



mersive
technologies inc

Monthly Operating Review – August 2020

September 22, 2020

Monthly Operating Review Agenda

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

Hits

- *Revenue update - 2020 SSP change has been flowed through the financials for the first time as of August 2020.
- MTD invoiced sales were \$3.8m compared to rfct target of \$3.9m. Bookings were \$4.3m compared to a \$3.9m target. There was backlog of \$527k at month end. August 2019 invoiced sales were \$4.4m.
- MTD subscription sales at \$1.3m compared to target of \$948k. July 2019 was \$725k.
- MTD strong upfront attach rate of 52% and YTD of 43% compared to reforecast of 32%.
- Solstice Conference released on 8/5 – fast follow up releases 5.01 and 5.02 are out and address performance, stability a few bugs, 5.1 due 10/8
- COVID-19 response – August sales results were ahead of July by 5% (\$4.1m vs. \$4.3M), but order volume and run-rate sales were down from July's results
- Initial response to new digital ad spend for Conference shows promise in terms of increased MQL results
- Organization/Workforce
 - Safety
 - No new COVID-19 cases among workforce since 4/10/20
 - Based on feedback from employees, starting 9/1, the Denver office capacity increased to accommodate up to 15 employees each day, and group meetings of up to 8 people. PPE and protocol remain in place.
 - Onboarded three field salespeople and one person in Marketing
 - Conducted training on Respect in the Workplace; Microinequities and Unconscious Bias
 - Secured a 0% increase for the 2021 insurance benefits renewal, and negotiated an \$80,000 rebate on 2020 health insurance premiums
 - Created two Leadership Learning Paths; one focused on self-leadership, and the other focused on leading people

Customer Adoption

- Existing customers – Accenture \$235k, Case Western Reserve University \$99k, Worcester State University \$86k
- New/Land orders – University of Arkansas \$101k, Trihealth \$100k, Sammons Financial Group \$97k

Executive Summary (Continued)

Misses

- August was a mixed bag of strong sales results but downward trend in some leading indicators like order volume
- There is concern that the Summer's ahead of plan sales results could have been the result of pent up demand from Q2 so we will need look to our large orders (Exertis, WW) and Solstice Conference to drive results in September and October
- September is off to a slow start but should get a boost from \$1M Exertis order due in on 9/21
- MTD Solstice invoiced sales at \$2.5m compared to target of \$3.0m, due to lower than expected Solstice sales in Americas. ???
- MTD ASP \$741 vs reforecast of \$792 driven by higher than expected sales mix in EMEA and increase in hardware upgrades in Americas.
- Order and run-rate volume is down 40% during MTD period compared to MTD 2019
- Burnout and working-from-home challenges persist for some as the back to school season starts. Being addressed through discussion, flexible work schedules, and increased ability to work from the office.
- Span of control issues evident in some parts of in Engineering resulting in a decline in employee sentiment and effectiveness.

Key Go-Forward Actions

- Moving forward with technology partnership discussions with C level at Condeco
- Began formal partner discussion with QSC – leading DSP provider and competitor to Crestron and BiAmp
- Expanding distribution in DACH with Littlebit resulting in \$500K stocking order
- Premier reseller program featuring Solstice Conference which offers incentives in exchange for direct marketing to their customer database – over 50 resellers signed up
- Continued strategic discussion around 'Return To Work' Solstice Cloud Management Module including room downtime notifications, calendar blocking, and camera detection for social distance policy enforcement
- Continued meetings and on going work with Moelis

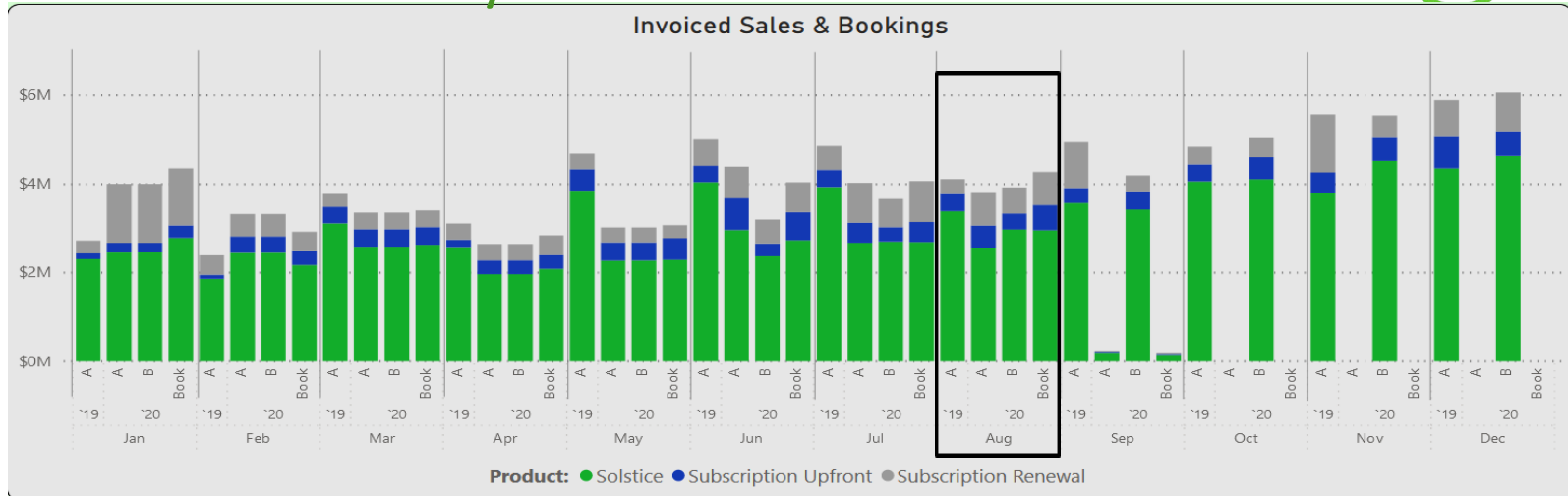
Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
▪ New Product Launches	<ul style="list-style-type: none"> ▪ Sales Shortfall ▪ Competitive Positioning ▪ Market Adoption ▪ Installed Base Growth 	<ul style="list-style-type: none"> ▪ Version 5.0 release featuring Solstice released on 8/5 – fast follow on releases 5.01 and 5.02 address initial feedback/issues ▪ In discussion at strategic level regarding next major product initiatives; Solstice ‘home edition’, Wellness, in product alerts and notifications, Zoom Rooms, on prem Solstice Cloud
▪ Customer Operations	<ul style="list-style-type: none"> ▪ Cost savings ▪ Customer Satisfaction ▪ Deployment Friction 	<ul style="list-style-type: none"> ▪ Moving to next stage rollout of pre-configured Pods through Solstice Cloud ▪ Reached agreement with SMART on reinstating \$9 price reduction ▪ Better inventory controls ▪ Operations as strategic differentiator ▪ Launched customer support portal
▪ AV industry	<ul style="list-style-type: none"> ▪ ‘Touchless AV’ has evolved into ‘hybrid workforce’ as the hot topic as a result over COVID concerns ▪ Barco sales off more than 50% according to former employees – down graded forecast for the US is \$40M 	<ul style="list-style-type: none"> ▪ Continuing to leverage our position as a touchless AV solution based on software, using Solstice Conference as part of a Zoom Gloom/fatigue campaign ▪ Continue to focus on channel mindshare ▪ Rehired and appointed Amelia Vrabel VP Channels
▪ Improve margin/EBITDA while continuing to invest and grow	<ul style="list-style-type: none"> ▪ Failure to hit financial targets 	<ul style="list-style-type: none"> ▪ Launch professional development training – launched update – relaunched formal structure ▪ Improve onboarding of new staff ▪ Renegotiate Solstice BOM cost – delayed, now November ▪ RMA and inventory process improvements – done
▪ HR/Staffing/Comp	<ul style="list-style-type: none"> ▪ Productivity ▪ OPEX ▪ Morale ▪ Restoration of employee benefits under consideration as Denver job market heats back up 	<ul style="list-style-type: none"> ▪ Interview training ▪ Culture brand development ▪ Professional Development - launched ▪ Staff training
▪ 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"> ▪ Move faster to hire empty territories – much better continuity and coverage compared to ‘19 ▪ Improve onboarding ▪ Double down in ‘hi-po’ territories – Midwest, NE, UK ▪ Continued focus on sales enablement
▪ Solstice Subscription Services	<ul style="list-style-type: none"> ▪ Impact on enterprise value ▪ Customer/technology scale 	<ul style="list-style-type: none"> ▪ Expand customer success inside sales team ▪ Broad renewal/swap campaign ▪ Sales focus on sub 1000 customers yielding promising results – ongoing

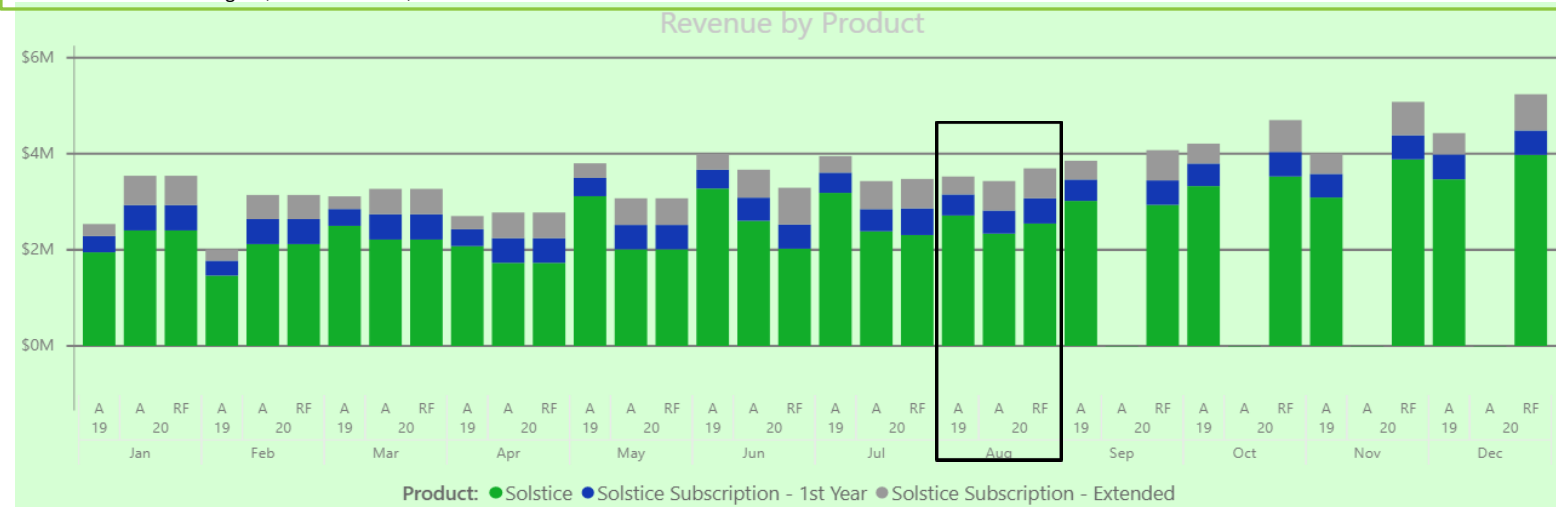
August '20- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> • IBM – early evaluation for new HQ in Germany – need SC • Northrop Grumman – Land order in Q4 • BP – Hungary pilot kicking off/ followed by Houston in Q4 - standard • Morgan Stanley – evaluation taking place in UK...Miracast • 7-Eleven – AirMedia swap out – 100+ units in Q3/Q4 • Grainger – about to standardize with a 100+ order - Q4 • DVAG Investments – in pilot for 100+ rooms • Exertis Stocking Order (UK) – \$1M order in Sept/Oct • Grainger – standardizing with first order in July/August • WeWork – AirMedia swap out project in EMEA – Sept/Oct • WeWork – Airmedia swap out in N America – quantities TBD Q4 • WeWork - \$1.85M renewal targeted for Q4 • Warner Media – 300+ units for SoCal deployment pushed to 2H • Toyota – Digital signage deployment of 175 units in Q4 • Exclusive Networks – new disty in UA and SEA - #s TBD • Charter - multi-yr renewal in Q4. \$295K invoiced in Q4 for 1st yr • Texas A&M - \$900K project in Dec or Q1 • Veritas – renewal + new Pod project - \$200K in Q4 • Vanguard – 200 unit follow on order in Q4 	<ul style="list-style-type: none"> • Raytheon – Integration with UTC taking time. Still aligned to Barco for now. • Paypal – paused until pilot can resume in 2021 • Shell – paused until back to office plan is established
Big Wins	
<ul style="list-style-type: none"> • Accenture - \$235K • University of Arkansas – \$101K • Trihealth - \$100K • Case Western University - \$99K • Sammons Financial Group - \$97K • Worcester State University - \$86K 	<ul style="list-style-type: none"> • Informatica - \$86K • Texas Southmost College - \$68K • United Parcel Service - \$66K • Carnegie Mellon University - \$66K • Delta Dental - \$53K • Northwestern University - \$48K

Sales Metrics – Monthly Trend

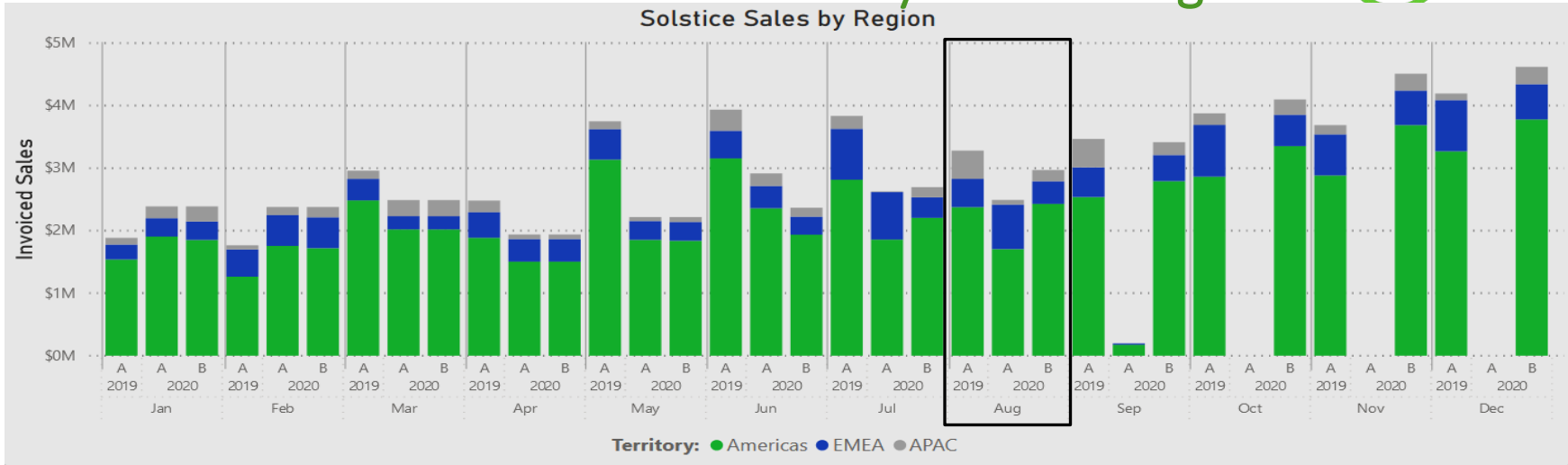


- August invoiced sales were \$3.8m compared to target of \$3.9m, which is 97% of Reforecast and 93% of PY sales at \$4.1m. This is a 5% MoM decrease compared to July-20. Bookings were \$4.3m compared to a \$3.9m target.
- YTD invoiced sales were \$28.6m compared to target of \$27.2m, which is 105% of reforecast.
- There was backlog of \$514k MTD and \$527k YTD.

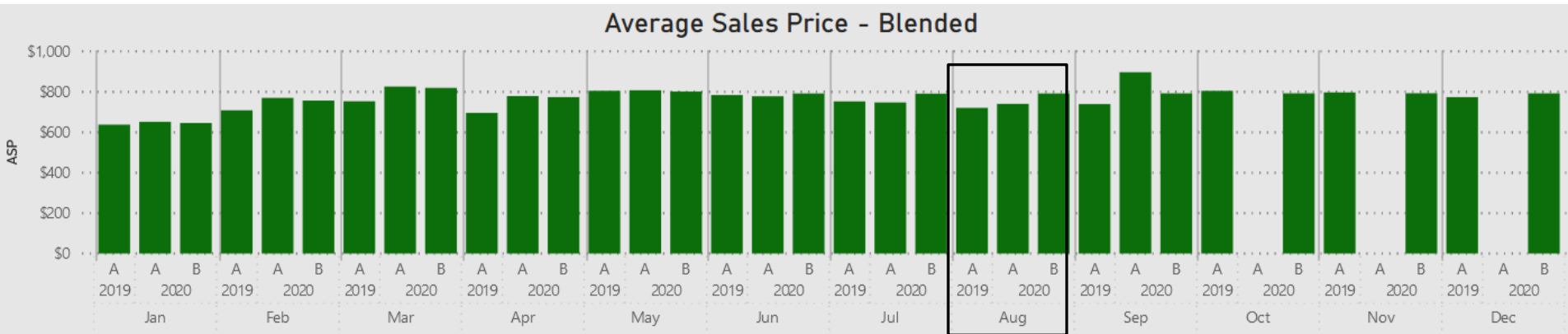


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 reforecast
- MTD GAAP revenue was \$3.4m compared to reforecast of \$3.7m, due to lower than expected Solstice sales. PY MTD GAAP was \$3.5m.
- YTD GAAP revenue was \$26.3m compared to reforecast of \$26.3m, due to higher than expected Solstice sales. PY YTD GAAP was \$25.6m.

Solstice Invoiced Sales Metrics – Monthly Trend – Region

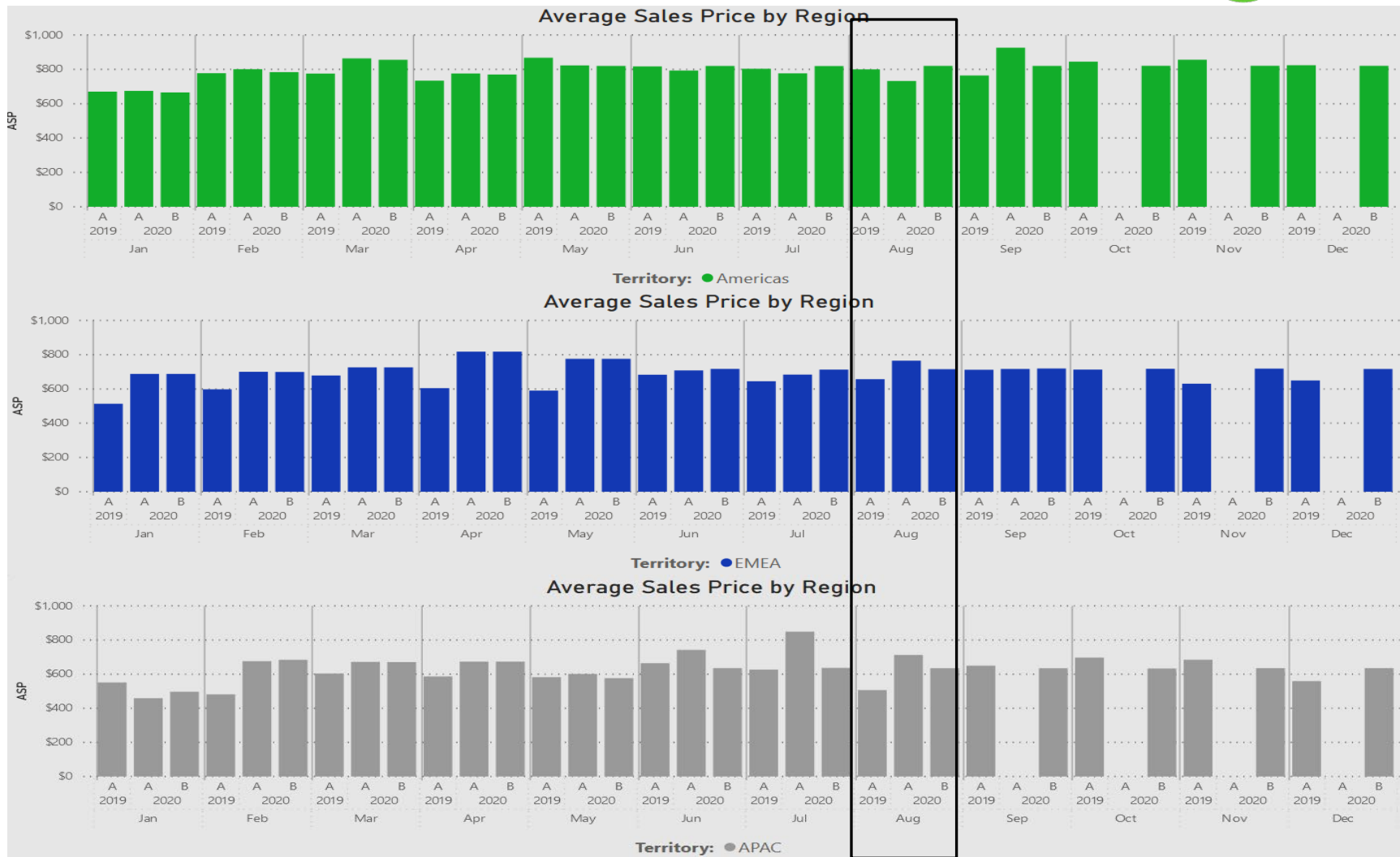


- August Solstice sales were \$2.5m compared to target of \$3.0m, which is 84% of reforecast and 76% of PY sales at \$3.3m. August invoiced sales were below reforecast due to underperformance in APAC and Americas, but EMEA overperformed significantly making the gap smaller.
- YTD Solstice invoiced sales were \$19.4m compared to target of \$19.4m, which is 100% of reforecast.
- August Solstice unit sales were 3,363 compared to target of 3,747, while PY was at 4,550.



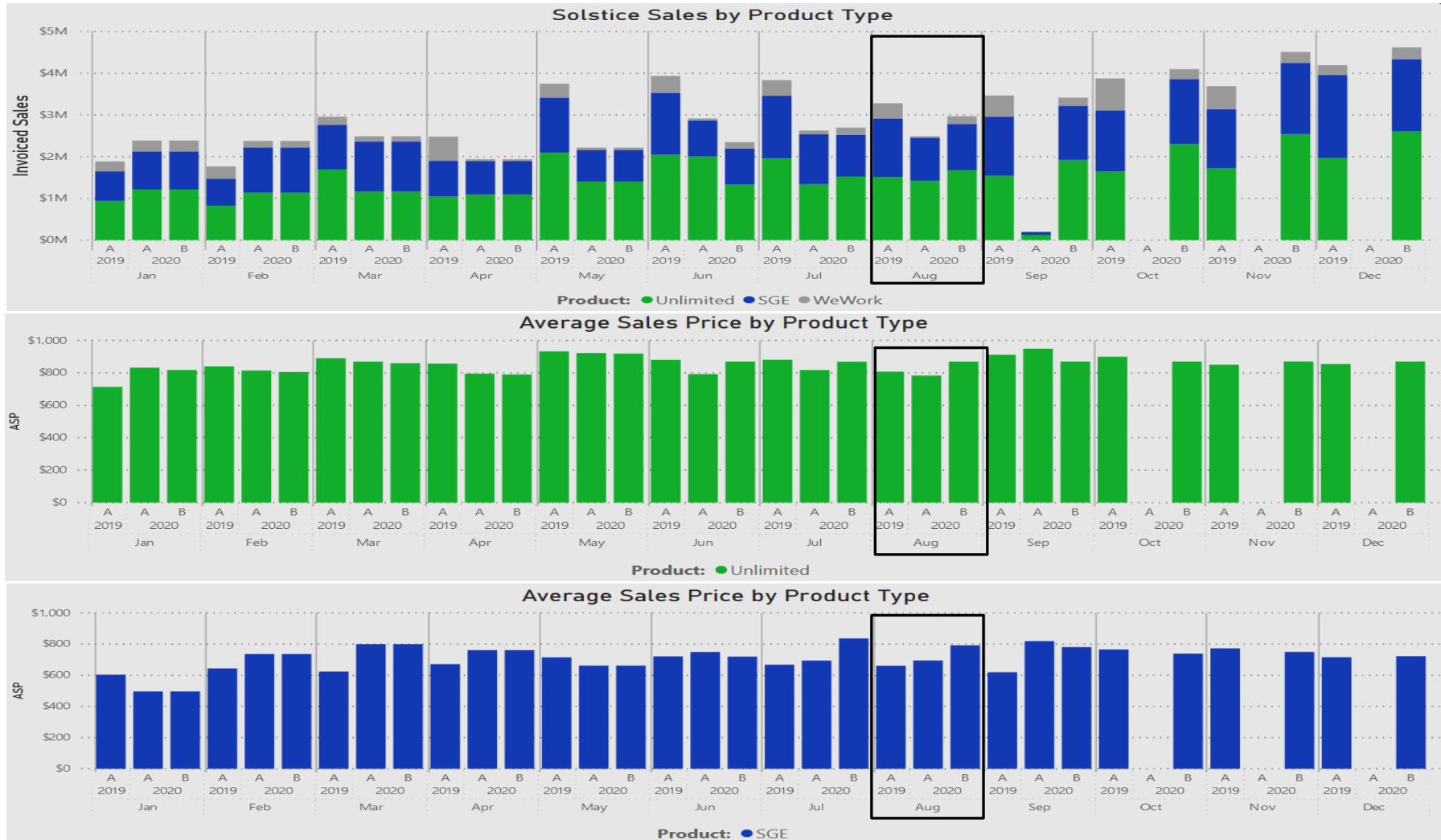
- Graph shows ASP by region historically and planned for remaining 2020
- Overall MTD ASP across all regions was \$741 including Gen 3 Solstice upgrades below plan of \$792, compared to \$721 in PY. This is due to lower than expected ASP in the Americas region.
- Solstice ASP excluding Solstice upgrades is \$857.

ASP by Region – Monthly Trend



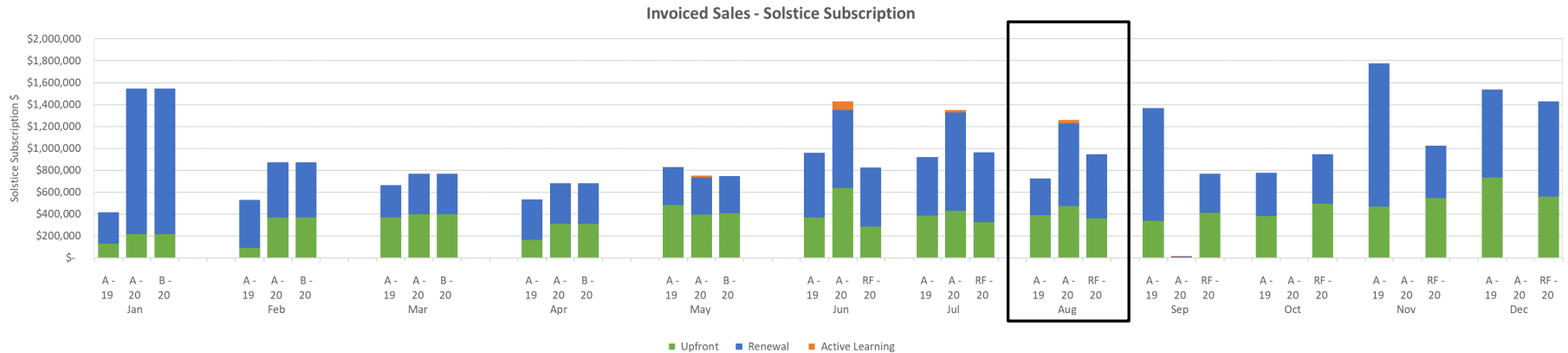
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD Solstice invoiced sales mix by region: Americas 68% actual vs 76% Target, EMEA 29% actual vs 19% Target, APAC 3% actual vs 5% target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
 - Americas - \$900 vs \$889 in prior month
 - EMEA - \$784 vs \$686 in prior month
 - APAC - \$712 vs \$849 in prior month

Solstice Invoiced Sales Metrics – Monthly Trend - Product

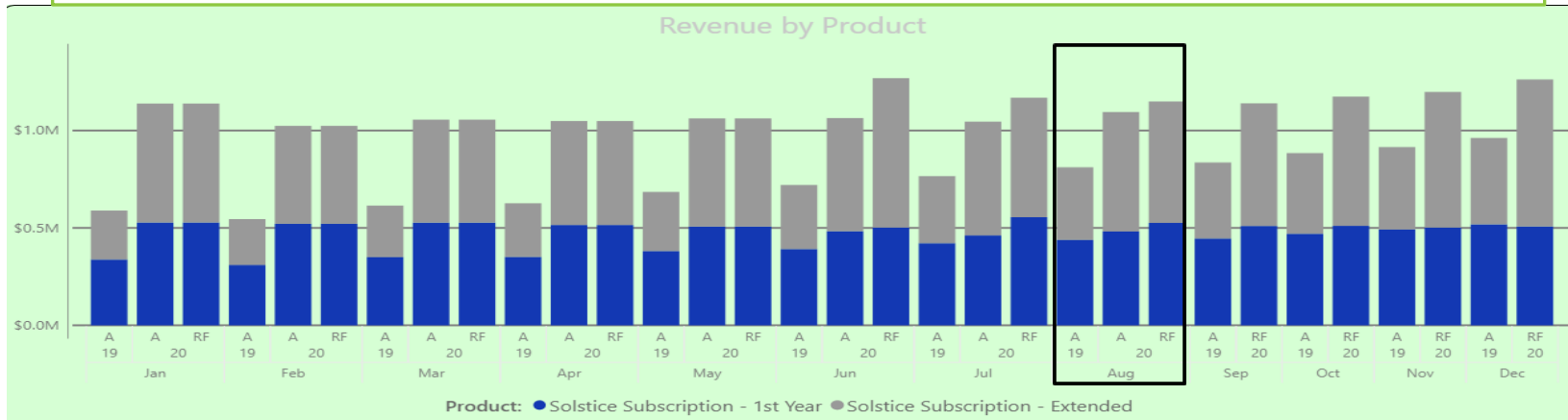


- Unlimited - August invoiced Solstice sales were \$1.4m compared to target of \$1.7m vs PY of \$1.5m.
- SGE - August invoiced sales were \$1.0m compared to target of \$1.1m vs PY of \$1.4m.
- WeWork - August invoiced sales were \$38k compared to target of \$185k vs PY of \$365k.
- Unlimited – August ASP was \$784 compared to target of \$870 vs PY of \$808.
- SGE - August ASP was \$695 compared to target of \$792 vs PY of \$661.

Solstice Subscription Metrics – Monthly Trend

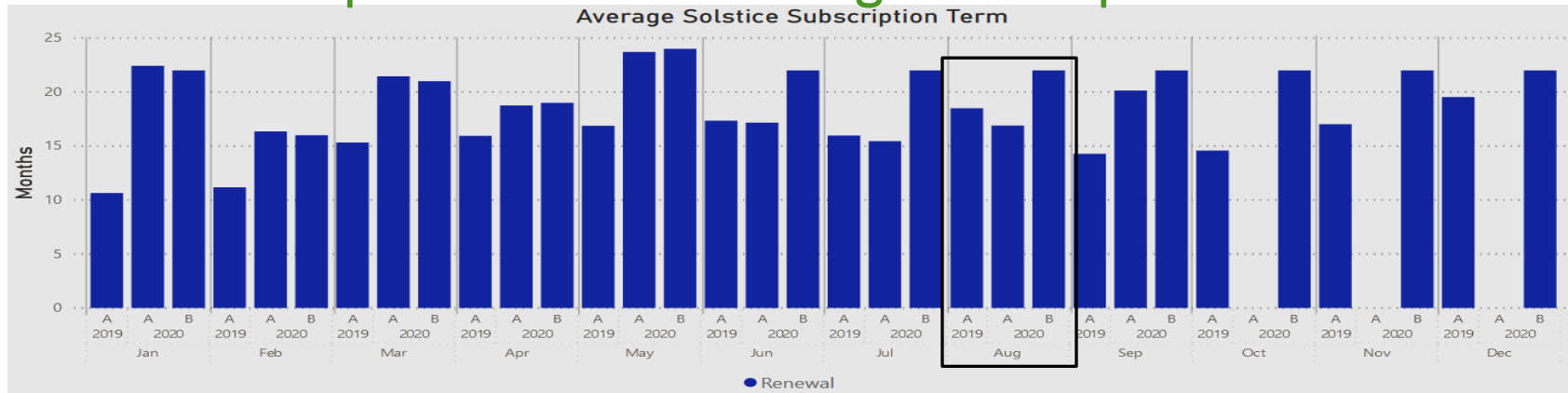


- August invoiced sales for solstice subscriptions was \$1.3m vs reforecast of \$948k, which is 133% of reforecast. PY was \$725k.
- Active Learning sales increased to 29k from July to August, an increase of 17%.
- YTD invoiced sales for solstice subscriptions was \$8.7m vs reforecast of \$7.4m, which is 118% of reforecast.
- August renewal ASP was \$280 compared to target of \$250 vs PY of \$204.
- August upfront ASP was \$272 compared to target of \$299 vs PY of \$317.
- Large renewal deals – Trihealth (\$97k), Case Western Reserve University (\$86k), Informatica (\$86k)
- Large upfront deals – Northamber PLC (\$115k), Midwich Limited - U.K. (\$45k), Accenture (\$32k)

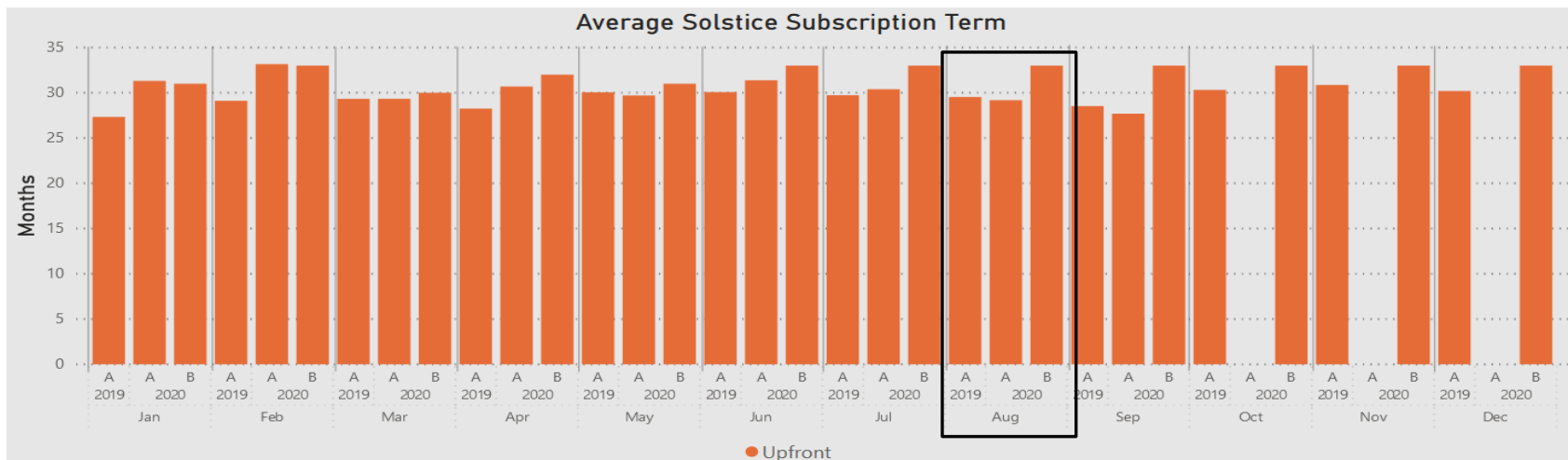


- August Solstice Subscription – Extended (renewal + upfront) was \$613k vs reforecast of \$623k vs PY of \$357k
- August Solstice Subscription – 1st year was \$482k vs reforecast of \$526k vs PY of \$440k
- August total Solstice Subscription was under expectations at \$1.1m vs reforecast of \$1.15m, but above PY of \$796k
- YTD total Solstice Subscription is slightly under expectations at 8.5m vs reforecast of 8.9m vs PY of 5.3m

Solstice Subscription Metrics – Average Subscription Term



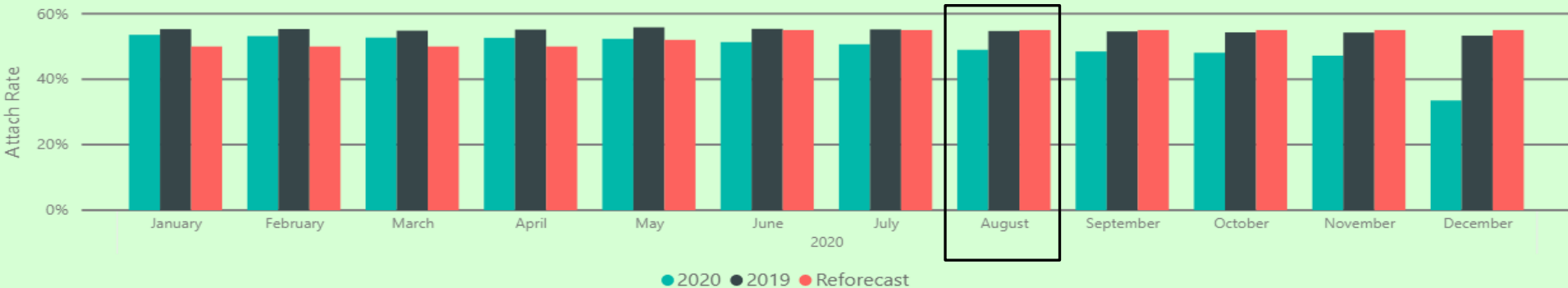
- Renewal average term was 17 months compared to target of 22 months.



- Upfront average term was 29 months compared to target of 33 months.

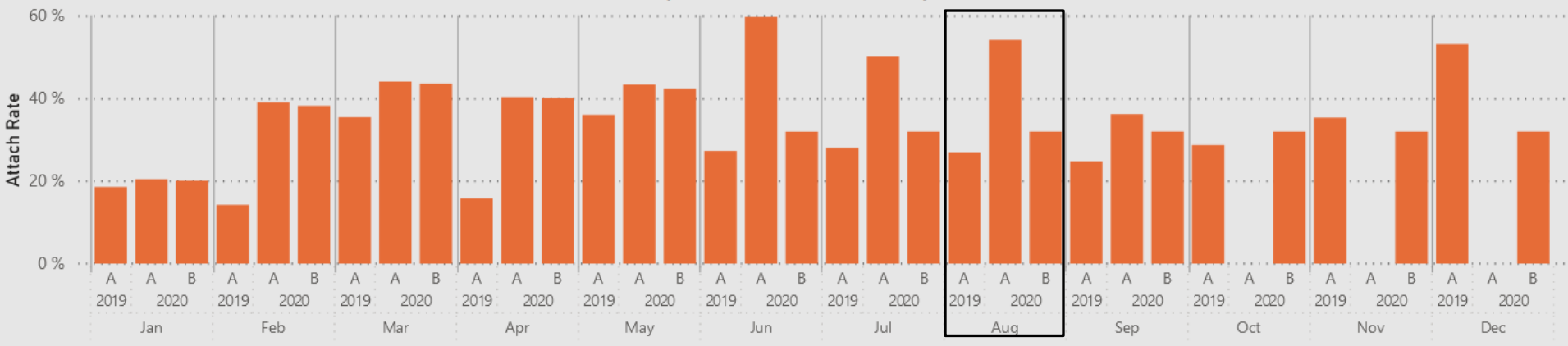
Solstice Subscription Metrics – Attach Rate

Subscription Attach Rate - Renewal



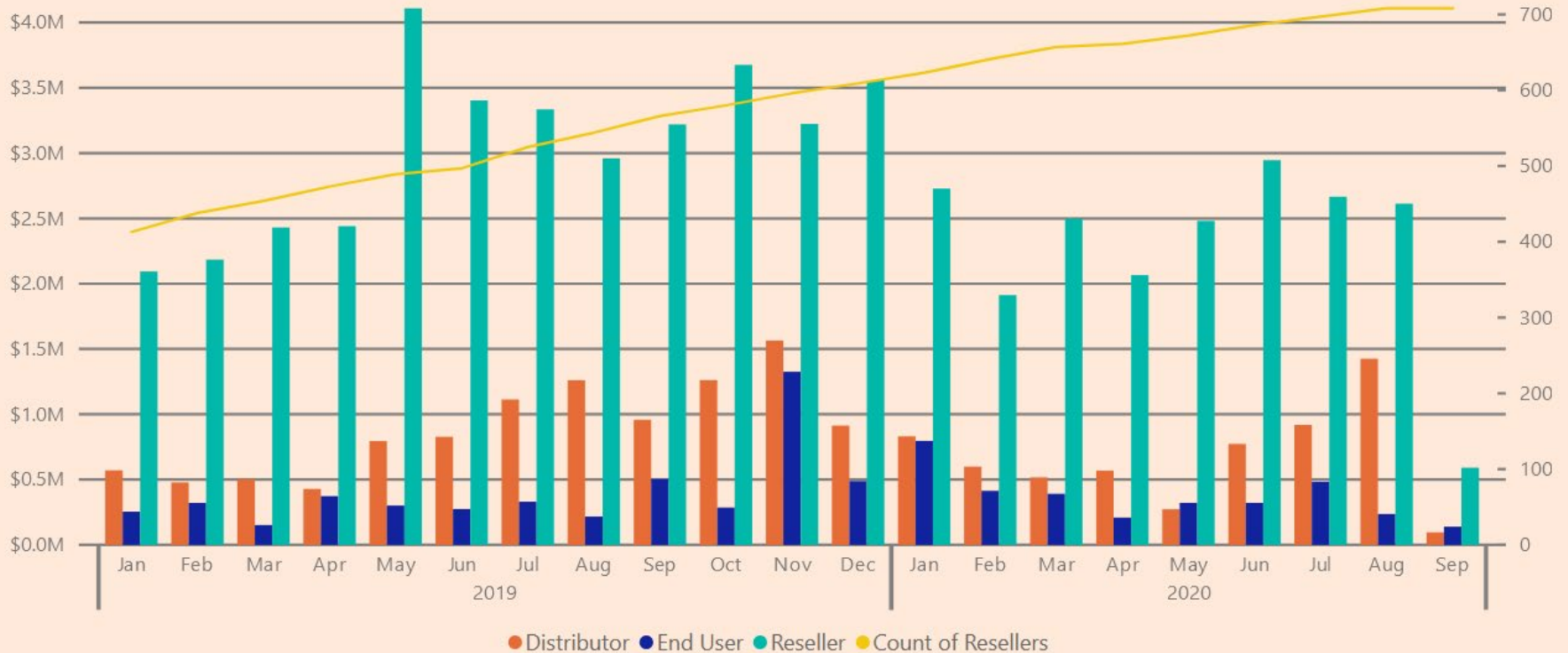
- Renewal rate was 49% during August. Target was 55%.

Subscription Attach Rate - Upfront



- Upfront attach rate increased to 52% during August above target of 32%.

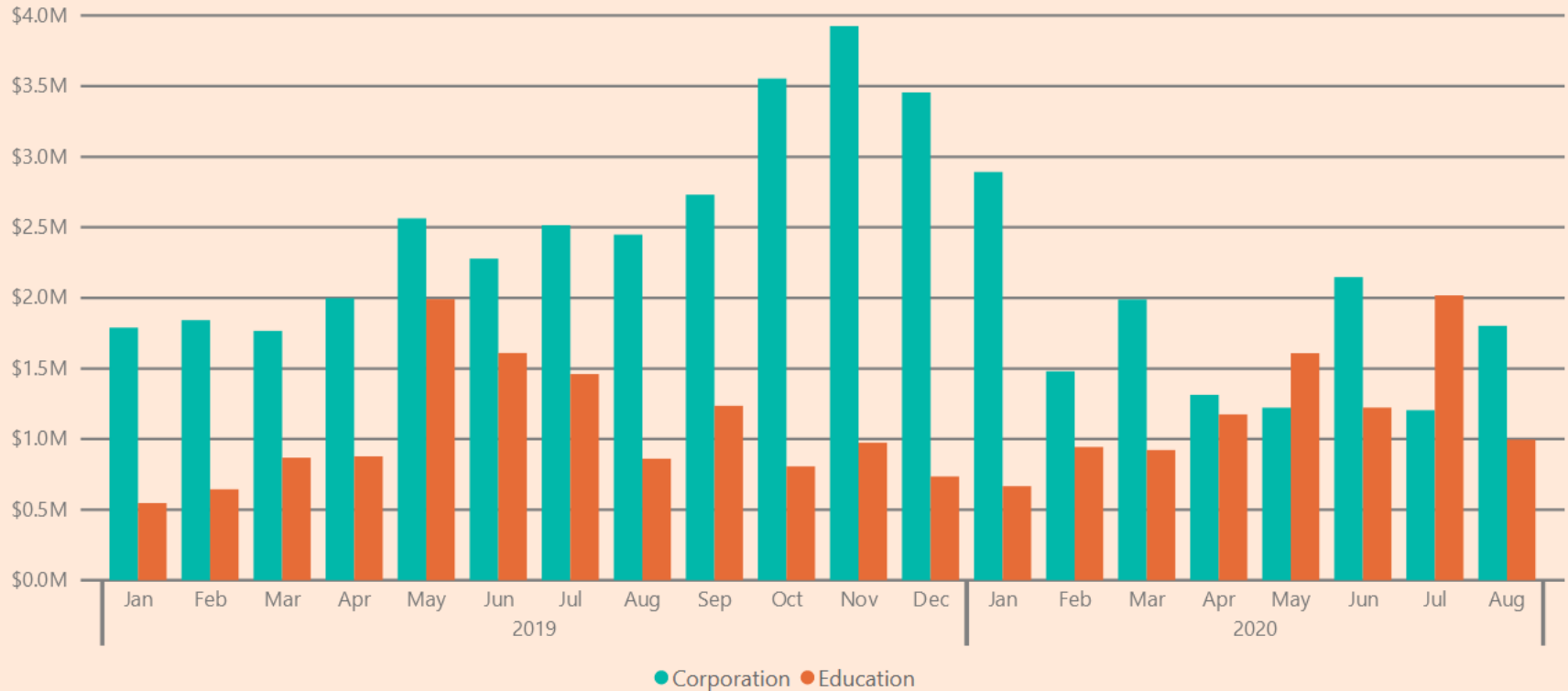
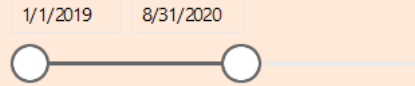
Segmentation - Channel



- Bookings
- New Resellers by Region:
 - TOLA = 5, Midwest = 2, Pacific Northwest = 1, Eastern and Central Canada = 1, Southeast = 1, Other = 1
 - Unique resellers in August 2020 were at 190 vs 217 for July 2020

Customer Segment Metrics

Segmentation - Vertical



- Bookings excluding stocking orders and including sales out

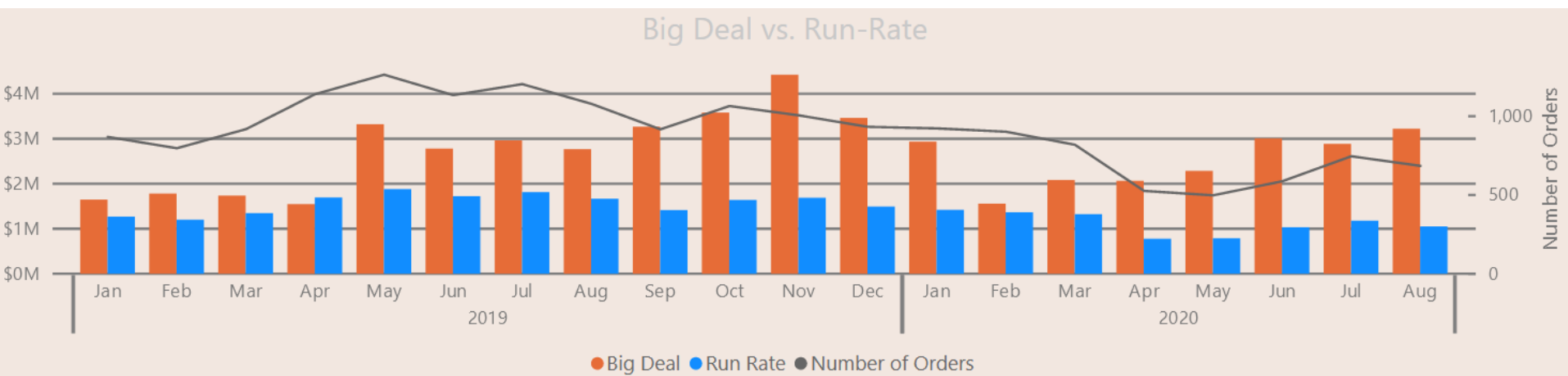
Top End User Metrics - MTD

End User - Corporate	Current Month Amount	% of Total
Accenture	\$234,819	11.39%
Trihealth	\$99,501	4.83%
Sammons Financial Group	\$96,755	4.69%
Informatica	\$85,679	4.16%
United Parcel Service Inc. (UPS)	\$66,331	3.22%
DELTA DENTAL	\$53,152	2.58%
Tobyhanna Army Depot	\$39,892	1.93%
WeWork	\$39,075	1.90%
Santa Clara Valley Medical Center	\$38,500	1.87%
Floor and Decor	\$34,507	1.67%
Securian Financial	\$31,961	1.55%
NorthRock Partners LLC	\$31,877	1.55%
Stichting Sekondant	\$28,013	1.36%
F&G Annuities & Life	\$27,924	1.35%
NJ Department of Health	\$27,690	1.34%
Procter and Gamble	\$25,421	1.23%
Bloomberg (Press)	\$23,876	1.16%
Total	\$2,061,807	100.00%
End User - Education	Current Month Amount	% of Total
UNIVERSITY OF ARKANSAS - PULAS	\$100,591	8.91%
Case Western Reserve University	\$99,157	8.79%
Worcester State University	\$85,980	7.62%
Texas Southmost College	\$67,666	6.00%
Carnegie Mellon University	\$66,256	5.87%
Northwestern University	\$48,425	4.29%
University of MD Systems at Southern Maryland	\$45,874	4.06%
University of California, Irvine	\$34,995	3.10%
Worcester Polytechnic Institute	\$24,229	2.15%
University of Pennsylvania - The Wharton School of Business	\$23,793	2.11%
London School of Economics	\$22,700	2.01%
Texas Tech University	\$22,603	2.00%
Blinn College	\$22,100	1.96%
Northern State University	\$20,909	1.85%
Texas Tech University - Health Sciences Center	\$14,676	1.30%
Hosei University	\$14,620	1.30%
Auburn University	\$14,187	1.26%
Total	\$1,128,654	100.00%

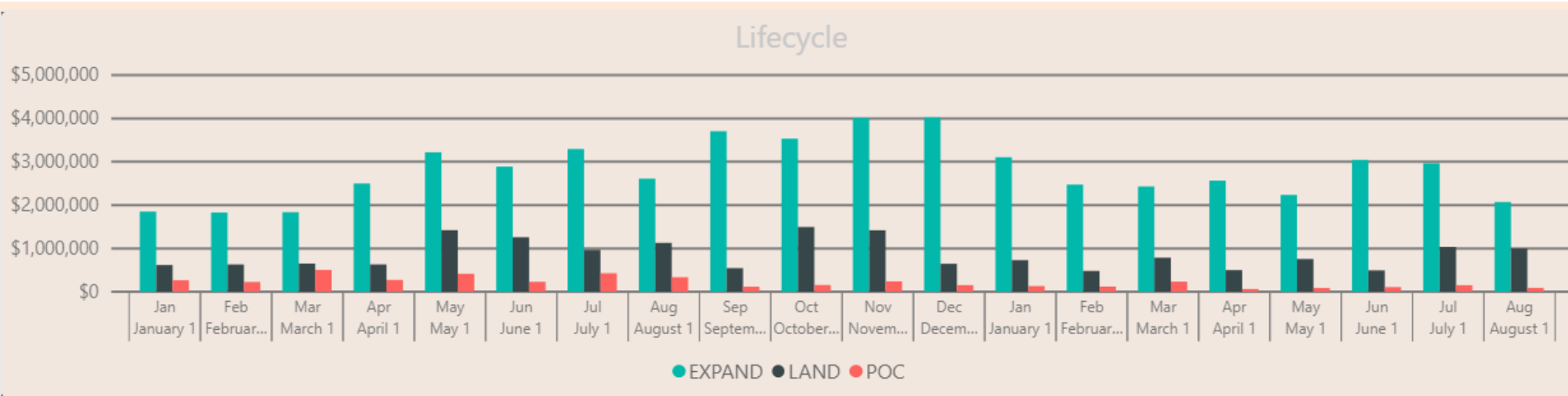
Top End User Metrics - LTM

End User - Education	LTM Amount	% of Total
WeWork	\$4,398,459	13.40%
United Parcel Service Inc. (UPS)	\$1,141,808	3.48%
Nike	\$1,090,382	3.32%
Kiewit Corporation	\$815,019	2.48%
Accenture	\$774,557	2.36%
Comcast	\$736,666	2.24%
The Vanguard Group	\$688,961	2.10%
Mastercard	\$632,812	1.93%
Charter Communications	\$469,908	1.43%
AstraZeneca Global - Verified	\$385,833	1.18%
Fifth Third Bank	\$336,628	1.03%
IQVIA	\$332,672	1.01%
Northern Trust	\$324,601	0.99%
LA Rams-LA. Stadium and Entertainment District at Hollywood Park	\$306,683	0.93%
Nestle USA - NJ	\$294,670	0.90%
Georgia Pacific	\$290,432	0.89%
Capital One	\$278,960	0.85%
Total	\$32,815,295	100.00%
End User - Corporate	LTM Amount	% of Total
Northeastern University	\$483,498	3.19%
Case Western Reserve University	\$419,006	2.76%
Iowa State University	\$372,590	2.46%
Texas Tech University	\$335,048	2.21%
Carnegie Mellon University	\$282,706	1.86%
Indiana University	\$279,169	1.84%
University of Illinois	\$260,206	1.72%
Northwestern University	\$245,794	1.62%
Worcester State University	\$238,328	1.57%
Penn State University	\$234,403	1.55%
George Mason University	\$233,714	1.54%
SOUTHEAST COMMUNITY COLLEGE	\$228,200	1.50%
Nexus International School (Singapore)	\$226,358	1.49%
Towson University	\$216,318	1.43%
University of Minnesota	\$201,657	1.33%
Norfolk State University	\$180,842	1.19%
University of Richmond	\$180,007	1.19%
Total	\$15,166,395	100.00%

Big Deals and Run Rate Metrics



End User Lifecycle Metrics

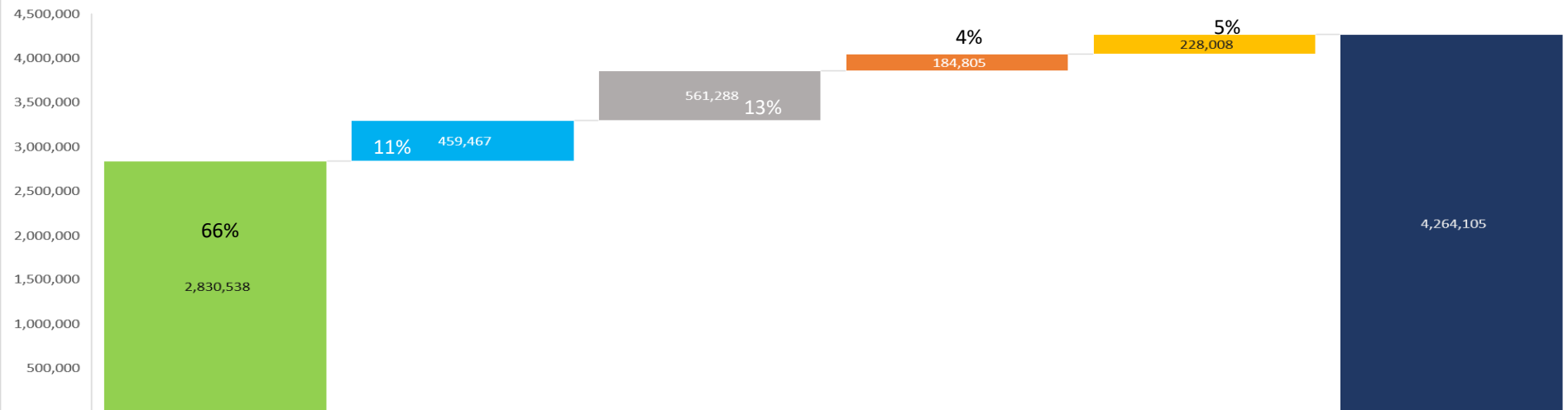


Lifecycle

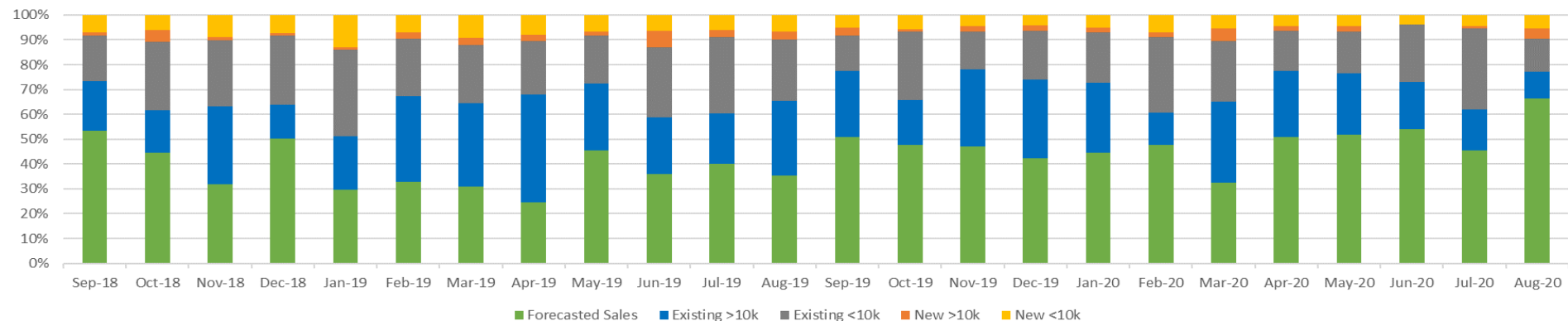
Date	March 1	April 1	May 1	June 1	July 1	August 1	September 1	October 1	November 1	December 1	January 1	February 1	March 1	April 1	May 1	June 1	July 1	August 1
Type	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
EXPAND	\$1,837,827	\$2,499,749	\$3,221,062	\$2,889,665	\$3,295,942	\$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	\$2,235,675	\$3,044,933	\$2,968,894	\$2,072,617
LAND	\$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	\$756,251	\$493,422	\$1,033,800	\$998,919
POC	\$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	\$90,065	\$107,271	\$152,194	\$91,562
Total	\$2,992,701	\$3,403,616	\$5,060,223	\$4,377,793	\$4,691,063	\$4,077,621	\$4,369,061	\$5,186,314	\$5,672,857	\$4,822,411	\$3,969,780	\$3,075,140	\$3,452,305	\$3,127,369	\$3,081,991	\$3,645,626	\$4,154,888	\$3,163,098

Bookings Attribution Analysis

Current Month Sales Bridge



Bookings



Management Discussion

- 66% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 11% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 13% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 9% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

Current Month

2020 YTD

Rep	Quota	Actuals	Var \$	% of Target	Quota YTD	Actuals YTD	Var \$	% of Target
▣ Americas	\$2,923,140	\$2,768,785	(\$154,354)	95%	\$16,241,464	\$22,172,203	\$5,930,738	137%
▣ Burt Feldman	\$974,380	\$893,561	(\$80,819)	92%	\$4,615,309	\$8,402,588	\$3,787,279	182%
Melissa Johnson	\$243,595	\$193,231	(\$50,364)	79%	\$2,034,399	\$2,039,002	\$4,603	100%
David Miner	\$162,397	\$208,908	\$46,511	129%	\$1,182,540	\$1,483,637	\$301,097	125%
Danny Fabre	\$108,264	\$12,180	(\$96,084)	11%	\$486,796	\$376,729	(\$110,067)	77%
▣ Ryan Shannon	\$839,049	\$846,550	\$7,501	101%	\$6,156,735	\$6,308,871	\$152,137	102%
Craig Tollefson	\$221,942	\$313,044	\$91,102	141%	\$1,515,608	\$1,907,167	\$391,559	126%
Scott Ruffer	\$232,769	\$289,910	\$57,141	125%	\$1,280,328	\$1,365,892	\$85,563	107%
▣ John Chandler	\$676,653	\$607,396	(\$69,256)	90%	\$2,863,191	\$4,754,335	\$1,891,143	166%
Joel Carroll	\$351,859	\$236,553	(\$115,306)	67%	\$2,397,547	\$2,328,712	(\$68,835)	97%
▣ Mats Bergqvist	\$338,326	\$394,302	\$55,975	117%	\$2,213,227	\$2,459,086	\$245,858	111%
Ryan Gregston	\$154,840	\$108,598	(\$46,242)	70%	\$1,062,457	\$934,541	(\$127,916)	88%
Veronica Saldarriaga	\$94,731	\$101,809	\$7,077	107%	\$544,503	\$488,183	(\$56,320)	90%
▣ Jeff McDonald	\$94,731	\$26,976	(\$67,755)	28%	\$393,002	\$247,323	(\$145,679)	63%
▣ EMEA	\$825,516	\$1,390,597	\$565,081	168%	\$4,390,767	\$4,993,810	\$603,043	114%
▣ Jeff Meyer	\$825,516	\$1,390,597	\$565,081	168%	\$4,390,767	\$4,993,810	\$603,043	114%
Chris Charran	\$297,727	\$738,641	\$440,914	248%	\$1,472,504	\$2,352,161	\$879,657	160%
Rosario Marseglia	\$121,797	\$549,010	\$427,212	451%	\$663,209	\$973,381	\$310,172	147%
Johan Cederberg	\$135,331	\$75,632	(\$59,698)	56%	\$815,583	\$655,564	(\$160,020)	80%
Thomas Liot	\$121,797	\$14,307	(\$107,490)	12%	\$625,266	\$414,340	(\$210,926)	66%
Cyril Mattar	\$94,731	\$9,523	(\$85,208)	10%	\$402,353	\$226,438	(\$175,915)	56%
▣ APAC	\$216,529	\$77,246	(\$139,283)	36%	\$1,327,669	\$990,360	(\$337,308)	75%
▣ Gark Tan	\$216,529	\$77,246	(\$139,283)	36%	\$1,327,669	\$990,360	(\$337,308)	75%
Jeff Liu	\$102,851	\$50,208	(\$52,643)	49%	\$394,585	\$173,846	(\$220,739)	44%
▣ WeWork	\$206,966	\$38,256	(\$168,710)	18%	\$1,193,768	\$835,742	(\$358,026)	70%
Total	\$3,924,099	\$4,274,884	\$350,785	109%	\$27,149,103	\$28,992,115	\$1,843,012	107%

Backlog Runoff

Backlog Reason	9/1/2020	9/2/2020	9/3/2020	9/8/2020	9/9/2020	9/25/2020	Other	Grand Total
Invoiced	20,531	36,343	7,834	11,748	180	-	-	76,636
Future Ship Date Requested	-	-	-	-	-	412,936	-	412,936
Revised PO Required/Part or Price Error	-	-	-	-	-	-	15,067	15,067
Prepay	-	-	-	-	-	-	8,625	8,625
Missing Info/End User Details	-	-	-	-	-	-	317	317
Total	20,531	36,343	7,834	11,748	180	412,936	24,008	513,581

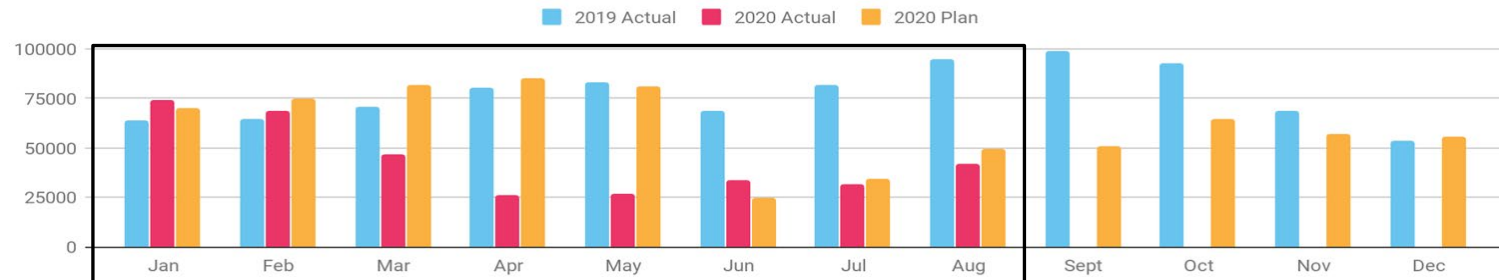
New End User Count by Region

Aug 2020 New End Users

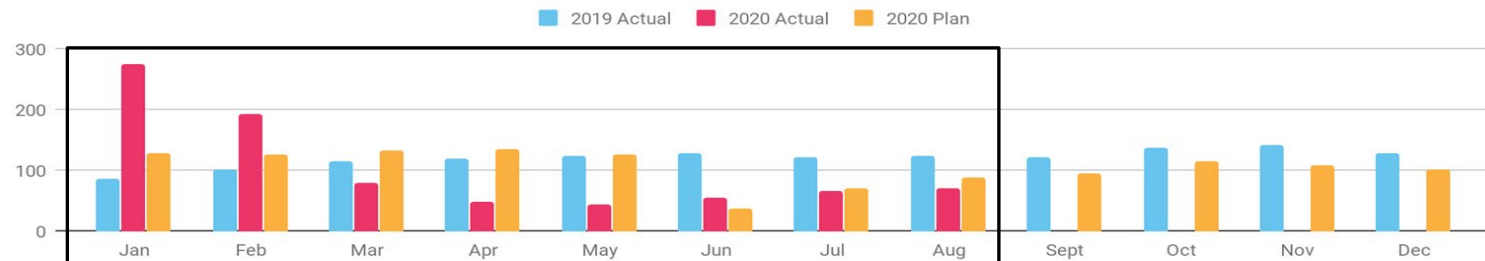
Name	Territory	Aug-19	Aug-20	Var \$	% of PY	2020 YTD			
		PY	Actual			PY	Actual	Var \$	% of PY
Scott Ruffer	Midwest	-	6	6		-	27	27	
Craig Tollefson	Midwest	2	11	9	550%	6	63	57	1050%
Veronica Saldarriaga	Rocky Mountain	3	8	5	267%	13	41	28	315%
Ryan Gregston	Southwest	5	4	(1)	80%	18	34	16	189%
Jeff McDonald	ANZ	4	1	(3)	25%	10	11	1	110%
Melissa Johnson	Mid-Atlantic	12	5	(7)	42%	56	52	(4)	93%
John Chandler	TOLA	17	14	(3)	82%	117	94	(23)	80%
Joel Carroll	Southeast	19	9	(10)	47%	156	99	(57)	63%
Burt Feldman	Northeast	21	13	(8)	62%	185	88	(97)	48%
David Miner	New England	5	6	1	120%	40	22	(18)	55%
Ryan Shannon	Midwest	40	25	(15)	63%	266	125	(141)	47%
Danny Fabre	Canada	10	1	(9)	10%	90	29	(61)	32%
Mats Bergqvist	West Coast	25	3	(22)	12%	125	29	(96)	23%
Cyril Mattar	MEA	5	4	(1)	80%	18	32	14	178%
Johan Cederberg	Nordics	5	6	1	120%	48	55	7	115%
Thomas Liot	France/Spain	5	3	(2)	60%	103	45	(58)	44%
Chris Charran	UK	21	12	(9)	57%	155	67	(88)	43%
Rosario Marseglia	Germany/Italy	7	5	(2)	71%	88	36	(52)	41%
Jeff Liu	China	5	1	(4)	20%	34	17	(17)	50%
Gark Tan	APAC	23	11	(12)	48%	140	112	(28)	80%
Jeff Meyer	EMEA	63	31	(32)	49%	593	258	(335)	44%
Name	Territory	PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
		225	137	(88)	61%	1,668	1,015	(653)	61%
Rick Emery	World								

Marketing Metrics

Sessions



QLs

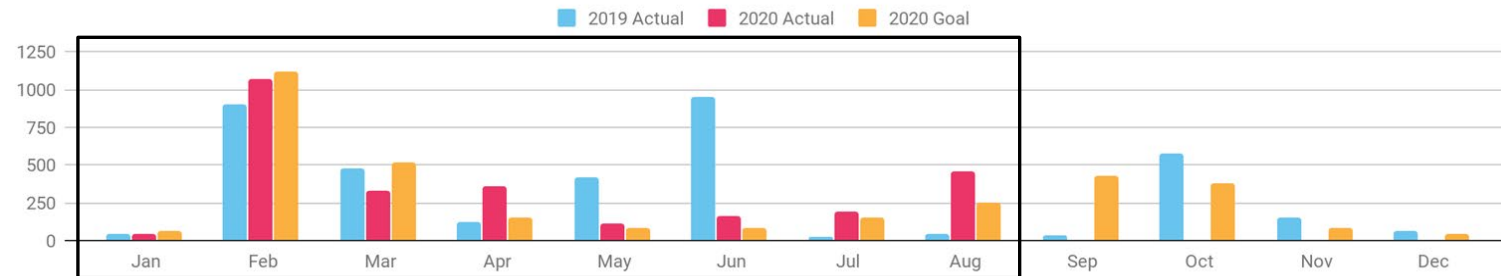


Management Discussion

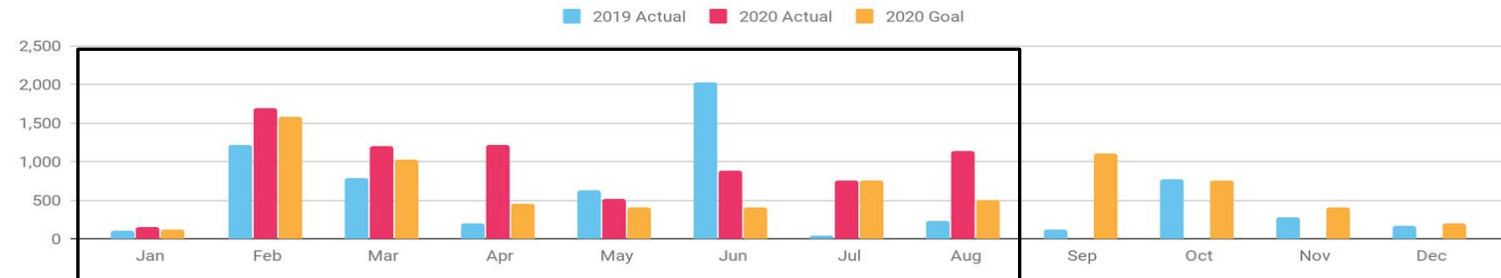
- Web traffic grew by over 30% month-over-month in August but was approximately 7k sessions short of the new plan.
- Inbound channels (eg SEO) continue to recover very slowly from the trough in Q2. Outbound channels continued to perform strongly in August.
- MQLs by count finished at 80% to plan due to web traffic finishing below plan.

Field Marketing Metrics

New Event Members



All Event Members

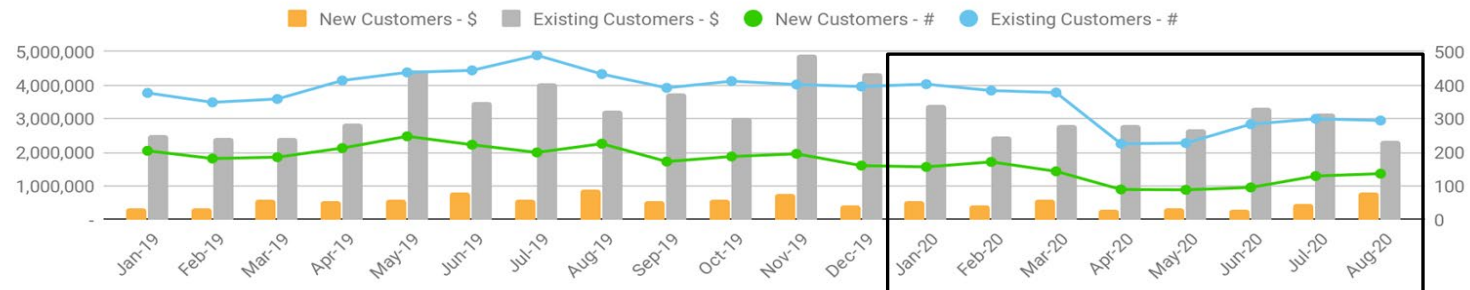


Management Discussion

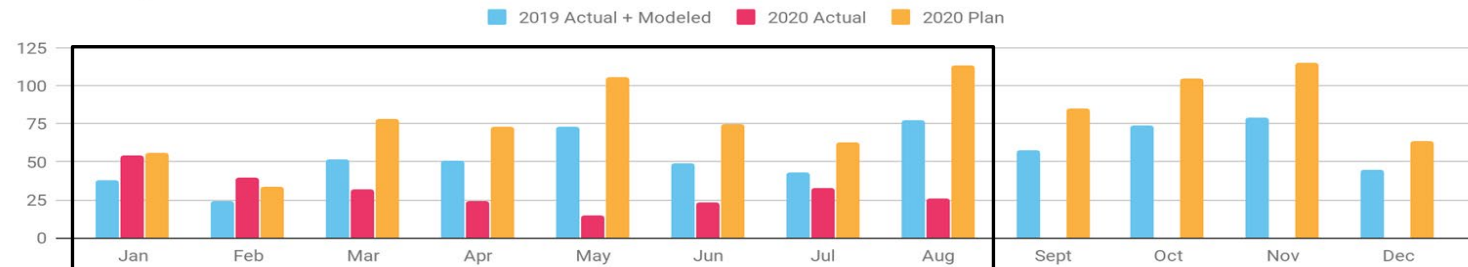
- Webinars continue to perform strongly; in August, our livestream for the Solstice Conference launch also produced strong results.
- Total event membership was 227% of goal for August; new event membership was 187% of goal in August.

New Customer Metrics

Monthly New vs. Existing Customers



Marketing Influenced Net New Accounts

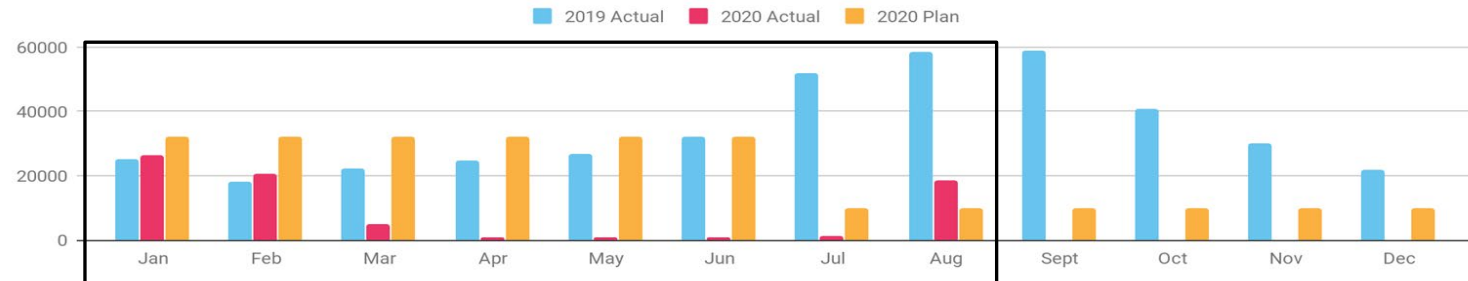


Management Discussion

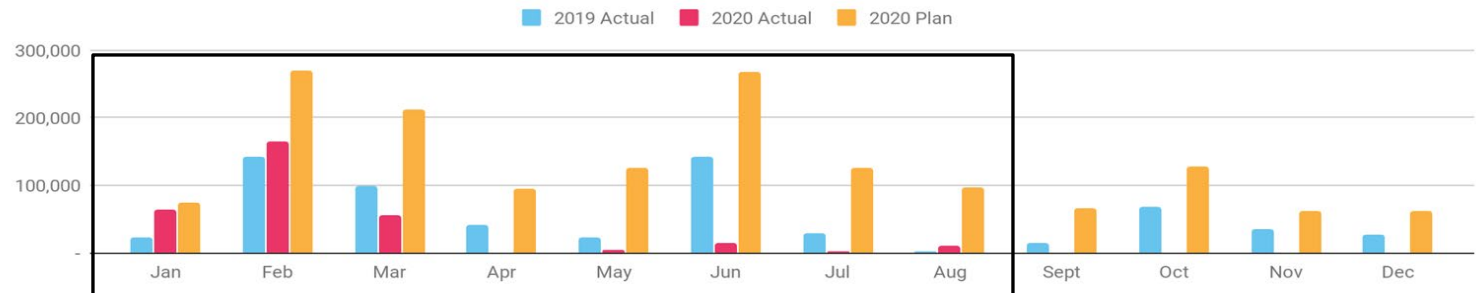
- This plan does not account for Covid-19 impact; a modified plan is underway.
- Marketing influenced NN accounts for August are 19% of total NN accounts, compared to 25% in July.

Marketing Spend

Digital Ad Spend



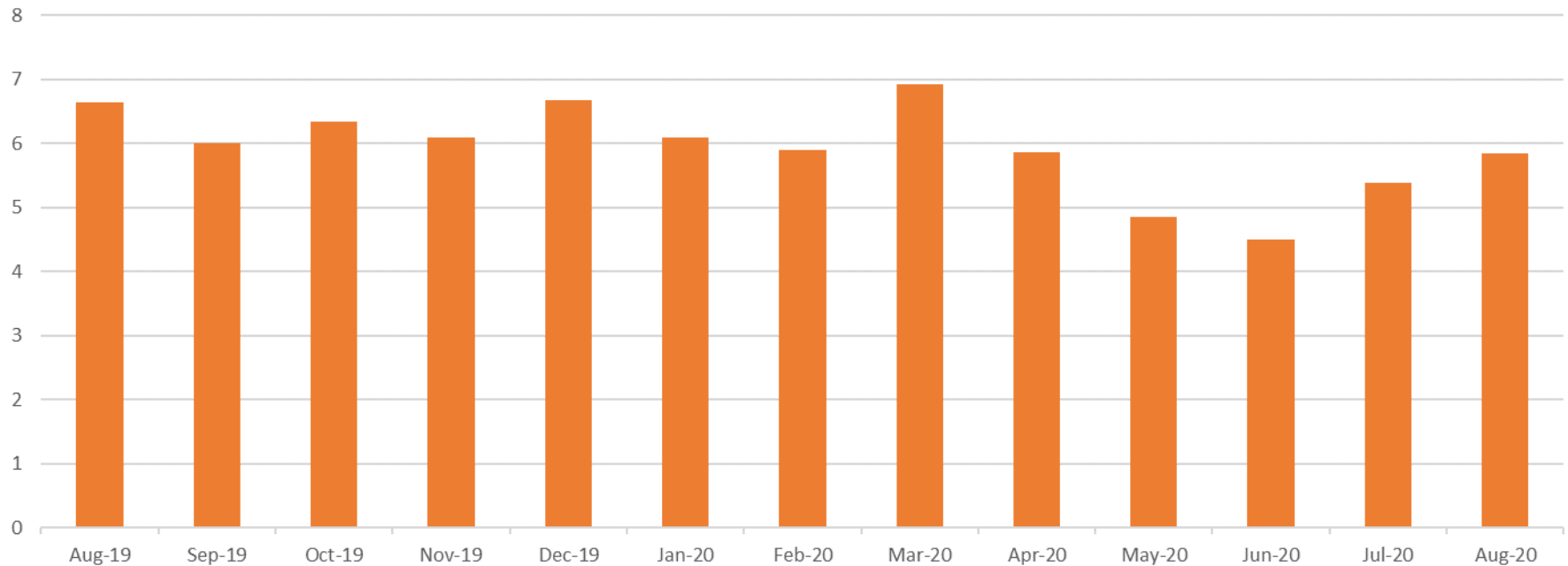
Field Marketing Spend



Management Discussion

- Digital Ad spend was 187% of plan in August due to significant July ad spend being reallocated to August with the launch of Solstice Conference, 35% of plan YTD.
- Field Marketing spend was 12% of plan in July, 25% of plan YTD.

Average Number of Sessions per User per Month

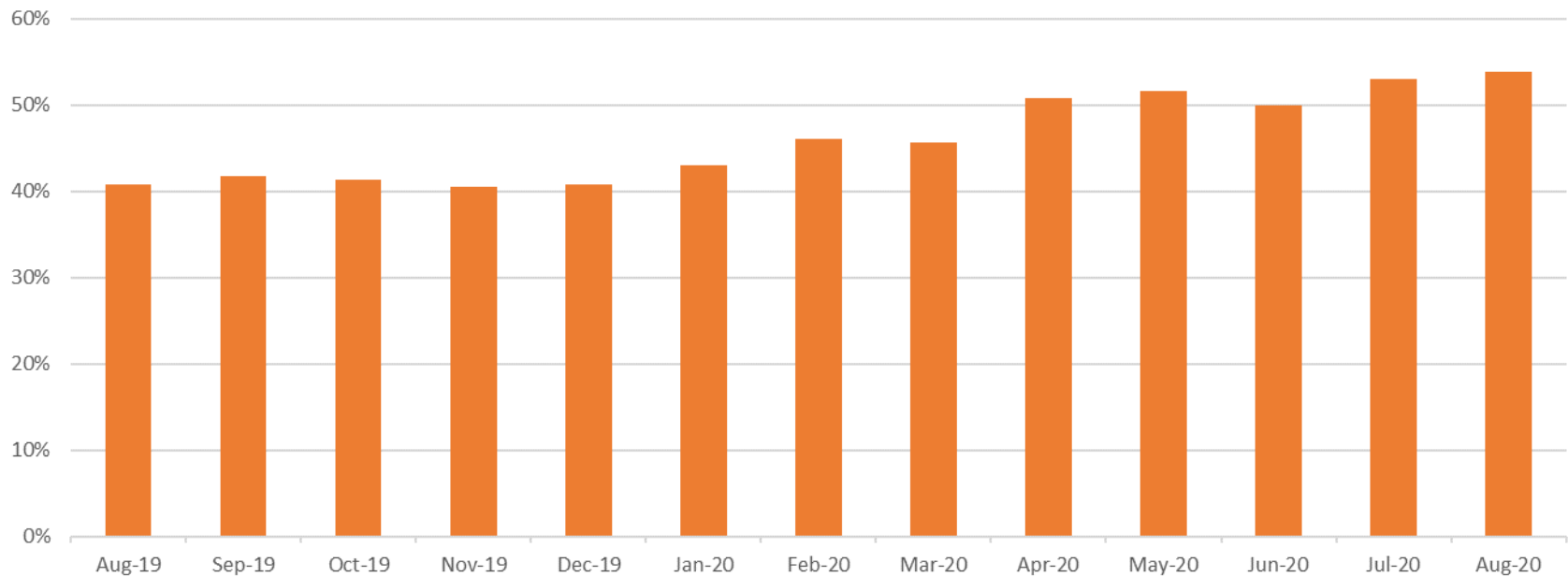


Management Discussion

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

Kepler - Adoption

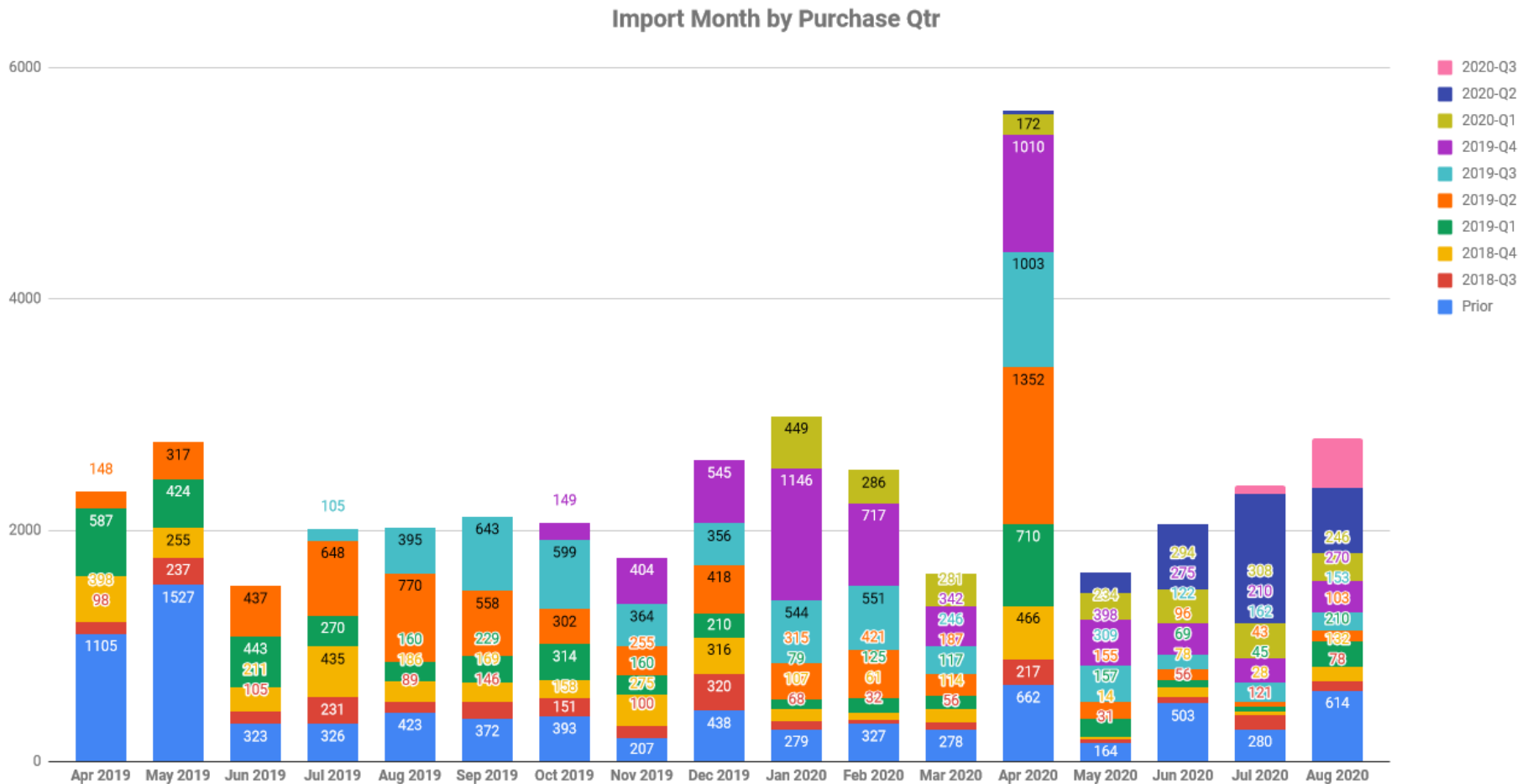
% of Top 100 Customers with Kepler



Management Discussion

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

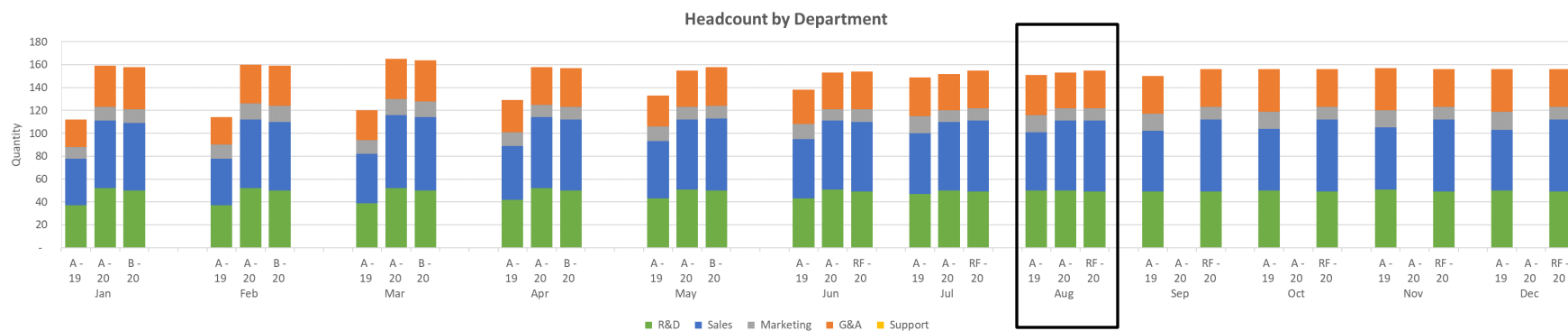
Kepler – Kepler Import Month by Purchase Quarter



Management Discussion

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

Staffing Analysis



Management Discussion

- Headcount is below plan through August at 153 compared to reforecast of 155.

8/31/20 Talent Snapshot

Team Members by Geography

Denver (104)

US field (30)

International field (19)

Team Members by Function

Development (51)

Sales (56)

Marketing (16)

Operations (19)

Finance/HR/Exec (11)

Total Team Members: 153

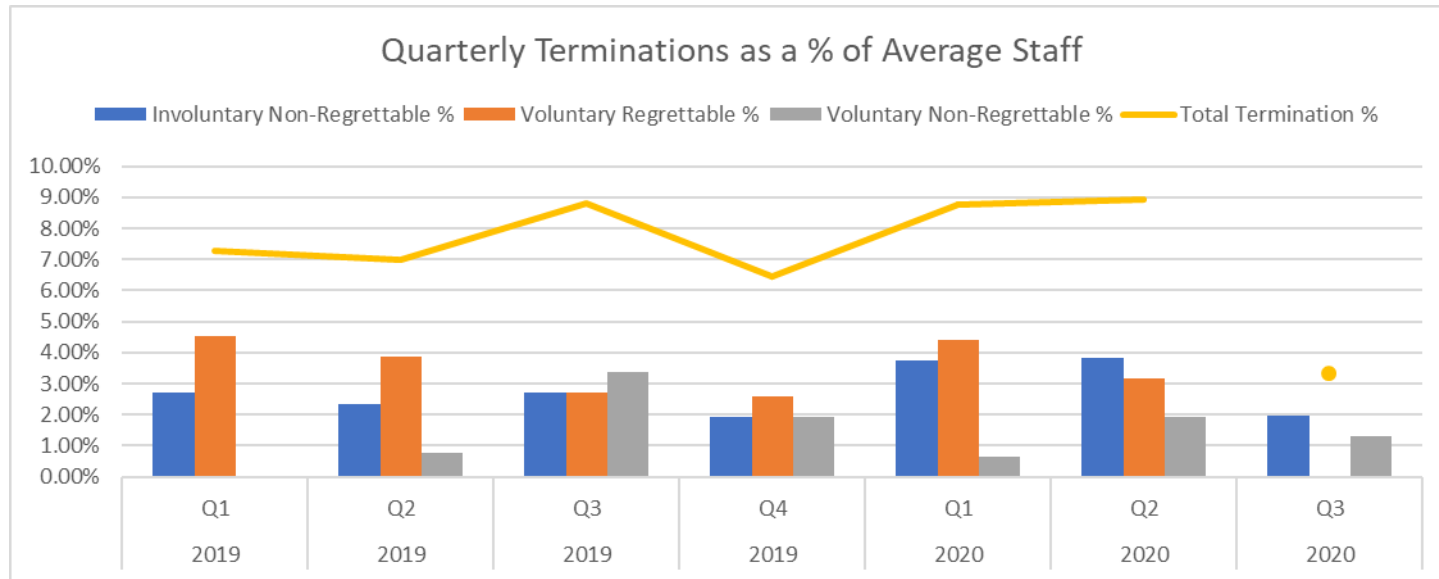
Open Positions: 8

YTD Hires: 28

YTD Departures: 33

YTD Net Headcount Growth: -3

Termination Analysis



Management Discussion

- 3 Terminations in August, of which none are regrettable. Terminations include Ahcene Tirane: Channel Sales Manager – France/Spain, Joe Hoffman: Channel Sales Manager – Mid Atlantic, and Jared McMahan: Logistics Manager

Monthly Operating Review Agenda

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

Summary P&L Through August 2020

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Rfc	\$	%	Act	\$	%	Act	Rfc	\$	%	Act	\$	%		
Net Revenue	3,435	3,659	(224)	(6.1%)	3,525	(90)	(2.6%)	26,337	26,149	188	0.7%	25,590	747	2.9%		
ARR	12,959	13,106	(147)	(1.1%)	9,275	3,684	39.7%	12,959	13,106	(147)	(1.1%)	9,275	3,684	39.7%		
Material	755	856	(101)	(11.8%)	898	(144)	(16.0%)	5,755	5,760	(5)	(0.1%)	6,392	(638)	(10.0%)		
Labor	59	72	(12)	(17.1%)	75	(15)	(20.4%)	553	574	(21)	(3.6%)	532	21	4.0%		
Total COGS	814	928	(114)	(12.2%)	973	(159)	(16.3%)	6,308	6,334	(26)	(0.4%)	6,924	(616)	(8.9%)		
Gross Margin	2,621	2,731	(110)	(4.0%)	2,552	69	2.7%	20,029	19,815	214	1.1%	18,666	1,363	7.3%		
Gross Margin %	76.3%	74.6%			72.4%			76.1%	75.8%			72.9%				
R&D	757	790	(33)	(4.2%)	662	94	14.2%	6,165	6,211	(46)	(0.7%)	4,404	1,761	40.0%		
Sales & Marketing	1,045	1,136	(90)	(8.0%)	1,166	(121)	(10.4%)	8,201	8,567	(366)	(4.3%)	8,665	(465)	(5.4%)		
Administrative	583	646	(63)	(9.7%)	667	(85)	(12.7%)	5,285	5,335	(50)	(0.9%)	4,862	422	8.7%		
Total Opex	2,385	2,571	(186)	(7.2%)	2,496	(111)	(4.5%)	19,651	20,113	(462)	(2.3%)	17,932	1,719	9.6%		
Reported EBITDA	236	160	76	47.7%	56	180	321.3%	378	(298)	676	(227.0%)	733	(355)	(48.4%)		
EBITDA Margin %	6.9%	4.4%			1.6%			1.4%	(1.1%)			2.9%				
EBITDA, adjusted	236	160	76	47.7%	56	180	321.3%	378	(298)	676	(227.0%)	733	(355)	(48.4%)		
Adjusted EBITDA % sales	6.9%	4.4%			1.6%			1.4%	(1.1%)			2.9%				
Net Income (Loss)	\$ (253)	\$ (467)	\$ 214	(45.9%)	\$ (434)	\$ 181	(41.8%)	\$ (3,707)	\$ (4,541)	\$ 834	(18.4%)	\$ (3,257)	\$ (449)	13.8%		
Capex	\$ -	\$ -	\$ -	N/A	\$ (4)	\$ 4	(100.0%)	\$ (272)	\$ (165)	\$ (107)	64.7%	\$ (485)	\$ 213	(44.0%)		

Management Discussion

- MTD invoiced sales were \$3.8m compared to plan (plan refers to reforecast plan for 2020) of \$3.9m and include Solstice subscription sales of \$1.3m compared to plan of \$948k. There was backlog of \$527k at month end. Bookings for the month were \$4.3m. August 2019 invoiced sales were \$4.1m. YTD invoiced sales were \$28.6m compared to plan of \$27.1m and include Solstice subscription sales of \$8.7m compared to plan of \$7.4m. YTD Bookings were \$29.0m.
- MTD invoiced sales mix by region: Americas 72% actual vs 76% target, EMEA 26% actual vs 19% target, APAC 2% actual vs 5% target. YTD invoiced sales mix by region: Americas 79% actual vs 79% target, EMEA 17% actual vs 16% target, APAC 4% actual vs 5% target.
- MTD revenue of \$3.4m includes approximately \$2.3m of pod revenue and \$1.1m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$2.3m is consistent with reforecast of \$2.5m for the month because of expected pod unit sales at 90% of reforecast. August 2019 revenue was \$3.5m. YTD 2020 revenue is \$26.3m compared to reforecast of \$26.1m.
- In August we revised our stand alone selling prices (SSPs) for 2020 and restated YTD actual revenue and remaining reforecasted revenue as a result. Revising our SSP caused a decrease in the allocation to revenue for free year subscription from 17% to 14% and a corresponding increase from 83% to 86% for HW revenue resulting in more revenue to be recognized at time of sale rather than being deferred. This resulted in an increase of \$524k in actual revenue from Jan-May 2020 and an additional \$495k in forecasted revenue from June-Dec 2020.
- Units shipped for the month were 3,363 vs reforecast of 3,747 and overall invoiced ASP was \$741 vs the reforecast of \$792 including Gen 3 upgrades. Americas ASP was \$732 vs reforecast of \$820, EMEA at \$765 ASP vs \$716 reforecast and APAC at \$712 invoiced ASP vs \$636 reforecast. Without hardware upgrades included, ASP increases to \$857 per unit. YTD ASP was \$759 vs reforecast of \$769.
- Invoiced renewal subscription MTD were 2,699 units compared to plan of 2,356 resulting in invoiced sales of \$755k compared to reforecast of \$589k. August 2019 was \$335k. YTD in invoiced sales of \$5.3m compared to reforecast of \$4.7m.
- Invoiced upfront subscription MTD were 1,747 units compared to target of 1,199 resulting in invoiced sales of \$475k compared to reforecast of \$359k. August 2019 was \$390k. YTD in invoiced sales of \$3.2m compared to reforecast of \$2.7m.
- MTD GP \$ was below plan primarily due to lower than expected unit Solstice sales at 90% of reforecast. MTD GP % was higher than plan due to lower than expected mix of solstice revenue. The increase in GP% YoY is due primarily to lower solstice revenue relative to total revenue in 2020 compared to 2019 resulting in a higher mix of subscription revenue (amortized from deferred revenue) with no associated incremental COGS; thus the higher GP%.
- MTD R&D OpEx is consistent with reforecast, variance is primarily due to lower than expected compensation expense (\$).
- MTD S&M OpEx is under budget due primarily to less than expected commission expense and headcount.
- MTD G&A OpEx variance is primarily due to being under plan on professional services and a 2019 CAM true up (\$35K).
- Invoiced EBITDA for August was \$627k compared to reforecast of \$430k. August 2019 was \$637k. YTD 2020 was \$2.6m compared to reforecast of \$713k.

Revenue – 2020 SSP Update

Current Forecast Variance	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Reforecast	Reforecast	Reforecast	Reforecast	
Accounts	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	FY2020
Revenue - 2019 SSP	3,296,807	3,060,865	3,185,978	2,728,530	3,003,981	3,610,131	3,249,885	3,434,909	3,969,133	4,576,539	4,949,276	5,112,336	44,178,369
Revenue - 2020 SSP	3,540,742	3,141,965	3,268,373	2,776,460	3,072,939	3,668,575	3,432,722	3,434,909	4,037,455	4,662,766	5,042,570	5,201,368	45,280,844
Variance	243,935	81,100	82,396	47,930	68,958	58,444	182,837	-	68,321	86,227	93,294	89,032	1,102,475
%	7%	3%	3%	2%	2%	2%	6%	0%	2%	2%	2%	2%	2.5%

2020 5+7 Reforecast Variance	Actuals	Actuals	Actuals	Actuals	Actuals	Reforecast	Reforecast	Reforecast	Reforecast	Reforecast	Reforecast	Reforecast	
Accounts	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	FY2020
Hardware	2,313,469	2,036,478	2,120,670	1,647,761	1,901,795	1,935,395	2,207,645	2,436,311	2,808,062	3,373,501	3,714,116	3,804,606	30,299,810
Software	983,338	1,024,386	1,065,307	1,080,769	1,102,186	1,269,415	1,178,328	1,164,438	1,161,072	1,203,038	1,235,161	1,307,730	13,775,166
Revenue - 2019 SSP	3,296,807	3,060,865	3,185,978	2,728,530	3,003,981	3,204,810	3,385,973	3,600,749	3,969,133	4,576,539	4,949,276	5,112,336	44,074,976
Hardware	2,402,845	2,118,491	2,212,962	1,728,087	2,010,537	2,023,201	2,307,695	2,546,499	2,934,892	3,525,703	3,881,597	3,976,241	31,668,750
Software	1,137,897	1,023,474	1,055,412	1,048,373	1,062,402	1,227,444	1,131,447	1,112,150	1,102,563	1,137,063	1,160,973	1,225,127	13,424,324
Revenue - 2020 SSP	3,540,742	3,141,965	3,268,373	2,776,460	3,072,939	3,250,645	3,439,141	3,658,650	4,037,455	4,662,766	5,042,570	5,201,368	45,093,074
Variance	243,935	81,100	82,396	47,930	68,958	45,835	53,168	57,900	68,321	86,227	93,294	89,032	1,018,098
%	7%	3%	3%	2%	2%	1%	2%	2%	2%	2%	2%	2%	2.3%

5 Mo Total
15,276,160
15,800,480
524,320
3%

7 Mo Total
28,798,816
29,292,594
493,778
2%

2020 5+7 Reforecast Variance	2020 SSP	2019 SSP	Variance	Var %
Revenue	45,093,074	44,074,976	1,018,098	2%
Gross Margin	33,724,996	32,725,168	999,828	3%
Gross Margin %	75%	74%	0.54%	1%
OPEX	30,723,959	30,723,959	-	0%
EBITDA	3,001,037	2,001,209	999,828	50%
Invoiced EBITDA	5,916,703	5,931,972	(15,270)	0%

Management Discussion

- Annual update to SSP based on 2019 data shifted Solstice Pod revenue recognition from 83% hardware (recognized upfront) / 17% subscription (recognized over 1 year) to 86% hardware / 14% subscription

Balance Sheet

\$'000	Dec-19	May-20	Jun-20	Jul-20	Aug-20		Variance
	Act	Act	Act	Act	Act	Rfc	\$
Current Assets							
Cash and cash equivalents	\$ 7,647	\$ 9,361	\$ 7,946	\$ 7,683	\$ 9,186	\$ 7,282	\$ 1,905
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	7,969	5,034	5,611	6,877	6,306	6,543	(237)
Accounts receivable, reserves	(102)	(243)	(256)	(272)	(309)	(315)	6
Accounts receivable, net	7,867	4,792	5,355	6,606	5,997	6,228	(231)
Inventory, net	3,915	5,563	4,802	4,156	3,455	4,510	(1,054)
Prepaid expenses and other current assets	3,706	3,161	3,150	2,391	1,736	1,971	(235)
Total Current Assets	23,310	22,876	21,253	20,836	20,375	19,991	384
Non-Current Assets							
Property, plant & equipment, gross	1,918	2,084	2,190	2,190	2,190	2,084	107
Accumulated depreciation	(375)	(581)	(633)	(679)	(724)	(588)	(136)
Property, plant & equipment, net	1,543	1,503	1,557	1,512	1,466	1,496	(29)
Goodwill	25,549	24,211	23,943	23,676	23,408	23,332	76
Identifiable intangible assets, net	2,012	1,728	1,672	1,615	1,558	1,558	0
Deferred tax asset	—	—	—	—	—	3,462	(3,462)
Other non-current assets	1,056	1,085	1,108	1,133	1,146	1,085	62
Total Non-Current Assets	30,159	28,527	28,280	27,935	27,579	30,932	(3,353)
Total Assets	\$ 53,469	\$ 51,403	\$ 49,532	\$ 48,771	\$ 47,954	\$ 50,923	\$ (2,969)
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	—
Accounts payable	2,361	3,153	2,210	1,832	699	3,109	(2,410)
Accrued liabilities	299	308	370	468	528	301	227
Accrued compensation	2,359	1,430	1,795	1,832	1,965	1,711	254
Income taxes payable	—	751	751	(24)	(24)	968	(992)
Other current liabilities	221	205	198	209	219	323	(104)
Total Current Liabilities	8,740	9,348	8,824	7,817	6,888	9,913	(3,025)
Long-term liabilities							
Long-term debt less current maturities	—	—	—	—	—	—	—
Long-term unearned revenue	15,655	16,055	16,757	17,303	17,667	16,947	720
Deferred liabilities	267	205	199	199	199	252	(53)
Total Long-Term Liabilities	15,922	16,260	16,955	17,501	17,866	17,199	667
Total Liabilities	24,662	25,608	25,780	25,318	24,754	27,112	(2,358)
Shareholders' Equity							
Total Shareholders' Equity	28,807	25,795	23,753	23,453	23,200	23,811	(611)
Total Liabilities and Shareholders' Equity	\$ 53,469	\$ 51,403	\$ 49,532	\$ 48,771	\$ 47,954	\$ 50,923	\$ (2,969)

Management Discussion

- Cash is above forecast due to higher than expected invoiced sales YTD.
- AR is lower than plan due to slightly lower than reforecast invoiced sales in August.
- Inventory is lower than plan due to no new inventory being added.
- Prepaid and OCA balances are lower than plan due to unbudgeted drop in inventory deposits.
- Deferred Tax Asset variance is due to fully reserving for the valuation of this asset in 2019 related to changing our tax methodology. This change occurred after completing our reforecasted 2020 balances.
- AP 'days payable outstanding' 68 vs reforecast of 115. AP balance continues to decrease as we normalize our outgoing payments, in addition to our ongoing cost saving initiatives.
- Accrued compensation variance is due primarily to payroll taxes related to deferring federal payroll tax under the CARES Act.
- Deferred revenue is above plan primarily due to higher than expected subscription invoiced sales.
- Income Taxes Payable - The \$751k tax payable is no longer owed back to the IRS due to a change in our election for revenue recognition methodology for tax purposes.

Cash Flow Statement

\$'000	MTD			Var		PY-MTD	Var		YTD	Var		PY YTD	Var	
	Act	Rfc	\$				Act	\$		Act	Rfc	\$	Act	\$
Cash flow from operations														
Net Income (Loss)	\$ (253)	\$ (429)	\$ 177			\$ (434)	\$ 181		\$ (3,707)	\$ (4,428)	\$ 721	\$ (3,257)	\$ (449)	
Depreciation, amortization and other	370	335	35			354	16		2,943	2,807	136	2,792	151	
Deferred income tax	—	—	—			—	—		—	—	—	(980)	980	
Change in operating assets and liabilities:														
Accounts receivable	609	(409)	1,018			1,019	(411)		1,870	1,639	231	(1,480)	3,350	
Inventory	700	(252)	952			113	588		460	(595)	1,054	(367)	827	
Prepaid expenses and other current assets	641	30	611			(289)	931		2,054	448	1,607	(1,823)	3,877	
Accounts payable	(1,128)	(47)	(1,081)			192	(1,320)		(1,651)	798	(2,449)	1,976	(3,627)	
Accrued expenses	188	88	100			136	52		(176)	(664)	487	(140)	(36)	
Accrued income taxes	—	108	(108)			—	—		(25)	966	(992)	1,306	(1,332)	
Other changes in operating assets and liabilities	365	260	105			522	(158)		1,944	753	1,191	4,592	(2,648)	
Other cash flow from operations	11	(3)	14			12	(2)		0	(24)	25	313	(313)	
Total Cash Flow from Operations	\$ 1,503	\$ (320)	\$ 1,823			\$ 1,625	\$ (122)		\$ 3,712	\$ 1,700	\$ 2,011	\$ 2,932	\$ 779	
Cash flow from investing														
Additions to property, plant and equipment	\$ —	\$ —	\$ —			\$ (4)	\$ 4		\$ (272)	\$ (165)	\$ (107)	\$ (485)	\$ 213	
Investment in intangibles	—	—	—			(13)	13		—	—	—	(132)	132	
Total Cash Flow from Investing	\$ —	\$ —	\$ —			\$ (17)	\$ 17		\$ (272)	\$ (165)	\$ (107)	\$ (617)	\$ 345	
Cash flow from financing														
Common stock cash dividends paid	—	—	—			—	—		(1,900)	(1,900)	—	—	(1,900)	
Other cash flow from financing costs	—	0	(0)			0	(0)		0	0	0	(0)	0	
Total Cash Flow from Financing	\$ —	\$ 0	\$ (0)			\$ 0	\$ (0)		\$ (1,900)	\$ (1,900)	\$ 0	\$ (0)	\$ (1,900)	
	\$ —	\$ —	\$ —			\$ —	\$ —		\$ —	\$ —	\$ —	\$ —	\$ —	
Net change in cash	\$ 1,503	(320)	\$ 1,823			\$ 1,608	\$ (105)		\$ 1,540	\$ (365)	\$ 1,905	\$ 2,316	\$ (776)	
Beginning cash	7,683	7,602	81			6,460	1,223		7,647	7,647	—	5,752	1,894	
Change in cash	1,503	(320)	1,823			1,608	(105)		1,540	(365)	1,905	2,316	(776)	
Ending cash	\$ 9,186	\$ 7,282	\$ 1,905			\$ 8,068	\$ 1,118		\$ 9,186	\$ 7,282	\$ 1,905	\$ 8,068	\$ 1,118	

Management Discussion

- Cash is above forecast due to higher than expected invoiced sales YTD.
- Cash flow from operations slightly exceeded plan due to deferred revenue increasing more than plan due to higher subscription sales than plan, more AR collections than invoiced sales which were below above plan, and prepaid expenses decreasing more than plan due to inventory deposits, offset by and AP decreasing more than plan.
- YTD CAPEX is below plan due to our landlord invoicing for tenant improvement costs that exceeded the TI allocation for office buildout.
- YTD Cash flow used in financing is consistent with plan due to dividend distribution.

Monthly Operating Review Agenda

➔ Executive Summary

➔ Financial Review

➔ **Governance Reporting**

➔ Appendix

Management Governance Report

Board of Directors

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

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**

YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Variance			One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Rfc	(B) / W	Non-recurring	Timing	Run-rate	Other	(B) / W	(B) / W	Impact (B) / W
Payroll	\$11,350	\$11,460	\$ (110)	\$ —	\$ (110)	\$ —	\$ —	\$ (110)	\$ —	\$ —
Benefits	1,346	1,351	(5)	\$ —	\$ (5)	—	—	(5)	—	—
Bonus	669	622	46	\$ —	\$ 46	—	—	46	—	—
Commissions	1,319	1,566	(247)	—	(247)	—	—	(247)	—	—
Marketing	609	633	(24)	—	(24)	—	—	(24)	—	—
Travel and Entertainment	448	476	(28)	—	(28)	—	—	(28)	—	—
Rent and Facilities	996	1,035	(38)	—	(38)	—	—	(38)	—	—
Insurance	85	60	25	25	—	—	—	25	—	—
Professional Fees	1,100	1,143	(43)	—	(43)	—	—	(43)	—	—
Utl., Repair, Maint., & Sec.	165	166	(0)	—	(0)	—	—	(0)	—	—
Office Expense	91	86	6	—	6	—	—	6	—	—
IT	980	1,020	(40)	—	(40)	—	—	(40)	—	—
Other Expenses	492	495	(4)	—	(4)	—	—	(4)	—	—
Total Opex	\$19,651	\$20,113	\$ (462)	\$ 25	\$ (487)	\$ —	\$ —	\$ (462)	\$ —	\$ —

Management Discussion

- Payroll is under reforecast due to hiring being behind plan. Re-forecasted employee headcount was 155 versus actual of 153 as of August-2020.
- Commissions/bonus are under reforecast primarily due to the ASC 606 adjustment for commission expense and timing related as commissions are straight lined in reforecast.
- Marketing is primarily under budget due to reduced spend in advertising & promotions.
- T&E is under reforecast primarily due to continued travel restrictions.
- Rent is under reforecast due to the 2019 CAM true up (\$35K).
- Insurance is over reforecast primarily due to workers comp audit.
- Professional fees are under budget due to lower than expected software development contractors and consulting hours related to IT/systems improvements.
- IT is under reforecast due to less R&D software expense than expected.

Operating Expenses Summary

\$'000

Opex Overview:

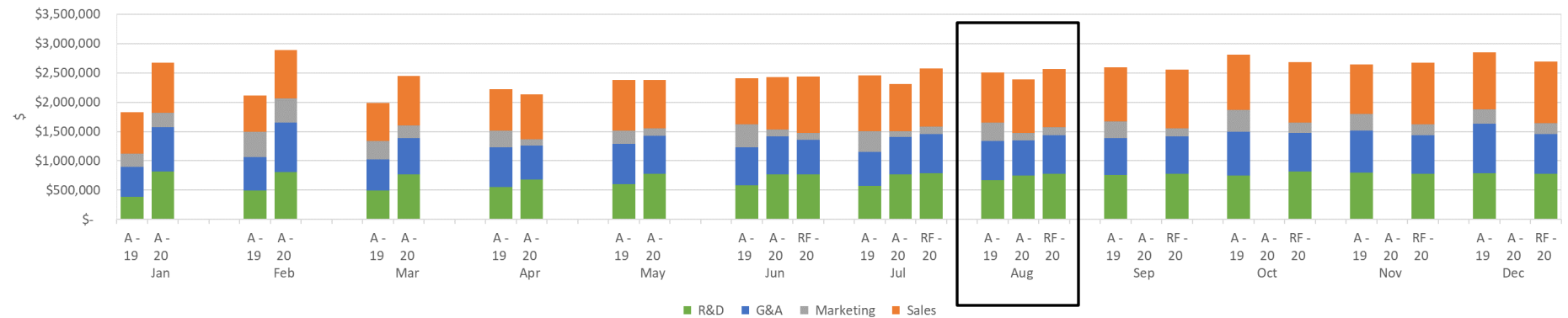
	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Rfc	\$	%		Act	\$	Act	Rfc	\$	%		Act	\$
Payroll	\$ 1,419	\$ 1,462	\$ (43)	(2.9%)	\$ 1,329	\$ 90	6.8%	\$ 11,350	\$11,460	\$ (110)	(1.0%)	\$ 8,977	\$ 2,373	26.4%
Benefits	131	153	(23)	(14.7%)	199	(68)	(34.1%)	1,346	1,351	(5)	(0.3%)	1,217	129	10.6%
Bonus	83	77	6	7.4%	130	(47)	(36.3%)	669	622	46	7.4%	986	(317)	(32.2%)
Commissions	230	297	(67)	(22.7%)	174	56	32.0%	1,319	1,566	(247)	(15.8%)	1,088	230	21.1%
Marketing	59	54	5	8.6%	148	(89)	(60.3%)	609	633	(24)	(3.7%)	1,412	(803)	(56.8%)
Travel and Entertainment	23	30	(8)	(25.3%)	158	(135)	(85.7%)	448	476	(28)	(5.9%)	1,054	(607)	(57.5%)
Rent and Facilities	102	131	(30)	(22.7%)	86	15	17.6%	996	1,035	(38)	(3.7%)	1,004	(7)	(0.7%)
Insurance	13	8	5	57.5%	5	8	155.0%	85	60	25	41.3%	39	46	116.6%
Professional Fees	130	163	(33)	(20.5%)	70	60	85.5%	1,100	1,143	(43)	(3.8%)	731	369	50.5%
Utl., Repair, Maint., & Sec.	18	20	(2)	(9.3%)	25	(7)	(28.9%)	165	166	(0)	(0.3%)	197	(32)	(16.3%)
Office Expenses	10	5	5	98.9%	25	(15)	(59.4%)	91	86	6	6.5%	128	(37)	(28.7%)
IT	108	114	(6)	(5.3%)	112	(4)	(3.2%)	980	1,020	(40)	(4.0%)	935	44	4.7%
Other Expenses	61	57	5	8.3%	36	25	70.2%	492	495	(4)	(0.7%)	163	329	202.5%
Total Opex	\$ 2,385	\$ 2,571	\$ (186)	(7.2%)	\$ 2,496	\$ (111)	(4.5%)	\$ 19,651	\$20,113	\$ (462)	(2.3%)	\$ 17,932	\$ 1,719	9.6%

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 reforecast.

AR and AP Aging Detail

\$'000

AR Aging				
Days	Jun-20	Jul-20	Aug-20	
0-30	\$ 5,059	\$ 6,270	\$ 5,720	
30-60	64	179	243	
60-90	157	34	8	
>90	331	394	335	
Total Gross AR	\$ 5,610	\$ 6,877	\$ 6,306	
Reserves	(256)	(272)	(309)	
Total Net AR	\$ 5,355	\$ 6,605	\$ 5,997	

AP Aging				
Days	Jun-20	Jul-20	Aug-20	
0-30	\$ 1,480	\$ 456	\$ 262	
30-60	70	955	127	
60-90	158	171	224	
>90	503	249	86	
Total	\$ 2,210	\$ 1,831	\$ 699	

Management Discussion

- We saw a decrease in the greater than 30 day past due balances – but an increase in the ratio for August 9.3%, an increase of .50% over July's ratio. The largest past due customer balances are Genesis Integration (96K), Babbler Marketing (78K), Equipbureau (53K), AVCS (48K), and Root Integrated Systems (48K).
- Our AP balance continues to decrease as we are no longer having pods delivered, in addition to our ongoing cost saving initiatives. The largest vendor balance is with Smart Wireless (192k)



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