



Quarterly Operating Review – September 2019

October 29, 2019

Monthly Operating Review Agenda

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

Hits

- Strong bookings at \$4.6m with invoiced sales at \$4.9m, compared to target of \$4.5m. Q3 invoiced sales were \$13.9m compared to budget of \$12.8m.
- Strong subscription sales at \$1.4m compared to target of \$675k. Q3 \$3.1M actual on a \$2.0M target
- Pod ASP – \$808 compared to target of \$776
- Historical Revenue project complete
- Version 4.3 has been released featuring audio support for HDMI – feedback pending
- Organization/Key Hires
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 - Four key hires in September: Regional Sales Director - West, Regional Sales Director - Mountain States and LATAM, Regional Channel Manager – TOLA and Content Marketing Manager
 - Phantom stock program communicated (still awaiting plan documents)
 - Space renovation underway and on schedule – suite 180 complete and ready for move in by end of month
- Customer Adoption
 - Existing customers – WeWork (\$561k), Texas Tech University (\$289k), Georgia Pacific (\$280k), Comcast (\$203k)
 - New/Land orders – BCCI (\$40k), Solenis (\$28k), Roundpoint Mortgage Servicing Corporation (\$27k), Boortmalt NV (\$17k)

Executive Summary (Continued)

Misses

- GAAP EBITDA at \$127k compared to target of \$395k.
- Weak month for order volume – 774 (trending down from 952 in Aug-19)
- New customer adoption down at 173 –(trending down from prior month of 226)
- Pod Sales at \$3.5m compared to target of \$3.7m.
- Staffing –
 - Five (5) departures in September; only one (1) regrettable
 - Two were poor hires
 - The business outgrew the skill sets of two others
 - The one “regrettable” departure was logistics tech who moved out of state for personal reasons

Key Go-Forward Actions

- Solstice LCE – We have internal alignment on LCE technical approach, pro-forma features set, market opportunity, and anti-cannibalization tactics. We have launched a survey to validate our approach with customers; this should serve as our final due diligence activity. In parallel, engineering has initiated infrastructure level work on the Gen3 platform to support feature deprecation for the LCE product.
- Flexera – need to update version based on subscription and maintenance data reporting requirements.
- Financial issues at WeWork could negatively impact future sales opportunity.

Executive Summary – Risks and Challenges

| Description | Potential Impact | Plan to Address |
|---|---|--|
| <ul style="list-style-type: none"> Product Issues | <ul style="list-style-type: none"> Sales shortfall Customer sat. Engineering burden | <ul style="list-style-type: none"> 4.3 with audio support on HDMI was release earlier this month to mixed reviews – we are following up with a few customers who have seen issues Miracast needs to be refactored – expected release in early 2020 |
| <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"> Olivier Biscaldi is our new VP Customer Operations – he will have Support, Customer Onboarding, Logistics and Order Entry as well as internal IT. He starts on 10/23 |
| <ul style="list-style-type: none"> AV industry | <ul style="list-style-type: none"> Action-Tec’s Screen Beam is our latest competitive threat – low cost, Miracast | <ul style="list-style-type: none"> Cease and desist letters received from both Crestron and Barco for what they claim is “misleading and defamatory product claims” |
| <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 – program selected |
| <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"> WW Sales Meeting in October Backfill PNW RSD, SE for France |
| <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 features |

Executive Summary – Q3 OKR

| | 2019 Corporate Priorities | Corporate Quarterly Objectives - Q3 2019 | Key Result - As measured by | Owner | % Achieved | Status |
|---|---|--|---|-------------|------------|---|
| 1 | Launch Gen3 | Complete all remaining Gen3 hardware tasks | Finalize international certifications, product labeling changes, packaging updates, and spinning up a 2nd factory via Inforce, all completed by end of Q3. | Tae | 90% | China is last major item remaining, all cert requirements have been submitted to the government and we are in wait mode. |
| 2 | Scale Sales Organization | 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 |
| | | 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 metrics | Craig/Rick | 100% | Over a dozen reports generated for Executive Management and other groups |
| 3 | Ensure Product Roadmap Drives Market | Delivery: Fulfill Q3 release milestones at agreed upon scope and | Release 4.2 on 7/31 (engr) within 14 days variance. Release a chromebook beta to at least 3 customers by 8/5 within 7 days variance. | Tae | 100% | Change in technical direction will allow us to get to a pure wireless solution earlier. Added 30-45 days to schedule. Beta now scheduled for Nov |
| | | Delivery: Private Relay Beta to at least 3 customers by end of Q3 | Release 4.3 HDMI-In Audio focused release by end of Sep (Engr) within 14 day variance | Chris/Tae | 0% | |
| | | Delivery: Define and introduce a Low Cost Edition Solstice product to market | Establish LCE strategy and model Q1-20 delivery, Establish SW feature toggle matrix, establish release mapping to support delivery | Chris/Tae | 100% | Strategy and product definition, feature sets complete. Delivery plan and feature toggle engineering work in progress., final go/no-go based on cannibalization risk not in place. Decision review in Q4. |
| | | Delivery: Kepler Dashboard | Complete first Cohort (Spashscreen) and template components to parallelize management dev in Q4 | Tae | 80% | End to end welcome screen capabilities complete, we should be able to parallelize in Q4 |
| | | Delivery: Miracast | Assess key gaps in performance, establish action plan, align to release for delivery | 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 customer escalations, tech debt, stability, or automation) | 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 |
| 4 | Scale Marketing and Support | Standardize branding / messaging | Launch localized EMEA versions of brand campaign week of 7/22; Localize branding / style guidelines for EMEA by week of 9/23 | Martin | 50% | Brand campaign has been localized. Guideline localization has been paused due to higher priority items. |
| | | 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 | 100% | All objectives completed. |
| | | Scale field marketing internationally | 2 Engage events in EMEA in Sep. | Martin | 50% | 1 Engage event got pushed to Nov due to a scheduling conflict. |
| | | Scale product marketing / support processes | Launch customer onboarding program week of 7/15; launch competitive take-out program week of 7/22; launch Solstice 4.2; launch product doc CMS week of 9/9; launch priority-based service levels week of 8/8 | Martin | 100% | All objectives completed. |
| 5 | Invest in our people | 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 |
| | | Scale the HR Team | Hire Director of Talent Acquisition, Talent Acquisition Coordinator and HR Generalist | 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, career site addressed beginning in Q4 |
| | | | 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 renewal opportunities | Dan | 0% | Pending completion of data project |
| | | Complete KPI metrics for dashboards in NS | All relevant KPIs in NS dashboard; Exec team has access | Dan | 90% | Added several board level KPIs to dashboard. |
| | | Rearchitect CRM systems | Launch customer success object in SFDC by end Jul; retain consultant to start fixing NS-to-SFDC transaction errors by end Jul; hire manager of enterprise applications by end of Q3 | Martin | 100% | All objectives completed. |
| 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 technical, non-Engineering functions for improved customer service. | Rob | 75% | |

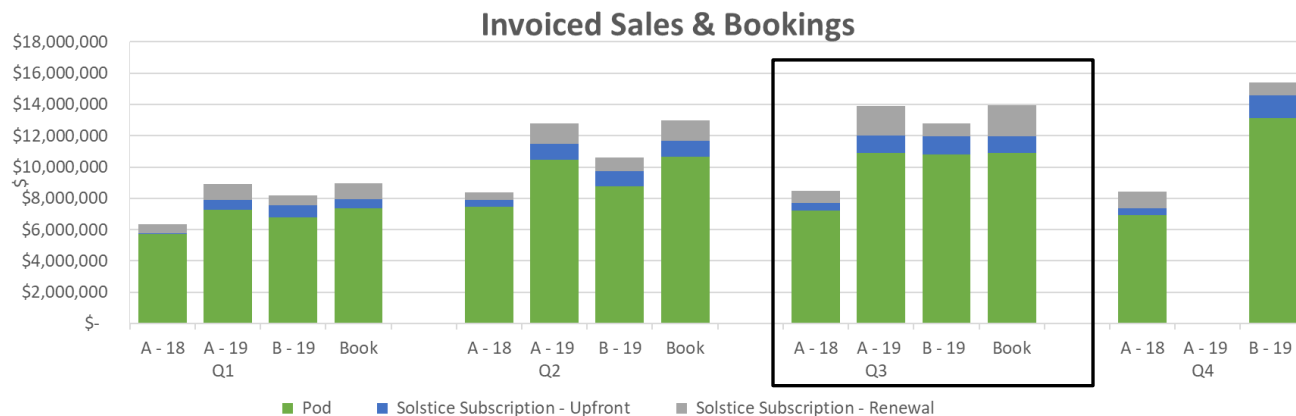
Executive Summary – Q4 OKR

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| 5 | Invest in our people | Develop & implement key employee stock plan construct Update Denver office space Scale the HR Team Articulate Mersive Culture & Expectations | Plan implemented and communicated Furniture for Suite 150 upgraded Construction on Suite 180 begun Hire Director of Talent Acquisition, Talent Acquisition Coordinator and HR Generalist Evaluate HR tech stack Talent Brand and EVP Communicated Mersive Leadership Success Profile created | Michelle Michelle Michelle Michelle Michelle Michelle | 50% 75% 100% 100% 75% 25% | Model and allocations determined, awaiting paperwork from OG Furniture ordered and arriving between 10/11 - 11/1 Demolition complete by 9/5, construction complete by end of October Requirements identified, demos underway All recruiting-oriented postings and candidate communications updated; culture video being developed, career site addressed beginning in Q4 Compencies being explored; both general and unique to Mersive |
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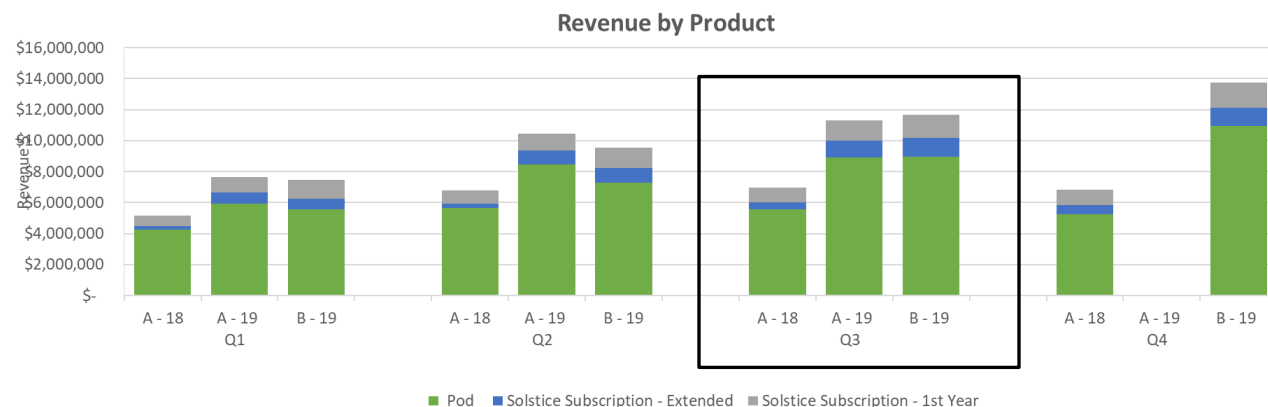
Big Wins, Key Deals and Losses

| Upcoming Key Deals | Key Losses/Delays |
|---|--|
| <ul style="list-style-type: none"> • TJX – Pilot pending in UK, Canada and N America. • 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 • 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 • IBM (Germany) – early evaluation for new HQ in Germany • Hill Holliday – moving toward standard. Initial purchases pending | <ul style="list-style-type: none"> • 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 | |
| <ul style="list-style-type: none"> • WeWork - \$567K • Texas Tech – 289K • Georgia Pacific - \$280K • Comcast - \$203K • U of MN - \$109K • AstraZeneca - \$82K | <ul style="list-style-type: none"> • West Chester U of PA - \$81K • Voya Financial - \$72K • U of Louisville - \$65K • Deakin University - \$64K • Fifth Third Bank - \$62K • Compass Group - \$50K |

Sales Metrics – Q3



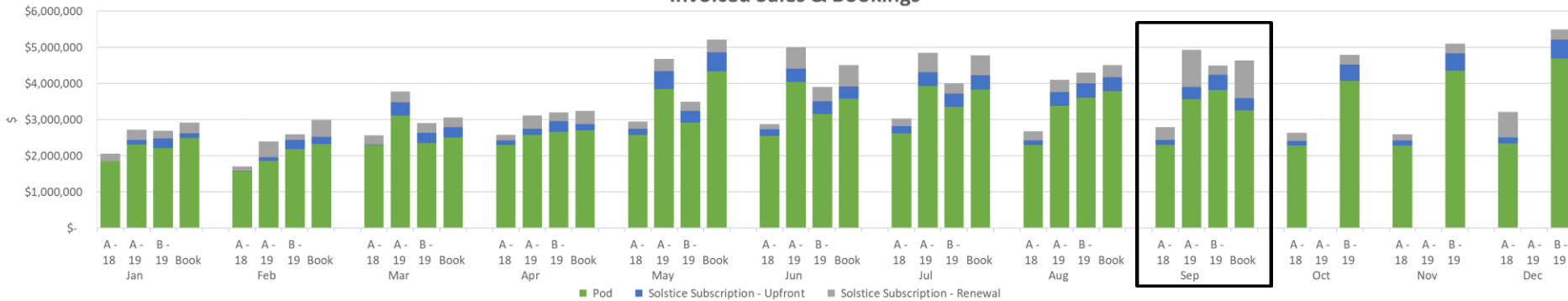
Q3 invoiced sales of \$13.9m is \$1.1m (8%) above budget of \$12.8m and \$5.4m (63%) above Q3-18, on strong Solstice Subscription sales.



Q3 revenue of \$11.3m is \$375k below budget of \$11.7m, due to lower than expected 1st year software subscription fair value and timing of co-term revenue recognition.

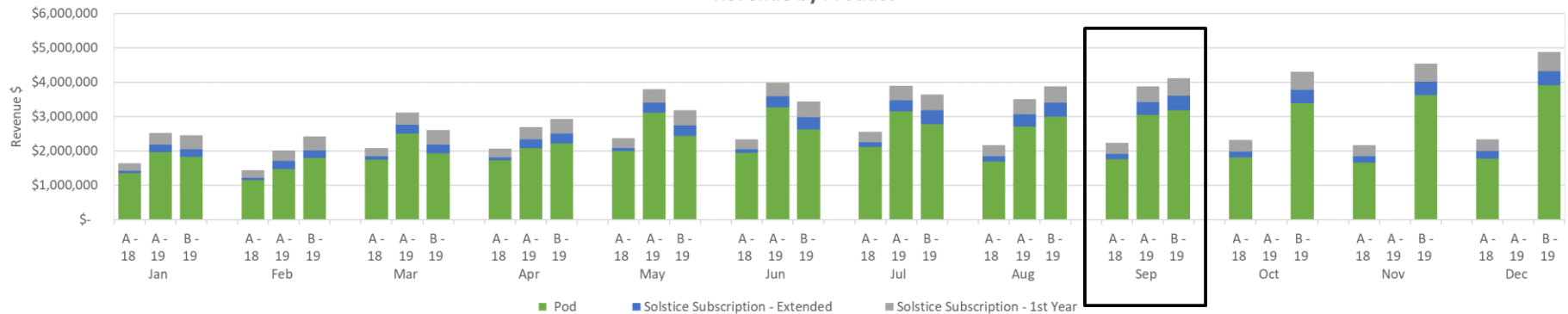
Sales Metrics – Monthly Trend

Invoiced Sales & Bookings



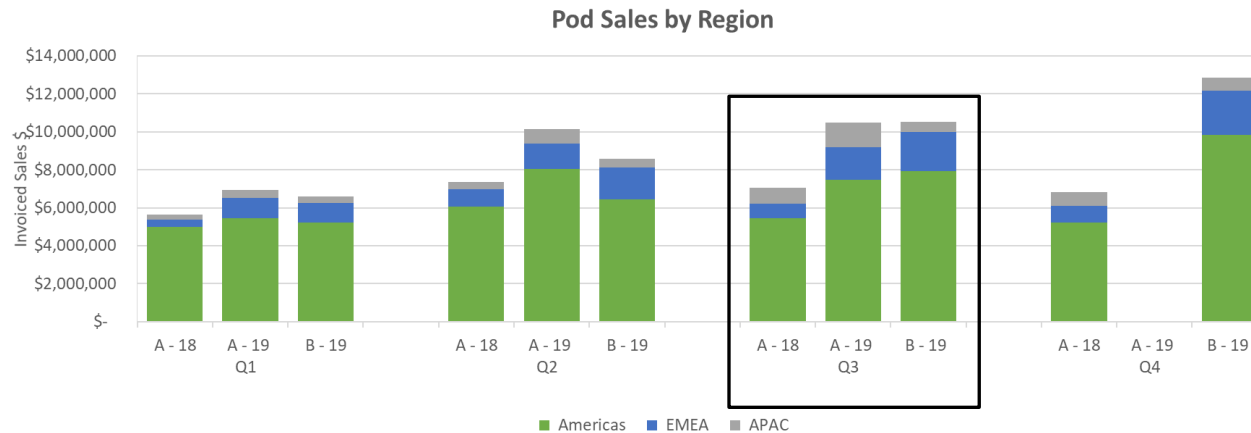
- September invoiced sales were \$4.9m compared to target of \$4.5m. Bookings were \$4.6m compared to a \$4.5m target.
- YTD invoiced sales were \$35.6m compared to target of \$31.6m. Bookings were \$35.9m compared to a \$31.6m target

Revenue by Product

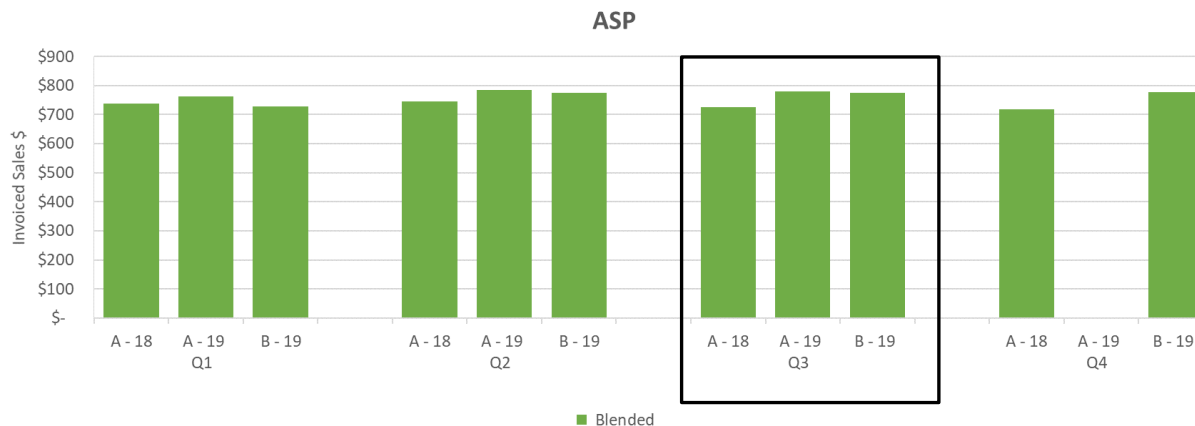


- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget

Pod Sales Metrics – Q3

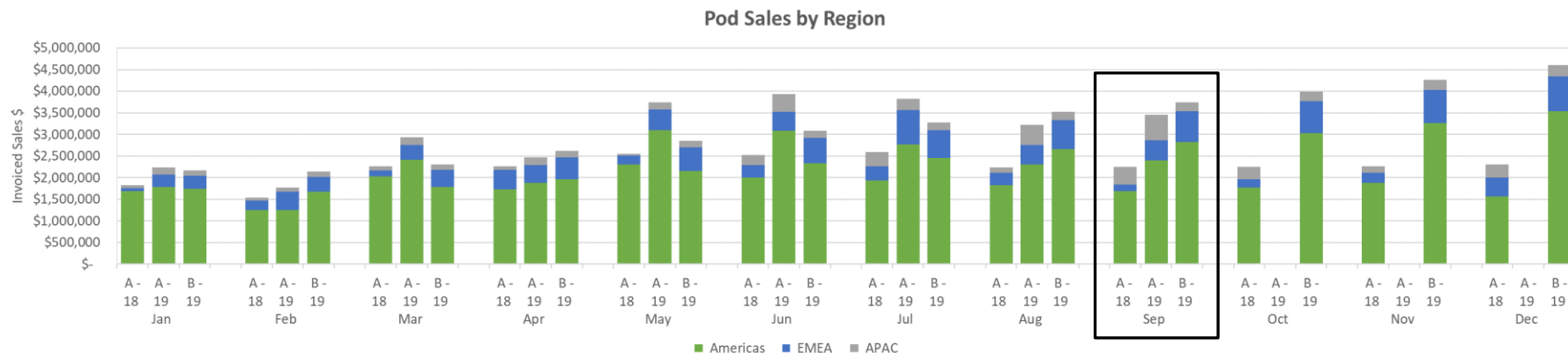


Q3-19 Pod sales of \$10.5m is consistent budget of \$10.5m. Q3 APAC sales were \$1.3m which is \$736k over budget. This outperformance was netted with budget shortfalls in Americas and EMEA sales of (\$473k) and (\$317k) respectively.

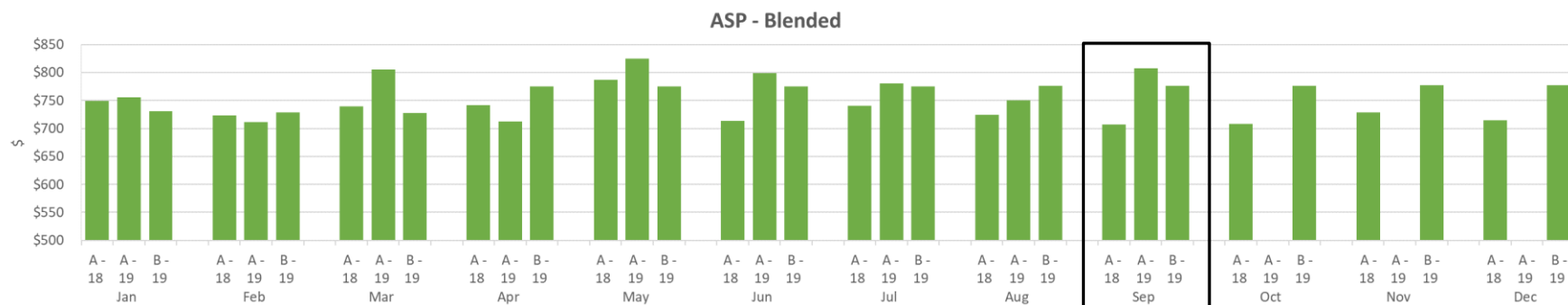


Overall ASP across all regions was \$780, which is above plan of \$776. Americas drove the outperformance as ASP was \$855 vs budget of \$811 during Q3. EMEA and APAC have an overall lower ASP than Americas due to all sales are through distributor channel.

Pod Invoiced Sales Metrics – Monthly Trend



- September invoiced sales were below budget primarily due to underperformance in Americas and EMEA, specifically driven by low “run-rate” orders and new customer acquisition.
- YTD pod sales were \$27.6m compared to target of \$25.7m.



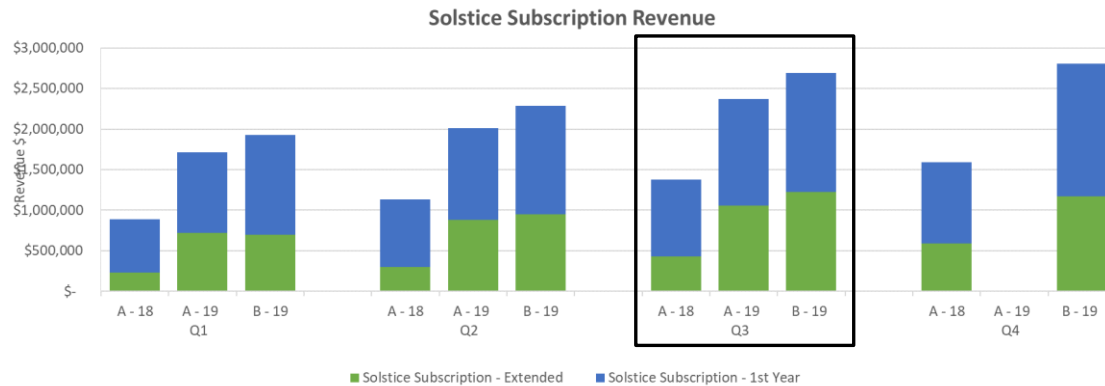
- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was \$808, which is below plan of \$776 due to higher than expected ASP in all regions. ASP increase from prior month due primarily to increased mix of Gen 3.
- Q3 QTD ASP was 780 compared to target of 776.
- YTD ASP was 777 compared to target of 763.

ASP by Region – Monthly Trend

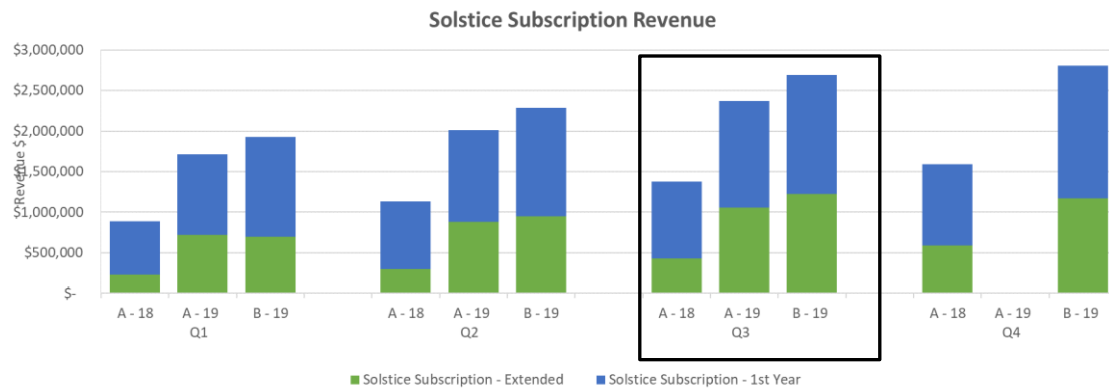


- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- ASP for all regions were higher than budget because of higher than expected ASP on Gen 3 pod sales, \$826 compared to budget of \$776.

Solstice Subscription Metrics – Q3



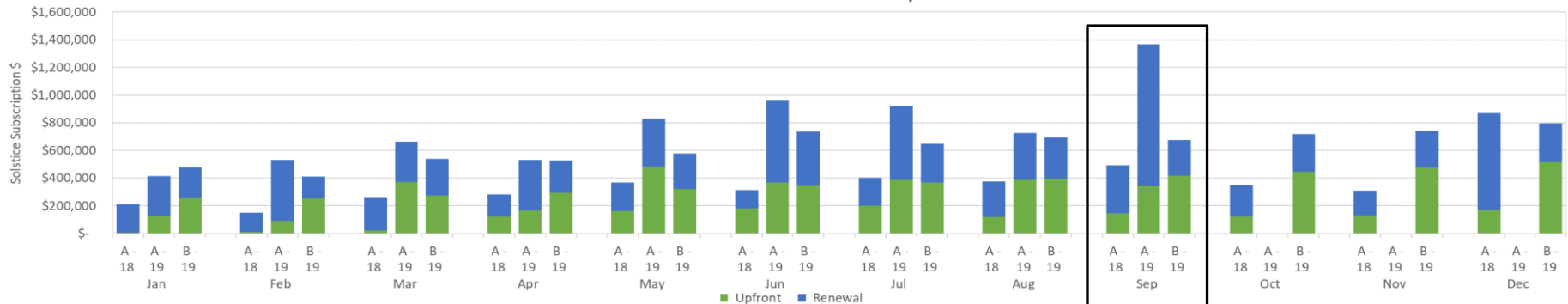
Overall Q3 invoiced sales for Solstice subscriptions was \$3.0m vs. budget of \$2.0m is greater than budget due to renewals being 223% of plan.



Solstice Subscription Revenue in Q3 is below budget due to lower than expected 1st year software subscription fair value and timing of co-term revenue recognition. Note there is no direct correlation between invoiced sales in a particular month and revenue.

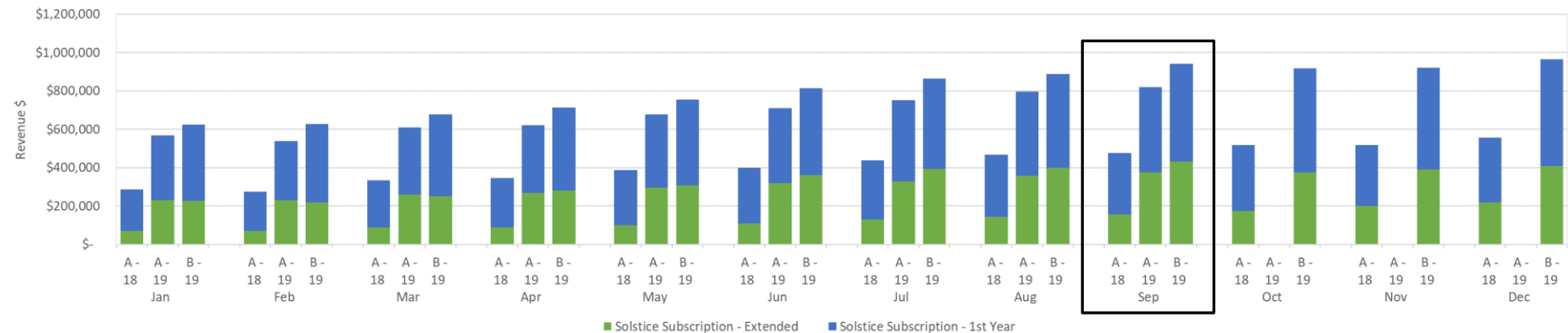
Solstice Subscription Metrics – Monthly Trend

invoiced Sales - Solstice Subscription



- September invoiced sales for Solstice subscriptions was \$1.4m vs budget of \$675k driven by large orders from Georgia Pacific, Comcast and Texas Tech.
- September renewal ASP was \$203k compared to target of \$145k
- September upfront ASP was \$293k compared to target of \$225k
- YTD renewal sales were \$4.2m compared to target of \$2.4m, due to large co-terms.
- YTD upfront sales were \$2.7m consistent with target of \$2.9m.

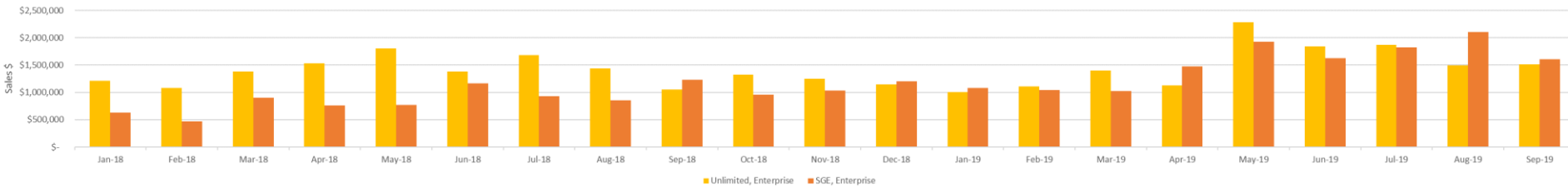
Solstice Subscription Revenue



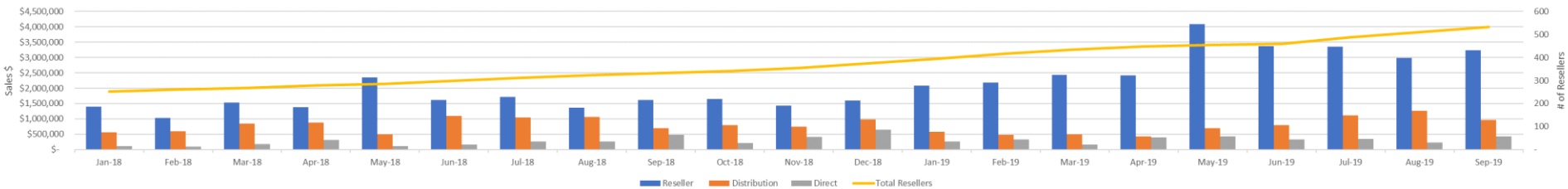
- Solstice Subscription – Extended was \$375k vs budget of \$430k primarily because of timing of co-terms vs budget subscription terms.
- Solstice Subscription – 1st year was \$446k vs budget of \$513k primarily because of lower than expected fair value for 1st year software subscription.

Product Type & Channel Metrics

Product Type

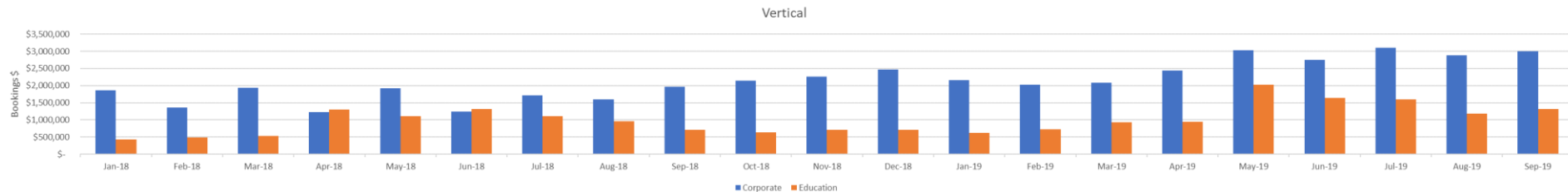


Sales Type



- Bookings

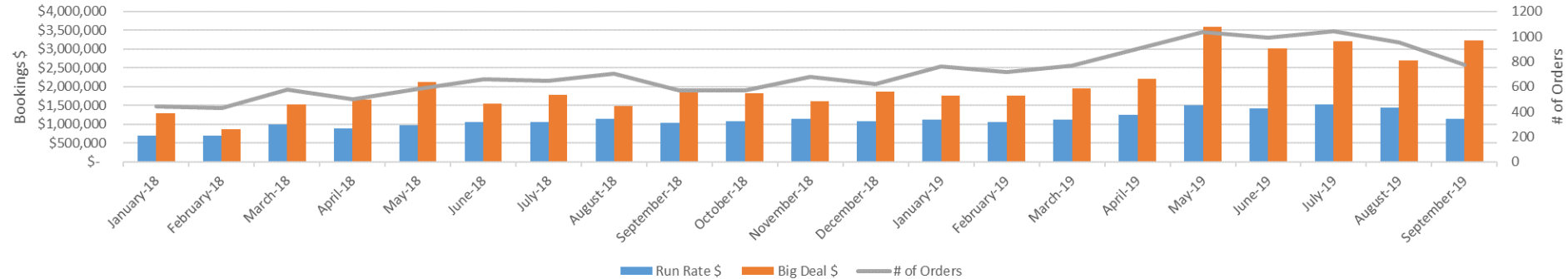
Customer Segment Metrics



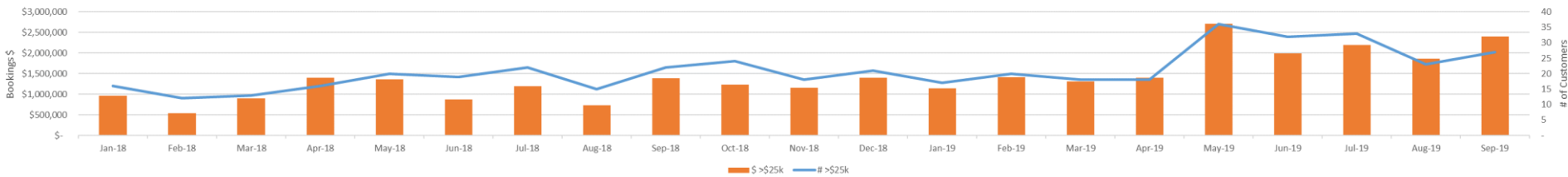
• Bookings excluding stocking orders and including sales out

Big Deals and Run Rate Metrics

Big Deals vs Run Rate

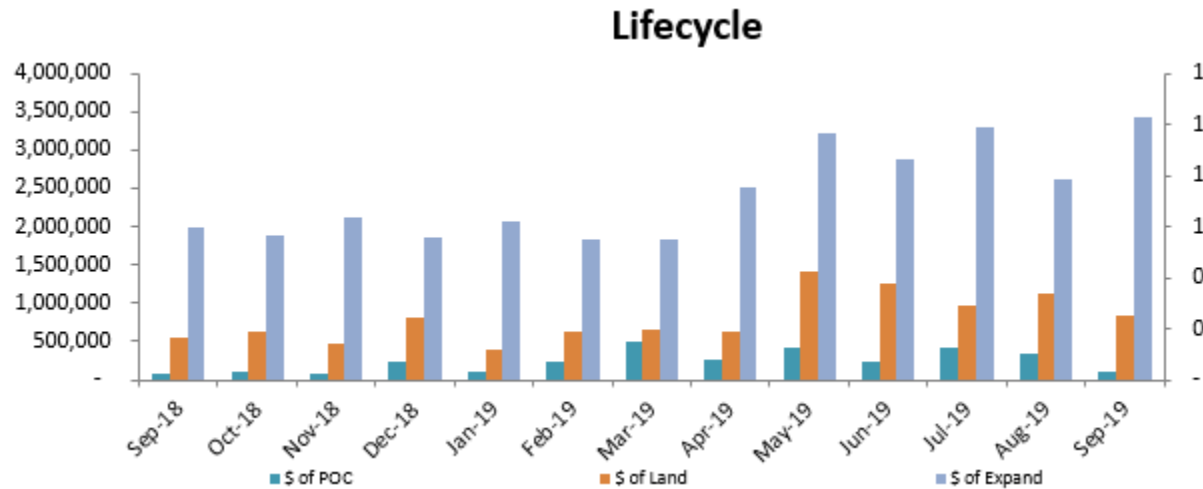


>\$25K



- Bookings excluding stocking orders and including sales out

End User Lifecycle Metrics



| Lifecycle | | | | | | | | | | | | | | | |
|--------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------|
| | 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 | 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 | 116,920 | 3,156,703 | 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 | 834,599 | 10,386,086 | 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 | 3,417,541 | 31,501,779 | 70% |
| 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 | 4,369,060 | 45,044,568 | 100% |

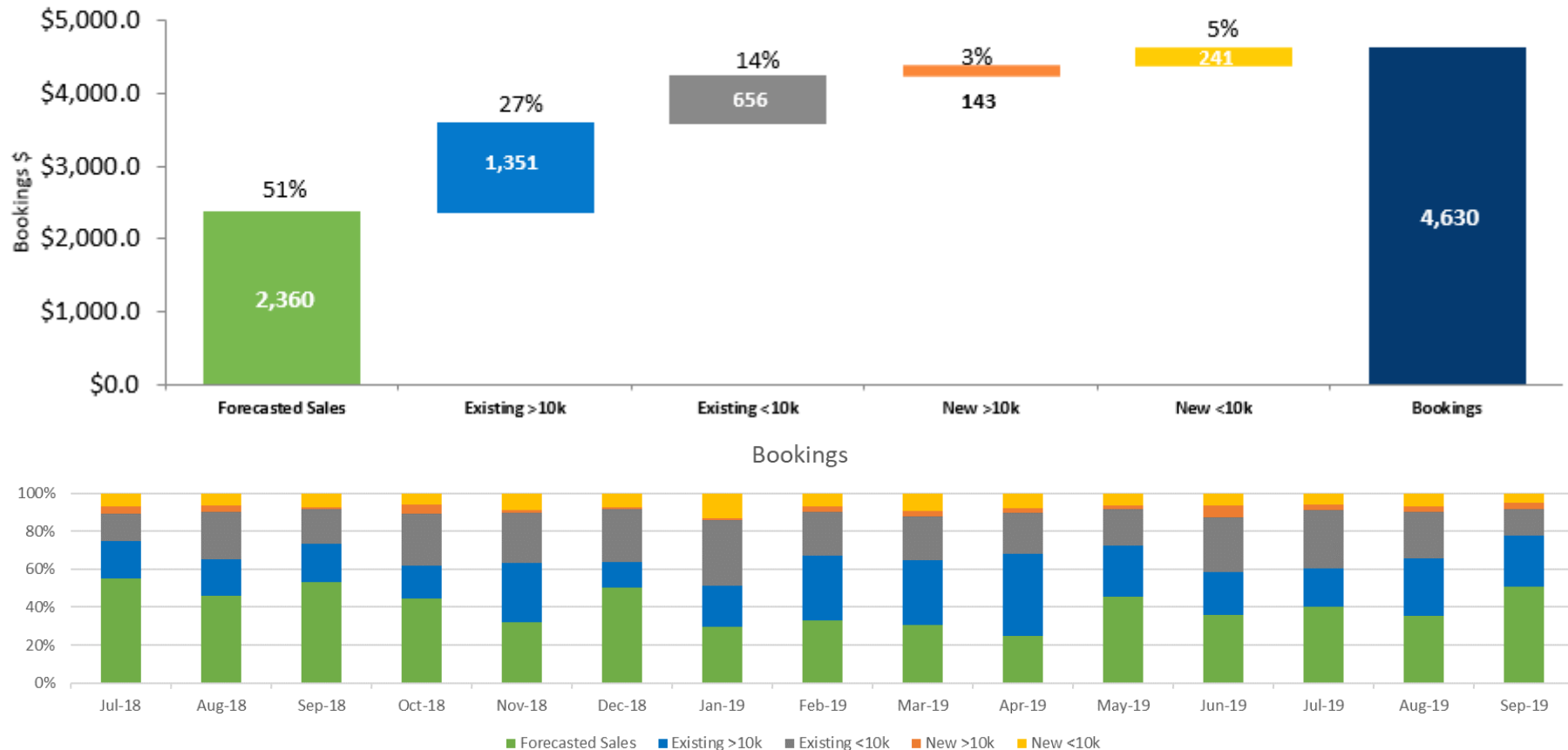
Top Customer Metrics

| End User | August Amount | % of Total |
|--|------------------|-------------|
| WeWork | \$ 568,668 | 13% |
| Texas Tech University | \$ 288,549 | 7% |
| Georgia Pacific | \$ 280,443 | 6% |
| Comcast | \$ 202,536 | 5% |
| University of Minnesota | \$ 108,861 | 2% |
| AstraZeneca Global - Verified | \$ 81,694 | 2% |
| West Chester University of Pennsylvannia | \$ 80,884 | 2% |
| Voya Financial | \$ 71,905 | 2% |
| University of Louisville | \$ 64,657 | 1% |
| Deakin University | \$ 63,790 | 1% |
| Other Customers | \$ 2,569,662 | 59% |
| Total | 4,381,649 | 100% |

| End User | LTM Amount | % of Total |
|------------------------|-------------------|-------------|
| WeWork | 5,115,455 | 12% |
| Nike | 628,866 | 1% |
| Kiewit Corporation | 445,452 | 1% |
| McDermott | 420,519 | 1% |
| Comcast | 410,412 | 1% |
| Mastercard | 310,873 | 1% |
| Charter Communications | 309,110 | 1% |
| Penn State University | 306,754 | 1% |
| Texas Tech University | 304,702 | 1% |
| Georgia Pacific | 287,507 | 1% |
| Other Customers | 35,517,402 | 81% |
| Total | 44,057,050 | 100% |

Bookings Attribution Analysis

August 2019 Sales Bridge



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.
- 14% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 8% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

September 2019 Bookings vs. Quota

Data pull 10/7/2019 5PM MST

Stack ranked by YTD % of Quota

*Quota is oversubscribed goal above \$47M target

| Name | Territory | 9 | | | | 2019 | | | |
|----------------------|----------------|-----------|-----------|-----------|-------------|------------|------------|-------------|-------------|
| | | Sep-19 | | | | 2019 (YTD) | | | |
| | | Quota | Actual | Var \$ | % of Target | Quota | Actual | Var \$ | % of Target |
| John Chandler | TOLA | 284,364 | 574,617 | 290,253 | 202% | 2,010,162 | 2,840,815 | 830,653 | 141% |
| Ryan Shannon | Midwest | 853,091 | 696,064 | (157,027) | 82% | 6,030,486 | 7,348,065 | 1,317,579 | 122% |
| Burt Feldman | Northeast | 710,909 | 579,064 | (131,846) | 81% | 5,025,405 | 5,164,031 | 138,626 | 103% |
| Connie Bolt | Southeast | 521,334 | 610,149 | 88,816 | 117% | 3,685,297 | 3,299,920 | (385,376) | 90% |
| Jonathan Davies | New England | 284,364 | 169,374 | (114,990) | 60% | 2,010,162 | 1,456,972 | (553,190) | 72% |
| Ryan Gregston | West | 379,152 | 170,510 | (208,642) | 45% | 2,680,216 | 1,929,283 | (750,933) | 72% |
| Melissa Johnson | Mid-Atlantic | 426,546 | 197,368 | (229,178) | 46% | 3,015,243 | 2,044,743 | (970,500) | 68% |
| Jeff McDonald | ANZ | 143,238 | 148,783 | 5,545 | 104% | 1,002,138 | 557,195 | (444,943) | 56% |
| Veronica Saldarriaga | Rocky Mountain | 165,879 | 89,584 | (76,295) | 54% | 1,172,594 | 641,269 | (531,325) | 55% |
| Danny Fabre | Canada | 189,576 | 51,642 | (137,933) | 27% | 1,340,108 | 732,613 | (607,495) | 55% |
| TBH | Northwest | 213,273 | 7,606 | (205,667) | 4% | 1,507,621 | 512,541 | (995,081) | 34% |
| Chris Charran | UK | 308,061 | 202,958 | (105,103) | 66% | 2,177,675 | 2,064,588 | (113,088) | 95% |
| Thomas Liot | France/Spain | 170,618 | 126,933 | (43,685) | 74% | 1,206,097 | 894,075 | (312,022) | 74% |
| Johan Cederberg | Nordics | 164,307 | 71,138 | (93,169) | 43% | 1,172,351 | 780,924 | (391,427) | 67% |
| Rosario Marsegia | Germany/Italy | 143,229 | 77,554 | (65,676) | 54% | 1,070,313 | 488,997 | (581,315) | 46% |
| Cyril Mattar | MEA | 143,229 | 45,477 | (97,752) | 32% | 1,070,313 | 167,584 | (902,728) | 16% |
| Jeff Liu | China | 143,238 | - | (143,238) | 0% | 1,002,138 | 688,868 | (313,270) | 69% |
| Gark Tan | APAC | 284,364 | 181,985 | (102,379) | 64% | 2,010,162 | 2,001,278 | (8,884) | 100% |
| Jeff Meyer | EMEA | 1,010,336 | 551,355 | (458,981) | 55% | 6,893,146 | 4,589,121 | (2,304,025) | 67% |
| | | Target | Actual | Var \$ | % of Target | Target | Actual | Var \$ | % of Target |
| Rick Emery | World | 4,500,000 | 4,627,802 | 127,802 | 103% | 31,600,000 | 36,953,337 | 5,353,337 | 117% |

Solstice Subscription – Attach Rate

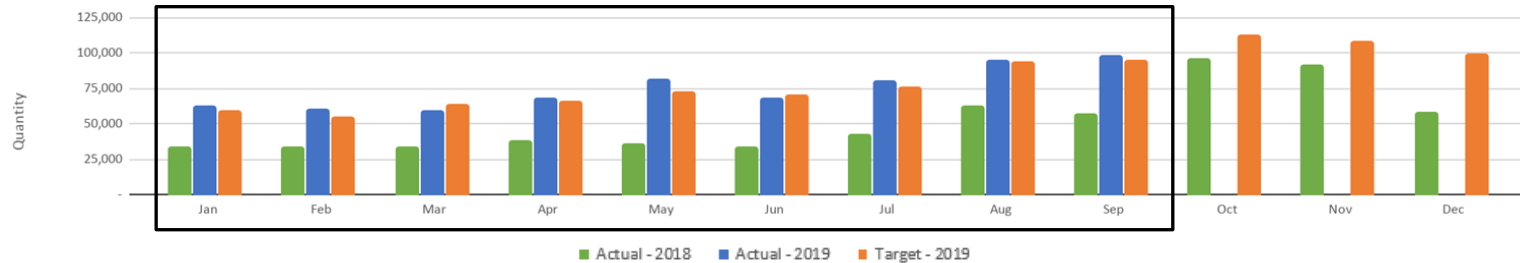
| Renewal | | | | | | | | | | | | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 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 | Sep-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 | 33,452 |
| 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 | 66,290 |
| Renewal Rate | 54% | 53% | 51% | 51% | 50% | 48% | 52% | 44% | 46% | 40% | 42% | 52% | 51% | 49% | 47% | 48% | 47% | 46% | 47% | 47% | 50% |

| Upfront | | | | | | | | | | | | | | | | | | | | | |
|--------------------------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 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 | LTM 2019 |
| Total Upfront Units Sold | 76 | 142 | 203 | 616 | 873 | 954 | 848 | 597 | 801 | 853 | 648 | 682 | 549 | 355 | 1,395 | 565 | 1,680 | 1,371 | 1,431 | 1,228 | 1,162 |
| Total Unit Sales | 2,281 | 1,865 | 2,945 | 2,970 | 3,425 | 3,034 | 3,151 | 2,934 | 3,142 | 3,677 | 3,374 | 3,297 | 2,951 | 2,484 | 3,645 | 3,472 | 4,524 | 4,916 | 4,888 | 4,285 | 45,783 |
| Upfront Rate | 3% | 8% | 7% | 21% | 25% | 31% | 27% | 20% | 25% | 23% | 19% | 21% | 19% | 14% | 38% | 16% | 37% | 28% | 29% | 29% | 26% |

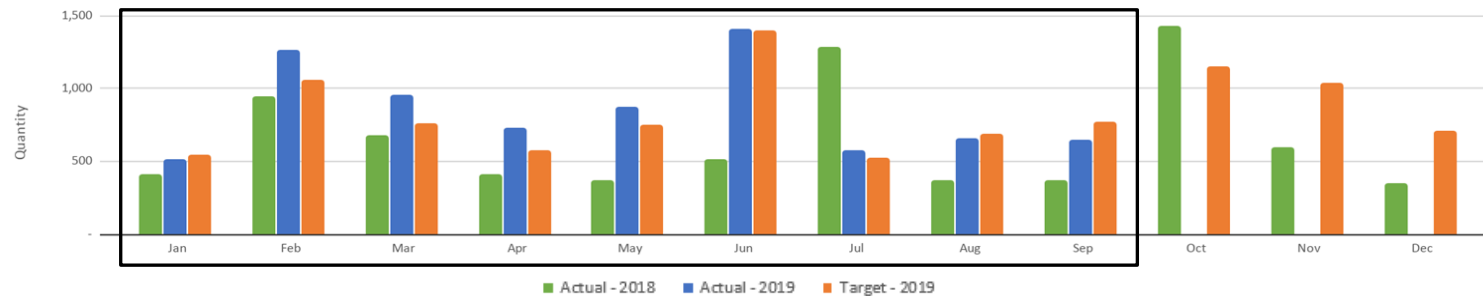
Management Discussion

- Renewal rate increased to 50% during September which is above with the LTM average of 47% and below target of 60%
- Upfront attach rate decreased to 27% during September below the target of 40%.

Sessions (Web Traffic)



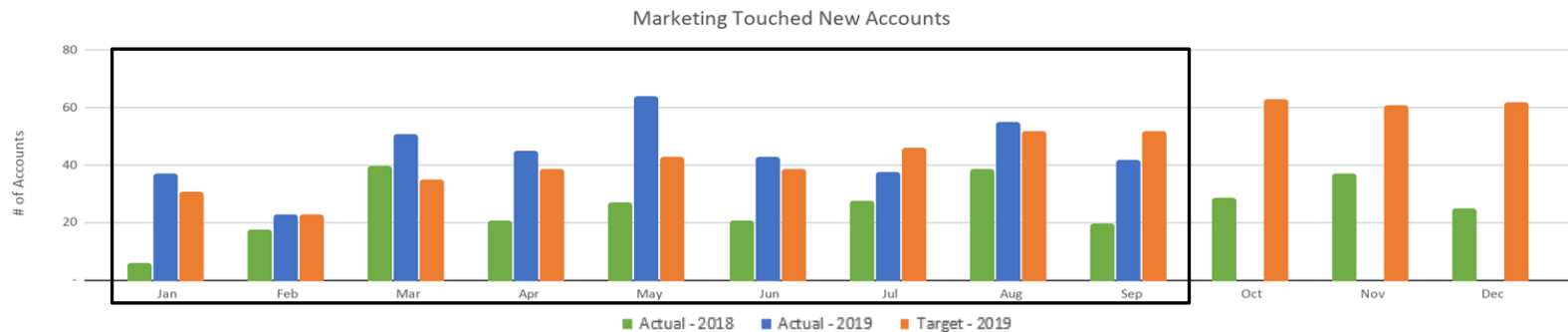
Marketing Qualified Leads (MQLs)



Management Discussion

- Web traffic is 103% of plan YTD mainly due to strong performance in SEO and Digital advertising. Direct traffic is also strengthening.
- Digital MQL conversion rates are 111% of plan YTD; however, conversion rates decreased in Aug/Sep vs. Q2 due to the drive to increase in web traffic/sessions. Conversion rate optimization will be focus on Q4.
- MQLs are 108% of plan YTD. Digital channels at/above plan - Field Marketing (shows/events) at 96% of plan YTD due to being below plan in Q3 which was caused by events being moved to later in year.

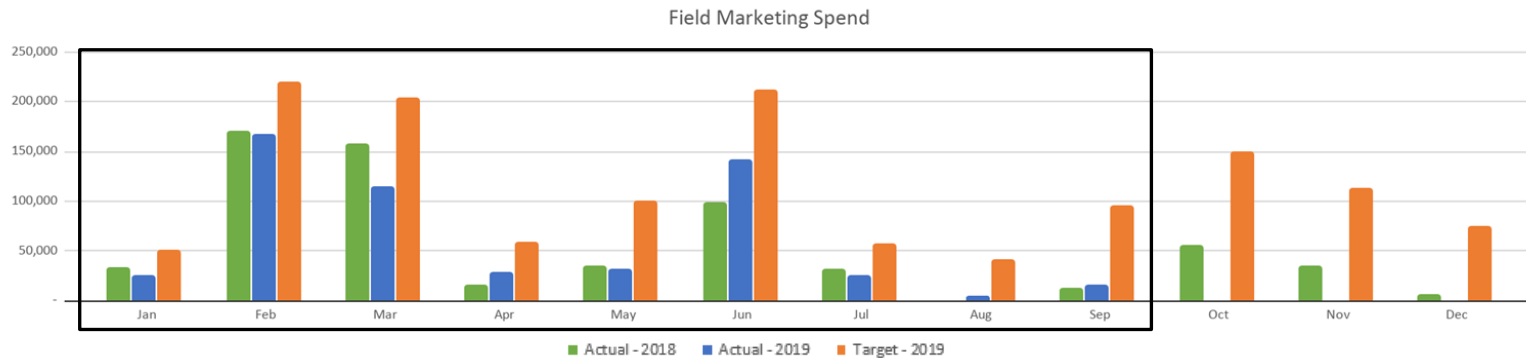
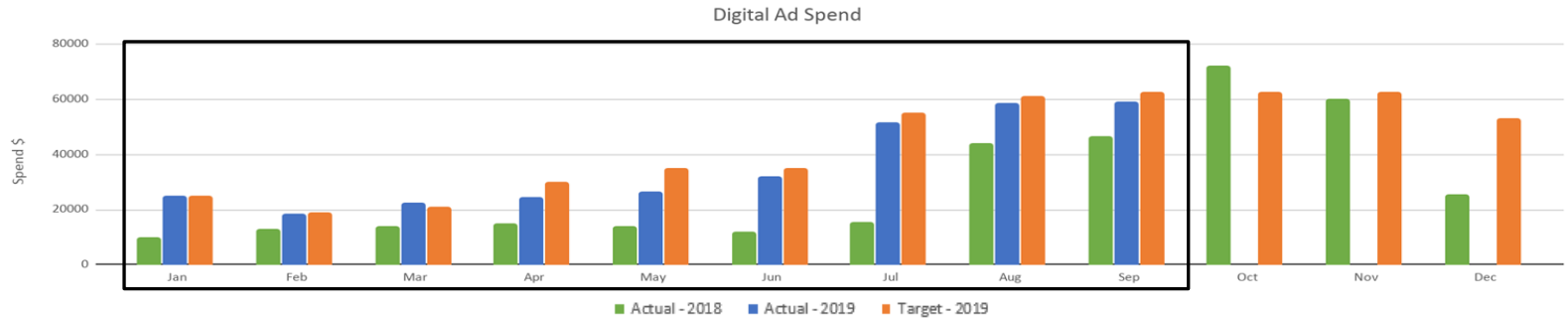
New Customer Metrics



Management Discussion

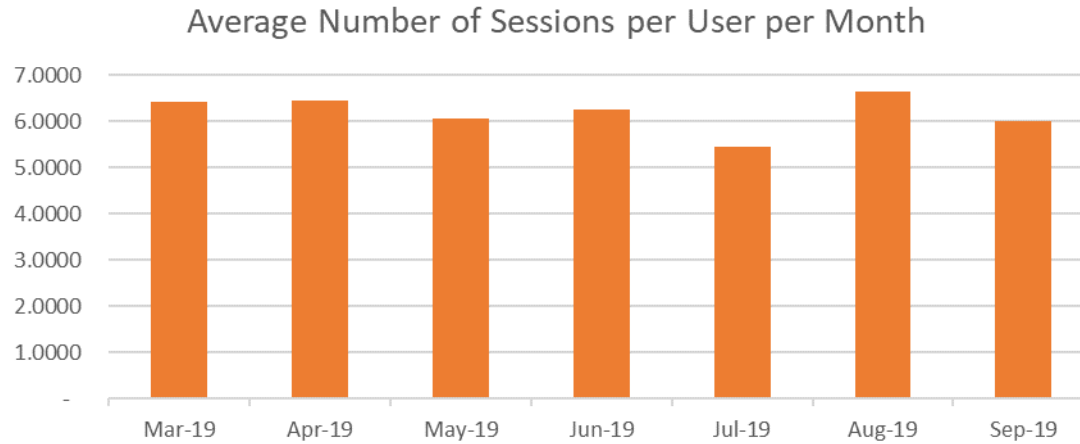
- New and Existing customers are calculated on a sales out basis (ie, so, they exclude stocking orders by definition). Methodology has been updated / tightened to account for non-standard demo pod submissions that were showing as new accounts inflating both 2018-19 numbers.
- The methodology for Marketing Attributed new accounts now looks out 6 months prior to first sale and also accounts for web visits.
- YTD total NN accounts are up 18% YOY whereas Marketing Attributed NN accounts are up 81% YOY (111% of Plan).

Marketing Spend



Management Discussion

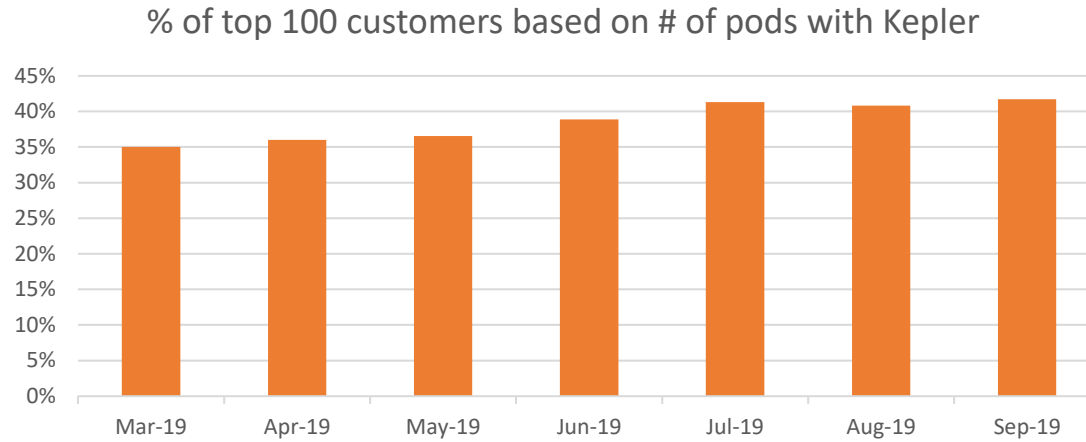
- Digital Ad spend is at 93% of plan YTD while Digital Ad lead gen is at 146% of plan YTD.
- Field Marketing is at 54% of plan YTD while Field Marketing lead gen is at 96% YTD.



Management Discussion

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

Kepler - Adoption

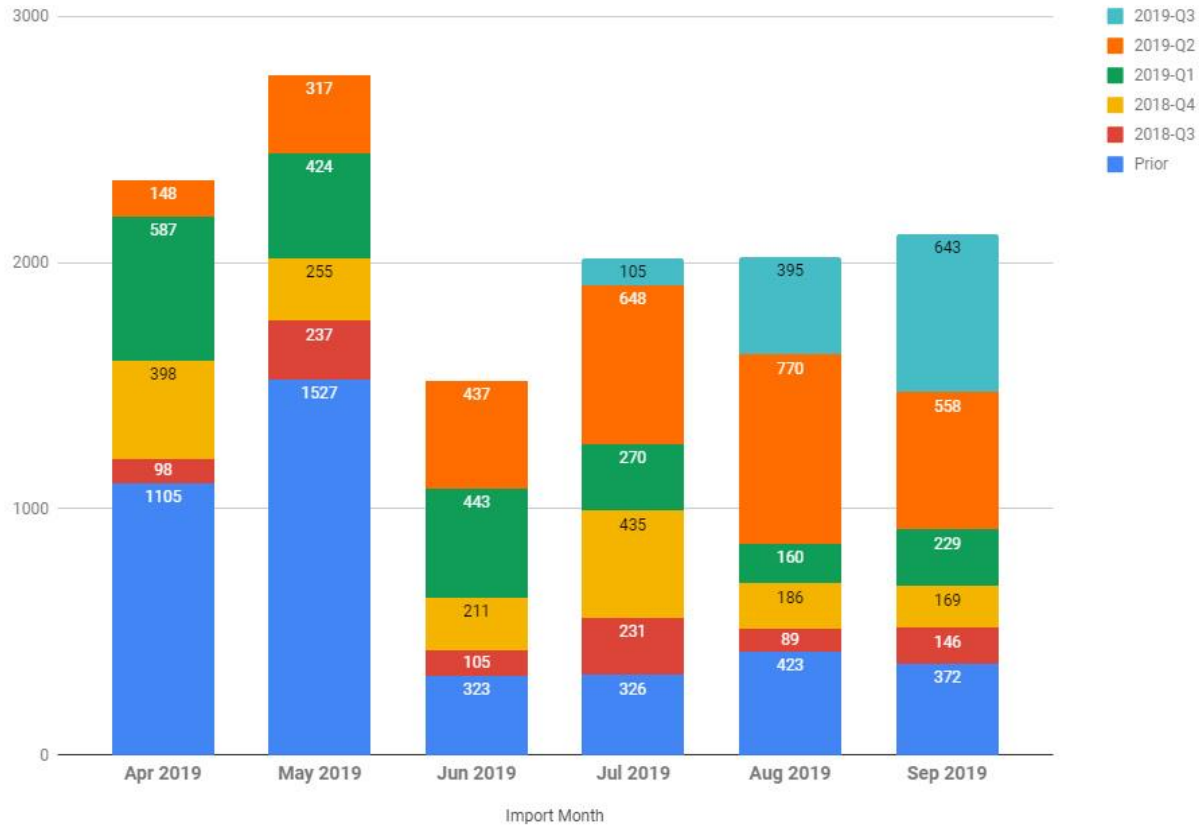


Management Discussion

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

Kepler – Kepler Import Month by Purchase Quarter

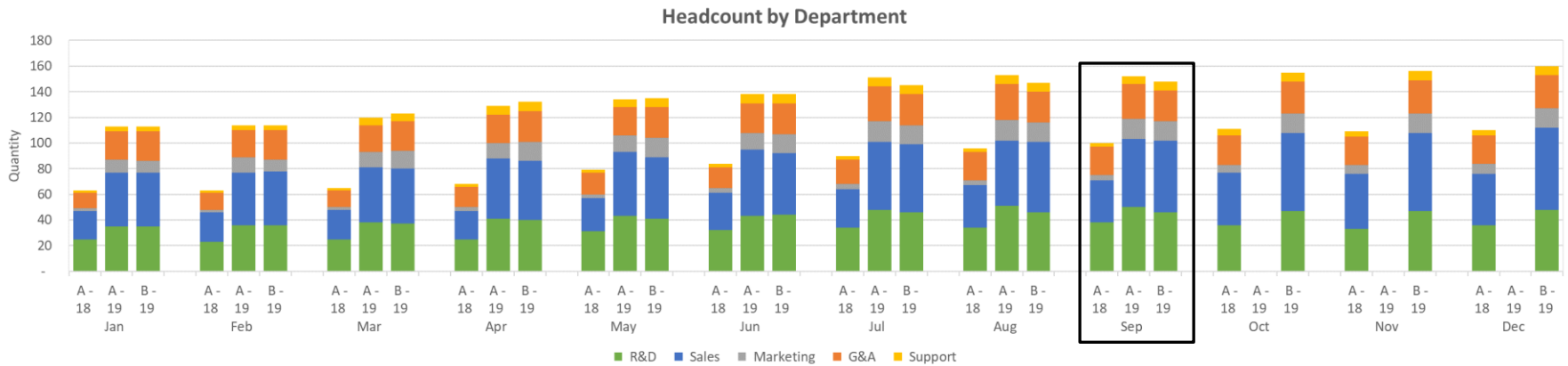
Kepler Import Month by Purchase Quarter



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



Management Discussion

- Headcount is ahead of plan through September at 152 compared to budget of 148.

09/30/19 Talent Snapshot

Open Positions as of 10/1/19

Team Members by Geography

Denver (108)

US field (25)

International field (18)

Team Members by Function

Tech (50)

Sales (46)

Marketing (23)

Operations (19)

Finance/HR/Exec (14)

Total Team Members: 152

YTD Hires: 72

YTD Departures: 30

YTD Net Headcount Growth: 42

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



Solstice LCE

Product Proposal - Draft

Overview - Solstice LCE

Goal: Deliver 'low-cost' product to drive incremental revenue by expanding into new market segments, including:

- F5k + SMBs
- K-12
- Existing Customers Small/Low-End Spaces (eg huddle rooms, student study rooms)
- Parts of EMEA, APAC, and LATAM
- F1k 'non-believers'

- Future - drive more 'sockets' for subscription services

Impetuses

What are the acute reasons to offer an alternative to Mersive's full Enterprise product?

- Customer price sensitivity (by vertical, org size, room type, and region)
- 'Non-believers' that just want to replace the cable (lower bound value prop.)
 - don't value multi-source content/collaboration
 - don't value Solstice as the room platform
- Organizations that don't need (or don't yet know they need) enterprise deployment capabilities:
 - advanced network security features
 - advanced IT configuration, compliance, and performance features
- Solstice as a 'content channel' add-on to existing video conferencing and digital signage deployments
- Compete against existing LCE competitors already in market - Barco, Kramer, Action-Tec, Crestron
- Increase number of sockets for Subscription sales
- Hedge against potential of economic recession

LCE Market Opportunity & Competitive Set

Market Opportunity

In 2018, sub-\$1k products comprised **56% of WPS units** shipped, **31% of WPS revenue** for global WPS market*

**Excludes consumer screen sharing products that occasionally make their way into business environments (eg Apple TV and Chromecast)*

Competitive Set

| | <i>Barco CS-100 Huddle</i> | <i>Airtame 2</i> | <i>Screenbeam 1100</i> | <i>Kramer Via Go</i> | <i>Vivitek NovoPro</i> |
|-------------------------------------|----------------------------|------------------|------------------------|----------------------|------------------------|
| <i># Users on Screen</i> | 1 | 1 | 1 | 2 | 4 |
| <i>4k wireless streaming</i> | No | No | Yes | No | No |
| <i>Centralized/Cloud Management</i> | Yes | Yes | Yes | Yes, added cost | Yes |
| <i>Secure Network Deployment</i> | ☆☆☆ | ☆☆☆ | ☆☆☆ | ☆☆☆☆ | ☆☆☆ |
| <i>Price</i> | \$749 | \$399 | \$899 | \$475 | \$700 |

High Level Proposal

Create a product that delivers the same outstanding *core end-user experience, secure system architecture, and management capabilities* **but removes:**

- **Advanced Collaboration** (Multi-User/Source Sharing)
- **Platform Features** (Relay, Calendar, Signage, API)
- **Advanced I/O** (HDMI-In, Dual-HDMI)
- **Enterprise Deployment Features** (Multi-Network, Power Management, QoS, Certificate Installs)
- **Kepler Pro Optional** (Advanced monitoring, Analytics, Reporting)

Maintain the same hardware platform for both LCE and Enterprise; differentiate through feature flags via existing licensing backend and provide a software upgrade path from LCE to Enterprise.

Product Approach

Deliver

Core Sharing Experience: Maintaining the same core sharing workflow for end users leverages the learnings and success of the existing product and provides continuity and reduces potential confusion for end users. (1 user – 1 or two pieces of content)

Centralized Management: This is a table-stakes market requirement for any reasonably sized deployment and based on competitive landscape. If LCE is to be a scale product, centralized management cannot be removed.

Secure System Architecture: Maintaining the secure system architecture will enable the LCE product to meet customer requirements for large scale deployment, while enterprise security features are reserved for the Enterprise product to mitigate cannibalization.

Depreciate

Advanced Collaboration: Reduce the number of supported users/shares to remove the strategic value of collaboration for the ‘non-believers’ just looking to inexpensively replace the cable.

Platform Features: Enterprise buyers that understand the importance of the ‘platform’ will purchase based on those features in addition to the wireless collaboration requirements.

Enterprise Features: Large enterprises have defined requirements related to network security, configuration, compliance at scale that will require a purchase of Enterprise.

I/O and Integration Opportunities: Consultants have hard requirements for room system integration (I/O + API) and futureproofing (Relay), which will require them to specify Solstice Enterprise for when those requirements are part of the room design.

No Analytics by Default, but Available for Upgrade: Our F-500 customers express how valuable meeting room analytics data is to their own organization and will upgrade to Kepler Pro to gain access.

Challenges, Risks and Considerations

1. Timing of Financial Impact – impact on margin and cannibalization is an unknown
2. Cannibalization – Limit Enterprise features
3. Margin Impact – Reduce channel discount structure by 10-15 points
4. Time to Market – Need to have in market by ISE
5. Engineering Load/Risk – Deprecate features but maintain current G3 HW platform
6. Regional Considerations – Consider limiting to Asia only
7. GTM changes - might exclude the channel (eventually) – Could alienate the channel

Other stuff

- First crux move to get to a subscription-dominant business model (low cost Pod + all other features are ala carte subscription)

LCE Features Removed - By Category

| Category | Feature |
|---------------------------------|---|
| Platform Features | Digital Signage |
| | RSS Message Center |
| | Calendar Support |
| | Relay, Video Conferencing Support |
| Advanced I/O / Room Integration | HDMI Input |
| | Dual Display Support, 2 HDMI out |
| | API Support |
| Enterprise Deployment | Dual-Network |
| | Power Management |
| | 802.1X Ethernet Certificate Installation |
| | QoS, DSCP Control |
| | Tag Support |
| | Daily Restart with Scheduling |
| | Web Proxy Support |
| | Dual SDS Support |
| | Restrict config traffic on specific network |
| | Touchscreen Support |
| | SLR File Support |
| | Local Web Server OTA |
| | Rollback capability |
| | Modify Base Communication Ports |
| Kepler Pro | Room Analytics |
| | Real-time monitoring |

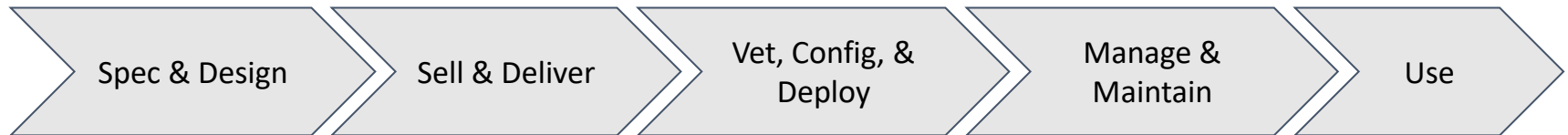
Pricing Proposal

| Product | | Educational Pricing (K-12) | Subscription | | Standard Reseller Discount | Notes |
|--|---|---|--|---|----------------------------|--|
| Solstice Unlimited Enterprise | \$1399, incl. 1 year of Enterprise Subscription | | Enterprise Subscription | \$280/year | 30% | Includes support and maintenance, feature updates, Kepler Pro |
| Solstice Small Group Enterprise | \$1199, incl. 1 year of Enterprise Subscription | | Enterprise Subscription | \$240/year | 30% | Includes support and maintenance, feature updates, Kepler Pro |
| Solstice LCE | \$699*, incl. 1 year of LCE Subscription | \$499, incl. 1 year of LCE subscription | LCE Subscription | \$70/year \$50/year (edu) | 15% | Includes support and maintenance, feature updates, Kepler Base |
| | | | LCE, Kepler Pro Subscription Upgrade** | Additional \$70/year \$50/year (edu) | 15% | Access to Kepler Pro: real-time monitoring, analytics |

* Willingness to negotiate volume pricing without devaluing Enterprise

** Proposed New SKU

Avoiding Cannibalization in the Buying Cycle



| Role | Consultants | Integrators/Resellers | Advanced Network Security | AV / IT Room Managers | End Users |
|-------------------------|---|---|---|---|---|
| Characteristics | <p>Focus on lowest cost product that meets hard specifications for room.</p> <p>Often require integration options and future proofing (5 year cycles)</p> | <p>Motivated by margin and simplicity of deployment</p> <p>Often the cost of Solstice relative to other elements of the room/project are marginal</p> | <p>Hard enterprise requirements for security features. Additional requirements on IT compliance and network deployment flexibility.</p> | <p>Require day-to-day management at scale and rapid new Pod onboarding.</p> <p>Need high end rooms to function in an integrated way</p> | <p>Easy to use. Meets end-user meeting requirements.</p> |
| Anti-Cannibal. Strategy | <ul style="list-style-type: none"> ● Deprecate I/O ● Deprecate integration capabilities (e.g. API, HDMI-input) | <ul style="list-style-type: none"> ● Significant financial incentive for channel partners to sell Enterprise (ie reduced list price and channel points on LCE) | <ul style="list-style-type: none"> ● Deprecate secure enterprise deployment features (eg certs, etc) ● Deprecate IT compliance, config, flexibility, and performance features | <ul style="list-style-type: none"> ● Remove room integration support ● Remove analytics by default (available as add-on Subscription) | <ul style="list-style-type: none"> ● Limit number of users and posts ● Limit platform access for integrated room experience |

Margin Impact

- LCE will have the same COGS as Enterprise product but with lower list price, lower channel discounts, and lower gross margin.

| | Enterprise | LCE |
|----------------|------------|----------|
| MSRP | \$1,399 | \$699 |
| COGS | \$220 | \$220 |
| Channel Points | 30/45 | 15/23 |
| ASP | \$845 | \$559.20 |
| Gross Margin | 74% | 61% |

- As long as LCE product is incremental to Enterprise business, it will have a positive effect on EBITA \$ in 2020 (even if there is a small negative impact to overall gross margin).
- LCE should make every sales person more effective → positive effect on margin.

Monthly Operating Review Meeting Agenda

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

Summary P&L Through September 2019

| \$'000 | MTD | | Variance | | PY MTD | | Variance | | YTD | | Var | | PY YTD | | Variance | |
|-----------------------|----------|----------|----------|----------|----------|----------|-----------|------------|------------|---------|----------|------------|------------|---------|----------|--|
| | Act | Bud | \$ | % | Act | \$ | % | Act | Bud | \$ | % | Act | \$ | % | | |
| Gross Revenue | \$ 3,885 | \$ 4,124 | \$ (239) | (5.8%) | \$ 2,247 | \$ 1,638 | 72.9% | \$ 29,533 | \$28,715 | \$ 818 | 2.9% | \$ 18,988 | \$10,545 | 55.5% | | |
| Adj. to Gross Revenue | (9) | – | (9) | N/A | (9) | (0) | 0.2% | (129) | – | (129) | N/A | (97) | (33) | 33.7% | | |
| Net Revenue | 3,876 | 4,124 | (248) | (6.0%) | 2,238 | 1,638 | 73.2% | 29,404 | 28,715 | 689 | 2.4% | 18,891 | 10,513 | 55.6% | | |
| Material | 1,101 | 1,035 | 65 | 6.3% | 395 | 706 | 179.0% | 7,549 | 6,634 | 916 | 13.8% | 3,834 | 3,716 | 96.9% | | |
| Labor | 66 | 64 | 1 | 2.0% | 45 | 21 | 46.6% | 605 | 539 | 66 | 12.2% | 357 | 248 | 69.6% | | |
| Total COGS | 1,166 | 1,100 | 66 | 6.0% | 439 | 727 | 165.5% | 8,154 | 7,173 | 981 | 13.7% | 4,190 | 3,964 | 94.6% | | |
| Gross Margin | 2,710 | 3,025 | (315) | (10.4%) | 1,798 | 911 | 50.7% | 21,250 | 21,542 | (292) | (1.4%) | 14,701 | 6,549 | 44.5% | | |
| Gross Margin % | 69.9% | 73.3% | | | 80.4% | | | 72.3% | 75.0% | | | 77.8% | | | | |
| R&D | 754 | 633 | 120 | 19.0% | 439 | 315 | 71.7% | 5,106 | 5,124 | (17) | (0.3%) | 3,059 | 2,047 | 66.9% | | |
| Sales & Marketing | 1,226 | 1,370 | (144) | (10.5%) | 714 | 512 | 71.7% | 10,029 | 10,725 | (695) | (6.5%) | 5,196 | 4,834 | 93.0% | | |
| Administrative | 604 | 612 | (8) | (1.3%) | 653 | (48) | (7.4%) | 5,330 | 5,504 | (174) | (3.2%) | 3,776 | 1,555 | 41.2% | | |
| Other Opex | – | 14 | (14) | (100.0%) | – | – | N/A | – | 98 | (98) | (100.0%) | – | – | N/A | | |
| Total Opex | 2,583 | 2,629 | (46) | (1.7%) | 1,805 | 778 | 43.1% | 20,466 | 21,450 | (984) | (4.6%) | 12,031 | 8,435 | 70.1% | | |
| EBITDA | 127 | 395 | (269) | (68.0%) | (7) | 133 | (1949.7%) | 784 | 92 | 692 | 754.4% | 2,671 | (1,887) | (70.6%) | | |
| EBITDA % | 3.3% | 9.6% | | | (0.3%) | | | 2.7% | 0.3% | | | 14.1% | | | | |
| Net Income (Loss) | \$ (335) | \$ (57) | \$ (278) | 486.9% | \$ (741) | \$ 406 | (54.8%) | \$ (3,620) | \$ (3,725) | \$ 106 | (2.8%) | \$ (1,607) | \$ (2,013) | 125.3% | | |
| Capex | \$ (23) | \$ (149) | \$ 126 | (84.5%) | \$ 19 | \$ (43) | (219.0%) | \$ (508) | \$ (451) | \$ (57) | 12.7% | \$ (134) | \$ (374) | 278.5% | | |

Management Discussion

- Invoiced sales were \$4.9m compared to target of \$4.5m, including \$1.3m of solstice subscription invoice sales recorded. Bookings were \$4.6m, resulting in backlog of \$106k at month end. Gen 3 comprised 94% (up from 62% in PM) of the total invoiced hardware sales during September at \$3.2m. QTD invoiced sales were \$13.9m compared to budget of \$12.8m. YTD invoiced sales were \$35.6m compared to budget of \$31.6m.
- MTD invoiced sales mix by region: Americas 74% actual vs 76% budget, EMEA 13% actual vs 19% budget, APAC 14% actual vs 5% budget. YTD invoiced sales mix by region: Americas 78% actual vs 76% budget, EMEA 14% actual vs 18% budget, APAC 8% actual vs 5% budget.
- MTD revenue of \$3.9m includes approximately \$3.1m of pod revenue and \$821k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$3.1m is consistent with budget of \$3.1m for the month. Appr. \$260k of the positive variance in YTD revenue & GAAP EBITDA is due to changing revenue allocation related to ASC606 following completion of AOP causing revenue to be consistent with budget.
- Units shipped for the month were 4,270 vs budget of 4,817 and overall invoiced ASP was \$808 vs the budget of \$776. ASP outperformance to budget driven by all regions. Americas ASP grew to \$886 vs budget of \$811, EMEA at \$711 ASP vs \$706 budgeted and APAC at \$644 invoiced ASP vs \$618 budgeted.
- Renewal solstice subscription licenses sold MTD were 4,621 compared to target of 1,763 resulting in invoiced sales of \$993k compared to budget of \$256k. YTD renewal invoiced sales of \$4.2m is \$1.8m above budget of \$2.4m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.
- Upfront solstice subscription licenses sold MTD were 1,162 compared to target of 1,865 resulting in invoiced sales of \$341k compared to budget of \$420k. Upfront attached rate was 27% compared to a budgeted attach rate of 40%. YTD upfront invoiced sales of \$2.7m is \$204k below budget of \$2.9m.
- Gross Margin % down vs prior month due to higher 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 primarily to unbudgeted deferred commissions related to ASC606 and scaling back content marketing. Normalized, total MTD S&M OpEx was under budget by \$100k. YTD S&M OpEx, normalized for deferred commissions, is \$423k below budget rather than the \$702K presented above. This is because \$279K 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.
- MTD R&D is over budget due to unbudgeted contractors for Project Relay.
- MTD GAAP EBITDA miss largely due to lower than expected pod invoiced sales. YTD GAAP EBITDA positive variance, normalized for ASC606 adjustments noted above totaling \$539k, is closer to \$153k rather than the \$692k presented above.
- Capex was lower than expected YTD due higher than expected IT infrastructure costs.

Balance Sheet

| \$'000 | Dec-18 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Bud | Variance |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Act | Act | Act | Act | Act | | \$ |
| Current Assets | | | | | | | |
| Cash and cash equivalents | \$ 5,752 | \$ 4,636 | \$ 6,460 | \$ 8,068 | \$ 8,341 | \$ 4,800 | \$ 3,541 |
| Short term investments | — | — | — | — | — | — | — |
| Accounts receivable, gross | 5,113 | 7,879 | 7,635 | 6,626 | 7,173 | 6,778 | 395 |
| Accounts receivable, reserves | (82) | (105) | (105) | (115) | (135) | (68) | (67) |
| Accounts receivable, net | 5,031 | 7,774 | 7,531 | 6,511 | 7,039 | 6,710 | 329 |
| Inventory, net | 1,390 | 2,014 | 1,869 | 1,757 | 2,423 | 1,793 | 630 |
| Prepaid expenses and other current assets | 1,105 | 1,704 | 2,324 | 2,587 | 2,672 | 1,176 | 1,496 |
| Total Current Assets | 13,279 | 16,128 | 18,184 | 18,923 | 20,475 | 14,479 | 5,996 |
| Non-Current Assets | | | | | | | |
| Property, plant & equipment, gross | 908 | 1,257 | 1,389 | 1,393 | 1,416 | 1,362 | 54 |
| Accumulated depreciation | (216) | (358) | (386) | (416) | (446) | (153) | (293) |
| Property, plant & equipment, net | 692 | 899 | 1,003 | 977 | 971 | 1,209 | (238) |
| Goodwill | 28,465 | 26,875 | 26,618 | 26,360 | 26,102 | 20,675 | 5,427 |
| Identifiable intangible assets, net | 2,818 | 2,576 | 2,516 | 2,462 | 2,501 | 4,116 | (1,615) |
| Deferred tax asset | 6,488 | 6,488 | 7,467 | 7,467 | 7,467 | 6,865 | 602 |
| Other non-current assets | 354 | 628 | 668 | 695 | 743 | 275 | 468 |
| Total Non-Current Assets | 38,816 | 37,466 | 38,271 | 37,961 | 37,783 | 33,140 | 4,643 |
| Total Assets | \$ 52,095 | \$ 53,593 | \$ 56,455 | \$ 56,884 | \$ 58,258 | \$ 47,619 | \$ 10,639 |
| Current Liabilities | | | | | | | |
| Notes payable | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | — |
| Accounts payable | 902 | 928 | 2,190 | 2,358 | 3,196 | 1,005 | 2,191 |
| Accrued liabilities | (243) | 310 | 349 | 327 | 295 | 180 | 115 |
| Accrued compensation | 1,869 | 1,432 | 1,464 | 1,646 | 1,811 | 1,991 | (180) |
| Income taxes payable | 694 | 694 | 2,000 | 2,000 | 1,801 | 353 | 1,448 |
| Other current liabilities | 70 | 422 | 370 | 382 | 354 | 225 | 129 |
| Total Current Liabilities | 6,791 | 7,286 | 9,873 | 10,213 | 10,958 | 7,255 | 3,703 |
| Long-term liabilities | | | | | | | |
| Long-term unearned revenue | 6,783 | 10,058 | 10,866 | 11,402 | 12,358 | 9,779 | 2,580 |
| Deferred liabilities | 154 | 178 | 186 | 187 | 195 | 212 | (17) |
| Total Long-Term Liabilities | 6,937 | 10,236 | 11,052 | 11,589 | 12,553 | 9,990 | 2,562 |
| Total Liabilities | 13,728 | 17,522 | 20,925 | 21,803 | 23,511 | 17,245 | 6,266 |
| Shareholders' Equity | | | | | | | |
| Total Shareholders' Equity | 38,366 | 36,071 | 35,530 | 35,082 | 34,746 | 30,374 | 4,373 |
| Total Liabilities and Shareholders' Equity | \$ 52,095 | \$ 53,593 | \$ 56,455 | \$ 56,884 | \$ 58,258 | \$ 47,619 | \$ 10,639 |

Management Discussion

- Cash increased month over month primarily driven by timing of Inforce invoices related to inventory and strong solstice subscription sales increasing deferred revenue. While we are showing a strong cash position, we are expecting significant tax obligations in Q4 based on continued strong invoice sales, and fully utilizing prior year tax payments to offset current year obligations YTD.
- AR 'days sales outstanding' at 56 vs budget of 50. AR is higher than budget due to invoiced sales being ahead of budget.
- Inventory 'days outstanding' at 64 is consistent budget of 51 and is above budget due to lower than expected pod sales during September and August. Total ending inventory balance: Gen 2i – 100 pods, Gen 3 – 5,120 pods.
- Prepaid and OCA balances are higher than expected due to receivable from landlord, trade show prepaids, furniture deposits, and additional prepaids from various vendors.
- Deferred tax asset increased due to our income tax accrual per below.
- Goodwill is higher than budget because of addition of customer relationships to Goodwill and purchase price accounting.
- Other current assets are higher than expected due to under budgeted deferred sales commissions due to ASC606 implementation.
- AP 'days payable outstanding' at 85 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 employee expense reports, Splash Top royalties, 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 Oct 2019.
- Deferred revenue is above budget primarily due to strong invoice sales exceeding budget (Free Year Subscription), as well as increased solstice subscription deferred revenue due to ASC 606 implementation
- Increase in SH equity and GW over budget is due to restating and correcting accounting treatment for purchase price related to rolled equity from prior investors and OGC contribution.

Cash Flow Statement

| \$'000 | MTD | | | Var | PY-MTD | Var | YTD | | | Var | PY YTD | Var |
|--|-----------------|-----------------|-----------------|-----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----|
| | Act | Bud | \$ | | | | Act | Bud | \$ | | | |
| Cash flow from operations | | | | | | | | | | | | |
| Net Income (Loss) | \$ (335) | \$ (57) | \$ (278) | | \$ (741) | \$ 406 | \$ (3,620) | \$ (3,725) | \$ 106 | \$ (1,607) | \$ (2,013) | |
| Depreciation, amortization and other | 354 | 293 | 61 | | 367 | (12) | 3,117 | 2,586 | 531 | 3,340 | (223) | |
| Deferred income tax | – | (89) | 89 | | (1,135) | 1,135 | (980) | (377) | (602) | (1,135) | 155 | |
| <i>Change in operating assets and liabilities:</i> | | | | | | | | | | | | |
| Accounts receivable | (527) | (440) | (87) | | (564) | 37 | (2,007) | (1,731) | (276) | (1,535) | (472) | |
| Inventory | (667) | 335 | (1,002) | | (207) | (460) | (1,034) | (403) | (630) | (1,390) | 356 | |
| Prepaid expenses and other current assets | (85) | 37 | (122) | | (123) | 38 | (1,567) | 664 | (2,231) | 591 | (2,158) | |
| Accounts payable | 839 | 71 | 768 | | 126 | 712 | 2,295 | 351 | 1,944 | 558 | 1,736 | |
| Accrued expenses | 133 | 235 | (102) | | 367 | (233) | 481 | 183 | 298 | 543 | (62) | |
| Accrued income taxes | (199) | 144 | (343) | | 1,435 | (1,634) | 1,107 | (341) | 1,448 | 1,435 | (328) | |
| Other changes in operating assets and liabilities | 964 | 385 | 578 | | 525 | 438 | 5,616 | 2,943 | 2,673 | 3,794 | 1,821 | |
| Other cash flow from operations | (76) | (4) | (72) | | (41) | (35) | (75) | (635) | 559 | (737) | 661 | |
| Total Cash Flow from Operations | \$ 401 | \$ 911 | \$ (510) | | \$ 10 | \$ 391 | \$ 3,333 | \$ (486) | \$ 3,819 | \$ 3,859 | \$ (526) | |
| Cash flow from investing | | | | | | | | | | | | |
| Additions to property, plant and equipment | \$ (23) | \$ (149) | \$ 126 | | \$ 19 | \$ (43) | \$ (508) | \$ (451) | \$ (57) | \$ (134) | \$ (374) | |
| Investment in intangibles | (105) | – | (105) | | (13) | (92) | (236) | (40) | (196) | 154 | (391) | |
| Total Cash Flow from Investing | \$ (128) | \$ (149) | \$ 21 | | \$ 7 | \$ (135) | \$ (745) | \$ (491) | \$ (254) | \$ 20 | \$ (765) | |
| Cash flow from financing | | | | | | | | | | | | |
| Total Cash Flow from Financing | \$ – | \$ – | \$ – | | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | |
| | \$ – | \$ – | \$ – | | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | |
| Net change in cash | \$ 272 | 762 | \$ (490) | | \$ 17 | \$ 256 | \$ 2,588 | \$ (977) | \$ 3,566 | \$ 3,879 | \$ (1,291) | |
| Beginning cash | 8,068 | 4,038 | 4,030 | | 6,313 | 1,755 | 5,752 | 5,777 | (25) | 2,451 | 3,301 | |
| Change in cash | 272 | 762 | (490) | | 17 | 256 | 2,588 | (977) | 3,566 | 3,879 | (1,291) | |
| Ending cash | \$ 8,341 | \$ 4,800 | \$ 3,541 | | \$ 6,330 | \$ 2,010 | \$ 8,341 | \$ 4,800 | \$ 3,541 | \$ 6,330 | \$ 2,010 | |

Management Discussion

- Cash is increased primarily driven by increased accounts payables and increased deferred revenue.
- Cash conversion' at 36 days vs budget of 73.
- Cash from changes in Inventory was behind MTD as due to being behind on units sold for August and September and lower than expected inventory receipts vs budget expectations.
- YTD Prepays variance is driven by higher than expected receivable from landlord, trade show prepaids, furniture deposits and additional prepaids from various vendors.
- AP variance to budget is due to timing of inventory bills.
- Deferred Revenue variance due to strong invoice sales exceeding budget ASC 606 implementation.

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 | \$ 10,356 | \$ 11,245 | \$ (889) | \$ – | \$ (889) | \$ – | \$ – | | \$ (889) | \$ – | \$ – |
| Benefits | 1,366 | 1,523 | (157) | \$ – | \$ (157) | – | – | | (157) | – | – |
| Bonus | 1,115 | 1,353 | (238) | \$ – | \$ (238) | – | – | | (238) | – | – |
| Commissions | 1,309 | 1,334 | (26) | – | (26) | – | – | | (26) | – | – |
| Marketing | 1,767 | 1,864 | (97) | – | (97) | – | – | | (97) | – | – |
| Travel and Entertainment | 1,193 | 1,175 | 19 | – | 19 | – | – | | 19 | – | – |
| Rent and Facilities | 1,050 | 724 | 327 | – | – | 327 | – | | 327 | 327 | 327 |
| Insurance | 44 | 38 | 7 | – | 7 | – | – | | 7 | – | – |
| Professional Fees | 710 | 581 | 129 | – | – | 129 | – | | 129 | 129 | 129 |
| Utl., Repair, Maint., & Sec. | 236 | 318 | (82) | – | (82) | – | – | | (82) | – | – |
| Office Expense | 137 | 36 | 101 | – | – | 101 | – | | 101 | 101 | 101 |
| IT | 980 | 1,105 | (125) | – | – | (125) | – | | (125) | (125) | (125) |
| Other Expenses | 202 | 155 | 47 | – | 47 | – | – | | 47 | – | – |
| Total Opex | \$20,466 | \$21,450 | \$ (984) | \$ – | \$ (1,416) | \$ 432 | \$ – | | \$ (984) | \$ 432 | \$ 432 |

Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a \$ basis. Budgeted employee headcount was 148 versus actual of 152 as of Sept-19.
- Commissions, normalized for 606 adjustments, are \$41k 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 2) additional consulting hours related to systems improvements and 3) software development contractors for project relay
- 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

Opex Overview:

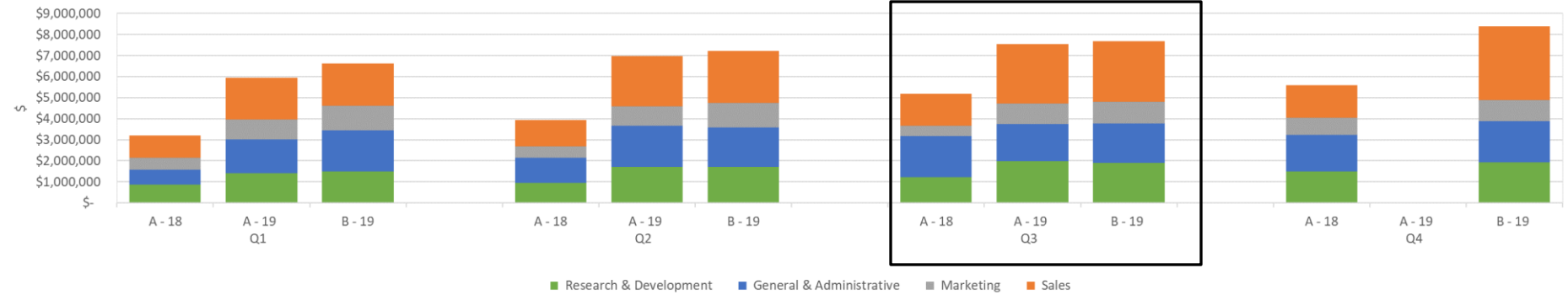
| | MTD | | Variance | | PY MTD | Variance | | YTD | | Var | | PY YTD | Variance | |
|------------------------------|-----------------|-----------------|----------------|---------------|-----------------|---------------|--------------|------------------|------------------|-----------------|---------------|------------------|-----------------|--------------|
| | Act | Bud | \$ | % | | Act | \$ | Act | Bud | \$ | % | | Act | \$ |
| Payroll | \$ 1,337 | \$ 1,393 | \$ (56) | (4.0%) | \$ 799 | \$ 538 | 67.4% | \$ 10,356 | \$ 11,245 | \$ (889) | (7.9%) | \$ 5,539 | \$ 4,818 | 87.0% |
| Overtime | – | – | – | N/A | – | – | N/A | – | – | – | N/A | – | – | N/A |
| Benefits | 143 | 183 | (40) | (21.8%) | 152 | (9) | (5.6%) | 1,366 | 1,523 | (157) | (10.3%) | 1,134 | 232 | 20.5% |
| Bonus | 129 | 168 | (39) | (23.3%) | 218 | (89) | (40.8%) | 1,115 | 1,353 | (238) | (17.6%) | 927 | 188 | 20.3% |
| Commissions | 220 | 214 | 6 | 2.9% | 111 | 109 | 98.5% | 1,309 | 1,334 | (26) | (1.9%) | 796 | 513 | 64.4% |
| Marketing | 179 | 228 | (49) | (21.3%) | 92 | 87 | 93.8% | 1,767 | 1,864 | (97) | (5.2%) | 1,007 | 761 | 75.5% |
| Travel and Entertainment | 136 | 122 | 14 | 11.4% | 119 | 17 | 14.5% | 1,193 | 1,175 | 19 | 1.6% | 532 | 661 | 124.2% |
| Rent and Facilities | 123 | 103 | 20 | 19.8% | 83 | 40 | 47.6% | 1,050 | 724 | 327 | 45.1% | 595 | 455 | 76.5% |
| Insurance | 5 | 4 | 1 | 13.4% | 3 | 2 | 84.1% | 44 | 38 | 7 | 17.7% | 36 | 8 | 22.1% |
| Professional Fees | 102 | 61 | 41 | 67.1% | 73 | 29 | 40.5% | 710 | 581 | 129 | 22.1% | 551 | 158 | 28.7% |
| Utl., Repair, Maint., & Sec. | 35 | 36 | (0) | (1.1%) | 16 | 20 | 128.0% | 236 | 318 | (82) | (25.8%) | 181 | 55 | 30.7% |
| Office Expenses | 13 | 4 | 9 | 213.1% | 84 | (72) | (85.1%) | 137 | 36 | 101 | 281.2% | 324 | (187) | (57.6%) |
| IT | 120 | 96 | 24 | 25.2% | 50 | 70 | 138.6% | 980 | 1,105 | (125) | (11.3%) | 237 | 744 | 314.3% |
| Other Expenses | 41 | 17 | 23 | 136.7% | 6 | 35 | 618.2% | 202 | 155 | 47 | 30.5% | 155 | 47 | 30.5% |
| Total Opex | \$ 2,583 | \$ 2,629 | \$ (46) | (1.7%) | \$ 1,805 | \$ 778 | 43.1% | \$ 20,466 | \$ 21,450 | \$ (984) | (4.6%) | \$ 12,031 | \$ 8,435 | 70.1% |

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary – Q3

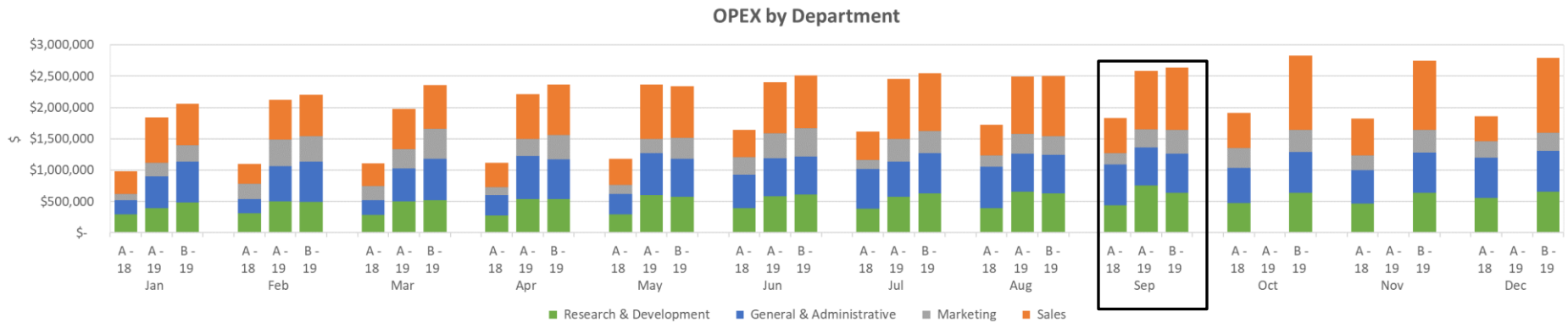
OPEX by Department



Management Discussion

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

Operating Expenses Summary



Management Discussion

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

AR and AP Aging Detail

\$'000

| AR Aging | | | | |
|-----------------------|-----------------|-----------------|-----------------|--|
| Days | Jul-19 | Aug-19 | Sep-19 | |
| 0-30 | \$ 6,433 | \$ 5,781 | \$ 6,159 | |
| 30-60 | 744 | 396 | 564 | |
| 60-90 | 194 | 213 | 145 | |
| >90 | 264 | 236 | 305 | |
| Total Gross AR | \$ 7,635 | \$ 6,626 | \$ 7,173 | |
| Reserves | (105) | (115) | (135) | |
| Total Net AR | \$ 7,531 | \$ 6,511 | \$ 7,039 | |

| AP Aging | | | | |
|--------------|-----------------|-----------------|-----------------|--|
| Days | Jul-19 | Aug-19 | Sep-19 | |
| 0-30 | \$ 831 | \$ 1,616 | \$ 3,086 | |
| 30-60 | 1,240 | 78 | (19) | |
| 60-90 | 3 | 576 | 53 | |
| >90 | 116 | 87 | 77 | |
| Total | \$ 2,190 | \$ 2,358 | \$ 3,196 | |

Management Discussion

- AR increased due to extra invoicing at quarter end. The largest past due balances are for Nike (55K), Getronics (106K), Lemay's AB (25K), TwistedPair (14K) and Trans Comms (28K) overdue balances.
- Increase in < 30 AP is due to timing of inventory and deposit payments to Inforce for Q4 inventory production.



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