



## Monthly Operating Review – July 2020

August 18, 2020

# Monthly Operating Review Agenda

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

## Hits

- MTD invoiced sales were \$4.0m compared to rfcast target of \$3.7m. Bookings were \$4.1m compared to a \$3.7m target. There was backlog of \$82k at month end. July 2019 invoiced sales were \$4.9m.
- MTD subscription sales at \$1.4m compared to target of \$963k. July 2019 was \$921k.
- MTD strong upfront attach rate of 49% and YTD of 41% compared to reforecast of 32%.
- MTD strong education performance at 58% (\$2.4m and 5 deals >100k) vs 42% corporate end user invoiced sales.
- Solstice Conference released on 8/5 – record number of downloads in 24 hours
- COVID-19 response – July sales results were significantly ahead of June, order volume up along with run rate sales
- Month of August is off to a solid start
- Organization/Workforce
  - Safety
    - No new COVID-19 cases among workforce since 4/10/20.
    - Office visit Request forms and health screenings remain in place.
  - Offers accepted for Regional Sales Director for the NorthEast and a Sales Engineer for the SouthEast
  - Onboarded two Quality Engineers, one of whom was an internal transfer
  - Transitioned two lower-performing Engineers out of the company
  - 2020 first half bonuses distributed to a target group of key contributors
  - Conducted training on Conscious Respect in the Workplace – Recognizing Micro Inequities

## Customer Adoption

- Existing customers – Columbia University \$167k, University of Derby \$133k, Northwestern University \$125k, McLennan Community College \$117k, University of Pennsylvania \$108k, Infinitus China Limited \$106k, WeWork \$102k (85% growth from June 2020)
- New/Land orders – Sempra LNG, LLC \$61k, BP BSC Ltd. \$40k, Land Information NZ \$31k

# Executive Summary (Continued)

## Misses

- MTD ASP \$748 vs reforecast of \$791 driven by increase in 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
- Denver tech job market is rebounding – increased sensitivity to staff retention
- Tractor Supply has asked for refund – combination of missing Conference release schedule, poor support from reseller and customer dysfunction
- High degree of tension and some burnout as people address last minute challenges to the product release.
- Continuous working from home wearing thin for some who miss the casual connections.
- Gaps in leadership development and performance management are becoming more evident. High priority to address.

## Key Go-Forward Actions

- Formalizing technology and marketing relationship with Logitech to help drive awareness for Solstice Conference – the Logi relationship is paying dividends on both the Marketing and Sales side
- Began formal partner discussion with QSC – leading DSP provider and competitor to Crestron and BiAmp
- Expanding distribution in the UK with two new partners – Exertis and Northamber – contracts close to being finalized which will result in \$1.5M in stocking orders
- We have launched a channel marketing program featuring Solstice Conference which offers incentives in exchange for direct marketing to their customer database – over 50 resellers signed up
- Professional development program set to roll out at end of August, performance management program in development
- Implementing refactored 1H MBO payout to staff – personal portion only – complete, overwhelmingly positive feedback
- 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 with Moelis and Condecó

# Executive Summary – Risks and Challenges

| Description   | Potential Impact  | Plan to Address  |
|---|---|--|
| <ul style="list-style-type: none"> <li><b>New Product Launches</b></li> </ul>                               | <ul style="list-style-type: none"> <li>Sales Shortfall</li> <li>Competitive Positioning</li> <li>Market Adoption</li> <li>Installed Base Growth</li> </ul>                                    | <ul style="list-style-type: none"> <li>Version 5.0 release featuring Solstice released on 8/5 – biggest single release since the inception of Solstice, record number of downloads, initial feedback mixed – customers like it but want more camera support, lower PC spec and better Teams support</li> <li>In discussion at strategic level regarding next major product initiatives; Wellness, in product alerts and notifications, Zoom Rooms, on prem Solstice Cloud</li> </ul> |
| <ul style="list-style-type: none"> <li><b>Customer Operations</b></li> </ul>                                | <ul style="list-style-type: none"> <li>Cost savings</li> <li>Customer Satisfaction</li> <li>Deployment Friction</li> </ul>  | <ul style="list-style-type: none"> <li>Moving to next stage rollout of pre-configured Pods through Solstice Cloud</li> <li>Reached agreement with SMART on reinstating \$9 price reduction</li> <li>Better inventory controls</li> <li>Operations as strategic differentiator</li> <li>Launched customer support portal</li> </ul>   |
| <ul style="list-style-type: none"> <li>AV industry</li> </ul>   | <ul style="list-style-type: none"> <li>‘Touchless AV’ has become the hot topic as a result over COVID concerns</li> <li>Slack and Amazon announce partnership to combat Zoom</li> </ul>       | <ul style="list-style-type: none"> <li>Continuing to leverage our position as a touchless AV solution based on software, using Solstice Conference as part of a Zoom Gloom/fatigue campaign</li> <li>Continue to focus on channel mindshare</li> <li>Rehired and appointed Amelia Vrabel VP Channels</li> </ul>  |
| <ul style="list-style-type: none"> <li>Improve margin/EBITDA while continuing to invest and grow</li> </ul> | <ul style="list-style-type: none"> <li>Failure to hit financial targets</li> </ul>  | <ul style="list-style-type: none"> <li>Launch professional development training – launched update – relaunched formal structure</li> <li>Improve onboarding of new staff</li> <li>Renegotiate Solstice BOM cost – delayed, now November</li> <li>RMA and inventory process improvements – done</li> </ul>  |
| <ul style="list-style-type: none"> <li>HR/Staffing/Comp</li> </ul>  | <ul style="list-style-type: none"> <li>Productivity</li> <li>OPEX</li> <li>Morale</li> <li>Restoration of employee benefits under consideration as Denver job market heats back up</li> </ul> | <ul style="list-style-type: none"> <li>Interview training</li> <li>Culture brand development</li> <li>Professional Development - launched</li> <li>Staff training</li> </ul>   |
| <ul style="list-style-type: none"> <li>Sales Team Productivity</li> </ul>                                   | <ul style="list-style-type: none"> <li>Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing</li> </ul>   | <ul style="list-style-type: none"> <li>Move faster to hire empty territories – much better continuity and coverage compared to ‘19</li> <li>Improve onboarding</li> <li>Double down in ‘hi-po’ territories – Midwest, NE, UK</li> <li>Continued focus on sales enablement</li> </ul>   |
| <ul style="list-style-type: none"> <li><b>Solstice Subscription Services</b></li> </ul>                     | <ul style="list-style-type: none"> <li>Impact on enterprise value</li> <li>Customer/technology scale</li> </ul>   | <ul style="list-style-type: none"> <li>Expand customer success inside sales team</li> <li>Broad renewal/swap campaign</li> <li>Sales focus on sub 1000 customers yielding promising results – ongoing</li> </ul>   |

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

## Upcoming Key Deals

- **Shell** – Ongoing Q&A related to final decision – looking at SC
- **IBM** – early evaluation for new HQ in Germany – need SC
- **Northrop Grumman** – Land order in Q3
- **BP** – US pilot coming in Q4 for 75 units
- **Morgan Stanley** – evaluation taking place in UK...Miracast
- **Paypal** – evaluation taking place for global standard
- **7-Eleven** – AirMedia swap out – 100+ units in Q3
- **Grainger** – about to standardize with a 100+ order - September
- **Raytheon** – Acquiring UTC and may adopt UTC Solstice standard
- **DVAG Investments** – in pilot for 100+ rooms
- **Exertis Stocking Order (UK)** – \$1M order in Aug/Sept
- **Grainger** – standardizing with first order in July/August
- **WeWork** – AirMedia swap out project in EMEA – Aug/Sept
- **WeWork** – Airmedia swap out in N America – quantities TBD Q3/Q4
- **Warner Media** – 300+ units for SoCal deployment pushed to 2H
- **Toyota** – Digital signage deployment of 175 units in August
- **Northamber** - \$250K+ stocking order in UK
- **Exclusive Networks** – new disty in UA and SEA - #s TBD
- **LittleBit Tech** - New disty for Switzerland/Austria - \$100K+ in Q3/Q4

## Key Losses/Delays

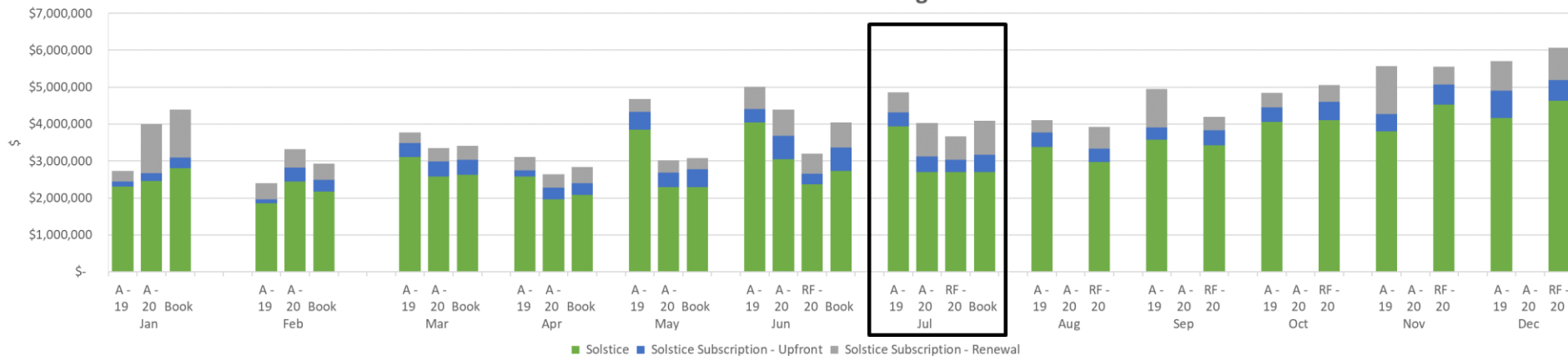
- **NYU** – Moving to Zoom and Crestron Flex in all rooms
- **U of the South** – lost to Wolfvision
- **Ferris State** – lost to Wolfvision as they were existing standard
- **U of Oregon** – Nike Building...sticking with Crestron standard
- **Maverick Stocking Order** – Pan Euro requirement didn't play out

## Big Wins

- Columbia University - \$167K
- University of Derby – \$133K
- Northwestern University - \$125K
- McLennan Community College - \$117K
- University of Pennsylvania - \$108K
- Infinitus China Limited - \$106K
- WeWork - \$102K
- Skema Business School - \$93K
- Northeastern University - \$90K
- University of Edinburgh - \$85K
- RealPage - \$82K
- Indiana University - \$79K

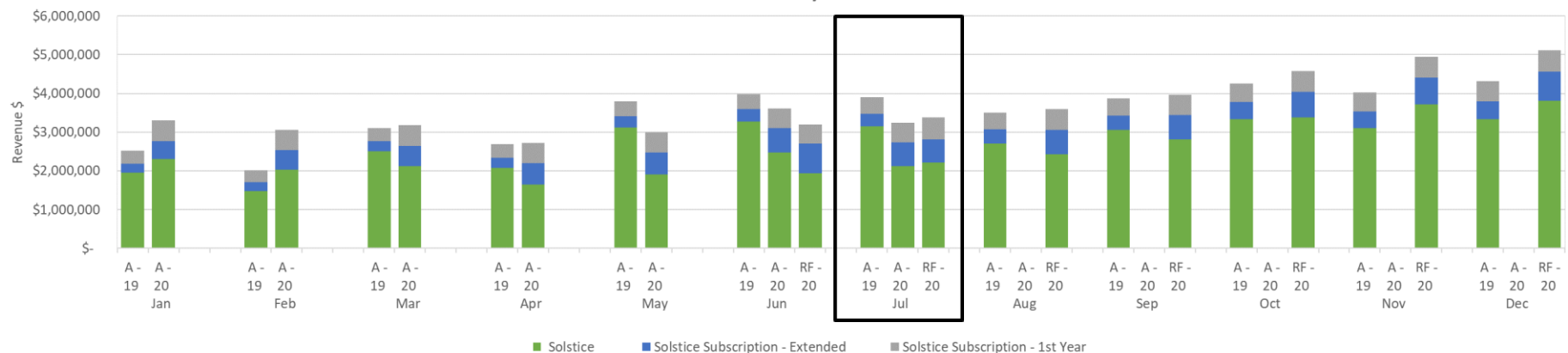
# Sales Metrics – Monthly Trend

## Invoiced Sales & Bookings



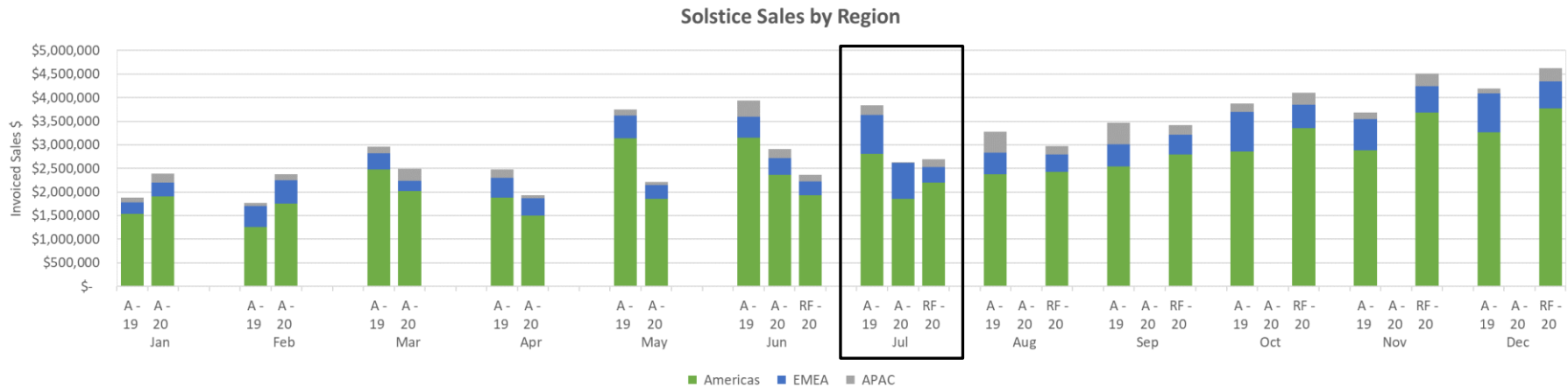
- July invoiced sales were \$4.0m compared to target of \$3.7m, which is 110% of Reforecast and 83% of PY sales at \$4.9m. This is an 8% MoM decrease compared to June-20. Bookings were \$4.1m compared to a \$3.7m target.
- YTD invoiced sales were \$24.8m compared to target of \$23.2m, which is 107% of reforecast.
- There was backlog of \$73k MTD and \$82k YTD.

## Revenue by Product

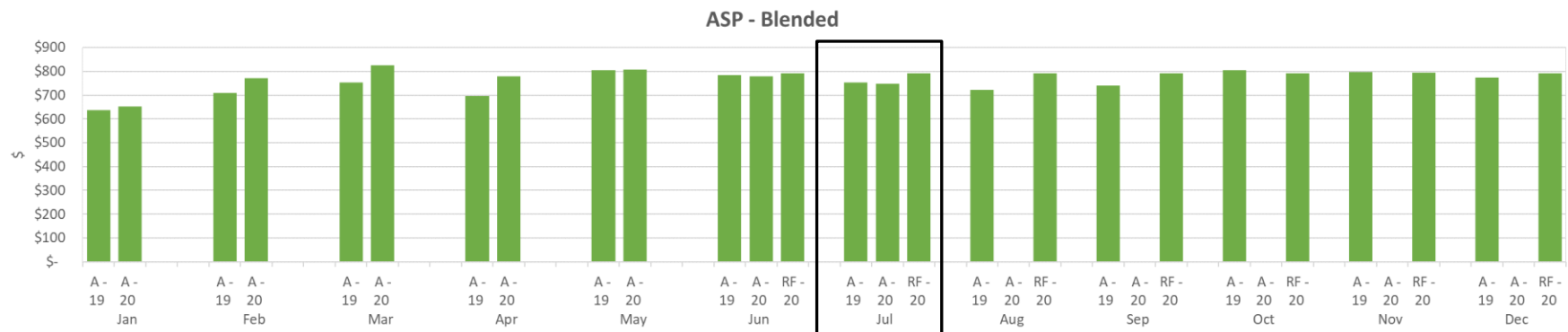


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 reforecast
- MTD GAAP revenue was \$3.2m compared to reforecast of \$3.4m, due to lower than expected Solstice sales. PY MTD GAAP was 3.9m.
- YTD GAAP revenue was 22.1m compared to reforecast of 21.9m, due to higher than expected Solstice sales. PY YTD GAAP was 22.0m.

# Solstice Invoiced Sales Metrics – Monthly Trend – Region



- July Solstice sales were \$2.6m compared to target of \$2.7m, which is 97% of reforecast and 69% of PY sales at \$3.8m. July invoiced sales were below reforecast due to underperformance in APAC and Americas, but EMEA overperformed significantly making the gap small.
- YTD Solstice invoiced sales were \$17.0m compared to target of \$16.5m, which is 103% of reforecast.
- July Solstice unit sales were 3,514 compared to target of 3,407, while PY was at 5,094.



- Graph shows ASP by region historically and planned for remaining 2020
- Overall MTD ASP across all regions was \$748 including Gen 3 Solstice upgrades below plan of \$791, compared to \$753 in PY. This is due to lower than expected ASP in the Americas and EMEA regions.
- Solstice ASP excluding Solstice upgrades is \$817.



# ASP by Region – Monthly Trend

ASP - Americas



ASP - EMEA



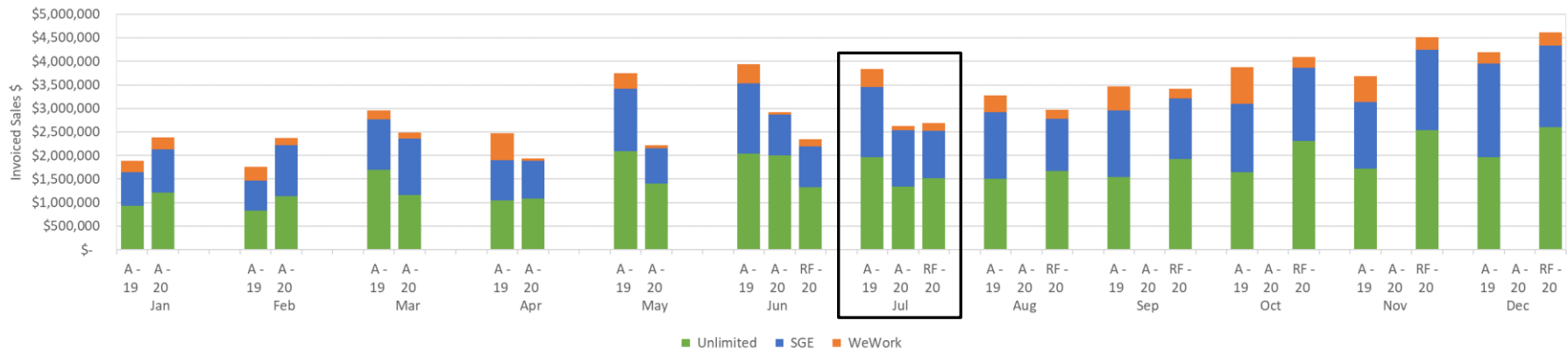
ASP - APAC



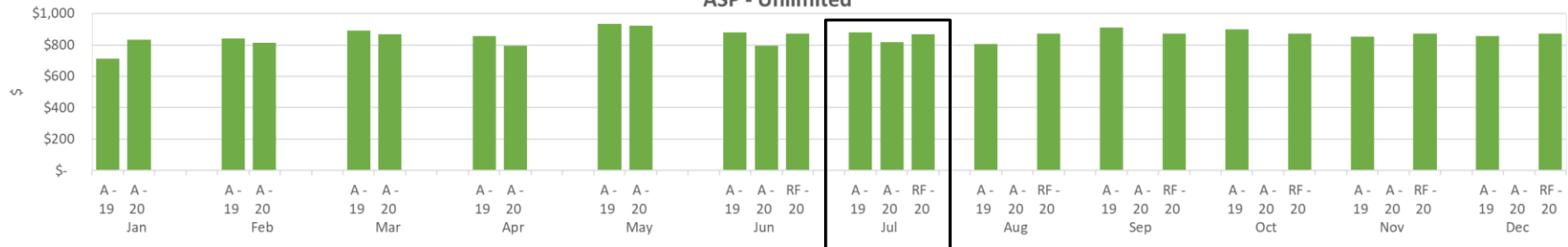
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD Solstice invoiced sales mix by region: Americas 75% actual vs 76% Target, EMEA 24% actual vs 19% Target, APAC 1% actual vs 5% target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
  - Americas - \$889 vs \$885 in prior month
  - EMEA - \$686 vs \$715 in prior month
  - APAC - \$849 vs \$742 in prior month

# Solstice Invoiced Sales Metrics – Monthly Trend - Product

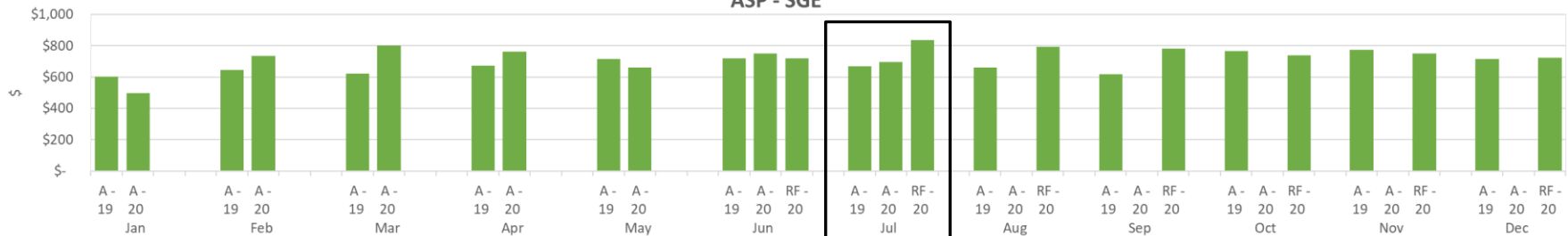
Solstice Sales by Product



ASP - Unlimited

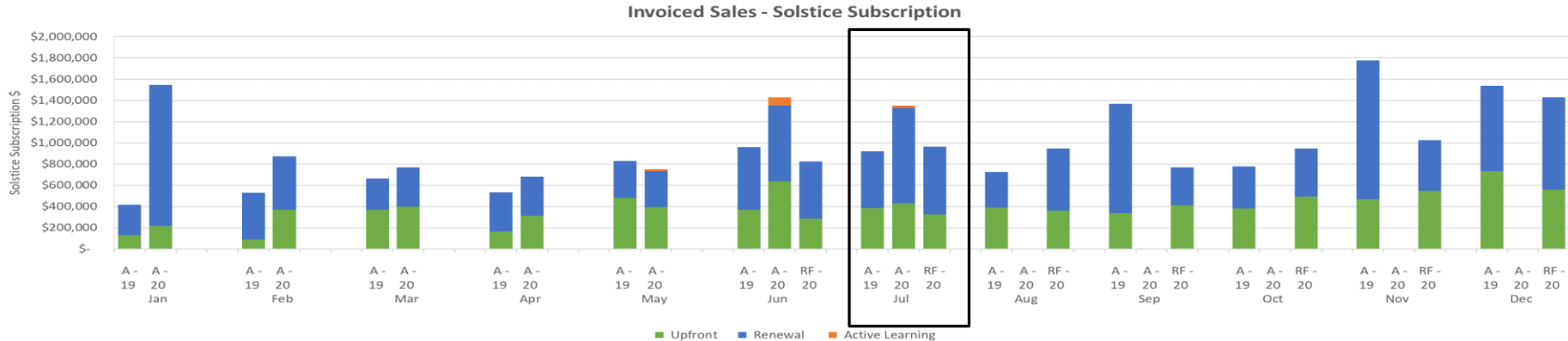


ASP - SGE

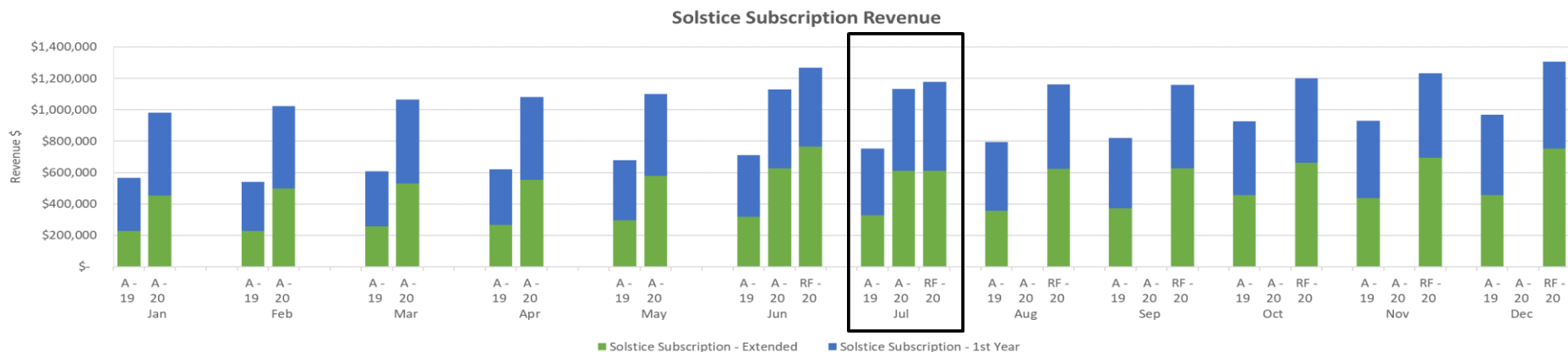


- Unlimited - July invoiced Solstice sales were \$1.4m compared to target of \$1.5m vs PY of \$2.0m.
- SGE - July invoiced sales were \$1.2m compared to target of \$1.0m vs PY of \$1.5m.
- WeWork - July invoiced sales were \$86k compared to target of \$172k vs PY of \$374k.
- Unlimited – July ASP was \$818 compared to target of \$870 vs PY of \$881.
- SGE - July ASP was \$694 compared to target of \$834 vs PY of \$668.

# Solstice Subscription Metrics – Monthly Trend

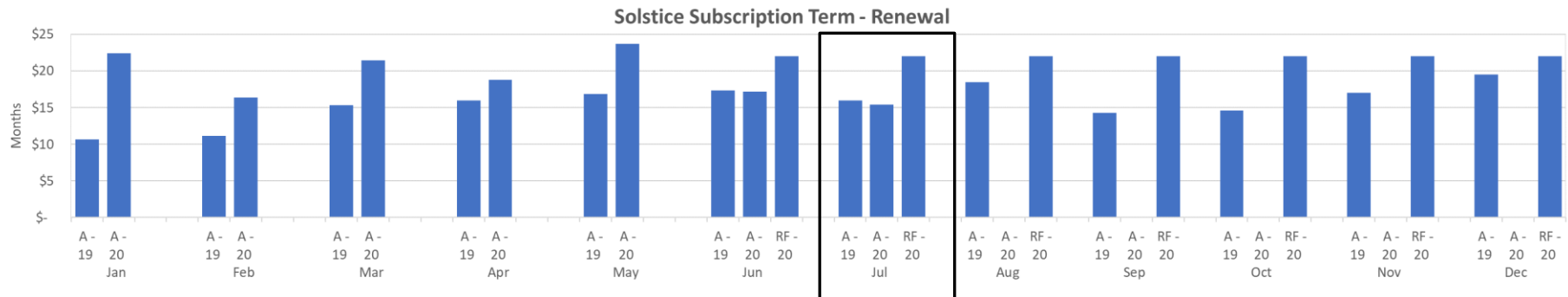


- July invoiced sales for solstice subscriptions was \$1.4m vs reforecast of \$963k, which is 140% of reforecast. PY was \$921k.
- Active Learning sales decreased to 25k from June to July, a decrease of 67%.
- YTD invoiced sales for solstice subscriptions was \$7.4m vs reforecast of \$6.4m, which is 116% of reforecast.
- July renewal ASP was \$165 compared to target of \$250 vs PY of \$171.
- July upfront ASP was \$250 compared to target of \$300 vs PY of \$271.
- Large renewal deals – Northwestern Uni (\$71k), Chaminade University of Honolulu (\$66k), University of Louisville (\$63k)
- Large upfront deals – Midwich Limited - U.K. (\$100k), Northeastern University (\$27k), Columbia University (\$24k)

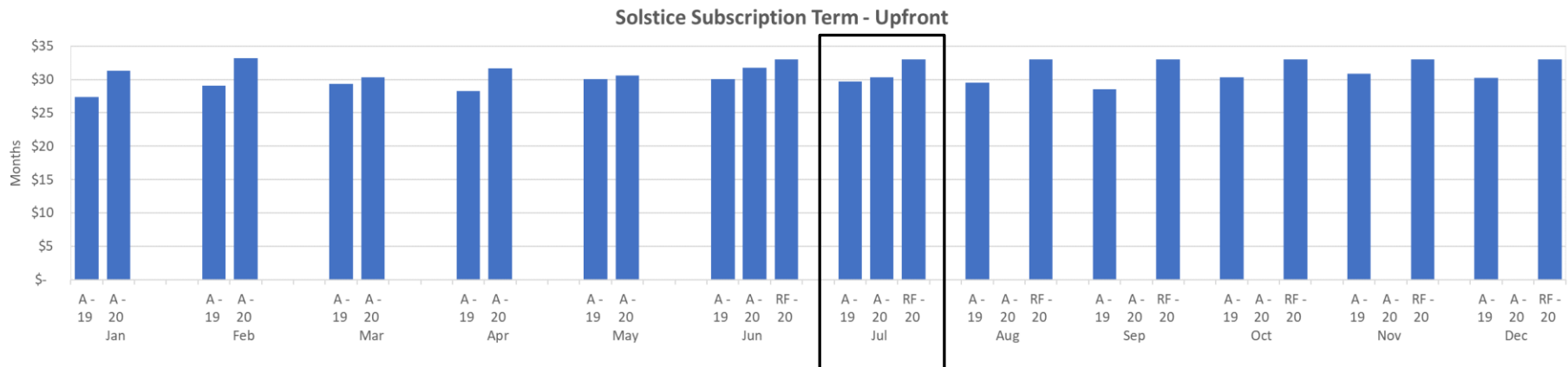


- July Solstice Subscription – Extended (renewal + upfront) was \$613k vs reforecast of \$613k vs PY of \$329k
- July Solstice Subscription – 1st year was \$519k vs reforecast of \$564k vs PY of \$422k
- July total Solstice Subscription was under expectations at \$1.1m vs reforecast of \$1.2m, but above PY of \$766k
- YTD total Solstice Subscription is slightly under expectations at 7.5m vs reforecast of 7.7m vs PY of 4.5m

# Solstice Subscription Metrics – Average Subscription Term



- Renewal average term was 15 months compared to target of 22 months.



- Upfront average term was 30 months compared to target of 33 months.

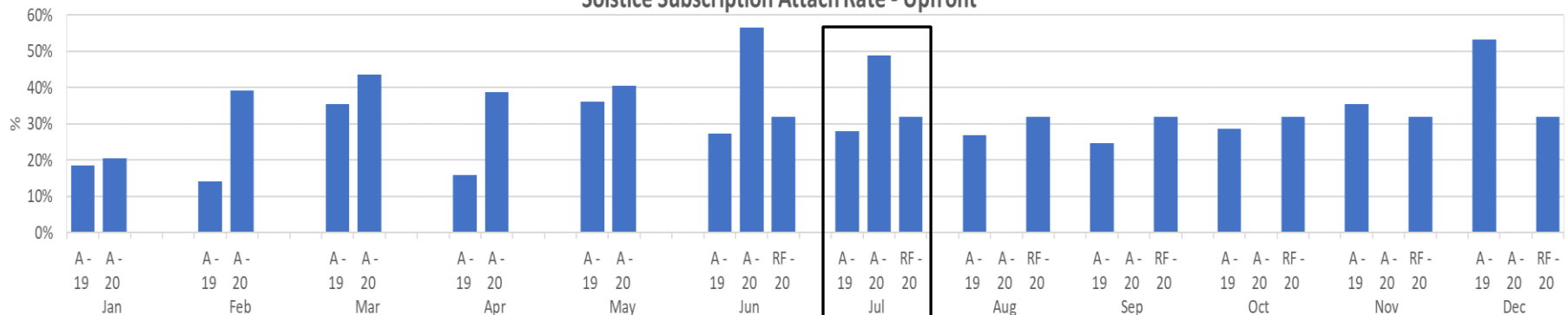
# Solstice Subscription Metrics – Attach Rate

Solstice Subscription Attach Rate - Renewal

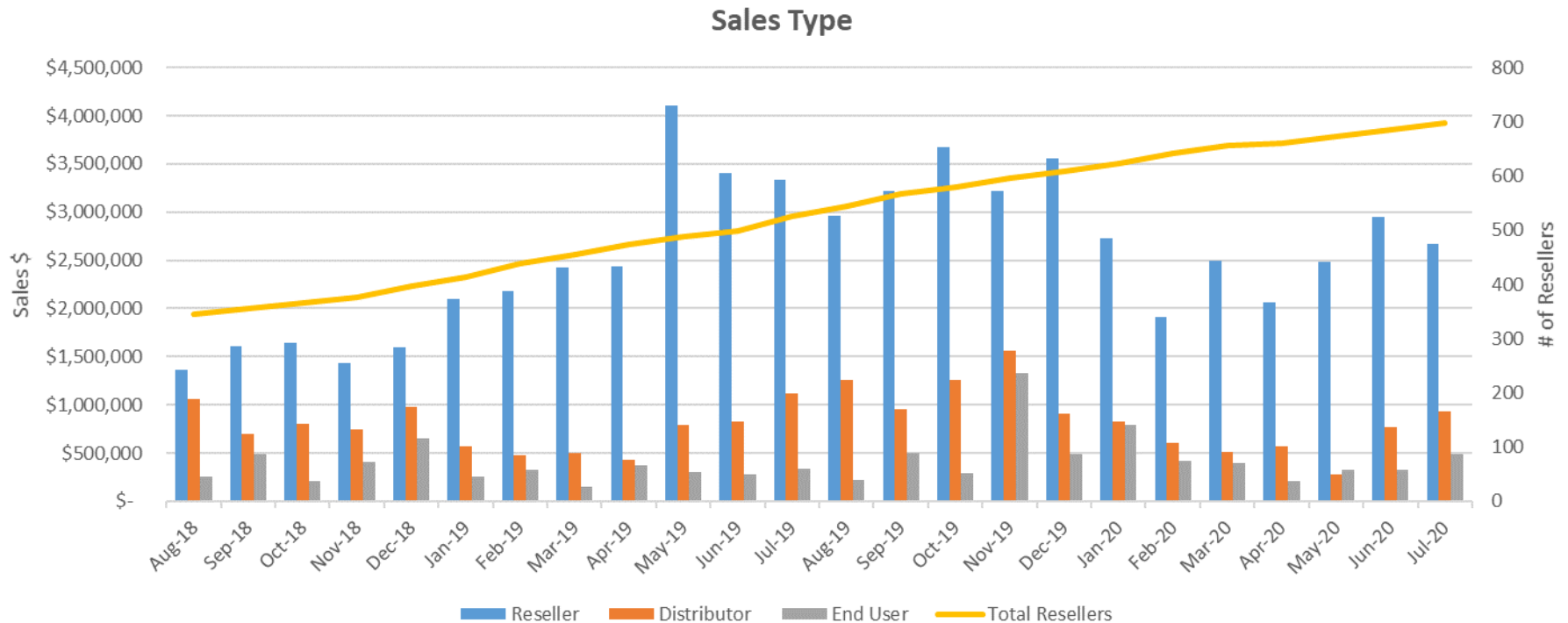


- Renewal rate was 50% during July. Target was 55%.

Solstice Subscription Attach Rate - Upfront

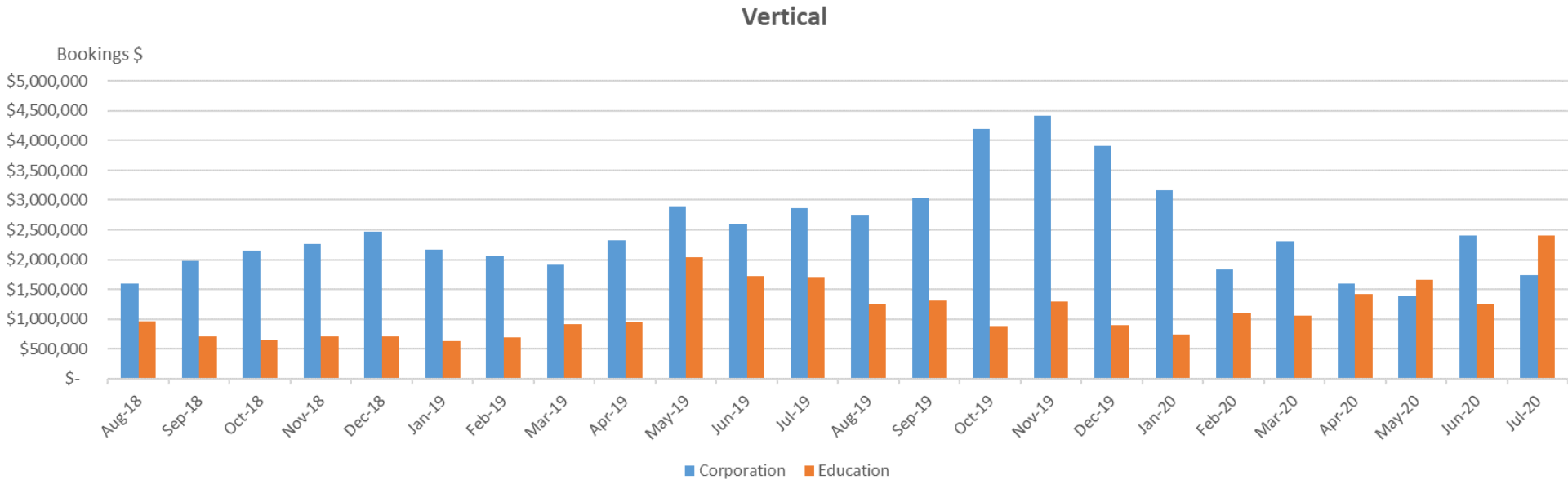


- Upfront attach rate decreased to 49% during July above target of 32%.



- Bookings
- New Resellers by Region:
  - TOLA = 1, APAC = 2, Mid-Atlantic = 2, West Coast = 1, Northeast = 1, Southeast = 1, South America = 1, Other = 2
  - Unique resellers in July 2020 were at 218 vs 193 for June 2020

# Customer Segment Metrics



• Bookings excluding stocking orders and including sales out

# Top End User Metrics - MTD

| End User - Corporate    | Jul 2020 Amount  | % of Total  |
|-------------------------|------------------|-------------|
| Infinitus China Limited | \$106,171        | 6%          |
| Wework                  | \$101,989        | 6%          |
| Realpage                | \$81,864         | 5%          |
| Accenture               | \$71,971         | 4%          |
| Chick-Fil-A             | \$71,546         | 4%          |
| Sempra Lng, Llc         | \$60,546         | 3%          |
| Vives Noord Vzw         | \$55,953         | 3%          |
| Pwc Australia           | \$54,075         | 3%          |
| Bp Bsc Ltd.             | \$40,455         | 2%          |
| Mastercard              | \$38,894         | 2%          |
| Other Customers         | \$1,092,406      | 62%         |
| <b>Total</b>            | <b>1,775,870</b> | <b>100%</b> |

| End User - Education                                 | Jul 2020 Amount  | % of Total  |
|--|------------------|-------------|
| Columbia University                                  | \$166,957        | 7%          |
| University Of Derby                                  | \$132,717        | 6%          |
| Northwestern University                              | \$125,489        | 5%          |
| Mclennan Community College                           | \$117,158        | 5%          |
| University Of Pennsylvania                           | \$107,900        | 4%          |
| Skema Business School                                | \$92,983         | 4%          |
| Northeastern University                              | \$90,409         | 4%          |
| University Of Edinburgh                              | \$84,948         | 4%          |
| Indiana University                                   | \$79,457         | 3%          |
| Humber Institute Of Technology And Advanced Learning | \$75,953         | 3%          |
| Other Customers                                      | \$1,326,718      | 55%         |
| <b>Total</b>   | <b>2,400,689</b> | <b>100%</b> |

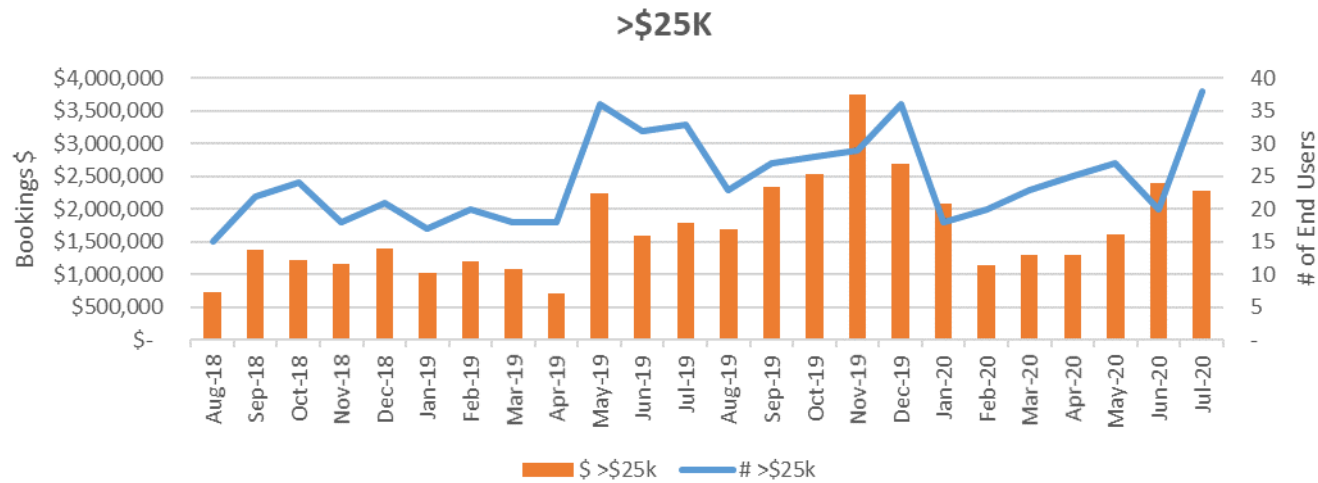
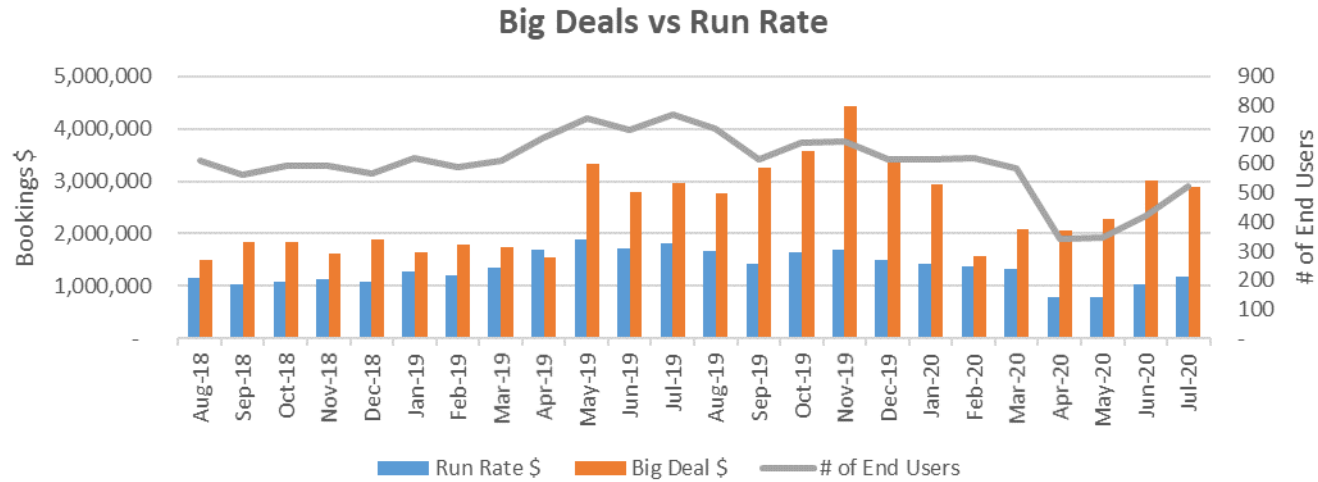


# Top End User Metrics - LTM

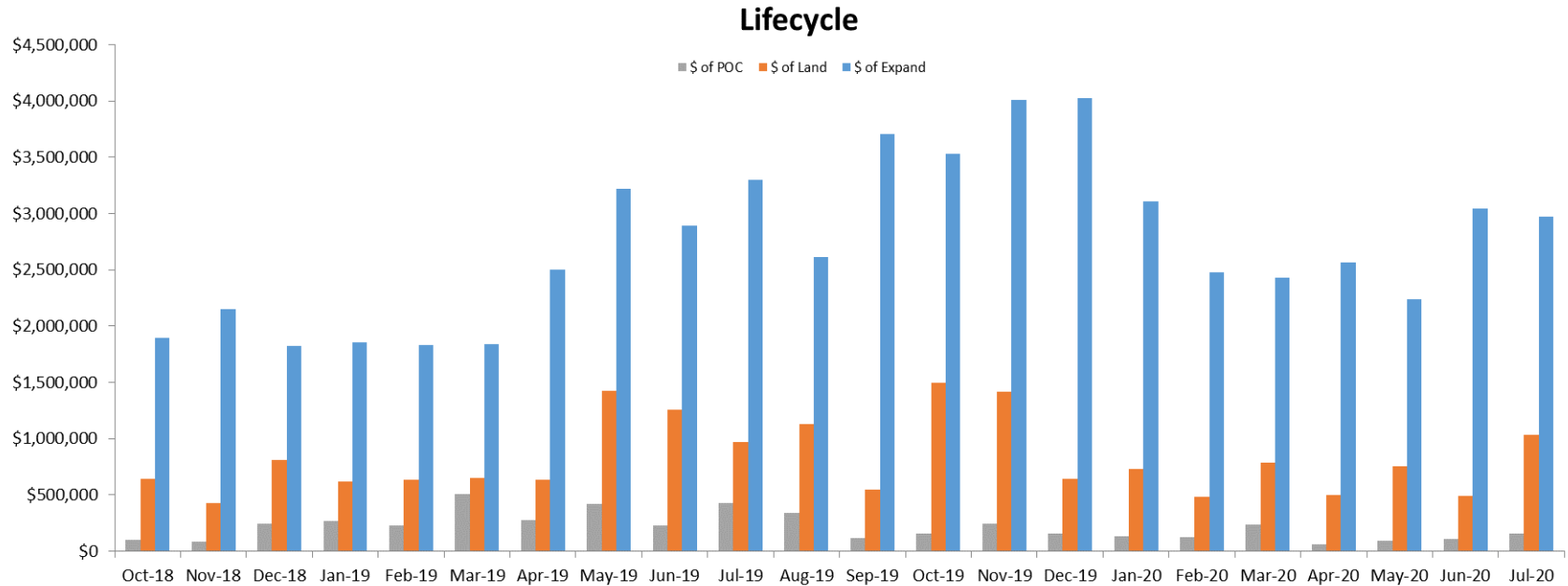
| End User - Corporate             | LTM Amount        | % of Total  |
|----------------------------------|-------------------|-------------|
| WeWork                           | \$4,847,451       | 14%         |
| Nike                             | \$1,203,358       | 4%          |
| United Parcel Service Inc. (UPS) | \$1,076,291       | 3%          |
| Kiewit Corporation               | \$890,083         | 3%          |
| Comcast                          | \$737,645         | 2%          |
| The Vanguard Group               | \$693,745         | 2%          |
| Accenture                        | \$647,110         | 2%          |
| Mastercard                       | \$632,149         | 2%          |
| Charter Communications           | \$458,711         | 1%          |
| AstraZeneca Global - Verified    | \$376,914         | 1%          |
| Other Customers                  | \$22,022,759      | 66%         |
| <b>Total</b>                     | <b>33,586,216</b> | <b>100%</b> |

| End User - Education            | LTM Amount        | % of Total  |
|---------------------------------|-------------------|-------------|
| Northeastern University         | \$530,046         | 3%          |
| Iowa State University           | \$373,923         | 2%          |
| Case Western Reserve University | \$320,846         | 2%          |
| Texas Tech University           | \$314,913         | 2%          |
| Indiana University              | \$280,063         | 2%          |
| University of Illinois          | \$274,554         | 2%          |
| Penn State University           | \$237,931         | 2%          |
| George Mason University         | \$233,714         | 2%          |
| Carnegie Mellon University      | \$233,704         | 2%          |
| SOUTHEAST COMMUNITY COLLEGE     | \$228,200         | 1%          |
| Other Customers                 | \$12,259,188      | 80%         |
| <b>Total</b>                    | <b>15,287,082</b> | <b>100%</b> |

# Big Deals and Run Rate Metrics



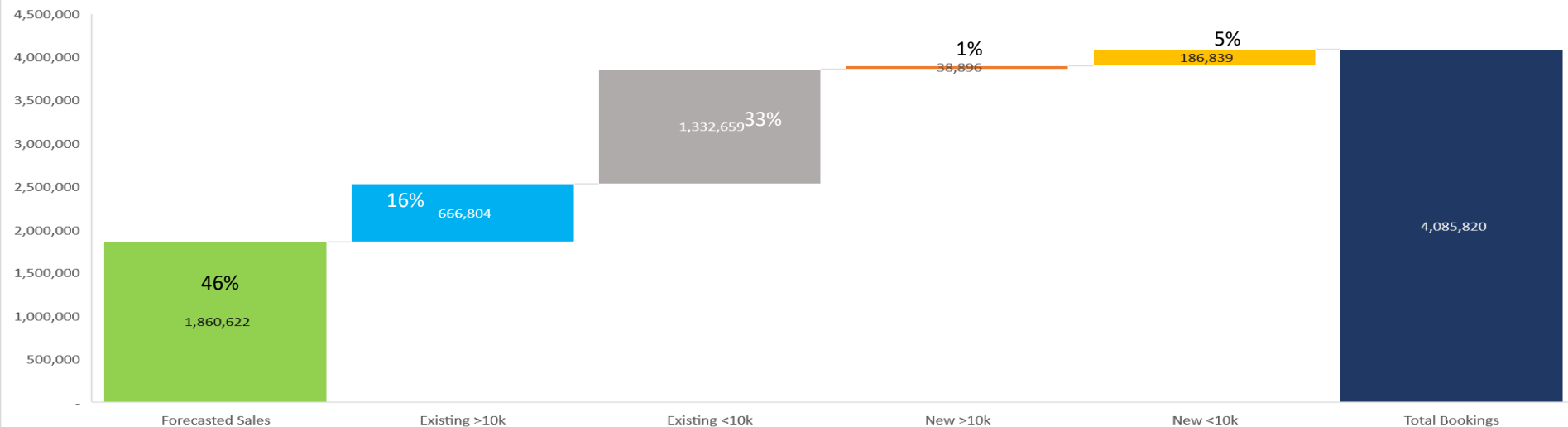
# End User Lifecycle Metrics



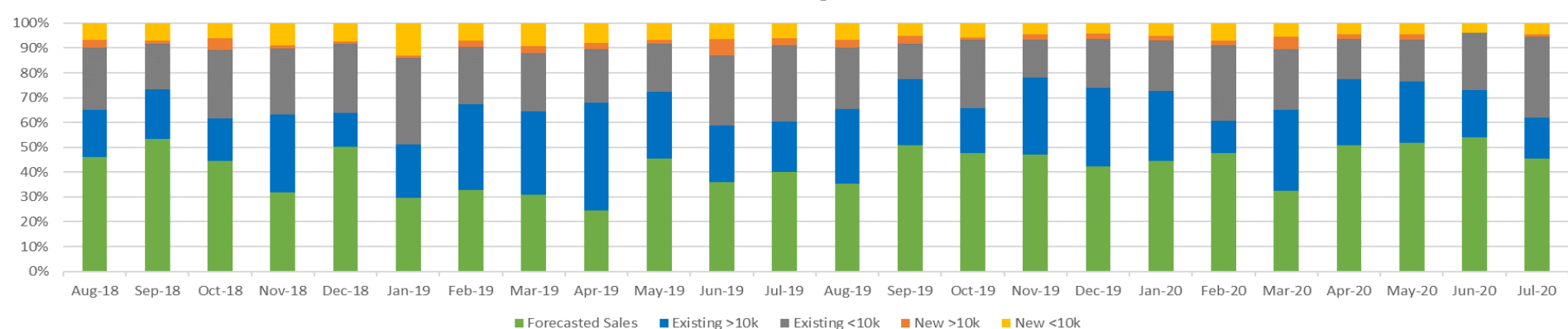
| Lifecycle    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |  |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
|              | Sep-18      | Oct-18      | Nov-18      | Dec-18      | Jan-19      | Feb-19      | Mar-19      | Apr-19      | May-19      | Jun-19      | Jul-19      | Aug-19      | Sep-19      | Oct-19      | Nov-19      | Dec-19      | Jan-20      | Feb-20      | Mar-20      | Apr-20      | May-20      | Jun-20      | Jul-20      |  |
| Total        |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |  |
| \$ of POC    | \$78,454    | \$98,798    | \$82,215    | \$243,862   | \$265,374   | \$226,336   | \$503,914   | \$272,401   | \$416,792   | \$229,211   | \$428,380   | \$336,264   | \$116,920   | \$156,670   | \$240,194   | \$153,515   | \$132,399   | \$120,266   | \$233,694   | \$62,062    | \$90,065    | \$107,271   | \$152,194   |  |
| \$ of Land   | \$545,622   | \$639,324   | \$429,220   | \$810,840   | \$618,152   | \$630,944   | \$650,960   | \$631,466   | \$1,422,369 | \$1,258,717 | \$966,741   | \$1,129,011 | \$546,051   | \$1,495,218 | \$1,420,125 | \$646,301   | \$730,555   | \$480,990   | \$786,906   | \$499,579   | \$756,251   | \$493,422   | \$1,033,800 |  |
| \$ of Expand | \$1,979,358 | \$1,896,181 | \$2,152,598 | \$1,824,666 | \$1,851,640 | \$1,829,387 | \$1,837,827 | \$2,499,749 | \$3,221,062 | \$2,889,865 | \$3,295,942 | \$2,612,346 | \$3,706,090 | \$3,534,426 | \$4,012,538 | \$4,022,595 | \$3,106,826 | \$2,473,884 | \$2,431,705 | \$2,565,728 | \$2,235,675 | \$3,044,933 | \$2,968,894 |  |
| Total        | \$2,603,434 | \$2,634,303 | \$2,664,032 | \$2,879,367 | \$2,735,167 | \$2,686,667 | \$2,992,701 | \$3,403,617 | \$5,060,222 | \$4,377,793 | \$4,691,063 | \$4,077,621 | \$4,369,060 | \$5,186,314 | \$5,672,858 | \$4,822,411 | \$3,969,780 | \$3,075,139 | \$3,452,305 | \$3,127,369 | \$3,081,991 | \$3,645,627 | \$4,154,888 |  |

# Bookings Attribution Analysis

Current Month Sales Bridge



Bookings



## Management Discussion

- 46% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 16% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 33% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 6% of bookings were from new customers and not included in forecasted sales for the month.

# Quota Attainment by Region

## Jul 2020 Bookings vs. Quota Stack ranked by YTD % of Quota

| Name                 | Territory      | Jul-20    |           |           |             | 2020 YTD   |            |           |             |
|----------------------|----------------|-----------|-----------|-----------|-------------|------------|------------|-----------|-------------|
|                      |                | Quota     | Actual    | Var \$    | % of Target | Quota      | Actual     | Var \$    | % of Target |
| Jonathan Davies      | New England    | 151,683   | 133,750   | (17,934)  | 88%         | 1,020,143  | 1,274,729  | 254,585   | 125%        |
| Craig Tollefson      | Minnesota      | 207,300   | 286,057   | 78,757    | 138%        | 1,293,666  | 1,595,203  | 301,537   | 123%        |
| Burt Feldman         | Northeast      | 910,100   | 562,362   | (347,737) | 62%         | 3,640,929  | 4,023,979  | 383,050   | 111%        |
| Melissa Johnson      | Mid-Atlantic   | 227,525   | 173,610   | (53,915)  | 76%         | 1,790,804  | 1,845,771  | 54,967    | 103%        |
| Ryan Shannon         | Midwest        | 783,697   | 833,365   | 49,668    | 106%        | 5,317,685  | 5,463,400  | 145,715   | 103%        |
| Scott Ruffer         | Midwest        | 217,413   | 246,473   | 29,060    | 113%        | 1,047,560  | 1,075,982  | 28,422    | 103%        |
| Joel Carroll         | Southeast      | 328,647   | 456,647   | 128,000   | 139%        | 2,045,688  | 2,091,983  | 46,295    | 102%        |
| Danny Fabre          | Canada         | 101,122   | 102,381   | 1,258     | 101%        | 378,532    | 364,548    | (13,983)  | 96%         |
| John Chandler        | TOLA           | 632,014   | 467,000   | (165,013) | 74%         | 2,186,539  | 2,054,779  | (131,759) | 94%         |
| Ryan Gregston        | Southwest      | 144,626   | 120,441   | (24,185)  | 83%         | 907,617    | 825,943    | (81,674)  | 91%         |
| Mats Bergqvist       | West Coast     | 316,007   | 257,917   | (58,090)  | 82%         | 1,874,901  | 1,680,222  | (194,679) | 90%         |
| Veronica Saldarriaga | Rocky Mountain | 88,482    | 37,281    | (51,201)  | 42%         | 449,772    | 386,374    | (63,398)  | 86%         |
| Jeff McDonald        | ANZ            | 88,482    | 11,047    | (77,435)  | 12%         | 298,271    | 220,347    | (77,924)  | 74%         |
| Chris Charran        | UK             | 278,086   | 629,984   | 351,898   | 227%        | 1,174,776  | 1,613,520  | 438,744   | 137%        |
| Johan Cederberg      | Nordics        | 126,403   | 86,314    | (40,089)  | 68%         | 680,253    | 579,931    | (100,321) | 85%         |
| Thomas Liot          | France/Spain   | 113,762   | 83,705    | (30,057)  | 74%         | 503,469    | 400,033    | (103,436) | 79%         |
| Rosario Marsegli     | Germany/Italy  | 113,762   | 54,310    | (59,452)  | 48%         | 541,411    | 424,371    | (117,041) | 78%         |
| Cyril Mattar         | MEA            | 88,482    | 16,618    | (71,864)  | 19%         | 307,622    | 216,915    | (90,707)  | 71%         |
| Jeff Liu             | China          | 96,066    | 3,026     | (93,040)  | 3%          | 291,734    | 123,637    | (168,097) | 42%         |
| Jeff Meyer           | EMEA           | 771,057   | 974,564   | 203,507   | 126%        | 3,565,251  | 3,781,967  | 216,717   | 106%        |
| Gark Tan             | APAC           | 202,244   | 37,096    | (165,148) | 18%         | 1,111,140  | 1,019,248  | (91,892)  | 92%         |
| WeWork               | N/A            | 193,312   | 84,393    | (108,919) | 44%         | 986,803    | 796,771    | (190,031) | 81%         |
| Rick Emery           | World          | 3,665,224 | 4,085,820 | 420,596   | 111%        | 23,225,005 | 24,735,015 | 1,510,011 | 107%        |

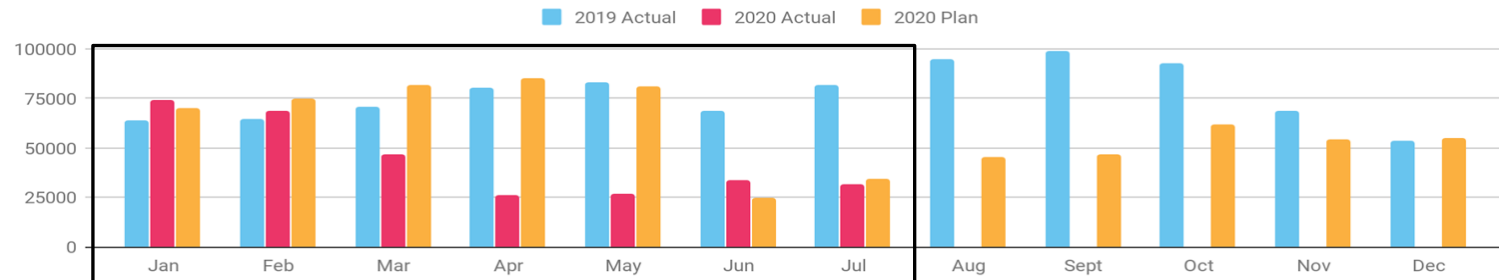
# New End User Count by Region

## Jul 2020 New End Users

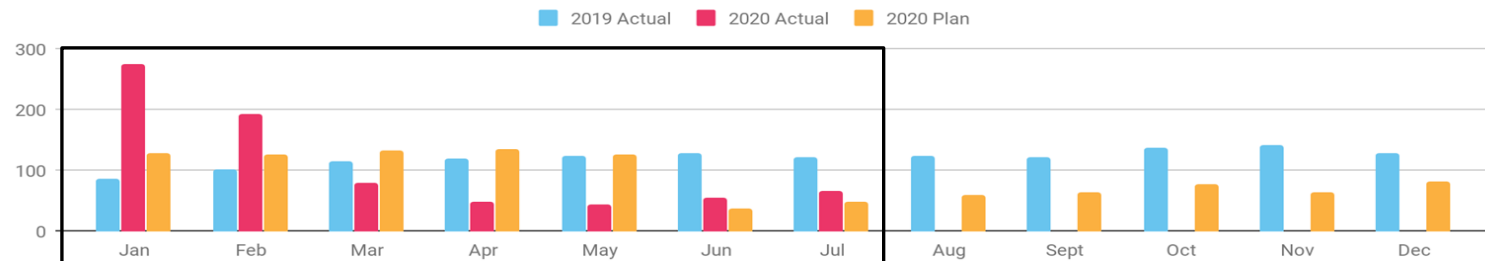
| Name                 | Territory      | Jul-19 | Jul-20 | Var \$ | % of PY | 2020 YTD |        |        |         |
|----------------------|----------------|--------|--------|--------|---------|----------|--------|--------|---------|
|                      |                | PY     | Actual |        |         | PY       | Actual | Var \$ | % of PY |
| Scott Ruffer         | Midwest        | -      | 7      | 7      |         | -        | 21     | 21     |         |
| Veronica Saldarriaga | Rocky Mountain | 3      | 4      | 1      | 133%    | 10       | 33     | 23     | 330%    |
| Craig Tollefson      | Midwest        | -      | 11     | 11     |         | 4        | 52     | 48     | 1300%   |
| Jeff McDonald        | ANZ            | 2      | 4      | 2      | 200%    | 6        | 10     | 4      | 167%    |
| Melissa Johnson      | Mid-Atlantic   | 15     | 10     | (5)    | 67%     | 44       | 47     | 3      | 107%    |
| Ryan Gregston        | Southwest      | -      | 2      | 2      |         | 13       | 30     | 17     | 231%    |
| John Chandler        | TOLA           | 16     | 9      | (7)    | 56%     | 100      | 80     | (20)   | 80%     |
| Joel Carroll         | Southeast      | 12     | 13     | 1      | 108%    | 137      | 90     | (47)   | 66%     |
| Jonathan Davies      | New England    | 4      | 2      | (2)    | 50%     | 35       | 16     | (19)   | 46%     |
| Danny Fabre          | Canada         | 8      | 4      | (4)    | 50%     | 80       | 28     | (52)   | 35%     |
| Burt Feldman         | Northeast      | 17     | 9      | (8)    | 53%     | 164      | 75     | (89)   | 46%     |
| Ryan Shannon         | Midwest        | 32     | 19     | (13)   | 59%     | 226      | 100    | (126)  | 44%     |
| Mats Bergqvist       | West Coast     | 8      | 4      | (4)    | 50%     | 100      | 26     | (74)   | 26%     |
| Johan Cederberg      | Nordics        | 6      | 5      | (1)    | 83%     | 43       | 49     | 6      | 114%    |
| Cyril Mattar         | MEA            | 3      | 2      | (1)    | 67%     | 13       | 28     | 15     | 215%    |
| Rosario Marsegia     | Germany/Italy  | 11     | 3      | (8)    | 27%     | 81       | 31     | (50)   | 38%     |
| Thomas Liot          | France/Spain   | 16     | 8      | (8)    | 50%     | 98       | 42     | (56)   | 43%     |
| Chris Charran        | UK             | 20     | 8      | (12)   | 40%     | 134      | 55     | (79)   | 41%     |
| Jeff Liu             | China          | 8      | 7      | (1)    | 88%     | 29       | 16     | (13)   | 55%     |
| Gark Tan             | APAC           | 20     | 14     | (6)    | 70%     | 117      | 101    | (16)   | 86%     |
| Jeff Meyer           | EMEA           | 69     | 29     | (40)   | 42%     | 530      | 227    | (303)  | 43%     |
| Rick Emery           | World          | 200    | 130    | (70)   | 65%     | 1,443    | 878    | (565)  | 61%     |

## Marketing Metrics

### Sessions



### MQLs

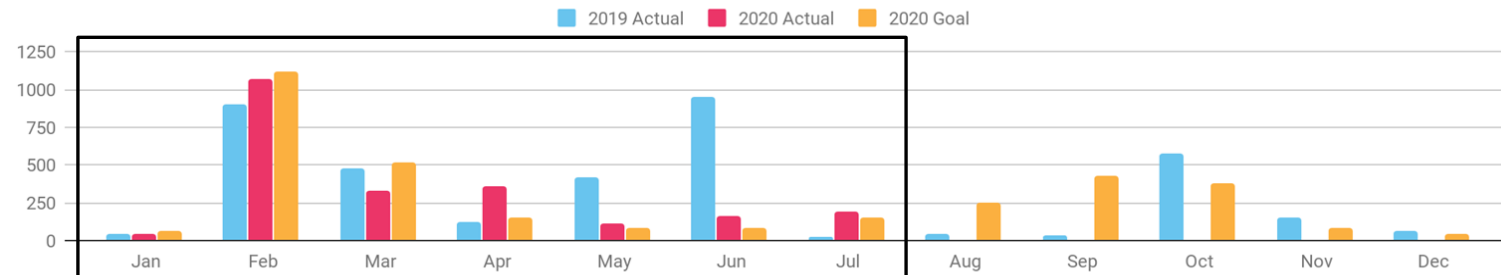


### Management Discussion

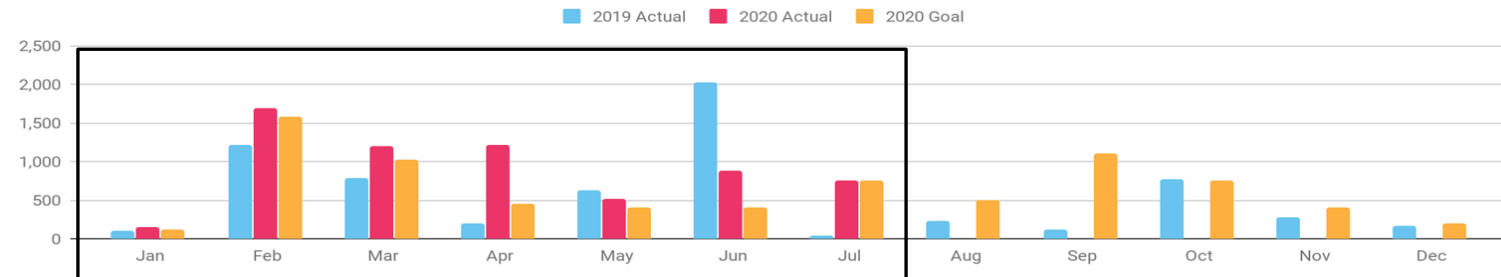
- Revised Coronavirus impact plan has been forecast for June-December Sessions and MQLs.
- Web traffic was short of the new projected plan by approximately 2k sessions. This was due in part to the Solstice Conference GA pushing from July to August.
- MQLs by count finished above plan; Session to MQL conversion rate was 0.21% on a plan of 0.16%

## Field Marketing Metrics

### New Event Members



### All Event Members



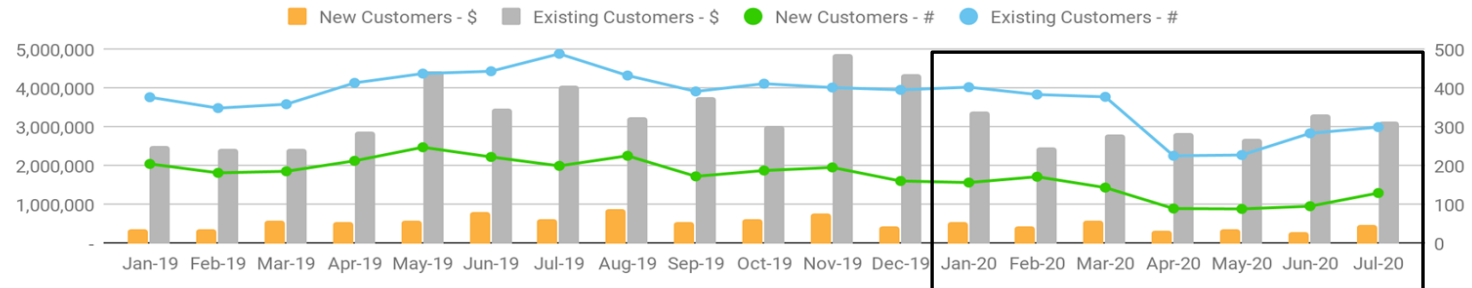
### Management Discussion

- Total event membership was exactly to plan for July, and remains ahead of plan for the year.
- Despite large event cancellations, there is a 28% YoY total membership growth comparing first seven months of 2019 to 2020.

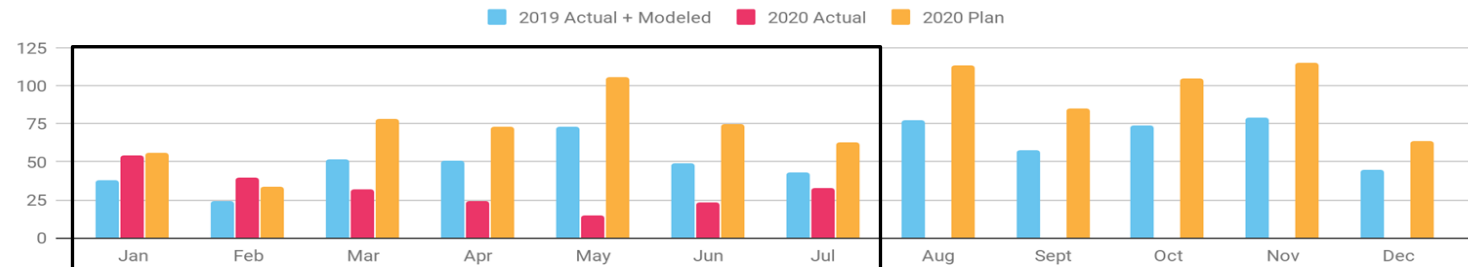


## New Customer Metrics

Monthly New vs. Existing Customers



Marketing Influenced Net New Accounts

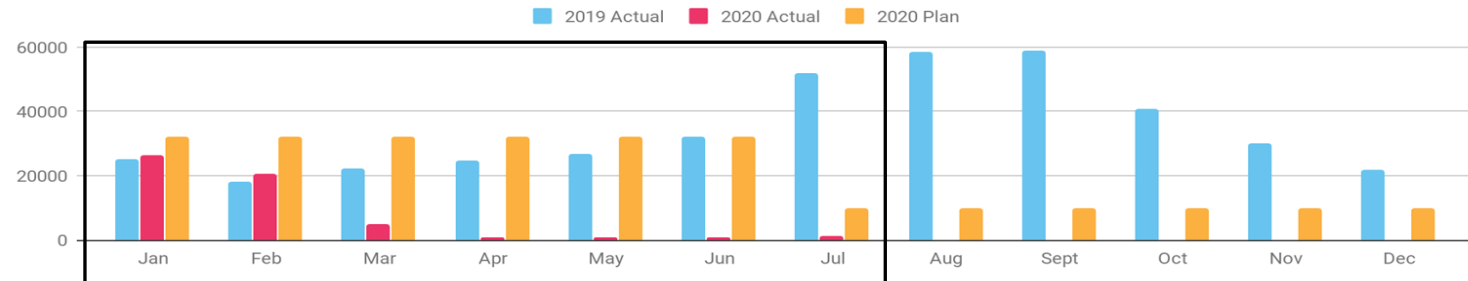


### Management Discussion

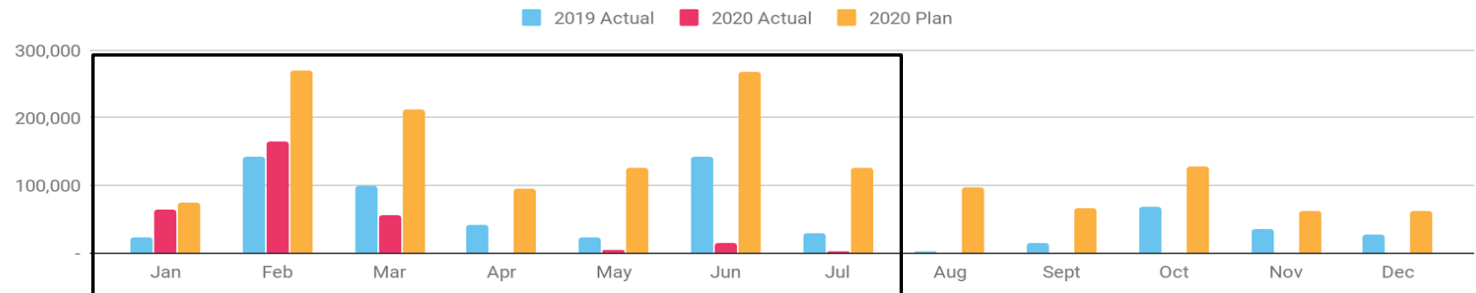
- This plan does not account for Covid-19 impact; a modified plan based primarily on lowered ad spend and event cancellations/delays is underway
- Marketing influenced NN accounts for July are 25% of total NN accounts, compared to 24% in June.

## Marketing Spend

Digital Ad Spend



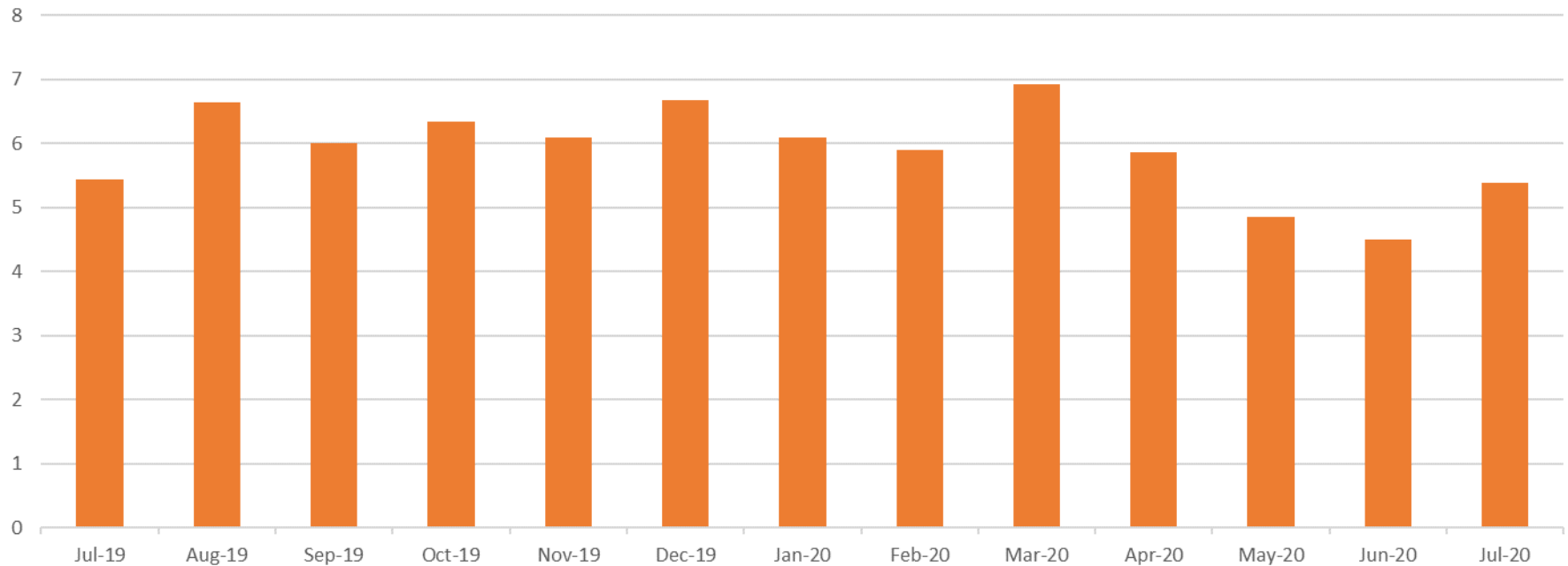
Field Marketing Spend



### Management Discussion

- Digital Ad spend was 13.3% of plan in July, 27.8% of plan YTD.
- Field Marketing spend was 2.6% of plan in July, 26.2% of plan YTD.

Average Number of Sessions per User per Month

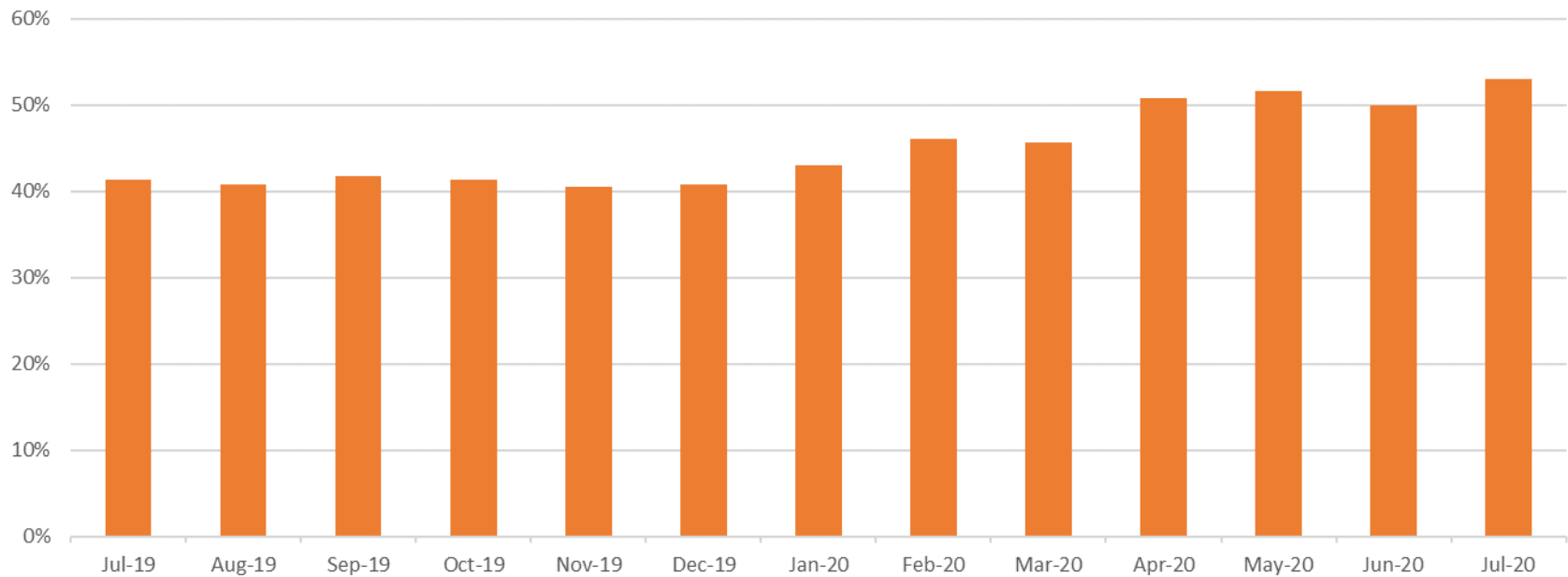


## Management Discussion

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

# Kepler - Adoption

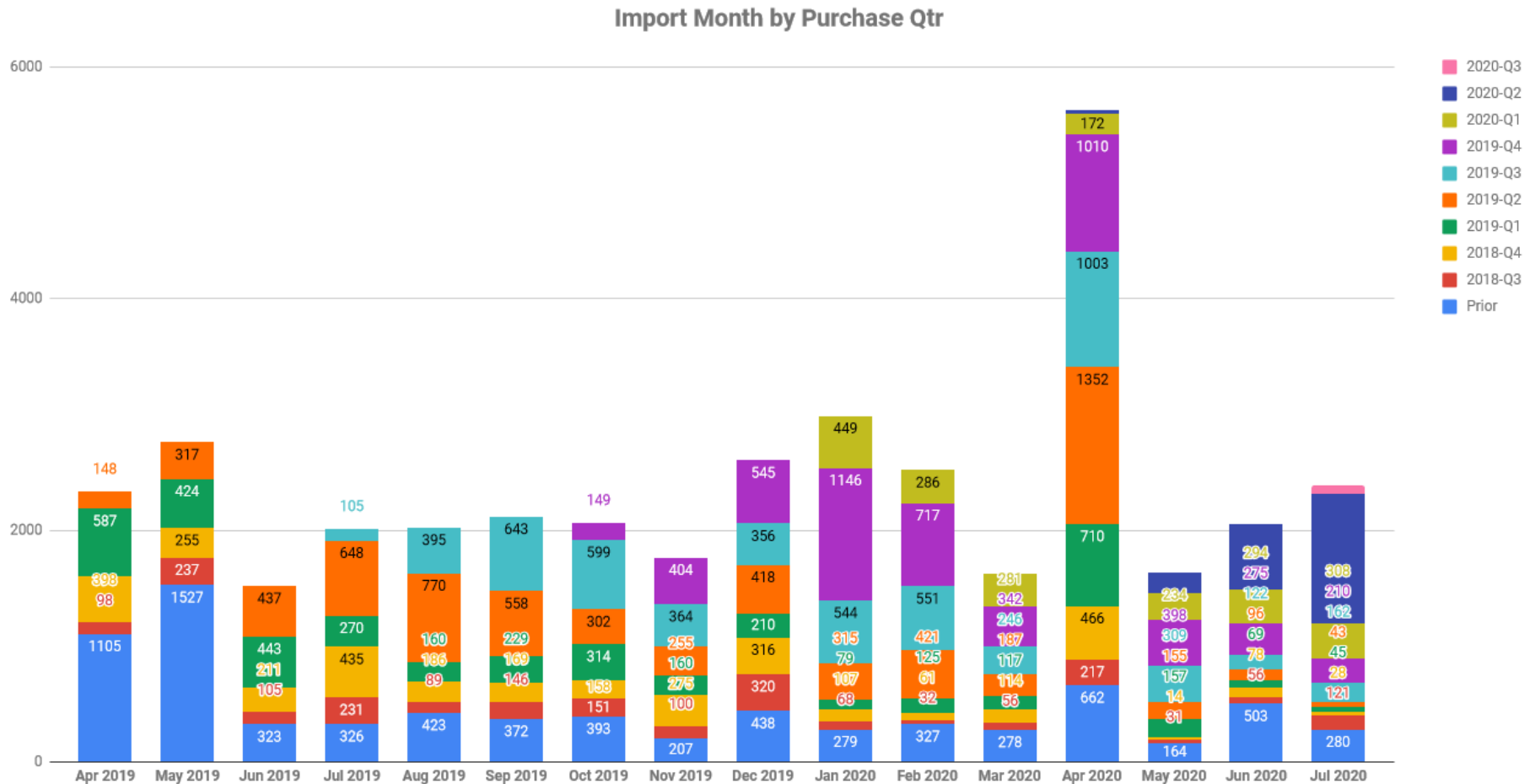
% of Top 100 Customers with Kepler



## Management Discussion

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

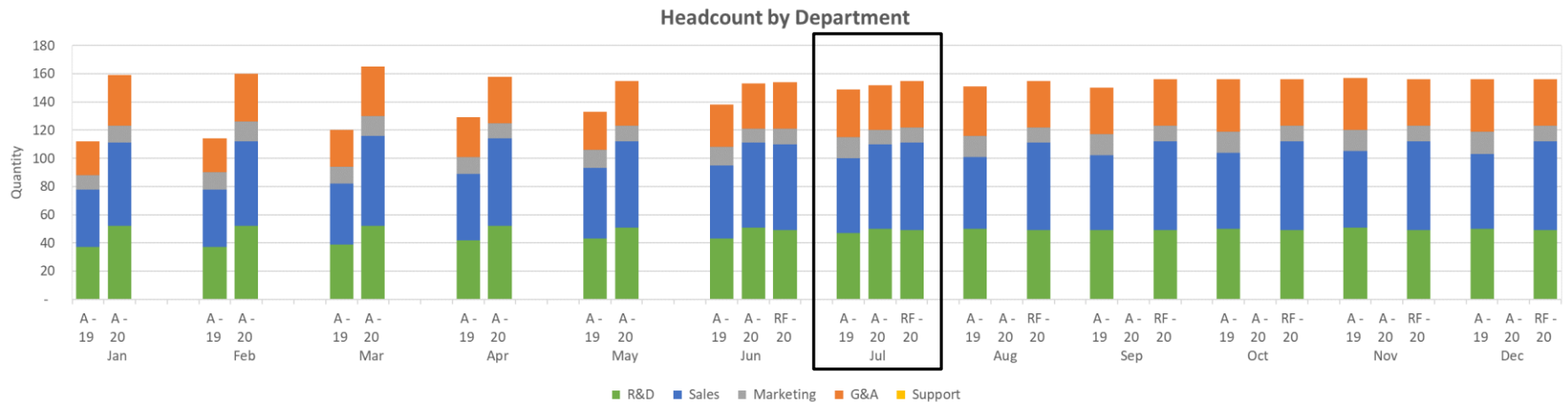
# Kepler – Kepler Import Month by Purchase Quarter



## 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 July at 152 compared to reforecast of 155.

## 7/31/20 Talent Snapshot

### **Team Members by Geography**

Denver (104)

US field (28)

International field (20)

### **Team Members by Function**

Development (51)

Sales (55)

Marketing (15)

Operations (20)

Finance/HR/Exec (11)

Total Team Members: 152

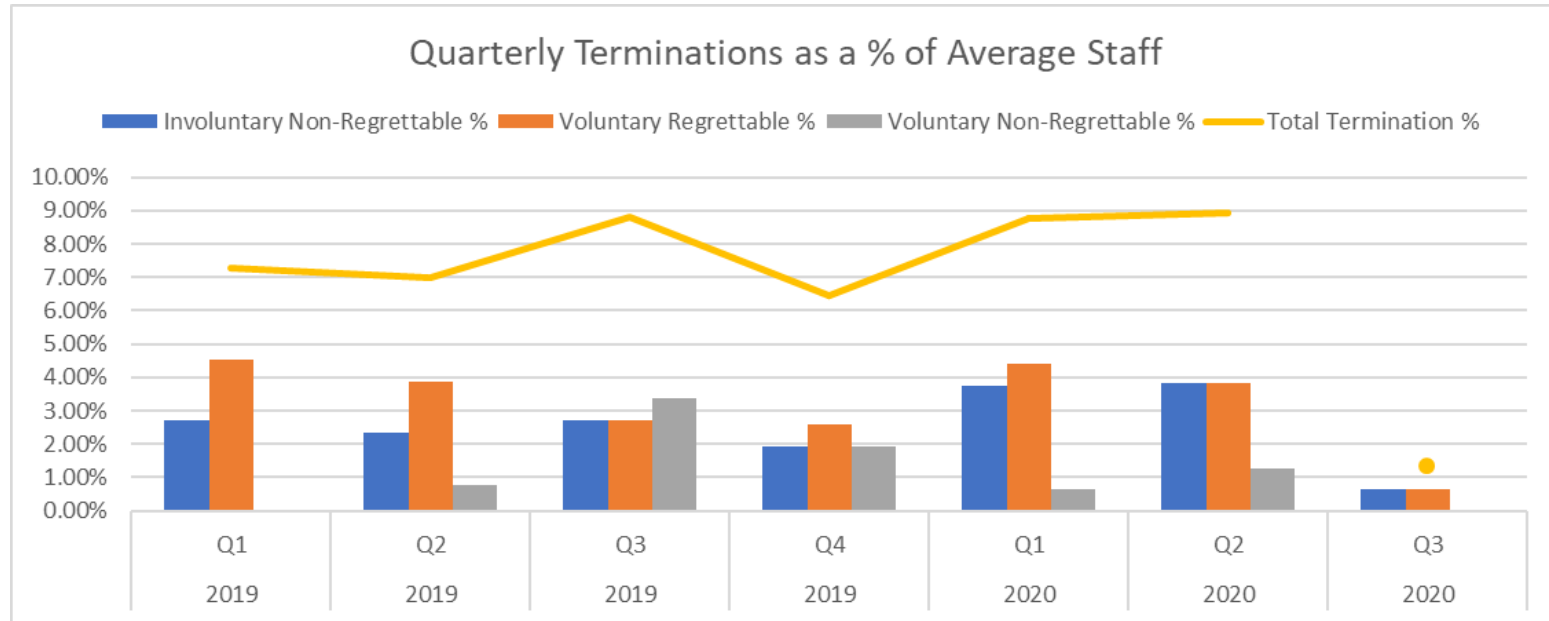
Open Positions: 4

YTD Hires: 24

YTD Departures: 29

YTD Net Headcount Growth: -3

# Termination Analysis



## Management Discussion

- 2 Terminations in July, of which 1 is regrettable.



# Monthly Operating Review Agenda

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

# Summary P&L Through July 2020



| \$'000                   | MTD             |                 | Variance      |                 | PY MTD          |               | Variance        |  | YTD               |                   | Var             |                | PY YTD            |                   | Variance        |  |
|--------------------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|--|-------------------|-------------------|-----------------|----------------|-------------------|-------------------|-----------------|--|
|                          | Act             | Rfc             | \$            | %               | Act             | \$            | %               |  | Act               | Rfc               | \$              | %              | Act               | \$                | %               |  |
| <b>Net Revenue</b>       | <b>3,250</b>    | <b>3,386</b>    | <b>(136)</b>  | <b>(4.0%)</b>   | <b>3,910</b>    | <b>(660)</b>  | <b>(16.9%)</b>  |  | <b>22,136</b>     | <b>21,867</b>     | <b>269</b>      | <b>1.2%</b>    | <b>22,064</b>     | <b>72</b>         | <b>0.3%</b>     |  |
| ARR                      | 13,600          | 13,720          | (120)         | (0.9%)          | 8,714           | 4,886         | 56.1%           |  | 13,600            | 13,720            | (120)           | (0.9%)         | 8,714             | 4,886             | 56.1%           |  |
| Material                 | 772             | 779             | (7)           | (0.9%)          | 1,093           | (321)         | (29.3%)         |  | 5,000             | 4,900             | 100             | 2.0%           | 5,494             | (494)             | (9.0%)          |  |
| Labor                    | 66              | 71              | (6)           | (8.4%)          | 71              | (5)           | (7.2%)          |  | 494               | 502               | (9)             | (1.7%)         | 457               | 36                | 8.0%            |  |
| <b>Total COGS</b>        | <b>838</b>      | <b>851</b>      | <b>(13)</b>   | <b>(1.5%)</b>   | <b>1,163</b>    | <b>(326)</b>  | <b>(28.0%)</b>  |  | <b>5,493</b>      | <b>5,402</b>      | <b>91</b>       | <b>1.7%</b>    | <b>5,951</b>      | <b>(458)</b>      | <b>(7.7%)</b>   |  |
| <b>Gross Margin</b>      | <b>2,412</b>    | <b>2,535</b>    | <b>(123)</b>  | <b>(4.9%)</b>   | <b>2,746</b>    | <b>(334)</b>  | <b>(12.2%)</b>  |  | <b>16,643</b>     | <b>16,465</b>     | <b>178</b>      | <b>1.1%</b>    | <b>16,113</b>     | <b>529</b>        | <b>3.3%</b>     |  |
| Gross Margin %           | 74.2%           | 74.9%           |               |                 | 70.2%           |               |                 |  | 75.2%             | 75.3%             |                 |                | 73.0%             |                   |                 |  |
| R&D                      | 774             | 795             | (21)          | (2.7%)          | 607             | 167           | 27.5%           |  | 5,409             | 5,421             | (13)            | (0.2%)         | 3,742             | 1,667             | 44.5%           |  |
| Sales & Marketing        | 909             | 1,127           | (218)         | (19.4%)         | 1,303           | (394)         | (30.3%)         |  | 7,155             | 7,431             | (276)           | (3.7%)         | 7,499             | (344)             | (4.6%)          |  |
| Administrative           | 627             | 657             | (30)          | (4.5%)          | 581             | 46            | 7.9%            |  | 4,702             | 4,689             | 13              | 0.3%           | 4,195             | 507               | 12.1%           |  |
| <b>Total Opex</b>        | <b>2,310</b>    | <b>2,579</b>    | <b>(270)</b>  | <b>(10.4%)</b>  | <b>2,492</b>    | <b>(182)</b>  | <b>(7.3%)</b>   |  | <b>17,266</b>     | <b>17,542</b>     | <b>(276)</b>    | <b>(1.6%)</b>  | <b>15,436</b>     | <b>1,830</b>      | <b>11.9%</b>    |  |
| <b>Reported EBITDA</b>   | <b>102</b>      | <b>(44)</b>     | <b>146</b>    | <b>(330.9%)</b> | <b>254</b>      | <b>(152)</b>  | <b>(59.8%)</b>  |  | <b>(623)</b>      | <b>(1,077)</b>    | <b>454</b>      | <b>(42.1%)</b> | <b>677</b>        | <b>(1,301)</b>    | <b>(192.0%)</b> |  |
| EBITDA Margin %          | 3.1%            | (1.3%)          |               |                 | 6.5%            |               |                 |  | (2.8%)            | (4.9%)            |                 |                | 3.1%              |                   |                 |  |
| <b>EBITDA, adjusted</b>  | <b>102</b>      | <b>(44)</b>     | <b>146</b>    | <b>(330.9%)</b> | <b>254</b>      | <b>(152)</b>  | <b>(59.8%)</b>  |  | <b>(623)</b>      | <b>(1,077)</b>    | <b>454</b>      | <b>(42.1%)</b> | <b>677</b>        | <b>(1,301)</b>    | <b>(192.0%)</b> |  |
| Adjusted EBITDA % sales  | 3.1%            | (1.3%)          |               |                 | 6.5%            |               |                 |  | (2.8%)            | (4.9%)            |                 |                | 3.1%              |                   |                 |  |
| <b>Net Income (Loss)</b> | <b>\$ (483)</b> | <b>\$ (671)</b> | <b>\$ 188</b> | <b>(28.0%)</b>  | <b>\$ (563)</b> | <b>\$ 80</b>  | <b>(14.2%)</b>  |  | <b>\$ (4,220)</b> | <b>\$ (4,694)</b> | <b>\$ 474</b>   | <b>(10.1%)</b> | <b>\$ (2,824)</b> | <b>\$ (1,396)</b> | <b>49.4%</b>    |  |
| <b>Capex</b>             | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ -</b>   | <b>N/A</b>      | <b>\$ (132)</b> | <b>\$ 132</b> | <b>(100.0%)</b> |  | <b>\$ (272)</b>   | <b>\$ (165)</b>   | <b>\$ (107)</b> | <b>64.7%</b>   | <b>\$ (481)</b>   | <b>\$ 209</b>     | <b>(43.5%)</b>  |  |

## Management Discussion

- MTD invoiced sales were \$4.0m compared to plan (plan refers to reforecast plan for 2020) of \$3.7m and include Solstice subscription sales of \$1.4m compared to plan of \$963k. There was backlog of \$82k at month end. Bookings for the month were \$4.1m. July 2019 invoiced sales were \$4.9m. YTD invoiced sales were \$24.8m compared to plan of \$23.2m and include Solstice subscription sales of \$7.4m compared to plan of \$6.4m. YTD Bookings were \$24.7m.
- MTD invoiced sales mix by region: Americas 75% actual vs 76% target, EMEA 24% actual vs 19% target, APAC 1% actual vs 5% target. YTD invoiced sales mix by region: Americas 80% actual vs 80% target, EMEA 15% actual vs 15% target, APAC 5% actual vs 5% target.
- MTD revenue of \$3.3m includes approximately \$2.1m of pod revenue and \$1.1m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$2.1m is consistent with reforecast of \$2.2m for the month because of expected pod unit sales at 97% of reforecast. July 2019 revenue was \$3.9m. YTD 2020 revenue is \$22.1m compared to reforecast of \$21.9m.
- Units shipped for the month were 3,514 vs reforecast of 3,407 and overall invoiced ASP was \$748 vs the reforecast of \$791 including Gen 3 upgrades. Americas ASP was \$777 vs reforecast of \$820, EMEA at \$684 ASP vs \$714 reforecast and APAC at \$849 invoiced ASP vs \$636 reforecast. Without hardware upgrades included, ASP increases to \$817 per unit. YTD ASP was \$762 vs reforecast of \$765.
- Invoiced renewal subscription MTD were 5,453 units compared to plan of 2,544 resulting in invoiced sales of \$898k compared to reforecast of \$636k. July 2019 was \$534k. YTD in invoiced sales of \$4.5m compared to reforecast of \$4.1m.
- Invoiced upfront subscription MTD were 1,718 units compared to target of 1,090 resulting in invoiced sales of \$429k compared to reforecast of \$327k. July 2019 was \$387k. YTD in invoiced sales of \$2.8m compared to reforecast of \$2.3m.
- MTD GP % was consistent with plan primarily due to Solstice sales at 97% of reforecast. MTD GP % was consistent with plan. The increase in GP% YoY is due primarily to lower pod 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 variance is primarily due to higher than expected product related legal expenses.
- MTD S&M OpEx is under budget due primarily to less than expected commission expense and T&E spend. We are also behind on plan for hiring in S&M.
- MTD G&A OpEx variance is primarily due to being under plan on professional services.
- Invoiced EBITDA for July was \$881k compared to reforecast of \$237k. July 2019 was \$1.2m. YTD 2020 was \$2.0m compared to reforecast of \$284k.

# Balance Sheet

| \$'000  | Dec-19           | Apr-20           | May-20           | Jun-20           | Jul-20           |                  | Variance          |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|   | Act              | Act              | Act              | Act              | Act              | Rfc              | \$                |
| <b>Current Assets</b>                             |                  |                  |                  |                  |                  |                  |                   |
| Cash and cash equivalents                         | \$ 7,647         | \$ 9,136         | \$ 9,361         | \$ 7,946         | \$ 7,683         | \$ 7,517         | \$ 167            |
| Short term investments                            | —                | —                | —                | —                | —                | —                | —                 |
| Accounts receivable, gross                        | 7,969            | 4,908            | 5,034            | 5,611            | 6,877            | 6,112            | 766               |
| Accounts receivable, reserves                     | (102)            | (192)            | (243)            | (256)            | (272)            | (294)            | 23                |
| Accounts receivable, net                          | 7,867            | 4,716            | 4,792            | 5,355            | 6,606            | 5,817            | 789               |
| Inventory, net                                    | 3,915            | 5,209            | 5,563            | 4,802            | 4,156            | 4,258            | (103)             |
| Prepaid expenses and other current assets         | 3,706            | 3,250            | 3,161            | 3,150            | 2,391            | 2,001            | 389               |
| <b>Total Current Assets</b>                       | <b>23,310</b>    | <b>22,311</b>    | <b>22,876</b>    | <b>21,253</b>    | <b>20,836</b>    | <b>19,594</b>    | <b>1,242</b>      |
| <b>Non-Current Assets</b>                         |                  |                  |                  |                  |                  |                  |                   |
| Property, plant & equipment, gross                | 1,918            | 2,080            | 2,084            | 2,190            | 2,190            | 2,084            | 107               |
| Accumulated depreciation                          | (375)            | (539)            | (581)            | (633)            | (679)            | (578)            | (101)             |
| Property, plant & equipment, net                  | 1,543            | 1,541            | 1,503            | 1,557            | 1,512            | 1,506            | 6                 |
| Goodwill  | 25,549           | 24,478           | 24,211           | 23,943           | 23,676           | 23,599           | 76                |
| Identifiable intangible assets, net               | 2,012            | 1,785            | 1,728            | 1,672            | 1,615            | 1,615            | 0                 |
| Deferred tax asset                                | —                | —                | —                | —                | —                | 3,462            | (3,462)           |
| Other non-current assets                          | 1,056            | 1,088            | 1,085            | 1,108            | 1,133            | 1,085            | 48                |
| <b>Total Non-Current Assets</b>                   | <b>30,159</b>    | <b>28,893</b>    | <b>28,527</b>    | <b>28,280</b>    | <b>27,935</b>    | <b>31,267</b>    | <b>(3,331)</b>    |
| <b>Total Assets</b>                               | <b>\$ 53,469</b> | <b>\$ 51,204</b> | <b>\$ 51,403</b> | <b>\$ 49,532</b> | <b>\$ 48,771</b> | <b>\$ 50,860</b> | <b>\$ (2,090)</b> |
| <b>Current Liabilities</b>                        |                  |                  |                  |                  |                  |                  |                   |
| Notes payable                                     | 3,500            | 3,500            | 3,500            | 3,500            | 3,500            | 3,500            | —                 |
| Accounts payable                                  | 2,361            | 2,744            | 3,153            | 2,210            | 1,832            | 3,149            | (1,317)           |
| Accrued liabilities                               | 299              | 259              | 308              | 370              | 468              | 305              | 162               |
| Accrued compensation                              | 2,359            | 1,100            | 1,430            | 1,795            | 1,832            | 1,619            | 213               |
| Income taxes payable                              | —                | 751              | 751              | 751              | (24)             | 860              | (884)             |
| Other current liabilities                         | 221              | 212              | 205              | 198              | 209              | 327              | (118)             |
| <b>Total Current Liabilities</b>                  | <b>8,740</b>     | <b>8,567</b>     | <b>9,348</b>     | <b>8,824</b>     | <b>7,817</b>     | <b>9,760</b>     | <b>(1,943)</b>    |
| <b>Long-term liabilities</b>                      |                  |                  |                  |                  |                  |                  |                   |
| Long-term debt less current maturities            | —                | —                | —                | —                | —                | —                | —                 |
| Long-term unearned revenue                        | 15,655           | 16,594           | 16,579           | 17,339           | 18,068           | 16,799           | 1,269             |
| Deferred liabilities                              | 267              | 218              | 205              | 199              | 199              | 231              | (32)              |
| <b>Total Long-Term Liabilities</b>                | <b>15,922</b>    | <b>16,812</b>    | <b>16,784</b>    | <b>17,538</b>    | <b>18,267</b>    | <b>17,030</b>    | <b>1,237</b>      |
| <b>Total Liabilities</b>                          | <b>24,662</b>    | <b>25,379</b>    | <b>26,132</b>    | <b>26,362</b>    | <b>26,084</b>    | <b>26,791</b>    | <b>(707)</b>      |
| <b>Shareholders' Equity</b>                       |                  |                  |                  |                  |                  |                  |                   |
| <b>Total Shareholders' Equity</b>                 | <b>28,807</b>    | <b>25,824</b>    | <b>25,271</b>    | <b>23,170</b>    | <b>22,687</b>    | <b>24,070</b>    | <b>(1,383)</b>    |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 53,469</b> | <b>\$ 51,204</b> | <b>\$ 51,403</b> | <b>\$ 49,532</b> | <b>\$ 48,771</b> | <b>\$ 50,860</b> | <b>\$ (2,090)</b> |

## Management Discussion

- Cash is in line with rfct.
- AR is higher than plan due to higher than reforecast invoiced sales.
- 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.
- Prepaid and OCA balances are lower than plan due to unbudgeted federal income tax receivable.
- 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.
- Accrued liabilities variance is due primarily to unbudgeted accrual for refunding reseller payments related to Tractor Supply.
- 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 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             | \$                |  |
| <b>Cash flow from operations</b>                   |                 |                 |                |     |  |                 |                   |  |                   |                   |                 |                 |                   |  |
| Net Income (Loss)                                  | \$ (483)        | \$ (671)        | \$ 188         |     |  | \$ (563)        | \$ 80             |  | \$ (4,220)        | \$ (4,694)        | \$ 474          | \$ (2,824)      | \$ (1,396)        |  |
| Depreciation, amortization and other               | 370             | 335             | 35             |     |  | 352             | 18                |  | 2,573             | 2,472             | 101             | 2,438           | 135               |  |
| Deferred income tax                                | —               | —               | —              |     |  | (980)           | 980               |  | —                 | —                 | —               | (980)           | 980               |  |
| <i>Change in operating assets and liabilities:</i> |                 |                 |                |     |  |                 |                   |  |                   |                   |                 |                 |                   |  |
| Accounts receivable                                | (1,251)         | (739)           | (512)          |     |  | 244             | (1,494)           |  | 1,261             | 2,050             | (789)           | (2,499)         | 3,760             |  |
| Inventory  | 647             | 680             | (34)           |     |  | 144             | 503               |  | (241)             | (343)             | 103             | (480)           | 239               |  |
| Prepaid expenses and other current assets          | 734             | (399)           | 1,133          |     |  | (660)           | 1,394             |  | 1,413             | 417               | 996             | (1,533)         | 2,946             |  |
| Accounts payable                                   | (384)           | 197             | (581)          |     |  | 1,256           | (1,641)           |  | (523)             | 838               | (1,361)         | 1,784           | (2,307)           |  |
| Accrued expenses                                   | 141             | 6               | 135            |     |  | 108             | 33                |  | (365)             | (752)             | 387             | (276)           | (88)              |  |
| Accrued income taxes                               | (775)           | 108             | (883)          |     |  | 1,306           | (2,081)           |  | (25)              | 858               | (884)           | 1,306           | (1,332)           |  |
| Other changes in operating assets and liabilities  | 729             | 263             | 466            |     |  | 806             | (77)              |  | 2,345             | 1,108             | 1,237           | 4,070           | (1,725)           |  |
| Other cash flow from operations                    | 11              | (3)             | 14             |     |  | (51)            | 62                |  | (10)              | (21)              | 10              | 301             | (311)             |  |
| <b>Total Cash Flow from Operations</b>             | <b>\$ (263)</b> | <b>\$ (224)</b> | <b>\$ (38)</b> |     |  | <b>\$ 1,961</b> | <b>\$ (2,224)</b> |  | <b>\$ 2,208</b>   | <b>\$ 1,935</b>   | <b>\$ 273</b>   | <b>\$ 1,307</b> | <b>\$ 901</b>     |  |
| <b>Cash flow from investing</b>                    |                 |                 |                |     |  |                 |                   |  |                   |                   |                 |                 |                   |  |
| Additions to property, plant and equipment         | \$ —            | \$ —            | \$ —           |     |  | \$ (132)        | \$ 132            |  | \$ (272)          | \$ (165)          | \$ (107)        | \$ (481)        | \$ 209            |  |
| Investment in intangibles                          | —               | —               | —              |     |  | (5)             | 5                 |  | —                 | —                 | —               | (118)           | 118               |  |
| <b>Total Cash Flow from Investing</b>              | <b>\$ —</b>     | <b>\$ —</b>     | <b>\$ —</b>    |     |  | <b>\$ (137)</b> | <b>\$ 137</b>     |  | <b>\$ (272)</b>   | <b>\$ (165)</b>   | <b>\$ (107)</b> | <b>\$ (600)</b> | <b>\$ 328</b>     |  |
| <b>Cash flow from financing</b>                    |                 |                 |                |     |  |                 |                   |  |                   |                   |                 |                 |                   |  |
| Common stock cash dividends paid                   | —               | —               | —              |     |  | —               | —                 |  | (1,900)           | (1,900)           | —               | —               | (1,900)           |  |
| Other cash flow from financing costs               | —               | (0)             | 0              |     |  | —               | —                 |  | (0)               | (0)               | (0)             | (0)             | 0                 |  |
| <b>Total Cash Flow from Financing</b>              | <b>\$ —</b>     | <b>\$ (0)</b>   | <b>\$ 0</b>    |     |  | <b>\$ —</b>     | <b>\$ —</b>       |  | <b>\$ (1,900)</b> | <b>\$ (1,900)</b> | <b>\$ —</b>     | <b>\$ (0)</b>   | <b>\$ (1,900)</b> |  |
|  | <b>\$ —</b>     | <b>\$ —</b>     | <b>\$ —</b>    |     |  | <b>\$ —</b>     | <b>\$ —</b>       |  | <b>\$ —</b>       | <b>\$ —</b>       | <b>\$ —</b>     | <b>\$ —</b>     | <b>\$ —</b>       |  |
| <b>Net change in cash</b>                          | <b>\$ (263)</b> | <b>(224)</b>    | <b>\$ (38)</b> |     |  | <b>\$ 1,824</b> | <b>\$ (2,087)</b> |  | <b>\$ 36</b>      | <b>\$ (130)</b>   | <b>\$ 167</b>   | <b>\$ 707</b>   | <b>\$ (671)</b>   |  |
| Beginning cash                                     | 7,946           | 7,741           | 205            |     |  | 4,636           | 3,310             |  | 7,647             | 7,647             | —               | 5,752           | 1,894             |  |
| Change in cash                                     | (263)           | (224)           | (38)           |     |  | 1,824           | (2,087)           |  | 36                | (130)             | 167             | 707             | (671)             |  |
| <b>Ending cash</b>                                 | <b>\$ 7,683</b> | <b>\$ 7,517</b> | <b>\$ 167</b>  |     |  | <b>\$ 6,460</b> | <b>\$ 1,223</b>   |  | <b>\$ 7,683</b>   | <b>\$ 7,517</b>   | <b>\$ 167</b>   | <b>\$ 6,460</b> | <b>\$ 1,223</b>   |  |

## Management Discussion

- Cash is in line with rfct.
- Cash flow from operations slightly exceeded plan due to deferred revenue increasing more than plan due to higher sales than plan, accrued expenses coming in above plan due to higher Payroll Taxes compared to budget, and prepaid expenses decreasing more than plan due to federal tax, offset by less AR collections than invoiced sales which were above plan 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                      | \$ 9,931        | \$ 9,999        | \$ (67)         | \$ —                    | \$ (67)         | \$ —        | \$ —        |  | \$ (67)         | \$ —        | \$ —           |
| Benefits                     | 1,215           | 1,197           | 18              | \$ —                    | \$ 18           | —           | —           |  | 18              | —           | —              |
| Bonus                        | 586             | 545             | 41              | \$ —                    | \$ 41           | —           | —           |  | 41              | —           | —              |
| Commissions                  | 1,089           | 1,269           | (180)           | —                       | (180)           | —           | —           |  | (180)           | —           | —              |
| Marketing                    | 551             | 579             | (28)            | —                       | (28)            | —           | —           |  | (28)            | —           | —              |
| Travel and Entertainment     | 425             | 445             | (20)            | —                       | (20)            | —           | —           |  | (20)            | —           | —              |
| Rent and Facilities          | 895             | 903             | (9)             | —                       | (9)             | —           | —           |  | (9)             | —           | —              |
| Insurance                    | 73              | 52              | 20              | 20                      | —               | —           | —           |  | 20              | —           | —              |
| Professional Fees            | 971             | 981             | (10)            | —                       | (10)            | —           | —           |  | (10)            | —           | —              |
| Utl., Repair, Maint., & Sec. | 147             | 146             | 1               | —                       | 1               | —           | —           |  | 1               | —           | —              |
| Office Expense               | 81              | 80              | 1               | —                       | 1               | —           | —           |  | 1               | —           | —              |
| IT                           | 871             | 906             | (34)            | —                       | (34)            | —           | —           |  | (34)            | —           | —              |
| Other Expenses               | 430             | 439             | (8)             | —                       | (8)             | —           | —           |  | (8)             | —           | —              |
| <b>Total Opex</b>            | <b>\$17,266</b> | <b>\$17,542</b> | <b>\$ (276)</b> | <b>\$ 20</b>            | <b>\$ (296)</b> | <b>\$ —</b> | <b>\$ —</b> |  | <b>\$ (276)</b> | <b>\$ —</b> | <b>\$ —</b>    |

## Management Discussion

- Payroll is under reforecast due to hiring being behind plan. Re-forecasted employee headcount was 155 versus actual of 152 as of July-2020.
- Benefits are primarily over reforecast due to higher PTO expense, due to less PTO usage than expected and executive salary reinstatement.
- 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.
- Insurance is over reforecast primarily due to workers comp audit.
- IT is under reforecast due to less software expense than expected.

# Operating Expenses Summary

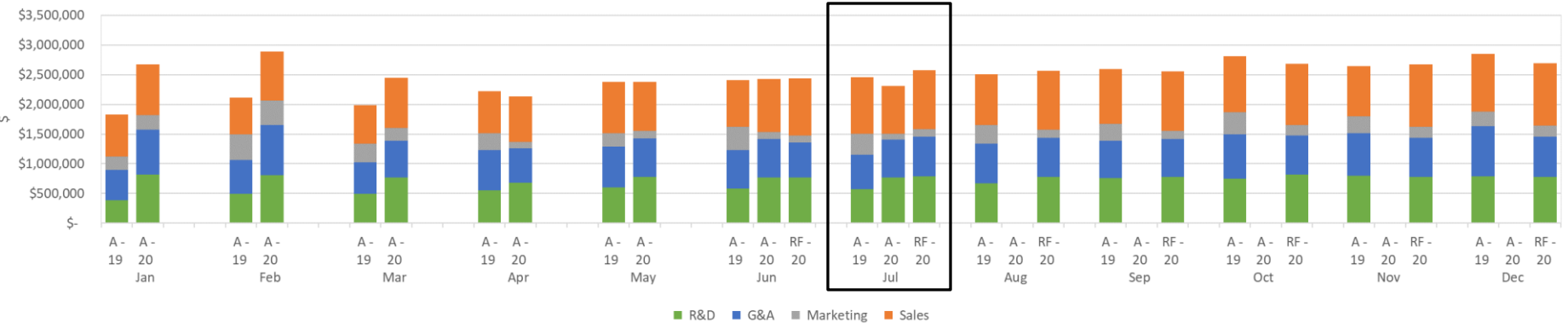
| \$'000                       |          |          |          |         |          |          |         |           |          |          |         |           |          |         |  |  |
|------------------------------|----------|----------|----------|---------|----------|----------|---------|-----------|----------|----------|---------|-----------|----------|---------|--|--|
|                              | MTD      |          | Variance |         | PY MTD   | Variance |         | YTD       |          | Var      |         | PY YTD    | Variance |         |  |  |
|                              | Act      | Rfc      | \$       | %       | Act      | \$       | %       | Act       | Rfc      | \$       | %       | Act       | \$       | %       |  |  |
| Opex Overview:               |          |          |          |         |          |          |         |           |          |          |         |           |          |         |  |  |
| Payroll                      | \$ 1,399 | \$ 1,456 | \$ (57)  | (3.9%)  | \$ 1,220 | \$ 179   | 14.7%   | \$ 9,931  | \$ 9,999 | \$ (67)  | (0.7%)  | \$ 7,649  | \$ 2,283 | 29.8%   |  |  |
| Benefits                     | 102      | 154      | (52)     | (33.6%) | 145      | (43)     | (29.4%) | 1,215     | 1,197    | 18       | 1.5%    | 1,018     | 197      | 19.3%   |  |  |
| Bonus                        | 91       | 77       | 14       | 18.5%   | 145      | (54)     | (37.0%) | 586       | 545      | 41       | 7.5%    | 856       | (270)    | (31.5%) |  |  |
| Commissions                  | 171      | 296      | (124)    | (42.0%) | 176      | (4)      | (2.4%)  | 1,089     | 1,269    | (180)    | (14.2%) | 914       | 175      | 19.1%   |  |  |
| Marketing                    | 24       | 53       | (29)     | (54.0%) | 222      | (197)    | (88.9%) | 551       | 579      | (28)     | (4.9%)  | 1,264     | (713)    | (56.4%) |  |  |
| Travel and Entertainment     | 17       | 29       | (12)     | (41.5%) | 183      | (166)    | (90.7%) | 425       | 445      | (20)     | (4.6%)  | 896       | (471)    | (52.6%) |  |  |
| Rent and Facilities          | 130      | 131      | (1)      | (0.7%)  | 127      | 4        | 3.0%    | 895       | 903      | (9)      | (1.0%)  | 918       | (23)     | (2.5%)  |  |  |
| Insurance                    | 27       | 8        | 19       | 237.4%  | 5        | 21       | 390.8%  | 73        | 52       | 20       | 38.8%   | 34        | 38       | 111.1%  |  |  |
| Professional Fees            | 153      | 168      | (15)     | (9.0%)  | 40       | 113      | 283.4%  | 971       | 981      | (10)     | (1.0%)  | 661       | 310      | 46.8%   |  |  |
| Utl., Repair, Maint., & Sec. | 18       | 19       | (2)      | (7.8%)  | 27       | (9)      | (32.5%) | 147       | 146      | 1        | 0.9%    | 172       | (25)     | (14.5%) |  |  |
| Office Expenses              | 7        | 5        | 2        | 39.7%   | 14       | (6)      | (47.7%) | 81        | 80       | 1        | 0.7%    | 103       | (22)     | (21.2%) |  |  |
| IT                           | 112      | 125      | (12)     | (9.8%)  | 175      | (63)     | (35.8%) | 871       | 906      | (34)     | (3.8%)  | 824       | 48       | 5.8%    |  |  |
| Other Expenses               | 57       | 58       | (1)      | (2.1%)  | 15       | 42       | 272.9%  | 430       | 439      | (8)      | (1.9%)  | 127       | 304      | 240.1%  |  |  |
| Total Opex                   | \$ 2,310 | \$ 2,579 | \$ (270) | (10.4%) | \$ 2,492 | \$ (182) | (7.3%)  | \$ 17,266 | \$17,542 | \$ (276) | (1.6%)  | \$ 15,436 | \$ 1,830 | 11.9%   |  |  |
|                              |          |          |          |         |          |          |         |           |          |          |         |           |          |         |  |  |

## 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                  | May-20          | Jun-20          | Jul-20          |  |
| 0-30                  | \$ 4,065        | \$ 5,059        | \$ 6,270        |  |
| 30-60                 | 474             | 64              | 179             |  |
| 60-90                 | 227             | 157             | 34              |  |
| >90                   | 269             | 331             | 394             |  |
| <b>Total Gross AR</b> | <b>\$ 5,034</b> | <b>\$ 5,610</b> | <b>\$ 6,877</b> |  |
| <b>Reserves</b>       | <b>(243)</b>    | <b>(256)</b>    | <b>(272)</b>    |  |
| <b>Total Net AR</b>   | <b>\$ 4,792</b> | <b>\$ 5,355</b> | <b>\$ 6,605</b> |  |

| AP Aging     |                 |                 |                 |  |
|--------------|-----------------|-----------------|-----------------|--|
| Days         | May-20          | Jun-20          | Jul-20          |  |
| 0-30         | \$ 1,596        | \$ 1,480        | \$ 456          |  |
| 30-60        | 899             | 70              | 955             |  |
| 60-90        | 565             | 158             | 171             |  |
| >90          | 93              | 503             | 249             |  |
| <b>Total</b> | <b>\$ 3,153</b> | <b>\$ 2,210</b> | <b>\$ 1,831</b> |  |

## Management Discussion

- We continue to see improvement in our over 30 past due balances – July 8.8%, an improvement of 1.0% over June's ratio. The largest past due customer balances are Genesis Integration (96K), Babblar Marketing (81K), Equipbureau (53K), AVCS (48K), and Root Integrated Systems (48K).
- Our AP balance continues to decrease as we normalize our outgoing payments, in addition to our ongoing cost saving initiatives. The largest vendor balance is with Smart Wireless (1.03M)



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technologies inc