



SARGENT AND GREENLEAF

Q4 2019 Audit Committee Meeting

January 23rd, 2020

Q4 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ Special Topics and Executive Session
- ④ Appendix

Summary | CFO Hot Buttons

- Acquisition of Delaney Hardware and Premier Steel Door adding two additional divisions for a total of three. With the existing Sargent and Greenleaf(S&G) division, consolidated results and tax reporting will roll-up to Sargent and Greenleaf Holdings.
- Financial transitional activities facilitated by Andrew Martinez, Sr. VP Operations OpenGate. Joint completion of reporting and administration by existing S&G and acquired financial staff. Please to announce Milan Vora as acquired VP of Finance for Delaney/Premier(DP)
- Financial planning process for 2020 AOP – S&G complete and DP in process
- ERP Implementation of NetSuites Go Live 03/01/2020
 - Completed Design and Build Phase – Processing selected parallel and historical data
 - Balance of effort through 03/01 on test, training, and alignment with roles and responsibilities
 - Phase II will include quality, consolidated reporting, and assessment of DP systems
- Organization key performance measurements
 - Operating accountability and process disciplines to achieve AOP results
 - Clearly defined roles and responsibilities
 - NetSuite's other developed business processes to close operating gaps:
 - Cost of Poor Quality
 - Customer Satisfaction
 - Value added services for design, training, and installation
- Consolidated cash and debt paydown planning
- Tax efficiency strategy – Q2 evaluation with Crowe

Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ Special Topics and Executive Session
- ④ Appendix

Controllership Matters | Auditor Discussion

Steve Jennings – Partner with Crowe LLP

Opening Balance Sheet for Delaney/Premier Acquisition:

- Modified Net Working Capital Adjustment Assigned to Purchase Price(to be reviewed by Crowe)
- Funds flow – transaction/diligence expenses to recognize against 2019 net income
- Goodwill basis and amortization methods
- Component audit to be performed by Warren Averett for 12/20/2019 Opening Balance Sheet

2019 Audit Plan:

- Engagement Letter requirements and price quote to be revised by Crowe and submitted by Warren Averett for Delaney/Premier testing and field work assistance
- S&G Division audit testing and field work from Crowe to be completed by Feb. 14th to permit S&G staff time for focus on new ERP transition
- Delaney/Premier audit field work by Warren Averett to begin late Feb.
- Crowe to prepare consolidated financials and opinion by May 26th
- Management/audit committee letter

Controllership Matters | Management Governance Report

Disclosure Committee:

- Members include: CEO, CFO, VP Sales, Sr. VP Operations, VP and General Counsel

Anonymous Hotline:

- Navex implemented July 16, 2019

Modification of Internal Control and Authority Matrix:

- Internal Control and Authority Matrix implemented August 1, 2019 – attached next four pages

Controllership Matters | Management Governance Report Con't

A) Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B) Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C) Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	None
D) Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ Special Topics and Executive Session
- ④ Appendix

Financial Matters | Executive Summary

December revenues of \$1.8M, unfavorable to revised Standalone AOP (budget) (\$1.7M)/(49%), unfavorable to PY (\$1.3M)/(43%)

- Unfavorable to Budget, APAC (\$0.7M); NCR (\$0.2M), AGS (\$0.1M), Arya (\$0.1M), TK (\$0.1M), PT Wiratana Persada (\$0.1M), Changsha (\$0.1M)
- Unfavorable to Budget, NA (\$0.4M)
 - OEM: Diebold (\$0.1M), Global File \$0.1M
 - Distributors: Lockmaster (\$0.4M)
 - Other: Cord Financial (\$0.1M), Payment Alliance \$0.1M
- Unfavorable to Budget, EMEA (\$0.3M; Diebold-OEM (\$0.1M), Safelocking-OEM (\$0.1M), and Bode Panzer-Distributor (\$0.1M)
- Unfavorable Budget, LAG (\$0.2M); American Locks-Distributor

YTD revenues of \$42.1M, unfavorable to budget by (\$6.0M)/(12%), unfavorable to PY (\$1.7M)/(4%)

- Favorable to Budget, APAC by \$0.1M
 - India Favorable to PY \$0.9M, driven by A-Series orders to the ATM market
- Budget met, EMEA
- Unfavorable to Budget, NA by (\$5.2M)
 - OEM: Liberty (\$0.7M), Diebold (\$0.8M), Genmega (\$0.3M), Global File (\$0.2M), Hamilton Safe (\$0.2M), Fort Knox (\$0.1M)
 - Distributors: Southern Lock/Silver Sales (\$0.5M), Anixter (\$0.4M), Lockmaster (\$0.4M)
 - CIT: Hitachi (\$0.3M)
 - ATM Deployers: 247 ATM Providers (\$0.1M), Worldwide ATM (\$0.1M)
 - Government: Krieger (\$0.2M), Will Burt (\$0.1M)
- Unfavorable to Budget, LAG by (\$0.7M)driven by decline in Sales to American Locks (distributor) and Cogar (Cash in Transit)

Financial Matters | Executive Summary (continued)

Hits

- Acquisition completed for Delaney/Premier Door on December 20th
- Favorable Opex by \$0.7M versus December budget related to timing of strategic initiative expense, salary positions not filled, and decreased IT carve-out expenses. Full year Opex \$2.5M favorable to full year budget (excluding transaction costs).
- Design of new network capable modular digital platform with display and keypad launch May 2020
 - Multiple plans and paths for offshore manufacturing and assembly:
 - A. Broker, PQD, supporting Asia design and sourcing to produce working prototype and drawings by March 2020
 - B. Internal design and sourcing selection completed. 90-day lead-time with existing supply base and new vendors.
 - Decision point with supporting product costs, tooling requirements, supply chain, quality processes, and technology schemes for each alternative(either A or B) to be evaluated by end of January
 - OGx software development for apps and locking management systems on pace

Misses

- December 2019 ending backlog declined (\$0.6M) compared to prior year
 - Government 951 backlog unfavorable (\$1.1M) vs 2018 ending backlog; Timemaster 8077 backlog unfavorable (\$1.0M) vs 2018 ending backlog due to timing of blanket order
- Sales returns total (\$0.2M) for December 2019. Related to MPP quality and customer goodwill credit for return of overstock

Financial Matters | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	1,767	3,448	(1,681)	(48.8%)	3,109	(1,342)	(43.2%)	
Material	720	1,142	(422)	(36.9%)	1,175	(454)	(38.7%)	
Labor	525	511	14	2.7%	541	(16)	(3.0%)	
Other COGS	234	239	(5)	(2.2%)	107	127	118.6%	
Total COGS	1,480	1,893	(413)	(21.8%)	1,823	(344)	(18.8%)	
Gross Margin	287	1,555	(1,268)	(81.5%)	1,285	(998)	(77.6%)	
<i>Gross Margin %</i>	16.3%	45.1%			41.3%			
R&D	163	301	(137)	(45.6%)	93	70	74.9%	
Sales & Marketing	219	450	(231)	(51.4%)	229	(11)	(4.6%)	
Administrative	302	686	(384)	(56.0%)	375	(73)	(19.5%)	
Other Opex	—	—	—	N/A	—	—	N/A	
Total Opex	684	1,436	(753)	(52.4%)	697	(14)	(2.0%)	
EBITDA	(397)	119	(515)	(433.4%)	588	(984)	(167.4%)	
<i>EBITDA %</i>	(22.4%)	3.4%			18.9%			
Adj. EBITDA	(172)	734	(906)	(123.4%)	588	(760)	(129.2%)	
<i>Adj. EBITDA %</i>	(9.7%)	21.3%			18.9%			
Net Income (Loss)	\$ (1,295)	\$ (279)	\$ (1,016)	363.5%	\$ 484	\$ (1,779)	(367.3%)	
Unincurred Standalone Costs	69	32						
PF Adj EBITDA	(241)	702						
<i>PF Adj. EBITDA %</i>	(13.6%)	20.4%						

Management Discussion	
Budget	
<ul style="list-style-type: none"> December Revenue unfavorable variance of (\$1.7M) vs AOP Unfavorable performance in APAC (\$0.7M); NCR (\$0.2M), AGS (\$0.1M), Arya (\$0.1M), TK (\$0.1M), PT Wiratana Persada (\$0.1M), Changsha (\$0.1M) Unfavorable performance in NA (\$0.4M); Lockmaster-Distributor (\$0.4M), Diebold –OEM (\$0.1M), and Cord Financial (\$0.1M), offset by favorable variances in Payment Alliance-CIT \$0.1M and Global File-OEM \$0.1M. Unfavorable performance EMEA (\$0.3M); Diebold-OEM (\$0.1M), Safelocking-OEM (\$0.1M), and Bode Panzer-Distributor (\$0.1M) Unfavorable performance LAG (\$0.1M); American Locks-Distributor (\$0.1M) December Adjusted EBITDA unfavorable variance of (\$0.9M) vs AOP. Gross margin is unfavorable (\$1.3M) with a volume impact of (\$0.8M) and other impact of (\$0.5M). Opex is favorable \$0.8M vs AOP related to 1x charges and Year-end adjustments Actual 1x charges were \$0.2M versus Budget of \$0.6M AOP included a \$0.3M restructuring charge, a 1x charge, not acted upon AOP included \$0.2M fees for engineering, a 1x charge, timing Bonus for sales and performance initiatives and commissions paid to customers are favorable to budget due to not achieving revenues and adj. EBITDA targets 	
PY	
<ul style="list-style-type: none"> December Adjusted EBITDA unfavorable (\$0.8M) vs PY. Gross margin is unfavorable (\$1.0M) with a volume impact of (\$0.6M) and other impact of (\$0.4M). Opex is flat compared to PY Actual 1x adjustments were \$0.2M versus PY of \$0 	

Financial Matters | Summary P&L - QTD

\$'000	QTD		Variance		PY QTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	8,847	11,529	(2,682)	(23.3%)	9,655	(808)	(8.4%)	
Material	3,355	3,734	(378)	(10.1%)	3,219	136	4.2%	
Labor	1,655	1,677	(22)	(1.3%)	1,614	41	2.5%	
Other COGS	385	785	(400)	(51.0%)	409	(24)	(6.0%)	
Total COGS	5,395	6,195	(801)	(12.9%)	5,243	152	2.9%	
Gross Margin	3,452	5,334	(1,882)	(35.3%)	4,413	(961)	(21.8%)	
<i>Gross Margin %</i>	39.0%	46.3%			45.7%	(6.7%)	(14.6%)	
R&D	440	871	(431)	(49.5%)	405	35	8.7%	
Sales & Marketing	922	1,389	(467)	(33.6%)	826	96	11.7%	
Administrative	1,259	1,437	(178)	(12.4%)	1,166	92	7.9%	
Other Opex	-	-	-	N/A	-	-	N/A	
Total Opex	2,621	3,697	(1,076)	(29.1%)	2,397	224	9.3%	
EBITDA	831	1,637	(806)	(49.2%)	2,016	(1,185)	(58.8%)	
<i>EBITDA %</i>	9.4%	14.2%			20.9%	(11.5%)	(55.0%)	
 Adj. EBITDA	 1,757	 2,848	 (1,091)	 (38.3%)	 2,016	 (258)	 (12.8%)	
<i>Adj. EBITDA %</i>	19.9%	24.7%			20.9%	(1.0%)	(4.8%)	
 Net Income (Loss)	 \$ (1,751)	 \$ (192)	 \$ (1,560)	 813.6%	 \$ 1,701	 \$ (3,453)	 (202.9%)	
 Unincurred Standalone Costs	 223	 96						
 PF Adj EBITDA	 1,534	 2,752						
<i>PF Adj. EBITDA %</i>	17.3%	23.9%						

Management Discussion						
Budget						
• QTD Revenue unfavorable (\$2.7M) vs. AOP driven primarily by decline in North America Non-Government(NA) regions						
• QTD Adjusted EBITDA unfavorable variance of (\$1.1M) vs AOP. Gross margin is unfavorable (\$1.9M) with a volume impact of (\$1.2M) and other impact of (\$0.7M).						
• Opex is favorable \$1.1M vs AOP related to open positions, timing of strategic initiative spend and bonus/commission targets not achieved.						
◦ Actual 1x adjustments were \$0.9M versus Budget of \$1.2M						
PY						
• QTD Revenue unfavorable (\$0.8M) vs. PY						
• QTD Adjusted EBITDA unfavorable variance of (\$0.3M) vs PY. Gross margin is unfavorable (\$1.0M) with a volume impact of (\$0.4M) and other impact of (\$0.6M).						
• Opex is unfavorable (\$0.2M) related to timing of strategic initiative spend and 1x TSA costs						
◦ Actual 1x adjustments were \$0.9M versus PY of \$0						

Financial Matters | Summary P&L - YTD

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	42,122	48,072	(5,950)	(12.4%)	43,867	(1,746)	(4.0%)	
Material	15,580	15,717	(137)	(0.9%)	15,626	(46)	(0.3%)	
Labor	6,746	7,214	(468)	(6.5%)	6,473	273	4.2%	
Other COGS	2,528	2,955	(427)	(14.4%)	1,968	560	28.4%	
Total COGS	24,854	25,886	(1,032)	(4.0%)	24,067	787	3.3%	
Gross Margin	17,268	22,186	(4,919)	(22.2%)	19,800	(1,664)	(8.4%)	
<i>Gross Margin %</i>	41.0%	46.2%			45.1%			
R&D	1,495	2,511	(1,016)	(40.5%)	1,763	(268)	(15.2%)	
Sales & Marketing	3,929	4,930	(1,001)	(20.3%)	3,727	202	5.4%	
Administrative	8,366	5,407	2,959	54.7%	4,254	4,112	96.7%	
Other Opex	—	—	—	N/A	—	—	N/A	
Total Opex	13,790	12,848	942	7.3%	9,744	4,046	41.5%	
EBITDA	3,477	9,338	(5,861)	(62.8%)	10,056	(6,579)	(65.4%)	
<i>EBITDA %</i>	8.3%	19.4%			22.9%			
Adj. EBITDA	10,077	12,190	(2,113)	(17.3%)	10,056	21	0.2%	
<i>Adj. EBITDA %</i>	23.9%	25.4%			22.9%			
Net Income (Loss)	\$ (2,628)	\$ 3,154	\$ (5,781)	(183.3%)	\$ 8,802	\$ (11,429)	(129.9%)	
Unincurred Standalone Costs	819	335						
PF Adj EBITDA	9,258	11,855						
<i>PF Adj. EBITDA %</i>	22.0%	24.7%						

Management Discussion							
Budget							
<ul style="list-style-type: none"> YTD Revenue unfavorable (\$6.0M) vs. AOP driven primarily by decline in North America Non-Government(NA) regions YTD Adjusted EBITDA unfavorable (\$2.1M) vs AOP. Excluding the impact of the Opening Balance Sheet(OBS) entries, Gross Margin is unfavorable (\$4.1M) with a volume impact of (\$2.7M) and an other impact of (\$1.4M). <ul style="list-style-type: none"> OBS inventory revalued step-up expenses incurred unfavorable \$0.9M to material cost \$0.2M of other impact related to unfavorable Warranty expense \$0.1M July and \$0.1M December Excluding the impact of the OBS entries, Opex is Favorable \$2.5M vs AOP related to open positions, timing of strategic initiative spend and bonus/commission targets not achieved. <ul style="list-style-type: none"> Actual 1x adjustments were \$2.3M versus Budget of \$2.9M OBS transaction fee expenses incurred of \$3.4M 							
PY							
<ul style="list-style-type: none"> YTD Revenue unfavorable (\$1.7M) vs. PY driven primarily by 951 Government Sales offset by weakness in NA OEM's YTD Adjusted EBITDA is flat vs PY. Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$1.7M) with a volume impact of (\$0.8M) and an other impact of (\$0.9M). <ul style="list-style-type: none"> OBS inventory revalued step-up incurred \$869k to material cost Excluding the impact of the OBS entries, Opex is unfavorable (\$0.6M) related to 1x costs. <ul style="list-style-type: none"> Actual 1x adjustments were \$2.3M versus \$0 in PY OBS transaction fee expenses incurred of \$3.4M 							

Financial Matters | Cost of Goods Sold by Component

\$'000	MTD		Var		QTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
Material												
Material costs at standard	\$ 588	\$ 1,131	\$ (544)	(48.1%)	\$ 3,324	\$ 3,705	\$ (382)	(10.3%)	\$ 15,543	\$ 15,623	\$ (79)	(0.5%)
Materials FX loss / (gain)	1	—	1	N/A	1	—	1	N/A	0	(0)	1	(387.1%)
Purchase price variance	(49)	5	(54)	(1054.5%)	(248)	17	(265)	(1585.1%)	(553)	37	(590)	(1613.3%)
Freight in	150	23	128	560.9%	267	66	200	301.8%	717	475	241	50.8%
Cost revision	—	—	—	N/A	—	—	—	N/A	(232)	(232)	—	0.0%
Scrap costs	(8)	(23)	15	(64.0%)	(48)	(75)	26	(35.3%)	(48)	(254)	206	(81.0%)
Consumables	39	6	33	537.7%	61	20	41	203.5%	153	69	84	122.5%
Total Material COGS	\$ 720	\$ 1,142	\$ (422)	(36.9%)	\$ 3,355	\$ 3,734	\$ (378)	(10.1%)	\$ 15,580	\$ 15,717	\$ (137)	(0.9%)
Labor												
Direct labor	\$ 233	\$ 194	\$ 39	19.8%	\$ 738	\$ 697	\$ 40	5.8%	\$ 3,013	\$ 3,307	\$ (294)	(8.9%)
Direct labor - overtime	11	16	(5)	(32.8%)	47	44	3	7.7%	198	143	56	39.0%
Direct labor - benefits	69	101	(32)	(31.6%)	208	327	(119)	(36.5%)	962	1,314	(352)	(26.8%)
Indirect labor	149	153	(5)	(3.0%)	468	465	3	0.7%	1,896	1,861	35	1.9%
Indirect labor - benefits	64	47	17	35.7%	194	144	50	34.9%	677	589	87	14.8%
Total Labor COGS	\$ 525	\$ 511	\$ 14	2.7%	\$ 1,655	\$ 1,677	\$ (22)	(1.3%)	\$ 6,746	\$ 7,214	\$ (468)	(6.5%)
Other												
Repairs and maintenance	\$ 13	\$ 17	\$ (4)	(22.2%)	\$ 51	\$ 54	\$ (4)	(6.9%)	\$ 201	\$ 199	\$ 2	1.0%
Rent / facilities	198	167	31	18.6%	555	523	32	6.2%	2,200	2,140	59	2.8%
Utilities	21	23	(2)	(9.6%)	71	75	(3)	(4.4%)	281	293	(12)	(4.1%)
Other cost of sales	3	33	(30)	(91.5%)	(292)	134	(425)	(317.9%)	(154)	322	(476)	(147.8%)
Total Other COGS	\$ 234	\$ 239	\$ (5)	(2.2%)	\$ 385	\$ 785	\$ (400)	(51.0%)	\$ 2,528	\$ 2,955	\$ (427)	(14.4%)
Total COGS	\$ 1,480	\$ 1,893	\$ (413)	(36.4%)	\$ 5,395	\$ 6,195	\$ (801)	(62.4%)	\$ 24,854	\$ 25,886	\$ (1,032)	(21.8%)

Management Discussion

December

- Favorable PPV from 6128 PCB's, keypads and FAS Key Blanks
- Freight-in unfavorable from \$110k freight accrual for estimated duties not billed

YTD

- Excluding the impact of the OBS entries, material costs at standard decreased from volume (\$1.9M) and other \$44k
 - OBS inventory revalued step-up incurred of \$869k to material cost*
- Favorable PPV of (\$590k) driven primarily zinc and 6120 Satin Chrome Housings
- Unfavorable Scrap from 2740 covers, 6124 Case and key pad production errors

Financial Matters | Balance Sheet

\$'000	Dec-19		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 1,606	\$ 6,640	\$ (5,034)	(75.8%)
<i>Accounts receivable, gross</i>	4,956	6,424	(1,468)	(22.9%)
<i>Accounts receivable, reserves</i>	(220)	(116)	(104)	90.2%
Accounts receivable, net	4,736	6,309	(1,573)	(24.9%)
<i>Inventory, gross</i>	7,497	5,948	1,549	26.0%
<i>Inventory, reserves</i>	(474)	(416)	(57)	13.8%
Inventory, net	7,023	5,532	1,492	27.0%
Prepaid expenses and other current assets	(24)	141	(165)	(117.1%)
Other current assets	49,912	—	49,912	N/A
Total Current Assets	63,253	18,621	44,633	239.7%
Non-Current Assets				
Property, plant & equipment, gross	11,683	12,559	(876)	(7.0%)
Accumulated depreciation	(917)	(758)	(159)	21.0%
Property, plant & equipment, net	10,765	11,801	(1,035)	(8.8%)
Goodwill	42,050	43,223	(1,174)	(2.7%)
Identifiable intangible assets, gross	15,100	15,100	—	0.0%
Accumulated amortization	(690)	—	(690)	N/A
Identifiable intangible assets, net	14,410	15,100	(690)	(4.6%)
Deferred financing cost	2,759	1,646	1,113	67.6%
Other non-current assets	131	131	0	0.0%
Total Non-Current Assets	70,115	71,901	(1,786)	(2.5%)
Total Assets	\$ 133,369	\$ 90,522	\$ 42,847	47.3%
Current Liabilities				
Current portion of long-term debt	\$ 1,850	\$ 1,115	\$ 736	66.0%
Accounts payable	2,788	4,041	(1,253)	(31.0%)
Accrued liabilities	1,975	1,226	750	61.2%
Accrued compensation	125	347	(222)	(64.0%)
Income taxes payable	128	(792)	921	(116.2%)
Short-term unearned revenue	45	56	(11)	(20.1%)
Total Current Liabilities	6,912	5,993	919	15.3%
Long-term liabilities				
Long-term debt less current maturities	90,745	43,025	47,719	110.9%
Deferred income taxes	(831)	2,989	(3,820)	(127.8%)
Other non-current liabilities	—	87	(87)	(100.0%)
Total Long-Term Liabilities	89,914	46,102	43,812	95.0%
Total Liabilities	96,825	52,094	44,731	85.9%
Shareholders' Equity				
Common stock	40,228	40,228	—	0.0%
Retained earnings	(5,055)	(3,155)	(1,901)	60.2%
Accumulated other comprehensive income	1,370	1,354	16	1.2%
Other equity transactions	1	1	—	0.0%
Total Shareholders' Equity	36,543	38,428	(1,884)	(4.9%)
Total Liabilities and Shareholders' Equity	\$ 133,369	\$ 90,522	\$ 42,847	47.3%

Management Discussion

- Lower Accounts Receivable by (\$1.6M) compared to Budget due to lower than budgeted sales
 - Slow pay A/R > than 16 days
 - DFAS \$238k
 - Arya \$205k
 - Pingan \$124k
 - Abusarhad \$119k
 - Shanghai Bestandard \$113k
 - AGS \$92k
- Accounts Payable lower by (\$1.3M) compared to Budget due to lower volume and lower Capex spend
- Unfavorable inventory position \$1.5M
 - (\$500K) finished goods on dock due to delayed pickup – shipping terms controlled by customer. ASSA at 25%-35% discount in Oct. 2018 – greater than 6-months stock on-hand.
 - E&O reduced by \$75 in December. Efforts continue.
- Budgeted Balance sheet has been adjusted to reflect Opening Balance Sheet position.
- Balance Sheet does not accurately reflect the Delaney December 20th acquisition.

Financial Matters | Opex Summary MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Opex Overview:								
Payroll	\$ 242	\$ 307	\$ (66)	(21.4%)	\$ 289	\$ (48)	(16.5%)	
Overtime	–	1	(1)	(100.0%)	0	(0)	(100.0%)	
Benefits	(20)	24	(44)	(183.2%)	83	(103)	(124.2%)	
Bonus	(71)	42	(113)	(268.5%)	(45)	(26)	59.0%	
Severance	–	310	(310)	(100.0%)	–	–	N/A	
Commissions	10	60	(50)	(83.5%)	14	(4)	(27.7%)	
Marketing	5	19	(14)	(72.1%)	23	(17)	(76.1%)	
Travel and Entertainment	51	35	16	44.4%	34	17	48.8%	
Rent and Facilities	1	–	1	N/A	–	1	N/A	
Insurance	–	3	(3)	(100.0%)	3	(3)	(100.0%)	
Professional Fees	296	488	(191)	(39.3%)	125	171	136.7%	
Utl., Repair, Maint., & Sec.	5	4	1	34.0%	4	0	8.3%	
IT	83	80	2	2.8%	45	38	84.3%	
Bad Debts	5	0	5	1367056.2%	18	(13)	(69.8%)	
Supplies	1	10	(10)	(90.9%)	3	(2)	(69.6%)	
Other Expenses	75	53	23	42.8%	100	(25)	(25.1%)	
Total Opex	\$ 684	\$ 1,436	\$ (753)	(52.4%)	\$ 697	\$ (14)	(2.0%)	

Management Discussion

- December vs Budget – favorable \$0.8M related to 1X charges and Year-end adjustments
 - Actual 1x charges were \$0.2M versus Budget of \$0.6M
 - AOP included a \$0.3M restructuring charge, a 1x charge, not acted upon
 - AOP included \$0.2M fees for engineering, a 1x charge, timing
 - Bonus for sales and performance initiatives and commissions paid to customers are favorable to budget due to not achieving revenues and adj. EBITDA targets

Financial Matters | Opex Summary QTD

\$'000	QTD		Var		PY QTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Opex Overview:								
Payroll	\$ 844	\$ 921	\$ (77)	(8.4%)	\$ 900	\$ (56)	(6.2%)	
Overtime	–	2	(2)	(100.0%)	0	(0)	(100.0%)	
Benefits	93	53	40	76.7%	256	(163)	(63.6%)	
Bonus	(43)	131	(174)	(132.8%)	(8)	(35)	430.2%	
Severance	–	310	(310)	(100.0%)	–	–	N/A	
Commissions	54	194	(141)	(72.4%)	39	15	37.3%	
Marketing	73	73	0	0.3%	107	(34)	(31.7%)	
Travel and Entertainment	173	116	56	48.4%	99	74	75.1%	
Rent and Facilities	4	–	4	N/A	–	4	N/A	
Insurance	–	8	(8)	(100.0%)	9	(9)	(100.0%)	
Professional Fees	810	1,442	(632)	(43.8%)	467	343	73.3%	
Utl., Repair, Maint., & Sec.	11	11	(0)	(1.6%)	9	2	21.7%	
IT	453	239	214	89.8%	134	319	237.1%	
Bad Debts	33	0	33	2775632.5%	27	6	24.1%	
Supplies	3	32	(30)	(91.8%)	16	(13)	(83.6%)	
Other Expenses	113	164	(51)	(31.0%)	342	(229)	(66.9%)	
Total Opex	\$ 2,621	\$ 3,697	\$ (1,076)	(29.1%)	\$ 2,397	\$ 224	9.3%	

Management Discussion

- December vs Budget – favorable \$1.1M related to timing of vacant salary positions not filled, delayed strategic initiative spend and bonus/commission targets not achieved
 - Actual 1x adjustments were \$0.9M versus AOP of \$1.2M

Financial Matters | Opex Summary YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Opex Overview:								
Payroll	\$ 3,481	\$ 3,591	\$ (110)	(3.1%)	\$ 3,716	\$ (235)	(6.3%)	
Overtime	0	9	(9)	(96.3%)	5	(5)	(93.1%)	
Benefits	744	588	156	26.6%	967	(223)	(23.1%)	
Bonus	104	445	(341)	(76.7%)	193	(89)	(46.2%)	
Severance	–	310	(310)	(100.0%)	–	–	N/A	
Commissions	281	761	(480)	(63.0%)	222	60	26.8%	
Marketing	395	311	84	27.2%	546	(151)	(27.6%)	
Travel and Entertainment	521	495	26	5.2%	434	87	20.0%	
Rent and Facilities	17	–	17	N/A	–	17	N/A	
Insurance	1	33	(32)	(96.7%)	36	(35)	(97.0%)	
Professional Fees	6,347	4,421	1,927	43.6%	1,996	4,352	218.1%	
Utl., Repair, Maint., & Sec.	25	52	(27)	(52.0%)	73	(48)	(66.1%)	
IT	1,264	1,003	261	26.1%	538	727	135.2%	
Bad Debts	101	0	101	6303599.6%	55	46	84.3%	
Supplies	39	128	(89)	(69.7%)	67	(28)	(42.1%)	
Other Expenses	469	702	(232)	(33.1%)	897	(427)	(47.6%)	
Total Opex	\$ 13,790	\$ 12,847	\$ 943	7.3%	\$ 9,744	\$ 4,046	41.5%	

Management Discussion

- Excluding the impact of the OBS entries, December vs Budget – favorable \$2.5M related to timing of vacant salary positions not filled, delayed strategic initiative spend and bonus/commission targets not achieved
 - Actual 1x adjustments were \$2.3M versus Budget of \$2.9M
 - OBS transaction fee expenses incurred of \$3.4M

Financial Matters | YTD Opex Analysis

\$'000

	YTD			Explanation of Variance						Variance Impact		
	Act		Bud	Variance B / (W)	One-Time / Non-recurring		Timing	Change in Run-rate		Total Variance B / (W)	YoY Impact B / (W)	Annualized Impact B / (W)
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Payroll	\$ 3,481	\$ 3,591	\$ (110)	\$ (110)	-	\$ (110)	\$ 0	\$ 0	\$ (110)	\$ 0	\$ 0	\$ 0
Overtime	0	9	(9)		-	-	(9)	-	(9)		(9)	(9)
Benefits	744	588	156		-	-	156	-	156		156	156
Bonus	104	445	(341)		-	-	(341)	-	(341)		(341)	(341)
Commissions	395	761	(366)		-	-	(366)	-	(366)		(366)	(366)
Marketing	281	311	(29)		-	-	(29)	-	(29)		(29)	(29)
Travel and Entertainment	521	495	26		-	-	26	-	26		26	26
Rent and Facilities	17	-	17		-	-	17	-	17		17	17
Insurance	1	33	(32)		-	-	(32)	-	(32)		(32)	(32)
Professional Fees	6,347	4,421	1,927	4,675	-	(2,748)	-	1,927	(2,748)	(2,748)	(2,748)	
Util., Repair, Maint., & Sec.	25	52	(27)		-	-	(27)	-	(27)		(27)	(27)
IT	1,264	1,003	261	1,055	(570)	(224)	-	261	(224)	(224)	(224)	
Bad Debts	101	0	101		-	-	101	-	101		101	101
Supplies	39	128	(89)		-	-	(89)	-	(89)		(89)	(89)
Other Expenses	469	702	(232)		-	-	(232)	-	(232)		(232)	(232)
Total Opex	\$ 13,790	\$ 12,847	\$ 943	\$ 5,730	\$ (680)	\$ (4,107)	\$ -	\$ 943	\$ (4,107)	\$ (4,107)	\$ (4,107)	\$ (4,107)

Management Discussion

- Bonus for sales and performance initiatives and commissions paid to customers are better than budget due to lower revenues than budget
- Professional fees included non recurring expense of \$3.4M in OBS transaction fee expense, as well as, other 1x costs (recruiting fees, consultants). Change in run rate related to the timing of innovation spend and open sales positions.
- IT contains 1x costs \$537k in TSA fees and \$518k in other carve-out costs. The decline in run rate is related to timing of technology carve-out costs.
- Rent and Insurance variances are a mapping issues. Rent mapped to COGS in budget. Insurance actual expense mapped to COGS.

Financial Matters | Standalone Costs

\$'000	Description	MTD		Variance		QTD		Variance		YTD		Variance	
		Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
IT		9	42	(33)	-78.6%	31	123	(91)	-74.5%	97	108	(11)	-10.2%
Manager	Salary and Benefits	9	9	-	0.0%	27	27	-	0.0%	54	28	27	96.7%
Analyst	Salary and Benefits	-	6	(6)	-100.0%	-	19	(19)	-100.0%	-	12	(12)	-100.0%
Direct Technology Charges	Office 365, Ave Point, WebRoot, Duo MFA, voice services, Creo, Windchill	7	(7)	-100.0%	-	20	(20)	-100.0%	35	24	11	47.2%	
Business Services	Offset to TSA	-	11	(11)	-100.0%	-	30	(30)	-100.0%	-	22	(22)	-100.0%
Sales Force	Licensing	-	2	(2)	-100.0%	-	6	(6)	-100.0%	-	4	(4)	-100.0%
Accounting / HR systems	Concur Set-up and monthly fee	-	2	(2)	-100.0%	4	6	(2)	-30.7%	7	8	(1)	-9.2%
ERP transition licensing fees	Licensing	5	(5)	-100.0%	-	15	(15)	-100.0%	-	10	(10)	-100.0%	
Data Communications	Licensing	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%	
Legal		-	19	(19)	-100.0%	6	57	(51)	-90.2%	19	57	(38)	-67.2%
Headcount costs (1 FTE)	Salary and Benefits	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%	
External legal fees and other expenses	Legal Fees	-	13	(13)	-100.0%	6	38	(32)	-85.4%	19	38	(19)	-51.2%
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	19	(19)	-100.0%	-	19	(19)	-100.0%
Finance		30	30	(0)	-0.7%	89	89	(0)	-0.2%	192	88	104	118.5%
CFO	Salary and Benefits	21	21	-	0.0%	63	63	-	0.0%	130	61	69	112.9%
Base compensation (2 FTEs)	Salary and Benefits	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%	
Audit Fees	2019 Audit Fees	9	9	(0)	-2.4%	26	27	(0)	-0.8%	62	27	35	131.5%
Sales		22	22	0	1.8%	67	67	0	0.6%	125	46	79	170.7%
VP of Sales	Salary and Benefits	22	22	0	1.8%	67	67	0	0.6%	125	46	79	170.7%
Customer Relationship Manager	Salary and Benefits	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%	
HR		2	7	(5)	-76.4%	5	22	(17)	-77.6%	11	70	(59)	-83.9%
Specialist	Salary and Benefits	-	6	(6)	0.0%	-	18	(18)	-100.0%	-	19	(19)	-100.0%
Business Travel and Accident	Business Travel and Accident	0	-	0	#DIV/0!	1	1	0	50.0%	2	324	(322)	-99.5%
Global Emergency Travel Services	Global Emergency Travel Services	1	1	0	37.6%	4	4	0	10.0%	10	40	(31)	-76.2%
Trade Compliance		1	1	0	25.7%	4	4	0	7.3%	9	29	(20)	-69.1%
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	-	0	#DIV/0!	0	0	0	50.0%	1	206	(205)	-99.5%
Trade Flow software license	Trade Flow software license	1	1	0	10.0%	3	3	0	3.1%	8	27	(20)	-71.9%
Bonuses	Incremental management bonuses	15	15	0	3.3%	46	46	0	1.1%	88	50	38	75.5%
Risk	Incremental cost of business insurances	16	16	0	1.8%	49	49	0	0.6%	114	56	58	103.6%
Freight	Adjust freight to actual charges versus allocation	42	42	(0)	-1.0%	125	125	(0)	-0.3%	274	145	129	88.8%
401(k) compensation	Estimated incremental 401(k) expense	10	10	(0)	-1.9%	29	30	(0)	-0.6%	69	30	39	131.8%
Total Standalone Costs		147	204	(57)	-27.8%	451	610	(159)	-26.0%	997	1,514	(517)	-34.1%

Financial Matters | 1X Costs

\$'000	Description	MTD		Variance		QTD		Variance		YTD		Variance	
		Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
IT		(27)	54	(9)	-17.1%	48	163	(34)	-31.0%	163	449	(205)	-51.9%
IT Specialist	Gray Drohan consulting fees	(39)	20	(8)	-41.1%	(20)	60	(21)	-53.1%	65	169	(45)	-30.4%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	12	34	(1)	0.0%	68	103	(12)	0.0%	98	280	(159)	0.0%
Legal/Professional Fees		73	41	94	206.2%	251	137	82	85.5%	958	921	4	0.5%
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	10	—	—	—	10	—	—	—	66	55	1	1.0%
HR Specialist	consulting fees	9	18	(11)	-58.3%	28	54	(17)	-47.9%	312	363	(43)	-12.4%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	—	—	15	—	20	—	20	—	287	259	28	10.9%
OGX	Consulting Fees	54	23	94	408.7%	194	69	94	204.3%	285	161	93	67.2%
Other	Navex	—	—	(5)	-100.0%	—	15	(15)	-100.0%	10	87	(77)	-88.8%
Relocation	Relocation Expenses (LeMire/Tonkel)	48	—	—	—	48	—	—	—	48	—	—	—
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc),Ecommerce	50	58	(82)	-75.8%	90	196	(98)	-70.9%	125	259	(126)	-62.6%
Payroll Implementation	Internaltion GEO, Domestic PEO set up fees	—	—	—	—	—	—	—	—	7	27	(20)	-73.1%
Market Parity	Products to catch up to competitors' offerings	—	83	(56)	0.0%	—	194	(111)	0.0%	—	351	(268)	0.0%
SA Closure	SA Severance Costs	—	310	—	—	—	310	—	—	—	310	—	—
TSA		80	70	259	372.4%	488	212	266	186.7%	986	535	440	94.4%
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	45	38	260	678.8%	388	118	263	331.1%	750	314	429	155.5%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	34	31	(1)	-1.8%	99	94	2	3.7%	236	221	12	6.2%
Sub Total		224	615	207	62.4%	925	1,209	107	18.0%	2,287	2,847	(169)	-7.6%
OBS-Inventory		—	—	—	—	—	—	—	—	869	—	869	—
OBS-Transaction Costs		—	—	—	—	—	—	—	—	3,441	—	3,441	—
Grand Total		224	615	(390)	62.4%	925	1,209	(284)	18.0%	6,597	2,847	3,750	131.7%

Financial Matters | Cash Flow Statement

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Cash flow from operations								
Net Income (Loss)	\$ (5,988)	\$ 60	\$ (6,048)	(10096.3%)	\$ 8,802	\$ (14,789)	(168.0%)	
Depreciation, amortization and other	4,441	1,758	2,682	152.6%	1,238	3,202	258.6%	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	2,312	1,107	1,205	108.8%	(646)	2,958	(458.0%)	
Inventory	765	1,611	(846)	(52.5%)	(720)	1,485	(206.2%)	
Prepaid expenses and other current assets	105	(81)	187	(229.6%)	24	81	337.0%	
Accounts payable	(178)	350	(527)	(150.7%)	(496)	318	(64.2%)	
Accrued expenses	1,374	472	902	191.2%	103	1,272	1238.3%	
Accrued income taxes	128	(1,291)	1,419	(109.9%)	(1,326)	1,454	(109.7%)	
Other changes in operating assets and liabilities	(62,804)	236	(63,040)	(26725.4%)	(329)	(62,475)	18992.1%	
Other cash flow from operations	—	—	—	N/A	—	—	N/A	
Total Cash Flow from Operations	\$ (59,844)	\$ 4,222	\$ (64,066)	(1517.5%)	\$ 6,650	\$ (66,494)	(999.9%)	
Cash flow from investing								
Additions to property, plant and equipment	\$ (139)	\$ (990)	\$ 851	(86.0%)	\$ (1,360)	\$ 1,221	(89.8%)	
Total Cash Flow from Investing	\$ (139)	\$ (990)	\$ 851	(86.0%)	\$ (1,360)	\$ 1,221	(89.8%)	
Cash flow from financing								
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ (800)	\$ —	0.0%	\$ —	\$ (800)	N/A	
Proceeds from the issuance of debt	—	—	—	N/A	—	—	N/A	
Repayment of debt	48,009	(446)	48,455	(10867.7%)	—	48,009	N/A	
Other cash flow from financing costs	11,974	225	11,749	5216.7%	(5,717)	17,691	(309.4%)	
Total Cash Flow from Financing	\$ 59,182	\$ (1,021)	\$ 60,203	(5898.5%)	\$ (5,717)	\$ 64,899	(1135.2%)	
	\$ —	\$ —	\$ —	N/A	\$ —	\$ —	N/A	
Net change in cash	\$ (801)	\$ 2,211	\$ (3,012)	(136.2%)	\$ (427)	\$ (374)	87.5%	
Beginning cash	2,406	4,429	(2,023)	(45.7%)	11,601	(9,195)	(79.3%)	
Change in cash	(801)	2,211	(3,012)	(136.2%)	(427)	(374)	87.5%	
Ending cash	\$ 1,606	\$ 6,640	\$ (5,034)	(75.8%)	\$ 11,174	\$ (9,568)	(85.6%)	

YTD Cash Flow calculated from May 30th 2019.

Financial Matters | 13-Week Cash Flow Projection

In US\$	Forecast 1/20	Forecast 1/27	Forecast 2/3	Forecast 2/10	Forecast 2/17	Forecast 2/24	Forecast 3/2	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20
Cash Inflows - Operational														
Collections from customers (Actual)														
Collections from customers based on projected aging (Forecast)	957	635	519	988	578	612	553	269	246	81	30	87	32	30
Collections from new forecasted sales	-	-	-	-	-	263	280	430	335	685	660	710	615	813
Total AR Collections	957	635	519	988	578	875	833	699	581	766	690	797	647	843
Other non-AR inflows														
Total Cash Inflows - Operational	957	635	519	988	578	875	833	699	581	766	690	797	647	843
Cash Outflows - Operational														
Product inventory (SAP AP)	(275)	(483)	(402)	(513)	(248)	(326)	(366)	(276)	(269)	(256)	(340)	(354)	(378)	(451)
Payroll	(300)	(70)	(388)	(70)	(300)	(70)	(388)	(70)	(300)	(70)	(245)	(213)	(245)	(70)
Commissions														
Bonus														
Facilities & other (Freight)	(120)	(20)	(20)	(65)	(70)	(20)	(20)	(65)	(70)	(20)	(20)	(20)	(65)	(70)
Professional services	(62)	(85)	-	-	-	(62)	(210)	-	(62)	-	-	-	-	-
Marketing		(18)												(75)
Recruiter fees				(25)					(25)					(25)
Other expenses (Insurance, TSA, CC)	-	(160)	-	(72)	-	(160)	-	(72)	-	-	(160)	-	-	-
Total Cash Outflows - Operational	(757)	(836)	(810)	(745)	(618)	(638)	(984)	(483)	(726)	(396)	(765)	(587)	(713)	(666)
Cashflows - Financial and Other														
Revolving Loan Draw (Paydown)														
Term Loan paydowns														(463)
Interest and financial amortization														(1,715)
Other financial income/expense (e.g. fx, hedging)														
Non-financial income/expense														
Estimated Tax Payments														
Monitoring fees (including travel expenses)														(500)
Non-recurring items														
Total Cash Outflows - Financial and Other	-	(2,178)	(500)	-	-									
TOTAL CASH FLOW	200	(201)	(292)	243	(40)	237	(152)	216	(145)	369	(2,253)	(290)	(66)	177
Cash Rollforward														
Beginning cash balance	459	659	458	167	410	370	606	455	670	525	895	(1,359)	(1,649)	(1,715)
Cash activity	200	(201)	(292)	243	(40)	237	(152)	216	(145)	369	(2,253)	(290)	(66)	177
ENDING CASH BALANCE	659	458	167	410	370	606	455	670	525	895	(1,359)	(1,649)	(1,715)	(1,538)
Debt Summary														
Rolled debt	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Credit facility	92,508	92,508	92,508	92,508	92,508	92,508	92,508	92,508	92,508	92,508	92,045	92,045	92,045	92,045
TOTAL DEBT	93,758	93,295	93,295	93,295	93,295									
TOTAL NET DEBT	93,099	93,300	93,591	93,348	93,388	93,152	93,303	93,088	93,233	92,863	94,654	94,944	95,010	94,833
AVAILABILITY	8,750	8,750	8,750	8,750										

Financial Matters | Covenant Analysis -Consolidated

Fixed Charge Coverage Ratio

	Dec 2019
Fixed Charges:	
Interest paid (net of interest received)	6,190
Plus:	
Principal payments with respect to all debt	1,850
Fixed Charges	8,040
EBITDA for defined Period	21,457
Less:	
Unfinanced Capital Expenditures	1,120
Fees and expenses paid/incurred under the Management Agreement	2,000
Any federal, state, local or other income and franchise taxes paid or payable in cash net of any cash tax credits or other cash tax benefits	199
Operating Cash Flow	18,139
Fixed Charge Coverage Ratio	2.26
Minimum Ratio	1.10
In Compliance	YES
TTM Minimum Operating Cash Flow	8,845
TTM Operating Cash Flow Cushion	9,294

Amounts for January 2019 through October 2019 defined per credit agreement

Financial Matters | Covenant Analysis - Consolidated

Total Debt to EBITDA

000's	Dec 2019
Total Debt:	
Revolver Balance	-
Plus: Term Loan Balance	92,508
Plus: Other Debt	-
Less: Qualified Cash	2,585
Total Debt	89,923
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	21,457
TTM Adjusted EBITDA	21,457
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.19
Maximum Permitted Total Debt to EBITDA Ratio for the Defined Period	5.75
In Compliance	YES
Minimum TTM EBITDA required	15,639
TTM EBITDA Cushion	5,819

Amounts for January 2019 through October 2019 defined per credit agreement

Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ Special Topics and Executive Session
- ④ Appendix

Special Topics and Executive Session

Nothing to Report at this Time

Q3 2019 Audit Committee Meeting Agenda

- ④ Summary
- ④ Controllership Matters
- ④ Financial Matters
- ④ Special Topics and Executive Session
- ④ Appendix

Appendix | Standalone Costs

\$'000	Description	Pre-close Proforma Standalone Costs					Post-Close Standalone Revised Costs							2019
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	
IT		81	81	81	81	81	24	39	207	39	39	42	42	837
Manager	Salary and Benefits	12	12	12	12	12	9	9	9	9	9	9	9	124
Analyst	Salary and Benefits	25	25	25	25	25	-	6	6	6	6	6	6	160
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windo	14	14	14	14	14	10	16	177	7	7	7	7	297
Business Services	Offset to TSA	10	10	10	10	10	-	0	8	8	8	11	11	98
Sales Force	Licensing	-	-	-	-	-	-	-	-	2	2	2	2	8
Accounting / HR systems	Concur Set-up and monthly fee	17	17	17	17	17	4	2	2	2	2	2	2	99
ERP transition licensing fees	Licensing	-	-	-	-	-	-	5	5	5	5	5	5	30
Data Communications	Licensing	4	4	4	4	4	-	-	-	-	-	-	-	21
Legal		34	34	34	34	34	19	19	19	19	19	19	19	303
Headcount costs (1 FTE)	Salary and Benefits	16	16	16	16	16	-	-	-	-	-	-	-	78
External legal fees and other expenses	Legal Fees	13	13	13	13	13	13	13	13	13	13	13	13	150
Patent fees	Patent Fees	6	6	6	6	6	6	6	6	6	6	6	6	75
Finance		29	29	29	29	29	28	30	30	30	30	30	30	352
CFO	Salary and Benefits	19	19	19	19	19	19	21	21	21	21	21	21	238
Base compensation (2 FTEs)	Salary and Benefits	10	10	10	10	10	-	-	-	-	-	-	-	52
Audit Fees	2019 Audit Fees	-	-	-	-	-	9	9	9	9	9	9	9	62
Sales		-	-	-	-	-	2	11	22	22	22	22	22	125
VP of Sales	Salary and Benefits	-	-	-	-	-	2	11	22	22	22	22	22	125
HR		6	6	6	6	6	2	2	2	2	8	8	8	59
Specialist	Salary and Benefits	6	6	6	6	6	0	0	0	0	6	6	6	47
Business Travel and Accident	Business Travel and Accident	-	-	-	-	-	0	0	0	0	0	0	0	2
Global Emergency Travel Services	Global Emergency Travel Services	-	-	-	-	-	1	1	1	1	1	1	1	10
Trade Compliance		8	8	8	8	8	1	1	1	1	1	1	1	50
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	6	6	6	6	6	0	0	0	0	0	0	0	32
Trade Flow software license	Trade Flow software license	2	2	2	2	2	1	1	1	1	1	1	1	18
Bonuses	Incremental management bonuses	-	-	-	-	-	15	15	15	15	15	15	15	108
Risk	Incremental cost of business insurances	24	24	24	24	24	16	16	16	16	16	16	16	232
Freight	Adjust freight to actual charges versus allocation	77	77	77	77	77	42	42	42	42	42	42	42	676
401(k) compensation	Estimated incremental 401(k) expense	3	3	3	3	3	10	10	10	10	10	10	10	83
Total Standalone Costs		262	262	262	262	262	159	185	364	196	202	205	205	2,826

Appendix | 1X Costs

\$'000	Description	Revised AOP							2019 AOP
		19-Jun AOP	19-Jul AOP	19-Aug AOP	19-Sep AOP	19-Oct AOP	19-Nov AOP	19-Dec AOP	
IT		49	28	175	85	70	70	70	547
IT Specialist	Gray Drohan consulting fees	49	20	20	20	20	20	20	169
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	—	8	155	65	50	50	50	378
Legal/Professional Fees		433	247	66	41	51	46	41	925
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	55	—	—	—	—	—	—	55
HR Specialist	Joel Tokarz consulting fees	213	60	18	18	18	18	18	363
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	95	164	—	—	—	—	—	259
OGX	Consulting Fees	23	23	23	23	23	23	23	161
Other	Navex, Affirmative Action Policy, Morgan Lewis DSS invoice	47	—	25	—	10	5	—	87
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	7	19	17	20	30	108	58	259
Payroll Implementation	International GEO, Domestic PEO set up fees, visa transfer fees	11	—	16	—	—	—	—	27
Market Parity	Products to catch up to competitors' offerings	—	—	74	82	56	56	83	351
SA Closure	Severance	—	—	—	—	—	—	—	310
TSA		87	87	78	73	73	70	70	535
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	54	54	46	41	41	38	38	314
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	32	32	31	31	31	31	31	221
Total 1X Costs		587	380	427	301	279	349	632	2,955

Appendix | Monthly Cost of Goods Sold by Component

\$'000													FY Act	FY Bud	Var		PY Act	Var	
	Jan-19 Act	Feb-19 Act	Mar-19 Act	Apr-19 Act	May-19 Act	Jun-19 Act	Jul-19 Act	Aug-19 Act	Sep-19 Act	Oct-19 Act	Nov-19 Act	Dec-19 Act			\$	%		\$	%
Material																			
Material costs at standard	\$ 1,075	\$ 1,395	\$ 1,318	\$ 1,462	\$ 1,122	\$ 1,508	\$ 1,535	\$ 1,701	\$ 1,102	\$ 1,357	\$ 1,379	\$ 588	\$ 15,543	\$ 15,623	\$ (79)	(0.5%)	\$ 14,987	\$ 556	3.7%
Materials FX loss / (gain)	-	(0)	0	-	-	-	-	(0)	0	-	0	1	0	(0)	1	(387.1%)	(2)	3	(117.5%)
Purchase price variance	14	(32)	(48)	14	(44)	(45)	(65)	(36)	(64)	(127)	(72)	(49)	(553)	37	(590)	(1613.3%)	68	(621)	(918.0%)
Freight in	57	82	58	38	84	30	41	25	35	61	56	150	717	475	241	50.8%	681	36	5.3%
Cost revision	(50)	(30)	(50)	(50)	(50)	-	-	-	-	-	-	-	(232)	(232)	-	0.0%	-	(232)	N/A
Scrap costs	5	(11)	(54)	11	47	(11)	10	5	(2)	(33)	(7)	(8)	(48)	(254)	206	(81.0%)	(200)	152	(75.9%)
Consumables	(18)	20	49	12	11	2	(5)	26	(5)	1	20	39	153	69	84	122.5%	92	61	66.2%
Total Material COGS	\$ 1,083	\$ 1,424	\$ 1,272	\$ 1,488	\$ 1,169	\$ 1,485	\$ 1,516	\$ 1,722	\$ 1,067	\$ 1,259	\$ 1,376	\$ 720	\$ 15,580	\$ 15,717	\$ (137)	(0.9%)	\$ 15,626	\$ (46)	(0.3%)
Labor																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 290	\$ 246	\$ 235	\$ 296	\$ 209	\$ 233	\$ 3,013	\$ 3,307	\$ (294)	(8.9%)	\$ 2,736	\$ 277	10.1%
Direct labor - overtime	15	19	17	16	8	14	19	16	27	25	11	11	198	143	56	39.0%	194	5	2.5%
Direct labor - benefits	102	83	81	98	81	80	92	72	66	72	67	69	962	1,314	(352)	(26.8%)	971	(10)	(1.0%)
Indirect labor	168	161	158	167	164	149	182	135	145	154	165	149	1,896	1,861	35	1.9%	1,971	(75)	(3.8%)
Indirect labor - benefits	60	48	48	57	47	29	73	64	57	68	62	64	677	589	87	14.8%	600	76	12.7%
Total Labor COGS	\$ 621	\$ 550	\$ 539	\$ 632	\$ 543	\$ 489	\$ 656	\$ 533	\$ 528	\$ 615	\$ 515	\$ 525	\$ 6,746	\$ 7,214	\$ (468)	(6.5%)	\$ 6,473	\$ 273	4.2%
Other																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 12	\$ 14	\$ 20	\$ 17	\$ 13	\$ 201	\$ 199	\$ 2	1.0%	\$ 220	\$ (18)	(8.4%)
Rent / facilities	206	215	193	167	157	178	199	175	155	191	166	198	2,200	2,140	59	2.8%	979	1,220	124.6%
Utilities	22	25	21	22	21	21	24	25	28	26	24	21	281	293	(12)	(4.1%)	300	(19)	(6.2%)
Other cost of sales	(50)	46	5	(29)	(21)	98	65	23	0	(125)	(169)	3	(154)	322	(476)	(147.8%)	469	(623)	(132.8%)
Total Other COGS	\$ 190	\$ 292	\$ 255	\$ 184	\$ 168	\$ 311	\$ 310	\$ 236	\$ 198	\$ 112	\$ 38	\$ 234	\$ 2,528	\$ 2,955	\$ (427)	(14.4%)	\$ 1,968	\$ 560	28.4%
Total COGS	\$ 1,894	\$ 2,266	\$ 2,066	\$ 2,303	\$ 1,881	\$ 2,284	\$ 2,482	\$ 2,490	\$ 1,793	\$ 1,986	\$ 1,929	\$ 1,480	\$ 24,854	\$ 25,886	\$ (1,032)	(21.8%)	\$ 24,067	\$ 787	32.4%

Appendix | Headcount by Month

Month	Indirect Labor -			Delivery &			Research & Development	Sales & Marketing	Administrative	Other	Total Permanent	Agency FTE & Temps	Total Headcount	Difference to Bud	
	Direct Labor	Hourly	Salary	Dist.										Bud Headcount	Bud
2019 January (A)	67	–	18	7	10	17	7	–	126	6	132	143	(11)		
2019 February (A)	65	–	19	7	10	17	7	–	125	6	131	143	(12)		
2019 March (A)	65	–	19	7	10	16	7	–	124	5	129	143	(14)		
2019 April (A)	65	–	19	7	10	16	7	–	124	9	133	143	(10)		
2019 May (A)	64	–	19	7	10	16	7	–	123	8	131	143	(12)		
2019 June (A)	63	–	19	7	10	17	8	–	124	8	132	145	(13)		
2019 July (A)	62	–	19	7	10	19	10	–	127	9	136	147	(11)		
2019 August (A)	63	–	19	7	10	20	10	–	129	12	141	147	(6)		
2019 September (A)	61	–	19	7	10	20	10	–	127	12	139	147	(8)		
2019 October (A)	60	–	18	7	10	19	11	–	125	10	135	148	(13)		
2019 November (A)	59	–	18	7	10	19	11	–	124	10	134	148	(14)		
2019 December (A)	61	–	18	7	10	19	11	–	126	8	134	148	(14)		
Final Headcount	61	–	18	7	10	19	11	–	126	8	134	148	(14)		