



SARGENT AND GREENLEAF

Q2 2019 Audit Committee Meeting

July 30, 2019

2019 Annual Operating Plan Agenda

- ➔ Summary
- ➔ Controllershship Matters
- ➔ Strategic Plan
- ➔ Appendix – Detailed Revised AOP Financials

CFO Hot Buttons

- Softness Across NA OEM And Distributor Base market – recapture customers
- Continue India momentum from 2018 – replacement cycle
- Organizational Risk
 - Internal control process for sales price authorization and control system
 - Direct material commitment threshold criteria – inventory levels
 - ERP Implementation and Go Live 03/01/2020
- Drive execution of new product development pipeline
- Deploy strategic initiatives
- Customer touch points in revenue cycle – opportunity, order, shipment, and collections
- Manage accounts receivable and accounts payable

Q2 2019 Audit Committee Meeting Agenda

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

Auditor Discussion

Opening Balance Sheet:

- Fixed asset and intangible asset valuation
- Transaction fund flow
- Goodwill basis and amortization method
- Net working capital adjustment

2019 Audit Plan:

- Preliminary risk areas – revenue and management override of controls
- Audit work focus on inventory and purchase transactions
- Crowe field work – February, require delivery by 4/30
- Prior experience with S&G from the past
- Approval of consolidated financial statements:
 - Review by Management – *date*
 - Review / Approval by Audit Committee – *date*
 - Approval by Board of Directors – *date*

New accounting pronouncements:

- S&G will need to adopt ASC Topic 606 – Revenue from Contracts with Customers. New revenue standard that went into effect this year for private companies. SBD had to adopt in 2018.
- New lease accounting guidance just got deferred a year so S&G will need to adopt in calendar 2021.
- Other Matters to discuss
 - Tax provision work for monthly reporting
 - Switzerland location
 - ERP Implementation and timing of go live 03/01/2020

Management Governance Report

Disclosure Committee:

- Members include: CEO, CFO, VP Sales, VP Operations, VP and General Counsel
- First Audit Committee meeting to be held on Tuesday July, 30th prior to the Q2 Board meeting

Anonymous Hotline:

- Navex implemented July 16th, 2019

Modification of Internal Control and Authority Matrix:

- OGC in process of developing

Management Governance Report Con't

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

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Executive Summary

June revenues of \$4.4M favorable to Standalone AOP(budget) by \$0.4M/10.8%

Driven primarily by convertible A-series (Electronic Lock) shipped to India in the APAC region

Strong performance compared to budget for APAC by \$0.9M/96%

Unfavorable NA OEM's and Distributors by (\$0.3M)/(14%) and LAG (\$0.2M)/(67%)

Q2 revenues of \$11.4M unfavorable to budget by (\$1.4M)/(11.1%)

Compared to budget NA OEM's and Distributors unfavorable (\$0.7M)/(13%)

India unfavorable (\$0.7M)/(19%) due to national elections in April/May resulting in lower convertible order rates

YTD revenues of \$22.8M unfavorable to budget by (\$1.5M)/(6.4%)

Compared to budget NA OEM's and Distributors unfavorable (\$1.8M)/(17%)

Strong Q1 in India offset by election pressure in Q2 netted favorable \$0.3M/3%.

Versus prior year, favorable 951 Padlock contract sales of \$1.9M offset core volume decline of (\$1.8M)

Hits

- Total Backlog Of \$8.6M Is \$2.8M/48% Favorable Than Prior Year
- Convertible A-series (electronic lock) Orders shipped to India: Pingan \$54k, AGS \$92k, Arya \$47k, Other Customers \$127k
- China/North Asia BDM Returned To S&G – Immediate Positive Response From Customer Base
- Progress On Standalone Hiring Plan –VP Sales, NA Government BDM, India BDM, CFO, CEO, and Quality Manager Added

Misses

- Softness Across NA OEM And Distributor Base: YTD Liberty (\$0.5M), Genmega (\$0.4M), Global File (\$0.3M), Diebold (\$0.2M)
- Continued Q2 Pressure In APAC – India Elections, China Trade Uncertainty, and SEA Weakness
- NA Government BDM vacant for most of Q2

Summary P&L vs Budget

\$'000	MTD		Variance		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
Gross Revenue	\$ 5,195	\$ 4,485	\$ 710	15.8%	\$ 13,439	\$ 14,468	\$ (1,029)	(7.1%)	\$ 26,209	\$ 27,525	\$ (1,316)	(4.8%)
Adj. to Gross Revenue	(782)	(501)	(281)	56.1%	(2,019)	(1,617)	(402)	24.9%	(3,447)	(3,212)	(234)	7.3%
Net Revenue	4,413	3,983	429	10.8%	11,420	12,851	(1,431)	(11.1%)	22,762	24,313	(1,551)	(6.4%)
Material	1,485	1,224	261	21.3%	4,142	4,126	16	0.4%	7,920	7,880	40	0.5%
Labor	489	609	(120)	(19.8%)	1,664	1,989	(326)	(16.4%)	3,374	3,691	(317)	(8.6%)
Other COGS	311	202	109	54.0%	663	765	(102)	(13.3%)	1,400	1,564	(164)	(10.5%)
Total COGS	2,284	2,035	249	12.3%	6,468	6,880	(412)	(6.0%)	12,695	13,136	(441)	(3.4%)
Gross Margin	2,129	1,949	180	9.2%	4,952	5,971	(1,019)	(17.1%)	10,068	11,177	(1,110)	(9.9%)
<i>Gross Margin %</i>	<i>48.2%</i>	<i>48.9%</i>			<i>43.4%</i>	<i>46.5%</i>			<i>44.2%</i>	<i>46.0%</i>		
R&D	84	163	(79)	(48.6%)	301	503	(202)	(40.2%)	649	902	(253)	(28.1%)
Sales & Marketing	240	368	(127)	(34.6%)	853	1,134	(281)	(24.8%)	1,879	2,222	(343)	(15.4%)
Administrative	656	720	(65)	(9.0%)	1,310	1,403	(92)	(6.6%)	2,360	2,445	(85)	(3.5%)
Other Opex	—	—	—	N/A	—	—	—	N/A	—	—	—	N/A
Total Opex	980	1,250	(271)	(21.7%)	2,464	3,040	(576)	(18.9%)	4,888	5,570	(682)	(12.2%)
EBITDA	1,149	698	451	64.5%	2,487	2,931	(443)	(15.1%)	5,180	5,608	(428)	(7.6%)
<i>EBITDA %</i>	<i>26.0%</i>	<i>17.5%</i>			<i>21.8%</i>	<i>22.8%</i>			<i>22.8%</i>	<i>23.1%</i>		
Adj. EBITDA	1,653	1,284	369	28.8%	2,992	3,516	(525)	(14.9%)	5,684	6,193	(509)	(8.2%)
<i>Adj. EBITDA %</i>	<i>37.5%</i>	<i>32.2%</i>			<i>26.2%</i>	<i>27.4%</i>			<i>25.0%</i>	<i>25.5%</i>		
Net Income (Loss)	\$ 463	\$ 124	\$ 339	274.3%	\$ 1,607	\$ 1,557	\$ 50	3.2%	\$ 3,984	\$ 3,217	\$ 766	23.8%
Capex	\$ (26)	\$ (225)	\$ 199	(88.5%)	\$ (87)	\$ (379)	\$ 292	(77.0%)	\$ (159)	\$ (601)	\$ 442	(73.5%)

Management Discussion

- June Adjusted EBITDA favorable \$0.4M from gross margin favorable volume of \$0.2M. OPEX favorable \$0.3M versus budget, related to timing of innovation spending (R&D) \$0.1M, and timing of standalone/1X costs, \$0.2M
- Q2 Adjusted EBITDA unfavorable (\$0.5M) primarily driven by volume budget variance on gross margin (\$0.7M) with the remaining (\$0.3M) related to rate/mix. Q2 OPEX favorable \$0.6M versus budget, related to timing of innovation spending (R&D) \$0.2M, discretionary spending controls (Jan-May) \$0.2M and timing of standalone/1X costs \$0.2M
- YTD Adjusted EBITDA unfavorable (\$0.5M) versus budget, primarily driven by volume on gross margin (\$0.7M) with the remaining gross margin (\$0.4M) related to rate/mix. Various favorable offsets from timing of OPEX.

Summary P&L vs PY

\$'000	MTD		PY MTD		Variance		QTD		PY QTD		Variance		YTD		PY YTD		Variance				
	Act		Act		\$	%	Act		Act		\$	%	Act		Act		\$	%			
Gross Revenue	\$	5,195	\$	4,829	\$	366	7.6%	\$	13,439	\$	13,676	\$	(237)	(1.7%)	\$	26,209	\$	25,625	\$	584	2.3%
Adj. to Gross Revenue		(782)		(577)		(205)	35.6%		(2,019)		(1,588)		(431)	27.2%		(3,447)		(3,010)		(437)	14.5%
Net Revenue		4,413		4,252		161	3.8%		11,420		12,088		(668)	(5.5%)		22,762		22,615		147	0.7%
Material		1,485		1,751		(266)	(15.2%)		4,142		4,651		(509)	(10.9%)		7,920		8,463		(543)	(6.4%)
Labor		489		541		(52)	(9.7%)		1,664		1,655		8	0.5%		3,374		3,201		173	5.4%
Other COGS		311		134		176	131.3%		663		456		207	45.3%		1,400		1,142		259	22.7%
Total COGS		2,284		2,426		(142)	(5.9%)		6,468		6,763		(294)	(4.4%)		12,695		12,805		(111)	(0.9%)
Gross Margin		2,129		1,825		303	16.6%		4,952		5,325		(374)	(7.0%)		10,068		9,810		258	2.6%
Gross Margin %		48.2%		42.9%					43.4%		44.1%		(0.7%)	(1.6%)		44.2%		43.4%			
R&D		84		139		(55)	(39.9%)		301		443		(142)	(32.1%)		649		881		(232)	(26.3%)
Sales & Marketing		240		331		(90)	(27.3%)		853		995		(141)	(14.2%)		1,879		1,923		(44)	(2.3%)
Administrative		656		348		308	88.4%		1,310		1,077		233	21.6%		2,360		2,051		309	15.1%
Other Opex		—		—		—	N/A		—		—		—	N/A		—		—		—	N/A
Total Opex		980		818		162	19.8%		2,464		2,515		(51)	(2.0%)		4,888		4,855		33	0.7%
EBITDA		1,149		1,008		141	14.0%		2,487		2,810		(323)	(11.5%)		5,180		4,955		225	4.5%
EBITDA %		26.0%		23.7%					21.8%		23.2%		(1.5%)	(6.3%)		22.8%		21.9%			
Adj. EBITDA		1,653		1,008		646	64.1%		2,992		2,810		181	6.5%		5,684		4,955		730	14.7%
Adj. EBITDA %		37.5%		23.7%					26.2%		23.2%		2.9%	12.7%		25.0%		21.9%			
Net Income (Loss)	\$	463	\$	904	\$	(441)	(48.8%)	\$	1,607	\$	2,497	\$	(890)	(35.7%)	\$	3,984	\$	4,329	\$	(346)	(8.0%)
Capex	\$	(26)	\$	5	\$	(30)	(667.9%)	\$	(87)	\$	(403)	\$	316	(78.3%)	\$	(159)	\$	(601)	\$	442	(73.5%)

Management Discussion

- June Adjusted EBITDA favorable \$0.3M versus prior year, primarily driven by gross margin rate/mix, \$0.2M with the remainder volume driven, \$0.1M. OPEX unfavorable \$0.2M versus PY, related to 1X costs
- Q2 Adjusted EBITDA favorable \$0.2M versus PY, primarily driven by volume, (\$0.4M) with the remaining \$0.2M related 1x Opex
- YTD Adjusted EBITDA favorable \$0.7M versus PY, driven by volume, \$0.3M with the remaining \$0.4M related to 1x Opex

Cost of Goods Sold by Component

\$'000	MTD		Var		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
Material												
Material costs at standard	\$ 1,508	\$ 1,216	\$ 293	24.1%	\$ 4,093	\$ 4,131	\$ (38)	(0.9%)	\$ 7,881	\$ 7,853	\$ 27	0.3%
Materials FX loss / (gain)	—	—	—	N/A	—	—	—	N/A	0	(0)	0	(103.6%)
Purchase price variance	(45)	5	(50)	(968.4%)	(74)	17	(91)	(541.9%)	(141)	3	(144)	(4590.4%)
Freight in	30	20	10	49.6%	152	135	17	12.7%	349	331	17	5.3%
Cost revision	—	—	—	N/A	(101)	(101)	—	0.0%	(232)	(232)	—	0.0%
Scrap costs	(11)	(23)	12	(52.8%)	47	(75)	122	(163.1%)	(13)	(104)	91	(87.5%)
Consumables	2	6	(4)	(68.0%)	25	20	5	26.1%	77	29	48	166.3%
Total Material COGS	\$ 1,485	\$ 1,224	\$ 261	21.3%	\$ 4,142	\$ 4,126	\$ 16	0.4%	\$ 7,920	\$ 7,880	\$ 40	0.5%
Labor												
Direct labor	\$ 217	\$ 301	\$ (84)	(27.9%)	\$ 754	\$ 1,006	\$ (252)	(25.1%)	\$ 1,505	\$ 1,729	\$ (224)	(13.0%)
Direct labor - overtime	14	8	5	65.2%	38	27	12	42.9%	90	69	21	31.0%
Direct labor - benefits	80	102	(22)	(21.6%)	258	356	(97)	(27.4%)	524	658	(134)	(20.3%)
Indirect labor	149	151	(2)	(1.1%)	480	457	23	5.0%	966	935	31	3.3%
Indirect labor – benefits	29	47	(18)	(38.3%)	133	144	(10)	(7.2%)	289	301	(12)	(4.1%)
Total Labor COGS	\$ 489	\$ 609	\$ (120)	(19.8%)	\$ 1,664	\$ 1,989	\$ (326)	(16.4%)	\$ 3,374	\$ 3,691	\$ (317)	(8.6%)
Other												
Repairs and maintenance	\$ 14	\$ 17	\$ (3)	(16.2%)	\$ 49	\$ 54	\$ (6)	(10.6%)	\$ 103	\$ 91	\$ 13	13.9%
Rent / facilities	178	165	13	7.7%	502	515	(13)	(2.4%)	1,115	1,098	17	1.6%
Utilities	21	23	(1)	(6.4%)	65	74	(10)	(13.2%)	132	144	(12)	(8.1%)
Other cost of sales	98	(3)	100	(3565.0%)	48	121	(74)	(60.7%)	49	231	(182)	(78.7%)
Total Other COGS	\$ 311	\$ 202	\$ 109	54.0%	\$ 663	\$ 765	\$ (102)	(13.3%)	\$ 1,400	\$ 1,564	\$ (164)	(10.5%)
Total COGS	\$ 2,284	\$ 2,035	\$ 249	55.5%	\$ 6,468	\$ 6,880	\$ (412)	(29.3%)	\$ 12,695	\$ 13,136	\$ (441)	(18.6%)

Management Discussion

- June/Q2/YTD Favorable purchase price variance PPV related to Zinc, 115mm FAS Key Blanks, and 6120 Satin Chrome Housings
- June/Q2/YTD Unfavorable freight-in variances related to increased transportation rates and increased tariffs
- June Scrap Income of \$28k offset by scrap costs in Rivets (product # 8500) and 6242 Mvmts
- Q2/YTD Scrap Income of \$173k offset by Zinc and Aluminum, scrap costs in rivets and 6242 Mvmts

Balance Sheet: NWC, Cash, Debt

\$'000	Jun-19		Variance	
	Act	Bud	\$	%
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,376	\$ 1,247	\$ 129	10.4%
<i>Accounts receivable, gross</i>	8,117	9,119	(1,001)	(11.0%)
<i>Accounts receivable, reserves</i>	(177)	(164)	(13)	7.9%
Accounts receivable, net	7,940	8,954	(1,014)	(11.3%)
<i>Inventory, gross</i>	7,042	6,216	826	13.3%
<i>Inventory, reserves</i>	(458)	(435)	(23)	5.3%
Inventory, net	6,584	5,781	803	13.9%
Prepaid expenses and other current assets	46	238	(192)	(80.6%)
Total Current Assets	15,946	16,221	(274)	(1.7%)
<u>Current Liabilities</u>				
Current portion of long-term debt	\$ 892	\$ 892	\$ 0	0.0%
Accounts payable	2,980	4,028	(1,047)	(26.0%)
Accrued liabilities	848	739	109	14.7%
Accrued compensation	179	228	(48)	(21.3%)
Income taxes payable	266	(121)	387	(319.7%)
Short-term unearned revenue	70	—	70	N/A
Total Current Liabilities	5,235	5,765	(530)	(9.2%)
<u>Long-term liabilities</u>				
Long-term debt less current maturities	43,694	43,694	(0)	(0.0%)

Management Discussion

- A/R Balances below plan due to lighter than budget revenue
- Inventory Balances higher than plan due to lighter than planned QTD revenue.
- A/P Balances lower than plan due to G&A spending controls and Cap Ex timing
- Full balance sheet ending opening balance sheet adjustments

Opex Summary vs Budget

\$'000	MTD		Variance		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
Opex Overview:												
Payroll	\$ 235	\$ 265	\$ (31)	(11.6%)	\$ 820	\$ 879	\$ (59)	(6.7%)	\$ 1,739	\$ 1,797	\$ (58)	(3.2%)
Overtime	–	1	(1)	(100.0%)	0	2	(2)	(93.1%)	0	5	(4)	(92.5%)
Benefits	15	25	(10)	(39.3%)	201	208	(7)	(3.3%)	478	486	(8)	(1.7%)
Bonus	2	42	(40)	(95.1%)	35	100	(64)	(64.7%)	113	184	(71)	(38.5%)
Commissions	11	58	(47)	(81.4%)	53	188	(135)	(71.6%)	138	375	(237)	(63.2%)
Marketing	22	25	(3)	(12.5%)	69	89	(20)	(22.4%)	222	186	36	19.2%
Travel and Entertainment	25	29	(5)	(16.7%)	97	101	(4)	(3.9%)	198	237	(39)	(16.6%)
Insurance	–	3	(3)	(100.0%)	–	8	(8)	(100.0%)	1	17	(16)	(93.5%)
Professional Fees	543	673	(130)	(19.3%)	829	1,084	(255)	(23.5%)	1,272	1,537	(265)	(17.2%)
Utl., Repair, Maint., & Sec.	0	4	(3)	(91.2%)	4	11	(7)	(65.5%)	12	22	(10)	(46.7%)
IT	97	64	33	51.7%	186	153	33	21.5%	321	288	33	11.5%
Bad Debts	21	–	21	N/A	15	–	15	N/A	58	–	58	N/A
Supplies	6	10	(5)	(46.6%)	15	32	(17)	(53.5%)	33	64	(31)	(48.9%)
Other Expenses	4	52	(48)	(93.2%)	136	186	(50)	(26.7%)	295	373	(77)	(20.8%)
Total Opex	\$ 980	\$ 1,250	\$ (271)	(21.7%)	\$ 2,464	\$ 3,040	\$ (576)	(18.9%)	\$ 4,888	\$ 5,570	\$ (682)	(12.2%)

Management Discussion

- June – Payroll favorable variance due to timing of hiring for open positions (Gov't BDM, CFO, IT Manager), professional fees favorable variance driven by timing of recruiting fees, \$38k, costs related to Opening Balance Sheet, \$55k, and timing for R&D spend, \$39k, and commissions favorable driven by lower sales
- Q2 – Payroll favorable variance due to timing of hiring for open positions (Gov't BDM, CFO, IT Manager); professional fees favorable by timing of recruiting fees, \$38k, costs related to Opening Balance Sheet, \$55k, and timing for R&D/Marketing spend, \$178k; and other favorable variances driven by discretionary spending controls
- YTD - Payroll favorable variance due to timing of hiring for open positions (Gov't BDM, CFO, IT Manager); professional fees favorable variance driven by timing of recruiting fees, \$38k, costs related to Opening Balance Sheet, \$55k, and timing for R&D/Marketing spend, \$180k; commissions favorable variance driven by lower sales, and other favorable variances driven by controls on discretionary spending

Opex Summary vs PY

\$'000	MTD		PY MTD		Variance		QTD		PY QTD		Variance		YTD		PY YTD		Variance				
	Act		Act		\$	%	Act		Act		\$	%	Act		Act		\$	%			
Opex Overview:																					
Payroll	\$	235	\$	306	\$	(71)	(23.3%)	\$	820	\$	890	\$	(70)	(7.8%)	\$	1,739	\$	1,862	\$	(123)	(6.6%)
Overtime		–		0		(0)	(100.0%)		0		2		(2)	(92.4%)		0		4		(3)	(90.2%)
Benefits		15		88		(73)	(82.9%)		201		309		(108)	(34.8%)		478		462		16	3.5%
Bonus		2		38		(36)	(94.6%)		35		97		(62)	(63.9%)		113		132		(19)	(14.4%)
Commissions		11		18		(7)	(39.9%)		53		69		(16)	(22.8%)		138		154		(16)	(10.1%)
Marketing		22		53		(31)	(58.3%)		69		131		(62)	(47.2%)		222		288		(66)	(23.1%)
Travel and Entertainment		25		32		(8)	(24.4%)		97		116		(20)	(17.0%)		198		257		(59)	(23.1%)
Insurance		–		3		(3)	(100.0%)		–		9		(9)	(100.0%)		1		18		(17)	(93.9%)
Professional Fees		543		169		373	220.8%		829		492		336	68.4%		1,272		994		278	27.9%
Utl., Repair, Maint., & Sec.		0		3		(3)	(90.2%)		4		8		(4)	(52.3%)		12		16		(4)	(26.6%)
IT		97		45		52	116.0%		186		134		52	38.7%		321		269		52	19.3%
Bad Debts		21		6		15	271.8%		15		40		(25)	(62.7%)		58		45		14	31.0%
Supplies		6		6		(1)	(8.8%)		15		14		1	8.4%		33		32		0	0.3%
Other Expenses		4		51		(48)	(93.1%)		136		203		(67)	(33.0%)		295		323		(27)	(8.4%)
Total Opex	\$	980	\$	818	\$	162	19.8%	\$	2,464	\$	2,515	\$	(51)	(2.0%)	\$	4,888	\$	4,855	\$	33	0.7%

Management Discussion

- June – Payroll favorable due to timing of hiring for open/new positions (Gov't BDM, IT Manager&Support, CFO) and positions included in PY standalone proforma of (Legal FTE, 2 finance FTE's, HR Specialist); professional fees unfavorable variance driven 1X costs TSA (\$95k), Consulting Fees(\$299k), and recruitment fees (\$57k) partially offset by timing in R&D \$30k and open BDM position (India); and other favorable variances driven by control of discretionary spending
- Q2 – Payroll favorable variance due to timing of hiring for open/new positions (Gov't BDM, IT Manager&Support, CFO) and positions included in PY proforma of (Legal FTE, 2 finance FTE's, HR Specialist); professional fees unfavorable variance driven 1X costs TSA (\$95k), Consulting Fees(\$299k), and recruitment fees (\$57k) partially offset by timing in R&D \$30k and open BDM position (India); benefits favorable variance driven by open positions; favorable variance in bonus due to lower than budgeted core sales (excluding 951's); and other favorable variances due to discretionary spending controls
- YTD – Payroll favorable variance due to timing of hiring for open/new positions (Gov't BDM, IT Manager&Support, CFO) and positions included in PY proforma of (Legal FTE, 2 finance FTE's, HR Specialist); professional fees unfavorable variance driven 1X costs TSA (\$95k), Consulting Fees(\$299k), and recruitment fees (\$57k) partially offset by timing in R&D \$30k and open BDM position (India); and Other favorable variances due to discretionary spending controls

Standalone Costs

\$'000

Description		MTD		Variance		QTD		Variance		YTD		Variance	
		Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
IT		-	24	(24)	-100.0%	-	24	(24)	-100.0%	-	24	(24)	-100.0%
Manager	Salary and Benefits	-	9	(9)	-100.0%	-	9	(9)	-100.0%	-	9	(9)	-100.0%
Analyst	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Direct Technology Ch:Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill		-	10	(10)	-100.0%	-	10	(10)	-100.0%	-	10	(10)	-100.0%
Business Services	Offset to TSA	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Sales Force	Licensing	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Accounting / HR syste Concur Set-up and monthly fee		-	4	(4)	-100.0%	-	4	(4)	-100.0%	-	4	(4)	-100.0%
ERP transition licensi Licensing		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Data CommunicationsLicensing		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Legal		-	19	(19)	-100.0%	-	19	(19)	-100.0%	-	19	(19)	-100.0%
Headcount costs (1 FT Salary and Benefits		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
External legal fees anLegal Fees		-	13	(13)	-100.0%	-	13	(13)	-100.0%	-	13	(13)	-100.0%
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	6	(6)	-100.0%	-	6	(6)	-100.0%
Finance		14	28	(14)	-50.4%	14	28	(14)	-50.4%	14	28	(14)	-50.4%
CFO	Salary and Benefits	5	19	(14)	-73.2%	5	19	(14)	-73.2%	5	19	(14)	-73.2%
Base compensation (2Salary and Benefits		-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Audit Fees 2019 Audit Fees		9	9	-	0.0%	9	9	-	0.0%	9	9	-	0.0%
Sales		-	2	(2)	-100.0%	-	2	(2)	-100.0%	-	2	(2)	-100.0%
VP of Sales	Salary and Benefits	-	2	(2)	-100.0%	-	2	(2)	-100.0%	-	2	(2)	-100.0%
HR		2	2	(0)	-14.4%	2	2	(0)	-14.4%	2	2	(0)	-14.4%
Specialist	Salary and Benefits	-	0	(0)	-100.0%	-	0	(0)	-100.0%	-	0	(0)	-100.0%
Business Travel and A Business Travel and Accident		0	0	-	0.0%	0	0	-	0.0%	0	0	-	0.0%
Global Emergency Tra Global Emergency Travel Services		1	1	-	0.0%	1	1	-	0.0%	1	1	-	0.0%
Trade Compliance		1	1	-	0.0%	1	1	-	0.0%	1	1	-	0.0%
Export Compliance DaExport Compliance Daily/ICPA annual fee		0	0	-	0.0%	0	0	-	0.0%	0	0	-	0.0%
Trade Flow software I Trade Flow software license		1	1	-	0.0%	1	1	-	0.0%	1	1	-	0.0%
Bonuses		-	15	(15)	-100.0%	-	15	(15)	-100.0%	-	15	(15)	-100.0%
Risk		16	16	-	0.0%	16	16	-	0.0%	16	16	-	0.0%
Freight		-	42	(42)	-100.0%	-	42	(42)	-100.0%	-	42	(42)	-100.0%
401(k) compensation		10	10	-	0.0%	10	10	-	0.0%	10	10	-	0.0%
Total Standalone Costs		43	159	(116)	-73.0%	43	159	(116)	-73.0%	43	159	(116)	-73.0%

1X Costs

\$'000		MTD		Variance		QTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
IT		40	49	(9)	-18.4%	40	49	(9)	-18.4%	40	49	(9)	-18.4%
IT Specialist	Gray Drohan consulting fees	40	49	(9)	-18.4%	40	49	(9)	-18.4%	40	49	(9)	-18.4%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	—	—	—	0.0%	—	—	—	0.0%	—	—	—	0.0%
Legal/Professional Fees		362	432	(70)	-16.3%	362	432	(70)	-16.3%	362	432	(70)	-16.3%
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	—	55	(55)	-100.0%	—	55	(55)	-100.0%	—	55	(55)	-100.0%
HR Specialist	Joel Tokarz consulting fees	276	213	63	29.5%	276	213	63	29.5%	276	213	63	29.5%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	57	95	(38)	-40.2%	57	95	(38)	-40.2%	57	95	(38)	-40.2%
OGX	Consulting Fees	23	23	(0)	-1.3%	23	23	(0)	-1.3%	23	23	(0)	-1.3%
Other	Navex	6	47	(41)	-86.7%	6	47	(41)	-86.7%	6	47	(41)	-86.7%
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc)	—	7	(7)	-100.0%	—	7	(7)	-100.0%	—	7	(7)	-100.0%
Payroll Implementation	Internaltion GEO, Domestic PEO set up fees	7	11	(4)	-33.6%	7	11	(4)	-33.6%	7	11	(4)	-33.6%
Market Parity	Products to catch up to competitors' offerings	—	—	—	0.0%	—	—	—	0.0%	—	—	—	0.0%
TSA		95	87	9	10.1%	95	87	9	10.1%	95	87	9	10.1%
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	57	54	2	4.3%	57	54	2	4.3%	57	54	2	4.3%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	39	32	6	19.8%	39	32	6	19.8%	39	32	6	19.8%
Total 1X Costs		504	586	(81)	-13.9%	504	586	(81)	-13.9%	504	586	(81)	-13.9%

Cash Flow Statement

Cash Flow will be presented beginning in July,
after Opening Balance Sheet Audit is
completed

13-Week Cash Flow Projection

In US\$	Forecast 7/22	Forecast 7/29	Forecast 8/5	Forecast 8/12	Forecast 8/19	Forecast 8/26	Forecast 9/2	Forecast 9/9	Forecast 9/16	Forecast 9/23	Forecast 9/30	Forecast 10/7	Forecast 10/14	Forecast 10/21
Cash Inflows - Operational														
Collections from customers (Actual)														
Collections from customers based on projected aging (Foreca	1,299	1,164	1,206	850	714	798	516	325	191	31	32	36	35	30
Collections from new forecasted sales	-	-	-	-	-	438	438	425	513	975	1,078	600	823	1,100
Total AR Collections	1,299	1,164	1,206	850	714	1,236	954	750	704	1,006	1,110	636	857	1,130
Other non-AR inflows														
Total Cash Inflows - Operational	1,299	1,164	1,206	850	714	1,236	954	750	704	1,006	1,110	636	857	1,130
Cash Outflows - Operational														
Product inventory (SAP AP)	(453)	(578)	(475)	(416)	(375)	(391)	(322)	(348)	(353)	(307)	(334)	(442)	(407)	(346)
Payroll	(245)	(70)	(388)	(115)	(245)	(70)	(388)	(70)	(290)	(70)	(388)	(70)	(290)	(115)
Commissions														
Bonus	(30)													
Facilities & other (Freight)	(175)	(23)	(68)	(23)	(23)	(23)	(68)	(23)	(23)	(23)	(23)	(473)	(23)	(23)
Professional services	-	-	(64)	-	-	-	(72)	-	(25)	-	(72)	-	(25)	-
Marketing	(2)		(18)				(2)							
Recruiter fees		(150)												
Other expenses (Insurance, TSA, CC)	(45)	(35)	(88)	(149)	-	-	(153)	(141)	-	-	(55)	(141)	-	-
Total Cash Outflows - Operational	(950)	(856)	(1,101)	(704)	(643)	(484)	(1,005)	(582)	(691)	(400)	(872)	(1,126)	(745)	(484)
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								(650)						
Monitoring fees (including travel expenses)												(250)		
Non-recurring items														
Total Cash Outflows - Financial and Other	-	-	-	-	-	-	-	(650)	-	-	(1,108)	(250)	-	-
TOTAL CASH FLOW	349	308	105	146	71	752	(51)	(482)	12	606	(871)	(740)	112	646
Cash Rollforward														
Beginning cash balance	1,869	2,218	2,525	2,631	2,777	2,848	3,599	3,548	3,065	3,078	3,684	2,813	2,073	2,186
Cash activity	349	308	105	146	71	752	(51)	(482)	12	606	(871)	(740)	112	646
ENDING CASH BALANCE	2,218	2,525	2,631	2,777	2,848	3,599	3,548	3,065	3,078	3,684	2,813	2,073	2,186	2,832
Debt Summary														
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,363	44,363	44,363	44,363
TOTAL DEBT	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,363	44,363	44,363	44,363
TOTAL NET DEBT	42,368	42,061	41,955	41,809	41,738	40,987	41,038	41,521	41,508	40,902	41,550	42,290	42,177	41,531
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

Management Discussion

Cash flow is sufficient to fund operating and debt requirements

Treasury functions have been assigned to the CFO

Weekly collections and credit review to be established to curb slow pay and increase rate of sales order releases

Covenant Analysis

000's	Fixed Charge Ratio			
	Sep	Oct	Nov	Dec
TTM Fixed Charges:				
TTM Net Cash Interest	3,542	3,428	3,489	3,539
Plus:				
TTM Mandatory Principal Debt Payments	892	892	892	892
Fixed Charges	4,434	4,320	4,381	4,430
TTM EBITDA for defined Period	10,971	11,271	11,537	11,683
Less:				
TTM Unfinanced Capital Expenditures	1,040	1,200	1,301	1,242
TTM OGC Monitoring Fees	1,000	1,000	1,000	1,000
TTM Cash Taxes Paid	3,185	3,185	3,185	3,185
TTM Operating Cash Flow	5,746	5,885	6,050	6,256
Fixed Charge Coverage Ratio	1.30	1.36	1.38	1.41
Minimum Ratio	1.10	1.10	1.10	1.10
In Compliance	YES	YES	YES	YES
TTM Minimum Operating Cash Flow	4,877	4,752	4,819	4,873
TTM Operating Cash Flow Cushion	869	1,134	1,231	1,382

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	1,765	1,504	2,986	1,562
Total Debt	42,598	42,859	41,377	42,578
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	10,971	11,271	11,537	11,683
TTM Adjusted EBITDA	10,971	11,271	11,537	11,683
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.04	3.94	3.85	3.78
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	7,100	7,143	6,896	7,096
TTM EBITDA Cushion	3,872	4,128	4,640	4,586

Amounts for October 2018 through April 2019 defined per credit agreement

Q2 2019 Audit Committee Meeting Agenda

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

2018 Act to 2019 Revised AOP – Summary Bridge

2018 Actual		2019 AOP		2019 Revised AOP
Net Revenue \$43.9M	9.6% • 951 Padlock Contract +\$2M, NA +\$1.4M offset by decline in Mechanical Locks (\$0.4M), APAC +\$0.8M driven by strength in India and SEA, EMEA +\$0.4M driven by fully ramped EE BDM	Net Revenue \$48.1M	• No Change	Net Revenue \$48.1M
Gross Margin \$19.8M 45.1%	+130bps • Favorable Mix – Higher Electronic Lock Sales Offsetting Mechanical Erosion; Price & Productivity offsetting inflationary headwinds	Gross Margin \$22.2M 46.4%	• No Change	Gross Margin \$22.2M 46.4%
OPEX \$9.7M 22.2%	(\$1.9M) • All Opex Growth Added Back as EBITDA Adjustments. No Incremental Spending On Base Opex.	OPEX \$11.6M 24.1%	(\$1.3M) • Cost of strategic initiative and other known expenses	OPEX \$12.8M 26.7%
EBITDA \$10.1M 23%	\$0.5M • Volume Increase Key Driver; Mix & OPEX Leverage Also Contribute To EBITDA Favorability	EBITDA \$10.6M 25%	(\$1.3M) • Cost of Strategic Initiatives and Other Known Expenses	EBITDA \$9.3M 19%
Adjustments \$0.0M	\$1.9M • 1X Costs Allowed as EBITDA Addbacks	Adjustments \$1.9M	\$1.0M • 1X Costs Allowed as EBITDA Addbacks	Adjustments \$2.9M
Adj EBITDA \$10.1M 23%	\$2.4M • Volume Increase Key Driver; Mix & OPEX Leverage Also Contribute To EBITDA Favorability	Adj EBITDA \$12.5M 26%	(\$0.3M) • Impact of Initiatives not Allowed as Addbacks	Adj EBITDA \$12.2M 25%
Capex \$1.4M	\$0.2M • Continued Investment In Factory Automation + RTB Needs	Capex \$1.6M	(\$0.2M) • Strategic Initiatives +\$0.3M, FAS Lock Automation (\$0.6M), other +\$0.1M	Capex \$1.4M
NWC \$9.2M	4% • VPY AR increased \$1.4M, Inventory decreased (\$0.8M), AP increased \$0.3M	NWC \$9.6M	• No Change	NWC \$9.6M

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		Var		PY	Var	
	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	FY	FY			Act		
													Fcst	Bud	\$	%		\$	%
Gross Revenue	\$ 3,737	\$ 4,592	\$ 4,440	\$ 4,311	\$ 3,933	\$ 5,195	\$ 4,810	\$ 4,399	\$ 4,560	\$ 5,043	\$ 4,055	\$ 3,882	\$ 52,958	\$ 54,275	\$ (1,316)	(2.4%)	\$ 50,276	\$ 2,682	5.3%
Adj. to Gross Revenue	(387)	(504)	(536)	(538)	(698)	(782)	(538)	(492)	(510)	(564)	(453)	(434)	(6,437)	(6,203)	(234)	3.8%	(6,409)	(28)	0.4%
Net Revenue	3,350	4,088	3,904	3,773	3,235	4,413	4,272	3,907	4,050	4,480	3,601	3,448	46,521	48,072	(1,551)	(3.2%)	43,867	2,654	6.0%
Material	1,083	1,424	1,272	1,488	1,169	1,485	1,414	1,256	1,433	1,425	1,166	1,142	15,757	15,717	40	0.3%	15,626	131	0.8%
Labor	621	550	539	632	543	489	636	564	646	642	523	511	6,897	7,214	(317)	(4.4%)	6,473	424	6.5%
Other COGS	190	292	255	184	168	311	211	177	217	301	245	239	2,791	2,955	(164)	(5.5%)	1,968	823	41.8%
Total COGS	1,894	2,266	2,066	2,303	1,881	2,284	2,262	1,997	2,296	2,368	1,934	1,893	25,445	25,886	(441)	(1.7%)	24,067	1,378	5.7%
Gross Margin	1,456	1,821	1,838	1,469	1,354	2,129	2,011	1,910	1,754	2,111	1,668	1,555	21,077	22,186	(1,110)	(5.0%)	19,800	1,276	6.4%
<i>Gross Margin %</i>	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	47.1%	48.9%	43.3%	47.1%	46.3%	45.1%	45.3%	46.2%			45.1%		
R&D	133	112	103	109	109	84	178	272	288	294	276	301	2,258	2,511	(253)	(10.1%)	1,763	494	28.0%
Sales & Marketing	374	336	315	308	305	240	487	396	410	466	474	450	4,562	4,905	(343)	(7.0%)	3,727	835	22.4%
Administrative	390	362	297	348	306	656	481	677	381	367	379	374	5,020	5,105	(85)	(1.7%)	4,254	766	18.0%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—	—	N/A
Total Opex	898	810	715	765	720	980	1,146	1,346	1,079	1,127	1,129	1,124	11,839	12,521	(682)	(5.4%)	9,744	2,095	21.5%
EBITDA	559	1,011	1,123	705	634	1,149	865	564	675	984	539	431	9,238	9,665	(428)	(4.4%)	10,056	(819)	(8.1%)
<i>EBITDA %</i>	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	20.2%	14.4%	16.7%	22.0%	15.0%	12.5%	19.9%	20.1%			22.9%		
Adj. EBITDA	559	1,011	1,123	705	634	1,653	1,244	972	957	1,245	870	734	11,706	12,215	(509)	(4.2%)	10,056	1,650	16.4%
<i>Adj. EBITDA %</i>	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	29.1%	24.9%	23.6%	27.8%	24.1%	21.3%	25.2%	25.4%			22.9%		
Net Income (Loss)	\$ 440	\$ 909	\$ 1,028	\$ 609	\$ 535	\$ 463	\$ (7)	\$ 31	\$ 111	\$ 77	\$ 14	\$ (59)	\$ 4,151	\$ 3,384	\$ 766	22.6%	\$ 8,802	\$ (4,651)	(52.8%)

2019 Annual Operating Plan Agenda

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

Special Topics and Executive Session

Nothing to Report at this Time

Q2 2019 Audit Committee Meeting Agenda

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

Standalone Costs

\$'000		Pre-close Proforma Standalone Costs					Post-Close Standalone Revised Costs							
	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	24	39	207	39	39	42	42	837
Manager	Salary and Benefits	12	12	12	12	12	9	9	9	9	9	9	9	124
Analyst	Salary and Benefits	25	25	25	25	25	-	6	6	6	6	6	6	160
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	14	14	14	14	14	10	16	177	7	7	7	7	297
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	11	11	98
Sales Force	Licensing	-	-	-	-	-	-	-	-	2	2	2	2	8
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	4	2	2	2	2	2	2	99
ERP 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	28	30	30	30	30	30	30	352
CFO	Salary and Benefits	19	19	19	19	19	19	21	21	21	21	21	21	238
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	-	-	-	-	-	-	-	52
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	9	9	62
Sales		-	-	-	-	-	2	11	22	22	22	22	22	125
VP of Sales	Salary and Benefits	-	-	-	-	-	2	11	22	22	22	22	22	125
HR		6	6	6	6	6	2	2	2	2	8	8	8	59
Specialist	Salary and Benefits	6	6	6	6	6	0	0	0	0	6	6	6	47
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	0	0	0	0	2
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	1	1	10
Trade Compliance		8	8	8	8	8	1	1	1	1	1	1	1	50
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	6	6	6	6	6	0	0	0	0	0	0	0	32
Trade Flow software license	Trade Flow software license	2	2	2	2	2	1	1	1	1	1	1	1	18
Bonuses	Incremental management bonuses	-	-	-	-	-	15	15	15	15	15	15	15	108
Risk	Incremental cost of business insurances	24	24	24	24	24	16	16	16	16	16	16	16	232
Freight	Adjust freight to actual charges versus allocation	77	77	77	77	77	42	42	42	42	42	42	42	676
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	10	10	83
Total Standalone Costs		262	262	262	262	262	159	185	364	196	202	205	205	2,826

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

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	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Material																			
Material costs at standard	\$ 1,075	\$ 1,395	\$ 1,318	\$ 1,462	\$ 1,122	\$ 1,508	\$ 1,401	\$ 1,240	\$ 1,423	\$ 1,414	\$ 1,160	\$ 1,131	\$ 15,650	\$ 15,623	\$ 27	0.2%	\$ 14,987	\$ 663	4.4%
Materials FX loss / (gain)	—	(0)	0	—	—	—	—	0	—	—	—	—	0	(0)	0	(120.0%)	(2)	2	(101.2%)
Purchase price variance	14	(32)	(48)	14	(44)	(45)	6	5	5	6	5	5	(107)	37	(144)	(393.7%)	68	(175)	(258.7%)
Freight in	57	82	58	38	84	30	28	28	22	25	18	23	493	475	17	3.7%	681	(188)	(27.6%)
Cost revision	(50)	(30)	(50)	(50)	(50)	—	—	—	—	—	—	—	(232)	(232)	—	0.0%	—	(232)	N/A
Scrap costs	5	(11)	(54)	11	47	(11)	(29)	(23)	(23)	(29)	(23)	(23)	(163)	(254)	91	(35.8%)	(200)	37	(18.5%)
Consumables	(18)	20	49	12	11	2	8	6	6	8	6	6	117	69	48	69.8%	92	25	26.8%
Total Material COGS	\$ 1,083	\$ 1,424	\$ 1,272	\$ 1,488	\$ 1,169	\$ 1,485	\$ 1,414	\$ 1,256	\$ 1,433	\$ 1,425	\$ 1,166	\$ 1,142	\$ 15,757	\$ 15,717	\$ 40	0.3%	\$ 15,626	\$ 131	0.8%
Labor																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 293	\$ 254	\$ 335	\$ 297	\$ 207	\$ 194	\$ 3,083	\$ 3,307	\$ (224)	(6.8%)	\$ 2,736	\$ 347	12.7%
Direct labor - overtime	15	19	17	16	8	14	11	9	10	13	15	16	164	143	21	14.9%	194	(30)	(15.3%)
Direct labor - benefits	102	83	81	98	81	80	126	102	102	125	101	101	1,180	1,314	(134)	(10.2%)	971	209	21.5%
Indirect labor	168	161	158	167	164	149	156	152	152	158	153	153	1,892	1,861	31	1.7%	1,971	(79)	(4.0%)
Indirect labor – benefits	60	48	48	57	47	29	49	47	47	50	47	47	577	589	(12)	(2.1%)	600	(24)	(3.9%)
Total Labor COGS	\$ 621	\$ 550	\$ 539	\$ 632	\$ 543	\$ 489	\$ 636	\$ 564	\$ 646	\$ 642	\$ 523	\$ 511	\$ 6,897	\$ 7,214	\$ (317)	(4.4%)	\$ 6,473	\$ 424	6.5%
Other																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 17	\$ 17	\$ 21	\$ 17	\$ 17	\$ 212	\$ 199	\$ 13	6.4%	\$ 220	\$ (8)	(3.6%)
Rent / facilities	206	215	193	167	157	178	185	168	166	187	169	167	2,157	2,140	17	0.8%	979	1,178	120.3%
Utilities	22	25	21	22	21	21	29	23	23	29	23	23	281	293	(12)	(4.0%)	300	(18)	(6.1%)
Other cost of sales	(50)	46	5	(29)	(21)	98	(24)	(31)	11	65	36	33	140	322	(182)	(56.6%)	469	(329)	(70.2%)
Total Other COGS	\$ 190	\$ 292	\$ 255	\$ 184	\$ 168	\$ 311	\$ 211	\$ 177	\$ 217	\$ 301	\$ 245	\$ 239	\$ 2,791	\$ 2,955	\$ (164)	(5.5%)	\$ 1,968	\$ 823	41.8%
Total COGS	\$ 1,894	\$ 2,266	\$ 2,066	\$ 2,303	\$ 1,881	\$ 2,284	\$ 2,262	\$ 1,997	\$ 2,296	\$ 2,368	\$ 1,934	\$ 1,893	\$ 25,445	\$ 25,886	\$ (441)	(9.7%)	\$ 24,067	\$ 1,378	49.2%

Monthly Balance Sheet: NWC, Cash, Debt

	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	
\$'000	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Current Assets																
Cash and cash equivalents	\$ 10,903	\$ 10,588	\$ 1,328	\$ 422	\$ 1,607	\$ 1,376	\$ 1,978	\$ 2,695	\$ 1,755	\$ 1,492	\$ 2,971	\$ 1,235	\$ 1,235	\$ 1,235	\$ –	0.0%
<i>Accounts receivable, gross</i>	6,704	7,865	8,000	7,380	7,203	8,117	8,994	8,833	8,911	9,298	8,726	8,210	8,210	8,210	–	0.0%
<i>Accounts receivable, reserves</i>	(162)	(194)	(161)	(179)	(156)	(177)	(162)	(159)	(160)	(167)	(157)	(148)	(148)	(148)	–	0.0%
Accounts receivable, net	6,542	7,672	7,838	7,201	7,047	7,940	8,832	8,674	8,750	9,130	8,569	8,062	8,062	8,062	–	0.0%
<i>Inventory, gross</i>	7,413	7,264	7,342	7,448	7,385	7,042	5,979	6,089	6,329	6,505	6,374	5,948	5,948	5,948	–	0.0%
<i>Inventory, reserves</i>	(493)	(492)	(510)	(470)	(466)	(458)	(419)	(426)	(443)	(455)	(446)	(416)	(416)	(416)	–	0.0%
Inventory, net	6,919	6,772	6,832	6,979	6,919	6,584	5,560	5,663	5,886	6,049	5,928	5,532	5,532	5,532	–	0.0%
Prepaid expenses and other current assets	113	118	122	75	81	46	222	206	189	173	157	141	141	141	–	0.0%
Total Current Assets	24,477	25,150	16,120	14,677	15,655	15,946	16,592	17,238	16,581	16,845	17,625	14,969	14,969	14,969	–	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	3,933	3,707	3,716	4,031	2,966	2,980	3,559	3,693	4,291	3,921	4,191	4,041	4,041	4,041	–	0.0%
Accrued liabilities	643	809	1,333	950	557	848	1,054	1,350	765	1,082	1,363	773	773	773	–	0.0%
Accrued compensation	116	140	134	110	149	179	304	338	374	277	311	347	347	347	–	0.0%
Income taxes payable	1,876	–	–	(140)	(0)	266	104	244	(389)	(130)	(2)	(792)	(792)	(792)	–	0.0%
Short-term unearned revenue	80	20	34	72	43	70	–	–	–	–	–	–	–	–	–	N/A
Total Current Liabilities	6,628	4,677	5,218	5,023	5,406	5,235	5,913	6,518	6,044	6,153	6,867	5,483	5,483	5,483	–	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%

Monthly Cash Flow

\$'000	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Cash flow from operations											
Net Income (Loss)	\$ 463	\$ (7)	\$ 31	\$ 111	\$ 77	\$ 14	\$ (59)	\$ 1,164	\$ 290	\$ 874	300.9%
Depreciation, amortization and other	103	93	93	91	94	94	92	763	648	115	17.8%
Change in operating assets and liabilities:											
Accounts receivable	(893)	122	158	(76)	(380)	561	507	153	1,107	(954)	(86.2%)
Inventory	335	221	(103)	(224)	(163)	121	396	644	803	(158)	(19.7%)
Prepaid expenses and other current assets	35	16	16	16	16	16	16	126	(81)	208	(255.2%)
Accounts payable	15	(468)	134	598	(371)	271	(150)	(1,038)	350	(1,387)	(396.5%)
Accrued expenses	290	314	297	(585)	317	281	(590)	(69)	62	(130)	(211.5%)
Accrued income taxes	266	225	137	(627)	260	129	(699)	(169)	(1,194)	1,025	(85.9%)
Other changes in operating assets and liabilities	(19)	76	34	36	(97)	34	36	9,053	236	8,817	3737.9%
Other cash flow from operations	—	—	—	—	—	—	—	—	—	—	N/A
Total Cash Flow from Operations	\$ 595	\$ 593	\$ 797	\$ (660)	\$ (246)	\$ 1,521	\$ (451)	\$ 10,630	\$ 2,220	\$ 8,409	378.8%
Cash flow from investing											
Additions to property, plant and equipment	\$ (26)	\$ (80)	\$ (100)	\$ (35)	\$ (15)	\$ (40)	\$ (750)	\$ (1,093)	\$ (1,245)	\$ 152	(12.2%)
Total Cash Flow from Investing	\$ (26)	\$ (80)	\$ (100)	\$ (35)	\$ (15)	\$ (40)	\$ (750)	\$ (1,093)	\$ (1,245)	\$ 152	(12.2%)
Cash flow from financing											
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (800)	\$ 800	(100.0%)
Proceeds from the issuance of debt	—	—	—	—	—	—	—	—	—	—	N/A
Repayment of debt	—	—	—	(223)	—	—	(223)	(446)	(446)	—	0.0%
Other cash flow from financing costs	0	225	(0)	—	—	0	(0)	(7,822)	225	(8,047)	(3573.1%)
Total Cash Flow from Financing	\$ (800)	\$ 225	\$ (0)	\$ (223)	\$ —	\$ 0	\$ (223)	\$ (8,268)	\$ (1,021)	\$ (7,247)	710.0%
Effect of FX rates on cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	N/A
Net change in cash	\$ (231)	\$ 739	\$ 697	\$ (918)	\$ (261)	\$ 1,481	\$ (1,424)	\$ 1,269	\$ (46)	\$ 1,315	(2888.8%)
Beginning cash	1,607	1,247	1,986	2,683	1,765	1,504	2,986	422	1,607	(1,185)	(73.7%)
Change in cash	(231)	739	697	(918)	(261)	1,481	(1,424)	1,269	(46)	1,315	(2888.8%)
Ending cash	\$ 1,376	\$ 1,986	\$ 2,683	\$ 1,765	\$ 1,504	\$ 2,986	\$ 1,562	\$ 1,562	\$ 1,562	\$ —	—

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 (F)	71	–	18	7	10	21	10	–	137	10	147	147	–
2019 August (F)	71	–	18	7	10	21	10	–	137	10	147	147	–
2019 September (F)	71	–	18	7	10	21	10	–	137	10	147	147	–
2019 October (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
2019 November (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
2019 December (F)	71	–	18	7	10	21	11	–	138	10	148	148	–
Final Headcount	71	–	18	7	10	21	11	–	138	10	148	148	–