



Quarterly Operational Review Meeting – December 2019

January 21, 2019

Board of Directors Meeting Agenda

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

Hits

- Invoiced EBITDA for 2019 was 171% of budget at \$10.8m compared to budget of \$6.3m
- GAAP revenue was \$42.3m (excluding revenue haircut from OGC acquisition) compared to budget of \$42.5m
- December strong invoiced sales at \$5.7m, compared to target of \$5.5m. Bookings at \$4.8m, compared to target of \$5.5m.
- YTD bookings were \$52.0m and invoiced sales were 110% of budget at \$51.7m compared to budget of \$47.0m.
- December strong subscription sales at \$1.5m compared to target of \$798k. YTD subscription sales at \$11.0m compared to target of \$7.6m.
- December ARR is \$11.6m which is right at plan based on December GAAP Maintenance revenue of \$968K compared to budget of \$967K.
- December Pod ASP – \$786 compared to target of \$777. YTD Pod ASP – \$789 compared to target of \$777.
- Solstice Management (formerly Kepler Management) and Solstice Active Learning (formerly Active Studio) are both on or ahead of schedule. Solstice Video Conference Integration (formerly Room Bridge) is making solid progress and is on schedule for launch at ISE.
- Organization/Key Hires
 - Closed 2019 with a record 84 new hires. Mean employee tenure is 1 year of service.
 - Space renovations wrap up in Jan-2020
- Customer Adoption
 - Existing customers – Vanguard (\$670k), Charter Communications (\$243k), WeWork (\$238k), Pfizer (\$152k).
 - New/Land orders – New York Independent System Operator, Inc. (NYISO) (\$66k), District of Columbia Government (\$32k), UTS Insearch (\$29k), Dubai Airport (\$27k)

Executive Summary (Continued)

Misses

- MTD Adjusted EBITDA at \$162k compared to target of \$756k. 2019 GAAP EBITDA at \$1.4m compared to target of \$1.7m.
- 2019 regrettable employee turnover of 13%, while in line with benchmarks and expectations, highlights opportunity to hire for better culture fit/add as well as to improve managers' ability to coach and develop employees. Both are key objectives for 2020.

Key Go-Forward Actions

- Flexera – need to update version based on subscription and maintenance data reporting requirements.
- Professional Development – we have selected Linked In 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 and Southeast – start dates late January
- ISE in early February
- 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 Pod BOM cost, finish contract

Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
▪ New Product Launches	<ul style="list-style-type: none"> ▪ Sales Shortfall ▪ Competitive Positioning ▪ Market Adoption ▪ Installed Base Growth 	<ul style="list-style-type: none"> ▪ Version 4.4 slated for GA release on February 10
▪ 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 ▪ Better inventory controls ▪ Operations as strategic differentiator
▪ AV industry	<ul style="list-style-type: none"> ▪ Our competitors are all in the process of launching a video conference integration capability ▪ Barco is called out in the media for security vulnerabilities 	<ul style="list-style-type: none"> ▪ Ensure timely release of Solstice Video Conference Integration ▪ Communicate how Mersive prioritizes security
▪ 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 ▪ Improve onboarding of new staff ▪ Renegotiate Pod BOM cost ▪ RMA and inventory process improvements
▪ HR/Staffing/Comp	<ul style="list-style-type: none"> ▪ Productivity ▪ OPEX ▪ Morale 	<ul style="list-style-type: none"> ▪ Interview training ▪ Culture brand development ▪ Professional Development ▪ Staff training
▪ Sales Team Productivity	<ul style="list-style-type: none"> ▪ Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing 	<ul style="list-style-type: none"> ▪ Move faster to hire empty territories ▪ Improve onboarding ▪ Double down in hi-po territories ▪ Continued focus on sales enablement
▪ 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 subscription priced

Executive Summary – Q4 OKR

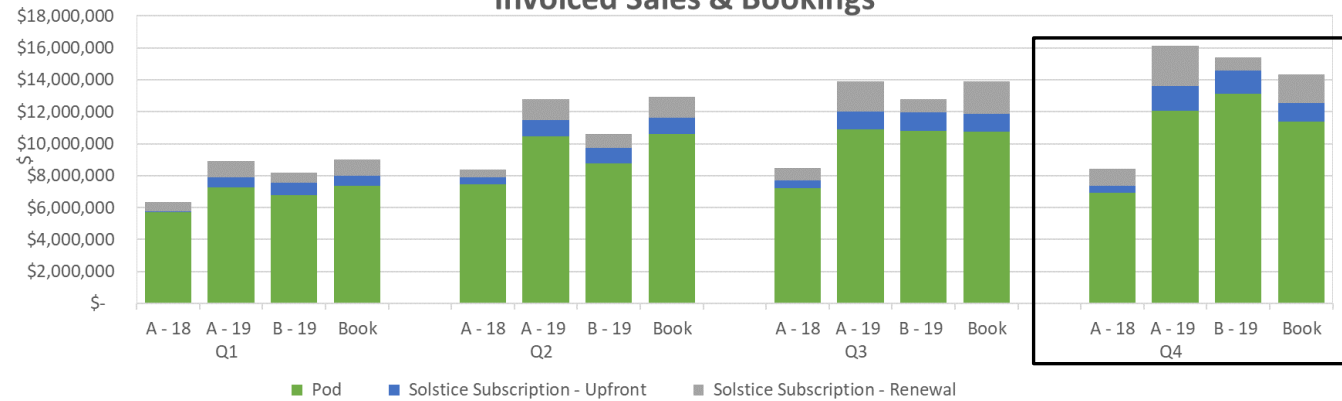
	2019 Corporate Priorities	Corporate Quarterly Objectives - Q3 2019	Key Result - As measured by	Owner	% Achieved	Status
1	Launch Gen3	Complete all remaining Gen3 hardware tasks	Finalize international certifications, product labeling changes, packaging updates, and spinning up a 2nd factory via Inforce, all completed by end of Q3.	Tae	90%	China is last major item remaining, all cert requirements have been submitted to the government and we are in wait mode.
2	Scale Sales Organization	Implement re-org of Erin's SDR/AM org to more tightly align to Marketing	Complete and announce re-org by August	Martin/Rick	100%	Completed
		Hiring - TOLA channel Mgr/Initiate Q4 searches	Hire to plan and/or exception hires identified	Rick	100%	TOLA hire complete. Other hires being marketed. Lost Rocky Mtn...discussion alternatives
		Hire West Coast and PNW replacements	Hire to plan	Rick	50%	West coast starting 9/18. TBD on PNW candidate
		Start to roll out key sales metrics via Sales Ops	Forecast/close, rolling pipeline + other identified metrics	Craig/Rick	100%	Over a dozen reports generated for Executive Management and other groups
3	Ensure Product Roadmap Drives Market Adoption	Delivery: Fulfill Q3 release milestones at agreed upon scope and timing	Release 4.2 on 7/31 (engr) within 14 days variance. Release a chromebook beta to at least 3 customers by 8/5 within 7 days variance. Release Private Relay Beta to at least 3 customers by end of Q3 Release 4.3 HDMI-In Audio focused release by end of Sep (Engr) within 14 day variance	Tae Chris/Tae Tae	100% 0% 100%	Change in technical direction will allow us to get to a pure wireless solution earlier. Added 30-45 days to schedule. Beta now scheduled for Nov
		Delivery: Define and introduce a Low Cost Edition Solstice product to market	Establish LCE strategy and model Q1-20 delivery, Establish SW feature toggle matrix, establish release mapping to support delivery	Chris/Tae	100%	Strategy and product definition, feature sets complete. Delivery plan and feature toggle engineering work in progress., final go/no-go based on cannibalization risk not in place. Decision review in Q4.
		Delivery: Kepler Dashboard	Complete first Cohort (Spashscreen) and template components to parallelize management dev in Q4	Tae	80%	End to end welcome screen capabilities complete, we should be able to parallelize in Q4
		Delivery: Miracast	Assess key gaps in performance, establish action plan, align to release for delivery	Tae	0%	Replan to Q1, much larger refactor required based on market feedback
		Risk Mgmt: Improve Solstice Quality	15 P1 or P2 tech debt bugs fixed by end of Q3 (from customer escalations, tech debt, stability, or automation)	Tae	100%	
		Scale Eng: Hire QA director, & Sr Engineering Mgr	QA director Hired onboard by end of Aug	Tae	100%	John Schwab started 7/17, Tom Lee 8/21
4	Scale Marketing and Support	Standardize branding / messaging	Launch localized EMEA versions of brand campaign week of 7/22; Localize branding / style guidelines for EMEA by week of 9/23	Martin	50%	Brand campaign has been localized. Guideline localization has been paused due to higher priority items.
		Scale digital marketing	Implement automated email workflows and lead routing for EMEA starting week of 8/12; launch redesigned website for first set of countries in EMEA week of 9/23; incrementally increase ad spend in EMEA throughout Q3 to learn prior to spending at scale	Martin	100%	All objectives completed.
		Scale field marketing internationally	2 Engage events in EMEA in Sep.	Martin	50%	1 Engage event got pushed to Nov due to a scheduling conflict.
		Scale product marketing / support processes	Launch customer onboarding program week of 7/15; launch competitive take-out program week of 7/22; launch Solstice 4.2; launch product doc CMS week of 9/9; launch priority-based service levels week of 8/8	Martin	100%	All objectives completed.
5	Invest in our people	Develop & implement key employee stock plan construct	Plan implemented and communicated	Michelle	50%	Model and allocations determined, awaiting paperwork from OG
		Update Denver office space	Furniture for Suite 150 upgraded	Michelle	75%	Furniture ordered and arriving between 10/11 - 11/1
			Construction on Suite 180 begun	Michelle	100%	Demolition complete by 9/5, construction complete by end of October
		Scale the HR Team	Hire Director of Talent Acquisition, Talent Acquisition Coordinator and HR Generalist	Michelle	100%	
			Evaluate HR tech stack	Michelle	75%	Requirements identified, demos underway
		Articulate Mersive Culture & Expectations	Talent Brand and EVP Communicated	Michelle	75%	All recruiting-oriented postings and candidate communications updated; culture video being developed, career site addressed beginning in Q4
			Mersive Leadership Success Profile created	Michelle	25%	Compencies being explored; both general and unique to Mersive
6	Improve business intelligence reporting	Complete recurring revenue reporting	Include monthly reporting in MOR & Board deck	Dan	0%	Pending completion of data project
		Complete Contract Management Module in NS	Inside sales team using CMM for subscription renewal opportunities	Dan	0%	Pending completion of data project
		Complete KPI metrics for dashboards in NS	All relevant KPIs in NS dashboard; Exec team has access	Dan	90%	Added several board level KPIs to dashboard.
		Rearchitect CRM systems	Launch customer success object in SFDC by end Jul; retain consultant to start fixing NS-to-SFDC transaction errors by end Jul; hire manager of enterprise applications by end of Q3	Martin	100%	All objectives completed.
7	Create Customer Operations group	Hire VP Customers Ops	Align Support, Professional Services, IT and Logistics into one organizations to streamline and increase efficiency of technical, non-Engineering functions for improved customer service.	Rob	75%	

December '19- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> • TJX – Pilot pending in UK, Canada and N America. • Shell – Ongoing Q&A related to final decision – TBD on timing • Marathon Oil – Solstice is in the spec for 149 room building—early '20 • Rolls Royce – Declared standard in October. Orders in 2020 • KKR – install pushed to mid 2020. Order 1H 2020 • IBM – early evaluation for new HQ in Germany • Hill Holliday – moving toward standard. Initial purchases pending • PwC – Potential reference account in Dubai. Need Room Bridge • GDIT – Evaluating for new build in early 2020 • Continental AG – In competition with Wolfvision. Mid 2020 decision • Northrop Gruman – Land order in Q1 basis for standard discussion • BP – being evaluated for national standard. In “final four” • GM – being evaluated for national standard • Morgan Stanley – evaluation taking place in UK...need Miracast • Paypal – evaluation taking place for global standard • SC Johnson – under eval for standardization • Gentex - initial order pending for broader deployment • 7-Eleven – evaluating for national standard • Grainger – about to standardize with a 100+ order coming in Q1 	<ul style="list-style-type: none"> • EY – on hold pending Bluetooth for iOS • HILTI – went with embedded Chromecast in Dubai • Darden – on hold as project “sources” have gone quiet
Big Wins	
<ul style="list-style-type: none"> • Vanguard Group - \$670K • Charter Communications – \$243K • WeWork - \$238K • Pfizer - \$153K • Nike - \$145K • Jones Lang Lasalle - \$111K 	<ul style="list-style-type: none"> • Accenture - \$93K • Kraft Heinz - \$85K • American Water - \$78K • Cushman & Wakefield - \$74K • Pioneer Natural Resources - \$68K • NYISO - \$66K

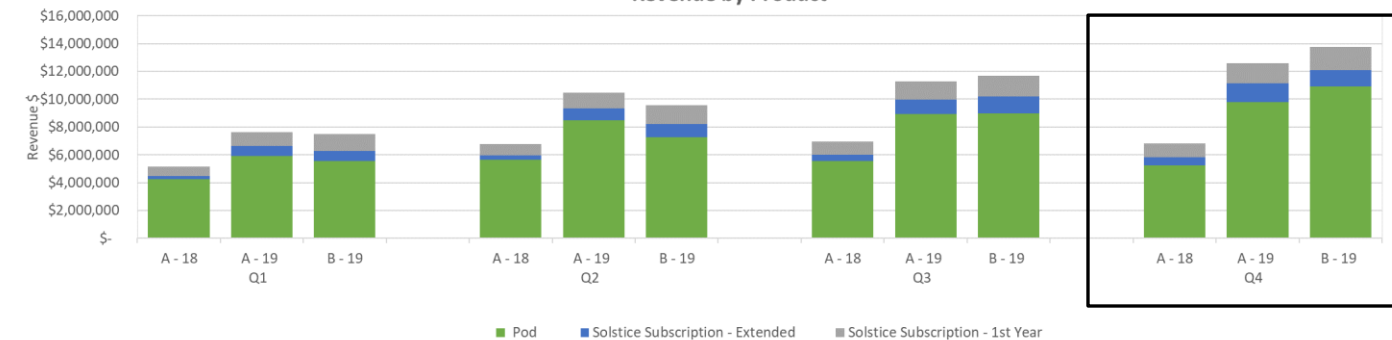
Sales Metrics – Q4

Invoiced Sales & Bookings



Q4 invoiced sales of \$16.1m is \$700k (5%) above budget of \$15.4m and \$8.5m (91%) above Q4-18, on strong Solstice Subscription sales.

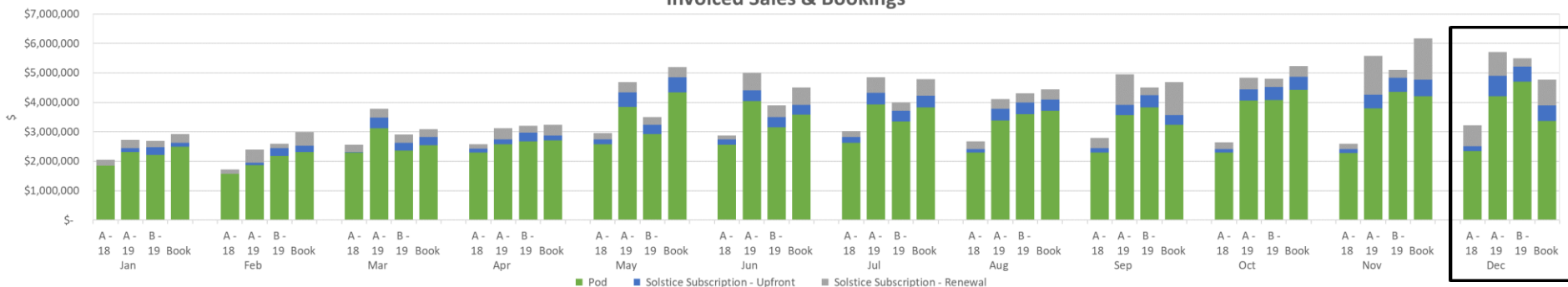
Revenue by Product



Q4 revenue of \$12.6m is \$1.1m below budget of \$13.7m, due to lower than expected pod sales, especially in Americas.

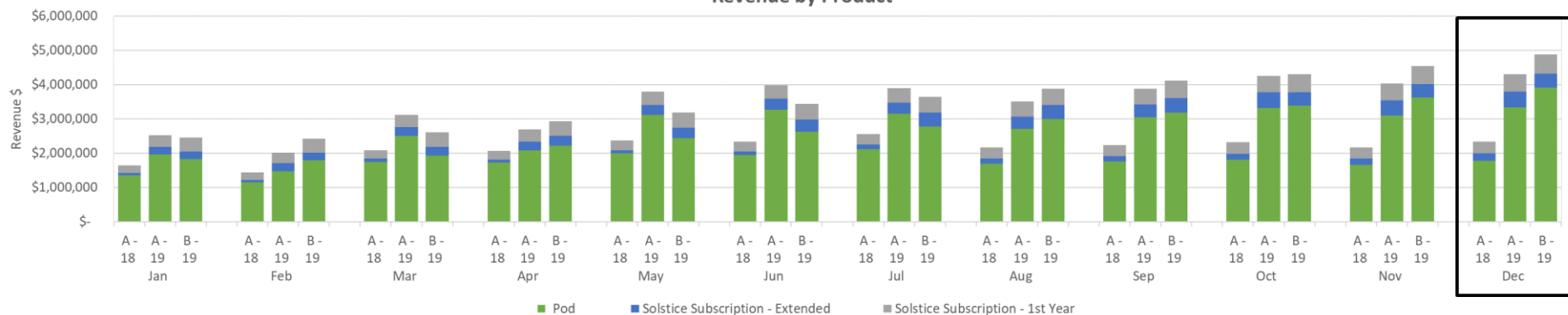
Sales Metrics – Monthly Trend

Invoiced Sales & Bookings



- December invoiced sales were \$5.7m compared to target of \$5.5m. Bookings were \$4.7m compared to a \$5.5m target.
- 2019 invoiced sales were \$51.7m compared to target of \$47.0m. Bookings were \$52.0m compared to a \$47.0m target.

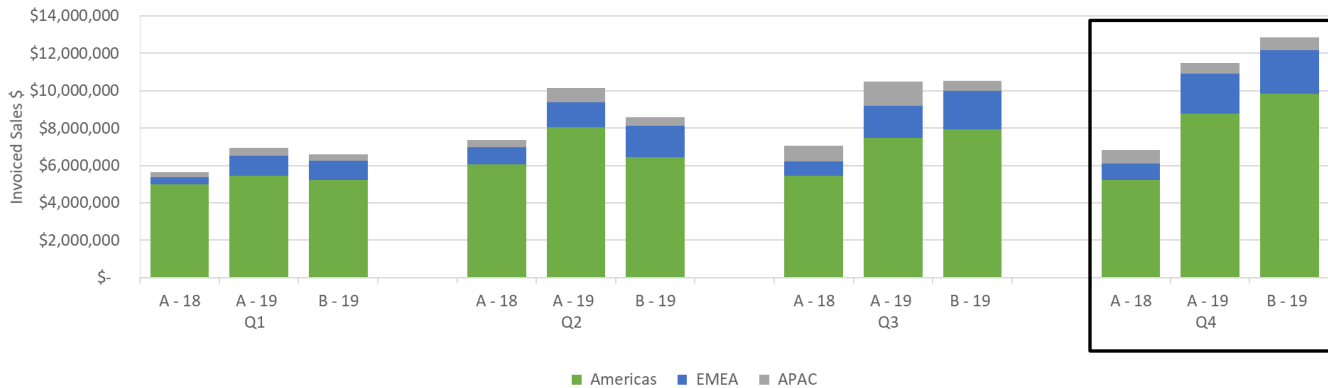
Revenue by Product



- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget
- GAAP revenue was \$42.3m (excluding revenue haircut from acquisition) compared to budget of \$42.5m, due to deferral timing of revenue recognition on co-term renewals.

Pod Sales Metrics – Q4

Pod Sales by Region

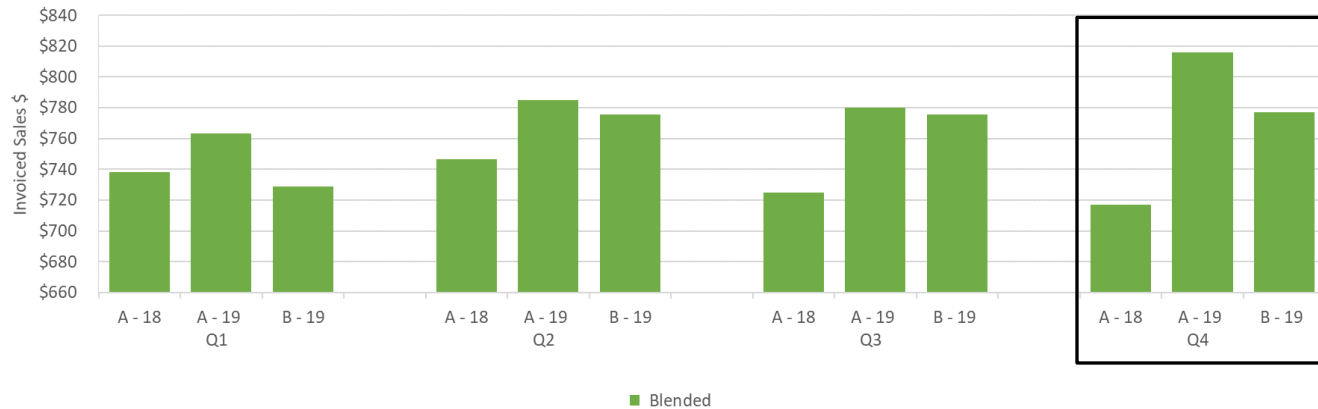


Q4-19 Pod sales of \$11.5m is below budget of \$12.8m by \$1.4m.

This underperformance was primarily driven by target shortfalls in Americas of \$1.1m.

Ahead \$500k in pod sales for 2019.

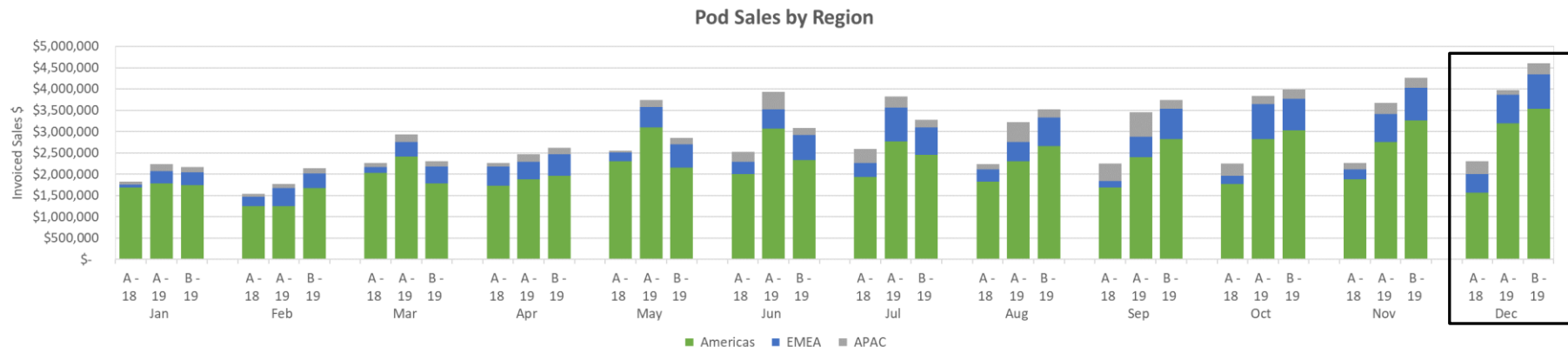
ASP



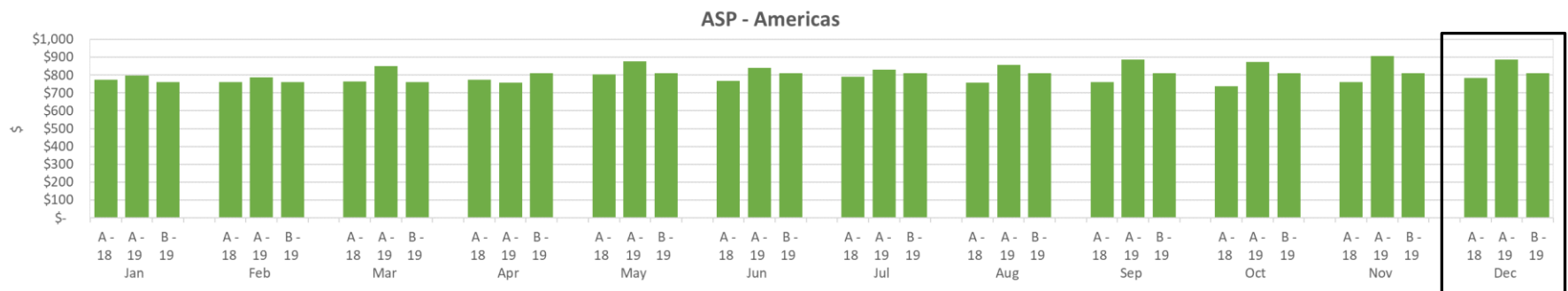
Overall ASP across all regions was \$816 in Q4, which is above plan of \$777. Americas drove the outperformance as ASP was \$889 vs budget of \$811.

EMEA and APAC have an overall lower ASP than Americas due to all sales are through distributor channel.

Pod Invoiced Sales Metrics – Monthly Trend



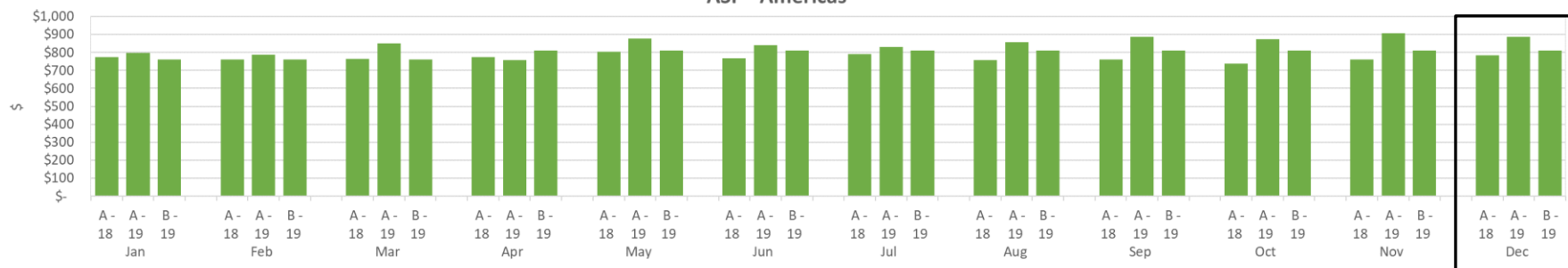
- December pod sales were \$4.0m compared to target of \$4.6m. December invoiced sales were below budget primarily due to underperformance in all regions.
- YTD pod sales were \$39.0m compared to target of \$38.5m.



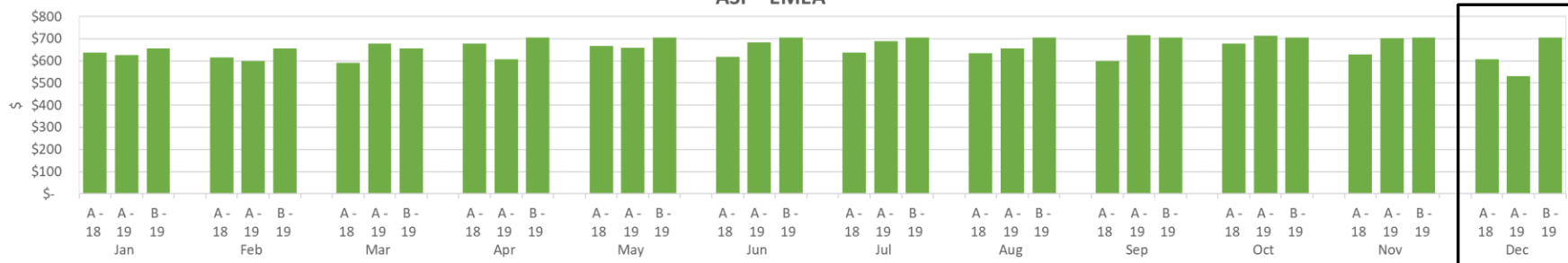
- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was \$786, which is above plan of \$777 due to higher than expected ASP in Americas. ASP decrease from prior month due primarily to decreased ASP in EMEA and APAC, as well as increased mix of SGE vs. unlimited.
- Pod ASP including hardware upgrades to Gen 3 is \$740 due to the ASP on hardware upgrades being \$40.
- QTD ASP was \$816 compared to target of \$777. 2019 ASP was \$789 compared to target of \$768.

ASP by Region – Monthly Trend

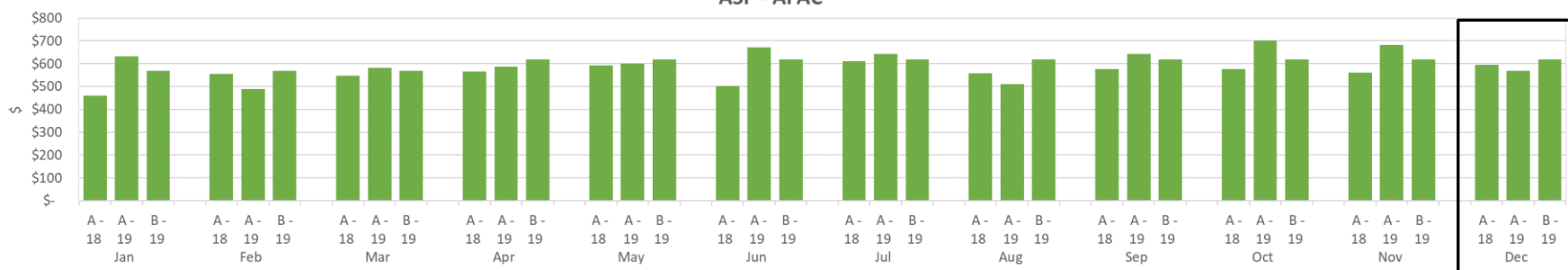
ASP - Americas



ASP - EMEA



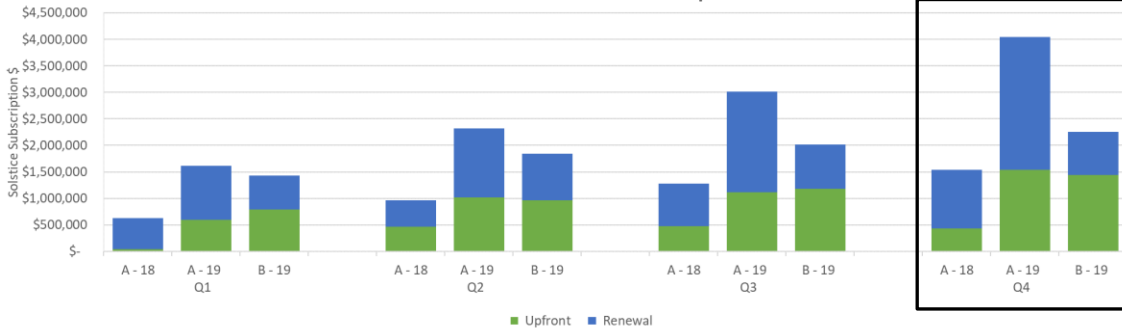
ASP - APAC



- 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 80% actual vs 77% budget, EMEA 16% actual vs 18% budget, APAC 4% actual vs 5% budget. YTD invoiced sales mix by region: Americas 78% actual vs 76% budget, EMEA 15% actual vs 18% budget, APAC 7% actual vs 5% budget.
- Pod ASP including hardware upgrades to Gen 3 is:
 - Americas - \$818 vs \$845 in prior month
 - EMEA - \$530 vs \$630 in prior month
 - APAC - \$523 vs \$624 in prior month

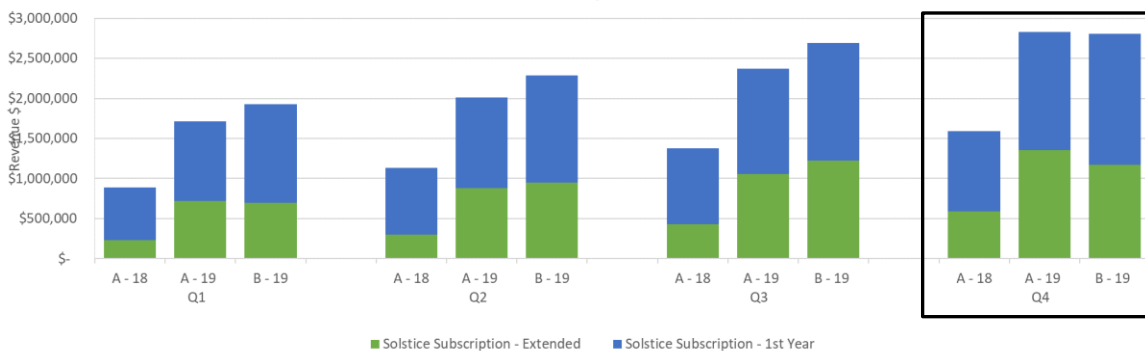
Solstice Subscription Metrics – Q4

invoiced Sales - Solstice Subscription



Overall Q4 invoiced sales for Solstice subscriptions was \$4.0m vs. budget of \$2.3m, which is 179% of plan due to large co-terms.

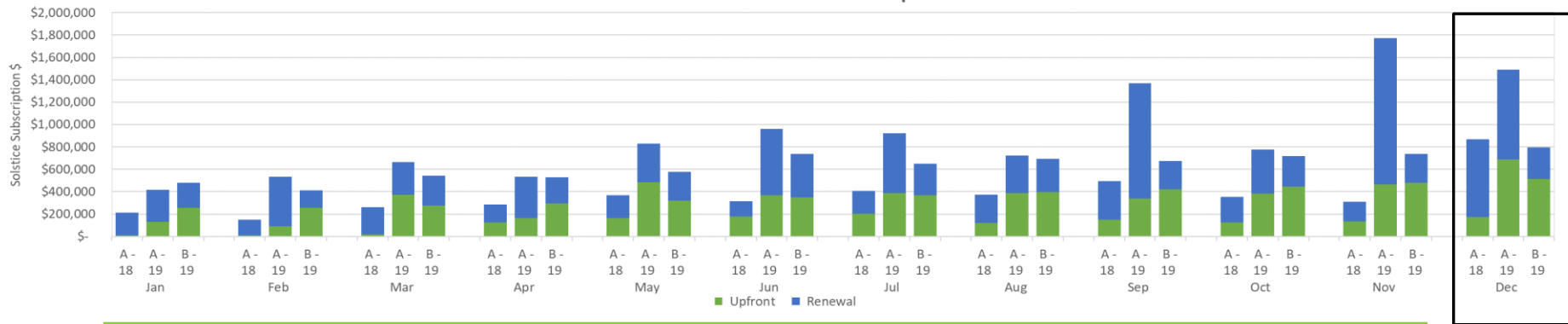
Solstice Subscription Revenue



Solstice Subscription Revenue in Q4 was \$2.8m vs. budget of \$2.8m. Note there is no direct correlation between invoiced sales in a particular month and revenue.

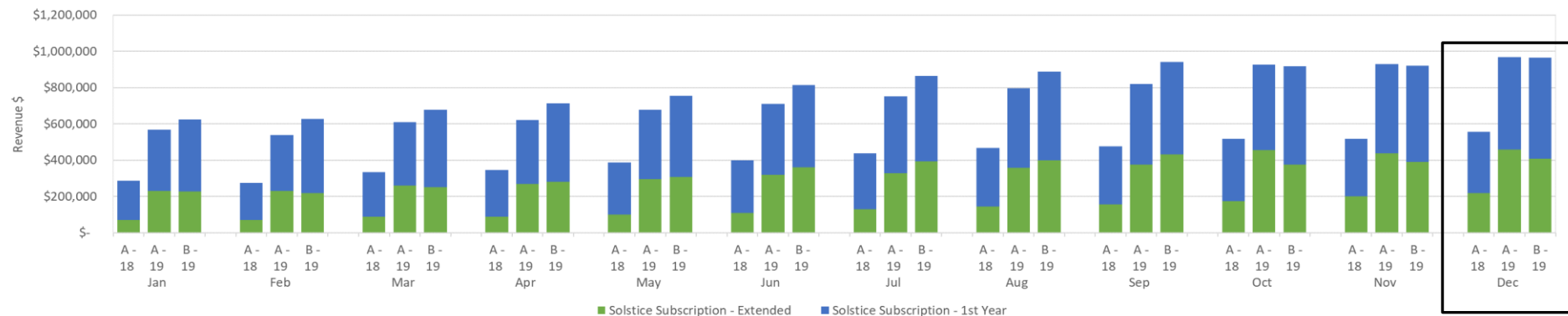
Solstice Subscription Metrics – Monthly Trend

invoiced Sales - Solstice Subscription



- December invoiced sales for Solstice subscriptions was \$1.5m vs budget of \$798k driven by large orders from Vanguard, Charter Communications, and American Water.
- December renewal ASP was \$241 compared to target of \$145.
- December upfront ASP was \$239 compared to target of \$225.
- 2019 renewal sales were \$6.7m compared to target of \$3.2m, due to large co-terms.
- 2019 upfront sales were \$4.3m consistent with target of \$4.4m.
- 2019 Upfront average term was 30 months compared to target of 24 months.
- 2019 Renewal average term was 16 months compared to target of 10 months.

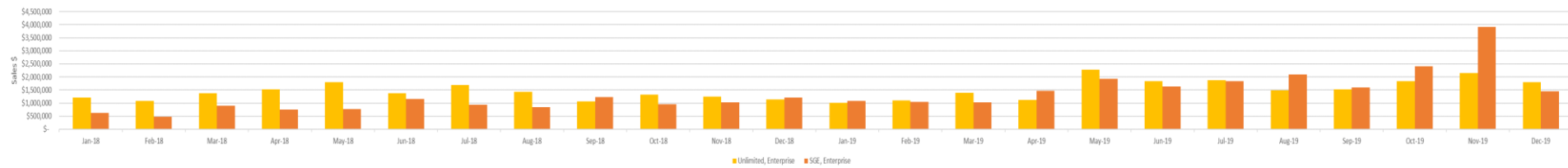
Solstice Subscription Revenue



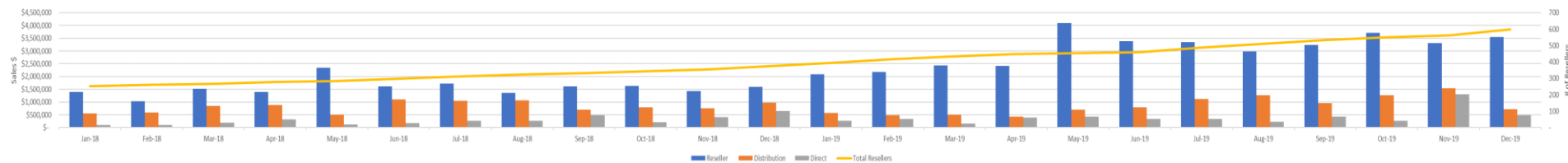
- December Solstice Subscription – Extended (renewal + upfront) was \$457k vs budget of \$408k
- December Solstice Subscription – 1st year was \$512k vs budget of \$559k.
- December total Solstice Subscription was \$969k vs budget of 967k.

Product Type & Channel Metrics

Product Type

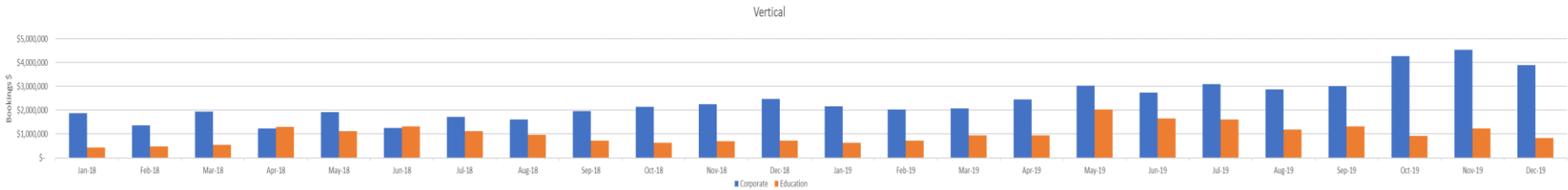


Sales Type



- Bookings

Customer Segment Metrics



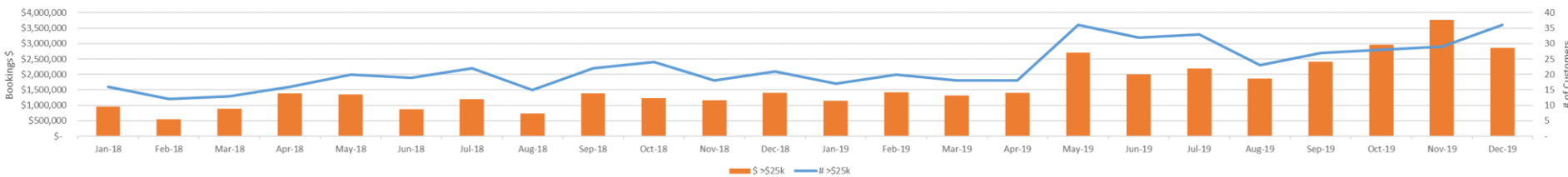
• Bookings excluding stocking orders and including sales out

Big Deals and Run Rate Metrics

Big Deals vs Run Rate



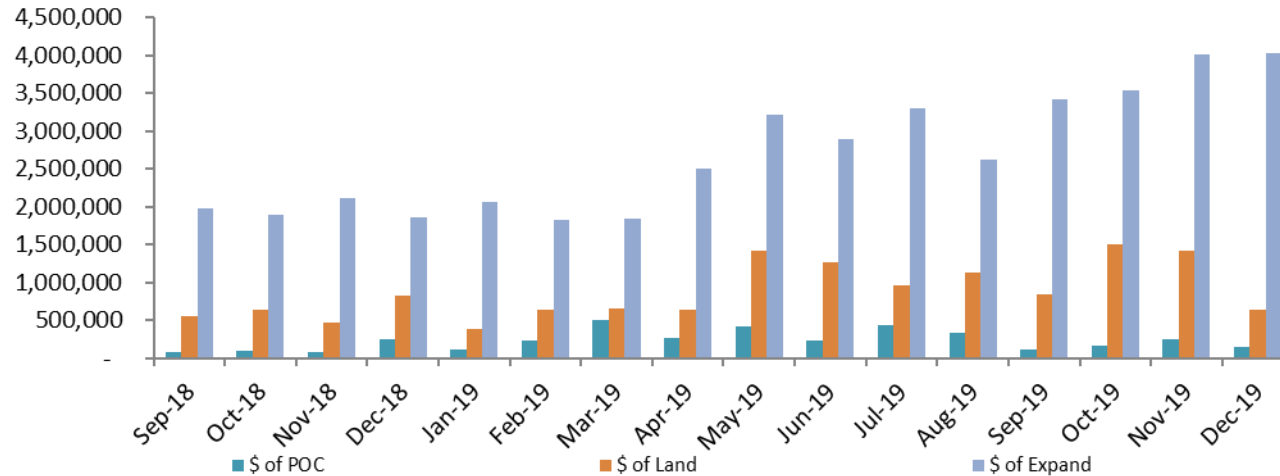
>\$25K



- Bookings excluding stocking orders and including sales out

End User Lifecycle Metrics

Lifecycle



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	Total	%
\$ of POC	78,454	98,798	82,215	248,107	118,912	226,336	503,914	272,401	416,792	229,211	428,380	336,264	116,920	156,670	240,194	153,515	3,707,082	6%
\$ of Land	545,622	639,324	469,375	824,995	381,964	630,944	650,960	631,466	1,422,369	1,258,717	966,741	1,129,011	834,599	1,495,218	1,420,125	646,301	13,947,730	23%
\$ of Expand	1,979,358	1,896,181	2,112,443	1,854,519	2,055,559	1,829,387	1,837,827	2,499,749	3,221,062	2,889,865	3,295,942	2,612,346	3,417,541	3,534,426	4,012,538	4,022,595	43,071,338	71%
Total	2,603,434	2,634,303	2,664,032	2,927,621	2,556,435	2,686,667	2,992,701	3,403,617	5,060,223	4,377,793	4,691,063	4,077,621	4,369,060	5,186,314	5,672,857	4,822,411	60,726,150	100%

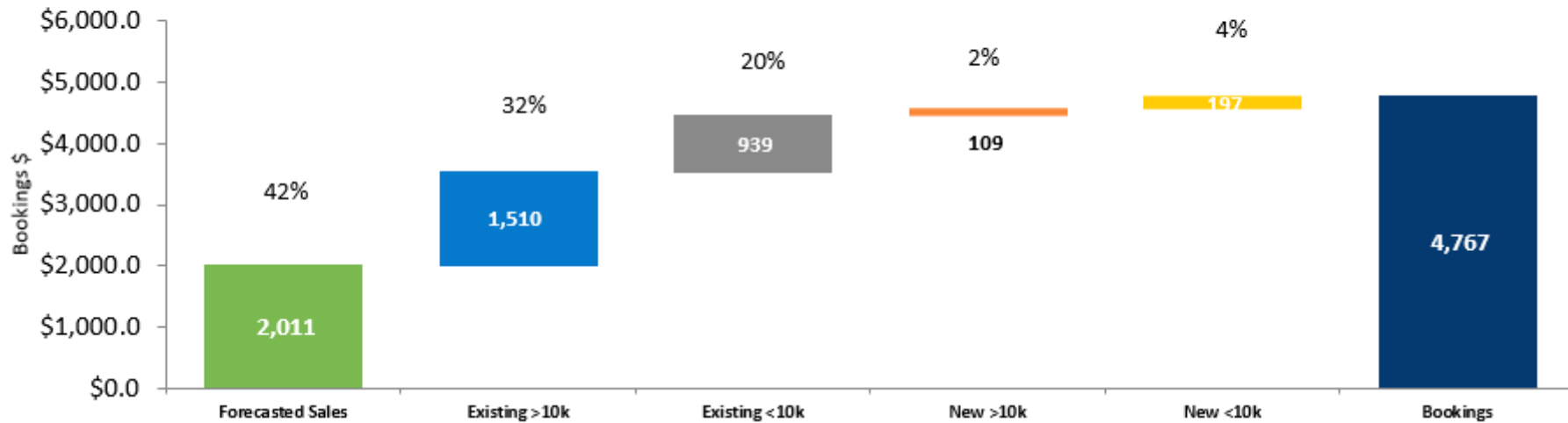
Top Customer Metrics

End User	December Amount	% of Total
The Vanguard Group	\$ 669,663	14%
Charter Communications	\$ 243,291	5%
WeWork	\$ 238,087	5%
Pfizer	\$ 152,648	3%
Nike	\$ 144,859	3%
Jones Lang Lasalle	\$ 110,747	2%
Accenture	\$ 92,972	2%
Kraft Heinz	\$ 85,100	2%
American Water	\$ 77,781	2%
Cushman & Wakefield	\$ 73,588	2%
Other Customers	\$ 2,962,505	61%
Total	4,851,241	100%

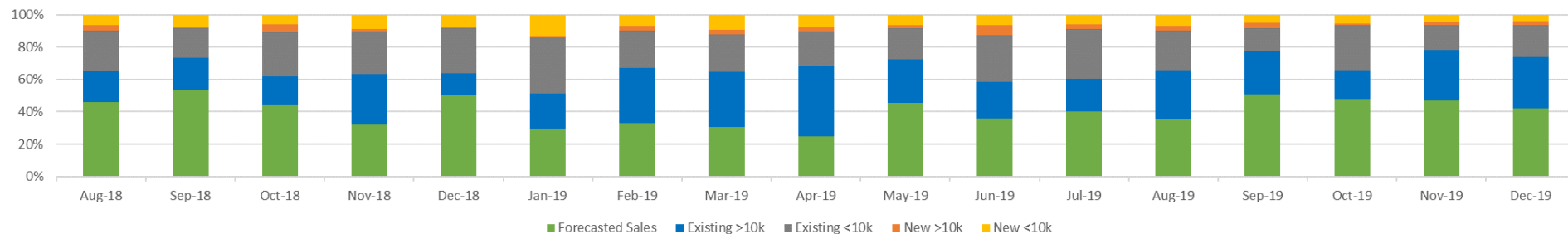
End User	LTM Amount	% of Total
WeWork	6,839,628	13%
Nike	737,029	1%
The Vanguard Group	694,475	1%
Charter Communications	562,331	1%
Comcast	504,247	1%
Accenture	464,215	1%
Kiewit Corporation	444,692	1%
McDermott	428,863	1%
Mastercard	393,455	1%
Booz Allen Hamilton	357,366	1%
Other Customers	39,469,332	78%
Total	50,895,632	100%

Bookings Attribution Analysis

December 2019 Sales Bridge



Bookings



Management Discussion

- 42% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 32% 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 6% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

December 2019 Bookings vs. Quota

Data pull 1/8/2020 5PM MST

Stack ranked by YTD % of Quota

*Quota is oversubscribed goal above \$47M target

Name	Territory	Dec-19				2019			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
John Chandler	TOLA	359,146	283,426	(75,720)	79%	3,000,000	3,674,205	674,205	122%
Ryan Shannon	Midwest	1,077,437	981,796	(95,641)	91%	9,000,000	9,892,936	892,936	110%
Burt Feldman	Northeast	897,864	1,081,113	183,249	120%	7,500,000	7,582,972	82,972	101%
TBH *	Southeast	658,434	634,270	(24,163)	96%	5,500,000	4,543,374	(956,626)	83%
Ryan Gregston *	West	478,861	135,956	(342,905)	28%	4,000,000	2,627,727	(1,372,273)	66%
Jonathan Davies	New England	359,146	226,463	(132,683)	63%	3,000,000	1,961,166	(1,038,834)	65%
Melissa Johnson *	Mid-Atlantic	538,718	244,771	(293,948)	45%	4,500,000	2,831,649	(1,668,351)	63%
Veronica Saldarriaga *	Rocky Mountain	209,502	100,176	(109,325)	48%	1,750,000	984,973	(765,027)	56%
Jeff McDonald *	ANZ	181,184	39,169	(142,015)	22%	1,500,000	799,629	(700,371)	53%
Danny Fabre	Canada	239,430	131,252	(108,179)	55%	2,000,000	1,013,075	(986,925)	51%
TBH *	Northwest	269,359	14,719	(254,641)	5%	2,250,000	599,430	(1,650,570)	27%
Chris Charran	UK	389,074	240,454	(148,620)	62%	3,250,000	3,350,184	100,184	103%
Johan Cederberg *	Nordics	145,833	130,689	(15,145)	90%	1,093,750	856,365	(237,385)	78%
Thomas Liot	France/Spain	215,487	11,220	(204,267)	5%	1,800,000	1,190,683	(609,317)	66%
Rosario Marsegli	Germany/Italy	143,229	66,088	(77,141)	46%	1,500,000	680,113	(819,887)	45%
Cyril Mattar	MEA	143,229	53,335	(89,894)	37%	1,500,000	350,143	(1,149,857)	23%
Jeff Liu *	China	181,184	64,126	(117,058)	35%	1,500,000	822,933	(677,067)	55%
Gark Tan	APAC	359,146	174,412	(184,734)	49%	3,000,000	2,498,385	(501,616)	83%
Jeff Meyer	EMEA	1,145,902	529,909	(615,993)	46%	10,150,000	6,678,592	(3,471,408)	66%
		Target	Actual	Var \$	% of Target	Target	Actual	Var \$	% of Target
Rick Emery	World	5,500,000	4,766,531	(733,469)	87%	47,000,000	51,997,220	4,997,220	111%

* sales rep was hired/termed throughout 2019. 7 of 17 territories were only staffed for part of the year

Solstice Subscription – Attach Rate

Renewal

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	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
Pods w/ Paid solstice subscription	6,485	6,756	6,992	7,411	8,072	8,628	9,852	9,125	10,319	11,588	12,734	16,809	18,930	21,552	22,042	23,944	25,299	26,324	29,013	30,100	33,452	34,956	35,697	36,029
Total Pods, post-free solstice subscription	12,088	12,764	13,593	14,551	16,009	17,814	19,060	20,733	22,409	28,731	30,182	32,633	36,845	44,360	47,171	50,356	54,051	56,643	61,940	63,789	66,290	70,903	73,381	77,596
Renewal Rate	54%	53%	51%	51%	50%	48%	52%	44%	46%	40%	42%	52%	51%	49%	47%	48%	47%	46%	47%	47%	50%	49%	49%	46%

Upfront

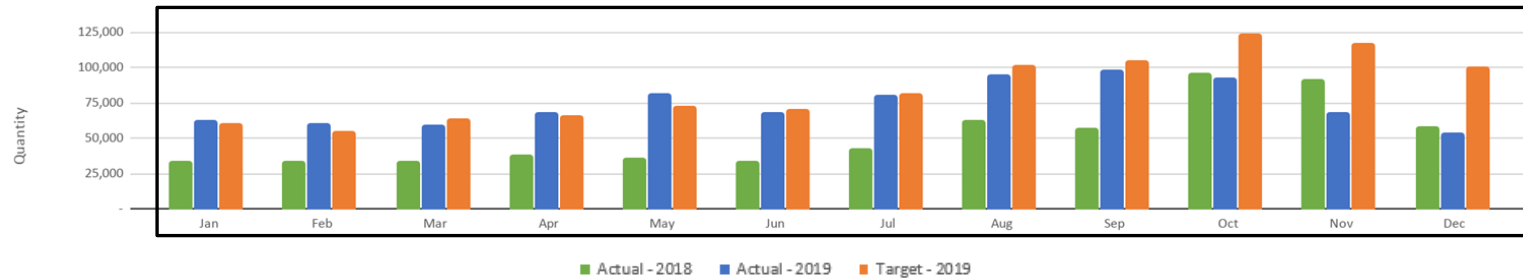
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Total Upfront Units Sold	76	142	203	616	873	954	848	597	801	853	648	682	549	355	1,395	565	1,680	1,371	1,431	1,228	1,162	1,385	1,637	2,881
Total Unit Sales	2,281	1,865	2,945	2,970	3,425	3,034	3,151	2,934	3,142	3,677	3,374	3,297	2,951	2,484	3,645	3,472	4,524	4,916	4,888	4,285	4,270	4,660	4,360	5,052
Upfront Rate	3%	8%	7%	21%	25%	31%	27%	20%	25%	23%	19%	21%	19%	14%	38%	16%	37%	28%	29%	29%	27%	30%	38%	57%

Management Discussion

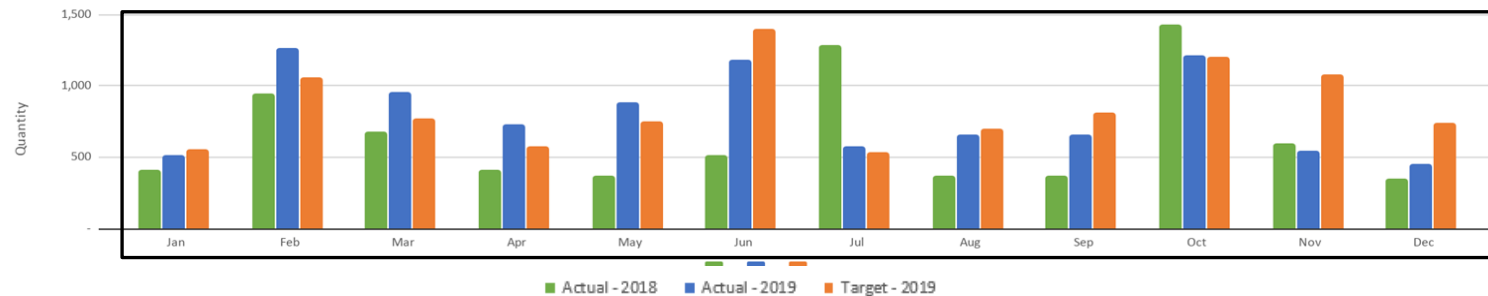
- Renewal rate remained flat at 46% during December which is below with the LTM average of 48% and below target of 60%.
- Upfront attach rate increased to 57% during December slightly above the target of 40%.

Marketing Metrics

Sessions (Web Traffic)



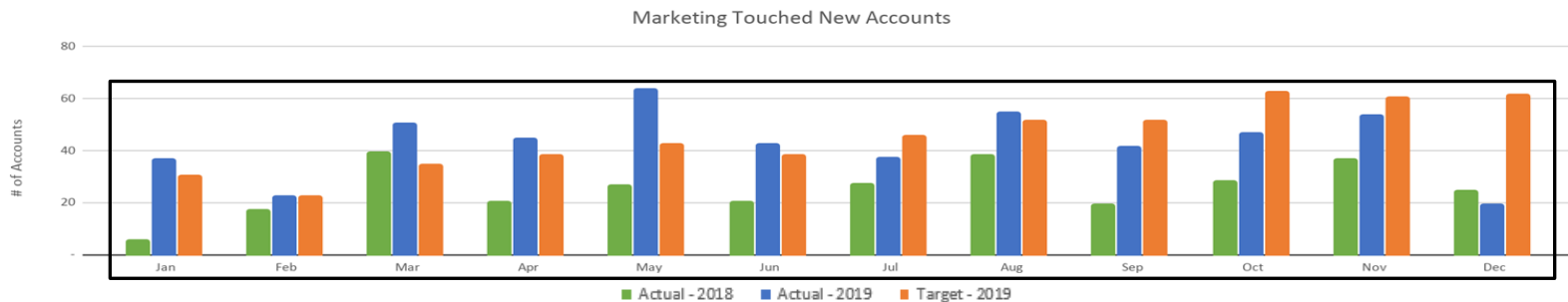
Marketing Qualified Leads (MQLs)



Management Discussion

- Web traffic was 87% of plan for 2019 due to halving ad spend in Nov and Dec and product roadmap timing that did not deliver significant releases in Q4 due to trade-offs made to deliver more for Q1.
- Digital MQL conversion rates finished 2019 at 113% of plan.
- MQLs finished 2019 at 95% of plan with the miss due to the aforementioned lower web traffic in Nov / Dec.

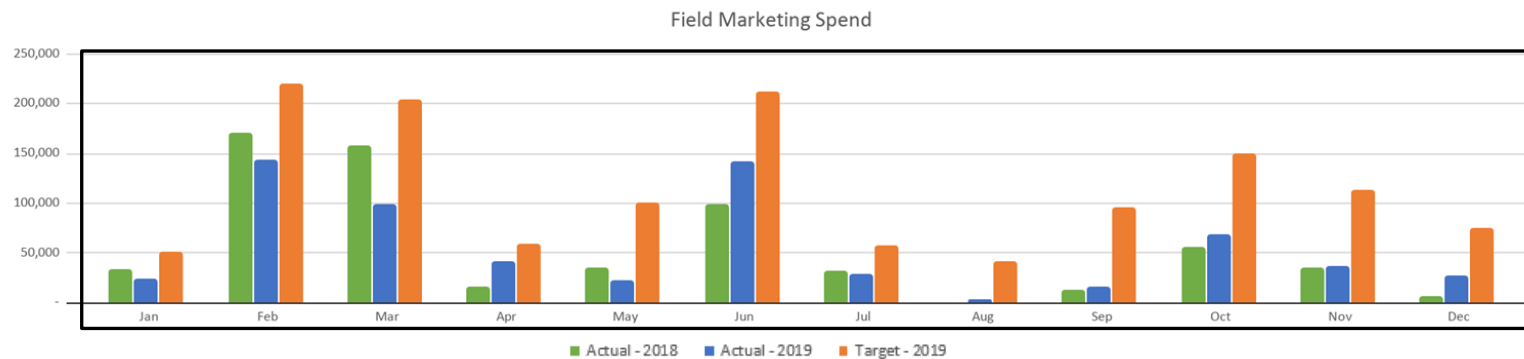
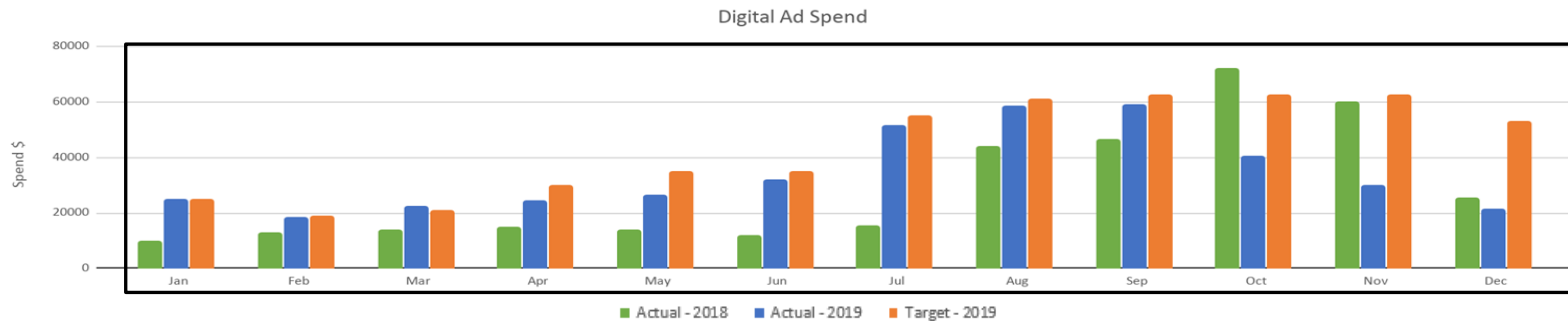
New Customer Metrics



Management Discussion

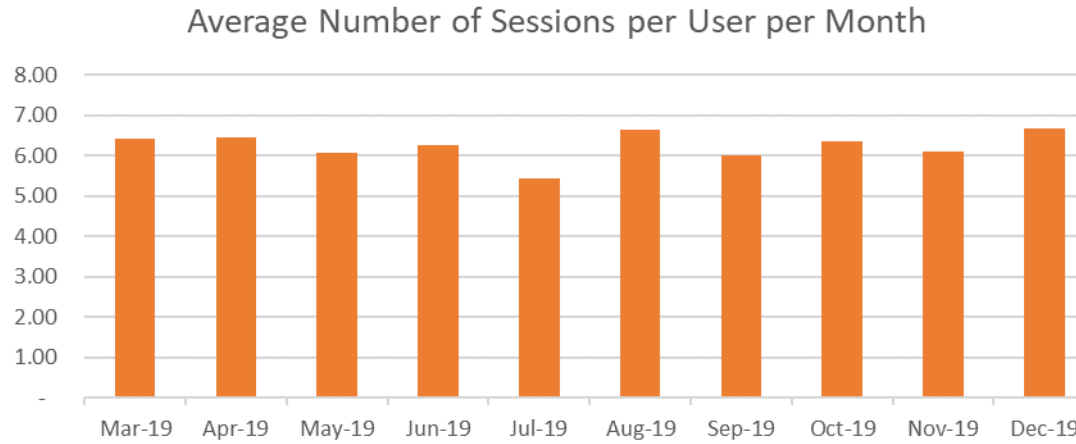
- New and Existing customers are calculated on a sales out basis (ie, so, they exclude stocking orders by definition). Methodology has been updated / tightened to account for non-standard demo pod submissions that were showing as new accounts inflating both 2018-19 numbers.
- The methodology for Marketing Attributed new accounts now looks out 6 months prior to first sale and also accounts for web visits.
- Total # of NN accounts was 2,401 for the year, up 11% vs. 2018. Marketing-touched NN accounts were 519, up 67% YOY (92% of Plan). These numbers are preliminary given end user account data examined / cleaned up.

Marketing Spend



Management Discussion

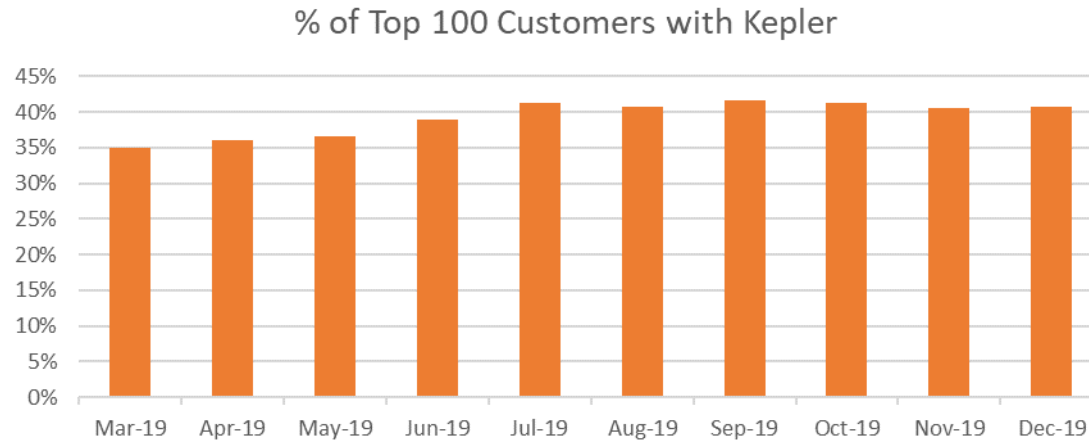
- Digital Ad spend finished 2019 at 79% of plan; Digital Ad lead gen finished at 119% of plan.
- Field Marketing spend finished at 53% for the year.



Management Discussion

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

Kepler - Adoption

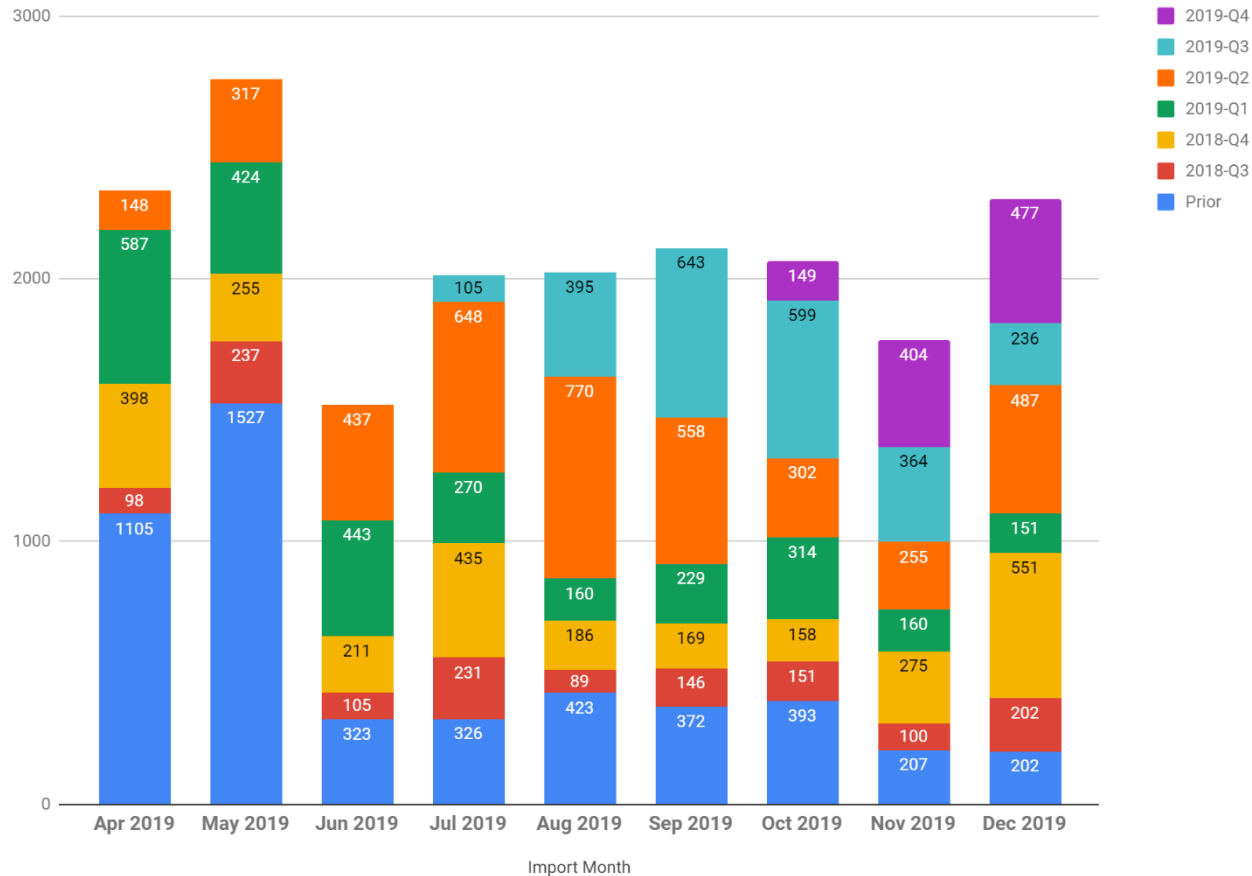


Management Discussion

- % of top 100 customers based on # of pods with Kepler.

Kepler – Kepler Import Month by Purchase Quarter

Kepler Import Month by Purchase Quarter

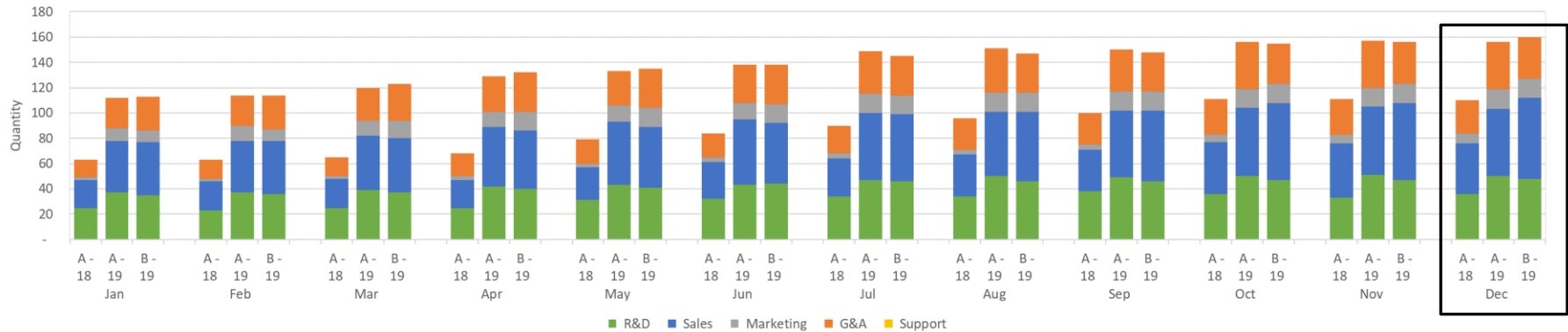


Management Discussion

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

Staffing Analysis

Headcount by Department



Management Discussion

- Headcount is below plan through December at 156 compared to budget of 160.

12/31/19 Talent Snapshot

Team Members by Geography

Denver (113)

US field (25)

International field (18)

Team Members by Function

Tech (53)

Sales (47)

Marketing (20)

Operations (24)

Finance/HR/Exec (12)

Total Team Members: 156

YTD Hires: 84

YTD Departures: 36

YTD Net Headcount Growth: 48

Open Positions as of 1/1/20

Job	Department	Anticipated Start date
Regional Sales Manager - Detroit	Sales	February
Regional Sales Director - PacNW	Sales	January
Sales Engineer – UK	Sales	February
Sales Engineer - NY	Sales	February
Inside Sales Account Manager	Sales	February
Inside Sales Development Rep – EMEA		
Director of Technical Services - EMEA	Sales	Sales February February
Linux Kernel Engineer	Engineering/Product	December
Sr. Quality Engineer	Engineering/Product	January
Sr. Software Engineer - Backend	Engineering/Product	January
Fullstack Engineer	Engineering/Product	February
Product/ UX Designer	Engineering/Product.	January
Senior Software Engineer – RUST	Engineering/Product	February
Support Engineer – Tier 3	Operations	February
Field Marketing Manager	Marketing	February
Graphic Designer	Marketing.	Human February
HR Business Partner – Talent Mgmt	Resources	February

Board of Directors Meeting Agenda

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

Summary P&L Through Dec 2019

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Net Revenue	4,310	4,879	(569)	(11.7%)	3,222	1,088	33.8%		42,001	42,453	(452)	(1.1%)	26,613	15,388	57.8%	
ARR	11,626	11,604	22	0.2%	7,169	4,457	62.2%		11,626	11,604	22	0.2%	7,169	4,457	62.2%	
Material	1,207	1,268	(61)	(4.8%)	1,016	191	18.8%		10,821	10,180	640	6.3%	5,687	5,133	90.3%	
Labor	90	68	22	32.0%	51	39	75.9%		1,019	739	279	37.8%	498	521	104.6%	
Total COGS	1,297	1,336	(39)	(2.9%)	1,067	230	21.5%		11,839	10,920	920	8.4%	6,185	5,654	91.4%	
Gross Margin	3,013	3,543	(530)	(15.0%)	2,155	859	39.8%		30,162	31,533	(1,372)	(4.4%)	20,427	9,734	47.7%	
Gross Margin %	69.9%	72.6%			66.9%				71.8%	74.3%			76.8%			
R&D	789	654	135	20.6%	493	296	59.9%		7,461	7,058	403	5.7%	4,488	2,973	66.3%	
Sales & Marketing	1,222	1,489	(268)	(18.0%)	861	361	41.9%		13,541	15,217	(1,676)	(11.0%)	7,740	5,802	75.0%	
Administrative	841	644	197	30.6%	433	408	94.2%		7,807	7,526	280	3.7%	5,302	2,505	47.2%	
Total Opex	2,852	2,787	64	2.3%	1,788	1,064	59.5%		28,809	29,802	(993)	(3.3%)	17,529	11,280	64.3%	
EBITDA	(835)	675	(1,510)	(223.7%)	367	(1,203)	(327.5%)		(1,020)	603	(1,622)	(269.2%)	2,898	(3,918)	(135.2%)	
EBITDA %	(19.4%)	13.8%			11.4%				(2.4%)	1.4%			10.9%			
Adj. EBITDA	162	756	(594)	(78.6%)	367	(205)	(56.0%)		1,353	1,732	(379)	(21.9%)	2,898	(1,545)	(53.3%)	
Adj. EBITDA %	3.8%	15.5%			11.4%				3.2%	4.1%			10.9%			
Net Income (Loss)	\$ (1,359)	\$ 235	\$ (1,593)	(679.3%)	\$ (190)	\$ (1,169)	615.5%		\$ (5,904)	\$ (3,572)	\$ (2,332)	65.3%	\$ (2,870)	\$ (3,034)	105.7%	
Capex	\$ (416)	\$ (5)	\$ (411)	8226.8%	\$ (86)	\$ (330)	382.5%		\$ (1,222)	\$ (484)	\$ (738)	152.4%	\$ (601)	\$ (621)	103.4%	

Management Discussion

- Invoiced sales were \$5.7m compared to target of \$5.5m, including \$1.5m of solstice subscription invoice sales recorded. Bookings were \$4.8m, resulting in backlog of \$225k at month end. QTD invoiced sales were \$16.1m compared to budget of \$15.4m. YTD invoiced sales were 110% of plan at \$51.7m compared to budget of \$47.0m.
- MTD invoiced sales mix by region: Americas 80% actual vs 77% budget, EMEA 16% actual vs 18% budget, APAC 4% actual vs 5% budget. YTD invoiced sales mix by region: Americas 78% actual vs 76% budget, EMEA 15% actual vs 18% budget, APAC 7% actual vs 5% budget.
- MTD revenue of \$4.3m includes approximately \$3.3m of pod revenue and \$969k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$3.3m is lower than budget of \$3.9m for the month because of lower than expected pod sales in Americas. YTD invoiced sales were \$42.0m compared to budget of \$42.5m.
- We added an Annual Recurring Revenue line that represents the MRR x 12 for December for our subscription revenue. YTD actual was slightly better than budgeted.
- Units shipped for the month were 5,052 vs budget of 5,913 and overall invoiced ASP was \$786 vs the budget of \$777. ASP exceeded budget driven by Americas. Americas ASP was \$887 vs budget of \$811, EMEA at \$533 ASP vs \$706 budgeted and APAC at \$570 invoiced ASP vs \$618 budgeted. With hardware upgrades included, ASP decreases to \$740 MTD and \$745 YTD.
- Renewal solstice subscription licenses sold MTD were 3,328 compared to target of 1,947 resulting in invoiced sales of \$800k compared to budget of \$282k. QTD renewal invoiced sales of \$2.5m is \$1.7m above budget of \$817k. YTD renewal invoiced sales of \$6.7m is \$3.5m above budget of \$3.2m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.
- Upfront solstice subscription licenses sold MTD were 2,881 compared to target of 2,290 resulting in invoiced sales of \$688k compared to budget of \$515k. Upfront attached rate was 57% compared to a budgeted attach rate of 40%. QTD upfront invoiced sales of \$1.5m is \$98k above budget of 1.4m. YTD upfront invoiced sales of \$4.3m is \$106k below budget of \$4.4m.
- Gross Margin % consistent vs prior month. YTD GP % remains below budget due to higher than budgeted Kepler and Labor costs.
- S&M OpEx under budget due primarily to unbudgeted deferred commissions related to ASC606, being behind on hiring plan, reduced content marketing spend and lower than planned T&E. YTD S&M Opex, normalized for deferred commissions, is \$1.2m below budget rather than the \$1.6m presented above. This is because \$447K of commission expense has been reclassified to the BS per ASC606.
- MTD G&A is primarily over budget due to additional MIPs bonus accrual based on estimated attainment for 2019.
- MTD R&D is variance is primarily due to being over budget on hiring plan and contractors.
- We added an EBITDA line to represent GAAP EBITDA. The adjusted EBITDA represents the historical EBITDA reported herein that includes one-time adjustments, OGC monitoring fee, etc.
- Invoiced EBITDA for 2019 was 171% of budget at \$10.8M compared to budget of \$6.3M

Balance Sheet

\$'000	Dec-18	Sep-19	Oct-19	Nov-19	Dec-19		Variance
	Act	Act	Act	Act	Act	Bud	\$
Current Assets							
Cash and cash equivalents	\$ 5,752	\$ 8,341	\$ 7,425	\$ 7,269	\$ 7,647	\$ 7,143	\$ 504
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	5,113	7,173	7,442	8,149	7,969	8,000	(31)
Accounts receivable, reserves	(82)	(135)	(142)	(162)	(102)	(80)	(22)
Accounts receivable, net	5,031	7,039	7,300	7,987	7,867	7,920	(53)
Inventory, net	1,390	2,983	3,580	3,664	3,932	1,590	2,342
Prepaid expenses and other current assets	1,751	3,318	3,415	3,710	2,584	1,198	1,386
Total Current Assets	13,925	21,680	21,720	22,629	22,029	17,851	4,178
Non-Current Assets							
Property, plant & equipment, gross	948	1,456	1,505	1,754	2,170	1,395	775
Accumulated depreciation	(216)	(446)	(480)	(516)	(582)	(218)	(364)
Property, plant & equipment, net	732	1,011	1,025	1,238	1,588	1,177	411
Goodwill	29,316	26,953	26,695	26,134	26,041	20,675	5,366
Identifiable intangible assets, net	2,692	2,375	2,324	2,233	2,012	3,299	(1,287)
Deferred tax asset	3,470	4,449	4,449	4,449	3,431	7,335	(3,904)
Other non-current assets	443	832	862	935	1,056	275	781
Total Non-Current Assets	36,653	35,620	35,355	34,989	34,127	32,761	1,366
Total Assets	\$ 50,577	\$ 57,300	\$ 57,075	\$ 57,619	\$ 56,157	\$ 50,612	\$ 5,545
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	—
Accounts payable	842	3,780	3,219	2,789	2,275	1,228	1,047
Accrued liabilities	(243)	212	281	252	275	169	106
Accrued compensation	1,869	1,811	1,837	2,060	2,238	2,514	(276)
Income taxes payable	(0)	1,107	997	939	2	762	(760)
Other current liabilities	70	354	362	357	185	213	(28)
Total Current Liabilities	6,037	10,764	10,196	9,896	8,475	8,386	89
Long-term liabilities							
Long-term unearned revenue	6,791	12,366	12,963	14,431	15,724	11,440	4,283
Deferred liabilities	154	195	208	241	267	259	8
Total Long-Term Liabilities	6,945	12,560	13,171	14,672	15,991	11,699	4,291
Total Liabilities	12,982	23,325	23,367	24,568	24,465	20,085	4,380
Shareholders' Equity							
Total Shareholders' Equity	37,595	33,976	33,708	33,050	31,691	30,527	1,164
Total Liabilities and Shareholders' Equity	\$ 50,577	\$ 57,300	\$ 57,075	\$ 57,619	\$ 56,157	\$ 50,612	\$ 5,545

Management Discussion

- Cash increased primarily driven by strong subscription sales.
- AR 'days revenue outstanding' at 57 vs budget of 50. AR is consistent with expectations. Days sales outstanding is around 45 days.
- Inventory 'days outstanding' is 94 days versus budget of 37 days and is above budget due to adding 11,100 units to inventory during Oct-2019, 8,500 units in Nov-19, and 8,950 units in Dec-19. Total ending inventory balance: Gen 3 – 17k pods. We have intentionally built our inventory safety stock levels based on projected Pod sales and given that we are still sole sourcing all pods from one vendor.
- Prepaid and OCA balances are higher than expected due to software prepaids, trade show prepaids, and additional prepaids from various vendors.
- CAPEX is over budget due primarily to office remodel.
- Goodwill is higher than budget because of addition of customer relationships to Goodwill and purchase price accounting.
- Deferred tax asset is lower than budget due to 2019 tax accrual true-up.
- Other current assets are higher than expected due to under budgeted deferred sales commissions due to ASC606 implementation.
- AP 'days payable outstanding' 54 vs budget of 29. Variance to budget largely due to timing of inventory bills.
- Income taxes payable was lower than expected due to making payments for State & Federal tax liability for 2019.
- Deferred revenue is above budget primarily due to strong invoice sales exceeding budget, as well as increased solstice subscription deferred revenue due to ASC 606 implementation and renewal co-terms.
- Increase in SH equity and GW over budget is due to restating and correcting accounting treatment for purchase price related to rolled equity from prior investors and OGC contribution.

Cash Flow Statement

\$'000	MTD		Var	PY-MTD	Var	YTD		Var	PY YTD	Var
	Act	Bud	\$		\$	Act	Bud	\$		\$
Cash flow from operations										
Net Income (Loss)	\$ (1,359)	\$ 235	\$ (1,593)	\$ (190)	\$ (1,169)	\$ (5,904)	\$ (3,572)	\$ (2,332)	\$ (2,870)	\$ (3,034)
Depreciation, amortization and other	128	294	(167)	79	49	4,325	3,468	857	4,153	172
Deferred income tax	1,019	(198)	1,217	1,143	(124)	39	(847)	886	(245)	284
<i>Change in operating assets and liabilities:</i>										
Accounts receivable	120	(440)	560	(886)	1,005	(2,836)	(2,941)	105	(1,918)	(918)
Inventory	(267)	146	(413)	398	(666)	(2,542)	(200)	(2,342)	(882)	(1,659)
Prepaid expenses and other current assets	1,126	(13)	1,139	(556)	1,682	(833)	642	(1,475)	(430)	(403)
Accounts payable	(514)	79	(593)	558	(1,072)	1,434	574	860	750	684
Accrued expenses	201	251	(50)	(359)	560	887	694	193	513	375
Accrued income taxes	(937)	321	(1,258)	(1,754)	817	2	68	(66)	–	2
Other changes in operating assets and liabilities	1,318	640	679	379	940	9,046	4,652	4,394	4,701	4,344
Other cash flow from operations	(292)	(4)	(288)	(171)	(121)	(502)	(648)	146	(934)	432
Total Cash Flow from Operations	\$ 542	\$ 1,310	\$ (768)	\$ (1,358)	\$ 1,900	\$ 3,117	\$ 1,890	\$ 1,227	\$ 2,838	\$ 279
Cash flow from investing										
Additions to property, plant and equipment	\$ (416)	\$ (5)	\$ (411)	\$ (86)	\$ (330)	\$ (1,222)	\$ (484)	\$ (738)	\$ (601)	\$ (621)
Investment in intangibles	253	–	253	102	151	–	(40)	40	453	(453)
Total Cash Flow from Investing	\$ (164)	\$ (5)	\$ (159)	\$ 16	\$ (179)	\$ (1,222)	\$ (524)	\$ (698)	\$ (148)	\$ (1,075)
Cash flow from financing										
Total Cash Flow from Financing	\$ –	\$ –	\$ –	\$ 611	\$ (611)	\$ –	\$ –	\$ –	\$ 611	\$ (611)
	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Net change in cash	\$ 378	1,305	\$ (927)	\$ (732)	\$ 1,110	\$ 1,894	\$ 1,365	\$ 529	\$ 3,301	\$ (1,407)
Beginning cash	7,269	5,838	1,431	6,484	785	5,752	5,777	(25)	2,451	3,301
Change in cash	378	1,305	(927)	(732)	1,110	1,894	1,365	529	3,301	(1,407)
Ending cash	\$ 7,647	\$ 7,143	\$ 504	\$ 5,752	\$ 1,894	\$ 7,647	\$ 7,143	\$ 504	\$ 5,752	\$ 1,894

Management Discussion

- Cash increased primarily driven by strong subscription sales.
- Cash conversion' at 96 days vs budget of 59.
- Cash from changes in Inventory was behind MTD as due to adding 8,950 units to inventory during Dec-2019.
- MTD Prepaid and OCA balances variance is due to 2019 tax true-up and reduction in furniture deposit. YTD Prepaids variance is driven inventory deposits for 2020.
- Deferred income tax, Other current assets, and accrued income taxes variance due to true-up of 2019 tax liability.
- YTD AP variance to budget is due to timing of inventory bills.
- YTD Deferred Revenue variance due to strong invoice sales exceeding budget, especially driven by increased solstice subscription.
- CAPEX is over budget due primarily to office remodel.

Board of Directors Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ **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

2018 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

2018 Audit Status

	Jan 2019	Now	Change	Description
				Increase due to correcting prior year revrec
Net Sales	25,989	26,612	623	acctg
GP	19,830	20,427	597	
				Add'l \$800K of amortization from increased
OpEx	21,924	22,395	471	GW, less \$366K of 2017 expense incorrectly posted in 2018 by prior team
Tax Expense	367	718	351	Add'l tax expense
Net loss	<u>(2,650)</u>	<u>(2,867)</u>	(217)	
Current Assets	13,986	13,867	(119)	
Long Term Assets	34,583	36,102	1,519	Add'l GW to correct prior accounting
Liabilities & Deferred Revenue	14,470	12,982	(1,488)	Add'l haircut for purchase accounting and increase in revenue revrec acctg
Retained Earnings	(6,076)	(3,022)	3,054	Core model included Holdings M&A expenses

Reasons for Audit Delay

- Initial reason for delay due to Deloitte identifying in May 2019 potential revrec errors on audit test selections while testing 2017 Deferred revenue
- We could not quantify potential error due to historical transactions were not auditable – disconnect between Flexera & financial systems
- Took 5 months to re-assess and connect over 100,000 lines of transactions between Flexera and financial systems resulting in \$400K adjustment
- Multiple staffing changes at Mersive & Deloitte and getting back on Deloitte calendar has been a challenge
- Correcting purchase accounting errors from prior auditors and audit report
- Complex corporate tax analysis and getting tax department to prioritize

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Overall – Change between numbers reported in January 2019 and now or minimal and due almost entirely to correcting historical accounting records.

Status – Draft financials are nearly completed. Deloitte wrapping up internal reviews. Hope to issue in next week or so.

Board of Directors Meeting 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	\$ 14,533	\$ 15,624	\$ (1,092)	\$ –	\$ (1,092)	\$ –	\$ –	\$ (1,092)	\$ –	\$ –
Benefits	1,912	2,206	(294)	\$ –	\$ (294)	–	–	(294)	–	–
Bonus	1,520	1,901	(381)	\$ –	\$ (381)	–	–	(381)	–	–
Commissions	1,950	2,093	(143)	–	(143)	–	–	(143)	–	–
Marketing	2,256	2,402	(146)	–	(146)	–	–	(146)	–	–
Travel and Entertainment	1,646	1,584	62	–	62	–	–	62	–	–
Rent and Facilities	1,582	1,035	548	–	–	548	–	548	548	548
Insurance	60	50	10	–	10	–	–	10	–	–
Professional Fees	1,073	764	309	–	–	309	–	309	309	309
Utl., Repair, Maint., & Sec.	310	427	(117)	–	(117)	–	–	(117)	–	–
Office Expense	212	48	164	–	–	164	–	164	164	164
IT	1,480	1,461	19	–	–	19	–	19	19	19
Other Expenses	275	206	69	–	69	–	–	69	–	–
Total Opex	\$28,809	\$29,802	\$ (993)	\$ –	\$ (2,032)	\$ 1,040	\$ –	\$ (993)	\$ 1,040	\$ 1,040

Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a \$ basis. Budgeted employee headcount was 156 versus actual of 160 as of Dec-19.
- Commissions/Bonus, normalized for 606 adjustments, are \$77k under budget.
- Marketing is primarily under budget due to decrease spend in content marketing and trade show.
- Rent is over budget primarily due to increased CAM, addition of 180 (vs budget start date of 9/1), and higher than expected monthly parking cost.
- Professional Fees are over budget due to 1) software development contractors 2) additional consulting hours related to systems improvements and 3) higher than expected recruiting costs
- Office expenses are largely due to unbudgeted dollars. Monthly trend has been consistent.

Operating Expenses Summary

\$'000

Opex Overview:

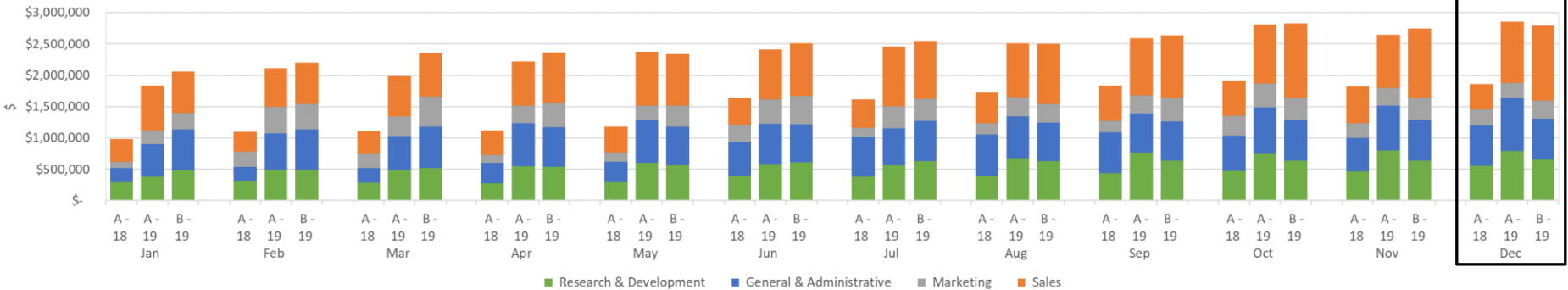
	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Bud	\$	%		Act	\$	Act	Bud	\$	%		Act	\$
Payroll	\$ 1,441	\$ 1,491	\$ (50)	(3.4%)	\$ 874	\$ 567	64.9%	\$ 14,533	\$ 15,624	\$ (1,092)	(7.0%)	\$ 8,146	\$ 6,387	78.4%
Benefits	178	196	(18)	(9.3%)	163	15	8.9%	1,912	2,206	(294)	(13.3%)	1,633	279	17.1%
Bonus	142	188	(46)	(24.5%)	38	104	275.6%	1,520	1,901	(381)	(20.1%)	1,181	339	28.7%
Commissions	259	287	(28)	(9.8%)	158	101	63.8%	1,950	2,093	(143)	(6.8%)	1,212	739	61.0%
Marketing	126	158	(32)	(20.3%)	69	56	81.4%	2,256	2,402	(146)	(6.1%)	1,436	820	57.1%
Travel and Entertainment	157	134	23	17.1%	121	36	30.1%	1,646	1,584	62	3.9%	796	849	106.7%
Rent and Facilities	220	106	115	108.5%	(16)	236	(1483.7%)	1,582	1,035	548	52.9%	746	836	112.0%
Insurance	6	4	2	50.5%	10	(4)	(36.6%)	60	50	10	20.4%	55	5	9.7%
Professional Fees	123	61	62	100.5%	161	(38)	(23.8%)	1,073	764	309	40.4%	925	149	16.1%
Utl., Repair, Maint., & Sec.	25	36	(11)	(30.8%)	20	6	28.8%	310	427	(117)	(27.5%)	242	68	28.2%
Office Expenses	37	4	33	829.6%	38	(1)	(2.7%)	212	48	164	341.8%	458	(246)	(53.7%)
IT	151	105	45	43.2%	89	61	68.4%	1,480	1,461	19	1.3%	443	1,036	233.8%
Other Expenses	(13)	17	(30)	(173.9%)	17	(30)	(173.4%)	275	206	69	33.3%	194	81	42.0%
Total Opex	\$ 2,852	\$ 2,787	\$ 64	2.3%	\$ 1,788	\$ 1,064	59.5%	\$ 28,809	\$29,802	\$ (993)	(3.3%)	\$ 17,529	\$11,280	64.3%

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary

OPEX by Department



Management Discussion

- Graph shows departmental spend comparatives for '18 actual, '19 actual and '19 budget.

AR and AP Aging Detail

\$'000

AR Aging				
Days	Oct-19	Nov-19	Dec-19	
0-30	\$ 6,588	\$ 7,333	\$ 7,317	
30-60	366	425	302	
60-90	224	198	175	
>90	264	192	175	
Total Gross AR	\$ 7,442	\$ 8,149	\$ 7,969	
Reserves	(142)	(162)	(102)	
Total Net AR	\$ 7,300	\$ 7,987	\$ 7,867	

AP Aging				
Days	Oct-19	Nov-19	Dec-19	
0-30	\$ 2,280	\$ 2,786	\$ 2,154	
30-60	943	4	6	
60-90	12	9	24	
>90	(15)	(10)	91	
Total	\$ 3,219	\$ 2,789	\$ 2,275	

Management Discussion

- AR decreased due to improved collection efforts. The largest customer balance in the >60 bucket is Nanpeng (130K). The three largest in the >90 bucket are Genesis Integration (83K), Matrix Technology Group (32K), and Getronics (30K) payment plan starting in November.
- AP decreased overall due to Smart Wireless not shipping units during the second half of December. The greater 60 and 90 buckets increased due to final bills for HQ furniture and foreign payroll.



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