



Monthly Operating Review— August 2019

September 19, 2019

Monthly Operating Review Agenda

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

Hits

- Strong bookings at \$4.5m with invoiced sales at \$4.1m, compared to target of \$4.3m.
- Strong subscription sales at \$725k compared to target of \$695k
- Strong month for order volume – 952 (trending down from 1,040 in July-19)
- New customer adoption – 226 (trending up from prior month of 200)
- Large orders from WeWork (\$544k), Medical Mutual of Ohio (\$162k) and Nike (\$134k).
- Organization/Key Hires
 - Space renovation underway – remodeling has begun in suite 180, furniture ordered for 160
 - Four critical technical hires in August; Principal QA Engineer, Principal Technical Project Manager, Senior Software Manager, and Senior DevOps Engineer
 - VP Product (Jon Burns) exited, responsibilities moved to VP Engineering
 - Two new employee events to foster positive culture and employee connections;
 - A First Annual Mersive Field Day
 - A Monthly Mersive Mingle to introduce new hires to the Team and celebrate other personal employee milestones (birthdays, babies, etc.)
- Customer Adoption
 - Existing customers – WeWork (\$544k), Medical Mutual of Ohio (\$162k), Nike (\$134k), Accenture (\$107k)
 - New/Land orders – Huazhong University (\$130k), Jane Street (\$59k), The Beck Group \$27k, Nusenda Credit Union \$27k

Executive Summary (Continued)

Misses

- MTD EBITDA – Missed EBITDA target by (\$373k), normalized for ASC606 the variance is approx. (\$500k). Backlog of \$551K contributed to EBITDA miss. If invoiced would have reduced target miss to (\$49k) and (\$175k) normalized for ASC606.
- ASP – \$751 compared to target of \$776
- Staffing –
 - Controller position back open; poor hire
- Lack of support for audio on HDMI-in continues to be an issue for customers who are used to traditional HDMI capability. Version 4.3 is due out at the end of September and should address 80-90% of the issues.

Key Go-Forward Actions

- Phantom stock program – finalizing program – expected rollout is end of August
- Solstice LCE - We are nearly complete on our due diligence, with wrap-up activities on feature set and target demographic with special consideration given to margin preservation and cannibalization. We continue believe the fastest and lowest risk path is a down-rev'd version of the Qualcomm 820 board with a deprecated enterprise feature set with Dashboard included. We have met and aligned internally on a pro-forma product version, and we are preparing final customer interviews and surveys to affirm our hypotheses about market opportunity and our anti-cannibalization strategies.
- Flexera – need to update version based on subscription and maintenance data reporting requirements

Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> G3 transition 	<ul style="list-style-type: none"> Sales shortfall Discounting on G2i margin impact Customer trade-in cost impact Inventory shortage Distributor inventory 	<ul style="list-style-type: none"> G2i Pod inventory sold out Lack of audio support on HDMI-in has become an issue for both new and existing customers – early release version looks great – GA is on schedule for 9/26
<ul style="list-style-type: none"> VP Customer Ops 	<ul style="list-style-type: none"> Align customer facing responsibilities to improve communications, economies of scale and accountability 	<ul style="list-style-type: none"> Will include Support, Onboarding and Implementation, and Logistics Finalist selected, next step is comp discussion
<ul style="list-style-type: none"> AV industry 	<ul style="list-style-type: none"> Industry report exposes security vulnerabilities in Barco and Crestron products Barco's newest products specifically target Solstice with dual network capability and Miracast Continued competitive pressure from Zoom 	<ul style="list-style-type: none"> Marketing programs and resources targeted at IT end users Target Zoom with specific marketing resources such as video, topic specific webinars and position papers – ongoing “Ditch the Dongle” campaign aimed at Barco launched
<ul style="list-style-type: none"> Improve margin/EBITDA while continuing to invest and grow 	<ul style="list-style-type: none"> Failure to take advantage of market timing and growth 	<ul style="list-style-type: none"> Margin analysis by rep/region
<ul style="list-style-type: none"> HR/Staffing/Comp 	<ul style="list-style-type: none"> We need to upgrade leadership to move from tactical/admin to strategic initiatives 	<ul style="list-style-type: none"> Hire VP HR in Q1 – done MBO program – done 401K match – done Phantom stock – finalizing – waiting on legal agreement Professional development – interview training begun
<ul style="list-style-type: none"> Sales Team Productivity 	<ul style="list-style-type: none"> Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing 	<ul style="list-style-type: none"> Hire Sales Ops Director - done Investigating internal product training – Mersive Academy Inside sales team moved under VP Marketing for better business process alignment
<ul style="list-style-type: none"> Recurring revenue 	<ul style="list-style-type: none"> Impact on enterprise value Target incremental business with Opex model 	<ul style="list-style-type: none"> Added dedicated sales responsibilities for upfront subscription to insides sales team Increasing pressure on Kepler dev for additional

Executive Summary – Q3 OKR

	2019 Corporate Priorities	Corporate Quarterly Objectives - Q3 2019	Key Result - As measured by	Owner	%	Status
1	Launch Gen3	Complete all remaining Gen3 hardware tasks	Finalize international certifications, product labeling	Tae	0%	JB: 7/8: created prelim Q3 OKRs
		Implement re-org of Erin's SDR/AM org to more tightly align to	Complete and announce re-org by August	Martin/Rick	100%	Completed
2	Scale Sales Organization	Hiring - TOLA channel Mgr/Initiate Q4 searches	Hire to plan and/or exception hires identified	Rick	100%	TOLA hire complete. Other hires being marketed. Lost Rocky Mtn...discussion alternatives
		Hire West Coast and PNW replacements	Hire to plan	Rick	50%	West coast starting 9/18. TBD on PNW candidate
		Start to roll out key sales metrics via Sales Ops	Forecast/close, rolling pipeline + other identified	Craig/Rick	50%	Committed reports in development. Several complete
		Delivery: Fulfill Q3 release milestones at agreed upon scope and	Release 4.2 on 7/31 (engr) within 14 days variance.	Tae	100%	
			Release Private Relay Beta to at least 3 customers	Chris/Tae	40%	Change in technical direction will allow us to get to a pure wireless solution earlier. Added 30-45 days
			Release 4.3 HDMI-In Audio focused release by end	Tae	90%	
3	Ensure Product Roadmap Drives Market	Delivery: Define and introduce a Low Cost Edition Solstice	Establish LCE strategy and model Q1-20 delivery,	Chris/Tae	60%	Strategy and product definition, feature sets complete. Delivery plan and feature toggle engineering
		Delivery: Kepler Dashboard	Complete first Cohort (Spashscreen) and template	Tae	70%	
		Delivery: Miracast	Assess key gaps in performance, establish action	Tae	0%	Replan to Q1, much larger refactor required based on market feedback
		Risk Mgmt: Improve Solstice Quality	15 P1 or P2 tech debt bugs fixed by end of Q3 (from	Tae	100%	
		Scale Eng: Hire QA director, & Sr Engineering Mgr	QA director Hired onboard by end of Aug	Tae	100%	John Schwab started 7/17, Tom Lee 8/21
		Standardize branding / messaging	Launch localized EMEA versions of brand campaign	Martin	60%	Brand campaign has been localized. Guidelines have fallen slightly behind due to other, higher priorities. All objectives are on-track.
4	Scale Marketing and Support	Scale digital marketing	Implement automated email workflows and lead routing for EMEA starting week of 8/12; launch redesigned website for first set of countries in EMEA week of 9/23; incrementally increase ad spend in EMEA throughout Q3 to learn prior to spending at scale	Martin	70%	
		Scale field marketing internationally	2 Engage events in EMEA in Sep.	Martin	33%	1 Engage event got pushed to Nov due to a scheduling conflict.
		Scale product marketing / support processes	Launch customer onboarding program week of	Martin	70%	All objectives are on-track.
		Develop & implement key employee stock plan construct	Plan implemented and communicated	Michelle	50%	Model and allocations determined, awaiting paperwork from OG
		Update Denver office space	Furniture for Suite 150 upgraded	Michelle	75%	Furniture ordered and arriving between 10/11 - 11/1
			Construction on Suite 180 begun	Michelle	100%	Demolition complete by 9/5, construction complete by end of October
5	Invest in our people	Scale the HR Team	Hire Director of Talent Acquisition, Talent	Michelle	100%	
			Evaluate HR tech stack	Michelle	75%	Requirements identified, demos underway
		Articulate Mersive Culture & Expectations	Talent Brand and EVP Communicated	Michelle	75%	All recruiting-oriented postings and candidate communications updated; culture video being developed,
			Mersive Leadership Success Profile created	Michelle	25%	Compencies being explored; both general and unique to Mersive
6	Improve business intelligence reporting	Complete recurring revenue reporting	Include monthly reporting in MOR & Board deck	Dan	0%	Pending completion of data project
		Complete Contract Management Module in NS	Inside sales team using CMM for subscription	Dan	0%	Pending completion of data project
		Complete KPI metrics for dashboards in NS	All relevant KPIs in NS dashboard; Exec team has	Dan	90%	Added several board level KPIs to dashboard.
		Rearchitct CRM systems	Launch customer success object in SFDC by end Jul;	Martin	15%	
7	Create Customer Operations group	Hire VP Customers Ops	Align Support, Professional Services, IT and Logistics into one organizations to streamline and increase efficiency of techncial, non-Engineering functions for imprtoved customer service.	Rob	75%	

Big Wins, Key Deals and Losses

Upcoming Key Deals

- **TJX** – Pilot pending in UK and N America.
- **Comcast** - \$181K maintenance renewal
- **Northern Trust** – 300+ rooms in Sept/Oct
- **Shell** – Ongoing Q&A related to final decision – TBD on timing
- **EDF** – Standardized on Solstice...Orders starting this fall
- **IQVIA** – Standardized. 160+ units by end of year
- **Toyota** – Been told we are now global standard. Forecast pending
- **Marathon Oil** – Solstice is in the spec for 149 room building—early '20
- **Rolls Royce** – Final security testing for standard decision
- **Mastercard Europe** – 250-300 rooms through yearend
- **EY** – opportunity to win global standard for 2020
- **LA Rams** – in final evaluation for up to 300 suites in new stadium
- **Darden Restaurants** – Evaluating for deployment at HQ
- **GA Pacific** – \$277K PO received in early September
- **Nestle (France)** – may standardize in Q4 - \$250K
- **St Jude** – New building pending - \$80K
- **Santander Consumer** – 110 unit AirMedia swap out
- **Monash University** – potential \$750K deal if they select Solstice

Key Losses/Delays

- **Expedia** – Miracast + Airplay challenges. Picked Pano
- **Clean Harbors** – Went with AirTame due to price
- **ACTVET (Dubai)** – lost to WePresent based on price
- **Editis (France)** – lost to Barco due to Miracast issues and client req
- **BBC (UK)** – lost to Zoom due to global UC strategy
- **CIBC** – lost phase 1 due to Miracast performance

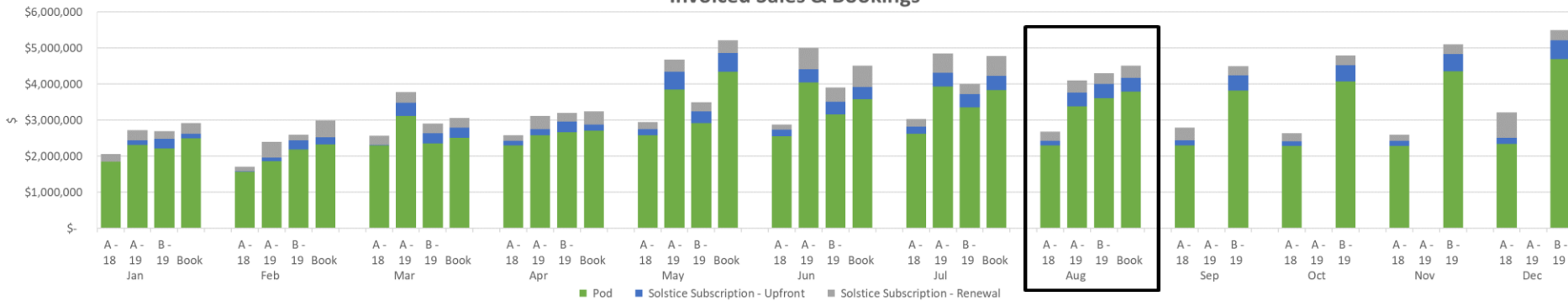
Big Wins

- **WeWork** - \$544K
- **Medical Mutual of Ohio** - \$162K
- **Nike** - \$133K
- **Huazhong University** - \$130K
- **Accenture** - \$107K
- **Jane Street** - \$90K

- **Kiewit Corporation** - \$79K
- **Baxter** - \$65K
- **McDermott** - \$60K
- **Virgin Media** - \$53K
- **Infosys Technologies** - \$53K
- **Northeastern University** - \$51K

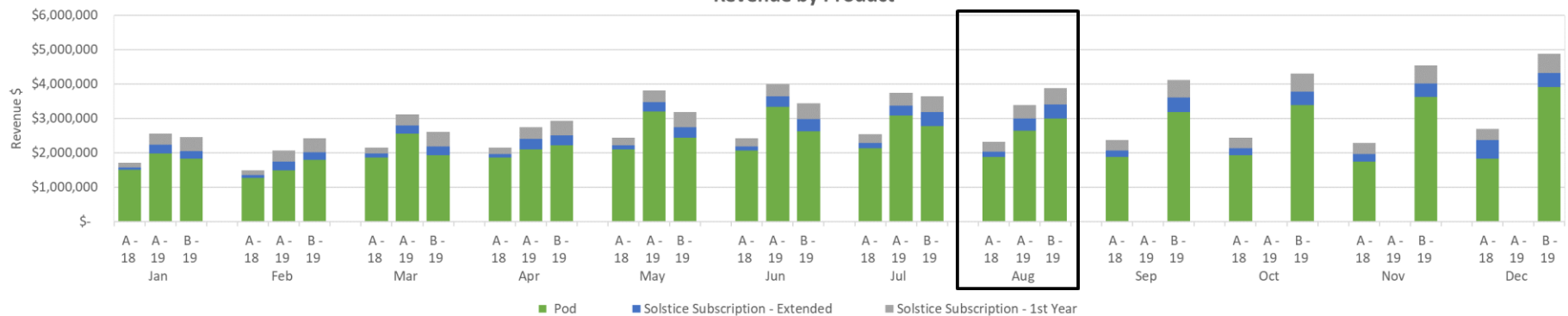
Product Sales Metrics – Monthly Trend

Invoiced Sales & Bookings



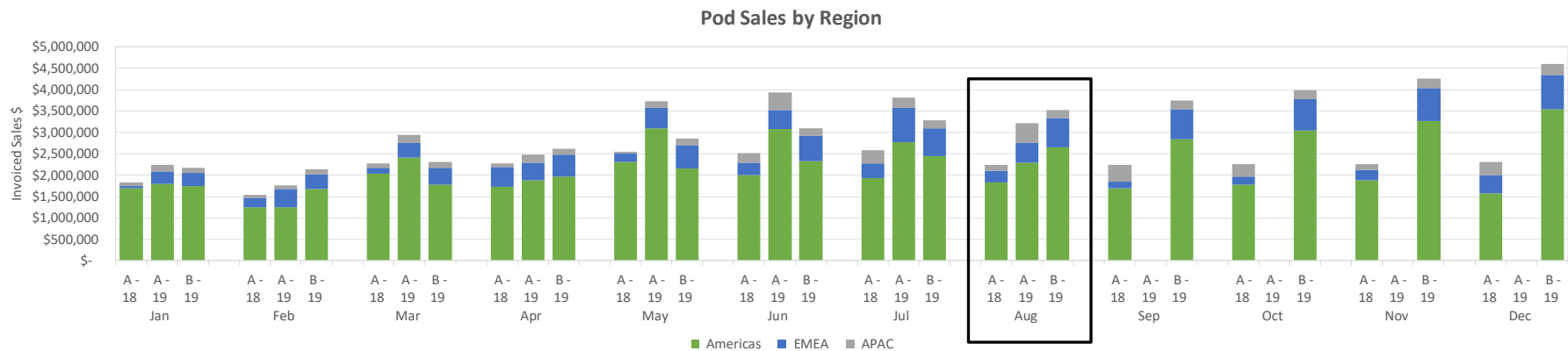
- August invoiced sales were \$4.1m compared to target of \$4.3m. Bookings were \$4.5m compared to a \$4.3M target.
- YTD invoiced sales were \$30.7m compared to target of \$27.1m. Bookings were \$31.2m compared to a \$27.1M target

Revenue by Product

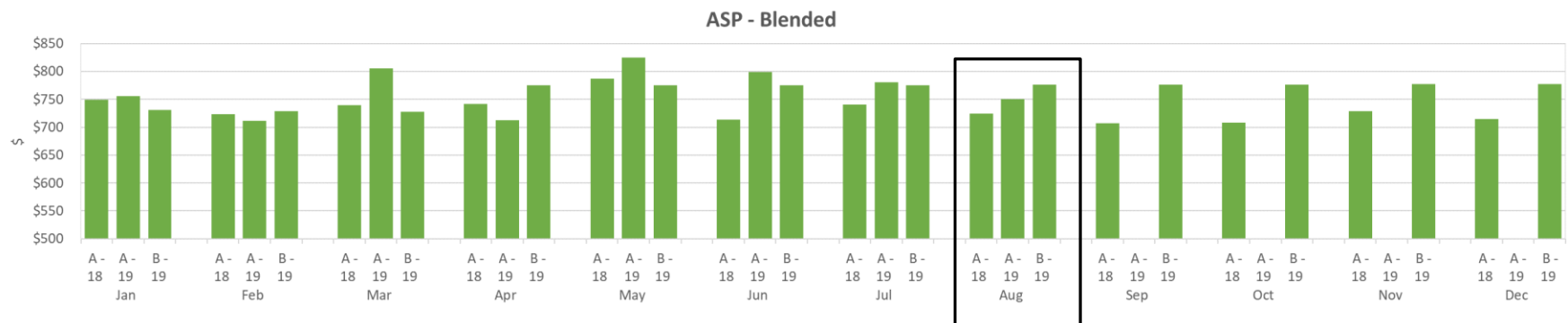


- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget.

Pod Invoiced Sales Metrics – Monthly Trend



- August invoiced sales were below budget primarily due to late month orders and a resulting \$551K backlog
- YTD pod sales were \$24.1m compared to target of \$22.0m.



- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was \$751, which is below plan of \$776 due to lower than expected ASP in APAC and EMEA. ASP dropped from prior month due primarily to increased mix of Gen 2i sales to APAC and EMEA.
- YTD ASP was 773 compared to target of 761.

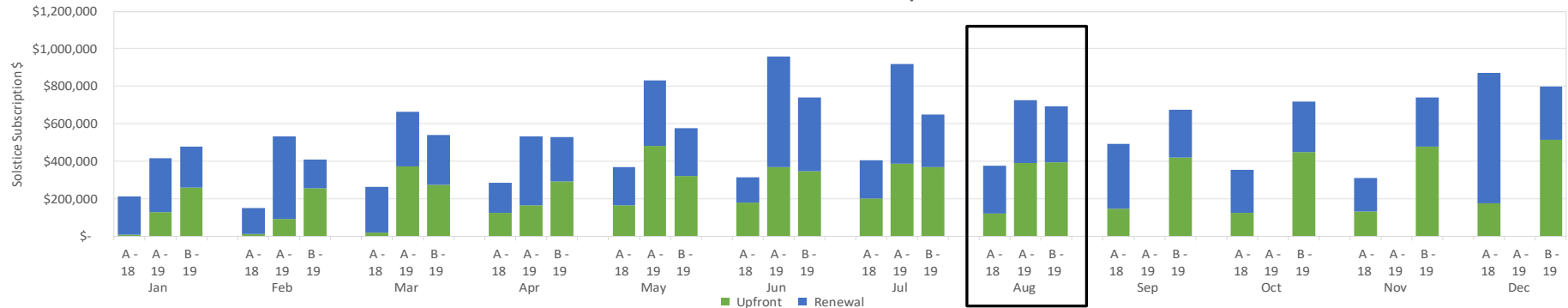
ASP by Region – Monthly Trend



- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- ASP for EMEA and APAC were below budget because of higher than expected mix of Gen 2i sales, as well as increased SGE sales mix in Asia market.
- ASP for Americas was above budget due primarily to higher than expected ASP on Gen 3 sales.

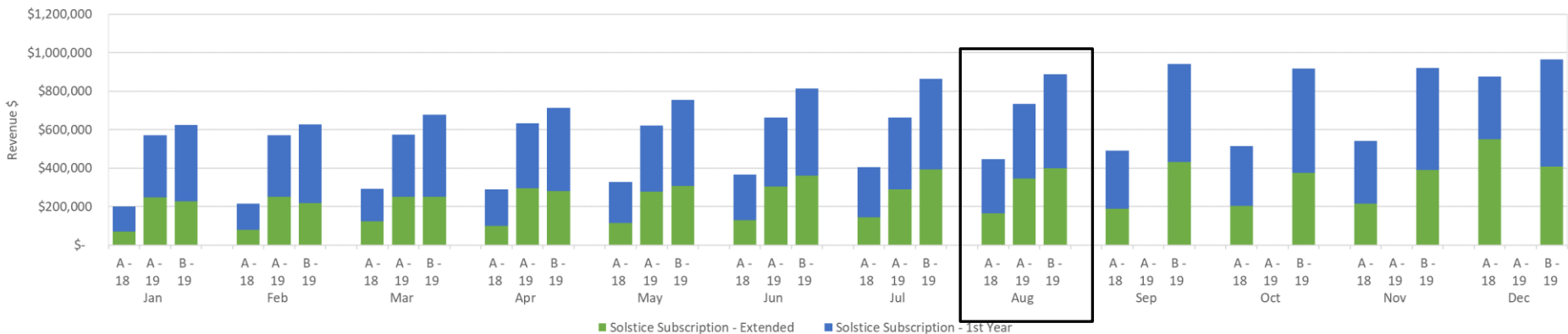
Solstice Subscription Metrics – Monthly Trend

invoiced Sales - Solstice Subscription



- August invoiced sales for Solstice subscriptions was \$725k vs budget of \$695k driven by large orders from Medical Mutual of Ohio, Nike and Creighton University.
- August renewal ASP was \$204K compared to target of \$145K
- August upfront ASP was \$317K compared to target of \$225K
- YTD renewal sales were \$3.2m compared to target of \$2.1m, due to large co-terms.
- YTD upfront sales were \$2.4m consistent with target of \$2.5m.

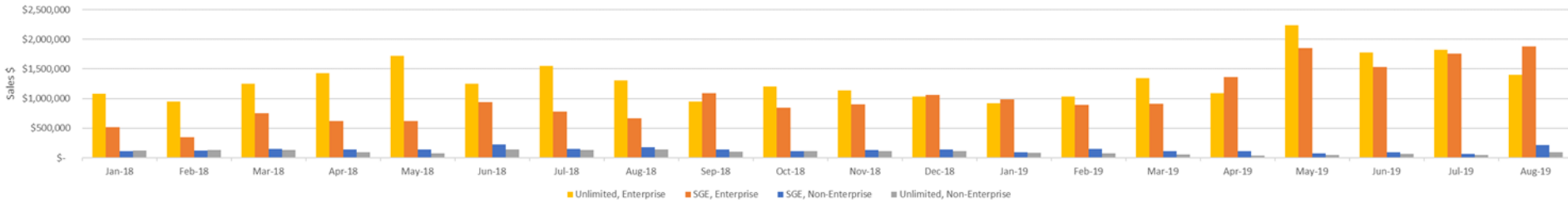
Solstice Subscription Revenue



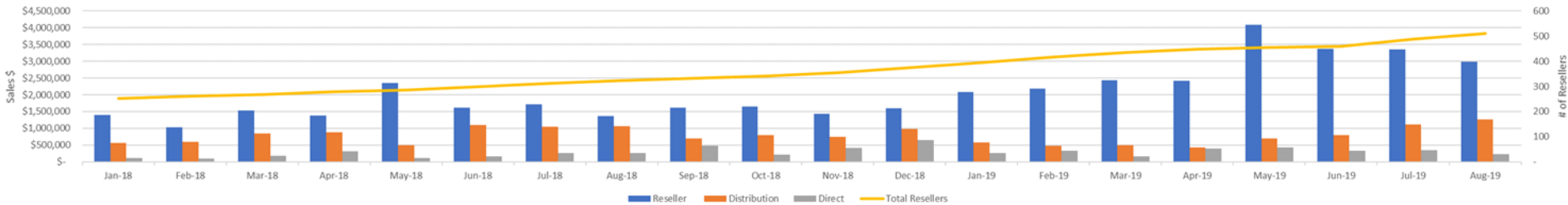
- Strong distributor sales in Asia
- Enterprise SGE beats Unlimited

Product Type & Channel Metrics

Product Type

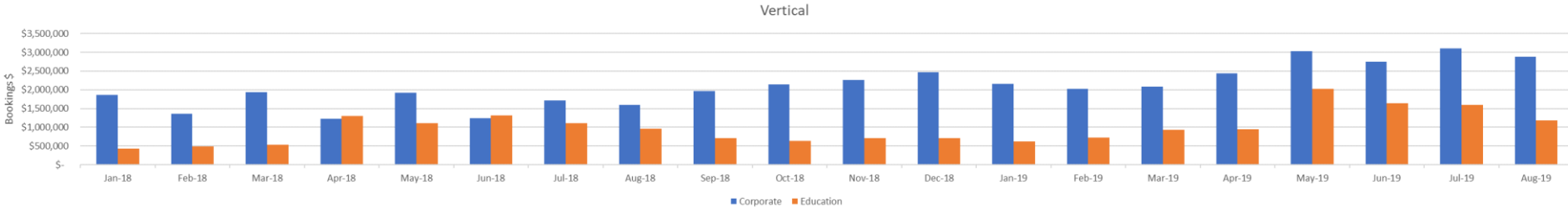


Sales Type



- Bookings

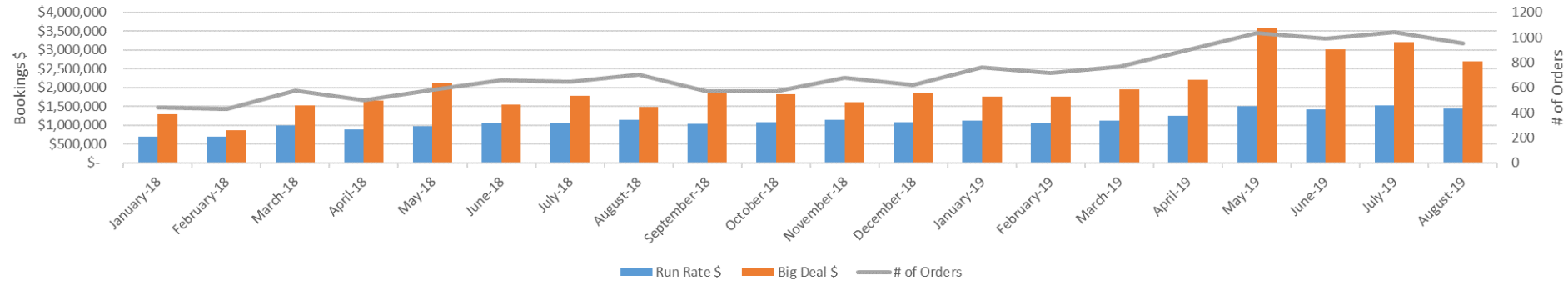
Customer Segment Metrics



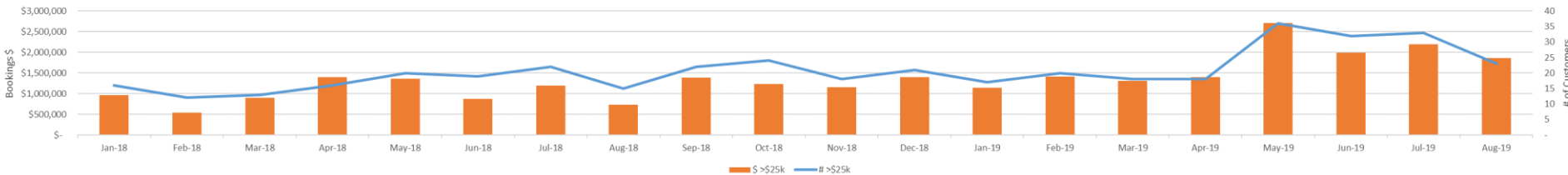
• Bookings excluding stocking orders and including sales out

Big Deals and Run Rate Metrics

Big Deals vs Run Rate



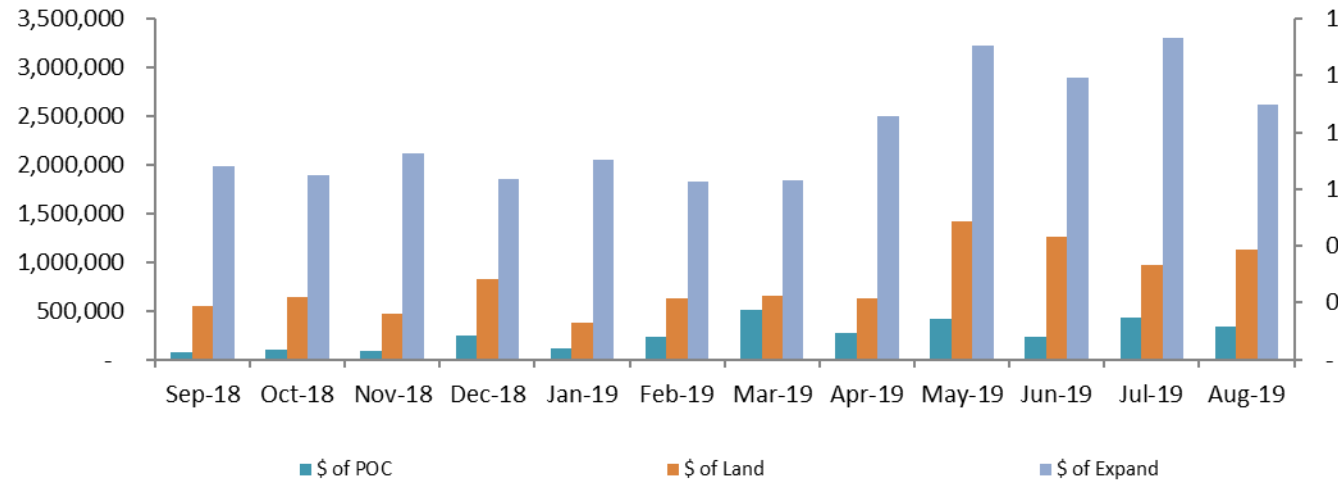
>\$25K



- Bookings excluding stocking orders and including sales out

End User Lifecycle Metrics

Lifecycle



Lifecycle														
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Total	%
\$ of POC	78,454	98,798	82,215	248,107	118,912	226,336	503,914	272,401	416,792	229,211	428,380	336,264	3,039,783	7%
\$ of Land	545,622	639,324	469,375	824,995	381,964	630,944	650,960	631,466	1,422,369	1,258,717	966,741	1,129,011	9,551,487	23%
\$ of Expand	1,979,358	1,896,181	2,112,443	1,854,519	2,055,559	1,829,387	1,837,827	2,499,749	3,221,062	2,889,865	3,295,942	2,612,346	28,084,238	69%
Total	2,603,434	2,634,303	2,664,032	2,927,621	2,556,435	2,686,667	2,992,701	3,403,617	5,060,223	4,377,793	4,691,063	4,077,621	40,675,508	100%

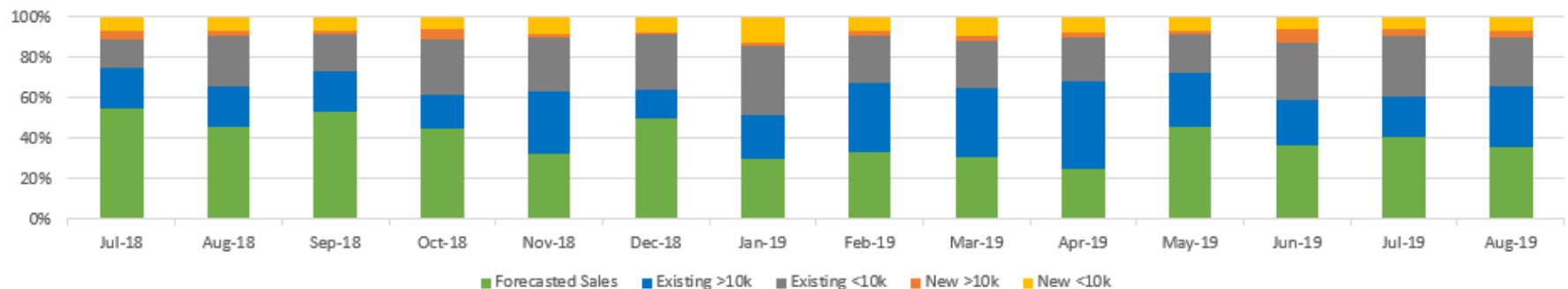
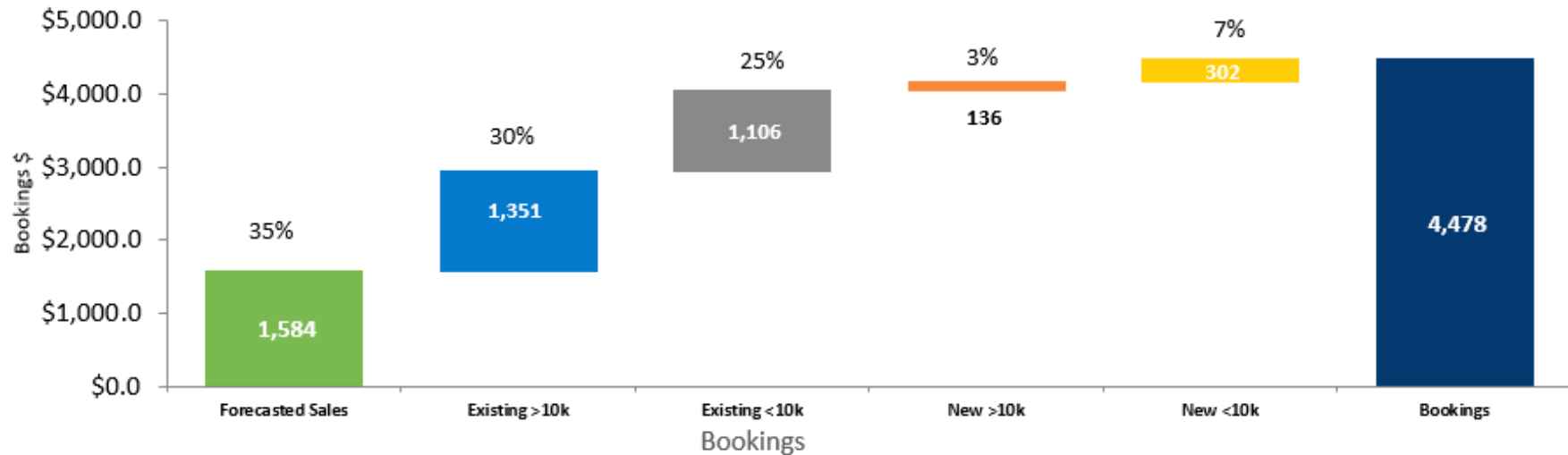
Top Customer Metrics

End User	August Amount	% of Total
WeWork	\$ 543,567	12%
Medical Mutual of Ohio	\$ 161,867	4%
Nike	\$ 133,416	3%
HUAZHONG UNIVERSITY	\$ 130,397	3%
Accenture	\$ 107,433	2%
Jane Street	\$ 90,041	2%
Kiewit Corporation	\$ 79,261	2%
Baxter	\$ 65,065	1%
McDermott	\$ 59,527	1%
Virgin Media	\$ 53,192	1%
Other Customers	\$ 3,054,264	68%
Total	4,478,028	100%

End User	LTM Amount	% of Total
WeWork	4,885,210	11%
Nike	613,070	1%
McDermott	419,539	1%
Kiewit Corporation	406,074	1%
Charter Communications	335,154	1%
Penn State University	327,812	1%
Mastercard	297,443	1%
Booz Allen Hamilton	277,301	1%
CBRE	275,738	1%
University of Illinois at Urbana-Champaign	261,334	1%
Other Customers	34,466,836	81%
Total	42,565,511	100%

Bookings Attribution Analysis

August 2019 Sales Bridge



Management Discussion

- 35% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 30% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 25% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 10% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

August 2019 Bookings vs. Quota

Data pull 9/3/2019 11AM MST

Stack ranked by YTD % of Quota

*Quota is oversubscribed goal above \$47M target

Name	Territory	Aug-19				2019 (YTD)			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
John Chandler	TOLA	270,594	314,634	44,040	116%	1,725,798	2,232,560	506,761	129%
Ryan Shannon	Midwest	811,781	919,289	107,508	113%	5,177,394	6,437,133	1,259,739	124%
Burt Feldman	Northeast	676,485	426,002	(250,483)	63%	4,314,495	4,429,823	115,328	103%
Connie Bolt	Southeast	496,089	205,988	(290,100)	42%	3,163,963	2,566,069	(597,894)	81%
Mats Bergqvist	West	360,792	223,793	(136,998)	62%	2,301,064	1,736,823	(564,241)	75%
Jonathan Davies	New England	270,594	213,571	(57,022)	79%	1,725,798	1,248,912	(476,886)	72%
Melissa Johnson	Mid-Atlantic	405,891	211,620	(194,270)	52%	2,588,697	1,801,822	(786,875)	70%
Danny Fabre	Canada	180,396	43,509	(136,886)	24%	1,150,532	620,775	(529,757)	54%
Amelia Vrabel	Rocky Mountain	157,846	51,573	(106,273)	33%	1,006,716	520,972	(485,744)	52%
Jeff McDonald	ANZ	136,527	83,720	(52,807)	61%	858,900	405,891	(453,009)	47%
Jason Parson	Northwest	202,945	155,262	(47,683)	77%	1,294,349	532,822	(761,526)	41%
Chris Charran	UK	293,143	306,900	13,757	105%	1,869,615	1,836,751	(32,864)	98%
Johan Cederberg	Nordics	155,967	4,836	(151,131)	3%	1,008,044	685,786	(322,258)	68%
Thomas Liot	France/Spain	162,356	152,593	(9,763)	94%	1,035,479	636,661	(398,818)	61%
Rosario Marseglia	Germany/Italy	143,229	5,247	(137,982)	4%	927,083	409,365	(517,719)	44%
Cyril Mattar	MEA	143,229	23,198	(120,031)	16%	927,083	122,107	(804,976)	13%
Jeff Liu	China	136,527	262,974	126,447	193%	858,900	688,868	(170,032)	80%
Gark Tan	APAC	270,594	695,968	425,374	257%	1,725,798	1,802,486	76,688	104%
Jeff Meyer	EMEA	982,595	498,048	(484,547)	51%	5,882,810	3,806,609	(2,076,201)	65%
Rick Emery	World	Target	Actual	Var \$	% of Target	Target	Actual	Var \$	% of Target
		4,300,000	4,478,028	178,026	104%	27,100,000	31,200,413	4,100,413	115%

Sales Ramp

Region	Rep	Hire Date	Status	Bookings				Gross Margin		Fully Loaded Cost				ROI
				Avg. Month w/o Rep	Avg. Month w/ Rep	Avg. Month Change	Annualized Change	%	\$	RSD	Sales Engineer	Channel Mgr/Other	Total	
Ramped - New														
UK	Chris Charran	5/14/2018	Ramped	\$ 80,804	\$ 156,861	\$ 76,057	\$ 912,681	70%	\$ 638,876	\$ 160,360	\$ 115,882	\$ -	\$ 276,242	2.31x
FRA/ESP	Thomas Liot	6/4/2018	Ramped	\$ 5,081	\$ 40,422	\$ 35,341	\$ 424,091	70%	\$ 296,863	\$ 189,967	\$ 50,000	\$ -	\$ 239,967	1.24x
TOLA	John Chandler	6/18/2018	Ramped	\$ 75,137	\$ 181,279	\$ 106,142	\$ 1,273,701	70%	\$ 891,591	\$ 225,000	\$ 115,000	\$ -	\$ 340,000	2.62x
New England	Jon Davies	8/20/2018	Ramped	\$ 74,828	\$ 127,975	\$ 53,147	\$ 637,768	70%	\$ 446,438	\$ 225,000	\$ 120,000	\$ -	\$ 345,000	1.29x
Canada	Danny Fabre	9/18/2018	Ramped	\$ 63,133	\$ 66,100	\$ 2,967	\$ 35,603	70%	\$ 24,922	\$ 124,704	\$ -	\$ -	\$ 124,704	0.20x
Ramping														
MEA	Cyril Mattar	11/19/2018	Ramping	\$ 13,221	\$ 13,567	\$ 346	\$ 4,158	70%	\$ 2,910	\$ 149,993	\$ 145,747	\$ -	\$ 295,740	0.01x
GERITL	Rosario Marseglia	1/1/2019	Ramping	\$ 14,391	\$ 57,667	\$ 43,276	\$ 519,309	70%	\$ 363,516	\$ 171,657	\$ 128,743	\$ -	\$ 300,400	1.21x
China	Jeff Liu	4/1/2019	Ramping	\$ 51,361	\$ 136,175	\$ 84,815	\$ 1,017,775	70%	\$ 712,442	\$ 147,396	\$ 57,618	\$ -	\$ 205,014	3.48x
ANZ	Jeff McDonald	5/15/2019	Ramping	\$ 53,103	\$ 66,156	\$ 13,053	\$ 156,641	70%	\$ 109,649	\$ 200,000	\$ -	\$ -	\$ 200,000	0.55x
Mid-Atlantic	Melissa Johnson	5/20/2019	Ramping	\$ 176,429	\$ 269,792	\$ 93,363	\$ 1,120,358	70%	\$ 784,250	\$ 200,000	\$ -	\$ 170,000	\$ 370,000	2.12x
Region	Rep	Hire Date	Status	Avg. Month w/ Rep										
Ramped - Tenured														
Northeast	Burt Feldman	4/21/2014	Ramped		\$ 325,392									
Souteast	Connie Bolt	4/16/2016	Ramped		\$ 313,186									
Midwest	Ryan Shannon	4/17/2017	Ramped		\$ 710,670									

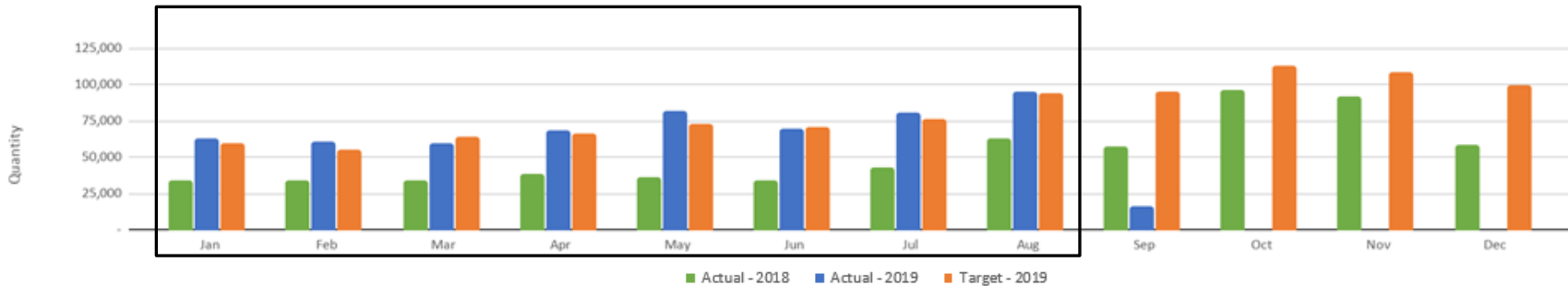
Solstice Subscription – Attach Rate

Renewal																				
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Pods w/ Paid solstice subscription	6,485	6,756	6,992	7,411	8,072	8,628	9,852	9,125	10,319	11,588	12,734	16,809	18,930	21,552	22,042	23,944	25,299	26,324	29,013	30,100
Total Pods, post-free solstice subscription	12,088	12,764	13,593	14,551	16,009	17,814	19,060	20,733	22,409	28,731	30,182	32,633	36,845	44,360	47,171	50,356	54,051	56,643	61,940	63,789
Renewal Rate	54%	53%	51%	51%	50%	48%	52%	44%	46%	40%	42%	52%	51%	49%	47%	48%	47%	46%	47%	47%
</																				

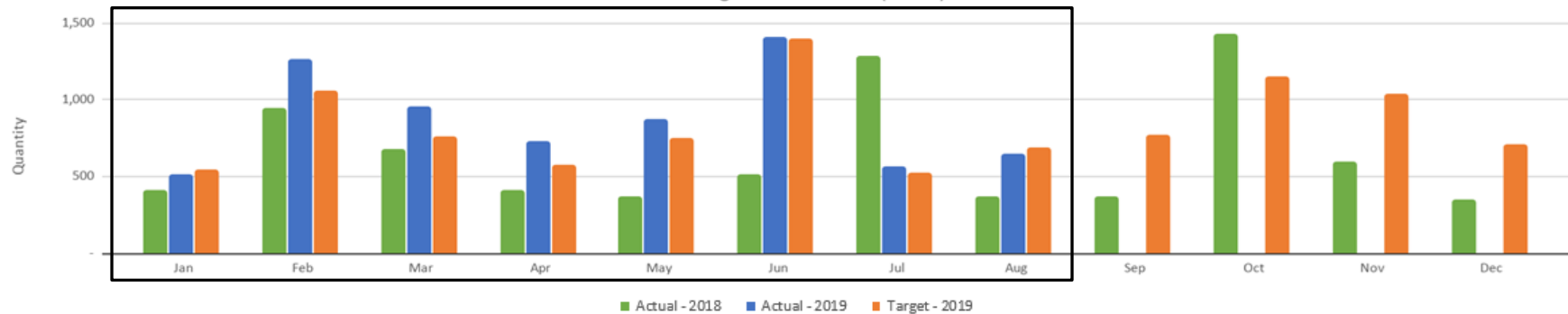
Management Discussion

- Renewal rate remained at 47% during August consistent with the LTM average of 47% and below target of 60%
- Upfront attach rate remained at 29% during August below the target of 40%.

Sessions (Web Traffic)



Marketing Qualified Leads (MQLs)

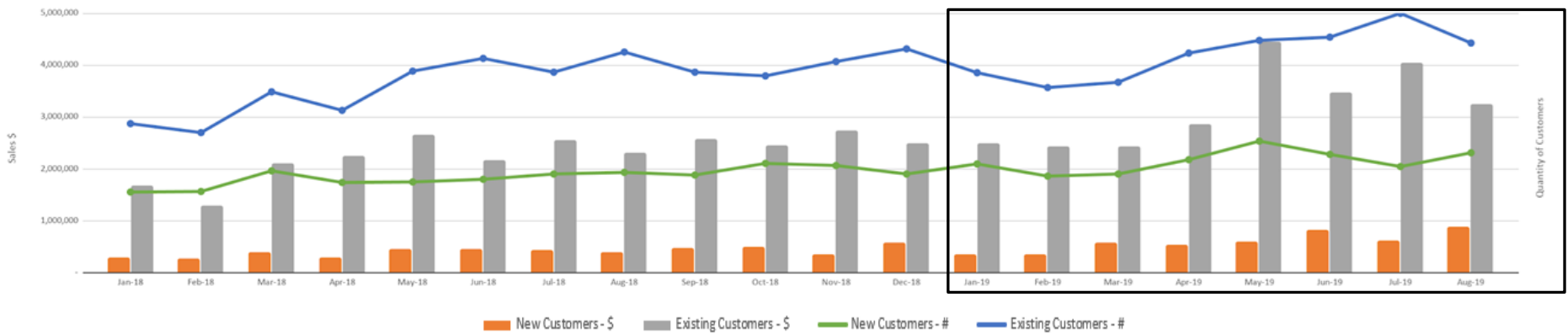


Management Discussion

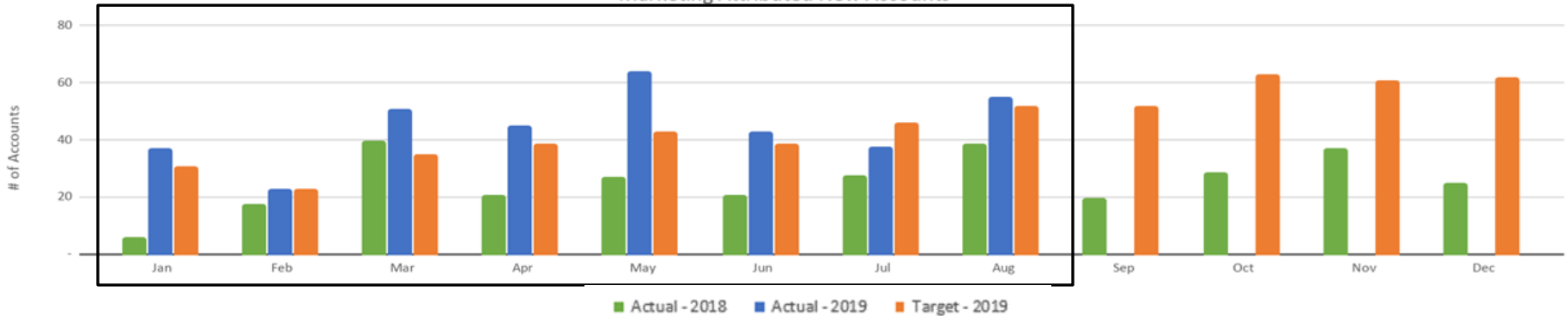
- Web traffic is 106% of plan YTD mainly due to strong performance in SEO and Digital advertising.
- MQL conversion rates are 109% of plan YTD with particular strength in Direct Traffic and Digital Ads; SEO is now on plan YTD.
- MQLs are 110% of plan YTD with all major channels (SEO, Ad, Direct, Events) at or ahead of plan.

New Customer Metrics

Monthly New vs. Existing Customers



Marketing Attributed New Accounts

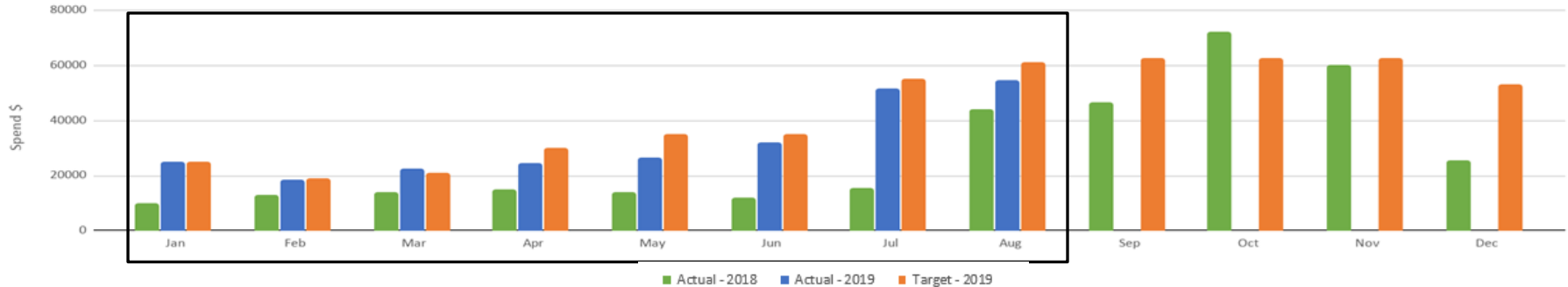


Management Discussion

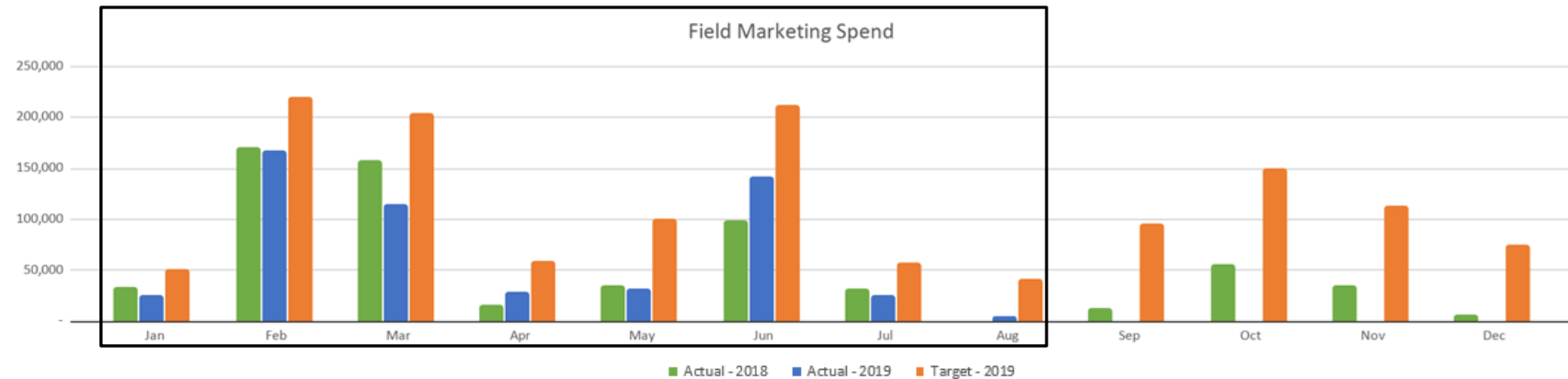
- New and Existing customers are calculated on a sales out basis (ie, so, they exclude stocking orders by definition). Methodology has been updated / tightened to account for non-standard demo pod submissions that were showing as new accounts inflating both 2018-19 numbers.
- The methodology for Marketing Attributed new accounts now looks out 6 months prior to first sale and also accounts for web visits.
- YTD total NN accounts are up 21% YOY whereas Marketing Attributed NN accounts are up 78% YOY (116% of Plan).

Marketing Spend

Digital Ad Spend

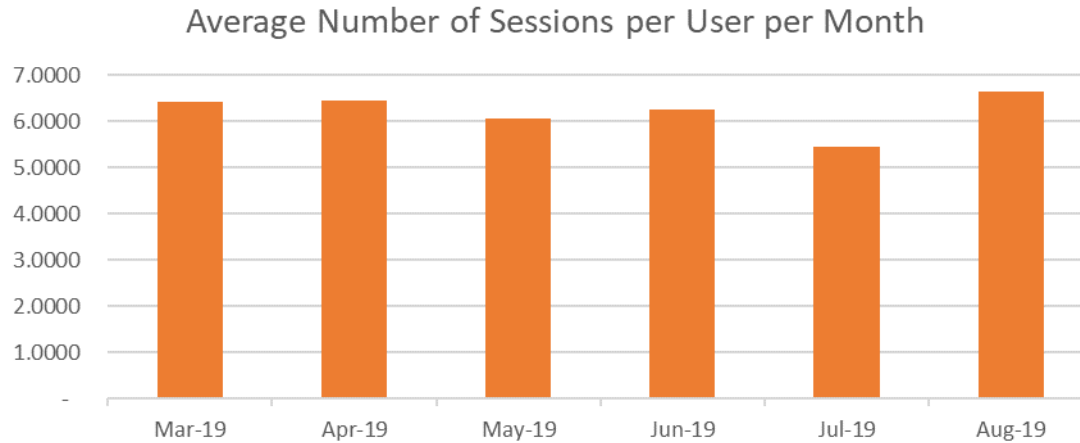


Field Marketing Spend



Management Discussion

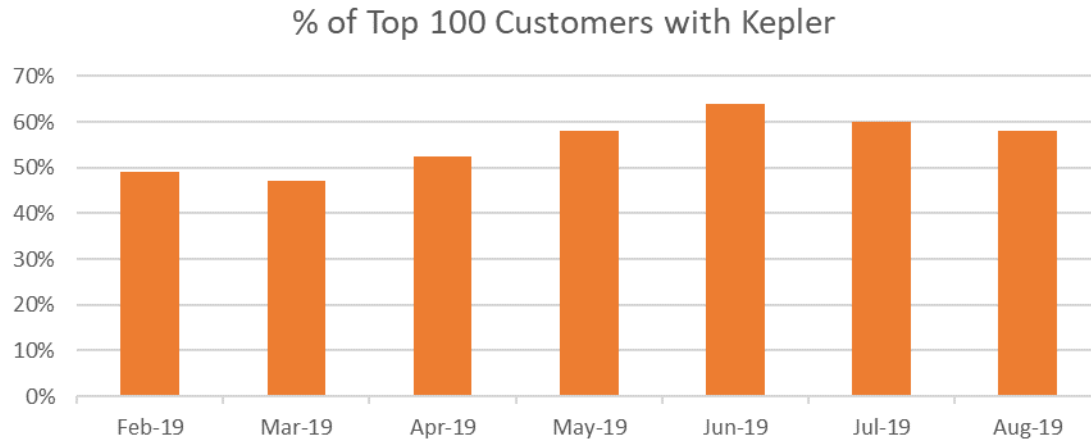
- Digital Ad spend is at 100% of plan YTD while Digital Ad lead gen is at 173% of plan YTD.
- Field Marketing is at 56% of plan YTD while Field Marketing lead gen is at 101% YTD.



Management Discussion

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

Kepler - Adoption

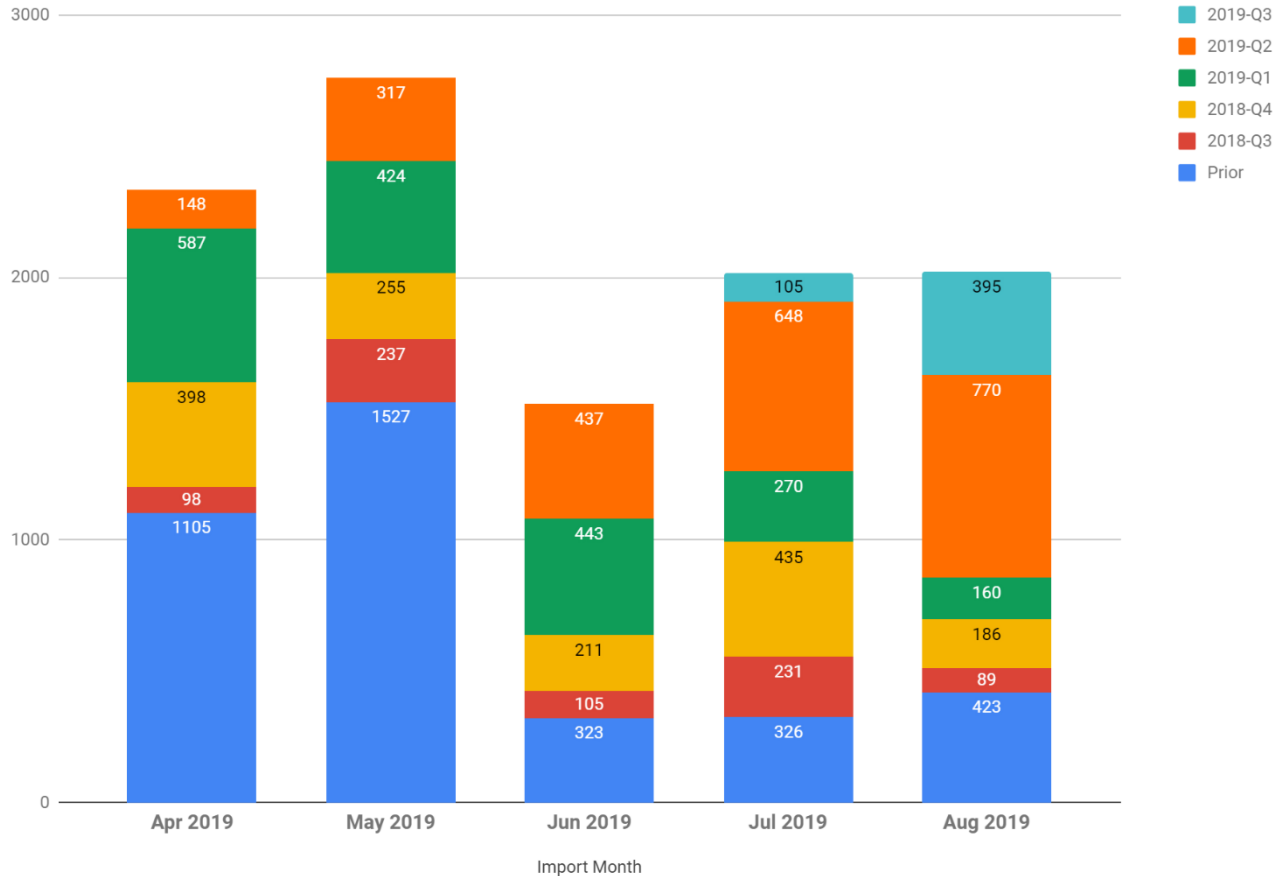


Management Discussion

- % of top 100 customers (based on # of pods) with Kepler.

Kepler – Kepler Import Month by Purchase Quarter

Kepler Import Month by Purchase Quarter



Management Discussion

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

Staffing Analysis

Headcount by Department



Management Discussion

- Headcount is ahead of plan through August at 153 compared to budget of 147.

08/31/19 Talent Snapshot

Open Positions as of 08/31/19

Team Members by Geography

Denver (112)

US field (23)

International field (18)

Team Members by Function

Tech (51)

Sales (51),

Marketing (16)

Finance/Ops/HR (28)

Support (7)

Total Team Members: 153

YTD Hires: 72

YTD Departures: 26

YTD Net Headcount Growth: 46

Job	Department	Anticipated Start date
Regional Sales Director- CA	Sales	October
Regional Sales Director - PacNW	Sales	November
Sales Engineer- France & Spain	Sales	November
Sales Development Representative II	Sales	September
Sales Engineer- Mid Atlantic	Sales	October
Regional Sales Director - Japan	Sales	December
Manager of Enterprise Applications	Marketing	October
Sr. QA Engineer	Engineering/Product	September
Sr. Automation Engineer	Engineering/Product	October
Fullstack Engineer	Engineering/Product	October
Product/ UX Designer	Engineering/Product	October
Senior Software Engineer- RUST	Engineering/Product	October
Senior Software Engineer- RUST	Engineering/Product	November
Field and Channel Mktg Mgr - EMEA	Marketing	November
Controller	Finance	December
Content Marketing Manager	Marketing	October
Technical Support Engineer 1	Support	October
VP Operations	Operations	October

Monthly Operating Review Meeting Agenda

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

Summary P&L Through August 2019

\$'000

	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Gross Revenue	\$ 3,392	\$ 3,886	\$ (494)	(12.7%)	\$ 2,324	\$ 1,069	46.0%		\$ 25,553	\$ 24,591	\$ 963	3.9%	\$ 17,310	\$ 8,244	47.6%	
Adj. to Gross Revenue	(9)	–	(9)	N/A	(6)	(4)	59.4%		(120)	–	(120)	N/A	(87)	(33)	37.3%	
Net Revenue	3,383	3,886	(504)	(13.0%)	2,318	1,065	45.9%		25,433	24,591	843	3.4%	17,222	8,211	47.7%	
Material	885	976	(91)	(9.3%)	480	405	84.4%		6,326	5,598	728	13.0%	3,539	2,787	78.7%	
Labor	77	64	12	19.2%	42	34	80.8%		539	475	64	13.6%	312	227	72.9%	
Total COGS	962	1,041	(79)	(7.6%)	522	439	84.1%		6,865	6,073	792	13.0%	3,851	3,014	78.3%	
Gross Margin	2,421	2,846	(425)	(14.9%)	1,795	625	34.8%		18,568	18,518	50	0.3%	13,371	5,197	38.9%	
<i>Gross Margin %</i>	<i>71.6%</i>	<i>73.2%</i>			<i>77.5%</i>				<i>73.0%</i>	<i>75.3%</i>			<i>77.6%</i>			
R&D	624	632	(8)	(1.2%)	397	227	57.2%		4,350	4,490	(140)	(3.1%)	2,621	1,730	66.0%	
Sales & Marketing	1,220	1,264	(44)	(3.5%)	671	550	81.9%		8,725	9,355	(630)	(6.7%)	4,638	4,087	88.1%	
Administrative	604	590	14	2.4%	660	(57)	(8.6%)		4,711	4,892	(181)	(3.7%)	3,123	1,588	50.8%	
Other Opex	–	14	(14)	(100.0%)	–	–	N/A		–	84	(84)	(100.0%)	–	–	N/A	
Total Opex	2,448	2,500	(51)	(2.1%)	1,728	720	41.7%		17,786	18,821	(1,035)	(5.5%)	10,381	7,405	71.3%	
EBITDA	(27)	346	(373)	(107.9%)	67	(95)	(140.7%)		782	(304)	1,086	(357.6%)	2,990	(2,208)	(73.8%)	
<i>EBITDA %</i>	<i>(0.8%)</i>	<i>8.9%</i>			<i>2.9%</i>				<i>3.1%</i>	<i>(1.2%)</i>			<i>17.4%</i>			
Net Income (Loss)	\$ (468)	\$ (102)	\$ (365)	356.2%	\$ (272)	\$ (196)	72.1%		\$ (2,792)	\$ (3,668)	\$ 876	(23.9%)	\$ 238	\$ (3,030)	(1274.0%)	
Capex	\$ (4)	\$ (5)	\$ 1	(17.7%)	\$ (26)	\$ 22	(84.4%)		\$ (485)	\$ (302)	\$ (183)	60.5%	\$ (154)	\$ (331)	215.6%	

Management Discussion

- Invoiced sales were \$4.1m compared to target of \$4.3m, including \$725k of solstice subscription invoice sales recorded. Bookings were \$4.5m, resulting in backlog of \$551k at month end. Gen 3 comprised 62% (down from 70% in PM) of the total invoiced hardware sales during August at \$2.0m. YTD invoiced sales were \$30.7m compared to budget of \$27.1m.
- MTD invoiced sales mix by region: Americas 75% actual vs 75% budget, EMEA 13% actual vs 19% budget, APAC 12% actual vs 5% budget. YTD invoiced sales mix by region: Americas 79% actual vs 76% budget, EMEA 14% actual vs 18% budget, APAC 7% actual vs 5% budget.
- MTD revenue of \$3.4m includes approximately \$2.6m of pod revenue and \$734k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$2.6m is 88% of budget of \$3.0m for the month, which is driven by not shipping out backlog and drop in ASP. Appr. \$625K of the positive variance in YTD revenue & GAAP EBITDA is due to changing revenue allocation related to ASC606 following completion of AOP. YTD revenue outperformance to plan largely driven by Pod sales and Solstice subscription co-term renewals.
- Units shipped for the month were 4,285 vs budget of 4,542 and overall invoiced ASP was \$751 vs the budget of \$776. ASP underperformance to budget driven by the EMEA and APAC regions, with EMEA at \$657 ASP vs \$706 budgeted and APAC at \$510 invoiced ASP vs \$618 budgeted. Americas ASP grew to \$856 vs budget of \$811.
- Renewal solstice subscription licenses sold MTD were 1,643 compared to target of 2,062 resulting in invoiced sales of \$335k compared to budget of \$299k. YTD renewal invoiced sales of \$3.2m is \$1.1m above budget of \$2.1m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.
- Upfront solstice subscription licenses sold MTD were 1,228 compared to target of 1,759 resulting in invoiced sales of \$396k compared to budget of \$368k. Upfront attached rate was 29% compared to a budgeted attach rate of 40%. YTD upfront invoiced sales of \$2.4m is \$125k below budget of \$2.5m.
- Gross Margin % up vs prior month due to 1) lower mix of distributor sales and 2) lower mix of Gen 3 sales. YTD GP % remains below budget due to higher than budgeted Kepler and Labor costs.
- MTD S&M OpEx under budget due to unbudgeted deferred commissions related to ASC606. Normalized, total MTD S&M Opex was under budget by \$1.3k. YTD S&M Opex, normalized for deferred commissions, is \$291k below budget rather than the \$630K presented above. This is because \$340K of commission expense has been reclassified to the BS per ASC606. Total YTD OpEx remains below budget primarily due to being behind on hiring plan.
- YTD GAAP EBITDA positive variance, normalized for ASC606 adjustments noted above totaling \$964K, is closer to \$121K rather than the \$1.1M presented above.
- Capex was higher than expected YTD due higher than expected IT infrastructure costs.

Balance Sheet

\$'000	Dec-18	May-19	Jun-19	Jul-19	Aug-19	Variance	
	Act	Act	Act	Act	Act	Bud	\$
Current Assets							
Cash and cash equivalents	\$ 5,777	\$ 3,684	\$ 4,661	\$ 6,485	\$ 8,093	\$ 4,038	\$ 4,055
Short term investments	—	—	—	—	—	—	—
<i>Accounts receivable, gross</i>	5,113	6,816	7,879	7,635	6,626	6,333	293
<i>Accounts receivable, reserves</i>	(82)	(74)	(105)	(105)	(115)	(63)	(52)
Accounts receivable, net	5,031	6,742	7,774	7,531	6,511	6,270	241
Inventory, net	1,390	2,596	2,104	1,797	1,877	2,128	(251)
Prepaid expenses and other current assets	1,105	1,850	1,638	2,324	2,578	1,213	1,365
Total Current Assets	13,304	14,872	16,177	18,137	19,059	13,649	5,410
Non-Current Assets							
<i>Property, plant & equipment, gross</i>	908	1,166	1,193	1,389	1,393	1,213	180
<i>Accumulated depreciation</i>	(216)	(334)	(358)	(386)	(416)	(132)	(284)
Property, plant & equipment, net	692	832	835	1,003	977	1,081	(104)
Goodwill	20,675	20,675	20,675	20,675	20,675	20,675	(0)
Identifiable intangible assets, net	6,711	5,371	5,160	4,886	4,618	4,389	229
Deferred tax asset	6,488	6,488	6,488	7,467	7,467	6,776	691
Other non-current assets	214	407	573	621	663	275	388
Total Non-Current Assets	34,780	33,772	33,731	34,651	34,401	33,196	1,205
Total Assets	\$ 48,084	\$ 48,644	\$ 49,907	\$ 52,788	\$ 53,460	\$ 46,845	\$ 6,615
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	—
Accounts payable	900	649	859	2,042	2,267	935	1,332
Accrued liabilities	(243)	381	310	349	407	156	252
Accrued compensation	1,941	1,534	1,504	1,535	1,718	1,780	(62)
Income taxes payable	694	694	694	2,000	2,000	209	1,791
Other current liabilities	70	374	422	370	383	230	153
Total Current Liabilities	6,861	7,132	7,289	9,797	10,275	6,809	3,466
Long-term liabilities							
Long-term unearned revenue	5,863	8,055	8,970	9,924	10,587	9,403	1,185
Deferred liabilities	154	163	178	186	187	202	(15)
Total Long-Term Liabilities	6,017	8,218	9,148	10,110	10,774	9,605	1,169
Total Liabilities	12,878	15,351	16,437	19,908	21,050	16,414	4,635
Shareholders' Equity							
Total Shareholders' Equity	35,206	33,293	33,470	32,880	32,410	30,431	1,980
Total Liabilities and Shareholders' Equity	\$ 48,084	\$ 48,644	\$ 49,907	\$ 52,788	\$ 53,460	\$ 46,845	\$ 6,615

Management Discussion

- Cash increased month over month primarily driven by timing of Inforce invoices related to inventory and accounts payables (see below and CFS) and continued strong AR collections and invoicing. While we are showing a strong cash position, we are expecting significant tax obligations in Q3 and Q4 based on continued strong invoice sales, and fully utilizing prior year tax payments to offset current year obligations YTD. We recently accrued \$2M for Q3 and perhaps Q419.
- AP 'days sales outstanding' at 60 vs budget of 50. AR is higher than budget due to invoiced sales being ahead of budget.
- Inventory 'days outstanding' at 60 is consistent budget of 63 and is below budget due to being ahead of sales budget YTD as well as a production hold causing delay in Gen3 supply chain. Total ending inventory balance: Gen 2i – 426 pods, Gen 3 – 4,906 pods.
- Deferred tax asset increased due to our income tax accrual per below.
- Prepaid and OCA balances are higher than expected due to receivable from landlord, trade show prepaids, furniture deposits, and additional prepaids from various vendors.
- Other current assets are higher than expected due to under budgeted deferred sales commissions due to ASC606 implementation.
- AP 'days payable outstanding' at 73 vs budget of 28. Variance to budget largely due to timing of inventory bills.
- Accrued liabilities is higher than budget because of timing of payments for Splash Top royalties, Italy payroll and reseller rebates.
- Income taxes payable was larger than expected due to accrued estimate for State & Federal tax liability for expected Q3 tax obligations that will be due in Sept 2019.
- Deferred revenue is above budget primarily due to strong invoice sales exceeding budget (Free Year Subscription).

Cash Flow Statement

\$'000	MTD			Var	PY-MTD		YTD		Var	PY YTD		Var
	Act	Bud		\$	Act	\$	Act	Bud	\$	Act	\$	
Cash flow from operations												
Net Income (Loss)	\$ (468)	\$ (102)	\$ (365)		\$ (272)	\$ (196)	\$ (2,792)	\$ (3,668)	\$ 876	\$ 238	\$ (3,030)	
Depreciation, amortization and other	278	289	(11)		273	5	2,395	2,292	102	2,182	213	
Deferred income tax	–	(87)	87		–	–	(980)	(288)	(691)	–	(980)	
<i>Change in operating assets and liabilities:</i>												
Accounts receivable	1,019	(440)	1,459		758	262	(1,480)	(1,291)	(189)	(971)	(508)	
Inventory	(80)	282	(362)		(229)	149	(487)	(738)	251	(1,335)	848	
Prepaid expenses and other current assets	(254)	6	(260)		61	(314)	(1,473)	627	(2,100)	146	(1,618)	
Accounts payable	225	71	153		(210)	434	1,367	280	1,087	430	937	
Accrued expenses	241	187	54		(82)	323	428	(52)	481	176	252	
Accrued income taxes	(0)	142	(142)		–	(0)	1,306	(485)	1,791	–	1,306	
Other changes in operating assets and liabilities	664	428	236		325	339	4,758	2,558	2,200	2,953	1,805	
Other cash flow from operations	(0)	(5)	4		(8)	7	(111)	(631)	520	31	(141)	
Total Cash Flow from Operations	\$ 1,625	\$ 771	\$ 855		\$ 616	\$ 1,009	\$ 2,932	\$ (1,397)	\$ 4,330	\$ 3,849	\$ (917)	
Cash flow from investing												
Additions to property, plant and equipment	\$ (4)	\$ (5)	\$ 1		\$ (26)	\$ 22	\$ (485)	\$ (302)	\$ (183)	\$ (154)	\$ (331)	
Investment in intangibles	(13)	–	(13)		(96)	82	(132)	(40)	(92)	167	(299)	
Total Cash Flow from Investing	\$ (17)	\$ (5)	\$ (12)		\$ (122)	\$ 105	\$ (617)	\$ (342)	\$ (275)	\$ 13	\$ (630)	
Cash flow from financing												
Total Cash Flow from Financing	\$ –	\$ –	\$ –		\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	
Net change in cash	\$ 1,608	766	\$ 843		\$ 494	\$ 1,114	\$ 2,316	\$ (1,739)	\$ 4,055	\$ 3,862	\$ (1,547)	
Beginning cash	6,485	3,272	3,212		5,844	640	5,777	5,777	–	2,476	3,301	
Change in cash	1,608	766	843		494	1,114	2,316	(1,739)	4,055	3,862	(1,547)	
Ending cash	\$ 8,093	\$ 4,038	\$ 4,055		\$ 6,338	\$ 1,755	\$ 8,093	\$ 4,038	\$ 4,055	\$ 6,338	\$ 1,755	

Management Discussion

- Cash is increased primarily driven by decreased AR, increased accounts payables, and increased deferred revenue.
- Cash conversion' at 47 days vs budget of 87.
- Large variance in AR and deferred revenue vs target is primarily driven by invoiced sales exceeding budget (YTD \$3.6m above budget).
- Cash from changes in Inventory was behind MTD as due to being behind on units sold for August and lower than expected inventory receipts vs budget expectations.
- AP variance to budget is due to timing of inventory bills.
- YTD Prepaids variance is driven by higher than expected receivable from landlord, trade show prepaids, furniture deposits and additional prepaids from various vendors.

Monthly Operating Review Meeting Agenda

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

Management Governance Report

Board of Directors

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

Audit Committee

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

2018 Year End Auditors

- Deloitte

Anonymous Hotline

- Navex implementation complete; hotline is now live

Internal Control & Authority Matrix

- Adopted effective 2/27/18

Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Deloitte has identified a lack of segregation of duties related to NetSuite. We will address revising roles upon hiring of Controller
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

Monthly Operating Review Meeting Agenda

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

YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Variance			One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Bud	(B) / W	Non-recurring	Timing	Run-rate	Other	(B) / W	(B) / W	Impact (B) / W
Payroll	\$ 9,019	\$ 9,852	\$ (832)	\$ –	\$ (832)	\$ –	\$ –	\$ (832)	\$ –	\$ –
Benefits	1,224	1,340	(116)	\$ –	\$ (116)	–	–	(116)	–	–
Bonus	986	1,185	(199)	\$ –	\$ (199)	–	–	(199)	–	–
Commissions	981	1,121	(140)	–	(140)	–	–	(140)	–	–
Marketing	1,602	1,636	(35)	–	(35)	–	–	(35)	–	–
Travel and Entertainment	1,059	1,052	6	–	6	–	–	6	–	–
Rent and Facilities	920	621	299	–	–	299	–	299	299	299
Insurance	44	33	10	–	10	–	–	10	–	–
Professional Fees	605	520	85	–	–	85	–	85	85	85
Utl., Repair, Maint., & Sec.	201	283	(82)	–	(82)	–	–	(82)	–	–
Office Expense	126	32	94	–	–	94	–	94	94	94
IT	858	1,009	(151)	–	–	(151)	–	(151)	(151)	(151)
Other Expenses	161	137	23	–	23	–	–	23	–	–
Total Opex	\$17,786	\$18,821	\$ (1,035)	\$ –	\$ (1,363)	\$ 328	\$ –	\$ (1,035)	\$ 328	\$ 328

Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a \$ basis. Budgeted employee headcount was 147 versus actual of 153 as of August-19.
- Commissions, normalized for 606 adjustments, are \$198k above budget.
- Rent is over budget primarily due to increased CAM, addition of 180 (vs budget start date of 9/1), and higher than expected monthly parking cost.
- Professional Fees are over budget due to 1) higher than expected recruiting costs and 2) additional consulting hours related to systems improvements.
- Office expenses are largely due to unbudgeted dollars. Monthly trend has been consistent.
- IT is under budget due to timing of data related IT projects.

Operating Expenses Summary

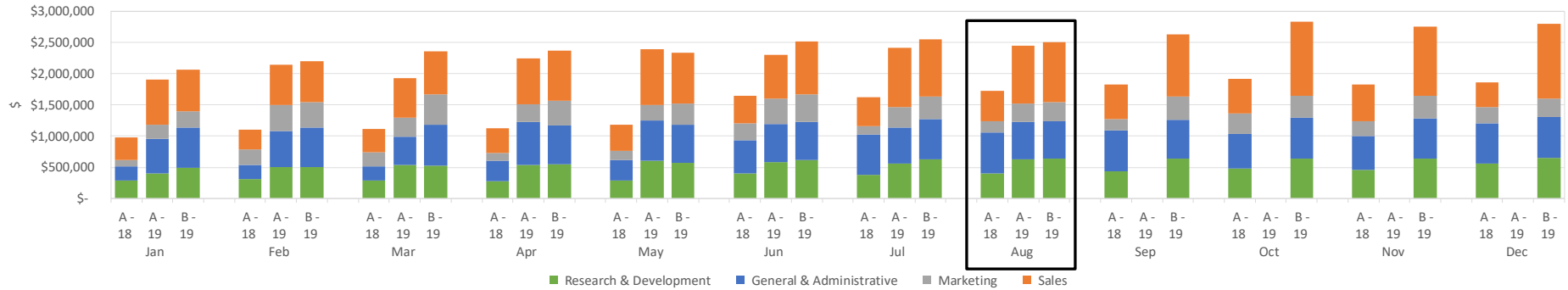
\$'000																	
	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance				
	Act	Bud	\$	%		Act	\$	%	Act	Bud	\$		%	Act	\$	%	
<u>Opex Overview:</u>																	
Payroll	\$ 1,334	\$ 1,379	\$ (45)	(3.2%)	\$ 750	\$ 585	78.0%	\$ 9,019	\$ 9,852	\$ (832)	(8.4%)	\$ 4,740	\$ 4,280	90.3%			
Overtime	—	—	—	N/A	—	—	N/A	—	—	—	N/A	—	—	N/A			
Benefits	197	182	15	8.5%	182	15	8.1%	1,224	1,340	(116)	(8.6%)	982	242	24.7%			
Bonus	130	166	(35)	(21.4%)	216	(86)	(39.9%)	986	1,185	(199)	(16.8%)	709	277	39.1%			
Commissions	158	200	(41)	(20.7%)	117	41	35.5%	981	1,121	(140)	(12.5%)	843	138	16.3%			
Marketing	163	154	9	5.9%	82	81	98.1%	1,602	1,636	(35)	(2.1%)	912	689	75.5%			
Travel and Entertainment	156	121	35	29.2%	56	100	178.0%	1,059	1,052	6	0.6%	413	645	156.2%			
Rent and Facilities	94	78	16	20.5%	91	2	2.7%	920	621	299	48.2%	512	409	79.8%			
Insurance	9	4	5	126.6%	3	7	267.9%	44	33	10	30.8%	34	10	29.8%			
Professional Fees	66	61	5	7.6%	96	(30)	(31.2%)	605	520	85	16.4%	478	126	26.4%			
Utl., Repair, Maint., & Sec.	25	36	(11)	(31.1%)	22	2	11.2%	201	283	(82)	(29.0%)	165	35	21.5%			
Office Expenses	(0)	4	(4)	(107.3%)	50	(51)	(100.6%)	126	32	94	295.0%	240	(113)	(47.3%)			
IT	80	99	(19)	(18.7%)	43	38	88.2%	858	1,009	(151)	(14.9%)	186	672	361.0%			
Other Expenses	36	17	18	106.8%	19	16	84.2%	161	137	23	17.1%	149	12	8.0%			
Total Opex	\$ 2,448	\$ 2,500	\$ (51)	(2.1%)	\$ 1,728	\$ 720	41.7%	\$ 17,786	\$18,821	\$ (1,035)	(5.5%)	\$ 10,381	\$ 7,405	71.3%			

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary

OPEX by Department



Management Discussion

- Graph shows departmental spend comparatives for '18 actual, '19 actual and '19 budget.

AR and AP Aging Detail

\$'000

AR Aging				
Days	Jun-19	Jul-19	Aug-19	
0-30	\$ 6,878	\$ 6,433	\$ 5,781	
30-60	605	744	396	
60-90	288	194	213	
>90	108	264	236	
Total Gross AR	\$ 7,879	\$ 7,635	\$ 6,626	
Reserves	(105)	(105)	(115)	
Total Net AR	\$ 7,774	\$ 7,531	\$ 6,511	

AP Aging				
Days	Jun-19	Jul-19	Aug-19	
0-30	\$ 728	\$ 686	\$ 1,525	
30-60	2	1,240	78	
60-90	27	3	576	
>90	103	114	87	
Total	\$ 859	\$ 2,042	\$ 2,267	

Management Discussion

- AR decreased due to start of full time AR Accountant. The largest past due balances are for Nike (55K), Getronics (106K), and Trittech (21K) overdue balances. Trittech made payment on September 10th.
- Increase in >60 AP is due to timing of inventory and deposit payments to Inforce for Q3 inventory production. We have held off paying pending correction of production delays and getting current with shipments.



mersive
technologies inc