



## Monthly Operating Review – April 2020

May 21, 2020

# Quarterly Operating Review Agenda

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

## Hits

- MTD ASP \$779 vs budget of \$771.
- Ahead of plan for cash collections - \$3.4M vs. \$1.4M
- MTD strong upfront attach rate of 40% and YTD of 35% compared to budget of 32%.
- YTD 2020 renewal subscription invoiced sales \$2.6m vs budget of \$2.6m.
- Adj. EBITDA for April was \$(21k) compared to budget of \$(47k). YTD 2020 was \$(991k) compared to budget of \$(1.2m). YTD 2019 was \$(346k).
- Solstice Conference now has a firm release date – June 30, field beta testing begins May 20
- Refactored Miracast will be released as part of version 4.6 on May 13
- COVID-19 response – We are seeing a modest upwards trend in sales; cash collections are ahead of forecast and cash conservation overall is ahead of plan.

## Organization/Workforce

- All employees who tested positive or were presumed positive for COVID-19 (4 people) have fully recovered. No new cases since 4/10/20.
- Reduced headcount by 7 in April, primarily through performance management
- Current work from home status for all except “essential” workers remains in effect through at least June
- Created a cross functional Return to Office (RTO) Task Force
- Employee productivity and sentiment remains high

## Customer Adoption

- Existing customers – Nike (\$305k), University of York (\$161k), Penn State University (\$143k), and Towson University (\$136k)
- New/Land orders – BP (\$143k), CalTech (\$32k), Sumitomo Mitsui DS Asset Management (\$32k), Addus Homecare (\$17K)

# Executive Summary (Continued)

## Misses

- April invoiced sales were \$2.6m compared to target of \$5.3m. Bookings were \$2.8m compared to a \$5.3m target. There was backlog of \$418k at month end. April 2019 invoiced sales were \$3.1m.
- April subscription sales at \$681k compared to plan of \$1.1m. April 2019 was \$532k.
- Invoiced EBITDA for April was (\$101k) compared to budget of (\$566k). April 2019 was \$143k. YTD 2020 was \$73k compared to budget of \$1.1m. YTD 2019 was \$1.3m.
- April GAAP Revenue is \$2.7m which is below plan of \$4.6m. April 2019 was \$2.7m. YTD 2020 was \$12.3m compared to budget of \$17.3m.
- WeWork monthly sales lowest in 2 years

## Key Go-Forward Actions

- Formalizing technology and marketing relationship with Logitech to help drive awareness for Solstice Conference
- Expanding distribution in France and UK with two new partners – Exertis and Tech Data Maverick
- Launching demo program for EMEA
- Developing a 'rapid response' dimension to Marketing to produce sales assets targeted at fast changing trends and competitive weaknesses; Clorox 'got wipes' meme targeting Barco dongles, 'touchless AV' for safe return to work

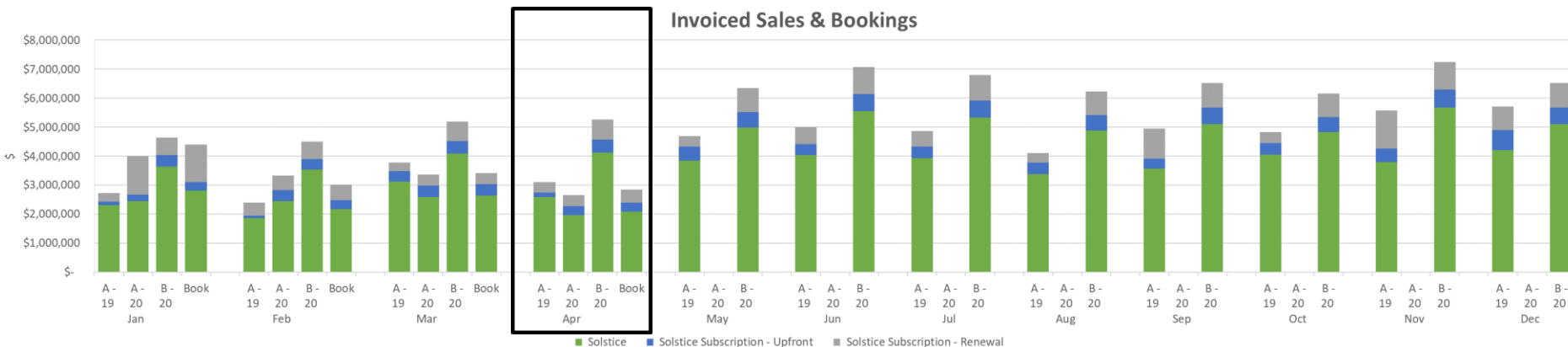
# Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>▪ <b>New Product Launches</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales Shortfall</li> <li>▪ Competitive Positioning</li> <li>▪ Market Adoption</li> <li>▪ Installed Base Growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Version 4.6 Miracast launched 5/14</b></li> <li>▪ <b>Solstice Conference set to release on 6/30</b></li> <li>▪ <b>Over 100 customers signed up for Solstice Conference beta</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Customer Operations</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Cost savings</li> <li>▪ Customer Satisfaction</li> <li>▪ Deployment Friction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued focus on customer onboarding</li> <li>▪ Improved RMA process - <b>\$125K in credits</b></li> <li>▪ Better inventory controls</li> <li>▪ Operations as strategic differentiator</li> <li>▪ Launched customer support portal</li> </ul>
<ul style="list-style-type: none"> <li>▪ AV industry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our competitors are all in the process of launching a video conference integration capability – <b>Barco has been quiet on the conferencing feature</b></li> <li>▪ <b>Numerous lay-offs, furloughs and reduction in force</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure timely release of Solstice Video Conference Integration</li> <li>▪ <b>Continue to focus on channel mindshare</b></li> <li>▪ Rehired and appointed Amelia Vrabel VP Channels</li> </ul>
<ul style="list-style-type: none"> <li>▪ Improve margin/EBITDA while continuing to invest and grow</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure to hit financial targets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Launch professional development training - launched</li> <li>▪ Improve onboarding of new staff</li> <li>▪ Renegotiate Solstice BOM cost - done</li> <li>▪ RMA and inventory process improvements – done</li> </ul>
<ul style="list-style-type: none"> <li>▪ HR/Staffing/Comp</li> </ul>	<ul style="list-style-type: none"> <li>▪ Productivity</li> <li>▪ OPEX</li> <li>▪ Morale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview training</li> <li>▪ Culture brand development</li> <li>▪ Professional Development - launched</li> <li>▪ Staff training</li> <li>▪ Colorado WorkShare subsidy</li> </ul>
<ul style="list-style-type: none"> <li>▪ Sales Team Productivity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Move faster to hire empty territories</li> <li>▪ Improve onboarding</li> <li>▪ Double down in ‘hi-po’ territories</li> <li>▪ Continued focus on sales enablement</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Solstice Subscription Services</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Impact on enterprise value</li> <li>▪ Customer/technology scale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expand customer success inside sales team</li> <li>▪ 3 Q1 product launches that are Solstice Subscription priced</li> <li>▪ Broad renewal/swap campaign</li> </ul>

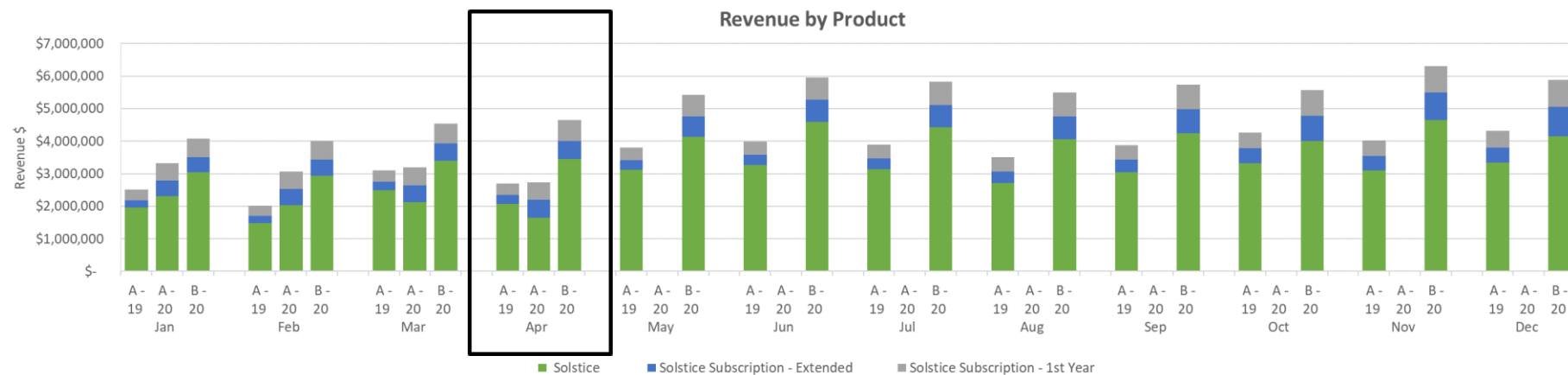
# April '20- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> <li>• <b>Shell</b> – Ongoing Q&amp;A related to final decision – looking at SC</li> <li>• <b>Marathon Oil</b> – Solstice is in the spec for 149 room building—early '20</li> <li>• <b>IBM</b> – early evaluation for new HQ in Germany</li> <li>• <b>Northrop Grumman</b> – Land order in Q2 basis for standard discussion</li> <li>• <b>BP</b> – Made final cut. 75 unit pilot pending in Q2 . Hungary order in</li> <li>• <b>GM</b> – being evaluated for national standard in Austin and Detroit</li> <li>• <b>Morgan Stanley</b> – evaluation taking place in UK...Miracast</li> <li>• <b>Paypal</b> – evaluation taking place for global standard</li> <li>• <b>SC Johnson</b> – initial purchase this summer</li> <li>• <b>Gentex</b> - evaluating bulk order vs phased purchased – Q2 decision</li> <li>• <b>7-Eleven</b> – AirMedia swap out – 100+ units in Q2</li> <li>• <b>Grainger</b> – about to standardize with a 100+ order - Q2 order</li> <li>• <b>Raytheon</b> – Acquiring UTC and may adopt UTC Solstice standard</li> <li>• <b>UPS</b> – Replacing ~900 AirMedias in Q2 – May or June</li> <li>• <b>DVAG Investments</b> – in pilot for 100+ rooms</li> <li>• <b>Warner Media (LA)</b> – 300+ rooms by July – officially standardized</li> <li>• <b>Exertis Stocking Order (UK)</b> – 250+ units</li> <li>• <b>Maverick Stocking Order (FR)</b> – 250+ units</li> <li>• <b>Grainger</b> – standardizing with first order in June/July</li> </ul>	<ul style="list-style-type: none"> <li>• <b>UNC Greensboro</b> – didn't like subscription and chose extron</li> <li>• <b>TEC Gymnasium</b> – Crestron offered for free in system design</li> </ul>
Big Wins	
<ul style="list-style-type: none"> <li>• Nike - \$305K</li> <li>• University of York – \$161K</li> <li>• Penn State University - \$143K</li> <li>• BP - \$143K</li> <li>• Towson University - \$136K</li> <li>• Case Western Reserve - \$126K</li> </ul>	<ul style="list-style-type: none"> <li>• Johnson County Government - \$104K</li> <li>• University of Iowa - \$87K</li> <li>• Norfolk State University - \$82K</li> <li>• WeWork - \$70K</li> <li>• Wharton School of Business - \$55K</li> <li>• ETH Zurich - \$52K</li> </ul>

# Sales Metrics – Monthly Trend

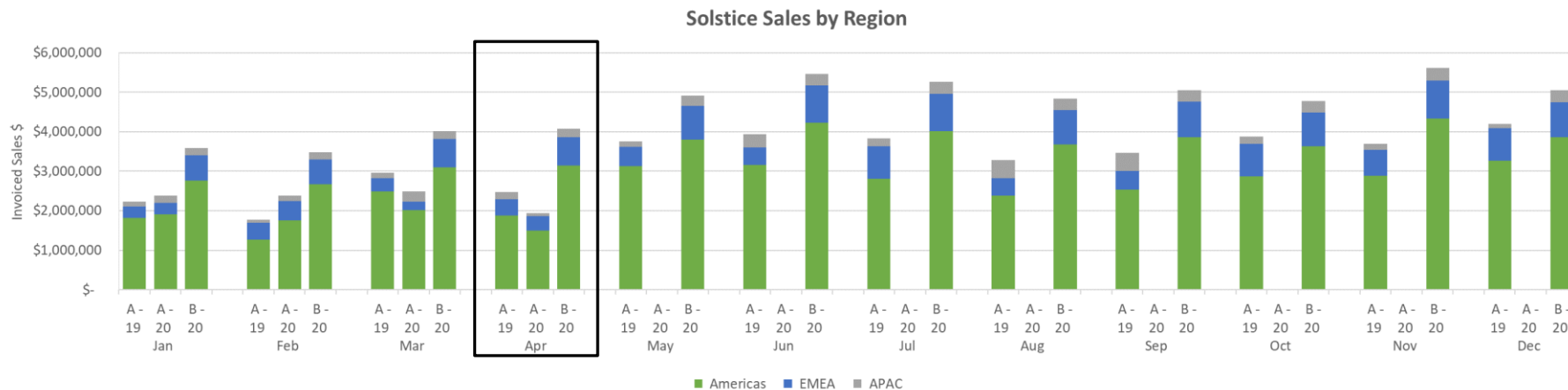


- April invoiced sales were \$2.6m compared to target of \$5.3m, which is 50% of budget and 85% of PY sales at 3.1m. This is a 21% MoM decrease. Bookings were \$2.8m compared to a \$5.3m target.
- YTD invoiced sales were \$13.3m compared to target of \$19.6m, which is 68% of budget.
- There was backlog of \$312k MTD and \$417k YTD.



- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 Budget
- MTD GAAP revenue was \$2.7m compared to budget of \$4.6m, due to lower than expected Solstices. PY MTD GAAP was 2.7m.
- YTD GAAP revenue was 12.2m compared to budget of 17.3m, due to lower than expected Solstice sales. PY YTD GAAP was 10.3m.

# Solstice Invoiced Sales Metrics – Monthly Trend – Region



- April Solstice sales were \$1.9m compared to target of \$4.1m, which is 48% of budget and 78% of PY sales at 2.5m. April invoiced sales were below budget primarily due to underperformance in all regions.
- YTD Solstice invoiced sales were \$9.2m compared to target of \$15.2, which is 61% of budget.
- April Solstice unit sales were 2,488 compared to target of 5,286, while PY was at 3,562.

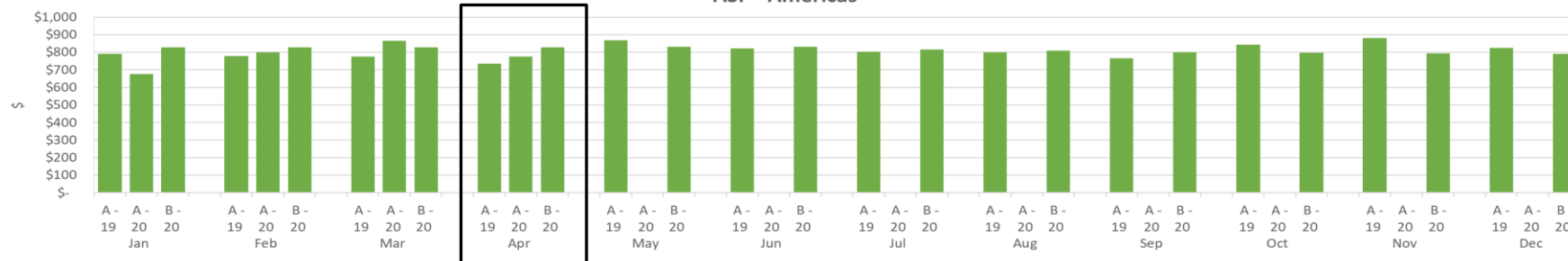


- Graph shows ASP by region historically and planned for remaining 2020
- Overall MTD ASP across all regions was \$779 including Gen 3 Solstice upgrades above plan of \$771, compared to \$696 in PY. This is due to higher than expected ASP in the EMEA and APAC regions.
- Solstice ASP excluding Solstice upgrades is \$894.

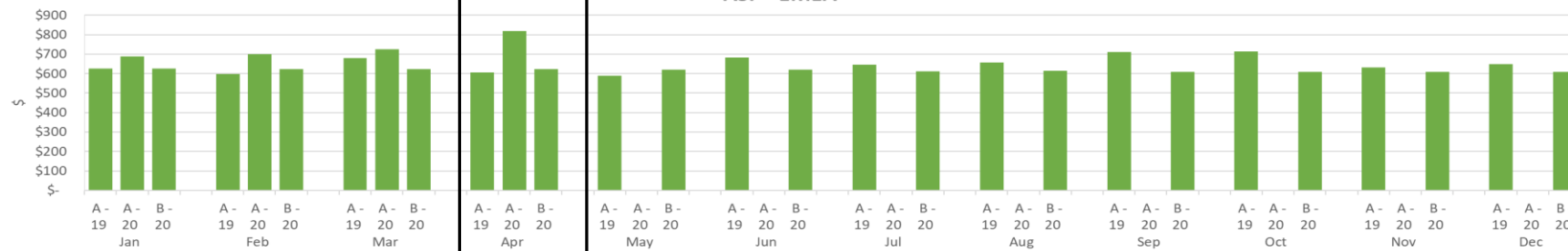


# ASP by Region – Monthly Trend

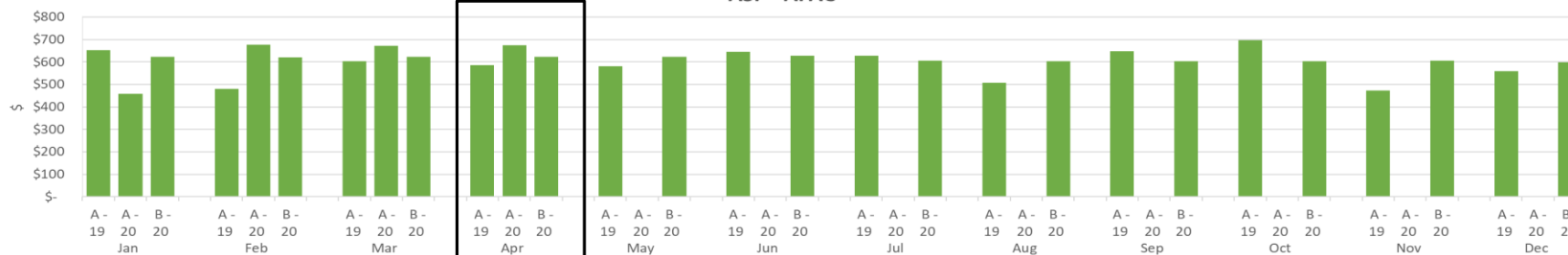
ASP - Americas



ASP - EMEA

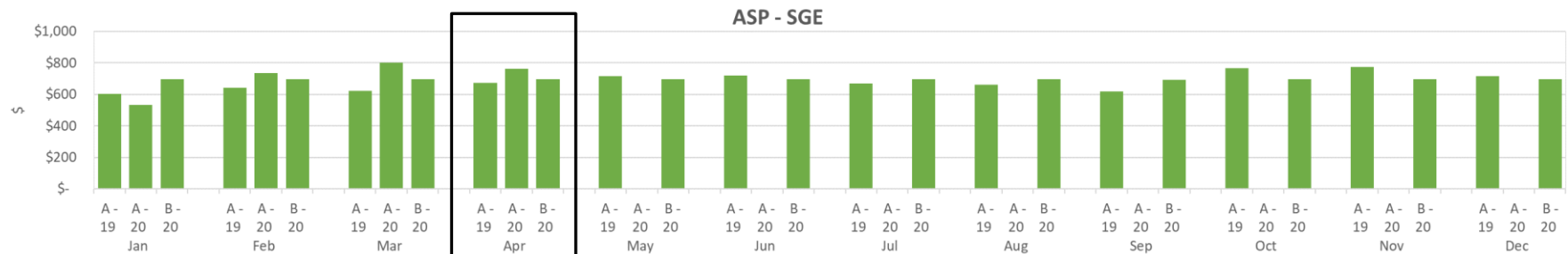
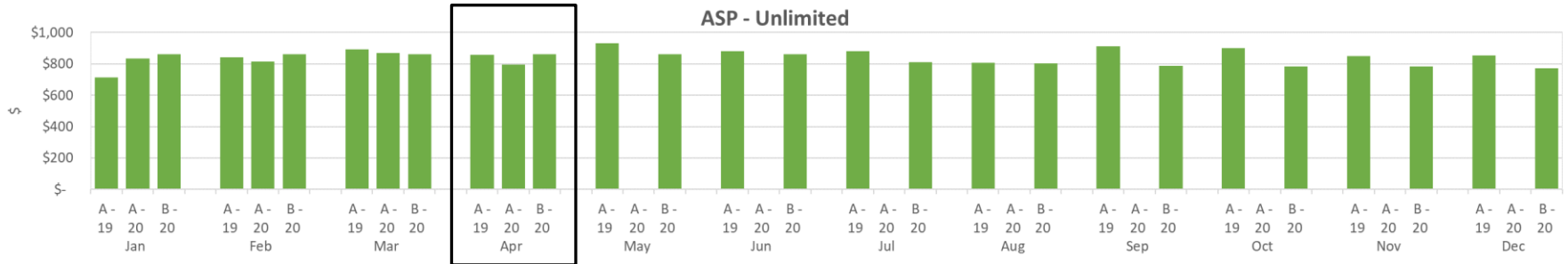
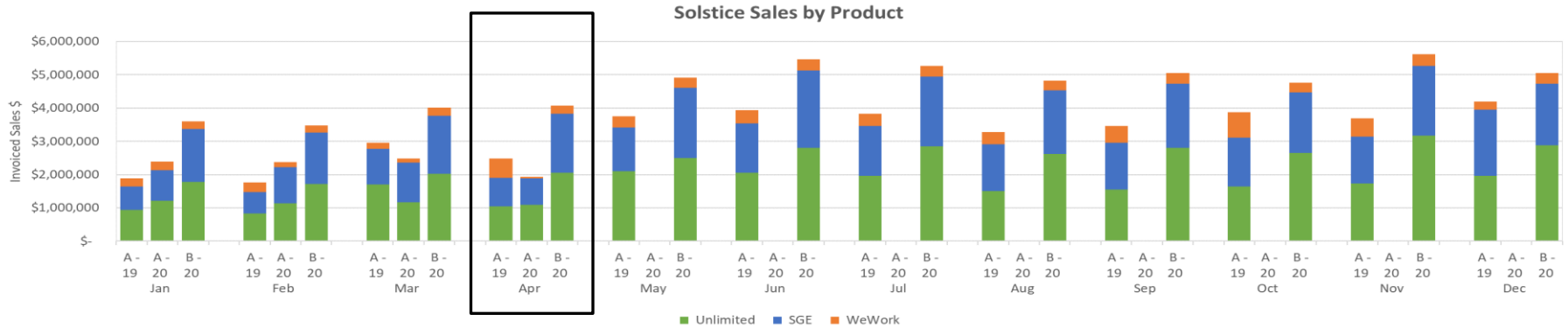


ASP - APAC



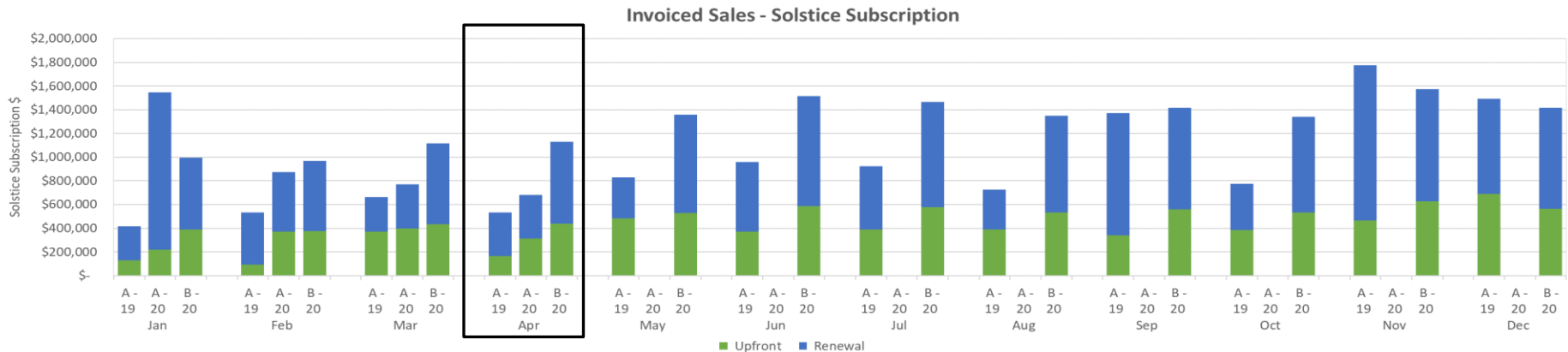
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 78% actual vs 76% Target, EMEA 19% actual vs 18% Target, APAC 3% actual vs 5% target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
  - Americas - \$930 vs \$918 in prior month
  - EMEA - \$818 vs \$739 in prior month
  - APAC - \$673 vs \$693 in prior month

# Solstice Invoiced Sales Metrics – Monthly Trend - Product

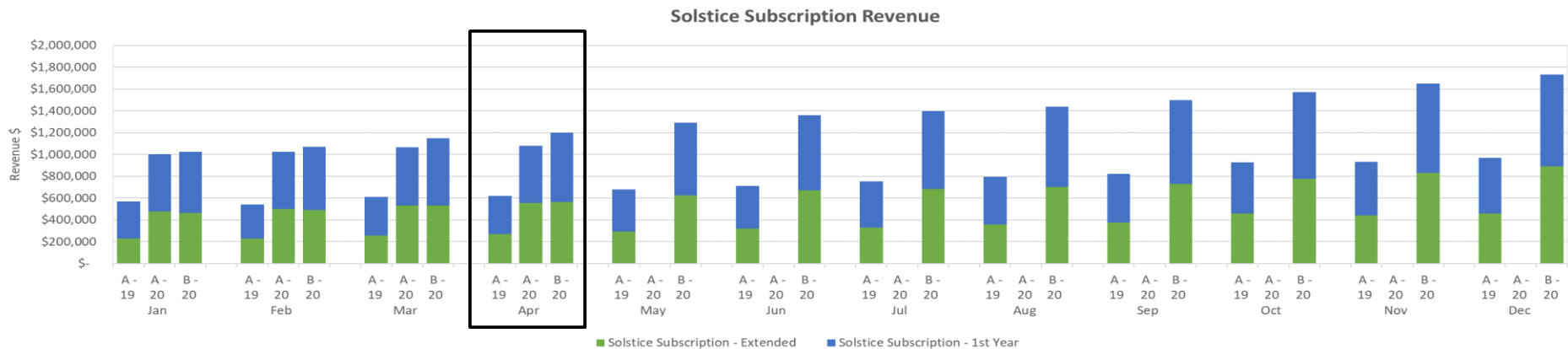


- Unlimited - March invoiced Solstice sales were \$1.1m compared to target of \$2.0m vs PY of \$1.0m.
- SGE - April invoiced sales were \$0.8m compared to target of \$1.8m vs PY of \$1.1m.
- WeWork - April invoiced sales were \$46k compared to target of \$254k vs PY of \$578k.
- Unlimited – April ASP was \$796 compared to target of \$860 vs PY of \$857.
- SGE - April ASP was \$761 compared to target of \$695 vs PY of \$671.

# Solstice Subscription Metrics – Monthly Trend

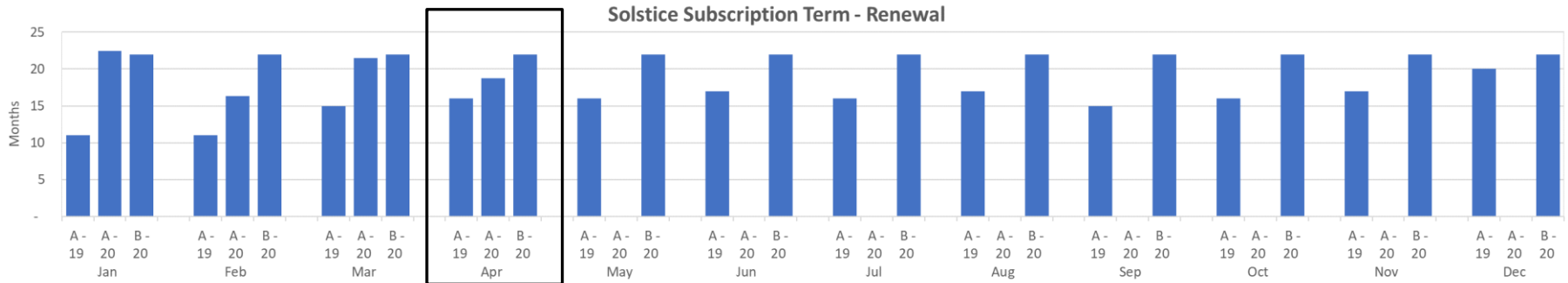


- April invoiced sales for solstice subscriptions was \$0.7m vs budget of \$1.1m, which is 60% of budget. PY was \$0.5m.
- YTD invoiced sales for solstice subscriptions was \$3.9m vs budget of \$4.2m, which is 92% of budget.
- April renewal ASP was \$252 compared to target of \$196 vs PY of \$170.
- April upfront ASP was \$312 compared to target of \$260 vs PY of \$294.
- Large renewal deals - Nike (74k), Penn State (48k), U of Iowa (28k)
- Large upfront deals – Norfolk State (79k), Case Western (70k), Southern Methodist (23k)

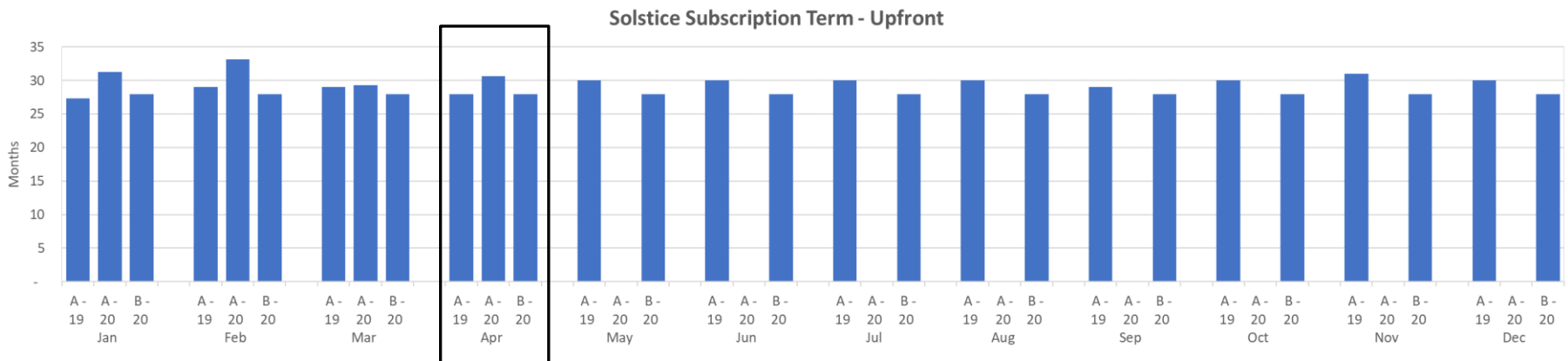


- April Solstice Subscription – Extended (renewal + upfront) was \$554k vs budget of \$564k vs PY of \$275k
- April Solstice Subscription – 1st year was \$526k vs budget of \$634k vs PY of \$351k
- April total Solstice Subscription was under expectations at \$1.1m vs budget of \$1.2m, but above PY of \$626k
- YTD total Solstice Subscription is slightly under expectations at 4.2m vs budget of 4.4m vs PY of 2.4m

# Solstice Subscription Metrics – Average Subscription Term



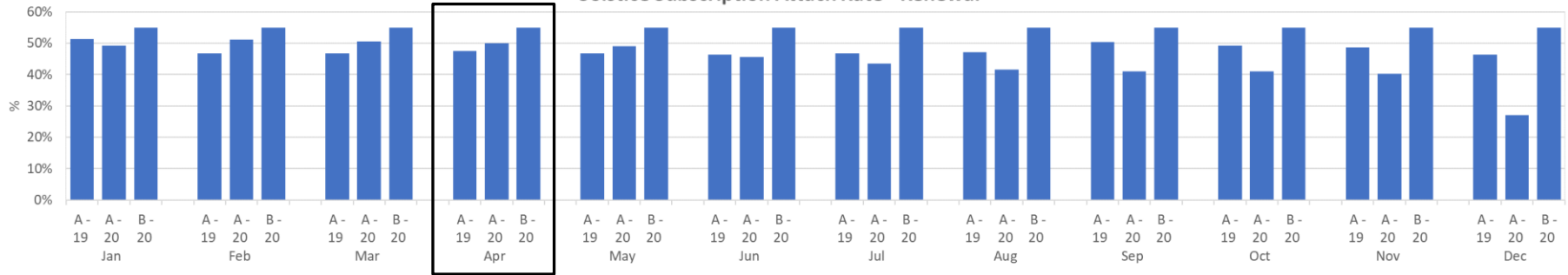
- Renewal average term was 19 months compared to target of 22 months.



- Upfront average term was 31 months compared to target of 28 months.

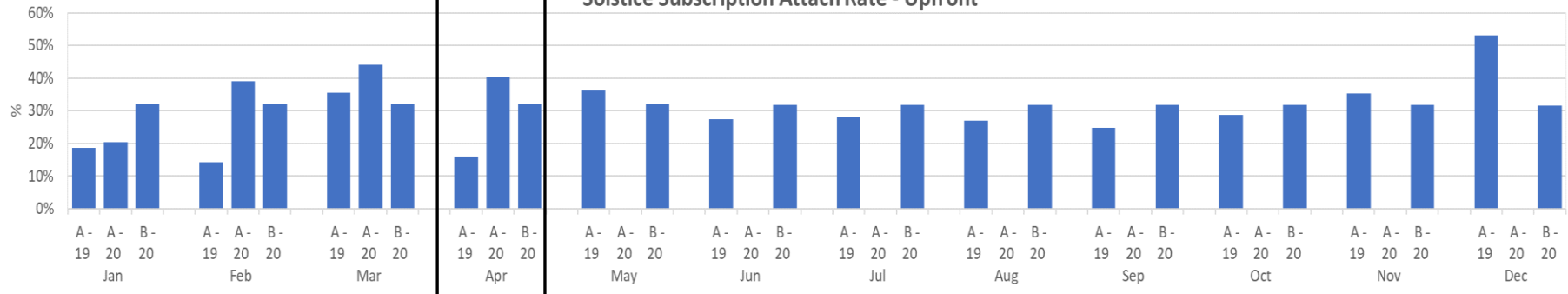
# Solstice Subscription Metrics – Attach Rate

Solstice Subscription Attach Rate - Renewal

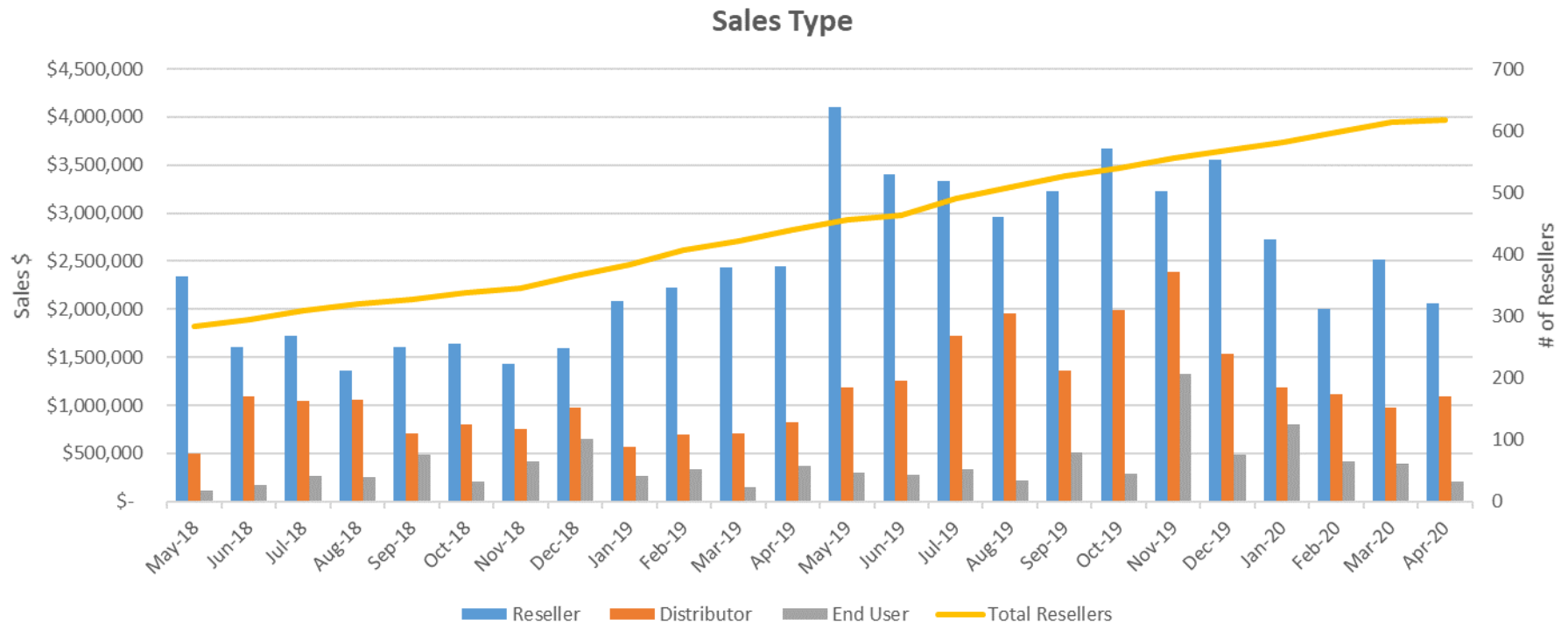


- Renewal rate was consistent at 50% during April and March. Target was 55%.

Solstice Subscription Attach Rate - Upfront



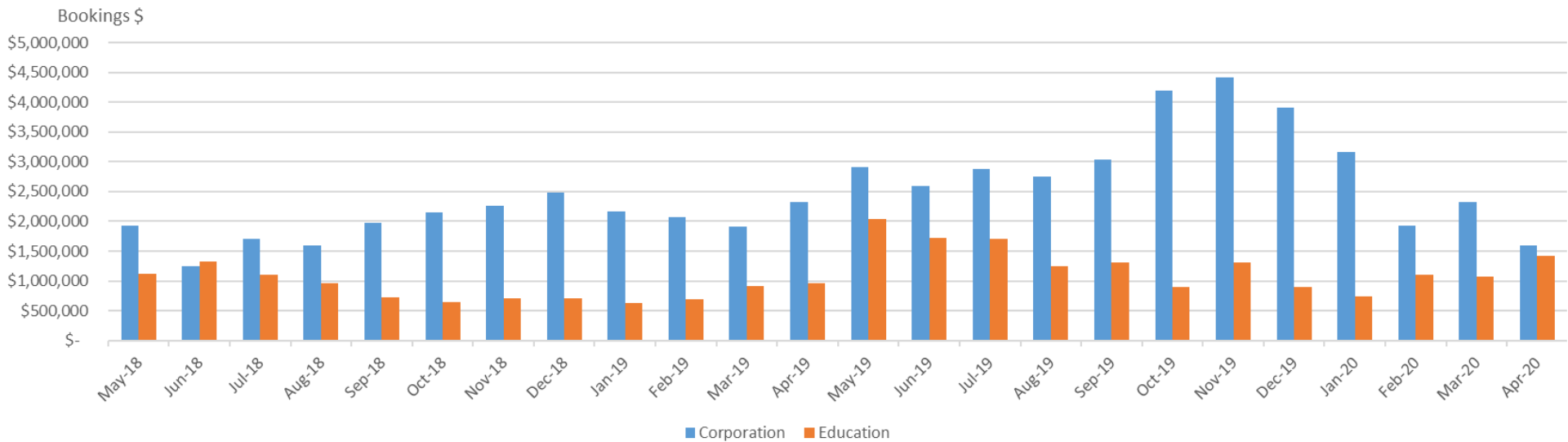
- Upfront attach rate decreased to 40% during April above target of 32%.



- Bookings
- New Resellers by Region:
  - TOLA = 1, West Coast = 1, Midwest = 2
  - Unique resellers in Apr 2020 were at 249 vs 269 for Mar 2020

# Customer Segment Metrics

Vertical



• Bookings excluding stocking orders and including sales out

# Top Customer Metrics - MTD

End User - Corporate	Apr 2020 Amount	% of Total
Nike	\$305,018	17%
BP	\$142,998	8%
Johnson County Government	\$103,806	6%
WeWork	\$74,000	4%
ETH Zürich	\$52,265	3%
Accenture	\$38,980	2%
CBRE	\$37,680	2%
EDGE	\$37,442	2%
Chesapeake Energy	\$32,836	2%
Sumitomo Mitsui DS Asset Management	\$32,317	2%
Other Customers	\$894,646	51%
<b>Total</b>	<b>1,751,990</b>	<b>100%</b>

End User - Education	Apr 2020 Amount	% of Total
University of York	\$161,007	11%
Penn State University	\$143,018	10%
Towson University	\$135,878	10%
Case Western Reserve University	\$125,773	9%
University of Iowa	\$86,972	6%
Norfolk State University	\$81,584	6%
University of Pennsylvania - The Wharton Schc	\$55,404	4%
Indiana University	\$47,959	3%
George Mason University	\$44,812	3%
James Madison University	\$39,447	3%
Other Customers	\$499,917	35%
<b>Total</b>	<b>1,421,770</b>	<b>100%</b>

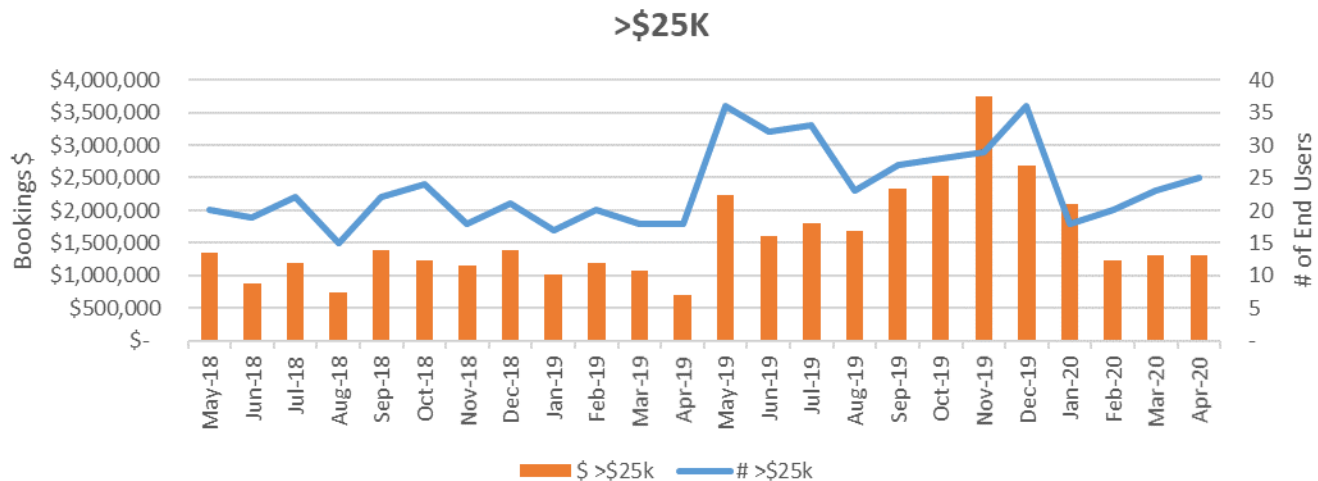
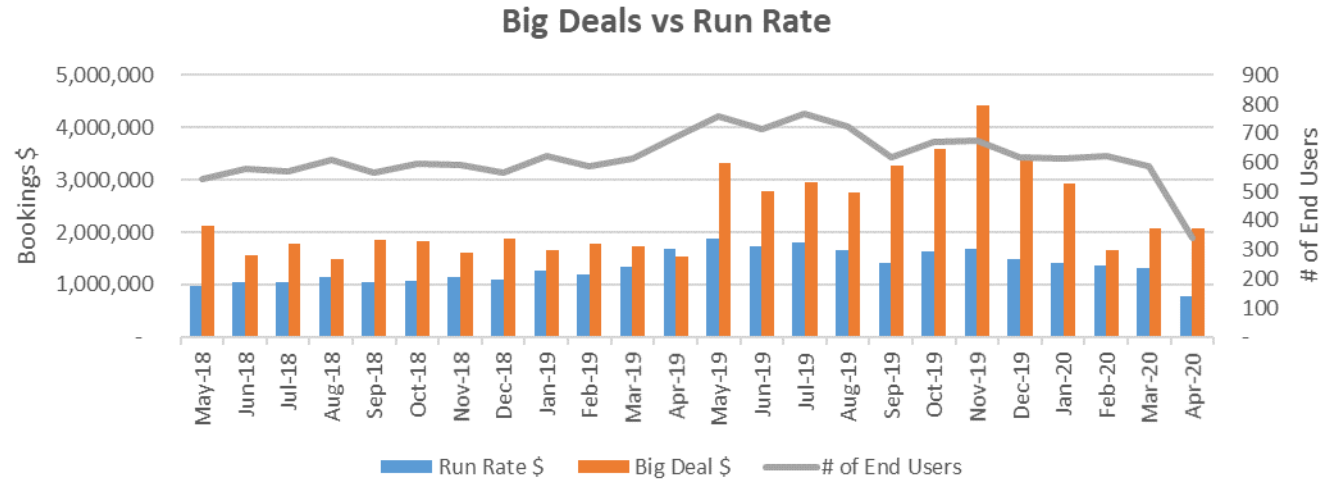


# Top Customer Metrics - LTM

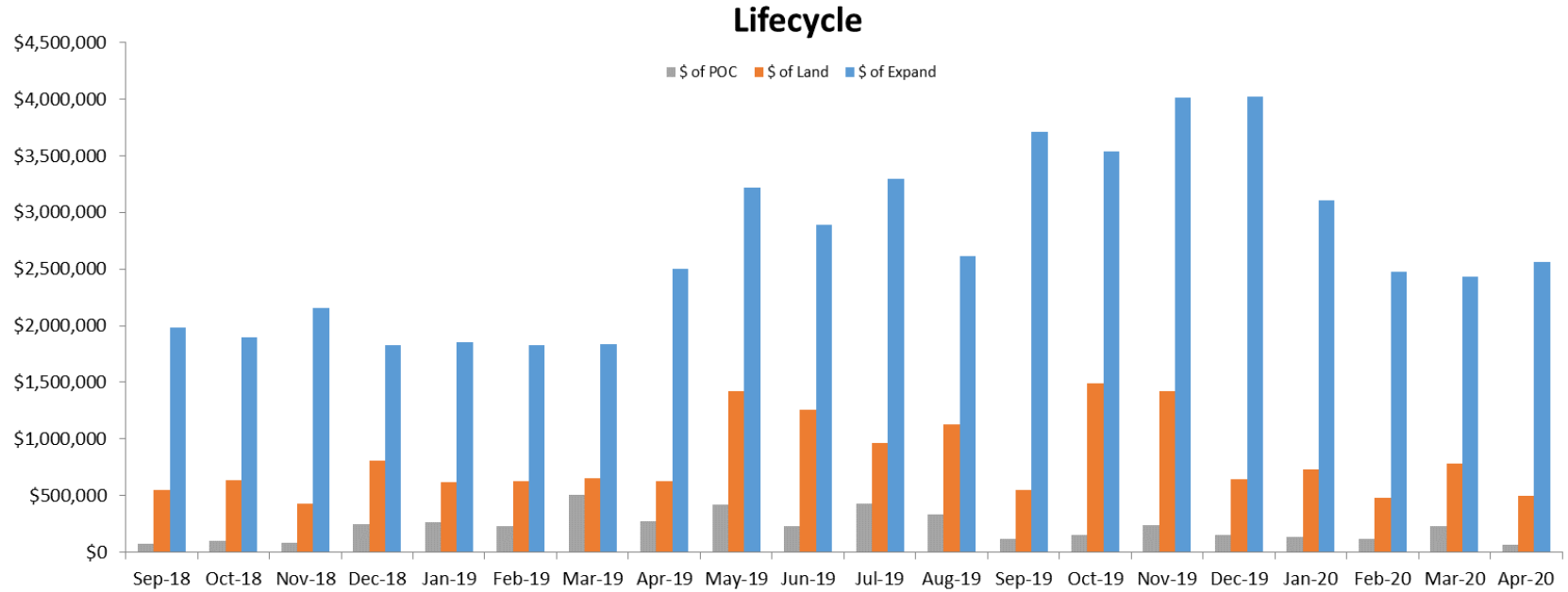
End User - Corporate	LTM Amount	% of Total
WeWork	\$5,973,633	16%
Nike	\$1,345,426	4%
Kiewit Corporation	\$941,530	3%
Comcast	\$756,993	2%
The Vanguard Group	\$694,475	2%
Mastercard	\$589,469	2%
Accenture	\$531,732	1%
Charter Communications	\$486,665	1%
McDermott	\$409,005	1%
AstraZeneca Global - Verified	\$359,005	1%
Other Customers	\$24,489,264	67%
<b>Total</b>	<b>36,577,199</b>	<b>100%</b>

End User - Education	LTM Amount	% of Total
Penn State University	\$400,051	3%
Case Western Reserve University	\$358,145	2%
Iowa State University	\$351,449	2%
Texas Tech University	\$310,844	2%
Carnegie Mellon University	\$284,121	2%
Indiana University	\$261,584	2%
University of Illinois	\$247,217	2%
George Mason University	\$235,412	2%
University of Illinois at Urbana-Champaign	\$234,699	2%
Nexus International School (Singapore)	\$226,468	1%
Other Customers	\$12,547,800	81%
<b>Total</b>	<b>15,457,790</b>	<b>100%</b>

# Big Deals and Run Rate Metrics

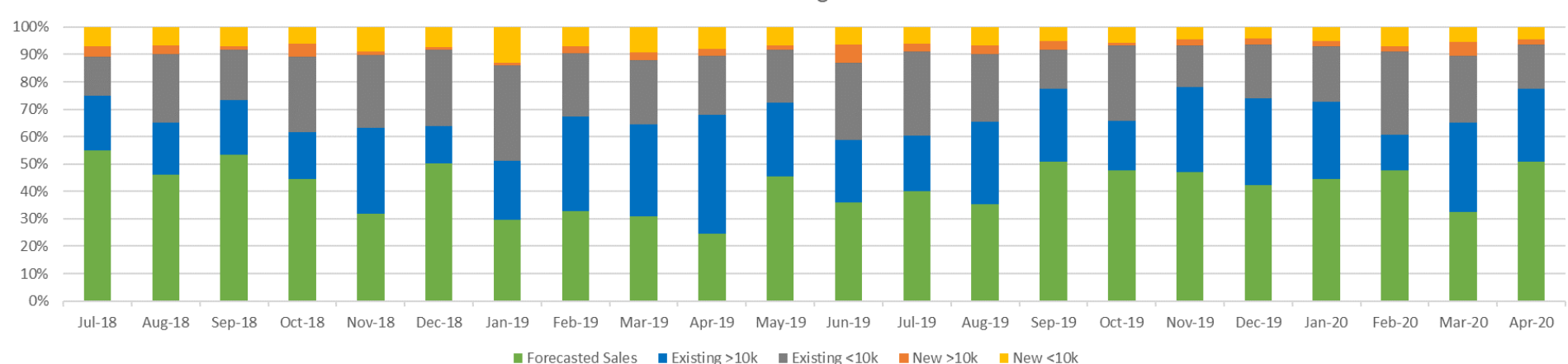
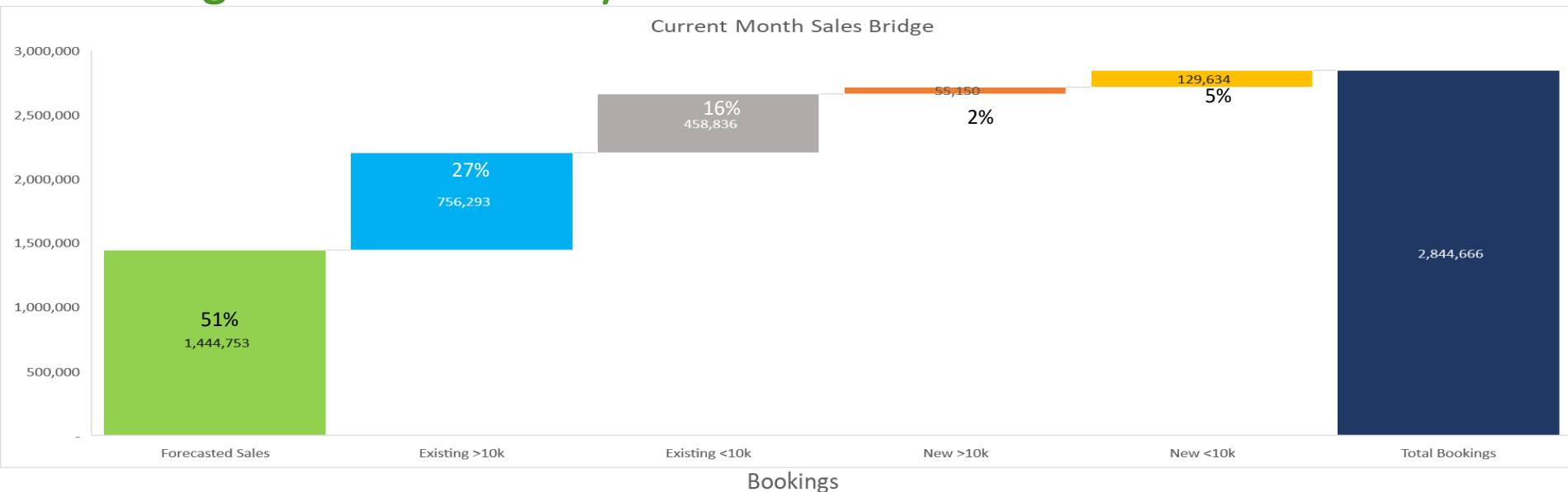


# End User Lifecycle Metrics



Lifecycle																				
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Total																				
\$ of POC	\$78,454	\$98,798	\$82,215	\$243,862	\$265,374	\$226,336	\$503,914	\$272,401	\$416,792	\$229,211	\$428,380	\$336,264	\$116,920	\$156,670	\$240,194	\$153,515	\$132,399	\$120,266	\$233,694	\$62,062
\$ of Land	\$545,622	\$639,324	\$429,220	\$810,840	\$618,152	\$630,944	\$650,960	\$631,466	\$1,422,369	\$1,258,717	\$966,741	\$1,129,011	\$546,051	\$1,495,218	\$1,420,125	\$646,301	\$730,555	\$480,990	\$786,906	\$499,579
\$ of Expand	\$1,979,358	\$1,896,181	\$2,152,598	\$1,824,666	\$1,851,640	\$1,829,387	\$1,837,827	\$2,499,749	\$3,221,062	\$2,889,865	\$3,295,942	\$2,612,346	\$3,706,090	\$3,534,426	\$4,012,538	\$4,022,595	\$3,106,826	\$2,473,884	\$2,431,705	\$2,565,728
Total	\$2,603,434	\$2,634,303	\$2,664,032	\$2,879,367	\$2,735,167	\$2,686,667	\$2,992,701	\$3,403,617	\$5,060,222	\$4,377,793	\$4,691,063	\$4,077,621	\$4,369,060	\$5,186,314	\$5,672,858	\$4,822,411	\$3,969,780	\$3,075,139	\$3,452,305	\$3,127,369

# Bookings Attribution Analysis



## Management Discussion

- 51% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 27% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 16% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 7% of bookings were from new customers and not included in forecasted sales for the month.

# Quota Attainment by Region

Apr 2020 Bookings vs. Quota  
Stack ranked by YTD % of Quota

Name	Territory	Apr-20				2020 YTD			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
Melissa Johnson	Mid-Atlantic	326,250	397,987	71,737	122%	1,215,900	1,115,851	(100,049)	92%
Mats Bergqvist	West Coast	389,688	122,018	(267,670)	31%	1,545,057	1,162,427	(382,630)	75%
Jonathan Davies	New England	217,500	99,276	(118,224)	46%	810,600	590,621	(219,979)	73%
Ryan Shannon	Midwest	1,123,750	609,800	(513,950)	54%	4,188,100	3,024,608	(1,163,492)	72%
Burt Feldman	Northeast	797,500	385,776	(411,724)	48%	2,972,200	1,955,542	(1,016,658)	66%
John Chandler	TOLA	435,000	273,093	(161,907)	63%	1,621,200	1,049,834	(571,366)	65%
Scott Ruffer	Midwest	311,750	236,974	(74,776)	76%	549,990	348,349	(201,640)	63%
Joel Carroll	Southeast	471,250	153,113	(318,137)	32%	1,756,300	1,038,738	(717,562)	59%
Ryan Gregston	Southwest	207,380	87,028	(120,352)	42%	979,471	525,259	(454,212)	54%
Craig Tollefson	Minnesota	297,250	260,224	(37,026)	88%	1,107,820	577,219	(530,601)	52%
Veronica Saldarriaga	Rocky Mountain	126,875	26,123	(100,752)	21%	472,850	207,784	(265,066)	44%
Danny Fabre	Canada	145,000	19,325	(125,675)	13%	540,400	176,381	(364,019)	33%
Jeff McDonald	ANZ	126,875	1,610	(125,265)	1%	472,850	114,497	(358,353)	24%
Chris Charran	UK	398,750	62,355	(336,395)	16%	1,486,100	652,836	(833,264)	44%
Thomas Liot	France/Spain	163,125	12,442	(150,684)	8%	607,950	212,781	(395,169)	35%
Rosario Marseglia	Germany/Italy	163,125	94,783	(68,342)	58%	607,950	280,427	(327,523)	46%
Cyril Mattar	MEA	126,875	19,139	(107,736)	15%	472,850	141,640	(331,210)	30%
Johan Cederberg	Nordics	181,250	323,453	142,203	178%	675,500	443,491	(232,009)	66%
Jeff Liu	China	137,750	110	(137,640)	0%	513,380	16,706	(496,674)	3%
Gark Tan	APAC	290,000	81,841	(208,159)	28%	1,080,800	687,293	(393,507)	64%
Jeff Meyer	EMEA	1,105,625	659,582	(446,043)	60%	4,120,550	2,115,177	(2,005,373)	51%
WeWork	N/A	253,750	46,583	(207,167)	18%	945,700	608,151	(337,549)	64%
Rick Emery	World	5,255,598	2,844,666	(2,410,931)	54%	19,587,068	13,624,107	(5,962,961)	70%

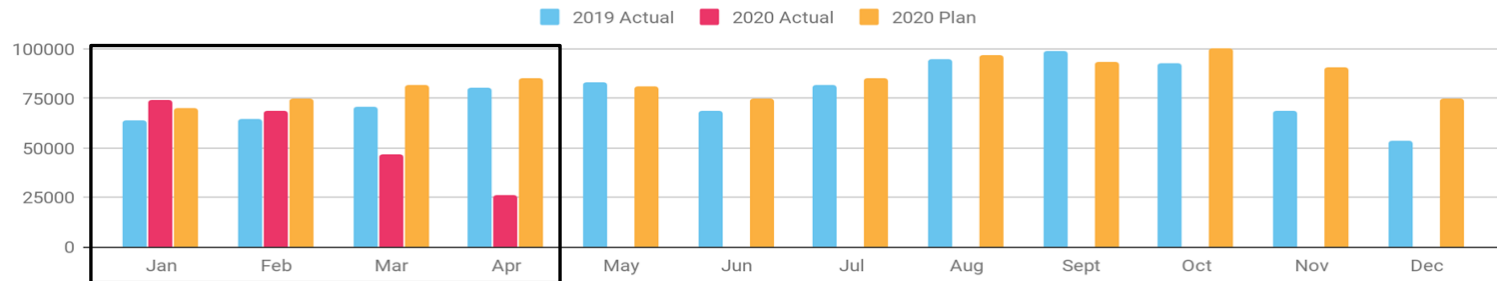
# New End User Count by Region

## Apr 2020 New End Users

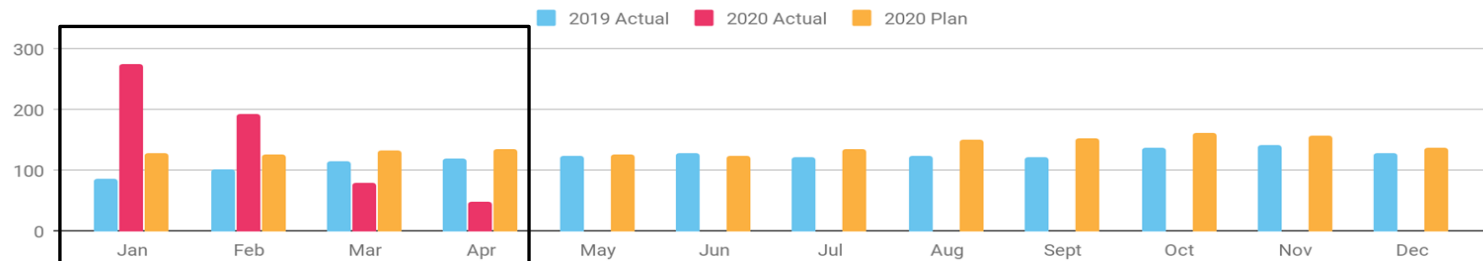
Name	Territory	Apr-19	Apr-20			2020 YTD			
		PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
Scott Ruffer	Midwest	-	3	3		-	4	4	
Veronica Saldarriaga	Rocky Mountain	-	6	6		2	24	22	1200%
Craig Tollefson	Midwest	1	8	7	800%	4	27	23	675%
Jeff McDonald	ANZ	-	1	1		1	5	4	500%
Melissa Johnson	Mid-Atlantic	2	5	3	250%	8	27	19	338%
Ryan Gregston	Southwest	-	6	6		10	24	14	240%
John Chandler	TOLA	13	8	(5)	62%	55	51	(4)	93%
Joel Carroll	Southeast	13	10	(3)	77%	80	62	(18)	78%
Jonathan Davies	New England	7	1	(6)	14%	18	8	(10)	44%
Danny Fabre	Canada	10	-	(10)	0%	45	21	(24)	47%
Burt Feldman	Northeast	27	7	(20)	26%	97	49	(48)	51%
Ryan Shannon	Midwest	34	9	(25)	26%	131	61	(70)	47%
Mats Bergqvist	West Coast	14	6	(8)	43%	60	16	(44)	27%
Johan Cederberg	Nordics	5	4	(1)	80%	14	39	25	279%
Cyril Mattar	MEA	1	3	2	300%	7	21	14	300%
Rosario Marsegli	Germany/Italy	8	1	(7)	13%	25	17	(8)	68%
Thomas Liot	France/Spain	16	3	(13)	19%	51	24	(27)	47%
Chris Charran	UK	24	7	(17)	29%	80	35	(45)	44%
Jeff Liu	China	7	3	(4)	43%	10	5	(5)	50%
Gark Tan	APAC	19	7	(12)	37%	67	64	(3)	96%
Jeff Meyer	EMEA	93	21	(72)	23%	265	153	(112)	58%
		PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
Rick Emery	World	211	90	(121)	43%	778	563	(215)	72%

## Marketing Metrics

### Sessions



### MQLs

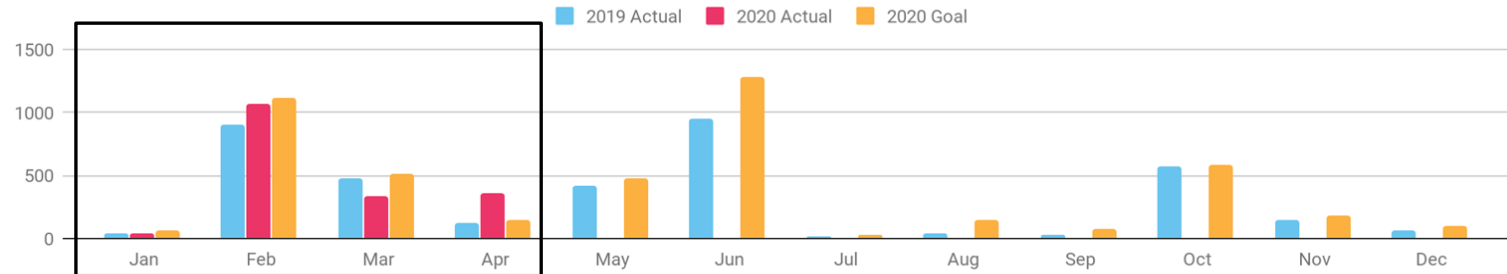


### Management Discussion

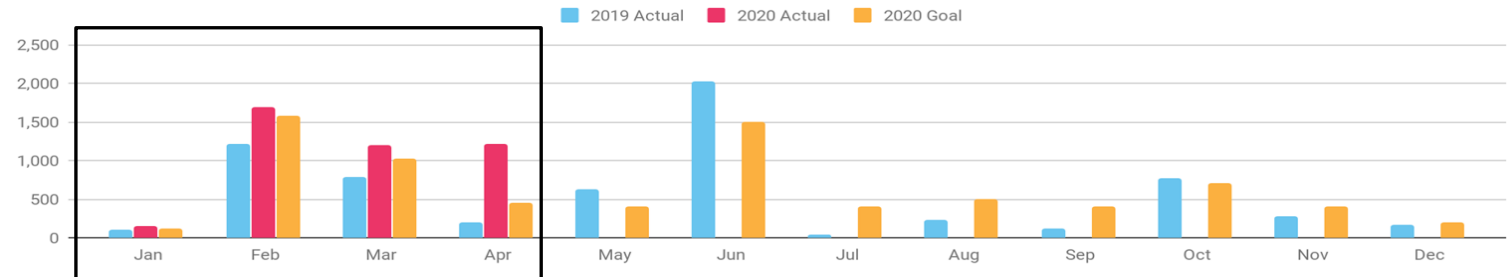
- Web traffic is below plan due to pausing ad spend in current and prior months plus the global effect of coronavirus.
- The session to MQL conversion rate is 19% ahead of plan, indicating qualified prospects are visiting our site.
- Low sessions and the pandemic have led to a lower total count of MQLs.

## Field Marketing Metrics

### New Event Members



### All Event Members



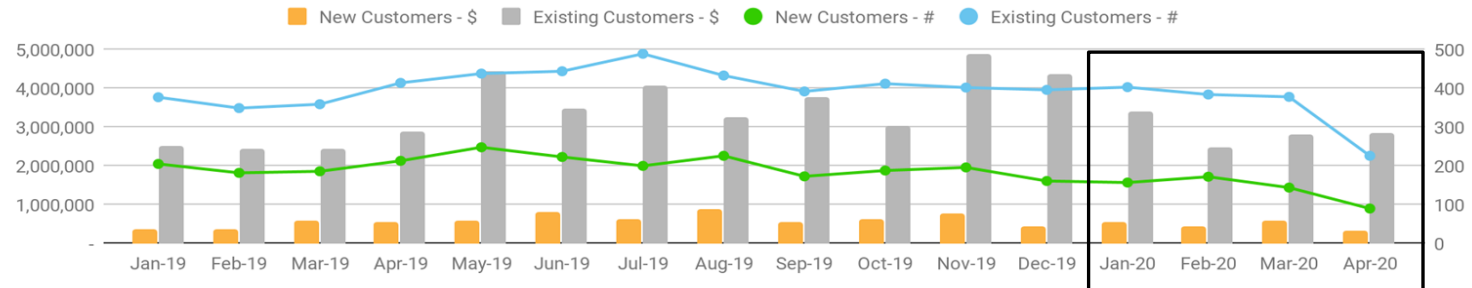
### Management Discussion

- The new plan accounts for Covid-19 impact; due to strong virtual engagement in March and April, total event member goals have increased for the year.
- US and EMEA virtual engagement for Solstice Cloud account for 904 event members in April.
- 85% YoY improvement comparing first four months of 2019 to 2020.

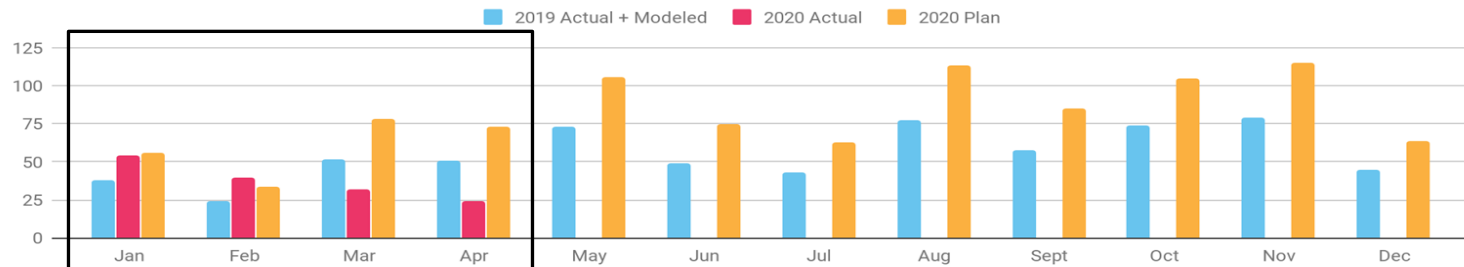


## New Customer Metrics

### Monthly New vs. Existing Customers



### Marketing Influenced Net New Accounts

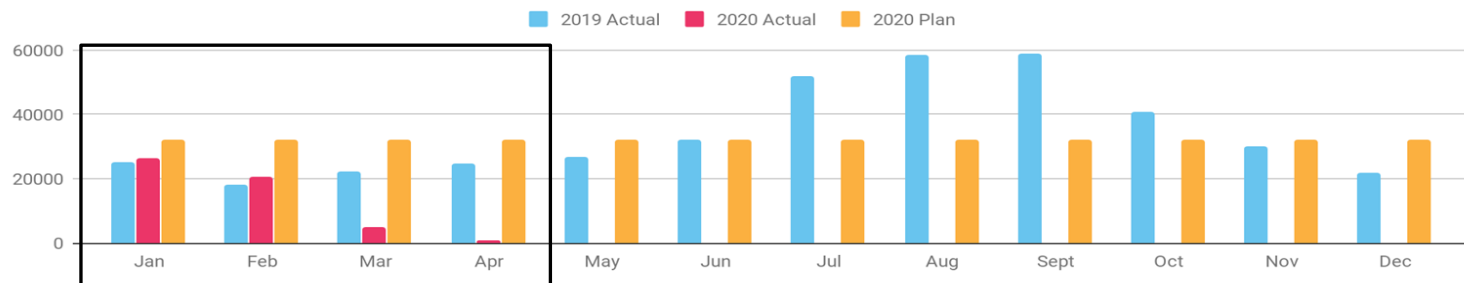


### Management Discussion

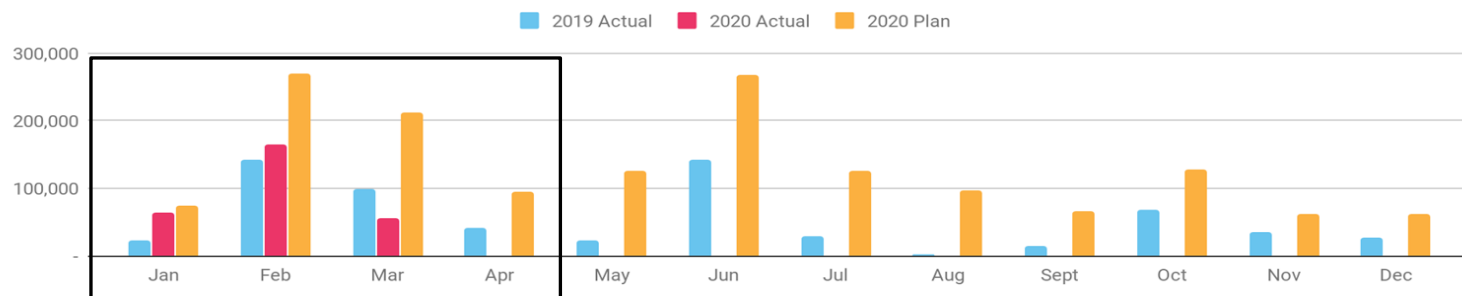
- This plan does not account for Covid-19 impact; a modified plan based on lowered ad spend and event cancellations/delays will follow an updated bookings forecast.
- Despite a lower count of existing customer purchases in April, larger deals by price elevated the overall booking amount for existing customers.
- Marketing influenced NN accounts are 62% of plan YTD. April marketing influenced NN accounts represent 26% of all NN accounts.

## Marketing Spend

### Digital Ad Spend



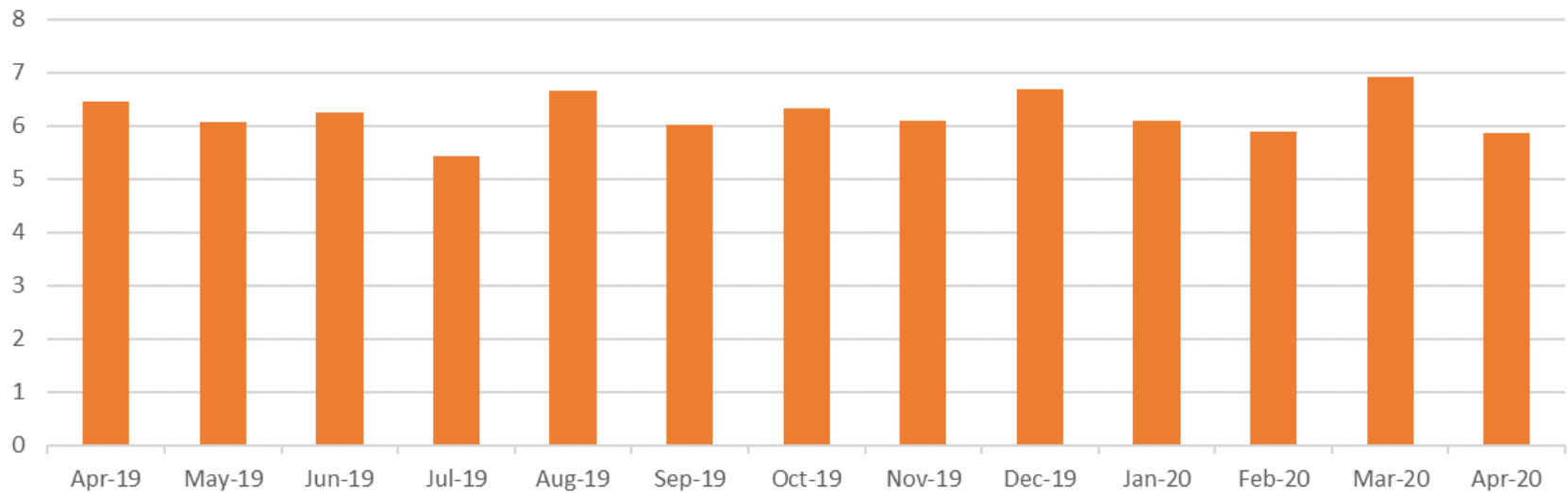
### Field Marketing Spend



### Management Discussion

- Digital Ad spend was 2.5% of plan in March, 41% of plan YTD.
- Field Marketing spend was 0.24% of plan in March (\$248 total), 44% of plan YTD.

Average Number of Sessions per User per Month

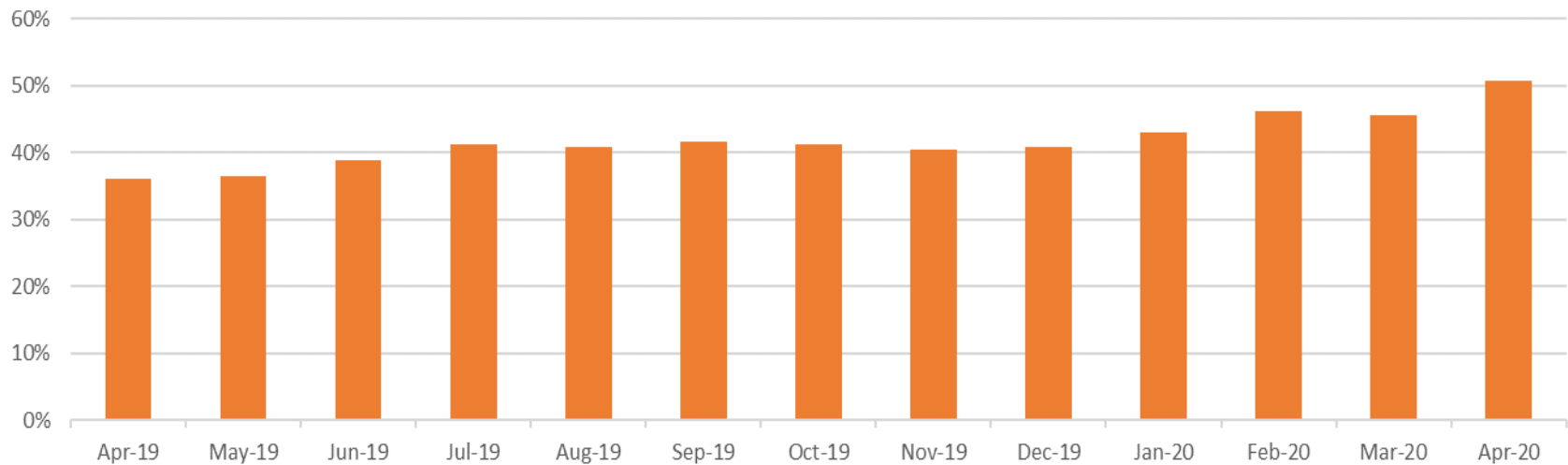


## Management Discussion

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

# Kepler - Adoption

% of Top 100 Customers with Kepler

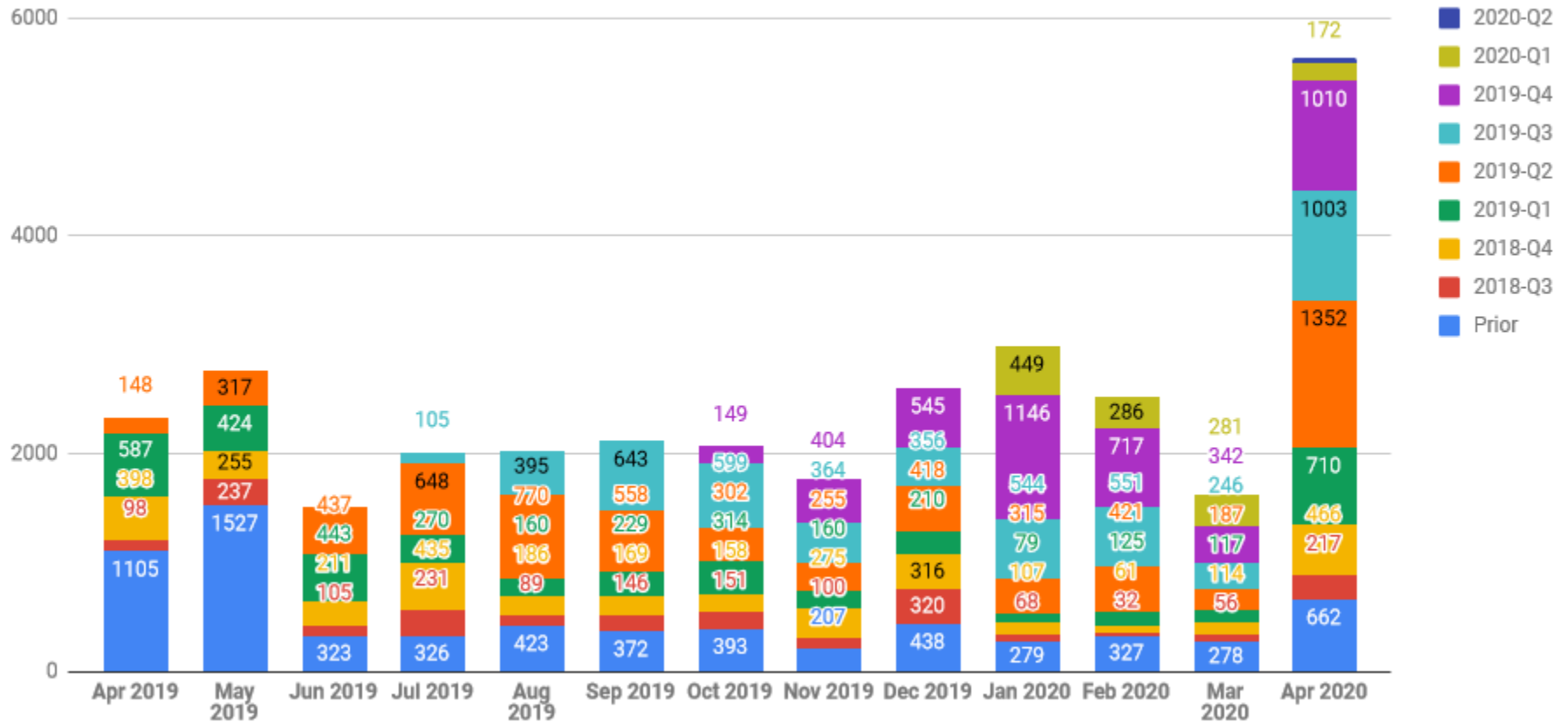


## Management Discussion

- % of top 100 customers based on # of Solstice with Kepler.
- Increase is due to a one-time bulk import by WeWork.

# Kepler – Kepler Import Month by Purchase Quarter

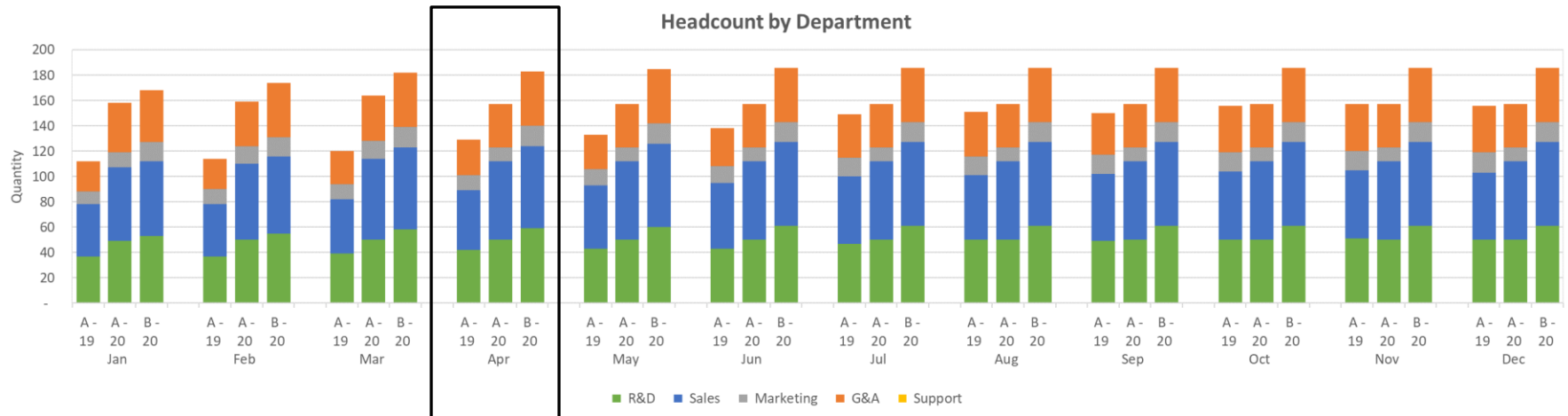
Import Month by Purchase Qtr



## Management Discussion

- Kepler imports by month by purchase quarter.
- Kepler import is when a customer imports a Solstice or group of Solstice into Kepler
- Increase is due to a one-time bulk import by WeWork.

# Staffing Analysis



## Management Discussion

- Headcount is below plan through April at 157 compared to budget of 183.

## 4/30/20 Talent Snapshot

### **Team Members by Geography**

Denver (109)

US field (29)

International field (18)

### **Team Members by Function**

Development (52)

Sales (55)

Marketing (17)

Operations (22)

Finance/HR/Exec (11)

Total Team Members: 157

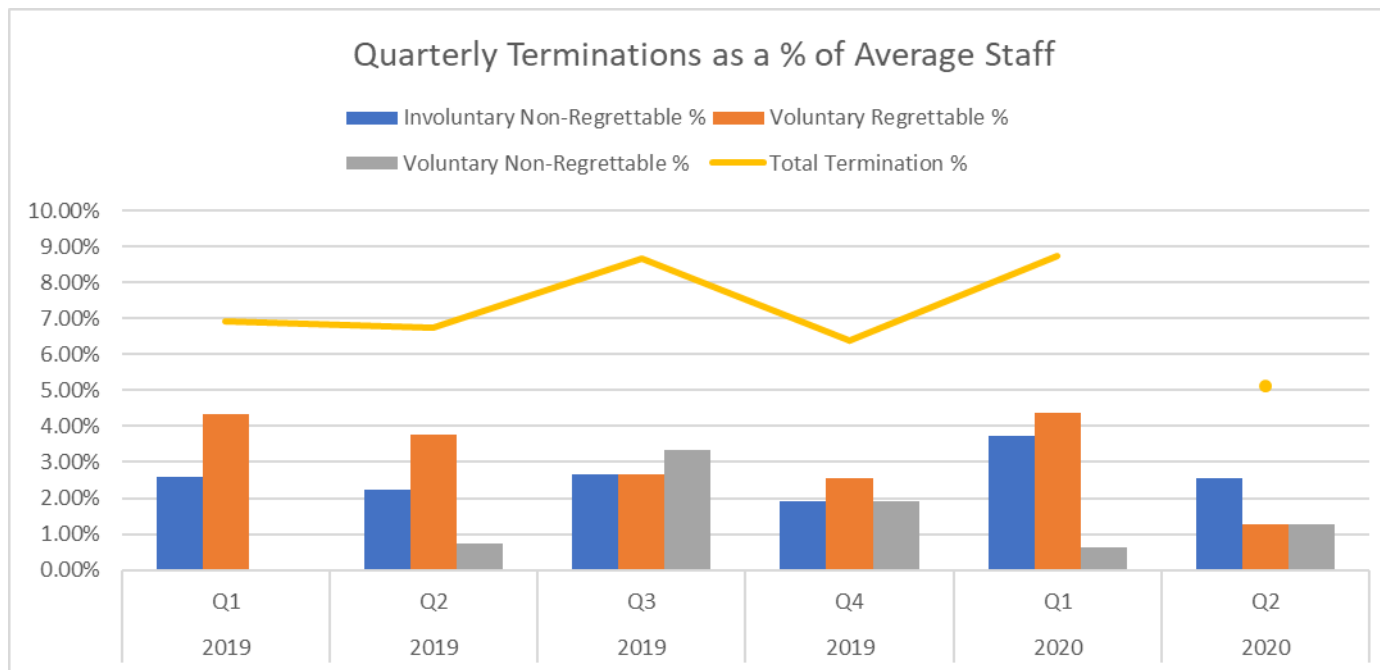
Open Positions: 0

YTD Hires: 22

YTD Departures: 22

YTD Net Headcount Growth: 0

# Termination Analysis



## Management Discussion

- 8 Terminations in April, of which 2 are regrettable.



# Monthly Operating Review Agenda

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

# Summary P&L Through April 2020

\$'000	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Bud	\$	%		\$	%	Act	Bud	\$	%		\$	%
<b>Net Revenue</b>	<b>2,729</b>	<b>4,643</b>	<b>(1,914)</b>	<b>(41.2%)</b>	<b>2,703</b>	<b>26</b>	<b>1.0%</b>	<b>12,272</b>	<b>17,273</b>	<b>(5,000)</b>	<b>(28.9%)</b>	<b>10,360</b>	<b>1,912</b>	<b>18.5%</b>
ARR	12,599	14,379	(1,781)	(12.4%)	7,515	5,083	67.6%	12,599	14,379	(1,781)	(12.4%)	7,515	5,083	67.6%
Material	544	1,329	(785)	(59.1%)	720	(176)	(24.4%)	2,834	4,897	(2,063)	(42.1%)	2,401	434	18.1%
Labor	73	88	(15)	(17.2%)	79	(6)	(7.2%)	287	353	(65)	(18.5%)	225	63	27.9%
<b>Total COGS</b>	<b>617</b>	<b>1,417</b>	<b>(800)</b>	<b>(56.5%)</b>	<b>798</b>	<b>(181)</b>	<b>(22.7%)</b>	<b>3,122</b>	<b>5,250</b>	<b>(2,128)</b>	<b>(40.5%)</b>	<b>2,625</b>	<b>496</b>	<b>18.9%</b>
<b>Gross Margin</b>	<b>2,112</b>	<b>3,226</b>	<b>(1,114)</b>	<b>(34.5%)</b>	<b>1,904</b>	<b>207</b>	<b>10.9%</b>	<b>9,151</b>	<b>12,023</b>	<b>(2,872)</b>	<b>(23.9%)</b>	<b>7,734</b>	<b>1,416</b>	<b>18.3%</b>
Gross Margin %	77.4%	69.5%			70.5%			74.6%	69.6%			74.7%		
R&D	682	959	(277)	(28.8%)	550	132	23.9%	3,076	3,715	(639)	(17.2%)	1,923	1,153	59.9%
Sales & Marketing	877	1,458	(581)	(39.9%)	991	(115)	(11.6%)	4,263	6,213	(1,950)	(31.4%)	3,928	335	8.5%
Administrative	574	856	(283)	(33.0%)	685	(111)	(16.2%)	2,802	3,295	(493)	(15.0%)	2,286	517	22.6%
<b>Total Opex</b>	<b>2,132</b>	<b>3,273</b>	<b>(1,141)</b>	<b>(34.9%)</b>	<b>2,226</b>	<b>(94)</b>	<b>(4.2%)</b>	<b>10,141</b>	<b>13,223</b>	<b>(3,082)</b>	<b>(23.3%)</b>	<b>8,137</b>	<b>2,004</b>	<b>24.6%</b>
<b>Reported EBITDA</b>	<b>(21)</b>	<b>(47)</b>	<b>27</b>	<b>(56.7%)</b>	<b>(322)</b>	<b>301</b>	<b>(93.6%)</b>	<b>(991)</b>	<b>(1,200)</b>	<b>209</b>	<b>(17.5%)</b>	<b>(403)</b>	<b>(588)</b>	<b>146.1%</b>
EBITDA Margin %	(0.8%)	(1.0%)			(11.9%)			(8.1%)	(6.9%)			(3.9%)		
<b>EBITDA, adjusted</b>	<b>(21)</b>	<b>(47)</b>	<b>27</b>	<b>(56.7%)</b>	<b>(322)</b>	<b>301</b>	<b>(93.6%)</b>	<b>(991)</b>	<b>(1,200)</b>	<b>209</b>	<b>(17.5%)</b>	<b>(403)</b>	<b>(588)</b>	<b>146.1%</b>
Adjusted EBITDA % sales	(0.8%)	(1.0%)			(11.9%)			(8.1%)	(6.9%)			(3.9%)		
<b>Net Income (Loss)</b>	<b>\$ (520)</b>	<b>\$ (607)</b>	<b>\$ 86</b>	<b>(14.2%)</b>	<b>\$ (780)</b>	<b>\$ 259</b>	<b>(33.3%)</b>	<b>\$ (3,002)</b>	<b>\$ (3,262)</b>	<b>\$ 260</b>	<b>(8.0%)</b>	<b>\$ (2,227)</b>	<b>\$ (774)</b>	<b>34.8%</b>
<b>Capex</b>	<b>\$ (75)</b>	<b>\$ (38)</b>	<b>\$ (37)</b>	<b>98.6%</b>	<b>\$ (28)</b>	<b>\$ (47)</b>	<b>166.9%</b>	<b>\$ (162)</b>	<b>\$ (251)</b>	<b>\$ 89</b>	<b>(35.6%)</b>	<b>\$ (226)</b>	<b>\$ 64</b>	<b>(28.4%)</b>

## Management Discussion

- MTD invoiced sales were \$2.6m compared to plan of \$5.3m and include Solstice subscription sales of \$681k compared to plan of \$1.1m. There was backlog of \$418k at month end. April 2019 was \$3.1m. Bookings for the month were \$2.8m. YTD invoiced sales were \$13.3m compared to plan of \$19.6m and include Solstice subscription sales of \$3.9m compared to plan of \$3.2m. YTD Bookings were \$13.6m compared to 2019 YTD bookings of \$12.2m.
- MTD invoiced sales mix by region: Americas 78% actual vs 76% target, EMEA 19% actual vs 18% target, APAC 3% actual vs 5% target. YTD invoiced sales mix by region: Americas 80% actual vs 76% target, EMEA 14% actual vs 18% target, APAC 6% actual vs 5% target.
- MTD revenue of \$2.7m includes approximately \$1.6m of pod revenue and \$1.1m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$1.6m is lower than budget of \$3.4m for the month because of lower than expected pod unit sales. April 2019 revenue was \$2.7m. YTD 2020 revenue was \$12.3m compared to budget of \$17.3m and YTD 2019 of \$10.4m.
- ARR is lower than expected primarily due to lower than budgeted pod unit sales impact on free year subscription. Pod unit sales excluding upgrades/swaps are approx 51% of plan YTD.
- Units shipped for the month were 2,488 vs budget of 5,286 and overall invoiced ASP was \$779 vs the budget of \$771 including Gen 3 upgrades. Americas ASP was \$776 vs budget of \$829, EMEA at \$818 ASP vs \$624 budgeted and APAC at \$673 invoiced ASP vs \$623 budgeted. Without hardware upgrades included, ASP increases to \$894 per unit. YTD ASP was \$750 vs budget of \$770.
- Invoiced renewal subscription MTD were 1,460 units compared to plan of 3,521 resulting in invoiced sales of \$367k compared to budget of \$690k. April 2019 was \$366k. Renewal attached rate was 50% compared to a budgeted attach rate of 55%. YTD in invoiced sales of \$2.6m compared to budget of \$2.6m. YTD 2019 was \$1.4m.
- Invoiced upfront subscription MTD were 1,005 units compared to target of 1,688 resulting in invoiced sales of \$314k compared to budget of \$439k. April 2019 was \$166k. Upfront attached rate was 40% compared to a budgeted attach rate of 32%. YTD in invoiced sales of \$1.3m compared to budget of \$1.6m. YTD 2019 was \$758k.
- MTD GP % was below plan primarily due to less than expected Solstice sales. MTD GP % was above plan due to higher than expected mix of subscription revenue, less than expected invoiced sales for WeWork, and reduced Kepler costs.
- MTD R&D OpEx variance is primarily due to being under budget on hiring plan, removal of the MIPs and Employee bonus expense accruals, and canceling the customer council.
- MTD S&M OpEx is under budget due primarily to reduced commission expense, marketing spend, and T&E spend. We are also behind on plan for hiring in S&M.
- MTD G&A OpEx variance is primarily due to being under budget on hiring plan, removal of the MIPs and Employee bonus expense accruals and professional services.
- Invoiced EBITDA for April was (\$101k) compared to budget of (\$566k). April 2019 was \$143k. YTD 2020 was \$73k compared to budget of \$1.1m. YTD 2019 was \$1.3m.
- MTD CAPEX was higher than expected due to timing of server room IT project. YTD is below plan.

# Balance Sheet

\$'000	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20		Variance
	Act	Act	Act	Act	Act	Bud	\$
<b>Current Assets</b>							
Cash and cash equivalents	\$ 7,647	\$ 7,716	\$ 7,471	\$ 8,113	\$ 9,136	\$ 2,710	\$ 6,426
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	7,969	7,392	6,249	5,765	4,908	8,059	(3,151)
Accounts receivable, reserves	(102)	(107)	(154)	(159)	(192)	(103)	(89)
Accounts receivable, net	7,867	7,285	6,095	5,606	4,716	7,955	(3,239)
Inventory, net	3,932	4,647	5,354	5,729	5,209	4,203	1,006
Prepaid expenses and other current assets	2,263	2,622	2,408	1,695	1,970	3,214	(1,244)
<b>Total Current Assets</b>	<b>21,709</b>	<b>22,270</b>	<b>21,328</b>	<b>21,144</b>	<b>21,031</b>	<b>18,082</b>	<b>2,948</b>
<b>Non-Current Assets</b>							
Property, plant & equipment, gross	1,940	1,944	1,986	2,027	\$ (275)	\$ (1,519)	\$ (1,244)
Accumulated depreciation	(379)	(415)	(451)	(487)	2,101	2,192	(91)
Property, plant & equipment, net	1,561	1,529	1,535	1,539	(543)	(411)	(132)
Goodwill	25,485	25,217	24,950	24,682	1,559	1,781	(223)
Identifiable intangible assets, net	2,010	1,953	1,896	1,840	24,415	24,855	(440)
Deferred tax asset	3,462	3,462	3,462	3,462	1,783	1,898	(115)
Other non-current assets	1,056	1,083	1,093	1,096	3,462	3,431	31
<b>Total Non-Current Assets</b>	<b>33,573</b>	<b>33,244</b>	<b>32,935</b>	<b>32,619</b>	<b>1,088</b>	<b>1,056</b>	<b>32</b>
<b>Total Assets</b>	<b>\$ 55,281</b>	<b>\$ 55,515</b>	<b>\$ 54,264</b>	<b>\$ 53,763</b>	<b>\$ 53,337</b>	<b>\$ 51,103</b>	<b>\$ 2,233</b>
<b>Current Liabilities</b>							
Notes payable	3,500	3,500	3,500	3,500	3,500	—	3,500
Accounts payable	2,328	2,604	2,115	2,407	2,712	2,594	118
Accrued liabilities	122	312	356	297	259	269	(10)
Accrued compensation	2,333	2,011	2,181	1,106	1,075	903	172
Income taxes payable	—	73	—	751	751	87	664
Other current liabilities	187	344	354	342	341	333	7
<b>Total Current Liabilities</b>	<b>8,470</b>	<b>8,845</b>	<b>8,506</b>	<b>8,403</b>	<b>8,637</b>	<b>4,186</b>	<b>4,451</b>
<b>Long-term liabilities</b>							
Long-term debt less current maturities	—	—	—	—	—	3,500	(3,500)
Long-term unearned revenue	15,655	16,341	16,571	16,710	16,594	17,811	(1,217)
Deferred liabilities	267	257	251	242	218	288	(69)
<b>Total Long-Term Liabilities</b>	<b>15,922</b>	<b>16,597</b>	<b>16,822</b>	<b>16,952</b>	<b>16,812</b>	<b>21,598</b>	<b>(4,786)</b>
<b>Total Liabilities</b>	<b>24,392</b>	<b>25,442</b>	<b>25,328</b>	<b>25,355</b>	<b>25,449</b>	<b>25,784</b>	<b>(335)</b>
<b>Shareholders' Equity</b>							
<b>Total Shareholders' Equity</b>	<b>30,889</b>	<b>30,073</b>	<b>28,936</b>	<b>28,408</b>	<b>27,887</b>	<b>25,319</b>	<b>2,568</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 55,281</b>	<b>\$ 55,515</b>	<b>\$ 54,264</b>	<b>\$ 53,763</b>	<b>\$ 53,337</b>	<b>\$ 51,103</b>	<b>\$ 2,233</b>

## Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February, strong AR collections over last couple months, COVID related cost reductions, and received a \$750k IRS refund in March that was not planned or expected.
- AR is lower than plan due to lower than budgeted invoiced sales, and decrease MoM is due to continued slow sales in April.
- Inventory is above plan due to lower than planned Solstice sales.
- Prepaid and OCA balances are lower than plan as we applied a \$1.1m pre-paid inventory deposits to outstanding invoices from Smart Technologies earlier than anticipated.
- AP variance to plan is largely consistent with plan. The variance month to month is due to timing of invoices from our supplier.
- Accrued Compensation is higher than plan due primarily to accrued PTO balances were trued up as part of year end closing process after we locked down the forecast model. This is netted with lower than expected accrued bonus/MIP due to removing bonus for 2020.
- The 751k tax payable is a tax refund that may be paid back to IRS in Q4 2020.
- Deferred revenue is below plan primarily due to lower than budgeted invoiced sales.
- Notes payable to SVB is forecasted as a LT liability in March as we expected the refinancing with SVB to be completed in March, which would have converted the obligation from ST to LT.
- Equity was higher than plan as we forecasted a \$3.0m dividend in February.

# Cash Flow Statement

	MTD			Var		PY-MTD	Var		YTD	Var		PY YTD	Var	
	Act	Bud	\$				Act	\$		Act	Bud	\$	Act	\$
<b>\$'000</b>														
<b>Cash flow from operations</b>														
Net Income (Loss)	\$ (520)	\$ (605)	\$ 85			\$ (780)	\$ 259		\$ (3,002)	\$ (3,257)	\$ 255	\$ (2,227)	\$ (774)	
Depreciation, amortization and other	380	338	42			388	(8)		1,461	1,330	131	1,404	56	
Deferred income tax	—	—	—			—	—		—	—	—	—	—	
<i>Change in operating assets and liabilities:</i>														
Accounts receivable	890	(88)	978			(495)	1,386		3,151	(88)	3,239	(834)	3,985	
Inventory	520	(642)	1,163			(687)	1,207		(1,277)	(271)	(1,006)	(1,998)	721	
Prepaid expenses and other current assets	(267)	(59)	(207)			(252)	(15)		260	(630)	891	(1,143)	1,403	
Accounts payable	339	38	301			692	(353)		401	230	170	1,949	(1,548)	
Accrued expenses	(104)	19	(122)			43	(147)		(1,139)	(1,340)	202	(598)	(541)	
Accrued income taxes	—	(5)	5			0	(0)		750	85	665	(0)	750	
Other changes in operating assets and liabilities	(140)	644	(784)			377	(517)		890	2,108	(1,217)	1,490	(600)	
Other cash flow from operations	(1)	(3)	2			13	(15)		156	148	7	268	(112)	
<b>Total Cash Flow from Operations</b>	<b>\$ 1,097</b>	<b>\$ (365)</b>	<b>\$ 1,462</b>			<b>\$ (701)</b>	<b>\$ 1,799</b>		<b>\$ 1,651</b>	<b>\$ (1,686)</b>	<b>\$ 3,336</b>	<b>\$ (1,689)</b>	<b>\$ 3,339</b>	
<b>Cash flow from investing</b>														
Additions to property, plant and equipment	\$ (75)	\$ (38)	\$ (37)			\$ (28)	\$ (47)		\$ (162)	\$ (251)	\$ 89	\$ (226)	\$ 64	
Investment in intangibles	—	—	—			(29)	29		—	—	—	(63)	63	
<b>Total Cash Flow from Investing</b>	<b>\$ (75)</b>	<b>\$ (38)</b>	<b>\$ (37)</b>			<b>\$ (57)</b>	<b>\$ (18)</b>		<b>\$ (162)</b>	<b>\$ (251)</b>	<b>\$ 89</b>	<b>\$ (289)</b>	<b>\$ 127</b>	
<b>Cash flow from financing</b>														
Common stock cash dividends paid	—	—	—			—	—		—	(3,000)	3,000	—	—	
Other cash flow from financing costs	0	0	0			—	0		(0)	0	(0)	0	(0)	
<b>Total Cash Flow from Financing</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>			<b>\$ —</b>	<b>\$ 0</b>		<b>\$ (0)</b>	<b>\$ (3,000)</b>	<b>\$ 3,000</b>	<b>\$ 0</b>	<b>\$ (0)</b>	
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>			<b>\$ —</b>	<b>\$ —</b>		<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Net change in cash</b>	<b>\$ 1,022</b>	<b>(403)</b>	<b>\$ 1,425</b>			<b>\$ (758)</b>	<b>\$ 1,780</b>		<b>\$ 1,489</b>	<b>\$ (4,937)</b>	<b>\$ 6,426</b>	<b>\$ (1,978)</b>	<b>\$ 3,467</b>	
Beginning cash	8,113	3,112	5,001			4,533	3,580		7,647	7,647	—	5,752	1,894	
Change in cash	1,022	(403)	1,425			(758)	1,780		1,489	(4,937)	6,426	(1,978)	3,467	
<b>Ending cash</b>	<b>\$ 9,136</b>	<b>\$ 2,710</b>	<b>\$ 6,426</b>			<b>\$ 3,775</b>	<b>\$ 5,361</b>		<b>\$ 9,136</b>	<b>\$ 2,710</b>	<b>\$ 6,426</b>	<b>\$ 3,775</b>	<b>\$ 5,361</b>	

## Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February, strong AR collections over last couple months, COVID related cost reductions, and received a \$750k IRS refund in March that was not planned or expected.
- Cash flow from operations exceeded plan due to AR collections exceeding invoiced sales which were below plan, inventory decreased more than plan due to delayed shipments, and AP increasing more than plan due to delaying vendor payments, offset by prepaids and OCA increasing more than plan, deferred revenue increasing less than plan due to lower sales than plan.
- Cash flow used in investing is above plan as Capex was higher than planned due to timing of IT related projects. YTD CAPEX is still below plan.
- YTD Cash flow used in financing is below plan as we forecasted Cash dividend in February.

# Monthly Operating Review Agenda

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

# Management Governance Report

## **Board of Directors**

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

## **Audit Committee**

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

## **2019 Year End Auditors**

- Deloitte

## **Anonymous Hotline**

- Navex implementation complete; hotline is now live

## **Internal Control & Authority Matrix**

- Adopted effective 2/27/18

## Management Governance Report (Continued)

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

# Monthly Operating Review Agenda

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



- The purpose of the following liquidity analysis is to:
  - Assess our potential liquidity through yearend, including cash, receivables and payables
  - Determine timing and criteria that needs to be met for returning to normalized operating expenses
  - Evaluate the impact on cash balance once we return to normal operating expense levels, including returning to 100% full compensation levels for employees
  
- Our business assumptions for this analysis, prior to a total re-budgeting exercise for 2H20, include the following:
  - We are using invoiced sales for 2020 of \$42M for now because we believe it represents a conservative basis, and will update when we reforecast 2H20.
  - Cash receipts modeled based on this target and recent collection trends
  - Cash outflows based on current run rate of payments. Returning to normalized compensation levels will increase cash requirements by an additional \$150K per month
  - Pay down deferred vendor obligations and return payables to a normalized N30-N45 payment terms by ear end
  - Return cash balances to pre-pandemic level of \$8-9M+ from a cash low point estimated to be \$7-8M
  - Receivables balances are expected to increase to \$9M+ through year end as payments start returning to normalized levels when compared to aged AR.
  
- Forecasted balances herein are intended to be indicative at this time, rather than conclusive, pending a full re-budgeting process in June 2020.
  
- Accrual basis summary financial data is also presented (slide 43) showing change in this version (prior to re-budgeting) compared to 2019 actual and original 2020 AOP.

# Monthly Cash Basis Income Statement Analysis

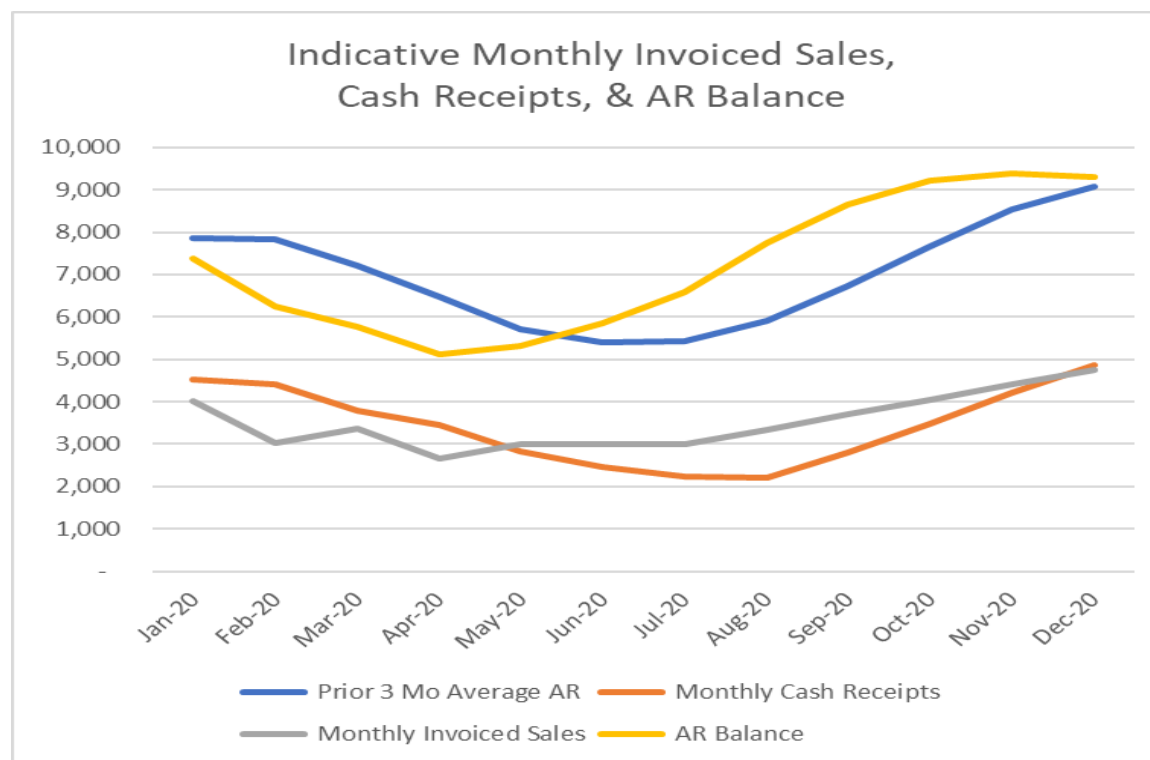
	April	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>Estimated Cash Receipts</b>	<b>3,223</b>	<b>2,396</b>	<b>2,000</b>	<b>2,250</b>	<b>2,216</b>	<b>2,789</b>	<b>3,481</b>	<b>4,219</b>	<b>4,856</b>
<b>Cash Outflows</b>									
Compensation costs	(1,439)	(1,406)	(1,406)	(1,451)	(1,451)	(1,451)	(1,451)	(1,451)	(1,451)
Health insurance payments & 401K	(263)	(257)	(257)	(257)	(257)	(257)	(257)	(257)	(257)
Smart payments	(327)	(280)	(299)	(243)	(231)	(250)	(350)	(610)	(935)
Facility payments	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)
Gorilla Logic payments	-	(70)	(77)	(77)	(77)	(77)	(77)	(77)	(77)
Other Operating expense payments	(359)	(443)	(739)	(489)	(489)	(489)	(739)	(739)	(739)
<b>Total Estimated Cash Outflows</b>	<b>(2,511)</b>	<b>(2,579)</b>	<b>(2,900)</b>	<b>(2,639)</b>	<b>(2,627)</b>	<b>(2,646)</b>	<b>(2,996)</b>	<b>(3,256)</b>	<b>(3,581)</b>
<b>Net Estimated Cash flows</b>	<b>712</b>	<b>(183)</b>	<b>(900)</b>	<b>(389)</b>	<b>(411)</b>	<b>142</b>	<b>485</b>	<b>962</b>	<b>1,275</b>
<b>Cumulative Cash Flows</b>	<b>712</b>	<b>529</b>	<b>(371)</b>	<b>(760)</b>	<b>(1,171)</b>	<b>(1,028)</b>	<b>(543)</b>	<b>419</b>	<b>1,693</b>
<b>Deferred Obligations - pay down</b>						<b>(250)</b>	<b>(250)</b>	<b>(500)</b>	<b>(574)</b>
<b>Key Vendor Obligations Deferred - Cumulative</b>									
Smart - Inventory rec'd	952	1,214	1,308	1,066	835	585	235		
Smart - Inventory committed not shipped		393	-	-	-				
OpenGate	250	250	250	500	500	250	-	-	-
Other Vendors - Est	390	490	590	930	1,074	1,074	1,074	574	0
<b>Cumulative balance by month</b>	<b>1,592</b>	<b>2,347</b>	<b>2,149</b>	<b>2,496</b>	<b>2,409</b>	<b>1,909</b>	<b>1,309</b>	<b>574</b>	<b>0</b>
<b>Estimated Cash Balance</b>	<b>9,243</b>	<b>9,027</b>	<b>8,428</b>	<b>7,789</b>	<b>7,378</b>	<b>7,270</b>	<b>7,505</b>	<b>7,968</b>	<b>8,668</b>

## Management Discussion

**Purpose** – This analysis is intended to show potential cash balance through year end assuming a conservative annual invoiced sales of \$42M

- Cash Receipts are modeled based on historical trend and estimated go forward collection trends. See following 2 slides.
- Cash outflows are based on current run rate and are not adjusted for refactoring 2H20 budget
- Deferred obligation paydown is an estimate to return vendors to normal aging by year end
- Key vendor obligations shows a cumulative build up and pay down through out 2020
- Estimated cash balance is based on net cash flows herein, excluding stock buy back or debt reduction.

# Indicative Monthly Invoiced Sales, Cash Receipts & AR Balance

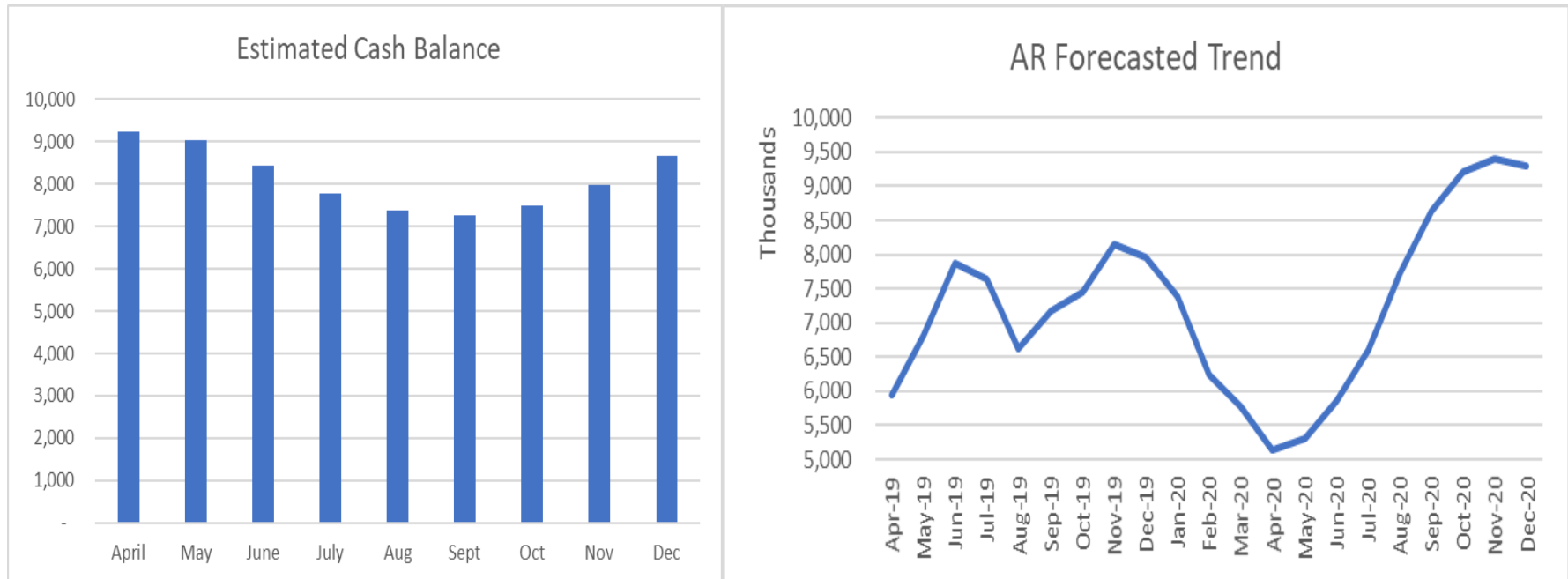


## Management Discussion

**Purpose** – This analysis is intended to show indicative monthly invoiced sales, monthly cash receipts, monthly receivables balance and prior 3 month average AR.

- Monthly invoiced sales is based on a conservative \$42M annual invoiced sales for 2020 with monthly invoiced sales of \$3M per month through July and increasing to \$4.7M in December 2020
- Monthly cash receipts is based on average historical monthly cash collections a % of a prior 3 month average AR balance. Monthly cash collections % was 57% in January and trended down to 53% in April (1%/mo). We assumed continued downward trend of 4%/mo through Aug. to 37% then gradual increase back to 53% in December 2020. A low point of \$2.2M/mo is achieved in August with monthly collections rebounding to \$4.8M in December, consistent with prior December.
- AR balance & prior 3 month average AR balances show the net impact assumed monthly invoiced sales and assumed monthly collections.

# Indicative Estimated Cash & AR Balance



## Management Discussion

**Purpose** – These graphs show the potential impact on cash & AR balances based on the modeled assumptions.

- Cash low point could be \$7.3M in September 2020 and increasing to \$8.7M in December. Also assumes deferred obligations are paid down to normalized levels.
- AR balance shows a low point of \$5.4M in June 2020 and increasing to \$9.3M in December 2020. The significant increase in monthly AR balance is due to both increasing invoiced sales in Q420 and assumed latency in AR collections relative to normalized levels pre-pandemic.

# Accrual Basis Income Statement Analysis

	<u>2019</u>	<u>2020</u>	<u>Chg</u>	<u>Original</u> <u>AOP</u>	<u>Chg</u>
Invoiced Sales	51.9	42.0	(9.8)	72.5	(30.5)
Revenue	42.1	41.1	(0.9)	63.5	(22.4)
Gross Profit	30.2	30.2	0.0	43.6	(13.4)
<b>Total OpEx</b>					
Comp	19.7	19.7	0.0	27.1	(7.4)
Non-Comp	9.3	8.2	(1.1)	12.9	(4.7)
Total OpEx	28.9	27.9	(1.0)	40.0	(12.1)
EBITDA - Adjusted	1.3	2.3	1.0	3.5	(1.2)
EBITDA - Invoiced	0.0	3.2	3.2	12.5	(9.3)
Cash	7.6	8.7	1.0	10.0	(1.3)

## Management Discussion

**Purpose** – This analysis is intended to show a summary income statement on an accrual basis using the same assumptions in the previous 4 slides. 2020 amounts are compared to 2019 actual as well as our board approved 2020 AOP plan.

- **Invoiced sales** of \$42M are assumed for now but will be revised as part of our 2H re-budgeting.
- **Revenue** of \$41.1 does not decrease YoY as much as invoiced sales due to significant subscription revenue coming from deferred revenue invoiced in prior years.
- **Compensation expense** is consistent with 2019; however, this is due primarily to lower employee bonus and MIPs expense offset by additional compensation from more employees in 2020 compared to 2019. As in the cash analysis, compensation is based on current run rate of 157 employees. Monthly compensation has decreased by \$300K/mo in April compared to normalized run rate in Q1. Of the \$300K, \$120K is related to bonus/MIPs non-cash accrual expense and \$180K is due to cash related reductions to compensation from temporary pay reductions (75%) and terminations (25%).
- **Non-Compensation expenses** are expected to be below 2019 levels due primarily to lower sales & marketing expense of potentially \$2.3M, offset by increased R&D and G&A costs of \$1.2M in 2020 compared to 2019. Monthly non-compensation operating costs in April were \$300K+ below the normalized monthly run rate for Q1. As in the cash analysis, operating expenses herein are based on current run rate but are expected to increase as part of our re-budgeting process.
- **Adjusted EBITDA** is on an accrual basis using revenues (rather than invoiced sales) and is expected to be ahead of 2019 but behind original AOP for 2020.
- **Invoiced EBITDA** is showing a larger variance to original AOP than adjusted EBITDA due to the larger expected variance in invoiced sales versus variance in revenue when compared to 2020 AOP.
- **Cash** is forecasted from current cash balance and assumes no distribution & stock buy-back, as previously assumed. On an adjusted basis, year end cash could be \$5.7M (with \$3M distribution) resulting in higher variances to 2020 AOP and 2019 year end cash balance than presented herein.

# 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	\$ 5,772	\$ 6,546	\$ (774)	\$ —	\$ (774)	\$ —	\$ —	\$ (774)	\$ —	\$ —	
Benefits	677	878	(200)	\$ —	\$ (200)	—	—	(200)	—	—	
Bonus	264	475	(211)	\$ —	\$ (211)	—	—	(211)	—	—	
Commissions	532	1,141	(609)	—	(609)	—	—	(609)	—	—	
Marketing	449	1,098	(648)	—	(648)	—	—	(648)	—	—	
Travel and Entertainment	377	848	(471)	—	(471)	—	—	(471)	—	—	
Rent and Facilities	547	583	(36)	—	(36)	—	—	(36)	—	—	
Insurance	—	—	—	—	—	—	—	—	—	—	
Professional Fees	588	781	(193)	—	(193)	—	—	(193)	—	—	
Utl., Repair, Maint., & Sec.	86	60	26	—	26	—	—	26	—	—	
Office Expense	70	41	29	—	29	—	—	29	—	—	
IT	531	626	(96)	—	(96)	—	—	(96)	—	—	
Other Expenses	247	144	102	—	102	—	—	102	—	—	
Total Opex	\$10,141	\$13,223	\$(3,082)	\$ —	\$ (3,082)	\$ —	\$ —	\$ (3,082)	\$ —	\$ —	

## Management Discussion

- Payroll is under budget due to being behind plan. Budgeted employee headcount was 183 versus actual of 157 as of Apr-2020.
- Commissions and bonus are under budget due to lower than expected sales and removal of bonus expense.
- Marketing is primarily under budget due to reduced spend in creative, advertising, product, and trade show.
- T&E is under budget primarily due travel restrictions.
- Professional Fees are under budget due to lower than expected software development contractors and consulting hours related to systems improvements, IT and marketing.
- Other is over budget due to higher than expected bad debt and unbudgeted sales tax expense.

# Operating Expenses Summary

\$'000

## Opex Overview:

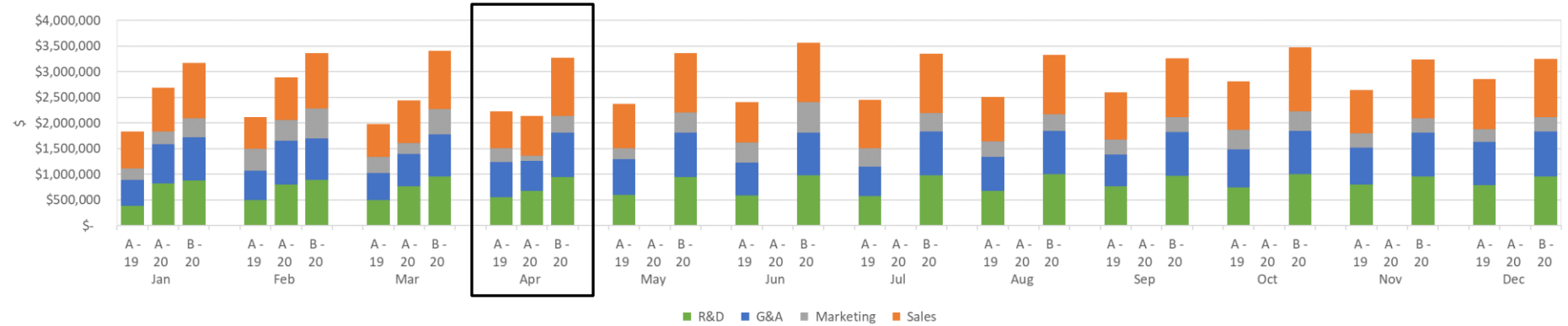
Payroll	\$ 1,303	\$ 1,660	\$ (357)	(21.5%)	\$ 1,056	\$ 246	23.3%	\$ 5,772	\$ 6,546	\$ (774)	(11.8%)	\$ 4,080	\$ 1,693	41.5%
Benefits	172	227	(55)	(24.4%)	140	32	22.8%	677	878	(200)	(22.8%)	573	105	18.3%
Bonus	4	121	(117)	(96.7%)	107	(103)	(96.3%)	264	475	(211)	(44.4%)	466	(202)	(43.3%)
Commissions	137	293	(156)	(53.4%)	84	53	62.8%	532	1,141	(609)	(53.4%)	415	117	28.3%
Marketing	22	185	(163)	(88.3%)	202	(181)	(89.3%)	449	1,098	(648)	(59.1%)	684	(235)	(34.4%)
Travel and Entertainment	27	181	(153)	(84.8%)	126	(99)	(78.3%)	377	848	(471)	(55.6%)	473	(97)	(20.4%)
Rent and Facilities	133	146	(13)	(8.7%)	123	10	8.3%	547	583	(36)	(6.1%)	465	82	17.7%
Insurance	—	—	—	N/A	—	—	N/A	—	—	—	N/A	—	—	N/A
Professional Fees	139	228	(89)	(39.0%)	160	(21)	(13.2%)	588	781	(193)	(24.7%)	402	186	46.2%
Utl., Repair, Maint., & Sec.	21	15	6	38.5%	22	(1)	(3.6%)	86	60	26	42.3%	101	(15)	(14.6%)
Office Expenses	5	13	(8)	(62.1%)	36	(32)	(86.7%)	70	41	29	69.6%	52	18	35.5%
IT	101	173	(72)	(41.4%)	157	(55)	(35.3%)	531	626	(96)	(15.3%)	387	143	37.0%
Other Expenses	69	32	37	113.0%	12	57	454.3%	247	144	102	70.9%	39	208	540.3%
Total Opex	\$ 2,132	\$ 3,273	\$ (1,141)	(34.9%)	\$ 2,226	\$ (94)	(4.2%)	\$ 10,141	\$13,223	\$ (3,082)	(23.3%)	\$ 8,137	\$ 2,004	24.6%

## Management Discussion

- Please see previous slide on expense analysis.

# Operating Expenses Summary

OPEX by Department



## Management Discussion

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



# AR and AP Aging Detail

\$'000

AR Aging				
Days	Feb-20	Mar-20	Apr-20	
0-30	\$ 5,198	\$ 4,737	\$ 4,088	
30-60	821	659	502	
60-90	89	179	93	
>90	140	191	224	
<b>Total Gross AR</b>	<b>\$ 6,249</b>	<b>\$ 5,765</b>	<b>\$ 4,907</b>	
<b>Reserves</b>	(154)	(159)	(192)	
<b>Total Net AR</b>	<b>\$ 6,095</b>	<b>\$ 5,606</b>	<b>\$ 4,715</b>	

AP Aging				
Days	Feb-20	Mar-20	Apr-20	
0-30	\$ 1,994	\$ 1,948	\$ 2,334	
30-60	79	450	289	
60-90	(430)	5	82	
>90	470	5	7	
<b>Total</b>	<b>\$ 2,115</b>	<b>\$ 2,407</b>	<b>\$ 2,712</b>	

## Management Discussion

- AR decreased due to lower than expected sales in February and March and increased collections during April. The largest customer balance in the >60 bucket is IT – Service Dubai (24K). The three largest in the >90 bucket are Genesis Integration (96K), Equipbureau (53K). and Video Corporation of America (37K).
- AP increased overall due to delaying of AP bills. The vendor that has a largest balance in 30-60 days is Gorilla Logic with a balance of 71K.

- Overall security for Mersive – Internal rating 7/10

- Segregation of internal data and continual backups to prevent spread of ransomware.
- Firewall actively monitors for any spread and will kill any transmission of data as soon as a spread is detected.
- CrowdStrike next-gen anti-virus to prevent exploitation that will alert based on behavior and known exploits.
- Continual IT security training. Remedial training provided on any failed security tests that are performed on a quarterly basis.
- Cloud providers utilized for high value data, Salesforce, NetSuite, GCP, Flexera and Google Drive, allows decentralization of data storage to mitigate risk.

- Current security initiatives

- Multi-Factor Authentication deployment – In Progress - Phase 1 Target: 6/5/2020.
- Annual firewall best practices review – Project Start: 6/1/2020 Completion Target: 6/30/2020.
- Website security hardening – In Progress - Completion target: 6/30/2020.
- Salesforce security review – In Progress – Completion target: 6/01/2020.

- Potential areas to address

- Engage with partner to do internal and external pen testing and vulnerability testing – Currently slotted for Q3 for review.
- Create direct route to GCP for internal access to back end – Currently being reviewed for completion by Engineering and IT.

- Future needs to consider

- Upgraded VPN appliance if work from home continues and use of VPN is heavily utilized or becomes a bottleneck.
- Web developer to maintain best practices and security of website on a continual basis.



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