



Monthly Operating Review – May 2020

June 23, 2020

Monthly Operating Review Agenda

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

Hits

- MTD ASP \$808 vs budget of \$772.
- MTD ahead of plan for cash collections - \$2.9M vs. \$2.0M
- MTD strong upfront attach rate of 43% and YTD of 37% compared to budget of 32%.
- Solstice Conference has been released to key customers for an 'early look' prior to full release
- COVID-19 response – We saw a modest increase in May sales compared to April; cash collections are ahead of forecast and cash conservation overall is ahead of plan.
- Organization/Workforce
 - Reduced headcount by 4 in May; two of them through performance management
 - No new COVID-19 cases among workforce since 4/10/20.
 - Mersive Pandemic Handbook, with new policies and protocols, distributed company-wide.
 - Surveyed Colorado employees for issues regarding readiness to return to the office and effectiveness in working from home. 90% participation rate, with a wide variety of preferences and concerns.
 - RTO Task Force continues to evaluate and prepare for slow and small reopening over time. Current work from home status for all except “essential” workers remains in effect through at least June
 - Employee productivity and sentiment remains high

Customer Adoption

- Existing customers – Northeastern University (\$232k), Tractor Supply Company (\$191k), Worcester State University (\$153k), and University of Texas at San Antonio (\$101k).
- New/Land orders – Incarnate Word High School (\$44k), Weymouth Tufts Library (\$27), University of Texas - Permian Basin (\$27k)

Executive Summary (Continued)

Misses

- MTD invoiced sales were \$3.0m compared to target of \$6.3m. Bookings were \$3.1m compared to a \$6.3m target. There was backlog of \$480k at month end. May 2019 invoiced sales were \$4.7m.
- MTD subscription sales at \$751k compared to plan of \$1.4m. May 2019 was \$831k.
- Education sales decreased 23% during MTD period compared to MTD 2019
- Corporate sales decreased 43% during MTD period compared to MTD 2019
- Order and run-rate volume is down 56% during MTD period compared to MTD 2019
- Some voluntary turnover in impact positions; recruiting within our tight labor market ramping up.
- WeWork monthly sales lowest in 2 years

Key Go-Forward Actions

- Formalizing technology and marketing relationship with Logitech to help drive awareness for Solstice Conference
- Expanding distribution in France and UK with two new partners – Exertis and Tech Data Maverick
- Launching demo program for EMEA
- Developing a 'rapid response' dimension to Marketing to produce sales assets targeted at fast changing trends and competitive weaknesses; Clorox 'got wipes' meme targeting Barco dongles, 'touchless AV' for safe return to work

Executive Summary – Risks and Challenges

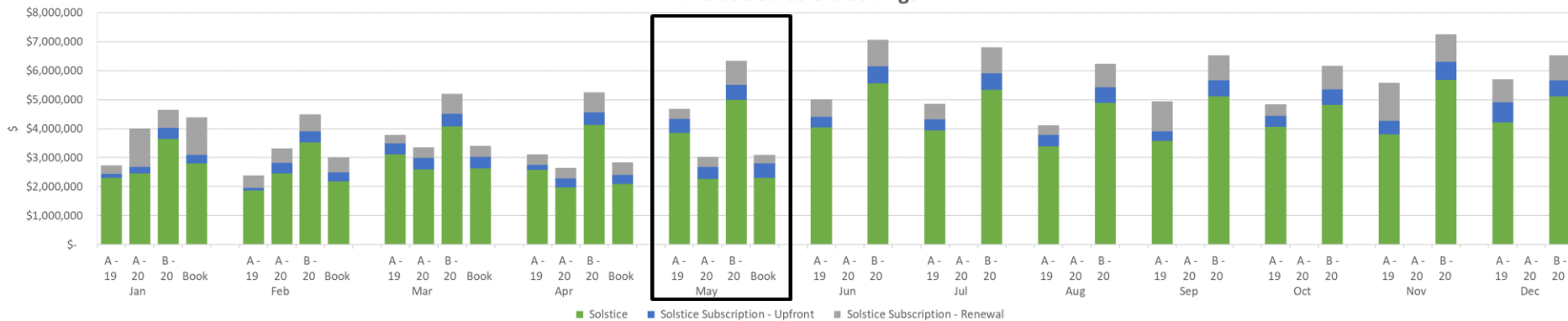
Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> New Product Launches 	<ul style="list-style-type: none"> Sales Shortfall Competitive Positioning Market Adoption Installed Base Growth 	<ul style="list-style-type: none"> Version 5.0 release delayed from end of June to 7/22 – customer beta and field testing indicated the need for increased network reliability and broader camera support Limited 5.0 release to customers like Tractor Supply Moving forward with decision to bring Windows version of Solstice level with Android version to have a Zoom Room complementary product offering
<ul style="list-style-type: none"> Customer Operations 	<ul style="list-style-type: none"> Cost savings Customer Satisfaction Deployment Friction 	<ul style="list-style-type: none"> Continued focus on customer onboarding Improved RMA process - \$125K in credits Better inventory controls Operations as strategic differentiator Launched customer support portal
<ul style="list-style-type: none"> AV industry 	<ul style="list-style-type: none"> ‘Touchless AV’ has become the hot topic as a result over COVID concerns Slack and Amazon announce partnership to combat Zoom 	<ul style="list-style-type: none"> Ensure timely release of Solstice Video Conference Integration Continue to focus on channel mindshare Rehire and appointed Amelia Vrabel VP Channels
<ul style="list-style-type: none"> Improve margin/EBITDA while continuing to invest and grow 	<ul style="list-style-type: none"> Failure to hit financial targets 	<ul style="list-style-type: none"> Launch professional development training - launched Improve onboarding of new staff Renegotiate Solstice BOM cost - done RMA and inventory process improvements – done
<ul style="list-style-type: none"> HR/Staffing/Comp 	<ul style="list-style-type: none"> Productivity OPEX Morale Restoration of employee benefits under consideration as Denver job market heats back up 	<ul style="list-style-type: none"> Interview training Culture brand development Professional Development - launched Staff training Colorado WorkShare subsidy
<ul style="list-style-type: none"> Sales Team Productivity 	<ul style="list-style-type: none"> Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing 	<ul style="list-style-type: none"> Move faster to hire empty territories Improve onboarding Double down in ‘hi-po’ territories Continued focus on sales enablement
<ul style="list-style-type: none"> Solstice Subscription Services 	<ul style="list-style-type: none"> Impact on enterprise value Customer/technology scale 	<ul style="list-style-type: none"> Expand customer success inside sales team 3 Q1 product launches that are Solstice Subscription priced Broad renewal/swap campaign Sales focus on sub 1000 customers yielding promising results

May '20- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> • 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 Q2/Q3 • BP – US pilot order pushed to July 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 Q2/Q3 • Grainger – about to standardize with a 100+ order - Q2 order • Raytheon – Acquiring UTC and may adopt UTC Solstice standard • UPS – Replacing ~900 AirMedias in Q2/Q3 – June or July • DVAG Investments – in pilot for 100+ rooms • Exertis Stocking Order (UK) – 250+ units • Maverick Stocking Order (FR) – 250+ units • Grainger – standardizing with first order in July/August • WeWork – AirMedia swap out project back in play • Charter – 200 units for ad hoc order strategy • Warner Media – SoCal deployment pushed to 2H due to C-19 • Toyota – AirMedia swap out once back in the office • Sempra – Houston deployment basis for standard discussion 	<ul style="list-style-type: none"> • Marathon Oil – pushed to '21 • GM – on hold pending C-19 • Gentex – moving slowly due to C-19 • City of Minneapolis – Clickshare. Wanted a button • Accuracy (FR) – Purchased Sony Theos due to embedded sharing • Father Ryan High School – Purchased ScreenBeam due to internal champion
Big Wins	
<ul style="list-style-type: none"> • Northeastern - \$232K • Tractor Supply – \$191K • Worcester State University - \$152K • U of T San Antonio - \$101K • Norfolk State - \$88K • Xavier University - \$85K 	<ul style="list-style-type: none"> • Creighton University - \$81K • Southeast Community College - \$64K • WeWork - \$62K • Iowa State University - \$56K • Comcast - \$55K • John Carroll University - \$52K

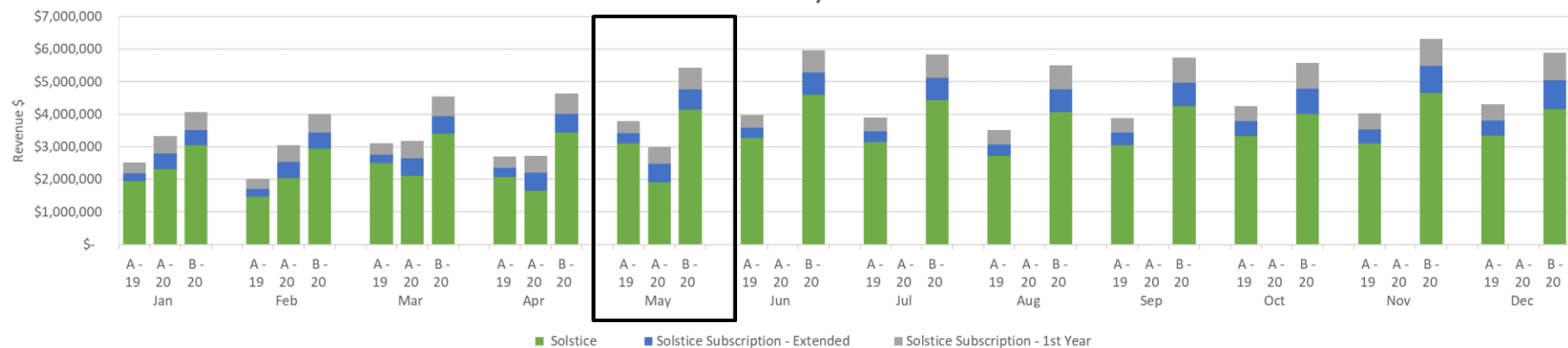
Sales Metrics – Monthly Trend

Invoiced Sales & Bookings



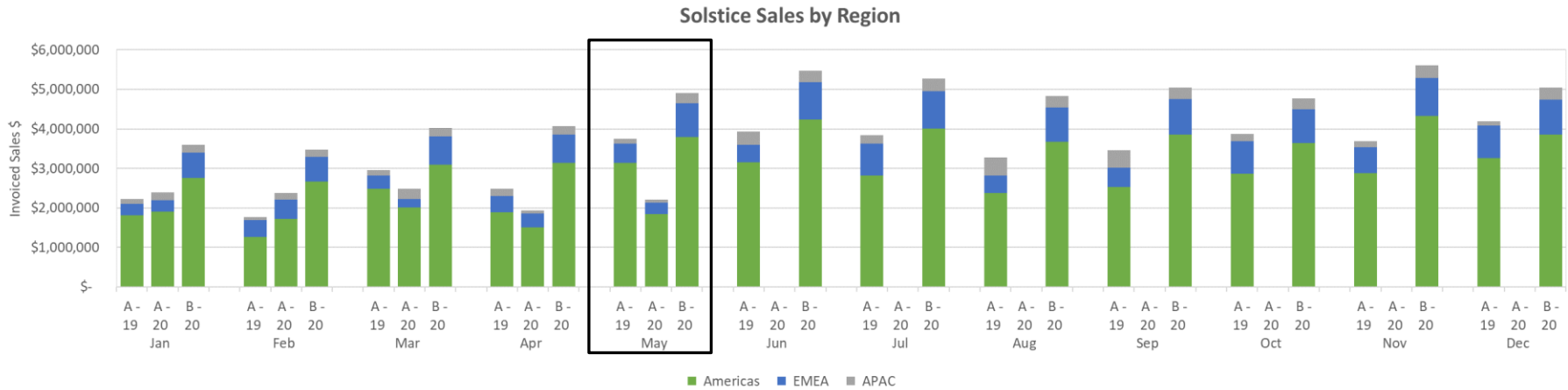
- May invoiced sales were \$3.0m compared to target of \$6.3m, which is 48% of budget and 65% of PY sales at 4.7m. This is a 14% MoM decrease. Bookings were \$3.1m compared to a \$6.3m target.
- YTD invoiced sales were \$16.4m compared to target of \$25.9m, which is 63% of budget.
- There was backlog of \$336k MTD and \$480k YTD.

Revenue by Product

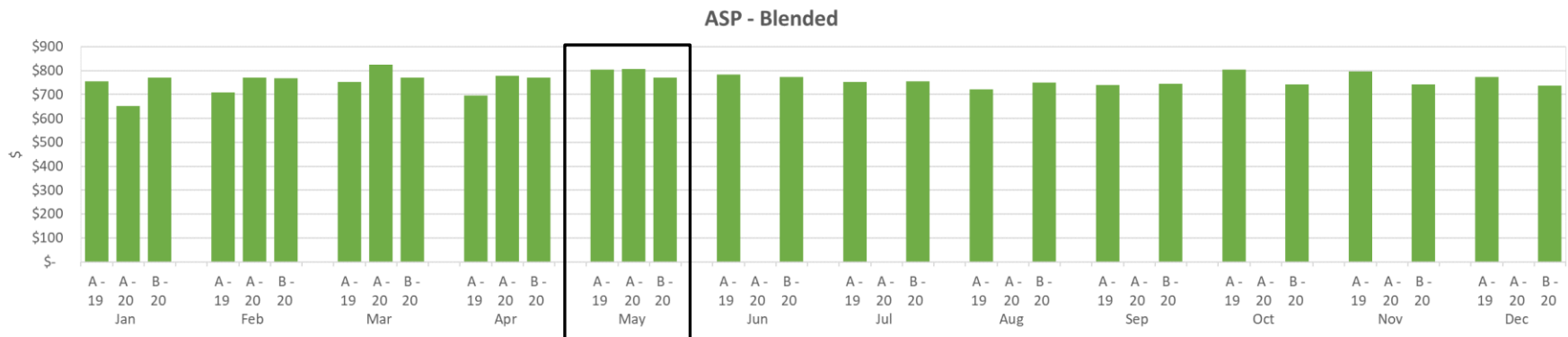


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 Budget
- MTD GAAP revenue was \$3.0m compared to budget of \$5.4m, due to lower than expected Solstice sales. PY MTD GAAP was 3.8m.
- YTD GAAP revenue was 15.3m compared to budget of 22.7m, due to lower than expected Solstice sales. PY YTD GAAP was 14.1m.

Solstice Invoiced Sales Metrics – Monthly Trend – Region



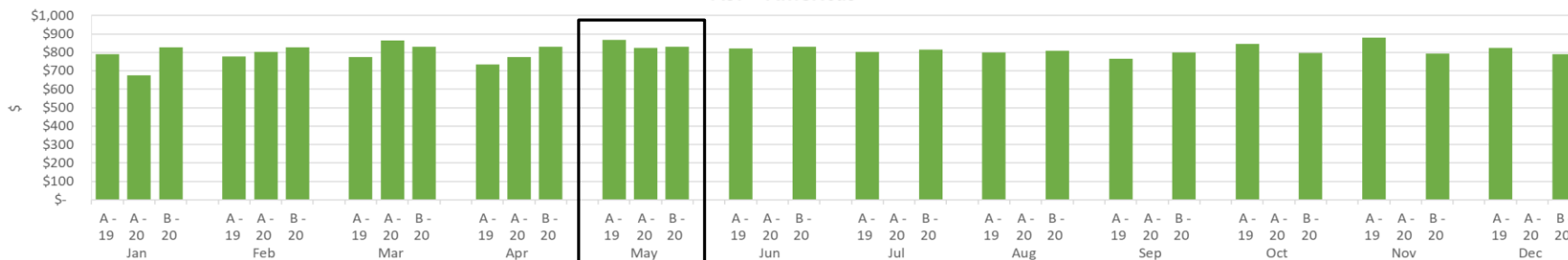
- May Solstice sales were \$2.2m compared to target of \$4.9m, which is 45% of budget and 59% of PY sales at 3.7m. May invoiced sales were below budget primarily due to underperformance in all regions.
- YTD Solstice invoiced sales were \$11.4m compared to target of \$20.1m, which is 57% of budget.
- May Solstice unit sales were 2,744 compared to target of 6,356, while PY was at 4,655.



- Graph shows ASP by region historically and planned for remaining 2020
- Overall MTD ASP across all regions was \$808 including Gen 3 Solstice upgrades above plan of \$772, compared to \$805 in PY. This is due to higher than expected ASP in the EMEA region.
- Solstice ASP excluding Solstice upgrades is \$884.

ASP by Region – Monthly Trend

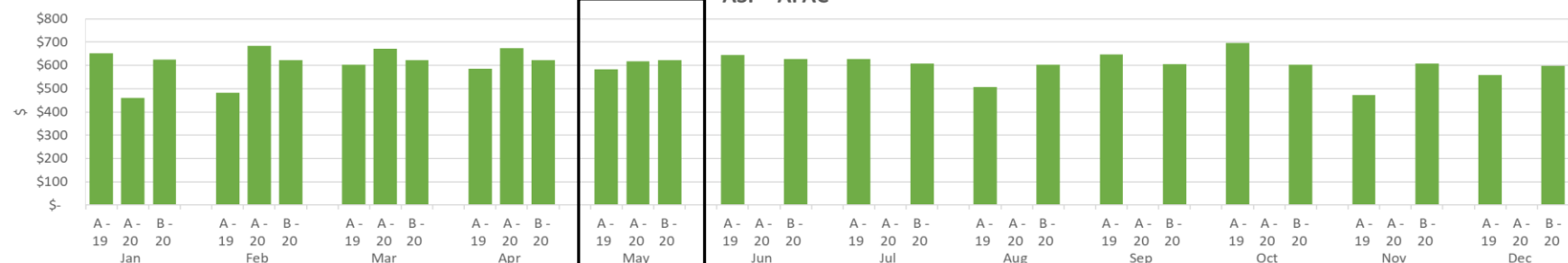
ASP - Americas



ASP - EMEA

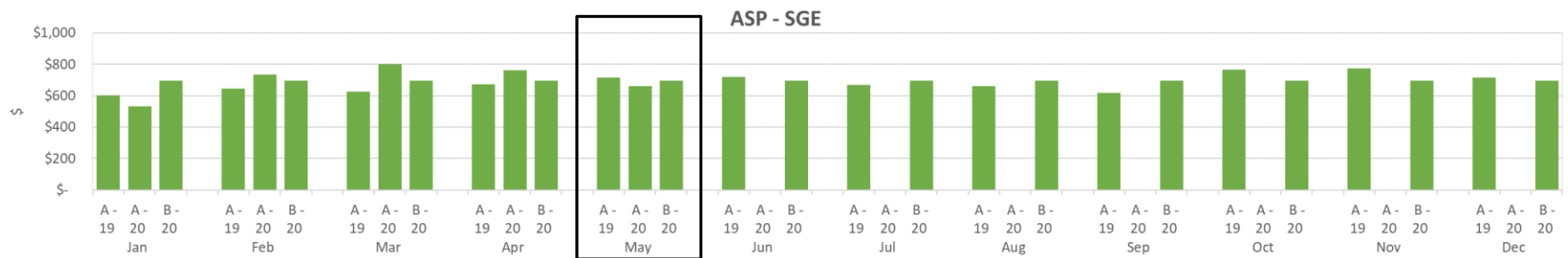
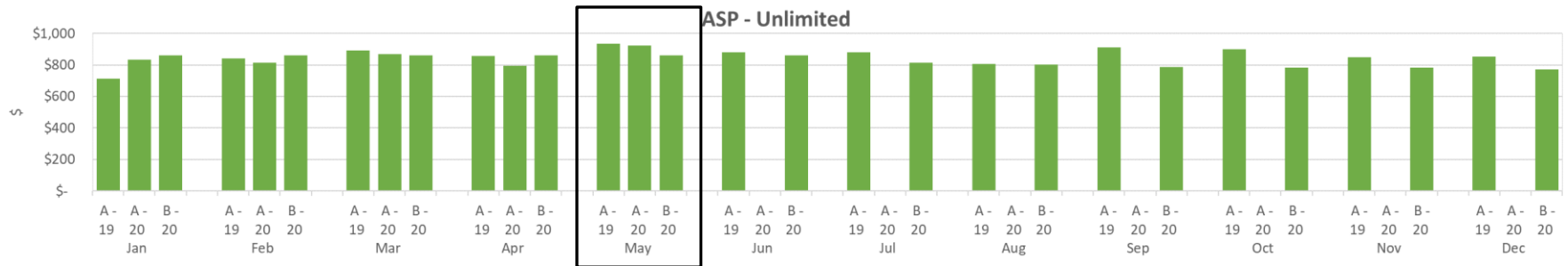
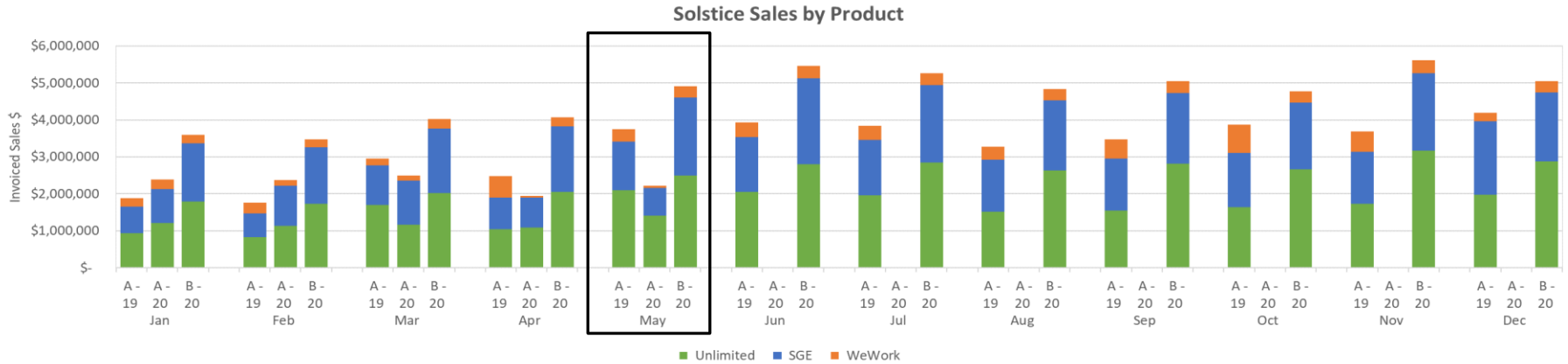


ASP - APAC



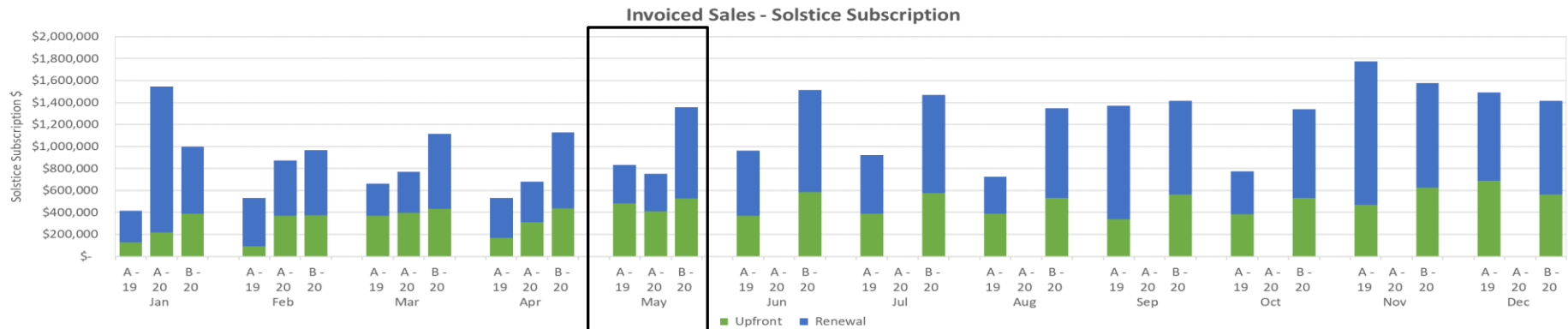
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 86% actual vs 76% Target, EMEA 11% actual vs 18% Target, APAC 3% actual vs 5% target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
 - Americas - \$921 vs \$930 in prior month
 - EMEA - \$776 vs \$818 in prior month
 - APAC - \$628 vs \$673 in prior month

Solstice Invoiced Sales Metrics – Monthly Trend - Product

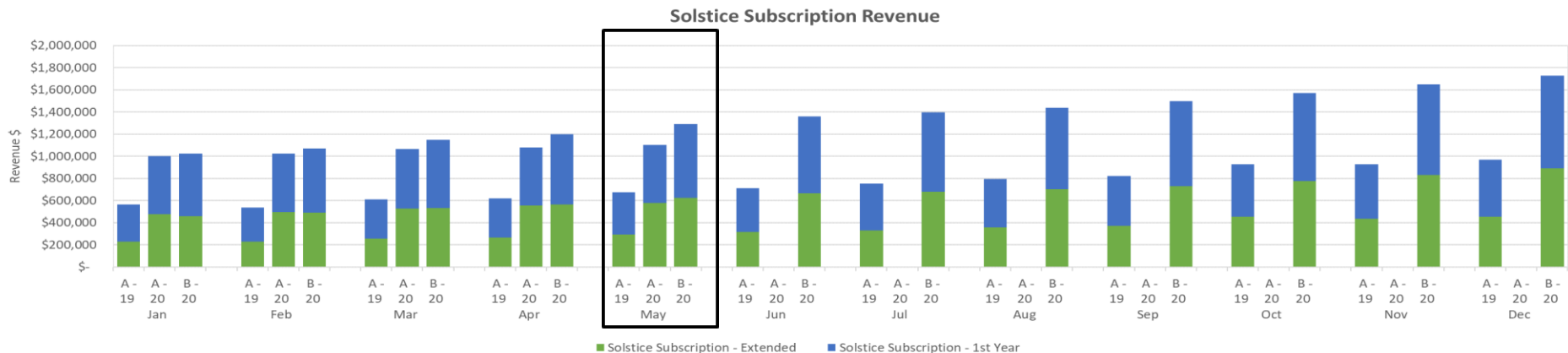


- Unlimited - May invoiced Solstice sales were \$1.4m compared to target of \$2.5m vs PY of \$2.1m.
- SGE - May invoiced sales were \$0.8m compared to target of \$2.1m vs PY of \$1.3m.
- WeWork - May invoiced sales were \$58k compared to target of \$306k vs PY of \$334k.
- Unlimited – May ASP was \$923 compared to target of \$861 vs PY of \$933.
- SGE - May ASP was \$662 compared to target of \$695 vs PY of \$715.

Solstice Subscription Metrics – Monthly Trend

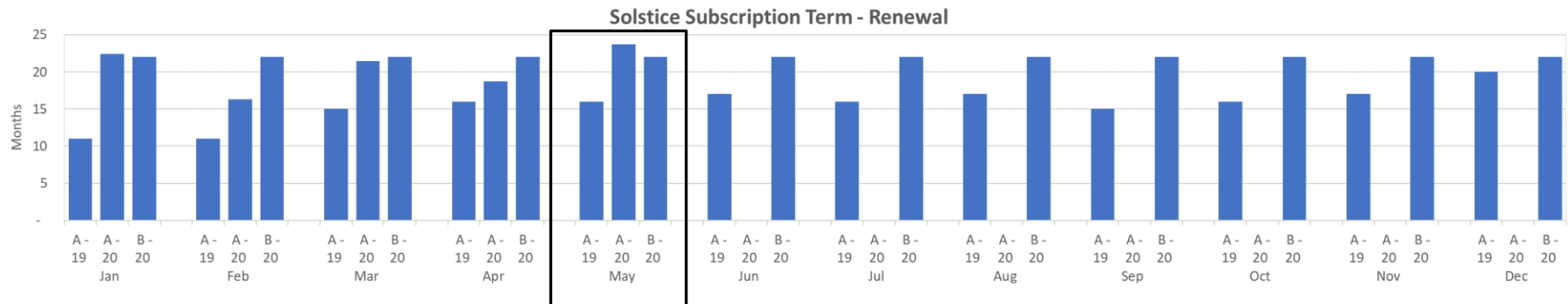


- May invoiced sales for solstice subscriptions was \$0.8m vs budget of \$1.4m, which is 55% of budget. PY was \$0.8m.
- YTD invoiced sales for solstice subscriptions was \$4.6m vs budget of \$5.6m, which is 83% of budget.
- May renewal ASP was \$301 compared to target of \$196 vs PY of \$163.
- May upfront ASP was \$346 compared to target of \$260 vs PY of \$288.
- Large renewal deals – Xavier University (85k), John Carroll (34k), Clemson (23k)
- Large upfront deals – Tractor Supply (64k), Worchester State (49k), UT at San Antonio (35k)

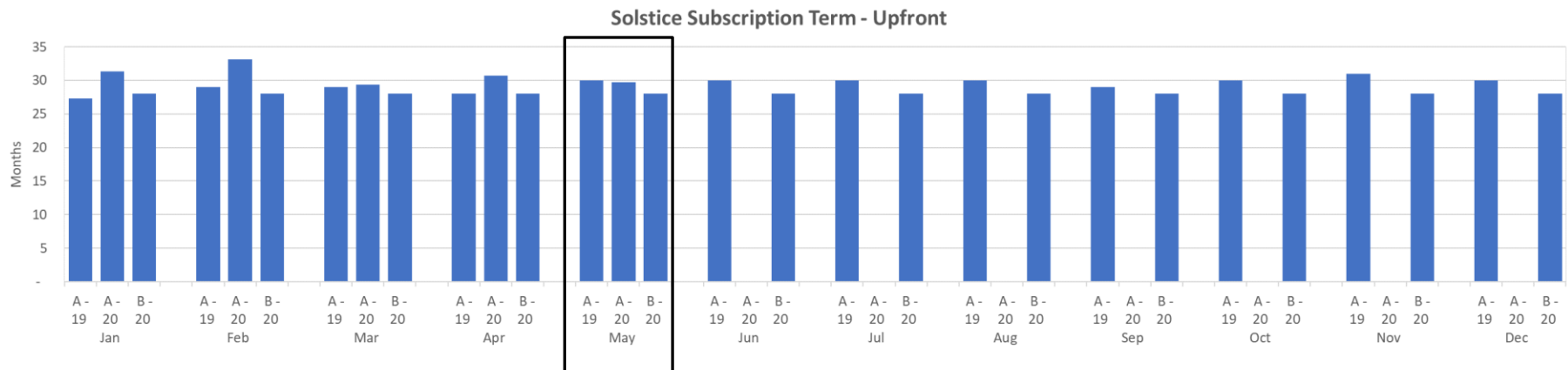


- May Solstice Subscription – Extended (renewal + upfront) was \$580k vs budget of \$625k vs PY of \$295k
- May Solstice Subscription – 1st year was \$522k vs budget of \$667k vs PY of \$382k
- May total Solstice Subscription was under expectations at \$1.1m vs budget of \$1.3m, but above PY of \$678k
- YTD total Solstice Subscription is slightly under expectations at 5.3m vs budget of 5.7m vs PY of 3.0m

Solstice Subscription Metrics – Average Subscription Term

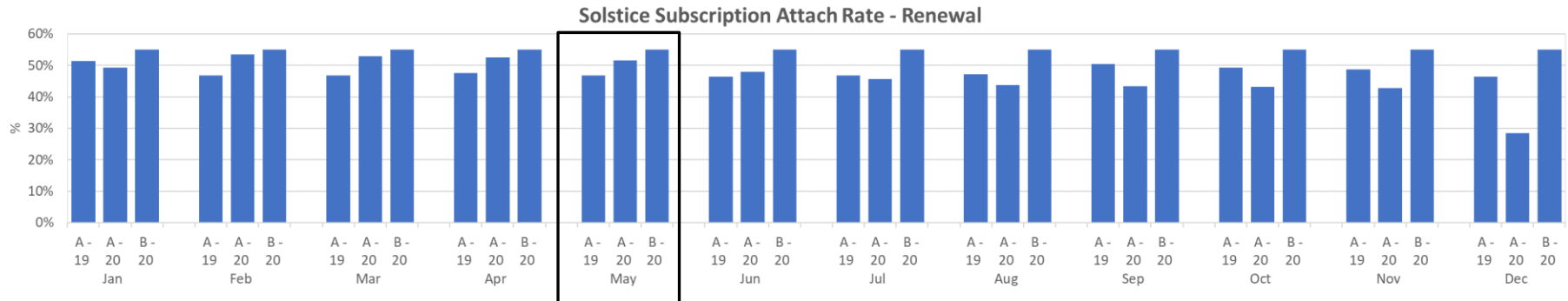


- Renewal average term was 24 months compared to target of 22 months.

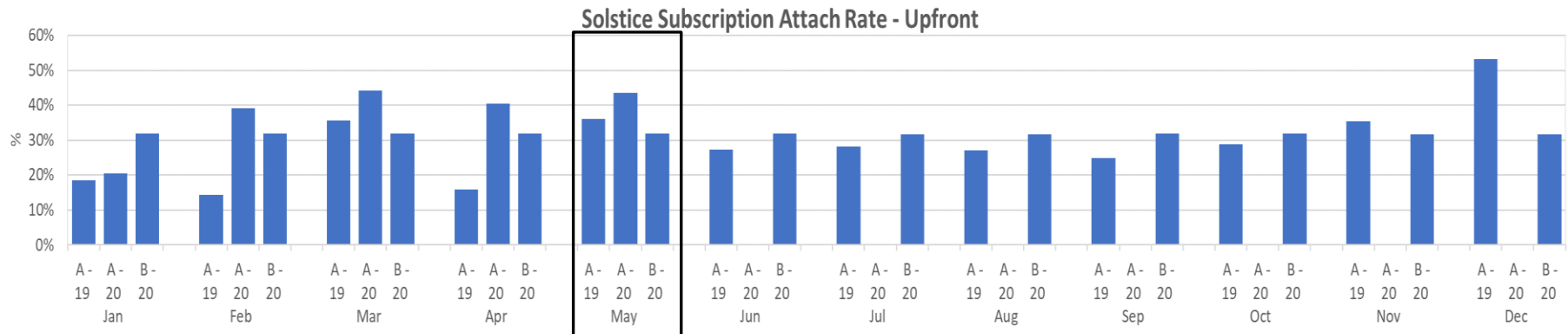


- Upfront average term was 30 months compared to target of 28 months.

Solstice Subscription Metrics – Attach Rate

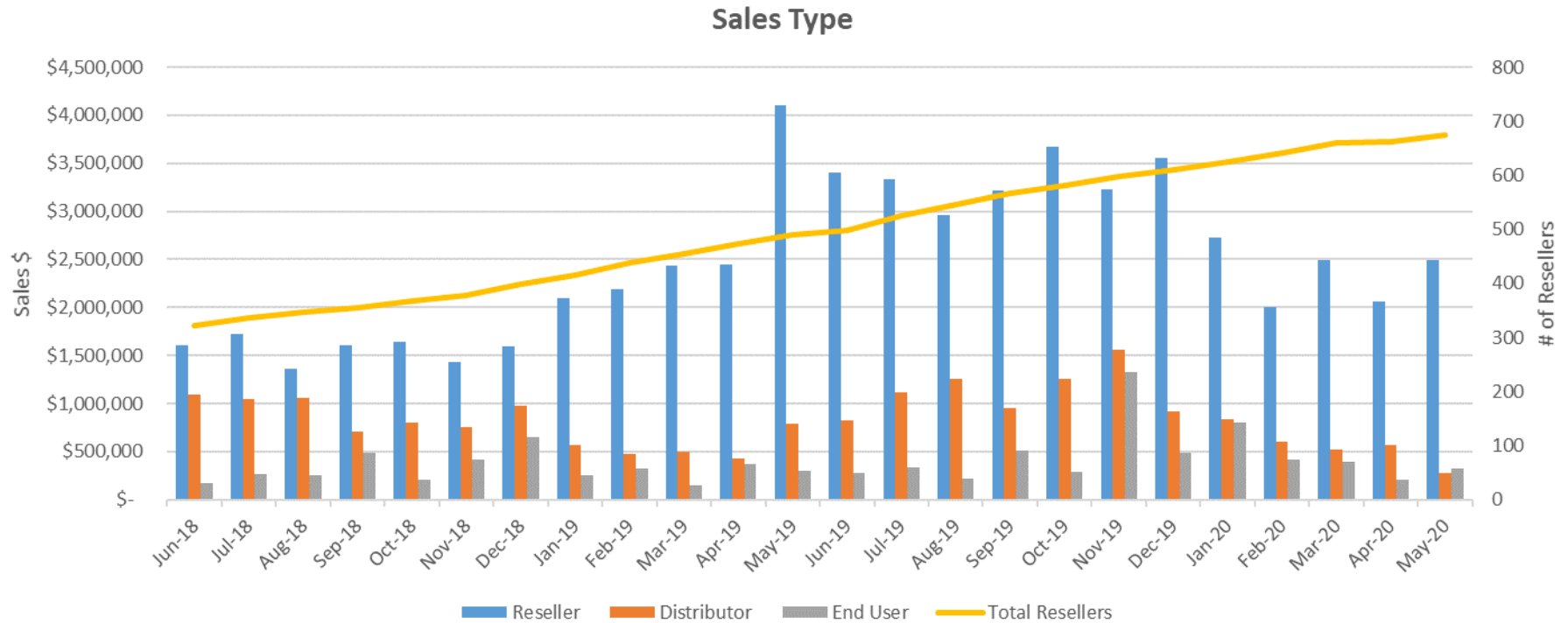


- Renewal rate was 52% during May. Target was 55%.



- Upfront attach rate increased to 43% during May above target of 32%.

Channel Metrics

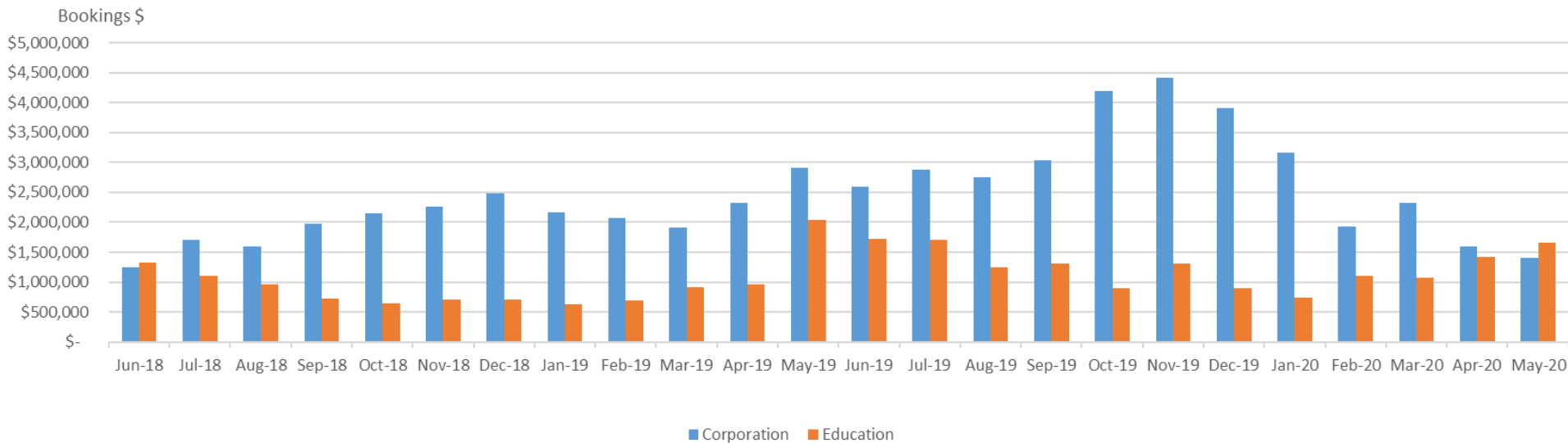


- Bookings
- New Resellers by Region:
 - TOLA = 4, Midwest = 2, Mid-Atlantic = 2, 4 International (1 France, 1 Nigeria, 1 Mexico, 1 Brazil)
 - Unique resellers in May 2020 were at 165 vs 249 for Apr 2020

Customer Segment Metrics



Vertical



• Bookings excluding stocking orders and including sales out

Top Customer Metrics - MTD

End User - Corporate	May 2020 Amount	% of Total
Tractor Supply Company	\$190,590	13%
WeWork	\$61,735	4%
Comcast	\$54,851	4%
Vanguard	\$51,652	4%
Incarnate Word High School	\$43,585	3%
Universitätsspital Zürich Logistik und Serviceze	\$35,563	2%
Fifth Third Bank	\$32,193	2%
Northern Trust	\$30,918	2%
Weymouth Tufts Library	\$27,117	2%
Accenture	\$26,580	2%
Other Customers	\$878,083	61%
Total	1,432,867	100%

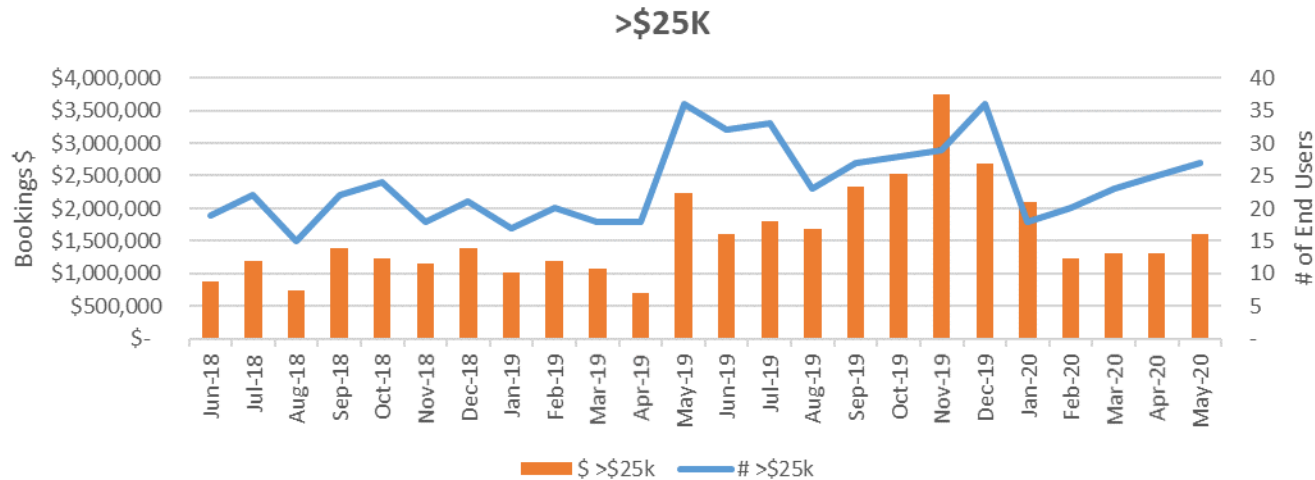
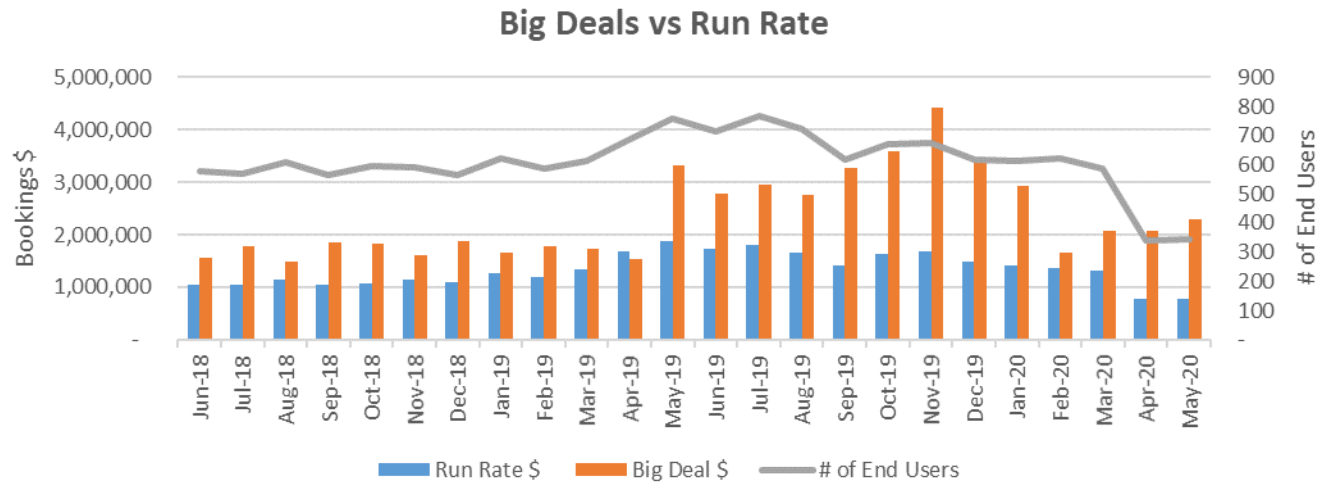
End User - Education	May 2020 Amount	% of Total
Northeastern University	\$232,318	14%
Worcester State University	\$152,349	9%
University of Texas at San Antonio	\$100,856	6%
Norfolk State University	\$88,403	5%
Xavier University	\$85,330	5%
Creighton University	\$80,756	5%
SOUTHEAST COMMUNITY COLLEGE	\$63,927	4%
Iowa State University	\$56,335	3%
John Carroll University	\$52,245	3%
University of Illinois College of Medicine	\$45,195	3%
Other Customers	\$702,778	42%
Total	1,660,492	100%

Top Customer Metrics - LTM

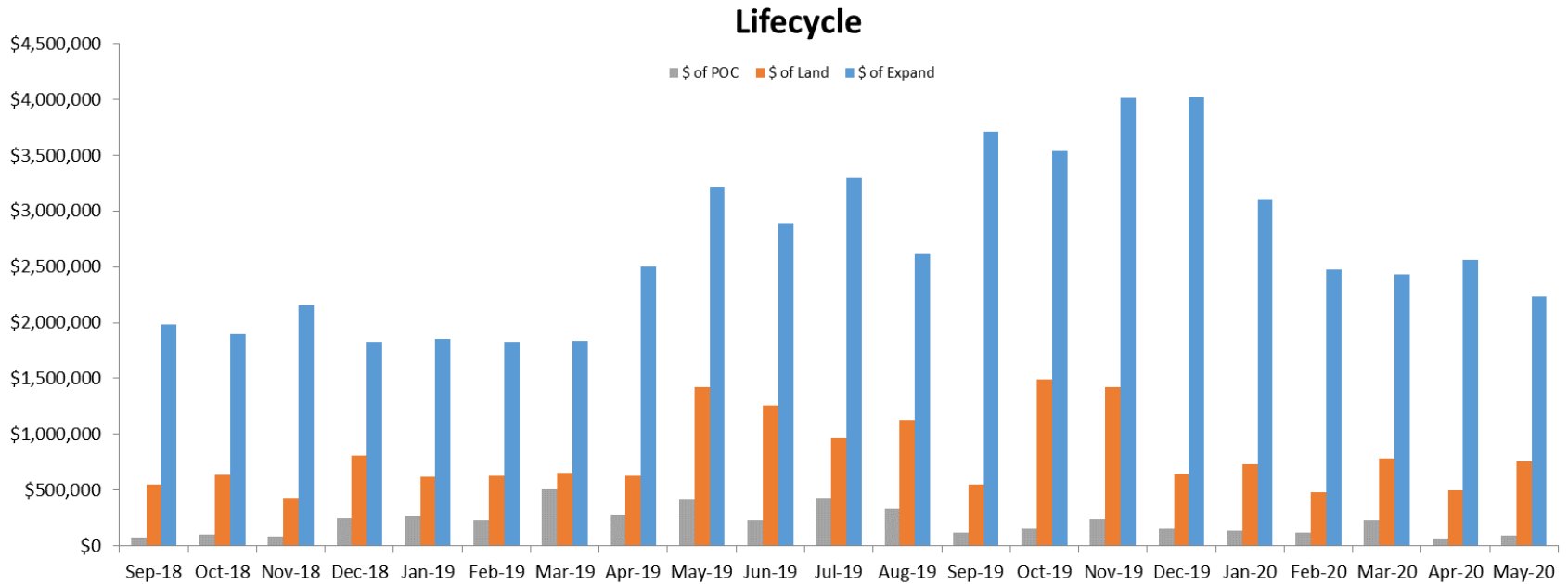
End User - Corporate	LTM Amount	% of Total
WeWork	\$5,556,486	16%
Nike	\$1,274,534	4%
Kiewit Corporation	\$919,515	3%
Comcast	\$792,358	2%
The Vanguard Group	\$694,475	2%
Mastercard	\$608,739	2%
Accenture	\$553,913	2%
Charter Communications	\$435,854	1%
AstraZeneca Global - Verified	\$372,461	1%
IQVIA	\$340,909	1%
Other Customers	\$23,510,716	67%
Total	35,059,960	100%

End User - Education	LTM Amount	% of Total
Northeastern University	\$381,097	3%
Case Western Reserve University	\$375,421	2%
Iowa State University	\$352,407	2%
Texas Tech University	\$315,365	2%
Penn State University	\$306,742	2%
Carnegie Mellon University	\$261,041	2%
University of Illinois	\$251,641	2%
Indiana University	\$233,977	2%
Nexus International School (Singapore)	\$226,358	2%
George Mason University	\$223,528	1%
Other Customers	\$12,147,636	81%
Total	15,075,212	100%

Big Deals and Run Rate Metrics

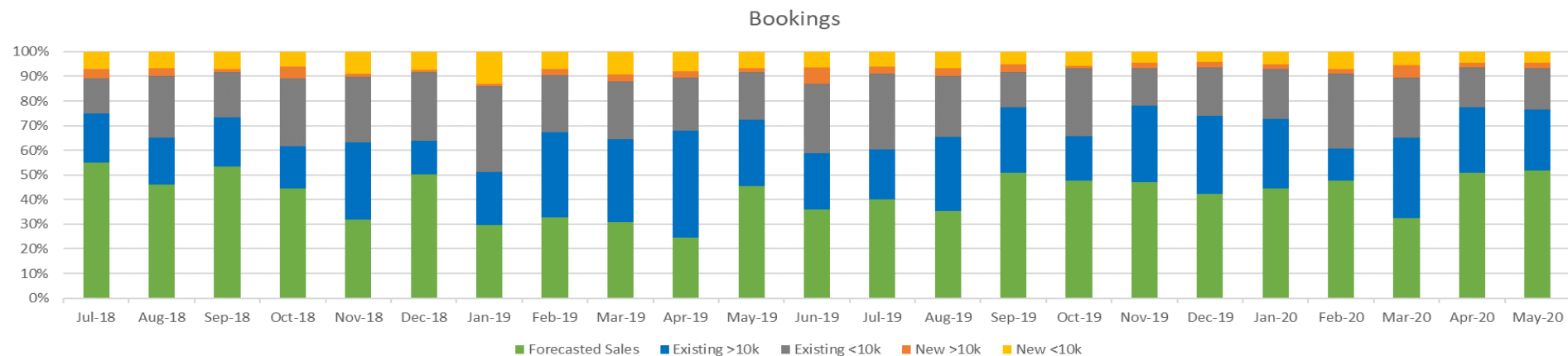
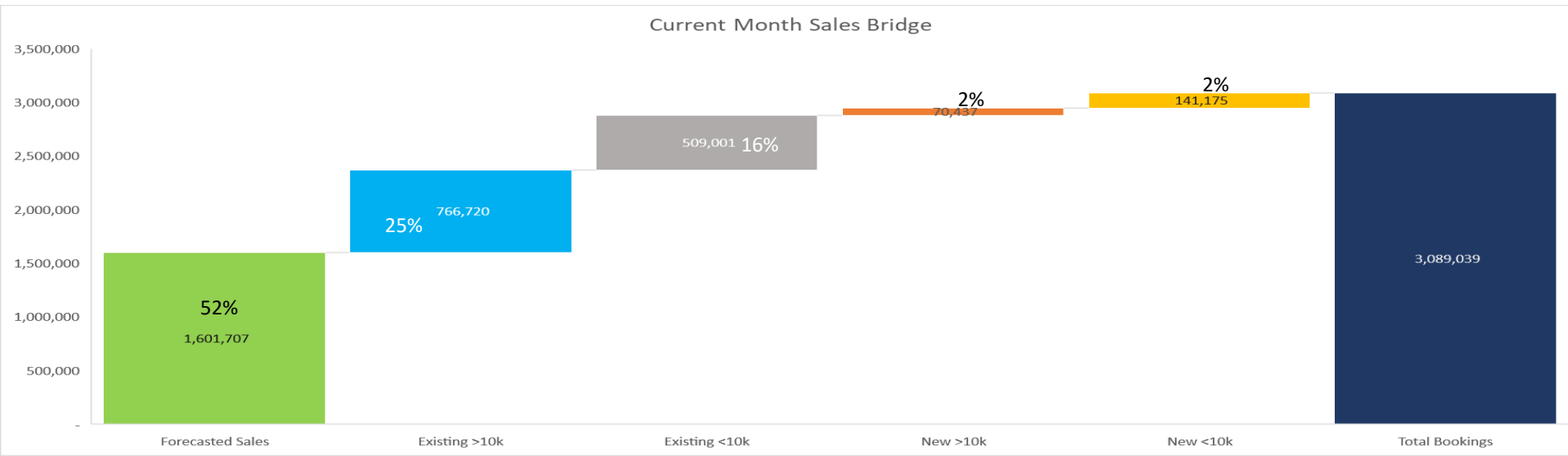


End User Lifecycle Metrics



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
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
\$ 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
\$ 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
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

Bookings Attribution Analysis



Management Discussion

- 52% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 25% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 16% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 4% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

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

Name	Territory	May-20				2020 YTD			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
Jonathan Davies	New England	262,500	421,694	159,194	161%	1,073,100	1,012,315	(60,785)	94%
Melissa Johnson	Mid-Atlantic	393,750	270,574	(123,176)	69%	1,609,650	1,386,425	(223,225)	86%
Ryan Shannon	Midwest	1,356,250	838,986	(517,264)	62%	5,544,350	3,863,594	(1,680,756)	70%
Scott Ruffer	Midwest	376,250	289,310	(86,940)	77%	926,240	637,659	(288,581)	69%
Mats Bergqvist	West Coast	470,313	143,888	(326,425)	31%	2,015,370	1,306,315	(709,055)	65%
John Chandler	TOLA	525,000	282,519	(242,481)	54%	2,146,200	1,332,353	(813,847)	62%
Joel Carroll	Southeast	568,750	396,532	(172,218)	70%	2,325,050	1,434,179	(890,871)	62%
Craig Tollefson	Minnesota	358,750	326,332	(32,418)	91%	1,466,570	903,551	(563,019)	62%
Burt Feldman	Northeast	962,500	310,096	(652,404)	32%	3,934,700	2,265,417	(1,669,283)	58%
Ryan Gregston	Southwest	250,286	105,444	(144,842)	42%	1,229,757	630,703	(599,054)	51%
Veronica Saldarriaga	Rocky Mountain	153,125	68,277	(84,848)	45%	625,975	276,061	(349,914)	44%
Danny Fabre	Canada	175,000	14,925	(160,076)	9%	715,400	191,305	(524,095)	27%
Jeff McDonald	ANZ	153,125	17,843	(135,282)	12%	625,975	132,340	(493,635)	21%
Johan Cederberg	Nordics	218,750	2,398	(216,352)	1%	894,250	445,889	(448,361)	50%
Rosario Marsegia	Germany/Italy	196,875	54,042	(142,833)	27%	804,825	334,469	(470,356)	42%
Thomas Liot	France/Spain	196,875	78,582	(118,293)	40%	804,825	290,383	(514,442)	36%
Chris Charran	UK	481,250	1,263	(479,987)	0%	1,967,350	654,100	(1,313,250)	33%
Cyril Mattar	MEA	153,125	37,299	(115,826)	24%	625,975	178,939	(447,036)	29%
Jeff Liu	China	166,250	32,503	(133,747)	20%	679,630	49,210	(630,421)	7%
Gark Tan	APAC	350,000	77,234	(272,766)	22%	1,430,800	764,527	(666,273)	53%
Jeff Meyer	EMEA	1,334,375	189,354	(1,145,021)	14%	5,454,925	2,303,551	(3,151,374)	42%
WeWork	N/A	306,250	57,119	(249,131)	19%	1,251,950	665,270	(586,680)	53%
Rick Emery	World	6,342,963	3,089,039	(3,253,923)	49%	25,930,031	16,710,855	(9,219,176)	64%

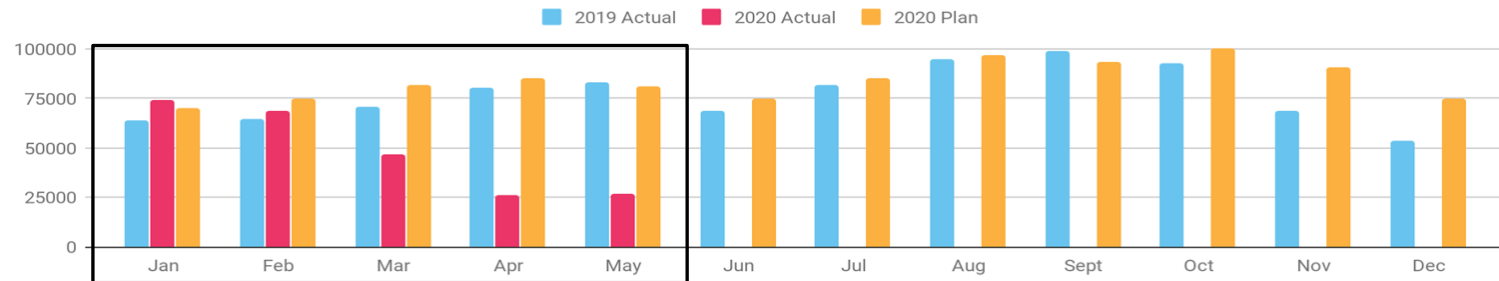
New End User Count by Region

May 2020 New End Users

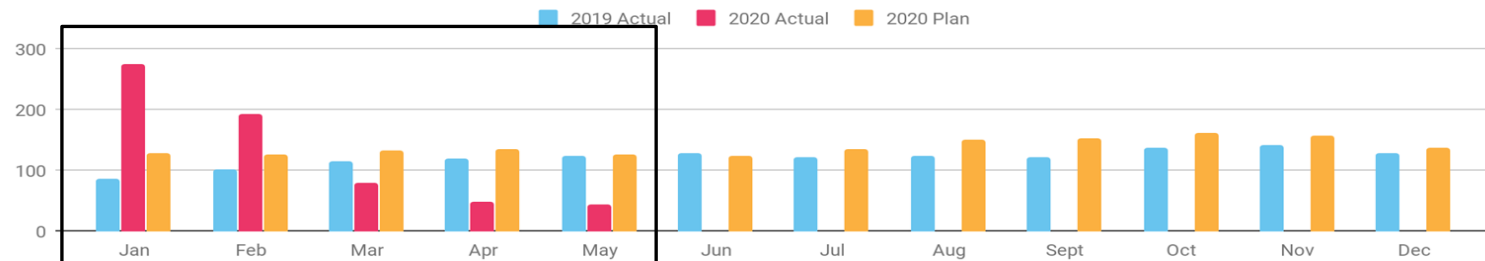
Name	Territory	May-19	May-20			2020 YTD			
		PY	Actual	Var \$	% of PY	PY	Actual	Var \$	% of PY
Scott Ruffer	Midwest	-	5	5		-	10	10	
Veronica Saldarriaga	Rocky Mountain	3	4	1	133%	5	28	23	560%
Craig Tollefson	Midwest	-	9	9		4	36	32	900%
Jeff McDonald	ANZ	2	-	(2)	0%	3	5	2	167%
Melissa Johnson	Mid-Atlantic	9	4	(5)	44%	17	31	14	182%
Ryan Gregston	Southwest	2	1	(1)	50%	12	24	12	200%
John Chandler	TOLA	13	12	(1)	92%	68	63	(5)	93%
Joel Carroll	Southeast	20	9	(11)	45%	100	71	(29)	71%
Jonathan Davies	New England	9	2	(7)	22%	27	10	(17)	37%
Danny Fabre	Canada	10	2	(8)	20%	55	23	(32)	42%
Burt Feldman	Northeast	24	6	(18)	25%	121	55	(66)	45%
Ryan Shannon	Midwest	36	12	(24)	33%	167	72	(95)	43%
Mats Bergqvist	West Coast	13	2	(11)	15%	73	19	(54)	26%
Johan Cederberg	Nordics	14	3	(11)	21%	28	42	14	150%
Cyril Mattar	MEA	-	3	3		7	24	17	343%
Rosario Marsegli	Germany/Italy	33	2	(31)	6%	58	19	(39)	33%
Thomas Liot	France/Spain	14	4	(10)	29%	65	28	(37)	43%
Chris Charran	UK	19	5	(14)	26%	99	40	(59)	40%
Jeff Liu	China	7	1	(6)	14%	17	6	(11)	35%
Gark Tan	APAC	10	13	3	130%	77	77	-	100%
Jeff Meyer	EMEA	117	17	(100)	15%	382	170	(212)	45%
Rick Emery	World	244	89	(155)	36%	1,022	652	(370)	64%

Marketing Metrics

Sessions



QLs

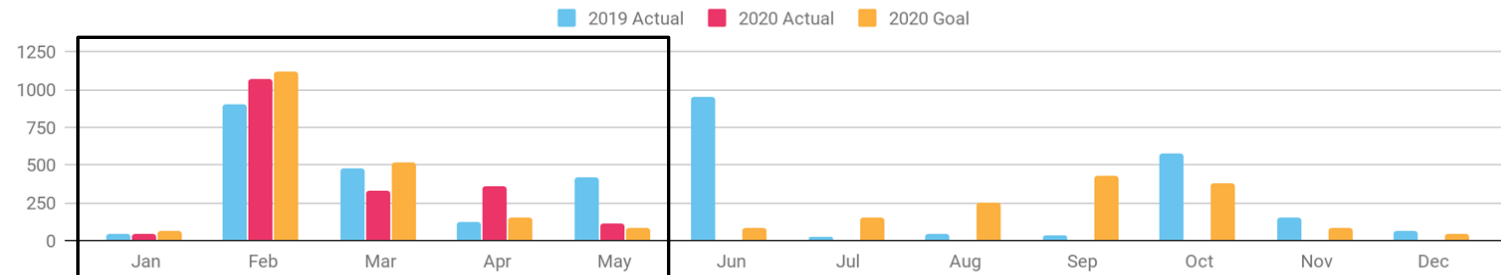


Management Discussion

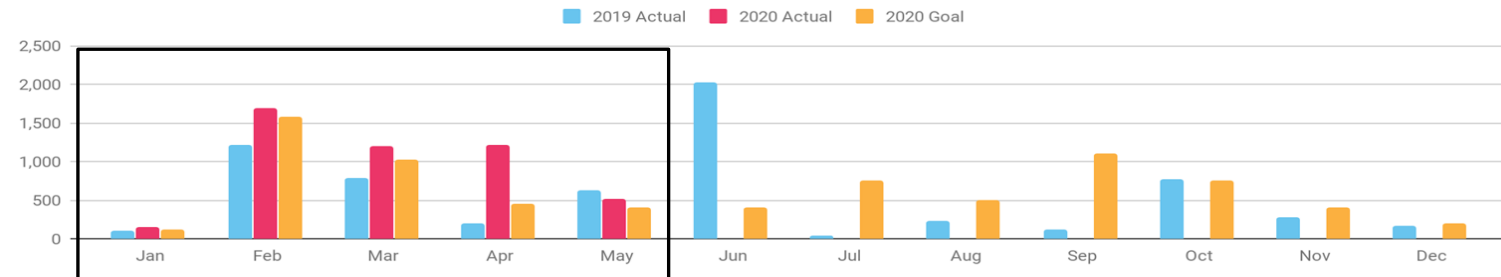
- Revised 2H plan is under way for sessions and QLs.
- Web traffic is below plan due to pausing ad spend in current and prior months plus the global effect of coronavirus. May had ~500 more sessions than the prior month.
- The May session to QL conversion rate is 0.17% on a plan of 0.16%; low sessions and the pandemic have led to a lower total count of QLs.

Field Marketing Metrics

New Event Members



All Event Members

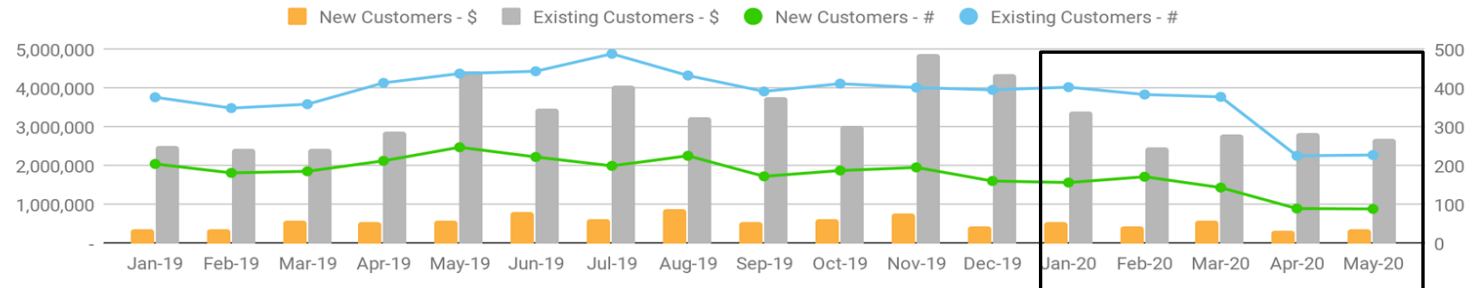


Management Discussion

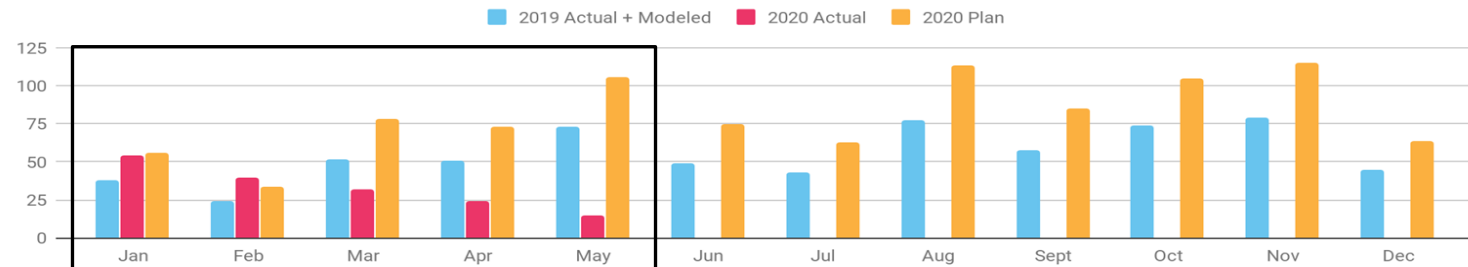
- Total event membership remains ahead of plan.
- New event memberships were disproportionately affected compared to May 2019 by combination of budget reductions and in-person events being cancelled.
- 63% YoY total membership improvement comparing first five months of 2019 to 2020.

New Customer Metrics

Monthly New vs. Existing Customers



Marketing Influenced Net New Accounts

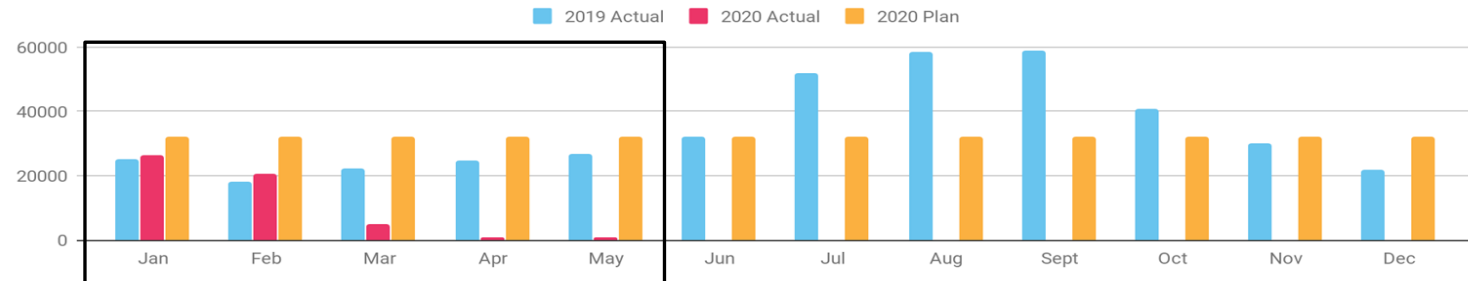


Management Discussion

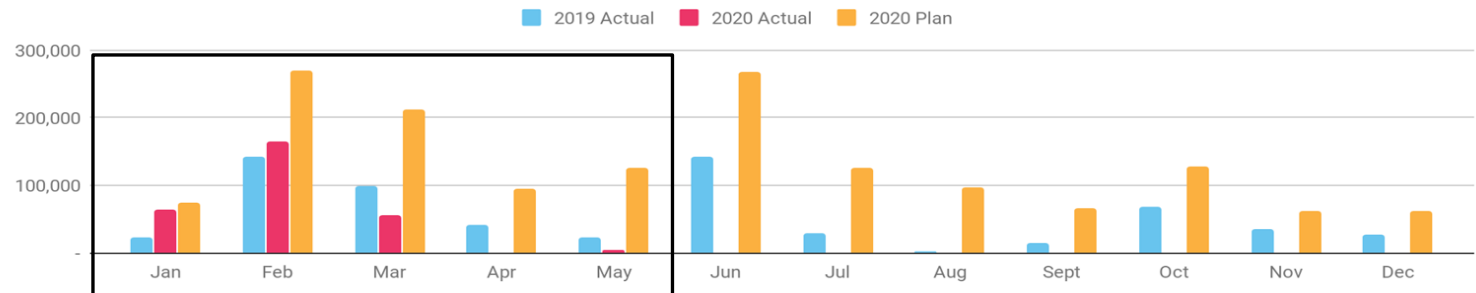
- This plan does not account for Covid-19 impact; a modified plan based on lowered ad spend and event cancellations/delays will follow an updated 2H bookings forecast.
- May customer accounts were similar in count to April with one fewer net new account and 2 additional existing accounts.
- Marketing influenced NN accounts are below plan due to technical challenges of identifying account activity while users work from home; original plan assumed increase in ABM targeted ad spend which is on hold during the pandemic.

Marketing Spend

Digital Ad Spend



Field Marketing Spend



Management Discussion

- Digital Ad spend was 2.4% of plan in May, 34% of plan YTD.
- Field Marketing spend was 4% of plan in May, 37% of plan YTD.

2020 Marketing Assets



Solstice Conference + Logitech Rally
Room Solution



Complete Collaboration Solution for Midsize Meeting Spaces

Solstice Conference paired with the Logitech Rally combines the reach of video conferencing with the power of rich, multi-participant content sharing to enhance the collaboration experience between onsite and remote users.

This room solution delivers the convenience of a traditional room system with the flexibility to use any conferencing service installed on the meeting host's laptop.

Solstice Conference

- Multi-participant content sharing from any device
- Agnostic support for all major conferencing services
- Easy, one-step start from the meeting host's laptop
- Wirelessly connects the Logitech Rally system to the conference
- Enterprise-grade security and fully IT-compliant
- Cloud-based deployment management and analytics

Logitech Rally

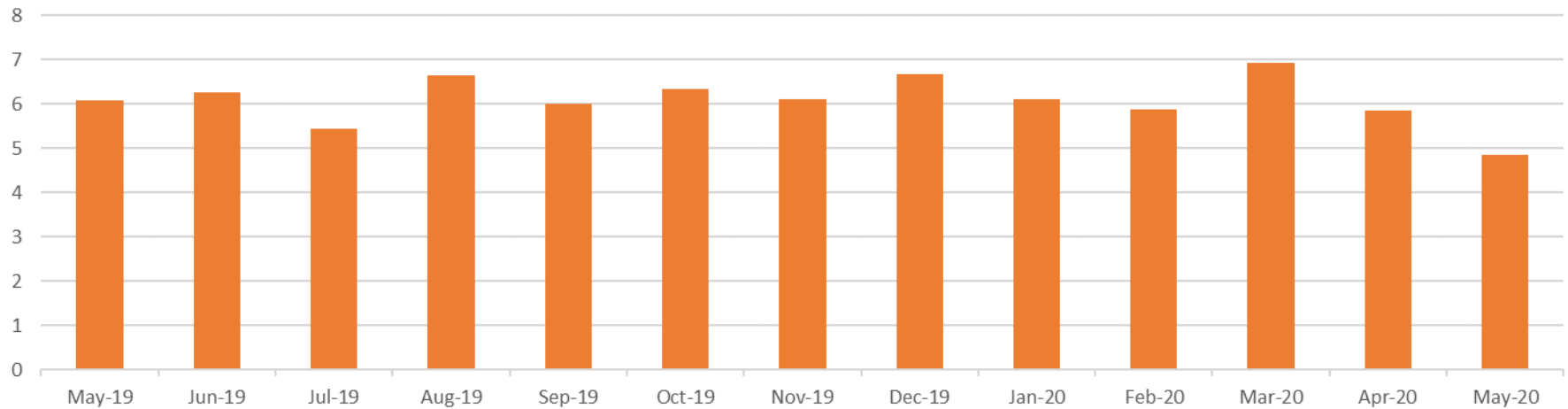
- Ultra-HD ConferenceCam auto-frames participants in the room
- Studio-quality video optimizes light balance and facial emphasis
- Front-of-room speaker provides rich, life-like sound
- Intelligent tabletop mic pod zeroes in on active speakers while reducing background noise
- For larger room configurations, additional mic pods can be added

Meeting Host Laptop

- Requires Windows or macOS laptops to host meetings
- Supports Webex, Zoom, Teams, and most other conferencing apps



Average Number of Sessions per User per Month

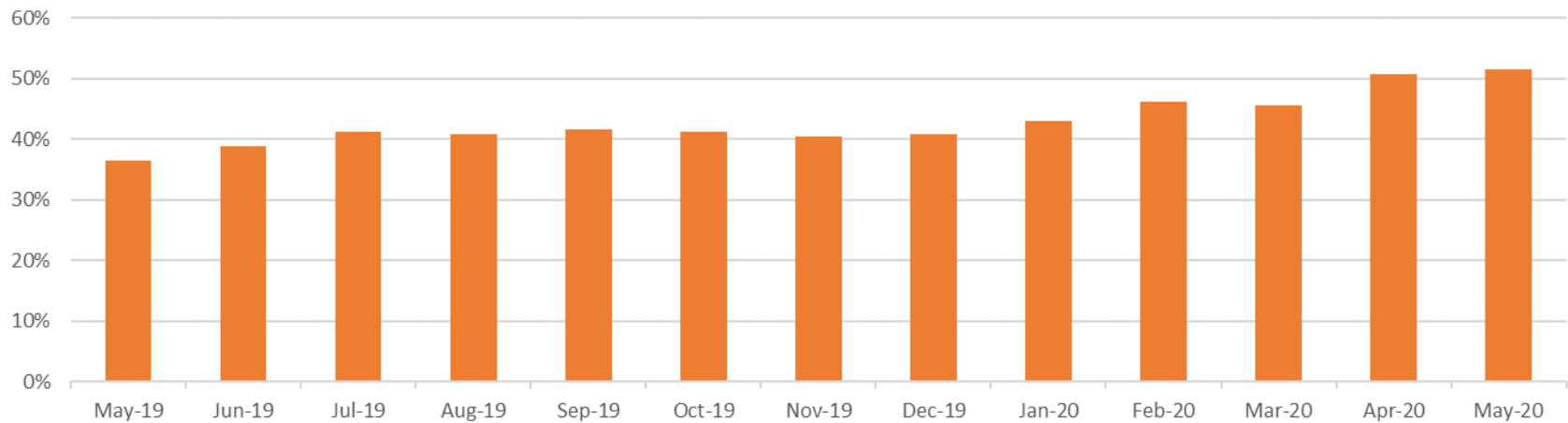


Management Discussion

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

Kepler - Adoption

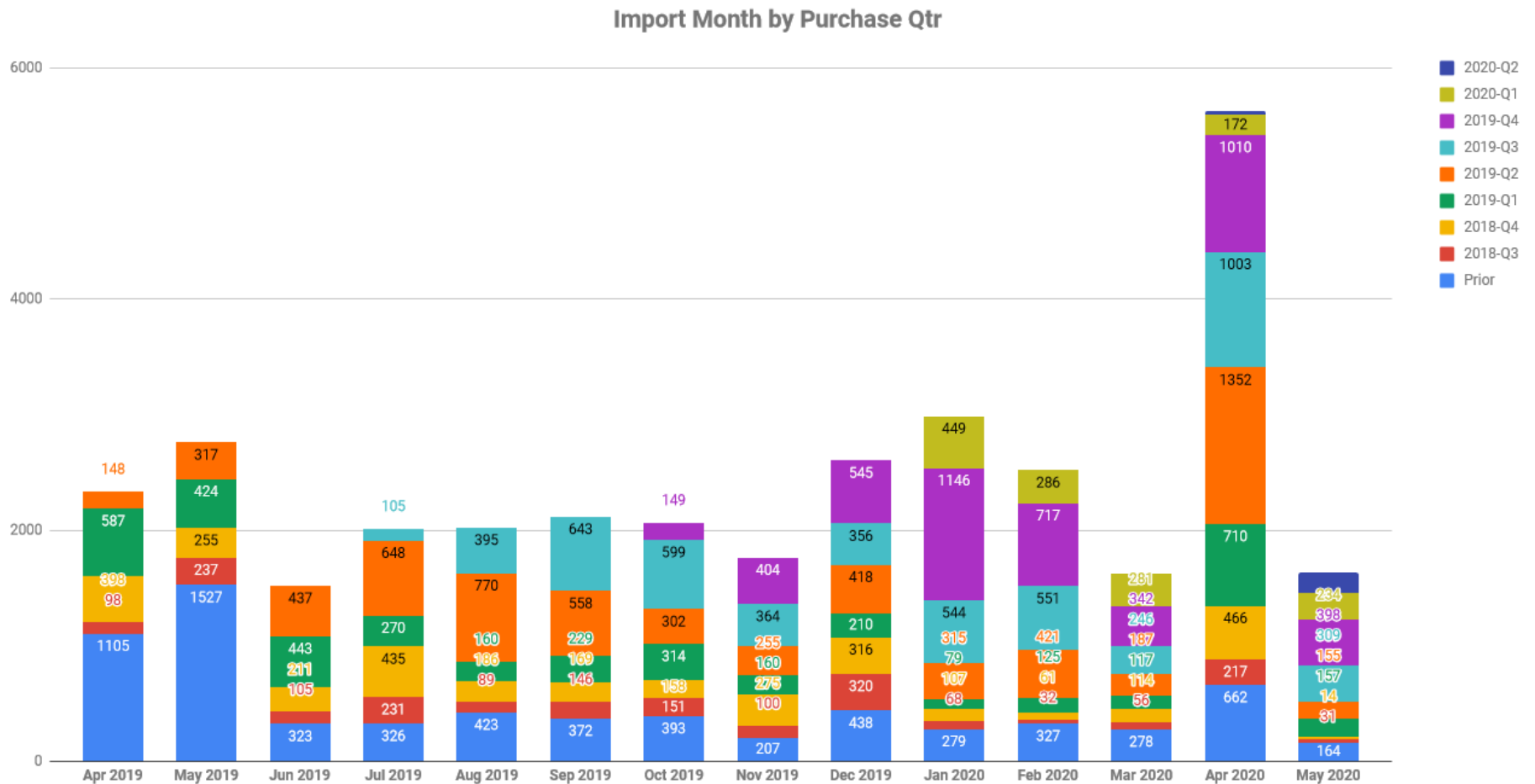
% of Top 100 Customers with Kepler



Management Discussion

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

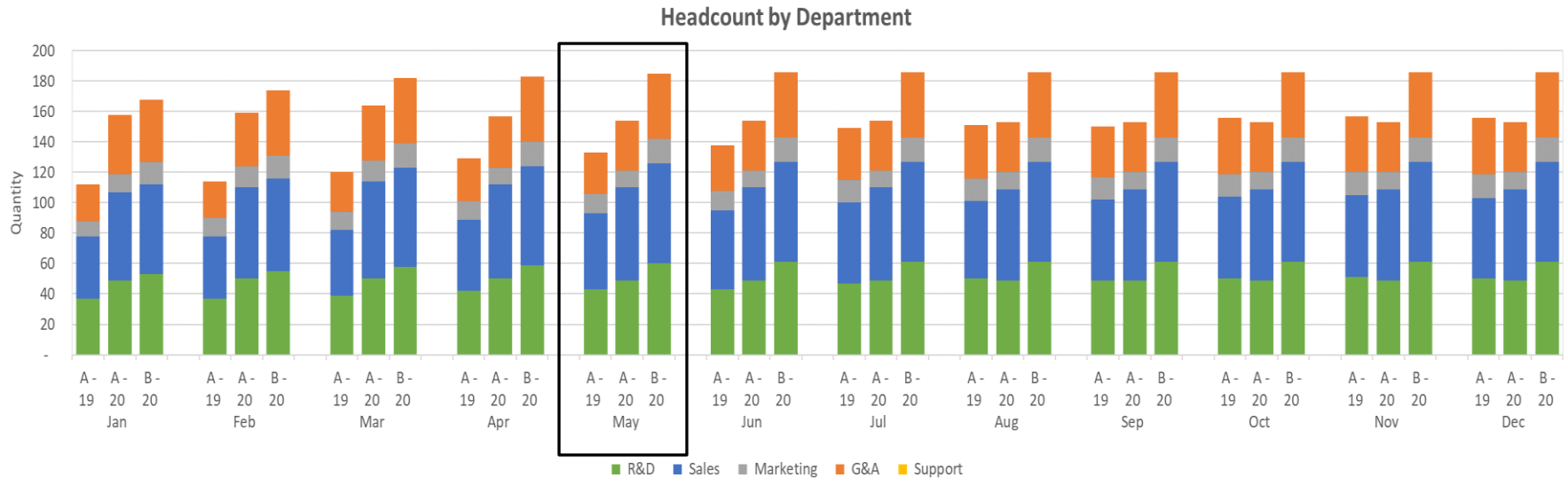
Kepler – Kepler Import Month by Purchase Quarter



Management Discussion

- Kepler imports by month by purchase quarter.
- Kepler import is when a customer imports a Solstice or group of Solstice into Kepler
- Increase is due to a one-time bulk import by WeWork.

Staffing Analysis



Management Discussion

- Headcount is below plan through May at 154 compared to budget of 183.

5/30/20 Talent Snapshot

Team Members by Geography

Denver (106)

US field (28)

International field (19)

Team Members by Function

Development (51)

Sales (55)

Marketing (16)

Operations (21)

Finance/HR/Exec (11)

Total Team Members: 154

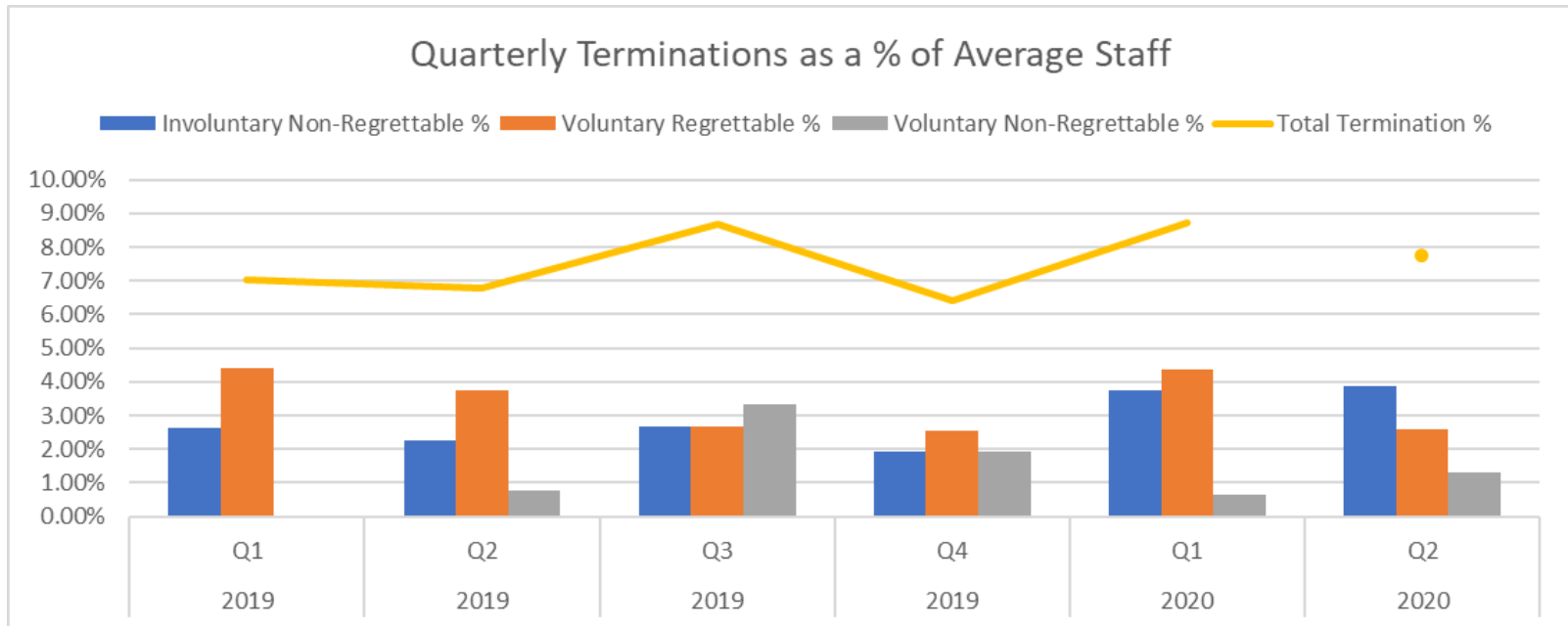
Open Positions: 0

YTD Hires: 23

YTD Departures: 26

YTD Net Headcount Growth: -3

Termination Analysis



Management Discussion

- 4 Terminations in May, of which 2 are regrettable.

Monthly Operating Review Agenda

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

Summary P&L Through May 2020

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%	\$	%
Net Revenue	3,004	5,430	(2,426)	(44.7%)	3,800	(796)	(21.0%)	15,276	22,702	(7,426)	(32.7%)	14,160	1,116	7.9%		
ARR	12,958	15,495	(2,537)	(16.4%)	7,781	5,177	66.5%	12,958	15,495	(2,537)	(16.4%)	7,781	5,177	66.5%		
Material	616	1,628	(1,013)	(62.2%)	963	(347)	(36.1%)	3,450	6,526	(3,076)	(47.1%)	3,364	86	2.6%		
Labor	73	88	(15)	(16.9%)	79	(7)	(8.4%)	360	440	(80)	(18.2%)	304	56	18.4%		
Total COGS	689	1,716	(1,027)	(59.9%)	1,043	(354)	(34.0%)	3,810	6,966	(3,155)	(45.3%)	3,668	142	3.9%		
Gross Margin	2,315	3,714	(1,398)	(37.7%)	2,758	(442)	(16.0%)	11,466	15,737	(4,271)	(27.1%)	10,492	974	9.3%		
Gross Margin %	77.1%	68.4%			72.6%			75.1%	69.3%			74.1%				
R&D	780	958	(178)	(18.6%)	614	166	27.0%	3,856	4,673	(817)	(17.5%)	2,537	1,319	52.0%		
Sales & Marketing	961	1,557	(596)	(38.3%)	1,086	(125)	(11.5%)	5,224	7,769	(2,545)	(32.8%)	5,014	210	4.2%		
Administrative	643	851	(208)	(24.4%)	687	(43)	(6.3%)	3,446	4,146	(701)	(16.9%)	2,972	473	15.9%		
Total Opex	2,384	3,366	(982)	(29.2%)	2,387	(2)	(0.1%)	12,525	16,589	(4,063)	(24.5%)	10,523	2,002	19.0%		
Reported EBITDA	(69)	348	(417)	(119.8%)	371	(440)	(118.6%)	(1,060)	(852)	(207)	24.3%	(32)	(1,028)	3258.7%		
EBITDA Margin %	(2.3%)	6.4%			9.8%			(6.9%)	(3.8%)			(0.2%)				
EBITDA, adjusted	(69)	348	(417)	(119.8%)	371	(440)	(118.6%)	(1,060)	(852)	(207)	24.3%	(32)	(1,028)	3258.7%		
Adjusted EBITDA % sales	(2.3%)	6.4%			9.8%			(6.9%)	(3.8%)			(0.2%)				
Net Income (Loss)	\$ (554)	\$ (317)	\$ (237)	74.8%	\$ (39)	\$ (515)	1333.3%	\$ (3,555)	\$ (3,578)	\$ 23	(0.6%)	\$ (2,266)	\$ (1,289)	56.9%		
Capex	\$ (3)	\$ (53)	\$ 49	(93.8%)	\$ (35)	\$ 32	(90.7%)	\$ (165)	\$ (304)	\$ 139	(45.7%)	\$ (261)	\$ 96	(36.8%)		

Management Discussion

- MTD invoiced sales were \$3.0m compared to plan of \$6.3m and include Solstice subscription sales of \$751k compared to plan of \$1.4m. There was backlog of \$480k at month end. Bookings for the month were \$3.1m. May 2019 was \$4.7m. YTD invoiced sales were \$16.4m compared to plan of \$25.9m and include Solstice subscription sales of \$4.6m compared to plan of \$5.6m. YTD Bookings were \$16.7m compared to 2019 YTD bookings of \$17.4m.
- MTD invoiced sales mix by region: Americas 86% actual vs 76% target, EMEA 11% actual vs 18% target, APAC 3% actual vs 5% target. YTD invoiced sales mix by region: Americas 81% actual vs 76% target, EMEA 14% actual vs 18% target, APAC 5% actual vs 5% target.
- MTD revenue of \$3.0m includes approximately \$1.9m of pod revenue and \$1.1m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$1.9m is lower than budget of \$4.1m for the month because of lower than expected pod unit sales. May 2019 revenue was \$3.8m. YTD 2020 revenue was \$15.7m compared to budget of \$22.7m and YTD 2019 of \$14.2m.
- ARR is lower than expected primarily due to lower than budgeted pod unit sales impact on free year subscription. Pod unit sales excluding upgrades/swaps are approx. 48% of plan YTD.
- Units shipped for the month were 2,744 vs budget of 6,356 and overall invoiced ASP was \$808 vs the budget of \$772 including Gen 3 upgrades. Americas ASP was 824 vs budget of \$831, EMEA at \$776 ASP vs \$621 budgeted and APAC at \$618 invoiced ASP vs \$623 budgeted. Without hardware upgrades included, ASP increases to \$884 per unit. YTD ASP was \$761 vs budget of \$771.
- Invoiced renewal subscription MTD were 1,122 units compared to plan of 4,240 resulting in invoiced sales of \$338k compared to budget of \$831k. May 2019 was \$347k. YTD in invoiced sales of \$2.9m compared to budget of \$3.4m. YTD 2019 was \$1.7m.
- Invoiced upfront subscription MTD were 1,192 units compared to target of 2,028 resulting in invoiced sales of \$413k compared to budget of \$528k. May 2019 was \$484k. YTD in invoiced sales of \$1.7m compared to budget of \$2.2m. YTD 2019 was \$1.2m.
- MTD GP \$ was below plan primarily due to less than expected Solstice sales. MTD GP % was above plan due to higher than expected mix of subscription revenue and less than expected invoiced sales for WeWork.
- MTD R&D OpEx variance is primarily due to being under budget on hiring plan.
- MTD S&M OpEx is under budget due primarily to reduced commission expense, marketing spend, 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 services.
- Invoiced EBITDA for May was (\$49k) compared to budget of \$1.3m. May 2019 was \$1.3m. YTD 2020 was \$24k compared to budget of \$2.4m. YTD 2019 was \$2.6m.
- YTD CAPEX is below plan due to COVID-19 reductions.

Balance Sheet

\$'000	Dec-19	Feb-20	Mar-20	Apr-20	May-20		Variance
	Act	Act	Act	Act	Act	Bud	\$
Current Assets							
Cash and cash equivalents	\$ 7,647	\$ 7,471	\$ 8,113	\$ 9,136	\$ 9,361	\$ 2,443	\$ 6,918
Short term investments	—	—	—	—	—	—	—
<i>Accounts receivable, gross</i>	7,969	6,249	5,765	4,908	5,034	9,726	(4,691)
<i>Accounts receivable, reserves</i>	(102)	(154)	(159)	(192)	(243)	(125)	(118)
Accounts receivable, net	7,867	6,095	5,606	4,716	4,792	9,601	(4,809)
Inventory, net	3,932	5,354	5,729	5,209	5,563	4,631	932
Prepaid expenses and other current assets	2,435	2,418	1,705	1,980	1,890	3,348	(1,458)
Total Current Assets	21,881	21,338	21,154	21,040	21,606	20,023	1,583
Non-Current Assets					\$ 89	\$ (1,368)	\$ (1,458)
<i>Property, plant & equipment, gross</i>	1,918	1,965	2,005	2,080	2,084	2,223	(140)
<i>Accumulated depreciation</i>	(375)	(447)	(484)	(539)	(581)	(420)	(160)
Property, plant & equipment, net	1,543	1,518	1,522	1,541	1,503	1,803	(300)
Goodwill	25,472	24,937	24,670	24,402	24,134	24,558	(423)
Identifiable intangible assets, net	2,012	1,898	1,842	1,785	1,728	1,870	(142)
Deferred tax asset	3,462	3,462	3,462	3,462	3,462	3,431	31
Other non-current assets	1,056	1,093	1,096	1,088	1,085	1,056	29
Total Non-Current Assets	33,545	32,907	32,591	32,278	31,912	32,717	(805)
Total Assets	\$ 55,426	\$ 54,246	\$ 53,745	\$ 53,319	\$ 53,518	\$ 52,740	\$ 777
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	—	3,500
Accounts payable	2,328	2,115	2,408	2,712	3,121	3,092	28
Accrued liabilities	122	356	297	259	308	280	28
Accrued compensation	2,334	2,182	1,106	1,075	1,404	1,040	365
Income taxes payable	—	—	751	751	751	278	473
Other current liabilities	349	354	342	341	334	330	4
Total Current Liabilities	8,634	8,507	8,404	8,638	9,419	5,020	4,399
Long-term liabilities							
Long-term debt less current maturities	—	—	—	—	—	3,500	(3,500)
Long-term unearned revenue	15,655	16,571	16,710	16,594	16,579	18,726	(2,147)
Deferred liabilities	267	251	242	218	205	336	(132)
Total Long-Term Liabilities	15,922	16,822	16,952	16,812	16,784	22,562	(5,778)
Total Liabilities	24,556	25,328	25,356	25,450	26,203	27,582	(1,380)
Shareholders' Equity							
Total Shareholders' Equity	30,870	28,917	28,389	27,868	27,315	25,158	2,157
Total Liabilities and Shareholders' Equity	\$ 55,426	\$ 54,246	\$ 53,745	\$ 53,319	\$ 53,518	\$ 52,740	\$ 777

Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February, strong AR collections over last couple months, COVID related cost reductions, and received a \$750k IRS refund in March that was not planned or expected.
- AR is lower than plan due to lower than budgeted invoiced sales, however, increase MoM is due to increased sales in May.
- Inventory is above plan due to lower than planned Solstice sales.
- Prepaid and OCA balances are lower than plan as we applied a \$1.1m pre-paid inventory deposits to outstanding invoices from Smart Technologies earlier than anticipated.
- AP variance to plan is largely consistent with plan. The variance month to month is due to timing of invoices from our supplier.
- 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. This is netted with lower than expected accrued bonus/MIP due to removing bonus for March and April 2020.
- The 751k tax payable is a tax refund that may be paid back to IRS in Q4 2020.
- Deferred revenue is below plan primarily due to lower than budgeted invoiced sales.
- Notes payable to SVB is forecasted as a LT liability in March as we expected the refinancing with SVB to be completed in March, which would have converted the obligation from ST to LT.
- Equity was higher than plan as we forecasted a \$3.0m dividend in February.

Cash Flow Statement

\$'000	MTD			Var		PY-MTD	Var		YTD	Var		PY YTD	Var	
	Act	Bud	\$			Act			Act	Bud	\$	Act		
Cash flow from operations														
Net Income (Loss)	\$ (554)	\$ (316)	\$ (238)			\$ (39)	\$ (515)		\$ (3,555)	\$ (3,573)	\$ 17	\$ (2,266)	\$ (1,289)	
Depreciation, amortization and other	366	338	27			333	33		1,826	1,669	158	1,737	89	
Deferred income tax	—	—	—			—	—		—	—	—	—	—	
<i>Change in operating assets and liabilities:</i>														
Accounts receivable	(76)	(1,646)	1,570			(876)	800		3,075	(1,734)	4,809	(1,710)	4,786	
Inventory	(353)	(427)	74			867	(1,220)		(1,630)	(698)	(932)	(1,131)	(499)	
Prepaid expenses and other current assets	93	38	55			165	(72)		516	(592)	1,108	(978)	1,494	
Accounts payable	410	499	(89)			(1,724)	2,134		810	729	82	225	586	
Accrued expenses	378	148	231			321	57		(761)	(1,193)	432	(277)	(484)	
Accrued income taxes	—	191	(191)			0	(0)		750	276	473	(0)	750	
Other changes in operating assets and liabilities	(28)	964	(992)			840	(869)		862	3,072	(2,210)	2,331	(1,469)	
Other cash flow from operations	(7)	(3)	(3)			37	(43)		(14)	145	(159)	304	(318)	
Total Cash Flow from Operations	\$ 229	\$ (214)	\$ 443			\$ (77)	\$ 305		\$ 1,879	\$ (1,900)	\$ 3,779	\$ (1,765)	\$ 3,644	
Cash flow from investing														
Additions to property, plant and equipment	\$ (3)	\$ (53)	\$ 49			\$ (35)	\$ 32		\$ (165)	\$ (304)	\$ 139	\$ (261)	\$ 96	
Investment in intangibles	—	—	—			(4)	4		—	—	—	(67)	67	
Total Cash Flow from Investing	\$ (3)	\$ (53)	\$ 49			\$ (39)	\$ 36		\$ (165)	\$ (304)	\$ 139	\$ (328)	\$ 163	
Cash flow from financing														
Common stock cash dividends paid	—	—	—			—	—		—	(3,000)	3,000	—	—	
Other cash flow from financing costs	(0)	—	(0)			(0)	(0)		(0)	0	(0)	0	(0)	
Total Cash Flow from Financing	\$ (0)	\$ —	\$ (0)			\$ (0)	\$ (0)		\$ (0)	\$ (3,000)	\$ 3,000	\$ 0	\$ (0)	
	\$ —	\$ —	\$ —			\$ —	\$ —		\$ —	\$ —	\$ —	\$ —	\$ —	
Net change in cash	\$ 225	(267)	\$ 492			\$ (116)	\$ 341		\$ 1,714	\$ (5,204)	\$ 6,918	\$ (2,093)	\$ 3,807	
Beginning cash	9,136	2,710	6,426			3,775	5,361		7,647	7,647	(0)	5,752	1,894	
Change in cash	225	(267)	492			(116)	341		1,714	(5,204)	6,918	(2,093)	3,807	
Ending cash	\$ 9,361	\$ 2,443	\$ 6,918			\$ 3,659	\$ 5,702		\$ 9,361	\$ 2,443	\$ 6,918	\$ 3,659	\$ 5,702	

Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February, strong AR collections over last couple months, COVID related cost reductions, and received a \$750k IRS refund in March that was not planned or expected.
- Cash flow from operations exceeded plan due to AR collections exceeding invoiced sales which were below plan as well as accrued expenses coming in above plan due to higher PTO and Payroll Taxes compared to budget, and deferred revenue increasing less than plan due to lower sales than plan.
- YTD CAPEX is still below plan.
- YTD Cash flow used in financing is below plan as we forecasted Cash dividend in February.

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**

2020 P&L Reforecast - Preliminary

	<u>2019</u>	<u>2020</u>	<u>Original</u>	<u>Chg to</u>	
	<u>Total</u>	<u>Total</u>	<u>AOP</u>	<u>Plan</u>	<u>YoY Chg</u>
2020 Reforecast P&L					
000					
<u>Invoiced Summary</u>					
Pod	40,876	36,489	56,845	(20,356)	(4,387)
Software Subscription	10,986	11,517	15,646	(4,129)	532
Total Invoiced Sales	51,862	48,006	72,491	(24,485)	(3,856)
		24%	22%		
Deferred Revenue	15,922	19,543	24,729	(5,185)	3,621
		83%	83%		
<u>Revenue Summary</u>					
Pod	33,121	30,300	47,137	(16,837)	(2,821)
Software Subscription	8,951	13,775	16,375	(2,599)	4,824
Total Revenue	42,072	44,075	63,511	(19,436)	2,003
COGS					
HW	9,673	9,174	17,182	(8,008)	(499)
Support Comp	766	818	998	(179)	52
Other non-Comp Expenses	1,438	1,375	1,752	(377)	(63)
TOTAL COGS	11,877	11,367	19,931	(8,564)	(510)
Logistics & Support HC	11	11	14	(3)	0
Gross Profit	30,195	32,708	43,580	(10,872)	2,513
	71.8%	74.2%	68.6%		

Management Discussion – Assumptions

- 24% of invoiced sales is subscription compared to 22% in AOP for 2020
- Renewal attach rate is 55% and Upfront attach rate is 32%
- Free year is 17% of invoiced pod
- COGS - \$200 per unit for pod and components
- Increased GM% due to change in mix between invoiced pod sales and invoiced subscription sales

2020 P&L Reforecast - Preliminary

	<u>2019</u>	<u>2020</u>	<u>Original</u>	<u>Chg to</u>	
2020 Reforecast P&L	<u>Total</u>	<u>Total</u>	<u>AOP</u>	<u>Plan</u>	<u>YoY Chg</u>
000					
Sales					
Sales Comp	8,132	10,357	11,486	(1,129)	2,225
Non-Comp Expense - Sales	1,674	852	2,240	(1,388)	(822)
Sales Expense	9,806	11,209	13,726	(2,517)	1,403
Sales HC	54	63	66		
Marketing					
Marketing Comp	1,583	1,292	1,866	(574)	(291)
Non-Comp Expense - Mktg	2,155	881	2,807	(1,927)	(1,274)
Marketing Expenses	3,738	2,173	4,674	(2,501)	(1,565)
Mktg HC	15	11	16		
R&D					
R&D Comp	6,799	7,782	9,571	(1,789)	983
Non-Comp Expense - R&D	704	1,552	1,922	(370)	848
R&D Expense	7,503	9,335	11,494	(2,159)	1,831
R&D HC	51	49	61		
G&A					
G&A Comp	3,156	3,270	4,199	(930)	114
Non-Comp Expense - G&A	4,740	4,741	5,949	(1,208)	0
G&A Expense	7,896	8,010	10,149	(2,138)	114
G&A HC	25	22	29		
Total OpEx					
Comp	19,670	22,701	27,124	(4,422)	3,031
Non-Comp	9,273	8,026	12,918	(4,893)	(1,248)
Total OpEx	28,943	30,727	40,042	(9,315)	1,784
Adj EBITDA	1,252	1,981	3,538	(1,557)	729
Adj EBITDA %	3%	4%	6%		
Invoiced EBITDA	11,042	5,912	12,518	(6,606)	(5,130)
Total HC	156	156	186		

Management Discussion – Assumptions

- Headcount 156 vs 186 in 2020 AOP
- Compensation:
 - July 1 executive compensation back to 100%
 - MIPs 50% payout, MBO 100% payout
 - Commission 100% payout

2020 BS Reforecast - Preliminary

	<u>Total</u>	<u>Total</u>	<u>Original</u> <u>AOP</u>	<u>Chg to</u> <u>Plan</u>	<u>YoY Chg</u>
ASSETS					
Cash	7,647	8,333	9,987	(1,655)	686
Receivables	7,867	9,230	9,875	(645)	1,363
Inventory	3,932	4,515	4,886	(370)	583
Other current Assets	2,435	1,261	3,020	(1,759)	(1,174)
Total Current Assets	21,881	23,339	27,769	(4,430)	1,458
PP&E	1,543	1,454	1,981	(527)	(90)
Other Non-Current Assets	32,002	28,139	28,640	(501)	(3,862)
Total Assets	55,426	52,932	58,390	(5,458)	(2,494)
LIABILITIES					
Trade Payables	2,328	3,098	3,299	(201)	769
Accrued Bonus & Commissions	1,841	1,236	1,277	(41)	(605)
Other Accrued Expenses	962	1,441	938	503	479
Income Taxes Payable	2	752	0	752	750
Deferred Software Support Revenue	15,922	19,543	24,729	(5,185)	3,621
ST Note Payable	3,500	3,500	-	3,500	-
Total Liabilities	24,556	29,570	30,242	(672)	5,015
SVB Term Loan	-	-	3,500	(3,500)	
Total LT Liabilities	0	0	3,500	(3,500)	0
Total Equity	30,870	23,362	24,648	(1,286)	(7,508)
Total Liabilities & Equity	55,426	52,932	58,390	(5,458)	(2,494)

Management Discussion

- Cash assumes \$900K taken out in Jun-2020 and \$2.2M in Jul-2020
- AR assumes 48 days DSO
- Inventory assumes 3 months forward COGS
- OCA includes \$0 inventory pre-payments & \$1.1M in other prepaids for marketing and SW
- Payables assumes 64 days DPO
- Bonus & commissions at 100% of plan, MIPs 50% of plan
- Income tax obligations estimated at \$1.3M, paid prior to qtr end
- Deferred revenue increase due to increased invoiced sales and co-terming of renewals

2020 CF Reforecast - Preliminary

	<u>Total</u>	<u>Total</u>	<u>Original</u> <u>AOP</u>	<u>Chg to</u> <u>Plan</u>	<u>YoY Chg</u>
CASH FLOW					
Cash Flow from Operations					
Net Income (loss)	(6,052)	(5,268)	(4,044)	(1,225)	784
Depreciation & Amortization	4,229	4,146	4,038	108	(83)
Deferred taxes	39	-	-	-	(39)
					-
Change in Working Capital					-
Receivables	(2,836)	(1,363)	(2,008)	645	1,472
Inventory	(2,543)	(583)	(954)	371	1,960
Other current Assets	(1,443)	1,145	(437)	1,582	2,588
Trade Payables	1,984	769	1,024	(254)	(1,214)
Accrued Bonus & Commissions	372	(767)	(463)	(305)	(1,140)
Other Accrued Expenses	239	642	(20)	662	403
Income Taxes Payable	2	750	(2)	752	748
Deferred Software Support Revenue	8,977	3,621	8,738	(5,117)	(5,356)
Total Cash Flow from Operations	2,968	3,091	5,872	(2,781)	122
Cash Flow From Investing					
CapEx	(1,074)	(165)	(531)	366	909
Cash flow from Financing					
Equity Distribution	(0)	(2,240)	(3,000)	760	(2,240)
Net change in Cash	1,894	686	2,341	(1,655)	(1,208)
Beginning Cash	5,752	7,837	8,830	(993)	2,085
Ending Cash	7,647	8,333	9,987	(1,655)	686

YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Variance			One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Bud	(B) / W	Non-recurring	Timing	Run-rate	Other	(B) / W	(B) / W	Impact (B) / W
Payroll	\$ 7,137	\$ 8,228	\$(1,090)	\$ —	\$ (1,090)	\$ —	\$ —	\$ (1,090)	\$ —	\$ —
Benefits	908	1,107	(199)	\$ —	\$ (199)	—	—	(199)	—	—
Bonus	402	597	(194)	\$ —	\$ (194)	—	—	(194)	—	—
Commissions	680	1,445	(764)	—	(764)	—	—	(764)	—	—
Marketing	491	1,345	(854)	—	(854)	—	—	(854)	—	—
Travel and Entertainment	388	1,040	(652)	—	(652)	—	—	(652)	—	—
Rent and Facilities	679	729	(49)	—	(49)	—	—	(49)	—	—
Insurance	—	—	—	—	—	—	—	—	—	—
Professional Fees	686	1,001	(315)	—	(315)	—	—	(315)	—	—
Utl., Repair, Maint., & Sec.	107	76	32	—	32	—	—	32	—	—
Office Expense	70	55	15	—	15	—	—	15	—	—
IT	652	790	(138)	—	(138)	—	—	(138)	—	—
Other Expenses	324	178	146	—	146	—	—	146	—	—
Total Opex	\$12,525	\$16,589	\$(4,063)	\$ —	\$ (4,063)	\$ —	\$ —	\$ (4,063)	\$ —	\$ —

Management Discussion

- Payroll is under budget due to being behind plan. Budgeted employee headcount was 183 versus actual of 154 as of May-2020.
- Commissions and bonus are under budget due to lower than expected sales and removal of bonus expense during March and April.
- Marketing is primarily under budget due to reduced spend in creative, advertising, product, and trade show.
- T&E is under budget primarily due travel restrictions.
- Professional fees are under budget due to lower than expected software development contractors and consulting hours related to systems improvements, IT and marketing.
- Other is over budget due to higher than expected bad debt and unbudgeted sales tax expense.

Operating Expenses Summary

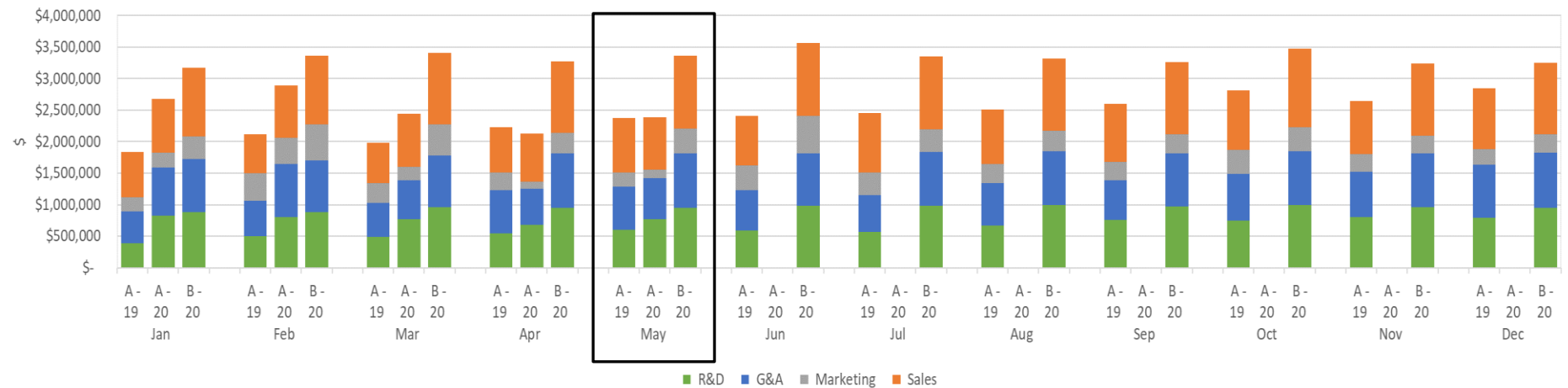
\$'000																
	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance			
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%		
Opex Overview:																
Payroll	\$ 1,365	\$ 1,681	\$ (317)	(18.8%)	\$ 1,153	\$ 212	18.3%	\$ 7,137	\$ 8,228	\$(1,090)	(13.3%)	\$ 5,233	\$ 1,904	36.4%		
Benefits	231	229	2	0.9%	155	76	49.4%	908	1,107	(199)	(17.9%)	727	181	24.9%		
Bonus	138	121	17	13.8%	131	7	5.0%	402	597	(194)	(32.6%)	598	(195)	(32.7%)		
Commissions	149	303	(155)	(51.0%)	142	7	4.9%	680	1,445	(764)	(52.9%)	556	124	22.3%		
Marketing	42	248	(205)	(82.9%)	131	(89)	(67.9%)	491	1,345	(854)	(63.5%)	816	(324)	(39.8%)		
Travel and Entertainment	12	192	(181)	(94.0%)	158	(147)	(92.7%)	388	1,040	(652)	(62.7%)	632	(244)	(38.6%)		
Rent and Facilities	132	146	(14)	(9.3%)	193	(61)	(31.7%)	679	729	(49)	(6.8%)	658	21	3.2%		
Insurance	—	—	—	N/A	—	—	N/A	—	—	—	N/A	—	—	N/A		
Professional Fees	97	220	(123)	(55.7%)	93	5	5.2%	686	1,001	(315)	(31.5%)	495	191	38.5%		
Utl., Repair, Maint., & Sec.	21	15	6	38.7%	23	(1)	(5.4%)	107	76	32	41.6%	123	(16)	(13.0%)		
Office Expenses	(1)	13	(14)	(104.4%)	20	(21)	(102.9%)	70	55	15	27.3%	72	(2)	(3.3%)		
IT	121	163	(42)	(25.8%)	173	(52)	(29.9%)	652	790	(138)	(17.5%)	560	92	16.4%		
Other Expenses	77	34	43	127.2%	14	63	432.3%	324	178	146	81.6%	53	271	510.8%		
Total Opex	\$ 2,384	\$ 3,366	\$ (982)	(29.2%)	\$ 2,387	\$ (2)	(0.1%)	\$ 12,525	\$16,589	\$(4,063)	(24.5%)	\$ 10,523	\$ 2,002	19.0%		

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	Mar-20	Apr-20	May-20	
0-30	\$ 4,737	\$ 4,088	\$ 4,065	
30-60	659	502	474	
60-90	179	93	227	
>90	191	224	269	
Total Gross AR	\$ 5,765	\$ 4,907	\$ 5,034	
Reserves	(159)	(192)	(243)	
Total Net AR	\$ 5,606	\$ 4,715	\$ 4,792	

AP Aging				
Days	Mar-20	Apr-20	May-20	
0-30	\$ 1,948	\$ 2,334	\$ 1,596	
30-60	450	289	899	
60-90	5	82	565	
>90	5	7	61	
Total	\$ 2,407	\$ 2,712	\$ 3,121	

Management Discussion

- AR increased due to decreased collections during May. The three largest customer balances in the >60 bucket are Babblar Marketing (51K), AVCS (38K), and One Vision (27K). The three largest in the >90 bucket are Genesis Integration (96K), Equipbureau (53K), and Video Corporation of America (37K).
- AP increased overall due to delaying of AP bills. The vendor that has a largest balance in 30-60 and 60-90 days is Smart Wireless with a total balance of 1,616K.

- Overall security for Mersive – Internal rating 7/10

- Segregation of internal data and continual backups to prevent spread of ransomware.
- Firewall actively monitors for any spread and will kill any transmission of data as soon as a spread is detected.
- CrowdStrike next-gen anti-virus to prevent exploitation that will alert based on behavior and known exploits.
- Continual IT security training. Remedial training provided on any failed security tests that are performed on a quarterly basis.
- Cloud providers utilized for high value data, Salesforce, NetSuite, GCP, Flexera and Google Drive, allows decentralization of data storage to mitigate risk.

- Current security initiatives

- Multi-Factor Authentication deployment – In Progress - Phase 1 Target: 6/5/2020.
- Annual firewall best practices review – Project Start: 6/1/2020 Completion Target: 6/30/2020.
- Website security hardening – In Progress - Completion target: 6/30/2020.
- Salesforce security review – In Progress – Completion target: 6/01/2020.

- Potential areas to address

- Engage with partner to do internal and external pen testing and vulnerability testing – Currently slotted for Q3 for review.
- Create direct route to GCP for internal access to back end – Currently being reviewed for completion by Engineering and IT.

- Future needs to consider

- Upgraded VPN appliance if work from home continues and use of VPN is heavily utilized or becomes a bottleneck.
- Web developer to maintain best practices and security of website on a continual basis.



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