



Monthly Operating Review – February 2020

March 17, 2020

Monthly Operating Review Agenda

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

Hits

- Solstice Conferencing, Solstice Cloud Management and Solstice Active Learning were launched at ISE with Conferencing and Active Learning both winning 'best of show'.
- Solstice Cloud Management, Solstice Active Learning and Solstice version 4.5 will released on March 15 – one week late.
- We broke booth attendance and lead generation records at ISE despite attendance being down 40% - likely due to new product announcements
- Organization/Key Hires
 - 5 new hires started in February
 - 2020 MBO Bonus program rolled out, with design changes to better drive performance impact that is aligned with company goals
- Customer Adoption
 - Existing customers – WeWork (\$212k), Comcast (\$176k), George Mason (\$165k), Bausch & Lomb (\$90k).
 - New/Land orders – PT Global Digital Niaga (\$39k), FreshFields (\$35k), Concho Resources(\$25k), Oak Grove Racing and Gaming (\$13k)

Executive Summary (Continued)

Misses

- February invoiced sales were \$3.3m compared to target of \$4.5m. Bookings were \$3.0m compared to a \$4.5m target. There was backlog of \$175k at month end.
- February subscription sales at \$874k compared to plan of \$966k.
- February GAAP Revenue is \$3.1m which is below plan of \$4.1m.
- Invoiced EBITDA for February was \$(363k) compared to budget of \$(102k).
- Adj. EBITDA for February was \$(626k) compared to budget of \$(586k).
- Q1 seasonal downturn impact on sales stronger than expected
- WeWork monthly sales lowest in 2 years
- 5 employee departures in February, including 3 company-initiated terminations (same as in January)
- COVID-19 impacted employees; Italy office closed (employees are working from home), and business travel is restricted in Asia, Europe and the Middle East

Key Go-Forward Actions

- Professional Development – we have selected LinkedIn Learning for management and leadership training for our Senior Management team and will roll out in late February
- Continuing work on NetSuite and Sales Force integration led by Meghan Callaghan
- Supply chain – RMA credit/cash from Smart/Inforce confirmed, pricing concessions confirmed to start with June orders, nearing contract finalization
- We put a hiring freeze in place on 3/4 until further notice
- Planning in process for business impact from COVID-19; cost reductions and 'adapted' business practices

Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> ▪ New Product Launches 	<ul style="list-style-type: none"> ▪ Sales Shortfall ▪ Competitive Positioning ▪ Market Adoption ▪ Installed Base Growth 	<ul style="list-style-type: none"> ▪ Version 4.5, Solstice Active Learning and Solstice Cloud Management set to release on 3/15 ▪ Solstice Conference set to release on or about 4/15 ▪ Focus on significant amount of marketing awareness campaigns leading up to release ▪ Intensive sales demo activity leading up to release
<ul style="list-style-type: none"> ▪ Customer Operations 	<ul style="list-style-type: none"> ▪ Cost savings ▪ Customer Satisfaction ▪ Deployment Friction 	<ul style="list-style-type: none"> ▪ Continued focus on customer onboarding ▪ Improved RMA process ▪ Better inventory controls ▪ Operations as strategic differentiator
<ul style="list-style-type: none"> ▪ AV industry 	<ul style="list-style-type: none"> ▪ Our competitors are all in the process of launching a video conference integration capability – we won best of show for Solstice Conferencing at ISE ▪ AVI SPL and Whitlock announced a merger, Midwich bought Starin, BiAmp bought HRT, Yorktel buying VCA 	<ul style="list-style-type: none"> ▪ Ensure timely release of Solstice Video Conference Integration – on schedule for Active Learning and Solstice Management ▪ Continue to focus on channel mindshare ▪ Rehired and appointed Amelia Vrabel VP Channels
<ul style="list-style-type: none"> ▪ Improve margin/EBITDA while continuing to invest and grow 	<ul style="list-style-type: none"> ▪ Failure to hit financial targets 	<ul style="list-style-type: none"> ▪ Launch professional development training - launched ▪ Improve onboarding of new staff ▪ Renegotiate Solstice BOM cost - done ▪ RMA and inventory process improvements – done
<ul style="list-style-type: none"> ▪ HR/Staffing/Comp 	<ul style="list-style-type: none"> ▪ Productivity ▪ OPEX ▪ Morale 	<ul style="list-style-type: none"> ▪ Interview training ▪ Culture brand development ▪ Professional Development - launched ▪ Staff training
<ul style="list-style-type: none"> ▪ Sales Team Productivity 	<ul style="list-style-type: none"> ▪ Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing 	<ul style="list-style-type: none"> ▪ Move faster to hire empty territories ▪ Improve onboarding ▪ Double down in hi-po territories ▪ Continued focus on sales enablement
<ul style="list-style-type: none"> ▪ Solstice Subscription Services 	<ul style="list-style-type: none"> ▪ Impact on enterprise value ▪ Customer/technology scale 	<ul style="list-style-type: none"> ▪ Expand customer success inside sales team ▪ 3 Q1 product launches that are Solstice Subscription priced

Approach – Continue to assess our operating results and business environment through end of March while evaluating various cash conservation plans based on this assessment as measured by total invoiced sales and monthly cash receipts. Implement appropriate scenario(s) as soon as early April. We have created cost reduction alternatives to right size the business based on daily cash receipts and daily invoiced sales to achieve minimal monthly cash burn in near term.

Scenario A – Invoiced sales of \$3.5M and/or monthly cash receipts of \$3M

Compensation Reductions

- Implement a RIF of 10 FTEs
- Suspend 401K matching
- Implement 10% salary reduction for executive team
- Implement 5% compensation reduction for employees making over \$100K or suspend semi-annual bonus program

Operating Expenses & Inventory Purchases Reductions

- Implement cost cutting across all departments
- Reduce committed inventory purchases by \$500K per month from \$1M - initially

Scenario B – Invoiced sales decreases to \$3M and/or monthly cash receipts decreases to \$2.5M

- In addition to scenario A reductions

Compensation Reductions

- Implement a RIF of additional 20 FTEs, including anticipated employee attrition
- Reduce outsourced contractor development costs to GorillaLogic by 25%

Operating Expenses & Inventory purchases

- Reduce committed inventory purchases by another \$250K per month through end of 2020
- Implement further departmental cost cutting

Scenario C – Invoiced sales decreases to \$2.5M and/or monthly cash receipts decreases to \$2M

- In addition to scenarios A and B reductions
- Further reduce outsourced contract development costs to GorillaLogic by 75%
- Suspend all but \$100K of inventory purchases per month with Smart

Cash Analysis & Planning Scenarios

Key Assumptions

Cash

- Current cash balance - \$6.5M
- Estimated cash balance at 3/31 - \$6M

Receivables

- AR balance \$5.4M with \$2.5M over 60 days from invoice date
- Assume increase in agings with slow down of payments; relaxed credit hold policy
- Our average monthly cash receipts for Jan & Feb - \$4.4M; average daily collections - \$200K
- Assume decrease to \$3M/mo initially and potentially \$2M/mo

Payables

- Current payables - \$1.4M
- Push to N60+
- Implementing P.O. process for amounts >\$5K

Inventory/Supply chain (Smart/Inforce)

- Current inventory levels are 24,000 pods (6-8 months)
- 30,000 units committed thru June; 11,500 received; 20,100 in backlog; will ship 5,100 yet in March; 1,800 in April. Remaining 11,600 in May/June.
- June 30 inventory estimate – 34-38,000 units (10-11 months)
- Run rate purchases - \$1M/mo
- Q2 - \$3.1M (firm) – Reduce to \$1.5M (\$500K/mo)
- Q3 - \$3.1M – Reduce to \$750K (\$250K/mo)
- Q4 - \$4.0M – Reduce to \$300K (\$100K/mo)
- Target 12-16,000 pods (3-4 months)

Normalized Operating expenses

- \$2.8M/mo (accrual); \$2.6M (cash basis)
- 70% compensation (\$2M/Mo)/ 30% non-compensation (\$800k/mo)
- \$100K/mo accrual for MIPs & bonuses – Non-cash
- \$100K/mo prepaid costs amortized to income statement – non-cash

Cash Analysis & Planning Scenarios

	Scenario A	Scenario B	Scenario C
Invoiced Sales Scenarios	\$3.5M	\$3.0M	\$2.5M
Monthly Cash Receipts Scenarios	\$3M	\$2.5M	\$2M
	Monthly Cash Run Rate		
	Monthly	Monthly	Monthly
Cash out			
Cash Compensation	2,018	2,018	2,018
Scenario A Staff Reductions - 10 FTEs	(175)	(175)	(175)
Terminate 401K matching	(25)	(25)	(25)
10% salary reductions for Exec team	(17)	(17)	(17)
5% salary cut for >\$100K EE or remove bonus	(40)	(40)	(40)
Scenario B cuts - 20 FTE	-	(227)	(227)
Offer voluntary unpaid leave/part-time	-	-	-
Cash Operating Expenses	775	775	775
Scenario A Cost cutting	(220)	(220)	(220)
GorillaLogic reduction - 25%		(18)	(18)
GorillaLogic reduction - 75%			(53)
Misc other		(25)	(50)
OGC	83	83	83
Total Cash Operating Expenses	2,399	2,130	2,052
Inventory purchases	500	250	100
One-time costs			
CapEx	-	-	-
Total Cash Requirements	2,899	2,380	2,152
Cash in			
Invoiced sales assumption	3,500	3,000	2,500
Estimated Monthly Cash receipts	3,000	2,500	2,000
Monthly cash (burn)	101	121	(152)

Scenario A

Staffing Cost Reductions (12)

- Sales – 3
- Marketing – 4
- Engineering – 3
- G&A & Operations – 2
- Executive team salary reductions – 10%
- Broader employee salary reductions or suspend bonus program – 5%
- 70% Company bonus and 100% MIPs reduction – non-cash now
- Recent terminations not backfilled
- RIF costs – 3 weeks severance - \$125K

Operating Cost Reductions

- Advertising & Digital Marketing (50%)
- All Tradeshows and related T&E - \$100K/mo
- Sales T&E (100% now)
- All contractors/consultants (other than GorillaLogic)
- External recruiting
- Computers & Equipment
- Suspend 401K matching
- General office expenses, non-essential costs, employee development/training, corporate events & CapEx

Scenario B

Staffing Cost Reductions (20)

- Sales – 7
- Marketing – 2
- Engineering – 3
- G&A & Operations – 4
- Natural attrition - 4

Operating Cost Reductions

- Outsourced software developers – 25%
- Field Marketing events

COVID-19 Mitigation Plan – HR

- All hiring halted, including non-critical backfills
- Recommended travel ban
- Work from home world wide, where possible
- Extra sanitization of Denver office, particularly where we have people that cannot work from home
- Education on how to be productive while working from home
- Working through the remote onboarding of employees with start dates in March
- Reminder of well-being resources; EAP, Tele-doc, Short-term disability
- Reduction in recruiting expenses
- Reduction in snacks/beverages

COVID-19 Mitigation Plan - Sales

Alternative Selling Strategies:

- Focus on enabling remote demo capability for core Solstice, Solstice Conference and Active Learning
- Continue to meet in person with end users/partners who will take meetings
- Aggressively pursue stocking order strategies with open/willing partners
- Accelerate Pod demo availability with targeted prospects
- Engage with inside team to accelerate sales discussions with high priority inbound/outbound leads
- Double down on forecast/close activity – more time/incentives/improved insights
- Revisit deal registrations, closed opportunities, one-time purchases, stalled POCs, etc
- Social selling/video promotion via LI and email database
- Reach back out to customers/prospects who have gone quiet
- Possible discount promotions?

COVID-19 Mitigation Plan - Marketing

Daily reporting / tracking / tools already in use:

- Google Data Studio for marketing funnel
- Canned SFDC reports / dashboards for corresponding funnels for SDRs, CSM, and AMs
- Confluence for project / campaign summary-level progress
- Slack channels for project / campaign teams
- Asana for low level project / campaign tasks

Virtualization of already scheduled meetings:

- Weekly functional team meetings
- Weekly project / campaign team meetings
- Weekly 1:1s between mgr and directs
- Bi-weekly GTM meeting
- Monthly mktg / customer success strategy meeting (formerly known as MSM)

Additional meetings to accommodate for regularized WFH environment:

- 15 min team stand-ups multiple times per week for each team
- Daily activity reports for SDRs, CSM, and AMs
- Weekly activity reports for project / campaign teams
- For the next 5-6 months, we will also move from in-person events to virtual events like webinars (using our in-house list and pay-for syndicated channels using publishers) and live-streaming.

COVID-19 Mitigation Plan – CTO/R&D

- R&D team will begin moving to development tasks and pause all research. For the two team members, they have already been retasked to:
- Vincent: Productization of Location services for solstice. Vincent will take the lead on ensuring that our location services are productized so they can support both in App changes and Solstice Cloud in the 5.0 release.
- Brent: Removing the splashtop library from our codebase to be replaced with open source components and custom, in-house code. This would save 6 dollars a unit and put control on our hands for future fixes/development.
- Tae and I will meet on a longer-term plan that embeds research team into development over the next 6 months.
- I am personally accelerating anything product/go-to-market related that will help the sales org demonstrate solstice remotely. I am working on a demo script for Solstice Conference that can be used over a video call. Increasing work with product marketing around webinars and supporting sales calls in lieu of in-person travel.
- All intellectual property filings are now paused to save costs on legal. We managed to submit most of the critical filings to cover new products, but additional, more speculative filings are on hold.
- We are looking at moving the customer council event to September and cancelling the European event. Meeting with Helena and querying the customers before we decide.

COVID-19 Mitigation Plan – Product & Engineering



Product:

- Align PM's to product teams and take more ownership of resourcing and delivery
- Simply design practice to small, medium, and large projects where cycle time improves by optimizing process
- Improve roadmap practice and streamline requirements flow

Engineering

- Consolidate resources in infrastructure team and reassign priority and coverage for reduced resources
- Re-map reporting and leverage PM's to take on leadership of key programs thereby simplifying delivery teams
- Realign research engineers to product delivery, but keep 25%-50% on strategic items

Quality

- With reduced QA resources, include engineers towards end of release cycle for testing
- Continue to focus and accelerate test automation coverage to improve cycle time and shorten delivery cycles
- Reassign smokejumper resources to critical product delivery teams balancing bugs debt and customer issues.

Collaboration & Accountability

- Enhance collaboration by improving meetings on agile practices like standup, grooming, and retrospectives
- Accountability by working software: team sprint demo's that focus on what was achieved or missed each cycle
- Continue to support guilds (teams that focus on cross org force multipliers) such as architecture, engineering best practices, security
- Leverage technical leaders to take more ownership of projects and decisions by active coaching by management

COVID-19 Mitigation Plan – Finance & Accounting



- Developing new internal budget and cost restructuring 90-120 day cash Analysis
- Developed cash runway analysis and identified cost cutting opportunities for Exec team to consider
- Implementing a P.O. approval process for all vendors with expenses greater than \$2K per month that budget owners will need to complete by end of March for Q2 expenditures. All P.O.s will require DH approval.
- Taking over Payroll processing from HR
- Developing a model that replicates Deloitte's due diligence file on churn & retention
- Deloitte audit will start last week of March. We are deep in preparing for the auditors. Not anticipating a delay at this time but all work will be done remotely.

COVID-19 Mitigation Plan – Operations

IT:

- Home remote work with office visit as necessary to resolve local systems issues.
- Remote assistance for IT related user issues

Operations:

- Order management team work from home processing orders as normally
- Logistics team is required to come to office to fulfill orders
- Increased disinfection of areas in suite 180
- Daily temperature check of each Logistic agent

Support:

- Work from home for the team recommended
- Possible impact/delay on reproducing some issues requiring hardware in office

Technical Account Management:

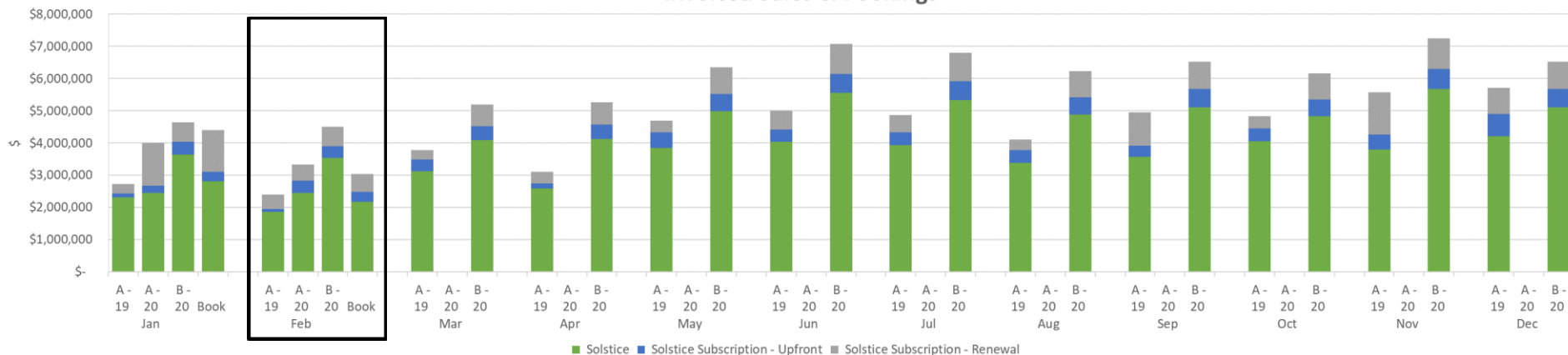
- Work from Home
- Recommended approach is to focus on remote assistance only
- No onsite visits/travel allowed without prior approval from executive team

February '20- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> • Shell – Ongoing Q&A related to final decision – looking at SC • Marathon Oil – Solstice is in the spec for 149 room building—early '20 • IBM – early evaluation for new HQ in Germany • Northrop Grumman – Land order in Q1 basis for standard discussion • BP – Made final cut. 75 unit pilot pending • Continental AG – In pilot but waiting for SC • GM – being evaluated for national standard in Austin and Detroit • Morgan Stanley – evaluation taking place in UK...Miracast • Paypal – evaluation taking place for global standard • SC Johnson – been told we've been selected as standard – 800 rooms • Gentex - evaluating bulk order vs phased purchased – Q2 decision • 7-Eleven – evaluating for national standard • Grainger – about to standardize with a 100+ order - Q2 order • Zillow – new building late '20. Waveguide spec • Raytheon – Acquiring UTC and may adopt UTC Solstice standard • UPS – Replacing ~900 AirMedias in Q2 • Bloomberg – 1200 rooms. Up against Screenbeam • DVAG Investments – in pilot for 100+ rooms 	<ul style="list-style-type: none"> • GDIT – project on hold • PwC (Dubai) – needed SC and couldn't wait. Webex Room Kit • Provation Medical– lost to Zoom • TJX – pilot is on hold due to other priorities • UMASS/Amherst – Airtame in 20 rooms due to \$.
Big Wins	
<ul style="list-style-type: none"> • Comcast - \$235K • George Mason University – \$165K • WeWork - \$75K • Kiewit Corporation - \$45K • Case Western - \$45K • West Chester U of PA - \$40K 	<ul style="list-style-type: none"> • Honda R & D - \$38K • Nike - \$36K • United Technologies Corporation - \$36K • U of IL - Urbana - \$36K • George Washington University - \$25K • Goodwill - \$23K

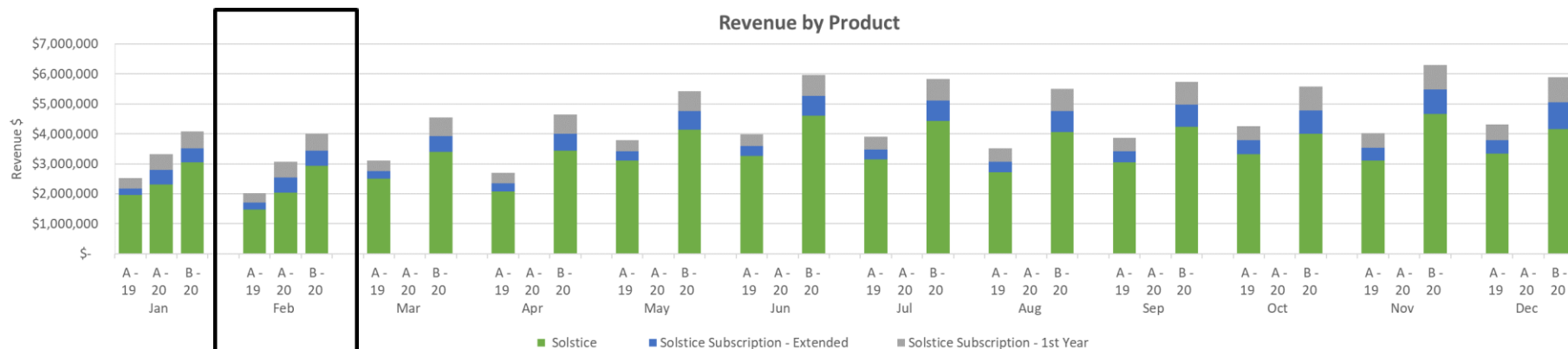
Sales Metrics – Monthly Trend

Invoiced Sales & Bookings



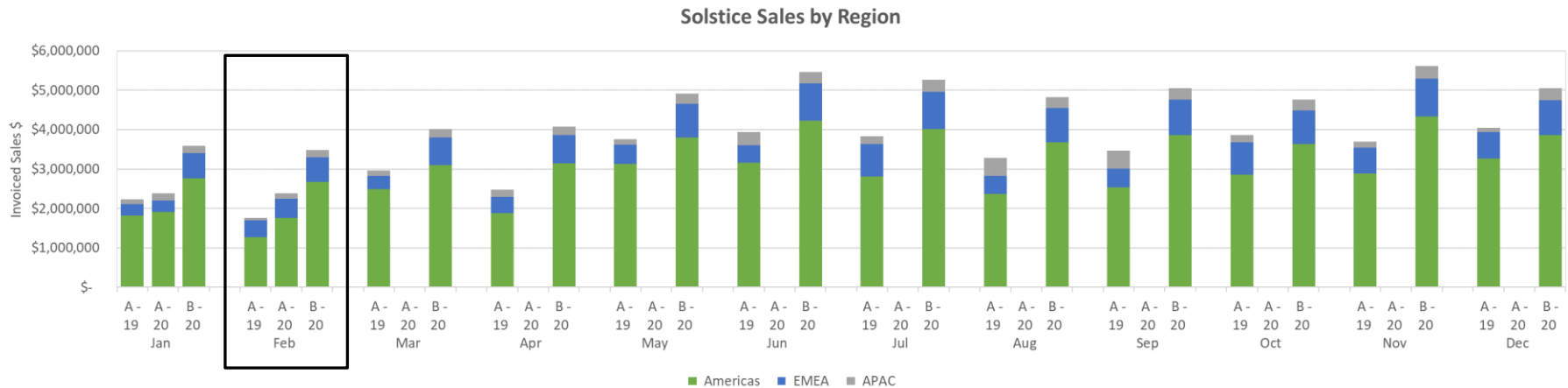
- February invoiced sales were \$3.3m compared to target of \$4.5m, which is 74% of budget. This is a 17% MoM decrease. Bookings were \$3.0m compared to a \$4.5m target.
- YTD invoiced sales were \$7.3m compared to target of \$9.1m, which is 80% of budget.
- There was backlog of \$175k.

Revenue by Product

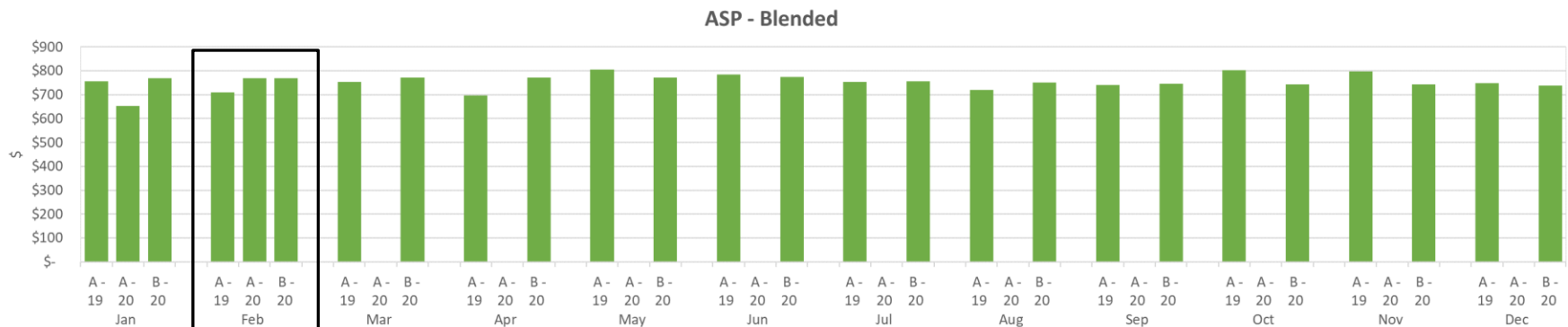


- Graph shows revenue comparatives by product type of '19 Actual, '20 Actual & '20 Budget
- MTD GAAP revenue was \$3.1m compared to budget of \$4.0m, due to lower than expected Solstice sales in Americas and EMEA.
- YTD GAAP revenue was 6.4m compared to budget of 8.1m, due to lower than expected Solstice sales in Americas and EMEA.

Solstice Invoiced Sales Metrics – Monthly Trend – Region



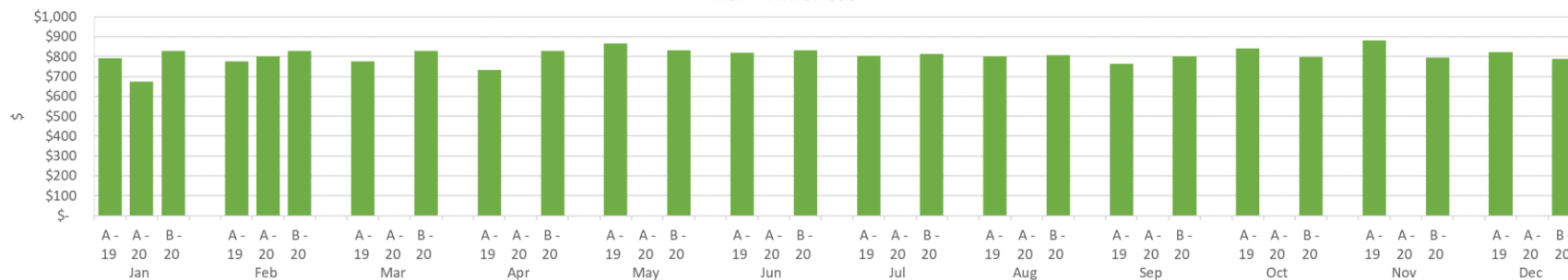
- February Solstice sales were \$2.4m compared to target of \$3.5m, which is 68% of budget. February invoiced sales were below budget primarily due to underperformance in Americas.
- YTD Solstice invoiced sales were \$4.8m compared to target of \$7.1, which is 67% of budget.
- February Solstice unit sales were \$3,087 compared to target of \$4,515.



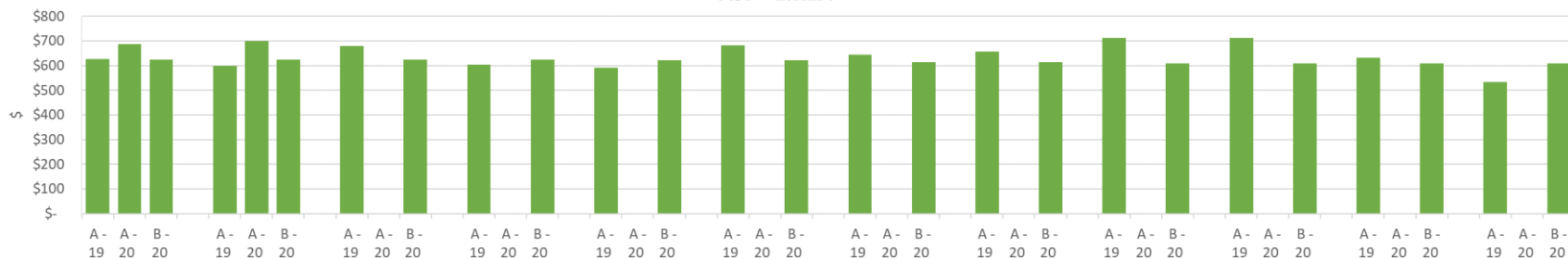
- Graph shows ASP by region historically and planned for remaining 2020
- Overall ASP across all regions was \$770 including Gen 3 Solstice upgrades, consistent with plan of \$770. This is due to lower than expected ASP in Americas (97% of plan) netted with higher than expected ASP in APAC (112% of plan) and EMEA (109% of plan).
- Solstice ASP excluding Solstice upgrades is \$836.

ASP by Region – Monthly Trend

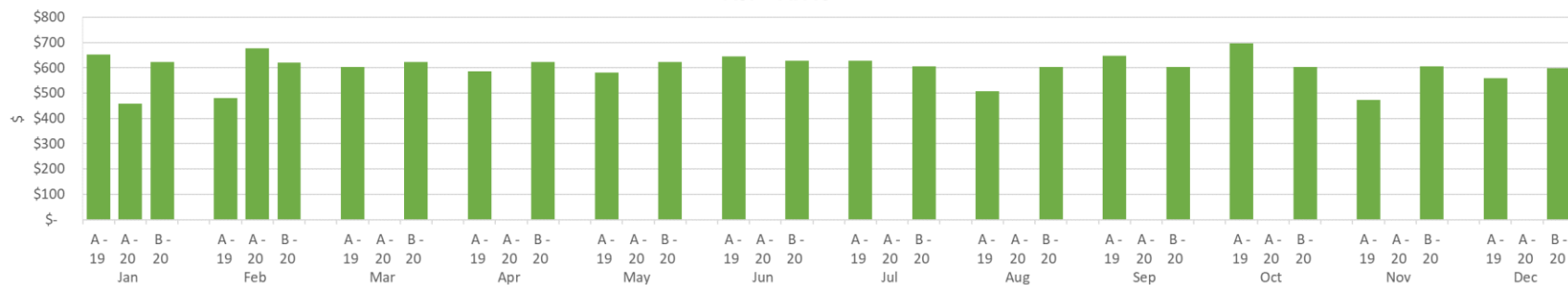
ASP - Americas



ASP - EMEA

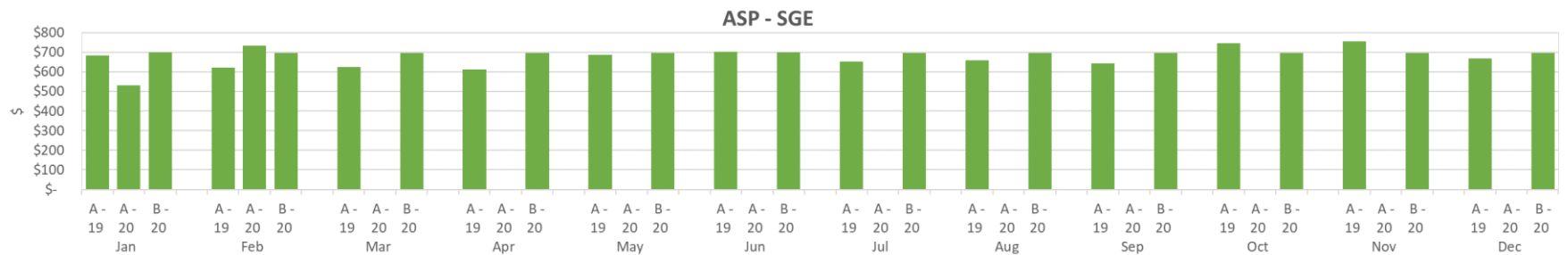
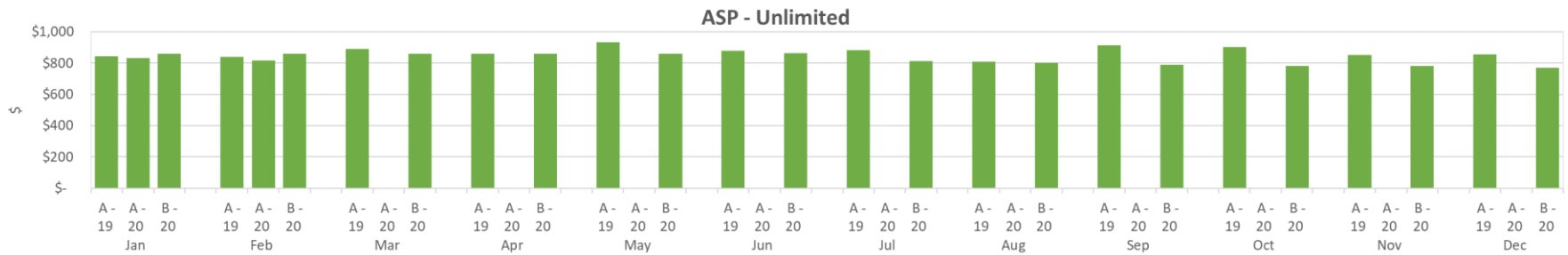
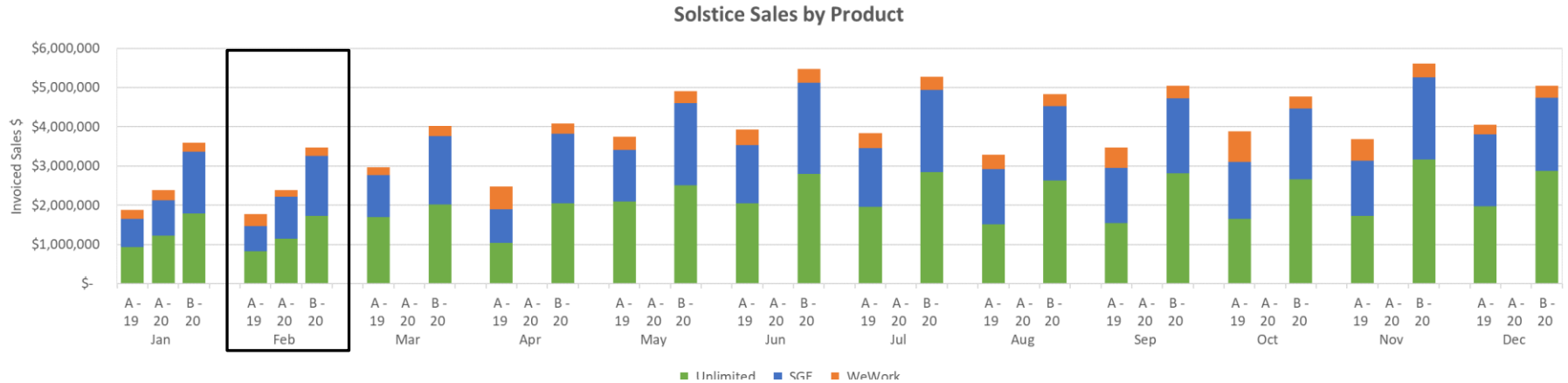


ASP - APAC



- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 76% actual vs 76% Target, EMEA 20% actual vs 18% Target, APAC 4% actual vs 5% Target.
- Solstice ASP excluding Solstice upgrades to Gen 3 is:
 - Americas - \$903 vs \$893 in prior month
 - EMEA - \$700 vs \$727 in prior month
 - APAC - \$676 vs \$597 in prior month

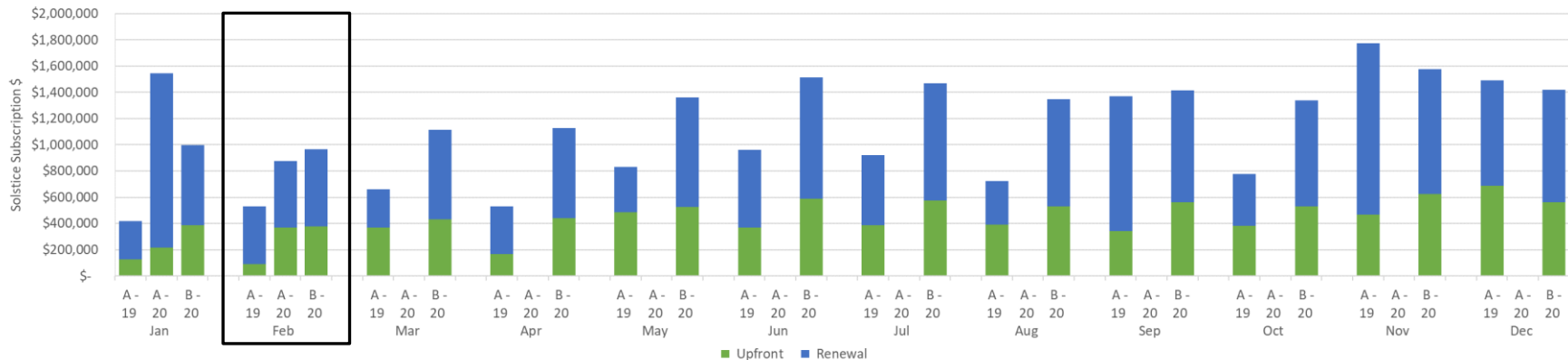
Solstice Invoiced Sales Metrics – Monthly Trend - Product



- Unlimited - February invoiced Solstice sales were \$1.1m compared to target of \$1.7m.
- SGE - February invoiced sales were \$1.1m compared to target of \$1.5m.
- WeWork - February invoiced sales were \$160k compared to target of \$220k.
- Unlimited - February ASP was \$815 compared to target of \$860.
- SGE - February invoiced sales were \$733 compared to target of \$698.

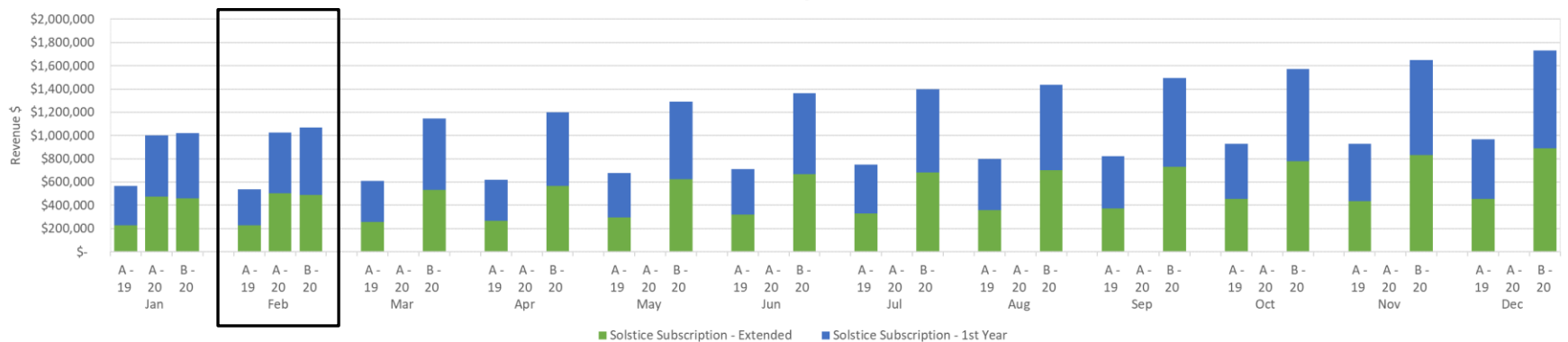
Solstice Subscription Metrics – Monthly Trend

invoiced Sales - Solstice Subscription



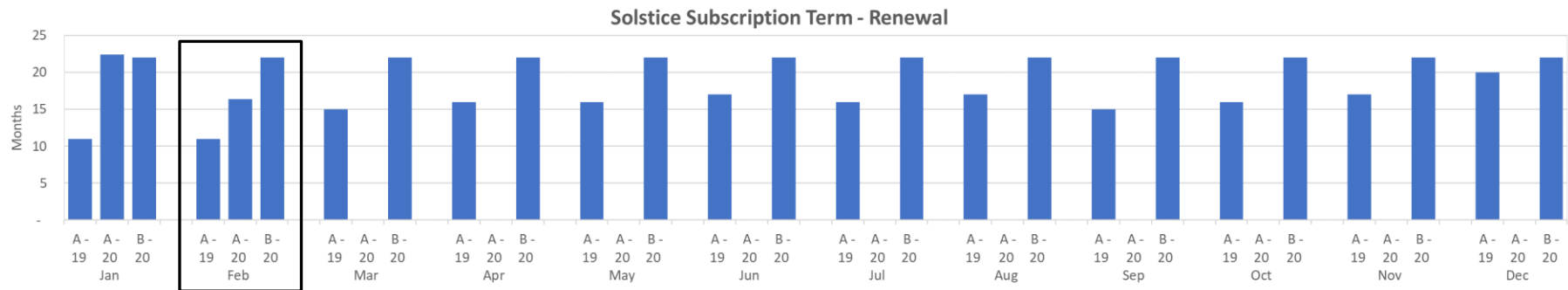
- February invoiced sales for solstice subscriptions was \$0.9m vs budget of \$1.0m, which is 90% of budget.
- YTD invoiced sales for solstice subscriptions was \$2.4m vs budget of \$2.0m, which is 123% of budget.
- February renewal ASP was \$202 compared to target of \$196.
- February upfront ASP was \$306 compared to target of \$260.
- Large renewal deals - Comcast (172k), Vertex(50k), UTC(35k), Southcentral Foundation (34k)
- Large upfront deals - Midwich Limited - U.K. (65k), George Mason (56k), Iowa State (25k)

Solstice Subscription Revenue

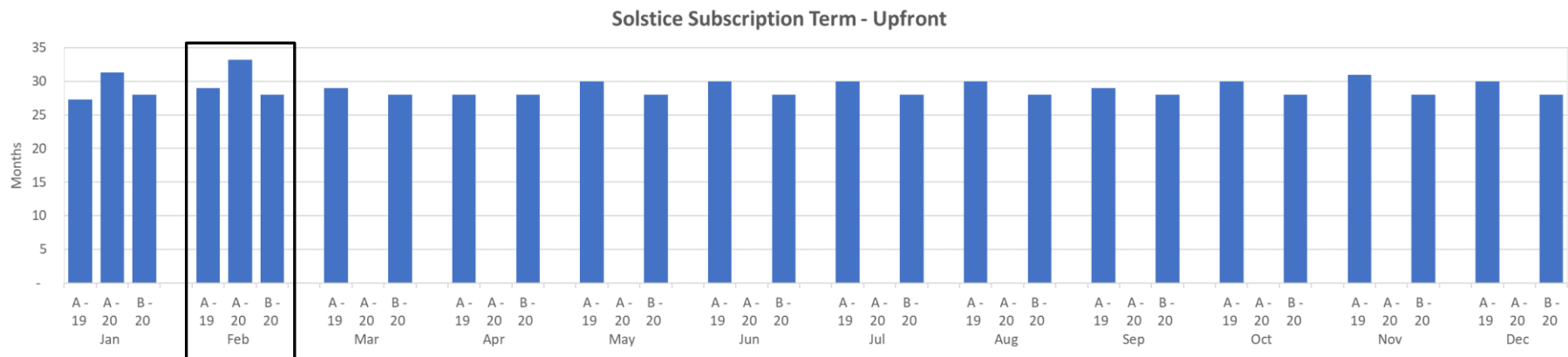


- February Solstice Subscription – Extended (renewal + upfront) was \$504k vs budget of \$490k
- February Solstice Subscription – 1st year was \$522k vs budget of \$580k.
- February total Solstice Subscription was slightly under expectations at \$1.0m vs budget of \$1.1m.
- YTD total Solstice Subscription is slightly under expectations at 2.0m vs budget of 2.1m

Solstice Subscription Metrics – Average Subscription Term



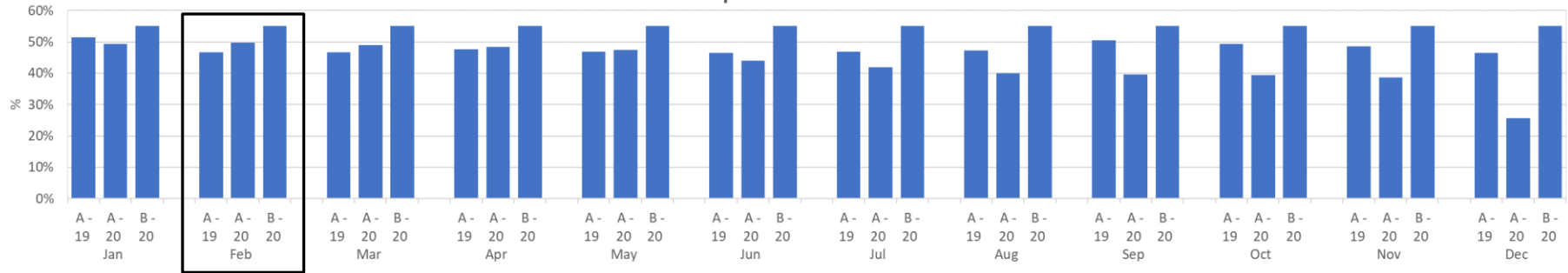
- Renewal average term was 16 months compared to target of 22 months.



- Upfront average term was 33 months compared to target of 28 months.

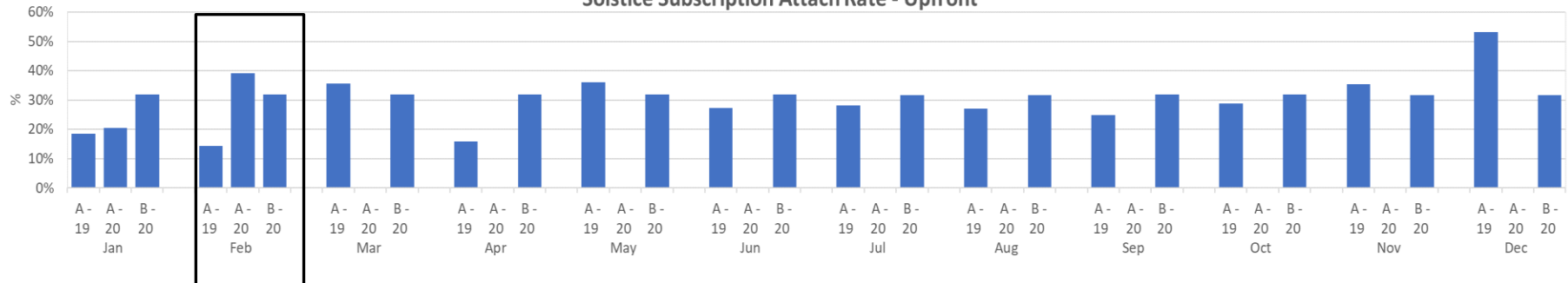
Solstice Subscription Metrics – Attach Rate

Solstice Subscription Attach Rate - Renewal

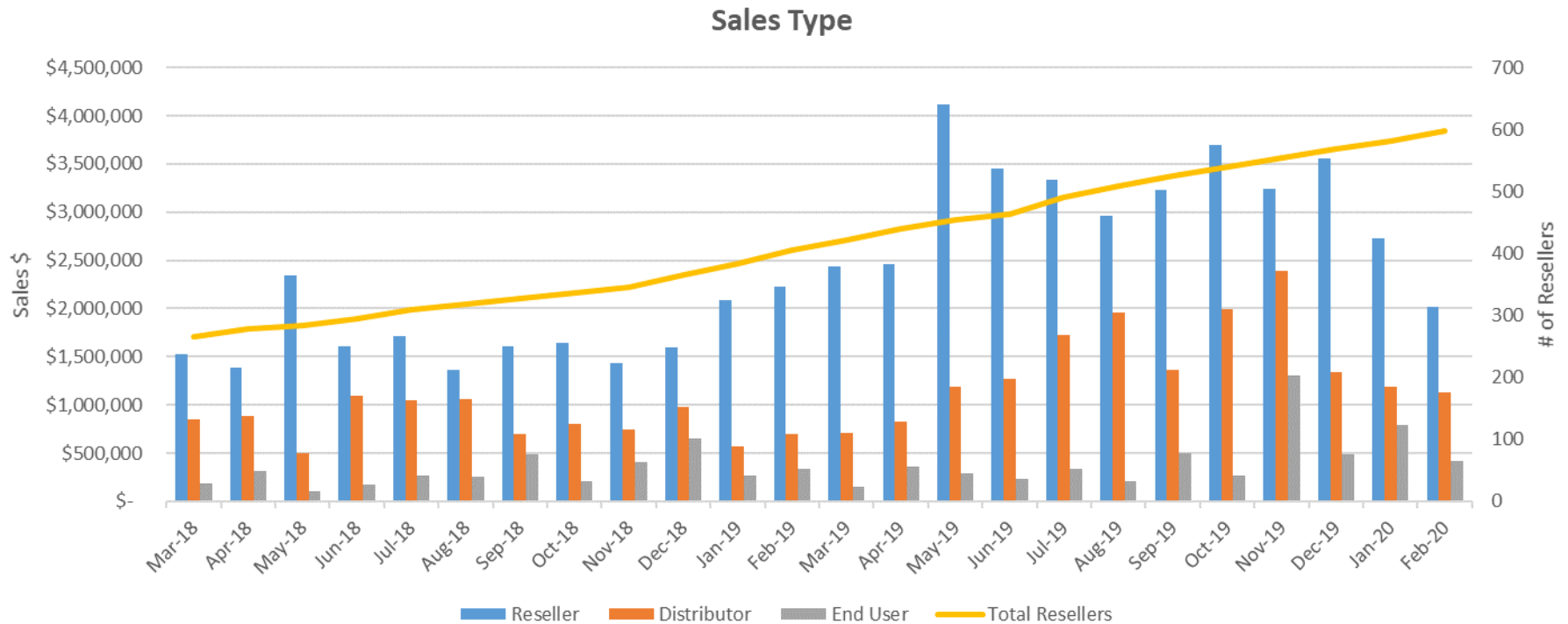


- Renewal rate increased to 50% during February compared to 49% in January. Target was 55%.

Solstice Subscription Attach Rate - Upfront



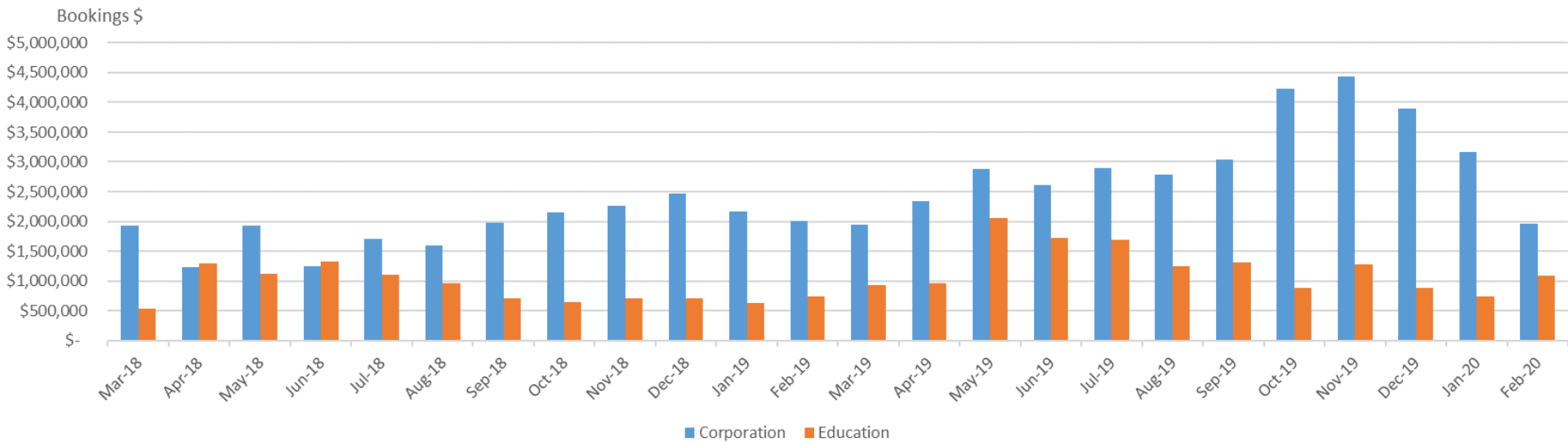
- Upfront attach rate increased to 39% during February above target of 32%.



- Bookings
- New Resellers by Region:
 - TOLA = 4, West Coast = 2, Southeast = 3, Midwest = 3
 - Rocky Mountain = 1, Mid-Atlantic = 2, PNW = 1, Other = 1
- Unique resellers in Feb 2020 were at 233 vs 250 for Jan 2020

Customer Segment Metrics

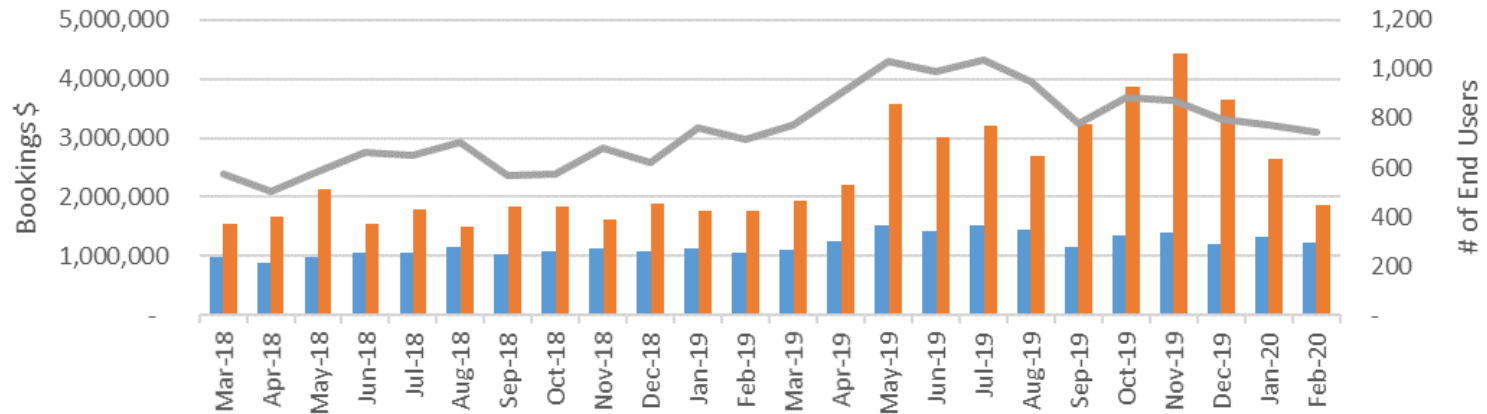
Vertical



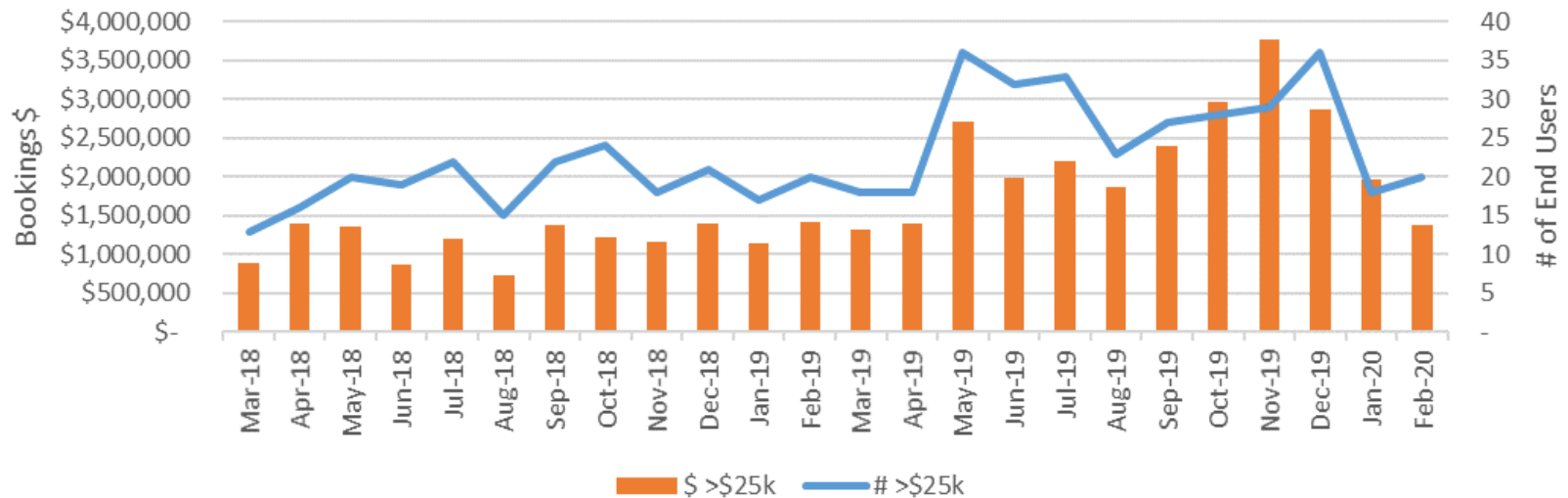
• Bookings excluding stocking orders and including sales out

Big Deals and Run Rate Metrics

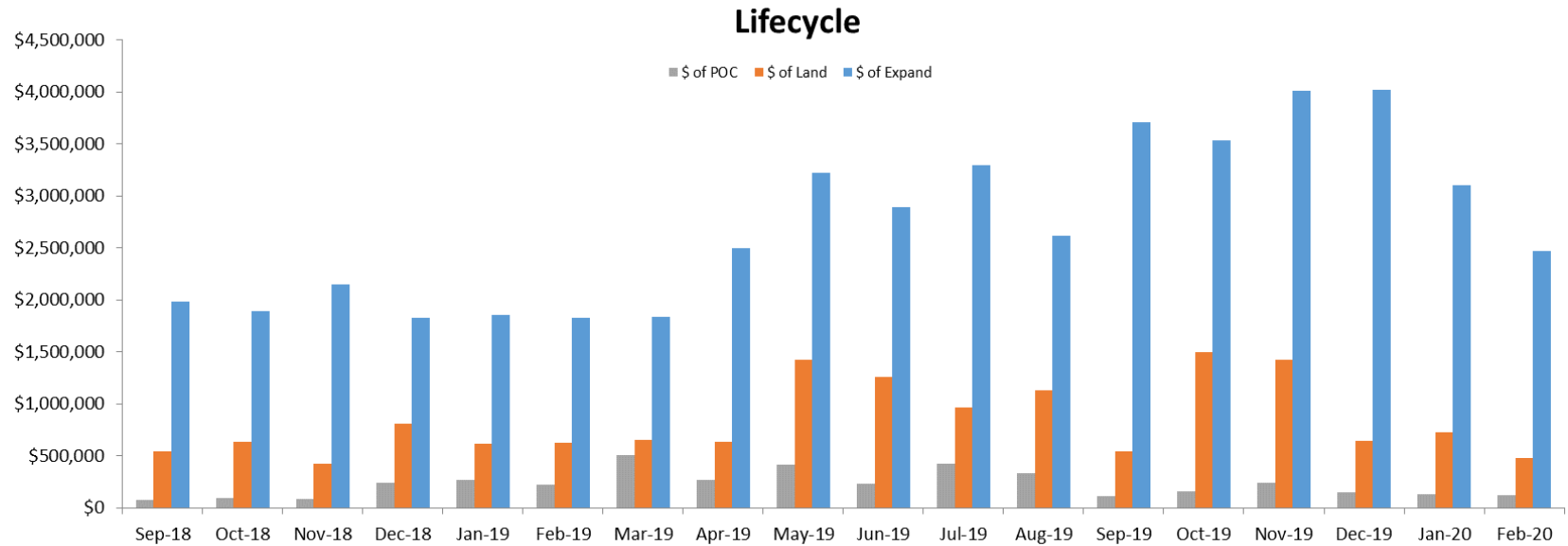
Big Deals vs Run Rate



>\$25K



End User Lifecycle Metrics



Lifecycle																		
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Total																		
\$ of POC	\$78,454	\$98,798	\$82,215	\$243,862	\$265,374	\$226,336	\$503,914	\$272,401	\$416,792	\$229,211	\$428,380	\$336,264	\$116,920	\$156,670	\$240,194	\$153,515	\$132,399	\$120,266
\$ of Land	\$545,622	\$639,324	\$429,220	\$810,840	\$618,152	\$630,944	\$650,960	\$631,466	\$1,422,369	\$1,258,717	\$966,741	\$1,129,011	\$546,051	\$1,495,218	\$1,420,125	\$646,301	\$730,555	\$480,990
\$ of Expand	\$1,979,358	\$1,896,181	\$2,152,598	\$1,824,666	\$1,851,640	\$1,829,387	\$1,837,827	\$2,499,749	\$3,221,062	\$2,889,865	\$3,295,942	\$2,612,346	\$3,706,090	\$3,534,426	\$4,012,538	\$4,022,595	\$3,106,826	\$2,473,884
Total	\$2,603,434	\$2,634,303	\$2,664,032	\$2,879,367	\$2,735,167	\$2,686,667	\$2,992,701	\$3,403,617	\$5,060,222	\$4,377,793	\$4,691,063	\$4,077,621	\$4,369,060	\$5,186,314	\$5,672,858	\$4,822,411	\$3,969,780	\$3,075,139

Top Customer Metrics - MTD

End User - Corporate	Feb 2020 Amount	% of Total
WeWork	\$212,272	11%
Comcast	\$175,738	9%
Bausch & Lomb Incorporated	\$164,621	8%
Accenture	\$89,651	4%
Kiewit Corporation	\$78,148	4%
Nike	\$72,326	4%
PT Global Digital Niaga	\$63,451	3%
Honda R & D	\$59,248	3%
UTC (United Technologies Corporation)	\$47,001	2%
FreshFields	\$46,486	2%
Other Customers	\$987,341	49%
Total	1,996,284	100%

End User - Education	Feb 2020 Amount	% of Total
George Mason University	\$164,621	15%
University of North Carolina at Wilmington	\$78,148	7%
Iowa State University	\$72,326	7%
Health Education England	\$63,451	6%
Case Western Reserve University	\$46,486	4%
West Chester University of Pennsylvania	\$39,896	4%
University of Illinois at Urbana-Champaign	\$35,601	3%
Stony Brook University	\$29,795	3%
George Washington University	\$24,847	2%
Durham University	\$22,512	2%
Other Customers	\$514,917	47%
Total	1,092,603	100%

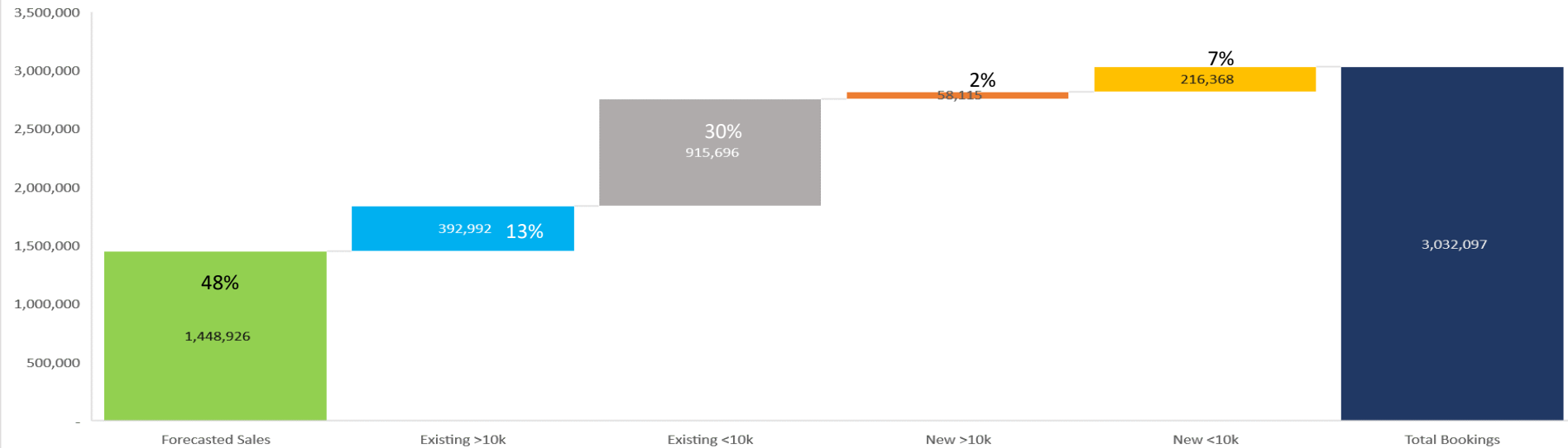
Top Customer Metrics - LTM

End User - Corporate	LTM Amount	% of Total
WeWork	\$6,646,102	18%
Kiewit Corporation	\$924,425	3%
The Vanguard Group	\$694,475	2%
Comcast	\$669,797	2%
Nike	\$659,321	2%
Mastercard	\$625,806	2%
Accenture	\$515,405	1%
Charter Communications	\$468,764	1%
McDermott	\$431,578	1%
Nestle USA - NJ	\$371,290	1%
Other Customers	\$24,850,438	67%
Total	36,857,402	100%

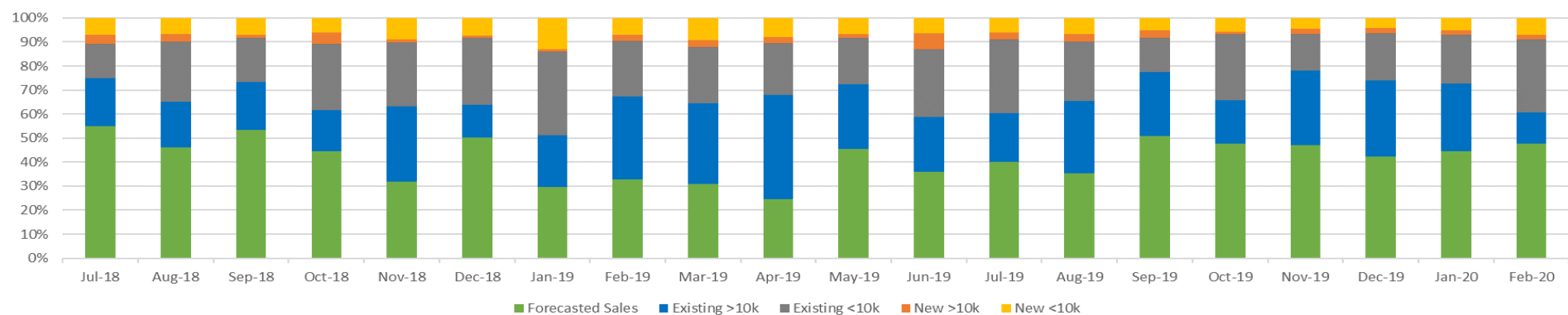
End User - Education	LTM Amount	% of Total
Iowa State University	\$347,039	2%
Texas Tech University	\$311,711	2%
Carnegie Mellon University	\$273,036	2%
Penn State University	\$263,365	2%
University of Illinois at Urbana-Champaign	\$255,055	2%
Bradley University	\$244,859	2%
Indiana University	\$232,682	2%
Case Western Reserve University	\$226,825	2%
University of Illinois	\$226,806	2%
Nexus International School (Singapore)	\$226,468	2%
Other Customers	\$12,204,370	82%
Total	14,812,215	100%

Bookings Attribution Analysis

Current Month Sales Bridge



Bookings



Management Discussion

- 48% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 13% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 30% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 9% of bookings were from new customers and not included in forecasted sales for the month.

Quota Attainment by Region

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

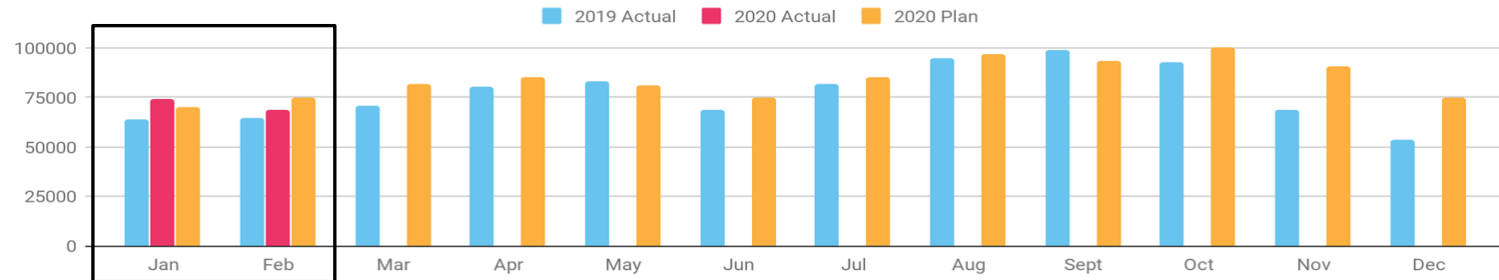
Name	Territory	Feb-20				2020 YTD			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
Ryan Shannon	Midwest	961,000	560,339	(400,661)	58%	1,953,000	1,945,562	(7,438)	100%
Jonathan Davies	New England	186,000	135,824	(50,176)	73%	378,000	328,686	(49,314)	87%
Ryan Gregston	West	279,000	102,108	(176,893)	37%	567,000	323,546	(243,454)	57%
John Chandler	TOLA	372,000	185,219	(186,781)	50%	756,000	479,440	(276,560)	63%
Burt Feldman	Northeast	682,000	545,354	(136,646)	80%	1,386,000	1,063,924	(322,076)	77%
Jeff McDonald	ANZ	108,500	41,645	(66,855)	38%	220,500	110,189	(110,311)	50%
Veronica Saldarriaga	Rocky Mountain	108,500	36,873	(71,627)	34%	220,500	100,502	(119,998)	46%
Joel Carroll	Southeast	403,000	346,219	(56,781)	86%	819,000	606,629	(212,371)	74%
Melissa Johnson	Mid-Atlantic	279,000	306,867	27,867	110%	567,000	474,256	(92,744)	84%
Danny Fabre	Canada	124,000	13,336	(110,664)	11%	252,000	64,808	(187,192)	26%
Craig Tollefson	Minnesota	254,200	144,282	(109,918)	57%	516,600	213,199	(303,401)	41%
TBH	Northwest	108,500	83,622	(24,878)	77%	220,500	163,038	(57,462)	74%
Chris Charran	UK	341,000	122,365	(218,635)	36%	693,000	495,744	(197,256)	72%
Thomas Liot	France/Spain	139,500	27,633	(111,867)	20%	283,500	131,688	(151,813)	46%
Cyril Mattar	MEA	108,500	24,318	(84,182)	22%	220,500	72,855	(147,645)	33%
Johan Cederberg	Nordics	155,000	62,382	(92,618)	40%	315,000	78,780	(236,220)	25%
Rosario Marseglia	Germany/Italy	139,500	92,968	(46,532)	67%	283,500	113,188	(170,312)	40%
Jeff Liu	China	117,800	-	(117,800)	0%	239,400	16,596	(222,804)	7%
Gark Tan	APAC	248,000	172,121	(75,880)	69%	504,000	370,896	(133,104)	74%
Jeff Meyer	EMEA	945,500	459,186	(486,314)	49%	1,921,500	1,062,860	(858,640)	55%
Rick Emery	World	4,494,442	3,032,097	(1,462,345)	67%	9,133,866	7,387,830	(1,746,036)	81%

New End User Count by Region

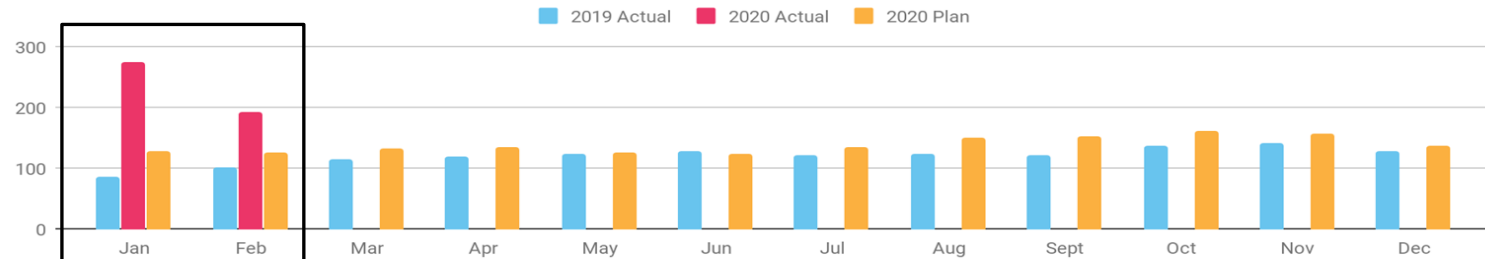
Name	Territory	Feb-19	Feb-20		
		PY	Actual	Var \$	% of PY
Ryan Shannon	Midwest	31	22	(9)	71%
John Chandler	TOLA	6	19	13	317%
Joel Carroll	Southeast	22	18	(4)	82%
Danny Fabre	Canada	15	5	(10)	33%
Melissa Johnson	Mid-Atlantic	2	5	3	250%
Ryan Gregston	West	1	6	5	600%
Burt Feldman	Northeast	15	18	3	120%
Veronica Saldarriaga	Rocky Mountain	1	6	5	600%
Jonathan Davies	New England	3	2	(1)	67%
Jeff McDonald	ANZ	-	1	1	
Craig Tollefson	Midwest	1	12	11	1200%
TBH	Northwest	6	3	(3)	50%
Chris Charran	UK	13	10	(3)	77%
Thomas Liot	France/Spain	12	10	(2)	83%
Cyril Mattar	MEA	2	10	8	500%
Johan Cederberg	Nordics	-	12	12	
Rosario Marseglia	Germany/Italy	3	7	4	233%
Jeff Liu	China	1	-	(1)	0%
Jeff Meyer	EMEA	46	49	3	107%
Gark Tan	APAC	21	21	-	100%
Rick Emery	World	PY	Actual	Var \$	% of PY
		181	172	(9)	95%

Marketing Metrics

Sessions



QLs

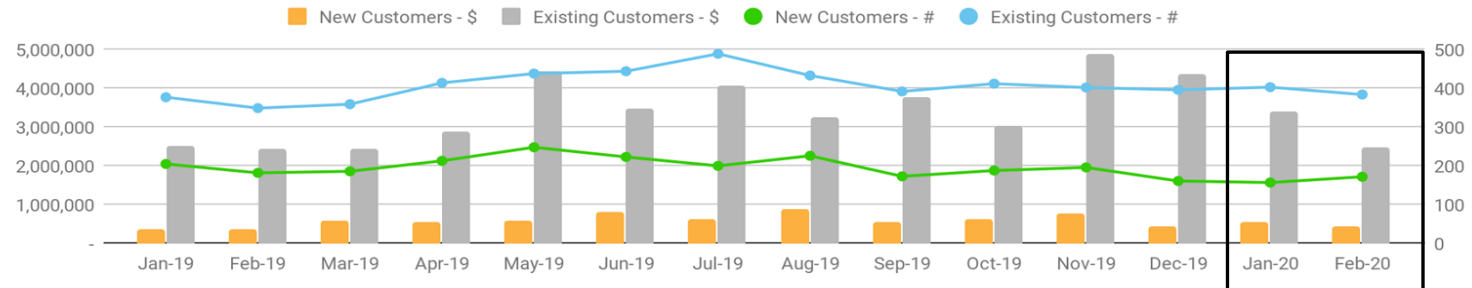


Management Discussion

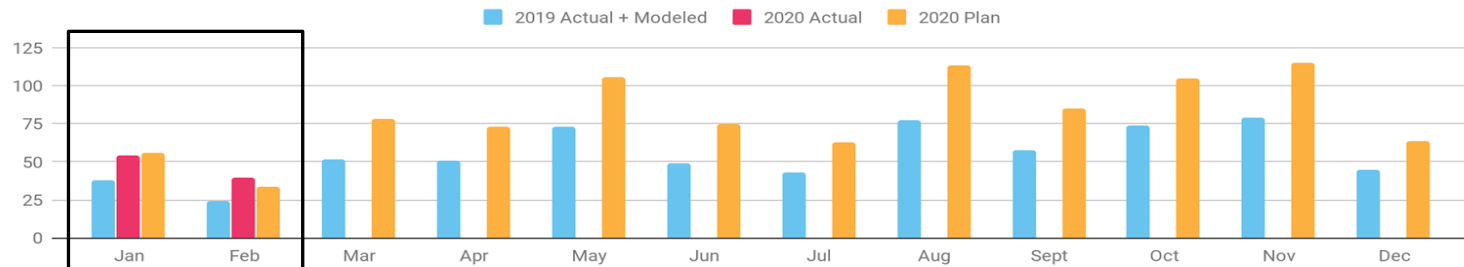
- Web traffic is below plan in Feb due to low ad spend. Other channels are performing to plan.
- QLs are ahead of plan due to strong Demo Pod lead generation being bolstered by new product announcements.
- QL scoring has changed to a more strict definition in order to identify better quality leads; as such, there is no YoY comparison to 2019.

New Customer Metrics

Monthly New vs. Existing Customers



Marketing Influenced Net New Accounts

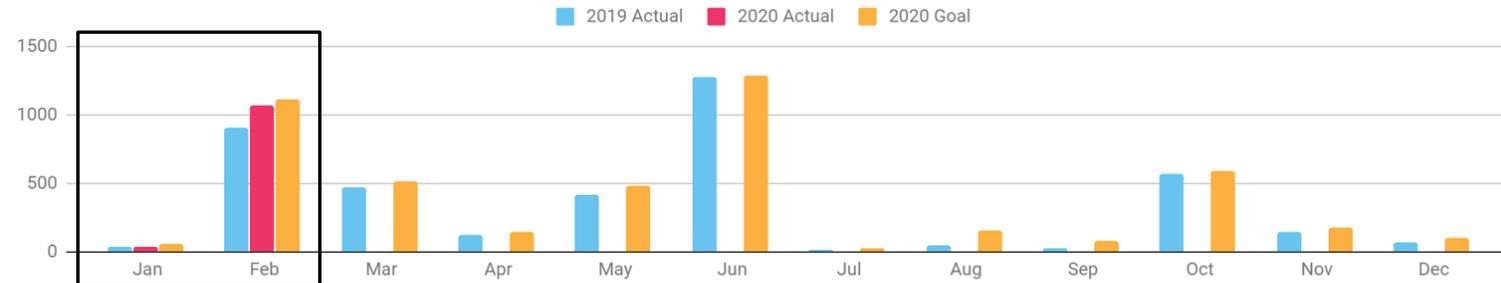


Management Discussion

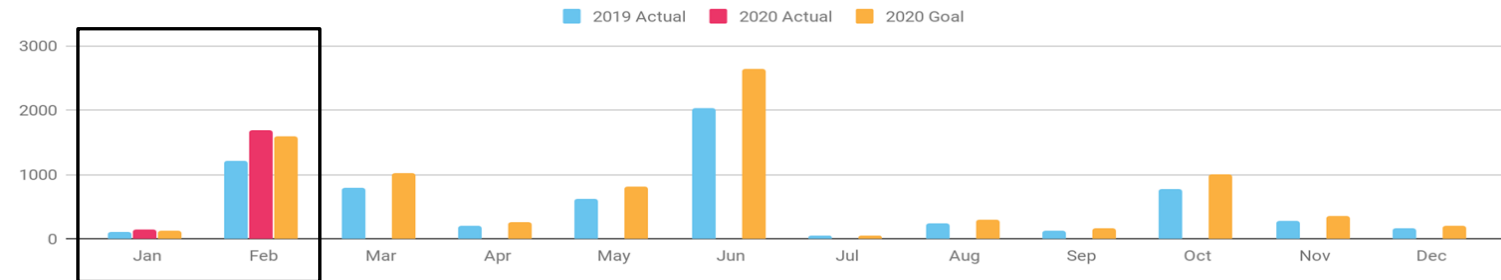
- Corporate NN accounts are down YoY - root cause analysis is underway.
- This plan does not account for Covid-19 impact; the next MOR will reflect a modified plan based on lowered ad spend and event cancellations / delays.
- Marketing influenced accounts now equal (1) submit a form on the website + (2) visit the website (without form submission), both 180 days prior to first purchase.
- Marketing influenced NN accounts are 104% of plan YTD with 57% YoY growth.

Field Marketing Metrics

New Event Members



All Event Members

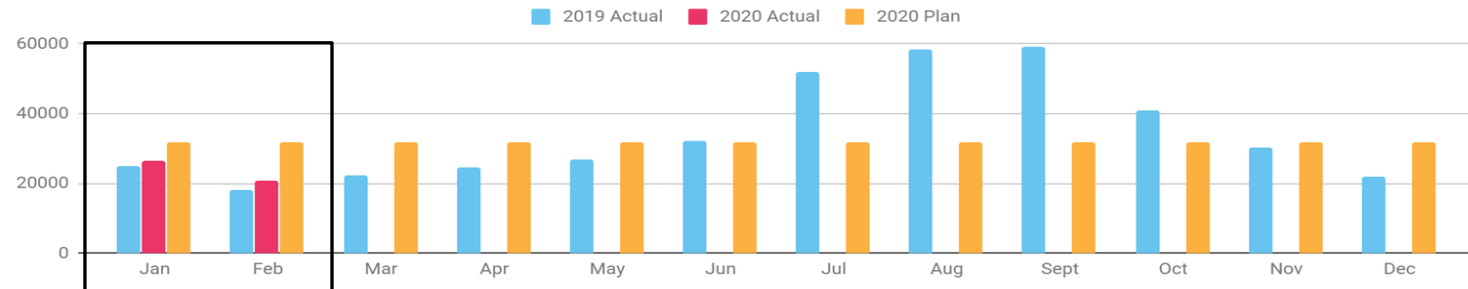


Management Discussion

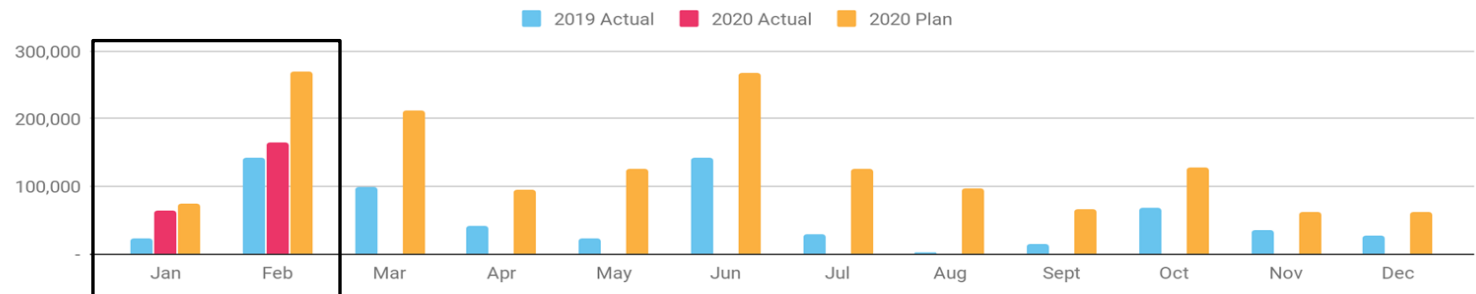
- Members are contacts collected as part of marketing campaigns; Field Campaigns have members that come in through in-booth as well as digital channels.
- This plan does not account for Covid-19 impact; the next MOR will reflect a modified plan based on cancellations and delays to in-person shows and events.
- Despite low turnout at ISE which was down -37% YoY, aggregate event members for February were 7% ahead of plan.
- 40% YoY improvement comparing first two months of each year

Marketing Spend

Digital Ad Spend

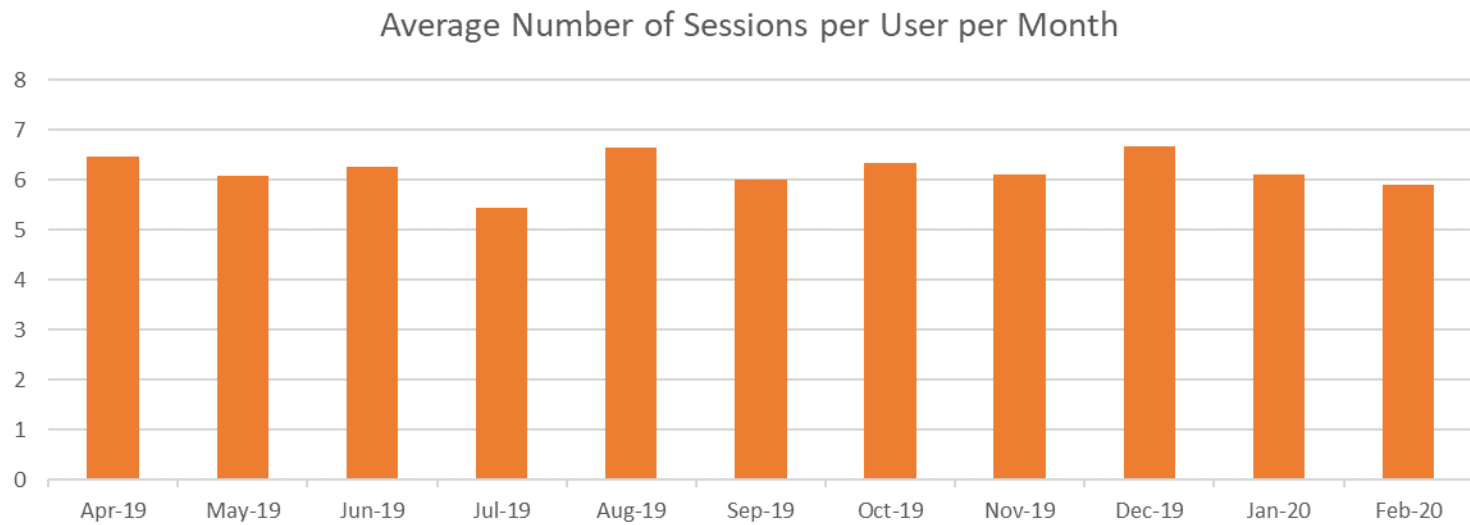


Field Marketing Spend



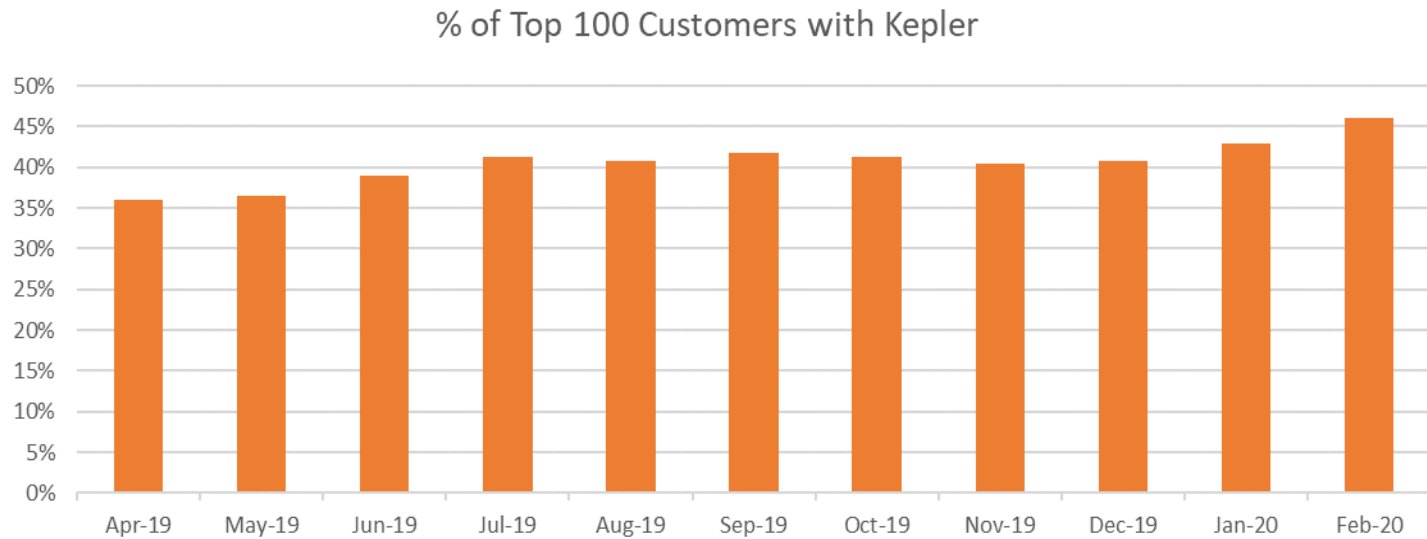
Management Discussion

- Digital Ad spend is 74% of plan YTD; Digital Ad lead gen finished 2x ahead of plan.
- Field Marketing spend was 61% of plan in February, 66% of plan YTD



Management Discussion

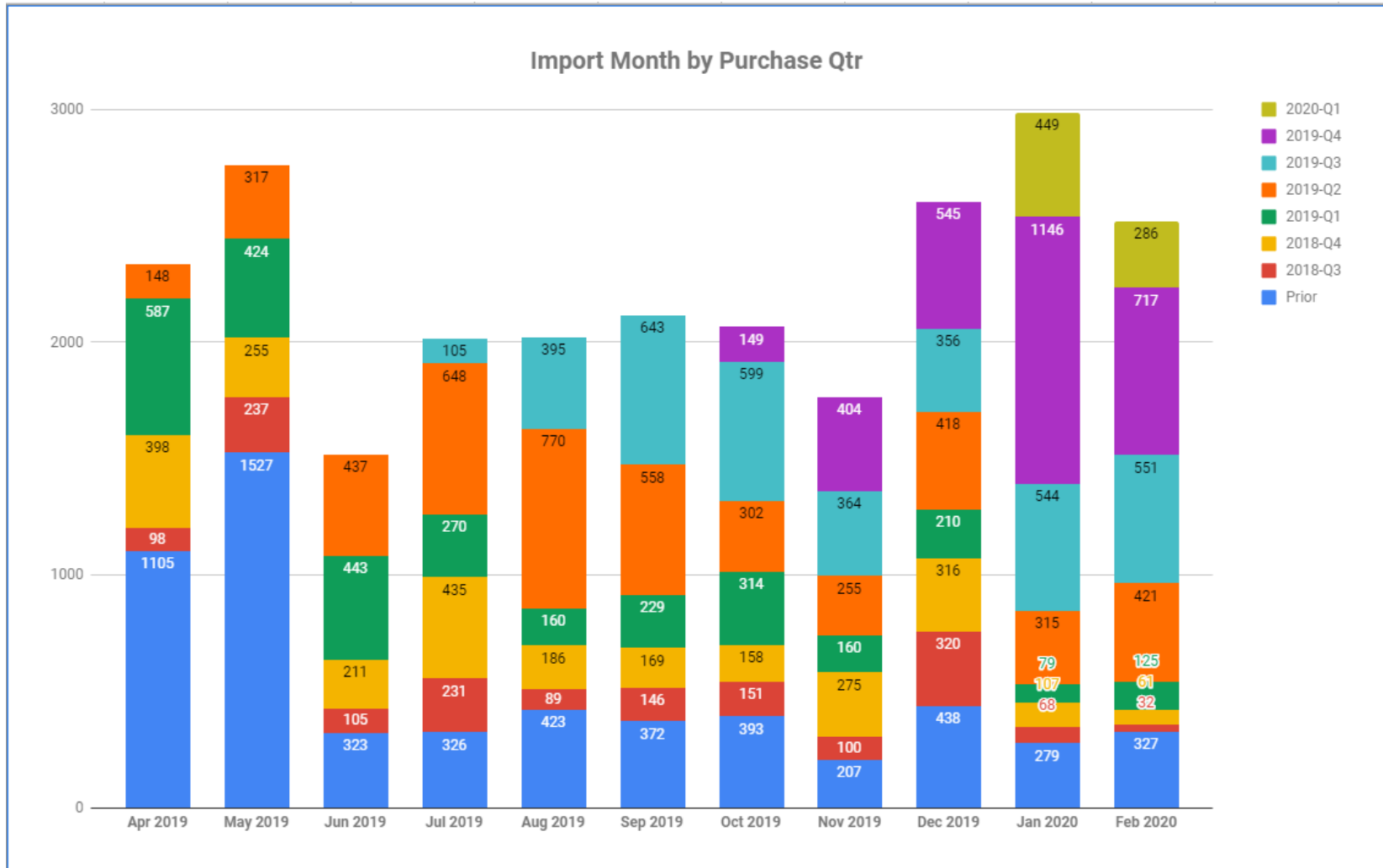
- Average number of sessions per active user per month using Kepler.



Management Discussion

- % of top 100 customers based on # of Solstice with Kepler.
- Increase is due to the release of phase 1 Kepler management in December 2019.

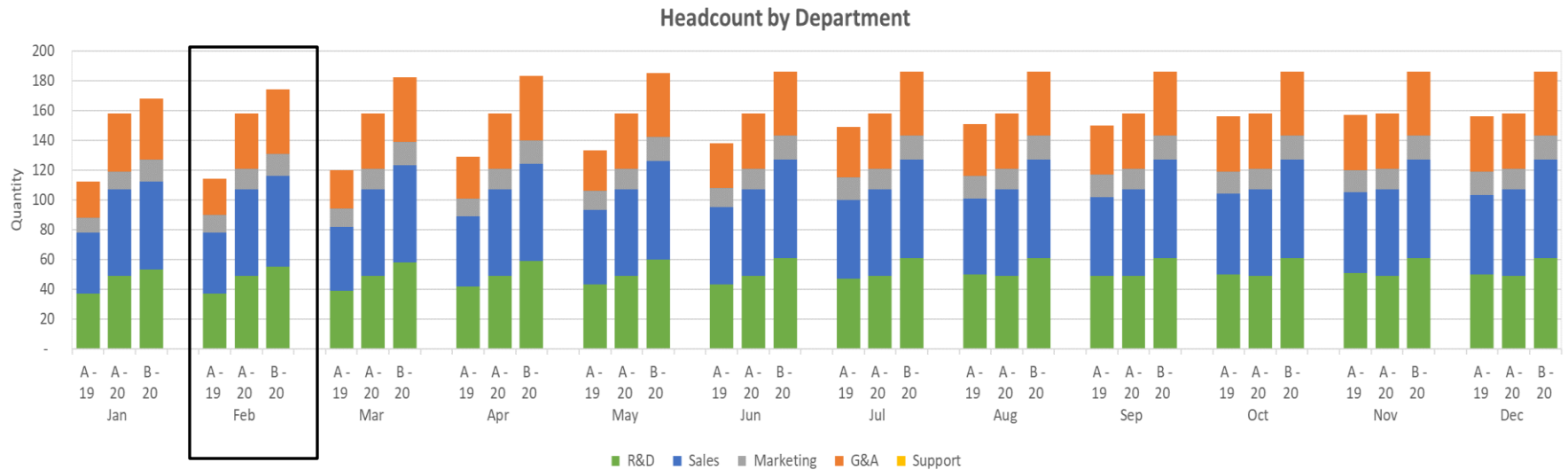
Kepler – Kepler Import Month by Purchase Quarter



Management Discussion

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

Staffing Analysis



Management Discussion

- Headcount is below plan through February at 158 compared to budget of 174.

2/29/20 Talent Snapshot

Open Positions as of 3/5/20

Team Members by Geography

Denver (111)

US field (27)

International field (20)

Team Members by Function

Development (52)

Sales (52)

Marketing (19)

Operations (22)

Finance/HR/Exec (13)

Total Team Members: 158

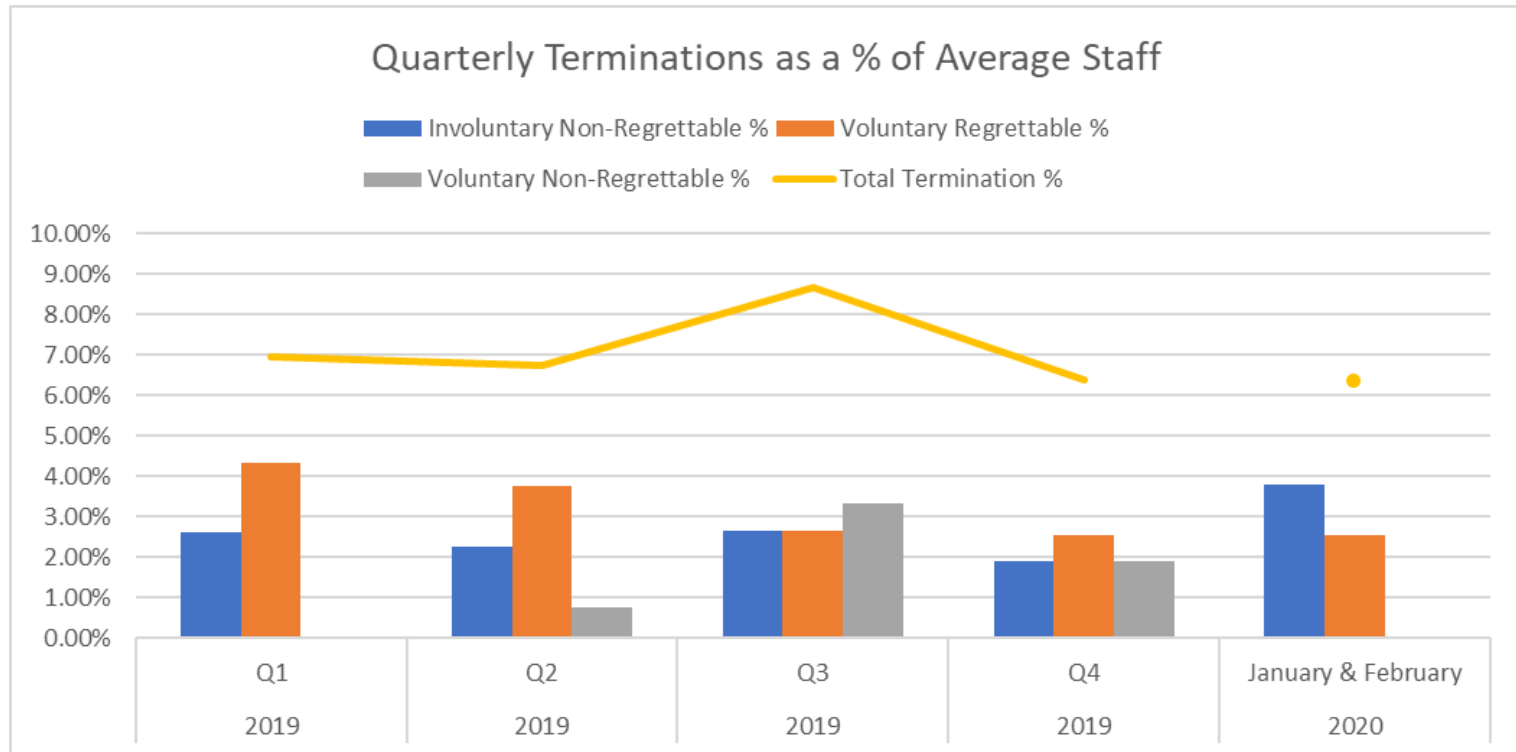
YTD Hires: 12

YTD Departures: 10

YTD Net Headcount Growth: 2

Job	Department	Anticipated Start date
Sr. Quality Engineer	Engineering/Product	March
Linux/Kernel Engineer	Engineering/Product	March
Sales Engineer – NY	Sales	March
Support Engineer – Tier 2	Operations	March
ON HOLD		
Regional Channel Manager - SouthEast	Sales	March
Director of Technical Services - EMEA	Sales	April
Director of Customer Operations	Operations	March
Sr. Software Engineer - Backend	Engineering/Product	February
Fullstack Engineer	Engineering/Product	March
Sr. Product Manager	Engineering/Product.	February
Senior Software Engineer – RUST	Engineering/Product	February
Director of Global Marketing Events	Marketing.	March
Graphic Designer	Marketing.	March.
Global Search Manager	Marketing	March
Enterprise Applications Analyst	Marketing.	February
HR Business Partner – Talent Mgmt	Human Resources	February

Termination Analysis



Management Discussion

- 5 Terminations in February, of which 2 are regrettable.

Monthly Operating Review Agenda

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

Summary P&L Through February 2020



\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Net Revenue	3,062	4,010	(948)	(23.6%)	2,013	1,049	52.1%		6,381	8,082	(1,700)	(21.0%)	4,536	1,846	40.7%	
ARR	12,045	12,842	(797)	(6.2%)	6,478	5,567	85.9%		12,045	12,842	(797)	(6.2%)	6,478	5,567	85.9%	
Material	760	1,140	(379)	(33.3%)	386	374	96.9%		1,583	2,264	(680)	(30.1%)	823	760	92.3%	
Labor	73	91	(18)	(19.8%)	47	26	55.8%		149	175	(26)	(14.9%)	100	49	49.3%	
Total COGS	833	1,231	(398)	(32.3%)	433	400	92.5%		1,732	2,439	(706)	(29.0%)	923	809	87.7%	
Gross Margin	2,229	2,779	(550)	(19.8%)	1,580	649	41.0%		4,649	5,643	(994)	(17.6%)	3,612	1,037	28.7%	
Gross Margin %	72.8%	69.3%			78.5%				72.9%	69.8%			79.6%			
R&D	805	894	(89)	(10.0%)	496	309	62.5%		1,628	1,786	(158)	(8.8%)	879	749	85.2%	
Sales & Marketing	1,243	1,666	(423)	(25.4%)	1,047	196	18.7%		2,340	3,123	(783)	(25.1%)	1,981	359	18.1%	
Administrative	807	805	2	0.2%	575	232	40.3%		1,568	1,632	(64)	(3.9%)	1,067	501	47.0%	
Total Opex	2,855	3,365	(510)	(15.2%)	2,118	738	34.8%		5,536	6,541	(1,005)	(15.4%)	3,927	1,609	41.0%	
Adj. EBITDA	(626)	(586)	(40)	6.8%	(537)	(89)	16.6%		(887)	(898)	11	(1.2%)	(314)	(573)	182.2%	
EBITDA Margin %	(20.5%)	(14.6%)			(26.7%)				(13.9%)	(11.1%)			(6.9%)			
GAAP EBITDA	(799)	(670)	(129)	19.2%	(639)	(159)	25.0%		(1,165)	(1,065)	(101)	9.5%	(506)	(660)	130.4%	
GAAP EBITDA % sales	(26.1%)	(16.7%)			(31.7%)				(18.3%)	(13.2%)			(11.2%)			
Net Income (Loss)	\$ (1,102)	\$ (1,043)	\$ (59)	5.6%	\$ (998)	\$ (104)	10.4%		\$ (1,906)	\$ (1,868)	\$ (39)	2.1%	\$ (1,230)	\$ (676)	54.9%	
Capex	\$ (42)	\$ (52)	\$ 10	(19.9%)	\$ (18)	\$ (23)	127.9%		\$ (46)	\$ (103)	\$ 57	(55.0%)	\$ (136)	\$ 90	(66.1%)	

Management Discussion

- MTD invoiced sales were \$3.3m compared to plan of \$4.5m and include Solstice subscription sales of \$874k compared to plan of \$966k. Bookings for the month were \$3.0m, and there was backlog of \$175k at month end. YTD invoiced sales were \$7.3m compared to plan of \$9.1m and include Solstice subscription sales of \$2.4m compared to plan of \$2.0m. YTD Bookings were \$7.4m.
- MTD invoiced sales mix by region: Americas 76% actual vs 76% target, EMEA 20% actual vs 18% target, APAC 4% actual vs 5% target. YTD invoiced sales mix by region: Americas 80% actual vs 76% target, EMEA 14% actual vs 18% target, APAC 6% actual vs 5% target.
- MTD revenue of \$3.1m includes approximately \$2.0m of pod revenue and \$1.0m of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$2.0m is lower than budget of \$2.9m for the month because of lower than expected pod unit sales in all regions. YTD revenue was \$6.4m compared to 8.1m.
- ARR is lower than expected primarily due to lower than budgeted pod unit sales impact on free year subscription. Pod unit sales excluding upgrades/swaps are appr. 56% of plan YTD.
- Units shipped for the month were 3,087 vs budget of 4,515 and overall invoiced ASP was \$770 vs the budget of \$770 including Gen 3 upgrades. Americas ASP was \$801 vs budget of \$828, EMEA at \$700 ASP vs \$624 budgeted and APAC at \$676 invoiced ASP vs \$621 budgeted. Without hardware upgrades included, ASP increases to \$836 per unit. YTD ASP was \$706 vs budget of \$770.
- Invoiced renewal subscription MTD were 2,494 units compared to plan of 3,011 resulting in invoiced sales of \$504k compared to budget of \$590k. Renewal attached rate was 50% compared to a budgeted attach rate of 55%.
- Invoiced upfront subscription MTD were 1,208 pods compared to target of 1,444 resulting in invoiced sales of \$370k compared to budget of \$376k. Upfront attached rate was 39% compared to a budgeted attach rate of 32%.
- MTD GP \$ was below plan primarily due to less than expected Solstice sales. MTD GP % was above plan due to less than expected invoiced sales for WeWork, as well as higher than expected mix of subscription revenue.
- MTD R&D OpEx variance is primarily due to being under budget on hiring plan and contractors.
- MTD S&M OpEx under budget due primarily to lower than expected commission expense, marketing spend especially in creative and trade show, and sales T&E spend. We are also behind on plan for hiring in S&M.
- MTD G&A OpEx variance is consistent with budget.
- Invoiced EBITDA for February was \$(363k) compared to budget of \$(102k). YTD invoiced EBITDA is \$71K compared to plan of \$154K. YTD adjusted EBITDA is consistent with plan at \$(878K). Based on our March outlook, we are anticipating both invoiced EBITDA and adjusted EBITDA to be significantly behind plan. As a result, we are currently in the process of re-evaluating our operating plan for remainder of 2020.

Balance Sheet

\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance
	Act	Act	Act	Act	Act	Bud	\$
Current Assets							
Cash and cash equivalents	\$ 7,647	\$ 7,269	\$ 7,647	\$ 7,716	\$ 7,471	\$ 3,503	\$ 3,968
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	7,969	8,149	7,969	7,392	6,249	6,891	(643)
Accounts receivable, reserves	(102)	(162)	(102)	(107)	(154)	(88)	(65)
Accounts receivable, net	7,867	7,987	7,867	7,285	6,095	6,803	(708)
Inventory, net	3,932	3,664	3,932	4,646	5,353	3,516	1,838
Prepaid expenses and other current assets	2,438	3,563	2,438	2,622	2,408	3,263	(855)
Total Current Assets	21,883	22,483	21,883	22,270	21,328	17,085	4,243
Non-Current Assets							
Property, plant & equipment, gross	2,067	1,650	2,067	2,071	\$ 214	\$ (641)	\$ (855)
Accumulated depreciation	(478)	(412)	(478)	(517)	2,113	2,170	(58)
Property, plant & equipment, net	1,588	1,238	1,588	1,554	(556)	(485)	(71)
Goodwill	25,485	25,578	25,485	25,217	1,557	1,686	(129)
Identifiable intangible assets, net	2,010	2,231	2,010	1,953	24,950	25,448	(498)
Deferred tax asset	3,462	4,480	3,462	3,462	1,896	1,955	(59)
Other non-current assets	1,056	935	1,056	1,083	3,462	3,431	31
Total Non-Current Assets	33,600	34,462	33,600	33,269	32,957	33,575	(618)
Total Assets	\$ 55,484	\$ 56,946	\$ 55,484	\$ 55,539	\$ 54,285	\$ 50,660	\$ 3,625
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	—	3,500
Accounts payable	2,275	2,789	2,275	2,569	2,101	2,195	(94)
Accrued liabilities	275	252	275	279	266	301	(35)
Accrued compensation	2,238	2,060	2,238	1,916	2,085	711	1,375
Income taxes payable	—	938	—	73	—	31	(31)
Other current liabilities	187	357	187	344	354	340	14
Total Current Liabilities	8,475	9,896	8,475	8,681	8,307	3,578	4,728
Long-term liabilities							
Long-term debt less current maturities	—	—	—	—	—	3,500	(3,500)
Long-term unearned revenue	15,724	14,431	15,724	16,387	16,616	16,507	108
Deferred liabilities	267	241	267	257	251	248	2
Total Long-Term Liabilities	15,991	14,672	15,991	16,644	16,866	20,256	(3,390)
Total Liabilities	24,465	24,568	24,465	25,325	25,173	23,834	1,339
Shareholders' Equity							
Total Shareholders' Equity	31,018	32,377	31,018	30,214	29,112	26,826	2,286
Total Liabilities and Shareholders' Equity	\$ 55,484	\$ 56,946	\$ 55,484	\$ 55,539	\$ 54,285	\$ 50,660	\$ 3,625

Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February and MIPs being paid in March vs budget in February.
- AR is lower than plan due to lower than budgeted invoiced sales, and decrease MoM is due to lower invoiced sales in February compared to January.
- Inventory is above plan due to lower than planned Solstice sales and higher than planned inventory additions at 4,850 units vs plan of 2,280 units.
- Prepaid and OCA balances are lower than plan as we applied a \$600K pre-paid inventory deposits to outstanding invoices from Smart Technologies.
- AP variance to plan is largely consistent with plan. The variance month to month is due to timing of invoices from our supplier.
- Accrued Compensation is higher than plan due primarily to accrued MIPs being paid in March vs budget in February and accrued PTO balances were trued up as part of year end closing process after we locked down the forecast model.
- Deferred revenue is slightly above plan primarily due to strong invoice Solstice Subscription sales exceeding plan.
- Notes payable to SVB is forecasted as a LT liability in February as we expected the refinancing with SVB to be completed in February.
- Equity was higher than plan as we forecasted a \$3.0m dividend in February.

Cash Flow Statement

	MTD			Var	PY-MTD		Var	YTD			Var	PY YTD		Var
	Act	Bud	\$		Act	\$		Act	Bud	\$		Act	\$	
\$'000														
Cash flow from operations														
Net Income (Loss)	\$ (1,102)	\$ (1,042)	\$ (60)		\$ (998)	\$ (104)		\$ (1,906)	\$ (1,865)	\$ (41)		\$ (1,230)	\$ (676)	
Depreciation, amortization and other	363	337	26		344	19		726	655	71		634	92	
Deferred income tax	—	—	—		—	—		—	—	—		—	—	
Change in operating assets and liabilities:														
Accounts receivable	1,190	219	971		556	634		1,772	1,064	708		1,157	615	
Inventory	(707)	447	(1,154)		(646)	(61)		(1,422)	416	(1,838)		(878)	(543)	
Prepaid expenses and other current assets	204	(72)	276		182	22		(7)	(679)	672		(917)	910	
Accounts payable	(538)	38	(576)		343	(880)		(203)	(80)	(123)		1,366	(1,569)	
Accrued expenses	226	(823)	1,049		(887)	1,113		(133)	(1,501)	1,368		(846)	714	
Accrued income taxes	(73)	(13)	(60)		—	(73)		(2)	29	(30)		(0)	(1)	
Other changes in operating assets and liabilities	223	498	(276)		316	(93)		876	765	110		520	355	
Other cash flow from operations	10	(3)	13		64	(54)		169	155	14		263	(94)	
Total Cash Flow from Operations	\$ (203)	\$ (413)	\$ 210		\$ (725)	\$ 523		\$ (129)	\$ (1,041)	\$ 912		\$ 68	\$ (197)	
Cash flow from investing														
Additions to property, plant and equipment	\$ (42)	\$ (52)	\$ 10		\$ (18)	\$ (23)		\$ (46)	\$ (103)	\$ 57		\$ (136)	\$ 90	
Investment in intangibles	—	—	—		(20)	20		—	—	—		(24)	24	
Total Cash Flow from Investing	\$ (42)	\$ (52)	\$ 10		\$ (38)	\$ (4)		\$ (46)	\$ (103)	\$ 57		\$ (160)	\$ 114	
Cash flow from financing														
Common stock cash dividends paid	—	—	—		—	—		—	(3,000)	3,000		—	—	
Other cash flow from financing costs	0	—	0		2	(2)		0	0	(0)		0	0	
Total Cash Flow from Financing	\$ 0	\$ —	\$ 0		\$ 2	\$ (2)		\$ 0	\$ (3,000)	\$ 3,000		\$ 0	\$ 0	
	\$ —	\$ —	\$ —		\$ —	\$ —		\$ —	\$ —	\$ —		\$ —	\$ —	
Net change in cash	\$ (245)	(465)	\$ 220		\$ (761)	\$ 516		\$ (175)	\$ (4,144)	\$ 3,968		\$ (92)	\$ (84)	
Beginning cash	7,716	3,968	3,748		6,422	1,294		7,647	7,647	(0)		5,752	1,894	
Change in cash	(245)	(465)	220		(761)	516		(175)	(4,144)	3,968		(92)	(84)	
Ending cash	\$ 7,471	\$ 3,503	\$ 3,968		\$ 5,661	\$ 1,811		\$ 7,471	\$ 3,503	\$ 3,968		\$ 5,661	\$ 1,811	

Management Discussion

- Cash is higher than plan as we forecasted a \$3M distribution in February and MIPs being paid in March vs budget in February.
- Cash flow from operations exceeded plan due to AR as invoiced sales were below plan and prepaids and OCA decreasing more than plan and accrued expenses increasing more than plan, offset by inventory increasing more than plan and AP decreasing more than plan.
- Cash flow used in investing is below plan as Capex was lower than planned.
- YTD Cash flow used in financing is below plan as we forecasted Cash dividend in February that is anticipated to be completed in March.

Board of Directors Meeting Agenda

➔ Executive Summary

➔ Financial Review

➔ **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

2019 Year End Auditors

- Deloitte

Anonymous Hotline

- Navex implementation complete; hotline is now live

Internal Control & Authority Matrix

- Adopted effective 2/27/18

Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	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 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	\$ 2,994	\$ 3,229	\$ (235)	\$ –	\$ (235)	\$ –	\$ –		\$ (235)	\$ –	\$ –
Benefits	364	428	(64)	\$ –	\$ (64)	–	–		(64)	–	–
Bonus	260	235	26	\$ –	\$ 26	–	–		26	–	–
Commissions	248	556	(307)	–	(307)	–	–		(307)	–	–
Marketing	338	585	(247)	–	(247)	–	–		(247)	–	–
Travel and Entertainment	294	435	(141)	–	(141)	–	–		(141)	–	–
Rent and Facilities	280	292	(12)	–	(12)	–	–		(12)	–	–
Insurance	–	–	–	–	–	–	–		–	–	–
Professional Fees	268	359	(90)	–	(90)	–	–		(90)	–	–
Utl., Repair, Maint., & Sec.	12	30	(18)	–	(18)	–	–		(18)	–	–
Office Expense	50	17	34	–	34	–	–		34	–	–
IT	293	296	(3)	–	(3)	–	–		(3)	–	–
Other Expenses	135	80	55	–	55	–	–		55	–	–
Total Opex	\$ 5,536	\$ 6,541	\$ (1,005)	\$ –	\$ (1,005)	\$ –	\$ –		\$ (1,005)	\$ –	\$ –

Management Discussion

- Payroll is under budget due to being behind plan. Budgeted employee headcount was 174 versus actual of 158 as of Feb-2020.
- Commissions are under budget due to lower than expected sales.
- Marketing is primarily under budget due to lower than expected spend in creative, advertising, product, and trade show.
- T&E is under budget primarily due to less than expected travel for outside sales, trade show, executive, and R&D.
- Professional Fees are under budget due to lower than expected software development contractors and consulting hours related to systems improvements, IT and marketing.
- Other is over budget due to higher than expected bad debt and unbudgeted sales tax expense.

Operating Expenses Summary

\$'000

Opex Overview:

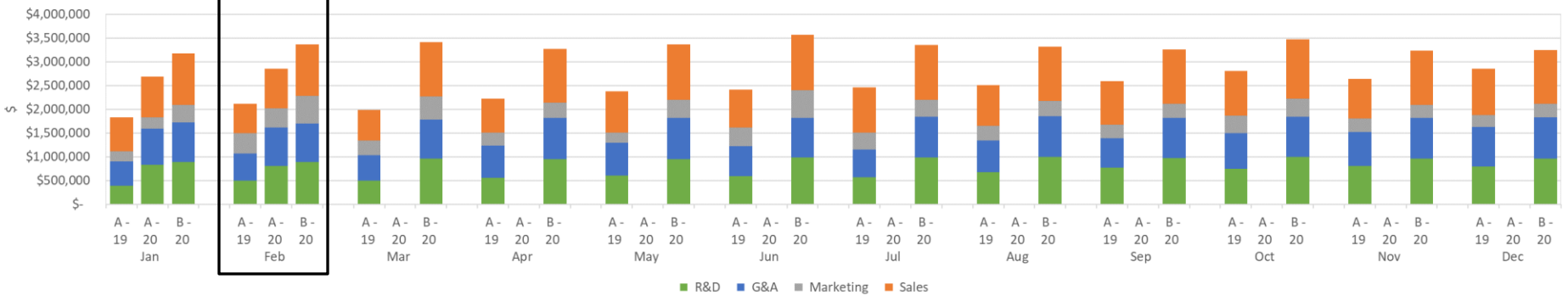
\$'000	MTD				Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance		
	Act	Bud	\$	%			Act	\$	%	Act	Bud	\$	%	Act	\$	%	
Opex Overview:																	
Payroll	\$ 1,509	\$ 1,598	\$ (89)	(5.6%)			\$ 1,003	\$ 506	50.4%		\$ 2,994	\$ 3,229	\$ (235)	(7.3%)	\$ 1,999	\$ 994	49.7%
Benefits	159	216	(57)	(26.3%)			177	(18)	(10.0%)		364	428	(64)	(15.1%)	301	62	20.6%
Bonus	124	118	6	5.1%			124	0	0.2%		260	235	26	10.9%	238	22	9.2%
Commissions	111	281	(170)	(60.4%)			100	11	10.7%		248	556	(307)	(55.3%)	211	37	17.4%
Marketing	236	380	(144)	(37.8%)			236	0	0.0%		338	585	(247)	(42.2%)	318	20	6.1%
Travel and Entertainment	186	242	(57)	(23.4%)			141	45	32.0%		294	435	(141)	(32.4%)	218	76	35.1%
Rent and Facilities	140	146	(6)	(4.3%)			104	35	34.1%		280	292	(12)	(4.1%)	217	63	29.1%
Insurance	–	–	–	N/A			–	–	N/A		–	–	–	N/A	–	–	N/A
Professional Fees	144	183	(39)	(21.5%)			94	50	52.6%		268	359	(90)	(25.2%)	135	134	99.5%
Utl., Repair, Maint., & Sec.	(15)	15	(30)	(198.1%)			41	(56)	(136.0%)		12	30	(18)	(60.7%)	58	(46)	(79.5%)
Office Expenses	21	8	12	146.5%			(7)	27	(418.5%)		50	17	34	200.2%	5	46	956.4%
IT	159	149	11	7.2%			96	63	66.0%		293	296	(3)	(1.0%)	209	84	40.3%
Other Expenses	81	29	52	176.4%			8	73	909.2%		135	80	55	68.2%	18	117	655.7%
Total Opex	\$ 2,855	\$ 3,365	\$ (510)	(15.2%)			\$ 2,118	\$ 738	34.8%		\$ 5,536	\$ 6,541	\$ (1,005)	(15.4%)	\$ 3,927	\$ 1,609	41.0%

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary

OPEX by Department



Management Discussion

- Graph shows departmental spend comparatives for '19 actual, '20 actual and '20 budget.

AR and AP Aging Detail

\$'000

AR Aging				
Days	Dec-19	Jan-20	Feb-20	
0-30	\$ 7,317	\$ 6,544	\$ 5,198	
30-60	302	465	821	
60-90	175	117	89	
>90	175	266	140	
Total Gross AR	\$ 7,969	\$ 7,392	\$ 6,249	
Reserves	(102)	(107)	(154)	
Total Net AR	\$ 7,867	\$ 7,285	\$ 6,095	

AP Aging				
Days	Dec-19	Jan-20	Feb-20	
0-30	\$ 2,154	\$ 2,386	\$ 1,994	
30-60	6	92	34	
60-90	24	6	0	
>90	91	85	73	
Total	\$ 2,275	\$ 2,569	\$ 2,101	

Management Discussion

- AR decreased due to lower than expected sales in February. The largest customer balance in the >60 bucket is Equipbureau (35K). The three largest in the >90 bucket are Genesis Integration (85K) (5k Payment in March), Video Corporation of America (31K), and Matrix Technology Group (24K).
- AP decreased overall due to timing of payments for 401k contribution, royalties, and prepayments of software. The greater than 90 buckets increased due to final bills for HQ furniture should be paid in March.



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