

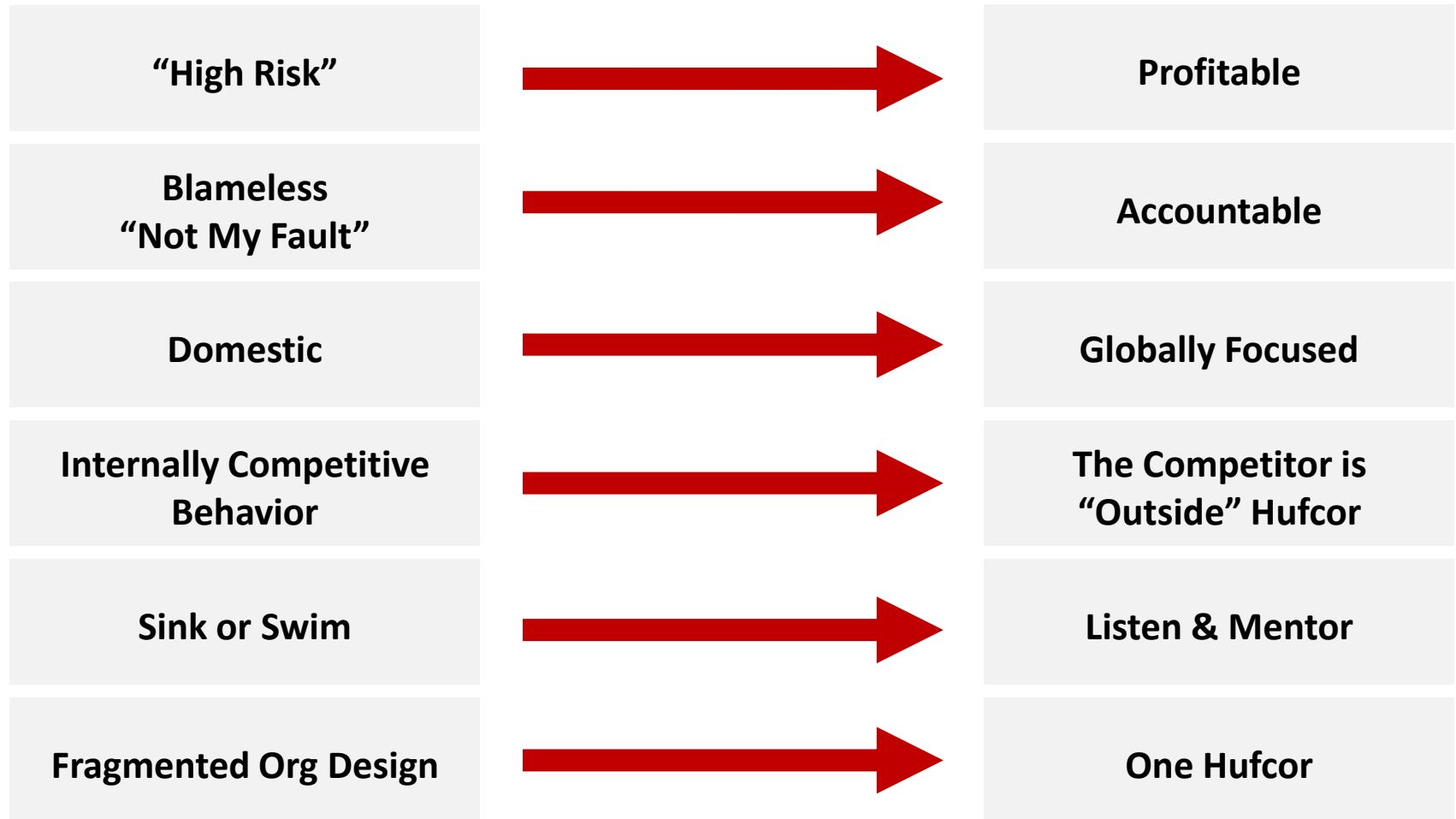
# 2019 AOP – “Rev 2”

November 28, 2018

## Overview of 2019 Annual Operating Plan

### Financial Analysis:

- 2019 Profit and Loss
- 2019 Balance Sheet
- 2019 Cash Flow



***The Culture of the Company is Driven by The Daily Beliefs & Behaviors of its Leadership...***

	1 - Team Centric	2 - Safety	3 – Quality	4 - Delivery	5 – Cost/Growth
<b>Macro</b>	<ul style="list-style-type: none"> <li>High “Say Do” Ratio</li> <li>“One Hufcor”</li> </ul>	<ul style="list-style-type: none"> <li>Safety First</li> <li>5S Maturity</li> </ul>	<ul style="list-style-type: none"> <li>Right “First” Time</li> <li>Bias for Action</li> </ul>	<ul style="list-style-type: none"> <li>World Class Lead Times</li> <li>“Perfect Order”</li> </ul>	<ul style="list-style-type: none"> <li>Focus on GM%</li> <li>New Products &amp; Globalization</li> </ul>
<b>Detail Focus Areas</b>	<ul style="list-style-type: none"> <li>a. Performance Management Process</li> <li>b. Development Plans</li> <li>c. X-Training</li> <li>d. Organizational Design</li> <li>e. Goal Alignment</li> <li>f. Global Standard Work Development</li> <li>g. Town Halls</li> <li>h. Quarterly Lunch &amp; Learns (L&amp;L)</li> </ul>	<ul style="list-style-type: none"> <li>a. RIR / First Aid Pareto &amp; Action Plan</li> <li>b. 5S</li> <li>c. Consistent Policies</li> <li>d. Management System:                             <ul style="list-style-type: none"> <li>a. High Hazard</li> <li>b. LOTO</li> <li>c. Job Site</li> <li>d. Confined Space</li> </ul> </li> <li>e. Environmental Compliance</li> </ul>	<ul style="list-style-type: none"> <li>a. Standard Work Adherence</li> <li>b. ISO Certifications</li> <li>c. Poka-Yoke</li> <li>d. Scrap</li> <li>e. Correct Tools/Equipment</li> <li>f. Right First Time Delivery to Jobsite</li> </ul>	<ul style="list-style-type: none"> <li>a. PFEP                             <ul style="list-style-type: none"> <li>a. SKU Rationalization</li> </ul> </li> <li>b. Level Load</li> <li>c. Lean Mgmt System</li> <li>d. Global Standard BOM                             <ul style="list-style-type: none"> <li>a. Part “reuse”</li> <li>b. SKU naming convention</li> </ul> </li> <li>e. Warm Start Focus</li> <li>f. Customer Service Excellence</li> <li>g. Project Management Excellence</li> <li>h. NA Growth Readiness</li> </ul>	<ul style="list-style-type: none"> <li>a. Strategic Procurement (PPV) &amp; Dual Sourcing</li> <li>b. Gross Margin reporting at: SKU / Project</li> <li>c. Product Line Expansion                             <ul style="list-style-type: none"> <li>a. Alu Frame, Glass, Demountable</li> <li>b. Optimize Vertical Wall</li> </ul> </li> <li>d. Global PS5 &amp; Price</li> <li>e. APAC Optimization</li> <li>f. Advansys Partnership</li> </ul>
<b>Reactive KPI(s)</b>	<ul style="list-style-type: none"> <li>Absenteeism &lt; 15%</li> <li>Staffing Cycle Time, &lt; 60 days for prof., &lt; 30 days for union</li> <li>G&amp;O 100% Completion</li> <li>Mid Year/End of Year 100% Completion</li> <li>L&amp;L Quarterly and Town Hall 2x/year 100% Complete</li> </ul>	<ul style="list-style-type: none"> <li>RIR: 50% Reduction to 4.9</li> <li>Lost Time: 0</li> </ul>	<ul style="list-style-type: none"> <li>TCAR Reduction</li> <li>24 Hour Response Time (Calls and E mails)</li> <li>Customer Feedback</li> <li>In field Service Warranty \$ Reduction</li> </ul>	<ul style="list-style-type: none"> <li>+90% OTD</li> <li>Past Due \$s below \$100K (average)</li> <li>Past Due Aging – Below 30 Days</li> <li>24 Hour Response Time (Calls and E mails)</li> <li>Project Schedule Fidelity</li> <li>Increase Output X% at each location</li> </ul>	<ul style="list-style-type: none"> <li>EBITDA - \$16M (12.9% of sales)</li> <li>Direct Mat'l: 33.4% of Sales</li> <li>Manf. O/H: 18.5% of Sales</li> <li>Opex: 17.5% of Sales</li> <li>GM% - +31%</li> <li>Launch Standard Glass in NA, GER &amp; AUS Q1</li> <li>Launch AL Frame NA &amp; GER Q1</li> <li>Launch PS5 &amp; Price Book Q12019</li> </ul>
<b>Proactive KPI(s)</b>	<ul style="list-style-type: none"> <li>100% Completion of Cross Training Plan for critical roles within each function</li> <li>High “Say - Do” Ratio</li> </ul>	<ul style="list-style-type: none"> <li>Safety Concern(s) Closed: +1,000 globally</li> <li>Global 5S Score Maturity by YE: 3</li> </ul>	<ul style="list-style-type: none"> <li>Warranty Trending</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;OP Launch</li> <li>Inventory +90% “Green” per PFEP</li> <li>Inventory Accuracy: +98%</li> <li>SQDC Operating Mechanisms</li> <li>Weekly Sales &amp; Securement Op Mech (Internal + Distributors)</li> </ul>	<ul style="list-style-type: none"> <li>PPV: +\$3M</li> <li>Dual Source +50% of Critical Spend</li> <li>OT - Below \$350K</li> </ul>
<b>Stretch Goal(s)</b>					<ul style="list-style-type: none"> <li>Revenue \$150M+</li> <li>Glass Sales: +\$20M Globally</li> </ul>

**S.M.A.R.T. Goals, Aligned Cross Functionally, & Globally = “One Hufcor”...**

# 2019 Risks & Opportunities



## Risks

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>Infrastructure &amp; Financial Planning (Facilities, Equipment &amp; IT/Network)                             <ul style="list-style-type: none"> <li>Equipment decades old</li> <li>IT fragmented and out of date</li> <li>Facility condition (HQ, Malaysia sinking etc.)</li> <li>Supplier Tooling</li> <li>Excess Capacity (too many facilities)</li> <li>Financial Reporting Tools</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operational Performance Challenges including: Increased OT, Potential Scrap/Rework</li> <li>Potential Delay to Strategic Initiatives (i.e. APAC Consolidation)</li> <li>Increased R&amp;M Spend</li> <li>Cash Drain on the business</li> <li>Forecast Inaccuracy</li> </ul>	<ul style="list-style-type: none"> <li>Developing CAPEX plan to address and balancing with Cash/EBITDA performance but level of accuracy will vary as we start to "dig in" (example JVL Deferred Maint.)</li> <li>Rooftop consolidation plan created – on hold pending Malaysia facility readiness (sinking)</li> <li>Deep diving financial tool kit and creating plan</li> </ul>
<ul style="list-style-type: none"> <li>Domestic (USA) Regional Sales Office Execution Readiness                             <ul style="list-style-type: none"> <li>Lack of Trained People</li> <li>Lack of Basic Process/SS</li> <li>Unknown Actual vs. Estimate Project Financial Impact</li> <li>Lack of Daily Tools (aka ability to invoice)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Variability to Monthly Performance at regional level (P&amp;L Impact)</li> <li>Inability to forecast accurately month to month</li> <li>Q1/Q2 People Onboarding Variability</li> </ul>	<ul style="list-style-type: none"> <li>Pricing Updates</li> <li>Contract Review</li> <li>Implement SQDC &amp; Std Work</li> <li>Review Financial System</li> <li>Root Cause Project Variances and Measure Project Schedule Fidelity</li> <li>Look at Field Sales Compensation Plan and Staffing Levels</li> </ul>
<ul style="list-style-type: none"> <li>Product Line Gaps                             <ul style="list-style-type: none"> <li>Glass</li> <li>Global Standard Product</li> <li>Vertical Lift</li> <li>Partition Studio 4 (not global or cloud based)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Unable to shift capacity globally</li> <li>Material PPV a challenge</li> <li>Sales "misses" due to not having full product offerings</li> </ul>	<ul style="list-style-type: none"> <li>Global Aluminum Frame (700 Series)</li> <li>Completion of base Glass catalog &amp; Globalization</li> <li>Partition Studio 5</li> </ul>
<ul style="list-style-type: none"> <li>Market Upside:                             <ul style="list-style-type: none"> <li>Glass</li> <li>Aluminum Standard Product (700 Series)</li> <li>Tennent Fit Out Market</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Significant market upside at very solid margin (35%+)</li> </ul>	<ul style="list-style-type: none"> <li>Reallocate engineering resources to shop floor to drive line design improvements &amp; "real time" issue resolution</li> <li>Driving price conversations with supply base</li> <li>Implement Lean Management System</li> </ul>
<ul style="list-style-type: none"> <li>Growth/Operating Cash/Working Capital</li> </ul>	<ul style="list-style-type: none"> <li>Market Upside</li> <li>Increased Operating Cash Flow</li> </ul>	<ul style="list-style-type: none"> <li>Daily/Weekly Focus on AR/AP</li> <li>Deep Dive Raw Material and Finished Good Levels and Materials Management</li> </ul>
<ul style="list-style-type: none"> <li>Organization Depth (Globally)                             <ul style="list-style-type: none"> <li>Organization Maturity Skill Set not capable of transformational level execution</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operational Execution issues (SQDC) globally driving customer satisfaction challenges</li> <li>Leadership Churn</li> <li>Market concerns (customer feedback)</li> </ul>	<ul style="list-style-type: none"> <li>Implementing Performance Management Process: G&amp;O's, Organization Capability Review, Performance Management of team</li> </ul>

## Opportunities

## General Strategy

- Continue to operate Hufcor at reduced OPEX levels and pushing for growth in line with market growth only.

## Revenue – 90%

- Anticipated overall growth of \$4.4M due to additional Glasswall line capacity
- Lower negotiating allowances may cause sales levels to drop slightly, as well as lack of sales push program
- Market developments positive according to Architectural Index

## Gross Profit – 85%

- Labor inflation for domestic manufacturing based upon April 2018 union increase (2%), as well as increase in starting wages effective October 2018 (.5%); all other domestic manufacturing and project delivery employees at 3%
- Material savings (PPV) anticipated from global sourcing opportunities as well as global product standardization.
- Labor savings (TBD) will be realized through implementation of lean concepts and rooftop activities for Janesville and globally
- Limited transparency into backlog risks need to be managed

## OPEX – 95%

- Further stringent cost management will lower Opex from 2018 forecast into 2019 budget year
- Labor inflation of 3.0% for all domestic employees

## Capex – 95%

- Deferred capex spend (both domestic and international) as well as new rooftop initiatives

## EBITDA – 95%

- Based on confidence in upside plan, EBITDA for 2019 seems to be achievable: Project risks from backlog need to be managed accordingly

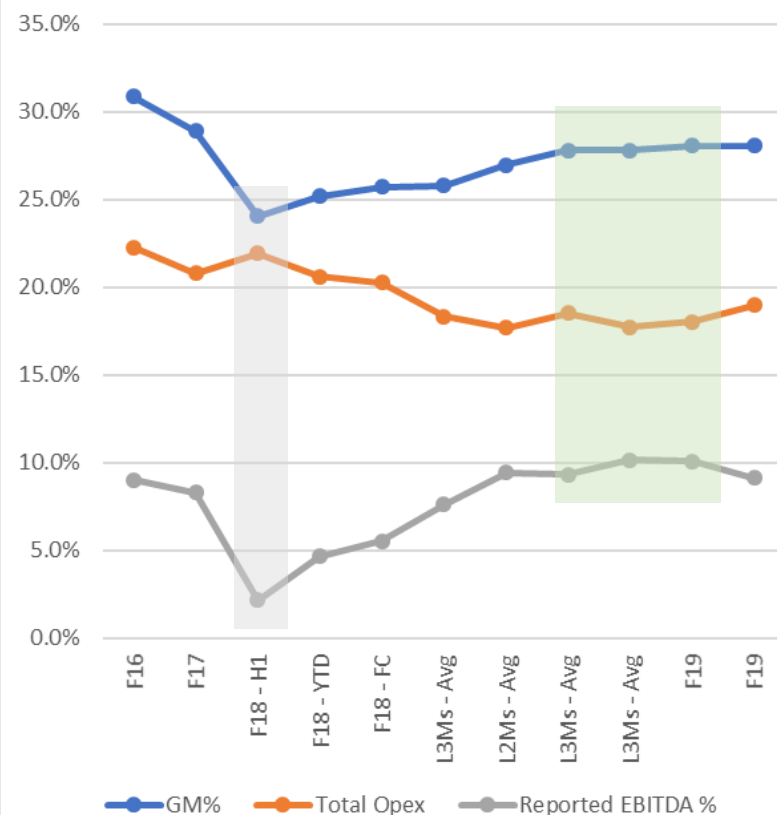
***Still Deep Diving Legacy Backlog/Securements, New Pricing/Margin Expectations Launched Q3...***

# % of Revenue Trends



	F16	F17	2018 F18 - H1	Thru Oct F18 - YTD	FY FC F18 - FC	Jul-Sept L3Ms - Avg	Aug/Sept L2Ms - Avg	Aug-Oct L3Ms - Avg	Aug-Oct corr L3Ms - Avg	Budget w/o F19	Budget F19
GM%	30.9%	28.9%	24.0%	25.2%	25.7%	25.8%	27.0%	27.8%	27.8%	28.1%	28.1%
Total Opex	22.3%	20.8%	21.9%	20.6%	20.3%	18.3%	17.7%	18.5%	17.7%	18.0%	19.0%
Reported EBITDA %	9.0%	8.3%	2.2%	4.7%	5.5%	7.6%	9.4%	9.3%	10.1%	10.1%	9.1%

**Key % Trends - GM, OPEX, EBITDA**



## Comments:

- Current Trends supporting budget 2019
- GM% Erosion due to Pricing and Execution H2 2017 thru H1 2018 (especially on Major Projects) but trend starting to reverse in recent months

## Actions:

- Continued PPV Activities
- Increased customer prices due to reduced discounting (NA%)
- Improved project execution via standard processes in field offices
- New Price Book for 2019 to be deployed
- Manufacturing Overhead Cost Actions In Progress
- All SG&A Spend on Lock Down
- Aggressively managing all spend categories

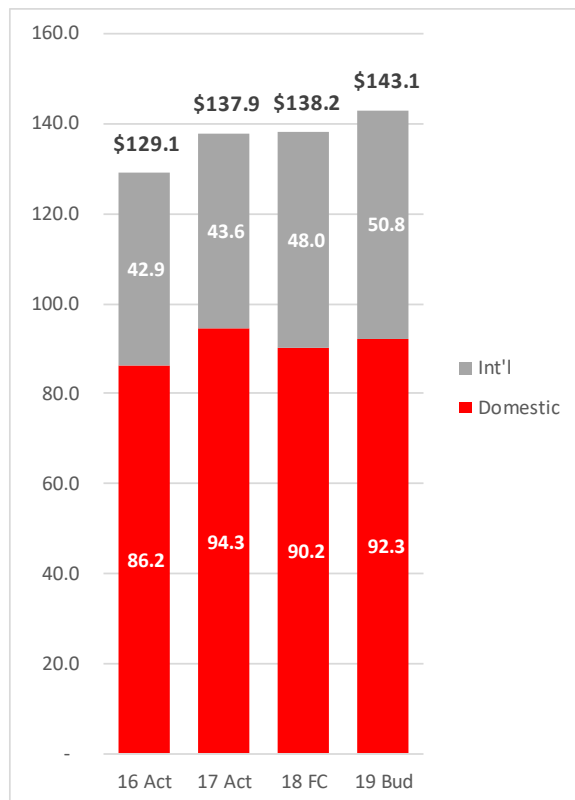
***All Buckets (As a % of Revenue) Trending In the Correct Direction...***

# Comparison of 2016-2017 Actual, 2018 Forecast and 2019 AOP



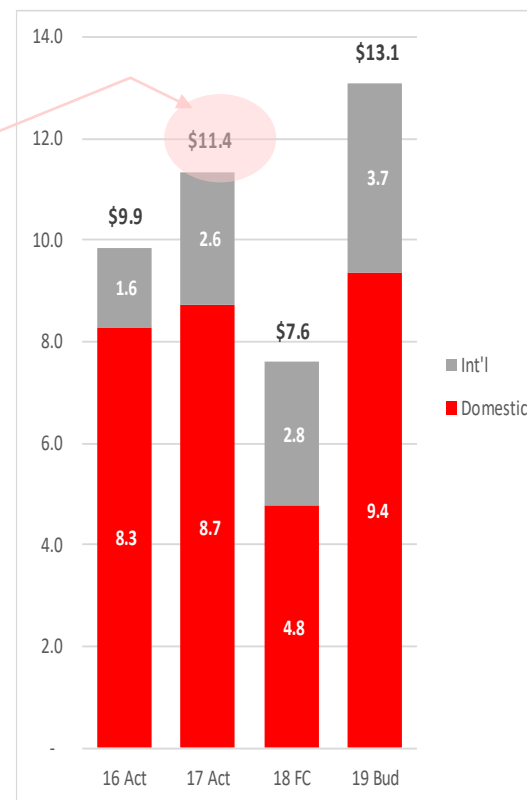
\$ in millions

## Revenue



\$ in millions

## EBITDA



December 2017  
adjustments of at  
least \$1M

***F19 Budget Reflects Full Run Rate Impact of Cost Actions Combined w/ Improved Execution...***



# 2018 Forecast & 2019 Budget



	<b>2016</b>		<b>2017</b>		<b>2018</b>						<b>2019</b>	
	Actuals		Actuals		YTD	YTD - Avg	L3Ms - Avg	L3Ms - Avg	FC FY		Budget	Budget
	FY		FY		Thru Oct	Thru Oct	Aug - Oct	Aug - Oct	2018		FY	FY
<b>Revenue</b>	<b>129,057</b>		<b>137,907</b>		<b>113,491</b>	<b>11,349</b>	<b>12,372</b>	<b>12,372</b>	<b>138,230</b>		<b>143,114</b>	<b>143,114</b>
Material	42,239	32.7%	44,042	31.9%	39,102	34.5%	3,910	34.5%	4,083	33.0%	48,359	35.0%
Other COGS	46,974	36.4%	54,020	39.2%	45,784	40.3%	4,578	40.3%	4,848	39.2%	54,323	39.3%
<b>Gross Profit</b>	<b>39,844</b>		<b>39,844</b>		<b>28,605</b>	<b>2,860</b>	<b>3,442</b>	<b>3,442</b>	<b>35,548</b>		<b>40,180</b>	<b>40,180</b>
<b>Gross Margin</b>	<b>30.9%</b>		<b>28.9%</b>		<b>25.2%</b>	<b>25.2%</b>	<b>27.8%</b>	<b>27.8%</b>	<b>25.7%</b>		<b>28.1%</b>	<b>28.1%</b>
S&M	14,822	11.5%	14,925	10.8%	12,338	10.9%	1,234	10.9%	1,247	10.1%	14,817	10.7%
G&A	13,903	10.8%	13,770	10.0%	11,043	9.7%	1,104	9.7%	1,046	8.5%	996	8.1%
<b>Total OPEX</b>	<b>22.3%</b>		<b>20.8%</b>		<b>20.6%</b>	<b>20.6%</b>	<b>18.5%</b>	<b>17.7%</b>	<b>20.3%</b>		<b>19.0%</b>	<b>18.0%</b>
								(corrected)				
<b>EBITDA</b>	<b>11,626</b>		<b>11,441</b>		<b>5,293</b>	<b>529</b>	<b>1,153</b>	<b>1,253</b>	<b>7,636</b>		<b>13,081</b>	<b>14,436</b>
<b>EBITDA Margin</b>	<b>9.0%</b>		<b>8.3%</b>		<b>4.7%</b>	<b>4.7%</b>	<b>9.3%</b>	<b>10.1%</b>	<b>5.5%</b>		<b>9.1%</b>	<b>10.1%</b>

w/o Bonus \$1'355

Implemented cost actions in 2018 to support budget 2019.

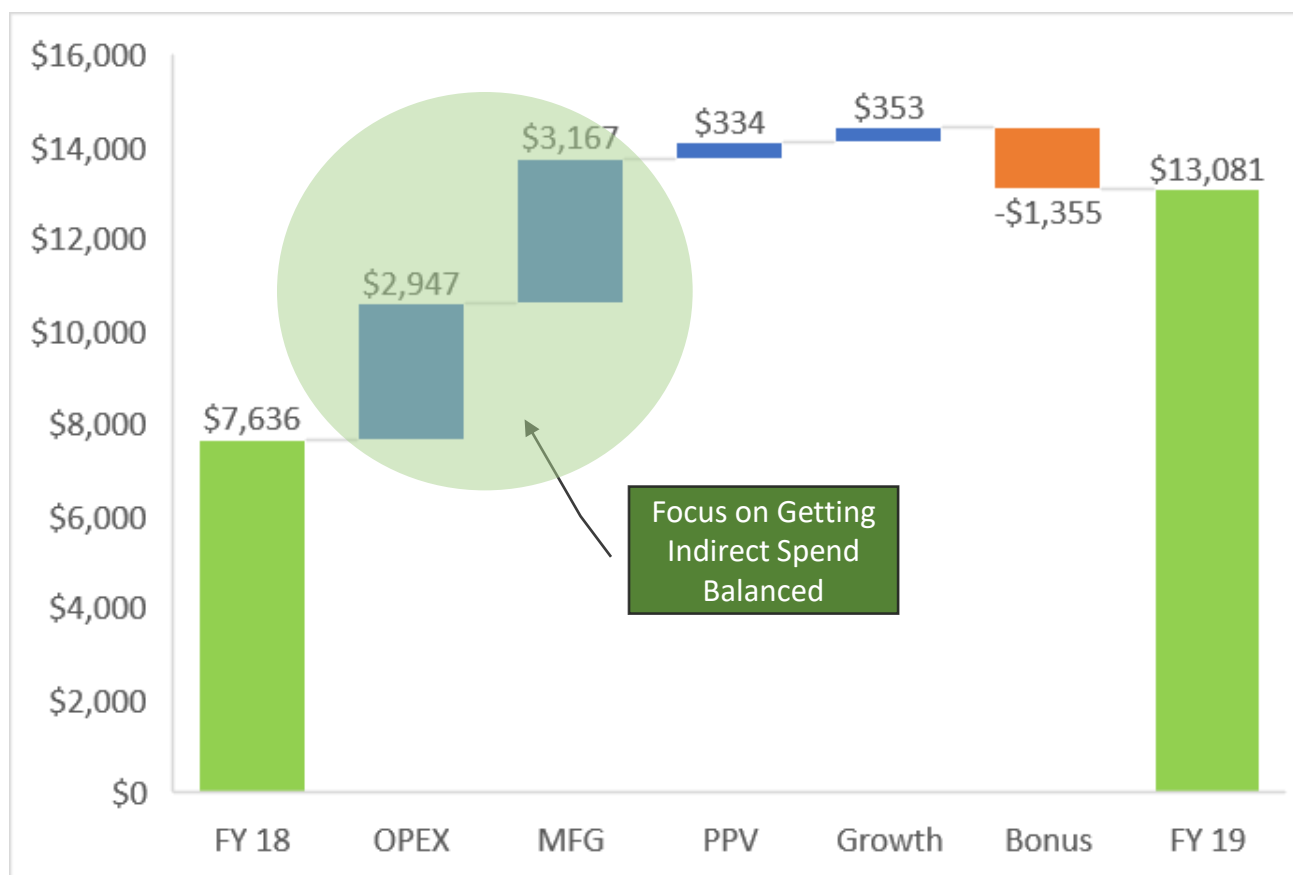
GM is to slightly improve in line with recent months. Then holding OPEX (SG&A) costs at the ~18% of revenue range (w/o bonus). The combination of the above will result in improved EBITDA levels as a % of sales

***Conservative Growth and Margin Actions Combined w/ Aggressive Cost Management Actions  
Getting Profit back on Track...***

# 2019 Budget Bridge



FY 18	OPEX	MFG	PPV	Growth	Bonus	FY 19
\$7,636	\$2,947	\$3,167	\$334	\$353	-\$1,355	\$13,081



**2019 EBITDA Plan Built Around Operating Excellence, Not Growth...**

# 2019 Summary Budget P&L



\$'000	[AOP SLIDE]: FULL YEAR FORECAST: P&L SUMMARY				
	2019	2018	2019 Bud vs 2018 Actual		2017
	Bud	Actual	(\$ Var	(%) Var	Act
<b>Gross Revenue</b>	<b>\$ 143,114</b>	<b>\$ 138,230</b>	<b>\$ 4,884</b>	<b>3.5%</b>	<b>\$ 137,907</b>
Adj. to Gross Revenue	—	—	—	N/A	—
<b>Net Revenue</b>	<b>143,114</b>	<b>138,230</b>	<b>4,884</b>	<b>3.5%</b>	<b>137,907</b>
Material	49,734	48,359	1,375	2.8%	44,042
Labor	41,449	41,800	(351)	(0.8%)	42,775
Other COGS	11,752	12,523	(772)	(6.2%)	11,335
<b>Total COGS</b>	<b>102,934</b>	<b>102,682</b>	<b>252</b>	<b>0.2%</b>	<b>98,152</b>
<b>Gross Margin</b>	<b>40,180</b>	<b>35,548</b>	<b>4,632</b>	<b>13.0%</b>	<b>39,755</b>
<i>Gross Margin %</i>	<i>28.1%</i>	<i>25.7%</i>			<i>28.8%</i>
R&D	—	—	—	N/A	—
Sales & Marketing	14,052	14,692	(640)	(4.4%)	14,925
Administrative	13,092	13,058	34	0.3%	13,775
Other Opex	(45)	(83)	38	(45.6%)	(296)
<b>Total Opex</b>	<b>27,099</b>	<b>27,667</b>	<b>(568)</b>	<b>(2.1%)</b>	<b>28,403</b>
<b>EBITDA</b>	<b>13,081</b>	<b>7,881</b>	<b>5,200</b>	<b>66.0%</b>	<b>11,351</b>
<i>EBITDA %</i>	<i>9.1%</i>	<i>5.7%</i>			<i>8.2%</i>
<b>Adj. EBITDA *</b>	<b>13,081</b>	<b>7,881</b>	<b>5,200</b>	<b>66.0%</b>	<b>11,351</b>
<i>Adj. EBITDA %</i>	<i>9.1%</i>	<i>5.7%</i>			<i>8.2%</i>
<b>Net Income (Loss)</b>	<b>\$ 1,339</b>	<b>\$ (5,645)</b>	<b>\$ 6,984</b>	<b>(123.7%)</b>	<b>\$ 4,094</b>
<b>Capex</b>	<b>\$ (2,496)</b>	<b>\$ (1,572)</b>	<b>\$ (924)</b>	<b>58.7%</b>	<b>\$ (1,299)</b>

# 2019 Summary Budget P&L

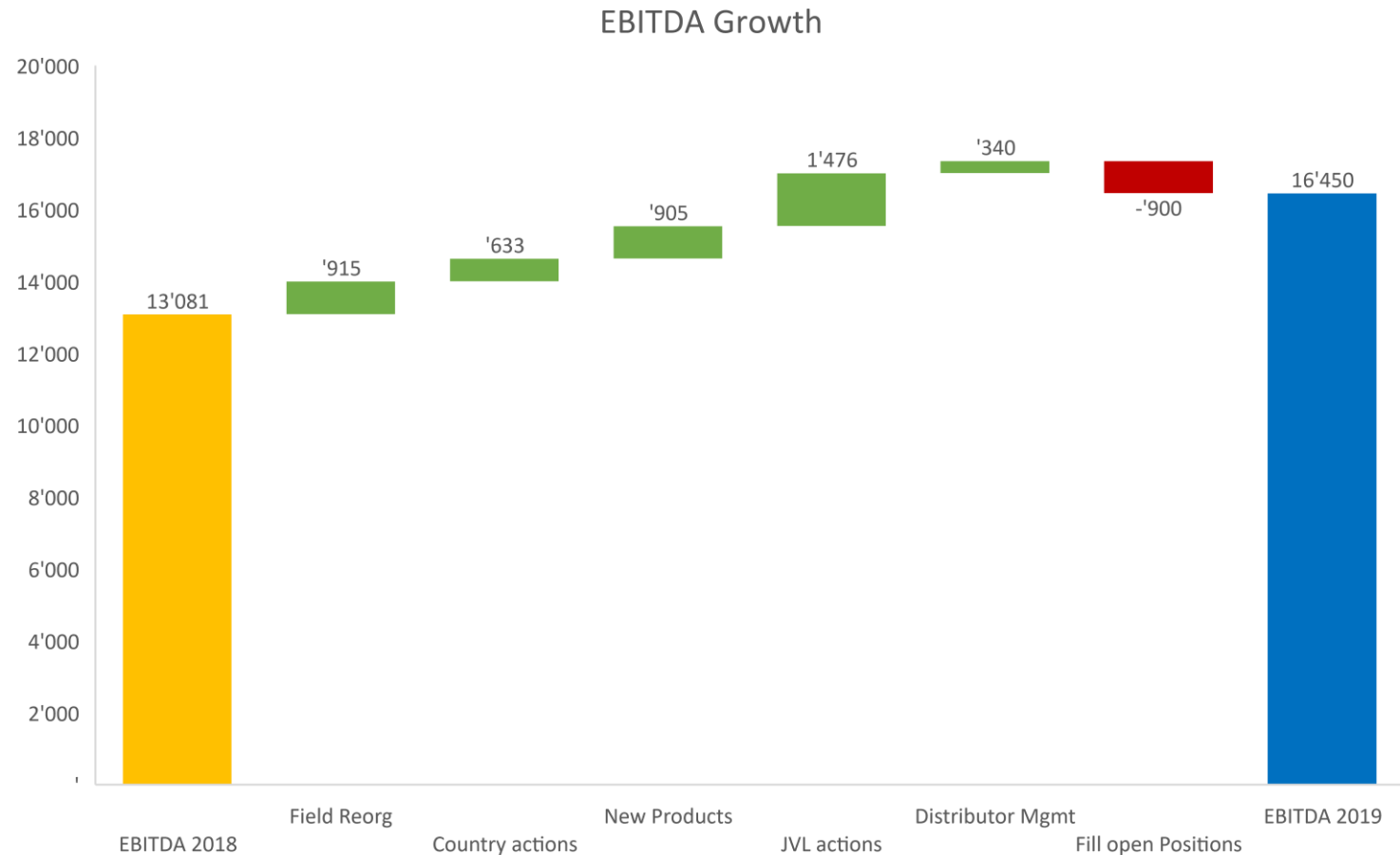


Summary P&L  
(\$ in Millions)

	<u>2017</u> Act	<u>2018</u> Actual	<u>2019</u> Budget	<u>Q1 19</u> Bud	<u>Q2 19</u> Bud	<u>Q3 19</u> Bud	<u>Q4 19</u> Bud	<u>2019</u> Bud	<u>2019 vs 2018</u> \$ %	
<b>Gross Revenue</b>	\$ 137.9	\$ 138.2	\$ 143.1	\$ 32.7	\$ 38.9	\$ 38.9	\$ 32.7	\$ 143.1	\$ 4.9	3.5%
Discounts	-	-	-	-	-	-	-	-	-	0.0%
Returns	-	-	-	-	-	-	-	-	-	0.0%
Rebates	-	-	-	-	-	-	-	-	-	0.0%
Other	-	-	-	-	-	-	-	-	-	0.0%
<b>Net Revenue</b>	\$ 137.9	\$ 138.2	\$ 143.1	\$ 32.7	\$ 38.9	\$ 38.9	\$ 32.7	\$ 143.1	\$ 4.9	3.5%
<i>YoY Growth</i>		0.2%	3.5%					3.5%		
Material	\$ 44.0	\$ 48.4	49.7	\$ 12.0	\$ 13.3	\$ 13.6	\$ 10.9	\$ 49.7	\$ 1.4	2.8%
Labor	42.8	41.8	41.4	10.0	10.8	10.8	10.0	41.4	(0.4)	-0.8%
Other COGS	11.3	12.5	11.8	2.9	3.0	3.0	2.9	11.8	(0.8)	-6.2%
<b>Total COGS</b>	\$ 98.2	\$ 102.7	\$ 102.9	\$ 24.9	\$ 27.0	\$ 27.4	\$ 23.7	\$ 102.9	\$ 0.3	0.2%
<b>Gross Margin</b>	\$ 39.8	\$ 35.5	\$ 40.2	\$ 7.8	\$ 11.8	\$ 11.5	\$ 9.0	\$ 40.2	\$ 4.6	13.0%
<i>Gross Margin %</i>	28.8%	25.7%	28.1%	24.0%	30.5%	29.6%	27.6%	28.1%	2.4%	
R&D	\$ -	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	0.0%
Sales & Marketing	14.9	14.7	14.1	3.5	3.5	3.5	3.5	14.1	(0.6)	-4.4%
Administrative	13.8	13.1	13.1	3.3	3.3	3.3	3.3	13.1	0.0	0.3%
Other Opex	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	-45.6%
<b>Total OPEX (excl D&amp;A)</b>	\$ 28.4	\$ 27.7	\$ 27.1	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 27.1	\$ (0.6)	-2.1%
		20.0%	18.9%					18.9%		
<b>EBITDA</b>	\$ 11.4	\$ 7.9	\$ 13.1	\$ 1.1	\$ 5.1	\$ 4.7	\$ 2.2	\$ 13.1	\$ 5.2	66.0%
<i>EBITDA Margin %</i>	8.2%	5.7%	9.1%	3.3%	13.0%	12.1%	6.8%	9.1%	3.4%	

**EBITDA % F16: 9.0%, F19 Plan to Recover Back to Historical Performance 9.1%...**

# 2019 EBITDA Funnel of Additional Actions



***Contingency Plan(s) Developed to Drive to Significant EBITDA Stability...***

## Overview of 2019 Annual Operating Plan

### Financial Analysis:

- 2019 Profit and Loss
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# 2019 Monthly P&L



\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	2018	Var		2016
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Act	\$	%	Act
Gross Revenue	\$ 10,898	\$ 10,898	\$ 10,898	\$ 12,954	\$ 12,954	\$ 12,954	\$ 12,954	\$ 12,954	\$ 12,954	\$ 10,898	\$ 10,898	\$ 10,898	\$ 143,114	\$ 138,230	\$ 4,884	3.5%	\$ 137,907
Net Revenue	10,898	10,898	10,898	12,954	12,954	12,954	12,954	12,954	12,954	10,898	10,898	10,898	143,114	138,230	4,884	3.5%	137,907
Material	4,424	3,924	3,674	4,535	4,535	4,185	4,535	4,535	4,535	3,617	3,617	3,617	49,734	48,359	1,375	2.8%	44,042
Labor	3,322	3,322	3,322	3,586	3,586	3,586	3,586	3,586	3,586	3,322	3,322	3,322	41,449	41,800	(351)	(0.8%)	42,775
Other COGS	955	955	955	1,003	1,003	1,003	1,003	1,003	1,003	955	955	955	11,752	12,523	(772)	(6.2%)	11,335
Total COGS	8,701	8,201	7,951	9,124	9,124	8,774	9,124	9,124	9,124	7,895	7,895	7,895	102,934	102,682	252	0.2%	98,152
Gross Margin	2,197	2,697	2,947	3,830	3,830	4,180	3,830	3,830	3,830	3,003	3,003	3,003	40,180	35,548	4,632	13.0%	39,755
Gross Margin %	20.2%	24.7%	27.0%	29.6%	29.6%	32.3%	29.6%	29.6%	29.6%	27.6%	27.6%	27.6%	28.1%	25.7%			28.8%
R&D	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—
Sales & Marketing	1,171	1,171	1,171	1,171	1,171	1,171	1,171	1,171	1,171	1,171	1,171	1,171	14,052	14,692	(640)	(4.4%)	14,925
Administrative	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	13,092	13,058	34	0.3%	13,775
Other Opex	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(7)	(45)	(83)	38	(45.6%)	(296)
Total Opex	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,255	27,099	27,667	(568)	(2.1%)	28,403
EBITDA	(62)	438	688	1,571	1,571	1,921	1,571	1,571	1,571	745	745	748	13,081	7,881	5,200	66.0%	11,351
EBITDA %	(0.6%)	4.0%	6.3%	12.1%	12.1%	14.8%	12.1%	12.1%	12.1%	6.8%	6.8%	6.9%	9.1%	5.7%			8.2%
Net Income (Loss)	\$ (759)	\$ (384)	\$ (194)	\$ 469	\$ 469	\$ 730	\$ 467	\$ 474	\$ 484	\$ (137)	\$ (143)	\$ (136)	\$ 1,339	\$ (5,645)	\$ 6,984	(123.7%)	\$ 4,094

\* Includes monitoring fees, plus expenses, of \$1.1M/year

\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	2018	(\$ Var		(%) Var
\$'000	0	0	0	0	0	0	0	0	0	0	0	0	0	2018	Var		2015
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Act*	\$	%	Act
<b>Opex Overview:</b>																	
Payroll	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 1,094	\$ 13,128	\$ 14,246	\$ (1,118)	(7.8%)	
Benefits	230	230	230	230	230	230	230	230	230	230	230	230	2,760	2,862	(102)	(3.6%)	
Bonus	113	113	113	113	113	113	113	113	113	113	113	113	1,356	183	1,173	642.4%	
Commissions	30	30	30	30	30	30	30	30	30	30	30	30	360	511	(151)	(29.6%)	
Marketing	181	181	181	181	181	181	181	181	181	181	181	181	2,172	1,948	224	11.5%	
Travel and Entertainment	87	87	87	87	87	87	87	87	87	87	87	87	1,039	1,275	(236)	(18.5%)	
Rent and Facilities	65	65	65	65	65	65	65	65	65	65	65	65	779	792	(14)	(1.8%)	
Insurance	32	32	32	32	32	32	32	32	32	32	32	32	380	368	12	3.2%	
Professional Fees	85	85	85	85	85	85	85	85	85	85	85	85	1,020	1,127	(107)	(9.5%)	
Util., Repair, Maint., & Sec.	34	34	34	34	34	34	34	34	34	34	34	34	413	418	(5)	(1.2%)	
Office Expenses	6	6	6	6	6	6	6	6	6	6	6	6	71	72	(2)	(2.1%)	
IT	48	48	48	48	48	48	48	48	48	48	48	48	570	610	(40)	(6.6%)	
Bad Debts	12	12	12	12	12	12	12	12	12	12	12	12	143	110	33	29.7%	
Supplies	18	18	18	18	18	18	18	18	18	18	18	18	210	255	(44)	(17.4%)	
FX	—	—	—	—	—	—	—	—	—	—	—	—	—	182	(182)	(100.0%)	
Other Expenses	225	225	225	225	225	225	225	225	225	225	225	224	2,699	2,707	(8)	(0.3%)	
Total Opex	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,258	\$ 2,257	\$ 27,099	\$ 27,667	\$ (568)	(2.1%)	

# 2019 Budget Summary Balance Sheet



Balance Sheet  
(\$ in Millions)

	<u>Dec-18</u> Act	<u>Mar-19</u> Rfc	<u>Jun-19</u> Rfc	<u>Sep-19</u> Rfc	<u>Dec-19</u> Rfc	<u>12/31/19 vs 12/31/18</u>	
						\$	%
<b><u>Current Assets</u></b>							
Cash and cash equivalents	\$ 3.2	\$ 3.1	\$ 3.7	\$ 3.7	\$ 3.5	\$ 0.3	8.6%
Accounts receivable, net	36.0	34.5	33.0	33.5	33.0	(3.0)	(8.3%)
Inventory, net	12.0	11.6	12.7	11.7	11.2	(0.8)	(6.7%)
Prepaid expenses and other current assets	1.8	1.7	1.5	2.3	1.6	(0.3)	(13.6%)
Current portion of deferred taxes	5.8	5.8	5.8	5.8	5.8	—	0.0%
Other current assets	1.9	1.9	1.9	1.9	1.9	—	0.0%
<b>Total Current Assets</b>	<b>60.7</b>	<b>58.6</b>	<b>58.6</b>	<b>58.8</b>	<b>56.9</b>	<b>(3.8)</b>	<b>(6.2%)</b>
<b><u>Non-Current Assets</u></b>							
Property, plant & equipment, net	13.0	12.9	12.9	12.8	12.7	(0.3)	(2.1%)
Goodwill	—	—	—	—	—	—	N/A
Identifiable intangible assets, net	9.7	8.7	7.7	6.6	5.6	(4.2)	(42.7%)
Deferred financing cost	1.9	1.9	1.9	1.9	1.9	0.0	0.0%
Deferred tax asset	—	—	—	—	—	—	N/A
Other non-current assets	2.4	2.7	2.7	2.7	2.7	0.3	14.6%
<b>Total Non-Current Assets</b>	<b>27.0</b>	<b>26.2</b>	<b>25.1</b>	<b>24.0</b>	<b>22.9</b>	<b>(4.1)</b>	<b>(15.1%)</b>
<b>Total Assets</b>	<b>\$ 87.7</b>	<b>\$ 84.8</b>	<b>\$ 83.7</b>	<b>\$ 82.8</b>	<b>\$ 79.8</b>	<b>\$ (7.9)</b>	<b>(9.0%)</b>
<b><u>Current Liabilities</u></b>							
Current portion of long-term debt	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ —	0.0%
Line of Credit	8.1	8.8	7.0	4.0	1.8	(6.3)	(77.9%)
Accounts payable	13.0	12.0	11.5	11.5	11.0	(2.0)	(15.4%)
Accrued liabilities	6.0	6.0	6.0	6.0	5.0	(1.0)	(16.7%)
Accrued compensation	0.3	0.4	0.7	1.1	1.4	1.1	380.0%
Income taxes payable	0.3	0.3	0.3	0.3	0.3	—	0.0%
Other current liabilities	2.5	1.1	0.5	1.0	2.0	(0.5)	(20.4%)
<b>Total Current Liabilities</b>	<b>31.0</b>	<b>29.4</b>	<b>26.8</b>	<b>24.7</b>	<b>22.3</b>	<b>(8.7)</b>	<b>(28.0%)</b>
<b><u>Long-term liabilities</u></b>							
Long-term debt less current maturities	32.6	32.4	32.1	31.9	31.7	(0.8)	(2.6%)
Deferred income taxes	0.0	0.0	0.0	0.0	0.0	—	0.0%
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0	—	0.0%
<b>Total Long-Term Liabilities</b>	<b>32.7</b>	<b>32.8</b>	<b>32.6</b>	<b>32.4</b>	<b>32.2</b>	<b>(0.5)</b>	<b>(1.5%)</b>
<b>Total Liabilities</b>	<b>63.7</b>	<b>62.1</b>	<b>59.4</b>	<b>57.0</b>	<b>54.5</b>	<b>(9.2)</b>	<b>(14.4%)</b>
<b>Commitments and contingencies</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>N/A</b>
<b><u>Shareholders' Equity</u></b>							
Common stock	—	—	—	—	—	—	N/A
Preferred stock	—	—	—	—	—	—	N/A
Capital in excess of stated value	36.4	36.4	36.4	36.4	36.4	—	0.0%
Retained earnings	(13.2)	(14.5)	(12.8)	(11.4)	(11.8)	1.3	(10.2%)
Accumulated other comprehensive income	0.0	0.0	0.0	0.0	0.0	—	0.0%
Other equity transactions	0.8	0.8	0.8	0.8	0.8	0.0	0.9%
<b>Total Shareholders' Equity</b>	<b>24.0</b>	<b>22.7</b>	<b>24.3</b>	<b>25.8</b>	<b>25.3</b>	<b>1.3</b>	<b>5.6%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 87.7</b>	<b>\$ 84.8</b>	<b>\$ 83.7</b>	<b>\$ 82.8</b>	<b>\$ 79.8</b>	<b>\$ (7.9)</b>	<b>(9.0%)</b>



# 2019 Budget Cash Flow Summary



Cash Flow  
(\$ in Millions)

	<u>2017</u> Act	<u>2018</u> Act	<u>Q1 18</u> Bud	<u>Q2 18</u> Bud	<u>Q3 18</u> Bud	<u>Q4 18</u> Bud	<u>2019</u> Bud	<u>2019 vs 2018</u>	
								\$	%
<b>Cash flow from operations</b>									
Net Income (Loss)	\$ 4.1	\$ (5.6)	\$ (1.3)	\$ 1.7	\$ 1.4	\$ (0.4)	\$ 1.3	\$ 7.0	(123.7%)
Depreciation, amortization and other	2.9	6.1	1.7	1.7	1.7	1.7	6.9	0.9	14.3%
Capitalized fees & expenses	0.4	0.4	—	—	—	—	—	(0.4)	(100.0%)
Gain (loss) on sale of fixed assets	—	(0.0)	—	—	—	—	—	0.0	(100.0%)
Non-cash interest expense	(0.0)	—	—	—	—	—	—	—	N/A
Non-cash dividends	—	—	—	—	—	—	—	—	N/A
Deferred income tax	—	—	—	—	—	—	—	—	N/A
<i>Change in operating assets and liabilities:</i>									
Accounts receivable	(4.9)	(2.0)	1.5	1.5	(0.5)	0.5	3.0	5.0	(249.4%)
Inventory	(3.2)	(0.3)	0.4	(1.1)	1.0	0.5	0.8	1.1	(398.2%)
Prepaid expenses and other current assets	(0.5)	(0.0)	0.1	0.2	(0.7)	0.7	0.3	0.3	(1132.0%)
Accounts payable	(5.1)	(1.2)	(1.0)	(0.5)	—	(0.5)	(2.0)	(0.8)	66.2%
Accrued expenses	(0.4)	(1.0)	0.1	0.4	0.4	(0.6)	0.1	1.1	(113.9%)
Accrued income taxes	—	—	—	—	—	—	—	—	N/A
Other changes in operating assets and liabilities	2.1	0.7	(1.4)	(0.6)	0.5	1.0	(0.5)	(1.2)	(177.9%)
Other cash flow from operations	—	—	—	—	—	—	—	—	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ (4.7)</b>	<b>\$ (3.1)</b>	<b>\$ 0.1</b>	<b>\$ 3.3</b>	<b>\$ 3.8</b>	<b>\$ 2.8</b>	<b>\$ 9.9</b>	<b>\$ 13.0</b>	<b>(422.3%)</b>
<b>Cash flow from investing</b>									
Additions to property, plant and equipment	\$ (1.3)	\$ (1.6)	\$ (0.6)	\$ (0.6)	\$ (0.6)	\$ (0.6)	\$ (2.5)	\$ (0.9)	58.7%
Acquisitions of companies, net of cash acquired	(27.6)	—	—	—	—	—	—	—	N/A
Investment in intangibles	—	—	—	—	—	—	—	—	N/A
Earnout payments	—	—	—	—	—	—	—	—	N/A
Other cash flow from investing	—	—	—	—	—	—	—	—	N/A
<b>Total Cash Flow from Investing</b>	<b>\$ (28.9)</b>	<b>\$ (1.6)</b>	<b>\$ (0.6)</b>	<b>\$ (0.6)</b>	<b>\$ (0.6)</b>	<b>\$ (0.6)</b>	<b>\$ (2.5)</b>	<b>\$ (0.9)</b>	<b>58.7%</b>
<b>Cash flow from financing</b>									
Proceeds from the issuance (repayment) of short-term debt	\$ 0.4	\$ 5.1	\$ 0.7	\$ (1.8)	\$ (3.0)	\$ (2.2)	\$ (6.3)	\$ (11.4)	(224.2%)
Proceeds from the issuance of debt	18.8	—	—	—	—	—	—	—	N/A
Repayment of debt	—	(0.7)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	27.7%
Capital lease	—	—	—	—	—	—	—	—	N/A
Common stock issued (repurchased)	—	—	—	—	—	—	—	—	N/A
Common stock cash dividends paid	0.0	—	—	—	—	—	—	—	N/A
Preferred stock issued (repurchased)	—	—	—	—	—	—	—	—	N/A
Other cash flow from financing	13.7	(0.0)	—	—	—	—	—	0.0	(100.0%)
<b>Total Cash Flow from Financing</b>	<b>\$ 32.8</b>	<b>\$ 4.4</b>	<b>\$ 0.5</b>	<b>\$ (2.0)</b>	<b>\$ (3.2)</b>	<b>\$ (2.4)</b>	<b>\$ (7.2)</b>	<b>\$ (11.6)</b>	<b>(261.3%)</b>
<b>Effect of FX rates on cash and cash equivalents</b>	<b>\$ (0.7)</b>	<b>\$ (0.9)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 0.9</b>	<b>(100.0%)</b>
<b>Net change in cash</b>	<b>\$ (1.5)</b>	<b>\$ (1.1)</b>	<b>\$ (0.1)</b>	<b>\$ 0.6</b>	<b>\$ (0.1)</b>	<b>\$ (0.2)</b>	<b>\$ 0.3</b>	<b>\$ 1.4</b>	<b>(124.3%)</b>
Beginning cash	5.9	4.3	3.2	3.1	3.7	3.7	3.2	(1.1)	(26.2%)
Change in cash	(1.5)	(1.1)	(0.1)	0.6	(0.1)	(0.2)	0.3	1.4	(124.3%)
<b>Ending cash</b>	<b>\$ 4.3</b>	<b>\$ 3.2</b>	<b>\$ 3.1</b>	<b>\$ 3.7</b>	<b>\$ 3.7</b>	<b>\$ 3.5</b>	<b>\$ 3.5</b>	<b>\$ 0.3</b>	<b>8.5%</b>

# 2018 Budget Covenant Analysis



\$'000	Jan-19 Bud	Feb-19 Bud	Mar-19 Bud	Apr-19 Bud	May-19 Bud	Jun-19 Bud	Jul-19 Bud	Aug-19 Bud	Sep-19 Bud	Oct-19 Bud	Nov-19 Bud	Dec-19 Bud	2019 Bud
<b>Fixed Charge Coverage Ratio (JP Morgan Chase- Monthly and LBC Credit Partners- Quarterly)</b>													
Net Income (Loss)	\$ (759)	\$ (384)	\$ (194)	\$ 469	\$ 469	\$ 730	\$ 467	\$ 474	\$ 484	\$ (137)	\$ (143)	\$ (136)	\$ 1,339
<b>Bank EBITDA Calculation:</b>													
Interest and amortization	277	276	273	274	273	274	275	266	254	254	262	258	3,216
Taxes	(253)	(127)	(64)	156	157	244	156	158	161	(45)	(47)	(46)	450
Depreciation and amortization	577	577	577	577	577	577	577	577	577	577	577	577	6,924
Monitoring fees (including expenses)	96	96	96	96	96	96	96	96	96	96	96	96	1,152
<b>Non-recurring items:</b>													
Pension Buyout (not to exceed \$500K)	-	-	-	-	-	-	-	-	-	-	-	-	-
One-Time Costs (not to exceed \$2.4M)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-recurring items	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Bank EBITDA</b>	<b>\$ (62)</b>	<b>\$ 438</b>	<b>\$ 688</b>	<b>\$ 1,571</b>	<b>\$ 1,571</b>	<b>\$ 1,921</b>	<b>\$ 1,571</b>	<b>\$ 1,571</b>	<b>\$ 1,571</b>	<b>\$ 1,571</b>	<b>\$ 745</b>	<b>\$ 745</b>	<b>\$ 748</b>
<b>Less:</b>													
Unfinanced CAPEX	208	208	208	208	208	208	208	208	208	208	208	208	2,496
Cash income and franchise taxes	(253)	(127)	(64)	156	157	244	156	158	161	(45)	(47)	(46)	450
Cash Monitoring fees (including expenses)	96	96	96	96	96	96	96	96	96	96	96	96	1,152
<b>Numerator</b>	<b>\$ (113)</b>	<b>\$ 261</b>	<b>\$ 448</b>	<b>\$ 1,111</b>	<b>\$ 1,110</b>	<b>\$ 1,373</b>	<b>\$ 1,111</b>	<b>\$ 1,109</b>	<b>\$ 1,106</b>	<b>\$ 486</b>	<b>\$ 488</b>	<b>\$ 490</b>	<b>\$ 8,983</b>
<b>Fixed Charges:</b>													
Cash Interest	246	244	242	242	241	243	244	235	222	223	230	226	2,837
Regularly scheduled principal payments	209	-	-	209	-	-	209	-	-	209	-	-	836
Capital Lease payments	3	3	3	3	3	3	3	3	3	3	3	3	37
<b>Total Fixed Charges</b>	<b>\$ 458</b>	<b>\$ 247</b>	<b>\$ 245</b>	<b>\$ 454</b>	<b>\$ 244</b>	<b>\$ 246</b>	<b>\$ 456</b>	<b>\$ 238</b>	<b>\$ 225</b>	<b>\$ 435</b>	<b>\$ 233</b>	<b>\$ 229</b>	<b>\$ 3,710</b>
TTM Numerator	6,392	7,353	7,564	9,159	10,664	9,344	10,370	10,383	10,456	10,360	9,868	8,983	8,983
TTM Fixed Charges	4,125	4,122	4,069	4,050	4,019	4,001	3,971	3,920	3,872	3,657	3,685	3,710	3,710
<b>Fixed Charge Covenant Ratio</b>	<b>1.55</b>	<b>1.78</b>	<b>1.86</b>	<b>2.26</b>	<b>2.65</b>	<b>2.34</b>	<b>2.61</b>	<b>2.65</b>	<b>2.70</b>	<b>2.83</b>	<b>2.68</b>	<b>2.42</b>	<b>2.42</b>
<b>Required</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>	<b>1.00X</b>
<b>Leverage Ratio (LBC Credit Partners- Quarterly)</b>													
Total Debt for Leverage Calculation	\$ 42,200	\$ 42,200	\$ 41,991	\$ 41,691	\$ 41,691	\$ 39,982	\$ 38,982	\$ 38,482	\$ 36,773	\$ 36,773	\$ 35,773	\$ 34,364	\$ 34,364
TTM Bank EBITDA	\$ 8,599	\$ 9,614	\$ 9,999	\$ 11,795	\$ 13,537	\$ 12,646	\$ 13,782	\$ 14,126	\$ 14,650	\$ 14,177	\$ 13,789	\$ 13,081	\$ 13,081
<b>Leverage Ratio</b>	<b>4.91</b>	<b>4.39</b>	<b>4.20</b>	<b>3.53</b>	<b>3.08</b>	<b>3.16</b>	<b>2.83</b>	<b>2.72</b>	<b>2.51</b>	<b>2.59</b>	<b>2.59</b>	<b>2.63</b>	<b>2.63</b>
<b>Required</b>	<b>5.25X</b>	<b>5.25X</b>	<b>5.25X</b>	<b>5.00X</b>	<b>5.00X</b>	<b>4.75X</b>	<b>4.50X</b>	<b>4.50X</b>	<b>4.25X</b>	<b>4.00X</b>	<b>4.00X</b>	<b>4.00X</b>	<b>4.00X</b>

## Overview of 2019 Annual Operating Plan

### Financial Analysis:

- 2019 Profit and Loss
- 2019 Balance Sheet
- 2019 Cash Flow