Quarterly Operating Review– June 2019

July 17, 2019

Quarterly Operating Review Agenda

→ **Executive Summary**

→ Financial Review

→ Governance Reporting

→ Appendix

Executive Summary

Hits

- Strong bookings at $4.5m with invoiced sales at $5.0m, compared to target of $3.9m.
- Record subscription sales at $961K compared to target of $740K
- Strong month for order volume – 993 (trending slightly down from 1033 in May-19)
- Strong month for new customer adoption – 231 (trending down from prior month's record of 267)
- Large orders from WeWork ($400k), University of California, Irvine ($116k) and Reaseheath College (new customer, $108K).
- MTD EBITDA – $583k compared to target of $12k
- Office remodel on hold while we revisit current staffing needs and fine tune pricing – current cash outlay is approximately $600K including construction and furniture (this is for suites 150, 160 and 180)
- Organization/Key Hires
  - Jeff Wallick started 6/10/19 as Controller
  - Johan Cederberg in Stockhom for Nordic region
- Customer Adoption
  - Existing customers – WeWork $400K, University of California Irvine $116K, University of Georgia $80K, Capitol One $77K, Nike $42K, P&G $49K, Kiewit $51K
  - New/Land orders – Reaseheath College (UK) $108K, Austin ISD $85K, Tenneco $76K, Peace Corps $61K, Career Builder $37K

Executive Summary (Continued)

Misses

- EMEA Pod sales of $439k compared to budget of $600k. EMEA invoiced ASP ($683 actual vs $706 budget) was down versus budget.
- Staffing –
  - QA Director termination at end of June
  - Current attrition – 3/month through June – more than half are 'no regrets' – many of which were left over from 2018 hiring.
- Lack of support for audio on HDMI-in continues to be an issue for customers who are used to traditional HDMI capability

Key Go-Forward Actions

- Phantom stock program – finalizing program – expected rollout is end of July.
- Solstice LCE - We are nearly complete on our hardware research and at this point believe the fastest and lowest risk path is a down-rev'd version of the Qualcomm 820 board. We are finalizing our competitive research and are presenting findings next week to determine feature set, price and discount to channel.
- Flexera – need to update version based on subscription and maintenance data reporting requirements

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Description	Potential Impact	Plan to Address
▪ G3 transition	▪ Sales shortfall ▪ Discounting on G2i margin impact ▪ Customer trade-in cost impact ▪ Inventory shortage ▪ Distributor inventory	▪ **G3 based Pods over 60% of June sales** ▪ **Lack of audio support on HDMI-in has become an issue for both new and existing customers and we have re-prioritzed the release schedule to move this to a late August/early September release** ▪ **Inventory of G2i is now down to 4K units or about 2 months supply and we need to get the aforementioned audio support done ASAP**
▪ VP Engineering hire	▪ Need to extend span of control and increase level of leadership in Engineering	▪ **QA Director was transitioned out – interviews for replacement being conducted** ▪ **Considering changes in Product org.**
▪ AV industry	▪ Industry report exposes security vulnerabilities in Barco and Crestron products ▪ **Barco's newest products specifically target Solstice with dual network capability and Miracast** ▪ Continued competitive pressure from Zoom ▪ Working on room system integration with Zoom	▪ Marketing programs and resources targeted at IT end users ▪ Target Zoom with specific marketing resources such as video, topic specific webinars and position papers ▪ **DisplayNote is up for sale** ▪ **Latest Futuresource report is out and indicates a gain in Mersive market share**
▪ Improve margin/EBITDA while continuing to invest and grow	▪ Failure to take advantage of market timing and growth	▪ Reduce BOM by making PS optional, or charging where applicable (now that we have POE) – done ▪ **Margin analysis indicates a 1-2% shortfall on G3 despite hitting ASP targets**
▪ HR/Staffing/Comp	▪ We need to upgrade leadership to move from tactical/admin to strategic initiatives	▪ Hire VP HR in Q1 – done ▪ MBO program – done ▪ 401K match – done ▪ **Phantom stock – finalizing**
▪ Sales Team Productivity	▪ Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing	▪ Hire Sales Ops Director - done ▪ Determine whether Salesforce or Netsuite is the right go forward for CRM and sales forecasting ▪ Investigating internal product training – Mersive Academy
▪ Recurring revenue	▪ Impact on enterprise value ▪ Target incremental business with Opex model	▪ Investigate whether there are additional ways to increase current subscription attach rates – **subscription sales hit an all time record in June** ▪ Examine whether a subscription model for license software is viable given channel constraints and end user budget and firewall constraints – **on hold** ▪ Discussions with Deloitte, SEG, Appspace, other bankers, reseller partners, end customers

Executive Summary – Q2 OKR

2019 Corporate Priorities	Corporate Quarterly Objectives - Q2 2019	Key Result - As measured by	Owner	% Achieved	Status
Successfully Launch Gen3 Product	GTM Launch of Gen 3 / 4.0		Martin/Chris	n/a	MP: n/a since these launched last quarter.
	Meet supply chain timging & target for Gen3 Pods	Finalize international certifications, silkscreening	Dan/Rob/Chris	90%	CJ: Added certification work as it's still partially underway
2 Scale Sales Organization	Optimize Lead/Cash Workflow	Implement initial set of email workflows for inbound touchpoints 5/6; Augment contact database with 3rd party data service 5/31	Martin/Rick	100%	MP: Completed.
	Hiring - ANZ, inbound sales, Sales Ops Coordinator, Inside Acct Mgr, Nordics RSM, UK Channel Mgr, EMEA Support tech	Hire to plan and/or exception hires identified	Rick	80%	All hired except Sales Ops Coor and EMEA support Tech
	Hire Mid Atlantic RSD replacement	Hire to plan	Rick	100%	Complete
3 Ensure Product Roadmap Drives Market	Fulfill Q2 release milestones at agreed upon scope and timing	Release 4.1 at designated scope within 14 days of target release date of 5/29. Achieve RoomLink alpha milestone for Infocomm, no later than 6/7. Launch and evalute Overlook (occupancy) accuracy with at least 3 enterprise customers.	Chris/Jon/Tae	95%	TK: 6/5 One last remaining issue on HDMI-out, likely existed in previous releases, in the HDMI driver, which is work dependent on Inforce, working with them to close. TK: changed 4.1 tolerance date from 7 to 14 days, this is one full regression cycle time at this point for a release. As testing times improve and we do more on-going intelligent testing, we'll get a better confidence measure TK: We delivered Infocomm and overlook ontime, but missed 4.1 by one week past tolerance, to that end, I'd put us at 95% of overall completion of goal.
	Improve Solstice Quality	10 P1 tech debt bugs fixed by end of Q2 (existing stability, automation, escalations, etc)	Jon/Tae	100%	TK: 6/5: 80% completion update JB: 7/8: we achieved > 100% of this OKR for Q3. last update it was ~150% delivery.
4 Scale Marketing and Support	Standardize branding / messaging	Complete brand architecture and messaging 5/31; Launch brand campaign 6/17	Martin	100%	MP: Completed - brand campaign launched 6/21.
	Scale digital marketing	Launch revamped social strategy 4/1; Launch segment-customized website copy for account-based marketing 5/31	Martin	100%	MP: Completed.
	Scale field marketing internationally	Execute 5 field events in April; Execute 7 field events in May including Solstice Engage Germany; execute 3 field events in June including Solstice Engage Italy	Martin	100%	MP: Completed.
	Scale product marketing / support processes	Scale up competitive campaigns 5/20; Launch customer success process 6/17; Decide on recommendation on low-cost edition to present to BOD 6/28	Martin	67%	MP: Competitive campaigns have been launched. Customer Success readiness is mostly complete however launch has been pushed to 7/8 due to a delay in salesforce.com workflow automation and waiting for account management reorg taking effect. LCE analysis in udnerway and is being led by Jon Burns who will supply a revised due date.
5 Invest in our people	Rollout 401K matching program	All company presentation	Dan	100%	Enrollment meeting completed
	Hire VP of HR	On Board new VP of HR	Rob	100%	Michelle on board
	Implement Q1 OKR Program - depart only	Continue with Q2 OKR program	Dan	100%	Program in place for Q2
6 Improve business intelligence reporting	Develop Recurring Revenue Reporting	Include monthly reporting in MOR & Board deck	Dan	25%	Need Contract management module completed; on hold pending rev rec issue
	Implement Contract Management in NetSuite	Complete and refine processes, procedures & policies	Dan	75%	Preparing to upload data into sandbox; on hold pending revrec issue
	Develop key operating metrics report - P vs A	Impliment non-financial reporting metrics in Netsuite	Dan	50%	Several added; more to go

Executive Summary – Q3 OKR

	2019 Corporate Priorities	Corporate Quarterly Objectives - Q3 2019	Key Result - As measured by	Owner
1	Launch Gen3	Complete all remaining Gen3 hardware tasks	Finalize international certifications, product	Jon
2	Scale Sales Organization	Implement re-org of Erin's SDR/AM org to more tightly align to	Complete and announce re-org by August	Martin/Rick
		Hiring - TOLA channel Mgr/Initiate Q4 searches	Hire to plan and/or exception hires identified	Rick
		Hire West Coast and PNW replacements	Hire to plan	Rick
		Start to roll out key sales metrics via Sales Ops	Forecast/close, rolling pipeline + other identified	Craig/Rick
3	Ensure Product Roadmap Drives Market	Fulfill Q3 release milestones at agreed upon scope and timing	Release 4.2 on 7/31 (engr) within 14 days variance.	Chris/Jon/Tae
		Define and introduce a Low Cost Edition Solstice product to	Hardware prototype boards received before the	Jon
		Improve Solstice Quality	15 P1 or P2 tech debt bugs fixed by end of Q3	Jon/Tae
4	Scale Marketing and Support	Standardize branding / messaging	Launch localized EMEA versions of brand campaign	Martin
		Scale digital marketing	Implement automated emal 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
		Scale field marketing internationally	TBD based on finalization of EMEA engage event	Martin
		Scale product marketing / support processes	Launch customer success program week of 7/15;	Martin
5	Invest in our people	Develop & implement key employee stock plan construct	Plan implemented and communicated	Michelle
		Update Denver office space	Furniture for Suite 150 upgraded	Michelle
			Construction on Suite 180 begun	Michelle
		Scale the HR Team	Hire Director of Talent Acquisition, Talent	Michelle
			Evaluate HR tech stack	Michelle
		Articulate Mersive Culture & Expectations	Talent Brand and EVP Communicated	Michelle
			Mersive Leadership Success Profile created	Michelle
6	Improve business intelligence reporting	Complete recurring revenue reporting	Include monthly reporting in MOR & Board deck	Dan
		Complete Contract Management Module in NS	Inside sales team using CMM for subscription	Dan
		Complete KPI metrics for dashboards in NS	All relevant KPIs in NS dashboard; Exec team has	Dan
		Rearchitect CRM systems	Launch customer success object in SFDC by end Jul;	Martin
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 techncial, non-Egineering functions for imprtoved customer service.	Rob

Big Wins, Key Deals and Losses

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Upcoming Key Deals

- **Accenture** – POCs ongoing. Miracast fix req
- **Expedia HQ** – Pricing discussion. Cisco and Poly is competition
- **TJX** – Pilot pending in UK and N America.
- **CIBC** – Now competing against Barco…on vs. off network decision
- **CBRE** – 250 unit order for UK arrived on 7/10…more to come
- **Comcast** - $155K maintenance renewal – decision pending with CFO
- **Northern Trust** – 300+ rooms by Q3
- **Shell** – Ongoing Q&A related to final decision – TBD on timing
- **Conoco** – AirMedia proving problematic – VTC req for 300 rooms
- **LA Rams** – 300 units opportunity for new stadium in Q4
- **EDF** – Standardized on Solstice…Orders starting this summer
- **IQVIA** –100s of rooms in new HQ…working tech issues
- **Toyota** – Final presentation for standard in July
- **Marathon Oil** – Solstice is in the spec for 149 room building
- **Rolls Royce** – Final security testing for standard decision
- **Mastercard Europe** – 250-500 rooms through yearend
- **EY** – opportunity to win global standard – 2020

Key Losses/Delays

- **Dalkia POC (France)** – lost to Pulse Origin due to our Miracast latency
- **Buchanan, Ingersoll and Rand** – Went to Pano as they are a Poly shop throughout
- **Westjet** – lost to Airtame on price. Only to be used for guests while employees use Microsoft Teams (good enough)
- **Phoenix Union** – Went dark..believe decision went back to Unite

Big Wins

- WeWork - $400K
- U of CA - Irvine - $116K
- Reaseheath College - $108K
- Austin ISD - $85K
- U of GA - $80K
- Capital One - $77K

- Tenneco - $76K
- Henrico County Public Library - $65K
- MedImpact - $64K
- Clayco - $63K
- Peace Corps - $61K
- Trinity Church Parish- $59K

Product Sales Metrics – Q2

Invoiced Sales & Bookings

Legend: Pod | Solstice Subscription - Upfront | Solstice Subscription - Renewal
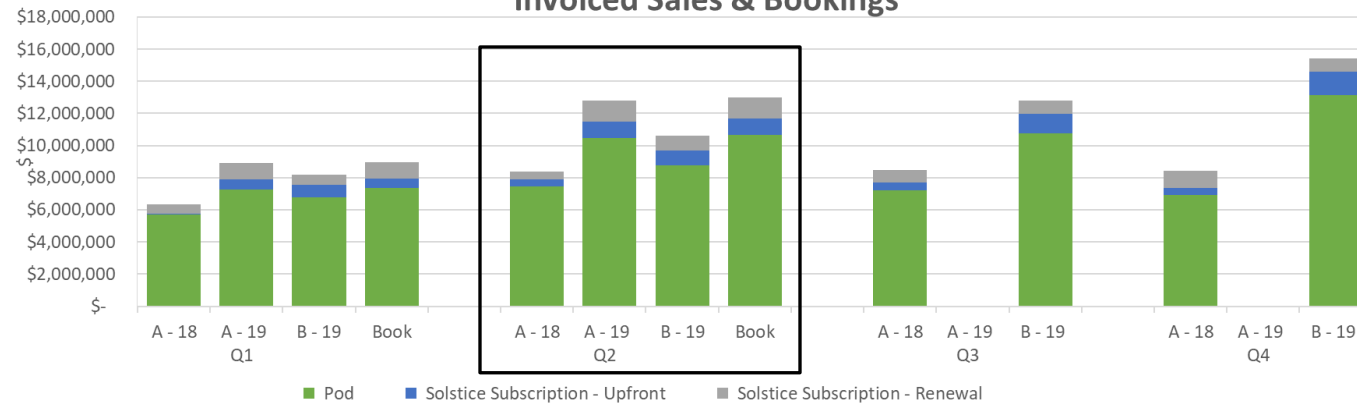
Q2-19 invoiced sales of $12.8m is $2.2m (21%) above budget of $10.6m and $4.4m (52%) above Q2-18.

Revenue by Product

Legend: Pod | Solstice Subscription - Extended | Solstice Subscription - 1st Year
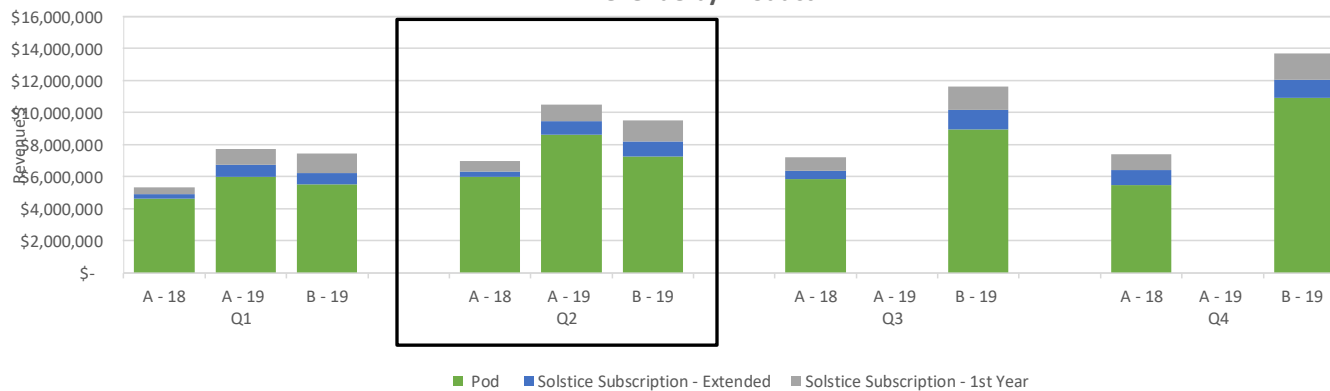
Q2-19 revenue of $10.6m is $1.0m above budget of $9.6m.

Product Sales Metrics – Monthly Trend

Invoiced Sales & Bookings
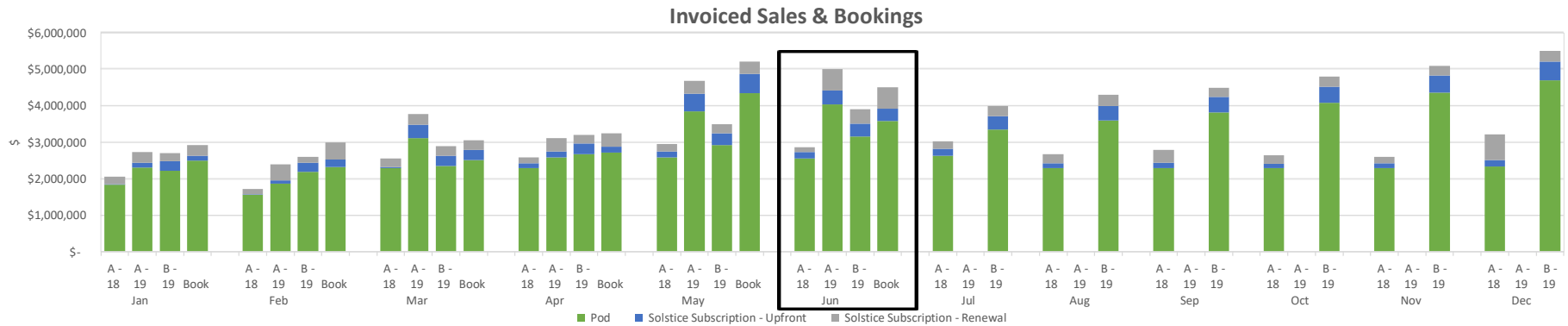
- June Invoiced sales were $5.0m compared to target of $3.9m. Bookings were $4.5m.
- YTD Invoiced sales were $21.7m compared to target of $18.8m. Bookings were $21.9m.
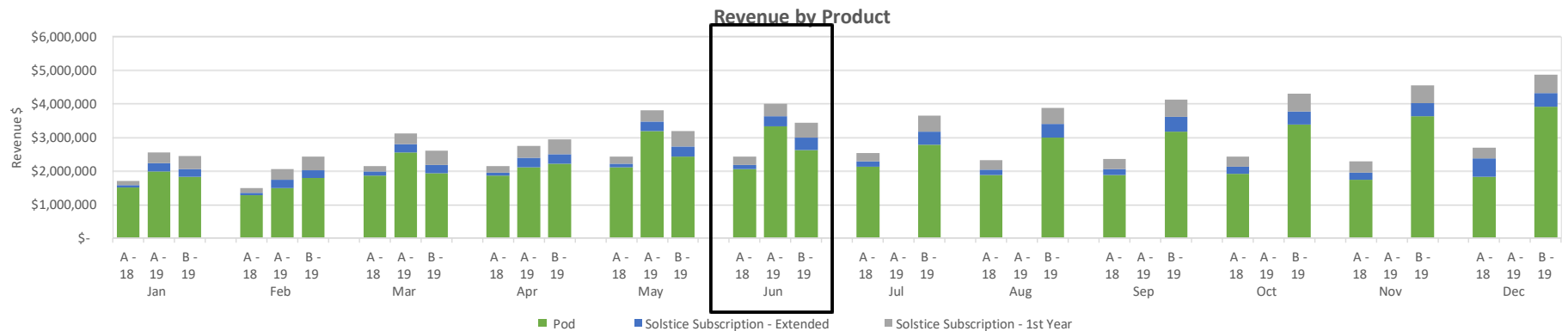
Revenue by Product

- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget.

Pod Sales Metrics – Q2

Pod Sales by Region

Legend: Americas (green), EMEA (blue), APAC (gray)
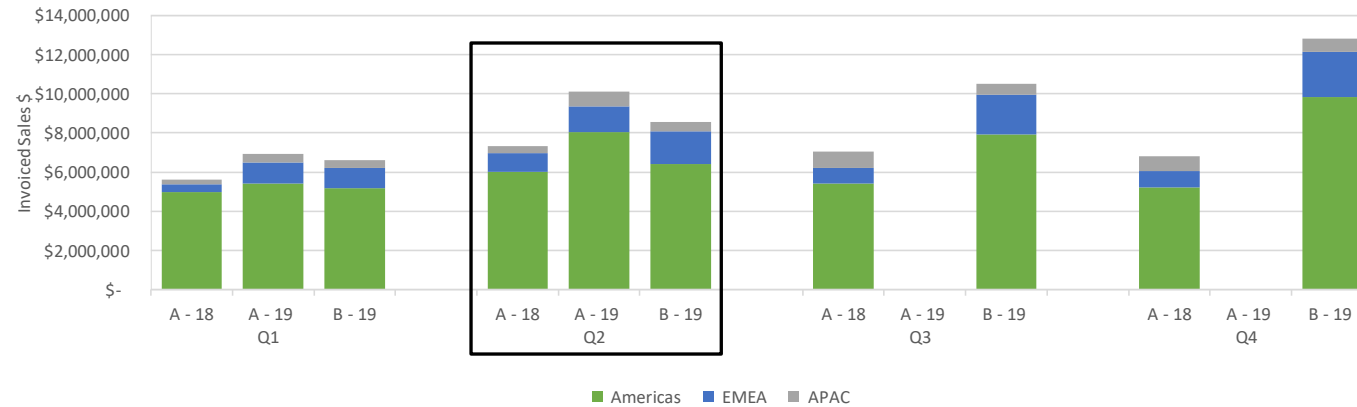
Q2 Pod sales were above budget primarily because of strong performance in the Americas region.

ASP

Legend: Blended (green)
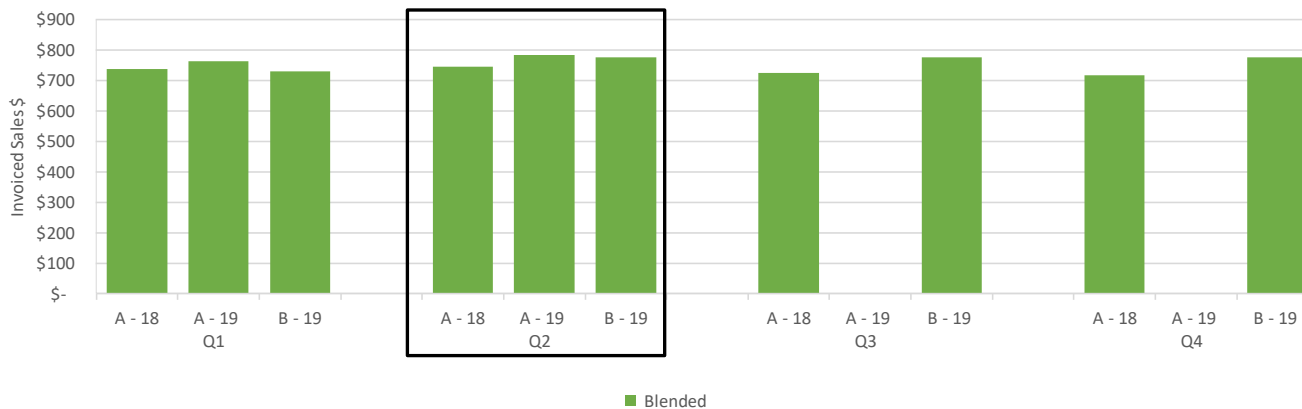
Overall ASP across all regions was $785, which is above plan of $776. EMEA and APAC have an overall lower ASP than Americas due to all sales are through distributor channel.

Americas ASP was $833 vs budget of $811 during Q2.

Pod Sales Metrics – Monthly Trend

Pod Sales by Region

Legend: Americas, EMEA, APAC
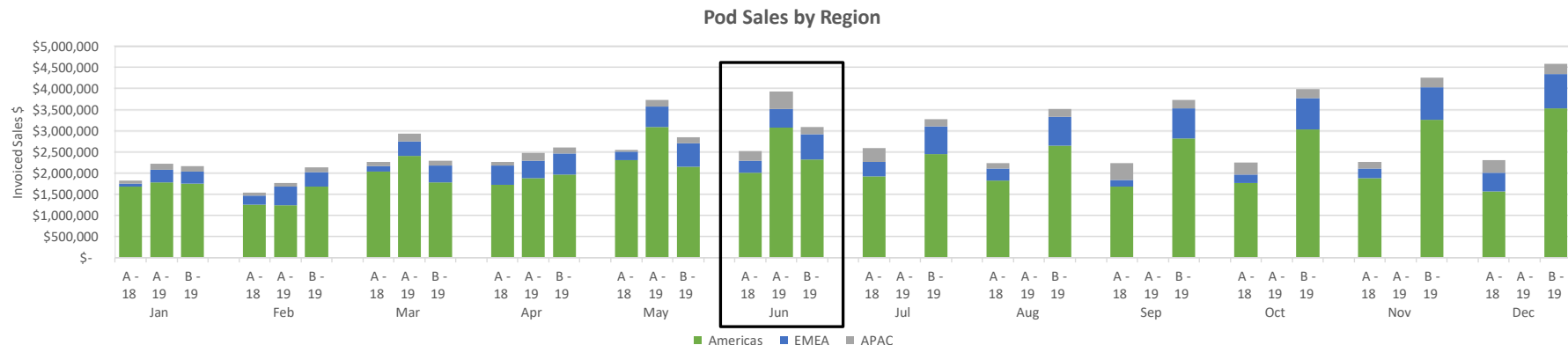
- June pod sales were above budget primarily because of strong performance in the Americas region.
- YTD pod sales were $17.1m compared to target of $15.2m.

ASP - Blended

Legend: Blended
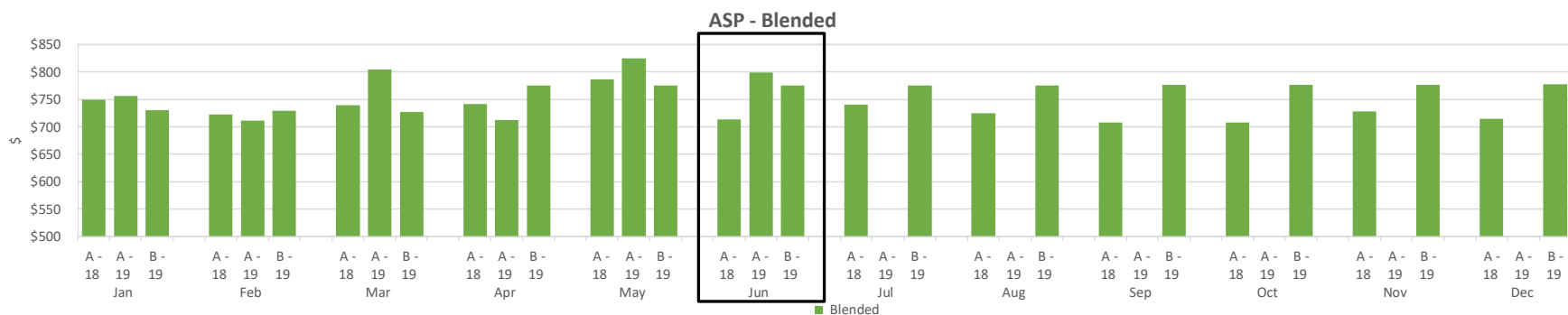
- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was $799, which is above plan of $776 due to higher than expected ASP for Americas and APAC. ASP dropped from prior month due primarily to increased SGE, Enterprise sales.
- YTD ASP was 776 compared to target of 755.

12

ASP by Region – Monthly Trend
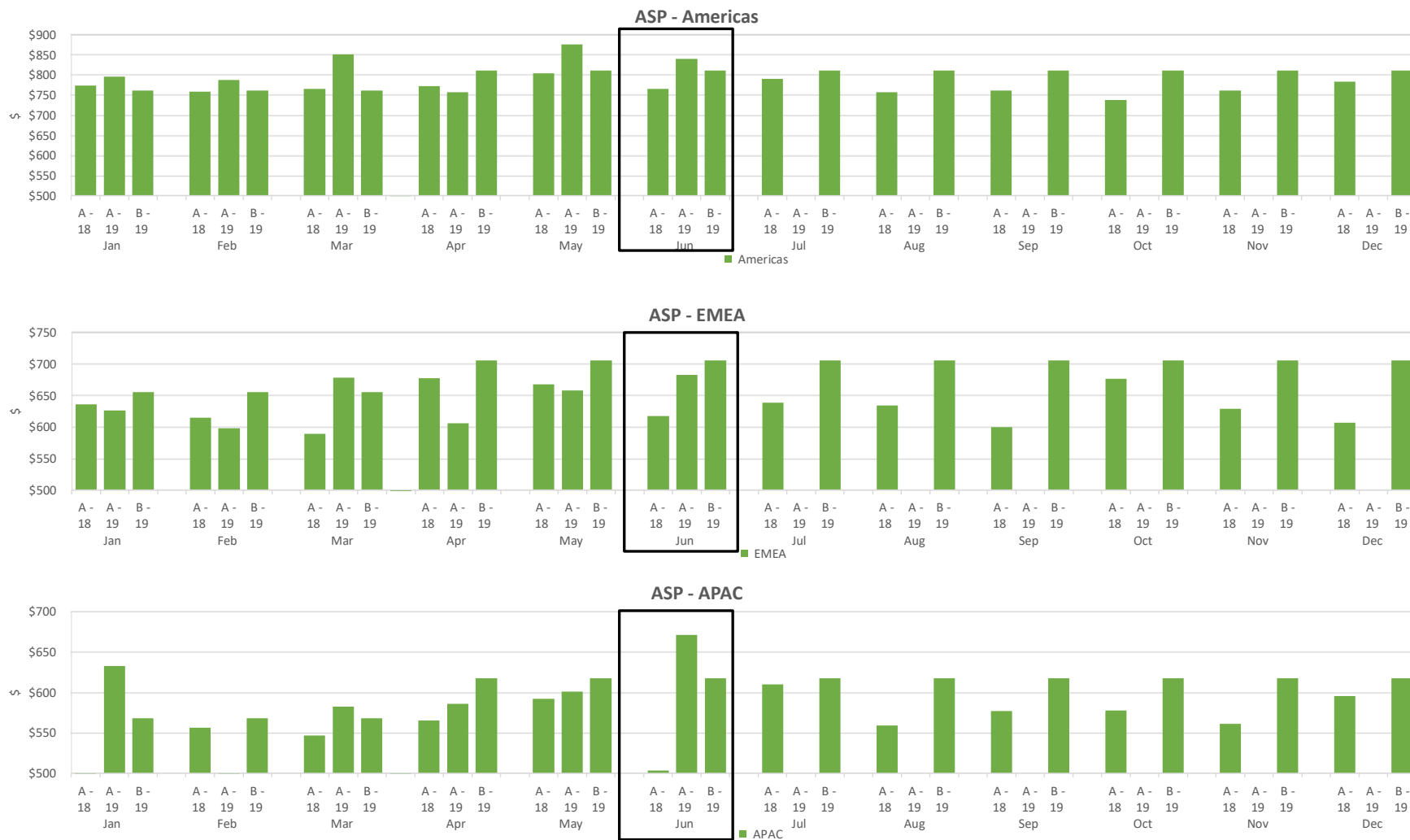
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- ASP for EMEA was slightly below budget because of a significant drop in Gen 2i ASP combined with Gen 3 ASP consistent with budget.
- ASP for Americas and APAC was above budget due primarily to higher than expected ASP on Gen 3 sales.

13

Solstice Subscription Metrics – Q1

Invoiced Sales - Solstice Subscription

Legend: ■ Upfront ■ Renewal
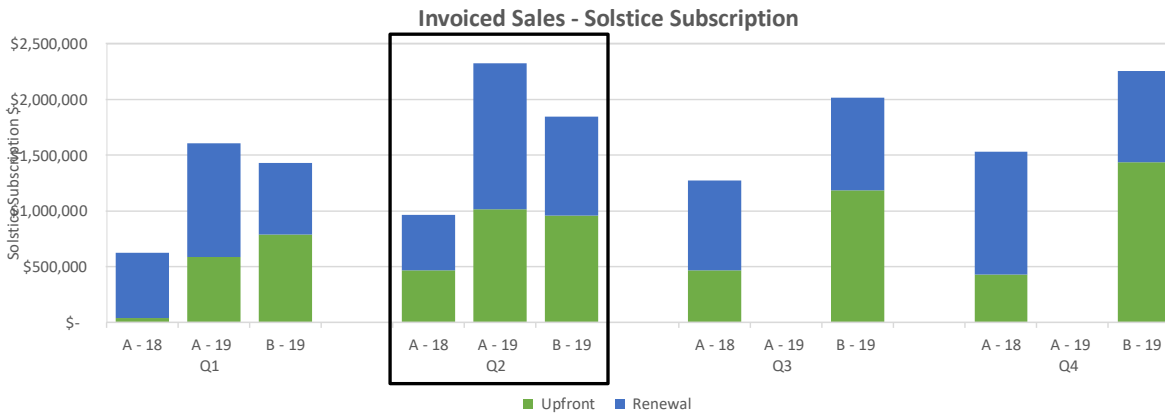
Overall Q2 invoiced sales for Solstice subscriptions was $2.3m vs. budget of $1.8m is greater than budget due to renewals being 148% of plan.

Solstice Subscription Revenue

Legend: ■ Solstice Subscription - Extended ■ Solstice Subscription - 1st Year
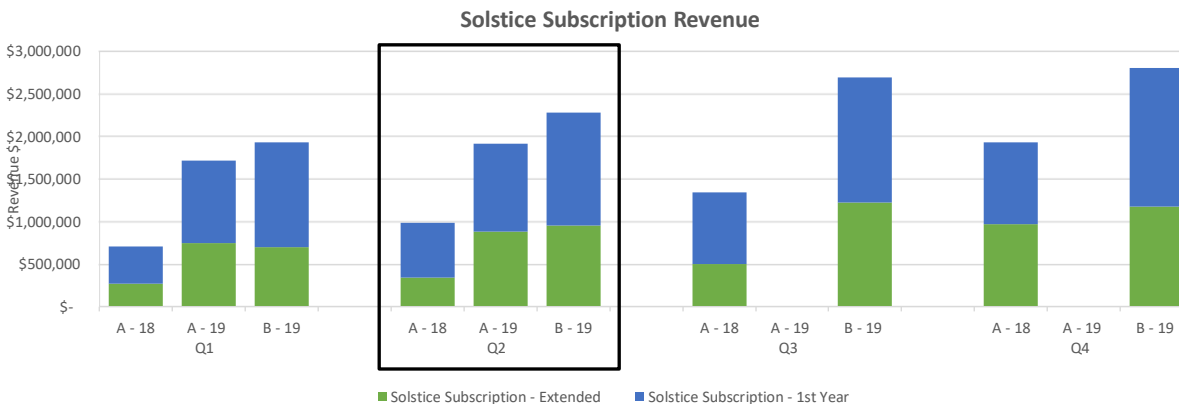
Revenue in Q2 is slightly below budget. Note there is no direct correlation between invoiced sales in a particular month and revenue. Revenue begins upon activation of pod following sell-through from distributor to end user.

14

Solstice Subscription Metrics – Monthly Trend

Invoiced Sales - Solstice Subscription
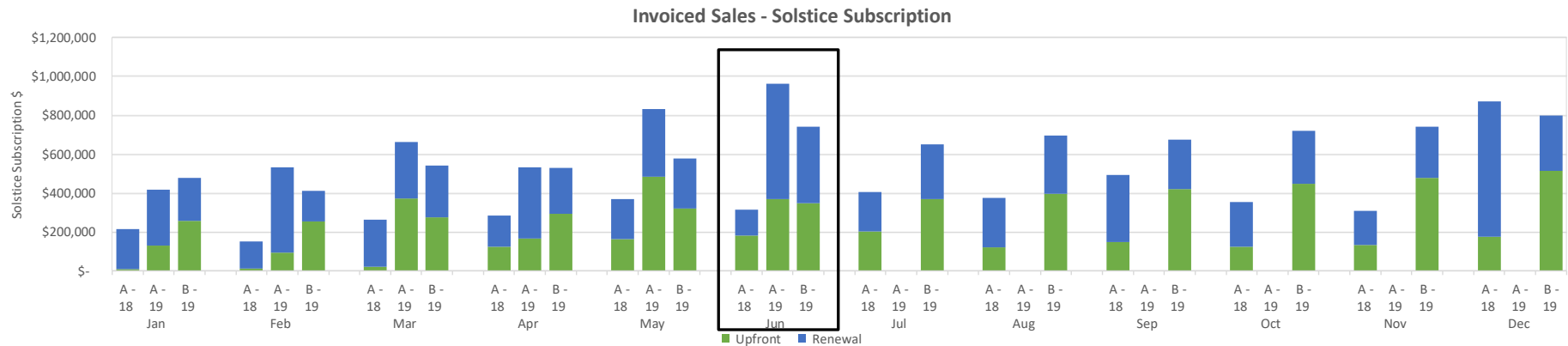
- June invoiced sales for Solstice subscriptions was $961k vs budget of $740k driven by large renewal orders from University of California, Irvine, University Of Georgia and Capital One.
- YTD renewal sales were $2.3m compared to target of $1.5m, due to large co-terms.
- YTD upfront sales were $1.6m compared to target of $1.7m, due to lower than expected attach rate.

Solstice Subscription Revenue
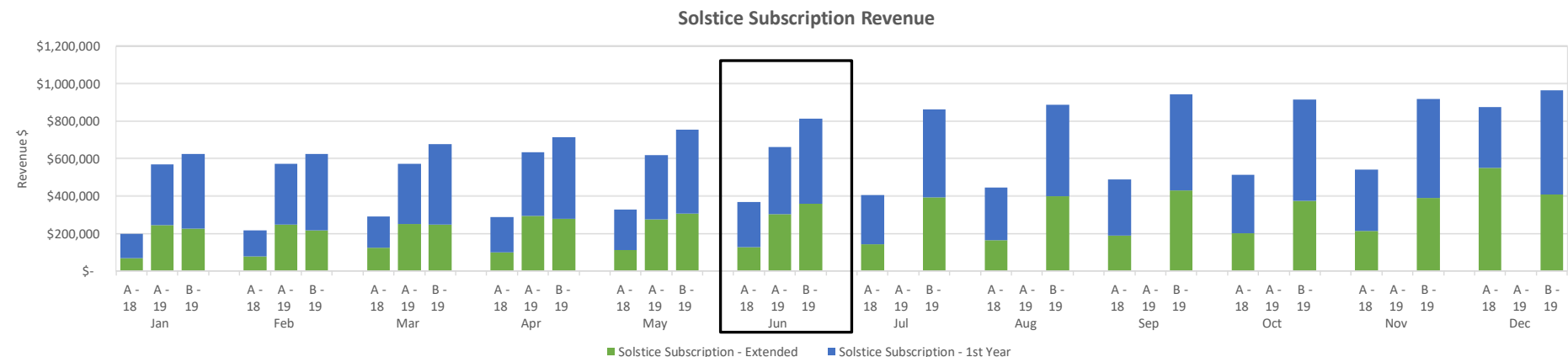
- Revenue in June is slightly below budget. Note there is no direct correlation between invoiced sales in a particular month and revenue. Revenue begins upon activation of pod following sell-through from distributor to end user.

15

Product Type & Channel Metrics

Product Type
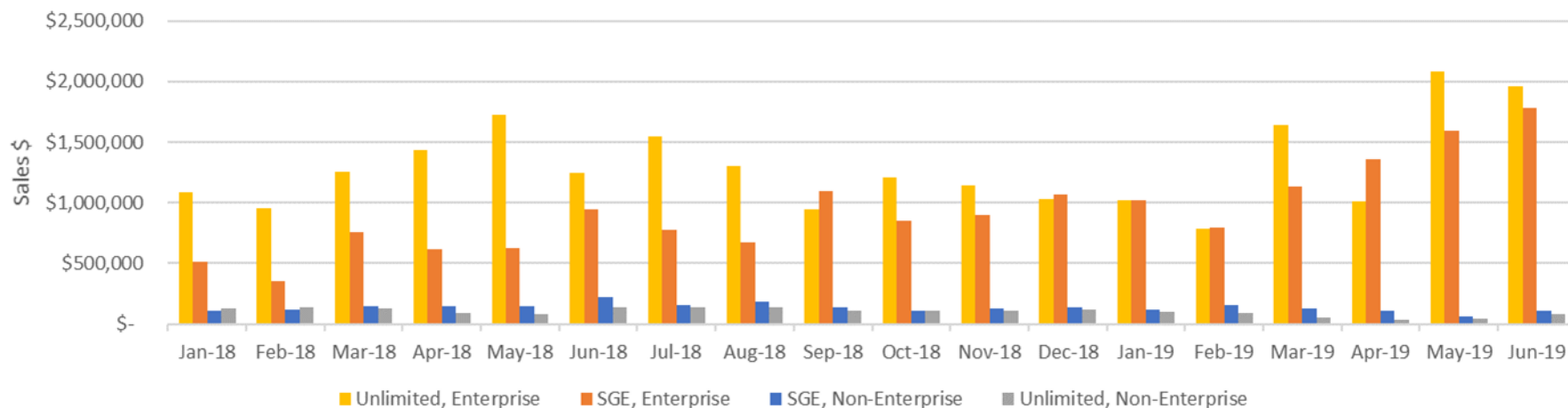
Sales Type
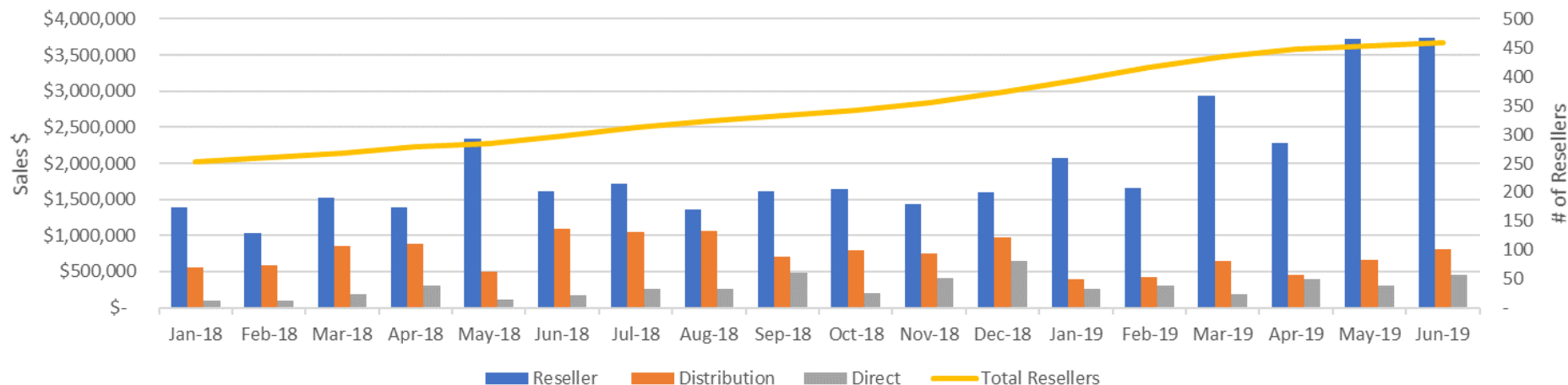
- Invoiced Sales

Customer Segment Metrics

Vertical
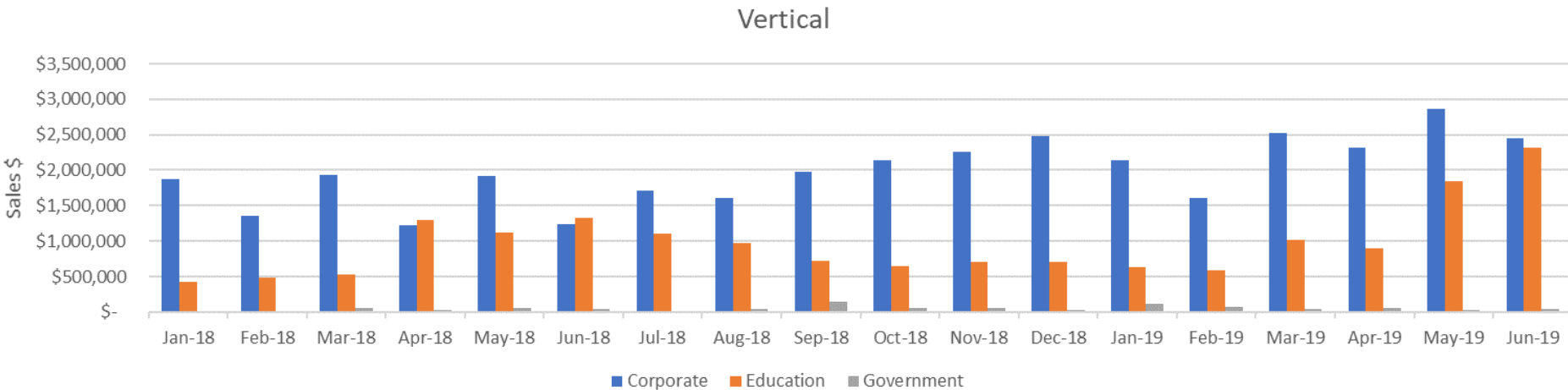
- Invoiced sales exclude stocking orders and include sales out

Big Deals and Run Rate Metrics

Big Deals vs Run Rate
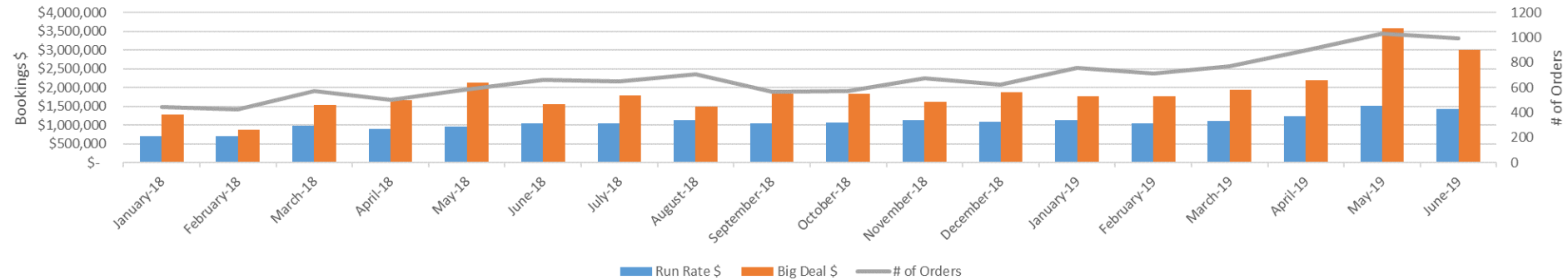
>$25K
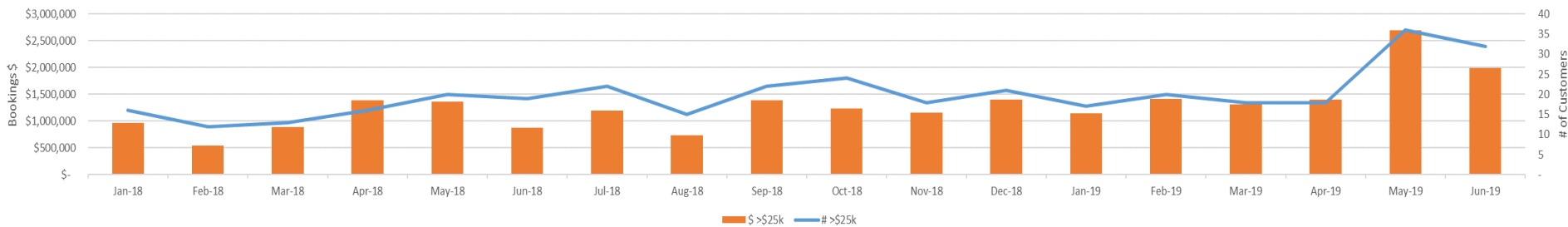
- Bookings exclude stocking orders and include sales out

18

End User Lifecycle Metrics

Lifecycle
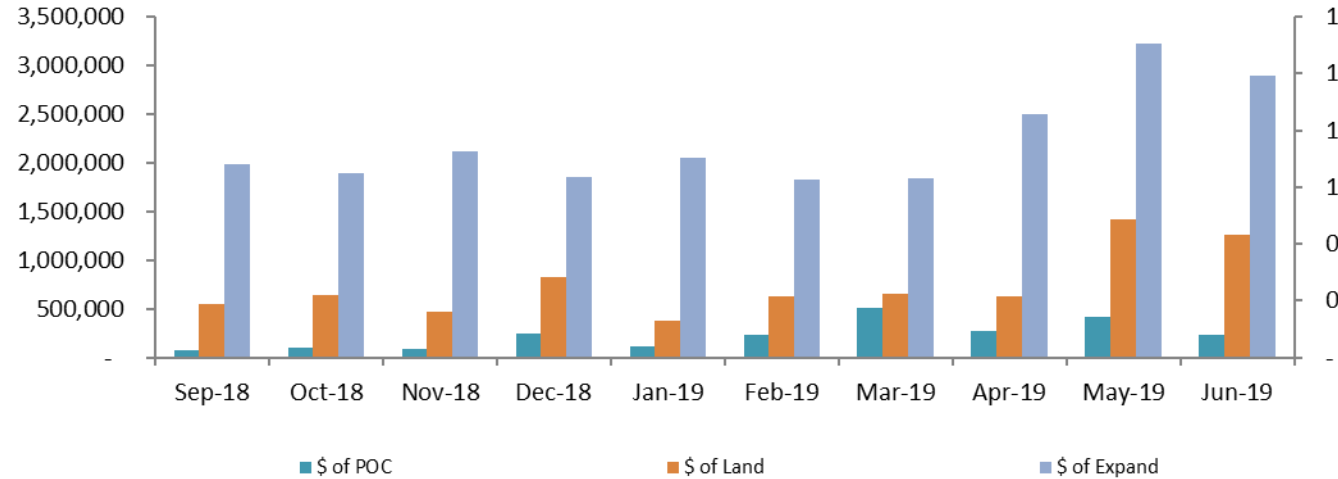
Lifecycle												
	Sep-18	**Oct-18**	**Nov-18**	**Dec-18**	**Jan-19**	**Feb-19**	**Mar-19**	**Apr-19**	**May-19**	**Jun-19**	**Total**	**%**
$ of POC	78,454	98,798	82,215	248,107	118,912	226,336	503,914	272,401	416,792	229,211	2,275,139	7%
$ of Land	545,622	639,324	469,375	824,995	381,964	630,944	650,960	631,466	1,422,369	1,258,717	7,455,735	23%
$ of Expanc	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	22,175,950	70%
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**	**31,906,824**	**100%**

Top Customer Metrics

End User	June Amount	% of Total
WeWork	400,081	9%
University of California, Irvine	116,164	3%
Reaseheath College	108,042	2%
Austin ISD	85,405	2%
University Of Georgia	80,155	2%
Capital One	77,477	2%
Tenneco	76,385	2%
Henrico County Public Library	65,298	1%
MedImpact	63,655	1%
Clayco	63,263	1%
Other Customers	3,298,145	74%
Total	**4,434,070**	**100%**

End User	LTM Amount	% of Total
WeWork	4,119,134	11%
Nike	442,374	1%
Time Warner	427,854	1%
Penn State University	369,144	1%
Charter Communications	365,010	1%
Kiewit Corporation	341,924	1%
University of Illinois at Urbana-Champaign	287,702	1%
Mastercard	285,567	1%
Booz Allen Hamilton	284,896	1%
Northwestern University	246,358	1%
Other Customers	31,132,469	81%
Total	**38,302,432**	**100%**

Bookings Attribution Analysis

Waterfall chart — Bookings $

Category	Value	%
Forecasted Sales	1,628	36%
Existing >10k	1,019	23%
Existing <10k	1,280	28%
New >10k	298	7%
New <10k	284	6%
Bookings	4,509	

Bookings (monthly stacked bar chart, Jul-18 through Jun-19)

Legend: ■ Forecasted Sales ■ Existing >10k ■ Existing <10k ■ New >10k ■ New <10k
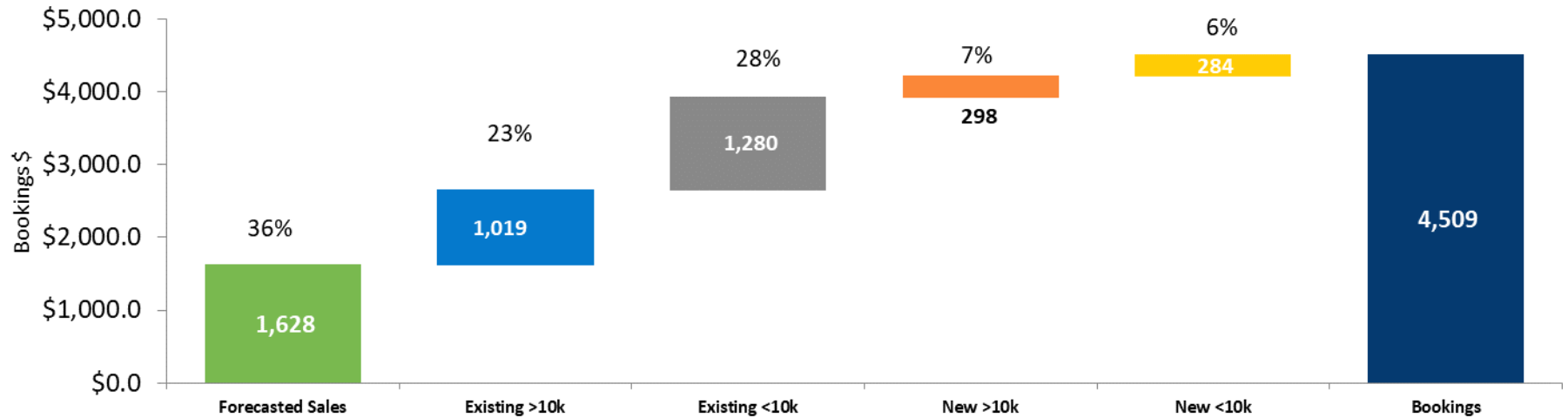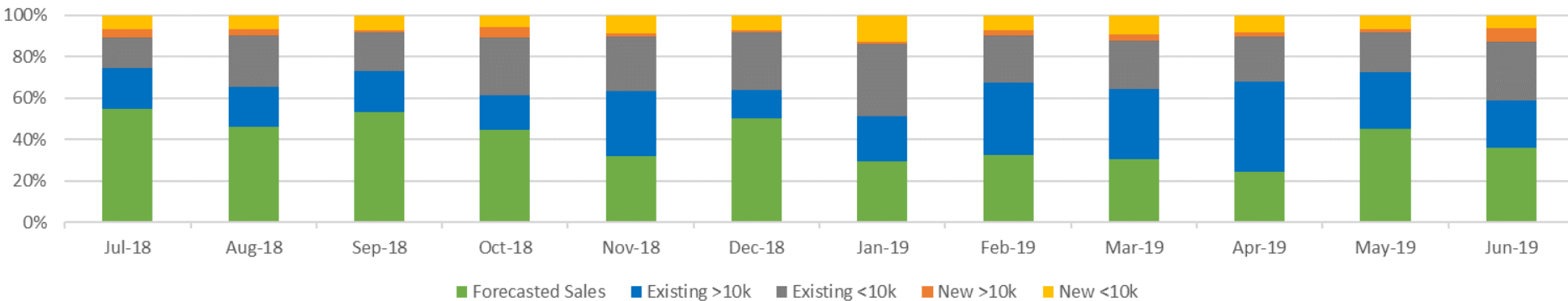
Management Discussion
- 36% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 23% of bookings were from orders over $10K from existing customers but were not included in forecasted sales for the month.
- 28% of bookings were from orders under $10K from existing customers and which are not part of forecast.
- Remaining 13% of bookings were from new customers and not included in forecasted sales for the month.

Solstice Subscription – Attach Rate

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	LTM 2019
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	10,344
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	41,567
Upfront Rate	**3%**	**8%**	**7%**	**21%**	**25%**	**31%**	**27%**	**20%**	**25%**	**23%**	**19%**	**21%**	**19%**	**14%**	**38%**	**16%**	**37%**	**28%**	**25%**

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
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
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
Renewal Rate	**54%**	**53%**	**51%**	**51%**	**50%**	**48%**	**52%**	**44%**	**46%**	**40%**	**42%**	**52%**	**51%**	**49%**	**47%**	**48%**	**47%**	**46%**

Management Discussion

- Upfront attach rate decreased in June to 28% below the target of 40%
- Renewal rate dropped slightly during June to 46% consistent with the LTM average of 47% and below target of 60%

Marketing Metrics

Sessions (Web Traffic)
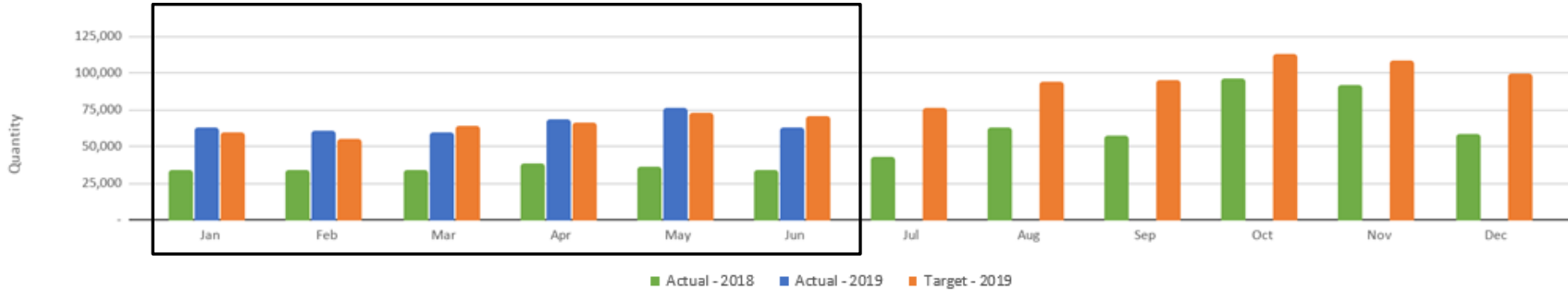
Marketing Qualified Leads (MQLs)
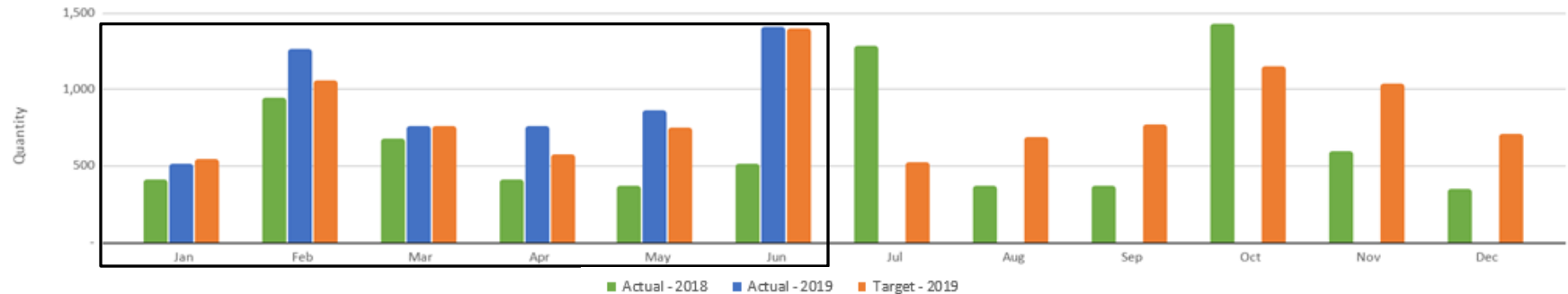
Management Discussion

- Web traffic is 105% of plan YTD mainly due to strong performance in SEO and Digital advertising. Downtick in Jun traffic is due to increased Digital Ad cost efficiency (ie, less ad traffic needed to achieve lead goals; less ad traffic also lowers Direct traffic).
- MQL conversion rates are 120% of plan YTD with particular strength in Direct Traffic and Digital Ads; SEO is now on plan YTD.
- MQLs are 116% of plan YTD due to web traffic and field marketing both being ahead of plan.

New Customer Metrics

Monthly New vs. Existing Customers

Marketing Attributed New Accounts
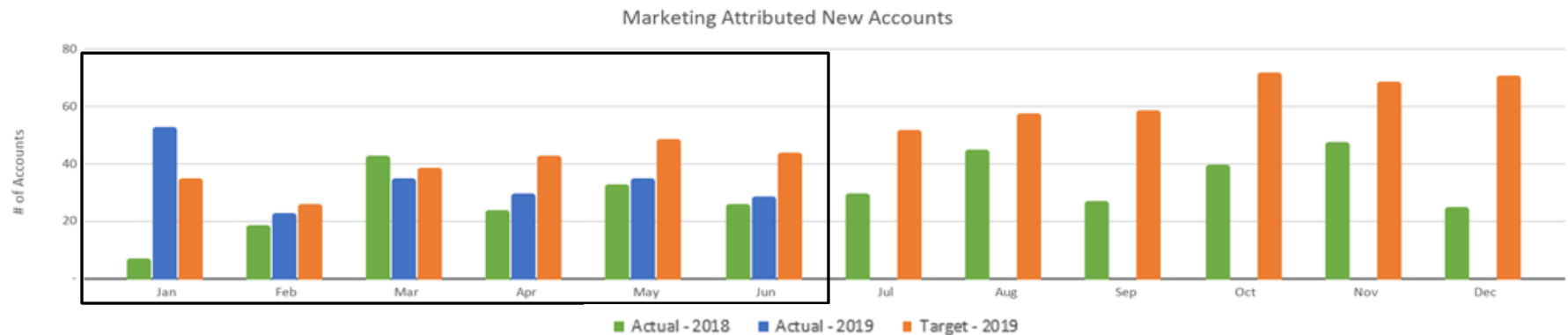
Management Discussion

- New and Existing customers are calculated on a sales out basis (ie, so, they exclude stocking orders by definition).
- Number of Q2 net new (NN) accounts are up 18% vs. Q1 and 25% vs. Q2 2018.
- Number of Q2 existing accounts making purchases are up 15% vs. Q1 and 33% vs. Q2 2018.
- Marketing-attributed NN accounts is at 86% of plan YTD / 35% YOY growth. Leads are associated with a NN account if they occur within 90-days of an account's first order. We believe that a material number of sales cycles run up to 180-days, so we will start using this methodology going forward.

24

Marketing Spend

Digital Ad Spend
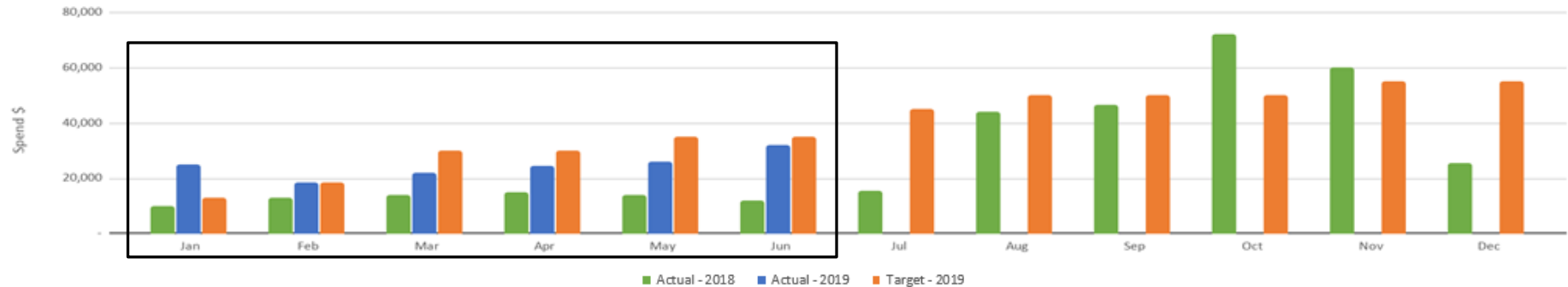
Field Marketing Spend
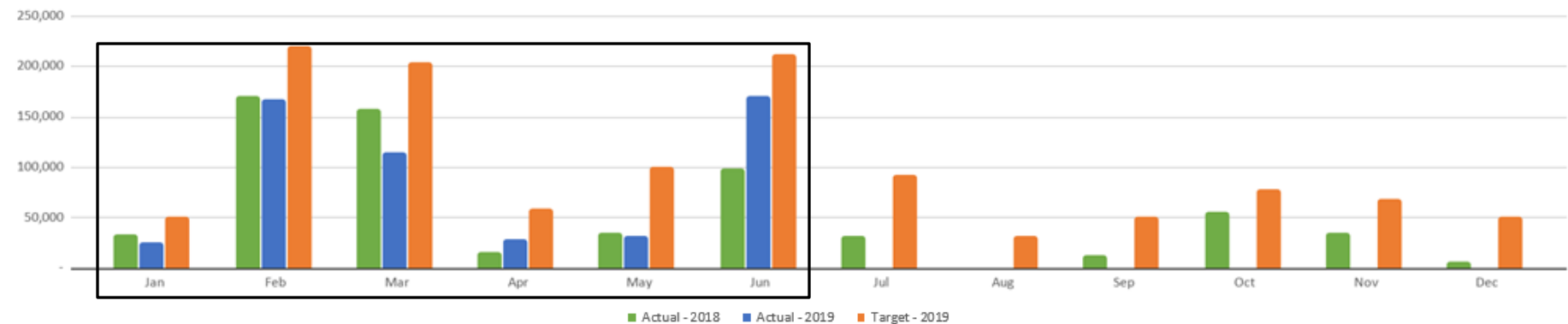
Management Discussion

- Digital Ad spend is at 92% of plan YTD while Digital Ad lead gen is at 201% of plan YTD. We are in the process of refining plans for 2H and will consider allocating more spend to EMEA.
- Field marketing spend spiked in Jun due to Infocomm.

2018 Market Share Summary (source: FutureSource Consulting)

- Total market units grew 43% YoY

- Barco remains atop market but lost ~4 points WW and in Americas

- Mersive is fastest growing major player growing 2+ points WW and nearly 4 points in Americas

- In Americas $500 - $999 price band, Mersive appears to be on par / slightly ahead of Barco

Worldwide

Brand	Growth %	Growth Multiple	2017 Share %	2018 Share %
Barco	26.68%	0.63	33.12%	29.42%
Crestron	47.05%	1.10	9.10%	9.38%
Mersive	114.61%	2.69	4.88%	7.34%
Airtame	49.68%	1.16	6.49%	6.81%
Kramer	14.30%	0.34	7.47%	5.98%
Other	50.47%	1.18	38.93%	41.07%
Total	42.66%	1.00	100.00%	100.00%

Americas

Brand	Growth %	Growth Multiple	2017 Share %	2018 Share %
Barco	20.23%	0.53	31.69%	27.52%
Crestron	42.07%	1.09	14.88%	15.27%
Mersive	94.72%	2.46	9.26%	13.02%
Airtame	58.30%	1.52	10.28%	11.75%
Kramer	10.64%	0.28	6.70%	5.35%
Other	37.95%	0.99	27.20%	27.10%
Total	38.47%	1.00	100.00%	100.00%

Marketing Campaign Calendar (Q3)

Cell legend: G = green (scheduled), C = cyan (launch)

Campaign	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	Total	Notes
(All functions except Field Mktg)															Launch Week
Competitive Take-out Program	G	G	G	C											
Website Positioning Audit			G	G	G	G	G	G	G	G	G	G	C		
Competitive Campaign Enhancements					G	G	G	G	G	C					
Product Doc CMS Launch	G	G	G	G	G	G	G	G	G	G	C				
Gen2i End of Sales						G	G	G	C						
End User Training via Singage Feed								G	G	G	G	G	C		
Customer Success Program Launch		G	G	G	C										
4.2 Release (VLAN)				G	G	G	G	G	C						
Mersive Roadmap / Solstice Subscription										G	G	C			
Branding: Summer of Solstice	C	C	C	C	C	C	C	C	C	C	C	C	C		Rolling launch
Email Workflow Localization			G	G	C	C	C	C	C	C	C	C	C		Rolling launch
International Web Upgrade			G	G	G	C	C	C	C	C	C	C	C		Rolling launch
Successful Deployment Animations		G	G	C											

Kepler - Adoption

% of Top 100 Customers with Kepler
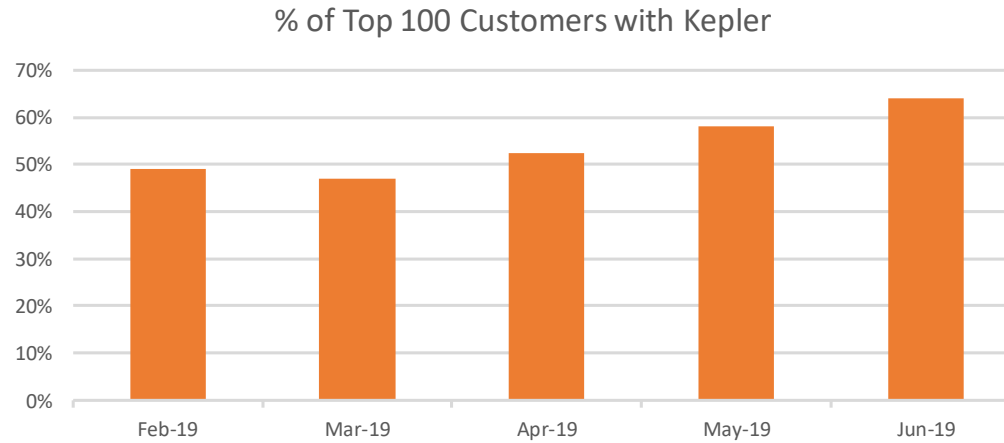
Management Discussion
• % of top 100 customers (based on # of pods) with Kepler.

Kepler - Engagement

Average Number of Sessions per User per Month

	Mar-19	Apr-19	May-19	Jun-19
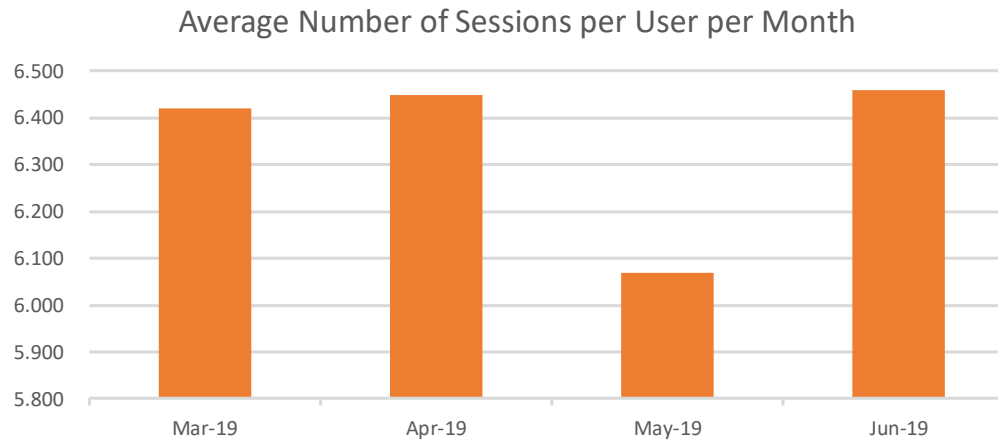
Management Discussion

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

Staffing Analysis

Headcount by Department
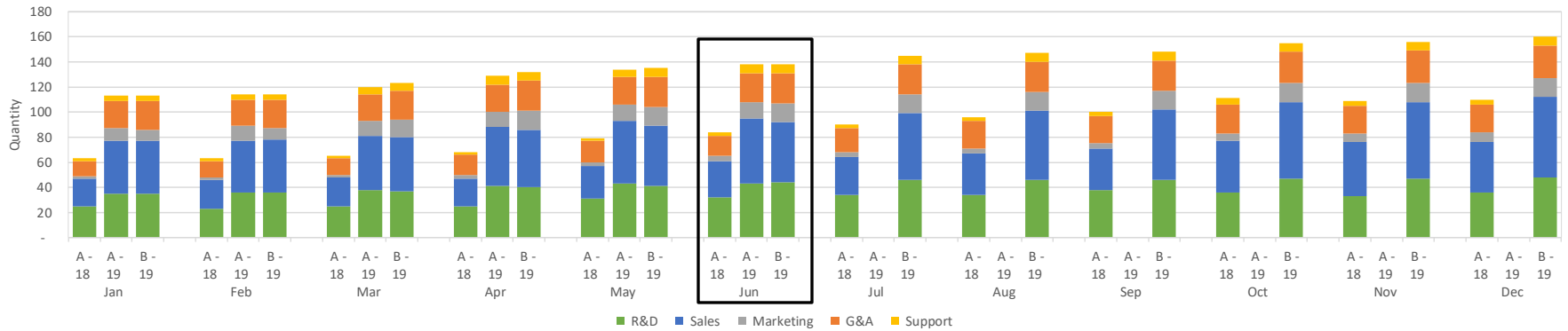
Management Discussion
- Headcount is consistent with plan through June.

06/30/19 Talent Snapshot

Team Members by Geography

Denver (96)

US field (25)

International field (17)

Team Members by Function

Tech (43)

Sales (52),

Marketing (14)

Finance/Ops/HR (29)

Total Team Members: 138

YTD Hires: 48

YTD Departures: 19

YTD Headcount Growth: 31

Open Positions as of 06/30/19

Department	Title	Month Opened	Replacement or Addition?	Expected Start Date				
				Jul	Aug	Sep	Oct	Nov
Technical								
	Technical Support Engineer - EMEA	June	A				1	
	Senior Software Research Engineer	July	A			1		
	QA Director	July	R		1			
	Senior QA	July	A	1				
	Principal Technical Project Manager	May	A		1			
	Senior DevOps Engineer	July	A		1			
	Senior Software Manager	June	A		1			
	Senior Product Manager	May	A	1				
Sales								
	Regional Channel Manager - TOLA	June	A		1			
	Regional Channel Manager - FR & SP	June	A					1
	Regional Channel Manager - GER	June	A					1
	Regional Sales Director - NW	May	R			1		
	Regional Sales Director - CA	June	R				1	
	Regional Consultant Liason	July	A					1
	Sales Operations Administrator	May	A			1		
Marketing								
	Product Marketing Specialist	April	A		1			
	Business Analyst	July	A		1			
	Manager of Enterprise Applications	May	R		1			
	Content Marketing Manager	May	A			1		
	Product Trainer	May	A			1		
All Others								
	A/R Specialist	June	A		1			
	HR Generalist	June	A	1				
	Recruiting Coordinator	July	A		1			
	Logistics Clerk	May	A	1				
TOTALS			**24**	**4**	**9**	**6**	**2**	**3**

Monthly Operating Review Meeting Agenda

→ Executive Summary

→ **Financial Review**

→ Governance Reporting

→ Appendix

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$'000	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Bud	$	%	Act	$	%	Act	Bud	$	%	Act	$	%
Gross Revenue	$ 4,011	$ 3,443	$ 568	16.5%	$ 2,436	$ 1,575	64.7%	$ 18,361	$17,055	$ 1,306	7.7%	$ 12,411	$ 5,950	47.9%
Adj. to Gross Revenue	(13)	–	(13)	N/A	(11)	(2)	19.4%	(63)	–	(63)	N/A	(49)	(14)	28.3%
Net Revenue	3,998	3,443	555	16.1%	2,425	1,573	64.9%	18,298	17,055	1,243	7.3%	12,362	5,936	48.0%
Material	1,033	857	176	20.6%	539	494	91.7%	4,356	3,713	643	17.3%	2,509	1,847	73.6%
Labor	82	64	18	28.0%	42	40	95.9%	389	347	42	12.1%	225	164	72.9%
Total COGS	1,116	921	194	21.1%	581	535	92.0%	4,744	4,060	685	16.9%	2,734	2,010	73.5%
Gross Margin	2,882	2,522	361	14.3%	1,844	1,038	56.3%	13,553	12,995	558	4.3%	9,628	3,925	40.8%
Gross Margin %	*72.1%*	*73.2%*			*76.0%*			*74.1%*	*76.2%*			*77.9%*		
R&D	584	610	(26)	(4.2%)	396	189	47.6%	3,163	3,228	(65)	(2.0%)	1,841	1,322	71.8%
Sales & Marketing	1,108	1,294	(186)	(14.4%)	712	396	55.5%	6,230	6,809	(579)	(8.5%)	3,367	2,863	85.0%
Administrative	607	592	15	2.5%	534	73	13.7%	3,535	3,685	(150)	(4.1%)	1,828	1,707	93.4%
Other Opex	–	14	(14)	(100.0%)	–	–	N/A	–	56	(56)	(100.0%)	–	–	N/A
Total Opex	2,299	2,510	(211)	(8.4%)	1,642	657	40.0%	12,928	13,778	(850)	(6.2%)	7,036	5,892	83.7%
EBITDA	583	12	571	4754.7%	202	381	188.3%	625	(782)	1,408	(179.9%)	2,592	(1,967)	(75.9%)
EBITDA %	*14.6%*	*0.3%*			*8.3%*			*3.4%*	*(4.6%)*			*21.0%*		
Net Income (Loss)	$ 178	$ (414)	$ 591	(143.0%)	$ (129)	$ 307	(237.6%)	$ (1,735)	$ (3,281)	$ 1,546	(47.1%)	$ 528	$ (2,263)	(428.9%)
Capex	$ (27)	$ (5)	$ (22)	437.0%	$ (33)	$ 6	(19.4%)	$ (285)	$ (277)	$ (8)	2.9%	$ (116)	$ (169)	146.2%

Management Discussion

- Invoiced sales were $5.0m compared to target of $3.9m, including $961k of solstice subscription invoice sales recorded. Bookings were $4.5m, resulting in backlog of $241k at month end. June sales of Gen 3 outpaced Gen 2i, with Gen 3 comprising 60% of total invoiced hardware sales. QTD invoiced sales were $12.8m compared to budget of $10.6m. YTD invoiced sales were $21.7m compared to budget of $18.8m.

- MTD invoiced sales mix by region: Americas 78% actual vs 75% budget, EMEA 11% actual vs 19% budget, APAC 10% actual vs 5% budget. YTD invoiced sales mix by region: Americas 79% actual vs 77% budget, EMEA 14% actual vs 18% budget, APAC 7% actual vs 5% budget.

- MTD revenue of $4.0m includes approximately $3.3m of pod revenue and $663k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of $3.3m is 127% of budget of $2.6m for the month. QTD revenue was $10.6m compared to budget of $9.6m. YTD revenue outperformance to plan largely driven by Pod sales and Solstice subscription renewals. Appr. $250K of the positive variance in YTD revenue & GAAP EBITDA is due to changing revenue allocation related to ASC606 following completion of AOP.

- Units shipped for the month were 4,916 vs budget of 3,982 and overall invoiced ASP was $799 vs the budget of $776. ASP overperformance to budget driven by the Americas and APAC region, with Americas at $841 invoiced ASP vs $811 budgeted and APAC at $671 invoiced ASP vs $618 budgeted. EMEA ($683 vs $706) invoiced ASP was down versus budget.

- Renewal solstice subscription licenses sold MTD were 2,757 compared to target of 2,707 resulting in invoiced sales of $591k compared to budget of $393K. QTD renewal invoiced sales of $1.3m is $421K above budget of $883k. YTD renewal invoiced sales of $2.3m is $798K above budget of $1.5m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.

- Upfront solstice subscription licenses sold MTD were 1,371 compared to target of 1,542 resulting in invoiced sales of $370k compared to budget of $347k. Upfront attached rate was 28% compared to a budgeted attach rate of 40%. QTD upfront invoiced sales of $1.0m is $58k above budget of $961k. YTD upfront invoiced sales of $1.6m is $138k below budget of $1.7m.

- Gross Margin % slightly down due to 1) higher mix of distributor sales and 2) ASPs in EMEA coming in under budget.

- MTD S&M Opex under budget due to unbudgeted deferred commissions related to ASC606. Normalized, total MTD S&M Opex was below budget by $20k. YTD S&M Opex, normalized for deferred commissions, is $331k below budget rather than the $579K presented above. This is because $250K of commission expense has been reclassed to the BS per ASC606. Total YTD OpEx remains below budget primarily due to being behind on hiring plan.

- YTD GAAP EBITDA positive variance, normalized for ASC606 adjustments noted above totaling $500K, is closer to $900K rather than the $1.4M presented above.

- Capex was higher than expected due to timing of IT additions relative to budgeted dollars.

Balance Sheet

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$'000	Dec-18 Act	Mar-19 Act	Apr-19 Act	May-19 Act	Jun-19 Act	Jun-19 Bud	Variance $
Current Assets							
Cash and cash equivalents	$ 5,777	$ 4,558	$ 3,800	$ 3,684	$ 4,661	$ 3,054	$ 1,607
Short term investments	–	–	–	–	–	–	
Accounts receivable, gross	5,113	5,444	5,940	6,816	7,879	5,333	2,546
Accounts receivable, reserves	(82)	(74)	(74)	(74)	(105)	(53)	(52)
Accounts receivable, net	5,031	5,370	5,865	6,742	7,774	5,280	2,494
Inventory, net	1,390	2,746	3,448	2,596	2,104	2,629	(525)
Prepaid expenses and other current assets	1,105	1,868	2,100	1,850	1,638	1,227	411
Total Current Assets	**13,304**	**14,541**	**15,213**	**14,872**	**16,177**	**12,190**	**3,987**
Non-Current Assets							
Property, plant & equipment, gross	908	1,106	1,134	1,166	1,193	1,188	5
Accumulated depreciation	(216)	(275)	(321)	(334)	(358)	(99)	(259)
Property, plant & equipment, net	692	830	813	832	835	1,089	(254)
Goodwill	20,675	20,675	20,675	20,675	20,675	20,675	(0)
Identifiable intangible assets, net	6,711	5,911	5,643	5,371	5,160	4,934	226
Deferred tax asset	6,488	6,488	6,488	6,488	6,488	6,647	(159)
Other non-current assets	214	327	334	407	573	275	298
Total Non-Current Assets	**34,780**	**34,231**	**33,952**	**33,772**	**33,731**	**33,620**	**111**
Total Assets	**$ 48,084**	**$ 48,772**	**$ 49,165**	**$ 48,644**	**$ 49,907**	**$ 45,810**	**$ 4,097**
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	–
Accounts payable	900	1,665	2,370	649	859	707	152
Accrued liabilities	(243)	259	251	381	310	192	118
Accrued compensation	1,941	1,284	1,321	1,534	1,504	1,533	(29)
Income taxes payable	694	694	694	694	694	–	694
Other current liabilities	70	324	338	374	422	238	184
Total Current Liabilities	**6,861**	**7,726**	**8,473**	**7,132**	**7,289**	**6,170**	**1,119**
Long-term liabilities							
Long-term unearned revenue	5,863	6,902	7,244	8,055	8,970	8,638	332
Deferred liabilities	154	154	151	163	178	184	(6)
Total Long-Term Liabilities	**6,017**	**7,056**	**7,394**	**8,218**	**9,148**	**8,822**	**326**
Total Liabilities	**12,878**	**14,781**	**15,868**	**15,351**	**16,437**	**14,992**	**1,445**
Shareholders' Equity							
Total Shareholders' Equity	**35,206**	**33,990**	**33,298**	**33,293**	**33,470**	**30,818**	**2,652**
Total Liabilities and Shareholders' Equity	**$ 48,084**	**$ 48,772**	**$ 49,165**	**$ 48,644**	**$ 49,907**	**$ 45,810**	**$ 4,097**

Management Discussion

- Cash increased month over month primarily driven by decreased inventory and prepaids (see below and CFS).
- AR increased month over month due to increased invoiced sales.
- Inventory 'days outstanding' at 58 vs budget of 88 due primarily to a production hold causing delay in Gen3 supply chain. This has been rectified and inventory will return to normal levels in July & August at a targeted 90 day supply. Total ending inventory balance: Gen 2i - 4,649 pods, Gen 3 - 5,353 pods.
- Prepaid and OCA balances are higher than expected due to receivable from landlord, trade show prepaids, and additional prepaids from various vendors.
- Other non-current assets is over budget due to audit catch-up adjustments for sales commissions.
- AP 'days payable outstanding' at 24 vs budget of 24. Dollar increase to budget largely due to timing of inventory bills.
- Income taxes payable was larger than expected due to taking a conservative approach with tax liabilities related to taxable income associated with invoiced solstice subscription . The liability will become a receivable as we have over accrued and over-paid our taxes in December. We anticipate reversing the accrual and recording a refund for overpayment that will be applied to 2019 estimated taxes.
- Deferred revenue is above budget primarily due to strong invoice sales exceeding budget (Free Year Subscription) and impact of ASC606. Normalized, Deferred Revenue is $332k + $250k above plan, or $552k.

Cash Flow Statement

$'000	MTD Act	MTD Bud	Var $	PY-MTD Act	Var $	YTD Act	YTD Bud	Var $	PY YTD Act	Var $
Cash flow from operations										
Net Income (Loss)	$ 178	$ (414)	$ 591	$ (129)	$ 307	$ (1,735)	$ (3,281)	$ 1,546	$ 528	$ (2,263)
Depreciation, amortization and other	305	288	17	273	32	1,806	1,714	92	1,633	173
Deferred income tax	–	–	–	–	–	–	(159)	159	–	–
Change in operating assets and liabilities:										
Accounts receivable	(1,032)	(495)	(537)	(394)	(638)	(2,743)	(301)	(2,442)	(1,495)	(1,248)
Inventory	492	172	320	(380)	872	(714)	(1,239)	526	(878)	164
Prepaid expenses and other current assets	212	14	198	(73)	284	(533)	613	(1,146)	165	(698)
Accounts payable	210	146	64	921	(711)	(41)	52	(93)	1,004	(1,045)
Accrued expenses	(101)	230	(331)	256	(357)	117	(263)	380	52	65
Accrued income taxes	0	–	0	–	0	0	(694)	694	–	0
Other changes in operating assets and liabilities	929	476	454	384	546	3,131	1,774	1,357	2,183	948
Other cash flow from operations	(119)	(4)	(115)	12	(132)	(7)	(622)	615	62	(69)
Total Cash Flow from Operations	**$ 1,074**	**$ 413**	**$ 661**	**$ 871**	**$ 203**	**$ (718)**	**$ (2,406)**	**$ 1,687**	**$ 3,254**	**$ (3,972)**
Cash flow from investing										
Additions to property, plant and equipment	$ (27)	$ (5)	$ (22)	$ (33)	$ 6	$ (285)	$ (277)	$ (8)	$ (116)	$ (169)
Investment in intangibles	(70)	–	(70)	(34)	(37)	(113)	(40)	(73)	(134)	21
Total Cash Flow from Investing	**$ (97)**	**$ (5)**	**$ (92)**	**$ (67)**	**$ (30)**	**$ (398)**	**$ (317)**	**$ (81)**	**$ (249)**	**$ (149)**
Cash flow from financing										
Total Cash Flow from Financing	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Net change in cash	**$ 977**	**408**	**$ 568**	**$ 804**	**$ 173**	**$ (1,117)**	**$ (2,723)**	**$ 1,606**	**$ 3,004**	**$ (4,121)**
Beginning cash	3,684	2,646	1,038	4,676	(992)	5,777	5,777	–	2,476	3,301
Change in cash	977	408	568	804	173	(1,117)	(2,723)	1,606	3,004	(4,121)
Ending cash	**$ 4,661**	**$ 3,054**	**$ 1,606**	**$ 5,480**	**$ (819)**	**$ 4,661**	**$ 3,054**	**$ 1,606**	**$ 5,480**	**$ (819)**

Management Discussion

- Cash is increased primarily driven by decreased inventory and prepaid trade shows. As laid out in the budget, we expect cash to 'trough' in Q3 as a fully ramped sales team coupled with efficiently managed working capital push cash to a consistent upward trend.

- Cash conversion' at 95 days vs budget of 112.

- Large variance in AR vs target is being driven off of Invoiced sales exceeding budget (June was $1.1m above budget, YTD $2.9m above budget).

- Cash from changes in Inventory has exceeded both MTD and YTD as strong demand for Gen 3 has reduced days inventory outstanding vs budget expectations.

- YTD Prepaids variance is driven by higher than expected receivable from landlord, trade show prepaids, and additional prepaids from various vendors.

2019 Reforecast

2019 Mersive Technologies - Reforecast	Actual Jan - Jun	AOP Jan - Jun	Var to AOP	Reforecast Jul - Dec	AOP Jul - Dec	Var to AOP	Reforecast	AOP	Var to AOP
Invoice Sales	$ 21.7	$ 18.8	$ 2.9	$ 28.2	$ 28.2	$ -	$ 49.9	$ 47.0	$ 2.9
Revenue	$ 18.3	$ 17.1	$ 1.2	$ 25.4	$ 25.4	$ -	$ 43.7	$ 42.5	$ 1.2
COGS	$ 4.7	$ 4.1	$ (0.7)	$ 7.1	$ 6.9	$ (0.2)	$ 11.8	$ 10.9	$ (0.9)
Gross Profit	$ 13.6	$ 13.0	$ 0.6	$ 18.3	$ 18.5	$ (0.2)	$ 31.9	$ 31.5	$ 0.4
GP %		74%	76%		72%	73%		73%	74%
Total OpEx	$ 12.9	$ 13.8	$ 0.8	$ 17.1	$ 16.0	$ (1.1)	$ 30.0	$ 29.8	$ (0.2)
% of Invoiced								60%	63%
EBITDA	$ 0.6	$ (0.8)	$ 1.4	$ 1.3	$ 2.5	$ (1.3)	$ 1.9	$ 1.7	$ 0.1
% of Revenue		3%	-5%		5%	10%		4%	4%
Invoiced EBITDA	$ 4.0	$ 1.0	$ 3.1	$ 4.1	$ 5.3	$ (1.3)	$ 8.1	$ 6.3	$ 1.8
% of Invoiced		19%	5%		14%	19%		16%	13%
Headcount									
G&A		23	24	1	32	26	(6)	32	26	(6)
Sales		52	48	(4)	64	64	-	64	64	-
Marketing		13	15	2	23	15	(8)	23	15	(8)
R&D		43	44	1	61	48	(13)	61	48	(13)
Support		7	7	-	9	7	(2)	9	7	(2)
Total Headcount		**138**	**138**	**-**	**189**	**160**	**(29)**	**189**	**160**	**(29)**
Gross Headcount								189	160	(29)
Turnover								-17	0	17
Net Headcount								172	160	(12)

Management Discussion

- Re-forecasted invoiced sales and revenue for 2H19 remain unchanged from 2019 AOP.

- Re-forecasted COGS and GP for 2H19 change due to higher costs for Kepler cloud storage and additional tech support costs included in COGS.

- Re-forecasted OpEx for 2H19 includes additional costs of $700K for contract outsouced QA & development, offset by $400K lower compensation related costs, and additional non-compensation OpEx of $800K, primarily related to recruiting, facilities costs, equipment, T&E related to sales team, and pods given away for marketing & sales.

- Headcount re-forecasted at year end is 189 based on current HC of 138 plus 51 additional new hires forecasted. However, we are assuming in the model 17 fewer employees, or 172, due to a combination of expected attrition based on historical rates and not be able to hire 51 new employees in a short period of time. Therefore, the OpEx only includes the impact from net headcount of 172 employees. The increase of 172 over AOP of 160 is due primarily to increased hiring in engineering, Marketing and HR.

Monthly Operating Review 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:	Additional costs for Leasehold improvements related to new lease and facility expansion
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Deloitte has identified a lack of segregation of duties related to NetSuite. We will address revising roles upon hiring of Controller
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

Monthly Operating Review Meeting Agenda

→ Executive Summary

→ Financial Review

→ Governance Reporting

→ **Appendix**

YTD Opex Analysis

$'000

	YTD			Explanation of Variance				Variance Impact		
			Variance	One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Bud	B / (W)	Non-recurring	Timing	Run-rate	Other	B / (W)	B / (W)	Impact B / (W)
Payroll	$ 6,465	$ 7,113	$ (648)	$ —	$ (648)	$ —	$ —	$ (648)	$ —	$ —
Benefits	886	979	(94)	$ —	$ (94)	—	—	(94)	—	—
Bonus	711	860	(149)	$ —	$ (149)	—	—	(149)	—	—
Commissions	654	735	(81)	—	(81)	—	—	(81)	—	—
Marketing	1,251	1,274	(23)	—	(23)	—	—	(23)	—	—
Travel and Entertainment	753	807	(54)	—	(54)	—	—	(54)	—	—
Rent and Facilities	667	466	201	—	—	201	—	201	201	201
Insurance	29	25	4	—	4	—	—	4	—	—
Professional Fees	498	397	101	—	101	—	—	101	—	—
Utl., Repair, Maint., & Sec.	147	211	(64)	—	(64)	—	—	(64)	—	—
Office Expense	103	24	79	—	79	—	—	79	—	—
IT	654	783	(129)	—	(129)	—	—	(129)	—	—
Other Expenses	110	103	7	—	7	—	—	7	—	—
Total Opex	**$12,928**	**$13,778**	**$ (850)**	$ —	$(1,051)	$ 201	$ —	$ (850)	$ 201	$ 201

Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a $ basis. Budgeted employee headcount was 138 versus actual of 138 as of June-19.
- Rent is over budget primarily due to increased CAM.
- Professional Fees are over budget due to 1) higher than expected recruiting costs and 2) additional consulting hours related to systems improvements.
- IT is under budget due to timing of data related IT projects.
- Commissions, normalized for 606 adjustments, are $168k above budget.
- Office expenses are largely due to unbudgeted dollars. Monthly trend has been consistent.

Operating Expenses Summary

$'000	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Bud	$	%	Act	$	%	Act	Bud	$	%	Act	$	%
Opex Overview:														
Payroll	$ 1,210	$ 1,300	$ (90)	(6.9%)	$ 602	$ 609	101.2%	$ 6,465	$ 7,113	$ (648)	(9.1%)	$ 3,279	$ 3,186	97.2%
Overtime	–	–	–	N/A	–	–	N/A	–	–	–	N/A	–	–	N/A
Benefits	147	170	(23)	(13.4%)	164	(16)	(10.1%)	886	979	(94)	(9.6%)	656	230	35.1%
Bonus	113	158	(45)	(28.5%)	55	58	105.5%	711	860	(149)	(17.3%)	274	437	159.3%
Commissions	63	161	(99)	(61.2%)	136	(73)	(53.8%)	654	735	(81)	(11.0%)	605	49	8.1%
Marketing	279	248	31	12.3%	168	111	66.0%	1,251	1,274	(23)	(1.8%)	755	496	65.7%
Travel and Entertainment	92	166	(74)	(44.5%)	69	23	33.0%	753	807	(54)	(6.7%)	313	440	140.7%
Rent and Facilities	123	78	45	58.1%	96	27	27.7%	667	466	201	43.2%	339	328	96.7%
Insurance	5	4	0	9.2%	4	1	14.7%	29	25	4	14.7%	24	4	18.2%
Professional Fees	65	66	(1)	(2.1%)	195	(130)	(66.7%)	498	397	101	25.4%	309	189	61.2%
Utl., Repair, Maint., & Sec.	23	35	(13)	(36.3%)	29	(7)	(23.0%)	147	211	(64)	(30.2%)	126	21	17.0%
Office Expenses	20	4	16	412.1%	42	(21)	(51.0%)	103	24	79	327.8%	132	(29)	(22.0%)
IT	102	102	1	0.6%	62	40	64.3%	654	783	(129)	(16.4%)	106	548	516.5%
Other Expenses	58	17	41	237.2%	21	37	171.3%	110	103	7	7.2%	121	(10)	(8.6%)
Total Opex	**$ 2,299**	**$ 2,510**	**$ (211)**	**(8.4%)**	**$ 1,642**	**$ 657**	**40.0%**	**$ 12,928**	**$ 13,778**	**$ (850)**	**(6.2%)**	**$ 7,036**	**$ 5,892**	**83.7%**

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary – Q2
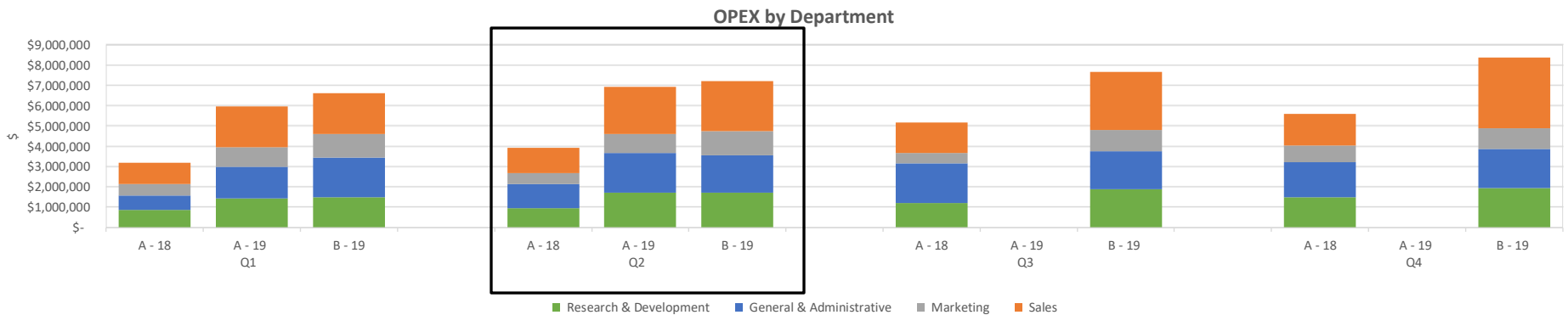
OPEX by Department

Legend: Research & Development, General & Administrative, Marketing, Sales
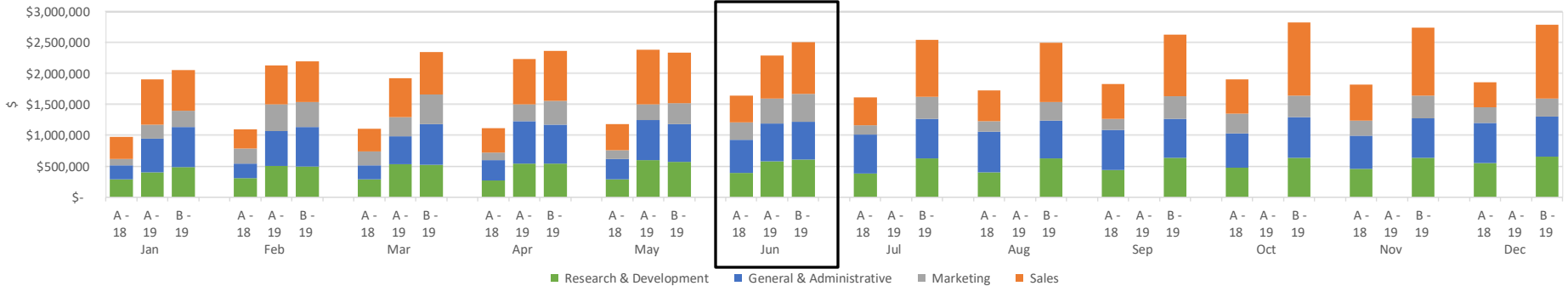
Management Discussion

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

Operating Expenses Summary

OPEX by Department

Legend: Research & Development, General & Administrative, Marketing, Sales

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Management Discussion

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

AR and AP Aging Detail

$'000

AR Aging					AP Aging			
Days	**Apr-19**	**May-19**	**Jun-19**		**Days**	**Apr-19**	**May-19**	**Jun-19**
0-30	$ 4,768	$ 5,612	$ 6,878		0-30	$ 1,717	$ 380	$ 728
30-60	571	742	605		30-60	217	141	2
60-90	328	311	288		60-90	38	58	27
>90	272	151	108		>90	397	71	103
Total Gross AR	$ 5,940	$ 6,816	$ 7,879		**Total**	$ 2,370	$ 649	$ 859
Reserves	(74)	(74)	(105)					
Total Net AR	$ 5,865	$ 6,742	$ 7,774					

Management Discussion

- AR increased due to increased sales at month end. Decrease in past due balances was due to increased focus on >45 days aged collection.
- Increase in <30 AP is due to timing of inventory payments.

Invoiced Sales by Region

	Quarter to Date					Year to Date			
Territory	**Actual**	**Quota**	**Var $**	**% of Target**		**Actual**	**Quota**	**Var $**	**% of Target**
Midwest	2,786,566	1,998,471	788,094	139%		4,647,272	3,615,796	1,031,475	129%
TOLA	834,593	666,157	168,436	125%		1,450,385	1,205,265	245,120	120%
Northeast	2,060,260	1,665,393	394,867	124%		3,367,260	3,013,164	354,096	112%
Southeast	1,049,575	1,221,288	(171,713)	86%		1,996,070	2,209,653	(213,583)	90%
West	939,170	888,209	50,961	106%		1,307,438	1,607,021	(299,583)	81%
Mid-Atlantic	667,572	999,236	(331,664)	67%		1,297,944	1,807,898	(509,954)	72%
New England	531,452	666,157	(134,705)	80%		835,775	1,205,265	(369,491)	69%
Canada	185,214	444,105	(258,891)	42%		411,993	803,510	(391,518)	51%
Rocky Mountain	186,567	388,592	(202,025)	48%		355,582	703,072	(347,489)	51%
ANZ	146,616	332,398	(185,782)	44%		264,973	595,914	(330,941)	44%
Northwest	136,427	499,618	(363,191)	27%		336,579	903,949	(567,370)	37%
UK	623,629	721,670	(98,041)	86%		1,250,202	1,305,704	(55,502)	96%
Germany/Italy	242,995	429,688	(186,693)	57%		333,903	640,625	(306,722)	52%
Nordics	187,341	387,906	(200,565)	48%		364,660	707,559	(342,899)	52%
France/Spain	119,102	399,694	(280,592)	30%		198,393	723,159	(524,766)	27%
MEA	53,113	429,688	(376,575)	12%		88,037	640,625	(552,588)	14%
China	330,998	332,398	(1,400)	100%		351,657	595,914	(244,257)	59%
EMEA	1,256,257	2,435,681	(1,179,424)	52%		2,294,790	3,959,233	(1,664,443)	58%
APAC	634,818	666,157	(31,339)	95%		937,433	1,205,265	(267,833)	78%
World	12,802,308	10,600,000	2,202,308	121%		21,702,666	18,800,000	2,902,666	115%

Q2

2019