,051	\$1,495,218	\$1,420,125	\$646,301	\$730,555	\$480,990	\$786,906
\$ of Expand	\$1,979,358	\$1,896,181	\$2,152,598	\$1,824,666	\$1,851,640	\$1,829,387	\$1,837,827	\$2,499,749	\$3,221,062	\$2,889,865	\$3,295,942	\$2,612,346	\$3,706,090	\$3,534,426	\$4,012,538	\$4,022,595	\$3,106,826	\$2,473,884	\$2,431,705
Total	\$2,603,434	\$2,634,303	\$2,664,032	\$2,879,367	\$2,735,167	\$2,686,667	\$2,992,701	\$3,403,617	\$5,060,222	\$4,377,793	\$4,691,063	\$4,077,621	\$4,369,060	\$5,186,314	\$5,672,858	\$4,822,411	\$3,969,780	\$3,075,139	\$3,452,305

# Bookings Attribution Analysis

Current Month Sales Bridge



Bookings



## Management Discussion

- 33% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 33% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 24% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 10% of bookings were from new customers and not included in forecasted sales for the month.

# Quota Attainment by Region

## Mar 2020 Bookings vs. Quota Stack ranked by YTD % of Quota

Name	Territory	Mar-20				2020 YTD			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
Mats Bergqvist	West Coast	367,870	553,825	185,955	151%	1,155,370	1,040,409	(114,960)	90%
Jonathan Davies	New England	215,100	183,873	(31,227)	85%	593,100	495,335	(97,765)	84%
Melissa Johnson	Mid-Atlantic	322,650	243,608	(79,042)	76%	889,650	717,864	(171,786)	81%
Ryan Shannon	Midwest	1,111,350	470,326	(641,024)	42%	3,064,350	2,415,888	(648,462)	79%
Burt Feldman	Northeast	788,700	505,842	(282,858)	64%	2,174,700	1,569,766	(604,934)	72%
Joel Carroll	Southeast	466,050	278,996	(187,054)	60%	1,285,050	885,625	(399,425)	69%
John Chandler	TOLA	430,200	297,301	(132,899)	69%	1,186,200	776,741	(409,459)	65%
Ryan Gregston	Southwest	205,092	114,686	(90,406)	56%	772,092	438,232	(333,860)	57%
Veronica Saldarriaga	Rocky Mountain	125,475	81,159	(44,316)	65%	345,975	181,661	(164,314)	53%
Scott Ruffer	Midwest	238,240	111,375	(126,865)	47%	238,240	111,375	(126,865)	47%
Danny Fabre	Canada	143,400	92,159	(51,241)	64%	395,400	156,967	(238,433)	40%
Craig Tollefson	Minnesota	293,970	104,875	(189,095)	36%	810,570	318,074	(492,496)	39%
Jeff McDonald	ANZ	125,475	3,292	(122,183)	3%	345,975	112,887	(233,088)	33%
Chris Charran	UK	394,350	94,143	(300,207)	24%	1,087,350	590,481	(496,869)	54%
Thomas Liot	France/Spain	161,325	68,652	(92,673)	43%	444,825	200,339	(244,486)	45%
Rosario Marseglia	Germany/Italy	161,325	72,734	(88,592)	45%	444,825	185,922	(258,903)	42%
Cyril Mattar	MEA	125,475	49,646	(75,829)	40%	345,975	122,500	(223,475)	35%
Johan Cederberg	Nordics	179,250	41,259	(137,991)	23%	494,250	120,039	(374,211)	24%
Jeff Liu	China	136,230	-	(136,230)	0%	375,630	16,596	(359,034)	4%
Gark Tan	APAC	286,800	234,555	(52,245)	82%	790,800	605,452	(185,348)	77%
Jeff Meyer	EMEA	1,093,425	392,419	(701,006)	36%	3,014,925	1,455,873	(1,559,052)	48%
Rick Emery	World	Target	Actual	Var \$	% of Target	Target	Actual	Var \$	% of Target
		5,197,605	3,414,094	(1,783,510)	66%	14,331,471	10,784,700	(3,546,771)	75%



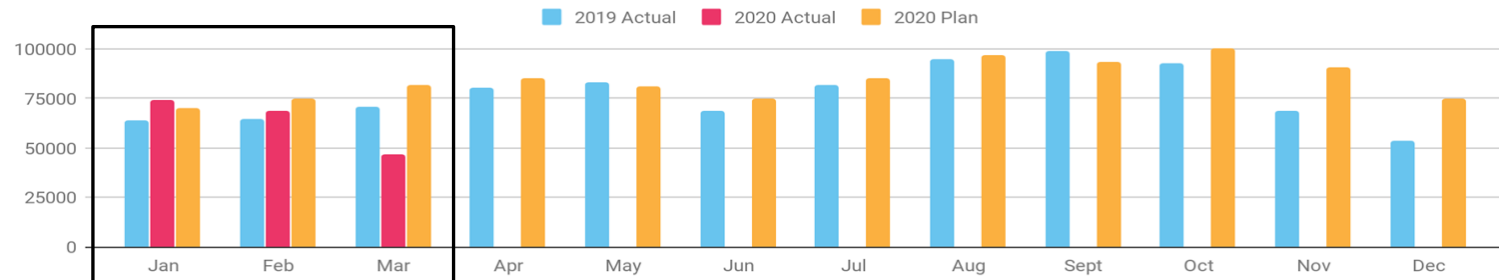
# New End User Count by Region

## Mar 2020 New End Users

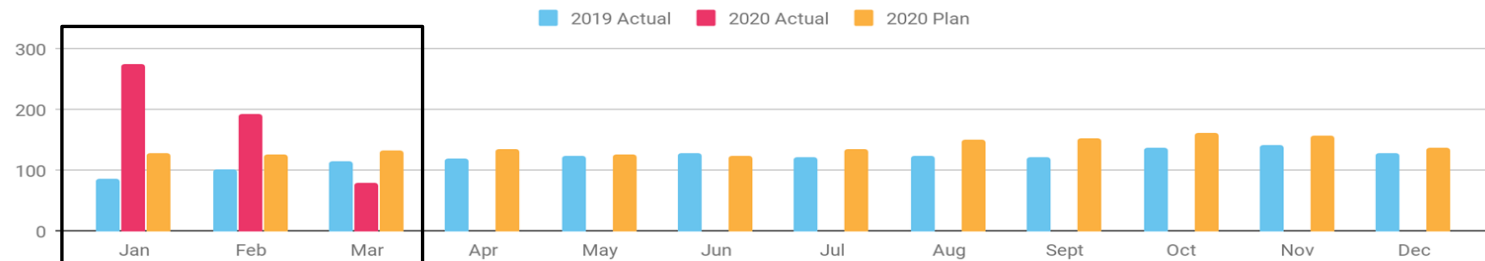
Name	Territory	Mar-19	Mar-20			2020 YTD			
		PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
Scott Ruffer	Midwest	-	1	1		-	1	1	
Veronica Saldarriaga	Rocky Mountain	-	5	5		2	18	16	900%
Craig Tollefson	Midwest	2	5	3	250%	3	19	16	633%
Jeff McDonald	ANZ	1	-	(1)	0%	1	4	3	400%
Melissa Johnson	Mid-Atlantic	-	9	9		6	22	16	367%
Ryan Gregston	Southwest	4	3	(1)	75%	10	16	6	160%
John Chandler	TOLA	12	12	-	100%	42	43	1	102%
Joel Carroll	Southeast	20	11	(9)	55%	67	52	(15)	78%
Jonathan Davies	New England	3	2	(1)	67%	11	7	(4)	64%
Danny Fabre	Canada	8	6	(2)	75%	35	21	(14)	60%
Burt Feldman	Northeast	31	13	(18)	42%	70	42	(28)	60%
Ryan Shannon	Midwest	40	13	(27)	33%	97	52	(45)	54%
Mats Bergqvist	West Coast	17	7	(10)	41%	46	12	(34)	26%
Johan Cederberg	Nordics	4	14	10	350%	9	35	26	389%
Cyril Mattar	MEA	3	5	2	167%	6	18	12	300%
Rosario Marsegia	Germany/Italy	4	4	-	100%	17	16	(1)	94%
Thomas Liot	France/Spain	9	5	(4)	56%	35	21	(14)	60%
Chris Charran	UK	18	6	(12)	33%	56	28	(28)	50%
Jeff Liu	China	1	1	-	100%	3	2	(1)	67%
Gark Tan	APAC	14	19	5	136%	48	57	9	119%
Jeff Meyer	EMEA	55	42	(13)	76%	172	132	(40)	77%
		PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
Rick Emery	World	183	144	(39)	79%	567	473	(94)	83%

## Marketing Metrics

### Sessions



### QLs

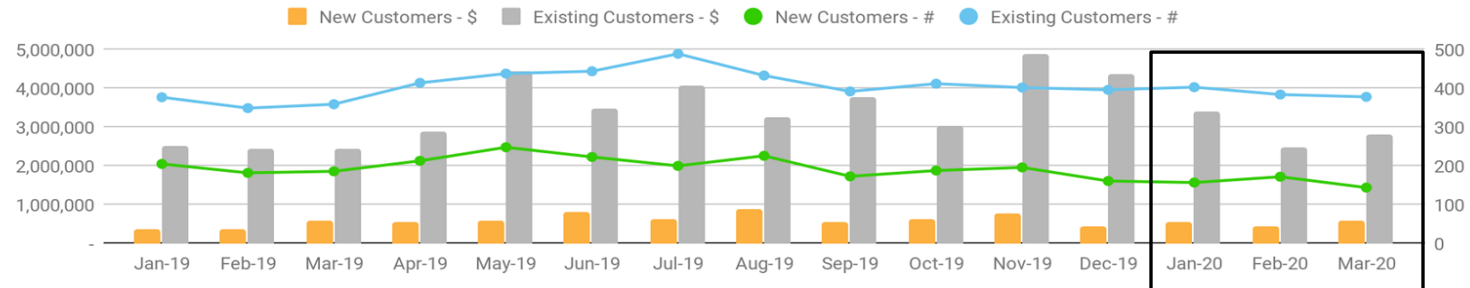


### Management Discussion

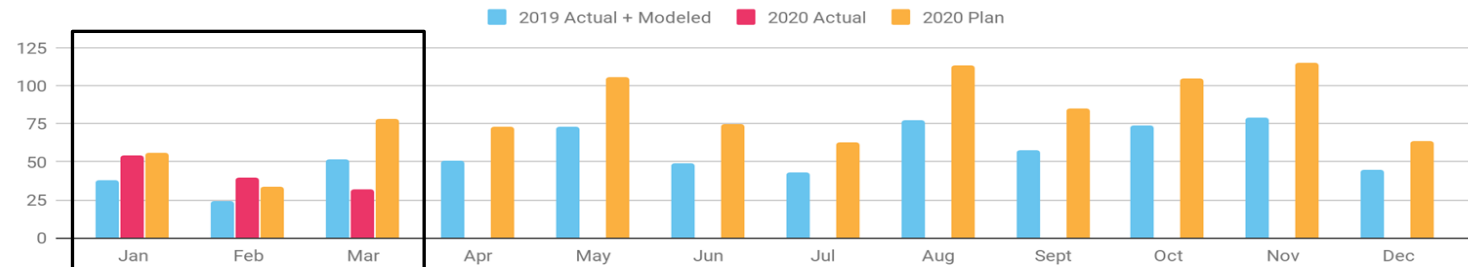
- Web traffic is below plan due to pausing ad spend and the global effect of coronavirus.
- Despite low sessions to plan, email and social media channels met their plan numbers and continue to have a strong performance.
- Low sessions and the pandemic have led to a lower count of QLs.

## New Customer Metrics

### Monthly New vs. Existing Customers



### Marketing Influenced Net New Accounts

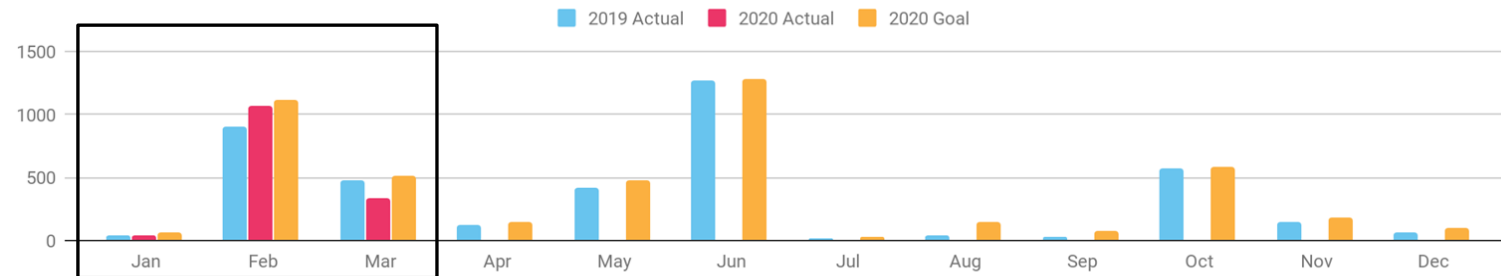


### Management Discussion

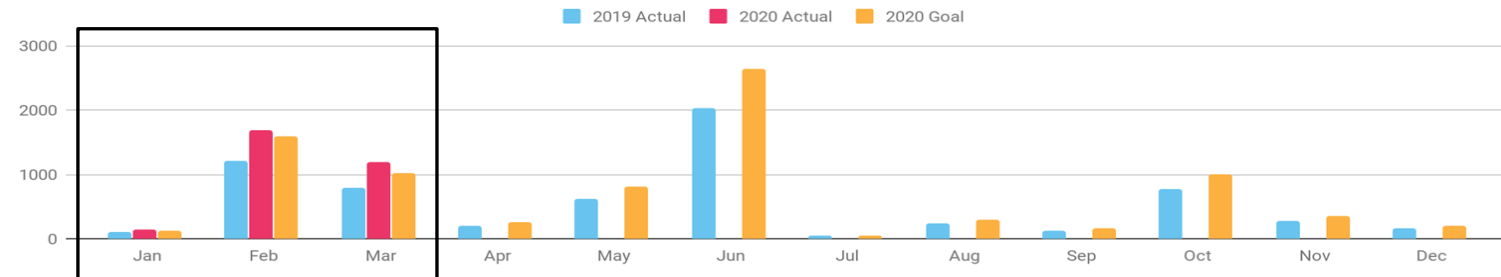
- This plan does not account for Covid-19 impact; a modified plan based on lowered ad spend and event cancellations/delays is underway.
- Despite Covid-19 impact, the March customer count benefitted from a stronger economy in Jan and Feb. We anticipate the pandemic to have a larger impact on April.
- Marketing influenced NN accounts are 75% of plan YTD, but with 11% YoY growth.

## Field Marketing Metrics

### New Event Members



### All Event Members

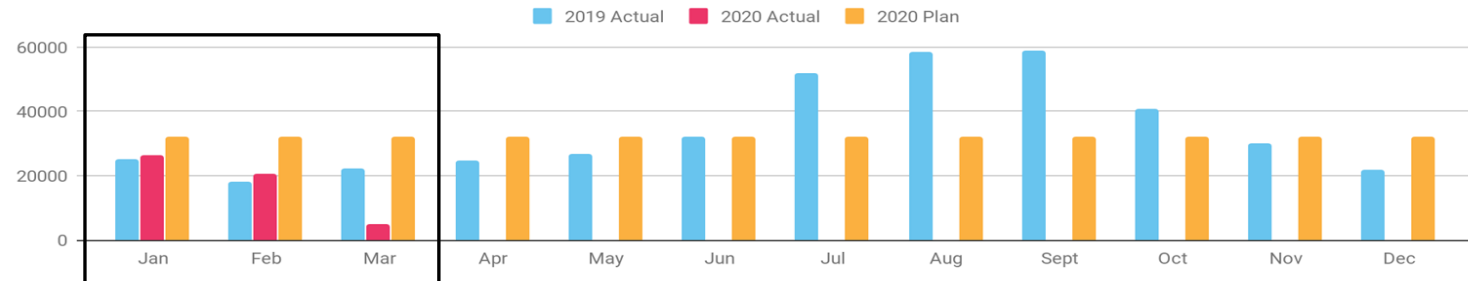


### Management Discussion

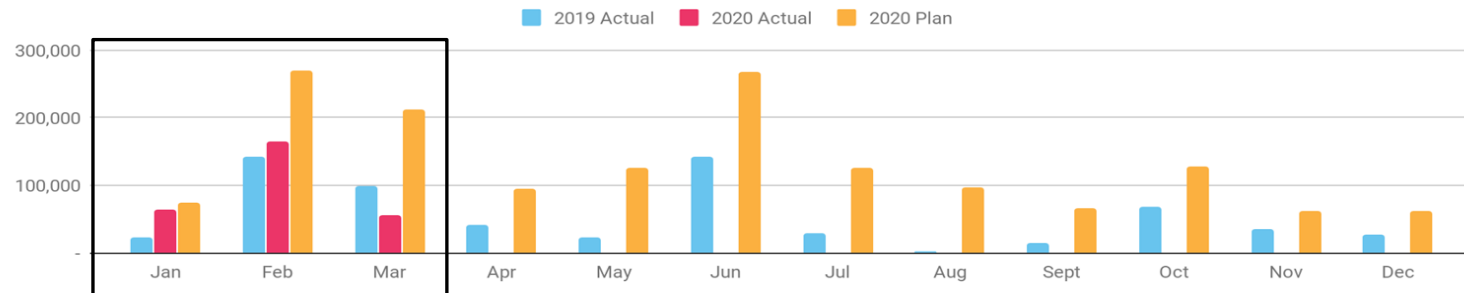
- Members are contacts collected as part of marketing campaigns; Field Campaigns have members that come in through in-booth as well as digital channels.
- This plan does not account for Covid-19 impact; a modified plan based on event cancellations/delays is underway.
- Despite nearly all in-person events being cancelled, aggregate event members for March were 16% ahead of plan as a result of strong virtual event engagement.
- 44% YoY improvement comparing first three months of each year.

## Marketing Spend

### Digital Ad Spend

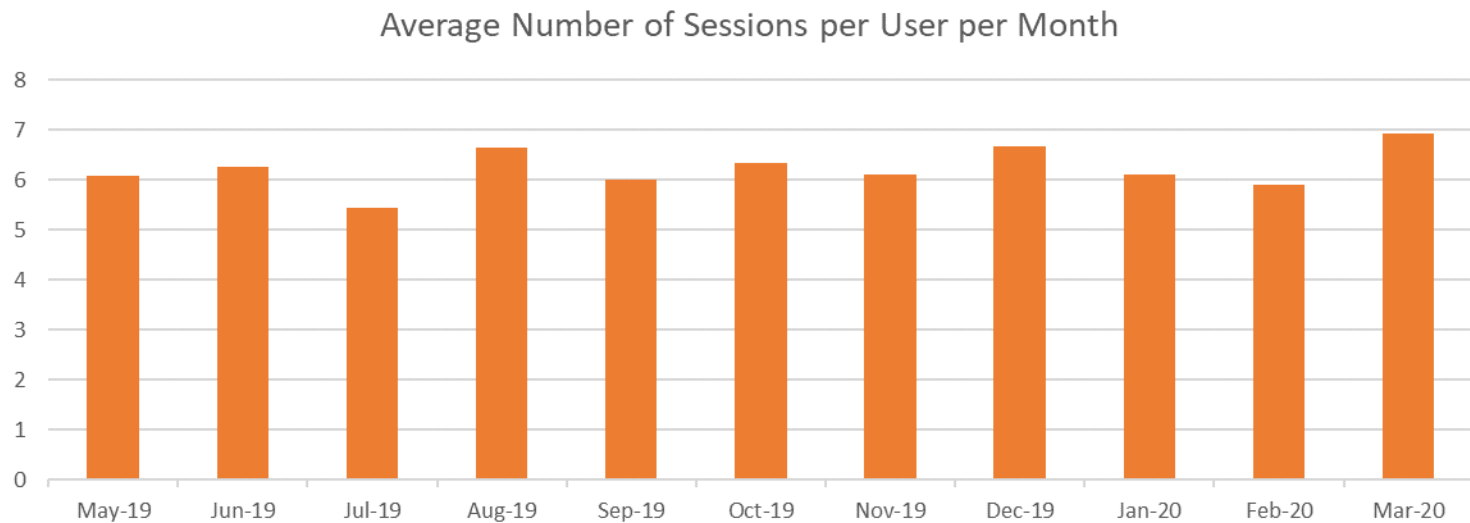


### Field Marketing Spend



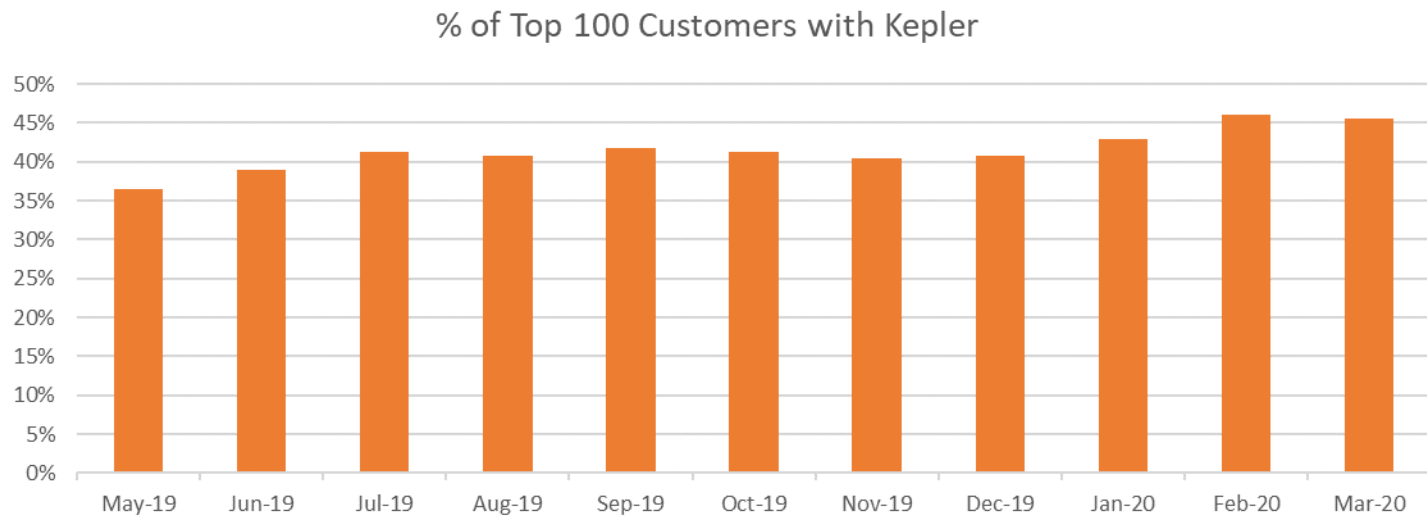
### Management Discussion

- Digital Ad spend was 15% of plan in March, 54% of plan YTD.
- Field Marketing spend was 27% of plan in March, 51% of plan YTD.



## Management Discussion

- Average number of sessions per active user per month using Kepler.

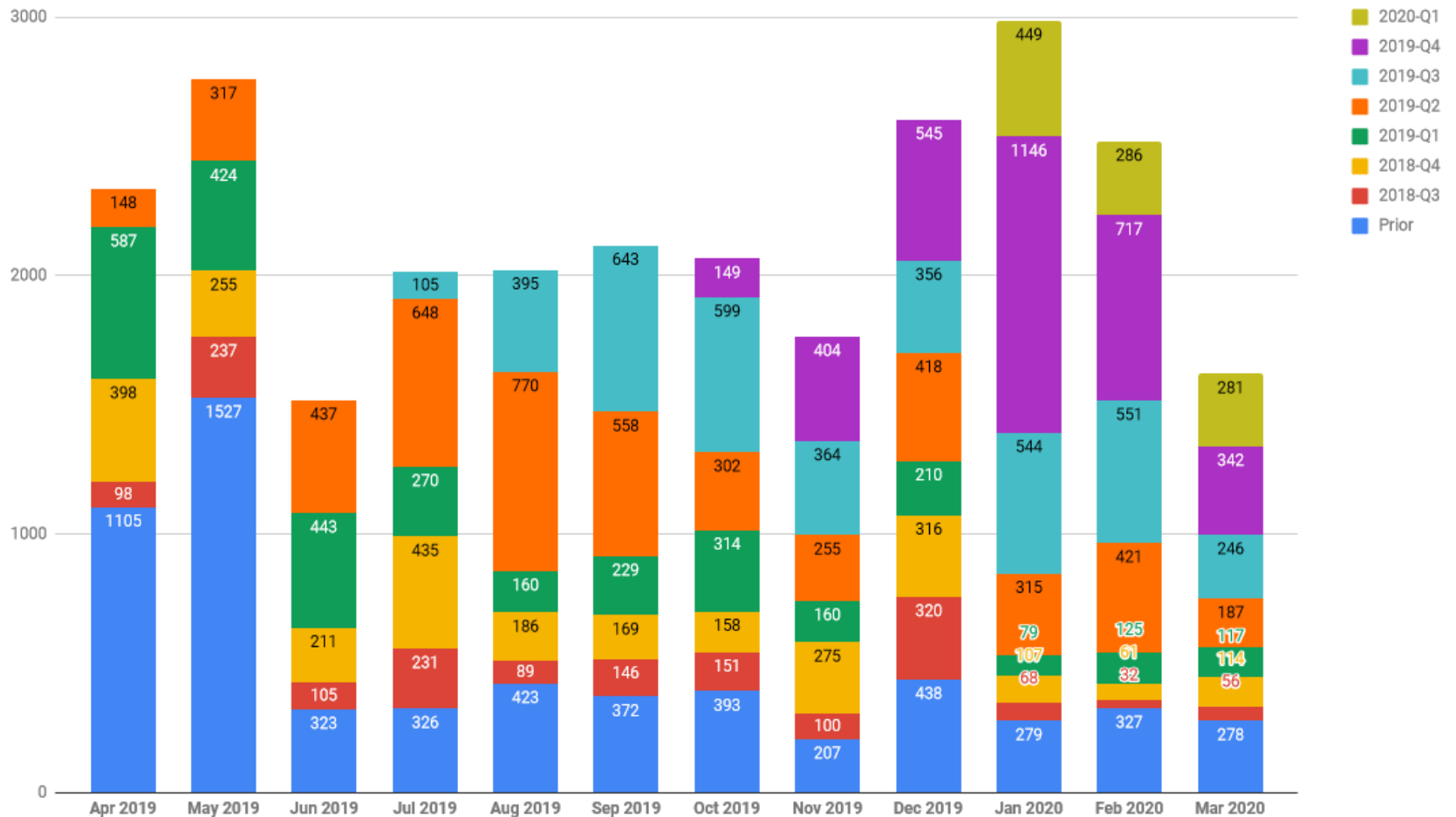


## Management Discussion

- % of top 100 customers based on # of Solstice with Kepler.
- Increase is due to the release of phase 1 Kepler management in December 2019.

# Kepler – Kepler Import Month by Purchase Quarter

Import Month by Purchase Qtr

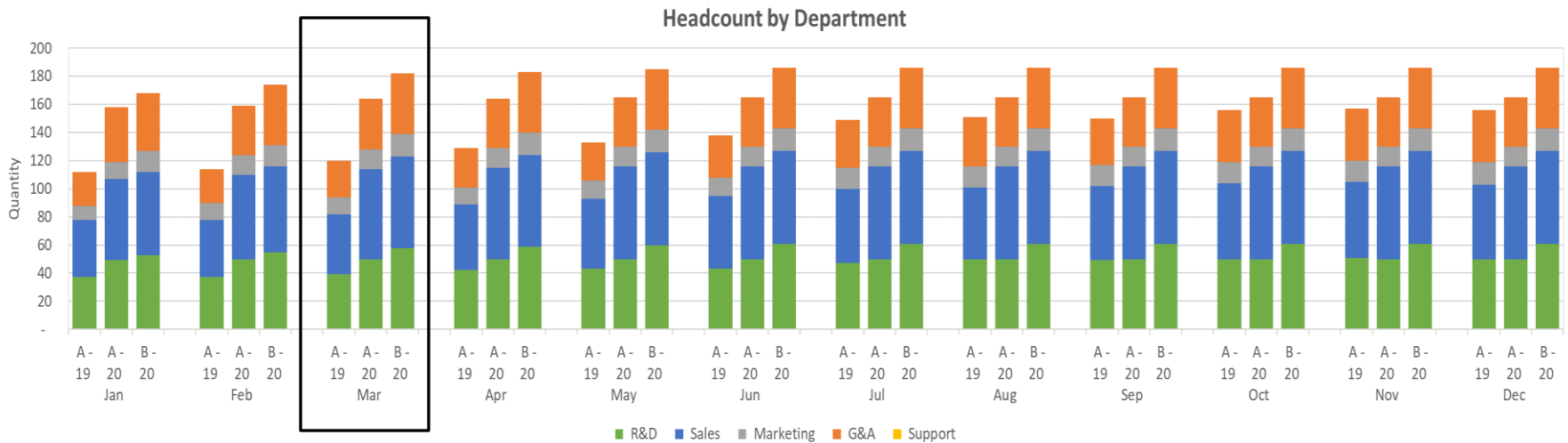


## Management Discussion

- Kepler imports by month by purchase quarter.
- Kepler import is when a customer imports a Solstice or group of Solstice into Kepler



# Staffing Analysis



## Management Discussion

- Headcount is below plan through February at 164 compared to budget of 182.

## 3/31/20 Talent Snapshot

### **Team Members by Geography**

Denver (114)

US field (30)

International field (20)

### **Team Members by Function**

Development (50)

Sales (64)

Marketing (14)

Operations (24)

Finance/HR/Exec (12)

Total Team Members: 164

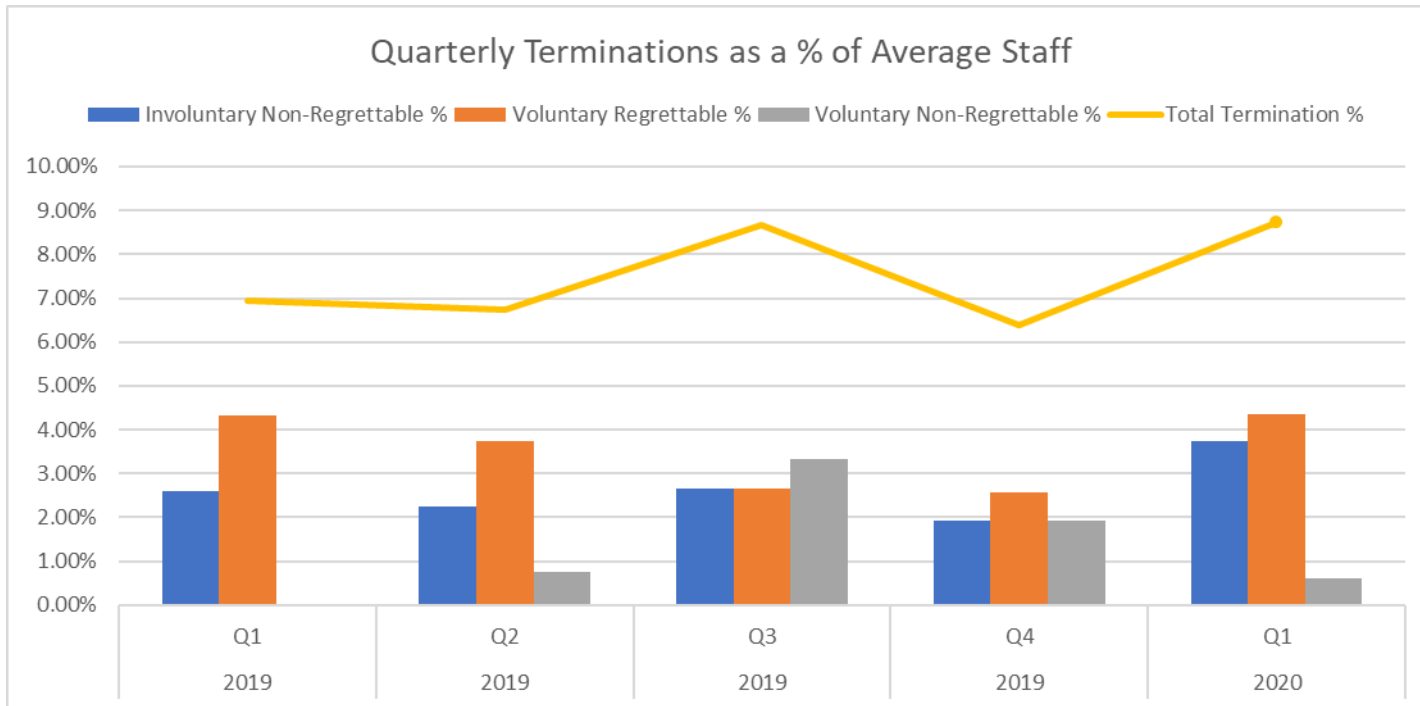
Open Positions: 0

YTD Hires: 21

YTD Departures: 14

YTD Net Headcount Growth: 7

# Termination Analysis



## Management Discussion

- 4 Terminations in March, of which 3 are regrettable.

# Quarterly Operating Review Agenda

- ➔ Executive Summary
- ➔ **Financial Review**
- ➔ Governance Reporting
- ➔ Appendix

# Summary P&L Through March 2020



\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>3,186</b>	<b>4,548</b>	<b>(1,362)</b>	<b>(30.0%)</b>	<b>3,112</b>	<b>73</b>	<b>2.4%</b>		<b>9,544</b>	<b>12,630</b>	<b>(3,086)</b>	<b>(24.4%)</b>	<b>7,657</b>	<b>1,887</b>	<b>24.6%</b>	
ARR	12,479	13,776	(1,296)	(9.4%)	7,372	5,108	69.3%		12,479	13,776	(1,296)	(9.4%)	7,372	5,108	69.3%	
Material	708	1,305	(597)	(45.8%)	858	(150)	(17.5%)		2,291	3,568	(1,277)	(35.8%)	1,681	610	36.3%	
Labor	65	89	(24)	(26.8%)	46	19	41.3%		214	265	(50)	(18.9%)	146	68	46.8%	
<b>Total COGS</b>	<b>773</b>	<b>1,394</b>	<b>(621)</b>	<b>(44.6%)</b>	<b>904</b>	<b>(131)</b>	<b>(14.5%)</b>		<b>2,505</b>	<b>3,833</b>	<b>(1,328)</b>	<b>(34.6%)</b>	<b>1,827</b>	<b>678</b>	<b>37.1%</b>	
<b>Gross Margin</b>	<b>2,413</b>	<b>3,154</b>	<b>(741)</b>	<b>(23.5%)</b>	<b>2,208</b>	<b>205</b>	<b>9.3%</b>		<b>7,038</b>	<b>8,797</b>	<b>(1,759)</b>	<b>(20.0%)</b>	<b>5,830</b>	<b>1,209</b>	<b>20.7%</b>	
Gross Margin %	75.7%	69.4%			71.0%				73.7%	69.7%			76.1%			
R&D	767	970	(203)	(20.9%)	494	274	55.4%		2,395	2,756	(361)	(13.1%)	1,373	1,023	74.5%	
Sales & Marketing	1,052	1,632	(579)	(35.5%)	956	97	10.1%		3,392	4,754	(1,362)	(28.6%)	2,937	456	15.5%	
Administrative	624	807	(183)	(22.6%)	534	90	16.8%		2,192	2,439	(247)	(10.1%)	1,601	591	36.9%	
<b>Total Opex</b>	<b>2,444</b>	<b>3,409</b>	<b>(965)</b>	<b>(28.3%)</b>	<b>1,984</b>	<b>460</b>	<b>23.2%</b>		<b>7,980</b>	<b>9,950</b>	<b>(1,970)</b>	<b>(19.8%)</b>	<b>5,910</b>	<b>2,070</b>	<b>35.0%</b>	
<b>Adj. EBITDA</b>	<b>(31)</b>	<b>(255)</b>	<b>224</b>	<b>(87.9%)</b>	<b>225</b>	<b>(255)</b>	<b>(113.7%)</b>		<b>(942)</b>	<b>(1,153)</b>	<b>211</b>	<b>(18.3%)</b>	<b>(81)</b>	<b>(861)</b>	<b>1067.4%</b>	
EBITDA Margin %	(1.0%)	(5.6%)			7.2%				(9.9%)	(9.1%)			(1.1%)			
<b>GAAP EBITDA</b>	<b>(158)</b>	<b>(338)</b>	<b>180</b>	<b>(53.4%)</b>	<b>137</b>	<b>(295)</b>	<b>(214.8%)</b>		<b>(1,347)</b>	<b>(1,403)</b>	<b>56</b>	<b>(4.0%)</b>	<b>(359)</b>	<b>(988)</b>	<b>274.8%</b>	
GAAP EBITDA % sales	(4.9%)	(7.4%)			4.4%				(14.1%)	(11.1%)			(4.7%)			
<b>Net Income (Loss)</b>	<b>\$ (528)</b>	<b>\$ (787)</b>	<b>\$ 259</b>	<b>(32.9%)</b>	<b>\$ (226)</b>	<b>\$ (302)</b>	<b>133.8%</b>		<b>\$ (2,453)</b>	<b>\$ (2,655)</b>	<b>\$ 202</b>	<b>(7.6%)</b>	<b>\$ (1,447)</b>	<b>\$ (1,006)</b>	<b>69.5%</b>	
<b>Capex</b>	<b>\$ (41)</b>	<b>\$ (111)</b>	<b>\$ 70</b>	<b>(63.3%)</b>	<b>\$ (62)</b>	<b>\$ 21</b>	<b>(33.9%)</b>		<b>\$ (87)</b>	<b>\$ (214)</b>	<b>\$ 127</b>	<b>(59.3%)</b>	<b>\$ (198)</b>	<b>\$ 111</b>	<b>(56.1%)</b>	

## Management Discussion

- MTD invoiced sales were \$3.4m compared to plan of \$5.2m and include Solstice subscription sales of \$770k compared to plan of \$1.1m. March 2019 was \$3.8m. Bookings for the month were \$3.4m, and there was backlog of \$133k MTD and \$226k YTD at month end. QTD invoiced sales were \$10.7m compared to plan of \$14.3m and include Solstice subscription sales of \$3.2m compared to plan of \$3.1m. QTD Bookings were \$10.8m.
- MTD invoiced sales mix by region: Americas 81% actual vs 76% target, EMEA 11% actual vs 18% target, APAC 8% actual vs 5% target. QTD invoiced sales mix by region: Americas 80% actual vs 76% target, EMEA 13% actual vs 18% target, APAC 6% actual vs 5% target.
- MTD revenue of \$3.2m includes approximately \$2.1m of pod revenue and \$1.1m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$2.0m is lower than budget of \$3.4m for the month because of lower than expected pod unit sales in Americas and APAC. March 2019 revenue was \$3.1m. Q1 2020 revenue was \$9.5m compared to budget of \$12.6m and Q1 2019 of \$7.7m.
- ARR is lower than expected primarily due to lower than budgeted pod unit sales impact on free year subscription. Pod unit sales excluding upgrades/swaps are appr. 55% of plan YTD.
- Units shipped for the month were 2,339 vs budget of 3,738 and overall invoiced ASP was \$826 vs the budget of \$771 including Gen 3 upgrades. Americas ASP was \$864 vs budget of \$829, EMEA at \$726 ASP vs \$623 budgeted and APAC at \$672 invoiced ASP vs \$621 budgeted. Without hardware upgrades included, ASP increases to \$871 per unit. QTD ASP was \$743 vs budget of \$770.
- Invoiced renewal subscription MTD were 1,509 units compared to plan of 3,475 resulting in invoiced sales of \$372k compared to budget of \$681k. March 2019 was \$292k. Renewal attached rate was 50% compared to a budgeted attach rate of 55%. QTD in invoiced sales of \$2.2m compared to budget of \$1.9m. Q1 2019 was \$1.0m.
- Invoiced upfront subscription MTD were 1,330 pods compared to target of 1,665 resulting in invoiced sales of \$986k compared to budget of \$1.2m. March 2019 was \$371k. Upfront attached rate was 44% compared to a budgeted attach rate of 32%. Q1 2019 was \$591k.
- MTD GP \$ was below plan primarily due to less than expected Solstice sales. MTD GP % was above plan due to higher than expected ASP, less than expected invoiced sales for WeWork, and higher than expected mix of subscription revenue.
- MTD R&D OpEx variance is primarily due to being under budget on hiring plan, removal of the bonus expense, and canceling the customer council.
- MTD S&M OpEx is under budget due primarily to reduced commission expense, marketing spend, and T&E spend. We are also behind on plan for hiring in S&M.
- MTD G&A OpEx variance is primarily due to being under budget on hiring plan and removal of the bonus expense.
- Invoiced EBITDA for March was \$140k compared to budget of \$395k. QTD invoiced EBITDA is \$201K compared to plan of \$549K. Q1 2019 was \$1.2m. YTD adjusted EBITDA of \$(942k) is ahead of plan at \$(1.2m). Q1 2019 was \$(81k).

# Balance Sheet

\$'000	Dec-19	Dec-19	Jan-20	Feb-20	Mar-20		Variance
	Act	Act	Act	Act	Act	Bud	\$
<b>Current Assets</b>							
Cash and cash equivalents	\$ 7,647	\$ 7,647	\$ 7,716	\$ 7,471	\$ 8,113	\$ 3,112	\$ 5,001
Short term investments	—	—	—	—	—	—	—
<i>Accounts receivable, gross</i>	7,969	7,969	7,392	6,249	5,765	7,970	(2,205)
<i>Accounts receivable, reserves</i>	(102)	(102)	(107)	(154)	(159)	(102)	(56)
Accounts receivable, net	7,867	7,867	7,285	6,095	5,606	7,867	(2,261)
Inventory, net	3,932	3,932	4,647	5,354	5,729	3,561	2,169
Prepaid expenses and other current assets	2,438	2,438	2,622	2,408	1,695	3,155	(1,460)
<b>Total Current Assets</b>	<b>21,884</b>	<b>21,884</b>	<b>22,270</b>	<b>21,328</b>	<b>21,144</b>	<b>17,696</b>	<b>3,448</b>
<b>Non-Current Assets</b>							
<i>Property, plant &amp; equipment, gross</i>	1,940	1,940	1,944	1,986	2,027	2,154	(128)
<i>Accumulated depreciation</i>	(379)	(379)	(415)	(451)	(487)	(398)	(89)
Property, plant & equipment, net	1,561	1,561	1,529	1,535	1,539	1,756	(217)
Goodwill	25,485	25,485	25,217	24,950	24,682	25,151	(469)
Identifiable intangible assets, net	2,010	2,010	1,953	1,896	1,840	1,927	(87)
Deferred tax asset	3,462	3,462	3,462	3,462	3,462	3,431	31
Other non-current assets	1,056	1,056	1,083	1,093	1,096	1,056	40
<b>Total Non-Current Assets</b>	<b>33,573</b>	<b>33,573</b>	<b>33,244</b>	<b>32,935</b>	<b>32,619</b>	<b>33,321</b>	<b>(702)</b>
<b>Total Assets</b>	<b>\$ 55,457</b>	<b>\$ 55,457</b>	<b>\$ 55,515</b>	<b>\$ 54,264</b>	<b>\$ 53,763</b>	<b>\$ 51,016</b>	<b>\$ 2,747</b>
<b>Current Liabilities</b>							
Notes payable	3,500	3,500	3,500	3,500	3,500	—	3,500
Accounts payable	2,289	2,289	2,582	2,115	2,407	2,481	(73)
Accrued liabilities	311	311	315	302	242	295	(53)
Accrued compensation	2,333	2,333	2,011	2,181	1,106	858	247
Income taxes payable	—	—	73	—	751	92	659
Other current liabilities	187	187	344	354	342	337	5
<b>Total Current Liabilities</b>	<b>8,620</b>	<b>8,620</b>	<b>8,826</b>	<b>8,452</b>	<b>8,349</b>	<b>4,063</b>	<b>4,286</b>
<b>Long-term liabilities</b>							
Long-term debt less current maturities	—	—	—	—	—	3,500	(3,500)
Long-term unearned revenue	15,655	15,655	16,341	16,571	16,710	17,172	(462)
Deferred liabilities	267	267	257	251	242	282	(40)
<b>Total Long-Term Liabilities</b>	<b>15,922</b>	<b>15,922</b>	<b>16,597</b>	<b>16,822</b>	<b>16,952</b>	<b>20,954</b>	<b>(4,002)</b>
<b>Total Liabilities</b>	<b>24,542</b>	<b>24,542</b>	<b>25,423</b>	<b>25,273</b>	<b>25,301</b>	<b>25,017</b>	<b>284</b>
<b>Shareholders' Equity</b>							
<b>Total Shareholders' Equity</b>	<b>30,915</b>	<b>30,915</b>	<b>30,091</b>	<b>28,991</b>	<b>28,462</b>	<b>25,999</b>	<b>2,463</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 55,457</b>	<b>\$ 55,457</b>	<b>\$ 55,515</b>	<b>\$ 54,264</b>	<b>\$ 53,763</b>	<b>\$ 51,016</b>	<b>\$ 2,747</b>

## Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February and received a \$750k IRS refund in March that was not planned or expected.
- AR is lower than plan due to lower than budgeted invoiced sales, and decrease MoM is due to continued slow sales in February and March.
- Inventory is above plan due to lower than planned Solstice sales.
- Prepaid and OCA balances are lower than plan as we applied a \$1.2m pre-paid inventory deposits to outstanding invoices from Smart Technologies earlier than anticipated.
- AP variance to plan is largely consistent with plan. The variance month to month is due to timing of invoices from our supplier.
- Accrued Compensation is higher than plan due primarily to accrued PTO balances were trued up as part of year end closing process after we locked down the forecast model.
- The 751k tax payable is a tax refund that may be paid back to IRS in Q4 2020.
- Deferred revenue is slightly above plan primarily due to lower than budgeted invoiced sales.
- Notes payable to SVB is forecasted as a LT liability in March as we expected the refinancing with SVB to be completed in March, which would have converted the obligation from ST to LT.
- Equity was higher than plan as we forecasted a \$3.0m dividend in February.

# Cash Flow Statement

\$'000	MTD			Var		PY-MTD		Var		YTD			Var		PY YTD		Var	
	Act	Bud	\$			Act	\$			Act	Bud	\$			Act	\$		
<b>Cash flow from operations</b>																		
Net Income (Loss)	\$ (528)	\$ (786)	\$ 258			\$ (226)	\$ (302)			\$ (2,453)	\$ (2,652)	\$ 199			\$ (1,447)	\$ (1,006)		
Depreciation, amortization and other	361	338	23			382	(22)			1,081	992	89			1,017	65		
Deferred income tax	—	—	—			—	—			—	—	—			—	—		
<i>Change in operating assets and liabilities:</i>																		
Accounts receivable	489	(1,064)	1,553			(1,496)	1,984			2,261	(0)	2,261			(339)	2,599		
Inventory	(376)	(45)	(331)			(433)	57			(1,797)	371	(2,168)			(1,311)	(486)		
Prepaid expenses and other current assets	709	108	601			26	683			702	(571)	1,273			(890)	1,593		
Accounts payable	304	272	32			(109)	413			101	192	(91)			1,257	(1,156)		
Accrued expenses	(1,146)	142	(1,287)			206	(1,352)			(1,279)	(1,359)	81			(641)	(638)		
Accrued income taxes	751	61	690			0	751			750	90	660			(0)	750		
Other changes in operating assets and liabilities	131	698	(568)			602	(471)			1,030	1,464	(433)			1,113	(83)		
Other cash flow from operations	(12)	(3)	(9)			(8)	(4)			157	152	5			254	(98)		
<b>Total Cash Flow from Operations</b>	<b>\$ 682</b>	<b>\$ (280)</b>	<b>\$ 962</b>			<b>\$ (1,056)</b>	<b>\$ 1,738</b>			<b>\$ 553</b>	<b>\$ (1,321)</b>	<b>\$ 1,874</b>			<b>\$ (987)</b>	<b>\$ 1,541</b>		
<b>Cash flow from investing</b>																		
Additions to property, plant and equipment	\$ (41)	\$ (111)	\$ 70			\$ (62)	\$ 21			\$ (87)	\$ (214)	\$ 127			\$ (198)	\$ 111		
Investment in intangibles	—	—	—			(11)	11			—	—	—			(34)	34		
<b>Total Cash Flow from Investing</b>	<b>\$ (41)</b>	<b>\$ (111)</b>	<b>\$ 70</b>			<b>\$ (72)</b>	<b>\$ 32</b>			<b>\$ (87)</b>	<b>\$ (214)</b>	<b>\$ 127</b>			<b>\$ (232)</b>	<b>\$ 145</b>		
<b>Cash flow from financing</b>																		
Common stock cash dividends paid	—	—	—			—	—			—	(3,000)	3,000			—	—		
Other cash flow from financing costs	—	(0)	0			0	(0)			0	(0)	0			0	0		
<b>Total Cash Flow from Financing</b>	<b>\$ —</b>	<b>\$ (0)</b>	<b>\$ 0</b>			<b>\$ 0</b>	<b>\$ (0)</b>			<b>\$ 0</b>	<b>\$ (3,000)</b>	<b>\$ 3,000</b>			<b>\$ 0</b>	<b>\$ 0</b>		
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>			<b>\$ —</b>	<b>\$ —</b>			<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>			<b>\$ —</b>	<b>\$ —</b>		
<b>Net change in cash</b>	<b>\$ 642</b>	<b>(391)</b>	<b>\$ 1,032</b>			<b>\$ (1,128)</b>	<b>\$ 1,770</b>			<b>\$ 466</b>	<b>\$ (4,534)</b>	<b>\$ 5,001</b>			<b>\$ (1,220)</b>	<b>\$ 1,686</b>		
Beginning cash	7,471	3,503	3,968			5,661	1,811			7,647	7,647	—			5,752	1,894		
Change in cash	642	(391)	1,032			(1,128)	1,770			466	(4,534)	5,001			(1,220)	1,686		
<b>Ending cash</b>	<b>\$ 8,113</b>	<b>\$ 3,112</b>	<b>\$ 5,001</b>			<b>\$ 4,533</b>	<b>\$ 3,580</b>			<b>\$ 8,113</b>	<b>\$ 3,112</b>	<b>\$ 5,001</b>			<b>\$ 4,533</b>	<b>\$ 3,580</b>		

## Management Discussion

- Cash is higher than plan as we forecasted a \$3m distribution in February and received a \$750k IRS refund in March.
- Cash flow from operations exceeded plan due to AR as invoiced sales were below plan and prepaids and OCA decreasing more than plan, offset by inventory increasing more than plan, deferred revenue increasing less than plan, accrued expenses decreasing more than plan.
- Cash flow used in investing is below plan as Capex was lower than planned.
- YTD Cash flow used in financing is below plan as we forecasted Cash dividend in February.

# Quarterly Operating Review Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ **Governance Reporting**
- ➔ Appendix



# Management Governance Report

## **Board of Directors**

- Andrew Nikou
- Rob Young
- Chris Jaynes
- Rob Balgley
- John Case
- Paul Bridwell

## **Audit Committee**

- Dan Hudspeth
- Paul Bridwell
- Shawn Haghighi
- Andrew Martinez

## **2019 Year End Auditors**

- Deloitte

## **Anonymous Hotline**

- Navex implementation complete; hotline is now live

## **Internal Control & Authority Matrix**

- Adopted effective 2/27/18

## Management Governance Report (Continued)

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

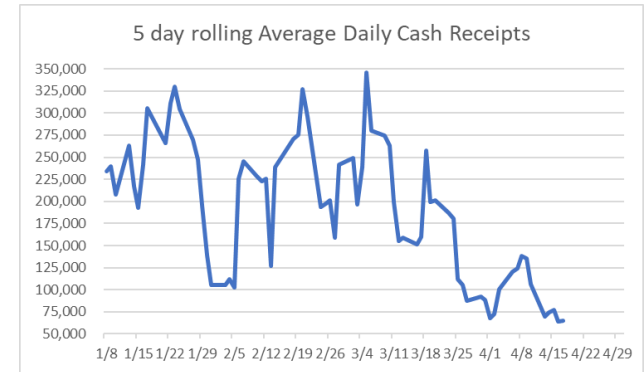
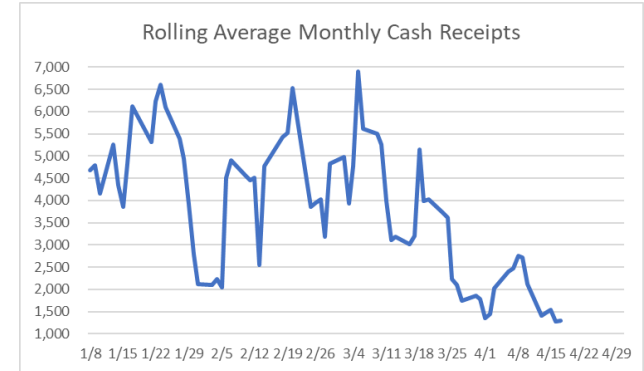
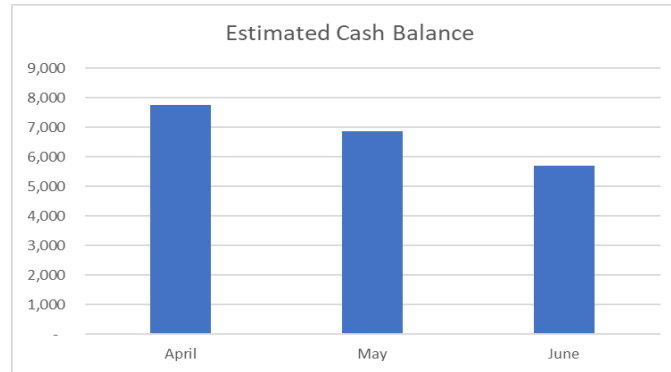
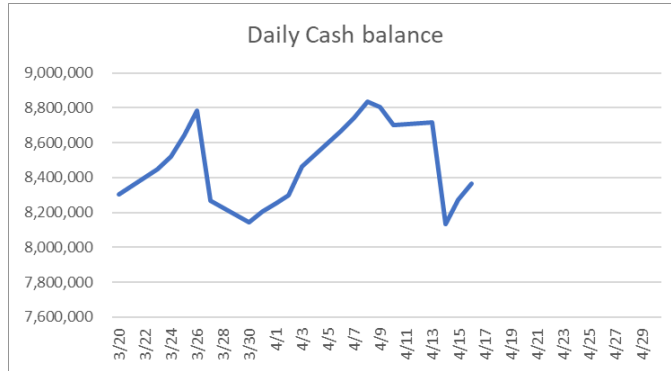
# Quarterly Operating Review Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Governance Reporting
- ➔ **Appendix**

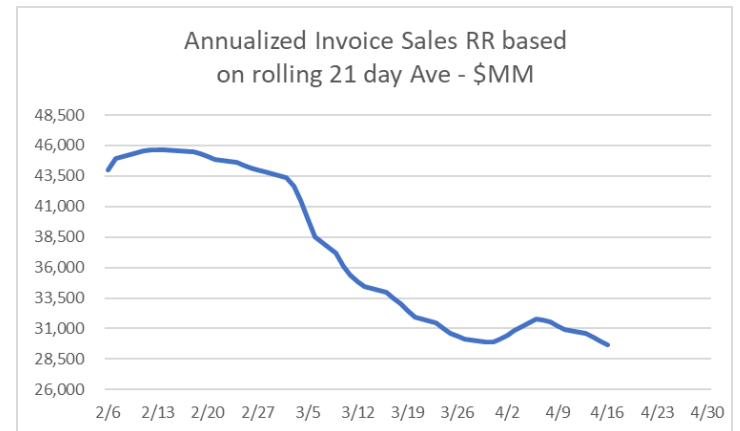
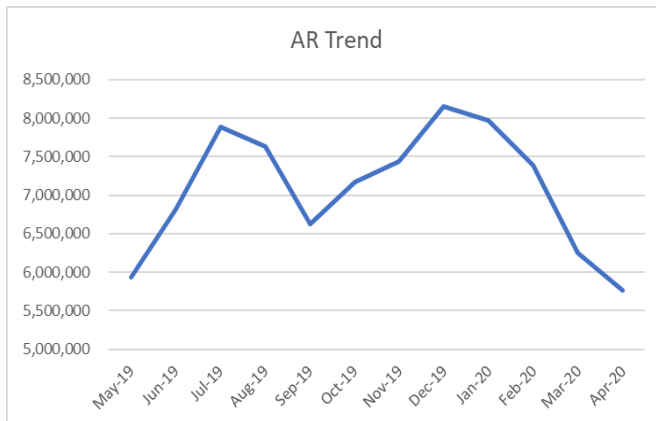
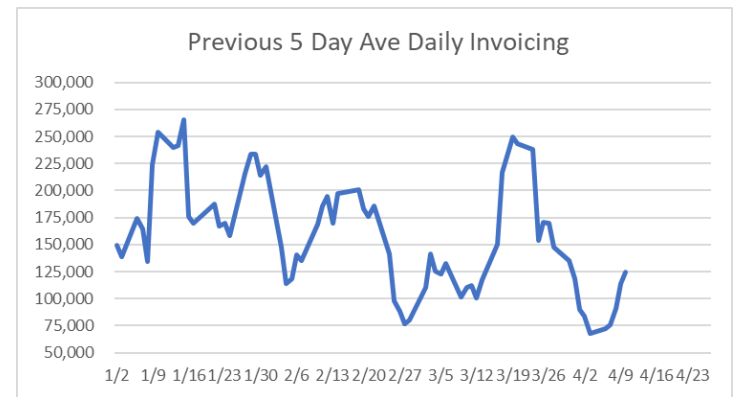
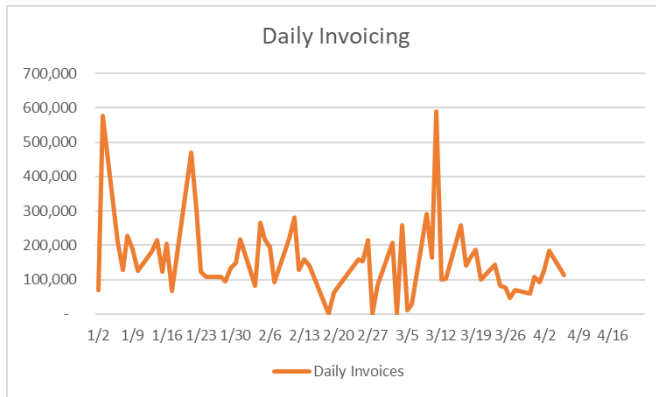
# Monthly Cash Basis Income Statement Analysis

	April	May	June
<b>Estimated Cash Receipts</b>	<b>1,580</b>	<b>1,400</b>	<b>1,400</b>
<b>Cash Outflows</b>			
Compensation costs	(1,460)	(1,460)	(1,460)
Health insurance payments	(163)	(163)	(163)
Smart payments	(327)	(250)	(250)
Facility payments	(123)	(123)	(123)
Gorilla Logic payments	(69)	(69)	(69)
Other Operating expense payments	(196)	(213)	(213)
<b>Total Estimated Cash Outflows</b>	<b>(2,338)</b>	<b>(2,278)</b>	<b>(2,278)</b>
<b>Net Estimated Cash flows</b>	<b>(758)</b>	<b>(878)</b>	<b>(878)</b>
<b>Cumulative Cash Flows</b>	<b>(758)</b>	<b>(1,636)</b>	<b>(2,514)</b>
<b>Key Vendor Obligations Deferred - Cumulative</b>			
Smart - Inventory rec'd	-	(250)	(500)
Smart - prepayment applied			-
Smart - Inventory not shipped		673	673
OpenGate	250	250	250
Other Vendors - Est	390	490	590
<b>Cumulative balance by month</b>	<b>640</b>	<b>1,163</b>	<b>1,013</b>
<b>Estimated Cash Balance</b>	<b>7,753</b>	<b>6,875</b>	<b>5,699</b>

# Cash Analysis From 13 Week Cash Flow Forecast



# AR & Invoicing Analysis From 13 Week Cash Flow Forecast



# YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Variance			One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Bud	(B) / W	Non-recurring	Timing	Run-rate	Other	(B) / W	(B) / W	Impact (B) / W
Payroll	\$ 4,470	\$ 4,886	\$ (417)	\$ —	\$ (417)	\$ —	\$ —	\$ (417)	\$ —	\$ —
Benefits	506	651	(145)	\$ —	\$ (145)	—	—	(145)	—	—
Bonus	260	355	(94)	\$ —	\$ (94)	—	—	(94)	—	—
Commissions	395	848	(453)	—	(453)	—	—	(453)	—	—
Marketing	434	912	(479)	—	(479)	—	—	(479)	—	—
Travel and Entertainment	349	667	(318)	—	(318)	—	—	(318)	—	—
Rent and Facilities	416	437	(21)	—	(21)	—	—	(21)	—	—
Insurance	—	—	—	—	—	—	—	—	—	—
Professional Fees	448	554	(105)	—	(105)	—	—	(105)	—	—
Utl., Repair, Maint., & Sec.	30	45	(16)	—	(16)	—	—	(16)	—	—
Office Expense	65	29	37	—	37	—	—	37	—	—
IT	429	453	(24)	—	(24)	—	—	(24)	—	—
Other Expenses	178	112	66	—	66	—	—	66	—	—
Total Opex	\$ 7,980	\$ 9,950	\$(1,970)	\$ —	\$ (1,970)	\$ —	\$ —	\$ (1,970)	\$ —	\$ —

## Management Discussion

- Payroll is under budget due to being behind plan. Budgeted employee headcount was 182 versus actual of 164 as of Mar-2020.
- Commissions and are under budget due to lower than expected sales and removal of bonus expense.
- Marketing is primarily under budget due to reduced spend in creative, advertising, product, and trade show.
- T&E is under budget primarily due reduced travel due to COVID-19.
- Professional Fees are under budget due to lower than expected software development contractors and consulting hours related to systems improvements, IT and marketing.
- Other is over budget due to higher than expected bad debt and unbudgeted sales tax expense.

# Operating Expenses Summary

\$'000																
	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance			
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%		
<b>Opex Overview:</b>																
Payroll	\$ 1,476	\$ 1,657	\$ (181)	(10.9%)	\$ 1,024	\$ 452	44.1%	\$ 4,470	\$ 4,886	\$ (417)	(8.5%)	\$ 3,023	\$ 1,446	47.8%		
Benefits	142	223	(81)	(36.2%)	132	11	8.1%	506	651	(145)	(22.3%)	433	73	16.8%		
Bonus	–	120	(120)	(100.0%)	121	(121)	(100.0%)	260	355	(94)	(26.6%)	359	(99)	(27.5%)		
Commissions	147	293	(146)	(49.7%)	119	28	23.3%	395	848	(453)	(53.4%)	331	65	19.5%		
Marketing	96	327	(232)	(70.8%)	164	(68)	(41.6%)	434	912	(479)	(52.5%)	482	(48)	(10.0%)		
Travel and Entertainment	55	232	(177)	(76.3%)	129	(74)	(57.5%)	349	667	(318)	(47.6%)	347	2	0.7%		
Rent and Facilities	136	146	(9)	(6.5%)	126	11	8.5%	416	437	(21)	(4.9%)	342	74	21.6%		
Insurance	–	–	–	N/A	–	–	N/A	–	–	–	N/A	–	–	N/A		
Professional Fees	180	195	(15)	(7.7%)	108	72	67.1%	448	554	(105)	(19.0%)	242	206	85.1%		
Utl., Repair, Maint., & Sec.	18	15	3	16.7%	21	(4)	(16.7%)	30	45	(16)	(34.7%)	79	(49)	(62.5%)		
Office Expenses	15	12	3	26.7%	11	4	40.8%	65	29	37	128.7%	15	50	324.6%		
IT	136	157	(21)	(13.4%)	22	114	527.4%	429	453	(24)	(5.3%)	231	199	86.1%		
Other Expenses	43	32	11	34.8%	8	35	420.5%	178	112	66	58.7%	26	152	581.3%		
<b>Total Opex</b>	<b>\$ 2,444</b>	<b>\$ 3,409</b>	<b>\$ (965)</b>	<b>(28.3%)</b>	<b>\$ 1,984</b>	<b>\$ 460</b>	<b>23.2%</b>	<b>\$ 7,980</b>	<b>\$ 9,950</b>	<b>\$(1,970)</b>	<b>(19.8%)</b>	<b>\$ 5,910</b>	<b>\$ 2,070</b>	<b>35.0%</b>		

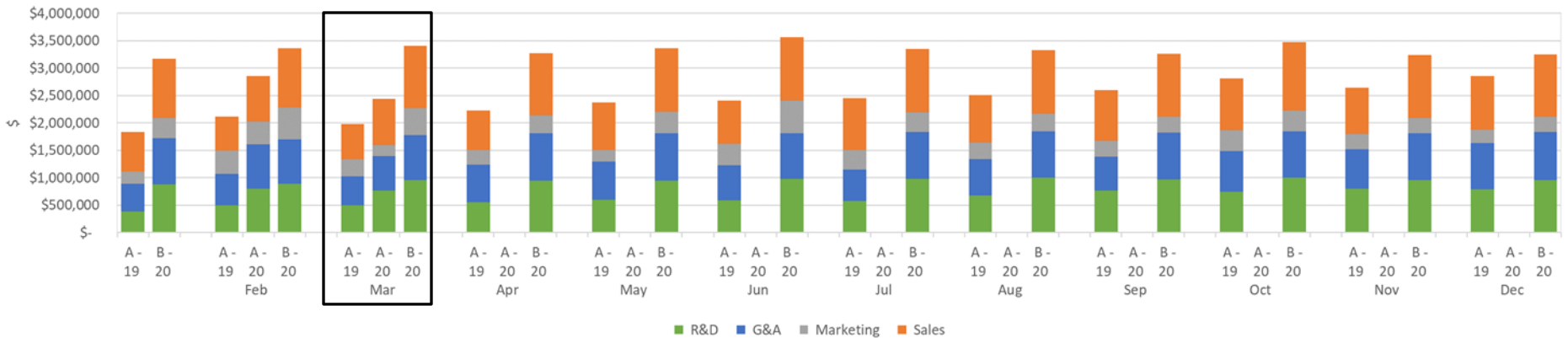
## Management Discussion

- Please see previous slide on expense analysis.



# Operating Expenses Summary

OPEX by Department



## Management Discussion

- Graph shows departmental spend comparatives for '19 actual, '20 actual and '20 budget.

# AR and AP Aging Detail

\$'000

AR Aging				
Days	Jan-20	Feb-20	Mar-20	
0-30	\$ 6,544	\$ 5,198	\$ 4,737	
30-60	465	821	659	
60-90	117	89	179	
>90	266	140	191	
<b>Total Gross AR</b>	<b>\$ 7,392</b>	<b>\$ 6,249</b>	<b>\$ 5,765</b>	
<b>Reserves</b>	(107)	(154)	(159)	
<b>Total Net AR</b>	<b>\$ 7,285</b>	<b>\$ 6,095</b>	<b>\$ 5,606</b>	

AP Aging				
Days	Jan-20	Feb-20	Mar-20	
0-30	\$ 2,366	\$ 1,994	\$ 1,948	
30-60	156	79	450	
60-90	6	(430)	5	
>90	53	470	5	
<b>Total</b>	<b>\$ 2,582</b>	<b>\$ 2,115</b>	<b>\$ 2,407</b>	

## Management Discussion

- AR decreased due to lower than expected sales in February and March. The largest customer balance in the >60 bucket is Wildfire Technology (54K). The three largest in the >90 bucket are Genesis Integration (96K) (5k Payment in March), Equipbureau (53K). and Video Corporation of America (31K).
- AP increased overall due to delaying of AP bills. The vendor that has a largest balance in 30-60 days is Smart Wireless and the balance is 355K.



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