



2019 Monthly Operating Review— October 2019

November 20th, 2019

October 2019 Operating Review Meeting Agenda

- ➔ **Executive Summary**
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ Appendix

Executive Summary | Overview

October revenues of \$4.0M, unfavorable to revised Standalone AOP (budget) (\$0.5M)/(10.2%), favorable to PY \$0.3M/6.9%

- Favorable, Government padlocks \$0.4M
- At target, APAC and LAG
- Unfavorable, NA (\$0.7M)/(32.0%)
 - OEM: Diebold (\$0.1M), Hamilton Safe (\$0.1M)
 - Distributors: Timemaster (\$0.2M), Lockmaster (\$0.2M), Southern Lock/Silver Sales (\$0.1M)
- Unfavorable, EMEA (\$0.1M)/(20.0%)
- (\$0.3M) of revenue slippage from in-transit for October, shortfall to AOP could have been \$(0.2M) rather than (\$0.5M)
 - Revenue recognition method change, exclude product not received by customer for destination point deliveries
 - Affect of timing moved revenue to November – future shipment freight terms will determine in-transit cut-off testing

YTD revenues of \$37.3M, unfavorable to budget by (\$3.7M)/(9.1%), unfavorable to PY (\$0.7M)/(1.8%)

- Favorable to Budget, APAC by \$0.6M/6.0%
 - India Favorable to PY \$1.2M/23%, driven by A-Series orders to the ATM market
- Unfavorable to Budget, NA by (\$4.0M)/(24.0%)
 - OEM: Liberty (\$0.7M), Diebold (\$0.6M), Genmega (\$0.4M), Global File (\$0.3M), Hamilton Safe (\$0.1M), Fort Knox (\$0.1M)
 - Distributors: Southern Lock/Silver Sales (\$0.6M), Anixter (\$0.3M)
 - CIT: Hitachi (\$0.3M)
 - ATM Deployers: 247 ATM Providers (\$0.1M), Worldwide ATM (\$0.1M)
 - Government: Krieger (\$0.2M), Will Burt (\$0.1M)
- Unfavorable to Budget, LAG by (\$0.6M)/(22.0%) driven by decline in Sales to American Locks (distributor) and Cogar (Cash in Transit)
- Unfavorable, EMEA (\$0.1M)/(5.0%)

Executive Summary | Overview (continued)

Hits

- Total October bookings of \$3.9M favorable to PY \$0.6M
 - Cogar in LAG (CIT) order of \$0.4M, contributes to 30% favorable growth from 2018 YTD
 - All sales teams, except North America, hit at least 100% of monthly booking budget targets
- Favorable Opex by \$0.2M versus October budget related to timing of strategic initiative expense and IT carve-out expense. Full year Opex projected to be \$1.9M favorable to full year budget.
- Design freeze, sourcing and manufacturing methods to be determined, of new network capable modular digital platform with display and keypad– launch Feb. 2020

Misses

- (\$0.3M) of revenue slippage in October, shortfall to AOP could have been (\$0.2M) rather than (\$0.5M)
 - Revenue recognition method change, exclude product not received by customer for destination point deliveries
 - Affect of timing moved revenue to November – future shipment freight terms will determine in-transit cut-off testing
- Backlog decline of (\$0.4M) from previous month
- Continued NA decline in both OEM and distribution, however demonstrating improvement over Q3
 - October bookings shortfall without Government at 75% of budget target
 - October bookings shortfall for US Government at 90 % of budget target
 - Search in progress for NA Sales Director

Executive Summary | Overview (continued)

Key Go-Forward Actions

- Sales: Align expectations and drive near-term performance
 - Assess regional team and individual performances → Deploy on corrective actions → Assess outcomes
 - EMEA BDM performance assessment
 - APAC BDM performance assessment
 - Recruiting for NA Sales Director
 - Revised Sales Incentive Program (SIP) for Q4 → Drive and recognize performance toward target (≥90%)
- Marketing: Finalize the refreshed Brand, including product Visual Brand Language
 - Keypad design concept internal VoC completed
 - Brand properties, including logo design concepts completed, contingent on trademark search
 - Brand aspirations and vision statement in final stages of development
- Engineering: Execute to the defined New Product Development Pipeline
 - Develop an configurable (Base – Biometric – Network Enabled) digital product platform, design freeze
 - Design for manufacturability (sourcing/production → quality/reliability/value), current state
- Debt paydown
 - Current cash balance of \$3.8M and projected to be \$3.5M at year-end – note: lender does not qualify cash > \$3.M for the covenant ratio
 - Paydown optimization of pre-payment fee vs. interest carrying cost – excess cash paydown in April 2020 will be without fees, also have \$3M paydown available through the life of the debt without penalty
 - Assess payment method, determine amount, and make paydown by November 29th
- Operations: Leverage capabilities and capacities
 - Fill key positions or engage outside resources: Customer Relationship Director, Product Manager, Marketing Design Specialist, Trainer and Technical Writer, and Director of Sales, Americas
 - [Product Quality & Reliability Roadmap and improvement results – view next four pages\(1st risk item\)](#)

Executive Summary | Overview (continued)

	Description	Potential Impact	Plan to Address
Risks	<ul style="list-style-type: none"> Privat Bank(OEM) Russia project concerns with 3000 series product quality issues. 600 Units delivered in September and roughly 8% to 10% are faulty. Have returned 57 units and put a hold on 1,000 unit order until quality is confirmed 	<ul style="list-style-type: none"> Organic growth project with initial ASWD order of \$320K and total project scope of 5000 Units at \$1.6M Reputation decline of products and company capability in emerging East Europe 	<ul style="list-style-type: none"> Initial quality issues of battery drain and lock hardware identified and addressed Additional quality issues being reviewed/fixed/tested Provide well-tested, quality working units back for project
	<ul style="list-style-type: none"> 2890 ABR(Gov) NA – complete Gov't process for approvals of Sensitive Compartmented Information Facility(SCIF) panic bar prototype 	<ul style="list-style-type: none"> With Lockmasters looking to have the same spec approval, we need to be first to market new standard for the ADA handicap access areas 	<ul style="list-style-type: none"> Engineering and Gov't BDM continue to accelerate spec approval and visibility government buying channels
	<ul style="list-style-type: none"> LAG competitive pricing and Timelock business under pressure. Rench (competitor) price approx. 50% lower 	<ul style="list-style-type: none"> Bash (\$128K) American Locks (\$92K) Mapa (\$43K) 	<ul style="list-style-type: none"> Introduce new product platform strategy to address scope of market needs Execute on a market pricing strategy Emphasis on operational excellence including quality
Opportunities	<ul style="list-style-type: none"> Key projects in LAG with Nexus IP and ASWD 	<ul style="list-style-type: none"> Nexus IP opportunity with Drugstore Chain (CAFAM) via Interlase - \$120K Project via Proyel with Bancocolumbia featuring ASWD - \$80K 	<ul style="list-style-type: none"> Leveraging partners to continue driving sample success and looking to begin order processing by year-end.
	<ul style="list-style-type: none"> EMEA growth with Abusarhad project in UAE 	<ul style="list-style-type: none"> Organic growth project opportunity of \$140K 	<ul style="list-style-type: none"> Continuing to work closely with Abusarhad and providing training in Q4 to finalize deal
	<ul style="list-style-type: none"> NA – Gov't BDM expanding scope of customer base and targeting Megamet (door OEM) 	<ul style="list-style-type: none"> Initial orders pending for Megamet's customer Clegg Industries on 2890/2740 products. This win would take away spec from LKM and could lead to larger scale partnership worth \$300K annually 	<ul style="list-style-type: none"> BDM (Smith) to meet with and work closely with owner John Klegg to identify future projects to unseat LKM spec and increase S&G exposure to other partners
	<ul style="list-style-type: none"> APAC/India - NCR 	<ul style="list-style-type: none"> A-series growth order of \$270K 	<ul style="list-style-type: none"> Working to secure order within 3rd week of November and staying in contact regarding

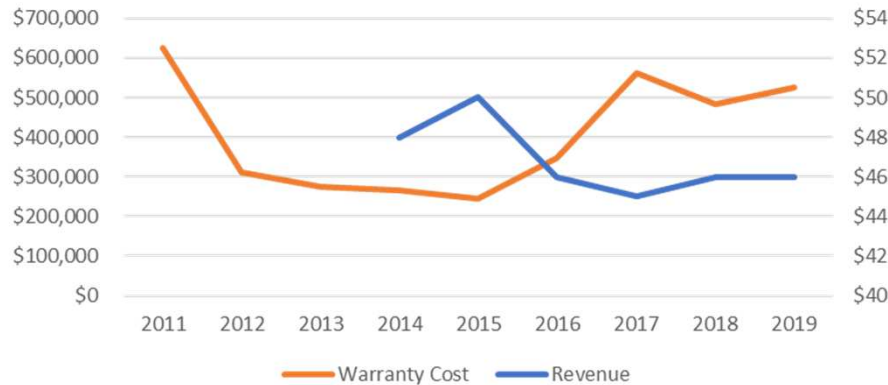
Executive Summary | Quality Improvement

Quality Improvement Plan

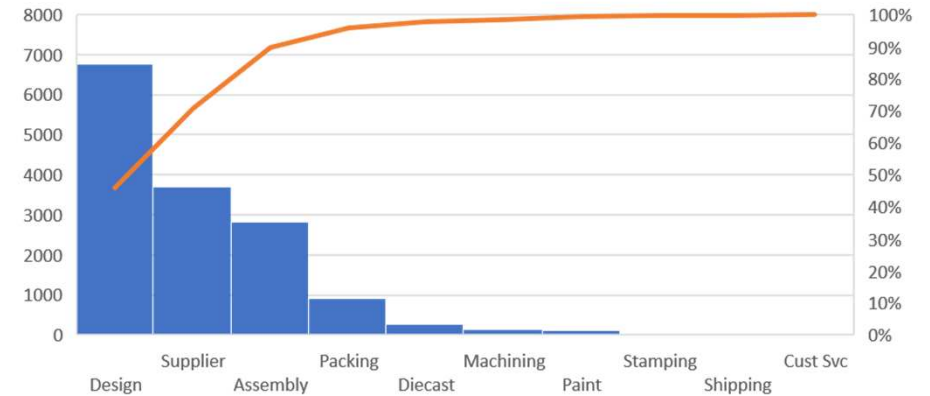
- **Phase 1 – 90 day Plan (Contain, Standardize, and Measure)**
 - Hire Quality Manager (Don Cinnamond started on 11/18/19)
 - Quality Issues transparent to customer (implement a firewall to protect the customer)
 - First Piece Approval Process (Augment Inspection Point documents used throughout the manufacturing facility)
 - Dock Auditing (replicate customer experience by auditing product randomly on the shipping dock)
 - Visual Management
 - Evaluate quality department structure and skillset – Recommend adjustments as required
 - Modify final inspection to replicate customer application
 - Implement Stop – Call – Wait Process (reduce decision points in manufacturing that introduce variation)
 - Receiving Inspection (Increase # of SKU's inspected / % of lots inspected)

Executive Summary | Quality Metrics

Comparative Warranty Cost and Revenue

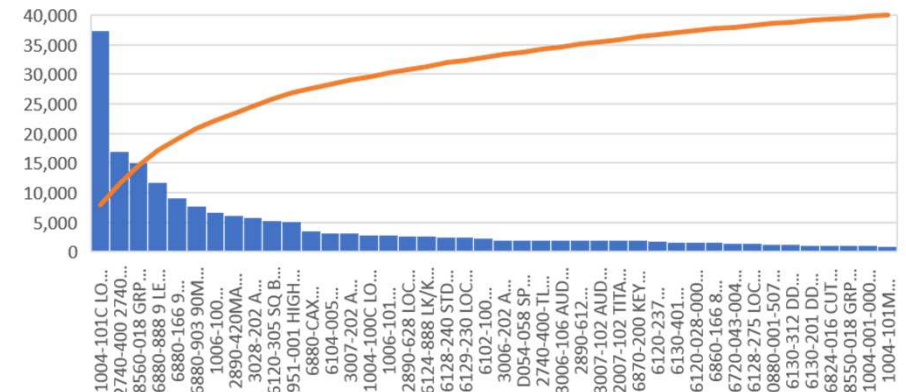


Defect Piece Qty by Process 2019 YTD



- Manufacturing disruption, from scheduling nonstandard build requirements to meet month-end revenue targets, generated conditions for poor quality. Revenue declines had put pressure on meeting targets at end of month on repetitive cycles.
 - Level load production for on-time and improved quality results
 - Eliminate cut-ins for pull ahead orders based on demand deficits
- Impact of supplier defects increases need for receiving inspection. S&G to gage and mandate improved quality processes at vendor manufacturing sites.
- Digital platform (3000 series) in current design is subject to battery drain as a result of registry errors in the firmware
 - New firmware has been developed and is in testing
 - Test fixtures redesigned to replicate field condition faults as recognized
 - Specialization of firmware per customer specific orders creates conditions requiring specific test equipment/plans

Direct Cost by Part Number 2019 YTD



Executive Summary | Quality Improvement

Failure Mode	Qty	Cost (\$K)	Product	Complaint	Root Cause	Corrective Action	Remaining Exposure (\$K)
Intermittent Operation	5000	88	1004 (MPP)	Intermittent Operation	Design	Modified lock case	90
Battery Drain	146	43	Digital Platform	Battery drains prematurely	Design	Firmware modification. Modified firmware being qualified.	20
Battery Holder	19	8	2740	Battery holder separates from PCB	Design	PCB will need to be re-designed to increase space between pads.	15
Blue Dot Reader	78	14	A-Series (Digital / Analog)	Will not read Dallas key	Coil installed upside down	Implemented electronic test fixture.	5
Cross thread	302	10	Spring bolt	Bolt will not retract	Design	Designed new version. Currently in validation and qualification testing.	20
Flat keypad	201	3	Analog Keypads (6120 Family)	Domes collapse on keypad	Undetermined	Under evaluation	25
Key Cutting	83	2	FAS	Assymetrical key cuts require keys to be used in one orientation only	Fixturing for CNC inadequate	Modified fixturing. Working with supplier to provide key shaft tolerancing.	10
Date / Time	4	1	Digital Platform	Lock loses date/time	Design	Firmware modification. Modified firmware being qualified.	5
Warped Wheels	490	15	8560	Plastic wheel warpage. Wheels drag preventing lock opening.	Design / Mfg	Create new plastic injection molding tools to eliminate "molded in" stress.	30

Executive Summary | Key Wins and Losses

Key Wins

APAC

- AGS– 500 units of 6128 for projects at \$100K and expected monthly orders of 500 through mid-2020
- Strong base business orders due to business growth from Arya and TK drove solid month

EMEA

- A-Samuel (Dist) Israel – \$40K stocking order of various products
- Gunnebo Doetinchem NL – ASWD stocking order of \$352K
- Servus Security Systems UA (PrivatBank) – ASWD order of \$44k

LAG

- Cogar – Mexico (Dist) –6128 order of \$430K – Organic CIT order
- Proyel (Dist) – ASWD sale to Atlas - \$20K
- American Locks (Dist)- Audit 2.0 for Western Union – (\$40K)

NA

- Global File (Canada) – 2000 units - 8550 combo lock for Royal Canadian Mounted Police for \$157K
- Genmega – 200 Units of 6128 (A-Series) worth \$46K for new project
- APSM – Initial 50 unit order of ASWD w/DHD - \$86K. Project is for their client Coin Cloud with order potential of 1,800 units

Key Losses

APAC

- 5000 Units of MPP's per month from Quingdao (\$25K) loss due to quality challenges for their customer ProSteel. This is their only customer and are now sitting on 5400 units they want to return.

EMEA

- Gunnebo South Africa project with AxisBlu (Slam Bolt) of \$15K (100 units) lost due to product not being available yet
- Euronet/Loomis project in Spain with 800 ASWD shifted to later timeline due to project delays. Value is \$240K.





LAG

- Aglar – Nexus IP order for \$20K. (bank require IP connection to be wired).





NA

- No key project loss, but missed on stock orders from Lockmasters and Timemasters due to earlier order loads. Difference (\$300K) versus October PY.

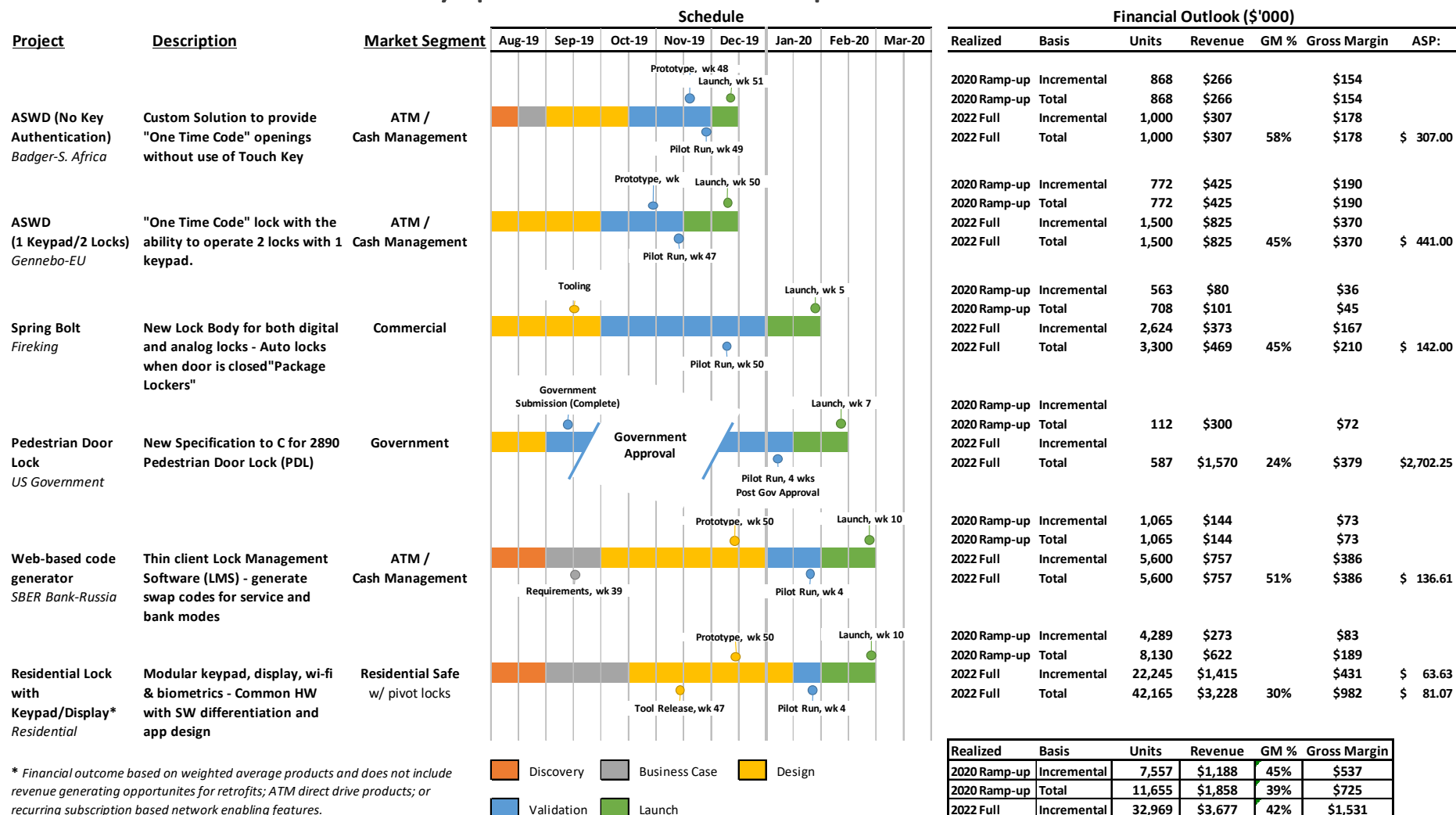
Executive Summary | 2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Establish globally consistent pricing strategy		<ul style="list-style-type: none"> • Transactional data and mapping tables pulled and provided to Open Gate • Evaluate 3rd party partners at smaller levels to meet initiative needs 	<ul style="list-style-type: none"> • Meeting week of 10/21 to determine next steps in regards to internal analysis • Final evaluation of 3rd party assistance partners 	<ul style="list-style-type: none"> • Potential for instances of margin loss when applying a unified pricing model ➢ Anticipate aggregate upside ➢ Offset with premium list price and targeted discount
Launch refreshed brand and digital marketing presence (i.e. website)		<ul style="list-style-type: none"> • Logo finalized and presented to larger organization • Brand Standards Guide first draft completed • Marketing Literature being updated • Website site map finalized. Webpage keywords identified. • Brand Rollout Strategy defined 	<ul style="list-style-type: none"> • Kickoff website copy development • Provide feedback on Brand Standards Guide • Align on lifestyle photography strategy • Gain approval on rollout strategy 	<ul style="list-style-type: none"> • Achieve objective while managing potential for scope creep and diminishing returns ➢ Prioritize on core and growth Market, Product & Region
Develop new industrial design aesthetic for existing and new products		<ul style="list-style-type: none"> • Prototype components on order for firmware development and testing • Keypad desktop demo functional • Demo user app available. Marketing reviewing app workflow and screen layouts 	<ul style="list-style-type: none"> • Finalize materials and finishes • Kick-off tooling • Define upgrade process and pricing structure • Determine manufacturing plan / supplier selection 	<ul style="list-style-type: none"> • Bandwidth to apply new design across new product pipeline and core product (i.e. Titan, Spartan) ➢ Consider contractor for application across core product
Improve instructions for electronic lock products		<ul style="list-style-type: none"> • Created rules for examination of instructions • Gathered instructions (10 sets) and started evaluation of content for quick start guides, consolidation opportunities 	<ul style="list-style-type: none"> • Verify content changes with Customer Service • Submit to Marketing for layout with Oornj • Add QR codes to new items for new keypad screen additions 	<ul style="list-style-type: none"> • Instructions are still hardcopies ➢ If lost, QR codes also lost

Executive Summary | 2019 Key Initiatives (continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Modularize core product lines		<ul style="list-style-type: none"> Rollout strategy for new keypad design developed SKU rationalization strategy for legacy keypads defined Project timeline for lock body modularization developed 	<ul style="list-style-type: none"> Establish requirements for integration of Digital Platform features / functions to new keypad and lock bodies Define architecture for locking mechanism modularization 	<ul style="list-style-type: none"> Ensure modular design does not compromise performance and quality <ul style="list-style-type: none"> ➤ Leverage core product (Titan / Spartan) for modular platform
Develop new core products		<ul style="list-style-type: none"> Product development pipeline prioritized through Q2 2020 Business Case (ROC) models for 3Q/4Q 2020 products complete 	<ul style="list-style-type: none"> Validate business cases and determine prioritization for 3Q/4Q 2020 products Review emerging technology trends with assistance from OGx Generate 2021 and beyond NPD Pipeline with ROC's and establish priorities 	<ul style="list-style-type: none"> Effectual deployment of design resources including contract (i.e. biometric & network connect) <ul style="list-style-type: none"> ➤ Leverage OGx to identify firmware/software design partner(s)
Develop SIOP process using historical data analytics		<ul style="list-style-type: none"> Demand Solutions (SBD Forecasting tool) has been shut down SKU level data entered into SAP 	<ul style="list-style-type: none"> Organize data/template for monthly SIOP meetings Determine SIOP accuracy after adding CRM data from Netsuite. 	<ul style="list-style-type: none"> Low risk compared to previous SIOP tool.
Deploy Artificial Intelligence vision inspection system to improve quality		<ul style="list-style-type: none"> Current ROI does not show feasibility 	<ul style="list-style-type: none"> Review alternate areas to deploy AI within manufacturing operations 	<ul style="list-style-type: none"> Analysis of alternate applications required.

Executive Summary | New Product Pipeline



Executive Summary | New Product Pipeline



Executive Summary | Key Performance Indicators

In \$(000)s							
		Full Month - Oct			Full Quarter Projection - 4Q		
		Actual	QR	VOR	Actual	QR	VOR
Safety	# of Recordables	1.0	0.0	1.0	1.0	0.0	1.0
	TRIR	1.5	1.6	(0.1)	0.0	1.6	(1.6)
	LTIR	0.0	0.0	0.0	0.0	0.0	0.0
	Roadmap	0.5	0.6	(0.1)	0.5	0.6	(0.1)
Delivery	Fill Rate	98.1%	98.0%	0.1%	98.1%	98.0%	0.1%
	Past Due	-	100.0	(100.0)	100.0	100.0	-
	Oldest Order	6	30.0	(24.0)	30.0	30.0	-
Quality	EOLA	2,301.3	800.0	1,501.3	2,301.3	800.0	1,501.3
	Customer Complaints #	44	40	4	44	104	(60)
	Warranty \$	\$ 54.0	\$ 43.3	\$ 10.7	\$ 123.2	\$ 112.5	\$ 10.7
	Scrap %	2.3%	1.3%	1.0%	0.8%	1.3%	-0.5%
Supply Chain	Inventory \$	\$ 6,956.8	\$ 5,003.0	\$ 1,953.8	\$ 6,495.8	\$ 4,491.6	\$ 2,004.2
	DSI	104.1	78.8	25.3	90.5	67.2	23.3
	Plant Turns	3.5	4.6	(1.1)	4.0	5.4	(1.4)
	E&O \$	\$ 1,763.7	\$ 740.0	\$ 1,023.7	\$ 1,248.0	\$ 712.0	\$ 536.0
	E&O %	25.4%	14.8%	10.6%	19.2%	15.9%	3.4%
Mtl. Cost	Material COS @ STD	\$ 1,357.0	\$ 1,423.3	\$ (66.3)	\$ 4,159.6	\$ 4,225.9	\$ (66.3)
	Mat'l PPV	\$ (127.0)	\$ 15.9	\$ (142.9)	\$ (101.6)	\$ 41.3	\$ (142.9)
	Other Mat'l Variances	\$ 29.0	\$ (64.8)	\$ 93.8	\$ (90.5)	\$ (184.3)	\$ 93.8
	Subtotal	\$ 1,259.0	\$ 1,374.4	\$ (115.4)	\$ 3,967.5	\$ 4,082.9	\$ (115.4)
Labor & Conv	Labor (Comp & Ben)	\$ 423.0	\$ 419.6	\$ 3.4	\$ 1,114.6	\$ 1,111.2	\$ 3.4
	OT Premium	\$ 25.0	\$ 12.7	\$ 12.3	\$ 56.3	\$ 44.0	\$ 12.3
	Conversion	\$ 154.0	\$ 154.2	\$ (0.2)	\$ 400.7	\$ 401.0	\$ (0.2)
	Base	\$ 318.0	\$ 301.0	\$ 17.0	\$ 898.3	\$ 881.2	\$ 17.0
	Subtotal	\$ 920.0	\$ 887.6	\$ 32.4	\$ 2,469.9	\$ 2,437.5	\$ 32.4
	Liquidations	\$ (792.0)	\$ (780.2)	\$ (11.8)	\$ (2,314.8)	\$ (2,307.8)	\$ (7.0)
Variance to Standard		\$ 128.0	\$ 107.4	\$ 20.6	\$ 155.1	\$ 129.7	\$ 25.4
Total 4-wall Cost		\$ 2,179.0	\$ 2,261.9	\$ (82.9)	\$ 6,437.4	\$ 6,520.3	\$ (82.9)
Total Variances		\$ 30.0	\$ 58.5	\$ (28.5)	\$ (37.1)	\$ (13.4)	\$ (23.7)
% of Standard COS		1%	3%	-1%	-1%	0%	0%

Management Discussion

Safety

- 2,083 days or 5.7 years of 1.6M worked hours without a lost time
- Recordable-wrist/hand injury due to repetitive motion. Restrictions and a brace were prescribed at initial visit. Further testing for carpal tunnel scheduled for this week.

Delivery

- No past Due orders as of October close

Supply Chain

- Inventory increase from Sep (\$250K) PCB components inventory for move from China, (41K) Zamak timing, (62K) 951 cases for Nov- Dec shipments.
- (\$275k) FAS mechanical key lock inventory purchased from ASSA at 25%-35% discount in Oct. 2018 – greater than 6-months stock on-hand
- (\$365) finished goods on dock due to delayed pickup – shipping terms controlled by customer and delivered in Nov.
- Initiative to disposition excess and obsolescence stock in 4Q

Material Cost

- PPV: Favorable \$43k for Satin Chrome Housings, \$30k Zinc, \$27k 6880/6860
- Duties unfavorable (\$35k)

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- ➔ **Financial Review**
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ Appendix

Financial Review | Summary P&L - MTD

\$'000

	MTD		Variance		PY MTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	4,025	4,480	(455)	(10.2%)	3,764	261	6.9%
Material	1,259	1,425	(166)	(11.7%)	1,179	80	6.8%
Labor	615	642	(28)	(4.3%)	622	(7)	(1.1%)
Other COGS	112	301	(189)	(62.7%)	193	(81)	(41.8%)
Total COGS	1,986	2,368	(382)	(16.1%)	1,993	(7)	(0.4%)
Gross Margin	2,039	2,111	(72)	(3.4%)	1,771	268	15.1%
<i>Gross Margin %</i>	<i>50.7%</i>	<i>47.1%</i>			<i>47.0%</i>		
R&D	223	294	(71)	(24.2%)	165	58	35.0%
Sales & Marketing	423	466	(43)	(9.3%)	300	122	40.6%
Administrative	334	370	(36)	(9.6%)	425	(91)	(21.4%)
Other Opex	—	—	—	N/A	—	—	N/A
Total Opex	980	1,129	(150)	(13.3%)	890	89	10.0%
EBITDA	1,059	982	77	7.9%	880	179	20.3%
<i>EBITDA %</i>	<i>26.3%</i>	<i>21.9%</i>			<i>23.4%</i>		
Adj. EBITDA	1,221	1,245	(23)	(1.9%)	880	341	38.8%
<i>Adj. EBITDA %</i>	<i>30.3%</i>	<i>27.8%</i>			<i>23.4%</i>		
Net Income (Loss)	\$ 192	\$ 76	\$ 116	152.8%	\$ 772	\$ (581)	(75.2%)
Capex	\$ —	\$ 283	\$ (283)	(100.0%)	\$ 3	\$ (3)	(100.0%)
Unincurred Standalone Costs	80	32					
PF Adj EBITDA	1,141	1,213					
<i>PF Adj. EBITDA %</i>	<i>28.4%</i>	<i>27.1%</i>					

Management Discussion

Budget

- October Revenue unfavorable variance of (\$455k) vs AOP and favorable variance of \$261k vs PY
- At target in APAC and LAG
- Unfavorable performance in NA (\$700k); Timemaster-Distributor (\$200k), Lockmaster-Distributor (\$175k), Diebold –OEM (\$125k), and Hamilton Safe-OEM (\$75k), Silver Sales/Southern Lock-Distributor (\$70k), Prosteel-OEM (\$40k)
- Unfavorable performance EMEA (\$100k);
- Favorable variance in Government \$400k; 951 padlocks
- October Adjusted EBITDA unfavorable variance of (\$23k) vs AOP. Gross margin is unfavorable (\$72k) with a volume impact of (\$214k) and other impact of \$142k.
- Opex is favorable \$150k vs AOP related to open positions, timing of strategic initiative spend and incentive revenue targets not met
- Actual 1x adjustments were \$162k versus AOP of \$263k

PY

- October Adjusted EBITDA favorable variance of \$341k vs PY. Gross margin is favorable \$268k with a volume impact of \$123k and additional impact of \$145k.
- Recovery from scrap metal sales \$65k from high brass content
- High favorable product mix \$75k from A-series shipments
- Opex is unfavorable (\$89k) related to strategic initiative spend
- Spending includes software development timing and increase in OGx(XponentialWorks) new product development support
- Actual 1x adjustments were \$162k versus PY of \$0

Financial Review | Summary P&L - YTD

\$'000	YTD		Variance		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	37,299	41,022	(3,723)	(9.1%)	37,976	(677)	(1.8%)
Material	13,484	13,409	75	0.6%	13,586	(102)	(0.8%)
Labor	5,707	6,180	(473)	(7.7%)	5,480	226	4.1%
Other COGS	2,255	2,470	(215)	(8.7%)	1,752	504	28.8%
Total COGS	21,445	22,059	(614)	(2.8%)	20,818	628	3.0%
Gross Margin	15,854	18,963	(3,109)	(16.4%)	17,158	(1,304)	(7.6%)
Gross Margin %	42.5%	46.2%			45.2%		
R&D	1,278	1,934	(656)	(33.9%)	1,524	(246)	(16.1%)
Sales & Marketing	3,429	4,006	(577)	(14.4%)	3,201	228	7.1%
Administrative	7,441	4,340	3,102	71.5%	3,512	3,929	111.9%
Other Opex	—	—	—	N/A	—	—	N/A
Total Opex	12,149	10,280	1,869	18.2%	8,238	3,911	47.5%
EBITDA	3,705	8,683	(4,978)	(57.3%)	8,921	(5,215)	(58.5%)
EBITDA %	9.9%	21.2%			23.5%		
Adj. EBITDA	9,541	10,586	(1,046)	(9.9%)	8,921	620	7.0%
Adj. EBITDA %	25.6%	25.8%			23.5%		
Net Income (Loss)	\$ (685)	\$ 3,421	\$ (4,106)	(120.0%)	\$ 7,873	\$ (8,557)	(108.7%)
Capex	\$ 535	\$ 1,081	\$ (546)	(50.5%)	\$ 941	\$ (407)	(43.2%)
Unincurred Standalone Costs	674	271					
PF Adj EBITDA	8,867	10,315					
PF Adj. EBITDA %	23.8%	25.1%					

Management Discussion

Budget

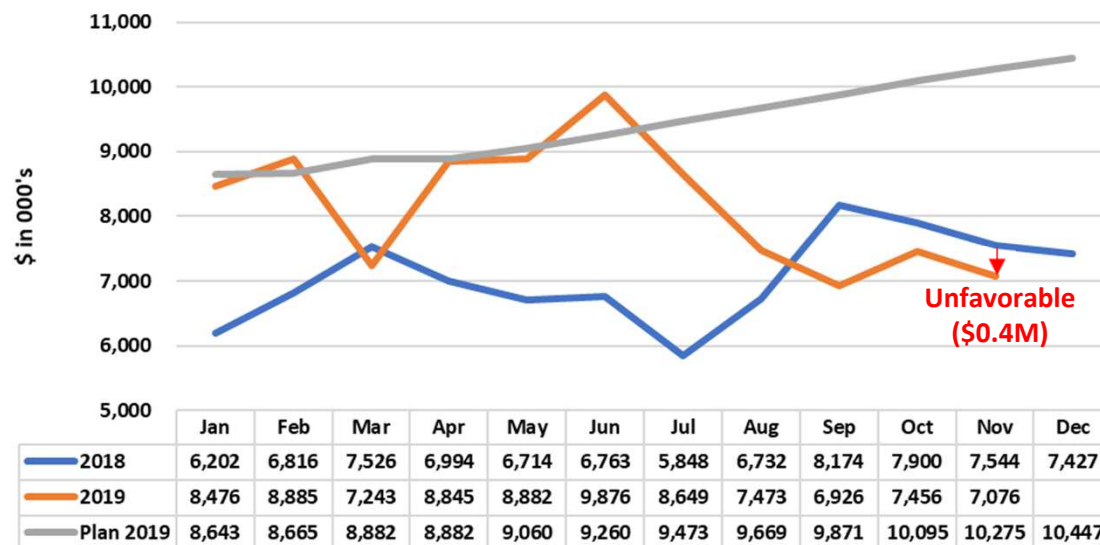
- YTD Revenue unfavorable (\$3.7M) vs. AOP driven primarily by decline in North America Non-Government(NA) regions
- YTD Adjusted EBITDA unfavorable (\$1.0M) vs AOP. Excluding the impact of the Opening Balance Sheet(OBS) entries, Gross Margin is unfavorable (\$2.2M) with a volume impact of (\$1.7M) and an additional impact of (\$0.5M).
 - OBS inventory revalued step-up incurred \$0.9M to material cost
 - \$0.1M of other impact related to Warranty expense (July)
- Excluding the impact of the OBS entries, Opex is Favorable \$1.6M vs AOP related to open positions, timing of HR specialist fees, timing of strategic initiative spend and incentive revenue targets not met
 - Actual 1x adjustments were \$1.5M versus Budget of \$1.9M
 - OBS transaction fee expenses incurred of \$3.4M

PY

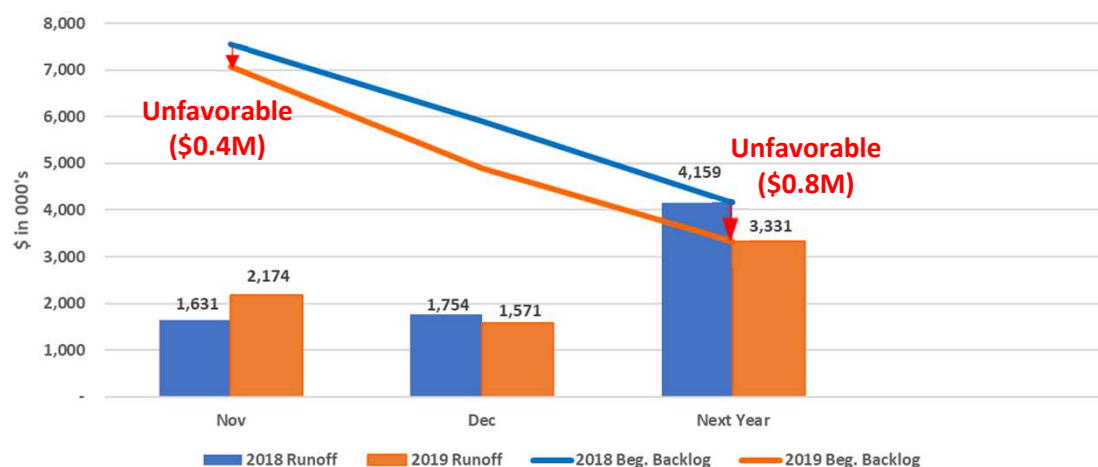
- YTD Revenue unfavorable (\$0.7M) vs. PY driven primarily by increase in 951 Government Sales offset by decline in NA
- YTD Adjusted EBITDA favorable \$0.6M vs. PY. Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$0.4M) with a volume impact of (\$0.3M) and an additional impact of (\$0.1M).
 - OBS inventory revalued step-up incurred \$0.9M to material cost
 - Most of additional impact related to Warranty expense
- Excluding the impact of the OBS entries, Opex is unfavorable (\$0.5M) vs. PY related to 1x costs.
 - Actual 1x adjustments were \$1.5M versus \$0 in PY
 - OBS transaction fee expenses incurred of \$3.4M

Financial Summary | Backlog Trends

Trended Backlog - Comparative November



Backlog Runoff - Comparative November



Management Discussion

- November backlog of \$7.1M contains \$3.3M of run-off in 2019
 - \$0.7M for 951 Government padlock orders scheduled in 2019
 - November, \$0.1M
 - December, \$0.6M
- 2018 Backlog of \$7.5M contained \$4.2M of run-off for 2018
 - \$3.8M of 2019 run-off contained:
 - 951 Government padlock orders, \$1.2M
 - Arya blanket order, \$1.0M
 - Timemaster 8077 blanket order, \$0.4M

Financial Summary | Business Split Comparison

YTD Sales (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$6,074	\$0	\$255	\$1	\$0	\$6,330
APAC (Less India)	\$3,438	\$436	\$2,832	\$237	\$16	\$6,959
EMEA	\$2,954	\$373	\$1,362	\$158	\$13	\$4,859
LATAM	\$1,499	\$125	\$664	\$100	\$207	\$2,596
US and Canada	\$2,320	\$8,192	\$4,365	\$579	\$749	\$16,204
Total	\$16,285	\$9,125	\$9,478	\$1,075	\$985	\$36,948

YTD Sales (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	16.4%	0.0%	0.7%	0.0%	0.0%	17.1%
APAC (Less India)	9.3%	1.2%	7.7%	0.6%	0.0%	18.8%
EMEA	8.0%	1.0%	3.7%	0.4%	0.0%	13.2%
LATAM	4.1%	0.3%	1.8%	0.3%	0.6%	7.0%
US and Canada	6.3%	22.2%	11.8%	1.6%	2.0%	43.9%
Total	44.1%	24.7%	25.7%	2.9%	2.7%	100.0%

YTD Contribution Margin (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$4,260	\$0	\$99	(\$2)	\$0	\$4,358
APAC (Less India)	\$1,825	\$60	\$746	\$31	\$6	\$2,669
EMEA	\$671	\$95	\$389	\$33	\$4	\$1,192
LATAM	\$935	\$17	\$264	\$39	\$46	\$1,302
US and Canada	\$1,391	\$3,753	\$1,991	\$256	\$187	\$7,577
Total	\$9,082	\$3,926	\$3,489	\$357	\$243	\$17,097

YTD Contribution Margin (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	24.9%	0.0%	0.6%	(0.0%)	0.0%	25.5%
APAC (Less India)	10.7%	0.4%	4.4%	0.2%	0.0%	15.6%
EMEA	3.9%	0.6%	2.3%	0.2%	0.0%	7.0%
LATAM	5.5%	0.1%	1.5%	0.2%	0.3%	7.6%
US and Canada	8.1%	21.9%	11.6%	1.5%	1.1%	44.3%
Total	53.1%	23.0%	20.4%	2.1%	1.4%	100.0%

North America

- ATM – NA ATM market is soft, projects are not repeating YOY (100% project based)
- GOV – growth in 2740 & 2890 ; Gov't Padlocks (951) – YOY 4,360 locks
- Residential – continued erosion in OEM safe market (Liberty, Prosteel)

LAG

- A-series continues to be strong in Latin America for CIT; SD lock market is also strong and growing in Argentina and Mexico

EMEA-R

- Significant increase in Diebold Nixdorf (and partners) on direct sales through new ATM product lines

India

- ATM Market continues to remain steady YOY, however softening in all other key markets is the trend. This is due to less cash usage globally and increased alternative pay methods (mobile)

Gun safe market (Res)

- Stagnant, but decline to S&G due to pricing and quality issues over last 2 years. Competitive products continue to drive downward, while S&G products are remaining steady with strong margins.

Government

- Business is up with potential to expand partnerships and offerings on 2740's with non-traditional customers focused on these products. New Government BDM is aligning strategic approach to the right customers.

Financial Summary | YTD YOY Comparison

YTD YoY Change in Sales (\$'s 000)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$1,296	(\$4)	(\$16)	\$1	\$0	\$1,277
APAC (Less India)	(\$91)	(\$55)	(\$333)	\$182	(\$4)	(\$302)
EMEA	(\$460)	\$73	\$92	\$28	\$4	(\$263)
LATAM	(\$383)	\$25	(\$93)	\$8	(\$120)	(\$563)
US and Canada	(\$849)	\$1,246	(\$1,479)	(\$72)	\$384	(\$770)
Total	(\$486)	\$1,285	(\$1,830)	\$146	\$264	(\$621)

YTD YoY Change in Sales (% Growth)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	27.1%	(95.0%)	(5.9%)	215,621.4%	N/A	25.3%
APAC (Less India)	(2.6%)	(11.2%)	(10.5%)	326.0%	(19.0%)	(4.2%)
EMEA	(13.5%)	24.2%	7.3%	21.3%	39.6%	(5.1%)
LATAM	(20.3%)	25.1%	(12.3%)	8.3%	(36.7%)	(17.8%)
US and Canada	(26.8%)	17.9%	(25.3%)	(11.0%)	105.0%	(4.5%)
Total	(2.9%)	16.4%	(16.2%)	15.7%	36.6%	(1.7%)

Legend (Chg in Sales \$ and %, Chg in CM \$):

 > \$50k
 < \$50k
 +/- \$50k

YTD YoY Change in Contribution Margin (\$'s 000)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$1,003	(\$0)	(\$20)	(\$0)	\$0	\$982
APAC (Less India)	\$92	(\$10)	(\$174)	\$23	(\$2)	(\$70)
EMEA	(\$29)	\$21	(\$37)	(\$16)	\$1	(\$62)
LATAM	(\$139)	\$1	(\$68)	(\$9)	(\$15)	(\$230)
US and Canada	(\$249)	\$124	(\$566)	(\$75)	\$65	(\$702)
Total	\$677	\$135	(\$866)	(\$77)	\$49	(\$82)

YTD YoY Change in Contribution Margin (% of Sales)*

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	102 bps	N/A	-521 bps	55681993 bps	N/A	89 bps
APAC (Less India)	375 bps	-155 bps	-271 bps	-988 bps	-138 bps	9 bps
EMEA	298 bps	164 bps	-710 bps	-376 bps	-202 bps	62 bps
LATAM	610 bps	-257 bps	-2 bps	-801 bps	440 bps	233 bps
US and Canada	858 bps	-646 bps	254 bps	-561 bps	-934 bps	-179 bps
Total	542 bps	-560 bps	-145 bps	-1080 bps	-285 bps	40 bps

Legend (Chg in Contribution Margin % of Sales):

 > 50 bps
 < 50 bps
 +/- 50 bps

NA

- ATM –market is soft, sales are 100% project based. Top 15 ATM customers make up the variance w/Garda Canada responsible for -\$323.
- RES - Erosion in YOY sales; Liberty (\$681), Genmega (\$373) (business not lost, agreement in place for 15,000 locks annually, Global File – (\$342k) (dependent on Gov't contract, demand has slowed w/RCMP in Canada), Granite Security Products, (\$69) (production moved offshore to APAC, they've since stopped using our lock), Follett – (\$93) (business lost to SecuRam's slam bolt lock (no S&G competitive product)

LAG

- ATM – Market decline is temporary and upcoming orders of A-series in Q4 should help address this

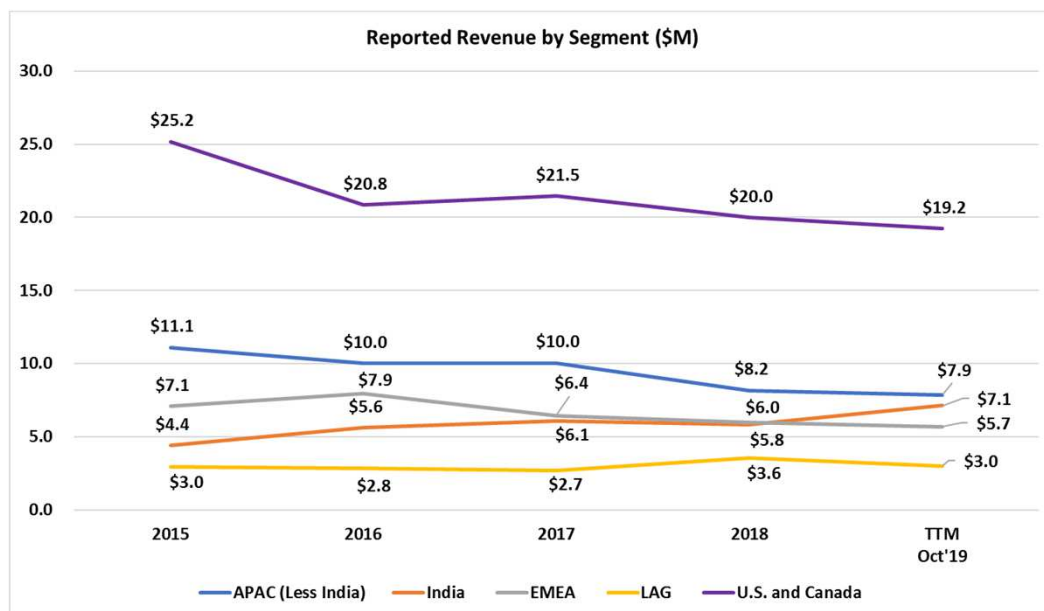
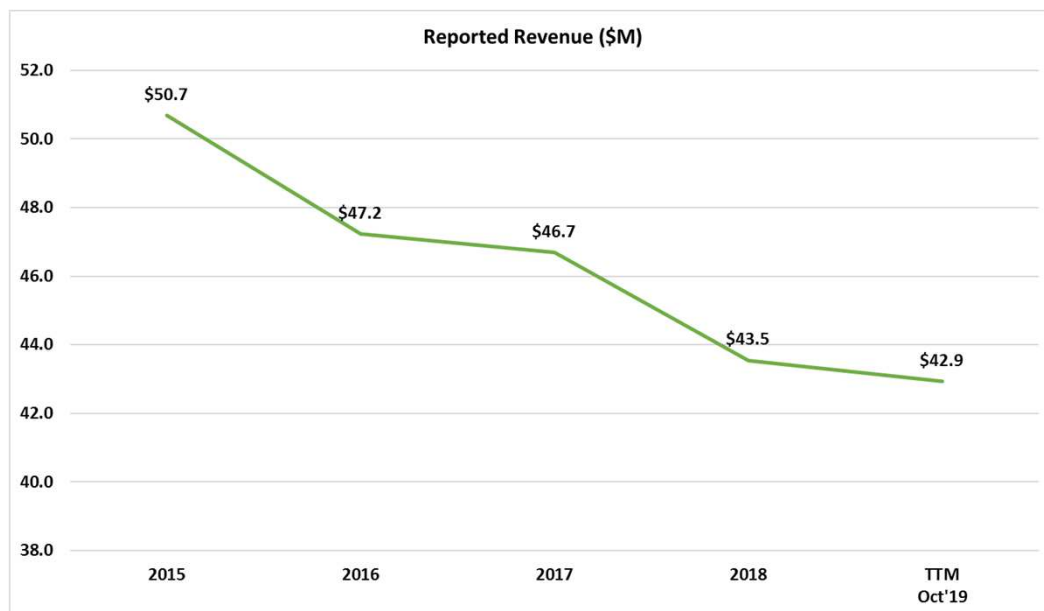
EMEA-R

- New price strategy for Diebold Nixdor and partners with Keylock's (2000 units – plus) has caused reduction in price for kits vs. PY and thus a margin growth difference

APAC

- Changes to legislation and implementation of OTC functionality for the India market has favorably driven growth for the 6128 product line

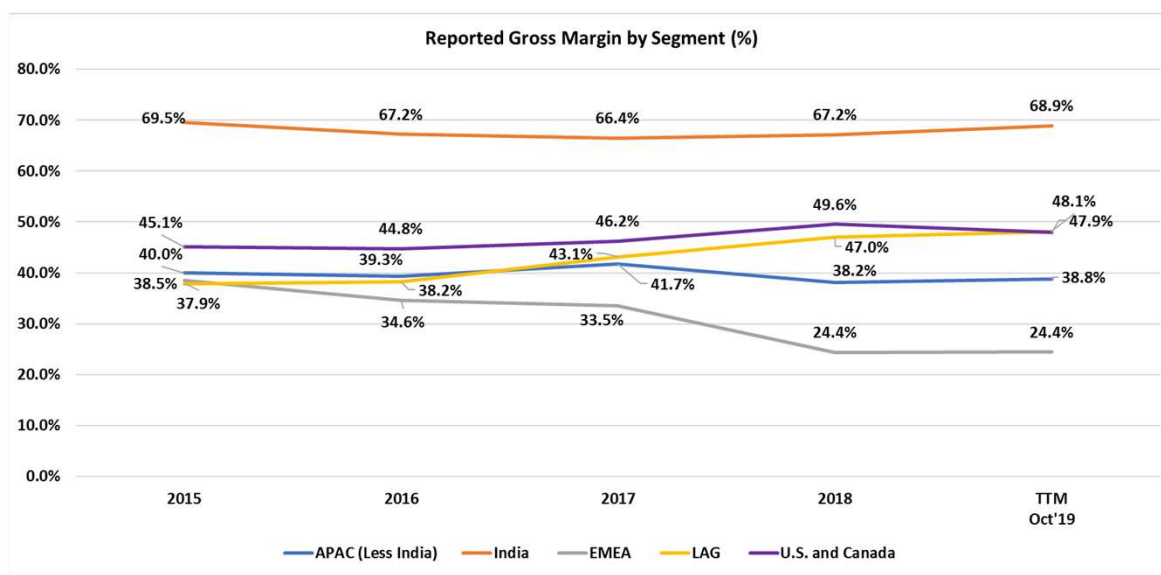
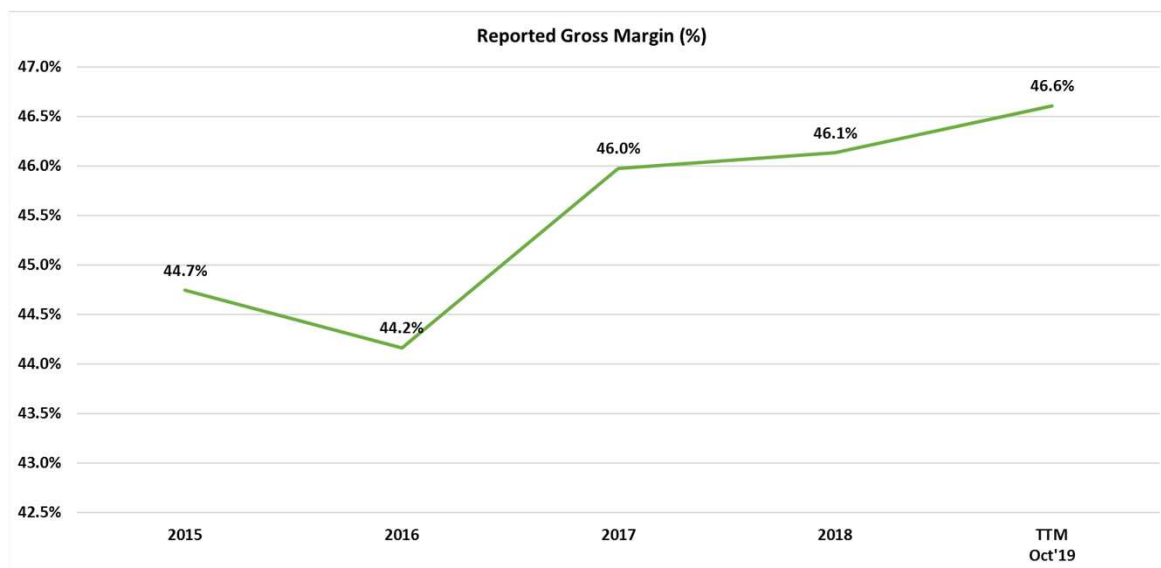
Financial Summary | Revenue



Management Discussion

- **Overall (\$7.2M) decline from 2015 to 2018**
 - Unfavorable, NA by (\$5.2M)
 - 951 Government padlocks (\$3.5M), Liberty Safe electronic locks (\$3.3M), GSA (\$1.2M)
 - Timemaster \$1.8M, Lockmaster \$1.6M
 - Unfavorable, EMEA by (\$1.1M)
 - Amnco (\$486k), TK (\$384k), Polital (\$295k)
 - Abusarhad \$413k, Diebold Nixdorf \$177k, Format \$177k
 - Unfavorable, APAC less India (\$2.9M)
 - TK (\$1.4M), Tri-Star (\$592k), Dutech (\$548k), Hyosung (\$452k)
 - PT Fokus \$543k
 - Favorable, India \$1.6M
 - NCR \$1.0M, Arya \$855k
 - Locksmith Supply (\$415k)

Financial Summary | Gross Margin (@Standard)



Management Discussion

- Overall Gross Margin Favorable 140 basis points 2015 v 2018
 - Unfavorable, EMEA (1,410bps) due to increased cost of FAS and Mechanical Locks. Increased pricing pressure from Diebold and NCR.
 - Unfavorable, India (230bps) due to lower pricing for increased volume to NCR and Arya
 - Unfavorable, APAC less India (180bps) due to loss of higher margin sales to Takachiho, partially offset by a decrease of lower margin sales to Dutech
 - Favorable, LAG 850bps due to increased sales to Cogar
 - Favorable, NA 450bps due to loss of lower margin sales to residential safes (Liberty, Granite and Hamilton)

Financial Summary | Cost of Goods Sold by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<u>Material</u>								
Material costs at standard	\$ 1,357	\$ 1,414	\$ (57)	(4.0%)	\$ 13,577	\$ 13,332	\$ 245	1.8%
Materials FX loss / (gain)	–	–	–	N/A	(0)	(0)	(0)	35.8%
Purchase price variance	(127)	6	(134)	(2079.7%)	(432)	26	(459)	(1745.4%)
Freight in	61	25	35	140.0%	511	434	76	17.6%
Cost revision	–	–	–	N/A	(232)	(232)	–	0.0%
Scrap costs	(33)	(29)	(5)	15.8%	(33)	(208)	175	(84.1%)
Consumables	1	8	(6)	(80.8%)	94	57	38	66.3%
Total Material COGS	\$ 1,259	\$ 1,425	\$ (166)	(11.7%)	\$ 13,484	\$ 13,409	\$ 75	0.6%
<u>Labor</u>								
Direct labor	\$ 296	\$ 297	\$ (1)	(0.3%)	\$ 2,571	\$ 2,907	\$ (335)	(11.5%)
Direct labor - overtime	25	13	12	96.5%	176	111	65	58.0%
Direct labor - benefits	72	125	(54)	(42.9%)	826	1,113	(287)	(25.8%)
Indirect labor	154	158	(4)	(2.5%)	1,583	1,554	28	1.8%
Indirect labor – benefits	68	50	19	37.5%	550	495	56	11.3%
Total Labor COGS	\$ 615	\$ 642	\$ (28)	(4.3%)	\$ 5,707	\$ 6,180	\$ (473)	(7.7%)
<u>Other</u>								
Repairs and maintenance	\$ 20	\$ 21	\$ (1)	(2.9%)	\$ 171	\$ 166	\$ 5	3.1%
Rent / facilities	191	187	4	2.1%	1,836	1,804	31	1.7%
Utilities	26	29	(2)	(7.6%)	236	247	(11)	(4.4%)
Other cost of sales	(125)	65	(190)	(293.0%)	12	253	(241)	(95.1%)
Total Other COGS	\$ 112	\$ 301	\$ (189)	(62.7%)	\$ 2,255	\$ 2,470	\$ (215)	(8.7%)
Total COGS	\$ 1,986	\$ 2,368	\$ (382)	(78.7%)	\$ 21,445	\$ 22,059	\$ (614)	(15.8%)

Management Discussion

October

- Material costs at standard variance decreased volume (\$143k) and mix favorable \$86k – reduction in low cost lock volume
- Favorable PPV from commodity pricing for Favorable (\$43k) for Satin Chrome Housings, (\$30k) Zinc, (\$27k) 6880/6860 FAS
- Freight-in unfavorable from duties \$40k, blanket release of electrical components
- Favorable scrap from sales of brass offal
- Warranty expenses unfavorable \$19k, Privat Bank(Russia) OEM

YTD

- Excluding the impact of the OBS entries, material costs at standard decreased volume (\$1,209k) and other(\$340k)
 - *OBS inventory revalued step-up incurred of \$869k to material cost*
- Favorable PPV of (\$4595k) driven primarily zinc and 6120 Satin Chrome Housings
- Unfavorable Scrap from 2740 covers, 6124 Case and key pad production errors

Financial Summary | Balance Sheet

\$'000	Oct-19		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 3,780	\$ 5,894	\$ (2,114)	(35.9%)
Accounts receivable, gross	7,240	7,512	(271)	(3.6%)
Accounts receivable, reserves	(201)	(135)	(66)	48.5%
Accounts receivable, net	7,040	7,376	(337)	(4.6%)
Inventory, gross	7,747	6,505	1,243	19.1%
Inventory, reserves	(564)	(455)	(109)	23.9%
Inventory, net	7,183	6,049	1,134	18.7%
Prepaid expenses and other current assets	113	173	(60)	(34.5%)
Total Current Assets	18,116	19,493	(1,377)	(7.1%)
Non-Current Assets				
Property, plant & equipment, gross	11,492	12,273	(781)	(6.4%)
Accumulated depreciation	(502)	(573)	71	(12.4%)
Property, plant & equipment, net	10,990	11,700	(710)	(6.1%)
Goodwill	45,918	43,723	2,195	5.0%
Identifiable intangible assets, gross	15,100	15,100	–	0.0%
Accumulated amortization	(196)	–	(196)	N/A
Identifiable intangible assets, net	14,904	15,100	(196)	(1.3%)
Deferred financing cost	1,646	1,646	–	0.0%
Other non-current assets	131	131	0	0.0%
Total Non-Current Assets	73,590	72,301	1,289	1.8%
Total Assets	\$ 91,706	\$ 91,793	\$ (87)	(0.1%)
Current Liabilities				
Current portion of long-term debt	\$ 1,003	\$ 1,003	–	0.0%
Accounts payable	3,574	3,921	(347)	(8.8%)
Accrued liabilities	1,627	1,535	92	6.0%
Accrued compensation	182	277	(95)	(34.2%)
Income taxes payable	152	(130)	281	(216.9%)
Short-term unearned revenue	262	56	205	363.5%
Total Current Liabilities	6,800	6,662	137	2.1%
Long-term liabilities				
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%
Total Long-Term Liabilities	46,436	46,436	0	0.0%
Total Liabilities	53,236	53,098	137	0.3%
Shareholders' Equity				
Common stock	40,228	40,228	–	0.0%
Retained earnings	(3,112)	(2,887)	(225)	7.8%
Accumulated other comprehensive income	1,354	1,354	1	0.0%
Other equity transactions	1	1	–	0.0%
Total Shareholders' Equity	38,470	38,695	(225)	(0.6%)
Total Liabilities and Shareholders' Equity	\$ 91,706	\$ 91,793	\$ (87)	(0.1%)

Management Discussion

- Lower Accounts Receivable by (\$337k) compared to Budget due to lower than budgeted sales
 - Slow pay A/R > than 16 days
 - Diebold \$235k
 - Champion \$63k
 - Shanghai Bestandard \$19k
- Accounts Payable lower by (\$347k) compared to Budget due to lower volume and lower Capex spend
- Unfavorable inventory position \$1,134k
 - Increase from Sep (\$250K) PCB components inventory for move from China, (41K) Zamak timing, (62K) 951 cases for Nov- Dec shipments.
 - (\$275k) FAS mechanical key lock inventory purchased from ASSA at 25%-35% discount in Oct. 2018 – greater than 6-months stock on-hand
 - (\$365) finished goods on dock due to delayed pickup – shipping terms controlled by customer and delivered in Nov.
 - Initiative to disposition excess and obsolescence stock in 4Q, surplus of ASWD keypads, Timelocks and Dial/Ring(various coatings)**
- Budgeted Balance sheet has been adjusted to reflect Opening Balance Sheet position.

Financial Summary | Opex Summary vs AOP

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Opex Overview:																
Payroll	\$ 281	\$ 307	\$ (26)	(8.4%)	\$ 306	\$ (25)	(8.2%)		\$ 2,918	\$ 2,976	\$ (59)	(2.0%)	\$ 3,122	\$ (205)	(6.6%)	
Overtime	–	1	(1)	(100.0%)	0	(0)	(100.0%)		0	8	(8)	(95.5%)	5	(5)	(93.0%)	
Benefits	59	4	54	1216.9%	90	(32)	(35.1%)		710	540	170	31.6%	802	(92)	(11.5%)	
Bonus	18	47	(29)	(62.0%)	23	(5)	(21.3%)		164	361	(196)	(54.4%)	224	(59)	(26.5%)	
Commissions	29	75	(46)	(60.8%)	17	12	72.4%		257	641	(384)	(59.9%)	200	57	28.7%	
Marketing	52	35	17	49.0%	46	5	11.2%		373	272	101	37.1%	485	(112)	(23.0%)	
Travel and Entertainment	63	45	17	38.0%	44	19	43.6%		411	424	(13)	(3.1%)	379	32	8.4%	
Insurance	–	3	(3)	(100.0%)	3	(3)	(100.0%)		1	28	(27)	(96.0%)	30	(29)	(96.4%)	
Professional Fees	349	461	(112)	(24.3%)	163	186	114.4%		5,886	3,440	2,446	71.1%	1,691	4,195	248.1%	
Utl., Repair, Maint., & Sec.	4	4	(0)	(7.5%)	3	0	6.5%		18	45	(27)	(60.6%)	68	(50)	(74.0%)	
IT	89	77	11	14.4%	45	44	97.9%		900	842	58	6.9%	448	452	100.9%	
Bad Debts	15	0	15	3749900.0%	30	(15)	(50.3%)		83	0	83	10318700.6%	58	25	42.2%	
Supplies	1	11	(10)	(89.4%)	4	(3)	(69.5%)		37	107	(70)	(65.1%)	55	(18)	(32.0%)	
Other Expenses	20	59	(39)	(66.0%)	117	(96)	(82.7%)		376	597	(221)	(37.0%)	671	(295)	(43.9%)	
Total Opex	\$ 980	\$ 1,129	\$ (150)	(13.3%)	\$ 890	\$ 89	10.0%		\$ 12,149	\$ 10,280	\$ 1,869	18.2%	\$ 8,238	\$ 3,911	47.5%	

Management Discussion

- October vs Budget – favorable \$0.2M related to timing of vacant salary positions not filled, delayed strategic initiative spend and sales initiatives not earned
 - Actual 1x adjustments were \$0.3M, at Budget
- YTD vs Budget - favorable \$1.5M, excluding the impact of the OBS entries, related to open positions, timing of strategic initiative spend and unearned commissions
 - Actual 1x adjustments were \$1.5M versus Budget of \$1.9M
 - OBS transaction fee expenses incurred of \$3.4M*

Financial Summary | 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	\$ 2,918	\$ 2,976	\$ (59)	\$ –	\$ (59)	\$ 0	\$ –	\$ (59)	\$ 0	\$ 0
Overtime	0	8	(8)	–	–	(8)	–	(8)	(8)	(8)
Benefits	710	540	170	–	–	170	–	170	170	170
Bonus	164	361	(196)	–	–	(196)	–	(196)	(196)	(196)
Commissions	373	641	(268)	–	–	(268)	–	(268)	(268)	(268)
Marketing	257	272	(16)	–	–	(16)	–	(16)	(16)	(16)
Travel and Entertainment	411	424	(13)	–	–	(13)	–	(13)	(13)	(13)
Rent and Facilities	14	–	14	–	–	14	–	14	14	14
Insurance	1	28	(27)	–	–	(27)	–	(27)	(27)	(27)
Professional Fees	5,886	3,440	2,446	4,338	–	(1,891)	–	2,446	(1,891)	(1,891)
Utl., Repair, Maint., & Sec.	18	45	(27)	–	–	(27)	–	(27)	(27)	(27)
IT	900	842	58	628	(570)	0	–	58	0	0
Bad Debts	83	0	83	–	–	83	–	83	83	83
Supplies	37	107	(70)	–	–	(70)	–	(70)	(70)	(70)
Other Expenses	376	597	(221)	–	–	(221)	–	(221)	(221)	(221)
Total Opex	\$ 12,149	\$ 10,280	\$ 1,869	\$ 4,966	\$ (629)	\$ (2,468)	\$ –	\$ 1,869	\$ (2,468)	\$ (2,468)

Management Discussion

- Bonus for sales and performance initiatives and commissions paid to customers are better than budget due to lower revenues than budget
- 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 \$407k in TSA fees and \$107k in other carve-out costs. The decline in run rate is related to timing of technology carve-out costs.
- Rent and Insurance variances are a mapping issues. Rent mapped to COGS in budget. Insurance actual expense mapped to COGS.

Financial Summary | Incurred Standalone Costs

\$'000		MTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%
IT		11	39	(28)	-71.0%	77	347	(270)	-77.8%
Manager	Salary and Benefits	9	9	-	0.0%	36	46	(10)	-21.8%
Analyst	Salary and Benefits	-	6	(6)	0.0%	-	25	(25)	0.0%
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	-	7	(7)	-100.0%	35	216	(181)	-83.7%
Business Services	Offset to TSA	-	8	(8)	0.0%	-	24	(24)	0.0%
Sales Force	Licensing	-	2	(2)	0.0%	-	4	(4)	0.0%
Accounting / HR systems	Concur Set-up and monthly fee	2	2	0	13.3%	6	12	(6)	-52.4%
ERP transition licensing fees	Licensing	-	5	(5)	0.0%	-	20	(20)	0.0%
Data Communications	Licensing	-	-	-	0.0%	-	-	-	0.0%
Legal		-	19	(19)	-100.0%	13	94	(81)	-86.1%
Headcount costs (1 FTE)	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%
External legal fees and other expenses	Legal Fees	-	13	(13)	-100.0%	13	63	(50)	-79.2%
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	31	(31)	-100.0%
Finance		30	30	-	0.0%	132	147	(14)	-9.7%
CFO	Salary and Benefits	21	21	-	0.0%	89	103	(14)	-13.8%
Base compensation (2 FTEs)	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%
Audit Fees	2019 Audit Fees	9	9	-	0.0%	44	44	-	0.0%
Sales		22	22	-	0.0%	81	80	0	0.4%
VP of Sales	Salary and Benefits	22	22	-	0.0%	81	80	0	0.4%
Customer Relationship Manager	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%
HR		2	8	(6)	-78.1%	8	15	(7)	-47.7%
Specialist	Salary and Benefits	-	6	(6)	-100.0%	-	7	(7)	-100.0%
Business Travel and Accident	Business Travel and Accident	0.28	0.28	-	0.0%	1	1	(0)	-20.0%
Global Emergency Travel Services	Global Emergency Travel Services	1	1	-	0.0%	7	7	-	0.0%
Trade Compliance		1	1	-	0.0%	6	6	-	0.0%
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	0	-	0.0%	1	1	-	0.0%
Trade Flow software license	Trade Flow software license	1	1	-	0.0%	6	6	-	0.0%
Bonuses	Incremental management bonuses	15	15	-	0.0%	57	77	(21)	-26.7%
Risk	Incremental cost of business insurances	16	16	-	0.0%	81	81	-	0.0%
Freight	Adjust freight to actual charges versus allocation	42	42	-	0.0%	191	208	(17)	-8.2%
401(k) compensation	Estimated incremental 401(k) expense	10	10	-	0.0%	49	49	-	0.0%
Total Standalone Costs		149	202	(52)	-25.9%	695	1,105	(410)	-37.1%

Financial Summary | PF Standalone Costs

\$'000	October						YTD					
	Budget			Actual			Budget			Actual		
	Incurred	Unincurred	PF	Incurred	Unincurred	PF	Incurred	Unincurred	PF	Incurred	Unincurred	PF
IT	39	(2)	38	11	26	38	753	2	756	483	273	756
Manager	9	-	9	9	-	9	105	(10)	95	95	-	95
Analyst	6	-	6	-	6	6	148	6	154	123	31	154
Direct Technology Charges	7	-	7	-	7	7	284	16	300	103	198	301
Business Services	8	-	8	-	8	8	76	-	76	52	24	76
Sales Force	2	(2)	-	-	-	-	4	(4)	-	-	-	-
Accounting / HR systems	2	-	2	2	-	2	95	(6)	89	89	-	89
ERP transition licensing fees	5	-	5	-	5	5	20	-	20	-	20	20
Data Communications	-	-	-	-	-	-	21	-	21	21	-	21
Legal	19	-	19	-	19	19	266	-	266	184	82	266
Headcount costs (1 FTE)	-	-	-	-	-	-	78	-	78	78	-	78
External legal fees and other expenses	13	-	13	-	13	13	125	-	125	75	51	126
Patent fees	6	-	6	-	6	6	63	-	63	31	31	63
Finance	30	11	40	30	11	40	293	39	332	278	53	332
CFO	21	-	21	21	-	21	196	(14)	182	182	-	182
Base compensation (2 FTEs)	-	11	11	-	11	11	52	53	105	52	53	105
Audit Fees	9	-	9	9	-	9	44	-	44	44	-	44
Sales	22	17	39	22	17	40	78	175	254	81	173	254
VP of Sales	22	-	22	22	-	22	78	2	80	81	-	81
Customer Relationship Manager	-	17	17	-	17	17	-	173	173	-	173	173
HR	2	6	8	2	6	8	38	30	68	37	31	68
Specialist	-	6	6	-	6	6	30	30	60	29	30	59
Business Travel and Accident	0	-	0	0	0	1	1	-	1	1	1	2
Global Emergency Travel Services	1	-	1	1	-	1	7	-	7	7	-	7
Trade Compliance	1	-	1	1	-	1	48	-	48	48	-	48
Export Compliance Daily/ICPA annual fee	0	-	0	0	-	0	32	-	32	32	-	32
Trade Flow software license	1	-	1	1	-	1	16	-	16	16	-	16
Bonuses	15	-	15	15	-	15	77	-	77	57	21	77
Risk	16	-	16	16	-	16	199	-	199	199	-	199
Freight	42	-	42	42	-	42	593	25	618	576	42	618
401(k) compensation	10	-	10	10	-	10	63	-	63	63	-	63
Total Standalone Costs	196	32	229	149	80	229	2,409	271	2,682	2,006	674	2,682

Financial Summary | 1X Costs

\$'000		MTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%
IT		30	54	(24)	-44.9%	145	340	(195)	-57.5%
IT Specialist	Gray Drohan consulting fees	7	20	(13)	-65.0%	92	129	(37)	-28.8%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	23	34	(11)	0.0%	53	211	(158)	0.0%
Legal/Professional Fees		39	51	(12)	-23.3%	746	835	(89)	-10.7%
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	—	—	—	#DIV/0!	56	55	1	1.0%
HR Specialist	Joel Tokarz consulting fees	11	18	(7)	-37.5%	295	327	(32)	-9.9%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	5	—	5	#DIV/0!	273	259	13	5.2%
OGX	Consulting Fees	23	23	—	0.0%	114	115	(1)	-1.1%
Other	Navex	—	10	(10)	-100.0%	10	82	(72)	-88.1%
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc)	14	30	(16)	-53.3%	49	93	(44)	-47.3%
Payroll Implementation	Internaltion GEO, Domestic PEO set up fees	—	—	—	#DIV/0!	7	27	(20)	-73.1%
Market Parity	Products to catch up to competitors' offerings	—	56	(56)	0.0%	—	212	(212)	0.0%
			—			—	—		
TSA		79	73	6	8.8%	577	396	181	45.6%
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise	45	41	4	8.9%	407	238	169	71.2%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Gl	34	31	3	9.2%	171	159	12	7.8%
Total 1X Costs		162	262	(100)	-38.3%	1,524	1,900	(377)	-19.8%

Financial Summary | Cash Flow Statement

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Cash flow from operations								
Net Income (Loss)	\$ (4,322)	\$ 327	\$ (4,649)	(1420.0%)	\$ 7,873	\$ (12,194)	(154.9%)	
Depreciation, amortization and other	(338)	1,073	(1,411)	(131.5%)	1,026	(1,364)	(132.9%)	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	8	39	(31)	(80.0%)	(1,341)	1,349	(100.6%)	
Inventory	605	1,093	(489)	(44.7%)	(780)	1,384	(177.6%)	
Prepaid expenses and other current assets	(32)	(114)	82	(71.9%)	(13)	(19)	155.1%	
Accounts payable	608	229	379	165.4%	(559)	1,167	(208.8%)	
Accrued expenses	1,026	781	245	31.4%	17	1,009	6026.2%	
Accrued income taxes	152	(628)	779	(124.1%)	(3,340)	3,492	(104.5%)	
Other changes in operating assets and liabilities	(8,711)	166	(8,877)	(5352.9%)	(475)	(8,236)	1732.6%	
Other cash flow from operations	—	—	—	N/A	—	—	N/A	
Total Cash Flow from Operations	\$ (11,004)	\$ 2,967	\$ (13,971)	(470.8%)	\$ 2,407	\$ (13,412)	(557.1%)	
Cash flow from investing								
Additions to property, plant and equipment	\$ 52	\$ (705)	\$ 756	(107.3%)	\$ (888)	\$ 940	(105.8%)	
Total Cash Flow from Investing	\$ 52	\$ (705)	\$ 756	(107.3%)	\$ (888)	\$ 940	(105.8%)	
Cash flow from financing								
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	13,348	225	13,123	5826.9%	(2,275)	15,623	(686.8%)	
Total Cash Flow from Financing	\$ 12,325	\$ (798)	\$ 13,123	(1645.1%)	\$ (2,275)	\$ 14,600	(641.8%)	
	\$ —	\$ —	\$ —	N/A	\$ —	\$ —	N/A	
Net change in cash	\$ 1,373	\$ 1,465	\$ (92)	(6.3%)	\$ (755)	\$ 2,128	(281.8%)	
Beginning cash	—	—	—	N/A	11,601	(11,601)	(100.0%)	
Change in cash	1,373	1,465	(92)	(6.3%)	(755)	2,128	(281.8%)	
Ending cash	\$ 3,780	\$ 5,894	\$ (2,114)	(35.9%)	\$ 10,846	\$ (7,066)	(65.1%)	

YTD Cash Flow calculated from May 30th 2019.

Financial Summary | 13-Week Cash Flow Projection

In US\$	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	Forecast 1/13	Forecast 1/20	Forecast 1/27	Forecast 2/3	Forecast 2/10
Cash Inflows - Operational														
Collections from customers (Actual)														
Collections from customers based on projected aging (Foreca	1,270	1,004	1,100	1,223	951	459	275	107	288	140	102	50	47	255
Collections from new forecasted sales	-	-	-	-	-	263	350	588	375	793	800	1,035	550	868
Total AR Collections	1,270	1,004	1,100	1,223	951	722	625	694	663	932	902	1,085	597	1,122
Other non-AR inflows														
Total Cash Inflows - Operational	1,270	1,004	1,100	1,223	951	722	625	694	663	932	902	1,085	597	1,122
Cash Outflows - Operational														
Product inventory (SAP AP)	(593)	(499)	(317)	(376)	(480)	(316)	(412)	(344)	(319)	(296)	(314)	(395)	(439)	(427)
Payroll	(245)	(115)	(245)	(213)	(245)	(125)	(245)	(70)	(388)	(70)	(245)	(70)	(388)	(70)
Commissions														
Bonus														
Facilities & other (Freight)	(15)	(115)	(15)	(15)	(15)	(115)	(15)	(15)	(15)	(115)	(15)	(15)	(15)	(115)
Professional services	-	(62)	-	-	-	(62)	-	-	-	(62)	-	-	-	-
Marketing		(18)												
Recruiter fees														
Other expenses (Insurance, TSA, CC)	(163)	-	(160)	-	(174)	-	(144)	-	-	(77)	-	(144)	-	(77)
Total Cash Outflows - Operational	(1,015)	(809)	(737)	(604)	(914)	(618)	(816)	(429)	(722)	(619)	(574)	(624)	(842)	(689)
Cashflows - Financial and Other														
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														
Total Cash Outflows - Financial and Other	-	-	-	-	(600)	-	(1,108)	(250)	-	-	-	-	-	-
TOTAL CASH FLOW	254	195	363	618	(563)	103	(1,300)	15	(59)	313	328	461	(245)	434
Cash Rollforward														
Beginning cash balance	3,874	4,128	4,323	4,686	5,305	4,741	4,844	3,545	3,560	3,500	3,813	4,141	4,602	4,357
Cash activity	254	195	363	618	(563)	103	(1,300)	15	(59)	313	328	461	(245)	434
ENDING CASH BALANCE	4,128	4,323	4,686	5,305	4,741	4,844	3,545	3,560	3,500	3,813	4,141	4,602	4,357	4,790
Debt Summary														
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	44,363	44,363	44,363	44,363	44,363	44,363	44,140	44,140	44,140	44,140	44,140	44,140	44,140	44,140
TOTAL DEBT	44,363	44,363	44,363	44,363	44,363	44,363	44,140	44,140	44,140	44,140	44,140	44,140	44,140	44,140
TOTAL NET DEBT	40,235	40,040	39,677	39,058	39,622	39,519	40,595	40,580	40,640	40,327	39,999	39,538	39,783	39,350
AVAILABILITY	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 Summary | Covenant Analysis

	Fixed Charge Ratio			
000's	Sep	Oct	Nov	Dec
TTM Fixed Charges:				
TTM Net Cash Interest	3,608	3,484	3,489	3,539
Plus:				
TTM Mandatory Principal Debt Payments	892	892	892	892
Fixed Charges	4,500	4,375	4,381	4,430
TTM EBITDA for defined Period	10,458	10,734	10,820	10,638
Less:				
TTM Unfinanced Capital Expenditures	846	724	825	765
TTM OGC Monitoring Fees	1,000	1,000	1,000	1,000
TTM Cash Taxes Paid	826	642	545	473
TTM Operating Cash Flow	7,786	8,368	8,450	8,399
Fixed Charge Coverage Ratio	1.73	1.91	1.93	1.90
Minimum Ratio	1.10	1.10	1.10	1.10
In Compliance	YES	YES	YES	YES
TTM Minimum Operating Cash Flow	4,950	4,813	4,819	4,873
TTM Operating Cash Flow Cushion	2,836	3,556	3,631	3,526

Amounts for October 2018 through April 2019 defined per credit agreement

Financial Summary | 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	3,000	3,000	3,000	3,000
Total Debt	41,363	41,363	41,363	41,140
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	10,458	10,734	10,820	10,638
TTM Adjusted EBITDA	10,458	10,734	10,820	10,638
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.24	4.13	4.10	4.15
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	6,894	6,894	6,894	6,857
TTM EBITDA Cushion	3,564	3,840	3,926	3,781

Amounts for October 2018 through April 2019 defined per credit agreement

October 2019 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ **Full Year Financial Outlook**
- ➔ Governance Reporting
- ➔ Appendix

Full Year Financial Outlook | Summary P&L

\$'000	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%	Act	\$	%
Net Revenue	44,349	48,072	(3,723)	(7.7%)	43,867	482	1.1%
Material	15,792	15,717	75	0.5%	15,626	166	1.1%
Labor	6,741	7,214	(473)	(6.6%)	6,473	268	4.1%
Other COGS	2,739	2,955	(215)	(7.3%)	1,968	771	39.2%
Total COGS	25,272	25,886	(614)	(2.4%)	24,067	1,205	5.0%
Gross Margin	19,077	22,186	(3,109)	(14.0%)	19,800	(723)	(3.7%)
<i>Gross Margin %</i>	<i>43.0%</i>	<i>46.2%</i>			<i>45.1%</i>		
R&D	1,855	2,511	(656)	(26.1%)	1,763	91	5.2%
Sales & Marketing	4,353	4,930	(577)	(11.7%)	3,727	626	16.8%
Administrative	8,509	5,407	3,102	57.4%	4,254	4,255	100.0%
Other Opex	–	–	–	N/A	–	–	N/A
Total Opex	14,717	12,848	1,869	14.5%	9,744	4,972	51.0%
EBITDA	4,361	9,338	(4,978)	(53.3%)	10,056	(5,696)	(56.6%)
<i>EBITDA %</i>	<i>9.8%</i>	<i>19.4%</i>			<i>22.9%</i>		
Adj. EBITDA	11,144	12,190	(1,046)	(8.6%)	10,056	1,088	10.8%
<i>Adj. EBITDA %</i>	<i>25.1%</i>	<i>25.4%</i>			<i>22.9%</i>		
Net Income (Loss)	\$ (952)	\$ 3,154	\$ (4,106)	(130.2%)	\$ 8,802	\$ (9,754)	(110.8%)
Capex	\$ 820	\$ 1,366	\$ (546)	(40.0%)	\$ 1,412	\$ (592)	(41.9%)
Unincurred Standalone Costs	696	299					
PF Adj EBITDA	10,448	11,891					
<i>PF Adj. EBITDA %</i>	<i>23.6%</i>	<i>24.7%</i>					

Fcst equals Jan-Oct Actuals + Nov-Dec AOP

Full Year Financial Outlook | Opex Summary

\$'000

\$'000	FY		Variance		PY	Variance						
	Fcst	Bud	\$	%	Act	\$	%					
Opex Overview:												
Payroll	\$	3,533	\$	3,591	\$	(59)	(1.6%)	\$	3,716	\$	(184)	(4.9%)
Overtime		2		9		(8)	(79.4%)		5		(3)	(62.3%)
Benefits		758		588		170	29.0%		967		(209)	(21.6%)
Bonus		248		445		(196)	(44.2%)		193		56	28.8%
Commissions		376		761		(384)	(50.5%)		222		155	69.7%
Marketing		412		311		101	32.5%		546		(134)	(24.6%)
Travel and Entertainment		482		495		(13)	(2.6%)		434		48	11.0%
Insurance		7		33		(27)	(80.3%)		36		(30)	(82.0%)
Professional Fees		6,867		4,421		2,446	55.3%		1,996		4,871	244.1%
Utl., Repair, Maint., & Sec.		25		52		(27)	(52.3%)		73		(48)	(66.3%)
IT		1,061		1,003		58	5.8%		538		524	97.4%
Bad Debts		83		0		83	N/A		55		28	50.9%
Supplies		58		128		(70)	(54.5%)		67		(9)	(13.1%)
Other Expenses		481		703		(222)	(31.5%)		897		(416)	(46.3%)
Total Opex	\$	14,716	\$	12,847	\$	1,869	14.5%	\$	9,744	\$	4,972	51.0%

Full Year Financial Outlook | 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	Act	Fcst	Fcst	Fcst	Bud	\$	%
Current Assets												
Cash and cash equivalents	\$ 2,407	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 3,780	\$ 7,439	\$ 6,640	\$ 6,640	\$ 6,640	\$ -	0.0%
Accounts receivable, gross	7,203	8,117	8,149	7,047	7,131	7,240	6,940	6,424	6,424	6,424	-	0.0%
Accounts receivable, reserves	(156)	(177)	(195)	(195)	(186)	(201)	(125)	(116)	(116)	(116)	-	0.0%
Accounts receivable, net	7,047	7,940	7,955	6,852	6,945	7,040	6,816	6,309	6,309	6,309	-	0.0%
Inventory, gross	8,254	7,911	7,875	7,226	7,404	7,747	6,374	5,948	5,948	5,948	-	0.0%
Inventory, reserves	(466)	(458)	(548)	(467)	(462)	(564)	(446)	(416)	(416)	(416)	-	0.0%
Inventory, net	7,788	7,453	7,327	6,760	6,942	7,183	5,928	5,532	5,532	5,532	-	0.0%
Prepaid expenses and other current assets	81	46	273	196	142	113	157	141	141	141	-	0.0%
Total Current Assets	17,324	18,317	19,135	18,825	17,629	18,116	20,340	18,621	18,621	18,621	-	0.0%
Non-Current Assets												
Property, plant & equipment, gross	11,544	11,570	11,569	11,569	11,492	11,492	12,496	12,559	12,559	12,559	-	0.0%
Accumulated depreciation	(92)	(193)	(290)	(389)	(405)	(502)	(667)	(758)	(758)	(758)	-	0.0%
Property, plant & equipment, net	11,452	11,377	11,278	11,180	11,087	10,990	11,829	11,801	11,801	11,801	-	0.0%
Goodwill	44,975	44,972	44,974	44,223	45,034	45,918	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)	-	-	-	(196)	-	-	-	-	-	N/A
Identifiable intangible assets, net	15,100	15,099	15,100	15,100	15,100	14,904	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%
Total Non-Current Assets	64,299	73,389	73,129	72,280	72,999	73,590	72,180	71,901	71,901	71,901	-	0.0%
Total Assets	\$81,623	\$91,706	\$92,263	\$91,106	\$90,628	\$91,706	\$92,520	\$90,522	\$90,522	\$90,522	\$ -	0.0%
Current Liabilities												
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	3,574	4,191	4,041	4,041	4,041	-	0.0%
Accrued liabilities	601	891	1,370	1,804	1,564	1,627	1,816	1,226	1,226	1,226	-	0.0%
Accrued compensation	149	179	287	302	321	182	311	347	347	347	-	0.0%
Income taxes payable	(0)	266	266	266	160	152	(2)	(792)	(792)	(792)	-	0.0%
Short-term unearned revenue	43	70	315	56	141	262	56	56	56	56	-	0.0%
Total Current Liabilities	5,450	5,981	6,505	6,851	6,671	6,800	7,377	5,993	5,993	5,993	-	0.0%
Long-term Liabilities												
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%
Total Long-Term Liabilities	46,729	46,770	46,770	46,770	46,436	46,436	46,436	46,102	46,102	46,102	-	0.0%
Total Liabilities	52,179	52,751	53,275	53,621	53,108	53,236	53,813	52,094	52,094	52,094	-	0.0%
Shareholders' Equity												
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)	(3,112)	(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%
Total Shareholders' Equity	29,444	38,955	38,988	37,484	37,521	38,470	38,707	38,428	38,428	38,428	-	0.0%
Total Liabilities and Shareholders' Equity	\$81,623	\$91,706	\$92,262	\$91,106	\$90,628	\$91,706	\$92,520	\$90,522	\$90,522	\$90,522	\$ -	0.0%

Fcst equals AOP

Full Year Financial Outlook | 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	Act	Fcst	Fcst	Fcst	Bud	\$	%
Cash flow from operations											
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)	(591)	343	341	347	1,758	(1,411)	(80.3%)
<i>Change in operating assets and liabilities:</i>									\$ -		
Accounts receivable	(893)	(15)	1,102	(93)	(94)	561	507	1,076	1,107	(31)	(2.8%)
Inventory	335	126	567	(182)	(241)	121	396	1,122	1,611	(489)	(30.3%)
Prepaid expenses and other current assets	35	(227)	77	54	29	16	16	1	(81)	82	(100.6%)
Accounts payable	717	(308)	157	(48)	91	271	(150)	729	350	379	108.3%
Accrued expenses	290	479	433	(240)	63	281	(590)	717	472	245	51.9%
Accrued income taxes	266	0	(0)	(106)	(9)	128	(791)	(511)	(1,291)	779	(60.4%)
Other changes in operating assets and liabilities	(9,069)	515	(243)	103	(18)	34	36	(8,641)	236	(8,877)	(3763.2%)
Other cash flow from operations	-	-	-	-	-	-	-	-	-	-	N/A
Total Cash Flow from Operations	\$ (7,751)	\$ 708	\$ (2,004)	\$ (1,262)	\$ (694)	\$ 1,768	\$ (514)	\$ (9,750)	\$ 4,222	\$ (13,971)	(330.9%)
Cash flow from investing											
Additions to property, plant and equipment	\$ (26)	\$ 1	\$ (0)	\$ 77	\$ (0)	\$ (223)	\$ (63)	\$ (234)	\$ (990)	\$ 756	(76.4%)
Total Cash Flow from Investing	\$ (26)	\$ 1	\$ (0)	\$ 77	\$ (0)	\$ (223)	\$ (63)	\$ (234)	\$ (990)	\$ 756	(76.4%)
Cash flow from financing											
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)	874	0	-	13,348	225	13,123	5826.9%
Total Cash Flow from Financing	\$ 8,248	\$ (9)	\$ 3,443	\$ (232)	\$ 874	\$ 0	\$ (223)	\$ 12,102	\$ (1,021)	\$ 13,123	(1285.7%)
Effect of FX rates on cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Net change in cash	\$ 471	\$ 701	\$ 1,439	\$ (1,417)	\$ 180	\$ 1,546	\$ (800)	\$ 2,119	\$ 2,211	\$ (92)	(4.2%)
Beginning cash	2,407	2,878	3,579	5,017	3,600	5,894	7,439	2,407	4,429	(2,021)	(45.6%)
Change in cash	471	701	1,439	(1,417)	180	1,546	(800)	2,119	2,211	(92)	(4.2%)
Ending cash	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 3,780	\$ 7,439	\$ 6,640	\$ 6,640	\$ 6,640	\$ 0	0.0%

Forecast and Budgeted Cash Flow has been updated to reflect opening balance sheet position. Full year Cash Flow calculated from May 30th 2019. Fcst equals AOP

October 2019 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ **Governance Reporting**
- ➔ Appendix

Governance Reporting | Management Report

Disclosure Committee:

- Members include: CEO, CFO, VP Sales, VP Operations, VP and General Counsel
- Second Audit Committee held on Wednesday October 23rd, prior to the Q3 Board meeting

Anonymous Hotline:

- No activity

Modification of Internal Control and Authority Matrix:

- None

Governance Reporting | Management 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

October 2019 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ **Appendix**

Appendix | Squeeze Report

	Act	Bud	Variance	PY	Variance	Act	Bud	Variance	PY	Variance	Act	Rfc	PY
This Month	\$ 4,025	\$ 4,480	-10.2%	\$ 3,764	6.9%	\$ 1,221	\$ 1,245	-1.9%	\$ 880	38.8%	\$ 40,584	\$ (1,492)	\$ (10,845)
Quarter to Date	\$ 4,025	\$ 4,480	-10.2%	\$ 3,764	6.9%	\$ 1,221	\$ 1,245	-1.9%	\$ 880	38.8%			
Year to Date	\$ 37,299	\$ 41,022	-9.1%	\$ 37,976	-1.8%	\$ 9,541	\$ 10,586	-9.9%	\$ 8,921	7.0%			
LTM Trends (\$'000s)	11/30/18	12/31/18	1/31/19	2/28/19	3/31/19	4/30/19	5/31/19	6/30/19	7/31/19	8/31/19	9/30/19	10/31/19	LTM
Net Revenue	\$ 2,783	\$ 3,109	\$ 3,350	\$ 4,088	\$ 3,904	\$ 3,773	\$ 3,235	\$ 4,413	\$ 4,259	\$ 3,058	\$ 3,196	\$ 4,025	\$ 43,191
Gross Margin	1,357	1,285	1,456	1,821	1,838	1,469	1,354	2,129	1,777	567	1,403	2,039	18,496
Gross Margin %	48.8%	41.3%	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.9%	50.7%	42.8%
SG&A	809	697	898	810	715	765	720	980	1,077	4,272	932	980	13,655
Reported EBITDA	548	588	559	1,011	1,123	705	634	1,149	700	(3,704)	471	1,059	4,841
Rep. EBITDA %	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	14.7%	26.3%	11.2%
Adj. EBITDA	548	588	559	1,011	1,123	705	634	1,653	1,064	800	771	1,221	10,676
Adj. EBITDA %	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	24.1%	30.3%	24.7%
Capex	\$ (56)	\$ (416)	\$ -	\$ -	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ -	\$ -	\$ (223)
Accounts Receivable, Net	\$ 6,979	\$ 6,637	\$ 6,542	\$ 7,672	\$ 7,838	\$ 7,201	\$ 7,047	\$ 7,940	\$ 7,955	\$ 6,852	\$ 6,945	\$ 7,040	\$ 7,040
Inventory, Net	6,742	6,360	6,919	6,772	6,832	6,979	7,788	7,453	7,327	6,760	6,942	7,183	7,183
Accounts Payable	3,743	3,785	3,933	3,707	3,716	4,031	2,966	3,682	3,374	3,531	3,483	3,574	3,574
CCC	\$ 9,979	\$ 9,212	\$ 9,528	\$ 10,736	\$ 10,954	\$ 10,149	\$ 11,870	\$ 11,710	\$ 11,907	\$ 10,081	\$ 10,405	\$ 10,649	\$ 10,649
DSO	66.0	61.9	84.9	95.7	63.2	56.0	58.8	63.3	60.8	53.2	60.2	62.4	62.4
DSI	114.1	110.3	121.8	104.1	100.8	96.6	102.2	94.3	93.3	88.1	97.2	104.3	104.3
DPO	61.5	63.8	67.7	55.8	54.3	55.4	43.8	33.7	48.7	46.0	8.8	7.8	7.8
C2C	118.6	108.4	139.1	144.0	109.7	97.2	117.2	123.9	105.4	95.3	80.2	81.2	158.9
Bank revolver	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unclassified external debt / OID	-	-	-	-	-	-	-	-	-	-	-	-	-
OpenGate debt	-	-	-	-	-	-	44,586	44,586	44,586	44,586	44,363	44,363	44,363
Total Debt Outstanding	-	-	-	-	-	-	45,386	44,586	44,586	44,586	44,363	44,363	44,363
Cash and equivalents	-	-	-	-	-	-	2,407	2,878	3,579	5,017	3,600	3,780	3,780
Total Net Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	42,979	41,708	41,007	39,569	40,764	40,584	\$ 40,584
Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,407	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ -
Add / (Less): Operating Cash Flow	-	-	-	-	-	-	-	(7,751)	708	(2,004)	(1,262)	(694)	(11,004)
Add / (Less): Investing Cash Flow	-	-	-	-	-	-	-	(26)	1	(0)	77	(0)	52
Add / (Less): Financing Cash Flow	-	-	-	-	-	-	-	8,248	(9)	3,443	(232)	874	12,325
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 3,780	\$ 3,780

Appendix | 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	Act	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Net Revenue	3,350	4,088	3,904	3,773	3,235	4,413	4,259	3,058	3,196	4,025	3,601	3,448	44,349	48,072	(3,723)	(7.7%)	43,867	482	1.1%
Material	1,083	1,424	1,272	1,488	1,169	1,485	1,516	1,722	1,067	1,259	1,166	1,142	15,792	15,717	75	0.5%	15,626	166	1.1%
Labor	621	550	539	632	543	489	656	533	528	615	523	511	6,741	7,214	(473)	(6.6%)	6,473	268	4.1%
Other COGS	190	292	255	184	168	311	310	236	198	112	245	239	2,739	2,955	(215)	(7.3%)	1,968	771	39.2%
Total COGS	1,894	2,266	2,066	2,303	1,881	2,284	2,482	2,490	1,793	1,986	1,934	1,893	25,272	25,886	(614)	(2.4%)	24,067	1,205	5.0%
Gross Margin	1,456	1,821	1,838	1,469	1,354	2,129	1,777	567	1,403	2,039	1,668	1,555	19,077	22,186	(3,109)	(14.0%)	19,800	(723)	(3.7%)
<i>Gross Margin %</i>	<i>43.5%</i>	<i>44.6%</i>	<i>47.1%</i>	<i>38.9%</i>	<i>41.9%</i>	<i>48.2%</i>	<i>41.7%</i>	<i>18.6%</i>	<i>43.9%</i>	<i>50.7%</i>	<i>46.3%</i>	<i>45.1%</i>	<i>43.0%</i>	<i>46.2%</i>			<i>45.1%</i>		
R&D	133	112	103	109	109	84	176	116	114	223	276	301	1,855	2,511	(656)	(26.1%)	1,763	91	5.2%
Sales & Marketing	374	336	315	308	305	240	388	402	338	423	474	450	4,353	4,930	(577)	(11.7%)	3,727	626	16.8%
Administrative	390	362	297	348	306	656	513	3,754	480	334	381	686	8,509	5,407	3,102	57.4%	4,254	4,255	100.0%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—	—	N/A
Total Opex	898	810	715	765	720	980	1,077	4,272	932	980	1,131	1,436	14,717	12,848	1,869	14.5%	9,744	4,972	51.0%
EBITDA	559	1,011	1,123	705	634	1,149	700	(3,704)	471	1,059	536	119	4,361	9,338	(4,978)	(53.3%)	10,056	(5,696)	(56.6%)
<i>EBITDA %</i>	<i>16.7%</i>	<i>24.7%</i>	<i>28.8%</i>	<i>18.7%</i>	<i>19.6%</i>	<i>26.0%</i>	<i>16.4%</i>	<i>(121.1%)</i>	<i>14.7%</i>	<i>26.3%</i>	<i>14.9%</i>	<i>3.4%</i>	<i>9.8%</i>	<i>19.4%</i>			<i>22.9%</i>		
Adj. EBITDA	559	1,011	1,123	705	634	1,653	1,064	800	771	1,221	870	734	11,144	12,190	(1,046)	(8.6%)	10,056	1,088	10.8%
<i>Adj. EBITDA %</i>	<i>16.7%</i>	<i>24.7%</i>	<i>28.8%</i>	<i>18.7%</i>	<i>19.6%</i>	<i>37.5%</i>	<i>25.0%</i>	<i>26.2%</i>	<i>23.8%</i>	<i>30.3%</i>	<i>24.1%</i>	<i>21.3%</i>	<i>25.1%</i>	<i>25.4%</i>			<i>22.9%</i>		
Net Income (Loss)	\$ 440	\$ 909	\$ 1,028	\$ 609	\$ 535	\$ 463	\$ 41	\$ (4,947)	\$ 45	\$ 192	\$ 12	\$ (279)	\$ (952)	\$ 3,154	\$ (4,106)	(130.2%)	\$ 8,802	\$ (9,754)	(110.8%)
Capex	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ —	\$ —	\$ 3	\$ 283	\$ 223	\$ 63	\$ 820	\$ 1,366	\$ (546)	(40.0%)	\$ 1,412	\$ (592)	(41.9%)
Unincurred Standalone Costs	17	17	17	17	17	127	86	236	60	80	34	34	742						
PF Adj EBITDA	542	994	1,106	688	617	1,526	978	564	711	1,141	836	700	10,402						
<i>PF Adj. EBITDA %</i>	<i>16.2%</i>	<i>24.3%</i>	<i>28.3%</i>	<i>18.2%</i>	<i>19.1%</i>	<i>34.6%</i>	<i>23.0%</i>	<i>18.4%</i>	<i>22.2%</i>	<i>28.4%</i>	<i>23.2%</i>	<i>20.3%</i>	<i>23.5%</i>						

Appendix | Actual Incurred Monthly Standalone Costs

\$'000		Pre-close Proforma Standalone Costs					Post-Close Standalone Costs					Total
	Description	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	2019
IT		81	81	81	81	81	-	11	10	44	11	483
Manager	Salary and Benefits	12	12	12	12	12	-	9	9	9	9	95
Analyst	Salary and Benefits	25	25	25	25	25	-	-	-	-	-	123
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	14	14	14	14	14	-	-	-	35	-	103
Business Services	Offset to TSA	10	10	10	10	10	-	-	-	-	-	52
Sales Force	Licensing	-	-	-	-	-	-	-	-	-	-	-
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	-	3	1	-	2	89
ERP transition licensing fees	Licensing	-	-	-	-	-	-	-	-	-	-	-
Data Communications	Licensing	4	4	4	4	4	-	-	-	-	-	21
Legal		34	34	34	34	34	-	-	-	13	-	184
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	-	75
Patent fees	Patent Fees	6	6	6	6	6	-	-	-	-	-	31
Finance		29	29	29	29	29	14	30	30	30	30	278
CFO	Salary and Benefits	19	19	19	19	19	5	21	21	21	21	182
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	-	-	-	-	-	52
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	44
Sales		-	-	-	-	-	-	13	22	22	22	81
VP of Sales	Salary and Benefits	-	-	-	-	-	-	13	22	22	22	81
Customer Relationship Manager	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-
HR		6	6	6	6	6	2	2	2	1	2	37
Specialist	Salary and Benefits	6	6	6	6	6	-	-	-	-	-	29
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	-	0	1
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	7
Trade Compliance		8	8	8	8	8	1	1	1	1	1	48
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	6	6	6	6	6	0	0	0	0	0	32
Trade Flow software license	Trade Flow software license	2	2	2	2	2	1	1	1	1	1	16
Bonuses	Incremental management bonuses	-	-	-	-	-	-	10	15	15	15	57
Risk	Incremental cost of business insurances	24	24	24	24	24	16	16	16	16	16	199
Freight	Adjust freight to actual charges versus allocation	77	77	77	77	77	-	61	47	42	42	576
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	63
Total Standalone Costs		262	262	262	262	262	43	154	153	195	149	2,006

Appendix | Actual Unincurred Monthly Standalone Costs

\$'000	Description	Pre-close Proforma Standalone Costs					Post-Close Standalone Costs					Total
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	
IT		-	-	-	-	-	17	28	183	19	26	273
Manager	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-
Analyst	Salary and Benefits	-	-	-	-	-	6	6	6	6	6	31
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	-	-	-	-	-	10	16	164	-	7	198
Business Services	Offset to TSA	-	-	-	-	-	-	0	8	8	8	24
Sales Force	Licensing	-	-	-	-	-	-	-	-	-	-	-
Accounting / HR systems	Concur Set-up and monthly fee	-	-	-	-	-	-	-	-	-	-	-
ERP transition licensing fees	Licensing	-	-	-	-	-	-	5	5	5	5	20
Data Communications	Licensing	-	-	-	-	-	-	-	-	-	-	-
Legal		-	-	-	-	-	19	19	19	6	19	82
Headcount costs (1 FTE)	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-
External legal fees and other expenses	Legal Fees	-	-	-	-	-	13	13	13	-	13	51
Patent fees	Patent Fees	-	-	-	-	-	6	6	6	6	6	31
Finance		-	-	-	-	-	11	11	11	11	11	53
CFO	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-
Base compensation (2 FTEs)	Salary and Benefits	-	-	-	-	-	11	11	11	11	11	53
Audit Fees	2019 Audit Fees	-	-	-	-	-	-	-	-	-	-	-
Sales		17	17	17	17	17	17	17	17	17	17	173
VP of Sales	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-
Customer Relationship Manager	Salary and Benefits	17	17	17	17	17	17	17	17	17	17	173
HR		-	-	-	-	-	6	6	6	6	6	31
Specialist	Salary and Benefits	-	-	-	-	-	6	6	6	6	6	30
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	0	0	1
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	-	-	-	-	-	-
Trade Compliance		-	-	-	-	-	-	-	-	-	-	-
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	-	-	-	-	-	-	-	-	-	-	-
Trade Flow software license	Trade Flow software license	-	-	-	-	-	-	-	-	-	-	-
Bonuses		-	-	-	-	-	15	5	-	-	-	21
Risk		-	-	-	-	-	-	-	-	-	-	-
Freight		-	-	-	-	-	42	-	-	-	-	42
401(k) compensation		-	-	-	-	-	-	-	-	-	-	-
Total Standalone Costs		17	17	17	17	17	127	86	236	60	80	674

Appendix | Actual PF Monthly Standalone Costs

\$'000	Description	Pre-close Proforma Standalone Costs					Post-Close Standalone Costs					Total 2019
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	
IT		81	81	81	81	81	17	39	193	64	38	757
Manager	Salary and Benefits	12	12	12	12	12	-	9	9	9	9	95
Analyst	Salary and Benefits	25	25	25	25	25	6	6	6	6	6	154
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	14	14	14	14	14	10	16	164	35	7	301
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	76
Sales Force	Licensing	-	-	-	-	-	-	-	-	-	1	1
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	-	3	1	-	2	89
ERP transition licensing fees	Licensing	-	-	-	-	-	-	5	5	5	5	20
Data Communications	Licensing	4	4	4	4	4	-	-	-	-	-	21
Legal		34	34	34	34	34	19	19	19	19	19	266
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	126
Patent fees	Patent Fees	6	6	6	6	6	6	6	6	6	6	63
Finance		29	29	29	29	29	24	40	40	40	40	331
CFO	Salary and Benefits	19	19	19	19	19	5	21	21	21	21	182
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	11	11	11	11	11	105
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	44
Sales		-	-	-	-	-	-	13	22	22	23	81
VP of Sales	Salary and Benefits	-	-	-	-	-	-	13	22	22	22	81
Customer Relationship Manager	Salary and Benefits	-	-	-	-	-	-	-	-	-	1	1
HR		6	6	6	6	6	8	8	8	8	8	68
Specialist	Salary and Benefits	6	6	6	6	6	6	6	6	6	6	59
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	1	1	1	0	1	2
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	7
Trade Compliance		8	8	8	8	8	1	1	1	1	1	48
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	6	6	6	6	6	0	0	0	0	0	32
Trade Flow software license	Trade Flow software license	2	2	2	2	2	1	1	1	1	1	16
Bonuses		-	-	-	-	-	15	15	15	15	15	77
Risk		24	24	24	24	24	16	16	16	16	16	199
Freight		77	77	77	77	77	42	61	47	42	42	618
401(k) compensation		3	3	3	3	3	10	10	10	10	10	63
Total Standalone Costs		280	280	280	280	280	170	240	389	254	229	2,509

Appendix | Budget Incurred Monthly Standalone Costs

\$'000	Description	Pre-close Proforma Standalone Costs					Post-Close Standalone Costs								Total
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	
IT		81	81	81	81	81	24	39	207	39	39	42	42	753	
Manager	Salary and Benefits	12	12	12	12	12	9	9	9	9	9	9	9	105	
Analyst	Salary and Benefits	25	25	25	25	25	-	6	6	6	6	6	6	148	
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	14	14	14	14	14	10	16	177	7	7	7	7	284	
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	11	11	76	
Sales Force	Licensing	-	-	-	-	-	-	-	-	2	2	2	2	4	
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	4	2	2	2	2	2	2	95	
ERP transition licensing fees	Licensing	-	-	-	-	-	-	5	5	5	5	5	5	20	
Data Communications	Licensing	4	4	4	4	4	-	-	-	-	-	-	-	21	
Legal		34	34	34	34	34	19	19	19	19	19	19	19	266	
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	125	
Patent fees	Patent Fees	6	6	6	6	6	6	6	6	6	6	6	6	63	
Finance		29	29	29	29	29	28	30	30	30	30	30	30	293	
CFO	Salary and Benefits	19	19	19	19	19	19	21	21	21	21	21	21	196	
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	44	
Sales		-	-	-	-	-	-	11	22	22	22	22	22	78	
VP of Sales	Salary and Benefits	-	-	-	-	-	-	11	22	22	22	22	22	78	
Customer Relationship Manager	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	
HR		6	6	6	6	6	2	2	2	2	2	8	8	38	
Specialist	Salary and Benefits	6	6	6	6	6	0	0	0	0	-	6	6	30	
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	0	0	0	0	1	
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	1	1	7	
Trade Compliance		8	8	8	8	8	1	1	1	1	1	1	1	48	
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	16	
Bonuses	Incremental management bonuses	-	-	-	-	-	15	15	15	15	15	15	15	77	
Risk	Incremental cost of business insurances	24	24	24	24	24	16	16	16	16	16	16	16	199	
Freight	Adjust freight to actual charges versus allocation	77	77	77	77	77	42	42	42	42	42	42	42	593	
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	10	10	63	
Total Standalone Costs		262	262	262	262	262	158	185	364	196	196	205	205	2,409	

Appendix | Budget Unincurred Monthly Standalone Costs

\$'000	Description	Pre-close Proforma Standalone Costs					Post-Close Standalone Costs								Total
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	
IT		-	-	-	-	-	(8)	(1)	-	12	(2)	-	-	2	
Manager	Salary and Benefits	-	-	-	-	-	(9)	(1)	-	-	-	-	-	(10)	
Analyst	Salary and Benefits	-	-	-	-	-	6	-	-	-	-	-	-	6	
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	-	-	-	-	-	-	-	-	16	-	-	-	16	
Business Services	Offset to TSA	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sales Force	Licensing	-	-	-	-	-	-	-	-	(2)	(2)	-	-	(4)	
Accounting / HR systems	Concur Set-up and monthly fee	-	-	-	-	-	(4)	-	-	(2)	-	-	-	(6)	
ERP transition licensing fees	Licensing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Data Communications	Licensing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal		-	-	-	-	-	-	-	-	-	-	-	-	-	
Headcount costs (1 FTE)	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	
External legal fees and other expenses	Legal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Patent fees	Patent Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Finance		-	-	-	-	-	(4)	11	11	11	11	11	11	39	
CFO	Salary and Benefits	-	-	-	-	-	(14)	-	-	-	-	-	-	(14)	
Base compensation (2 FTEs)	Salary and Benefits	-	-	-	-	-	11	11	11	11	11	11	11	53	
Audit Fees	2019 Audit Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sales		17	17	17	17	17	17	20	17	17	17	17	17	175	
VP of Sales	Salary and Benefits	-	-	-	-	-	-	2	-	-	-	-	-	2	
Customer Relationship Manager	Salary and Benefits	17	17	17	17	17	17	17	17	17	17	17	17	173	
HR		-	-	-	-	-	6	6	6	6	6	6	6	30	
Specialist	Salary and Benefits	-	-	-	-	-	6	6	6	6	6	6	6	30	
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	-	-	-	-	-	-	-	-	
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Trade Compliance		-	-	-	-	-	-	-	-	-	-	-	-	-	
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	-	-	-	-	-	-	-	-	-	-	-	-	-	
Trade Flow software license	Trade Flow software license	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bonuses	Incremental management bonuses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Risk	Incremental cost of business insurances	-	-	-	-	-	-	-	-	-	-	-	-	-	
Freight	Adjust freight to actual charges versus allocation	-	-	-	-	-	(42)	19	5	-	-	-	-	(17)	
401(k) compensation	Estimated incremental 401(k) expense	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Standalone Costs		17	17	17	17	17	(30)	55	39	46	32	34	34	229	

Appendix | Budget PF Monthly Standalone Costs

\$'000		Pre-close Proforma Standalone Costs					Post-Close Standalone Costs							Total
	Description	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
IT		81	81	81	81	81	16	38	207	51	37	42	42	839
Manager	Salary and Benefits	12	12	12	12	12	-	9	9	9	9	9	9	114
Analyst	Salary and Benefits	25	25	25	25	25	6	6	6	6	6	6	6	166
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	14	14	14	14	14	10	16	177	23	7	7	7	313
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	11	11	98
Sales Force	Licensing	-	-	-	-	-	-	-	-	-	-	2	2	4
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	-	2	2	(0)	2	2	2	92
ERP transition 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	25	40	40	40	41	41	41	413
CFO	Salary and Benefits	19	19	19	19	19	5	21	21	21	21	21	21	224
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	11	11	11	11	11	11	11	127
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	9	9	62
Sales		-	-	-	-	-	-	13	22	22	22	22	22	125
VP of Sales	Salary and Benefits	-	-	-	-	-	-	13	22	22	22	22	22	125
Customer Relationship Manager	Salary and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
HR		6	6	6	6	6	8	8	8	8	8	14	14	95
Specialist	Salary and Benefits	6	6	6	6	6	6	6	6	6	6	12	12	84
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	-	61	47	42	42	42	42	659
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	10	10	83
Total Standalone Costs		280	280	280	280	280	128	239	403	242	211	222	222	2,907

Appendix | 1X Costs

\$'000	Description	Revised AOP							2019 AOP
		19-Jun AOP	19-Jul AOP	19-Aug AOP	19-Sep AOP	19-Oct AOP	19-Nov AOP	19-Dec AOP	
IT		49	28	175	85	70	70	70	547
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
Legal/Professional Fees		433	247	66	41	51	46	41	925
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
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	7	19	17	20	30	108	58	259
Payroll Implementation	International GEO, Domestic PEO set up fees, visa transfer fees	11	–	16	–	–	–	–	27
Market Parity	Products to catch up to competitors' offerings	–	–	74	82	56	56	83	351
SA Closure	Severance	–	–	–	–	–	–	310	310
TSA		87	87	78	73	73	70	70	535
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
Total 1X Costs		587	380	427	301	279	349	632	2,955

Appendix | AR and AP Aging Detail

\$ 000's

AR Aging			
Days	Aug-19	Sep-19	Oct-19
0-30	5,954	6,255	6,264
30-60	413	466	516
60-90	239	246	225
>90	441	165	235
Total Gross AR	7,047	7,131	7,240
Reserves	(195)	(186)	(201)
Total Net AR	6,852	6,945	7,040

AP Aging			
Days	Jul-19	Aug-19	Sep-19
0-30	2,573	2,123	1,823
30-60	758	1,056	935
60-90	289	218	268
>90	(89)	85	548
Total AP	3,531	3,482	3,574

Management Discussion

- >90 Days AR increased by
 - Diebold Canada \$146k
 - Idea and Exchange \$77k
 - World wide \$26k
- >90 Days AP increased by
 - Gentherm \$69k

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	Act	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
<u>Material</u>																			
Material costs at standard	\$ 1,075	\$ 1,395	\$ 1,318	\$ 1,462	\$ 1,122	\$ 1,508	\$ 1,535	\$ 1,701	\$ 1,102	\$ 1,357	\$ 1,160	\$ 1,131	\$ 15,868	\$ 15,623	\$ 245	1.6%	\$ 14,987	\$ 880	5.9%
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)	(127)	5	5	(422)	37	(459)	(1254.5%)	68	(490)	(724.1%)
Freight in	57	82	58	38	84	30	41	25	35	61	18	23	552	475	76	16.1%	681	(129)	(19.0%)
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)	(33)	(23)	(23)	(79)	(254)	175	(68.8%)	(200)	121	(60.4%)
Consumables	(18)	20	49	12	11	2	(5)	26	(5)	1	6	6	106	69	38	54.4%	92	14	15.3%
Total Material COGS	\$ 1,083	\$ 1,424	\$ 1,272	\$ 1,488	\$ 1,169	\$ 1,485	\$ 1,516	\$ 1,722	\$ 1,067	\$ 1,259	\$ 1,166	\$ 1,142	\$ 15,792	\$ 15,717	\$ 75	0.5%	\$ 15,626	\$ 166	1.1%
<u>Labor</u>																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 290	\$ 246	\$ 235	\$ 296	\$ 207	\$ 194	\$ 2,972	\$ 3,307	\$ (335)	(10.1%)	\$ 2,736	\$ 236	8.6%
Direct labor - overtime	15	19	17	16	8	14	19	16	27	25	15	16	207	143	65	45.3%	194	14	7.1%
Direct labor - benefits	102	83	81	98	81	80	92	72	66	72	101	101	1,027	1,314	(287)	(21.8%)	971	56	5.7%
Indirect labor	168	161	158	167	164	149	182	135	145	154	153	153	1,889	1,861	28	1.5%	1,971	(82)	(4.2%)
Indirect labor – benefits	60	48	48	57	47	29	73	64	57	68	47	47	645	589	56	9.5%	600	45	7.4%
Total Labor COGS	\$ 621	\$ 550	\$ 539	\$ 632	\$ 543	\$ 489	\$ 656	\$ 533	\$ 528	\$ 615	\$ 523	\$ 511	\$ 6,741	\$ 7,214	\$ (473)	(6.6%)	\$ 6,473	\$ 268	4.1%
<u>Other</u>																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 12	\$ 14	\$ 20	\$ 17	\$ 17	\$ 204	\$ 199	\$ 5	2.6%	\$ 220	\$ (15)	(7.0%)
Rent / facilities	206	215	193	167	157	178	199	175	155	191	169	167	2,171	2,140	31	1.5%	979	1,192	121.7%
Utilities	22	25	21	22	21	21	24	25	28	26	23	23	282	293	(11)	(3.7%)	300	(18)	(5.9%)
Other cost of sales	(50)	46	5	(29)	(21)	98	65	23	0	(125)	36	33	82	322	(241)	(74.7%)	469	(388)	(82.6%)
Total Other COGS	\$ 190	\$ 292	\$ 255	\$ 184	\$ 168	\$ 311	\$ 310	\$ 236	\$ 198	\$ 112	\$ 245	\$ 239	\$ 2,739	\$ 2,955	\$ (215)	(7.3%)	\$ 1,968	\$ 771	39.2%
Total COGS	\$ 1,894	\$ 2,266	\$ 2,066	\$ 2,303	\$ 1,881	\$ 2,284	\$ 2,482	\$ 2,490	\$ 1,793	\$ 1,986	\$ 1,934	\$ 1,893	\$ 25,272	\$ 25,886	\$ (614)	(13.4%)	\$ 24,067	\$ 1,205	44.4%

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 (A)	60	–	18	7	10	19	11	–	125	10	135	148	(13)
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	–
Final Headcount	71	–	18	7	10	21	11	–	138	10	148	148	–



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