



## Monthly Operating Review – January 2020

February 18, 2020

# Monthly Operating Review Agenda

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

## Hits

- Invoiced EBITDA for January was 166% of budget at \$425k compared to budget of \$256k
- January had strong Solstice Subscription sales at \$1.5m compared to target of \$1.0m.
- Solstice Management (formerly Kepler Management) and Solstice Active Learning (formerly Active Studio) are in the process of being launched at ISE and will be released at the end of the month. Solstice Conferencing Integration has also been launched at ISE and will be released in late March
- Early indications are that the launch of our 3 key product initiatives at ISE were very successful as demonstrated by winning 'best of show' for both Solstice Conferencing and Solstice Active Learning.
- Organization/Key Hires
  - 7 new hires started in January, including 4 in the field
  - 2020 company initiatives shared in Quarterly Business Review (all-hands) meeting
  - Space renovations continue on-schedule
- Customer Adoption
  - Existing customers – Kiewit (\$560k), Mastercard (\$326k), WeWork (\$309k), University of Illinois (\$132k).
  - New/Land orders – Austin Community College (\$101k), Simpli.Fi (\$40k), Anchorage School District (\$18k), Juneau Construction Company (\$18k)

# Executive Summary (Continued)

## Misses

- Bookings were \$4.4m compared to a \$4.6m target – 95% of target
- January invoiced sales were \$4.0m compared to target of \$4.6m with \$571K of backlog at month end. As a result of the significant backlog January GAAP Revenue was \$3.3M which was well below plan of \$4.1m.
- 5 employee departures in January, including 3 company-initiated terminations
- Declined offers increased in January, including for Director of Technical Services (EMEA/APAC) and a critical RSD position

## Key Go-Forward Actions

- Professional Development – we have selected LinkedIn Learning for management and leadership training for our Senior Management team and will roll out in late January
- Continuing work on NetSuite and Sales Force integration led by Meghan Callaghan
- Finalize RSD hires in Northwest– start dates late Feb-20.
- Revise branding and naming conventions, pricing to support Active Learning, Management and Video Conference Integration product launches
- Supply chain – reconcile RMA Smart/Inforce for credit/cash, renegotiate Solstice BOM cost, finish contract

# Executive Summary – Risks and Challenges

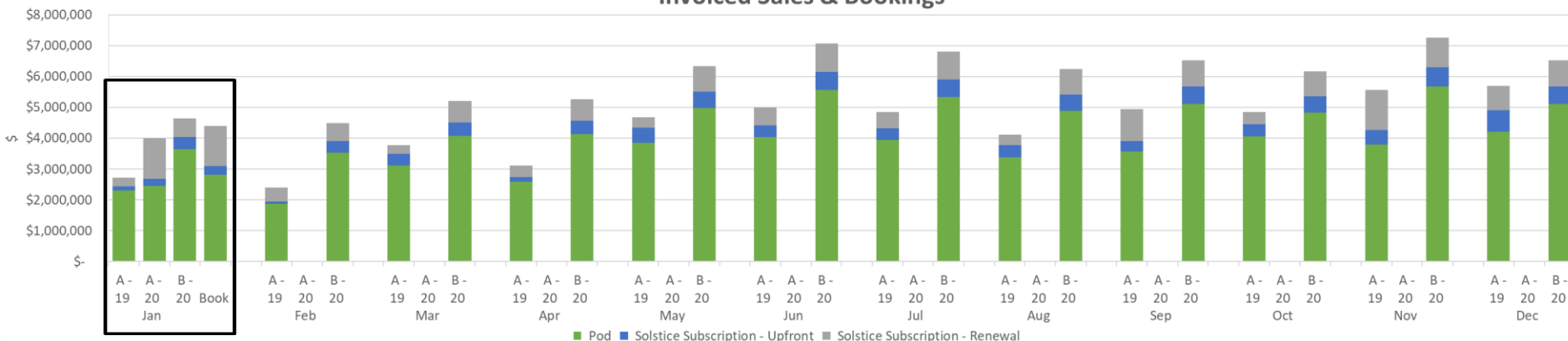
Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>▪ <b>New Product Launches</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales Shortfall</li> <li>▪ Competitive Positioning</li> <li>▪ Market Adoption</li> <li>▪ Installed Base Growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Version 4.4 slated for GA release on February 10 - <b>launched on schedule</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Customer Operations</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Cost savings</li> <li>▪ Customer Satisfaction</li> <li>▪ Deployment Friction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued focus on customer onboarding</li> <li>▪ Improved RMA process</li> <li>▪ Better inventory controls</li> <li>▪ Operations as strategic differentiator</li> </ul>
<ul style="list-style-type: none"> <li>▪ AV industry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our competitors are all in the process of launching a video conference integration capability – <b>we won best of show for Solstice Conferencing at ISE</b></li> <li>▪ <b>AVI SPL and Whitlock announced a merger, Midwich bought Starin, BiAmp bought HRT, Yorktel buting VCA</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure timely release of Solstice Video Conference Integration – <b>on schedule for Active Learning and Solstice Management</b></li> <li>▪ <b>Continue to focus on channel mindshare</b></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 - <b>launched</b></li> <li>▪ Improve onboarding of new staff</li> <li>▪ Renegotiate Solstice BOM cost - <b>done</b></li> <li>▪ RMA and inventory process improvements</li> </ul>
<ul style="list-style-type: none"> <li>▪ HR/Staffing/Comp</li> </ul>	<ul style="list-style-type: none"> <li>▪ Productivity</li> <li>▪ OPEX</li> <li>▪ Morale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview training</li> <li>▪ Culture brand development</li> <li>▪ Professional Development - <b>launched</b></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</li> <li>▪ Improve onboarding</li> <li>▪ Double down in hi-po territories</li> <li>▪ Continued focus on sales enablement</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Solstice Subscription Services</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Impact on enterprise value</li> <li>▪ Customer/technology scale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expand customer success inside sales team</li> <li>▪ 3 Q1 product launches that are Solstice Subscription priced</li> </ul>

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

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> <li>• <b>TJX</b> – Pilot pending in UK, Canada and N America.</li> <li>• <b>Shell</b> – Ongoing Q&amp;A related to final decision – TBD on timing</li> <li>• <b>Marathon Oil</b> – Solstice is in the spec for 149 room building–early '20</li> <li>• <b>IBM</b> – early evaluation for new HQ in Germany</li> <li>• <b>PwC</b> – Potential reference account in Dubai. Need Room Bridge</li> <li>• <b>GDIT</b> – Evaluating for new build in early 2020</li> <li>• <b>Continental AG</b> – In competition with Wolfvision. Mid 2020 decision</li> <li>• <b>Northrop Grumman</b> – Land order in Q1 basis for standard discussion</li> <li>• <b>BP</b> – Made final cut. Phase 2 eval initiated</li> <li>• <b>GM</b> – being evaluated for national standard in Austin and Detroit</li> <li>• <b>Morgan Stanley</b> – evaluation taking place in UK...ISE meeting</li> <li>• <b>Paypal</b> – evaluation taking place for global standard</li> <li>• <b>SC Johnson</b> – been told we've been selected as standard – 800 rooms</li> <li>• <b>Gentex</b> - initial order pending for broader deployment</li> <li>• <b>7-Eleven</b> – evaluating for national standard</li> <li>• <b>Grainger</b> – about to standardize with a 100+ order coming in Q1</li> <li>• <b>Zillow</b> – new building late '20. Waveguide spec</li> <li>• <b>Raytheon</b> – Acquiring UTC and may adopt UTC Solstice standard</li> </ul>	<ul style="list-style-type: none"> <li>• <b>KKR (NYC)</b> – went with Zoom given lack of persistent HDMI</li> <li>• <b>Hill Holiday</b> – on hold</li> <li>• <b>Altria</b> – paused due to Screen Beam. Hoping to get back on track</li> <li>• <b>UMASS Lowell</b> – Airtame due to price at \$325</li> <li>• <b>Ferraro Group</b> – no Miracast (100 units)</li> <li>• <b>Pernod</b> – Miracast/went with Barco</li> <li>• <b>Murex</b> – want dongle/went with Barco</li> </ul>
Big Wins	
<ul style="list-style-type: none"> <li>• Kiewit Corporation - \$560k</li> <li>• Mastercard– \$326k</li> <li>• WeWork - \$309k</li> <li>• University of Illinois - \$132k</li> <li>• Austin Community College - \$101k</li> <li>• Voya Financial - \$64k</li> </ul>	

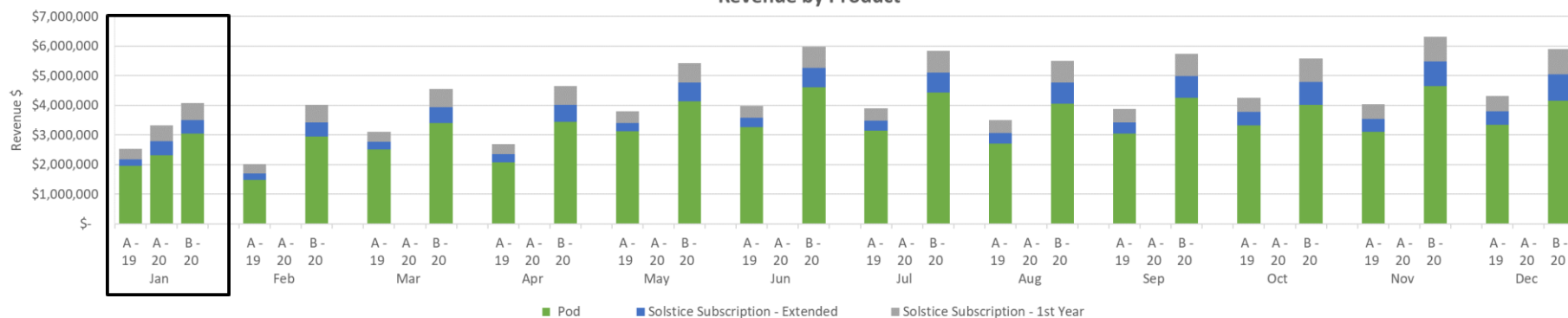
# Sales Metrics – Monthly Trend

## Invoiced Sales & Bookings



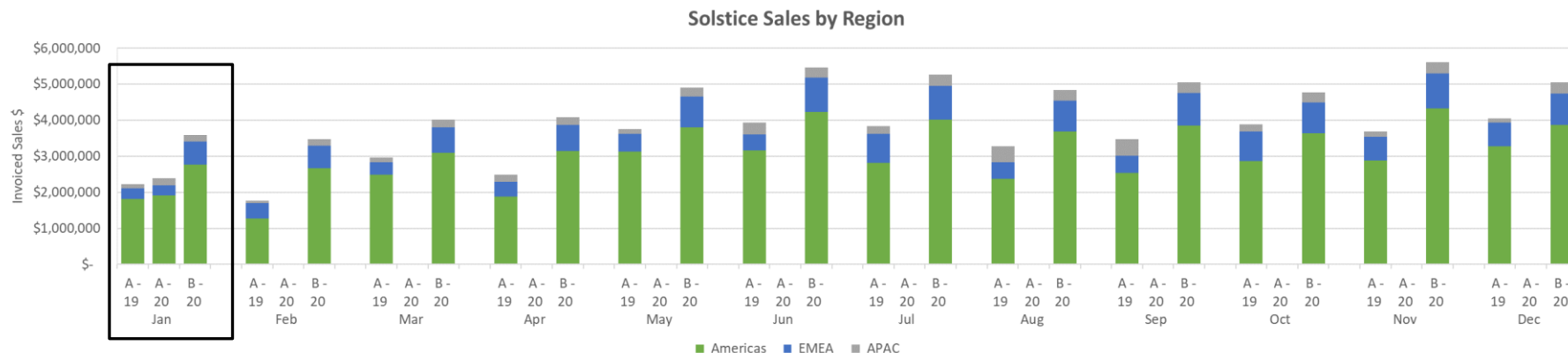
- January invoiced sales were \$4.0m compared to target of \$4.6m. Bookings were \$4.4m compared to a \$4.6m target.
- There was backlog of \$571k.

## Revenue by Product

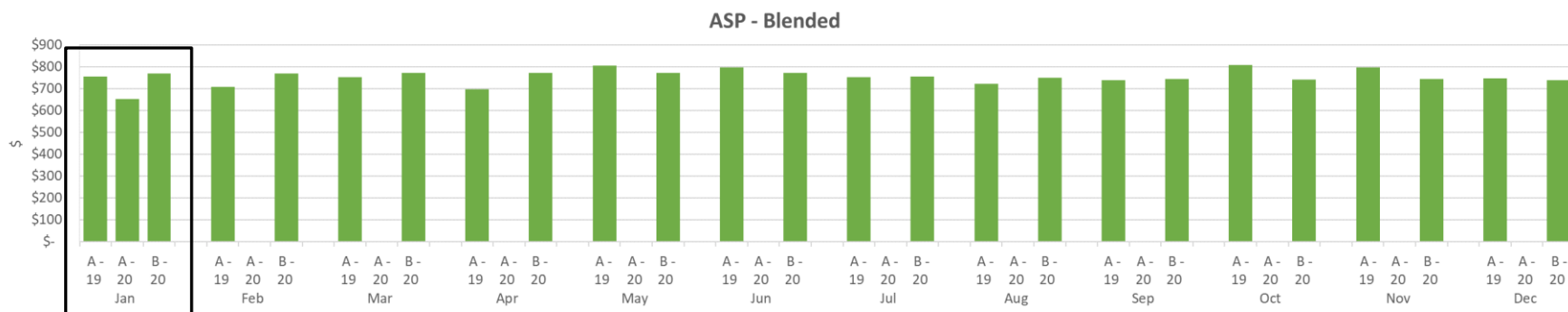


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 Budget
- MTD GAAP revenue was \$3.3m compared to budget of \$4.1m, due to lower than expected Solstice sales in Americas and EMEA.

# Solstice Invoiced Sales Metrics – Monthly Trend – Region



- January Solstice sales were \$2.4m compared to target of \$3.6m. January invoiced sales were below budget primarily due to underperformance in Americas and EMEA.

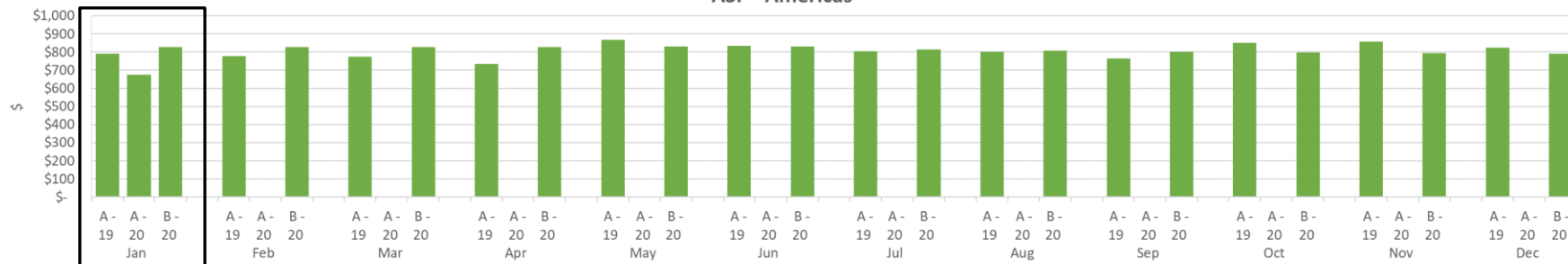


- Graph shows ASP by region historically and planned for remaining 2020
- Overall ASP across all regions was \$652 including Gen 3 Solstice upgrades, which is below plan of \$770. This is due to lower than expected ASP in Americas and APAC. This is primarily driven by Solstice upgrades to Kiewit (Americas) and Nike (APAC).
- Solstice ASP excluding Solstice upgrades is \$838.

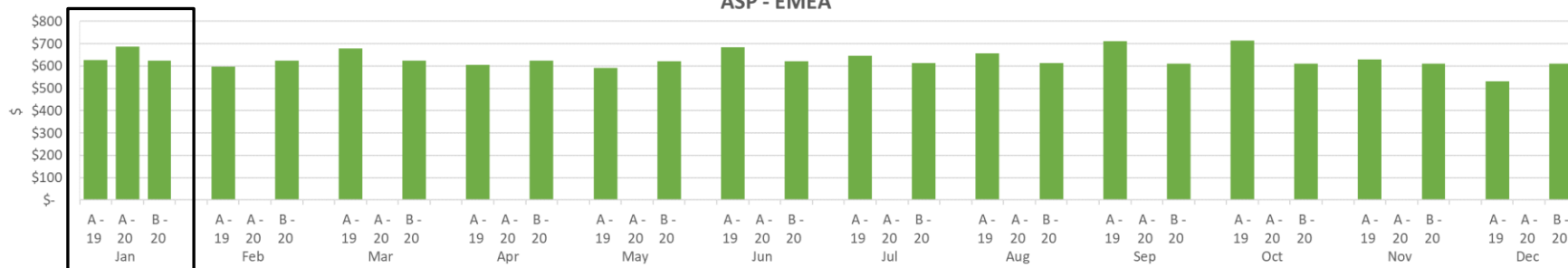


# ASP by Region – Monthly Trend

ASP - Americas



ASP - EMEA

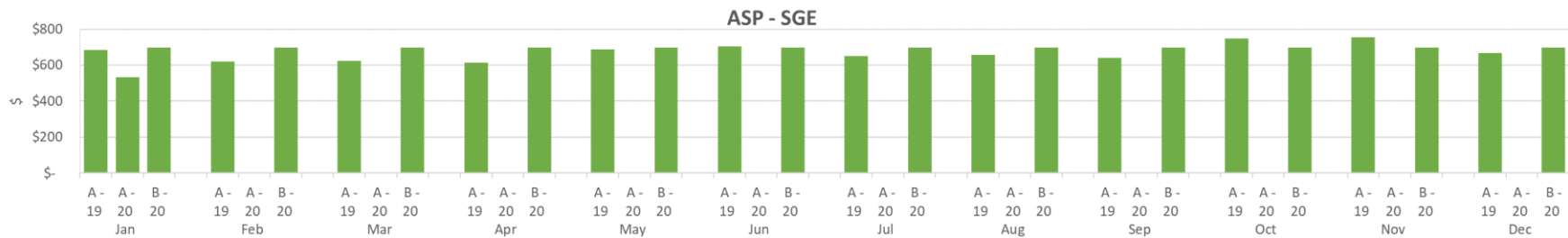
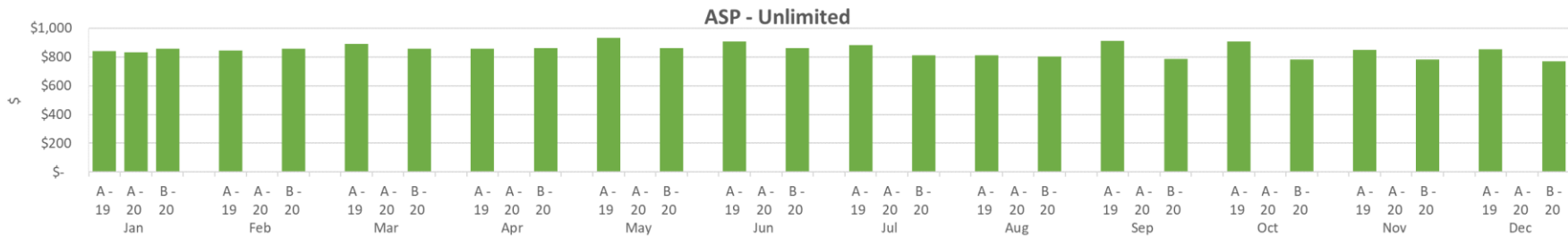
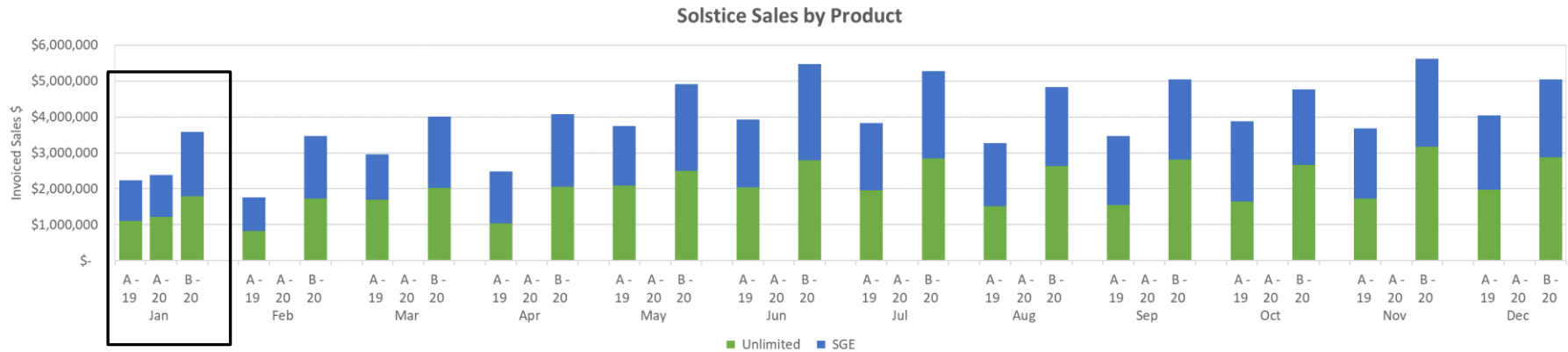


ASP - APAC



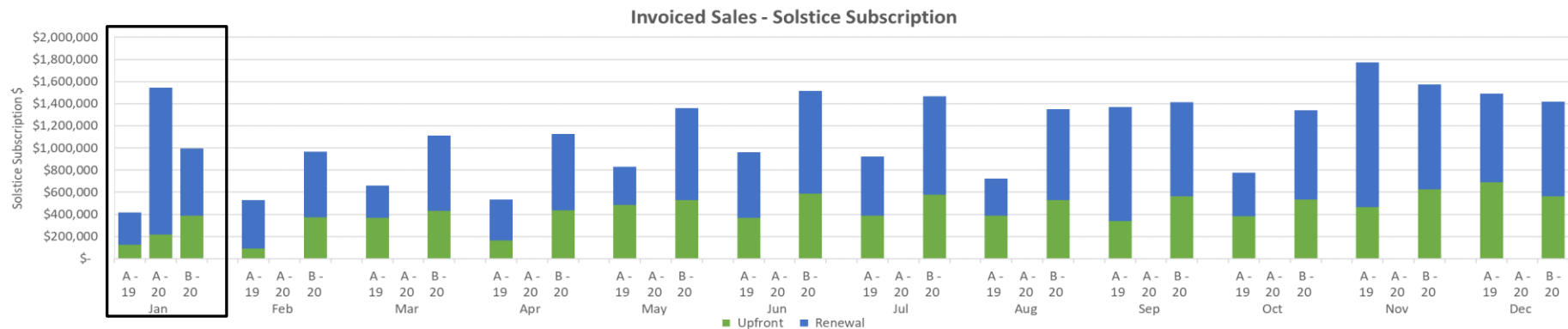
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 84% actual vs 76% Target, EMEA 10% actual vs 18% Target, APAC 10% actual vs 5% Target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
  - Americas - \$888 vs \$861 in prior month
  - EMEA - \$723 vs \$533 in prior month
  - APAC - \$597 vs \$559 in prior month

# Solstice Invoiced Sales Metrics – Monthly Trend - Product

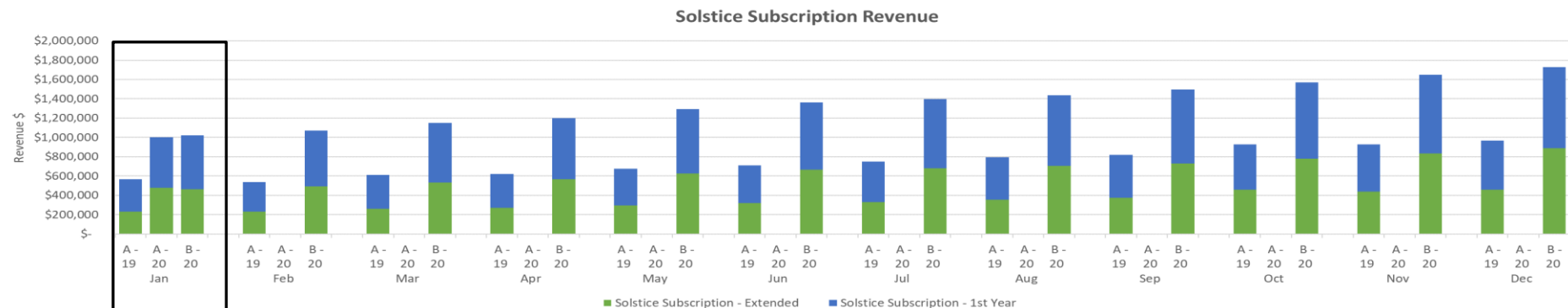


- Unlimited - January invoiced sales were \$1.2m compared to target of \$1.8m.
- SGE - January invoiced sales were \$1.2m compared to target of \$1.8m.
- Unlimited - January ASP was \$833 compared to target of \$860.
- SGE - January invoiced sales were \$533 compared to target of \$698. This variance is due to Solstice upgrades.

# Solstice Subscription Metrics – Monthly Trend

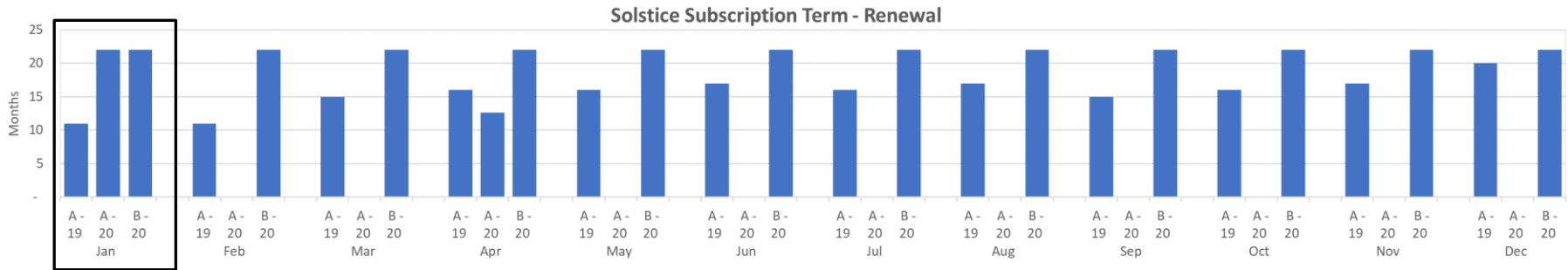


- January invoiced sales for solstice subscriptions was \$1.5m vs budget of \$1.0m driven by large orders from Kiewit, Mastercard, and Convene.
- January renewal ASP was \$370 compared to target of \$196. The significant increase in ASP is due to 48 Mo renewal period for Kiewit, 34 Mo for Mastercard, and 48 Mo for Nike.
- January upfront ASP was \$290 compared to target of \$260.

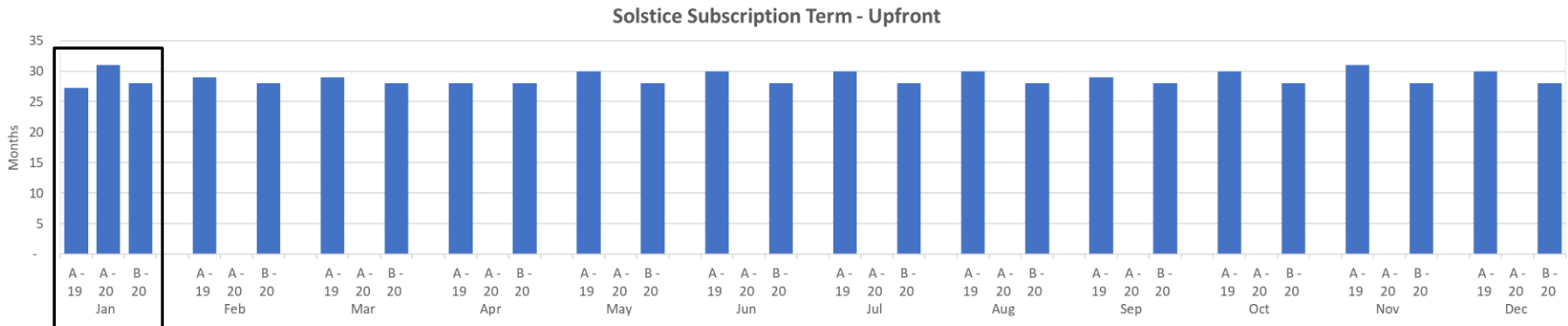


- January Solstice Subscription – Extended (renewal + upfront) was \$477k vs budget of \$461k
- January Solstice Subscription – 1<sup>st</sup> year was \$526k vs budget of \$561k.
- January total Solstice Subscription was consistent with expectations at \$1.0m vs budget of \$1.0m.

# Solstice Subscription Metrics – Average Subscription Term

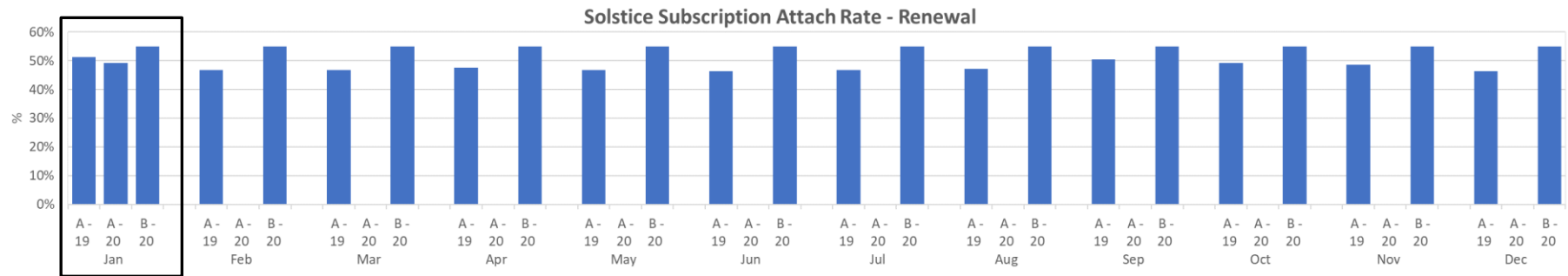


- Renewal average term was 22 months compared to target of 22 months.

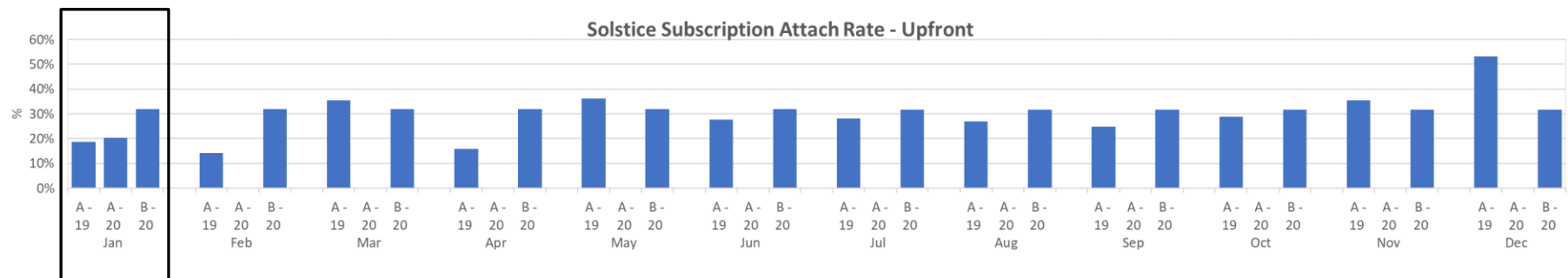


- Upfront average term was 31 months compared to target of 28 months.

# Solstice Subscription Metrics – Attach Rate

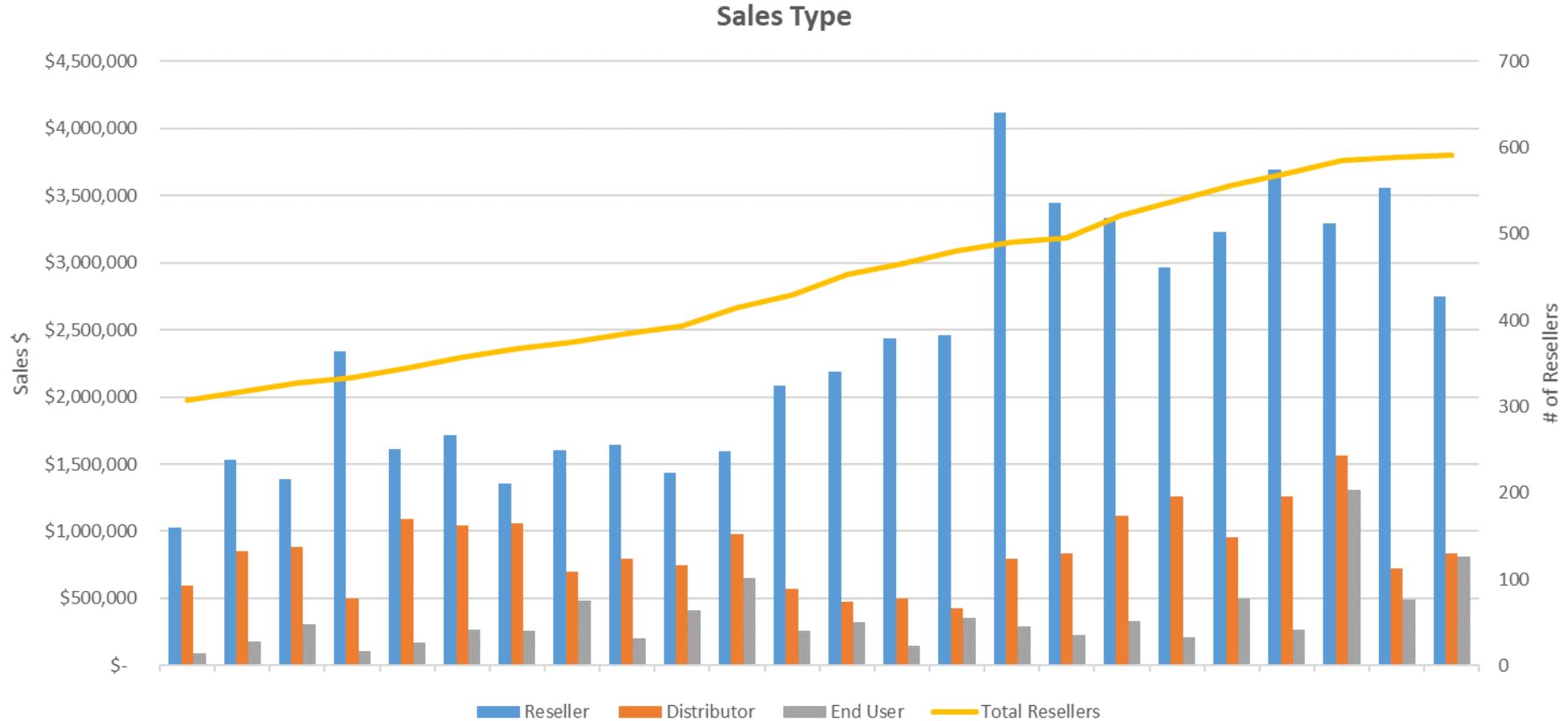


- Renewal rate increased to 49% during January compared to 46% in December. Target was 55%.



- Upfront attach rate decreased to 20% during January below target of 32%.

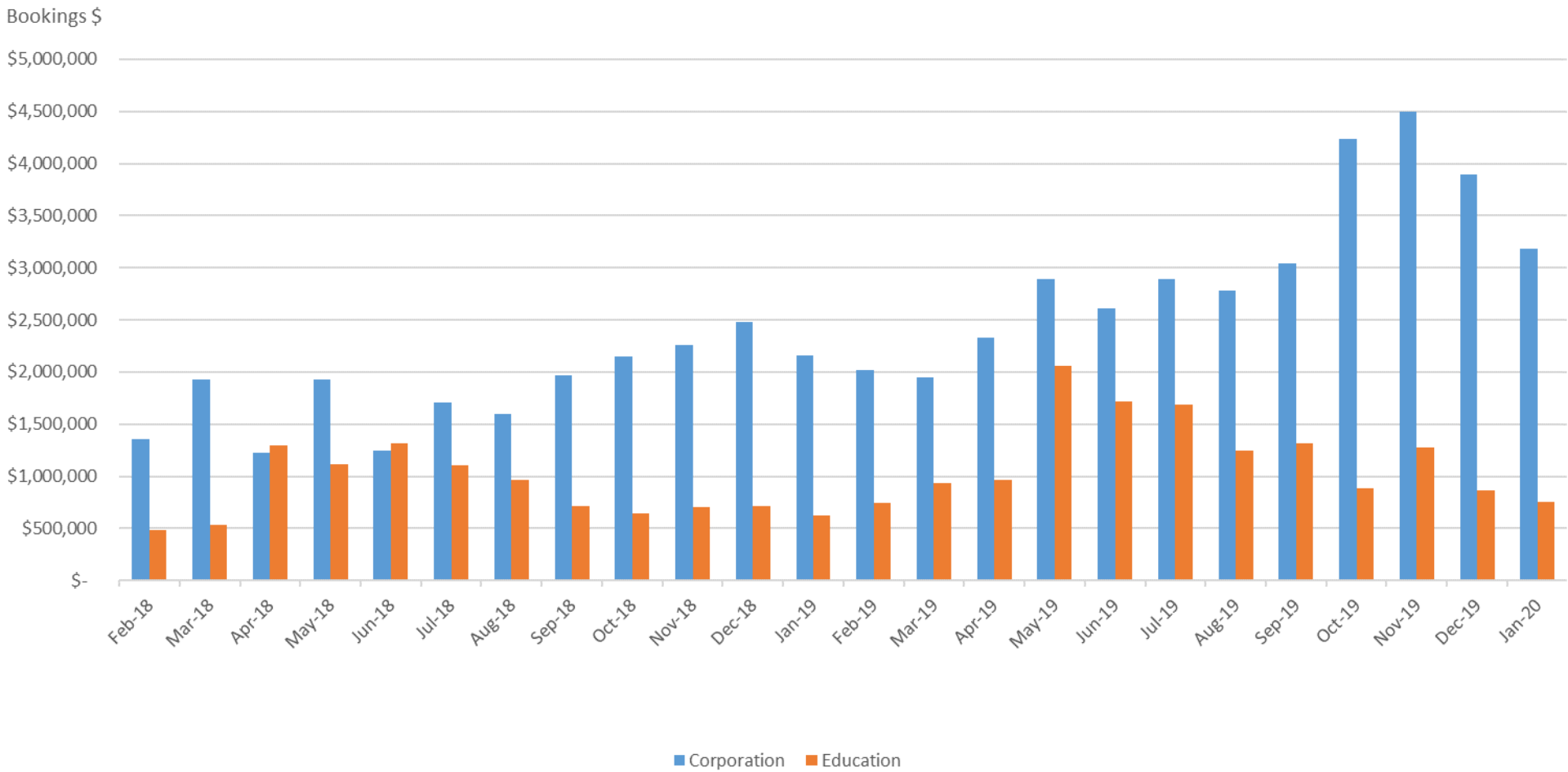
# Channel Metrics



- Bookings
- New Resellers by Region:
  - TOLA = 1
  - Rocky Mountain = 1
- Unique resellers in Jan 2020 were at 255 vs 236 for Dec 2019

# Customer Segment Metrics

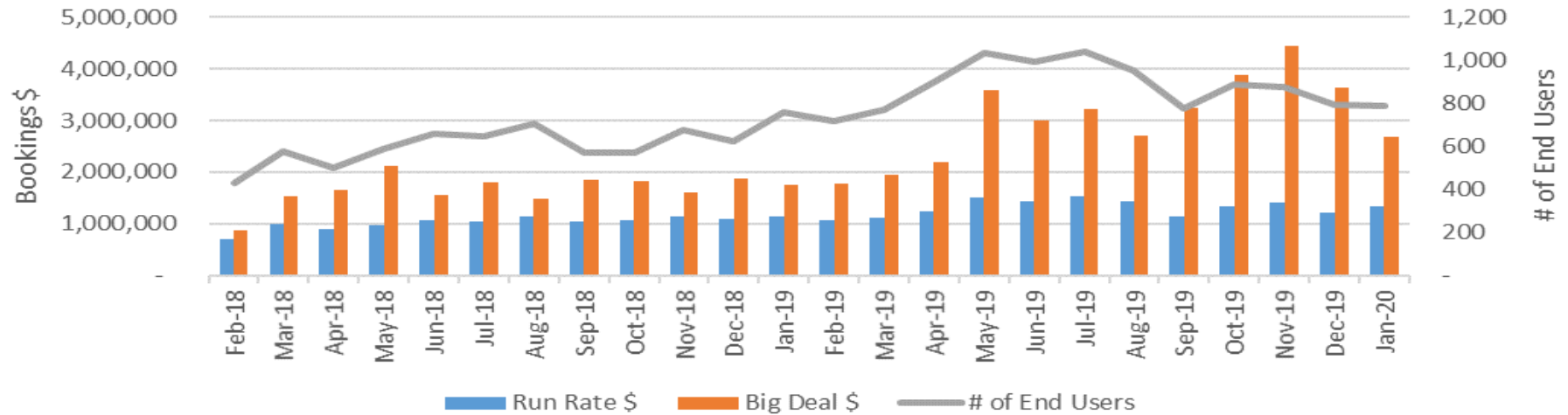
## Vertical



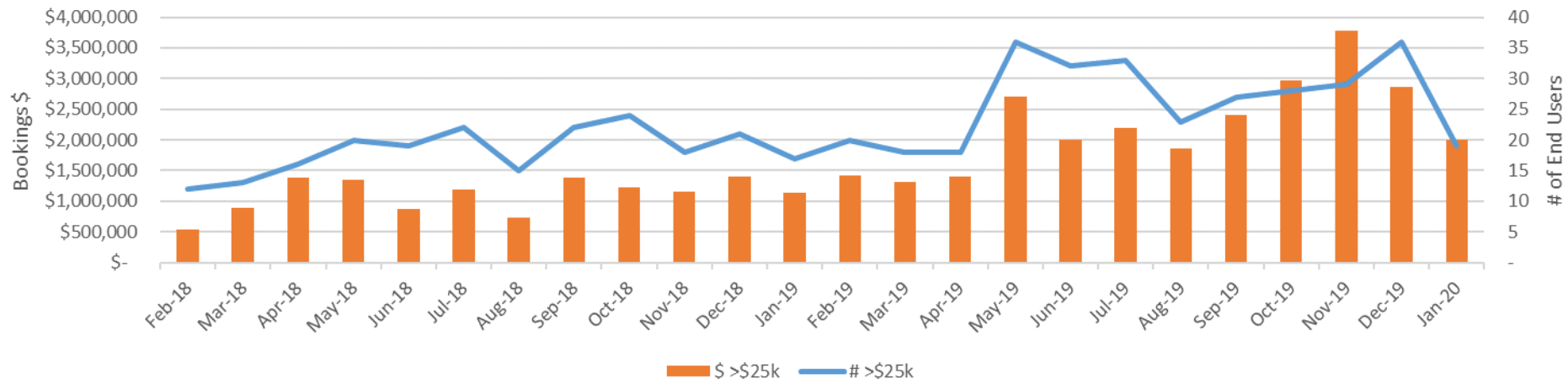
• Bookings excluding stocking orders and including sales out

# Big Deals and Run Rate Metrics

## Big Deals vs Run Rate

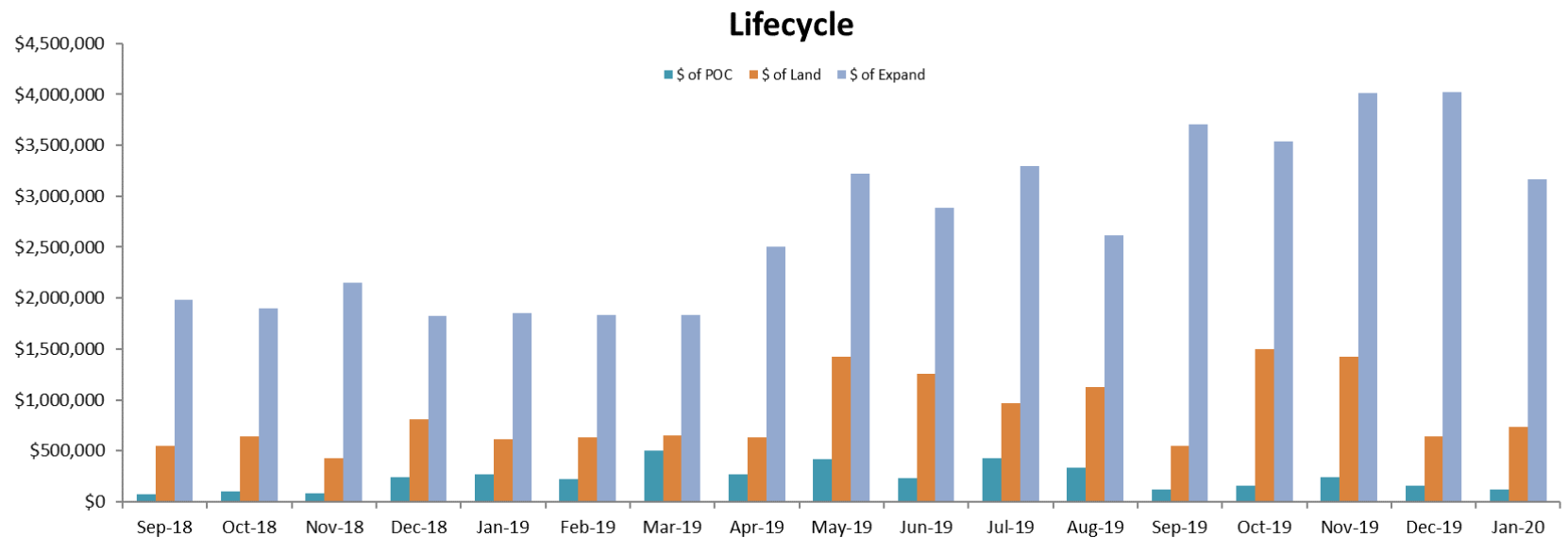


>\$25K





# 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
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	\$117,528
\$ 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	\$732,427
\$ 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	\$3,161,551
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	\$4,011,505

# Top Customer Metrics - MTD

End User - Corporate	Jan 2020 Amount	% of Total
Kiewit Corporation	\$560,282	17%
Mastercard	\$325,835	10%
WeWork	\$308,686	9%
Voya Financial	\$132,281	4%
Accenture	\$101,358	3%
Vertex Pharamceuticals	\$64,132	2%
Booz Allen Hamilton	\$57,943	2%
Ivanti	\$49,606	2%
Weil, Gotshal & Manges LLP	\$49,134	2%
Bausch Health Companies	\$42,259	1%
Other Customers	\$1,565,093	48%
<b>Total</b>	<b>3,256,608</b>	<b>100%</b>

End User - Education	Jan 2020 Amount	% of Total
University of Illinois	\$132,281	17%
Austin Community College	\$101,358	13%
Villanova University	\$36,535	5%
Washington State University	\$23,821	3%
Kingston University	\$21,935	3%
Stevens Institute of Technology	\$20,456	3%
Anchorage School District	\$18,003	2%
Newton Community School District	\$15,691	2%
University of Pittsburgh	\$14,897	2%
Humber Institute of Technology and Advancec	\$13,909	2%
Other Customers	\$360,961	48%
<b>Total</b>	<b>759,845</b>	<b>100%</b>

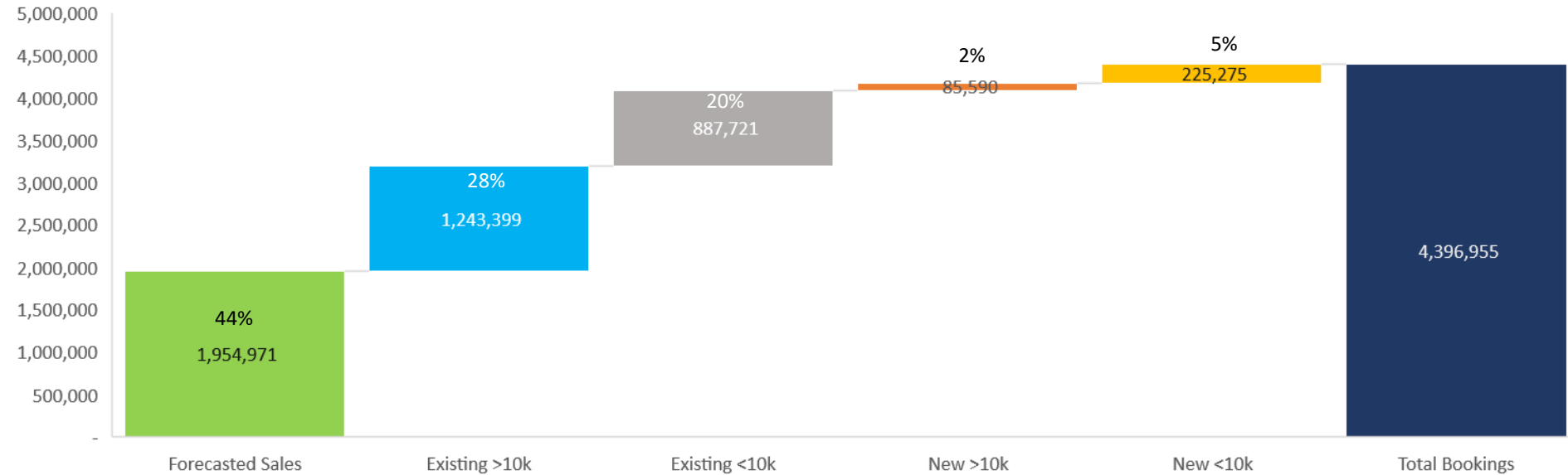
# Top Customer Metrics - LTM

End User - Corporate	LTM Amount	% of Total
WeWork	\$6,728,385	18%
Kiewit Corporation	\$898,965	2%
The Vanguard Group	\$694,475	2%
Mastercard	\$676,224	2%
Nike	\$633,645	2%
Charter Communications	\$566,338	2%
Accenture	\$517,080	1%
Comcast	\$494,082	1%
McDermott	\$428,772	1%
Booz Allen Hamilton	\$382,456	1%
Other Customers	\$24,993,204	68%
<b>Total</b>	<b>37,013,626</b>	<b>100%</b>

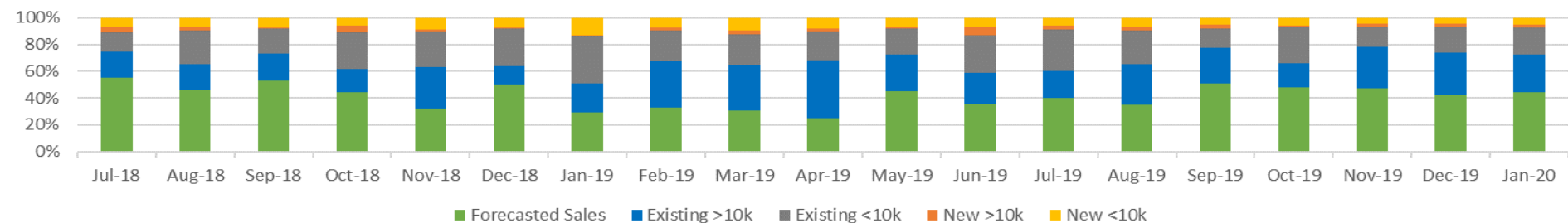
End User - Education	LTM Amount	% of Total
Texas Tech University	\$311,711	2%
Iowa State University	\$275,622	2%
Carnegie Mellon University	\$262,799	2%
Penn State University	\$253,200	2%
Bradley University	\$244,859	2%
Nexus International School (Singapore)	\$226,468	2%
Indiana University	\$222,048	2%
University of Illinois	\$221,422	2%
University of Illinois at Urbana-Champaign	\$219,454	2%
HUAZHONG UNIVERSITY	\$218,000	2%
Other Customers	\$12,018,893	83%
<b>Total</b>	<b>14,474,475</b>	<b>100%</b>

# Bookings Attribution Analysis

Current Month Sales Bridge



Bookings



## Management Discussion

- 44% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 28% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 20% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 7% of bookings were from new customers and not included in forecasted sales for the month.

# Quota Attainment by Region

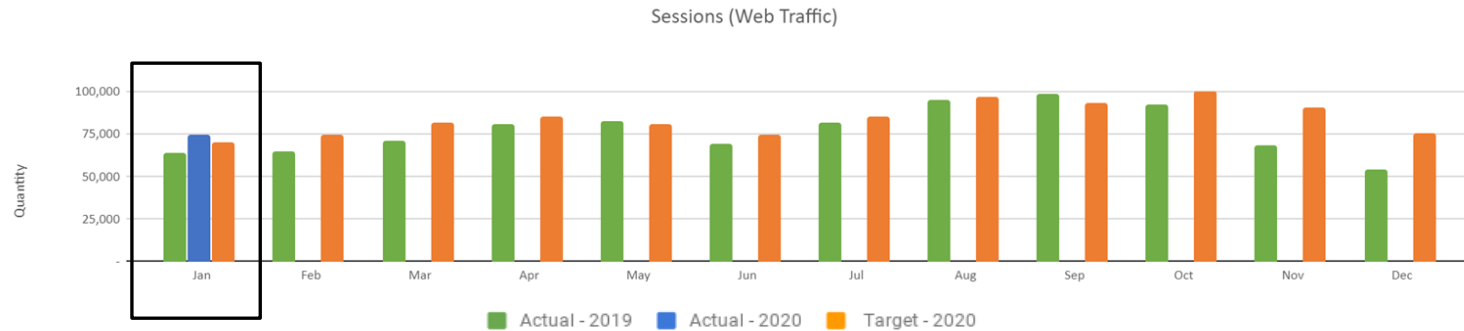
Jan 2020 Bookings vs. Quota  
Stack ranked by YTD % of Quota

Name	Territory	Jan-20				2020			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
Ryan Shannon	Midwest	992,000	1,385,222.88	393,223	140%	15,500,000	1,385,223	(14,114,777)	9%
Jonathan Davies	New England	192,000	192,863	863	100%	3,000,000	192,863	(2,807,137)	6%
Ryan Gregston	West	288,000	221,438	(66,562)	77%	4,500,000	221,438	(4,278,562)	5%
John Chandler	TOLA	384,000	292,969	(91,031)	76%	6,000,000	292,969	(5,707,031)	5%
Burt Feldman	Northeast	704,000	521,298	(182,702)	74%	11,000,000	521,298	(10,478,702)	5%
Jeff McDonald	ANZ	112,000	81,348	(30,652)	73%	1,750,000	81,348	(1,668,652)	5%
Veronica Saldarriaga	Rocky Mountain	112,000	76,943	(35,057)	69%	1,750,000	76,943	(1,673,057)	4%
Joel Carroll	Southeast	416,000	262,299	(153,701)	63%	6,500,000	262,299	(6,237,701)	4%
Melissa Johnson	Mid-Atlantic	288,000	172,184	(115,816)	60%	4,500,000	172,184	(4,327,816)	4%
Danny Fabre	Canada	128,000	72,309	(55,691)	56%	2,000,000	72,309	(1,927,691)	4%
Craig Tollefson	Minnesota	262,400	68,917	(193,483)	26%	4,100,000	68,917	(4,031,083)	2%
TBH	Northwest	112,000	93,497	(18,503)	83%	1,750,000	93,497	(1,656,503)	5%
Chris Charran	UK	352,000	496,159	144,159	141%	5,500,000	496,159	(5,003,841)	9%
Thomas Liot	France/Spain	144,000	145,845	1,845	101%	2,250,000	145,845	(2,104,155)	6%
Cyril Mattar	MEA	112,000	57,036	(54,964)	51%	1,750,000	57,036	(1,692,964)	3%
Johan Cederberg	Nordics	160,000	42,220	(117,780)	26%	2,500,000	42,220	(2,457,780)	2%
Rosario Marsegli	Germany/Italy	144,000	29,491	(114,509)	20%	2,250,000	29,491	(2,220,509)	1%
Jeff Liu	China	96,000	22,171	(73,829)	23%	1,500,000	22,171	(1,477,829)	1%
Gark Tan	APAC	192,000	283,855	91,855	148%	3,000,000	283,855	(2,716,145)	9%
Jeff Meyer	EMEA	976,000	786,933	(189,067)	81%	15,250,000	786,933	(14,463,067)	5%
Rick Emery	World	Target	Actual	Var \$	% of Target	Target	Actual	Var \$	% of Target
		4,639,424	4,443,159	(196,265)	96%	72,491,000	4,443,159	(68,047,841)	6%

# New End User Count by Region

Name	Territory	Jan-20
		Actual
Ryan Shannon	Midwest	17
John Chandler	TOLA	12
Joel Carroll	Southeast	10
Danny Fabre	Canada	10
Melissa Johnson	Mid-Atlantic	8
Ryan Gregston	West	7
Burt Feldman	Northeast	7
Veronica Saldarriaga	Rocky Mountain	7
Jonathan Davies	New England	3
Jeff McDonald	ANZ	3
Craig Tollefson	Midwest	2
TBH	Northwest	-
Chris Charran	UK	12
Thomas Liot	France/Spain	6
Cyril Mattar	MEA	3
Johan Cederberg	Nordics	9
Rosario Marseglia	Germany/Italy	5
Jeff Liu	China	1
Jeff Meyer	EMEA	34
Gark Tan	APAC	16
Rick Emery	World	Actual
		157

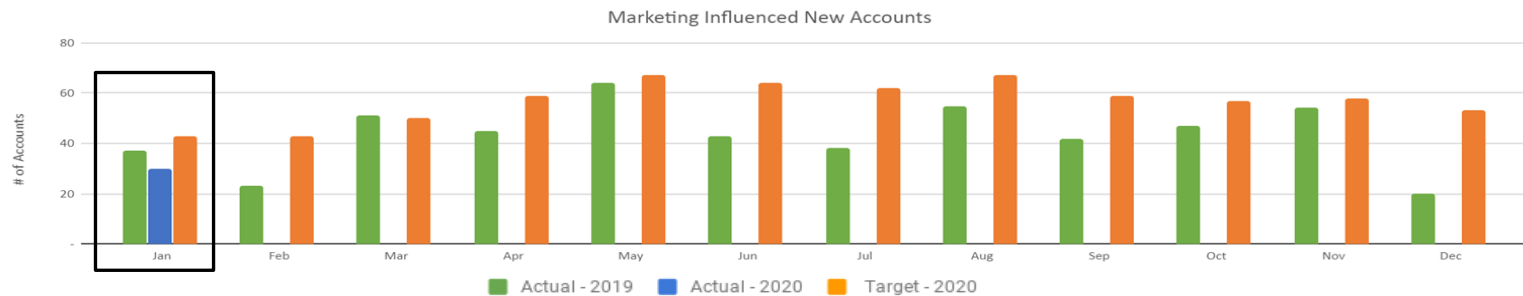
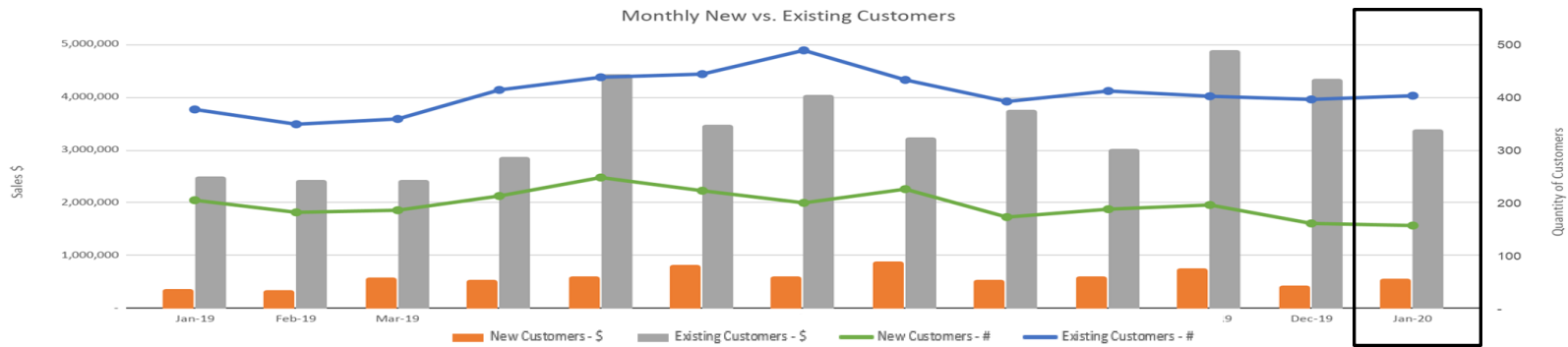
## Marketing Metrics



### Management Discussion

- Web traffic is slightly ahead of plan on a YTD basis mainly due to strong performance in email, social, and referral leading up to ISE
- MQLs are ahead of plan due to strong strong Demo Pod lead generation
- MQL scoring has changed to a more strict definition in order to identify better quality leads

## New Customer Metrics

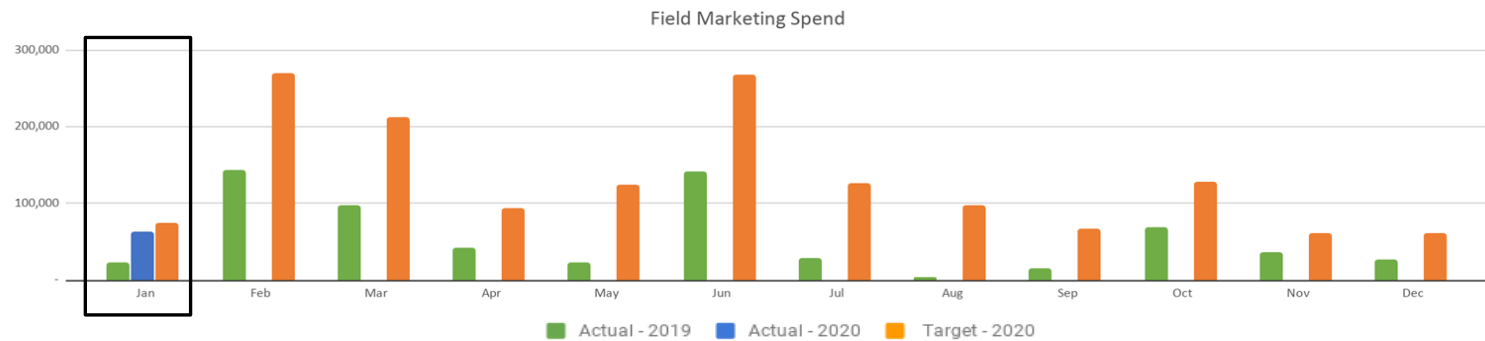
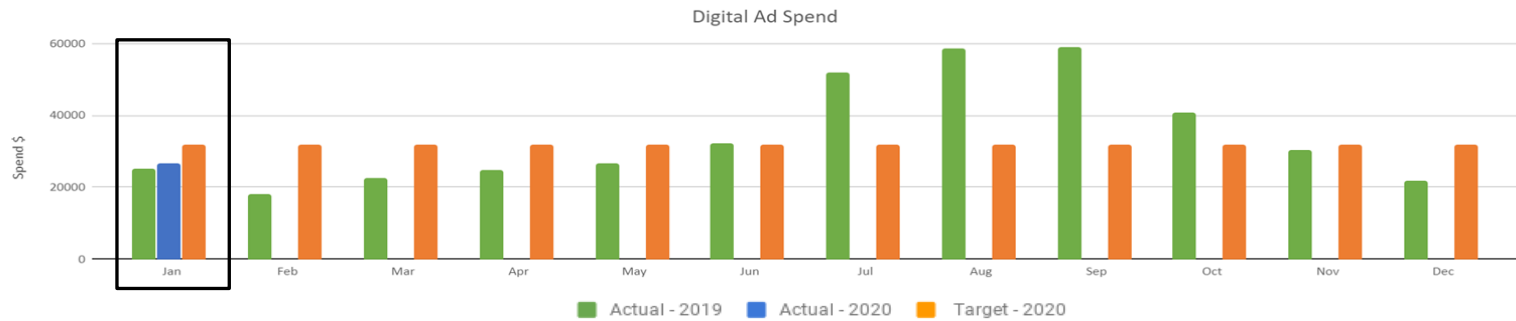


### Management Discussion

- Marketing influenced NN accounts were 70% of plan due to low overall NN accounts in January and a low direct traffic conversion rate
- New account bookings are up 59% YoY for January

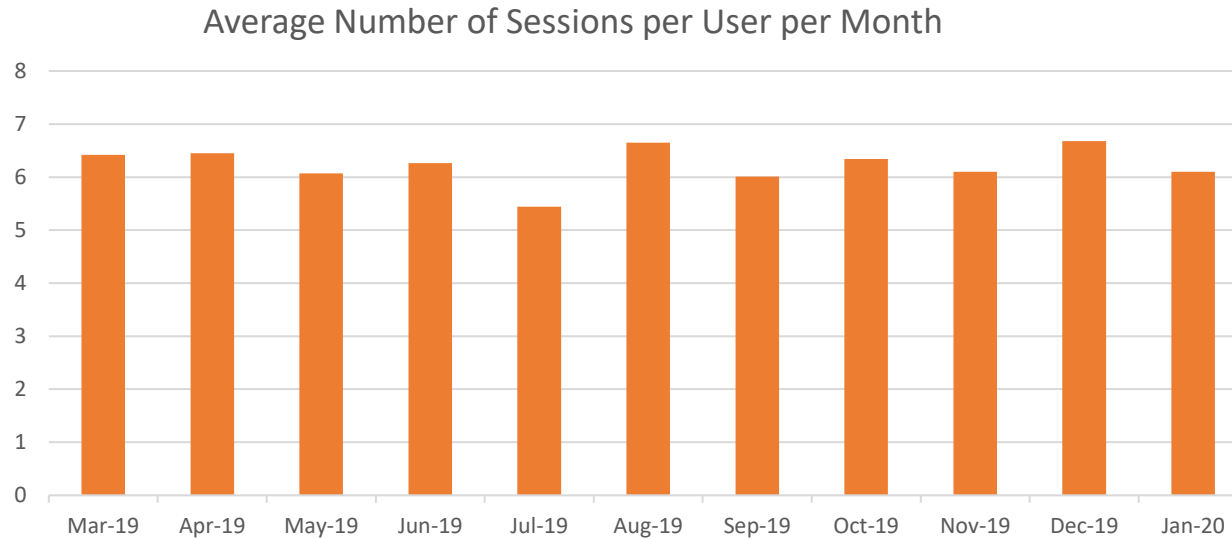


## Marketing Spend



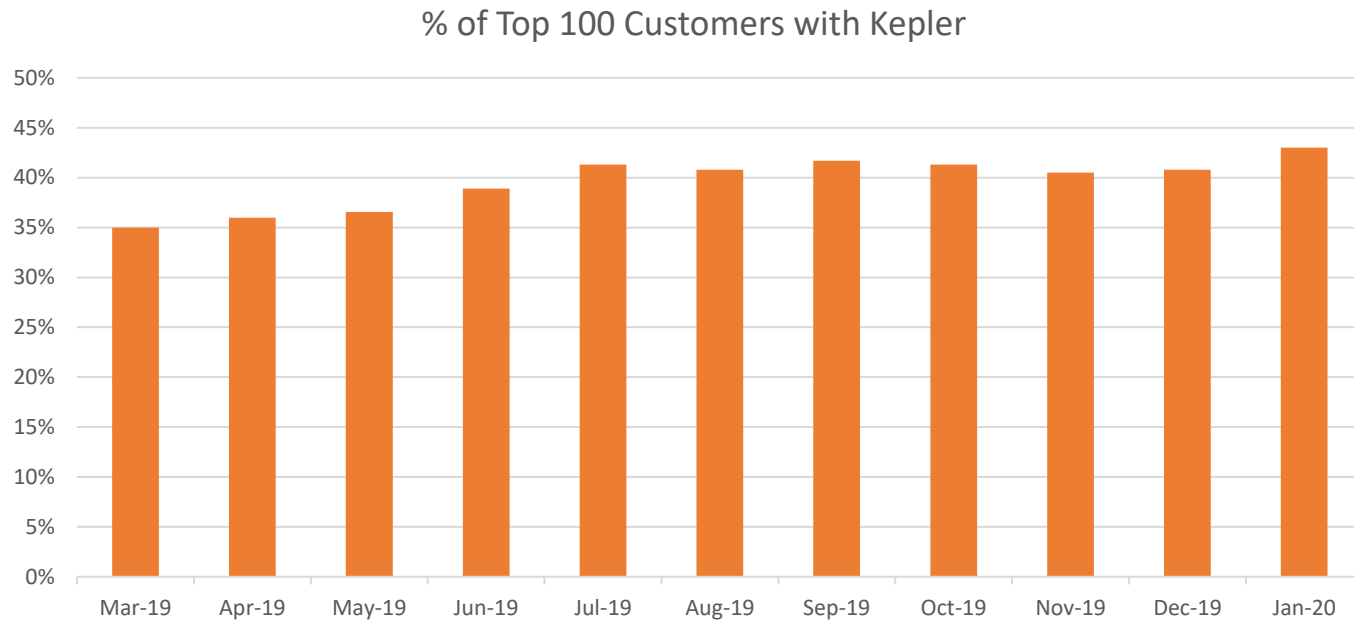
### Management Discussion

- Digital Ad spend in January was 83% of plan; Digital Ad lead gen finished 3x ahead of plan.
- Field Marketing spend was 86% of plan



## Management Discussion

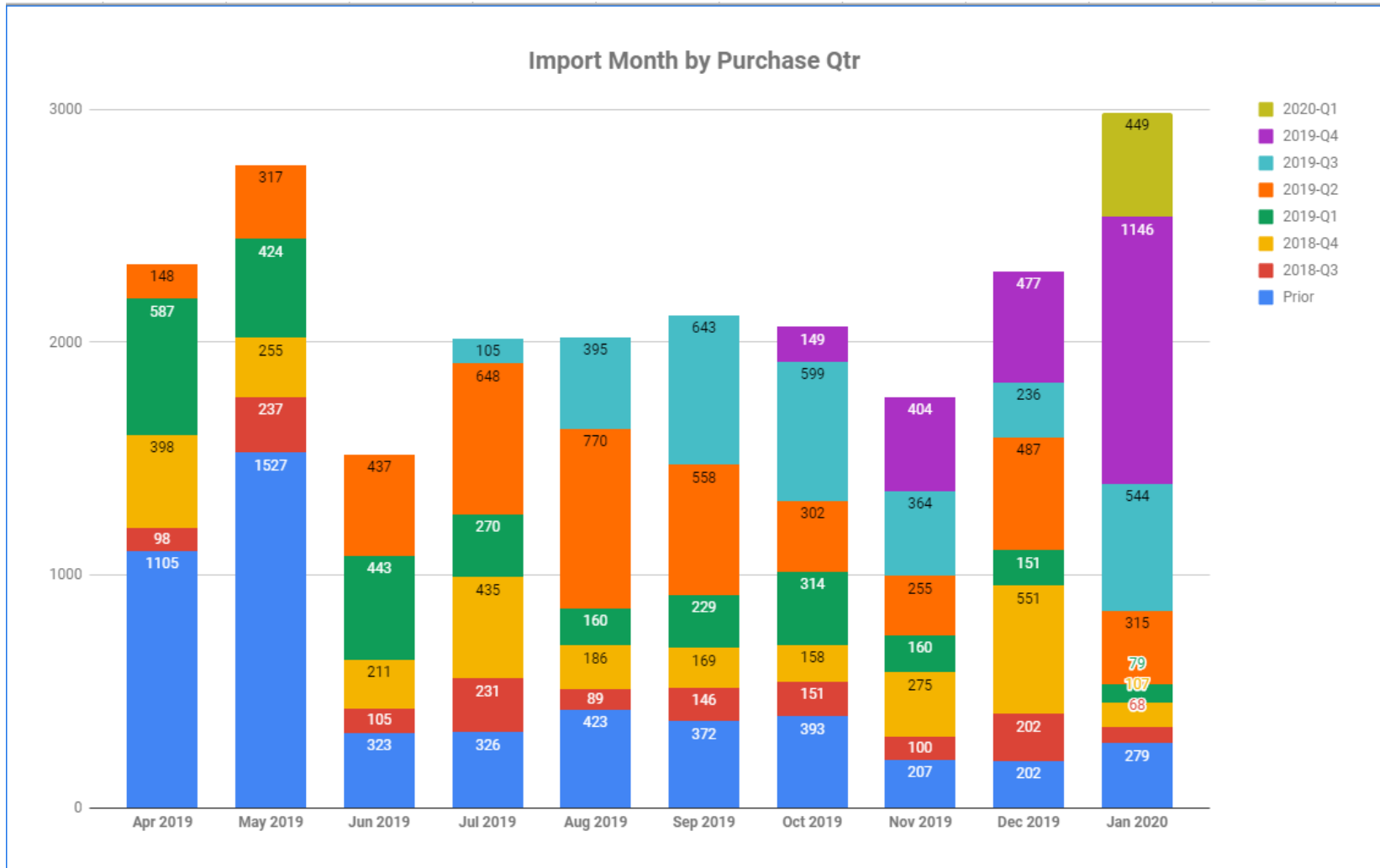
- Average number of sessions per active user per month using Kepler.



## Management Discussion

- % of top 100 customers based on # of Solstice with Kepler.
- Increase is due to the release of phase 1 Kepler management in December 2019.

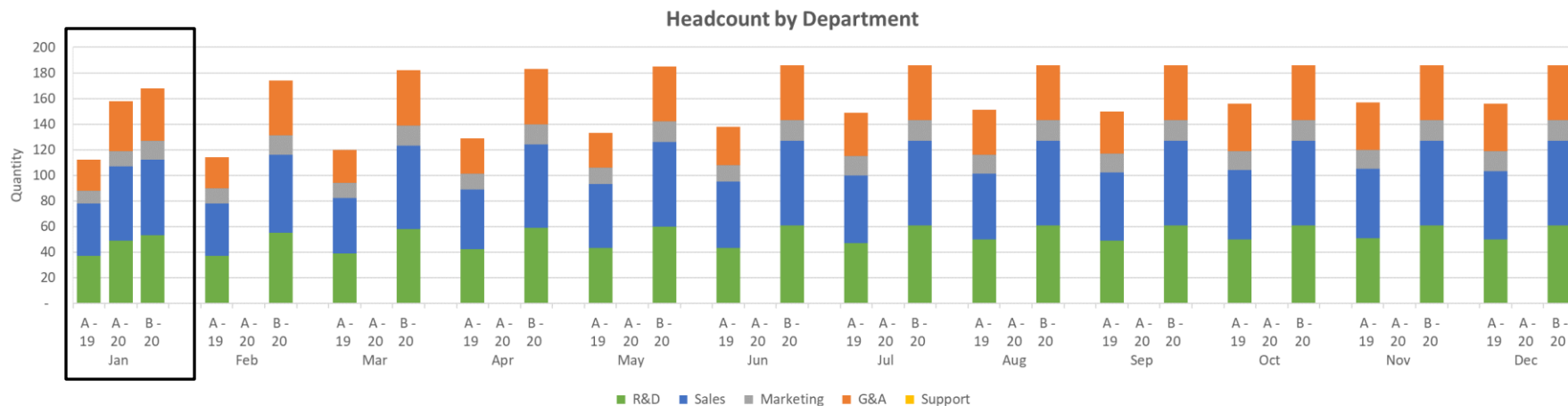
# Kepler – Kepler Import Month by Purchase Quarter



## 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 January at 158 compared to budget of 168.

## 1/31/20 Talent Snapshot

### Team Members by Geography

Denver (111)

US field (27)

International field (20)

### Team Members by Function

Development (52)

Sales (52)

Marketing (17)

Operations (24)

Finance/HR/Exec (13)

**Total Team Members: 158**

YTD Hires: 7

YTD Departures: 5

YTD Net Headcount Growth: 2

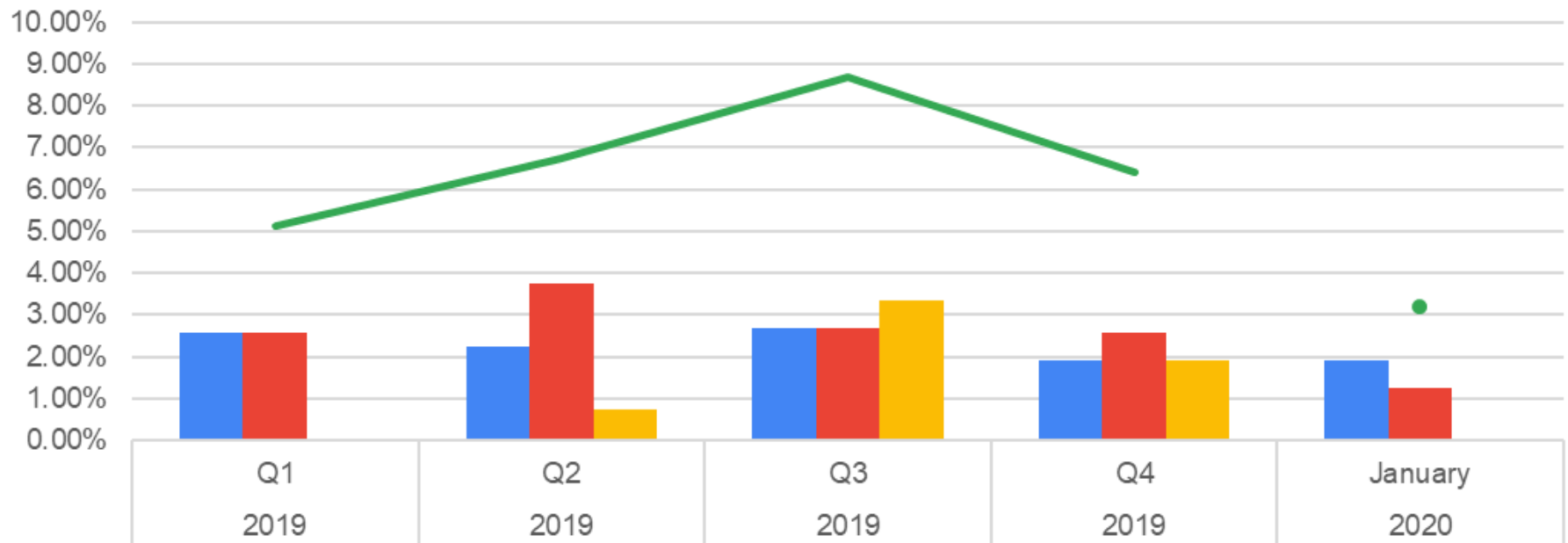
## Open Positions as of 2/1/20

Job	Department		Anticipated Start date	
Regional Sales Manager - Detroit	Sales		February	
Regional Sales Director - PacNW	Sales		February	
Sales Engineer – UK	Sales		February	
Sales Engineer - NY	Sales		February	
Inside Sales Account Manager				
Account Coordinator	Sales	Sales	March	February
Regional Channel Manager - West				
Regional Channel Manager - SouthEast	Sales	Sales	February	March
Director of Technical Services - EMEA	Sales		April	
Director of Customer Operations	Operations			
Linux Kernel Engineer	Engineering/Product		March.	March
Sr. Quality Engineer	Engineering/Product		February	
Sr. Software Engineer - Backend	Engineering/Product		February	
Fullstack Engineer	Engineering/Product		March	
Sr. Product Manager	Engineering/Product.		February	
Senior Software Engineer – RUST	Engineering/Product		February	
Support Engineer – Tier 3	Operations		February	
Director of Global Marketing Events				
Graphic Designer	Marketing.	Marketing.	March	March.
Global Search Manager	Marketing		March	
Enterprise Applications Analyst	Marketing.	Human	February	
HR Business Partner – Talent Mgmt	Resources		February	

# Termination Analysis

## Quarterly Terminations as a % of Average Staff

■ Involuntary Non-Regrettable % 
 ■ Voluntary Regrettable %  
■ Voluntary Non-Regrettable % 
 — Total Termination %



### Management Discussion

- 5 Terminations in January, of which 2 are regrettable.

# Monthly Operating Review Agenda

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



# Summary P&L Through January 2020



\$'000	MTD		Variance		PY MTD	Variance	
	Act	Bud	\$	%	Act	\$	%
<b>Net Revenue</b>	<b>3,319</b>	<b>4,071</b>	<b>(752)</b>	<b>(18.5%)</b>	<b>2,522</b>	<b>797</b>	<b>31.6%</b>
ARR	12,032	12,276	(245)	(2.0%)	6,804	5,228	76.8%
Material	821	1,124	(303)	(27.0%)	437	384	87.7%
Labor	76	84	(8)	(9.5%)	53	23	43.6%
<b>Total COGS</b>	<b>897</b>	<b>1,208</b>	<b>(311)</b>	<b>(25.8%)</b>	<b>490</b>	<b>407</b>	<b>83.0%</b>
<b>Gross Margin</b>	<b>2,422</b>	<b>2,864</b>	<b>(441)</b>	<b>(15.4%)</b>	<b>2,032</b>	<b>390</b>	<b>19.2%</b>
Gross Margin %	73.0%	70.3%			80.6%		
R&D	829	885	(57)	(6.4%)	383	445	116.2%
Sales & Marketing	1,096	1,454	(358)	(24.6%)	934	162	17.3%
Administrative	758	836	(77)	(9.3%)	492	267	54.2%
<b>Total Opex</b>	<b>2,683</b>	<b>3,175</b>	<b>(492)</b>	<b>(15.5%)</b>	<b>1,809</b>	<b>874</b>	<b>48.3%</b>
<b>Adj. EBITDA</b>	<b>(261)</b>	<b>(312)</b>	<b>51</b>	<b>(16.4%)</b>	<b>223</b>	<b>(484)</b>	<b>(216.8%)</b>
EBITDA Margin %	(7.8%)	(7.7%)			8.8%		
<b>GAAP EBITDA</b>	<b>(367)</b>	<b>(395)</b>	<b>28</b>	<b>(7.1%)</b>	<b>133</b>	<b>(500)</b>	<b>(375.2%)</b>
GAAP EBITDA % sales	(11.1%)	(9.7%)			5.3%		
<b>Net Income (Loss)</b>	<b>\$ (804)</b>	<b>\$ (824)</b>	<b>\$ 20</b>	<b>(2.4%)</b>	<b>\$ (232)</b>	<b>\$ (572)</b>	<b>246.0%</b>
<b>Capex</b>	<b>\$ (4)</b>	<b>\$ (51)</b>	<b>\$ 46</b>	<b>(91.2%)</b>	<b>\$ (118)</b>	<b>\$ 114</b>	<b>(96.2%)</b>

## Management Discussion

- Invoiced sales were \$4.0m compared to plan of \$4.6m and included Solstice Subscription sales of \$1.5m compared to plan of \$1.0m. Bookings for the month were \$4.4m, and there was backlog of \$571k at month end.
- MTD invoiced sales mix by region: Americas 84% actual vs 76% target, EMEA 10% actual vs 18% target, APAC 10% actual vs 5% target.
- MTD revenue of \$3.3m includes approximately \$2.3m of Solstice revenue and \$1.0m of deferred solstice subscription revenue from prior months amortized into net revenue. Solstice revenue of \$2.3m is lower than budget of \$3.0m for the month because of lower than expected Solstice sales in Americas and EMEA.
- Units shipped for the month were 3,661 vs budget of 4,664 and overall invoiced ASP was \$652 vs the budget of \$770 including Gen 3 upgrades. ASP was below budget because of significant Solstice swap/upgrades to Kiewit (Americas) and Nike (APAC) that have \$0 invoiced for Solstice. Americas ASP was \$675 vs budget of \$828, EMEA at \$688 ASP vs \$625 budgeted and APAC at \$459 invoiced ASP vs \$624 budgeted. Without Solstice upgrades included, ASP increases to \$838 per unit.
- Invoiced renewal Solstice Subscription MTD were 3,595 units compared to plan of 3,108 resulting in invoiced sales of \$1.3m compared to budget of \$609k. The significant increase in invoiced sales relative to increase in Solstice renewals is due to 48 Mo renewal period on Kiewit renewal. Renewal attached rate was 49% compared to a budgeted attach rate of 55%.
- Upfront Solstice Subscription MTD were 749 Solstice's compared to target of 1,491 resulting in invoiced sales of \$218k compared to budget of \$388k. Upfront attached rate was 20% compared to a budgeted attach rate of 32%.
- MTD GP % was above plan due to higher than expected mix of Solstice Subscription revenue as a % of total revenue of 30% compared to plan of 25%. Also, sales mix by region was significantly higher in America's and lower in EMEA compared to plan. EMEA sales are primarily through distributors and have a lower overall GP% than Americas.
- MTD R&D OpEx variance is primarily due to being under budget on hiring plan and contractors.
- MTD S&M OpEx under budget due primarily to lower than expected commission expense, marketing spend especially in creative and trade show, and T&E spend. We are also behind on plan for hiring in S&M.
- MTD G&A OpEx variance is primarily due to being under budget on hiring plan and professional fees.
- Invoiced EBITDA for January was still ahead of plan at \$425k compared to budget of \$256k.

# Balance Sheet

\$'000	Dec-19	Oct-19	Nov-19	Dec-19	Jan-20		Variance
	Act	Act	Act	Act	Act	Bud	\$
<b>Current Assets</b>							
Cash and cash equivalents	\$ 7,647	\$ 7,425	\$ 7,269	\$ 7,647	\$ 7,716	\$ 3,968	\$ 3,748
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	7,969	7,442	8,149	7,969	7,392	7,114	278
Accounts receivable, reserves	(102)	(142)	(162)	(102)	(107)	(91)	(16)
Accounts receivable, net	7,867	7,300	7,987	7,867	7,285	7,022	263
Inventory, net	3,932	3,580	3,664	3,932	4,646	3,963	684
Prepaid expenses and other current assets	2,438	3,269	3,563	2,438	2,622	3,192	(569)
<b>Total Current Assets</b>	<b>21,883</b>	<b>21,574</b>	<b>22,483</b>	<b>21,883</b>	<b>22,270</b>	<b>18,145</b>	<b>4,125</b>
<b>Non-Current Assets</b>							
Property, plant & equipment, gross	2,067	1,402	1,650	2,067	2,071	2,118	(47)
Accumulated depreciation	(478)	(377)	(412)	(478)	(517)	(472)	(45)
Property, plant & equipment, net	1,588	1,025	1,238	1,588	1,554	1,646	(92)
Goodwill	25,485	26,139	25,578	25,485	25,217	25,744	(527)
Identifiable intangible assets, net	2,010	2,321	2,231	2,010	1,953	1,983	(30)
Deferred tax asset	3,462	4,480	4,480	3,462	3,462	3,431	31
Other non-current assets	1,056	862	935	1,056	1,083	1,056	27
<b>Total Non-Current Assets</b>	<b>33,600</b>	<b>34,828</b>	<b>34,462</b>	<b>33,600</b>	<b>33,269</b>	<b>33,860</b>	<b>(591)</b>
<b>Total Assets</b>	<b>\$ 55,484</b>	<b>\$ 56,402</b>	<b>\$ 56,946</b>	<b>\$ 55,484</b>	<b>\$ 55,539</b>	<b>\$ 52,005</b>	<b>\$ 3,534</b>
<b>Current Liabilities</b>							
Notes payable	3,500	3,500	3,500	3,500	3,500	—	3,500
Accounts payable	2,275	3,219	2,789	2,275	2,569	2,157	412
Accrued liabilities	275	281	252	275	279	264	15
Accrued compensation	2,238	1,837	2,060	2,238	1,916	1,571	345
Income taxes payable	—	997	938	—	73	44	29
Other current liabilities	187	362	357	187	344	344	0
<b>Total Current Liabilities</b>	<b>8,475</b>	<b>10,196</b>	<b>9,896</b>	<b>8,475</b>	<b>8,681</b>	<b>4,379</b>	<b>4,302</b>
<b>Long-term liabilities</b>							
Long-term debt less current maturities	—	—	—	—	—	3,500	(3,500)
Long-term unearned revenue	15,724	12,963	14,431	15,724	16,387	16,005	382
Deferred liabilities	267	208	241	267	257	252	4
<b>Total Long-Term Liabilities</b>	<b>15,991</b>	<b>13,171</b>	<b>14,672</b>	<b>15,991</b>	<b>16,644</b>	<b>19,758</b>	<b>(3,114)</b>
<b>Total Liabilities</b>	<b>24,465</b>	<b>23,367</b>	<b>24,568</b>	<b>24,465</b>	<b>25,325</b>	<b>24,137</b>	<b>1,188</b>
<b>Shareholders' Equity</b>							
<b>Total Shareholders' Equity</b>	<b>31,018</b>	<b>33,035</b>	<b>32,377</b>	<b>31,018</b>	<b>30,214</b>	<b>27,868</b>	<b>2,346</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 55,484</b>	<b>\$ 56,402</b>	<b>\$ 56,946</b>	<b>\$ 55,484</b>	<b>\$ 55,539</b>	<b>\$ 52,005</b>	<b>\$ 3,534</b>

## Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in January and we applied a \$600K prepaid deposit to outstanding invoices from our inventory supplier rather than paying cash.
- AR is roughly in line with plan, and decrease MoM is due to lower invoiced sales in January compared to plan.
- Inventory is above plan due to lower than planned Solstice sales and higher than planned inventory additions at 7,252 unites vs plan of 4,818 units.
- Prepaid and OCA balances are lower than plan as we applied a \$600K pre-paid inventory deposits to outstanding invoices from Smart Technologies.
- AP variance to plan is largely due to timing of invoices from our supplier and the overall increase in inventory balance.
- Accrued Compensation is higher than plan due primarily to accrued PTO balances were trued up as part of year end closing process after we locked down the forecast model.
- Deferred revenue is above plan primarily due to strong invoice Solstice Subscription sales exceeding plan.
- Notes payable to SVB is forecasted as a LT liability in January as we expected the refinancing with SVB to be completed in January.
- Equity was higher than plan as we forecasted a \$3.0m dividend in January.

# Cash Flow Statement

\$'000	MTD		Var	PY-MTD		Var
	Act	Bud	\$	Act	\$	
<b>Cash flow from operations</b>						
Net Income (Loss)	\$ (804)	\$ (823)	\$ 19	\$ (232)	\$ (572)	
Depreciation, amortization and other	363	317	45	290	73	
Deferred income tax	—	—	—	—	—	
<i>Change in operating assets and liabilities:</i>						
Accounts receivable	582	845	(263)	601	(19)	
Inventory	(715)	(31)	(684)	(232)	(482)	
Prepaid expenses and other current assets	(211)	(608)	396	(1,099)	887	
Accounts payable	335	(118)	453	1,023	(688)	
Accrued expenses	(359)	(678)	319	40	(399)	
Accrued income taxes	71	42	29	(0)	72	
Other changes in operating assets and liabilities	653	267	386	205	448	
Other cash flow from operations	159	159	0	199	(40)	
<b>Total Cash Flow from Operations</b>	<b>\$ 74</b>	<b>\$ (628)</b>	<b>\$ 702</b>	<b>\$ 794</b>	<b>\$ (720)</b>	
<b>Cash flow from investing</b>						
Additions to property, plant and equipment	\$ (4)	\$ (51)	\$ 46	\$ (118)	\$ 114	
Investment in intangibles	—	—	—	(4)	4	
<b>Total Cash Flow from Investing</b>	<b>\$ (4)</b>	<b>\$ (51)</b>	<b>\$ 46</b>	<b>\$ (122)</b>	<b>\$ 118</b>	
<b>Cash flow from financing</b>						
Common stock cash dividends paid	—	(3,000)	3,000	—	—	
Other cash flow from financing costs	—	0	(0)	(2)	2	
<b>Total Cash Flow from Financing</b>	<b>\$ —</b>	<b>\$ (3,000)</b>	<b>\$ 3,000</b>	<b>\$ (2)</b>	<b>\$ 2</b>	
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Net change in cash</b>	<b>\$ 69</b>	<b>(3,679)</b>	<b>\$ 3,748</b>	<b>\$ 669</b>	<b>\$ (600)</b>	
Beginning cash	7,647	7,647	—	5,752	1,894	
Change in cash	69	(3,679)	3,748	669	(600)	
<b>Ending cash</b>	<b>\$ 7,716</b>	<b>\$ 3,968</b>	<b>\$ 3,748</b>	<b>\$ 6,422</b>	<b>\$ 1,294</b>	

## Management Discussion

- Cash is higher than plan primarily because we forecasted a \$3M distribution via dividend in January.
- Cash flow from operations exceeded plan due to accounts payable, accrued expenses and deferred revenue increasing more than plan, offset by inventory increasing more than plan and AR not increasing as much as plan due to invoiced sales below plan.
- Cash flow used in investing is below plan as Capex was lower than planned.
- Cash flow used in financing is below plan as we forecasted Cash dividend in January that is anticipated to be completed in Q1.

# Board of Directors Meeting Agenda

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

# Management Governance Report

## **Board of Directors**

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

## **Audit Committee**

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

## **2019 Year End Auditors**

- Deloitte

## **Anonymous Hotline**

- Navex implementation complete; hotline is now live

## **Internal Control & Authority Matrix**

- Adopted effective 2/27/18

## Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Deloitte has identified a lack of segregation of duties related to NetSuite. We will address revising roles upon hiring of Controller
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

# Monthly Operating Review Agenda

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

# YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Act	Bud	Variance (B) / W	One-Time / Non-recurring	Change in Timing	Run-rate	Other	Total Variance (B) / W	YoY Impact (B) / W	Annualized Impact (B) / W
Payroll	\$ 1,484	\$ 1,631	\$ (146)	\$ -	\$ (146)	\$ -	\$ -	\$ (146)	\$ -	\$ -
Benefits	204	212	(7)	\$ -	\$ (7)	-	-	(7)	-	-
Bonus	136	106	30	\$ -	\$ 30	-	-	30	-	-
Commissions	137	275	(138)	-	(138)	-	-	(138)	-	-
Marketing	106	205	(99)	-	(99)	-	-	(99)	-	-
Travel and Entertainment	117	193	(76)	-	(76)	-	-	(76)	-	-
Rent and Facilities	133	146	(13)	-	(13)	-	-	(13)	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Professional Fees	124	180	(56)	-	(56)	-	-	(56)	-	-
Utl., Repair, Maint., & Sec.	28	15	13	-	13	-	-	13	-	-
Office Expense	31	8	23	-	23	-	-	23	-	-
IT	129	154	(25)	-	(25)	-	-	(25)	-	-
Other Expenses	53	51	3	-	3	-	-	3	-	-
<b>Total Opex</b>	<b>\$ 2,683</b>	<b>\$ 3,175</b>	<b>\$ (492)</b>	<b>\$ -</b>	<b>\$ (492)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (492)</b>	<b>\$ -</b>	<b>\$ -</b>

## Management Discussion

- Payroll is under budget due to being behind plan. Budgeted employee headcount was 168 versus actual of 158 as of Jan-2020.
- Commissions are under budget due to lower than expected sales.
- Marketing is primarily under budget due to lower than expected spend in creative marketing and trade show.
- T&E is under budget primarily less than expected travel for trade shows and outside sales.
- Professional Fees are under budget due to lower than expected software development contractors and consulting hours related to systems improvements.



# Operating Expenses Summary

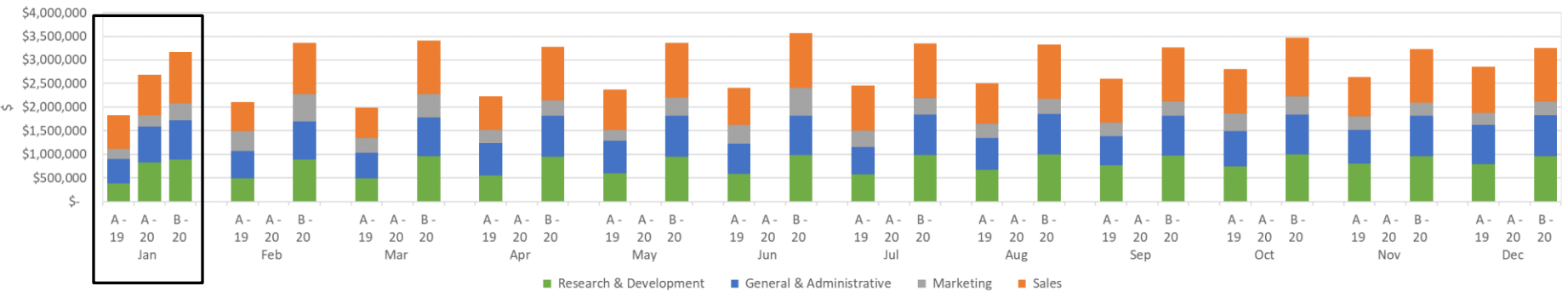
\$'000	MTD				Variance		PY MTD	Variance		YTD		Var		PY YTD		Variance	
	Act		Bud		\$	%		Act	\$	%	Act	Bud	\$	%	Act	\$	%
<b>Opex Overview:</b>																	
Payroll	\$ 1,484	\$ 1,631	\$ (146)	(9.0%)	\$ 996	\$ 489	49.1%	\$ 1,484	\$ 1,631	\$ (146)	(9.0%)	\$ 996	\$ 489	49.1%			
Benefits	204	212	(7)	(3.5%)	125	80	64.1%	204	212	(7)	(3.5%)	125	80	64.1%			
Bonus	136	106	30	28.7%	115	22	18.8%	136	106	30	28.7%	115	22	18.8%			
Commissions	137	275	(138)	(50.1%)	111	26	23.6%	137	275	(138)	(50.1%)	111	26	23.6%			
Marketing	106	205	(99)	(48.3%)	82	24	28.8%	106	205	(99)	(48.3%)	82	24	28.8%			
Travel and Entertainment	117	193	(76)	(39.4%)	77	40	51.6%	117	193	(76)	(39.4%)	77	40	51.6%			
Rent and Facilities	133	146	(13)	(9.0%)	113	20	17.9%	133	146	(13)	(9.0%)	113	20	17.9%			
Insurance	–	–	–	N/A	–	–	N/A	–	–	–	N/A	–	–	N/A			
Professional Fees	124	180	(56)	(31.0%)	40	84	206.7%	124	180	(56)	(31.0%)	40	84	206.7%			
Utl., Repair, Maint., & Sec.	28	15	13	85.6%	17	11	67.4%	28	15	13	85.6%	17	11	67.4%			
Office Expenses	31	8	23	271.9%	11	20	174.6%	31	8	23	271.9%	11	20	174.6%			
IT	129	154	(25)	(16.3%)	113	16	14.2%	129	154	(25)	(16.3%)	113	16	14.2%			
Other Expenses	53	51	3	5.4%	10	44	446.7%	53	51	3	5.4%	10	44	446.7%			
Total Opex	\$ 2,683	\$ 3,175	\$ (492)	(15.5%)	\$ 1,809	\$ 874	48.3%	\$ 2,683	\$ 3,175	\$ (492)	(15.5%)	\$ 1,809	\$ 874	48.3%			

## Management Discussion

- Please see previous slide on expense analysis.

# Operating Expenses Summary

OPEX by Department



## Management Discussion

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

# AR and AP Aging Detail

\$'000

AR Aging				
Days	Nov-19	Dec-19	Jan-20	
0-30	\$ 7,333	\$ 7,317	\$ 6,544	
30-60	425	302	465	
60-90	198	175	117	
>90	192	175	266	
<b>Total Gross AR</b>	<b>\$ 8,149</b>	<b>\$ 7,969</b>	<b>\$ 7,392</b>	
<b>Reserves</b>	<b>(162)</b>	<b>(102)</b>	<b>(107)</b>	
<b>Total Net AR</b>	<b>\$ 7,987</b>	<b>\$ 7,867</b>	<b>\$ 7,285</b>	

AP Aging				
Days	Nov-19	Dec-19	Jan-20	
0-30	\$ 2,786	\$ 2,154	\$ 2,386	
30-60	4	6	92	
60-90	9	24	6	
>90	(10)	91	85	
<b>Total</b>	<b>\$ 2,789</b>	<b>\$ 2,275</b>	<b>\$ 2,569</b>	

## Management Discussion

- AR decreased due to lower than expected sales in January. The largest customer balance in the >60 bucket is HB Communications (35K). The three largest in the >90 bucket are Nanpeng Technology (130K) paid early February, Genesis Integration (85K), and Matrix Technology Group (24K) payment plan starting in November.
- AP increased overall due to Smart Wireless shipping additional units during the first half of January. The greater 90 buckets increased due to final bills for HQ furniture.



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