Hufcor, Inc. Monthly Operating Review

August 2019

Conf. Call Date: September 24, 2019

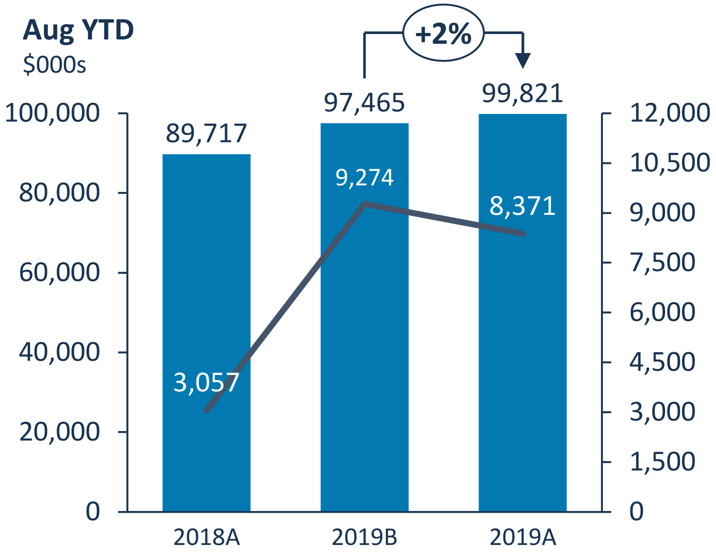
HUFCOR

Agenda

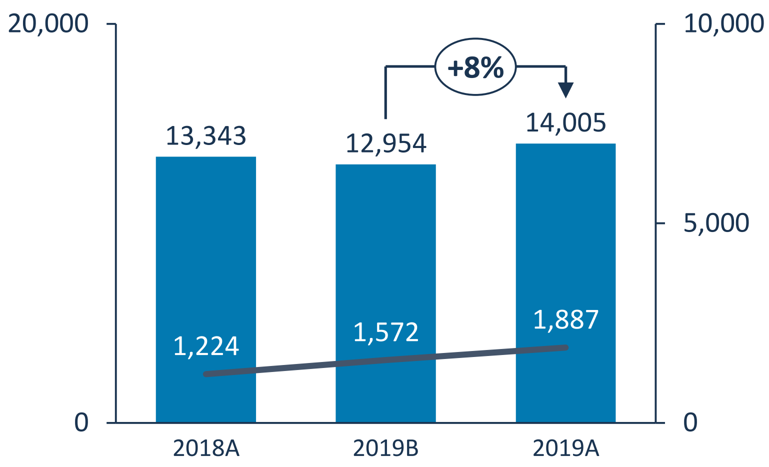
1. Executive summary
2. Commercial review
3. Operational review
4. Financial review
5. Appendix

HUFCOR Monthly financial metrics

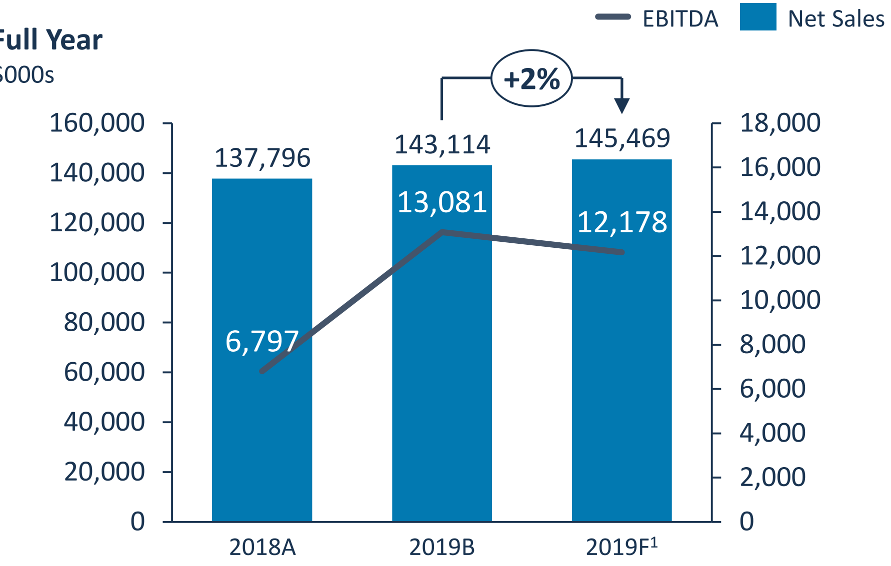
Aug YTD
$000s



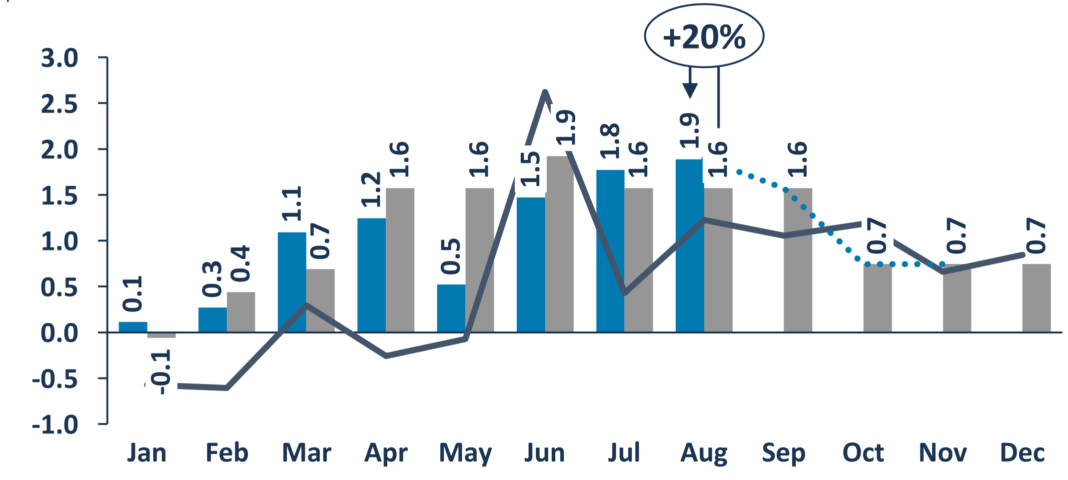
Aug MTD
$000s



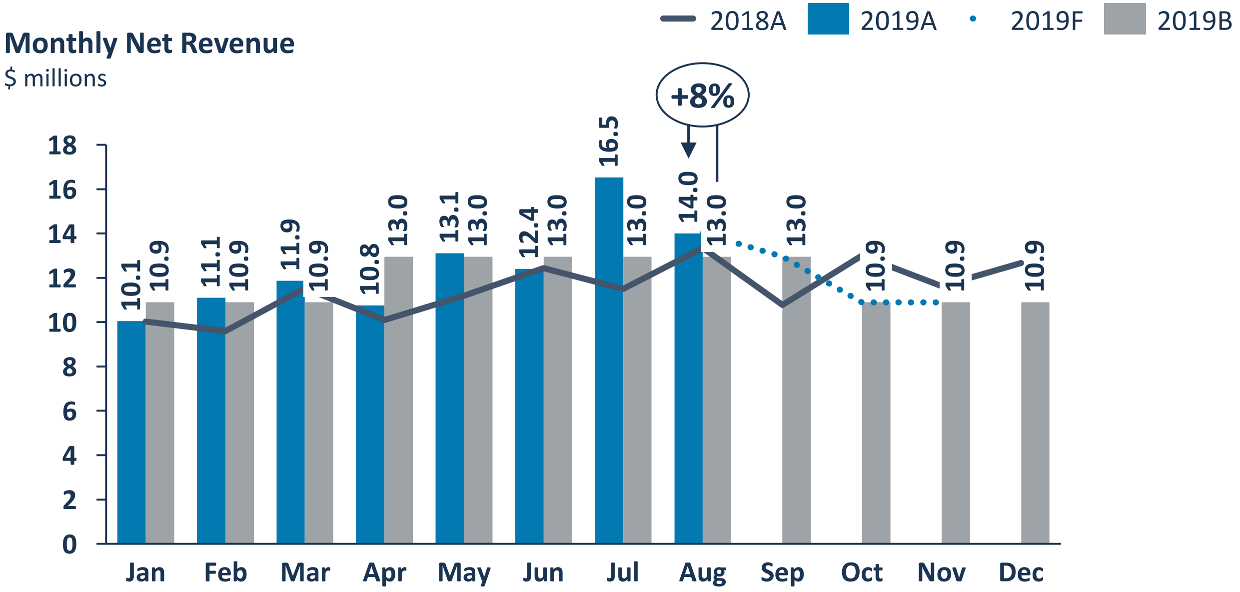
Full Year
$000s



Monthly EBITDA
$ millions

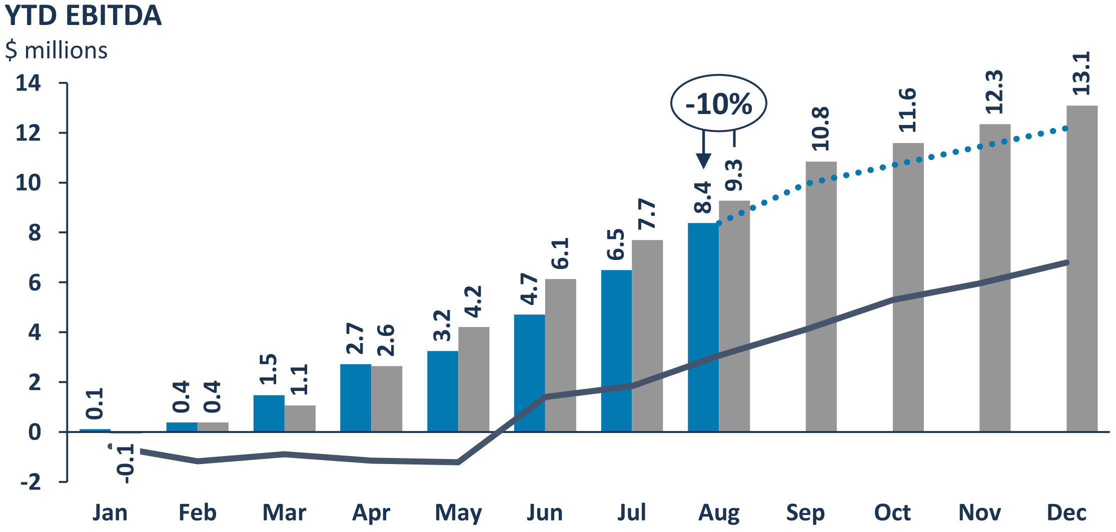


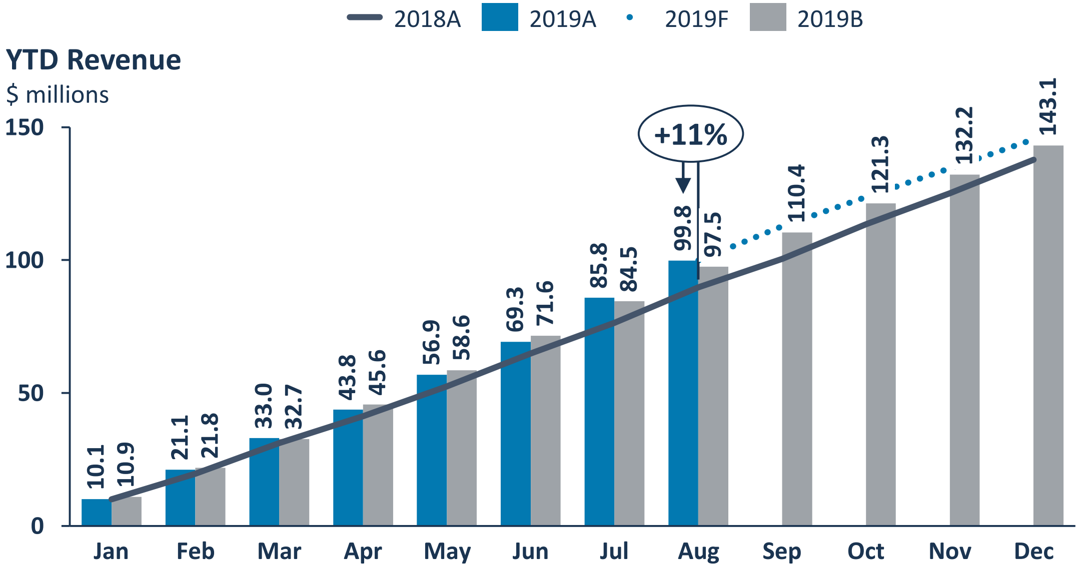
Monthly Net Revenue
$ millions



1. YTD actuals + remaining year forecast

Monthly financial metrics





1. YTD actuals + remaining year forecast

Key initiatives - Manufacturing

Project	Current Status & Next Steps	Project Timing	Annualized EBITDA Impact ($MM)	
			Projected	Actual
A. Quality *(Patterson, Aardema, Olmstead)*	• Mandated no split shipments unless approved by the customer • Rick Melito will be subcontracting to assume interim quality manager	Sep/Q4	$200k (20% of known TCOQ)	
B: Production Efficiency *(Patterson, Aardema, Olmstead)*	• SIM Boards are up on all production lines to measure performance and document issues leading to downtime, poor quality, poor processes, etc. • Process Capability study ~40% complete; estimate 3 more weeks of study	Sep/Q4	$1.5mm	
C: Scheduling *(Johnson, Hoover)*	• Overscheduling by 30% has resulted in significant operational strain. • Frozen schedule changes 1.5 weeks prior to production. Patti Jordan being brought on to help optimize SIOP process	Sep/Q4		
D: Safety *(Aardema, Patterson)*	• Held first safety meeting in a year. • Requested interim safety manager from Beckway • TRIR in 2018: 6.9; 2019 3.25 • EMR is currently 1.16 and impacting ability to bid on jobs; Get Well Plan in process	Q4		
E: Lead times *(Aardema, Patterson, Olmstead)*	• Currently missing ~30-50 bids per week due to 18 week lead time vs competitors ~10 weeks. • Implemented 12hr first shift and full Saturday shift to work through the backlog	Sep/Q4	$200k	
F: Inventory/Stock room *(Johnson, Budworth)*	• Less than 83% cycle count accuracy on 9% of inventory, YTD net inventory adjustment is ($1.4mm) • Patti Johnson to revise current processes and manage a physical	Sep/Q4	$100k	
G: Flooding *(Barons, Blazy Dobak)*	• Pump installed in Shaft area (main cause of flooding in plant) • Current storm drains in the plant are illegally connected to the storm drain not sanitary. Investigating capping, and recourse for a claim	Sep/Q4	NA	

On Track At Risk Critical issues

Key initiatives – Commercial / Distribution

Project		Current Status & Next Steps	Project Timing	Annualized EBITDA Impact ($MM)	
				Projected	Actual
H: Germany Pricing *(Long)*	On Track	• Pricing targets have been revised to 16% TGM • Pricing targets have been revised and now being monitored • Margin targets are increasing in Germany on all bookings, ROE is declining	Underway, complete mid Sep. P&L impact by end of 2019	$500k	$0
I: Logistics / Supply chain *(Blazy, SCS)*	At Risk	• SCS has 17 projects in flight • SCS to provide detailed quantification in two weeks of all projects • Near term requested solution for two unused trailers	Q3/Q4	$400k	$150k
J: Asia turn around and strategy *(Long, Blazy)*	Critical issues	• Diagnostic of Asian market, commercial team, products, and operations to kick off in November	Nov-2020		
K: HX Athens *(Dobak, Southern, Blazy)*	On Track	• Targeting completion of remaining HX projects and closure of Athens plant by the end of November • Notifying Justin/PPI end of September • Working to identify location of equipment and timing of a new US facility	Nov	$200	
L: North America Pricing *(Blazy, Hicks)*	On Track	• Initial review of data is underway, expecting analysis in the next two week	Sep-Q4		
M: Service centers *(Blazy, Hicks, Barons)*	At Risk	• Pricing and operational review of the service centers is required	Q4/2020		
N: Product development *(Commercial task force)*		• Commercial team is revaluating the product development pipeline, and prioritizing three efforts to bring to market in 2020	Q4		

On Track **At Risk** **Critical issues**

Key initiatives – Operations/G&A

Project	Current Status & Next Steps	Project Timing	Annualized EBITDA Impact ($MM)	
			Projected	Actual
O: Sourcing / Purchasing *(Blazy, Howard)*	• Kicked off Sourcing initiative, working to quantify spend by category, and focusing first on Gyp/Dimensional lumber • Category specific RFPs will be issued 1 Oct • USLBM has estimated 5-10% savings on Gyp. Georgia Southern Rep will visit in next two weeks to evaluate current product. • USLBM interested in renting space in JVL for building products storage	Sep-Nov	$200k	~$130k
P: Hiring *(Tokarz)*	• Beckway is issuing recruitment for critical roles, focused on plant manager, three supervisors, quality manager, safety manager and a corporate controller • Expected to finalize comp package with Tom for CFO next week	Immediately		
Q: IT *(Gray, Andrews)*	• New CIO, Roger Andrews, has accepted the role, and will start 2 Oct • Sirius has been engaged to provide 3rd party support • Steve Wolf has implemented automated scanners to better track productivity	Q4		
R: Europe	• Europe commercial and sales strategy needs to be refined • Quality, lead times, and production efficiency are impacting customer relationships and need to be addressed	Q4/2020	TBD	

On Track   At Risk   Critical issues

Key positions to be hired

POSITION	FUNCTION	STATUS / NEXT STEPS
Chief Financial Officer	Finance	T. Gioia Interim CFO; Discussions for FT Role
Information Technology Director	Information Technology	R. Andrews Joining 10/1
Plant Manager	Operations	K. Patterson Interim PM; Beckway Search Underway
Quality Manager	Operations	R. Melita Interim QM; Beckway Search Underway
Supply Chain Director	Operations	Beckway Search to Start Mid-Q4 W / Target Hire 2/1
Director EH&S	Operations	Beckway Search Underway for FTE and Immediate Interim Resource
Director FP&A	Finance	P. Loekman Interim FPA; Beckway Search to Start Q1/20
Corporate Controller	Finance	High Priority - Beckway Search Underway
Director Human Resource	Human Resources	Beckway Search to Start Mid Q4 / Target Hire 2/1
Production Supervisors (2)	Operations	High Priority – Jobs Posted
Supervisor (Tool Room)	Operations	High Priority – Job Posted
Executive Administrative Assistant	Administration	Job Posted
Shipping Manager	Operations	Job Posted
SIOP Resource	Operations	P. Jordan (Beckway Resource)

Key positions to be hired

POSITION	FUNCTION	STATUS / NEXT STEPS
Cost Accountant	Finance	High Priority – Job Posted / 3rd Party Recruiting
Miscellaneous Finance / Accounting Staff (8) – FP&A, AR / AP	Finance / Accounting	Staff Roles Closer to Hiring of Corporate Controller
Human Resources Generalist	Human Resources	Job Posted
Help Desk	Information Technology	Confirm Status W / R. Andrews in October
Systems Administrator	Information Technology	Confirm Status W/ R. Andrews in October
Miscellaneous Sales Staff (7) – Manager, Representative, Installer, Technician, Estimator	Sales	Jobs Posted

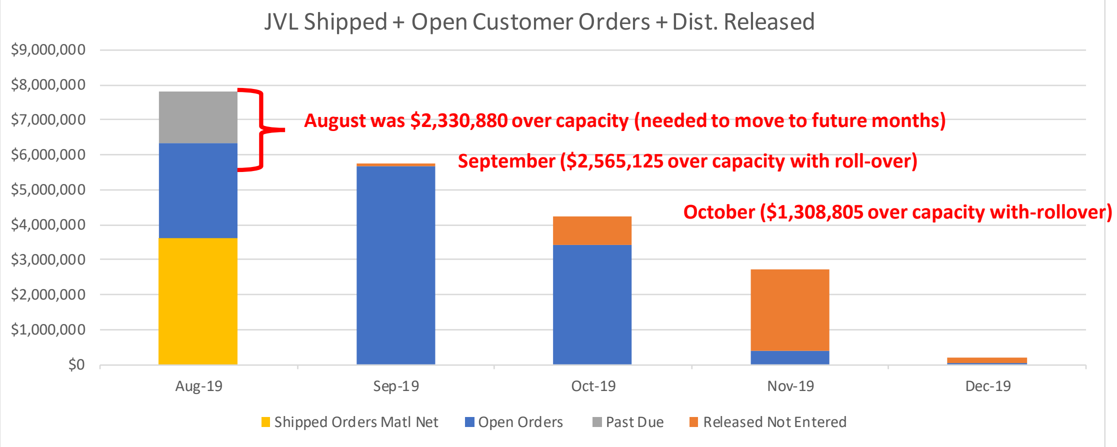
Risks and challenges

	Description	Potential Impact	Plan to address
Risks & Challenges	• Culture and Morale Issues across the board	• Improved Production TBD	• Attendance Improvement from 85% in JVL • Increased quality and focus on delivering in full
	• Liquidity & WC Issues	• Cashflow Improvement TBD	• Major projects require upfront investment • Converting collections on long-term projects completed
	• Liquidated Damages (Cash) and Reputational Damage	• Liquidated Damages ($3.0 mm) • Reputational Damage	• Negotiation with labor and customers to meet production demands
	• Safety Performance Prevents Bidding on Jobs	• Additional Revenue Opportunities TBD	• Hire safety personnel in Janesville • Re-focus management on a safety culture
	• Filling New Hire Positions	• Cost /Benefit Analysis in process	• Executives in process • Supervisors on Janesville floor • Engineering, Quality and Safety

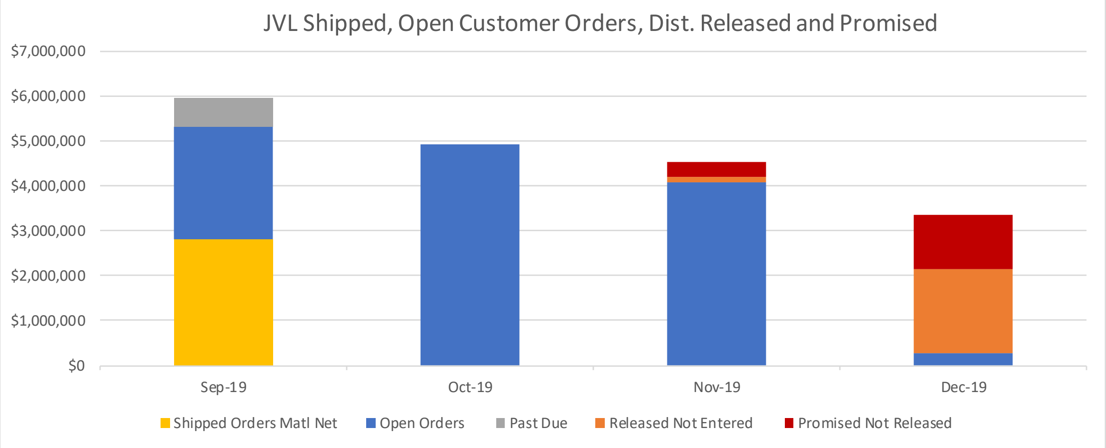
2 Commercial review

Production Challenges Being Addressed by New Management to Meet Commercial Demands

Production Issues Caused by Prior Management Team



Production Addressed by New Management



Management Discussion:

Issues Before New Management

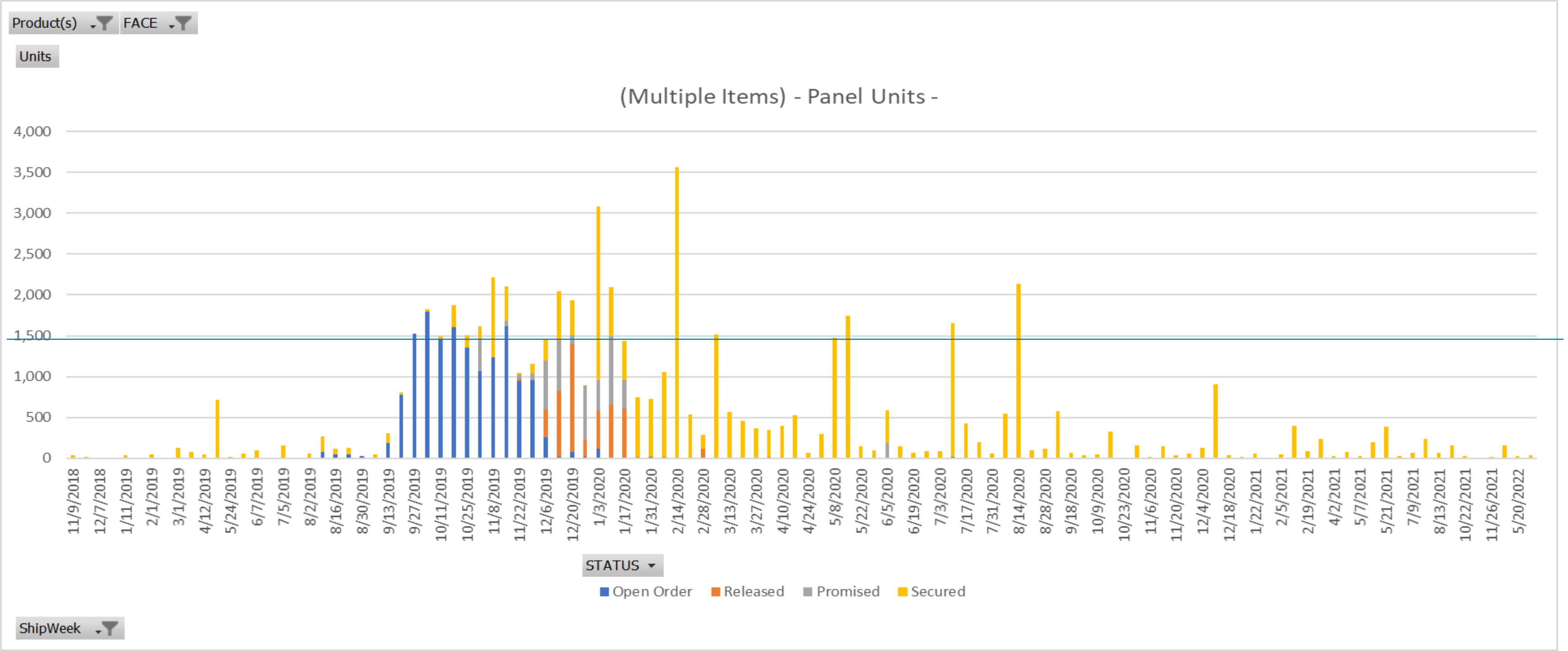
- Prior management was focused on units, but goal per day/line was set at unrealistic targets.
- When weekly volumes not met, customer realized shipment change <5 days prior.
  - This is critical for losing projects and increasing LDs. PMs cannot adjust project installs with this low notice time.
- Unit only focused resulted in poor quality and incomplete shipments.
  - New, untrained direct labor resulted in poor quality and shipments
- Management was told that sales is exceeding production – no action taken (weekly push outs)

Issued Addressed by New Management

- Readjust production targets to meet actuals
- Add buffer day/time
- Sales willing to take longer lead time to have confirmed schedule deliveries
- 289 projects pushed out / customers notified
- Strategy to listen for “true” LD projects with contract details – these take priority to move up in schedule (Customer relationships also considered)

NOT SHOWN: Securement backlog waiting release to production once dimensions arrive – with 16 week lead times, production for 2019 is completely full.

Securements

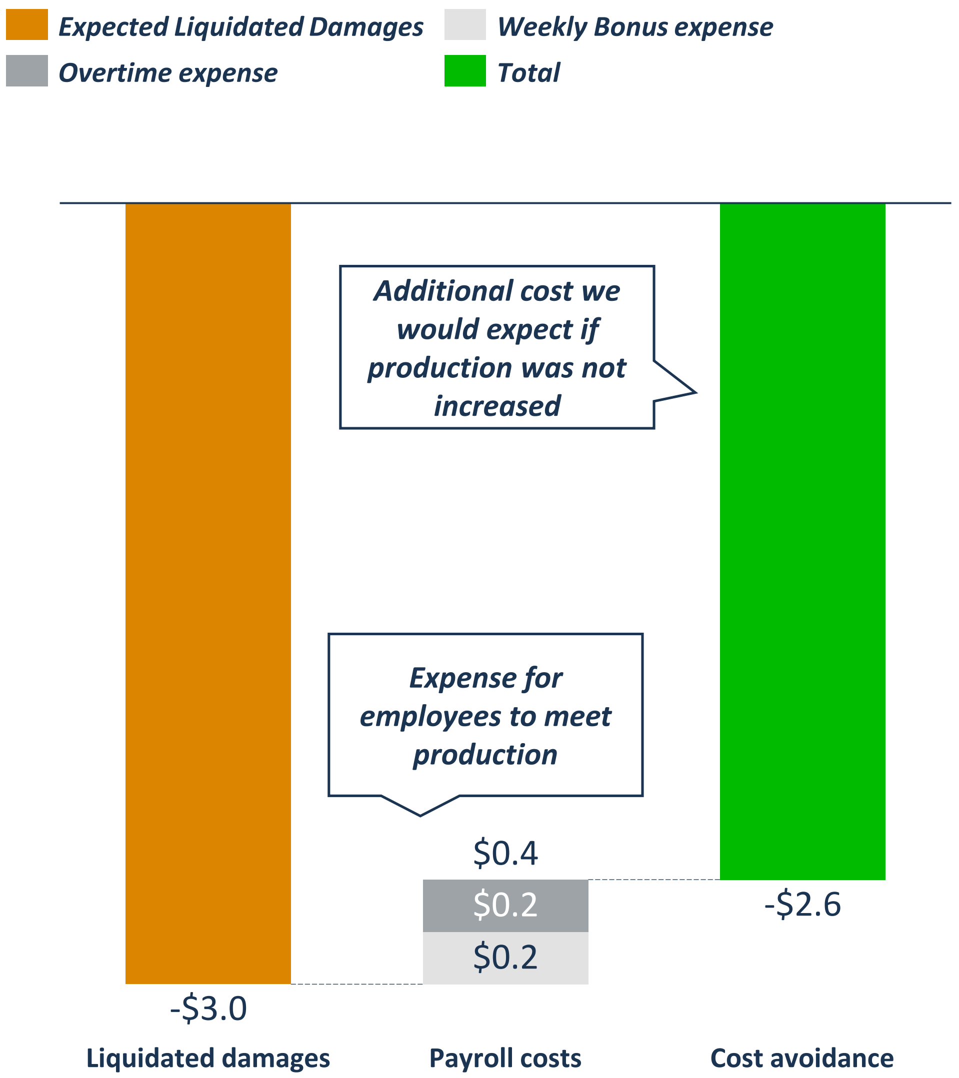


Management Discussion:

Securements are “bookings” or orders we have a contract or LOI.

- Previous slide shows order released to production. Below, what is in yellow are securements awaiting release.
- These are orders we will and can move up in production as capacity improvements are proven.
- Below are represented in “UNITS” not revenue.
- Past months are orders that need “estimated ship dates” adjusted. This is typical of project delays.

Liquidated Damage Potential Mitigated Through Labor & Customer Negotiations



Management Discussion:

Projects with contractual damages:

- Hard Rock (FL)
  - $75K/day week 1
  - $150K/day after
  - Original schedule – 30 days late
- JW Marriot (FL)
  - $10K / first 10 days, $20K after
  - Original schedule – 30 days late
- Wynn (NV)
  - $10K first 7 days, $20K after
  - Original schedule – 10 days late
- Higgins (FL)
  - $3000/day wk 1, $5000/day after (30 day push)
- Memphis CC (TN)
  - $1000/day (15 day push)
- BJCC
  - $6000/day (15 day push)
- Springhill Suites (TX)
  - $7500/day (30 day push)
- St Paul the Apostle (FL)
  - $200K deduct – loss revenue

Total potential LD exposure $3.0 mm.

As of September 23, 2019, No LDs from improved production and sales negotiations

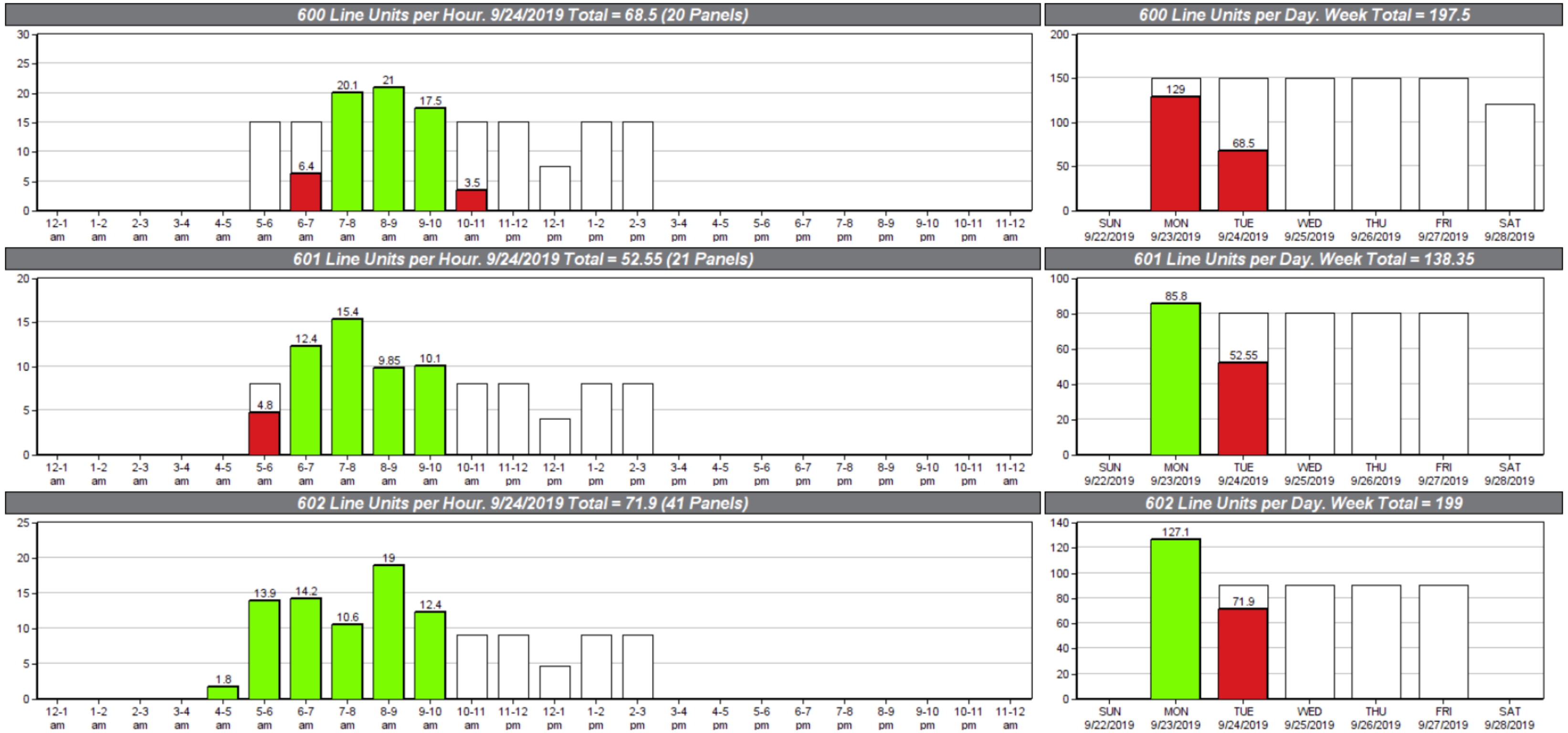
3 Operational review

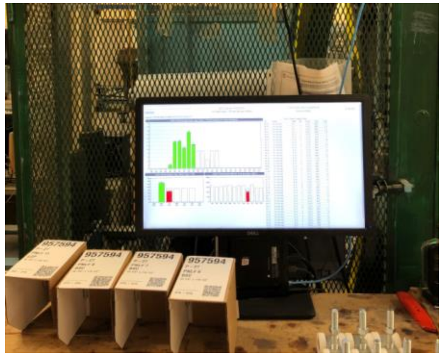
Improvements in production efficiency

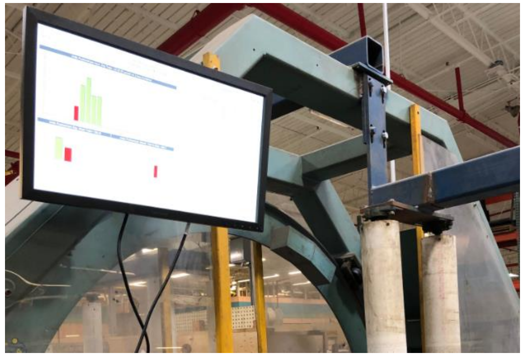
Production schedule and labor schedule has been adjusted to compensate for overbooking and to avoid liquidated damages; production monitors & S.I.M. Boards implemented on all final production lines to capture productivity and issues leading to downtime and poor quality

Production Dashoard

Data from mid-day 9/24







Management Discussion:

Production Monitors

- Installed on all final production lines
- Support and Other groups pending

S.I.M. Boards

- To capture quality and downtime issues as well as safety observations and efficiency ideas (from group)
- Daily GEMBA walks

Group Leader Position

- Working with Union to designate Group Leaders for all lines
- Will help facilitate daily production and manage material inflows and outflows

Workcell Optimization

- Pilot project on Mech Weld at start of 600
- Objective is to redesign layout of workcell that will optimize inventory efficiency needed to build orders
- Will change material movement from a push process to a pull process

4 Financial review

Financial Statement Reconciliation

Financial Statement Review Remains On-Going:

Balance Sheet Account Reconciliation in process

- Over 15 balance sheet accounts were not properly reconciled
- Team has completed a review of major accounts that required immediate attention (Cash, Prepaids, Intangibles, Unearned Billings, Accounts Payable and numerous Accrued Liabilities).
- Other accounts will be completed in conjunction with the September Close
  - Accounts Receivable*: for write-off of doubtful accounts & reserves
  - Inventory*: for write-off excess, obsolete, missing, etc. & reserves
  - Health & Benefits Accounts: accruals made monthly but issues in reconciling to broker statements
  - Warranty: determining proper TCAR and Warranty reserves given performance - concern this is depleted too much
  - Intercompany / Elimination companies: various issues due to inexperienced / unqualified staff making entries over the past few months
  - Domestic Subsidiaries (on QuickBooks): various issues, including A/R and Inventory (some of these have not been reconciled for years)
  - *Starred accounts will undergo most heavy scrutiny since they make up the collateral for the borrowing base

Income Statement review continues in conjunction with forecast preparation, though anomalies have already been identified >$500k on the P&L

- Warranty reserve reversal in prior months without policy changes or assessment
- Bad Debt Reserves skipped in 2 months without policy changes or assessment
- Marketing, bonus and other reserves with large swings in the accounts on monthly basis
- Along with other less material line items, preliminary estimate $524k overstatement to income through August 2019
- Still reviewing other accounts and potentially may find over-accruals which will counter-act over-statement

August 2019 P&L

$'000	MTD		Variance		PY MTD	Variance		YTD			PY YTD	
	Act	Bud	$	%	Act	$	%	Act	Bud	%	Act	%
Gross Revenue	**$ 14,005**	**$ 12,954**	**$ 1,051**	**8.1%**	**$ 13,343**	**$ 662**	**5.0%**	**$ 99,821**	**$ 97,465**	**2.4%**	**$ 89,717**	**11.3%**
Net Revenue	**14,005**	**12,954**	**1,051**	**8.1%**	**13,343**	**662**	**5.0%**	**99,821**	**97,465**	**2.4%**	**89,717**	**11.3%**
Material	4,535	4,535	0	0.0%	4,350	185	4.3%	34,909	34,347	1.6%	31,204	11.9%
Labor	3,924	3,586	338	9.4%	4,083	(159)	(3.9%)	29,648	27,896	6.3%	27,965	6.0%
Other COGS	1,191	1,003	188	18.7%	1,311	(120)	(9.1%)	8,508	7,882	7.9%	8,669	(1.9%)
Total COGS	**9,650**	**9,124**	**526**	**5.8%**	**9,743**	**(93)**	**(1.0%)**	**73,065**	**70,125**	**4.2%**	**67,838**	**7.7%**
Gross Margin	**4,355**	**3,830**	**525**	**13.7%**	**3,600**	**755**	**21.0%**	**26,756**	**27,340**	**(2.1%)**	**21,879**	**22.3%**
Gross Margin %	*31.1%*	*29.6%*			*27.0%*			*26.8%*	*28.1%*		*24.4%*	
R&D	–	–	–	N/A	–	–	N/A	–	–	N/A	–	N/A
Sales & Marketing	1,176	1,267	(90)	(7.1%)	1,275	(99)	(7.7%)	9,209	10,134	(9.1%)	9,871	(6.7%)
Administrative	1,315	995	321	32.2%	1,118	197	17.6%	9,383	7,959	17.9%	9,022	4.0%
Other Opex	(24)	(3)	(20)	586.5%	(21)	(3)	14.6%	(207)	(28)	651.8%	(204)	1.3%
Total Opex	**2,468**	**2,258**	**210**	**9.3%**	**2,373**	**96**	**4.0%**	**18,385**	**18,066**	**1.8%**	**18,689**	**(1.6%)**
EBITDA	**1,887**	**1,572**	**315**	**(20.0%)**	**1,227**	**660**	**53.8%**	**8,371**	**9,274**	**9.7%**	**3,190**	**162.4%**
EBITDA %	*13.5%*	*12.1%*			*9.2%*			*8.4%*	*9.5%*		*3.6%*	
Net Income (Loss)	**$ 680**	**$ 474**	**$ 206**	**(43.4%)**	**$ 307**	**$ 374**	**(121.8%)**	**$ (295)**	**$ 1,274**	**123.2%**	**$ (5,387)**	**94.5%**
Capex	**$ 274**	**$ –**	**$ 274**		**$ 71**	**$ 202**		**$ 2,847**	**$ –**		**$ 711**	**300.3%**

$'000	MTD		Variance		PY MTD	Variance		YTD			PY YTD	
	Act	Bud	$	%	Act	$	%	Act	Bud	%	Act	%
Opex Overview:												
Payroll	$ 1,147	$ 1,194	$ (47)	(3.9%)	$ 1,156	$ (9)	(0.8%)	$ 8,340	$ 9,553	(12.7%)	$ 9,626	(13.4%)
Benefits	211	250	(39)	(15.5%)	222	(10)	(4.7%)	1,802	2,003	(10.0%)	2,095	(14.0%)
Bonus	99	112	(12)	(11.1%)	28	72	261.6%	794	895	(11.3%)	68	1062.8%
Marketing	28	28	0	0.7%	43	(15)	(34.2%)	239	223	7.4%	365	(34.4%)
Commissions	175	191	(16)	(8.5%)	220	(45)	(20.5%)	1,393	1,528	(8.8%)	1,218	14.4%
Travel and Entertainment	109	87	22	25.6%	95	14	14.9%	750	693	8.3%	810	(7.4%)
Rent and Facilities	63	65	(1)	(2.3%)	66	(3)	(4.3%)	562	519	8.2%	524	7.3%
Insurance	37	32	5	17.1%	19	18	99.0%	286	253	13.0%	238	20.2%
Professional Fees	106	69	37	53.1%	132	(26)	(19.6%)	717	553	29.7%	872	(17.7%)
Utl., Repair, Maint., & Sec.	37	34	3	8.1%	32	6	17.9%	283	275	2.8%	285	(0.9%)
Office Expenses	5	6	(0)	(7.7%)	5	1	11.1%	44	47	(7.1%)	49	(11.2%)
IT	61	48	14	28.9%	50	11	22.6%	525	380	38.1%	414	26.7%
Bad Debts	28	12	16	133.8%	42	(15)	(34.3%)	586	95	514.3%	(56)	(1143.9%)
Supplies	17	18	(0)	(2.2%)	22	(4)	(20.4%)	141	140	0.7%	180	(21.7%)
FX	–	–	–	N/A	–	–	N/A	–	–	N/A	–	N/A
Other Expenses	343	114	230	202.2%	243	100	41.3%	1,923	909	111.7%	2,001	(3.9%)
Total Opex	**$ 2,468**	**$ 2,258**	**$ 210**	**9.3%**	**$ 2,373**	**$ 96**	**4.0%**	**$ 18,385**	**$ 18,066**	**1.8%**	**$ 18,689**	**(1.6%)**

Management Discussion:

Revenue

- In line with expectations given completion of Dubai project billing (down $1.5 mm in a month) and Auckland & Christchurch projects in New Zealand internationally

Gross Margin

- Gross margin expansion to 31% does not reflect inventory adjustments to come in Q3; results are partially a function of mix-shift to smaller, higher-margin projects along with timing differences in COGS recognition that will be addressed through standard cost application

OPEX

- Variance to plan and prior months driven by elevated Professional Services (legal & audit fees), Travel Expenses & Other Expenses (predominantly purchased services)

EBITDA

- International = $0.5 mm & Domestic = $1.4 mm.
- $1.9 mm of EBITDA does not yet reflect numerous costs associated with business transformation (consultants, severance for prior management, increased costs to meet commercial demands)

Covenants Projections

Covenant Analysis- JPMC and LBC Credit Partners													
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
$'000	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	FCST	FCST	FCST	FCST	
Fixed Charge Coverage Ratio (JP Morgan Chase- Monthly and LBC Credit Partners- Quarterly)													
Net Income (Loss)	$ (961)	$ (647)	$ 119	$ (26)	$ (231)	$ 197	$ 510	$ 680	$ (549)	$ (531)	$ (644)	$ (839)	$ (2,922)
Bank EBITDA Calculation:													
Interest and amortization	344	347	358	349	98	465	546	355	361	361	361	361	4,306
Taxes	(7)	43	19	36	88	36	146	85	207	176	213	229	1,272
Depreciation and amortization	494	495	495	569	507	507	510	510	511	511	511	511	6,132
Monitoring fees (including expenses)	250	18	-	250	-	-	-	250	-	250	-	-	1,018
Gain/loss on disposition of assets	-	-	-	-	-	-	-	10	-	-	-	-	10
FX gain/loss	(6)	16	48	2	58	(44)	61	(4)	-	-	-	-	130
Non-recurring items:													
Inventory write-offs < $320k in total	-	-	-	-	-	-	-	-	-	-	-	-	-
A/R write-offs < $1.3mm in total	64	127	98	78	81	84	25	28	80	-	-	-	666
Warranty claim payments: Mystic Lake < 400k	-	-	-	-	-	-	-	-	-	-	-	-	-
Warranty claim payments: Non- Mystic Lake < 625k	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-recurring items	64	127	98	78	81	84	25	28	80	-	-	-	666
Bank EBITDA	$ 178	$ 399	$ 1,189	$ 1,321	$ 601	$ 1,553	$ 1,798	$ 1,915	$ 978	$ 767	$ 441	$ 262	$ 11,401
Less:													
Unfinanced CAPEX	245	117	175	250	-	-	-	-	-	-	-	-	787
Cash income and franchise taxes	(7)	43	19	36	88	36	146	85	207	176	213	229	1,272
Cash Monitoring fees (including expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-
Numerator	$ (60)	$ 239	$ 994	$ 1,035	$ 513	$ 1,517	$ 1,652	$ 1,829	$ 771	$ 591	$ 228	$ 33	$ 9,342
Fixed Charges:													
Cash Interest	300	301	311	349	98	465	546	301	311	311	311	311	3,914
Regularly scheduled principal payments	209	-	-	209	-	-	-	-	-	209	-	-	627
Capital Lease payments	3	3	3	-	-	-	-	-	-	-	-	-	9
Total Fixed Charges	$ 512	$ 304	$ 314	$ 558	$ 98	$ 465	$ 546	$ 301	$ 311	$ 520	$ 311	$ 311	$ 4,551
TTM Numerator	4,390	5,329	6,086	7,604	8,512	7,335	8,901	9,635	9,372	9,381	9,295	9,342	9,342
TTM Fixed Charges	4,410	4,464	4,480	4,565	4,388	4,589	4,650	4,661	4,700	4,570	4,569	4,551	4,551
Fixed Charge Covenant Ratio	**1.00**	**1.19**	**1.36**	**1.67**	**1.94**	**1.60**	**1.91**	**2.07**	**1.99**	**2.05**	**2.03**	**2.05**	**2.05**
Required			**1.00 x**			**1.00 x**			**1.00 x**			**1.15 x**	
Leverage Ratio (LBC Credit Partners- Quarterly)													
Total Debt for Leverage Calculation	$ 42,975	$ 43,739	$ 41,814	$ 41,771	$ 41,456	$ 42,744	$ 42,745	$ 41,174	$ 42,745	$ 42,536	$ 42,536	$ 42,536	$ 42,536
TTM Bank EBITDA	$ 7,009	$ 7,986	$ 8,871	$ 10,417	$ 11,188	$ 9,929	$ 11,291	$ 11,978	$ 11,909	$ 11,458	$ 11,237	$ 11,401	$ 11,401
Leverage Ratio	**6.13**	**5.48**	**4.71**	**4.01**	**3.71**	**4.31**	**3.79**	**3.44**	**3.59**	**3.71**	**3.79**	**3.73**	**3.73**
Required			*NR			*NR			*NR			**4.75 x**	

*Not required until December 31st, 2019 pursuant to section 2.9 (ii) of the 2nd amendment to the Term Loan Credit Agreement and Waiver

Management Discussion:

Path to Covenant Compliance

- Assumptions outlined in the P&L reflect a "stretch goal" as of today, whereby we can meet the increased production goals and avoid liquidated damages on large accounts
- Along with meeting production goals, other key assumptions which need to materialize in order to end the year in compliance are:
  - Receiving payment on time from large projects completed in Q3 (Gibca and New Zealand in particular, and
  - Confirming the ability to add-back AR write-offs, inventory write-off and any other expenses in the September close.
- Anticipating meetings with LBC and JPM in October to introduce team and present our view of add-backs

A | Appendix

Preliminary P&L Forecast – Hufcor Consolidated

$'s in millions	Actual								FCST				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Revenue	10.1	11.1	11.9	10.8	13.1	12.4	16.5	14.0	12.0	12.6	12.9	11.7	149.2
COGS	7.8	8.6	8.6	7.3	10.3	8.6	12.3	9.7	8.8	9.5	10.0	9.2	110.5
Material	3.2	4.2	3.7	3.1	5.5	3.6	7.2	4.5	4.2	4.3	4.5	4.4	52.3
Direct Labor	0.8	0.7	0.9	0.6	0.9	0.9	1.1	1.0	0.9	1.0	1.0	0.9	10.8
Inside Install	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	3.6
Outside Install	0.8	0.9	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.4	1.5	1.2	13.7
MFG O/H	2.7	2.5	2.7	2.3	2.6	2.6	2.5	2.6	2.3	2.4	2.7	2.4	30.2
Gross Profit	**2.3**	**2.5**	**3.3**	**3.5**	**2.8**	**3.8**	**4.2**	**4.4**	**3.2**	**3.2**	**3.0**	**2.5**	**38.6**
Gross Margin	*22.7%*	*22.4%*	*27.7%*	*32.2%*	*21.6%*	*30.9%*	*25.5%*	*31.1%*	*26.6%*	*25.1%*	*22.9%*	*21.6%*	*25.9%*
Sales & Marketing	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.0	1.1	1.1	1.0	13.5
G&A	1.1	1.1	1.2	1.1	1.2	1.5	1.2	1.3	1.6	1.3	1.4	1.2	15.3
SG&A	2.2	2.2	2.3	2.3	2.4	2.7	2.5	2.5	2.6	2.4	2.5	2.3	28.8
as % of Sale	*21.7%*	*20.0%*	*19.6%*	*21.6%*	*18.0%*	*21.5%*	*14.9%*	*17.8%*	*21.9%*	*18.9%*	*19.3%*	*19.2%*	*19.3%*
EBITDA	**0.1**	**0.3**	**1.0**	**1.1**	**0.5**	**1.2**	**1.8**	**1.9**	**0.6**	**0.8**	**0.5**	**0.3**	**9.8**
Margin	*1.0%*	*2.4%*	*8.2%*	*10.6%*	*3.6%*	*9.4%*	*10.7%*	*13.3%*	*4.6%*	*6.2%*	*3.6%*	*2.4%*	*6.6%*
Depreciation	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0
Amortization	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	4.1
EBIT	**(0.4)**	**(0.2)**	**0.5**	**0.6**	**(0.0)**	**0.7**	**1.3**	**1.4**	**0.0**	**0.3**	**(0.0)**	**(0.2)**	**3.7**
Margin	*-3.9%*	*-2.1%*	*4.0%*	*5.3%*	*-0.3%*	*5.3%*	*7.6%*	*9.7%*	*0.4%*	*2.2%*	*-0.3%*	*-1.9%*	*2.5%*
Misc.	0.2	0.0	(0.0)	0.2	0.0	(0.0)	0.1	0.2	0.0	0.3	0.0	0.0	1.1
Interest	0.3	0.3	0.4	0.3	0.1	0.5	0.5	0.4	0.4	0.4	0.4	0.4	4.3
Tax	(0.0)	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.2	1.3
Net Income	**(1.0)**	**(0.6)**	**0.1**	**(0.0)**	**(0.2)**	**0.2**	**0.5**	**0.7**	**(0.5)**	**(0.5)**	**(0.6)**	**(0.8)**	**(2.9)**
Margin	*-9.6%*	*-5.8%*	*1.0%*	*-0.2%*	*-1.8%*	*1.6%*	*3.1%*	*4.9%*	*-4.6%*	*-4.2%*	*-5.0%*	*-7.2%*	*-2.0%*

Management Discussion:

Revenue Assumptions

- Bottoms-forecast from each divisions with adjustments for capacity

Gross Profit Assumptions

- Assuming additional costs to meet production demand in Q4

Opex

- Includes $0.3k of consulting for 3rd parties throughout the year; severance for prior management in September
- Does not yet include all new hires (TBD based upon acceptance)

Preliminary Monthly Cashflow Forecast – Hufcor Consolidated

$'s in millions	Cash Flow Statement				
	Sep	Oct	Nov	Dec	Total
Net Income	(0.5)	(0.5)	(0.6)	(0.8)	(2.6)
Interest (LT debt)	0.3	(0.8)	0.3	0.3	-
Depreciation	0.2	0.2	0.2	0.2	0.7
Amortization	0.3	0.3	0.3	0.3	1.4
D&A	**0.5**	**0.5**	**0.5**	**0.5**	**2.0**
Capitalized Loan Fees	0.0	0.0	0.0	0.0	0.2
A/R	1.3	1.0	1.3	(0.2)	3.5
Inventory	(0.1)	-	-	-	(0.1)
Prepaid Expenses	0.3	0.0	0.0	0.0	0.4
Accounts Payable	(0.9)	(0.8)	(0.6)	(0.2)	(2.6)
Other Current Liabilities	0.7	(0.1)	0.4	0.5	1.5
Cash from Operating Activities	**1.6**	**(0.6)**	**1.3**	**0.1**	**2.4**
Cash Flows from Investing Activities					
CAPEX	(0.1)	-	-	-	(0.1)
Cash Flows from Financing Activities					
Payments on long-term debt	-	(0.2)	-	-	(0.2)
Net Change in Cash and Cash Equivalents	**1.5**	**(0.8)**	**1.3**	**0.1**	**2.1**
Cash - Beginning	1.3	2.8	2.0	3.3	
Cash - Ending	2.8	2.0	3.3	3.4	

Management Discussion:

Timely collections of major projects

- Gibca, New Zealand and others
- Additional work required on AIA billing totals
- Concern with 2020 requirements

CapEx Excludes Non-Operating

- Deferred Maintenance assumed to cover major Janesville improvements
- Reviewing additional expenditures required through 2020 as well

AP/AR aging

$'000

AR Aging

Days	Dec-18	%	Jun-19	Jul-19	Aug-19	%
0-30	$ 16,376	*44.4%*	$19,756	$23,462	$23,278	*57.8%*
30-60	5,342	*14.5%*	2,911	3,482	3,880	*9.6%*
60-90	3,176	*8.6%*	2,606	2,308	2,131	*5.3%*
>90	11,985	*32.5%*	11,072	11,355	10,986	*27.3%*
Total Gross AR	**$ 36,879**	***100.0%***	**$36,345**	**$40,607**	**$40,275**	***100.0%***
Reserves	(1,407)		(1,836)	(1,851)	(1,854)	
Total Net AR	**$ 35,472**		**$34,509**	**$38,755**	**$38,421**	
Change in AR Reserve			(90)	(15)	(2)	
Actual Bad Debt P&L Charge			84	25	28	
LTM Bad Debt P&L Charge			**$ 776**	**$ 780**	**$ 785**	

AP Aging

Days	Dec-18	Jun-19	Jul-19	Aug-19	%
0-30	$10,682	$14,225	$15,061	$ 8,107	*71.9%*
30-60	1,234	936	1,291	695	*6.2%*
60-90	343	435	268	145	*1.3%*
>90	1,268	1,018	2,048	2,322	*20.6%*
Total	**$13,526**	**$16,614**	**$18,668**	**$ 11,269**	***100.0%***

Management Discussion:

Accounts Receivable

- Increase in current AR driven by billings for Dubai & New Zealand
- Retainage listed at $6.0 mm
  - $4.0 mm of Domestic Retainage
  - $2.0 mm of International Retainage
  - $3.7 mm of AR > 90 represents retainage on
- Reserves & Bad Debt expense under review for September adjustment

Accounts Payable

- $5.2 mm adjusting entry made in August to correct multiple errors made in the intercompany accounts that had incorrectly over-stated AP by $5.2 mm from April - July
- A/P > 90 consists of OpenGate management fees and other fees delivered late
- Excluding aged fees, DPO to broader vendor group ≈36 as of September 20th