



# Monthly Operating Review—February 2020

February 18<sup>th</sup>, 2020

# February 2020 Operating Review Meeting Agenda

## ④ **Consolidated**

Executive Summary

Financial Review

Full Year Financial Outlook

## ④ S&G

## ④ Consolidated Delaney

## ④ Delaney

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# Consolidated Executive Summary | Overview

**February revenues of \$8.0M**, favorable to AOP (Budget) \$0.3M/3%, unfavorable to Prior Year(PY) (\$0.2M)/(2%)

- Met performance at S&G
- Favorable performance at Delaney \$0.2M/5%
- Favorable performance at Premier \$0.1M/2%

**YTD revenues of \$17.1M**, favorable to AOP \$0.7M/4% (Budget), favorable to Prior Year(PY) \$1.0M/6%

- Favorable performance at S&G \$0.2M/3%
- Favorable performance at Delaney \$0.2M/3%
- Favorable performance at Premier \$0.3M/10%

## Hits

- S&G
  - Backlog favorable \$1.2M compared to prior year
  - Arya 2020 distribution agreement executed 2/29/2020
- Delaney
  - YTD bookings favorable to AOP
  - Hired E-Commerce & Digital Marketing Manager (started 3/2/20)
  - Hired Lead Generation Manager & Senior Graphic Designer (begins 4/13/20)
- Premier
  - YTD bookings favorable to AOP
  - Raw inventory and supplies have not been impacted as of yet, and a plan is in place to ensure the able to operate without excessive burden on reserves. Low pricing has been locked in for steel through June and has been broadened for supply blending of foreign and domestic sources which further buttresses our raw availability and pricing position.

## Misses

- S&G
  - Coronavirus outbreak has potential future impact on supply chain and customer demand.
    - Timing for the tariff mitigation plan to redirect offshore manufacturing locations in Q3 could be delayed. Potential impact of approximately \$20,000 per month beginning in July.
  - Arya blanket order presented without dated releases - \$2.5M TBD, March shipment unlikely
- Delaney
  - The impact of the Coronavirus on our supply chain has been low, factories are back to work, containers are shipping, inventory levels are good.
  - Multi-family Smartlock launch schedule is delayed to late Q4
- Premier
  - Operator error on primary frame production roll former bent multiple shafts and broke several rolls. Temporary solution instituted.....Lost production time 16 hours. Cost for permanent repairs \$22-25k
  - OSHA re-inspection probable later in the year. Work underway to complete guarding/safeguards for remaining small presses. Estimated costs for laser curtains and appropriate guarding is \$25k.

# Consolidated Executive Summary | COVID-19 Response

Mitigate impact of the pandemic and market uncertainty.

Week 1	Week 2	1 Month	Goals
		Determination of pandemic impact and short and long-term adjustments	Employee Safety
All non-critical travel has been cancelled along with vendor visits.	Alignment of inventory, capacity, and operational needs	Mitigate financial impact	
Daily revenue reviews and labor balance.	Identification of core workforce identified and reserved	Maintain or improve position with customers through service and support	
Eliminate non revenue generating overtime.	Telecommute plan prepared to execute as required	Near-term plan determination for economic situation (1-2 years out)	Retain core employees
Human capital risk mitigation and occurrence planning under development and review.			Be positioned to exploit market ramp

# Consolidated Executive Summary | COVID-19 Response

**Cash flow improvements from Opex and Capex compared to AOP \$3,092k**

## **Opex Reductions Compared to AOP \$1,589k 7.5% budget cut**

Engineering - \$187k all business units	
S&G – 15% budget cut	\$187k

Marketing - \$286k all business units	
S&G – 12% budget cut	\$ 97k
Delaney	\$ 155k
Premier	\$ 34k

Recruiting Freeze - \$678k all business units	
S&G	\$ 338k
Delaney	\$ 340k
Premier	\$ 0k

Wage Freeze - \$180k all business units	
S&G	\$ 128k
S&G Equity Adj	(\$ 10k)
Delaney	\$ 62k
Premier	\$ 0k

Additional Opex - \$258k all business units – not including S&G	
Delaney T&E	\$ 150k
Delaney Sales Meeting	\$ 40k
Delaney Professional Fees	\$ 50k
Premier T&E	\$ 18k

## **Capex Curtailments Compared to AOP \$1,503k 61.2% budget cut**

S&G	\$1,075k
Delaney	\$ 0k
Premier	\$ 428k

# Consolidated Executive Summary | COVID-19 Response

## Cash Sensitivity - without working capital timing and interest on revolver

	AOP (\$000's)	FCST Act + AOP w/ tasks	FCST 10% w/ tasks	FCST 20% w/ tasks	FCST 30% w/ tasks	FCST 40% w/ tasks	FCST 50% w/ tasks
<b>Net Revenue</b>	\$104,066	\$104,777	\$96,828	\$88,878	\$80,928	\$72,978	\$65,029
<b>Gross Margin</b>	\$42,653	\$42,857	\$39,350	\$34,706	\$30,062	\$25,418	\$20,774
<b>GM%</b>	41.0%	40.9%	40.6%	39.0%	37.1%	34.8%	31.9%
<b>Opex</b>	\$21,186	\$19,098	\$18,448	\$18,155	\$17,862	\$17,570	\$17,277
<b>Opex %</b>	20.4%	18.2%	19.1%	20.4%	22.1%	24.1%	26.6%
<b>EBITDA</b>	\$21,467	\$23,759	\$20,903	\$16,551	\$12,200	\$7,848	\$3,497
<b>EBITDA %</b>	20.6%	22.7%	21.6%	18.6%	15.1%	10.8%	5.4%
<b>Capex</b>	\$2,450	\$947	\$947	\$947	\$947	\$947	\$947
<b>Cash Y-E</b>	<b>\$10,800</b>	<b>\$24,595</b>	<b>\$21,739</b>	<b>\$17,387</b>	<b>\$13,036</b>	<b>\$8,684</b>	<b>\$4,333</b>
<b>Covenants</b>	Yes	Yes					
<b>Change in Cash from AOP</b>	\$ 13,795	\$ 10,939	\$ 6,587	\$ 2,236	\$ (2,116)	\$ (6,467)	

Tasks include expense reductions in Opex and Capex; scale down operating costs by company variable rates; and draw full revolver of \$10MM

Revenue change for March - December

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# Consolidated Financial Review | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance		Management Discussion
	Act	Bud	\$	%	Act	\$	%		
<b>Net Revenue</b>	<b>8,023</b>	<b>7,772</b>	<b>252</b>	<b>3.2%</b>	<b>8,184</b>	<b>(161)</b>	<b>(2.0%)</b>		<b>Budget</b>
Material	3,485	3,326	159	4.8%	3,459	26	0.7%		
Labor	939	954	(15)	(1.6%)	927	12	1.3%		
Other COGS	491	423	68	16.0%	469	22	4.7%		
<b>Total COGS</b>	<b>4,915</b>	<b>4,703</b>	<b>212</b>	<b>4.5%</b>	<b>4,855</b>	<b>60</b>	<b>1.2%</b>		
<b>Gross Margin</b>	<b>3,109</b>	<b>3,069</b>	<b>40</b>	<b>1.3%</b>	<b>3,329</b>	<b>(221)</b>	<b>(6.6%)</b>		
<i>Gross Margin %</i>	38.7%	39.5%			40.7%				
R&D	201	268	(67)	(24.8%)	112	89	79.7%		
Sales & Marketing	709	966	(256)	(26.5%)	664	45	6.8%		<b>PY</b>
Administrative	879	778	102	13.1%	806	73	9.1%		
Other Opex	—	—	—	N/A	—	—	N/A		
<b>Total Opex</b>	<b>1,790</b>	<b>2,011</b>	<b>(221)</b>	<b>(11.0%)</b>	<b>1,583</b>	<b>207</b>	<b>13.1%</b>		
<b>EBITDA</b>	<b>1,318</b>	<b>1,057</b>	<b>261</b>	<b>24.7%</b>	<b>1,747</b>	<b>(428)</b>	<b>(24.5%)</b>		
<i>EBITDA %</i>	16.4%	13.6%			21.3%				
<b>Adj. EBITDA</b>	<b>1,561</b>	<b>1,538</b>	<b>23</b>	<b>1.5%</b>	<b>1,747</b>	<b>(186)</b>	<b>(10.6%)</b>		
<i>Adj. EBITDA %</i>	19.5%	19.8%			21.3%				
<b>Net Income (Loss)</b>	<b>\$ (98)</b>	<b>\$ (170)</b>	<b>\$ 71</b>	<b>(42.0%)</b>	<b>\$ 1,195</b>	<b>\$ (1,293)</b>	<b>(108.2%)</b>		
Unincurred Standalone Costs	30	10	21	216.5%					
<b>PF Adj EBITDA</b>	<b>\$ 1,530</b>	<b>\$ 1,528</b>	<b>\$ 2</b>	<b>0.1%</b>					
<i>PF Adj. EBITDA %</i>	19.1%	19.7%							

# Consolidated Financial Review | Summary P&L - YTD

\$'000	YTD		Var		PY YTD		Variance		Management Discussion
	Act	Bud	\$	%	Act	\$	%		
<b>Net Revenue</b>	<b>17,112</b>	<b>16,401</b>	<b>711</b>	<b>4.3%</b>	<b>16,122</b>	<b>990</b>	<b>6.1%</b>		<b>Budget</b>
Material	7,460	6,977	483	6.9%	6,858	601	8.8%		
Labor	2,018	2,046	(28)	(1.4%)	1,958	60	3.1%		
Other COGS	926	874	53	6.0%	878	48	5.5%		
<b>Total COGS</b>	<b>10,404</b>	<b>9,897</b>	<b>507</b>	<b>5.1%</b>	<b>9,694</b>	<b>710</b>	<b>7.3%</b>		
<b>Gross Margin</b>	<b>6,708</b>	<b>6,504</b>	<b>204</b>	<b>3.1%</b>	<b>6,428</b>	<b>280</b>	<b>4.4%</b>		
<i>Gross Margin %</i>	39.2%	39.7%			39.9%				
R&D	414	549	(135)	(24.6%)	246	168	68.5%		
Sales & Marketing	1,623	2,022	(399)	(19.7%)	1,405	218	15.5%		
Administrative	1,698	1,665	33	2.0%	1,648	50	3.1%		<b>PY</b>
Other Opex	–	–	–	N/A	–	–	N/A		
<b>Total Opex</b>	<b>3,735</b>	<b>4,236</b>	<b>(501)</b>	<b>(11.8%)</b>	<b>3,298</b>	<b>437</b>	<b>13.2%</b>		
<b>EBITDA</b>	<b>2,973</b>	<b>2,268</b>	<b>705</b>	<b>31.1%</b>	<b>3,129</b>	<b>(157)</b>	<b>(5.0%)</b>		
<i>EBITDA %</i>	17.4%	13.8%			19.4%				
<b>Adj. EBITDA</b>	<b>3,459</b>	<b>3,093</b>	<b>366</b>	<b>11.8%</b>	<b>3,129</b>	<b>330</b>	<b>10.5%</b>		
<i>Adj. EBITDA %</i>	20.2%	18.9%			19.4%				
<b>Net Income (Loss)</b>	<b>\$ 210</b>	<b>\$ (416)</b>	<b>\$ 626</b>	<b>(150.4%)</b>	<b>\$ 2,000</b>	<b>\$ (1,791)</b>	<b>(89.5%)</b>		
Unincurred Standalone Costs	60	20	40	200.0%					<b>PY</b>
<b>PF Adj EBITDA</b>	<b>\$ 3,399</b>	<b>\$ 3,073</b>	<b>\$ 326</b>	<b>10.6%</b>					
<i>PF Adj. EBITDA %</i>	19.9%	18.7%							

# Consolidated Financial Review | CoGS by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Material</b>								
Material costs at standard	\$ 3,352	\$ 3,303	\$ 50	1.5%	\$ 7,217	\$ 6,926	\$ 290	4.2%
Materials FX loss / (gain)	0	–	0	N/A	0	–	0	N/A
Purchase price variance	(13)	(73)	60	(81.7%)	(51)	(142)	91	(63.9%)
Freight in	93	70	22	31.9%	172	141	31	22.4%
Cost revision	17	25	(8)	(33.6%)	32	50	(18)	(36.8%)
Scrap costs	34	(6)	40	(641.7%)	38	(15)	52	(355.0%)
Consumables	3	7	(5)	(63.1%)	52	17	36	215.5%
<b>Total Material COGS</b>	<b>\$ 3,485</b>	<b>\$ 3,326</b>	<b>\$ 159</b>	<b>4.8%</b>	<b>\$ 7,460</b>	<b>\$ 6,977</b>	<b>\$ 483</b>	<b>6.9%</b>
<b>Labor</b>								
Direct labor	\$ 421	\$ 409	\$ 12	3.0%	\$ 907	\$ 885	\$ 22	2.5%
Direct labor - bonus	4	–	4	N/A	8	–	8	N/A
Direct labor - overtime	43	56	(12)	(22.0%)	101	127	(25)	(19.9%)
Direct labor - benefits	75	116	(41)	(35.7%)	150	243	(93)	(38.4%)
Indirect labor	293	238	55	23.1%	636	512	123	24.1%
Indirect labor – bonus	6	–	6	N/A	13	–	13	N/A
Indirect labor - overtime	11	11	(0)	(3.7%)	20	22	(2)	(9.0%)
Indirect labor – benefits	86	125	(39)	(31.1%)	184	257	(73)	(28.5%)
<b>Total Labor COGS</b>	<b>\$ 939</b>	<b>\$ 954</b>	<b>\$ (15)</b>	<b>(1.6%)</b>	<b>\$ 2,018</b>	<b>\$ 2,046</b>	<b>\$ (28)</b>	<b>(1.4%)</b>
<b>Other</b>								
Repairs and maintenance	\$ 37	\$ 28	\$ 9	31.9%	\$ 104	\$ 59	\$ 45	76.1%
Absorption	(197)	(157)	(40)	25.6%	(419)	(313)	(106)	33.8%
Freight out	99	104	(5)	(4.5%)	216	219	(3)	(1.3%)
Rent / facilities	225	167	58	35.0%	441	353	88	25.0%
Utilities	47	53	(6)	(10.9%)	95	107	(11)	(10.4%)
Other cost of sales	280	229	51	22.4%	490	450	40	8.8%
<b>Total Other COGS</b>	<b>\$ 491</b>	<b>\$ 423</b>	<b>\$ 68</b>	<b>16.0%</b>	<b>\$ 926</b>	<b>\$ 874</b>	<b>\$ 53</b>	<b>6.0%</b>
<b>Total COGS</b>	<b>\$ 4,915</b>	<b>\$ 4,703</b>	<b>\$ 212</b>	<b>19.2%</b>	<b>\$ 10,404</b>	<b>\$ 9,897</b>	<b>\$ 507</b>	<b>11.6%</b>

# Consolidated Financial Review | Balance Sheet

\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b>Current Assets</b>								
Cash and cash equivalents	\$ 2,585	\$ 3,708	\$ 2,585	\$ 1,777	\$ 2,718	\$ 1,098	\$ 1,620	147.5%
Accounts receivable, gross	10,675	13,320	10,675	12,292	13,268	6,215	7,053	113.5%
Accounts receivable, reserves	(234)	(226)	(234)	(237)	(240)	(124)	(116)	92.9%
Accounts receivable, net	10,441	13,094	10,441	12,055	13,028	12,126	902	7.4%
Inventory, gross	21,898	21,463	21,898	22,422	21,868	21,581	287	1.3%
Inventory, reserves	(2,029)	(2,131)	(2,029)	(2,720)	(2,283)	(2,591)	308	(11.9%)
Inventory, net	19,868	19,331	19,868	19,702	19,585	18,990	594	3.1%
Prepaid expenses and other current assets	213	569	213	187	155	204	(50)	(24.4%)
Other current assets	49,912	—	49,912	50,032	49,067	49,912	(846)	(1.7%)
<b>Total Current Assets</b>	<b>83,020</b>	<b>36,703</b>	<b>83,020</b>	<b>83,753</b>	<b>84,553</b>	<b>82,331</b>	<b>2,222</b>	<b>2.7%</b>
<b>Non-Current Assets</b>								
Property, plant & equipment, gross	14,326	14,142	14,326	14,380	14,451	14,629	(178)	(1.2%)
Accumulated depreciation	(1,779)	(1,601)	(1,779)	(1,920)	(2,059)	(2,123)	64	(3.0%)
Property, plant & equipment, net	12,548	12,541	12,548	12,460	12,392	12,506	(114)	(0.9%)
Goodwill	66,756	70,915	66,756	66,839	66,607	66,167	440	0.7%
Identifiable intangible assets, gross	15,100	15,100	15,100	15,100	15,100	15,100	—	0.0%
Accumulated amortization	(690)	(443)	(690)	(789)	(1,233)	(1,354)	121	(8.9%)
Identifiable intangible assets, net	14,410	14,657	14,410	14,311	13,867	13,746	121	0.9%
Deferred financing cost	2,759	1,646	2,759	2,759	2,759	2,705	54	2.0%
Deferred tax asset	644	644	644	644	644	672	(27)	(4.1%)
Other non-current assets	131	131	131	2	2	131	(129)	(98.2%)
<b>Total Non-Current Assets</b>	<b>97,248</b>	<b>100,534</b>	<b>97,248</b>	<b>97,016</b>	<b>96,271</b>	<b>95,927</b>	<b>344</b>	<b>0.4%</b>
<b>Total Assets</b>	<b>\$ 180,267</b>	<b>\$ 137,237</b>	<b>\$ 180,267</b>	<b>\$ 180,769</b>	<b>\$ 180,824</b>	<b>\$ 178,258</b>	<b>\$ 2,566</b>	<b>1.4%</b>
<b>Current Liabilities</b>								
Current portion of long-term debt	\$ 1,850	\$ 1,003	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	—	0.0%
Notes payable	—	—	—	1,250	1,250	—	1,250	N/A
Accounts payable	3,690	3,834	3,690	3,375	4,151	4,556	(405)	(8.9%)
Accrued liabilities	3,361	2,907	3,361	3,472	3,197	3,496	(299)	(8.6%)
Accrued compensation	81	35	81	(498)	(362)	570	(932)	(163.4%)
Income taxes payable	998	1,021	998	998	998	762	236	31.0%
Short-term unearned revenue	45	16	45	33	30	45	(15)	(33.7%)
Other current liabilities	—	—	—	—	—	—	—	N/A
<b>Total Current Liabilities</b>	<b>10,025</b>	<b>8,816</b>	<b>10,025</b>	<b>10,479</b>	<b>11,114</b>	<b>11,279</b>	<b>(165)</b>	<b>(1.5%)</b>
<b>Long-term liabilities</b>								
Long-term debt less current maturities	90,658	43,360	90,658	90,658	90,658	90,658	—	0.0%
Capital lease	71	74	71	67	64	—	64	N/A
Deferred income taxes	(1,081)	2,739	(1,081)	(1,081)	(1,081)	(831)	(250)	30.1%
Other non-current liabilities	36,470	36,720	36,470	36,867	35,867	34,106	1,761	5.2%
<b>Total Long-Term Liabilities</b>	<b>126,117</b>	<b>82,893</b>	<b>126,117</b>	<b>126,510</b>	<b>125,507</b>	<b>123,933</b>	<b>1,574</b>	<b>1.3%</b>
<b>Total Liabilities</b>	<b>136,143</b>	<b>91,709</b>	<b>136,143</b>	<b>136,990</b>	<b>136,621</b>	<b>135,212</b>	<b>1,409</b>	<b>1.0%</b>
<b>Shareholders' Equity</b>								
Common stock	29,631	29,631	29,631	29,631	29,631	40,228	(10,597)	(26.3%)
Retained earnings	2,526	3,960	2,526	2,293	2,718	1,447	1,271	87.8%
Accumulated other comprehensive income	1,370	1,339	1,370	1,258	1,256	1,370	(114)	(8.3%)
Other equity transactions	10,598	10,598	10,598	10,598	10,598	1	10,597	113,740.1%
<b>Total Shareholders' Equity</b>	<b>44,125</b>	<b>45,527</b>	<b>44,125</b>	<b>43,779</b>	<b>44,203</b>	<b>43,046</b>	<b>1,157</b>	<b>2.7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 180,267</b>	<b>\$ 137,237</b>	<b>\$ 180,267</b>	<b>\$ 180,769</b>	<b>\$ 180,824</b>	<b>\$ 178,258</b>	<b>\$ 2,566</b>	<b>1.4%</b>

# Consolidated Financial Review | Cash Flow Statement

\$'000	MTD		Variance		YTD		Variance	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ (98)	\$ (170)	\$ 71	(42.0%)	\$ 210	\$ (416)	\$ 626	(150.4%)
Depreciation, amortization and other	816	800	15	1.9%	973	1,597	(625)	(39.1%)
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(973)	(475)	(498)	104.9%	(2,587)	(1,684)	(902)	53.6%
Inventory	118	(289)	407	(140.7%)	283	878	(594)	(67.7%)
Prepaid expenses and other current assets	33	–	33	N/A	58	8	50	586.5%
Accounts payable	776	254	523	206.2%	461	866	(405)	(46.8%)
Accrued expenses	(275)	63	(338)	(533.0%)	(165)	134	(299)	(222.4%)
Accrued income taxes	0	–	0	N/A	(0)	(236)	236	(100.0%)
Other changes in operating assets and liabilities	95	(149)	243	(163.9%)	(94)	(1,722)	1,628	(94.6%)
Other cash flow from operations	–	–	–	N/A	–	–	–	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ 491</b>	<b>\$ 35</b>	<b>\$ 456</b>	<b>1289.6%</b>	<b>\$ (860)</b>	<b>\$ (575)</b>	<b>\$ (285)</b>	<b>49.6%</b>
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ (71)	\$ (271)	200	(73.7%)	\$ (125)	\$ (303)	178	(58.7%)
Investment in intangibles	–	–	–	N/A	–	–	–	N/A
<b>Total Cash Flow from Investing</b>	<b>\$ (71)</b>	<b>\$ (271)</b>	<b>\$ 200</b>	<b>(73.7%)</b>	<b>\$ (125)</b>	<b>\$ (303)</b>	<b>178</b>	<b>(58.7%)</b>
<b>Cash flow from financing</b>								
Proceeds from the issuance (repayment) of short-term d	\$ –	\$ –	–	N/A	\$ 1,250	\$ –	\$ 1,250	N/A
Common stock issued (repurchased)	–	–	–	N/A	–	10,597	(10,597)	(100.0%)
Other cash flow from financing costs	522	(0)	522	N/A	(131)	(11,260)	11,129	(98.8%)
<b>Total Cash Flow from Financing</b>	<b>\$ 522</b>	<b>\$ (0)</b>	<b>\$ 522</b>	<b>N/A</b>	<b>\$ 1,119</b>	<b>\$ (663)</b>	<b>\$ 1,782</b>	<b>(268.8%)</b>
	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>N/A</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>N/A</b>
<b>Net change in cash</b>	<b>\$ 942</b>	<b>\$ -235</b>	<b>\$ 1,177</b>	<b>(500.1%)</b>	<b>\$ 133</b>	<b>\$ (1,541)</b>	<b>\$ 1,674</b>	<b>(108.7%)</b>
Beginning cash	1,777	1,280	497	38.8%	2,585	2,585	–	0.0%
Change in cash	942	(235)	1,177	(500.1%)	133	(1,541)	1,674	(108.7%)
<b>Ending cash</b>	<b>\$ 2,718</b>	<b>\$ 1,044</b>	<b>\$ 1,674</b>	<b>160.3%</b>	<b>\$ 2,718</b>	<b>\$ 1,044</b>	<b>\$ 1,674</b>	<b>160.3%</b>

# Consolidated Financial Review | 13-Week Cash Flow Projection

In US\$	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20	Forecast 4/27	Forecast 5/4	Forecast 5/11	Forecast 5/18	Forecast 5/25	Forecast 6/1
<b>Cash Inflows - Operational</b>													
Collections from customers (Actual)	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections from customers based on projected aging (Forecast)	3,353	1,586	1,986	1,529	1,793	730	933	520	330	216	32	85	86
Collections from new forecasted sales	-	-	-	-	1,476	1,648	990	1,079	896	1,951	1,903	1,331	1,398
<b>Total AR Collections</b>	<b>3,353</b>	<b>1,586</b>	<b>1,986</b>	<b>1,529</b>	<b>3,269</b>	<b>2,378</b>	<b>1,923</b>	<b>1,600</b>	<b>1,227</b>	<b>2,168</b>	<b>1,935</b>	<b>1,416</b>	<b>1,485</b>
Other non-AR inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Inflows - Operational</b>	<b>3,353</b>	<b>1,586</b>	<b>1,986</b>	<b>1,529</b>	<b>3,269</b>	<b>2,378</b>	<b>1,923</b>	<b>1,600</b>	<b>1,227</b>	<b>2,168</b>	<b>1,935</b>	<b>1,416</b>	<b>1,485</b>
<b>Cash Outflows - Operational</b>													
Product inventory	(1,349)	(584)	(917)	(1,042)	(957)	(557)	(958)	(809)	(912)	(820)	(1,119)	(649)	(1,114)
Payroll	(588)	(485)	(230)	(330)	(413)	(485)	(230)	(330)	(413)	(485)	(230)	(330)	(413)
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities & other (Freight)	(122)	(140)	(290)	(110)	(77)	(115)	(340)	(110)	(77)	(115)	(340)	(70)	(110)
Professional services	(210)	-	(62)	-	-	-	-	-	-	-	-	-	-
Marketing	-	-	-	(75)	-	-	-	-	-	-	-	-	-
Recruiter fees	-	-	-	(25)	-	-	-	(25)	-	-	-	-	-
Other expenses (Insurance, TSA, CC)	-	(72)	(40)	(160)	-	(72)	(30)	(160)	-	(29)	(30)	(160)	-
<b>Total Cash Outflows - Operational</b>	<b>(2,269)</b>	<b>(1,281)</b>	<b>(1,539)</b>	<b>(1,742)</b>	<b>(1,447)</b>	<b>(1,229)</b>	<b>(1,558)</b>	<b>(1,434)</b>	<b>(1,402)</b>	<b>(1,449)</b>	<b>(1,719)</b>	<b>(1,209)</b>	<b>(1,637)</b>
<b>Cashflows - Financial and Other</b>													
Revolving Loan Draw (Paydown)	-	10,000	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Outflows - Financial and Other</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>(2,178)</b>	<b>(500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CASH FLOW</b>	<b>1,084</b>	<b>10,305</b>	<b>446</b>	<b>(2,392)</b>	<b>1,322</b>	<b>1,149</b>	<b>365</b>	<b>166</b>	<b>(175)</b>	<b>718</b>	<b>216</b>	<b>207</b>	<b>(153)</b>
<b>Cash Rollforward</b>													
Beginning cash balance	1,468	2,552	12,858	13,304	10,912	12,234	13,384	13,748	13,914	13,739	14,457	14,673	14,880
Cash activity	1,084	10,305	446	(2,392)	1,322	1,149	365	166	(175)	718	216	207	(153)
<b>ENDING CASH BALANCE</b>	<b>2,552</b>	<b>12,858</b>	<b>13,304</b>	<b>10,912</b>	<b>12,234</b>	<b>13,384</b>	<b>13,748</b>	<b>13,914</b>	<b>13,739</b>	<b>14,457</b>	<b>14,673</b>	<b>14,880</b>	<b>14,727</b>
<b>Debt Summary</b>													
Rolled debt	250	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Credit facility	92,508	92,508	92,508	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045
<b>TOTAL DEBT</b>	<b>92,758</b>	<b>102,508</b>	<b>102,508</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>
<b>TOTAL NET DEBT</b>	<b>90,206</b>	<b>89,650</b>	<b>89,204</b>	<b>91,133</b>	<b>89,811</b>	<b>88,661</b>	<b>88,297</b>	<b>88,131</b>	<b>88,306</b>	<b>87,588</b>	<b>87,372</b>	<b>87,165</b>	<b>87,318</b>
<b>AVAILABILITY</b>	<b>9,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Consolidated Financial Review | Covenant Analysis

## Fixed Charge Coverage Ratio

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Fixed Charges:												
Interest paid (net of interest received)	8,243	7,736	7,598	7,128	7,149	7,163	6,951	6,984	7,008	6,876	6,906	6,932
Plus:												
Principal payments with respect to all debt	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850
<b>Fixed Charges</b>	<b>10,093</b>	<b>9,587</b>	<b>9,448</b>	<b>8,978</b>	<b>8,999</b>	<b>9,014</b>	<b>8,801</b>	<b>8,834</b>	<b>8,858</b>	<b>8,726</b>	<b>8,756</b>	<b>8,782</b>
EBITDA for defined Period	22,358	22,172	21,812	22,015	22,044	21,077	21,295	21,363	21,939	22,053	22,356	23,381
Less:												
Unfinanced Capital Expenditures	1,133	1,159	1,422	1,580	1,620	1,849	1,949	2,396	2,393	2,307	2,583	2,425
Fees and expenses paid/incurred under the Management Agreement	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	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	200	200	328	441	577	453	619	841	938	1,289	1,397	1,592
<b>Operating Cash Flow</b>	<b>19,025</b>	<b>18,813</b>	<b>18,061</b>	<b>17,994</b>	<b>17,847</b>	<b>16,775</b>	<b>16,727</b>	<b>16,126</b>	<b>16,608</b>	<b>16,457</b>	<b>16,376</b>	<b>17,364</b>
Fixed Charge Coverage Ratio	1.88	1.96	1.91	2.00	1.98	1.86	1.90	1.83	1.87	1.89	1.87	1.98
Minimum Ratio	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
In Compliance	YES											
TTM Minimum Operating Cash Flow	11,102	10,545	10,393	9,876	9,899	9,915	9,681	9,717	9,744	9,599	9,632	9,660
TTM Operating Cash Flow Cushion	7,922	8,268	7,668	8,118	7,949	6,860	7,046	6,409	6,864	6,858	6,744	7,704

Amounts for January 2019 through October 2019 defined per credit agreement

# Consolidated Financial Review | Covenant Analysis

Total Debt to EBITDA

000's	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Total Debt:												
Revolver Balance	1,250	1,250	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Plus: Term Loan Balance	92,508	92,508	92,045	92,045	92,045	91,583	91,583	91,583	91,120	91,120	91,120	90,658
Plus: Other Debt	-	-	-	-	-	-	-	-	-	-	-	-
Less: Qualified Cash	1,777	2,718	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total Debt</b>	<b>91,981</b>	<b>91,040</b>	<b>97,045</b>	<b>97,045</b>	<b>97,045</b>	<b>96,583</b>	<b>96,583</b>	<b>96,583</b>	<b>96,120</b>	<b>96,120</b>	<b>96,120</b>	<b>95,658</b>
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	22,358	22,172	21,812	22,015	22,044	21,077	21,295	21,363	21,939	22,053	22,356	23,381
<b>TTM Adjusted EBITDA</b>	<b>22,358</b>	<b>22,172</b>	<b>21,812</b>	<b>22,015</b>	<b>22,044</b>	<b>21,077</b>	<b>21,295</b>	<b>21,363</b>	<b>21,939</b>	<b>22,053</b>	<b>22,356</b>	<b>23,381</b>
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.11	4.11	4.45	4.41	4.40	4.58	4.54	4.52	4.38	4.36	4.30	4.09
Maximum Permitted Total Debt to EBITDA Ratio for the Defined Period	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50
In Compliance	YES											
Minimum TTM EBITDA required	15,997	15,833	16,877	16,877	16,877	16,797	16,797	16,797	16,717	16,717	16,717	17,392
TTM EBITDA Cushion	6,361	6,339	4,934	5,138	5,167	4,280	4,498	4,498	4,566	5,223	5,337	5,640

Amounts for January 2019 through October 2019 defined per credit agreement

# February 2020 Operating Review Meeting Agenda

## ④ **Consolidated**

Executive Summary

Financial Review

Full Year Financial Outlook

④ S&G

④ Consolidated Delaney

④ Delaney

④ Premier

④ Governance Reporting

④ Appendix

# Consolidated Full Year Financial Outlook | Summary P&L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b>Net Revenue</b>	<b>104,777</b>	<b>104,066</b>	<b>711</b>	<b>0.7%</b>	<b>95,854</b>	<b>8,923</b>	<b>9.3%</b>	
Material	44,581	44,099	483	1.1%	41,505	3,076	7.4%	
Labor	12,179	12,207	(28)	(0.2%)	11,466	714	6.2%	
Other COGS	5,160	5,107	53	1.0%	4,928	231	4.7%	
<b>Total COGS</b>	<b>61,921</b>	<b>61,414</b>	<b>507</b>	<b>0.8%</b>	<b>57,900</b>	<b>4,021</b>	<b>6.9%</b>	
<b>Gross Margin</b>	<b>42,857</b>	<b>42,653</b>	<b>204</b>	<b>0.5%</b>	<b>37,955</b>	<b>4,902</b>	<b>12.9%</b>	
<i>Gross Margin %</i>	<i>40.9%</i>	<i>41.0%</i>			<i>39.6%</i>			
R&D	2,285	2,420	(135)	(5.6%)	1,495	790	52.8%	
Sales & Marketing	9,288	9,687	(399)	(4.1%)	7,774	1,514	19.5%	
Administrative	9,112	9,079	33	0.4%	13,894	(4,782)	(34.4%)	
Other Opex	–	–	–	N/A	–	–	N/A	
<b>Total Opex</b>	<b>20,686</b>	<b>21,186</b>	<b>(501)</b>	<b>(2.4%)</b>	<b>23,164</b>	<b>(2,478)</b>	<b>(10.7%)</b>	
<b>EBITDA</b>	<b>22,171</b>	<b>21,466</b>	<b>705</b>	<b>3.3%</b>	<b>14,791</b>	<b>7,380</b>	<b>49.9%</b>	
<i>EBITDA %</i>	<i>21.2%</i>	<i>20.6%</i>			<i>15.4%</i>			
<b>Adj. EBITDA</b>	<b>23,381</b>	<b>23,015</b>			<b>21,390</b>			
<i>Adj. EBITDA %</i>	<i>22.3%</i>	<i>22.1%</i>			<i>22.3%</i>			
<b>Net Income (Loss)</b>	<b>\$ 6,224</b>	<b>\$ 5,599</b>	<b>\$ 626</b>	<b>11.2%</b>	<b>\$ 2,845</b>	<b>\$ 3,379</b>	<b>118.8%</b>	

# Consolidated Full Year Financial Outlook | Balance Sheet

\$'000	Periodic Forecast												FY	FY	Var	
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Fct	Bud	\$	%
<b>Current Assets</b>																
Cash and cash equivalents	\$ 1,777	\$ 2,718	\$ 606	\$ 404	\$ 632	\$ 804	\$ 575	\$ 1,731	\$ 1,371	\$ 740	\$ 843	\$ 843	\$ 2,585	\$ (1,742)	(67.4%)	
Accounts receivable, gross	12,292	13,268	6,451	6,627	6,697	6,808	6,837	7,071	7,217	7,261	6,930	7,164	10,675	(3,511)	(32.9%)	
Accounts receivable, reserves	(237)	(240)	(129)	(133)	(134)	(136)	(137)	(141)	(144)	(145)	(139)	(143)	(234)	90	(38.7%)	
Accounts receivable, net	12,055	13,028	12,357	12,706	12,544	12,554	12,979	13,359	13,301	13,437	13,344	13,274	10,441	2,833	27.1%	
Inventory, gross	22,422	21,868	21,887	22,089	21,906	21,823	22,116	22,222	22,026	22,261	22,196	22,089	21,898	192	0.9%	
Inventory, reserves	(2,720)	(2,283)	(2,611)	(2,631)	(2,636)	(2,651)	(2,672)	(2,682)	(2,691)	(2,709)	(2,718)	(2,590)	(2,029)	(560)	27.6%	
Inventory, net	19,702	19,585	19,276	19,458	19,270	19,172	19,444	19,540	19,335	19,552	19,478	19,499	19,499	19,868	(369)	(1.9%)
Prepaid expenses and other current assets	187	155	204	204	204	204	204	204	204	204	204	204	204	213	(8)	(4.0%)
Other current assets	50,032	49,067	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	—	0.0%
<b>Total Current Assets</b>	<b>83,753</b>	<b>84,553</b>	<b>82,356</b>	<b>82,685</b>	<b>82,562</b>	<b>82,647</b>	<b>83,114</b>	<b>83,594</b>	<b>84,484</b>	<b>84,477</b>	<b>83,679</b>	<b>83,733</b>	<b>83,020</b>	<b>714</b>	<b>0.9%</b>	
<b>Non-Current Assets</b>																
Property, plant & equipment, gross	14,380	14,451	14,784	15,092	15,210	15,595	15,772	16,274	16,326	16,353	16,725	16,752	14,326	2,425	16.9%	
Accumulated depreciation	(1,920)	(2,059)	(2,248)	(2,427)	(2,607)	(2,749)	(2,892)	(3,040)	(3,191)	(3,344)	(3,501)	(3,658)	(1,779)	(1,879)	105.7%	
Property, plant & equipment, net	12,460	12,392	12,537	12,665	12,602	12,845	12,880	13,234	13,135	13,009	13,224	13,094	12,548	546	4.4%	
Goodwill	66,839	66,607	66,167	65,872	65,578	65,283	64,989	64,694	64,400	64,105	63,810	63,516	66,756	(3,240)	(4.9%)	
Identifiable intangible assets, gross	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	—	0.0%	
Accumulated amortization	(789)	(1,233)	(1,686)	(2,018)	(2,350)	(2,682)	(3,014)	(3,346)	(3,678)	(4,010)	(4,342)	(4,674)	(4,674)	(690)	(3,984)	577.2%
Identifiable intangible assets, net	14,311	13,867	13,414	13,082	12,750	12,418	12,086	11,754	11,422	11,090	10,758	10,426	10,426	14,410	(3,984)	(27.6%)
Deferred financing cost	2,759	2,759	2,678	2,651	2,624	2,597	2,570	2,543	2,516	2,489	2,462	2,435	2,435	2,759	(324)	(11.7%)
Deferred tax asset	644	644	672	672	672	672	672	672	672	672	672	672	644	27	4.3%	
Other non-current assets	2	2	131	131	131	131	131	131	131	131	131	131	131	131	—	0.0%
<b>Total Non-Current Assets</b>	<b>97,016</b>	<b>96,271</b>	<b>95,598</b>	<b>95,073</b>	<b>94,357</b>	<b>93,946</b>	<b>93,328</b>	<b>93,028</b>	<b>92,275</b>	<b>91,496</b>	<b>91,057</b>	<b>90,273</b>	<b>90,273</b>	<b>97,248</b>	<b>(6,974)</b>	<b>(7.2%)</b>
<b>Total Assets</b>	<b>\$ 180,769</b>	<b>\$ 180,824</b>	<b>\$ 177,955</b>	<b>\$ 177,758</b>	<b>\$ 176,919</b>	<b>\$ 176,593</b>	<b>\$ 176,441</b>	<b>\$ 176,622</b>	<b>\$ 176,759</b>	<b>\$ 175,972</b>	<b>\$ 174,736</b>	<b>\$ 174,007</b>	<b>\$ 174,007</b>	<b>\$ 180,267</b>	<b>\$ (6,261)</b>	<b>(3.5%)</b>
<b>Current Liabilities</b>																
Current portion of long-term debt	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ (514)	(27.8%)	
Notes payable	1,250	1,250	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Accounts payable	3,375	4,151	5,042	5,289	4,970	5,465	5,256	5,239	5,788	5,925	5,760	5,646	5,646	3,690	1,956	53.0%
Accrued liabilities	3,472	3,197	3,496	3,107	3,179	3,253	3,337	3,417	3,495	3,573	3,657	3,727	3,727	3,361	366	10.9%
Accrued compensation	(498)	(362)	570	638	705	774	814	884	953	1,022	1,091	1,019	1,019	81	938	1163.4%
Income taxes payable	998	998	762	762	762	762	762	762	762	762	762	762	762	998	(236)	(23.7%)
Short-term unearned revenue	33	30	45	45	45	45	56	56	56	56	56	56	56	45	11	25.2%
Other current liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
<b>Total Current Liabilities</b>	<b>10,479</b>	<b>11,114</b>	<b>11,765</b>	<b>11,690</b>	<b>11,511</b>	<b>12,149</b>	<b>12,075</b>	<b>12,207</b>	<b>12,390</b>	<b>12,674</b>	<b>12,662</b>	<b>12,545</b>	<b>12,545</b>	<b>10,025</b>	<b>2,520</b>	<b>25.1%</b>
<b>Long-term liabilities</b>																
Long-term debt less current maturities	90,658	90,658	90,435	90,435	90,435	90,212	90,212	89,712	89,892	88,892	87,392	87,058	87,058	90,658	(3,600)	(4.0%)
Capital lease	67	64	—	—	—	—	—	—	—	—	—	—	—	71	(71)	(100.0%)
Deferred income taxes	(1,081)	(1,081)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(1,081)	250	(23.2%)
Other non-current liabilities	36,867	35,867	34,106	33,761	32,874	31,660	30,920	30,809	29,386	28,400	27,902	27,012	27,012	36,470	(9,458)	(25.9%)
<b>Total Long-Term Liabilities</b>	<b>126,510</b>	<b>125,507</b>	<b>123,710</b>	<b>123,365</b>	<b>122,478</b>	<b>121,041</b>	<b>120,301</b>	<b>119,690</b>	<b>118,448</b>	<b>116,461</b>	<b>114,463</b>	<b>113,239</b>	<b>113,239</b>	<b>126,117</b>	<b>(12,878)</b>	<b>(10.2%)</b>
<b>Total Liabilities</b>	<b>136,990</b>	<b>136,621</b>	<b>135,475</b>	<b>135,055</b>	<b>133,989</b>	<b>133,190</b>	<b>132,376</b>	<b>131,897</b>	<b>130,837</b>	<b>129,136</b>	<b>127,125</b>	<b>125,785</b>	<b>125,785</b>	<b>136,143</b>	<b>(10,358)</b>	<b>(7.6%)</b>
<b>Shareholders' Equity</b>																
Common stock	29,631	29,631	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	29,631	10,597	35.8%
Retained earnings	2,293	2,718	881	1,104	1,331	1,804	2,466	3,126	4,322	5,238	6,012	6,623	6,623	2,526	4,097	162.2%
Accumulated other comprehensive income	1,258	1,256	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	—	—	0.0%
Other equity transactions	10,598	10,598	1	1	1	1	1	1	1	1	1	1	1	10,598	(10,597)	(100.0%)
<b>Total Shareholders' Equity</b>	<b>43,779</b>	<b>44,203</b>	<b>42,479</b>	<b>42,703</b>	<b>42,930</b>	<b>43,403</b>	<b>44,065</b>	<b>44,725</b>	<b>45,921</b>	<b>46,837</b>	<b>47,610</b>	<b>48,222</b>	<b>48,222</b>	<b>44,125</b>	<b>4,097</b>	<b>9.3%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 180,769</b>	<b>\$ 180,824</b>	<b>\$ 177,955</b>	<b>\$ 177,758</b>	<b>\$ 176,919</b>	<b>\$ 176,593</b>	<b>\$ 176,441</b>	<b>\$ 176,622</b>	<b>\$ 176,758</b>	<b>\$ 175,972</b>	<b>\$ 174,736</b>	<b>\$ 174,006</b>	<b>\$ 174,006</b>	<b>\$ 180,267</b>	<b>\$ (1,626)</b>	<b>(3.5%)</b>

# Consolidated Full Year Financial Outlook | Cash Flow Summary

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ 308	\$ (98)	\$ 82	\$ 168	\$ 383	\$ 523	\$ 645	\$ 738	\$ 1,119	\$ 1,038	\$ 490	\$ 828	\$ 6,224	\$ 5,599	\$ 626	11.2%
Depreciation, amortization and other	157	816	1,082	806	807	768	769	775	778	779	784	784	9,103	(30,982)	40,085	(129.4%)
<i>Change in operating assets and liabilities:</i>																
Accounts receivable	(1,614)	(973)	671	(349)	162	(10)	(424)	(381)	59	(136)	93	70	(2,833)	(7,334)	4,501	(61.4%)
Inventory	166	118	308	(182)	188	98	(272)	(97)	205	(217)	74	(21)	369	(6,873)	7,242	(105.4%)
Prepaid expenses and other current assets	26	33	(50)	—	—	—	—	—	—	—	—	—	8	33	(24)	(74.0%)
Accounts payable	(316)	776	891	247	(319)	495	(209)	(17)	549	137	(165)	(114)	1,956	4,821	(2,865)	(59.4%)
Accrued expenses	110	(275)	299	(389)	72	74	84	80	79	78	84	70	366	2,425	(2,059)	(84.9%)
Accrued income taxes	(0)	0	(236)	—	—	—	—	—	—	—	—	—	(236)	(108)	(128)	118.9%
Other changes in operating assets and liabilities	(188)	95	(1,851)	(278)	(820)	(1,367)	(689)	(542)	(1,687)	(1,917)	(1,929)	(1,296)	(12,470)	28,265	(40,736)	(144.1%)
Other cash flow from operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ (1,351)</b>	<b>\$ 491</b>	<b>\$ 1,196</b>	<b>\$ 23</b>	<b>\$ 474</b>	<b>\$ 580</b>	<b>\$ (95)</b>	<b>\$ 556</b>	<b>\$ 1,101</b>	<b>\$ (238)</b>	<b>\$ (570)</b>	<b>\$ 320</b>	<b>\$ 2,487</b>	<b>\$ (4,154)</b>	<b>\$ 6,641</b>	<b>(159.9%)</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ (54)	\$ (71)	\$ (333)	\$ (307)	\$ (118)	\$ (385)	\$ (177)	\$ (502)	\$ (52)	\$ (27)	\$ (372)	\$ (27)	\$ (2,425)	\$ (14,133)	\$ 11,708	(82.8%)
Investment in intangibles	—	—	—	—	—	—	—	—	—	—	—	—	—	(15,100)	15,100	(100.0%)
<b>Total Cash Flow from Investing</b>	<b>\$ (54)</b>	<b>\$ (71)</b>	<b>\$ (333)</b>	<b>\$ (307)</b>	<b>\$ (118)</b>	<b>\$ (385)</b>	<b>\$ (177)</b>	<b>\$ (502)</b>	<b>\$ (52)</b>	<b>\$ (27)</b>	<b>\$ (372)</b>	<b>\$ (27)</b>	<b>\$ (2,425)</b>	<b>\$ (29,233)</b>	<b>\$ 26,808</b>	<b>(91.7%)</b>
<b>Cash flow from financing</b>																
Proceeds from the issuance (repayment) of short-term debt	\$ 1,250	\$ —	\$ (1,250)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	N/A
Common stock issued (repurchased)	—	—	10,597	—	—	—	—	—	—	—	—	—	10,597	50,825	(40,228)	(79.1%)
Other cash flow from financing costs	(653)	522	(12,322)	82	(129)	(23)	44	(51)	105	(96)	311	(190)	(12,400)	(14,944)	2,544	(17.0%)
<b>Total Cash Flow from Financing</b>	<b>\$ 597</b>	<b>\$ 522</b>	<b>\$ (2,975)</b>	<b>\$ 82</b>	<b>\$ (129)</b>	<b>\$ (23)</b>	<b>\$ 44</b>	<b>\$ (51)</b>	<b>\$ 105</b>	<b>\$ (96)</b>	<b>\$ 311</b>	<b>\$ (190)</b>	<b>\$ (1,804)</b>	<b>\$ 35,880</b>	<b>\$ (37,684)</b>	<b>(105.0%)</b>
<b>Effect of FX rates on cash and cash equivalents</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	N/A
<b>Net change in cash</b>	<b>\$ (808)</b>	<b>\$ 942</b>	<b>\$ (2,112)</b>	<b>\$ (202)</b>	<b>\$ 227</b>	<b>\$ 172</b>	<b>\$ (229)</b>	<b>\$ 3</b>	<b>\$ 1,154</b>	<b>\$ (360)</b>	<b>\$ (631)</b>	<b>\$ 103</b>	<b>\$ (1,742)</b>	<b>\$ 2,493</b>	<b>\$ (4,236)</b>	<b>(169.9%)</b>
Beginning cash	2,585	1,777	2,718	606	404	631	803	575	577	1,731	1,370	740	2,585	979	1,606	164.1%
Change in cash	(808)	942	(2,112)	(202)	227	172	(229)	3	1,154	(360)	(631)	103	(1,742)	2,493	(4,236)	(169.9%)
<b>Ending cash</b>	<b>\$ 1,777</b>	<b>\$ 2,718</b>	<b>\$ 606</b>	<b>\$ 404</b>	<b>\$ 631</b>	<b>\$ 803</b>	<b>\$ 575</b>	<b>\$ 577</b>	<b>\$ 1,731</b>	<b>\$ 1,370</b>	<b>\$ 740</b>	<b>\$ 843</b>	<b>\$ 4,154</b>	<b>\$ (3,311)</b>	<b>(79.7%)</b>	



# February 2020 Operating Review Meeting Agenda

④ Consolidated

④ **S&G**

Executive Summary

Financial Review

Full Year Financial Outlook

④ Consolidated Delaney

④ Delaney

④ Premier

④ Governance Reporting

④ Appendix



## S&G Executive Summary | Overview

**February revenues of \$3.3M**, met AOP (Budget), unfavorable to Prior Year(PY) (\$0.8M)/(20%)

- India Favorable to Budget \$0.5M/144%
- Government Favorable to Budget \$0.5M; military 951 padlocks
- LAG Unfavorable to Budget (\$0.4M)/(73%)
- APAC (less India) Unfavorable to Budget (\$0.3M)/(53%)
- EMEA Unfavorable to Budget (\$0.2M)/(36%)
- NA Unfavorable to Budget (\$0.1M)/(8%)

**YTD revenues of \$7.4M**, favorable to Budget \$0.2M/3%, flat to Prior Year(PY)

- Government Favorable to Budget \$0.6M; military 951 padlocks
- India Favorable to Budget \$0.4M/37%
- NA Favorable to Budget \$0.3M/13%
- LAG Unfavorable to Budget (\$0.5M)/(68%)
- APAC (less India) Unfavorable to Budget (\$0.3M)/(24%)
- EMEA Unfavorable to Budget (\$0.3M)/(24%)



# S&G Executive Summary | Overview

## Hits

- YTD bookings favorable to AOP by \$2.0M contributing to \$1.3M of AOP favorability to the backlog
- Backlog favorable \$1.2M compared to prior year
- Arya 2020 distribution agreement executed 2/29/2020
- Design of new network capable modular digital platform with display keypad on schedule for May 2020 launch
- Director of Sales, Americas to start 3/23/2020 and candidate interviews for Quality Manager, Customer Relationship Director and Industry Market

## Misses

- Arya blanket order presented without dated releases - \$2.5M TBD, March shipment unlikely
- Coronavirus outbreak has potential future impact on supply chain and customer demand
  - Timing for the tariff mitigation plan to redirect offshore manufacturing locations in Q3 could be delayed. Potential impact of approximately \$20,000 per month beginning in July.



# S&G Executive Summary | Overview (continued)

## Key Go-Forward Actions

- Proactive planning and realistic response to COVID-19 pandemic – Business critical cost controls
- Sales - Align expectations and drive performance
  - Sales price change effective 04/01/2020, support provided by Wise Strategies
  - Assess regional team and individual performances → Deploy on corrective actions → Assess outcomes
    - Sales effectiveness training planned for Q2/Q3 2020 – Value Selling Training by Rick McAninch
    - EMEA BDM performance improvement plan(PIP); 30-day assessment
    - APAC BDM PIP; 30-day assessment
    - NA sales team coaching in process – current results demonstrate improvement
  - Channel partner agreements in-process for top tier distributors
  - OEM agreements (12, 6 or 3-month) in-process by region
  - Smart Ventures engaged to assess and plan the CRM strategy
- Marketing - Refreshed brand and messaging rollout
  - Brand properties: S&G logo redesign, color(s), typography, integration with Delaney/Premier – market launch in Q2
- Engineering - Execute to the defined New Product Development Pipeline and Sustained Projects
  - Develop a modular and configurable (Base – Biometric – Network Enabled) digital product platform
  - Design/sourcing/production → quality/reliability/value, third party contractor to deliver on manufacturing sourcing
  - RFQs to drive sustaining engineering opportunities – prioritize by ROI
- Operations - Improve capabilities
  - Launch QMS plan – buildout with Aaron Olmstead and Rick Melito
    - Assess and action a credible and impactful Quality Dept.
    - Establish a data collection and reporting discipline, providing visibility and effective corrective actioning
  - Kicked-off Lean Six Sigma with White Belt (entire Org) Yellow Belt (select leaders) training in February



# S&G Executive Summary | Overview (continued)

Opportunities	Description	Potential Impact	Plan to Address
	<ul style="list-style-type: none"> <li>NA: ARMAG (OEM) mobilized container SCIF product via SPG (Dist)</li> </ul>	<ul style="list-style-type: none"> <li>Multiple Projects</li> <li>Using 2890</li> <li>Total value: \$250K</li> </ul>	<ul style="list-style-type: none"> <li>LKM has been product of choice historically due to lack of time with S&amp;G products</li> <li>SPG has opened door for us to get products in for trial/adoption.</li> <li>Identifying quote time and potential quantities for longer term use</li> </ul>
	<ul style="list-style-type: none"> <li>EMEA: Privat Bank Ukraine Project via Servus (Dist) and Diebold Nixdorf (OEM)</li> </ul>	<ul style="list-style-type: none"> <li>3000 units of ASWD for retrofit</li> <li>1000 units of ASWD on new ATM's</li> <li>Total Value: \$1.3M</li> </ul>	<ul style="list-style-type: none"> <li>Quality of locks should be maintained and controlled from prior issues</li> <li>Seamless firmware upgrade process with little to no disruption</li> </ul>
	<ul style="list-style-type: none"> <li>LAG: GSI (CIT) consolidating operations and will look for larger purchase of 6000 A-Series units for distribution among their locations</li> </ul>	<ul style="list-style-type: none"> <li>6000 units of 6128's</li> <li>Total value: \$1.25M</li> </ul>	<ul style="list-style-type: none"> <li>Need to finalize collection of current outstanding invoice for prior purchases</li> <li>Partner with GSI to understand new inbound process of product to alleviate distribution issues among their locations</li> <li>Work closely with new Finance team at GSI</li> </ul>
	<ul style="list-style-type: none"> <li>APAC: Takachiho Kohiki – TK (Dist) partnering with Hitachi on Thailand tender for 3000 ATM's</li> </ul>	<ul style="list-style-type: none"> <li>3000 units of 6880's</li> <li>Total value: \$180K</li> </ul>	<ul style="list-style-type: none"> <li>Expected order for March</li> </ul>
	<ul style="list-style-type: none"> <li>NA: NCR Canada (OEM)</li> </ul>	<ul style="list-style-type: none"> <li>Larger expansion opportunities</li> <li>600 units of ASWD</li> <li>Total value: \$174K</li> </ul>	<ul style="list-style-type: none"> <li>NCR placing initial 30 lock order</li> <li>Will pilot 30 locks for up to 3 months</li> <li>Successful pilot would end with purchase of remaining 570 units</li> </ul>
	<ul style="list-style-type: none"> <li>APAC: PT Fokus (Dist) and UG Mandiri (CIT) looking at replacement of second-hand locks with 6128's</li> </ul>	<ul style="list-style-type: none"> <li>1000 units of 6128</li> <li>Total value: \$200K</li> </ul>	<ul style="list-style-type: none"> <li>Looking at late March decision</li> <li>Delayed due to work stoppage (Covid19)</li> </ul>



# S&G Executive Summary | Overview (continued)

Risks	Description	Potential Impact	Plan to Address
	<ul style="list-style-type: none"><li>EMEA: Cash Solutions Saudi Arabia (CIT) project still ongoing since December</li></ul>	<ul style="list-style-type: none"><li>New implementation of ASWD</li><li>Risk - \$385K</li></ul>	<ul style="list-style-type: none"><li>Need to identify a financial payment plan to present and offset Securam lower pricing and installment plan</li><li>Would be a new customer for S&amp;G</li><li>Expected to discuss further at end of March</li></ul>
	<ul style="list-style-type: none"><li>APAC: Customers in Asia/China still highly impacted by Covid-19 outbreak. Expected back to 90% operation by end of March</li></ul>	<ul style="list-style-type: none"><li>Delay in order intake / risk to customer demand</li><li>TSI (OEM) 2000 pcs of 1006 worth \$60k delay to March</li><li>Inspur (Dist) 120 pcs of 612-888\$ worth 11K delay to March</li><li>TSI (OEM) 700 pcs of 6741, \$20K, delay to March</li><li>TK (Dist) 1500 pcs of Titan and 6880 worth \$200K delay to March or Apr</li></ul>	<ul style="list-style-type: none"><li>Close follow up with all customers – reviewing potential impact to Q2 order intake and trying to promote blanket order to capture back the timing order lost in late Jan/Feb</li></ul>
	<ul style="list-style-type: none"><li>LAG: Aglar (Dist) on project with Banco de Guayaquil continues to do testing to confirm they have resolved problems with ACG intermittent connectivity issues</li></ul>	<ul style="list-style-type: none"><li>In risk of jeopardizing upgrade plan to ASWD</li><li>Impact potential - \$360K</li></ul>	<ul style="list-style-type: none"><li>Continue to address customer inquiries as to not lose out on project</li><li>Engineering has put a 6 week fix ETA on password mask and HTTPS compatibility</li><li>Will reinstall ACG with bank once update is complete</li></ul>
	<ul style="list-style-type: none"><li>EMEA: Continued competitive measures in Smart Safe business and CIT segment by highly aggressive Regional (Italy) competitor Technosicurezza, who has reliable solutions to adapt to new spec requirements.</li></ul>	<ul style="list-style-type: none"><li>Approaching the OEM's from the CIT side.</li><li>Pushing on Prosegur for greater share with network functionality</li><li>Regional impact potential is \$300K</li></ul>	<ul style="list-style-type: none"><li>Need to review pricing approach and spec requirements</li><li>Work with Engineering to fast track and "quick win" project opportunities that need product adjustments</li><li>Continue to sell benefits and long standing partnerships with S&amp;G products</li></ul>



# S&G Executive Summary | Key Wins and Losses

Key Wins	Key Losses
<b>APAC</b> <ul style="list-style-type: none"><li>Takachiho Koheki Japan/Korea (Dist) – 3,000 units of 6651 - \$165K over next few months</li><li>Brinks Thailand (CIT) – 700 units of 6128 - \$154K</li></ul>	<b>APAC</b> <ul style="list-style-type: none"><li>Hyosung China (OEM) – 5K to 7K units of 6128 delayed for 2 months due to Covid-19 virus issues – potential loss \$1.2M</li><li>AGS India (OEM) – 500 units of 6128 delayed due to component issues stemming from Covid-19 virus issues – potential loss of \$100K</li></ul>
<b>EMEA</b> <ul style="list-style-type: none"><li>AMN &amp; Waffa Saudi Arabia (Dist) – 200 units of ASWD - \$70K</li><li>Danish Army Project (Denmark) – 400 units of Spartan - \$16K</li></ul>	<b>EMEA</b> <ul style="list-style-type: none"><li>No major losses, but delays to OEM's in Germany, France, and Italy have slowed orders and still waiting orders for estimated \$300K</li></ul>
<b>LAG</b> <ul style="list-style-type: none"><li>American Locks Argentina (Dist) – Blanket order with multiple SKU's - \$700K</li><li>Marco Varela Chile (OEM)- New account in Chile. Placed an initial order for \$15K of various mechanical products and expect at least \$25K more in orders over the coming months. Good win considering they used to purchase Lagard.</li></ul>	<b>LAG</b> <ul style="list-style-type: none"><li>No major losses. Delays on orders for GSI/Cogar due to restructuring still leading to bookings miss. Estimated at \$1.2M annually. Should realize in coming month with blanket order approach, but loss of two months of orders estimated at \$200K if not made up in 2020.</li></ul>
<b>NA</b> <ul style="list-style-type: none"><li>Global File Canada (OEM) – 1,000 units of 8550 - \$80K</li><li>MBA USA (DIST) – Expanded initial blanket order with multiple SKU order - \$60K</li><li>Holocom (OEM) – 250 units of 8077 - \$45K</li></ul>	<b>NA</b> <ul style="list-style-type: none"><li>Rhino Metal (OEM) – Proposal for 6,000 MPP locks to offset an Asian Lock (SecuRam / East House in Asia) presented. Asian locks had some quality concerns and Rhino intention of moving from SecuRam to S&amp;G. SecuRam made some pricing &amp; warranty proposals to secure this business. Rhino is not willing to now make the change and letting Securam resolve all outstanding warranty issues for now. Loss on proposal \$150K</li></ul>



# S&G Executive Summary | 2020 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Establish globally consistent pricing strategy	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Low-churn SKU analysis completed and identified for April 1 price increase</li> <li>Further data evaluation being conducted to identify next range of SKU adjustments for pricing and to be considered for quarterly updates</li> </ul>	<ul style="list-style-type: none"> <li>Weekly meetings continue and internal data analysis to be moved to next stage by 2/19/2020</li> <li>Begin identification of average sales pricing by SKU and list price generation</li> <li>Evaluate incorporation of price increase plan</li> </ul>	<ul style="list-style-type: none"> <li>Potential for instances of margin loss when applying a unified pricing model</li> <li>➤ Anticipate aggregate upside</li> <li>➤ Offset with premium list price and targeted discount</li> <li>➤ Timeline getting narrowed and implementation into NetSuite still needed at completion</li> </ul>
Launch refreshed brand and digital marketing presence (i.e. website)	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>First trademark application submitted for new logo, beginning with the U.S. market; feedback expected by end of March</li> <li>Brand refresh launch timing scheduled for May (phased launch approach)</li> <li>Phased launch approach elements defined</li> </ul>	<ul style="list-style-type: none"> <li>Align on resource allocation to finalize materials for Phase 1 brand launch</li> <li>Work with cross-functional team to update/finalize NPD timeline and scope for each rollout phase</li> <li>Continue to update marketing materials with new branding</li> <li>Finalize new keypad marketing material</li> </ul>	<ul style="list-style-type: none"> <li>If keypad experiences any delays, could impact brand refresh timing</li> <li>Achieve objective while managing potential for scope creep and diminishing returns</li> <li>➤ Prioritize on core and growth Market, Product &amp; Region</li> </ul>
Develop new industrial design aesthetic for existing and new products	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Electronic design complete. Engineering Samples (ES1) on schedule for delivery on Mar-20</li> <li>Mechanical design complete (3/13). Samples being fabricated internally for testing</li> <li>PQD design quotes received. ROC model updated with latest cost and pricing assumptions</li> <li>Extended validation test plan under development with help from Rick Melito.</li> <li>Plans being developed to remotely qualify suppliers (PQD and Futaba)</li> </ul>	<ul style="list-style-type: none"> <li>Supplier quality audit of PQD/Futaba (TBD)</li> <li>Testing of ES1 Samples</li> <li>Finalize validation test plan (APQP Checklist being used as framework)</li> <li>Sample fabrication for testing and marketing photography</li> <li>Kick-off tooling</li> <li>Certification testing</li> <li>Complete Supplier Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Bandwidth to apply new design across new product pipeline and core product (i.e. Titan, Spartan)</li> <li>➤ Consider contractor for application across core product</li> </ul>

● Complete

● On-Schedule

● At Risk

● Behind



# S&G Executive Summary | 2020 Key Initiatives (continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Improve instructions for electronic lock products	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Explore outside resources for instruction creation until Trainer/Tech Writer position is filled</li> <li>Draft for Quick Start Guide completed for electronic locks</li> <li>Instruction template being created with new branding to leverage across all products</li> </ul>	<ul style="list-style-type: none"> <li>Develop Process Map and identify areas for improvement for instruction creation</li> <li>Work with factory to get preliminary instructions for the new keypad</li> <li>Develop plan for improving existing instructions</li> </ul>	<ul style="list-style-type: none"> <li>Instructions are still hardcopies           <ul style="list-style-type: none"> <li>If lost, QR codes also lost</li> </ul> </li> </ul>
Modularize core product lines	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Modular locking mechanism in Stage 1 Development (Schematic complete)</li> <li>One-Time-Code (OTC) functionality being developed as part of current Software Project (developed by OGx)</li> </ul>	<ul style="list-style-type: none"> <li>Define phase-out plan for historical keypad and locking mechanism SKU's</li> <li>Finalize requirements for Digital Platform integration with new keypad (build-your-own keypad concept)</li> </ul>	<ul style="list-style-type: none"> <li>Ensure modular design does not compromise performance and quality           <ul style="list-style-type: none"> <li>Leverage core product (Titan / Spartan) for modular platform</li> </ul> </li> </ul>
Develop new core products	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Reviewing emerging technology trends (specific to Smart Home Communication protocols) with help from OGx</li> <li>Industry Market Managers identified to help generate 2021 and beyond product development pipeline content</li> </ul>	<ul style="list-style-type: none"> <li>Generate 2021 and beyond NPD Pipeline with ROC's and establish priorities</li> <li>Concept selection for Tier 4 product offering to complement new keypad (decision point regarding shape of keypad – square or round)</li> </ul>	<ul style="list-style-type: none"> <li>Effectual deployment of design resources including contract (i.e. biometric &amp; network connect)           <ul style="list-style-type: none"> <li>Leverage OGx to identify firmware/software design partner(s)</li> </ul> </li> </ul>
Develop SIOP process using historical data analytics	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>First meetings held in December</li> <li>Minor changes to be made to the report/presentation</li> </ul>	<ul style="list-style-type: none"> <li>Minor (running changes) are being reviewed by OGx</li> </ul>	<ul style="list-style-type: none"> <li>Low risk compared to previous SIOP tool.</li> </ul>

● Complete

● On-Schedule

● At Risk

● Behind



# S&G Executive Summary | NPD Update

Project	Description	Market Segment	Schedule										Financial Outlook (\$'000)																																		
			Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Realized	Basis	Units	Revenue	GM %	Gross Margin	ASP																												
ASWD (No Key Authentication) Badger-S. Africa	Custom Solution to provide "One Time Code" openings without use of Touch Key	ATM / Cash Management						Orderable, wk 9					2020 Ramp-up Incremental		868	\$266		\$154																													
ASWD (1 Keypad/2 Locks) Gunnebo-EU	"One Time Code" lock with the ability to operate 2 locks with 1 keypad.	ATM / Cash Management				Prototype, wk 45		Prototype, wk 6					2020 Ramp-up Total		868	\$266		\$154																													
Spring Bolt Fireking	New Lock Body for both digital and analog locks - Auto locks when door is closed "Package Lockers"	Commercial				Pilot Run, wk 6		Orderable, wk 9					2022 Full Incremental		1,000	\$307		\$178																													
Pedestrian Door Lock US Government	New Specification to C for 2890 Pedestrian Door Lock (PDL)	Government	Government Submission (Complete)		Pilot Run, wk 50			Orderable, wk 9					2022 Full Total		1,000	\$307	58%	\$178	\$ 307.00																												
Keypad App for electronic controls* / Web-based code generator SBER Bank-Russia	New App and AWS software. Thin client Lock Management Software (LMS) - generate swap codes for service and bank modes	ATM / Cash Management/ Residential Safe				Government Approval		Orderable, wk 14					2020 Ramp-up Incremental		772	\$425		\$190																													
Multi-function / platform Keypad/Display* OEM, Distributor,	Modular keypad, display, wi-fi & biometrics - Common HW with SW differentiation and app design	ATM / Cash Management / Residential Safe w/ pivot locks				Pilot Run, 4 wks Post Gov Approval		Prototype, wk 13					2020 Ramp-up Total		772	\$425		\$190																													
<p>* Financial outcome based on weighted average products and does not include revenue generating opportunities for retrofits; ATM direct drive products; or recurring subscription based network enabling features.</p>																																															
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# S&G Executive Summary | NPD Update

Initiative	Status	Recent Progress	Next Steps
ASWD (No Key Authentication)	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Firmware and LMS functionality complete</li> <li>Potential customer identified in Saudi</li> </ul>	<ul style="list-style-type: none"> <li>Commercialization call scheduled for Mar-16</li> </ul> 
ASWD (1 Keypad/2 Locks)	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Meeting held on Mar-6 to discuss additional customer requests</li> <li>Requested FW change completed</li> </ul>	<ul style="list-style-type: none"> <li>Complete ECN Process</li> <li>Instructions – Concern</li> <li>Commercialization call scheduled for Mar-16</li> </ul> 
Spring Bolt	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Beta customers identified</li> <li>ECN process completed</li> <li>Commercialization call scheduled for Mar-16</li> </ul>	<ul style="list-style-type: none"> <li>Integrate AxisBlu firmware</li> <li>Instructions – Concern</li> </ul> 
Pedestrian Door Lock (2890C Specification)	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Government waiting on tooled cover samples before approval</li> <li>Tooled samples (Mar 16<sup>th</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Await Government approval</li> <li>Pilot run after receiving approval</li> </ul> 
New Software and App Platform	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Keypad app function completed</li> <li>LMS solutions req meeting held on Mar-5</li> </ul>	<ul style="list-style-type: none"> <li>Define user architecture</li> <li>Define upgrade process</li> <li>FW / App integration</li> </ul> 
Residential Lock / Keypad	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Electronic design complete. Engineering Samples (ES1) on schedule for delivery on Mar-23</li> <li>Mechanical design complete (3/16). Extended validation test plan under development with help from Rick Melito.</li> </ul>	<ul style="list-style-type: none"> <li>Supplier quality audit of PQD/Futaba (TBD)</li> <li>Testing of ES1 Samples</li> <li>Finalize validation test plan</li> <li>Sample fabrication for testing and marketing photography</li> <li>Kick-off tooling</li> <li>Certification testing</li> <li>Complete Supplier Agreement</li> </ul> 



# S&G Executive Summary | NPD Update

Project	Description	Market Segment	Schedule												Financial Outlook (\$'000)																				
			Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Realized	Basis	Units	Revenue	GM %	Gross Margin	ASP:														
Consolidated Lock Body	Consolidation of Analog and Digital Platform Lock Bodies. Payback 1.0 years - Financial outlook for component cost reductions(GM enhancement) excluded from ROC	All Verticals				Prototype, wk 17				Launch, wk 29					2020 Ramp-up	Incremental	194	\$68		\$44															
															2022 Full	Incremental	775	\$275	67%	\$0	\$ 355.23														
Core Product Line Modularization	Integration of Digital Platform features / funtions (Audit Trail & Timelock Functionality) to new keypad and lock bodies - ROC not complete at this time(Dec)	B2B					Pilot Run, wk 24								2020 Ramp-up	Incremental	97	\$23		\$10															
							Prototype, wk 23				Launch, wk 34				2022 Full	Incremental	385	\$93	48%	\$0	\$ 242.34														
Tier 4(Low Cost) Electric Keypad Lock Offering	Low cost keypad and lock offering to complement launch of the new modular keypad	All Verticals						Pilot Run, wk 30							2020 Ramp-up	Incremental	250	\$9		\$3															
							Prototype, wk 26				Launch, wk 39				2022 Full	Incremental	3,500	\$135	39%	\$0	\$ 38.69														
One Time Code Lock	New One Time Code functionality that leverages the new keypad design features and eliminates the need for key authentication. Payback 1.5 years	ATM / Cash Management						Pilot Run, wk 33							2020 Ramp-up	Incremental	100	\$33		\$17															
							Prototype, wk 33				Launch, wk 47				2022 Full	Incremental	3,000	\$996	56%	\$565	\$ 332.17														
																																			
<table border="1"> <thead> <tr> <th>Realized</th> <th>Basis</th> <th>Units</th> <th>Revenue</th> <th>GM %</th> <th>Gross Margin</th> </tr> </thead> <tbody> <tr> <td>2020 Ramp-up</td> <td>Incremental</td> <td>641</td> <td>\$133</td> <td>56%</td> <td>\$74</td> </tr> <tr> <td>2022 Full</td> <td>Incremental</td> <td>7,660</td> <td>\$1,499</td> <td>38%</td> <td>\$565</td> </tr> </tbody> </table>																		Realized	Basis	Units	Revenue	GM %	Gross Margin	2020 Ramp-up	Incremental	641	\$133	56%	\$74	2022 Full	Incremental	7,660	\$1,499	38%	\$565
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- Total fully realized annualized incremental sales of \$1.5M in 2022 for 2020 NPD starts
- Note: units are incremental to the 2019 run rate
- Platform products are expected to build new lines of opportunities in adjacent markets



# S&G Executive Summary | Sustaining Engineering Update

Initiative	Status	Recent Progress	Next Steps	Comments / Risks
Add Archive Function to LMS	Green	<ul style="list-style-type: none"> <li>Design kicked-off with Development Partner</li> </ul>	<ul style="list-style-type: none"> <li>Kick-off work with development partner</li> <li>Publish launch schedule</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Arya</li> <li>Resource allocation / priority</li> </ul>
Titan FW Change (add Basic mode)	Green	<ul style="list-style-type: none"> <li>Per discussion with sales team, looking to add user to Spartan. Investigating larger product impact</li> </ul>	<ul style="list-style-type: none"> <li>Schedule meeting to discuss Titan vs. Spartan platform</li> <li>Develop launch schedule</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Caradonna</li> <li>Resource allocation / priority</li> </ul>
Swing Bolt Lock (Impulse remote functionality)	Green	<ul style="list-style-type: none"> <li>Swing Bolt lock development complete. Looking to add "silly" lock functionality</li> </ul>	<ul style="list-style-type: none"> <li>Define requirements and platform</li> <li>Develop launch schedule</li> <li>Pricing (50/60 Euro)?</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Caradonna</li> <li>Resource allocation / priority</li> </ul>
Push/Pull Bolt Lock (Impulse remote functionality)	Green	<ul style="list-style-type: none"> <li>Sample lock complete</li> <li>Prioritization of all sustaining projects underway</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate feedback from provided samples</li> <li>Develop launch schedule</li> <li>Pricing (55/65 Euro)?</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Caradonna</li> <li>Resource allocation / priority</li> </ul>
Programmer Code Changes (DTL)	Green	<ul style="list-style-type: none"> <li>Requirements and scope defined</li> <li>Prioritization of all sustaining projects underway</li> </ul>	<ul style="list-style-type: none"> <li>Finalize requirements and scope of project</li> <li>One-off project?</li> <li>Develop launch schedule</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Italian Postal Branch</li> <li>Resource allocation / priority</li> </ul>
Delay Count Down (DTL)	Green	<ul style="list-style-type: none"> <li>Proposal to add "Count Up" and "Count Down" option to DTL</li> </ul>	<ul style="list-style-type: none"> <li>Finalize requirements and scope of project</li> <li>Develop launch schedule</li> </ul>	<ul style="list-style-type: none"> <li>Requested by Italian Postal Branch</li> <li>Resource allocation / priority</li> </ul>

● Complete

● On-Schedule

● At Risk

● Behind



## S&G Executive Summary | Engineering Expenses

\$731k remaining expenses to maintain product development and launches –  
*includes outside services and sample materials*

### New Keypad Development Expenses

- \$74k – NRE Payment to PQD
- \$10k – Extended Validation Testing
- \$35k – Manufacturing Test Equipment

### Product Development Expenses

- \$15k – Consolidated Lock Body
- \$15k – Core Product Line Modularization
- \$20k – Tier 4 Product Offering

### Key Sustained Engineering Expenses

- \$35k – LMS Improvements (example: Archive Functionality)
- \$5k – Bridge Software Improvements
- \$3k – ACG Software Improvements

### OGx Expenses

- \$117.6k – New Software Framework and App for New Keypad
- \$121k – OGx Allocation (Allocation assumption only for 1H2020)

### Testing / Certification (UL/Vds) Expenses

- \$20k – Spring Bolt
- \$15k – 2890 ABR
- \$80k – New Keypad
- \$115k – Consolidated Lock Bodies
- \$50k – Tier 4 Keypad and Lock



# S&G Executive Summary | Engineering Outside Services

Project (\$000's)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL	
<b>OGx - sustained effort</b>	54.0	54.0	54.0	22.5	22.5	22.5							229.5	Assume no OGx support in 2H
<b>OGx - LMS and App software</b>		39.2	39.2	39.2									117.6	New Keypad UL Testing (revised timing)
<b>Spring Bolt</b>						20.0							20.0	UL Testing (revised timing)
<b>ABR</b>									15.0				15.0	Increased as a result of increased NRE to PQD
<b>New Keypad</b>	29.6			29.6	10.0	35.0	14.8	80.0					199.0	Reduced based on new quote
<b>Russian Lock</b>				6.0	6.0	5.0							17.0	Reduced and revised timing
<b>Consolidated Lock Body</b>				5.0		5.0		5.0	110.0				125.0	Reduced - Assumed FW work completed internal
<b>Core Product Line Modularization</b>						5.0	5.0	5.0		80.0			95.0	Revised timing - Expenses reduced assuming redesigned 1004 lock body w/ existing keypad
<b>Tier 4 Product Offering</b>					5.0		5.0		10.0		50.0		70.0	No Change
<b>Sustained + no key lock</b>	5.0	10.0	10.0	5.0	5.0	10.0	5.0	5.0	10.0	10.0	10.0	10.0	95.0	
<b>Total</b>	<b>88.6</b>	<b>103.2</b>	<b>103.2</b>	<b>107.3</b>	<b>48.5</b>	<b>102.5</b>	<b>29.8</b>	<b>95.0</b>	<b>145.0</b>	<b>90.0</b>	<b>60.0</b>	<b>10.0</b>	<b>983.1</b>	

- Committed or Incurred \$451k
- Maintain product development and launch \$532k
- Reductions compared to AOP \$187k
  - Eliminate sustained OGx support



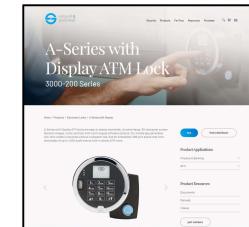
## BRAND REFRESH *Timeline*



**Style Guide**  
*Phase 1*



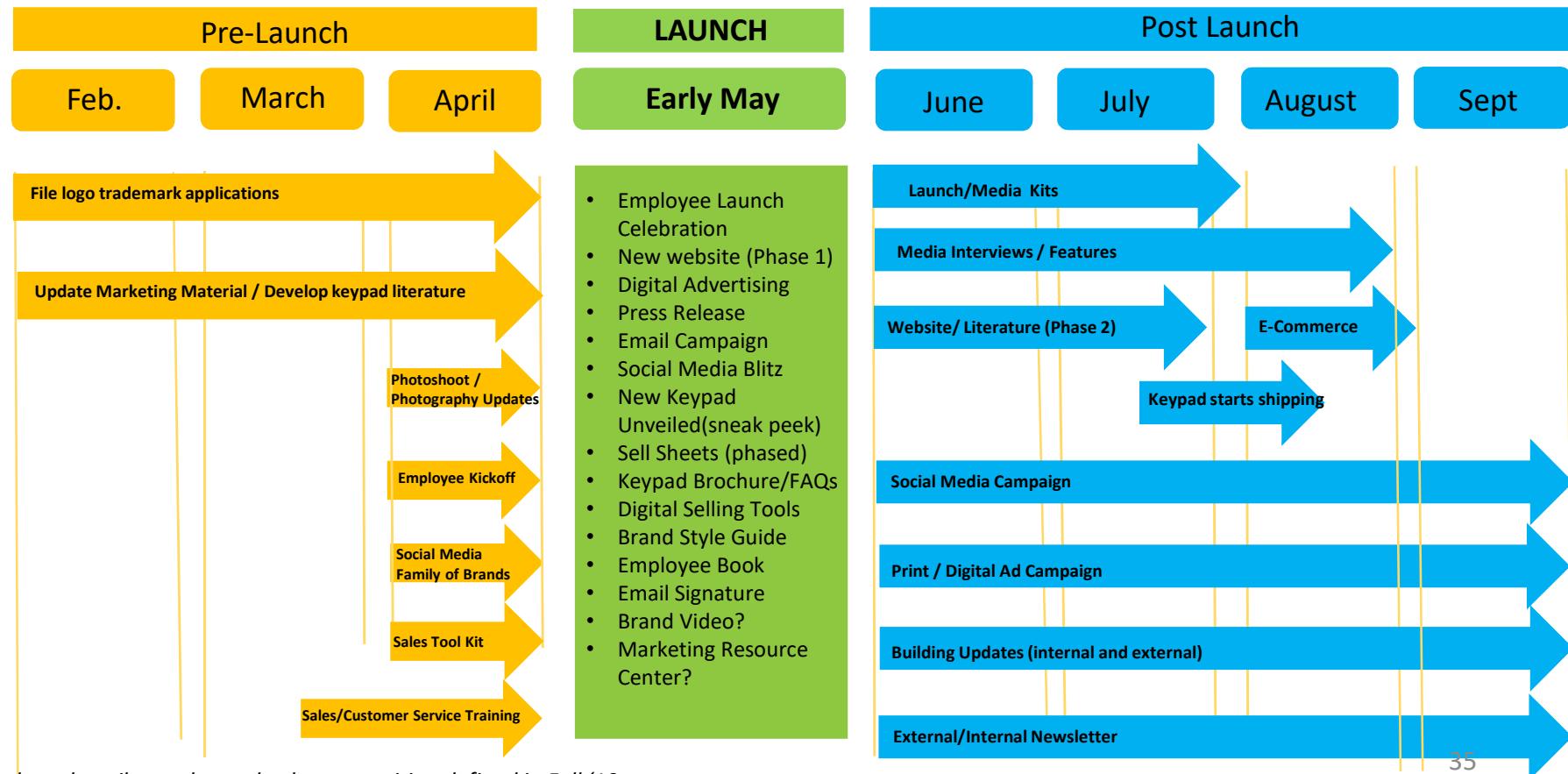
**Business Cards**  
*Phase 1*



**Website**  
*Phase 1*



**Sell Sheets**  
*Phase 1*



\* New brand attributes, keypad value proposition defined in Fall '19



# S&G Executive Summary | Marketing Outside Services

Account (\$000's)	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Professional Fees	Update Marketing Material			5.0										5.0
Professional Fees	Printing				12.5	12.5								25.0
Professional Fees	Photo/Video Shoot				25.0	25.0								50.0
Professional Fees	Website - OGx			20.0										20.0
Professional Fees	Keypad Launch				5.0	15.0	20.0							40.0
Professional Fees	New Brand				36.0	12.0					2.0			50.0
Professional Fees	Tradeshow			2.5			2.5			2.5		2.5		10.0
Professional Fees	Ecommerce							15.0	15.0					30.0
Professional Fees	2890C/ABR							5.0	5.0					10.0
Professional Fees	Online Training								5.0	5.0	0.5	0.5	0.5	11.5
Professional Fees	Podcast									2.0	0.5	0.5		3.0
Professional Fees	Mimeo Print on Demand	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0
<b>Professional Fees</b>		<b>0.5</b>	<b>0.5</b>	<b>8.0</b>	<b>99.0</b>	<b>65.5</b>	<b>23.5</b>	<b>21.0</b>	<b>26.0</b>	<b>8.5</b>	<b>5.5</b>	<b>2.0</b>	<b>4.5</b>	<b>264.5</b>
Promotional Material	SWAG					5.0	5.0							10.0
<b>Promotional Material</b>						<b>5.0</b>	<b>5.0</b>							<b>10.0</b>
Advertising	Ads						2.0	2.0	14.0	14.0	2.0	2.0	2.0	40.0
<b>Advertising</b>							<b>2.0</b>	<b>2.0</b>	<b>14.0</b>	<b>14.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>40.0</b>
<b>Outside Services</b>		<b>0.5</b>	<b>0.5</b>	<b>8.0</b>	<b>104.0</b>	<b>72.5</b>	<b>25.5</b>	<b>35.0</b>	<b>40.0</b>	<b>10.5</b>	<b>7.5</b>	<b>4.0</b>	<b>6.5</b>	<b>314.5</b>
<b>Tradeshows</b>		<b>3.6</b>	<b>26.0</b>	<b>11.8</b>	<b>4.5</b>	-	-	<b>4.8</b>	<b>10.0</b>	-	<b>8.3</b>	-	-	<b>69.0</b>
Professional Fees	The Vault Website Hosting			1.0	1.0									2.0
Professional Fees	HubSpot				2.5			2.5			2.5			10.0
Professional Fees	Membership / Associations	3.0	3.0	3.0	3.0									12.0
Professional Fees	Trademark Applications					5.0	8.0	8.0	8.0	8.0				47.0
Professional Fees	Trademark Searches					7.5	7.5							15.0
Advertising	Digital Ads (Amazon)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		12.0
Professional Fees	SEMRush	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1		1.2
<b>Ongoing Expenses including trademarks</b>		<b>4.1</b>	<b>4.1</b>	<b>7.6</b>	<b>17.6</b>	<b>16.6</b>	<b>11.6</b>	<b>9.1</b>	<b>9.1</b>	<b>11.6</b>	<b>3.1</b>	<b>1.1</b>	<b>3.6</b>	<b>99.2</b>
<b>Total Marketing</b>		<b>8.2</b>	<b>30.6</b>	<b>27.4</b>	<b>126.1</b>	<b>89.1</b>	<b>37.1</b>	<b>48.9</b>	<b>59.1</b>	<b>22.1</b>	<b>18.9</b>	<b>5.1</b>	<b>10.1</b>	<b>482.7</b>

- Committed expenses highlighted
  - Tradeshows paid for in advance, refund or credits being investigated for cancelations
  - Potential to defer trademark applications to later in the year, not included
- Reductions compared to AOP of \$97k
- Expenses supported by detailed marketing budget corresponding to product launches and brand refresh

# S&G Executive Summary | Outside Services – Admin/Other

Outside Services - One-time Exclude R&D and Marketing	Vendor	2019	Jan - A 2020	Feb - A 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Total 2020	AOP
The NetSuite implementation - RSM Phase 1 and Scope Change	RSM	\$ 33,657		\$ 43,195	\$ 35,000	\$ 38,148	\$ 12,000		\$ 128,343	Yes
NetSuite Transactional Accounting - project	ROBERT HALF INTERNATIONAL				\$ 12,000	\$ 15,000	\$ 12,000		\$ 39,000	Yes
IT Consulting	THE DROHAN COMPANY LLC	\$ 64,303	\$ 3,000	\$ 6,685	\$ 5,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 24,185	Yes
Phone System Conversion	Iceberg				\$ 19,000				\$ 19,000	Yes
Sales Strategy project by SmartVentures	SMART VENTURES LP		\$ 18,000		\$ 18,000				\$ 36,000	No
The S&G and Delaney freight and logistics project by SmartVentures	SMART VENTURES LP			\$ 88,162	\$ 9,000	\$ 9,000			\$ 106,162	No
The S&G CRM project by SmartVentures	SMART VENTURES LP				\$ 27,000	\$ 6,000			\$ 33,000	No
The S&G quality project by Aaron Olmstead and Rick Melito	Olmstead Results		\$ 8,169	\$ 51,700	\$ 45,000	\$ 52,000	\$ 25,000	\$ 25,000	\$ 206,868	No
The S&G pricing project that Steve Long and Clemi Hicks	Wise Strategies			\$ 15,250	\$ 30,000	\$ 8,000			\$ 53,250	No
Christine Flannery - HR	CATALANT TECHNOLOGIES INC	\$ 30,000	\$ 9,063	\$ 7,813	\$ 8,500	\$ 9,000	\$ 7,500	\$ 7,500	\$ 49,375	Yes
Transitional Services Agreement	STANLEY BLACK & DECKER		\$ 41,152	\$ 41,152	\$ 28,486	\$ 16,526	\$ 13,136	\$ 13,136	\$ 153,588	Yes
<b>Total</b>		<b>\$ 79,383</b>	<b>\$ 253,957</b>	<b>\$ 237,486</b>	<b>\$ 156,674</b>	<b>\$ 72,636</b>	<b>\$ 48,636</b>	<b>\$ 848,772</b>		

- All outside services committed through June 2020, except as highlighted
- No continuation in second half of the year within AOP nor projected
- Discontinuation of Wise Strategies assumes start of CRD position
- All outside services on this page are eligible for one-time adjustment



# S&G Human Resources | Recruitment and HR Update

POSITION	BUDGETED START	ESTIMATED START	AOP ANNUAL SALARY	ESTIMATED ANNUAL SALARY	2020 AOP SALARY	EST 2020 SALARY	IMPACT To 2020 EBITDA F/(U)	RECRUITING STATUS	HIRING MANAGER	Candidates in Pipeline
Quality Manager	Jan	Mar	100K	100k	100k	83k	17k	Successful candidate identified; offer on-hold	C. Saunders	Steve Scrivner
Customer Relationship Director	Feb	April	175K	160k	158k	119K	39k	Onsite interview with Alvaro Camargo (3/12). Phone screen Ryan Middlebrook to be scheduled	M. LeMire	Alvaro Camargo, Ryan Middlebrook
Director of Sales, Americas	Feb	Mar	135K	135k	122k	112k	10k	Pre-employment screenings complete; start 3/23/20	M. Williams	Bart Odgen
Industry Market Manager, Financial	Mar	Mar	115K	115k	95k	95k	0k	Phone screen completed 3/23; M. Williams to interview, date TBD	M. Williams	Jason Duke
Training Manager & Tech Writer	Apr	Apr	75K	75k	56K	42k	14k	3 phone screens completed; 1 candidate on-site interview (3/06); reviewing additional candidates	K. Edney	Michael Yarberry
Software Engineer	Jul	Apr	125K	125k	63k	47k	16k	Reviewing resumes; sourcing via LinkedIn	D. Ratliff	N/A
Executive Assistant	Feb	Jul	65k	65k	59k	33k	26k	Planned start Q3.	M. LeMire	N/A
Inside Sales, APAC	Mar	Jun	65k	65k	54k	38k	16k	Planned start in June	M. Williams	N/A

\*BUSINESS CRITICAL POSITION

\* POSITIONS ON HOLD

\* CANDIDATE HIRED

- CRD position is business critical. Position to support Customer Relationship Management(NetSuite), sales pricing, technical service team, and booking/sales order scheduling. These support areas are in need of leadership to drive pipeline to booking growth and overall customer satisfaction.
- Other positions on hold. *Note, a candidate for the Quality Position has been chosen. However, an offer has not been extended at this time.*
- Held positions will result in a reduction of wages as compared to the AOP of \$338k
- Wage freeze will result in a reduction of wages as compared to the AOP of \$128k
- One equity adjustment will result in a wage increase of \$14k annualized and \$10k to the AOP

# S&G Executive Summary | Tariff Review

Current Tariffs (List 1-4)	Tariff %	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		January	February	March	April	May	June	July	August	September	October	November	December	2020 Impact
Keypads	25%	\$ 25.82	\$ 15.18	\$ 36.64	\$ 36.64	\$ 36.64	\$ 36.64	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 224.40
PCBAs	25%	\$ 42.98	\$ 2.15	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 90.81
Housings	25%	\$ -	\$ 6.33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.33
Misc	25%	\$ 1.90	\$ 0.21	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 23.11
Titan & Spartan Locks	7.5%	\$ 5.71	\$ 5.23	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 67.94
Keys	7.5%	\$ -	\$ -	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 15.00
Dials & Rings	7.5%	\$ 2.02	\$ -	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 23.62
**Duty Drawback		\$ -	\$ -	\$ (45.97)	\$ -	\$ -	\$ (45.97)	\$ -	\$ -	\$ (16.15)	\$ -	\$ -	\$ (16.15)	\$ (124.24)
Total Cost		<b>\$ 78.43</b>	<b>\$ 29.10</b>	<b>\$ 8.63</b>	<b>\$ 54.60</b>	<b>\$ 54.60</b>	<b>\$ 8.63</b>	<b>\$ 20.88</b>	<b>\$ 20.88</b>	<b>\$ 4.73</b>	<b>\$ 20.88</b>	<b>\$ 20.88</b>	<b>\$ 4.73</b>	<b>\$ 326.97</b>

- PCBA move from China to Canada complete. First production run scheduled to be received late March. \$12k per month product cost impact.
- Current Keypads scheduled to move from China to Mexico in July (Tooling Costs \$65k, \$13k per month product cost impact).



# S&G Executive Summary | Quality

## Proposed Support

**Progress to date focused on Warranty analytics and scoping for ideal future-state in ERP (NetSuite)**

	Annual (\$K)	% Savings	Savings (\$K)	Assumptions
Warranty	750	27%	200	Reduce "spikes" by 50%, "steady" by 5%
Scrap	100	N/A	N/A	Cost-benefit of savings difficult to justify
Internal Rework	1,000	10%	100	In-process inspection, Re-work disruption, hidden NVA (rework) ~10%
<b>Total</b>	<b>1,850</b>	<b>14%</b>	<b>300</b>	

Task	Status	Target Date	Comments
<b><u>QMS Intelligence / ERP Optimization</u></b>			
Improve analytics of warranty data (granular costs, relative to orders, role-specific dashboards)	In process	2/14	Ideal structure developed with actual 2019 data, working on ERP scoping / integration
Data collection for internal inspections	Not Started	TBD (est 3 mos.)	Store already collected inspection / OEE data to improve problem solving capabilities, traceability. Ideal QMS
<b><u>QMS Processes / Cost of Quality Reduction</u></b>			
Analytics to re-asses "common" cause issues	In process	2/21	
Countermeasure Implementation	Not Started	TBD (est 3 mos)	Support "do not ship defective unit", PPS training to achieve "connectivity"
Standardize & Organize Root Cause documentation	Not Started	3/31	
Evaluate effectiveness / gaps in inspection capabilities (esp. software)	Not Started	4/30	Find Subject matter Expert to review S&G touchscreen architecture & provide recommendations to mitigate customer application issues
Enhance supplier validation process, focus on digital keypad component & firmware vendors	Not Started	5/28	Gap analysis to existing process & performance metrics (supplier and internal for vetting process), supplement validation criteria / methods as appropriate



# S&G Executive Summary | Quality

## Warranty Data – Process Capabilities (as of 2/12)

Have developed “ideal” warranty data structure (2019) for analysis, moving to ERP planning & root causing

- S&G team is challenged by SAP limitations
  - Manual workarounds (offline Excel) to mitigate
  - Inability to access non-standard data extracts
- Major challenge to develop “ideal” warranty data structure
  - Warranty cost data not consistently linked to warranty cases (RGA#)
  - Warranty cases do not include standardized categorization (only uses limited free text notes)
  - Warranty cases can't directly reference Sales Order info
- As of 2/11 have developed ideally structured warranty data (with real 2019 data)
  - Substantial effort to coordinate data sources, devise workarounds, Q&A to tag / allocate via tribal knowledge
  - Enables effective “slicing” of data, with cost analysis
  - ~70% of costs allocated / warranty cases tagged with standard categories
- As of 2/12:
  - Rick on-site, will utilize data with S&G team to identify & root cause systemic issues
  - Aaron to focus on addressing warranty data system gaps for ERP implementation

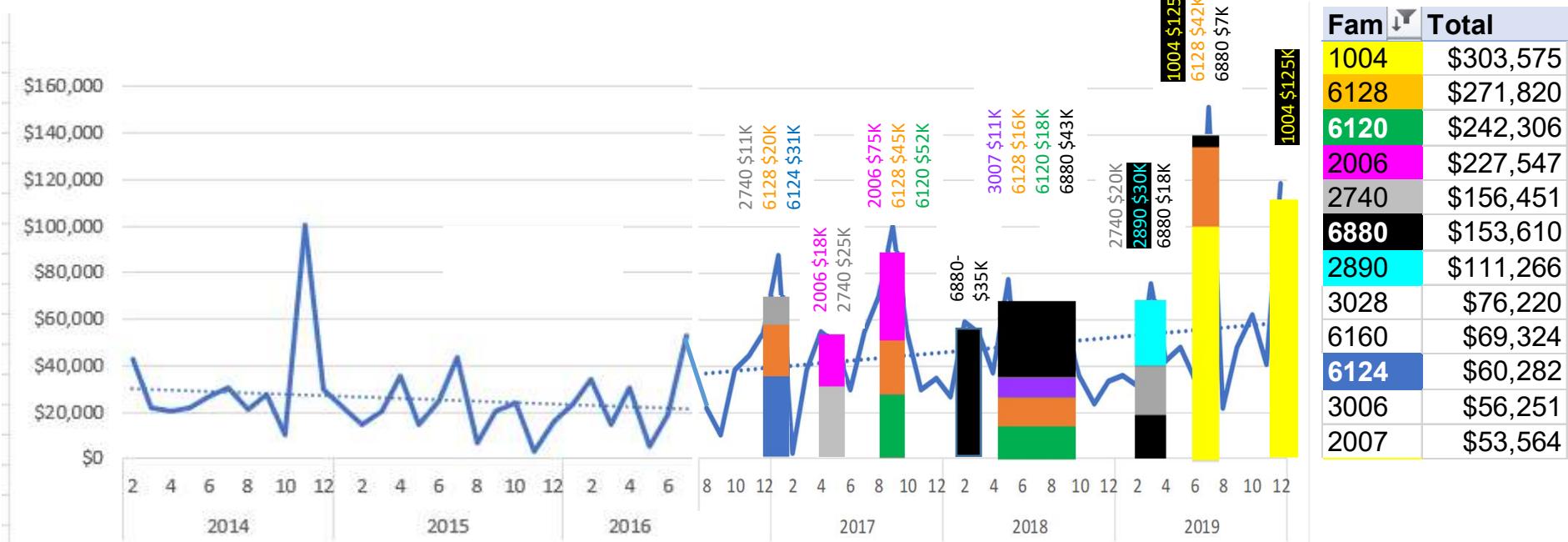


# S&G Executive Summary | Quality

## Warranty Data – Historical analysis

After challenging task of compiling usable warranty data, focused on cost peaks / valleys & drill down into 10 part families to understand cost drivers

- Challenges in compiling usable warranty data (tying cost to claims, understanding root cause & countermeasures)
- Analysis of historical warranty data largely complete
- Focus on “peaks and valleys” since 2017 (shift in trajectory / frequency of peaks)
- Drilled into 10 part families comprising ~65% of total warranty cost



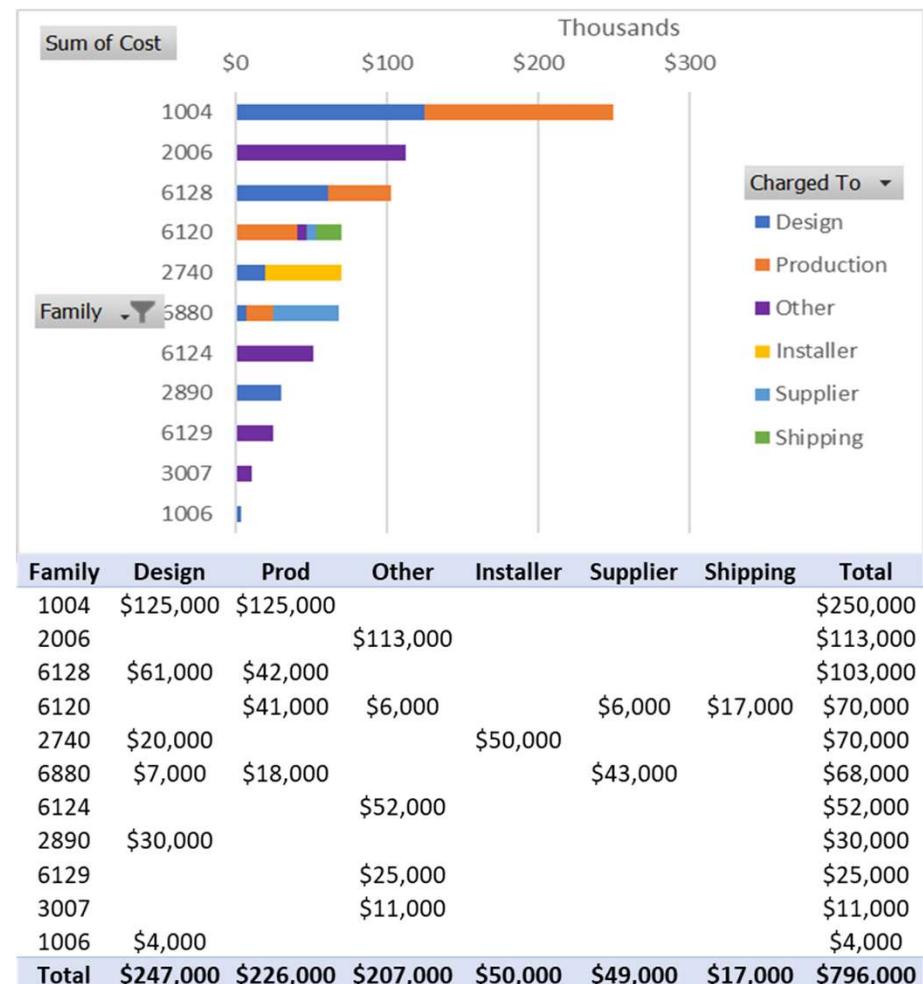


## S&G Executive Summary | Quality

### Warranty Data – Drill down into Part Families

Have developed “ideal” warranty data structure (2019) for analysis, moving to ERP planning & root causing

- Identified responsible process, failure mode, root cause, countermeasure for major costs
- Design & Production were top contributors to major warranty claims
- “Other” = still seeking information





# S&G Executive Summary | Quality

## Data Integrity

Questions on historical data remain, new ERP design to address these

### Issues:

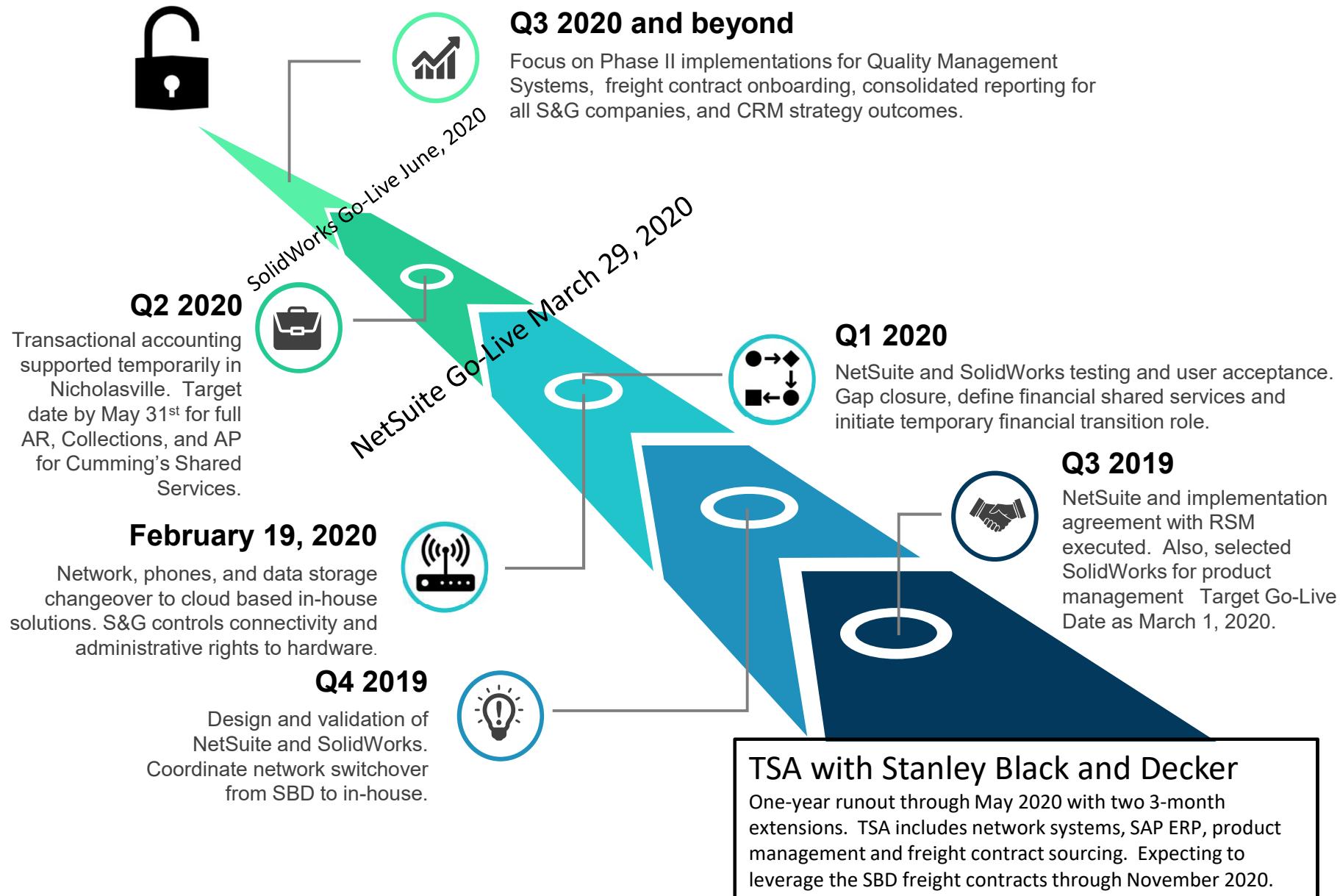
- ERP scoping of warranty data revealed:
  - Substantially more data collected than understood
  - Most data not used / not in “standard” reports
- Detailed analysis of data highlighted known & unknown issues:
  - Known: re-shipping costs not included (est. ~4%), due to bundling with Stanley
  - Known: production impact: sorting, rework, disruption generally not captured as cost of quality
  - Unknown: accounting corrections obfuscate peaks / valleys
  - Unknown: noticed “over-charges”, lack of audit process for “under-charges”

### Solutions:

- Coaching Quality Team on available data, analytical methods, QMS standards
- Will be establishing linkage of cost & sales order (NetSuite)
- “Actuals” not practical given bundling, investigate estimates (currently nothing)
- Working with Quality to own metrics that shed light on these costs
- Tie warranty claims to sales orders
  - Track trend on ship dates (aligns corrections to zero out at ship date)
  - Audit quantity \* unit cost vs. actual costs

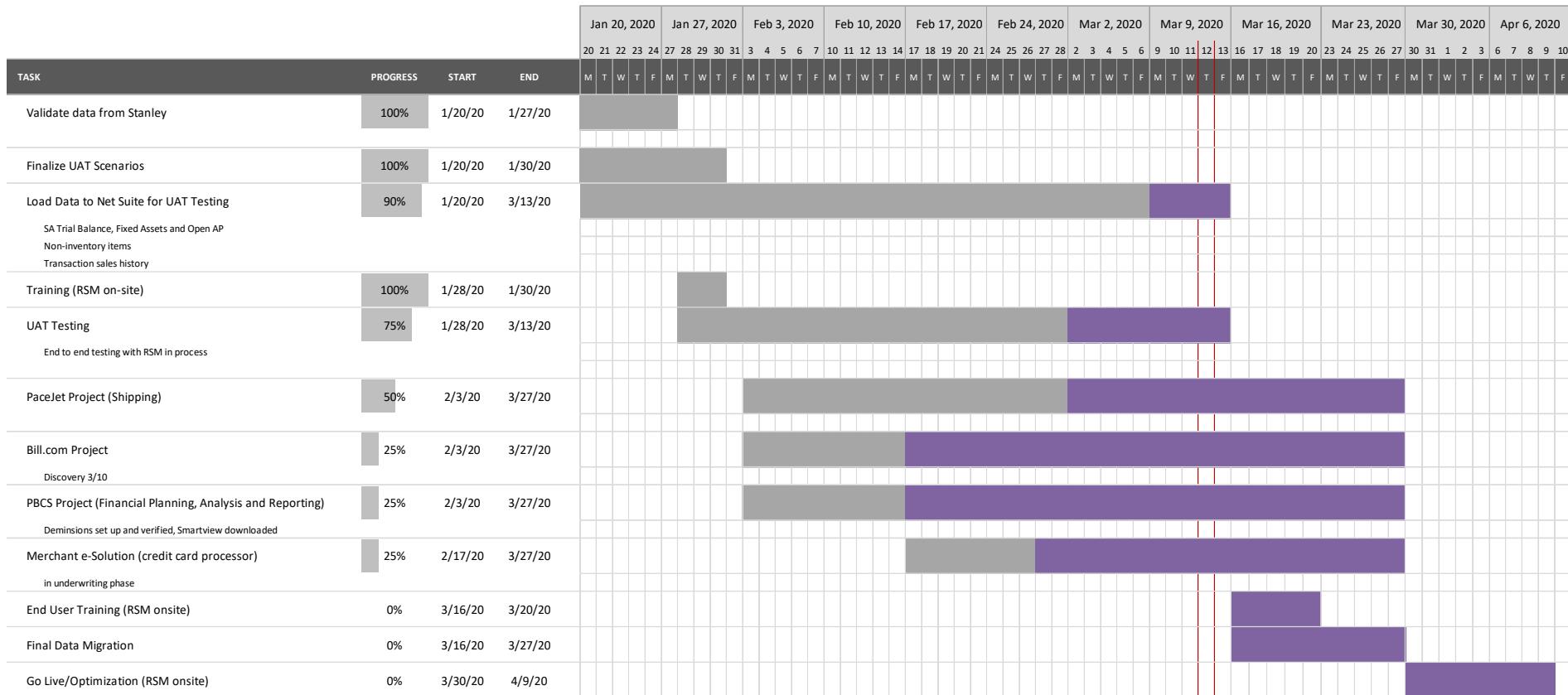


# S&G Finance and IT | Standalone Transition Milestones





# S&G Executive Summary | Net Suite Implementation





# February 2020 Operating Review Meeting Agenda

④ Consolidated

④ **S&G**

Executive Summary

Financial Review

Full Year Financial Outlook

④ Consolidated Delaney

④ Delaney

④ Premier

④ Governance Reporting

④ Appendix



# S&G Financial Review | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>3,290</b>	<b>3,271</b>	<b>19</b>	<b>0.6%</b>	<b>4,088</b>	<b>(797)</b>	<b>(19.5%)</b>	
Material	1,250	1,165	85	7.3%	1,424	(174)	(12.2%)	
Labor	538	538	(0)	(0.0%)	550	(12)	(2.2%)	
Other COGS	312	208	104	50.0%	292	20	6.9%	
<b>Total COGS</b>	<b>2,100</b>	<b>1,911</b>	<b>189</b>	<b>9.9%</b>	<b>2,266</b>	<b>(166)</b>	<b>(7.3%)</b>	
<b>Gross Margin</b>	<b>1,190</b>	<b>1,360</b>	<b>(170)</b>	<b>(12.5%)</b>	<b>1,821</b>	<b>(631)</b>	<b>(34.7%)</b>	
<i>Gross Margin %</i>	36.2%	41.6%			44.6%			
R&D	201	268	(67)	(24.8%)	112	89	79.7%	
Sales & Marketing	347	619	(272)	(43.9%)	336	11	3.3%	
Administrative	405	300	106	35.3%	362	43	12.0%	
Other Opex	–	–	–	N/A	–	–	N/A	
<b>Total Opex</b>	<b>954</b>	<b>1,186</b>	<b>(232)</b>	<b>(19.6%)</b>	<b>810</b>	<b>144</b>	<b>17.7%</b>	
<b>EBITDA</b>	<b>236</b>	<b>174</b>	<b>63</b>	<b>36.0%</b>	<b>1,011</b>	<b>(775)</b>	<b>(76.6%)</b>	
<i>EBITDA %</i>	7.2%	5.3%			24.7%			
<b>Adj. EBITDA</b>	<b>455</b>	<b>654</b>	<b>\$ (199)</b>	<b>(30.4%)</b>	<b>1,011</b>	<b>(556)</b>	<b>(55.0%)</b>	
<i>Adj. EBITDA %</i>	13.8%	20.0%			24.7%			
<b>Net Income (Loss)</b>	<b>\$ (900)</b>	<b>\$ (590)</b>	<b>\$ (310)</b>	<b>52.5%</b>	<b>\$ 909</b>	<b>\$ (1,809)</b>	<b>(199.0%)</b>	
Unincurred Standalone Costs	30	10	21	216.5%				
<b>PF Adj EBITDA</b>	<b>\$ 425</b>	<b>\$ 644</b>	<b>\$ (219)</b>	<b>-34.1%</b>				
<i>PF Adj. EBITDA %</i>	12.9%	19.7%						

Management Discussion							
<b>Budget</b>							
<ul style="list-style-type: none"> <li>February Revenue Flat vs AOP and unfavorable variance of (\$0.8M) vs PY           <ul style="list-style-type: none"> <li>Unfavorable performance in LAG (\$0.4M)</li> <li>Unfavorable performance in APAC less India (\$0.3M)</li> <li>Unfavorable performance EMEA (\$0.2M)</li> <li>Unfavorable performance NA (\$0.1M)</li> </ul> </li> <li>Favorable performance Government \$0.5M</li> <li>Favorable performance India \$0.5M</li> </ul>							
<ul style="list-style-type: none"> <li>February Adjusted EBITDA unfavorable (\$0.2M) to AOP. Gross margin is unfavorable (\$0.2M) with no volume impact and other impacts of approximately (\$0.2M) from material cost and period warranty cost.</li> <li>Opex is favorable \$0.2M vs AOP related timing spend on strategic initiatives           <ul style="list-style-type: none"> <li>Actual 1x charges were \$0.2M versus Budget of \$0.4M</li> <li>Rebranding and new keypad spending pushed to 2Q</li> <li>Recruitment and training timing pushed out</li> </ul> </li> </ul>							
<b>PY</b>							
<ul style="list-style-type: none"> <li>February Adjusted EBITDA unfavorable (\$0.6M) vs PY. Gross margin is unfavorable (\$0.6M) with a volume impact of (\$0.4M) and other impact of (\$0.2M).</li> <li>Opex is unfavorable (\$0.1M) compared to PY           <ul style="list-style-type: none"> <li>Actual 1x adjustments were \$0.2M versus PY of \$0</li> </ul> </li> </ul>							



# S&G Financial Review | Summary P&L - YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>7,437</b>	<b>7,248</b>	<b>189</b>	<b>2.6%</b>	<b>7,438</b>	<b>(1)</b>	<b>(0.0%)</b>	
Material	2,872	2,583	289	11.2%	2,506	366	14.6%	
Labor	1,169	1,192	(23)	(1.9%)	1,171	(2)	(0.2%)	
Other COGS	538	430	108	25.1%	483	56	11.5%	
<b>Total COGS</b>	<b>4,579</b>	<b>4,205</b>	<b>374</b>	<b>8.9%</b>	<b>4,160</b>	<b>419</b>	<b>10.1%</b>	
<b>Gross Margin</b>	<b>2,857</b>	<b>3,043</b>	<b>(186)</b>	<b>(6.1%)</b>	<b>3,278</b>	<b>(420)</b>	<b>(12.8%)</b>	
<i>Gross Margin %</i>	38.4%	42.0%			44.1%			
R&D	414	549	(135)	(24.6%)	246	168	68.5%	
Sales & Marketing	794	1,231	(436)	(35.5%)	710	84	11.8%	
Administrative	730	688	42	6.1%	752	(22)	(3.0%)	
Other Opex	–	–	–	N/A	–	–	N/A	
<b>Total Opex</b>	<b>1,938</b>	<b>2,467</b>	<b>(529)</b>	<b>(21.5%)</b>	<b>1,708</b>	<b>230</b>	<b>13.5%</b>	
<b>EBITDA</b>	<b>920</b>	<b>576</b>	<b>344</b>	<b>59.7%</b>	<b>1,570</b>	<b>(650)</b>	<b>(41.4%)</b>	
<i>EBITDA %</i>	12.4%	7.9%			21.1%			
<b>Adj. EBITDA</b>	<b>1,383</b>	<b>1,401</b>	<b>(18)</b>	<b>(1.3%)</b>	<b>1,570</b>	<b>(187)</b>	<b>(11.9%)</b>	
<i>Adj. EBITDA %</i>	18.6%	19.3%			21.1%			
<b>Net Income (Loss)</b>	<b>\$ (1,516)</b>	<b>\$ (1,200)</b>	<b>\$ (315)</b>	<b>26.3%</b>	<b>\$ 1,349</b>	<b>\$ (2,865)</b>	<b>(212.4%)</b>	
Unincurred Standalone Costs	60	20	40	200.0%				
<b>PF Adj EBITDA</b>	<b>\$ 1,323</b>	<b>\$ 1,381</b>	<b>\$ (58)</b>	<b>-4.2%</b>				
<i>PF Adj. EBITDA %</i>	17.8%	19.0%						

Management Discussion							
Budget							
<ul style="list-style-type: none"> <li>YTD Revenue favorable \$0.2M vs AOP and flat vs PY           <ul style="list-style-type: none"> <li>Unfavorable performance in LAG (\$0.5M)</li> <li>Unfavorable performance in APAC less India (\$0.3M)</li> <li>Unfavorable performance in EMEA (\$0.3M)</li> <li>Favorable performance in Government \$0.6M</li> <li>Favorable performance in India \$0.4M</li> <li>Favorable performance NA \$0.3M</li> </ul> </li> <li>YTD Adjusted EBITDA flat to AOP. Gross margin is unfavorable (\$0.2M) with a volume impact of \$0.1M and other impacts of approximately (\$0.3M) from material cost and warranty cost.</li> <li>Opex is favorable \$0.5M vs AOP related timing spend on strategic initiatives           <ul style="list-style-type: none"> <li>Actual 1x charges were \$0.5M versus Budget of \$0.8M</li> <li>Rebranding and new keypad spending pushed to 2Q</li> <li>Recruitment and training timing pushed out</li> </ul> </li> </ul>							
PY							
<ul style="list-style-type: none"> <li>YTD Adjusted EBITDA unfavorable (\$0.2M) vs PY. Gross margin is unfavorable (\$0.4M) with no volume impact, material cost (\$0.3M) and other impact of (\$0.1M).</li> <li>Opex is unfavorable (\$0.2M) compared to PY           <ul style="list-style-type: none"> <li>Actual 1x adjustments were \$0.5M versus PY of \$0</li> </ul> </li> </ul>							



# S&G Financial Summary | Incurred Standalone Costs

\$'000	Description	Feb		Variance		YTD		Variance	
		Act	Bud	\$	%	Act	Bud	\$	%
<b>IT</b>		<b>27</b>	<b>29</b>	<b>(2)</b>	<b>-6.1%</b>	<b>55</b>	<b>59</b>	<b>(4)</b>	<b>-5.9%</b>
Manager	Salary and Benefits	8	8	-	0.0%	19	19	-	0.0%
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	7	5	2	35.8%	14	10	4	35.8%
ERP transition licensing fees	Licensing	11	11	-	0.0%	21	21	-	0.0%
Data Communications	Licensing	1	4	(4)	-83.8%	1	9	(7)	-83.8%
<b>Legal</b>		<b>-</b>	<b>12</b>	<b>(12)</b>	<b>-100.0%</b>	<b>5</b>	<b>25</b>	<b>(20)</b>	<b>-78.8%</b>
External legal fees and other expenses	Legal Fees	-	10	(10)	-100.0%	5	21	(16)	-74.8%
Patent fees	Patent Fees	-	2	(2)	-100.0%	-	4	(4)	-100.0%
<b>Finance</b>		<b>19</b>	<b>30</b>	<b>(11)</b>	<b>-36.5%</b>	<b>43</b>	<b>67</b>	<b>(24)</b>	<b>-36.4%</b>
CFO	Salary and Benefits	19	19	-	0.0%	43	43	-	0.0%
Base compensation (2 FTEs)	Salary and Benefits	-	11	(11)	-100.0%	-	24	(24)	-100.0%
<b>Sales</b>		<b>20</b>	<b>37</b>	<b>(17)</b>	<b>-45.5%</b>	<b>45</b>	<b>83</b>	<b>(38)</b>	<b>-45.4%</b>
VP of Sales	Salary and Benefits	20	20	-	0.0%	45	45	-	0.0%
Customer Relationship Manager	Salary and Benefits	-	17	(17)	-100.0%	-	38	(38)	-100.0%
<b>HR</b>		<b>2</b>	<b>2</b>	-	<b>0.0%</b>	<b>3</b>	<b>3</b>	-	<b>0.0%</b>
Business Travel and Accident	Business Travel and Accident	0	0	-	0.0%	1	1	-	0.0%
Global Emergency Travel Services	Global Emergency Travel Services	1	1	-	0.0%	3	3	-	0.0%
<b>Trade Compliance</b>		<b>1</b>	<b>1</b>	-	<b>0.0%</b>	<b>3</b>	<b>3</b>	-	<b>0.0%</b>
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	0	-	0.0%	0	0	-	0.0%
Trade Flow software license	Trade Flow software license	1	1	-	0.0%	2	2	-	0.0%
<b>Bonuses</b>	Incremental management bonuses	<b>52</b>	<b>63</b>	<b>(11)</b>	<b>-17.2%</b>	<b>98</b>	<b>126</b>	<b>(27)</b>	<b>-21.6%</b>
<b>Risk</b>	Incremental cost of business insurances	<b>24</b>	<b>12</b>	<b>12</b>	<b>95.6%</b>	<b>52</b>	<b>24</b>	<b>27</b>	<b>113.5%</b>
<b>Freight</b>	Adjust freight to actual charges versus allocation	<b>77</b>	<b>77</b>	<b>(0)</b>	<b>-0.4%</b>	<b>141</b>	<b>155</b>	<b>(14)</b>	<b>-8.9%</b>
<b>401(k) compensation</b>	Estimated incremental 401(k) expense	<b>17</b>	<b>19</b>	<b>(2)</b>	<b>-12.6%</b>	<b>28</b>	<b>41</b>	<b>(13)</b>	<b>-32.4%</b>
<b>Total Standalone Costs</b>		<b>239</b>	<b>282</b>	<b>(44)</b>	<b>-15.5%</b>	<b>474</b>	<b>586</b>	<b>(112)</b>	<b>-19.2%</b>



# S&G Financial Summary | PF Standalone Costs

\$'000	Description	Feb								YTD								
		Budget		Actual		Budget		Actual		Budget		Actual		Budget		Actual		
		Incurred	Unincurred	PF	Incurred	PF	Incurred	Unincurred	PF	Incurred	Unincurred	PF	Incurred	Unincurred	PF	Incurred	Unincurred	PF
<b>IT</b>		<b>29</b>	-	<b>29</b>	<b>29</b>	-	<b>29</b>	<b>57</b>	<b>2</b>	<b>59</b>	<b>59</b>	-	<b>59</b>	-	<b>59</b>	-	<b>59</b>	-
Manager	Salary and Benefits	8	-	8	8	-	8	19	-	19	19	-	19	-	19	-	19	-
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	5	-	5	5	-	5	12	(2)	10	10	-	10	-	10	-	10	-
ERP transition licensing fees	Licensing	11	-	11	11	-	11	21	-	21	21	-	21	-	21	-	21	-
Data Communications	Licensing	4	-	4	4	-	4	5	4	9	8	-	8	-	8	-	8	-
<b>Legal</b>		-	<b>12</b>	<b>12</b>	<b>12</b>	-	<b>12</b>	<b>5</b>	<b>20</b>	<b>25</b>	<b>25</b>	-	<b>25</b>	-	<b>25</b>	-	<b>25</b>	-
External legal fees and other expenses	Legal Fees	-	10	10	10	-	10	5	16	21	21	-	21	-	21	-	21	-
Patent fees	Patent Fees	-	2	2	2	-	2	-	4	4	4	-	4	-	4	-	4	-
<b>Finance</b>		<b>19</b>	<b>11</b>	<b>30</b>	<b>19</b>	<b>11</b>	<b>30</b>	<b>43</b>	<b>24</b>	<b>67</b>	<b>44</b>	<b>24</b>	<b>67</b>	-	<b>43</b>	-	<b>43</b>	-
CFO	Salary and Benefits	19	-	19	19	-	19	43	-	43	43	-	43	-	43	-	43	-
Base compensation (2 FTEs)	Salary and Benefits	-	11	11	-	11	11	-	24	24	1	24	-	24	-	24	-	
<b>Sales</b>		<b>20</b>	<b>17</b>	<b>37</b>	<b>20</b>	<b>17</b>	<b>37</b>	<b>45</b>	<b>38</b>	<b>83</b>	<b>49</b>	<b>34</b>	<b>83</b>	-	<b>45</b>	-	<b>45</b>	-
VP of Sales	Salary and Benefits	20	-	20	20	-	20	45	-	45	45	-	45	-	45	-	45	-
Customer Relationship Manager	Salary and Benefits	-	17	17	-	17	17	-	38	38	4	34	-	34	-	34	-	
<b>HR</b>		<b>2</b>	-	<b>2</b>	<b>2</b>	-	<b>2</b>	<b>3</b>	-	<b>3</b>	<b>3</b>	-	<b>3</b>	-	<b>3</b>	-	<b>3</b>	-
Business Travel and Accident	Business Travel and Accident	0	-	0	0	-	0	1	-	1	1	-	1	-	1	-	1	-
Global Emergency Travel Services	Global Emergency Travel Services	1	-	1	1	-	1	3	-	3	3	-	3	-	3	-	3	-
<b>Trade Compliance</b>		<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>	<b>3</b>	-	<b>3</b>	<b>3</b>	-	<b>3</b>	-	<b>3</b>	-	<b>3</b>	-
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	-	0	0	-	0	0	-	0	0	-	0	-	0	-	0	-
Trade Flow software license	Trade Flow software license	1	-	1	1	-	1	2	-	2	2	-	2	-	2	-	2	-
<b>Bonuses</b>	Incremental management bonuses	<b>52</b>	<b>11</b>	<b>63</b>	<b>63</b>	-	<b>63</b>	<b>98</b>	<b>27</b>	<b>126</b>	<b>126</b>	-	<b>126</b>	-	<b>126</b>	-	<b>126</b>	-
<b>Risk</b>	Incremental cost of business insurances	<b>12</b>	-	<b>12</b>	<b>12</b>	-	<b>12</b>	<b>40</b>	(16)	<b>24</b>	<b>24</b>	-	<b>24</b>	-	<b>24</b>	-	<b>24</b>	-
<b>Freight</b>	Adjust freight to actual charges versus allocation	<b>77</b>	<b>0</b>	<b>77</b>	<b>77</b>	-	<b>77</b>	<b>141</b>	<b>14</b>	<b>155</b>	<b>155</b>	-	<b>155</b>	-	<b>155</b>	-	<b>155</b>	-
<b>401(k) compensation</b>	Estimated incremental 401(k) expense	<b>17</b>	<b>2</b>	<b>19</b>	<b>19</b>	-	<b>19</b>	<b>28</b>	<b>13</b>	<b>41</b>	<b>41</b>	-	<b>41</b>	-	<b>41</b>	-	<b>41</b>	-
<b>Total Standalone Costs</b>		<b>230</b>	<b>53</b>	<b>283</b>	<b>253</b>	<b>30</b>	<b>283</b>	<b>465</b>	<b>122</b>	<b>587</b>	<b>527</b>	<b>60</b>	<b>587</b>	-	<b>587</b>	-	<b>587</b>	-



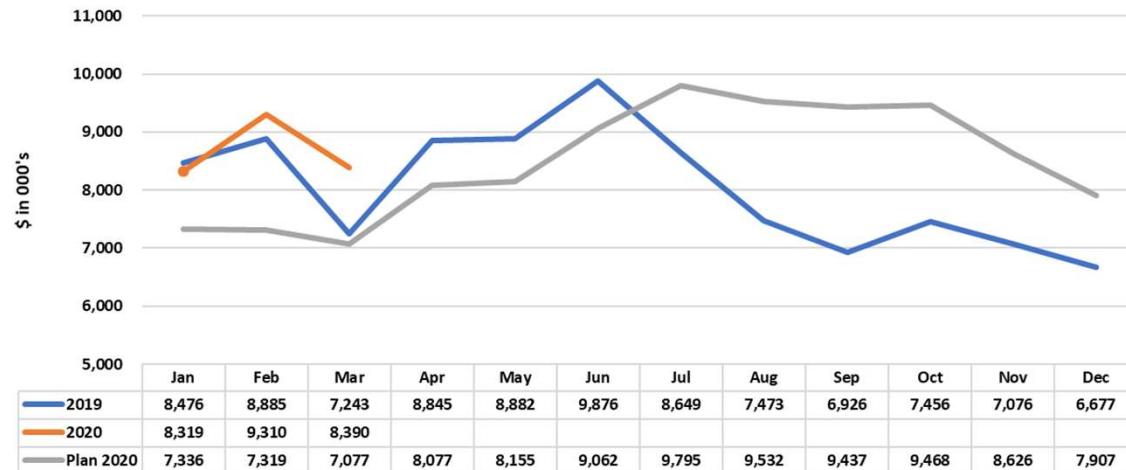
# S&G Financial Summary | 1X Costs

	Feb					YTD			
	Actual	Bud	Var	% Chg	Actual	Bud	Var	% Chg	
<b>Engineering</b>	<b>54</b>	<b>155</b>	<b>(101)</b>	<b>-65.2%</b>	<b>108</b>	<b>251</b>	<b>(143)</b>	<b>-56.9%</b>	
Market Parity	-	155	(155)	-100.0%	-	197	(197)	-100.0%	
OGX	54	54	-	0.0%	108	108	-	0.0%	
<b>Marketing</b>	<b>-</b>	<b>190</b>	<b>(190)</b>	<b>-100.0%</b>	<b>89</b>	<b>255</b>	<b>(166)</b>	<b>-65.1%</b>	
Brand Refresh	-	180	(180)	-100.0%	47	245	(198)	-80.8%	
Ecommerce	-	5	(5)	-100.0%	24	5	19	380.0%	
Market Parity	-	5	(5)	-100.0%	18	5	13	260.0%	
<b>Sales</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>N/A</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>N/A</b>	
SmartVentures	15	-	15	N/A	15	-	15	N/A	
<b>Admin</b>	<b>165</b>	<b>120</b>	<b>45</b>	<b>37.2%</b>	<b>266</b>	<b>304</b>	<b>(38)</b>	<b>-12.5%</b>	
Legal Services (policy reviews)	-	6	(6)	-100.0%	-	14	(14)	-100.0%	
HR Consultant	13	8	6	75.0%	17	15	2	10.4%	
Recruiting Fees	10	-	10	N/A	10	48	(38)	-79.1%	
NetSuite Reports Consulting	-	6	(6)	-100.0%	-	14	(14)	-100.0%	
TSA	73	58	14	24.1%	147	130	17	13.4%	
Planned Engineering Separation Project Start	-	10	(10)	-100.0%	-	20	(20)	-100.0%	
IT Services - Transition Support	11	12	(1)	-11.0%	14	24	(10)	-43.0%	
RSM Consulting	39	20	19	93.5%	59	40	19	47.5%	
KPMG Consulting	20	-	20	N/A	20	-	20	N/A	
<b>Manufacturing</b>	<b>-</b>	<b>15</b>	<b>(15)</b>	<b>-100.0%</b>	<b>-</b>	<b>15</b>	<b>(15)</b>	<b>-100.0%</b>	
Quality Consulting	60	-	60	N/A	60	-	60	N/A	
Kaizen Training	-	15	(15)	-100.0%	-	15	(15)	-100.0%	
<b>Total</b>	<b>219</b>	<b>480</b>	<b>(261)</b>	<b>-54.4%</b>	<b>463</b>	<b>825</b>	<b>(362)</b>	<b>-43.8%</b>	



# S&G Financial Summary | Backlog Trends

Trended Backlog - Comparative February



Backlog Runoff-Comparative February



## Management Discussion

- February backlog of \$9.3M contains:
  - Timemaster blanket order of \$1.7M
  - Government 951 orders of \$0.8M
  - American Locks orders of \$0.7M
  - Shanghai Qiahne orders of \$0.5M
- 2019 Backlog of \$7.2M contained:
  - Timemaster blanket order of \$1.7M
  - Government 951 orders of \$1.3M
  - NCR orders of \$0.4M
  - ARYA of \$0.3M



# S&G Financial Summary | Business Split Comparison

YTD Sales (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$1,443	\$24	\$71	\$0	\$0	<b>\$1,538</b>
APAC (Less India)	\$442	\$42	\$496	\$37	\$2	<b>\$1,020</b>
EMEA	\$653	\$90	\$264	\$56	\$7	<b>\$1,070</b>
LATAM	\$117	\$38	\$86	\$2	\$24	<b>\$268</b>
US and Canada	\$190	\$1,933	\$873	\$321	\$51	<b>\$3,369</b>
<b>Total</b>	<b>\$2,847</b>	<b>\$2,127</b>	<b>\$1,790</b>	<b>\$417</b>	<b>\$84</b>	<b>\$7,265</b>

YTD Contribution Margin (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$981	\$7	\$35	(\$0)	\$0	<b>\$1,023</b>
APAC (Less India)	\$266	(\$4)	\$107	\$3	\$1	<b>\$374</b>
EMEA	\$199	(\$24)	\$107	(\$3)	\$2	<b>\$281</b>
LATAM	\$60	\$5	\$38	\$1	\$5	<b>\$108</b>
US and Canada	\$90	\$896	\$359	\$160	\$17	<b>\$1,522</b>
<b>Total</b>	<b>\$1,596</b>	<b>\$880</b>	<b>\$646</b>	<b>\$161</b>	<b>\$24</b>	<b>\$3,307</b>

YTD Sales (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	19.9%	0.3%	1.0%	0.0%	0.0%	<b>21.2%</b>
APAC (Less India)	6.1%	0.6%	6.8%	0.5%	0.0%	<b>14.0%</b>
EMEA	9.0%	1.2%	3.6%	0.8%	0.1%	<b>14.7%</b>
LATAM	1.6%	0.5%	1.2%	0.0%	0.3%	<b>3.7%</b>
US and Canada	2.6%	26.6%	12.0%	4.4%	0.7%	<b>46.4%</b>
<b>Total</b>	<b>39.2%</b>	<b>29.3%</b>	<b>24.6%</b>	<b>5.7%</b>	<b>1.2%</b>	<b>100.0%</b>

YTD Contribution Margin (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	29.7%	0.2%	1.1%	(0.0%)	0.0%	<b>30.9%</b>
APAC (Less India)	8.0%	(0.1%)	3.2%	0.1%	0.0%	<b>11.3%</b>
EMEA	6.0%	(0.7%)	3.2%	(0.1%)	0.1%	<b>8.5%</b>
LATAM	1.8%	0.1%	1.1%	0.0%	0.1%	<b>3.3%</b>
US and Canada	2.7%	27.1%	10.9%	4.8%	0.5%	<b>46.0%</b>
<b>Total</b>	<b>48.3%</b>	<b>26.6%</b>	<b>19.5%</b>	<b>4.9%</b>	<b>0.7%</b>	<b>100.0%</b>

## North America

- ATM – NA ATM market is soft, projects are not repeating YOY (100% project based)
- GOV – growth in 8077's; Gov't Padlocks (951)
- Residential – growth within Genmega (2006-Titan)

## LATAM

- A-series continues to be strong in Latin America for CIT; SD lock market is also strong and growing in Argentina and Mexico

## EMEA

- Significant increase in PT Wiratana Persada Tama (3028 A-Series), Sales to NCR Hungary (6880's)

## India

- ATM Market continues to remain steady YOY, however softening in all other key markets is the trend. This is due to less cash usage globally and increased alternative pay methods (mobile). Increase in revenue to NCR India (6128's), as well as, AB Securitas (3028) and AGS (6128)

## APAC (less India)

- ATM-Project with TK (6128's)



# S&G Financial Summary | YTD YOY Comparison

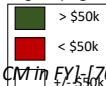
YTD YoY Change in Sales (\$'s 000)

	ATM	Gov.	Resi.	Other	Retail/ Dep Box	Safe	Total
India	\$131	\$24	(\$32)	\$0	\$0	\$123	
APAC (Less India)	\$17	(\$27)	(\$168)	\$35	(\$2)	(\$145)	
EMEA	\$102	(\$3)	(\$18)	\$21	\$3	\$105	
LATAM	(\$206)	\$15	(\$54)	(\$10)	(\$38)	(\$293)	
US and Canada	(\$238)	\$183	(\$41)	\$211	(\$88)	\$27	
Total	(\$194)	\$192	(\$314)	\$258	(\$125)	(\$183)	

YTD YoY Change in Sales (% Growth)

	ATM	Gov.	Resi.	Other	Retail/ Dep Box	Safe	Total
India	10.0%	N/A	(31.3%)	N/A	N/A	8.7%	
APAC (Less India)	3.9%	(38.9%)	(25.3%)	2,464.8%	(47.7%)	-12.4%	
EMEA	18.5%	(3.4%)	(6.3%)	58.0%	67.7%	10.8%	
LATAM	(63.7%)	67.8%	(38.5%)	(82.2%)	(61.0%)	-52.2%	
US and Canada	(55.6%)	10.5%	(4.5%)	191.5%	(63.4%)	0.8%	
Total	(6.4%)	9.9%	(14.9%)	161.9%	(59.9%)	-2.5%	

Legend (Chg in Sales \$ and %, Chg in CM \$):



\* FY YTD CM less FY-1 YTD CM (ex:[72% YTD CM in FY1]-[70% YTD CM in FY-1]=200 bps

- NA**
- ATM –market is soft, sales are 100% project based. Shortfall across 3 customers (Carolina ATM Services, Hyosung and Payment Alliance) at an average margin of 73.6%
  - RES - Growth in YOY sales; Genmega (Titan) @20% margin

## LATAM

- ATM– Market decline is temporary and upcoming orders of A-series should help address this
- RES-Decline in Casper, MAPA and International Latino American projects; lead to increased margin

## EMEA

- ATM-Increased margin with NCR Hungary 6880's

## India

- ATM-price decrease for NCR India impacting margin %

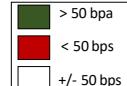
YTD YoY Change in Contribution Margin (\$'s 000)

	ATM	Gov.	Resi.	Other	Retail/ Dep Box	Safe	Total
India	\$116	\$7	(\$7)	\$1	\$0	\$116	
APAC (Less India)	\$85	(\$12)	(\$93)	\$2	(\$1)	(\$18)	
EMEA	\$83	(\$57)	\$10	(\$15)	\$1	\$22	
LATAM	(\$153)	\$2	(\$9)	(\$7)	(\$7)	(\$174)	
US and Canada	(\$156)	\$138	(\$67)	\$101	(\$31)	(\$15)	
Total	(\$25)	\$78	(\$166)	\$82	(\$38)	(\$69)	

YTD YoY Change in Contribution Margin (% of Sales)\*

	ATM	Gov.	Resi.	Other	Retail/ Dep Box	Safe	Total
India	207 bps	N/A	825 bps	160671 bps	N/A	245 bps	
APAC (Less India)	1765 bps	-2113 bps	-852 bps	-5139 bps	-22 bps	299 bps	
EMEA	939 bps	-6191 bps	624 bps	-4054 bps	-190 bps	-57 bps	
LATAM	-1464 bps	-117 bps	1050 bps	-1664 bps	-22 bps	-994 bps	
US and Canada	-1025 bps	305 bps	-547 bps	-309 bps	-89 bps	-80 bps	
Total	275 bps	-7 bps	-251 bps	-1092 bps	-93 bps	20 bps	

Legend (Chg in Contribution Margin % of Sales):





# S&G Financial Summary | CoGS by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Material</b>								
Material costs at standard	\$ 1,164	\$ 1,172	\$ (9)	(0.7%)	\$ 2,743	\$ 2,594	\$ 149	5.7%
Purchase price variance	(13)	(73)	60	(81.8%)	(51)	(142)	91	(63.9%)
Freight in	77	57	20	35.0%	122	115	7	6.1%
Cost revision	—	10	(10)	(100.0%)	—	20	(20)	(100.0%)
Scrap costs	19	(9)	28	(308.5%)	6	(21)	27	(129.9%)
Consumables	3	7	(5)	(63.1%)	52	17	36	215.5%
<b>Total Material COGS</b>	<b>\$ 1,250</b>	<b>\$ 1,165</b>	<b>\$ 85</b>	<b>7.3%</b>	<b>\$ 2,872</b>	<b>\$ 2,583</b>	<b>\$ 289</b>	<b>11.2%</b>
<b>Labor</b>								
Direct labor	\$ 232	\$ 224	\$ 8	3.4%	\$ 502	\$ 507	\$ (5)	(1.0%)
Direct labor - overtime	11	25	(14)	(57.8%)	29	56	(27)	(47.7%)
Direct labor - benefits	75	116	(41)	(35.7%)	150	243	(93)	(38.4%)
Direct labor - overtime	11	25	(14)	(57.8%)	29	56	(27)	(47.7%)
Indirect labor	155	139	16	11.9%	346	312	34	11.1%
Indirect labor – benefits	66	34	32	91.8%	142	74	68	92.1%
<b>Total Labor COGS</b>	<b>\$ 538</b>	<b>\$ 538</b>	<b>\$ (0)</b>	<b>(0.0%)</b>	<b>\$ 1,169</b>	<b>\$ 1,192</b>	<b>\$ (23)</b>	<b>(1.9%)</b>
<b>Other</b>								
Repairs and maintenance	\$ 21	\$ 17	\$ 4	20.8%	\$ 45	\$ 37	\$ 8	20.6%
Rent / facilities	151	92	59	63.9%	293	204	89	43.7%
Utilities	23	26	(3)	(10.2%)	44	52	(7)	(14.4%)
Other cost of sales	117	73	44	60.4%	157	138	19	13.6%
<b>Total Other COGS</b>	<b>\$ 312</b>	<b>\$ 208</b>	<b>\$ 104</b>	<b>50.0%</b>	<b>\$ 538</b>	<b>\$ 430</b>	<b>\$ 108</b>	<b>25.1%</b>
<b>Total COGS</b>	<b>\$ 2,100</b>	<b>\$ 1,911</b>	<b>\$ 189</b>	<b>57.3%</b>	<b>\$ 4,579</b>	<b>\$ 4,205</b>	<b>\$ 374</b>	<b>34.4%</b>

## Management Discussion

### February

- (\$85k) Material Costs-Increase in Freight and timing of scrap income
- (104k) Other Cost of Sales-\$60k in Quality consulting, \$40k in warranty expense

### YTD

- (\$289k) Material costs – Volume increase (\$67k) and higher mix of lower margin mechanical locks, (\$0.9M) @ 30.5% in Government 951 padlocks
- Unfavorable Purchase Price Variance from open market purchases at premium on obsolete processors for the 6120, 6123, 6124 and 6125 keypads (\$9K), 951 case pins(\$10K), 2740 PCB (\$6k) and brass rods(\$4K)
- Unfavorable Consumables – Cycle count adjustments (\$6K) Production Order Variance on 951 builds (\$7K) & EP Locks (\$6K)
- Rent/Facilities Unfavorable from increased insurance for Delaney (\$17K), Professional fees (\$85K) for testing UL \$8K , VDS \$14K, CNPP \$7K, Quality Consulting \$60k
- Other cost of sales includes (\$90K) from unfavorable warranty returns of ASWD from EMEA customers



# S&G Financial Summary | Balance Sheet

\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b><u>Current Assets</u></b>								
Cash and cash equivalents	\$ 1,606	\$ 3,401	\$ 1,606	\$ 880	\$ 1,922	\$ 298	\$ 1,624	544.3%
<i>Accounts receivable, gross</i>	4,956	6,935	4,956	5,944	6,754	6,215	539	8.7%
<i>Accounts receivable, reserves</i>	(220)	(213)	(220)	(220)	(220)	(124)	(96)	77.1%
Accounts receivable, net	4,736	6,722	4,736	5,724	6,534	6,091	443	7.3%
<i>Inventory, gross</i>	7,497	7,396	7,497	7,479	7,223	7,348	(125)	(1.7%)
<i>Inventory, reserves</i>	(474)	(550)	(474)	(625)	(697)	(481)	(217)	45.1%
Inventory, net	7,023	6,846	7,023	6,855	6,526	6,867	(342)	(5.0%)
Prepaid expenses and other current assets	(24)	84	(24)	(52)	(98)	(24)	(74)	307.9%
Other current assets	49,912	—	49,912	50,032	49,067	49,912	(846)	(1.7%)
<b>Total Current Assets</b>	<b>63,253</b>	<b>17,053</b>	<b>63,253</b>	<b>63,439</b>	<b>63,950</b>	<b>63,145</b>	<b>806</b>	<b>1.3%</b>
<b><u>Non-Current Assets</u></b>								
<i>Property, plant &amp; equipment, gross</i>	11,683	11,522	11,683	11,714	11,731	11,857	(126)	(1.1%)
<i>Accumulated depreciation</i>	(917)	(787)	(917)	(1,011)	(1,102)	(1,163)	61	(5.3%)
Property, plant & equipment, net	10,765	10,735	10,765	10,703	10,629	10,694	(65)	(0.6%)
Goodwill	42,050	45,914	42,050	42,133	42,133	42,050	83	0.2%
<i>Identifiable intangible assets, gross</i>	15,100	15,100	15,100	15,100	15,100	15,100	—	0.0%
<i>Accumulated amortization</i>	(690)	(443)	(690)	(789)	(1,233)	(1,354)	121	(8.9%)
Identifiable intangible assets, net	14,410	14,657	14,410	14,311	13,867	13,746	121	0.9%
Deferred financing cost	2,759	1,646	2,759	2,759	2,759	2,705	54	2.0%
Other non-current assets	131	131	131	2	2	131	(129)	(98.2%)
<b>Total Non-Current Assets</b>	<b>70,115</b>	<b>73,084</b>	<b>70,115</b>	<b>69,908</b>	<b>69,390</b>	<b>69,326</b>	<b>64</b>	<b>0.1%</b>
<b>Total Assets</b>	<b>\$ 133,369</b>	<b>\$ 90,137</b>	<b>\$ 133,369</b>	<b>\$ 133,347</b>	<b>\$ 133,340</b>	<b>\$ 132,471</b>	<b>\$ 870</b>	<b>0.7%</b>
<b><u>Current Liabilities</u></b>								
Current portion of long-term debt	\$ 1,850	\$ 1,003	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	—	0.0%
Accounts payable	2,788	2,839	2,788	2,515	2,746	3,090	(345)	(11.2%)
Accrued liabilities	1,975	1,615	1,975	1,558	2,189	1,975	214	10.8%
Accrued compensation	125	270	125	249	286	125	161	128.7%
Income taxes payable	128	152	128	128	128	128	(0)	(0.1%)
Short-term unearned revenue	45	16	45	33	30	45	(15)	(33.7%)
<b>Total Current Liabilities</b>	<b>6,912</b>	<b>5,894</b>	<b>6,912</b>	<b>7,583</b>	<b>8,479</b>	<b>7,214</b>	<b>1,265</b>	<b>17.5%</b>
<b><u>Long-term liabilities</u></b>								
Long-term debt less current maturities	90,658	43,360	90,658	90,658	90,658	90,658	—	0.0%
Deferred income taxes	(831)	2,989	(831)	(831)	(831)	(831)	—	0.0%
Other non-current liabilities	87	87	87	—	—	87	(87)	(100.0%)
<b>Total Long-Term Liabilities</b>	<b>89,914</b>	<b>46,436</b>	<b>89,914</b>	<b>89,827</b>	<b>89,827</b>	<b>89,914</b>	<b>(87)</b>	<b>(0.1%)</b>
<b>Total Liabilities</b>	<b>96,825</b>	<b>52,330</b>	<b>96,825</b>	<b>97,410</b>	<b>98,306</b>	<b>97,128</b>	<b>1,178</b>	<b>1.2%</b>
<b><u>Shareholders' Equity</u></b>								
Common stock	40,228	40,228	40,228	40,228	40,228	40,228	—	0.0%
Retained earnings	(5,055)	(3,760)	(5,055)	(5,550)	(6,450)	(6,256)	(194)	3.1%
Accumulated other comprehensive income	1,370	1,339	1,370	1,258	1,256	1,370	(114)	(8.3%)
Other equity transactions	1	1	1	1	1	1	—	0.0%
<b>Total Shareholders' Equity</b>	<b>36,543</b>	<b>37,807</b>	<b>36,543</b>	<b>35,937</b>	<b>35,035</b>	<b>35,343</b>	<b>(308)</b>	<b>(0.9%)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 133,369</b>	<b>\$ 90,137</b>	<b>\$ 133,369</b>	<b>\$ 133,347</b>	<b>\$ 133,340</b>	<b>\$ 132,471</b>	<b>\$ 870</b>	<b>0.7%</b>

## Management Discussion

- Higher Accounts Receivable by \$0.4M compared to Budget due to 951 shipments
- Slow pay A/R > than 16 days DFAS-Government \$470k, Arya \$138k, PT Wirantanu Persad \$127k, Cogar \$123k, Shanghai Best \$113k, Pingan \$82k
- Accounts Payable lower by (\$0.3M) compared to Budget due to lower Capex spend
- Favorable inventory position \$0.3M



# S&G Financial Summary | Cash Flow Statement

\$'000	YTD		Variance	
	Act	Bud	\$	%
<b>Cash flow from operations</b>				
Net Income (Loss)	\$ (1,516)	\$ (1,200)	\$ (315)	26.3%
Depreciation, amortization and other	645	910	(265)	(29.1%)
<i>Change in operating assets and liabilities:</i>				
Accounts receivable	(1,798)	(1,355)	(443)	32.7%
Inventory	497	156	342	219.5%
Prepaid expenses and other current assets	74	–	74	N/A
Accounts payable	(42)	302	(345)	(114.0%)
Accrued expenses	214	–	214	N/A
Accrued income taxes	(0)	–	(0)	N/A
Other changes in operating assets and liabilities	1,033	–	1,033	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ (893)</b>	<b>\$ (1,187)</b>	<b>\$ 295</b>	<b>(24.8%)</b>
<b>Cash flow from investing</b>				
Additions to property, plant and equipment	\$ (49)	\$ (175)	\$ 126	(72.2%)
<b>Total Cash Flow from Investing</b>	<b>\$ (49)</b>	<b>\$ (175)</b>	<b>\$ 126</b>	<b>(72.2%)</b>
<b>Cash flow from financing</b>				
Proceeds from the issuance (repayment) of short-term debt	\$ 1,250	\$ –	\$ 1,250	N/A
Other cash flow from financing costs	7	54	(47)	(86.2%)
<b>Total Cash Flow from Financing</b>	<b>\$ 1,257</b>	<b>\$ 54</b>	<b>\$ 1,203</b>	<b>2228.6%</b>
	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>N/A</b>
<b>Net change in cash</b>	<b>\$ 316</b>	<b>\$ (1,308)</b>	<b>\$ 1,624</b>	<b>(124.2%)</b>
Beginning cash	1,606	1,606	–	0.0%
Change in cash	316	(1,308)	1,624	(124.2%)
<b>Ending cash</b>	<b>\$ 1,922</b>	<b>\$ 298</b>	<b>\$ 1,624</b>	<b>544.3%</b>



# S&G Financial Review | 13-Week Cash Flow Projection

In US\$	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20	Forecast 4/27	Forecast 5/4	Forecast 5/11	Forecast 5/18	Forecast 5/25	Forecast 6/1
<b>Cash Inflows - Operational</b>													
Collections from customers (Actual)													
Collections from customers based on projected aging (Forecast)	859	993	1,162	799	941	370	741	380	233	216	32	85	86
Collections from new forecasted sales	-	-	-	-	-	245	245	403	403	658	675	693	703
<b>Total AR Collections</b>	<b>859</b>	<b>993</b>	<b>1,162</b>	<b>799</b>	<b>941</b>	<b>615</b>	<b>986</b>	<b>783</b>	<b>635</b>	<b>874</b>	<b>707</b>	<b>777</b>	<b>789</b>
Other non-AR inflows													
<b>Total Cash Inflows - Operational</b>	<b>859</b>	<b>993</b>	<b>1,162</b>	<b>799</b>	<b>941</b>	<b>615</b>	<b>986</b>	<b>783</b>	<b>635</b>	<b>874</b>	<b>707</b>	<b>777</b>	<b>789</b>
<b>Cash Outflows - Operational</b>													
Product inventory (SAP AP)	(850)	(286)	(403)	(485)	(392)	(337)	(406)	(349)	(304)	(292)	(334)	(314)	(355)
Payroll	(213)	(300)	(70)	(245)	(213)	(245)	(70)	(245)	(213)	(245)	(70)	(245)	(213)
Commissions													
Bonus													
Facilities & other (Freight)	(65)	(90)	(40)	(20)	(20)	(65)	(90)	(20)	(20)	(65)	(90)	(20)	(20)
Professional services	(210)	-	(62)	-	-	-	-	-	-	-	-	-	-
Marketing						(75)							
Recruiter fees						(25)				(25)			
Other expenses (Insurance, TSA, CC)	-	(72)	-	(160)	-	(72)	-	(160)	-	(29)	-	(160)	-
<b>Total Cash Outflows - Operational</b>	<b>(1,338)</b>	<b>(748)</b>	<b>(575)</b>	<b>(1,010)</b>	<b>(625)</b>	<b>(719)</b>	<b>(566)</b>	<b>(799)</b>	<b>(537)</b>	<b>(631)</b>	<b>(494)</b>	<b>(739)</b>	<b>(588)</b>
<b>Cashflows - Financial and Other</b>													
Revolving Loan Draw (Paydown)			10,000										
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													
<b>Total Cash Outflows - Financial and Other</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>(2,178)</b>	<b>(500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CASH FLOW</b>	<b>(480)</b>	<b>10,245</b>	<b>588</b>	<b>(2,389)</b>	<b>(184)</b>	<b>(103)</b>	<b>421</b>	<b>(16)</b>	<b>98</b>	<b>243</b>	<b>212</b>	<b>38</b>	<b>201</b>
<b>Cash Rollforward</b>													
Beginning cash balance	717	237	10,482	11,070	8,682	8,497	8,394	8,815	8,799	8,897	9,140	9,352	9,390
Cash activity	(480)	10,245	588	(2,389)	(184)	(103)	421	(16)	98	243	212	38	201
<b>ENDING CASH BALANCE</b>	<b>237</b>	<b>10,482</b>	<b>11,070</b>	<b>8,682</b>	<b>8,497</b>	<b>8,394</b>	<b>8,815</b>	<b>8,799</b>	<b>8,897</b>	<b>9,140</b>	<b>9,352</b>	<b>9,390</b>	<b>9,591</b>
<b>Debt Summary</b>													
Rolled debt	250	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Credit facility	92,508	92,508	92,508	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045	92,045
<b>TOTAL DEBT</b>	<b>92,758</b>	<b>102,508</b>	<b>102,508</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>	<b>102,045</b>
<b>TOTAL NET DEBT</b>	<b>92,521</b>	<b>92,026</b>	<b>91,438</b>	<b>93,363</b>	<b>93,548</b>	<b>93,651</b>	<b>93,230</b>	<b>93,246</b>	<b>93,148</b>	<b>92,905</b>	<b>92,693</b>	<b>92,655</b>	<b>92,454</b>
<b>AVAILABILITY</b>	<b>9,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# February 2020 Operating Review Meeting Agenda

④ Consolidated

④ **S&G**

Executive Summary

Financial Review

Full Year Financial Outlook

④ Consolidated Delaney

④ Delaney

④ Premier

④ Governance Reporting

④ Appendix



# S&G Full Year Financial Outlook | Summary P&L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b>Net Revenue</b>	<b>45,566</b>	<b>45,377</b>	<b>189</b>	<b>0.4%</b>	<b>42,122</b>	<b>3,444</b>	<b>8.2%</b>	
Material	16,355	16,066	289	1.8%	15,580	775	5.0%	
Labor	6,998	7,020	(23)	(0.3%)	6,746	251	3.7%	
Other COGS	2,542	2,434	108	4.4%	2,528	14	0.6%	
<b>Total COGS</b>	<b>25,895</b>	<b>25,520</b>	<b>374</b>	<b>1.5%</b>	<b>24,854</b>	<b>1,041</b>	<b>4.2%</b>	
<b>Gross Margin</b>	<b>19,671</b>	<b>19,857</b>	<b>(186)</b>	<b>(0.9%)</b>	<b>17,268</b>	<b>2,404</b>	<b>13.9%</b>	
<i>Gross Margin %</i>	43.2%	43.8%			41.0%			
R&D	2,285	2,420	(135)	(5.6%)	1,495	790	52.8%	
Sales & Marketing	5,208	5,644	(436)	(7.7%)	3,929	1,278	32.5%	
Administrative	2,855	2,813	42	1.5%	8,366	(5,511)	(65.9%)	
Other Opex	—	—	—	N/A	—	—	N/A	
<b>Total Opex</b>	<b>10,347</b>	<b>10,877</b>	<b>(529)</b>	<b>(4.9%)</b>	<b>13,790</b>	<b>(3,443)</b>	<b>(25.0%)</b>	
<b>EBITDA</b>	<b>9,324</b>	<b>8,980</b>	<b>344</b>	<b>3.8%</b>	<b>3,477</b>	<b>5,846</b>	<b>168.1%</b>	
<i>EBITDA %</i>	20.5%	19.8%			8.3%			
<b>Adj. EBITDA</b>	<b>10,511</b>	<b>10,529</b>	<b>(18)</b>	<b>(0.2%)</b>	<b>10,077</b>	<b>434</b>	<b>4.3%</b>	
<i>Adj. EBITDA %</i>	23.1%	23.2%			23.9%			
<b>Net Income (Loss)</b>	<b>\$ (1,145)</b>	<b>\$ (829)</b>	<b>\$ (315)</b>	<b>38.1%</b>	<b>\$ (2,628)</b>	<b>\$ 1,483</b>	<b>(56.4%)</b>	



# S&G Full Year Financial Outlook | Monthly P&L

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Net Revenue</b>	<b>4,147</b>	<b>3,290</b>	<b>3,226</b>	<b>4,142</b>	<b>3,189</b>	<b>3,404</b>	<b>4,273</b>	<b>3,535</b>	<b>4,245</b>	<b>4,777</b>	<b>3,465</b>	<b>3,873</b>	<b>45,566</b>	<b>45,377</b>	<b>189</b>	<b>0.4%</b>
Material	1,622	1,250	1,125	1,450	1,108	1,228	1,491	1,229	1,547	1,696	1,226	1,384	16,355	16,066	289	1.8%
Labor	631	538	533	657	527	549	664	546	549	658	543	602	6,998	7,020	(23)	(0.3%)
Other COGS	226	312	217	237	199	191	214	204	185	200	177	179	2,542	2,434	108	4.4%
<b>Total COGS</b>	<b>2,479</b>	<b>2,100</b>	<b>1,875</b>	<b>2,345</b>	<b>1,834</b>	<b>1,969</b>	<b>2,369</b>	<b>1,978</b>	<b>2,280</b>	<b>2,553</b>	<b>1,946</b>	<b>2,165</b>	<b>25,895</b>	<b>25,520</b>	<b>374</b>	<b>1.5%</b>
<b>Gross Margin</b>	<b>1,667</b>	<b>1,190</b>	<b>1,350</b>	<b>1,797</b>	<b>1,355</b>	<b>1,435</b>	<b>1,904</b>	<b>1,557</b>	<b>1,965</b>	<b>2,224</b>	<b>1,519</b>	<b>1,708</b>	<b>19,671</b>	<b>19,857</b>	<b>(186)</b>	<b>(0.9%)</b>
<b>Gross Margin %</b>	<b>40.2%</b>	<b>36.2%</b>	<b>41.9%</b>	<b>43.4%</b>	<b>42.5%</b>	<b>42.2%</b>	<b>44.6%</b>	<b>44.0%</b>	<b>46.3%</b>	<b>46.6%</b>	<b>43.8%</b>	<b>44.1%</b>	<b>43.2%</b>	<b>43.8%</b>		
R&D	212	201	210	235	128	144	161	198	156	274	151	215	2,285	2,420	(135)	(5.6%)
Sales & Marketing	447	347	461	547	447	439	485	396	380	448	405	405	5,208	5,644	(436)	(7.7%)
Administrative	325	405	287	241	197	218	237	178	183	210	185	188	2,855	2,813	42	1.5%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
<b>Total Opex</b>	<b>984</b>	<b>954</b>	<b>958</b>	<b>1,024</b>	<b>772</b>	<b>801</b>	<b>883</b>	<b>772</b>	<b>719</b>	<b>932</b>	<b>741</b>	<b>808</b>	<b>10,347</b>	<b>10,877</b>	<b>(529)</b>	<b>(4.9%)</b>
<b>EBITDA</b>	<b>683</b>	<b>236</b>	<b>393</b>	<b>773</b>	<b>583</b>	<b>634</b>	<b>1,021</b>	<b>785</b>	<b>1,246</b>	<b>1,292</b>	<b>778</b>	<b>899</b>	<b>9,324</b>	<b>8,980</b>	<b>344</b>	<b>3.8%</b>
<b>EBITDA %</b>	<b>16.5%</b>	<b>7.2%</b>	<b>12.2%</b>	<b>18.7%</b>	<b>18.3%</b>	<b>18.6%</b>	<b>23.9%</b>	<b>22.2%</b>	<b>29.4%</b>	<b>27.1%</b>	<b>22.4%</b>	<b>23.2%</b>	<b>20.5%</b>	<b>19.8%</b>		
<b>Adj. EBITDA</b>	<b>928</b>	<b>455</b>	<b>623</b>	<b>882</b>	<b>672</b>	<b>695</b>	<b>1,076</b>	<b>858</b>	<b>1,271</b>	<b>1,315</b>	<b>811</b>	<b>924</b>	<b>10,511</b>	<b>10,529</b>	<b>(18)</b>	<b>(0.2%)</b>
<b>Adj. EBITDA %</b>	<b>22.4%</b>	<b>13.8%</b>	<b>19.3%</b>	<b>21.3%</b>	<b>21.1%</b>	<b>20.4%</b>	<b>25.2%</b>	<b>24.3%</b>	<b>29.9%</b>	<b>27.5%</b>	<b>23.4%</b>	<b>23.9%</b>	<b>23.1%</b>	<b>23.2%</b>		
<b>Net Income (Loss)</b>	<b>\$ (616)</b>	<b>\$ (900)</b>	<b>\$ (372)</b>	<b>\$ (231)</b>	<b>\$ (172)</b>	<b>\$ (82)</b>	<b>\$ 57</b>	<b>\$ 71</b>	<b>\$ 529</b>	<b>\$ 326</b>	<b>\$ 62</b>	<b>\$ 183</b>	<b>\$ (1,145)</b>	<b>\$ (829)</b>	<b>\$ (315)</b>	<b>38.1%</b>



# S&G Full Year Financial Outlook | Monthly CoGS by Component

\$'000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	FY	Var	
	Act	Act	Fcst	Bud	\$	%										
<b>Material</b>																
Material costs at standard	\$ 1,579	\$ 1,164	\$ 1,169	\$ 1,448	\$ 1,102	\$ 1,250	\$ 1,494	\$ 1,171	\$ 1,480	\$ 1,655	\$ 1,265	\$ 1,341	\$ 16,118	\$ 15,969	\$ 149	0.9%
Purchase price variance	(38)	(13)	(123)	(59)	(63)	(103)	(69)	(23)	(23)	(29)	(113)	(53)	(709)	(800)	91	(11.3%)
Freight in	44	77	71	54	61	73	57	73	81	62	66	88	808	801	7	0.9%
Cost revision	—	—	10	10	10	10	10	10	10	10	10	10	100	120	(20)	(16.7%)
Scrap costs	(13)	19	(9)	(12)	(9)	(9)	(12)	(9)	(9)	(12)	(9)	(9)	(93)	(120)	27	(22.5%)
Consumables	50	3	7	9	7	7	9	7	7	9	7	7	132	96	36	37.3%
<b>Total Material COGS</b>	<b>\$ 1,622</b>	<b>\$ 1,250</b>	<b>\$ 1,125</b>	<b>\$ 1,450</b>	<b>\$ 1,108</b>	<b>\$ 1,228</b>	<b>\$ 1,491</b>	<b>\$ 1,229</b>	<b>\$ 1,547</b>	<b>\$ 1,696</b>	<b>\$ 1,226</b>	<b>\$ 1,384</b>	<b>\$ 16,355</b>	<b>\$ 16,066</b>	<b>\$ 289</b>	<b>1.8%</b>
<b>Labor</b>																
Direct labor	\$ 270	\$ 232	\$ 226	\$ 295	\$ 229	\$ 242	\$ 301	\$ 237	\$ 240	\$ 294	\$ 234	\$ 280	\$ 3,079	\$ 3,084	\$ (5)	(0.2%)
Direct labor - overtime	19	11	25	35	25	29	37	27	27	35	27	27	322	349	(27)	(7.7%)
Direct labor - benefits	75	75	115	117	102	106	114	109	109	116	109	114	1,263	1,356	(93)	(6.9%)
Direct labor - overtime	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Indirect labor	191	155	139	179	143	145	182	145	145	182	145	153	1,905	1,870	34	1.8%
Indirect labor – benefits	76	66	28	31	28	28	31	28	28	31	28	28	429	361	68	18.9%
<b>Total Labor COGS</b>	<b>\$ 631</b>	<b>\$ 538</b>	<b>\$ 533</b>	<b>\$ 657</b>	<b>\$ 527</b>	<b>\$ 549</b>	<b>\$ 664</b>	<b>\$ 546</b>	<b>\$ 549</b>	<b>\$ 658</b>	<b>\$ 543</b>	<b>\$ 602</b>	<b>\$ 6,998</b>	<b>\$ 7,020</b>	<b>\$ (23)</b>	<b>(0.3%)</b>
<b>Other</b>																
Repairs and maintenance	\$ 24	\$ 21	\$ 17	\$ 20	\$ 17	\$ 17	\$ 20	\$ 17	\$ 17	\$ 20	\$ 17	\$ 17	\$ 224	\$ 216	\$ 8	3.5%
Rent / facilities	141	151	93	111	90	92	111	90	92	111	95	96	1,277	1,188	89	7.5%
Utilities	21	23	23	21	22	25	21	22	21	21	24	25	271	279	(7)	(2.7%)
Other cost of sales	39	117	83	85	70	57	62	74	54	47	40	40	770	751	19	2.5%
<b>Total Other COGS</b>	<b>\$ 226</b>	<b>\$ 312</b>	<b>\$ 217</b>	<b>\$ 237</b>	<b>\$ 199</b>	<b>\$ 191</b>	<b>\$ 214</b>	<b>\$ 204</b>	<b>\$ 185</b>	<b>\$ 200</b>	<b>\$ 177</b>	<b>\$ 179</b>	<b>\$ 2,542</b>	<b>\$ 2,434</b>	<b>\$ 108</b>	<b>4.4%</b>
<b>Total COGS</b>	<b>\$ 2,479</b>	<b>\$ 2,100</b>	<b>\$ 1,875</b>	<b>\$ 2,345</b>	<b>\$ 1,834</b>	<b>\$ 1,969</b>	<b>\$ 2,369</b>	<b>\$ 1,978</b>	<b>\$ 2,280</b>	<b>\$ 2,553</b>	<b>\$ 1,946</b>	<b>\$ 2,165</b>	<b>\$ 25,895</b>	<b>\$ 25,520</b>	<b>\$ 374</b>	<b>5.9%</b>



# S&G Full Year Financial Outlook | Opex Summary

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b><u>Opex Overview:</u></b>								
Payroll	\$ 3,921	\$ 3,928	\$ (7)	(0.2%)	\$ 3,481	\$ 439	12.6%	
Benefits	589	609	(20)	(3.4%)	744	(156)	(20.9%)	
Bonus	779	806	(27)	(3.4%)	104	675	650.9%	
Commissions	460	481	(21)	(4.4%)	395	65	16.5%	
Marketing	265	394	(129)	(32.7%)	281	(16)	(5.8%)	
Travel and Entertainment	702	734	(31)	(4.3%)	521	181	34.8%	
Rent and Facilities	17	17	0	0.5%	17	(0)	(0.2%)	
Insurance	1	1	(0)	(11.7%)	1	(0)	(12.6%)	
Professional Fees	2,464	2,666	(202)	(7.6%)	6,347	(3,883)	(61.2%)	
Utl., Repair, Maint., & Sec.	37	42	(5)	(11.1%)	25	12	49.3%	
IT	634	630	5	0.7%	1,264	(630)	(49.8%)	
Bad Debts	—	—	—	N/A	101	(101)	(100.0%)	
Supplies	78	72	6	7.8%	39	39	101.7%	
Other Expenses	402	499	(97)	(19.5%)	469	(68)	(14.4%)	
<b>Total Opex</b>	<b>\$ 10,347</b>	<b>\$ 10,877</b>	<b>\$ (529)</b>	<b>(4.9%)</b>	<b>\$ 13,790</b>	<b>\$ (3,443)</b>	<b>(25.0%)</b>	



# S&G Full Year Financial Outlook | Balance Sheet

\$'000	Financial Statement Data												FY		FY		Var	
	Jan-20 Act	Feb-20 Act	Mar-20 Fcst	Apr-20 Fcst	May-20 Fcst	Jun-20 Fcst	Jul-20 Fcst	Aug-20 Fcst	Sep-20 Fcst	Oct-20 Fcst	Nov-20 Fcst	Dec-20 Fcst	FY Fcst	FY Bud	\$	%		
<b>Current Assets</b>																		
Cash and cash equivalents	\$ 880	\$ 1,922	\$ 116	\$ (86)	\$ 141	\$ 313	\$ 84	\$ 87	\$ 1,241	\$ 880	\$ 250	\$ 353	\$ 353	\$ 237	\$ 116	48.7%		
Accounts receivable, gross	5,944	6,754	6,451	6,627	6,697	6,808	6,837	7,071	7,217	7,261	6,930	7,164	7,164	7,164	—	0.0%		
Accounts receivable, reserves	(220)	(220)	(129)	(133)	(134)	(136)	(137)	(141)	(144)	(145)	(139)	(143)	(143)	(143)	—	0.0%		
Accounts receivable, net	5,724	6,534	6,322	6,494	6,563	6,672	6,701	6,929	7,073	7,116	6,791	7,021	7,021	7,021	—	0.0%		
Inventory, gross	7,479	7,223	7,654	7,740	7,585	7,585	7,676	7,592	7,509	7,550	7,466	7,244	7,244	7,244	—	0.0%		
Inventory, reserves	(625)	(697)	(501)	(506)	(496)	(496)	(502)	(497)	(491)	(494)	(488)	(345)	(345)	(345)	—	0.0%		
Inventory, net	6,855	6,526	7,153	7,233	7,089	7,089	7,174	7,096	7,018	7,056	6,977	6,899	6,899	6,899	—	0.0%		
Prepaid expenses and other current assets	(52)	(98)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	—	0.0%		
Other current assets	50,032	49,067	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	49,912	—	0.0%		
<b>Total Current Assets</b>	<b>63,439</b>	<b>63,950</b>	<b>63,480</b>	<b>63,529</b>	<b>63,681</b>	<b>63,962</b>	<b>63,847</b>	<b>64,000</b>	<b>65,219</b>	<b>64,940</b>	<b>63,907</b>	<b>64,161</b>	<b>64,161</b>	<b>64,046</b>	<b>116</b>	<b>0.2%</b>		
<b>Non-Current Assets</b>																		
Property, plant & equipment, gross	11,714	11,731	12,013	12,260	12,353	12,713	12,865	12,867	12,894	12,896	12,898	12,900	12,900	12,900	—	0.0%		
Accumulated depreciation	(1,011)	(1,102)	(1,288)	(1,417)	(1,547)	(1,638)	(1,729)	(1,820)	(1,914)	(2,009)	(2,104)	(2,199)	(2,199)	(2,199)	—	0.0%		
Property, plant & equipment, net	10,703	10,629	10,724	10,843	10,806	11,075	11,136	11,047	10,980	10,887	10,794	10,701	10,701	10,701	—	0.0%		
Goodwill	42,133	42,133	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	—	0.0%		
Identifiable intangible assets, gross	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	—	0.0%		
Accumulated amortization	(789)	(1,233)	(1,686)	(2,018)	(2,350)	(2,682)	(3,014)	(3,346)	(3,678)	(4,010)	(4,342)	(4,674)	(4,674)	(4,674)	—	0.0%		
Identifiable intangible assets, net	14,311	13,867	13,414	13,082	12,750	12,418	12,086	11,754	11,422	11,090	10,758	10,426	10,426	10,426	—	0.0%		
Deferred financing cost	2,759	2,759	2,678	2,651	2,624	2,597	2,570	2,543	2,516	2,489	2,462	2,435	2,435	2,435	—	0.0%		
Other non-current assets	2	2	131	131	131	131	131	131	131	131	131	131	131	131	—	0.0%		
<b>Total Non-Current Assets</b>	<b>69,908</b>	<b>69,390</b>	<b>68,997</b>	<b>68,757</b>	<b>68,361</b>	<b>68,271</b>	<b>67,973</b>	<b>67,525</b>	<b>67,099</b>	<b>66,647</b>	<b>66,195</b>	<b>65,743</b>	<b>65,743</b>	<b>65,743</b>	<b>—</b>	<b>0.0%</b>		
<b>Total Assets</b>	<b>\$ 133,347</b>	<b>\$ 133,340</b>	<b>\$ 132,477</b>	<b>\$ 132,286</b>	<b>\$ 132,042</b>	<b>\$ 132,233</b>	<b>\$ 131,820</b>	<b>\$ 131,525</b>	<b>\$ 132,318</b>	<b>\$ 131,587</b>	<b>\$ 130,101</b>	<b>\$ 129,904</b>	<b>\$ 129,904</b>	<b>\$ 129,788</b>	<b>\$ 116</b>	<b>0.1%</b>		
<b>Current Liabilities</b>																		
Current portion of long-term debt	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 1,336	\$ 1,336	\$ 1,336	\$ 1,336	\$ 1,336	\$ 1,336	\$ —	0.0%		
Accounts payable	2,515	2,746	3,577	3,617	3,544	4,040	3,559	3,693	4,291	4,233	4,186	4,139	4,139	4,139	—	0.0%		
Accrued liabilities	1,558	2,189	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	—	0.0%		
Accrued compensation	249	286	125	125	125	125	125	125	125	125	125	125	125	125	—	0.0%		
Income taxes payable	128	128	128	128	128	128	128	128	128	128	128	128	128	128	—	0.0%		
Short-term unearned revenue	33	30	45	45	45	45	56	56	56	56	56	56	56	56	—	0.0%		
<b>Total Current Liabilities</b>	<b>7,583</b>	<b>8,479</b>	<b>7,701</b>	<b>7,740</b>	<b>7,668</b>	<b>8,164</b>	<b>7,695</b>	<b>7,829</b>	<b>7,912</b>	<b>7,855</b>	<b>7,807</b>	<b>7,760</b>	<b>7,760</b>	<b>7,760</b>	<b>—</b>	<b>0.0%</b>		
<b>Long-term liabilities</b>																		
Long-term debt less current maturities	90,658	90,658	90,435	90,435	90,435	90,212	90,212	89,712	89,892	88,892	87,392	87,058	87,058	87,058	—	0.0%		
Deferred income taxes	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	—	0.0%		
Other non-current liabilities	—	—	87	87	87	87	87	87	87	87	87	87	87	87	—	0.0%		
<b>Total Long-Term Liabilities</b>	<b>89,827</b>	<b>89,827</b>	<b>89,691</b>	<b>89,691</b>	<b>89,691</b>	<b>89,468</b>	<b>89,468</b>	<b>88,968</b>	<b>89,148</b>	<b>88,148</b>	<b>86,648</b>	<b>86,314</b>	<b>86,314</b>	<b>86,314</b>	<b>—</b>	<b>0.0%</b>		
<b>Total Liabilities</b>	<b>97,410</b>	<b>98,306</b>	<b>97,391</b>	<b>97,431</b>	<b>97,359</b>	<b>97,632</b>	<b>97,162</b>	<b>96,796</b>	<b>97,060</b>	<b>96,002</b>	<b>94,455</b>	<b>94,074</b>	<b>94,074</b>	<b>94,074</b>	<b>—</b>	<b>0.0%</b>		
<b>Shareholders' Equity</b>																		
Common stock	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	—	0.0%		
Retained earnings	(5,550)	(6,450)	(6,823)	(7,053)	(7,225)	(7,308)	(7,251)	(7,180)	(6,651)	(6,324)	(6,262)	(6,079)	(5,885)	(5,885)	(194)	3.3%		
Accumulated other comprehensive income	1,258	1,256	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	—	0.0%		
Other equity transactions	1	1	1	1	1	1	1	1	1	1	1	1	1	1	—	0.0%		
<b>Total Shareholders' Equity</b>	<b>35,937</b>	<b>35,035</b>	<b>34,776</b>	<b>34,545</b>	<b>34,373</b>	<b>34,291</b>	<b>34,348</b>	<b>34,419</b>	<b>34,948</b>	<b>35,274</b>	<b>35,336</b>	<b>35,520</b>	<b>35,520</b>	<b>35,714</b>	<b>(194)</b>	<b>(0.5%)</b>		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 133,347</b>	<b>\$ 133,340</b>	<b>\$ 132,167</b>	<b>\$ 131,976</b>	<b>\$ 131,732</b>	<b>\$ 131,923</b>	<b>\$ 131,510</b>	<b>\$ 131,215</b>	<b>\$ 132,008</b>	<b>\$ 131,277</b>	<b>\$ 129,792</b>	<b>\$ 129,594</b>	<b>\$ 129,594</b>	<b>\$ 129,788</b>	<b>\$ (194)</b>	<b>(0.1%)</b>		



# S&G Full Year Financial Outlook | Cash Flow Summary

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ (616)	\$ (900)	\$ (372)	\$ (231)	\$ (172)	\$ (82)	\$ 57	\$ 71	\$ 529	\$ 326	\$ 62	\$ 183	\$ (1,145)	\$ (829)	\$ (315)	38.1%
Depreciation, amortization and other	109	535	722	461	462	423	423	423	426	427	427	427	5,266	5,266	—	0.0%
<i>Change in operating assets and liabilities:</i>																
Accounts receivable	(988)	(810)	212	(172)	(69)	(109)	(29)	(229)	(144)	(43)	324	(230)	(2,285)	(2,285)	—	0.0%
Inventory	168	329	(628)	(80)	145	—	(85)	78	78	(38)	78	78	124	124	—	0.0%
Prepaid expenses and other current assets	28	46	(74)	—	—	—	—	—	—	—	—	—	—	—	N/A	
Accounts payable	(273)	231	831	40	(72)	496	(481)	134	598	(58)	(47)	(47)	1,351	1,351	—	0.0%
Accrued expenses	(418)	631	(214)	—	—	—	—	—	—	—	—	—	—	—	N/A	
Accrued income taxes	(0)	0	0	—	—	—	—	—	—	—	—	—	—	—	N/A	
Other changes in operating assets and liabilities	35	999	(1,256)	—	—	(223)	11	(500)	(334)	(1,000)	(1,500)	(334)	(4,103)	11	(4,114)	(36223.6%)
<b>Total Cash Flow from Operations</b>	<b>\$ (1,955)</b>	<b>\$ 1,062</b>	<b>\$ (780)</b>	<b>\$ 18</b>	<b>\$ 293</b>	<b>\$ 505</b>	<b>\$ (104)</b>	<b>\$ (22)</b>	<b>\$ 1,154</b>	<b>\$ (385)</b>	<b>\$ (656)</b>	<b>\$ 78</b>	<b>\$ (791)</b>	<b>\$ 3,638</b>	<b>\$ (4,429)</b>	<b>(121.7%)</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ (31)	\$ (17)	\$ (281)	\$ (247)	\$ (93)	\$ (360)	\$ (152)	\$ (2)	\$ (27)	\$ (2)	\$ (2)	\$ (2)	\$ (1,217)	\$ (1,217)	—	0.0%
<b>Total Cash Flow from Investing</b>	<b>\$ (31)</b>	<b>\$ (17)</b>	<b>\$ (281)</b>	<b>\$ (247)</b>	<b>\$ (93)</b>	<b>\$ (360)</b>	<b>\$ (152)</b>	<b>\$ (2)</b>	<b>\$ (27)</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>\$ (1,217)</b>	<b>\$ (1,217)</b>	—	<b>0.0%</b>
<b>Cash flow from financing</b>																
Proceeds from the issuance (repayment) of short-term debt	\$ 1,250	\$ —	\$ (1,250)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	N/A
Other cash flow from financing costs	10	(2)	195	27	27	27	27	27	27	27	27	27	445	324	121	37.4%
<b>Total Cash Flow from Financing</b>	<b>\$ 1,260</b>	<b>\$ (2)</b>	<b>\$ (1,055)</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 445</b>	<b>\$ (3,790)</b>	<b>\$ 4,235</b>	<b>(111.7%)</b>							
<b>Effect of FX rates on cash and cash equivalents</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>N/A</b>
<b>Net change in cash</b>	<b>\$ (726)</b>	<b>\$ 1,042</b>	<b>\$ (2,116)</b>	<b>\$ (202)</b>	<b>\$ 227</b>	<b>\$ 172</b>	<b>\$ (229)</b>	<b>\$ 3</b>	<b>\$ 1,154</b>	<b>\$ (360)</b>	<b>\$ (631)</b>	<b>\$ 103</b>	<b>\$ (1,563)</b>	<b>\$ (1,369)</b>	<b>\$ (194)</b>	<b>14.2%</b>
Beginning cash	1,606	880	1,922	(194)	(396)	(169)	3	(225)	(223)	931	570	(60)	1,606	1,606	—	—
Change in cash	(726)	1,042	(2,116)	(202)	227	172	(229)	3	1,154	(360)	(631)	103	(1,563)	(1,369)	(194)	14.2%
<b>Ending cash</b>	<b>\$ 880</b>	<b>\$ 1,922</b>	<b>\$ (194)</b>	<b>\$ (396)</b>	<b>\$ (169)</b>	<b>\$ 3</b>	<b>\$ (225)</b>	<b>\$ (223)</b>	<b>\$ 931</b>	<b>\$ 570</b>	<b>\$ (60)</b>	<b>\$ 43</b>	<b>\$ 43</b>	<b>\$ 237</b>	<b>\$ (194)</b>	<b>(81.9%)</b>

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ **Consolidated Delaney**

Executive Summary

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- ④ Delaney
- ④ Premier
- ④ Governance Reporting
- ④ Appendix

# Consolidated Delaney/Premier Financial Review | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance		Management Discussion	
	Act	Bud	\$	%	Act	\$	%			
<b>Net Revenue</b>	<b>4,733</b>	<b>4,501</b>	<b>232</b>	<b>5.2%</b>	<b>4,097</b>	<b>636</b>	<b>15.5%</b>			<b>Budget:</b>
Material	2,235	2,161	74	3.4%	2,036	199	9.8%			Net Revenue: Delaney up \$173k driven by strong single family, hollow metal and online sales. Premier up \$32k due to strong OEM sales.
Labor	400	416	(15)	(3.6%)	376	24	6.4%			
Other COGS	179	215	(36)	(16.9%)	177	2	1.2%			
<b>Total COGS</b>	<b>2,814</b>	<b>2,792</b>	<b>22</b>	<b>0.8%</b>	<b>2,589</b>	<b>226</b>	<b>8.7%</b>			
<b>Gross Margin</b>	<b>1,919</b>	<b>1,709</b>	<b>210</b>	<b>12.3%</b>	<b>1,508</b>	<b>411</b>	<b>27.2%</b>			
<i>Gross Margin %</i>	40.5%	38.0%				36.8%				
Sales & Marketing	362	347	15	4.4%	328	34	10.4%			
Administrative	474	478	(4)	(0.9%)	444	30	6.7%			
<b>Total Opex</b>	<b>836</b>	<b>825</b>	<b>11</b>	<b>1.4%</b>	<b>773</b>	<b>64</b>	<b>8.3%</b>			
<b>EBITDA</b>	<b>1,082</b>	<b>884</b>	<b>198</b>	<b>22.5%</b>	<b>735</b>	<b>347</b>	<b>47.2%</b>			
<i>EBITDA %</i>	22.9%	19.6%				18.0%				
<b>Adj. EBITDA</b>	<b>1,105</b>	<b>884</b>	<b>222</b>	<b>25.1%</b>	<b>735</b>	<b>370</b>	<b>50.3%</b>			
<i>Adj. EBITDA %</i>	23.4%	19.6%				18.0%				
<b>Net Income (Loss)</b>	<b>\$ 802</b>	<b>\$ 421</b>	<b>\$ 381</b>	<b>90.6%</b>	<b>\$ 286</b>	<b>\$ 516</b>	<b>180.6%</b>			<b>PY:</b>
										Net Revenue: Delaney up \$504k excluding sales to Premier. This was largely driven by strong single family, online, and hollow metal sales, partially offset by multi-family softness attributable to timing.
										Gross Margin favorability as % of sales due to strong margins at both businesses. Premier margins were higher due to favorable pricing, and lower steel prices as well as productivity. Delaney margins were favorable largely driven by the tariff surcharge which was not in place last year

# Consolidated Delaney/Premier Financial Review | Summary P&L - YTD

\$'000	YTD		Var		PY YTD		Variance		Management Discussion
	Act	Bud	\$	%	Act	\$	%		
<b>Net Revenue</b>	<b>9,675</b>	<b>9,153</b>	<b>522</b>	<b>5.7%</b>	<b>8,684</b>	<b>991</b>	<b>11.4%</b>		<b>Budget:</b>  Net Revenue: Delaney up \$522k driven by strong Hollow Metal and Online sales. Premier up \$296k due to strong OEM sales.  Gross Margin favorability as % of sales due to strong margins at both businesses. Premier margins were higher than AOP due to lower steel prices than budgeted as well as productivity driven by volume. Delaney margins were favorable to AOP driven by tariff surcharge revenue higher than anticipated.
Material	4,588	4,394	193	4.4%	4,352	236	5.4%		
Labor	849	854	(5)	(0.6%)	787	62	7.9%		
Other COGS	388	443	(55)	(12.5%)	396	(8)	(1.9%)		
<b>Total COGS</b>	<b>5,824</b>	<b>5,692</b>	<b>133</b>	<b>2.3%</b>	<b>5,534</b>	<b>290</b>	<b>5.2%</b>		
<b>Gross Margin</b>	<b>3,851</b>	<b>3,461</b>	<b>389</b>	<b>11.3%</b>	<b>3,150</b>	<b>701</b>	<b>22.3%</b>		
<i>Gross Margin %</i>	39.8%	37.8%			36.3%				
Sales & Marketing	829	792	37	4.7%	695	134	19.3%		
Administrative	968	977	(8)	(0.9%)	896	73	8.1%		
<b>Total Opex</b>	<b>1,797</b>	<b>1,769</b>	<b>29</b>	<b>1.6%</b>	<b>1,590</b>	<b>207</b>	<b>13.0%</b>		
<b>EBITDA</b>	<b>2,053</b>	<b>1,693</b>	<b>361</b>	<b>21.3%</b>	<b>1,560</b>	<b>494</b>	<b>31.7%</b>		<b>PY:</b>  Net Revenue: Delaney up \$447k excluding sales to Premier. This was largely driven by Single Family and Online sales partially offset by Hollow Metal. Premier sales up \$464k due to strong OEM and Distributor sales.
<i>EBITDA %</i>	21.2%	18.5%			18.0%				
<b>Adj. EBITDA</b>	<b>2,076</b>	<b>1,693</b>	<b>384</b>	<b>22.7%</b>	<b>1,560</b>	<b>517</b>	<b>33.1%</b>		
<i>Adj. EBITDA %</i>	21.5%	18.5%			18.0%				Gross Margin favorability as % of sales due to strong margins at both businesses. Premier margins were higher due to favorable pricing, and lower steel prices as well as productivity. Delaney margins were favorable largely driven by the tariff surcharge which was not in place last year.
<b>Net Income (Loss)</b>	<b>\$ 1,725</b>	<b>\$ 784</b>	<b>\$ 941</b>	<b>120.0%</b>	<b>\$ 651</b>	<b>\$ 1,074</b>	<b>164.9%</b>		

# Consolidated Delaney/Premier Financial Review | Balance Sheet

\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b><u>Current Assets</u></b>								
Cash and cash equivalents	\$ 979	\$ 306	\$ 979	\$ 897	\$ 796	\$ 800	(4)	(0.5%)
<i>Accounts receivable, gross</i>	5,719	6,385	5,719	6,348	6,514	—	6,514	N/A
<i>Accounts receivable, reserves</i>	(14)	(13)	(14)	(17)	(20)	—	(20)	N/A
Accounts receivable, net	5,706	6,372	5,706	6,331	6,494	6,035	459	7.6%
<i>Inventory, gross</i>	14,401	14,066	14,401	14,943	14,645	14,233	412	2.9%
<i>Inventory, reserves</i>	(1,556)	(1,581)	(1,556)	(2,095)	(1,586)	(2,110)	524	(24.8%)
Inventory, net	12,845	12,486	12,845	12,848	13,059	12,123	936	7.7%
Prepaid expenses and other current assets	237	485	237	239	253	229	24	10.7%
<b>Total Current Assets</b>	<b>19,766</b>	<b>19,650</b>	<b>19,766</b>	<b>20,315</b>	<b>20,602</b>	<b>19,186</b>	<b>1,416</b>	<b>7.4%</b>
<b><u>Non-Current Assets</u></b>								
<i>Property, plant &amp; equipment, gross</i>	2,644	2,619	2,644	2,666	2,720	2,772	(52)	(1.9%)
<i>Accumulated depreciation</i>	(861)	(814)	(861)	(909)	(957)	(960)	3	(0.3%)
Property, plant & equipment, net	1,782	1,805	1,782	1,757	1,763	1,812	(49)	(2.7%)
Goodwill	24,706	25,001	24,706	24,706	24,474	24,117	357	1.5%
Deferred tax asset	644	644	644	644	644	672	(27)	(4.1%)
<b>Total Non-Current Assets</b>	<b>27,133</b>	<b>27,450</b>	<b>27,133</b>	<b>27,108</b>	<b>26,881</b>	<b>26,601</b>	<b>280</b>	<b>1.1%</b>
<b>Total Assets</b>	<b>\$ 46,899</b>	<b>\$ 47,100</b>	<b>\$ 46,899</b>	<b>\$ 47,422</b>	<b>\$ 47,484</b>	<b>\$ 45,787</b>	<b>\$ 1,696</b>	<b>3.7%</b>
<b><u>Current Liabilities</u></b>								
Accounts payable	902	995	902	860	1,405	1,466	(60)	(4.1%)
Accrued liabilities	1,386	1,292	1,386	1,914	1,007	1,520	(513)	(33.7%)
Accrued compensation	(44)	(234)	(44)	(747)	(647)	446	(1,093)	(245.2%)
Income taxes payable	870	870	870	870	870	633	236	37.3%
<b>Total Current Liabilities</b>	<b>3,113</b>	<b>2,922</b>	<b>3,113</b>	<b>2,897</b>	<b>2,635</b>	<b>4,065</b>	<b>(1,429)</b>	<b>(35.2%)</b>
<b><u>Long-term liabilities</u></b>								
Capital lease	71	74	71	67	64	—	64	N/A
Deferred income taxes	(250)	(250)	(250)	(250)	(250)	—	(250)	N/A
Other non-current liabilities	36,384	36,634	36,384	36,867	35,867	34,019	1,847	5.4%
<b>Total Long-Term Liabilities</b>	<b>36,204</b>	<b>36,457</b>	<b>36,204</b>	<b>36,683</b>	<b>35,680</b>	<b>34,019</b>	<b>1,660</b>	<b>4.9%</b>
<b>Total Liabilities</b>	<b>39,317</b>	<b>39,380</b>	<b>39,317</b>	<b>39,580</b>	<b>38,315</b>	<b>38,084</b>	<b>231</b>	<b>0.6%</b>
<b><u>Shareholders' Equity</u></b>								
Common stock	(10,597)	(10,597)	(10,597)	(10,597)	(10,597)	—	(10,597)	N/A
Retained earnings	7,582	7,720	7,582	7,842	9,169	7,703	1,465	19.0%
Other equity transactions	10,597	10,597	10,597	10,597	10,597	—	10,597	N/A
<b>Total Shareholders' Equity</b>	<b>7,582</b>	<b>7,720</b>	<b>7,582</b>	<b>7,842</b>	<b>9,169</b>	<b>7,703</b>	<b>1,465</b>	<b>19.0%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 46,899</b>	<b>\$ 47,100</b>	<b>\$ 46,899</b>	<b>\$ 47,422</b>	<b>\$ 47,484</b>	<b>\$ 45,787</b>	<b>\$ 1,696</b>	<b>3.7%</b>

## Management Discussion

# Consolidated Delaney/Premier Financial Review | Cash Flow

\$'000	MTD		Variance		YTD		Variance	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ 802	\$ 421	\$ 381	90.6%	\$ 1,725	\$ 784	\$ 941	120.0%
Depreciation, amortization and other	280	344	(64)	(18.6%)	328	687	(359)	(52.3%)
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(163)	(620)	457	(73.7%)	(789)	(330)	(459)	139.3%
Inventory	(212)	(146)	(66)	44.9%	(214)	722	(936)	(129.6%)
Prepaid expenses and other current assets	(14)	–	(14)	N/A	(16)	8	(24)	(287.6%)
Accounts payable	545	189	356	188.2%	503	563	(60)	(10.7%)
Accrued expenses	(906)	63	(970)	(1527.7%)	(378)	134	(513)	(381.4%)
Accrued income taxes	–	–	–	N/A	–	(236)	236	(100.0%)
Other changes in operating assets and liabilities	(904)	(149)	(755)	508.1%	(1,127)	(1,722)	595	(34.6%)
<b>Total Cash Flow from Operations</b>	<b>\$ (571)</b>	<b>\$ 103</b>	<b>\$ (674)</b>	<b>(654.1%)</b>	<b>\$ 32</b>	<b>\$ 612</b>	<b>\$ (580)</b>	<b>(94.7%)</b>
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ (54)	\$ (103)	\$ 49	(47.7%)	\$ (76)	\$ (128)	\$ 52	(40.4%)
<b>Total Cash Flow from Investing</b>	<b>\$ (54)</b>	<b>\$ (103)</b>	<b>\$ 49</b>	<b>(47.7%)</b>	<b>\$ (76)</b>	<b>\$ (128)</b>	<b>\$ 52</b>	<b>(40.4%)</b>
<b>Cash flow from financing</b>								
Common stock issued (repurchased)	–	–	–	N/A	–	10,597	(10,597)	(100.0%)
Other cash flow from financing costs	524	(0)	524	N/A	(139)	(11,260)	11,121	(98.8%)
<b>Total Cash Flow from Financing</b>	<b>\$ 524</b>	<b>\$ (0)</b>	<b>\$ 524</b>	<b>N/A</b>	<b>\$ (139)</b>	<b>\$ (663)</b>	<b>\$ 524</b>	<b>(79.1%)</b>
<b>Net change in cash</b>	<b>\$ (101)</b>	<b>0</b>	<b>\$ (101)</b>	<b>N/A</b>	<b>\$ (183)</b>	<b>\$ (179)</b>	<b>\$ (4)</b>	<b>2.2%</b>
Beginning cash	897	800	97	12.1%	979	979	–	0.0%
Change in cash	(101)	0	(101)	N/A	(183)	(179)	(4)	2.2%
<b>Ending cash</b>	<b>\$ 796</b>	<b>\$ 800</b>	<b>\$ (4)</b>	<b>(0.5%)</b>	<b>\$ 796</b>	<b>\$ 800</b>	<b>\$ (4)</b>	<b>(0.5%)</b>

Management Discussion

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
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# Consolidated Delaney/Premier Full Year Financial Outlook |

## Summary P&L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b>Net Revenue</b>	<b>59,211</b>	<b>58,689</b>	<b>522</b>	<b>0.9%</b>	<b>53,732</b>	<b>5,479</b>	<b>10.2%</b>	
Material	28,226	28,033	193	0.7%	25,925	2,301	8.9%	
Labor	5,182	5,187	(5)	(0.1%)	4,720	462	9.8%	
Other COGS	2,618	2,673	(55)	(2.1%)	2,401	217	9.1%	
<b>Total COGS</b>	<b>36,026</b>	<b>35,893</b>	<b>133</b>	<b>0.4%</b>	<b>33,046</b>	<b>2,980</b>	<b>9.0%</b>	
<b>Gross Margin</b>	<b>23,185</b>	<b>22,796</b>	<b>389</b>	<b>1.7%</b>	<b>20,687</b>	<b>2,498</b>	<b>12.1%</b>	
<i>Gross Margin %</i>	<i>39.2%</i>	<i>38.8%</i>			<i>38.5%</i>			
Sales & Marketing	4,081	4,043	37	0.9%	3,845	235	6.1%	
Administrative	6,257	6,266	(8)	(0.1%)	5,528	729	13.2%	
<b>Total Opex</b>	<b>10,338</b>	<b>10,309</b>	<b>29</b>	<b>0.3%</b>	<b>9,374</b>	<b>964</b>	<b>10.3%</b>	
<b>EBITDA</b>	<b>12,847</b>	<b>12,487</b>	<b>361</b>	<b>2.9%</b>	<b>11,313</b>	<b>1,534</b>	<b>13.6%</b>	
<i>EBITDA %</i>	<i>21.7%</i>	<i>21.3%</i>			<i>21.1%</i>			
<b>Adj. EBITDA</b>	<b>12,870</b>	<b>12,487</b>	<b>384</b>	<b>3.1%</b>	<b>11,313</b>	<b>1,557</b>	<b>13.8%</b>	
<i>Adj. EBITDA %</i>	<i>21.7%</i>	<i>21.3%</i>			<i>21.1%</i>			
<b>Net Income (Loss)</b>	<b>\$ 7,369</b>	<b>\$ 6,428</b>	<b>\$ 941</b>	<b>14.6%</b>	<b>\$ 5,473</b>	<b>\$ 1,896</b>	<b>34.6%</b>	

# Consolidated Delaney/Premier Full Year Financial Outlook |

## Monthly P&L

\$'000	Jan-20												FY	FY	Var		PY	Var	
	Act	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Act	Bud	\$	%	Act	\$	%
<b>Net Revenue</b>	<b>4,942</b>	<b>4,733</b>	<b>4,942</b>	<b>4,606</b>	<b>4,812</b>	<b>5,037</b>	<b>5,036</b>	<b>5,104</b>	<b>5,038</b>	<b>5,336</b>	<b>4,552</b>	<b>5,072</b>	<b>59,211</b>	<b>58,689</b>	<b>522</b>	<b>0.9%</b>	<b>53,732</b>	<b>5,479</b>	<b>10.2%</b>
Material	2,352	2,235	2,389	2,225	2,281	2,406	2,408	2,414	2,393	2,524	2,172	2,427	28,226	28,033	193	0.7%	25,925	2,301	8.9%
Labor	448	400	445	442	425	442	444	436	440	441	432	386	5,182	5,187	(5)	(0.1%)	4,720	462	9.8%
Other COGS	209	179	239	216	210	223	227	217	221	228	215	233	2,618	2,673	(55)	(2.1%)	2,401	217	9.1%
<b>Total COGS</b>	<b>3,010</b>	<b>2,814</b>	<b>3,074</b>	<b>2,882</b>	<b>2,915</b>	<b>3,071</b>	<b>3,079</b>	<b>3,068</b>	<b>3,054</b>	<b>3,193</b>	<b>2,819</b>	<b>3,046</b>	<b>36,026</b>	<b>35,893</b>	<b>133</b>	<b>0.4%</b>	<b>33,046</b>	<b>2,980</b>	<b>9.0%</b>
<b>Gross Margin</b>	<b>1,932</b>	<b>1,919</b>	<b>1,869</b>	<b>1,724</b>	<b>1,897</b>	<b>1,966</b>	<b>1,957</b>	<b>2,037</b>	<b>1,983</b>	<b>2,142</b>	<b>1,733</b>	<b>2,026</b>	<b>23,185</b>	<b>22,796</b>	<b>389</b>	<b>1.7%</b>	<b>20,687</b>	<b>2,498</b>	<b>12.1%</b>
<b>Gross Margin %</b>	<b>39.1%</b>	<b>40.5%</b>	<b>37.8%</b>	<b>37.4%</b>	<b>39.4%</b>	<b>39.0%</b>	<b>38.9%</b>	<b>39.9%</b>	<b>39.4%</b>	<b>40.2%</b>	<b>38.1%</b>	<b>40.0%</b>	<b>39.2%</b>	<b>38.8%</b>			<b>38.5%</b>		
Sales & Marketing	467	362	390	319	315	327	321	305	317	346	310	302	4,081	4,043	37	0.9%	3,845	235	6.1%
Administrative	494	474	500	549	524	518	530	524	558	527	517	540	6,257	6,266	(8)	(0.1%)	5,528	729	13.2%
<b>Total Opex</b>	<b>961</b>	<b>836</b>	<b>890</b>	<b>867</b>	<b>840</b>	<b>845</b>	<b>851</b>	<b>829</b>	<b>876</b>	<b>873</b>	<b>828</b>	<b>842</b>	<b>10,338</b>	<b>10,309</b>	<b>29</b>	<b>0.3%</b>	<b>9,374</b>	<b>964</b>	<b>10.3%</b>
<b>EBITDA</b>	<b>971</b>	<b>1,082</b>	<b>979</b>	<b>857</b>	<b>1,057</b>	<b>1,122</b>	<b>1,106</b>	<b>1,207</b>	<b>1,108</b>	<b>1,269</b>	<b>905</b>	<b>1,184</b>	<b>12,847</b>	<b>12,487</b>	<b>361</b>	<b>2.9%</b>	<b>11,313</b>	<b>1,534</b>	<b>13.6%</b>
<b>EBITDA %</b>	<b>19.7%</b>	<b>22.9%</b>	<b>19.8%</b>	<b>18.6%</b>	<b>22.0%</b>	<b>22.3%</b>	<b>22.0%</b>	<b>23.6%</b>	<b>22.0%</b>	<b>23.8%</b>	<b>19.9%</b>	<b>23.3%</b>	<b>21.7%</b>	<b>21.3%</b>			<b>21.1%</b>		
<b>Adj. EBITDA</b>	<b>971</b>	<b>1,105</b>	<b>979</b>	<b>857</b>	<b>1,057</b>	<b>1,122</b>	<b>1,106</b>	<b>1,207</b>	<b>1,108</b>	<b>1,269</b>	<b>905</b>	<b>1,184</b>	<b>12,870</b>	<b>12,487</b>			<b>11,313</b>		
<b>Adj. EBITDA %</b>	<b>19.7%</b>	<b>23.4%</b>	<b>19.8%</b>	<b>18.6%</b>	<b>22.0%</b>	<b>22.3%</b>	<b>22.0%</b>	<b>23.6%</b>	<b>22.0%</b>	<b>23.8%</b>	<b>19.9%</b>	<b>23.3%</b>	<b>21.7%</b>	<b>21.3%</b>			<b>21.1%</b>		
<b>Net Income (Loss)</b>	<b>\$ 923</b>	<b>\$ 802</b>	<b>\$ 455</b>	<b>\$ 399</b>	<b>\$ 555</b>	<b>\$ 605</b>	<b>\$ 589</b>	<b>\$ 667</b>	<b>\$ 589</b>	<b>\$ 712</b>	<b>\$ 428</b>	<b>\$ 645</b>	<b>\$ 7,369</b>	<b>\$ 6,428</b>	<b>\$ 941</b>	<b>14.6%</b>	<b>\$ 5,473</b>	<b>\$ 1,896</b>	<b>34.6%</b>

# Consolidated Delaney/Premier Full Year Financial Outlook |

## Balance Sheet

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Bud	\$	%										
<b>Current Assets</b>																
Cash and cash equivalents	\$ 897	\$ 796	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 979	\$ (179)	(18.3%)
Accounts receivable, net	6,331	6,494	6,035	6,212	5,981	5,882	6,278	6,430	6,228	6,321	6,552	6,253	6,253	5,706	547	9.6%
<b>Inventory, gross</b>	<b>14,943</b>	<b>14,645</b>	<b>14,233</b>	<b>14,350</b>	<b>14,321</b>	<b>14,239</b>	<b>14,440</b>	<b>14,630</b>	<b>14,517</b>	<b>14,711</b>	<b>14,731</b>	<b>14,845</b>	<b>14,845</b>	<b>14,401</b>	<b>445</b>	<b>3.1%</b>
<b>Inventory, reserves</b>	<b>(2,095)</b>	<b>(1,586)</b>	<b>(2,110)</b>	<b>(2,125)</b>	<b>(2,140)</b>	<b>(2,155)</b>	<b>(2,170)</b>	<b>(2,185)</b>	<b>(2,200)</b>	<b>(2,215)</b>	<b>(2,230)</b>	<b>(2,245)</b>	<b>(2,245)</b>	<b>(1,556)</b>	<b>(689)</b>	<b>44.3%</b>
Inventory, net	12,848	13,059	12,123	12,225	12,181	12,084	12,270	12,445	12,317	12,496	12,501	12,600	12,600	12,845	(245)	(1.9%)
Prepaid expenses and other current assets	239	253	229	229	229	229	229	229	229	229	229	229	229	237	(8)	(3.6%)
<b>Total Current Assets</b>	<b>20,315</b>	<b>20,602</b>	<b>19,186</b>	<b>19,465</b>	<b>19,191</b>	<b>18,994</b>	<b>19,576</b>	<b>19,903</b>	<b>19,574</b>	<b>19,846</b>	<b>20,082</b>	<b>19,882</b>	<b>19,882</b>	<b>19,766</b>	<b>115</b>	<b>0.6%</b>
<b>Non-Current Assets</b>																
Property, plant & equipment, gross	2,666	2,720	2,772	2,832	2,857	2,882	2,907	3,407	3,432	3,457	3,827	3,852	3,852	2,644	1,208	45.7%
Accumulated depreciation	(909)	(957)	(960)	(1,010)	(1,060)	(1,111)	(1,162)	(1,219)	(1,277)	(1,334)	(1,396)	(1,459)	(1,459)	(861)	(597)	69.3%
Property, plant & equipment, net	1,757	1,763	1,812	1,822	1,796	1,771	1,744	2,187	2,155	2,122	2,430	2,393	2,393	1,782	611	34.3%
Goodwill	24,706	24,474	24,117	23,822	23,528	23,233	22,939	22,644	22,350	22,055	21,761	21,466	21,466	24,706	(3,240)	(13.1%)
Deferred tax asset	644	644	672	672	672	672	672	672	672	672	672	672	672	644	27	4.3%
<b>Total Non-Current Assets</b>	<b>27,108</b>	<b>26,881</b>	<b>26,601</b>	<b>26,316</b>	<b>25,996</b>	<b>25,676</b>	<b>25,355</b>	<b>25,503</b>	<b>25,176</b>	<b>24,849</b>	<b>24,863</b>	<b>24,531</b>	<b>24,531</b>	<b>27,133</b>	<b>(2,602)</b>	<b>(9.6%)</b>
<b>Total Assets</b>	<b>\$ 47,422</b>	<b>\$ 47,484</b>	<b>\$ 45,787</b>	<b>\$ 45,781</b>	<b>\$ 45,187</b>	<b>\$ 44,670</b>	<b>\$ 44,931</b>	<b>\$ 45,407</b>	<b>\$ 44,750</b>	<b>\$ 44,696</b>	<b>\$ 44,944</b>	<b>\$ 44,413</b>	<b>\$ 44,413</b>	<b>\$ 46,899</b>	<b>\$ (2,486)</b>	<b>(5.3%)</b>
<b>Current Liabilities</b>																
Accounts payable	860	1,405	1,466	1,672	1,426	1,425	1,696	1,546	1,496	1,692	1,573	1,506	1,506	902	604	67.0%
Accrued liabilities	1,914	1,007	1,520	1,131	1,204	1,277	1,361	1,441	1,520	1,598	1,682	1,752	1,752	1,386	366	26.4%
Accrued compensation	(747)	(647)	446	513	580	649	689	759	828	897	966	894	894	(44)	938	(210.8%)
Income taxes payable	870	870	633	633	633	633	633	633	633	633	633	633	633	870	(236)	(27.2%)
<b>Total Current Liabilities</b>	<b>2,897</b>	<b>2,635</b>	<b>4,065</b>	<b>3,950</b>	<b>3,843</b>	<b>3,984</b>	<b>4,380</b>	<b>4,379</b>	<b>4,477</b>	<b>4,820</b>	<b>4,855</b>	<b>4,785</b>	<b>4,785</b>	<b>3,113</b>	<b>1,672</b>	<b>53.7%</b>
<b>Long-term liabilities</b>																
Capital lease	67	64	—	—	—	—	—	—	—	—	—	—	—	71	(71)	(100.0%)
Deferred income taxes	(250)	(250)	—	—	—	—	—	—	—	—	—	—	—	(250)	250	(100.0%)
Other non-current liabilities	36,867	35,867	34,019	33,674	32,787	31,574	30,833	30,722	29,300	28,314	27,815	26,925	26,925	36,384	(9,458)	(26.0%)
<b>Total Long-Term Liabilities</b>	<b>36,683</b>	<b>35,680</b>	<b>34,019</b>	<b>33,674</b>	<b>32,787</b>	<b>31,574</b>	<b>30,833</b>	<b>30,722</b>	<b>29,300</b>	<b>28,314</b>	<b>27,815</b>	<b>26,925</b>	<b>26,925</b>	<b>36,204</b>	<b>(9,278)</b>	<b>(25.6%)</b>
<b>Total Liabilities</b>	<b>39,580</b>	<b>38,315</b>	<b>38,084</b>	<b>37,624</b>	<b>36,630</b>	<b>35,558</b>	<b>35,214</b>	<b>35,101</b>	<b>33,777</b>	<b>33,133</b>	<b>32,670</b>	<b>31,711</b>	<b>31,711</b>	<b>39,317</b>	<b>(7,607)</b>	<b>(19.3%)</b>
<b>Shareholders' Equity</b>																
Common stock	(10,597)	(10,597)	—	—	—	—	—	—	—	—	—	—	—	(10,597)	10,597	(100.0%)
Retained earnings	7,842	9,169	7,703	8,158	8,557	9,112	9,717	10,306	10,973	11,562	12,274	12,702	12,702	7,582	5,120	67.5%
Other equity transactions	10,597	10,597	—	—	—	—	—	—	—	—	—	—	—	10,597	(10,597)	(100.0%)
<b>Total Shareholders' Equity</b>	<b>7,842</b>	<b>9,169</b>	<b>7,703</b>	<b>8,158</b>	<b>8,557</b>	<b>9,112</b>	<b>9,717</b>	<b>10,306</b>	<b>10,973</b>	<b>11,562</b>	<b>12,274</b>	<b>12,702</b>	<b>12,702</b>	<b>7,582</b>	<b>5,120</b>	<b>67.5%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 47,422</b>	<b>\$ 47,484</b>	<b>\$ 45,787</b>	<b>\$ 45,781</b>	<b>\$ 45,187</b>	<b>\$ 44,670</b>	<b>\$ 44,931</b>	<b>\$ 45,407</b>	<b>\$ 44,750</b>	<b>\$ 44,696</b>	<b>\$ 44,944</b>	<b>\$ 44,412</b>	<b>\$ 44,412</b>	<b>\$ 46,899</b>	<b>\$ (2,486)</b>	<b>(5.3%)</b>

# Consolidated Delaney/Premier Full Year Financial Outlook | Cash Flow

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ 923	\$ 802	\$ 455	\$ 399	\$ 555	\$ 605	\$ 589	\$ 667	\$ 589	\$ 712	\$ 428	\$ 645	\$ 7,369	\$ 6,428	\$ 941	14.6%
Depreciation, amortization and other	47	280	359	345	345	345	346	352	352	352	357	357	3,837	4,195	(357)	(8.5%)
<i>Change in operating assets and liabilities:</i>																
Accounts receivable	(626)	(163)	459	(177)	231	99	(396)	(152)	203	(94)	(231)	299	(547)	(313)	(235)	75.1%
Inventory	(2)	(212)	936	(102)	44	98	(186)	(175)	127	(179)	(4)	(100)	245	26	219	850.3%
Prepaid expenses and other current assets	(2)	(14)	24	—	—	—	—	—	—	—	—	—	8	8	—	0.0%
Accounts payable	(42)	545	60	207	(246)	(1)	272	(151)	(49)	195	(118)	(67)	604	682	(77)	(11.4%)
Accrued expenses	528	(906)	513	(389)	72	74	84	80	79	78	84	70	366	450	(84)	(18.7%)
Accrued income taxes	—	—	(236)	—	—	—	—	—	—	—	—	—	(236)	(236)	—	0.0%
Other changes in operating assets and liabilities	(223)	(904)	(595)	(278)	(820)	(1,144)	(700)	(42)	(1,353)	(917)	(429)	(962)	(8,368)	(9,522)	1,154	(12.1%)
<b>Total Cash Flow from Operations</b>	<b>\$ 603</b>	<b>\$ (571)</b>	<b>\$ 1,976</b>	<b>\$ 5</b>	<b>\$ 181</b>	<b>\$ 75</b>	<b>\$ 8</b>	<b>\$ 578</b>	<b>\$ (53)</b>	<b>\$ 148</b>	<b>\$ 86</b>	<b>\$ 242</b>	<b>\$ 3,278</b>	<b>\$ 1,717</b>	<b>\$ 1,561</b>	<b>90.9%</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ (23)	\$ (54)	\$ (52)	\$ (60)	\$ (25)	\$ (25)	\$ (25)	\$ (500)	\$ (25)	\$ (25)	\$ (370)	\$ (25)	\$ (1,208)	\$ (1,233)	\$ 25	(2.0%)
<b>Total Cash Flow from Investing</b>	<b>\$ (23)</b>	<b>\$ (54)</b>	<b>\$ (52)</b>	<b>\$ (60)</b>	<b>\$ (25)</b>	<b>\$ (25)</b>	<b>\$ (25)</b>	<b>\$ (500)</b>	<b>\$ (25)</b>	<b>\$ (25)</b>	<b>\$ (370)</b>	<b>\$ (25)</b>	<b>\$ (1,208)</b>	<b>\$ (1,233)</b>	<b>\$ 25</b>	<b>(2.0%)</b>
<b>Cash flow from financing</b>																
Common stock issued (repurchased)	—	—	10,597	—	—	—	—	—	—	—	—	—	10,597	10,597	—	0.0%
Other cash flow from financing costs	(663)	524	(12,517)	55	(156)	(50)	17	(78)	78	(123)	284	(217)	(12,846)	(11,260)	(1,586)	14.1%
<b>Total Cash Flow from Financing</b>	<b>\$ (663)</b>	<b>\$ 524</b>	<b>\$ (1,920)</b>	<b>\$ 55</b>	<b>\$ (156)</b>	<b>\$ (50)</b>	<b>\$ 17</b>	<b>\$ (78)</b>	<b>\$ 78</b>	<b>\$ (123)</b>	<b>\$ 284</b>	<b>\$ (217)</b>	<b>\$ (2,249)</b>	<b>\$ (663)</b>	<b>\$ (1,586)</b>	<b>239.2%</b>
<b>Net change in cash</b>	<b>\$ (82)</b>	<b>\$ (101)</b>	<b>\$ 4</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ (179)</b>	<b>\$ (179)</b>	<b>\$ (0)</b>	<b>0.0%</b>
Beginning cash	979	897	796	800	800	800	800	800	800	800	800	800	979	979	—	—
Change in cash	(82)	(101)	4	0	0	0	0	0	0	0	0	0	(179)	(179)	(0)	0.0%
<b>Ending cash</b>	<b>\$ 897</b>	<b>\$ 796</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ (0)</b>	<b>(0.0%)</b>

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ **Delaney**

Executive Summary

Financial Review

Full Year Financial Outlook

- ④ Premier
- ④ Governance Reporting
- ④ Appendix



# Delaney Executive Summary | Overview

**Delaney vs AOP:** Strong month, up 4.1% vs AOP driven by sales in Single family up \$70k/3.5%; Hollow Metal & Special Order up \$62k/18.5%, Online up \$58k/37.1% partially offset by Multi-Family due to timing down (\$28k)/(5.3%), and Bravura (\$27k)/(22.7%).

**Delaney vs PY:** Strong month, up 21.9% vs PY (14.9% excluding sales to Premier). Single Family up \$383k/22.9%, Online up \$88k/68.5%, Hollow metal \$38k/10.5%, Bravura \$7k/7.8% partially offset by multi-family (\$94k)/(15.9%). Delaney also sold \$199k to Premier vs no sales last year at this time.

**YTD Delaney vs AOP:** YTD sales on track, up 1.9%. Hollow metal up \$102k/15.7%, Online \$64k/18.0%, Multi-Family up 2.2%, partially offset by Single Family (\$55k)/(1.3%) and Bravura (\$8k)/(3.9%).

**YTD Delaney vs PY:** Sales up 6.2% vs PY including sales to Premier. Excluding sales to Premier, sales are up 5.4%. Single family up \$379k/10%, Online up \$158k/60.2%, Multi-Family up \$50k/4.7%, partially offset by Hollow Metal (\$174k)/(18.9%) due to timing and Bravura (\$80k)/(30.0%) partially due to large shipments related to projects last year.

## Hits

- February revenue favorable to AOP by \$135K (4.1%) and \$620K (21.9%) to PY, mostly driven by Single Family and Online
- February EBITDA favorable to AOP by \$136K and to PY by \$249K
- Successful trade shows with Carter Lumber (Design House conversions), LBM Advantage (Regional Pool Group opportunities) and Forte Showroom Buying Group (Bravura feedback & opportunities).
- Tietjen Sales, 24-year veteran sales team from BHP joined Active Sales, covering South Texas. Did \$3.1M in 2019 with BHP
- Hired E-Commerce & Digital Marketing Manager (started 3/2/20)
- Hired Lead Generation Manager & Senior Graphic Designer (begins 4/13/20)

## Misses

- Recent Coronavirus developments in US and economic implications are a strong concern. The impact of the Coronavirus on our supply chain has been low, factories are back to work, containers are shipping, inventory levels are good. With that, we may experience increased backorders over the next 60 days.
- Multi-family Smartlock launch schedule is delayed to late Q4 forcing us to reduce the AOP by \$300K. We are working closely with our key partners to reduce times in several areas, potentially improving lead time by 3-4 weeks.



# Delaney Executive Summary | Overview

## Key Go-Forward Actions

- Company: Communicate, monitor and track COVID-19
  - Introduce and clearly communicate Pandemic Plan/COVID-19 Contingency Plan to company members on 3/18
  - Push messaging out to customers and suppliers on consistent basis
  - Continue regular contingency plan meetings/tracking COVID-19 related expenses
- Sales: Assess team for optimal performance and execute growth initiatives
  - Continue to drive towards execution phases of our Strategic Initiatives, particularly in growth related areas.
  - Leverage short-term resource (Kyle Brack) to help sales leaders propel 5 specific growth initiatives
  - Complete Bravura Strategic Growth Plan and begin execution
  - Provide tools to sales agencies to promote Delaney through digital channels
- Marketing: Drive company message, eCommerce growth and brand awareness
  - Leverage additional marketing hire to quickly develop digital marketing campaigns, virtual sales tools, how-to videos, and improved communications methods to stay relevant with customers while face-to-face interactions are limited
  - Execute eCommerce growth plans, utilizing increased band width and focus
- NPD:
  - Hire Residential Product Manager to lead MF Smartlock Launch, as well as NPD stage gate process
- Supply Chain: Pursue cost savings and complete SKU rationalization
  - Assist Smart Ventures in completing Optimization of Supply Chain Functions project



# Delaney Executive Summary | Overview (continued)

## Opportunities

Description	Potential Impact	Plan to Address
<b>Region 1:</b>		
<ul style="list-style-type: none"> <li>▪ IBS Show Leads</li> <li>▪ Forte Showroom Show</li>   <li>▪ LMC Show 1<sup>st</sup> week of March</li> <li>▪ New Stocking Dealers</li> <li>▪ MF Projects</li> <li>▪ New SF Builders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Home Surplus – 3 PA locations – placing order wk of 3/16</li> <li>▪ Met with 43 Showroom accounts – still evaluating \$\$ opportunity</li>   <li>▪ Annual show – wrote over \$300K in orders vs. \$200K PY</li> <li>▪ Jackson Lumber, Dartmouth Lumber and Milford Lumber ~\$300K</li> <li>▪ Leader Home Center, 84 Lumber, GNH Lumber ~\$150K</li> <li>▪ Picked up 40 homes/year custom builder – Delaney/Bravura</li> </ul>	<ul style="list-style-type: none"> <li>▪ OSR meeting with GM wk of 3/16</li> <li>▪ Pursuing leads, recording Bravura VOC data, sending displays</li> <li>▪ Post show lead follow up</li> <li>▪ Setting up planograms at new dealers</li> <li>▪ Scheduled keying and releases</li> <li>▪ 84 Lumber to replace Design House/Delaney to pay for Logo Key</li> </ul>
<b>Region 2:</b>		
<ul style="list-style-type: none"> <li>▪ Bringing on Tietjen Sales</li> <li>▪ Forte Showroom Show</li>   <li>▪ LMC Show 1<sup>st</sup> week of March</li> <li>▪ New Dealers</li> <li>▪ MF Projects</li> <li>▪ NEW SF Builders</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$3.1M with BHP in 2019</li> <li>▪ Met with 43 Showroom accounts – still evaluating \$\$ opportunity</li>   <li>▪ Annual show – wrote over \$300K in orders vs. \$200K PY</li> <li>▪ 7 new dealers – plus 3 new locations ~\$175K</li> <li>▪ Quoted \$280K – Won \$195K so far</li> <li>▪ Stone Martin, 3 Moen bath conversions, Summit Homes Des Moines (150Homes ~\$45K</li> </ul>	<ul style="list-style-type: none"> <li>▪ Teaming with Active Sales (S. TX)</li> <li>▪ Pursuing leads, recording Bravura VOC data, sending displays</li> <li>▪ Post show lead follow up</li> <li>▪ ISRs/OSRs building relationships/Delaney 101</li> <li>▪ Active Quote follow up</li> <li>▪ Working with Dealers of choice to establish forecasts</li> </ul>
<b>Hollow Metal/Multi-Family:</b>		
<ul style="list-style-type: none"> <li>▪ Strong dealer projections</li> <li>▪ Converting Pamex Jobs</li> <li>▪ Terminus Supply</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jones, BFS, BMC and Majestic all projecting growth for 2020</li> <li>▪ Waive 3% tariff surcharge \$200K+</li> <li>▪ New account - \$300K annually</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lisa entering Q-Orders to allocate inventory and plan for releases</li> <li>▪ Developing target list with Kevin, Mike and Stratis</li> </ul>
<b>Ecommerce:</b>		
<ul style="list-style-type: none"> <li>▪ Wayfair line review at IBS</li> <li>▪ Lowes line review at IBS</li> <li>▪ Hired Ecommerce &amp; Digital Marketing Manager</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wayfair has identified optimization plan for driving growth</li> <li>▪ Lowes is eager to add new products (including safes)</li> <li>▪ Ability to focus on specific growth drivers could propel projections well beyond budget</li> </ul>	<ul style="list-style-type: none"> <li>▪ This is an early initiative of Donald Smith</li> <li>▪ This is an early initiative of Donald Smith</li> </ul>
<b>National Accounts, Buying Groups, Builders:</b>		
<ul style="list-style-type: none"> <li>▪ LBM Advantage Show</li> <li>▪ BMC Lock Container Business</li> <li>▪ New Carter Lumber locations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greater opp with vendor of the year award. Introduced to Regional Pool Groups.</li> <li>▪ 4 containers annually @\$200K 15% margin</li> <li>▪ Converted Design House + 16ft Planogram ~\$60K</li> </ul>	<ul style="list-style-type: none"> <li>▪ Will present at 6/3 Northeast meeting</li> <li>▪ Discussed with Tong Lung converting to Delaney. Michael O'Bryan working with Steve</li> <li>▪ OSRs doing store set</li> </ul>

# Delaney Executive Summary | Overview (continued)



## Risks

Description	Potential Impact	Plan to Address
Company-wide:		
<ul style="list-style-type: none"> <li>▪ Lack of Product Manager drastically limits ability to launch new products</li> <li>▪ Tier 1 Brands converting Regional Builders</li> <li>▪ Large Top 20 Builders buying smaller regional builders</li> <li>▪ Coronavirus impact creating backorders, slowing economy</li> <li>▪ Customer cancelling trade shows and meetings due to virus concerns</li> </ul>	<ul style="list-style-type: none"> <li>▪ .</li> </ul> <ul style="list-style-type: none"> <li>▪ Interviewed 8 candidates – ready to schedule interviews</li> <li>▪ Strategic Initiative to develop competitive builder programs to convert Builders in Top 100</li> </ul> <ul style="list-style-type: none"> <li>▪ Preparing list of substitutions, communicating potential shortages to the field,</li> <li>▪ Creating digital marketing campaigns</li> </ul>	
Region 1:		
<ul style="list-style-type: none"> <li>▪ Bravura at .45 multiplier is not competitive with Emtek</li> <li>▪ Need to enhance our display offering for upscale showrooms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Developing Bravura plan of attack</li> <li>▪ Providing marketing with images of competitor displays</li> </ul>	
Region 2:		
<ul style="list-style-type: none"> <li>▪ Bravura at .45 multiplier is not competitive with Emtek</li> <li>▪ Need to enhance our display offering for upscale showrooms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Developing Bravura plan of attack</li> <li>▪ Providing marketing with images of competitor displays</li> </ul>	
Hollow Metal/Multi-Family:		
<ul style="list-style-type: none"> <li>▪ Pamex has been aggressively pursuing our MF accounts touting zero tariff surcharge</li> <li>▪ Must add Black Commercial Hardware</li> <li>▪ Should consider adding electrified commercial hardware</li> </ul>	<ul style="list-style-type: none"> <li>▪ Average job is \$30-\$50K</li> </ul> <ul style="list-style-type: none"> <li>▪ Reviewing Quotes with targeted accounts – Waiving 3% tariff where needed.</li> <li>▪ NPD is creating Business Case</li> <li>▪ NPD is creating Business Case</li> </ul>	
Ecommerce:		
<ul style="list-style-type: none"> <li>▪ Lean infrastructure to process orders</li> <li>▪ Amazon suspending ordering</li> <li>▪ Build.com sales decline</li> </ul>	<ul style="list-style-type: none"> <li>▪ Poor scorecard results which negatively impacts algorithms</li> <li>▪ Missed sales for 2-3 months</li> <li>▪ Sales are generally flat, should be growing at 20%+ rate</li> </ul> <ul style="list-style-type: none"> <li>▪ Training 2 additional back up people</li> <li>▪ Implement corrections to online catalog, optimize key word search performance, add all new products to online catalog, create partner programs to increase brand traction and sales</li> </ul>	

# Delaney Executive Summary | Key Wins and Losses



## Key Wins

### Region 1

- \$12K Jackson Lumber
- \$8K Dartmouth Lumber
- \$11K Milford Lumber
- \$15K Home Surplus (IBS Lead)
- \$32K MF Order – Leader Home Centers
- \$42K MF Order – 84 Lumber
- 40 Home/Year PA Home Builder
- Carter – Ft. Wayne converted Design House
- Carter – New Martinsville 16ft Planogram

### Region 2

- \$15K MF Order Thompson Thrift job
- \$48K MF Order - Lockout
- \$75K MF Job – BMC Coppell
- \$32K Stock Order – Old Goats
- \$325K Opp – Seconds & Surplus converted Design House

### MF/HM (Kevin/Mike)

- .

### Ecommerce

- Amazon \$12K (20%) growth vs. PY
- Lowes \$42K growth vs. PY – zero sales in Jan 2019
- Home Depot \$70K (52%) growth vs. PY
- Wayfair \$33K (26%) growth vs. PY
- Build.com \$42K (12%) growth vs. PY

## Key Losses

### Region 1

- Dean Lumber dropped Callan, but then added Delaney. Need to hand-hold through transition
- 31W Manager's Meeting in Asheville postponed. Need to gain Store Manger & key Sales Reps buy-in. Will launch email marketing campaign

### Region 2

- Lost Chesmar Homes (425 homes/year) to Kwikset due to large signing bonus and retroactively paying 2019 rebate.
- .
- .

### MF/HM (Kevin/Mike)

- .

### Ecommerce

- .



# Delaney Executive Summary | 2020 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Create multifamily smartlock launch to market tactical plan	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Devon &amp; Tom (S&amp;G) are working with all development partners to expedite time to production</li> </ul>	<ul style="list-style-type: none"> <li>Create launch schedule that captures the remaining milestones and outlines tactical plan with associated owners</li> <li>Execute tactical plan tracking progress on Smartsheet to give visibility and ownership to remaining milestones</li> <li>Complete commercialization plan for MF Smartlock</li> <li>Hire Residential Product Manager to drive project</li> </ul>	<ul style="list-style-type: none"> <li>Late Q4 launch reduces revenue target</li> <li>Delayed launch could create competitor advantages and lack of credibility</li> <li>Hot leads will cool</li> </ul>
Define ongoing NPD stagegate process	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Began conducting VOC interviews, OSR surveys.</li> <li>Creating Business Cases for next items to be considered</li> </ul>	<ul style="list-style-type: none"> <li>Fast track items already under review</li> </ul>	<ul style="list-style-type: none"> <li>If new products presented at IBS are delayed beyond target dates, sales reps. could become demotivated and customers could turn to other sources</li> <li>Inability to gather forecasting data to support new products</li> </ul>
Develop new product roadmap	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>NPD Roadmap is close to completion</li> </ul>	<ul style="list-style-type: none"> <li>Apply NPD process to existing concept items</li> <li>Finalize new product roadmap</li> </ul>	
Develop strategy to increase share of wallet with current customers, national accounts, buying groups, and multifamily dealers through expanding products sold and penetrating all locations	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Dick (Region 1), Donn (Region 2), Steve (National Accounts &amp; Buying Groups) and Mike (Multifamily dealers) each have individual initiatives</li> <li>Utilize Kyle Brack to drive execution strategy</li> </ul>	<ul style="list-style-type: none"> <li>OSRs to identify est. sales opportunity in existing locations by product category, SWOT analysis</li> <li>Develop penetration strategy for each target</li> <li>Execute and track results of penetration strategy</li> </ul>	
Develop plan to leverage S&G international distribution channels	<span style="color: yellow;">●</span>	<ul style="list-style-type: none"> <li>Prepared presentation for Lodha Group</li> <li>Duties from US or China/Taiwan to India are near 30%</li> </ul>	<ul style="list-style-type: none"> <li>Identify potential opportunities for Delaney to sell products to S&amp;G distribution channel partners</li> <li>Validate opportunities and identify required investments</li> <li>Develop and execute implementation plan</li> </ul>	

● Complete

● On-Schedule

● At Risk

● Behind

# Delaney Executive Summary | 2020 Key Initiatives (continued)



Initiative	Status	Recent Progress	Next Steps	Risks
Implement Sales Incentive Program (SIP)	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Reviewed S&amp;G new SIP with Mark</li> <li>Develop draft SIP and rollout plan, calculate incentive payments by rep. through Dec 2020 under draft plan vs. current plan.</li> </ul>	<ul style="list-style-type: none"> <li>Consider using incentives to exceed growth targets, drive opening new customers, selling new products, CRM usage</li> <li>Finalize SIP and rollout plan and work with legal council to update OSR Agreements</li> <li>Roll out and go live with new Delaney SIP</li> </ul>	
Hire eCommerce & Digital Marketing Manager	<span style="color: blue;">●</span>	<ul style="list-style-type: none"> <li>Donald Smith began 3/2</li> </ul>	<ul style="list-style-type: none"> <li>Donald to develop growth initiative strategy for eCommerce</li> <li>To drive digital marketing campaign</li> </ul>	<ul style="list-style-type: none"> <li>Candidate underperforms and we're forced to begin process again</li> </ul>
Graphic Designer & Lead Generation Specialist	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Interviewed candidates, made offer, hired Andre Suazo to begin 4/13</li> </ul>	<ul style="list-style-type: none"> <li>Onboard &amp; training</li> </ul>	<ul style="list-style-type: none"> <li>Candidate underperforms and we're forced to begin process again</li> </ul>
Create eCommerce growth strategy	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Introduced Donald to key partners, Home Depot, Build.com, Wayfair, Amazon and Lowes to perform line review and discuss optimization strategies and 2020 opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Identify opportunity with each e-Commerce partner and create 2020 growth plan to include: ideal catalog per partner, optimize merchandising, optimize images, copy &amp; lifestyles images, start partner page (sponsored advertising), create a cross-channel promotion plan</li> </ul>	
Develop plan to drive Bravura growth	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Gathered initial growth avenues at Forte Show 2/25 &amp; 2/26</li> </ul>	<ul style="list-style-type: none"> <li>Develop hypothesis for Bravura growth and VOC interview guide to test hypothesis</li> <li>Conduct VOC interviews</li> </ul>	
Develop plan to pursue immediate sourcing savings opportunities	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Identified list of top ~100 SKUs by spend and supplier, pricing, and payment terms</li> <li>Identify alternative suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Approach each alternative supplier for quote</li> <li>Approach each existing supplier to discuss price and/or terms and what we can do to help them reduce our costs</li> <li>Develop proposal for path forward</li> </ul>	
Complete SKU Rationalization	<span style="color: green;">●</span>	<ul style="list-style-type: none"> <li>Identified slow moving items, low profit items, and high MOQ items</li> </ul>	<ul style="list-style-type: none"> <li>Develop proposal for SKUs to be eliminated</li> <li>Create disposition plan, including whether any SKUs can be broken down and used in another SKU</li> </ul>	

● Complete

● On-Schedule

● At Risk

● Behind

# Delaney Executive Summary | Bravura Opportunity



**Market Opportunity:** \$5 Million (Greatest opportunity in West & Northern Mid-West)

**Target audience:** Custom Home Builders, Resorts & High-End Hotels

**Plan of Attack:** Select Key Opportunities or 2 States to focus for 60 days

## 1. Develop Showroom Relationships & Be Noticed

- Create programs like Baldwin, including spiffs for designers
- Land flagship showrooms to use as testimonials
- Displays are critical for showrooms
- Provide loose samples to feel the difference, great quality and ease of installation



## 2. Expand Coverage & Drive Awareness

- Target the right custom builder & resorts on social media, search & digital marketing
- Enhance Bravura's website to recent standards
- Consider adding Bravura to E-commerce accounts to increase sales/awareness



## 3. Develop Confident Winning Team

- Create additional needed tools like Emtek Cross-Reference Guide
- Implement Internal & External Sales Training to make sales reps confident product experts



## 4. Evaluate Possible Product Additions to Round-Out Offering

- Mortise Handlesets
- 28 degree latches & concealed screw kits
- Rectangle Crystal Knob
- More styles in US4 & US19, consider adding unlacquered brass

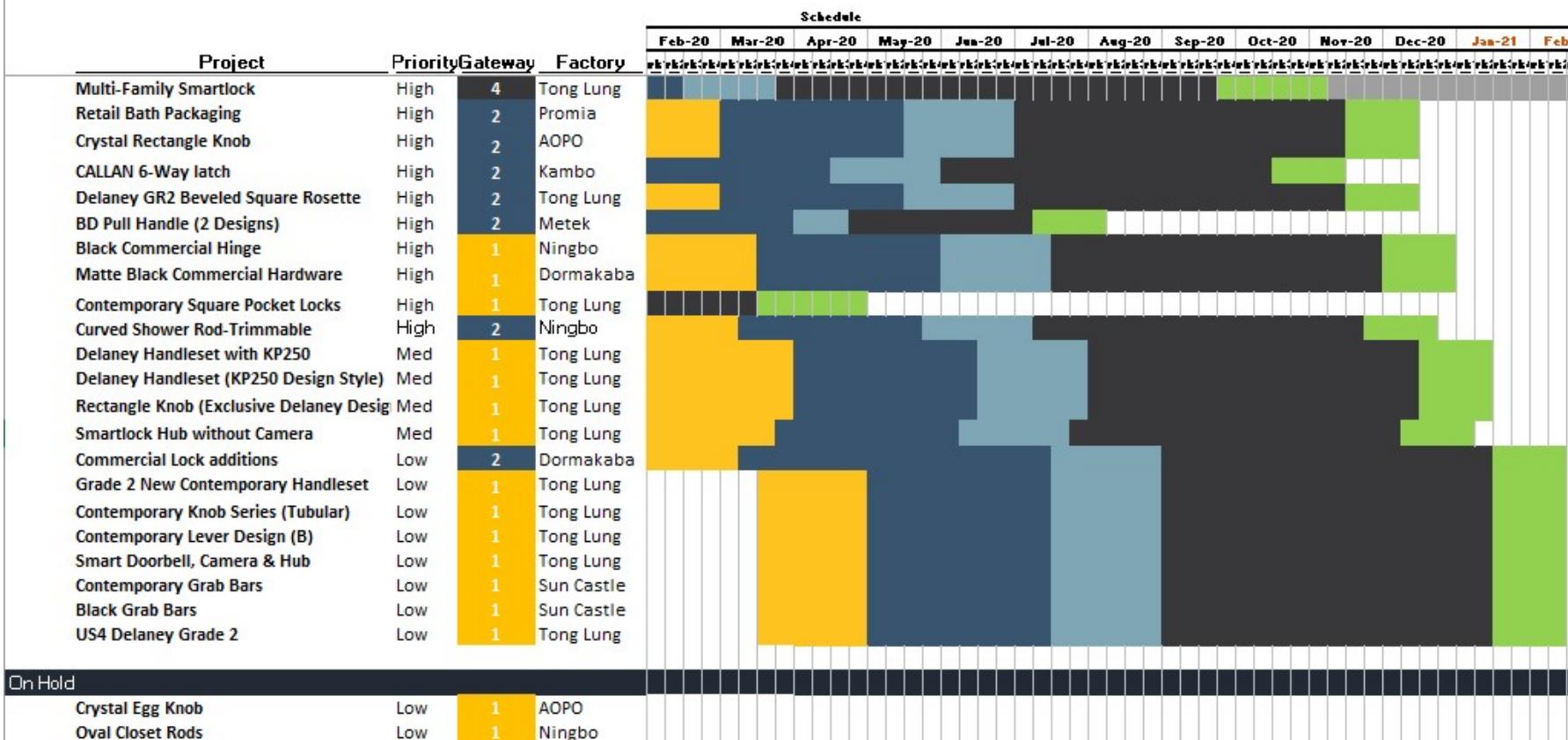
## 5. Aggressive Pricing Model

- Must be slightly lower than Emtek

# Delaney Executive Summary | NPD Update



<b>1</b>	Concept Assessment (30-45 days)
<b>2</b>	Business Case (30-75 days)
<b>3</b>	Pre-Production (30-45 days)
<b>4</b>	Production & Pre-Launch (100-130 days)
<b>5</b>	Launch (30 days)
<b>6</b>	90 Day Assessment (90 days)



## Next Steps:

- To complete several Business Cases and create Financial Outlook
- Currently using a committee approach due to limited band width. Would greatly benefit from the addition of a Product Manager to the team

# Delaney Executive Summary | MF Smartlock Launch

## DESIGN PARTNERS

- BuLogics – Electronic Hardware Design and Firmware Design
- Stratis IoT – Software as a Service (SaaS) Provider (Property Management Application, Installer Application, Mobile Application for residents)
- Tong Lung (Spectrum Brands) – Manufacturing Partner
- Field Theory – RF contractor engaged to finalize the RFID antenna design.

## PRIMARY GATING ITEM – Functional Units

### Issue

- Stratis IOT waiting on functional hardware to continue and complete system integration
- BuLogics waiting on feedback from Stratis IOT to make any integration changes to the firmware
- Tong Lung waiting on functional units to test (functional, life, compliance, etc.)
- SG/Delaney waiting on functional units for product qualification/quality testing

### Activity

- Field Theory completed the RFID antenna design in the 4<sup>th</sup> quarter 2019 and delivered electronic design files in late January
- BOM and electronic design files were ‘scrubbed’ by SG/Delaney and provided to Tong Lung
- Tong Lung tasked to:
  - Quote and initiate a quick-turn build for the PCB assembly (QTY 25-50)
  - Quote a production build of the electronics to provide:
    - Roll-Up of current product cost
    - Updated product scheduling
  - Manufacture a complementary set of product hardware for the quick-turn PCB assemblies

### Status

- Quick-Turn PCB assemblies ordered (3/9) for a last week of March delivery, QTY 15 (\$2550)
- Quoting process slowed by part shortages and approving qualified part substitutions
- Quantity limited to 15 is a result of shortages
- Shortages and SMT plant schedules due to Coronavirus impact

### Mitigation

- SG/Delaney generated qualified BOM of parts available domestically for PCB assemblies
- SG/Delaney currently quoting (domestic) quick-turn PCB assemblies
- SG/Delaney to initiate an (domestic) order for an additional quantity

# Delaney Executive Summary | MF Smartlock Launch (continued)

## CURRENT ACTIVITY

- Stratis IoT – waiting on functional samples to continue integration
- BuLogics
  - Provide previous version PCB assemblies to Tong Lung for mechanical life test (shipped 3/5)
  - Complete a Statement of Work Deliverables checklist, including documentation
  - Provide SG/Delaney with firmware source, including development system information
- Tong Lung
  - Initiate mechanical life test
  - Provide updated production cost
  - Provide updated product schedule
- Field Theory – contracted involvement COMPLETE

Delaney -PLM 電子鎖	行動計劃表 2020										單位：產 品開發部	責任區 域
	February	March	April	May	June	July	August	September	October	Owner		
app review designs												
防火牆機器品	■■■■■											TLM
Tooling-Up	■■■■■											
(防火) 機具修改 modifications	■■■■■											TLM
(防火) 零件檢驗 FA Inspection & modifications	■■■■■						■■■■■					TLM
(防火) 機械功能測試 Lockset Function tests	■■■■■											TLM
(防火) 機械功能修正 Improvements for NGs	■■■■■											TLM
內部初期處置 Internal Fire Test		■■■■■										TLM
UL測試認證 UL FIRE RATING TEST			■■■■■									Delaney
(防火) 佳能試驗(集成) Lab. cycle tests with functional PCB		■■■■■										TLM/Delaney
(防火) 機具修改(2) modifications(2)			■■■■■									TLM
(防火) 零件檢驗 ( 2 ) FA Inspection & modifications ( 2 )				■■■■■								TLM
(防火) 佳能試驗(集成) Lab. cycle tests with functional PCB (2)					■■■■■							TLM/Delaney
建立產品BOM BOM building up					■■■■■							TLM
包裝設計 Packaging design						■■■■■						TLM/Delaney
操作說明書編制 User/Install manuals						■■■■■						Delaney/TLM
ITS G2 Test							■■■■■					TLM/Delaney
生產治具 Fixtures / JIGS								■■■■■				TLM
產前說明會 Production briefing seminar								■■■■■				TLM
FCC認證 FCC certification									■■■■■			Delaney/TLM
BLE BQB/DID認證 BQB certification / DID listing									■■■■■			Delaney
小批量產 Pilot runs									■■■■■			TLM
零件 MP materials/parts preparation										■■■■■		TLM
大客生產 Mass production										■■■■■		TLM

# Delaney Executive Summary | Marketing Update

- Prepared and successfully executed our participation at LMC Annual Conference (*increased orders & leads*)



**DELANEY HARDWARE**  
Building Materials - 310 followers

Premium door, barndoor, & bath hardware for residential homes and multi-family/commercial buildings. #delaneyhardware

[Visit website](#)

Home	Overview
<b>About</b>	Delaney Hardware is a leading provider of premium builder hardware for residential homes, multi-family buildings, and commercial projects. With comprehensive, stylish collections that combine superior finishes and smooth mechanics, Delaney's unwavering commitment to value, quality, and exceptional service distinguishes it from the rest of the industry. As part of the Sargent and Greenleaf (S&G) family of brands, Delaney offers a full portfolio of hardware including door hardware, digital locks, barn door hardware, bath accessories, commercial hardware, trim hardware, and steel doors and frames. For more information about Delaney, visit <a href="http://www.DelaneyHardware.com">www.DelaneyHardware.com</a> .
Jobs	The S&G family of brands delivers proven innovative security solutions that protect businesses, families and assets around the world. The S&G family is a trusted provider of state-of-the-art high-security locks, commercial-grade doors and hardware, multi-family and residential security solutions, and high-quality door hardware and fixtures. For more information about S&G, visit <a href="http://www.sargentandgreenleaf.com">www.sargentandgreenleaf.com</a> .
People	
Ads	
Website	<a href="http://www.DelaneyHardware.com">http://www.DelaneyHardware.com</a>

- Hired a Lead Generation Mgr/Senior Graphic Designer – Start 4/13
- Identified Lead Generation Tool (Hubspot)
- Started implementing S&G Family copy for Delaney website and channels

## Next Initiatives Focus:

- Develop communication plan, virtual sales tools & digital push for next 90 days (due to Coronavirus)
- Implement lead generation tracker and process

## Delaney Executive Summary | Marketing Update

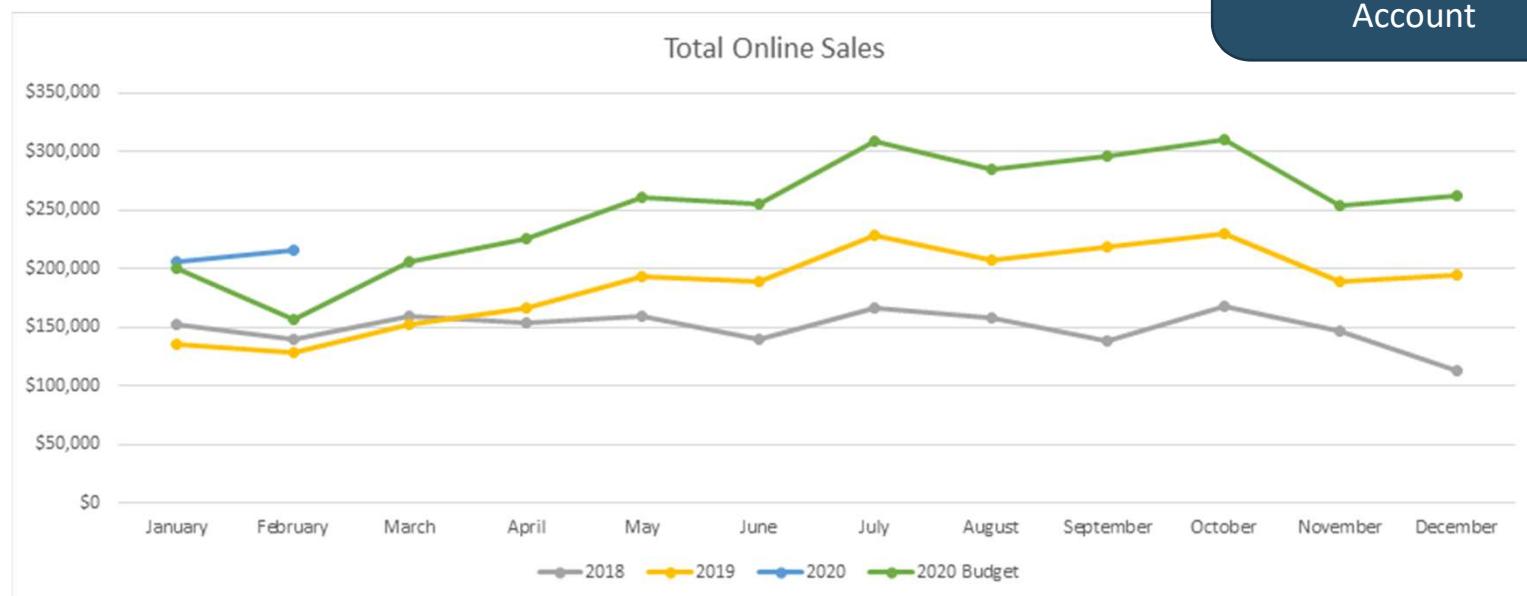
FEB 2020 Total = \$215,347 Up 67% ↑ vs. 2019

Exceeded January AOP by 37%.

Top Partners:

- Home Depot – Total \$69,798 (52% Growth vs 2019)
- Lowes – Total \$42,219 (2,300% Growth vs 2019 of \$1,749.00)
- Build.com – Total \$41,837 (12% Growth vs 2019)
- Wayfair – Total \$ 32,800 (26% Growth vs 2019)
- Amazon – Total \$11,905 (20% Growth vs 2019)

New Opportunity:  
Added the  
HDSupply.com  
Account





# Delaney Executive Summary | Supply Chain Impact

## Current Risks

**From:** Libby Zappala

**Date:** 3/15/2020

**Re:** Coronavirus – 3/2/20 Update

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Delaney Hardware is pleased to share that most all of our factories in China have reopened, have completed the 14-day mandatory worker quarantines, and are beginning to ship containers. Container shipments began on March 10th. These dates do represent a 2-3 week delay from our originally scheduled ship dates, however we are not anticipating any inventory shortages at this time. It is still unclear whether the port will allow the container to be unloaded immediately upon arrival or whether they will impose a quarantine period. Delaney remains in close contact with its factory partners, freight forwarders and logistic teams in China regarding any coronavirus delays. We are monitoring capacity of the steamship lines to be sure shipments depart as scheduled.

Delaney maintains high levels of finished goods inventory on an ongoing basis. We also have multiple factories for similar products giving us some overlap in inventory. Additionally, container purchasing is increased annually ahead of Chinese New Year to allow for planned shut-downs. We did not initially anticipate a disruption in our ability to fill orders on time, however until the containers leave the port it's difficult to quantify the total impact of the coronavirus. We have implemented contingency plans for high volume items and will continue to do everything in our power to assure orders are filled in a timely manner for our customers.

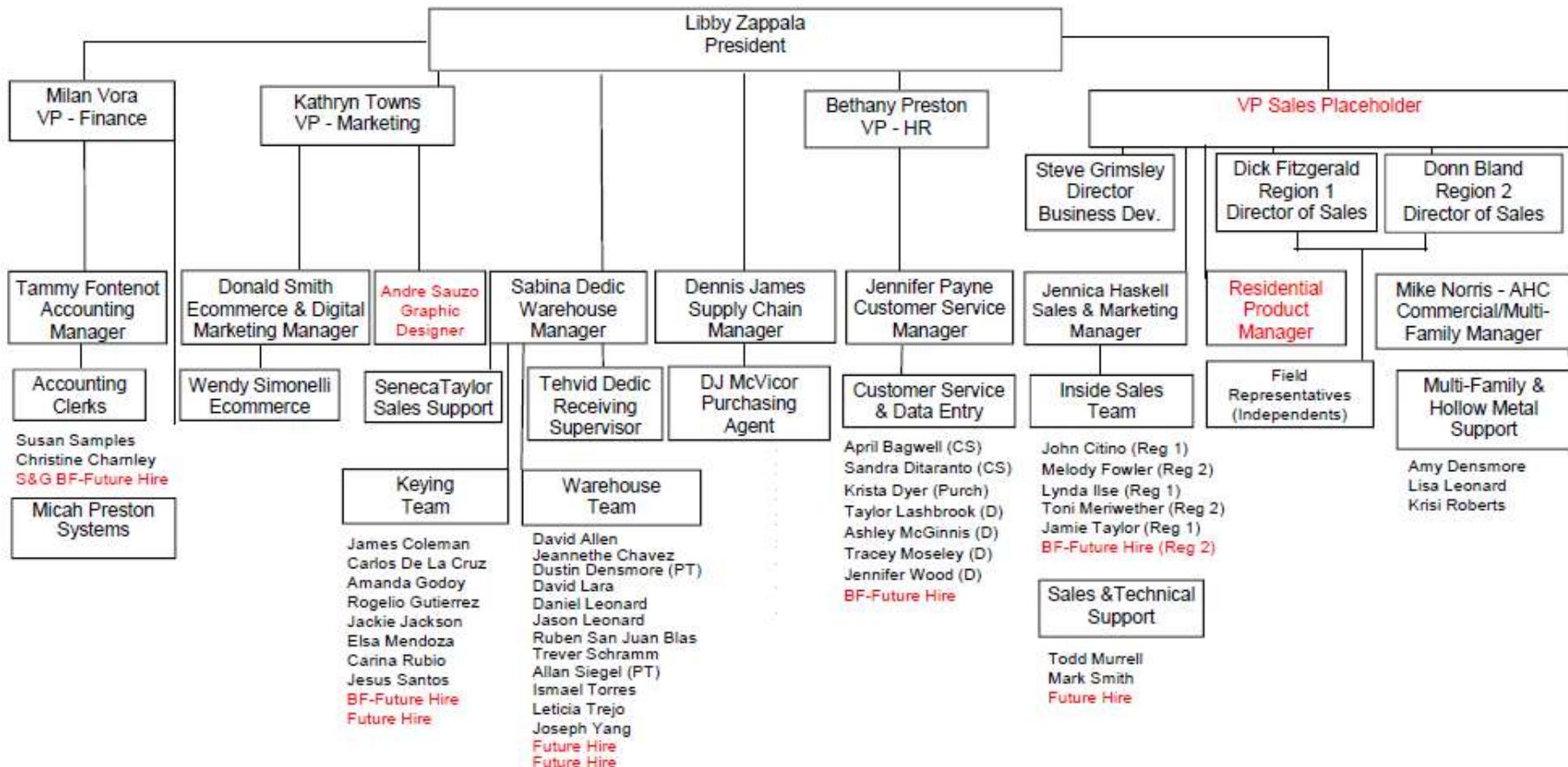
## Future Risks

If containers are held at the ports for 14 days, it will likely create inventory shortages. While we are monitoring inventory levels daily, it's difficult to predict the full risk. However, given the recent Pandemic scare it is likely we will see a decrease in demand. The situation is fluid.



# Delaney Executive Summary | Headcount

THE DELANEY HARDWARE CO.  
Organizational Chart  
March 2020





DELANEY®

## Delaney Executive Summary | Service Metrics | KPIs

	On-time %	Complete %	Accurate %	TOTAL
<b>Jan-19</b>	99.5%	96.6%	99.3%	<b>95.4%</b>
<b>Feb-19</b>	98.9%	97.1%	99.4%	<b>95.4%</b>
<b>Mar-19</b>	99.1%	97.1%	99.5%	<b>95.8%</b>
<b>Apr-19</b>	99.1%	97.0%	99.5%	<b>95.6%</b>
<b>May-19</b>	99.1%	95.6%	99.4%	<b>94.2%</b>
<b>Jun-19</b>	99.2%	96.4%	99.4%	<b>95.1%</b>
<b>Jul-19</b>	99.4%	95.8%	99.7%	<b>94.9%</b>
<b>Aug-19</b>	99.6%	95.2%	99.4%	<b>94.2%</b>
<b>Sep-19</b>	99.7%	95.6%	99.6%	<b>94.9%</b>
<b>Oct-19</b>	99.5%	95.7%	99.6%	<b>94.9%</b>
<b>Nov-19</b>	99.8%	95.0%	99.5%	<b>94.3%</b>
<b>Dec-19</b>	99.5%	95.0%	99.4%	<b>94.0%</b>
<b>Jan-20</b>	99.6%	96.1%	99.5%	<b>95.2%</b>
<b>Feb-20</b>	99.5%	97.6%	99.5%	<b>96.7%</b>



# Delaney Executive Summary | Phone Service Metrics

		Avg. Agents	Total Calls	Direct to Agent	Queued	Abnd	Avg Talk	Avg. Wait	Max Wait	0:00-0:30	0:31-1:00	1:01-1:30	1:31-2:00	2:01-5:00	>5:01	Service Level
		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
Sales	11	3258	2768	483	7	2:43	0:14	3:52	3026	163	43	9	10	0	97.27%	
	11	3766	3199	564	3	2:47	0:13	3:21	3535	193	27	4	4	0	97.88%	
	11	3433	2808	613	12	2:44	0:14	4:45	3134	237	31	10	9	0	96.88%	
	11	3666	2906	751	9	2:55	0:16	3:46	3282	286	65	13	11	0	96.19%	
	9	3883	3021	844	18	2:58	0:17	4:07	2414	326	83	28	14	0	95.27%	
	10	4590	3699	871	20	3:02	0:15	3:29	4133	306	94	23	14	0	96.09%	
	10	3379	2712	655	12	2:49	0:14	3:33	3067	187	85	17	11	0	96.24%	
	9	3634	2850	766	18	2:53	0:16	6:49	3250	238	80	22	25	1	94.82%	
	11	3689	2989	691	9	2:46	0:15	3:10	3357	246	55	14	8	0	96.65%	
	9	3286	2817	457	12	2:46	0:13	6:36	3078	156	31	3	4	2	97.63%	
	10	3759	3154	600	5	2:48	0:13	3:27	3488	212	45	5	4	0	97.45%	
	11	3265	2814	448	3	2:47	0:12	4:32	3083	148	22	4	5	0	97.47%	
	11	3112	2589	511	12	2:48	0:14	7:37	2862	189	34	5	6	4	96.97%	
	12	3867	3242	606	19	2:42	0:13	4:44	3570	222	42	9	5	0	97.39%	
	11	3591	2998	581	12	2:35	0:13	2:44	3324	192	46	13	4	0	97.13%	
Accounting	3	133	112	15	6	2:03	0:08	1:51	123	3	0	1	0	0	94.36%	
	3	141	106	28	7	1:46	0:21	1:30	127	6	1	0	0	0	93.44%	
	3	123	99	20	4	1:56	0:15	0:57	112	7	0	0	0	0	95.33%	
	3	129	107	18	4	1:45	0:15	1:12	120	4	1	0	0	0	95.74%	
	3	135	113	20	2	1:59	0:16	4:31	124	5	1	1	2	0	95.37%	
	3	199	159	33	7	1:52	0:20	2:30	183	4	2	2	1	0	94.10%	
	2	139	115	20	4	1:58	0:19	2:30	129	1	3	1	1	0	94.60%	
	3	117	90	22	5	2:05	0:20	2:35	103	6	2	0	1	0	90.42%	
	3	143	113	28	2	1:57	0:16	3:28	128	10	1	0	2	0	95.45%	
	3	130	99	24	7	2:09	0:25	0:49	115	8	0	0	0	0	93.08%	
	3	136	105	27	4	2:18	0:26	4:25	121	6	1	1	3	0	93.38%	
	3	115	85	19	11	1:43	0:36	1:48	97	4	1	2	0	0	87.83%	
	3	117	95	14	8	2:12	0:30	4:37	101	5	2	0	1	0	90.17%	
	3	139	118	50	1	2:19	0:12	1:31	134	3	0	1	0	0	98.20%	
	3	111	85	23	3	1:55	0:19	2:35	98	7	2	0	1	0	94.14%	

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ **Delaney**

Executive Summary

Financial Review

Full Year Financial Outlook

- ④ Premier
- ④ Governance Reporting
- ④ Appendix



# Delaney Financial Review | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>3,369</b>	<b>3,196</b>	<b>173</b>	<b>5.4%</b>	<b>2,666</b>	<b>703</b>	<b>26.4%</b>	
Material	1,843	1,770	73	4.1%	1,453	390	26.8%	
Labor	69	90	(20)	(22.6%)	79	(10)	(12.2%)	
Other COGS	190	183	7	4.0%	135	55	40.7%	
<b>Total COGS</b>	<b>2,103</b>	<b>2,042</b>	<b>60</b>	<b>3.0%</b>	<b>1,668</b>	<b>435</b>	<b>26.1%</b>	
<b>Gross Margin</b>	<b>1,266</b>	<b>1,154</b>	<b>112</b>	<b>9.7%</b>	<b>999</b>	<b>268</b>	<b>26.8%</b>	
<i>Gross Margin %</i>	<i>37.6%</i>	<i>36.1%</i>			<i>37.5%</i>			
Sales & Marketing	280	295	(14)	(4.9%)	264	17	6.3%	
Administrative	350	340	10	3.0%	327	23	6.9%	
<b>Total Opex</b>	<b>630</b>	<b>635</b>	<b>(4)</b>	<b>(0.7%)</b>	<b>591</b>	<b>39</b>	<b>6.7%</b>	
<b>EBITDA</b>	<b>636</b>	<b>520</b>	<b>117</b>	<b>22.4%</b>	<b>408</b>	<b>228</b>	<b>56.0%</b>	
<i>EBITDA %</i>	<i>18.9%</i>	<i>16.3%</i>			<i>15.3%</i>			
<b>Adj. EBITDA</b>	<b>656</b>	<b>520</b>	<b>137</b>	<b>26.3%</b>	<b>408</b>	<b>248</b>	<b>60.9%</b>	
<i>Adj. EBITDA %</i>	<i>19.5%</i>	<i>16.3%</i>			<i>15.3%</i>			
<b>Net Income (Loss)</b>	<b>\$ 368</b>	<b>\$ 195</b>	<b>\$ 173</b>	<b>88.5%</b>	<b>\$ 29</b>	<b>\$ 340</b>	<b>1189.4%</b>	

## Management Discussion

### Budget:

Single family up \$70k, Hollow Metal up \$62k, Online up \$58k, partially offset by Multi-Family (\$28k), and Bravura (\$27k). Remainder of favorability driven by revenue reductions lower than AOP.

Gross Margin favorability as % of sales driven by tariff surcharge revenue higher than anticipated as well as favorability in revenue reductions.

### PY:

Single family sales up \$383k, Hollow metal up \$38k, Online up \$88k, Bravura up \$7k, I/C sales \$199k, partially offset by Multi Family down (\$94k). Remainder of difference is favorable revenue reductions driven by tariff surcharge.

Gross Margin favorability as % of sales approx. flat to PY due to unfavorable mix due to \$199k in sales at 0% margin to Premier.



# Delaney Financial Review | Summary P&L - YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>6,608</b>	<b>6,448</b>	<b>161</b>	<b>2.5%</b>	<b>6,101</b>	<b>508</b>	<b>8.3%</b>	
Material	3,553	3,466	86	2.5%	3,402	150	4.4%	
Labor	151	179	(28)	(15.7%)	157	(6)	(3.9%)	
Other COGS	380	378	2	0.5%	321	59	18.5%	
<b>Total COGS</b>	<b>4,083</b>	<b>4,023</b>	<b>60</b>	<b>1.5%</b>	<b>3,880</b>	<b>204</b>	<b>5.2%</b>	
<b>Gross Margin</b>	<b>2,525</b>	<b>2,425</b>	<b>100</b>	<b>4.1%</b>	<b>2,221</b>	<b>304</b>	<b>13.7%</b>	
<i>Gross Margin %</i>	<i>38.2%</i>	<i>37.6%</i>			<i>36.4%</i>			
Sales & Marketing	668	688	(20)	(2.9%)	566	102	18.0%	
Administrative	708	698	10	1.4%	672	36	5.3%	
<b>Total Opex</b>	<b>1,376</b>	<b>1,386</b>	<b>(10)</b>	<b>(0.7%)</b>	<b>1,238</b>	<b>138</b>	<b>11.1%</b>	
<b>EBITDA</b>	<b>1,149</b>	<b>1,039</b>	<b>110</b>	<b>10.6%</b>	<b>983</b>	<b>166</b>	<b>16.9%</b>	
<i>EBITDA %</i>	<i>17.4%</i>	<i>16.1%</i>			<i>16.1%</i>			
<b>Adj. EBITDA</b>	<b>1,169</b>	<b>1,039</b>	<b>131</b>	<b>12.6%</b>	<b>983</b>	<b>187</b>	<b>19.0%</b>	
<i>Adj. EBITDA %</i>	<i>17.7%</i>	<i>16.1%</i>			<i>16.1%</i>			
<b>Net Income (Loss)</b>	<b>\$ 846</b>	<b>\$ 391</b>	<b>\$ 455</b>	<b>116.4%</b>	<b>\$ 215</b>	<b>\$ 631</b>	<b>293.4%</b>	

## Management Discussion

### Budget:

Multi-Family up \$24k, Hollow Metal up \$102k, Online up \$64k, partially offset by single family (\$55k) and Bravura (\$8k). Remainder of difference is revenue reduction favorability driven by tariff surcharge higher than budgeted.

Gross Margin favorability as % of sales driven by revenue reductions, specifically tariff surcharge.

### PY:

Single family up \$380k, Multi-Family up \$50k, Online up \$158k, I/C Sales to Premier up \$61k, partially offset by Hollow Metal (\$174k) and Bravura (\$80k). Remainder of difference is favorable revenue reductions driven by tariff surcharge.

Gross Margin favorability as % of sales favorable due to tariff surcharge not in place last year.



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# Delaney Financial Review | Business Split Comparison

Summary item class:	(\$M)				Chg		Sales % Growth & Mgn %		
	Sales		GM		Sales	GM	Sales	2019	2020
	2019	2020	2019	2020	\$	\$	Growth	%	%
<b>Single Family</b>									
Callan	2,010	2,108	1,025	1,087	98	62	4.9%	51.0%	51.6%
Delaney	604	639	286	325	36	40	5.9%	47.3%	50.9%
Builders hardware	285	370	162	209	85	48	30.0%	56.8%	56.6%
Barn door hardware	335	406	212	239	71	27	21.2%	63.4%	58.9%
Bath accessories	203	292	111	163	89	52	43.6%	54.6%	55.9%
Commercial	141	131	60	58	(10)	(2)	-7.1%	42.6%	44.3%
Other	149	160	87	97	11	10	7.5%	58.5%	60.4%
<b>Single family (excl. interco, online, special, hollow, samples, displays, online)</b>	<b>1,114</b>	<b>1,360</b>	<b>633</b>	<b>767</b>	<b>246</b>	<b>134</b>	<b>22.1%</b>	<b>56.8%</b>	<b>56.4%</b>
Bravura	237	186	104	96	(51)	(8)	-21.5%	44.0%	51.6%
Special order items	9	7	4	2	(1)	(2)	-15.9%	49.0%	27.4%
Hollow metal	-	-	-	-	-	-	0.0%	0.0%	0.0%
Samples and Displays	1	-	(6)	(2)	(1)	4	-100.0%	-555.2%	0.0%
Online	264	421	150	248	157	97	59.3%	56.8%	58.8%
<b>Single Family (excl. intercompany)</b>	<b>4,239</b>	<b>4,723</b>	<b>2,197</b>	<b>2,523</b>	<b>484</b>	<b>326</b>	<b>11.4%</b>	<b>51.8%</b>	<b>53.4%</b>
<b>Multi-family</b>									
Delaney	404	476	184	241	72	57	17.9%	45.7%	50.7%
Callan	154	96	74	45	(58)	(29)	-37.6%	47.7%	46.3%
Commercial	176	232	80	104	56	24	32.1%	45.3%	44.6%
Bath accessories	100	142	45	67	42	22	42.2%	45.3%	47.2%
Barn door hardware	128	57	79	31	(72)	(48)	-55.9%	62.0%	55.3%
Builders hardware	70	81	33	42	11	9	15.9%	47.7%	51.9%
Other	38	36	29	25	(2)	(5)	-5.6%	76.6%	67.9%
<b>Multi-family (excl. interco, online, special, hollow, samples, displays, online)</b>	<b>512</b>	<b>548</b>	<b>267</b>	<b>269</b>	<b>36</b>	<b>2</b>	<b>7.0%</b>	<b>52.1%</b>	<b>49.0%</b>
Special order items	328	240	103	62	(88)	(41)	-26.8%	31.3%	25.6%
Hollow metal	584	500	163	124	(84)	(40)	-14.4%	28.0%	24.8%
Bravura	29	0	13	0	(29)	(12)	-98.9%	43.2%	47.8%
Samples and Displays	-	-	-	-	-	-	0.0%	0.0%	0.0%
<b>Multi-family (excl. intercompany)</b>	<b>2,012</b>	<b>1,861</b>	<b>804</b>	<b>740</b>	<b>(151)</b>	<b>(64)</b>	<b>-7.5%</b>	<b>39.9%</b>	<b>39.8%</b>
Intercompany	164	225	0	-	61	(0)	37.2%	0.0%	0.0%
<b>Total</b>	<b>6,414</b>	<b>6,808</b>	<b>3,001</b>	<b>3,263</b>	<b>394</b>	<b>263</b>	<b>6.1%</b>	<b>46.8%</b>	<b>47.9%</b>



## Delaney Financial Review | CoGS by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Material</b>								
Material costs at standard	\$ 1,815	\$ 1,739	\$ 76	4.4%	\$ 3,478	\$ 3,404	\$ 74	2.2%
Purchase price variance	(0)	–	(0)	N/A	(0)	–	(0)	N/A
Freight in	9	13	(4)	(30.5%)	37	26	11	44.1%
Cost revision	17	15	2	10.6%	32	30	2	5.3%
Scrap costs	3	3	(0)	(2.4%)	6	6	(0)	(1.4%)
<b>Total Material COGS</b>	<b>\$ 1,843</b>	<b>\$ 1,770</b>	<b>\$ 73</b>	<b>4.1%</b>	<b>\$ 3,553</b>	<b>\$ 3,466</b>	<b>\$ 86</b>	<b>2.5%</b>
<b>Labor</b>								
Direct labor	\$ (5)	\$ –	\$ (5)	N/A	\$ (4)	\$ –	\$ (4)	N/A
Indirect labor	58	73	(15)	(21.1%)	123	146	(23)	(15.9%)
Indirect labor - overtime	8	8	(0)	(1.2%)	14	16	(2)	(14.0%)
Indirect labor – benefits	8	8	0	1.1%	17	16	1	6.8%
<b>Total Labor COGS</b>	<b>\$ 69</b>	<b>\$ 90</b>	<b>\$ (20)</b>	<b>(22.6%)</b>	<b>\$ 151</b>	<b>\$ 179</b>	<b>\$ (28)</b>	<b>(15.7%)</b>
<b>Other</b>								
Repairs and maintenance	\$ 0	\$ 1	\$ (1)	(66.7%)	\$ 0	\$ 2	\$ (2)	(83.4%)
Freight out	128	122	6	4.6%	261	256	5	2.0%
Rent / facilities	41	41	(0)	(0.8%)	81	82	(1)	(0.8%)
Utilities	6	7	(1)	(9.2%)	13	14	(1)	(8.5%)
Other cost of sales	15	12	3	28.8%	25	24	0	1.3%
<b>Total Other COGS</b>	<b>\$ 190</b>	<b>\$ 183</b>	<b>\$ 7</b>	<b>4.0%</b>	<b>\$ 380</b>	<b>\$ 378</b>	<b>\$ 2</b>	<b>0.5%</b>
<b>Total COGS</b>	<b>\$ 2,103</b>	<b>\$ 2,042</b>	<b>\$ 60</b>	<b>(14.5%)</b>	<b>\$ 4,083</b>	<b>\$ 4,023</b>	<b>\$ 60</b>	<b>(12.7%)</b>

### Management Discussion



# Delaney Financial Review | Balance Sheet

\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b>Current Assets</b>								
Cash and cash equivalents	\$ 669	\$ 547	\$ 669	\$ 415	\$ 810	\$ 500	\$ 310	61.9%
<i>Accounts receivable, gross</i>	3,988	4,624	3,988	4,379	4,551	—	4,551	N/A
<i>Accounts receivable, reserves</i>	(14)	(13)	(14)	(17)	(20)	—	(20)	N/A
Accounts receivable, net	3,974	4,611	3,974	4,363	4,531	4,303	228	5.3%
<i>Inventory, gross</i>	11,202	10,924	11,202	11,712	11,286	10,942	343	3.1%
<i>Inventory, reserves</i>	(1,378)	(1,403)	(1,378)	(1,918)	(1,408)	(1,933)	524	(27.1%)
Inventory, net	9,823	9,521	9,823	9,795	9,877	9,010	867	9.6%
Prepaid expenses and other current assets	193	388	193	115	163	184	(21)	(11.6%)
<b>Total Current Assets</b>	<b>14,660</b>	<b>15,067</b>	<b>14,660</b>	<b>14,687</b>	<b>15,381</b>	<b>13,997</b>	<b>1,384</b>	<b>9.9%</b>
<b>Non-Current Assets</b>								
<i>Property, plant &amp; equipment, gross</i>	1,634	1,610	1,634	1,656	1,666	1,684	(18)	(1.1%)
<i>Accumulated depreciation</i>	(673)	(637)	(673)	(708)	(744)	(746)	2	(0.3%)
Property, plant & equipment, net	961	972	961	948	922	938	(16)	(1.7%)
Goodwill	18,846	19,079	18,846	18,846	18,614	18,382	232	1.3%
Deferred tax asset	644	644	644	644	644	672	(27)	(4.1%)
<b>Total Non-Current Assets</b>	<b>20,452</b>	<b>20,695</b>	<b>20,452</b>	<b>20,439</b>	<b>20,181</b>	<b>19,992</b>	<b>189</b>	<b>0.9%</b>
<b>Total Assets</b>	<b>\$ 35,111</b>	<b>\$ 35,763</b>	<b>\$ 35,111</b>	<b>\$ 35,126</b>	<b>\$ 35,561</b>	<b>\$ 33,988</b>	<b>\$ 1,573</b>	<b>4.6%</b>
<b>Current Liabilities</b>								
Accounts payable	558	569	558	760	725	704	21	3.0%
Accrued liabilities	1,117	1,191	1,117	1,199	853	1,250	(398)	(31.8%)
Accrued compensation	(410)	(541)	(410)	(872)	(820)	381	(1,201)	(314.9%)
Income taxes payable	(8)	(8)	(8)	(8)	(8)	7	(14)	(216.1%)
<b>Total Current Liabilities</b>	<b>1,257</b>	<b>1,211</b>	<b>1,257</b>	<b>1,080</b>	<b>750</b>	<b>2,342</b>	<b>(1,592)</b>	<b>(68.0%)</b>
<b>Long-term liabilities</b>								
Other non-current liabilities	9,761	10,186	9,761	10,000	9,872	7,687	2,185	28.4%
<b>Total Long-Term Liabilities</b>	<b>9,761</b>	<b>10,186</b>	<b>9,761</b>	<b>10,000</b>	<b>9,872</b>	<b>7,687</b>	<b>2,185</b>	<b>28.4%</b>
<b>Total Liabilities</b>	<b>11,018</b>	<b>11,396</b>	<b>11,018</b>	<b>11,080</b>	<b>10,622</b>	<b>10,029</b>	<b>593</b>	<b>5.9%</b>
<b>Shareholders' Equity</b>								
Common stock	21,900	21,900	21,900	21,900	21,900	21,900	—	0.0%
Retained earnings	2,193	2,466	2,193	2,146	3,039	2,059	979	47.5%
<b>Total Shareholders' Equity</b>	<b>24,093</b>	<b>24,366</b>	<b>24,093</b>	<b>24,046</b>	<b>24,939</b>	<b>23,959</b>	<b>979</b>	<b>4.1%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 35,111</b>	<b>\$ 35,763</b>	<b>\$ 35,111</b>	<b>\$ 35,126</b>	<b>\$ 35,561</b>	<b>\$ 33,988</b>	<b>\$ 1,573</b>	<b>4.6%</b>

## Management Discussion



# Delaney Financial Review | Cash Flow Statement

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ 846	\$ 391	\$ 455	116.4%	\$ 215	\$ 631	293.4%	
Depreciation, amortization and other	303	538	(234)	(43.6%)	518	(215)	(41.4%)	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(557)	(329)	(228)	69.3%	(433)	(124)	28.6%	
Inventory	(54)	814	(867)	(106.6%)	(1,256)	1,203	(95.7%)	
Prepaid expenses and other current assets	30	8	21	250.9%	112	(83)	(73.5%)	
Accounts payable	167	146	21	14.5%	(10)	177	(1855.2%)	
Accrued expenses	(265)	133	(398)	(298.9%)	(302)	37	(12.4%)	
Accrued income taxes	–	14	(14)	(100.0%)	(8)	8	(100.0%)	
Other changes in operating assets and liabilities	(299)	(1,310)	1,011	(77.2%)	852	(1,150)	(135.1%)	
<b>Total Cash Flow from Operations</b>	<b>\$ 172</b>	<b>\$ 405</b>	<b>\$ (233)</b>	<b>(57.4%)</b>	<b>\$ (311)</b>	<b>\$ 484</b>	<b>(155.3%)</b>	
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ (32)	\$ (50)	\$ 18	(35.9%)	\$ (49)	\$ 17	(34.8%)	
<b>Total Cash Flow from Investing</b>	<b>\$ (32)</b>	<b>\$ (50)</b>	<b>\$ 18</b>	<b>(35.9%)</b>	<b>\$ (49)</b>	<b>\$ 17</b>	<b>(34.8%)</b>	
<b>Cash flow from financing</b>								
Common stock issued (repurchased)	–	–	–	N/A	–	–	N/A	
Other cash flow from financing costs	–	(524)	524	(100.0%)	259	(259)	(100.0%)	
<b>Total Cash Flow from Financing</b>	<b>\$ –</b>	<b>\$ (524)</b>	<b>\$ 524</b>	<b>(100.0%)</b>	<b>\$ 259</b>	<b>\$ (259)</b>	<b>(100.0%)</b>	
<b>Net change in cash</b>	<b>\$ 140</b>	<b>\$ (169)</b>	<b>\$ 310</b>	<b>(182.8%)</b>	<b>\$ (101)</b>	<b>\$ 241</b>	<b>(238.7%)</b>	
Beginning cash	669	669	–	0.0%	325	344	106.0%	
Change in cash	140	(169)	310	(182.8%)	(101)	241	(238.7%)	
<b>Ending cash</b>	<b>\$ 810</b>	<b>\$ 500</b>	<b>\$ 310</b>	<b>61.9%</b>	<b>\$ 224</b>	<b>\$ 586</b>	<b>261.9%</b>	



# Delaney Financial Review | 13-Week Cash Flow Projection

In US\$	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20	Forecast 4/27	Forecast 5/4	Forecast 5/11	Forecast 5/18	Forecast 5/25	Forecast 6/1
<b>Cash Inflows - Operational</b>													
Collections from customers (Actual)													
Collections from customers based on projected aging (Forecast)	2,223	235	220	273	852	359	191	140	97	-	-	-	-
Collections from new forecasted sales	-	-	-	-	1,097	1,024	366	366	183	983	917	328	328
<b>Total AR Collections</b>	2,223	235	220	273	1,949	1,383	557	506	280	983	917	328	328
Other non-AR inflows													
<b>Total Cash Inflows - Operational</b>	2,223	235	220	273	1,949	1,383	557	506	280	983	917	328	328
<b>Cash Outflows - Operational</b>													
Product inventory (SAP AP)	(278)	(78)	(295)	(338)	(345)	-	(332)	(240)	(387)	(309)	(565)	(115)	(540)
Payroll	(290)	(155)	(130)	-	(170)	(155)	(130)	-	(170)	(155)	(130)	-	(170)
Commissions													
Bonus													
Facilities & other (Freight)	(57)	(50)	(250)	(90)	(57)	(50)	(250)	(90)	(57)	(50)	(250)	(50)	(90)
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing													
Recruiter fees													
Other expenses (Insurance, TSA, CC)	-	-	(40)	-	-	-	(30)	-	-	-	(30)	-	-
<b>Total Cash Outflows - Operational</b>	(625)	(283)	(715)	(428)	(572)	(205)	(742)	(330)	(614)	(514)	(975)	(165)	(800)
<b>Cashflows - Financial and Other</b>													
Revolving Loan Draw (Paydown)													
Term Loan paydowns													
Interest and financial amortization													
Other financial income/expense (e.g. fx, hedging)													
Non-financial income/expense													
Estimated Tax Payments													
Monitoring fees (including travel expenses)													
Non-recurring items													
<b>Total Cash Outflows - Financial and Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CASH FLOW</b>	1,598	(49)	(495)	(154)	1,377	1,178	(185)	176	(334)	469	(58)	163	(472)
<b>Cash Rollforward</b>													
Beginning cash balance	710	2,308	2,260	1,764	1,610	2,987	4,166	3,980	4,156	3,822	4,292	4,234	4,397
Cash activity	1,598	(49)	(495)	(154)	1,377	1,178	(185)	176	(334)	469	(58)	163	(472)
<b>ENDING CASH BALANCE</b>	2,308	2,260	1,764	1,610	2,987	4,166	3,980	4,156	3,822	4,292	4,234	4,397	3,925

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ **Delaney**

Executive Summary

Financial Review

Full Year Financial Outlook

- ④ Premier
- ④ Governance Reporting
- ④ Appendix



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## Delaney Full Year Financial Outlook | Summary P&amp;L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b>Net Revenue</b>	<b>40,259</b>	<b>40,098</b>	<b>161</b>	<b>0.4%</b>	<b>36,656</b>	<b>3,603</b>	<b>9.8%</b>	
Material	21,157	21,070	86	0.4%	19,760	1,397	7.1%	
Labor	1,172	1,200	(28)	(2.3%)	956	216	22.6%	
Other COGS	2,302	2,301	2	0.1%	2,137	166	7.7%	
<b>Total COGS</b>	<b>24,632</b>	<b>24,571</b>	<b>60</b>	<b>0.2%</b>	<b>22,853</b>	<b>1,778</b>	<b>7.8%</b>	
<b>Gross Margin</b>	<b>15,627</b>	<b>15,527</b>	<b>100</b>	<b>0.6%</b>	<b>13,802</b>	<b>1,825</b>	<b>13.2%</b>	
<i>Gross Margin %</i>	38.8%	38.7%			37.7%			
Sales & Marketing	3,342	3,362	(20)	(0.6%)	2,998	344	11.5%	
Administrative	4,475	4,465	10	0.2%	4,080	394	9.7%	
<b>Total Opex</b>	<b>7,817</b>	<b>7,827</b>	<b>(10)</b>	<b>(0.1%)</b>	<b>7,079</b>	<b>738</b>	<b>10.4%</b>	
<b>EBITDA</b>	<b>7,811</b>	<b>7,700</b>	<b>110</b>	<b>1.4%</b>	<b>6,724</b>	<b>1,087</b>	<b>16.2%</b>	
<i>EBITDA %</i>	19.4%	19.2%			18.3%			
<b>Adj. EBITDA</b>	<b>7,831</b>	<b>7,700</b>	<b>131</b>	<b>1.7%</b>	<b>6,724</b>	<b>1,107</b>	<b>16.5%</b>	
<i>Adj. EBITDA %</i>	19.5%	19.2%			18.3%			
<b>Net Income (Loss)</b>	<b>\$ 3,932</b>	<b>\$ 3,477</b>	<b>\$ 455</b>	<b>13.1%</b>	<b>\$ 1,868</b>	<b>\$ 2,063</b>	<b>110.4%</b>	



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## Delaney Full Year Financial Outlook | Monthly P&amp;L

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var		PY	Var	
	Act	Act	Fcst	Bud	\$	%	Act	\$	%										
<b>Net Revenue</b>	<b>3,240</b>	<b>3,369</b>	<b>3,531</b>	<b>3,159</b>	<b>3,100</b>	<b>3,570</b>	<b>3,428</b>	<b>3,264</b>	<b>3,347</b>	<b>3,621</b>	<b>3,097</b>	<b>3,533</b>	<b>40,259</b>	<b>40,098</b>	<b>161</b>	<b>0.4%</b>	<b>36,656</b>	<b>3,603</b>	<b>9.8%</b>
Material	1,710	1,843	1,832	1,655	1,613	1,955	1,779	1,696	1,729	1,931	1,595	1,820	21,157	21,070	86	0.4%	19,760	1,397	7.1%
Labor	81	69	101	101	104	101	104	104	101	104	101	104	1,172	1,200	(28)	(2.3%)	956	216	22.6%
Other COGS	190	190	206	183	181	193	196	189	191	200	182	201	2,302	2,301	2	0.1%	2,137	166	7.7%
<b>Total COGS</b>	<b>1,981</b>	<b>2,103</b>	<b>2,140</b>	<b>1,938</b>	<b>1,897</b>	<b>2,249</b>	<b>2,079</b>	<b>1,989</b>	<b>2,021</b>	<b>2,234</b>	<b>1,878</b>	<b>2,124</b>	<b>24,632</b>	<b>24,571</b>	<b>60</b>	<b>0.2%</b>	<b>22,853</b>	<b>1,778</b>	<b>7.8%</b>
<b>Gross Margin</b>	<b>1,259</b>	<b>1,266</b>	<b>1,392</b>	<b>1,221</b>	<b>1,202</b>	<b>1,322</b>	<b>1,349</b>	<b>1,276</b>	<b>1,326</b>	<b>1,387</b>	<b>1,219</b>	<b>1,409</b>	<b>15,627</b>	<b>15,527</b>	<b>100</b>	<b>0.6%</b>	<b>13,802</b>	<b>1,825</b>	<b>13.2%</b>
<i>Gross Margin %</i>	38.9%	37.6%	39.4%	38.7%	38.8%	37.0%	39.4%	39.1%	39.6%	38.3%	39.4%	39.9%	38.8%	38.7%			37.7%		
Sales & Marketing	388	280	338	266	254	274	268	251	264	252	258	249	3,342	3,362	(20)	(0.6%)	2,998	344	11.5%
Administrative	358	350	354	400	372	364	376	372	405	373	365	386	4,475	4,465	10	0.2%	4,080	394	9.7%
<b>Total Opex</b>	<b>746</b>	<b>630</b>	<b>691</b>	<b>667</b>	<b>627</b>	<b>638</b>	<b>643</b>	<b>623</b>	<b>668</b>	<b>625</b>	<b>623</b>	<b>636</b>	<b>7,817</b>	<b>7,827</b>	<b>(10)</b>	<b>(0.1%)</b>	<b>7,079</b>	<b>738</b>	<b>10.4%</b>
<b>EBITDA</b>	<b>513</b>	<b>636</b>	<b>700</b>	<b>554</b>	<b>576</b>	<b>684</b>	<b>706</b>	<b>653</b>	<b>657</b>	<b>762</b>	<b>595</b>	<b>773</b>	<b>7,811</b>	<b>7,700</b>	<b>110</b>	<b>1.4%</b>	<b>6,724</b>	<b>1,087</b>	<b>16.2%</b>
<i>EBITDA %</i>	15.8%	18.9%	19.8%	17.5%	18.6%	19.2%	20.6%	20.0%	19.6%	21.0%	19.2%	21.9%	19.4%	19.2%			18.3%		
<b>Adj. EBITDA</b>	<b>513</b>	<b>656</b>	<b>700</b>	<b>554</b>	<b>576</b>	<b>684</b>	<b>706</b>	<b>653</b>	<b>657</b>	<b>762</b>	<b>595</b>	<b>773</b>	<b>7,831</b>	<b>7,700</b>			<b>6,724</b>		
<i>Adj. EBITDA %</i>	15.8%	19.5%	19.8%	17.5%	18.6%	19.2%	20.6%	20.0%	19.6%	21.0%	19.2%	21.9%	19.5%	19.2%			18.3%		
<b>Net Income (Loss)</b>	<b>\$ 477</b>	<b>\$ 368</b>	<b>\$ 336</b>	<b>\$ 222</b>	<b>\$ 239</b>	<b>\$ 323</b>	<b>\$ 340</b>	<b>\$ 298</b>	<b>\$ 302</b>	<b>\$ 383</b>	<b>\$ 252</b>	<b>\$ 391</b>	<b>\$ 3,932</b>	<b>\$ 3,477</b>	<b>\$ 455</b>	<b>13.1%</b>	<b>\$ 1,868</b>	<b>\$ 2,063</b>	<b>110.4%</b>



# Delaney Full Year Financial Outlook | Balance Sheet

\$'000	12-Month Forecast												FY		FY		Var	
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Fcst	Bud	\$	%		
<b>Current Assets</b>																		
Cash and cash equivalents	\$ 415	\$ 810	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 669	\$ (169)	(25.3%)		
Accounts receivable, gross	4,379	4,551	—	—	—	—	—	—	—	—	—	—	—	3,988	(3,988)	(100.0%)		
Accounts receivable, reserves	(17)	(20)	—	—	—	—	—	—	—	—	—	—	—	(14)	14	(100.0%)		
Accounts receivable, net	4,363	4,531	4,303	4,489	4,319	4,045	4,313	4,527	4,259	4,276	4,508	4,345	4,345	3,974	371	9.3%		
Inventory, gross	11,712	11,286	10,942	11,040	10,995	10,905	11,060	11,223	11,078	11,223	11,220	11,303	11,303	11,202	101	0.9%		
Inventory, reserves	(1,918)	(1,408)	(1,933)	(1,948)	(1,963)	(1,978)	(1,993)	(2,008)	(2,023)	(2,038)	(2,053)	(2,068)	(2,068)	(1,378)	(689)	50.0%		
Inventory, net	9,795	9,877	9,010	9,092	9,032	8,927	9,067	9,216	9,055	9,185	9,167	9,235	9,235	9,823	(589)	(6.0%)		
Prepaid expenses and other current assets	115	163	184	184	184	184	184	184	184	184	184	184	184	193	(8)	(4.4%)		
<b>Total Current Assets</b>	<b>14,687</b>	<b>15,381</b>	<b>13,997</b>	<b>14,266</b>	<b>14,035</b>	<b>13,656</b>	<b>14,064</b>	<b>14,426</b>	<b>13,999</b>	<b>14,145</b>	<b>14,359</b>	<b>14,264</b>	<b>14,264</b>	<b>14,660</b>	<b>(396)</b>	<b>(2.7%)</b>		
<b>Non-Current Assets</b>																		
Property, plant & equipment, gross	1,656	1,666	1,684	1,709	1,734	1,759	1,784	1,809	1,834	1,859	1,884	1,909	1,909	1,634	275	16.8%		
Accumulated depreciation	(708)	(744)	(746)	(783)	(820)	(858)	(896)	(934)	(972)	(1,011)	(1,050)	(1,089)	(1,089)	(673)	(416)	61.9%		
Property, plant & equipment, net	948	922	938	926	914	901	888	875	862	848	834	820	820	961	(141)	(14.7%)		
Goodwill	18,846	18,614	18,382	18,150	17,918	17,685	17,453	17,221	16,989	16,757	16,524	16,292	16,292	18,846	(2,554)	(13.6%)		
Deferred tax asset	644	644	672	672	672	672	672	672	672	672	672	672	672	644	27	4.3%		
<b>Total Non-Current Assets</b>	<b>20,439</b>	<b>20,181</b>	<b>19,992</b>	<b>19,747</b>	<b>19,503</b>	<b>19,258</b>	<b>19,013</b>	<b>18,768</b>	<b>18,522</b>	<b>18,276</b>	<b>18,030</b>	<b>17,783</b>	<b>17,783</b>	<b>20,452</b>	<b>(2,668)</b>	<b>(13.0%)</b>		
<b>Total Assets</b>	<b>\$ 35,126</b>	<b>\$ 35,561</b>	<b>\$ 33,988</b>	<b>\$ 34,013</b>	<b>\$ 33,538</b>	<b>\$ 32,914</b>	<b>\$ 33,077</b>	<b>\$ 33,194</b>	<b>\$ 32,521</b>	<b>\$ 32,421</b>	<b>\$ 32,389</b>	<b>\$ 32,047</b>	<b>\$ 32,047</b>	<b>\$ 35,111</b>	<b>\$ (3,064)</b>	<b>(8.7%)</b>		
<b>Current Liabilities</b>																		
Accounts payable	760	725	704	915	685	642	877	735	673	842	721	694	694	558	136	24.4%		
Accrued liabilities	1,199	853	1,250	858	927	995	1,072	1,147	1,218	1,291	1,370	1,438	1,438	1,117	320	28.7%		
Accrued compensation	(872)	(820)	381	416	451	489	497	534	571	608	645	630	630	(410)	1,040	(253.7%)		
Income taxes payable	(8)	(8)	7	7	7	7	7	7	7	7	7	7	7	(8)	14	(186.1%)		
<b>Total Current Liabilities</b>	<b>1,080</b>	<b>750</b>	<b>2,342</b>	<b>2,196</b>	<b>2,070</b>	<b>2,131</b>	<b>2,453</b>	<b>2,423</b>	<b>2,468</b>	<b>2,748</b>	<b>2,743</b>	<b>2,768</b>	<b>2,768</b>	<b>1,257</b>	<b>1,511</b>	<b>120.2%</b>		
<b>Long-term Liabilities</b>																		
Other non-current liabilities	10,000	9,872	7,687	7,521	6,950	6,027	5,545	5,352	4,335	3,654	3,245	2,625	2,625	9,761	(7,136)	(73.1%)		
<b>Total Long-Term Liabilities</b>	<b>10,000</b>	<b>9,872</b>	<b>7,687</b>	<b>7,521</b>	<b>6,950</b>	<b>6,027</b>	<b>5,545</b>	<b>5,352</b>	<b>4,335</b>	<b>3,654</b>	<b>3,245</b>	<b>2,625</b>	<b>2,625</b>	<b>9,761</b>	<b>(7,136)</b>	<b>(73.1%)</b>		
<b>Total Liabilities</b>	<b>11,080</b>	<b>10,622</b>	<b>10,029</b>	<b>9,717</b>	<b>9,020</b>	<b>8,158</b>	<b>7,998</b>	<b>7,775</b>	<b>6,803</b>	<b>6,402</b>	<b>5,987</b>	<b>5,393</b>	<b>5,393</b>	<b>11,018</b>	<b>(5,625)</b>	<b>(51.1%)</b>		
<b>Shareholders' Equity</b>																		
Common stock	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	—	0.0%		
Retained earnings	2,146	3,039	2,059	2,396	2,618	2,857	3,180	3,519	3,818	4,119	4,502	4,754	4,754	2,193	2,561	116.8%		
<b>Total Shareholders' Equity</b>	<b>24,046</b>	<b>24,939</b>	<b>23,959</b>	<b>24,296</b>	<b>24,518</b>	<b>24,757</b>	<b>25,080</b>	<b>25,419</b>	<b>25,718</b>	<b>26,019</b>	<b>26,402</b>	<b>26,654</b>	<b>26,654</b>	<b>24,093</b>	<b>2,561</b>	<b>10.6%</b>		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 35,126</b>	<b>\$ 35,561</b>	<b>\$ 33,988</b>	<b>\$ 34,013</b>	<b>\$ 33,538</b>	<b>\$ 32,914</b>	<b>\$ 33,077</b>	<b>\$ 33,194</b>	<b>\$ 32,521</b>	<b>\$ 32,421</b>	<b>\$ 32,389</b>	<b>\$ 32,047</b>	<b>\$ 32,047</b>	<b>\$ 35,111</b>	<b>\$ (3,064)</b>	<b>(8.7%)</b>		



# Delaney Full Year Financial Outlook | Cash Flow Summary

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ 477	\$ 368	\$ 336	\$ 222	\$ 239	\$ 323	\$ 340	\$ 298	\$ 302	\$ 383	\$ 252	\$ 391	\$ 3,932	\$ 3,477	\$ 455	13.1%
Depreciation, amortization and other	36	268	234	269	269	270	270	270	271	271	271	272	2,971	3,243	(272)	(8.4%)
<i>Change in operating assets and liabilities:</i>																
Accounts receivable	(389)	(168)	228	(186)	170	274	(268)	(213)	267	(17)	(232)	163	(371)	(311)	(60)	19.4%
Inventory	29	(83)	867	(82)	60	105	(140)	(149)	160	(130)	18	(68)	589	422	166	39.4%
Prepaid expenses and other current assets	77	(48)	(21)	—	—	—	—	—	—	—	—	—	8	8	—	0.0%
Accounts payable	202	(35)	(21)	211	(230)	(43)	236	(142)	(63)	169	(121)	(27)	136	281	(145)	(51.6%)
Accrued expenses	82	(346)	398	(392)	69	68	78	75	71	73	79	67	320	397	(77)	(19.4%)
Accrued income taxes	—	—	(14)	—	—	—	—	—	—	—	—	—	(14)	14	(28)	(200.0%)
Other changes in operating assets and liabilities	(222)	(76)	(984)	(131)	(536)	(887)	(474)	(156)	(980)	(643)	(373)	(635)	(6,096)	(6,878)	782	(11.4%)
<b>Total Cash Flow from Operations</b>	<b>\$ 292</b>	<b>\$ (120)</b>	<b>\$ 1,023</b>	<b>\$ (89)</b>	<b>\$ 41</b>	<b>\$ 109</b>	<b>\$ 42</b>	<b>\$ (16)</b>	<b>\$ 28</b>	<b>\$ 106</b>	<b>\$ (105)</b>	<b>\$ 163</b>	<b>\$ 1,475</b>	<b>\$ 655</b>	<b>\$ 820</b>	<b>125.2%</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ (23)	\$ (10)	\$ (18)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (275)	\$ (300)	\$ 25	(8.3%)
<b>Total Cash Flow from Investing</b>	<b>\$ (23)</b>	<b>\$ (10)</b>	<b>\$ (18)</b>	<b>\$ (25)</b>	<b>\$ (25)</b>	<b>\$ (275)</b>	<b>\$ (300)</b>	<b>\$ 25</b>	<b>(8.3%)</b>							
<b>Cash flow from financing</b>																
Common stock issued (repurchased)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Other cash flow from financing costs	(524)	524	(1,316)	114	(16)	(84)	(17)	41	(3)	(81)	130	(139)	(1,370)	(524)	(846)	161.3%
<b>Total Cash Flow from Financing</b>	<b>\$ (524)</b>	<b>\$ 524</b>	<b>\$ (1,316)</b>	<b>\$ 114</b>	<b>\$ (16)</b>	<b>\$ (84)</b>	<b>\$ (17)</b>	<b>\$ 41</b>	<b>\$ (3)</b>	<b>\$ (81)</b>	<b>\$ 130</b>	<b>\$ (139)</b>	<b>\$ (1,370)</b>	<b>\$ (524)</b>	<b>\$ (846)</b>	<b>161.3%</b>
<b>Net change in cash</b>	<b>\$ (255)</b>	<b>\$ 395</b>	<b>\$ (311)</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ (171)</b>	<b>\$ (169)</b>	<b>\$ (1)</b>	<b>0.6%</b>							
Beginning cash	669	415	810	499	499	499	499	499	499	499	499	499	669	669	—	—
Change in cash	(255)	395	(311)	0	0	0	0	0	0	0	0	0	(171)	(169)	(1)	0.6%
<b>Ending cash</b>	<b>\$ 415</b>	<b>\$ 810</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 499</b>	<b>\$ 500</b>	<b>\$ (1)</b>	<b>(0.2%)</b>

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ **Premier**

Executive Summary

Financial Review

Full Year Financial Outlook

- ④ Governance Reporting
- ④ Appendix

# Premier Executive Summary | Overview



**February revenues of \$1.64M, favorable to AOP (budget) \$32k/2.0%, favorable to PY \$116k/7.6%**

**YTD revenues of \$3.45M, favorable to AOP \$296k/9.5%, favorable to PY \$464k/13.5%**

- Cash sales up 90.74%/\$11.5k YOY / Up 31.9%/\$5.9k vs AOP

- Distributor up 10.3%/\$79k YOY / Up 9.2%/\$72k vs AOP

- DP lost key modular account, Door unit loss of 1,500 annually, Premier revenue loss of \$210k.....Working to help re-secure account

- Received new ABC order for new project totaling \$137k (bidding another for \$750k-1M) ABC at risk for key account loss. Premier likely to engage modular manufacturer direct on a go forward basis to mitigate sales loss. ABC volume over \$900k in 2019

- Parkline new account (Texas 1<sup>st</sup> order in February \$5.3k)

- OEM up 2.5%/\$18k YOY / Up 7.6%/\$52k vs AOP

- CSM New Missouri facility received first order in January \$20k

- Integrity New account (Texas 1<sup>st</sup> order in February) \$13k

- Pre-assembled up 30.7%/\$7.1k YOY /Up 32.3%/\$7.4k vs AOP

- SSI/USSI still only two accounts on-boarded

- Need pre-finished capabilities for larger OEM accounts

- First foray in new pre-assembled product offerings in April/May

**1<sup>st</sup> choice candidate for our BSDM position accepted an offer from ASSA. New candidate vetted and we are prepared to make offer to Bob West pending MOR discussion.**

**Steel pricing confirmed through June 2020. Additional tons secured at reduced cost in Q2/Q3. Supply chain broadened to include both domestic and foreign (Steel Dynamics, Nucor, and now Ternium (Mexico)**

**OSHA reported incident update.....Conference was beneficial. Penalties reduced 30% to \$6,612.00. Attorney continues to advise that any further potential remedies will be absorbed by our workers compensation insurance.**

**COVID-19 town hall meeting scheduled for Wednesday, March 18<sup>th</sup> to outline go-forward policies and procedures.**

# Premier Executive Summary | Overview



## Hits

- The backlog is stable, but will likely experience shrink over the next couple of months.
- Raw inventory and supplies have not been impacted as of yet, and a plan is in place to ensure the able to operate without excessive burden on reserves. Low pricing has been locked in for steel through June and has been broadened for supply blending of foreign and domestic sources which further buttresses our raw availability and pricing position.
- LED will consider incentives for planned PP&E under its Retention & Modernization Program Design of new network capable modular digital platform with display keypad continues to be on schedule for May 2020 launch
- OSHA fine for 2019 incident reduced 30% to \$6,612.00
- Recent visit to SG outlined potential synergy relative to tool and die fabrication and best practices with regards to safety and training.

## Misses

- Operator error on primary frame production roll former bent multiple shafts and broke several rolls. Temporary solution instituted.....Lost production time 16 hours. Cost for permanent repairs \$22-25k
- OSHA re-inspection probable later in the year. Work underway to complete guarding/safeguards for remaining small presses. Estimated costs for laser curtains and appropriate guarding is \$25k.
- The hermitization of the country means that even with the use of virtual tools, sales and growth will not be a pushing point due to market sentiment. Positioning and minimizing unfavorable outcomes in the short-term should be a focus since longer-term situations affect everyone in the market.
- Lower sales, should the market turn and stay low for 6-9 months, may require separation from employees. A large-scale separation would substantially impact our ability to produce at median volumes and would take either substantial capital outlays or a long period of time (2-3 years) to recover competencies and capabilities.
- If the pandemic stirs enough panic and poor choices to force full market realignment including reduced labor availability as was the case in 1918-1919, construction needs will slow along with higher raw material price increases. The result would be an inability to effectively conduct business in its current form. This should warrant a review of possible alternative products and objectives even if done so as a supporting function should business be better than expected in this scenario.

# Premier Executive Summary | Overview (continued)



Project	Lead	Status	Comments
CRM-ERP	Dale	●	Onsite visit from Gray in February <u>UPDATE:</u> Cost/need analysis being reviewed given need to curtail expenses
Lean&6, CI	Dale	● ●	Yellow belt training completed; white belt training scheduled on-site for Mid-March <u>UPDATE:</u> Postponed until further notice  Door line restructuring and storage underway
SBDM Manager	Joey	●	First choice candidate accepted a different opportunity; other candidates being evaluated <u>UPDATE:</u> Further evaluation of need under review due to potential pandemic impact
Warehouse Size/Stock Level Eval	Joey	●	Houston expansion costs under evaluation <u>UPDATE:</u> Cost/need analysis being reviewed given need to curtail expenses

Project redefinition and evaluation is underway. A cautious but purposeful approach is being used to safeguard business continuity until more clarity develops.

No cost and low-cost activities are proceeding as planned as they have long-term benefits with negligible impact on cash.

# Premier Executive Summary | Overview (continued)



Due to the pandemic impact on the global economy, operating and improvement elements and objectives have temporarily adjusted. Pre and post Covid-19 elements are listed for reference.

PRE: Door line and product storage redesign project should improve capacity and nimbleness

POST: No change



PRE: First choice BDSM chose alternate opportunity; search continues



POST: Hiring a BDSM right now may be advantageous to build momentum once we exit COVID-19 clouds. Also may be counterproductive with the impact on travel and uncertainty in the macro supply chain which is impacting market confidence and leading to customer reluctance to make changes.

PRE: Current capacity near functional maximum utilizing OT – 6,000 doors & 18,000 frames

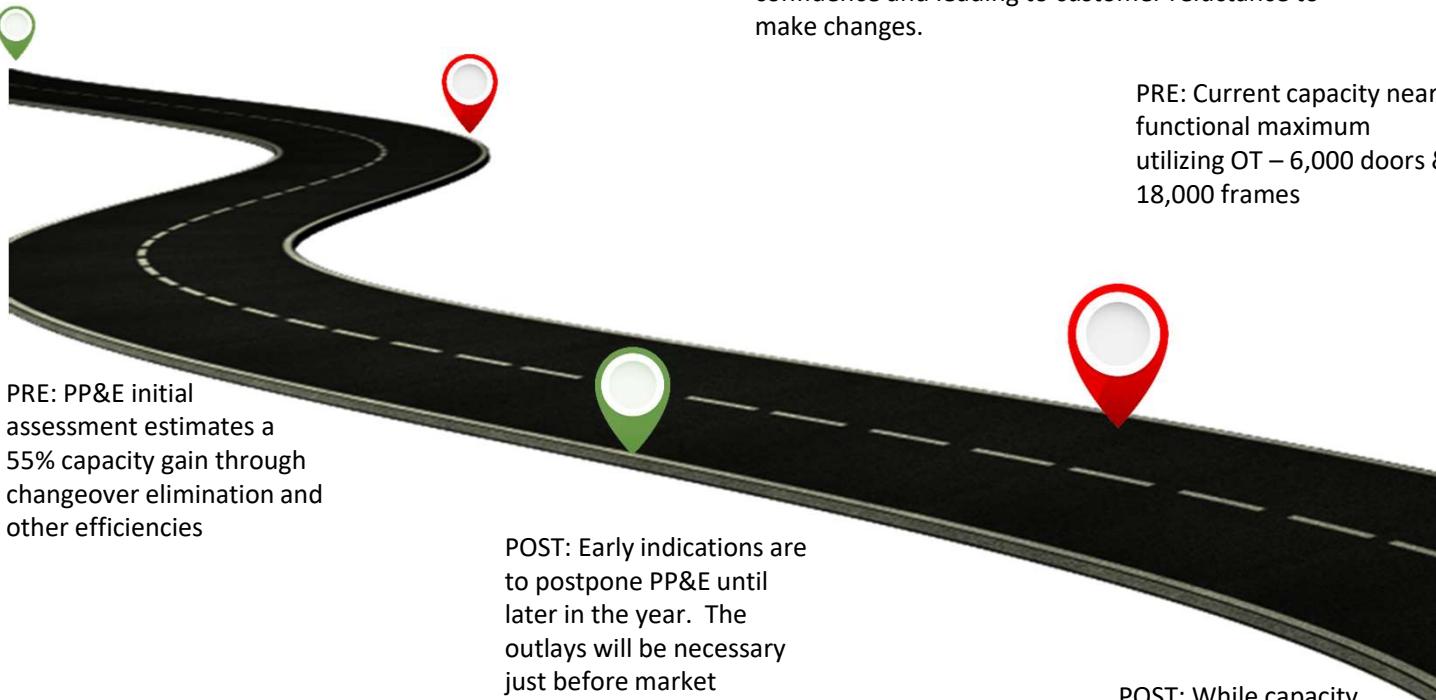


PRE: PP&E initial assessment estimates a 55% capacity gain through changeover elimination and other efficiencies



POST: Early indications are to postpone PP&E until later in the year. The outlays will be necessary just before market recovery enters full swing if we are to maximize the opportunity gap (supply and demand)

POST: While capacity constraint has not changed, it may not be a short-term concern



# Premier Executive Summary | Overview (continued)



Initially, this plan was to communicate details of execution supporting the initiatives. It has been refocused to mitigate impact of the pandemic and market uncertainty.

	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>Goals</b>
	<p>All non-critical travel has been cancelled along with vendor visits.</p> <p>Outlays that can be pushed in to the future are being rescheduled.</p> <p>Human capital risk mitigation and occurrence planning has under development and review.</p>	<p>Alignment of inventory, capacity, and operational needs</p> <p>Work on straight stock building if demand begins to shrink</p> <p>Identification of core workforce identified and reserved</p>	<p>Determination of pandemic impact and short and long-term adjustments</p> <p>Either begin planning for ramp or additional mitigation measures</p> <p>Near-term plan determination for economic situation (1-2 years out)</p>	<p>Mitigate financial impact</p> <p>Maintain or improve position with customers through service and support</p> <p>Retain core employees</p> <p>Be positioned to exploit market ramp</p>



# Premier Executive Summary | CO-VID 19 Update



- Current State
  - Premier has no current primary or secondary suspected or confirmed positive diagnoses. No confirmed cases reported within Ouachita Parish
  - Louisiana has 77 presumptive cases (2 confirmed) mostly in southern areas of the state as of March 14<sup>th</sup>. See above link for up to date information.
  - Louisiana instituted cancellations aligning with national measures (NCAA competition cancellations, for example) and the state's Democratic primary.
  - Louisiana governor closed all public schools through April 13, 2020
- Mitigation
  - Cleaning and hygiene protocols have been implemented
  - Company-wide policy and procedure communication to occur Wednesday, March 18
  - All vendor visits and non-critical travel and interaction have been cancelled until further notice
  - Continuity assessment for customer care and business critical functions under planning review and evaluation
  - See slides 10-12 for additional details around short and longer-term mitigation efforts.

# Premier Executive Summary | Financial Performance



- \$1M cash contribution to debt in February.
- FEB EBITDA up \$85k vs AOP . Up \$253k versus AOP YTD. Up \$370k or almost 70% YTD versus PY
- Credits were negligible. Less than \$800.00 for paint defects (old inventory) \$1.3K in pricing error and balance was freight damage related.
- RBB are all favorable

**\$1.0M**  
CASH in EXCESS

YTD \$1.0M

**Fav \$85**  
EBITDA

AOP \$85k/23.3%  
YTD \$253k/38.7%  
PY \$330k/57.3%

**\$5.8k**  
CREDITS

of REV 0.35%  
YTD \$6.9k

**\$1.64M**  
REVENUE

AOP \$32k/2.0%  
YTD \$296k/9.5%  
PY \$464k/13.5%

**\$1.68M**  
BOOKINGS

PY \$1.34M  
 PY \$283k/35.2%

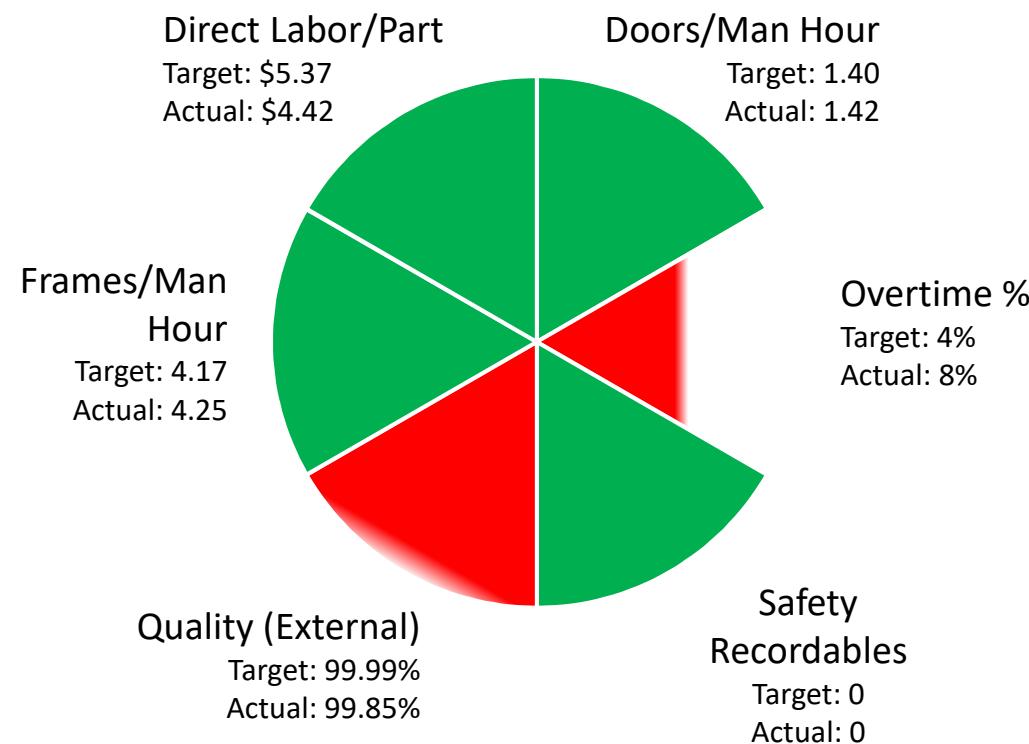
**\$1.094M**  
BACKLOG

PY \$809k  
 PY \$285k/35.2%

# Premier Executive Summary | KPIs

**Quality**  
Three frames (9 pieces) had peeling paint out in the field. The most probable cause, because of lack of replication in our testing, is old customer stock. One shipment of doors (29) had wrong hinge locations.

**OT**  
Extra hours (about 340) used to catch-up production due to capacity constraint.



# February 2020 Operating Review Meeting Agenda

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# Premier Financial Review | Summary P&L - MTD



\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>1,640</b>	<b>1,608</b>	<b>32</b>	<b>2.0%</b>	<b>1,522</b>	<b>118</b>	<b>7.7%</b>	
Material	668	695	(27)	(3.9%)	674	(6)	(0.9%)	
Labor	331	326	5	1.6%	297	34	11.4%	
Other COGS	(11)	32	(44)	(135.6%)	42	(53)	(127.5%)	
<b>Total COGS</b>	<b>987</b>	<b>1,053</b>	<b>(66)</b>	<b>(6.2%)</b>	<b>1,012</b>	<b>(25)</b>	<b>(2.5%)</b>	
<b>Gross Margin</b>	<b>652</b>	<b>555</b>	<b>97</b>	<b>17.6%</b>	<b>509</b>	<b>143</b>	<b>28.1%</b>	
<b>Gross Margin %</b>	<b>39.8%</b>	<b>34.5%</b>			<b>33.5%</b>			
Sales & Marketing	82	52	30	56.9%	65	17	26.9%	
Administrative	124	138	(14)	(10.3%)	117	7	6.0%	
<b>Total Opex</b>	<b>206</b>	<b>191</b>	<b>16</b>	<b>8.2%</b>	<b>182</b>	<b>24</b>	<b>13.5%</b>	
<b>EBITDA</b>	<b>446</b>	<b>364</b>	<b>82</b>	<b>22.5%</b>	<b>328</b>	<b>118</b>	<b>36.2%</b>	
<b>EBITDA %</b>	<b>27.2%</b>	<b>22.7%</b>			<b>21.5%</b>			
<b>Adj. EBITDA</b>	<b>449</b>	<b>364</b>	<b>85</b>	<b>23.3%</b>	<b>328</b>	<b>121</b>	<b>37.1%</b>	
<b>Adj. EBITDA %</b>	<b>27.4%</b>	<b>22.7%</b>			<b>21.5%</b>			
<b>Net Income (Loss)</b>	<b>\$ 433</b>	<b>\$ 225</b>	<b>\$ 208</b>	<b>92.3%</b>	<b>\$ 257</b>	<b>\$ 176</b>	<b>68.5%</b>	

## Management Discussion

### Budget

Net Revenue higher than AOP due to strong OEM sales.

Gross margin higher as % of sales due to favorable steel pricing and productivity due to volume.

### PY

Net Revenue higher than AOP due to strong distributor sales up \$79k, OEM sales up \$18k, pre-assembled up \$7k, and cash up \$11k.

Gross margin higher as % of sales due to pricing, favorable steel pricing and productivity due to volume.

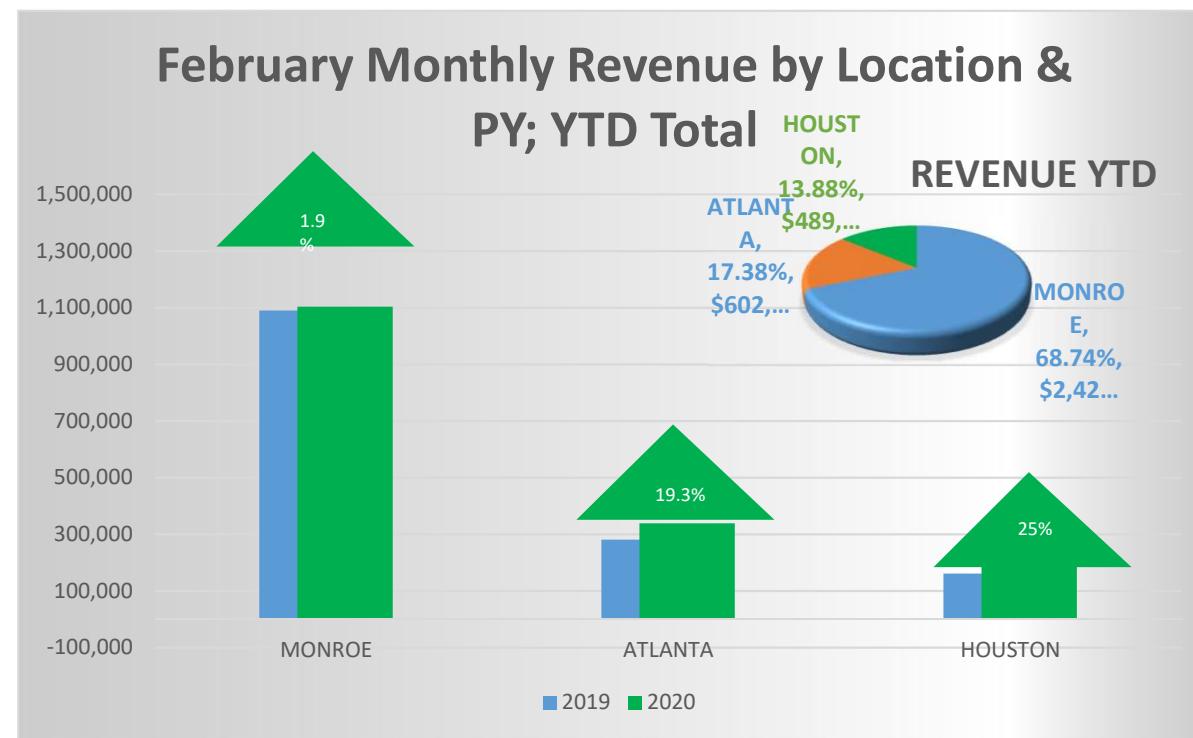
# Premier Financial Review | Revenue by Location

**Premier** STEEL AND FRAMES

- Feb revenue was favorable all locations.
- YTD, Monroe accounts for majority of growth up 25%. Atlanta is down 6.7% YTD while Houston is up 5.9% YTD
- Lack of FG in warehouses
- **Intercompany HM purchases down \$79k YTD.**

**FEB 2020 = \$137,161**

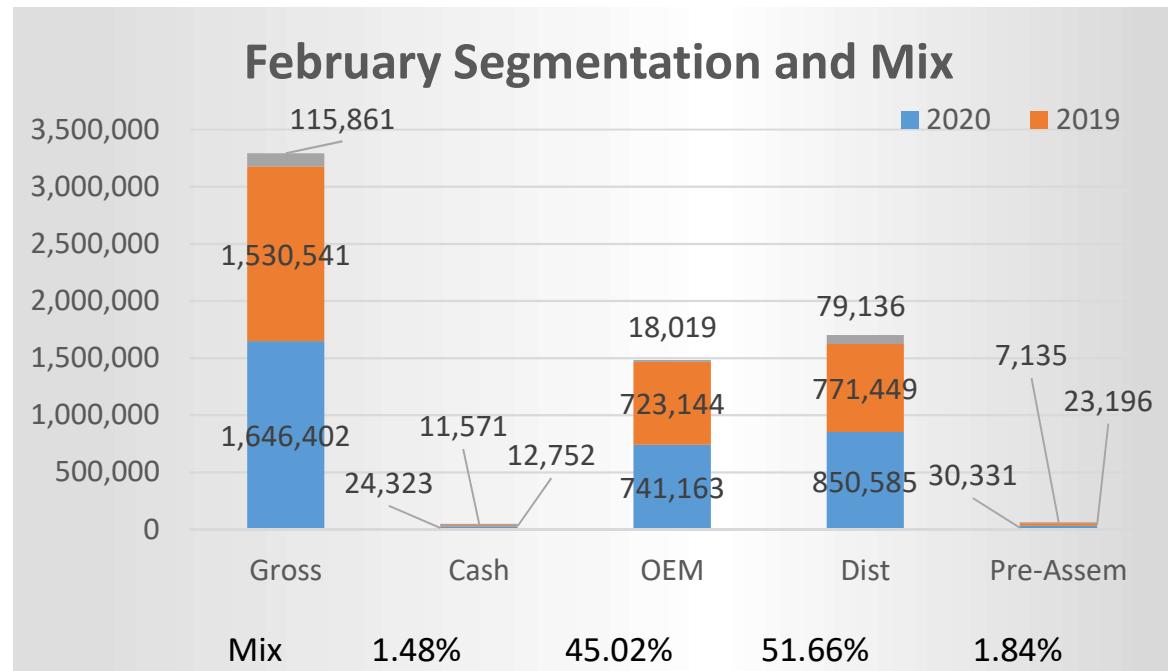
**FEB 2019 = \$215,806**



# Premier Financial Review | Revenue Segmentation

**Premier** STEEL AND FRAMES

Gross sales increased 7.57% from PY and 1.9% above the AOP. Cash sales were up and OEM was relatively steady. Meaningful gains were made in Distributor and Pre-assembled sales for February but were offset with lower than budgeted intercompany demand (Down \$79k)



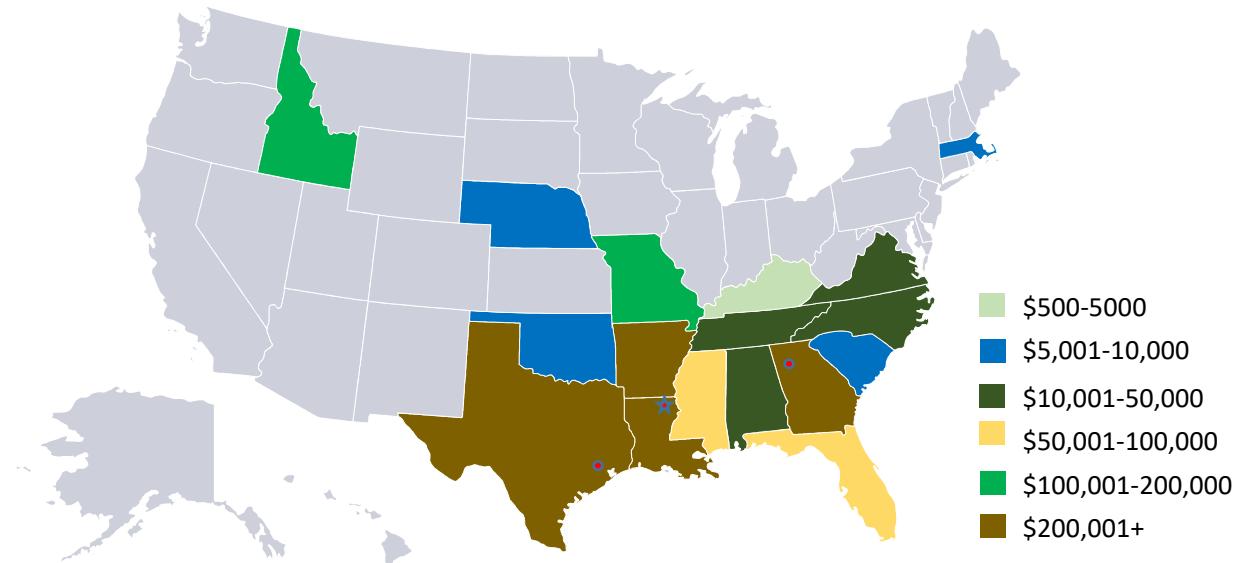
Element	2020	2019	PY Diff	% Change	AOP	AOP Diff	Over/Under
Gross	1,646,402	1,530,541	115,861	7.57%	1,615,835	30,567	1.89%
Cash	24,323	12,752	11,571	90.74%	19,649	4,674	23.79%
OEM	741,163	723,144	18,019	2.49%	688,695	52,468	7.62%
Dist	850,585	771,449	79,136	10.26%	883,076	-32,491	-3.68%
Pre-Assem	30,331	23,196	7,135	30.76%	24,415	5,916	24.23%

# Premier Financial Review | Revenue by Geography

**Premier** STEEL AND FRAMES

The south and southeast have typically been our primary markets and have historically accounted for 90-92% of Premier's hollow metal shipments. The highlighted states reflect where products were shipped during the month of February.

PM = 86.4% FEB 2020  
PM = 86.6% 2020 YTD



# Premier Financial Review | Summary P&L - YTD



\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>3,430</b>	<b>3,133</b>	<b>296</b>	<b>9.5%</b>	<b>2,966</b>	<b>464</b>	<b>15.7%</b>	
Material	1,398	1,356	42	3.1%	1,332	66	5.0%	
Labor	698	675	23	3.4%	630	68	10.8%	
Other COGS	8	65	(57)	(87.7%)	75	(67)	(89.3%)	
<b>Total COGS</b>	<b>2,104</b>	<b>2,097</b>	<b>7</b>	<b>0.4%</b>	<b>2,037</b>	<b>68</b>	<b>3.3%</b>	
<b>Gross Margin</b>	<b>1,326</b>	<b>1,037</b>	<b>289</b>	<b>27.9%</b>	<b>929</b>	<b>397</b>	<b>42.7%</b>	
<i>Gross Margin %</i>	38.6%	33.1%			31.3%			
Sales & Marketing	161	104	57	54.5%	129	32	25.2%	
Administrative	260	278	(18)	(6.5%)	223	37	16.5%	
<b>Total Opex</b>	<b>421</b>	<b>383</b>	<b>39</b>	<b>10.1%</b>	<b>352</b>	<b>69</b>	<b>19.7%</b>	
<b>EBITDA</b>	<b>904</b>	<b>654</b>	<b>250</b>	<b>38.3%</b>	<b>577</b>	<b>327</b>	<b>56.8%</b>	
<i>EBITDA %</i>	26.4%	20.9%			19.5%			
<b>Adj. EBITDA</b>	<b>907</b>	<b>654</b>	<b>253</b>	<b>38.7%</b>	<b>577</b>	<b>330</b>	<b>57.3%</b>	
<i>Adj. EBITDA %</i>	26.4%	20.9%			19.5%			
<b>Net Income (Loss)</b>	<b>\$ 880</b>	<b>\$ 393</b>	<b>\$ 486</b>	<b>123.6%</b>	<b>\$ 436</b>	<b>\$ 443</b>	<b>101.6%</b>	

Management Discussion	
<b>Budget</b>	
	Net Revenue higher than AOP due to strong OEM sales, up \$306k, partially offset by distributor sales down (\$29k).
	Gross margin higher as % of sales due to pricing, favorable steel pricing and productivity due to volume.
<b>PY</b>	
	Net Revenue higher than AOP due to distributor sales up \$192k, OEM sales up \$265k, and pre-assembled up \$7k.
	Gross margin higher as % of sales due to price, favorable steel pricing and productivity due to volume.

# Premier Financial Review | CoGS by Component



\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<b>Material</b>								
Material costs at standard	\$ 650	\$ 695	\$ (45)	(6.5%)	\$ 1,360	\$ 1,356	\$ 3	0.2%
Freight in	6	–	6	N/A	13	–	13	N/A
Scrap costs	12	–	12	N/A	26	–	26	N/A
<b>Total Material COGS</b>	<b>\$ 668</b>	<b>\$ 695</b>	<b>\$ (27)</b>	<b>(3.9%)</b>	<b>\$ 1,398</b>	<b>\$ 1,356</b>	<b>\$ 42</b>	<b>3.1%</b>
<b>Labor</b>								
Direct labor	\$ 194	\$ 184	\$ 10	5.2%	\$ 409	\$ 378	\$ 31	8.2%
Direct labor - bonus	4	–	4	N/A	8	–	8	N/A
Direct labor - overtime	33	31	2	7.0%	72	71	1	2.1%
Indirect labor	80	26	54	209.3%	167	54	112	206.4%
Indirect labor – bonus	6	–	6	N/A	13	–	13	N/A
Indirect labor - overtime	3	3	(0)	(10.2%)	7	6	0	3.5%
Indirect labor – benefits	12	82	(70)	(85.7%)	24	166	(142)	(85.6%)
<b>Total Labor COGS</b>	<b>\$ 331</b>	<b>\$ 326</b>	<b>\$ 5</b>	<b>1.6%</b>	<b>\$ 698</b>	<b>\$ 675</b>	<b>\$ 23</b>	<b>3.4%</b>
<b>Other</b>								
Repairs and maintenance	\$ 16	\$ 10	\$ 6	60.9%	\$ 59	\$ 20	\$ 39	196.1%
Absorption	(197)	(157)	(40)	25.6%	(419)	(313)	(106)	33.8%
Freight out	(29)	(19)	(10)	54.8%	(44)	(36)	(8)	21.9%
Rent / facilities	33	34	(0)	(0.8%)	67	67	(0)	(0.5%)
Utilities	18	20	(3)	(12.4%)	38	41	(2)	(6.0%)
Other cost of sales	147	144	4	2.5%	308	288	21	7.2%
<b>Total Other COGS</b>	<b>\$ (11)</b>	<b>\$ 32</b>	<b>\$ (44)</b>	<b>(135.6%)</b>	<b>\$ 8</b>	<b>\$ 65</b>	<b>\$ (57)</b>	<b>(87.7%)</b>
<b>Total COGS</b>	<b>\$ 987</b>	<b>\$ 1,053</b>	<b>\$ (66)</b>	<b>(137.9%)</b>	<b>\$ 2,104</b>	<b>\$ 2,097</b>	<b>\$ 7</b>	<b>(81.2%)</b>

## Management Discussion

# Premier Financial Review | Balance Sheet



\$'000	Dec-19	Nov-19	Dec-19	Jan-20	Feb-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b>Current Assets</b>								
Cash and cash equivalents	\$ 309	\$ (241)	\$ 309	\$ 482	\$ (14)	\$ 300	\$ (314)	(104.5%)
Accounts receivable, net	1,731	1,761	1,731	1,969	1,963	1,732	231	13.4%
<i>Inventory, gross</i>	3,199	3,142	3,199	3,230	3,359	3,290	69	2.1%
<i>Inventory, reserves</i>	(177)	(177)	(177)	(177)	(177)	(177)	–	0.0%
Inventory, net	3,022	2,965	3,022	3,053	3,182	3,113	69	2.2%
Prepaid expenses and other current assets	44	97	44	124	90	44	46	103.0%
<b>Total Current Assets</b>	<b>5,107</b>	<b>4,582</b>	<b>5,107</b>	<b>5,628</b>	<b>5,222</b>	<b>5,190</b>	<b>32</b>	<b>0.6%</b>
<b>Non-Current Assets</b>								
<i>Property, plant &amp; equipment, gross</i>	1,010	1,010	1,010	1,010	1,054	1,088	(34)	(3.1%)
<i>Accumulated depreciation</i>	(189)	(177)	(189)	(201)	(213)	(213)	0	(0.2%)
Property, plant & equipment, net	821	833	821	809	841	874	(33)	(3.8%)
Goodwill	5,860	5,922	5,860	5,860	5,860	5,735	125	2.2%
<b>Total Non-Current Assets</b>	<b>6,681</b>	<b>6,755</b>	<b>6,681</b>	<b>6,669</b>	<b>6,701</b>	<b>6,609</b>	<b>91</b>	<b>1.4%</b>
<b>Total Assets</b>	<b>\$ 11,788</b>	<b>\$ 11,337</b>	<b>\$ 11,788</b>	<b>\$ 12,296</b>	<b>\$ 11,923</b>	<b>\$ 11,799</b>	<b>\$ 124</b>	<b>1.0%</b>
<b>Current Liabilities</b>								
Accounts payable	345	427	345	100	681	762	(82)	(10.7%)
Accrued liabilities	268	101	268	715	155	270	(115)	(42.7%)
Accrued compensation	366	307	366	125	173	64	108	168.7%
Income taxes payable	877	877	877	877	877	627	250	40.0%
<b>Total Current Liabilities</b>	<b>1,856</b>	<b>1,712</b>	<b>1,856</b>	<b>1,817</b>	<b>1,885</b>	<b>1,723</b>	<b>162</b>	<b>9.4%</b>
<b>Long-term liabilities</b>								
Capital lease	71	74	71	67	64	–	64	N/A
Deferred income taxes	(250)	(250)	(250)	(250)	(250)	–	(250)	N/A
Other non-current liabilities	(5,874)	(6,049)	(5,874)	(5,630)	(6,502)	(6,164)	(338)	5.5%
<b>Total Long-Term Liabilities</b>	<b>(6,054)</b>	<b>(6,225)</b>	<b>(6,054)</b>	<b>(5,814)</b>	<b>(6,689)</b>	<b>(6,164)</b>	<b>(525)</b>	<b>8.5%</b>
<b>Total Liabilities</b>	<b>(4,198)</b>	<b>(4,514)</b>	<b>(4,198)</b>	<b>(3,997)</b>	<b>(4,804)</b>	<b>(4,442)</b>	<b>(363)</b>	<b>8.2%</b>
<b>Shareholders' Equity</b>								
Common stock	–	–	–	–	–	10,597	(10,597)	(100.0%)
Retained earnings	5,389	5,254	5,389	5,696	6,130	5,644	486	8.6%
Other equity transactions	10,597	10,597	10,597	10,597	10,597	–	10,597	N/A
<b>Total Shareholders' Equity</b>	<b>15,986</b>	<b>15,851</b>	<b>15,986</b>	<b>16,293</b>	<b>16,727</b>	<b>16,241</b>	<b>486</b>	<b>3.0%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 11,788</b>	<b>\$ 11,337</b>	<b>\$ 11,788</b>	<b>\$ 12,296</b>	<b>\$ 11,923</b>	<b>\$ 11,799</b>	<b>\$ 124</b>	<b>1.0%</b>

## Management Discussion

# Premier Financial Review | Cash Flow Statement



\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ 880	\$ 393	\$ 486	123.6%	\$ 436	\$ 443	101.6%	
Depreciation, amortization and other	24	149	(125)	(83.7%)	140	(115)	(82.6%)	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(232)	(1)	(231)	37146.2%	(321)	89	(27.7%)	
Inventory	(160)	(92)	(69)	75.1%	112	(273)	(242.7%)	
Prepaid expenses and other current assets	(46)	(0)	(46)	228654900.1%	(61)	15	(24.7%)	
Accounts payable	336	417	(82)	(19.5%)	635	(299)	(47.1%)	
Accrued expenses	(114)	1	(115)	(7878.5%)	(71)	(43)	61.3%	
Accrued income taxes	–	(250)	250	(100.0%)	–	–	N/A	
Other changes in operating assets and liabilities	(828)	(412)	(416)	101.1%	(775)	(54)	6.9%	
<b>Total Cash Flow from Operations</b>	<b>\$ (140)</b>	<b>\$ 207</b>	<b>\$ (347)</b>	<b>(167.6%)</b>	<b>\$ 97</b>	<b>\$ (237)</b>	<b>(245.1%)</b>	
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ (44)	\$ (78)	\$ 34	(43.2%)	\$ (51)	\$ 6	(12.4%)	
<b>Total Cash Flow from Investing</b>	<b>\$ (44)</b>	<b>\$ (78)</b>	<b>\$ 34</b>	<b>(43.2%)</b>	<b>\$ (51)</b>	<b>\$ 6</b>	<b>(12.4%)</b>	
<b>Cash flow from financing</b>								
Common stock issued (repurchased)	–	10,597	(10,597)	(100.0%)	–	–	N/A	
Other cash flow from financing costs	(139)	(10,736)	10,597	(98.7%)	(48)	(91)	190.3%	
<b>Total Cash Flow from Financing</b>	<b>\$ (139)</b>	<b>\$ (139)</b>	<b>\$ 0</b>	<b>(0.0%)</b>	<b>\$ (48)</b>	<b>\$ (91)</b>	<b>190.3%</b>	
<b>Net change in cash</b>	<b>\$ (323)</b>	<b>\$ (9)</b>	<b>\$ (314)</b>	<b>3322.2%</b>	<b>\$ (2)</b>	<b>\$ (321)</b>	<b>17492.3%</b>	
Beginning cash	309	309	–	0.0%	11	298	2719.7%	
Change in cash	(323)	(9)	(314)	3322.2%	(2)	(321)	17492.3%	
<b>Ending cash</b>	<b>\$ (14)</b>	<b>\$ 300</b>	<b>\$ (314)</b>	<b>(104.5%)</b>	<b>\$ 9</b>	<b>\$ (23)</b>	<b>(248.5%)</b>	

# Premier Financial Review | 13-Week Cash Flow Projection



In US\$	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20	Forecast 4/27	Forecast 5/4	Forecast 5/11	Forecast 5/18	Forecast 5/25	Forecast 6/1
<b>Cash Inflows - Operational</b>													
Collections from customers (Actual)													
Collections from customers based on projected aging (Forecast)	271	359	604	456	-	-	-	-	-	-	-	-	-
Collections from new forecasted sales	-	-	-	-	379	379	379	311	311	311	311	311	368
<b>Total AR Collections</b>	271	359	604	456	379	379	379	311	311	311	311	311	368
Other non-AR inflows													
<b>Total Cash Inflows - Operational</b>	271	359	604	456	379	379	379	311	311	311	311	311	368
<b>Cash Outflows - Operational</b>													
Product inventory (SAP AP)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)
Payroll	(85)	(30)	(30)	(85)	(30)	(85)	(30)	(85)	(30)	(85)	(30)	(85)	(30)
Commissions													
Bonus													
Facilities & other (Freight)	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing													
Recruiter fees													
Other expenses (Insurance, TSA, CC)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Outflows - Operational</b>	(305)	(250)	(250)	(305)	(250)	(305)	(250)	(305)	(250)	(305)	(250)	(305)	(250)
<b>Cashflows - Financial and Other</b>													
Revolving Loan Draw (Paydown)													
Term Loan paydowns													
Interest and financial amortization													
Other financial income/expense (e.g. fx, hedging)													
Non-financial income/expense													
Estimated Tax Payments													
Monitoring fees (including travel expenses)													
Non-recurring items													
<b>Total Cash Outflows - Financial and Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CASH FLOW</b>	(34)	109	354	151	129	74	129	6	61	6	61	6	118
<b>Cash Rollforward</b>													
Beginning cash balance	41	7	116	469	621	750	824	953	959	1,020	1,026	1,087	1,093
Cash activity	(34)	109	354	151	129	74	129	6	61	6	61	6	118
<b>ENDING CASH BALANCE</b>	7	116	469	621	750	824	953	959	1,020	1,026	1,087	1,093	1,211

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ **Premier**

Executive Summary

Financial Review

Full Year Financial Outlook

- ④ Governance Reporting
- ④ Appendix

# Premier Full Year Financial Outlook | Summary P&L

\$'000	FY		Variance		PY		Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%	
<b>Net Revenue</b>	<b>20,728</b>	<b>20,431</b>	<b>296</b>	<b>1.5%</b>	<b>18,885</b>	<b>1,843</b>	<b>9.8%</b>	
Material	8,845	8,803	42	0.5%	8,011	834	10.4%	
Labor	4,010	3,987	23	0.6%	3,763	246	6.5%	
Other COGS	316	373	(57)	(15.3%)	264	52	19.7%	
<b>Total COGS</b>	<b>13,170</b>	<b>13,162</b>	<b>7</b>	<b>0.1%</b>	<b>12,038</b>	<b>1,132</b>	<b>9.4%</b>	
<b>Gross Margin</b>	<b>7,558</b>	<b>7,269</b>	<b>289</b>	<b>4.0%</b>	<b>6,847</b>	<b>710</b>	<b>10.4%</b>	
<i>Gross Margin %</i>	36.5%	35.6%				36.3%		
Sales & Marketing	738	682	57	8.3%	847	(109)	(12.8%)	
Administrative	1,783	1,801	(18)	(1.0%)	1,448	335	23.1%	
<b>Total Opex</b>	<b>2,521</b>	<b>2,482</b>	<b>39</b>	<b>1.6%</b>	<b>2,295</b>	<b>226</b>	<b>9.9%</b>	
<b>EBITDA</b>	<b>5,037</b>	<b>4,786</b>	<b>250</b>	<b>5.2%</b>	<b>4,552</b>	<b>484</b>	<b>10.6%</b>	
<i>EBITDA %</i>	24.3%	23.4%				24.1%		
<b>Adj. EBITDA</b>	<b>5,040</b>	<b>4,786</b>	<b>253</b>	<b>5.3%</b>	<b>4,552</b>	<b>487</b>	<b>10.7%</b>	
<i>Adj. EBITDA %</i>	24.3%	23.4%				24.1%		
<b>Net Income (Loss)</b>	<b>\$ 3,437</b>	<b>\$ 2,951</b>	<b>\$ 486</b>	<b>16.5%</b>	<b>\$ 3,567</b>	<b>\$ (130)</b>	<b>(3.6%)</b>	

# Premier Full Year Financial Outlook | Monthly P&L

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Bud	\$	%										
<b>Net Revenue</b>	<b>1,790</b>	<b>1,640</b>	<b>1,509</b>	<b>1,547</b>	<b>1,832</b>	<b>1,782</b>	<b>1,719</b>	<b>1,960</b>	<b>1,801</b>	<b>1,959</b>	<b>1,550</b>	<b>1,639</b>	<b>20,728</b>	<b>20,431</b>	<b>296</b>	<b>1.5%</b>
Material	730	668	654	670	786	766	740	839	774	838	671	707	8,845	8,803	42	0.5%
Labor	367	331	344	341	321	341	341	333	340	338	331	282	4,010	3,987	23	0.6%
Other COGS	19	(11)	33	33	30	30	31	28	30	28	33	32	316	373	(57)	(15.3%)
<b>Total COGS</b>	<b>1,117</b>	<b>987</b>	<b>1,032</b>	<b>1,044</b>	<b>1,137</b>	<b>1,137</b>	<b>1,112</b>	<b>1,200</b>	<b>1,144</b>	<b>1,204</b>	<b>1,035</b>	<b>1,021</b>	<b>13,170</b>	<b>13,162</b>	<b>7</b>	<b>0.1%</b>
<b>Gross Margin</b>	<b>673</b>	<b>652</b>	<b>477</b>	<b>503</b>	<b>695</b>	<b>645</b>	<b>607</b>	<b>761</b>	<b>657</b>	<b>756</b>	<b>515</b>	<b>617</b>	<b>7,558</b>	<b>7,269</b>	<b>289</b>	<b>4.0%</b>
<i>Gross Margin %</i>	<i>37.6%</i>	<i>39.8%</i>	<i>31.6%</i>	<i>32.5%</i>	<i>37.9%</i>	<i>36.2%</i>	<i>35.3%</i>	<i>38.8%</i>	<i>36.5%</i>	<i>38.6%</i>	<i>33.2%</i>	<i>37.7%</i>	<i>36.5%</i>	<i>35.6%</i>		
Sales & Marketing	79	82	52	52	61	53	53	54	53	94	52	53	738	682	57	8.3%
Administrative	136	124	147	148	152	154	154	153	154	154	152	154	1,783	1,801	(18)	(1.0%)
<b>Total Opex</b>	<b>215</b>	<b>206</b>	<b>199</b>	<b>200</b>	<b>213</b>	<b>207</b>	<b>207</b>	<b>207</b>	<b>207</b>	<b>248</b>	<b>204</b>	<b>207</b>	<b>2,521</b>	<b>2,482</b>	<b>39</b>	<b>1.6%</b>
<b>EBITDA</b>	<b>458</b>	<b>446</b>	<b>278</b>	<b>303</b>	<b>481</b>	<b>437</b>	<b>400</b>	<b>554</b>	<b>450</b>	<b>507</b>	<b>310</b>	<b>411</b>	<b>5,037</b>	<b>4,786</b>	<b>250</b>	<b>5.2%</b>
<i>EBITDA %</i>	<i>25.6%</i>	<i>27.2%</i>	<i>18.4%</i>	<i>19.6%</i>	<i>26.3%</i>	<i>24.6%</i>	<i>23.3%</i>	<i>28.3%</i>	<i>25.0%</i>	<i>25.9%</i>	<i>20.0%</i>	<i>25.1%</i>	<i>24.3%</i>	<i>23.4%</i>		
<b>Adj. EBITDA</b>	<b>458</b>	<b>449</b>	<b>278</b>	<b>303</b>	<b>481</b>	<b>437</b>	<b>400</b>	<b>554</b>	<b>450</b>	<b>507</b>	<b>310</b>	<b>411</b>	<b>5,040</b>	<b>4,786</b>		
<i>Adj. EBITDA %</i>	<i>25.6%</i>	<i>27.4%</i>	<i>18.4%</i>	<i>19.6%</i>	<i>26.3%</i>	<i>24.6%</i>	<i>23.3%</i>	<i>28.3%</i>	<i>25.0%</i>	<i>25.9%</i>	<i>20.0%</i>	<i>25.1%</i>	<i>24.3%</i>	<i>23.4%</i>		
<b>Net Income (Loss)</b>	<b>\$ 446</b>	<b>\$ 433</b>	<b>\$ 118</b>	<b>\$ 177</b>	<b>\$ 317</b>	<b>\$ 282</b>	<b>\$ 249</b>	<b>\$ 369</b>	<b>\$ 288</b>	<b>\$ 329</b>	<b>\$ 175</b>	<b>\$ 254</b>	<b>\$ 3,437</b>	<b>\$ 2,951</b>	<b>\$ 486</b>	<b>16.5%</b>

# Premier Full Year Financial Outlook | Balance Sheet

\$'000	2020 Financial Outlook												FY		FY		Var	
	Jan-20 Act	Feb-20 Act	Mar-20 Fcst	Apr-20 Fcst	May-20 Fcst	Jun-20 Fcst	Jul-20 Fcst	Aug-20 Fcst	Sep-20 Fcst	Oct-20 Fcst	Nov-20 Fcst	Dec-20 Fcst	FY Fcst	Bud	\$	%		
<b>Current Assets</b>																		
Cash and cash equivalents	\$ 482	\$ (14)	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 309	\$ (9)	(3.1%)		
Accounts receivable, net	1,969	1,963	1,732	1,723	1,662	1,837	1,965	1,904	1,968	2,045	1,908	1,908	1,731	176	10.2%			
Inventory, gross	3,230	3,359	3,290	3,310	3,327	3,334	3,380	3,406	3,440	3,489	3,511	3,543	3,199	344	10.8%			
Inventory, reserves	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	–	0.0%			
Inventory, net	3,053	3,182	3,113	3,133	3,149	3,157	3,203	3,229	3,262	3,311	3,333	3,366	3,366	3,022	344	11.4%		
Prepaid expenses and other current assets	124	90	44	44	44	44	44	44	44	44	44	44	44	0	0.0%			
<b>Total Current Assets</b>	<b>5,628</b>	<b>5,222</b>	<b>5,190</b>	<b>5,200</b>	<b>5,155</b>	<b>5,338</b>	<b>5,512</b>	<b>5,477</b>	<b>5,575</b>	<b>5,701</b>	<b>5,722</b>	<b>5,618</b>	<b>5,107</b>	<b>511</b>	<b>10.0%</b>			
<b>Non-Current Assets</b>																		
Property, plant & equipment, gross	1,010	1,054	1,088	1,123	1,123	1,123	1,123	1,198	1,198	1,198	1,1943	1,1943	1,010	933	92.4%			
Accumulated depreciation	(201)	(213)	(213)	(227)	(240)	(253)	(267)	(286)	(304)	(323)	(346)	(369)	(369)	(189)	(181)	95.8%		
Property, plant & equipment, net	809	841	874	896	883	870	856	1,312	1,293	1,274	1,596	1,573	821	752	91.6%			
Goodwill	5,860	5,860	5,735	5,673	5,610	5,548	5,486	5,423	5,361	5,299	5,236	5,174	5,174	5,860	(686)	(11.7%)		
<b>Total Non-Current Assets</b>	<b>6,669</b>	<b>6,701</b>	<b>6,609</b>	<b>6,569</b>	<b>6,493</b>	<b>6,418</b>	<b>6,342</b>	<b>6,736</b>	<b>6,654</b>	<b>6,573</b>	<b>6,833</b>	<b>6,747</b>	<b>6,747</b>	<b>6,681</b>	<b>67</b>	<b>1.0%</b>		
<b>Total Assets</b>	<b>\$ 12,296</b>	<b>\$ 11,923</b>	<b>\$ 11,799</b>	<b>\$ 11,768</b>	<b>\$ 11,648</b>	<b>\$ 11,756</b>	<b>\$ 11,854</b>	<b>\$ 12,213</b>	<b>\$ 12,229</b>	<b>\$ 12,274</b>	<b>\$ 12,555</b>	<b>\$ 12,365</b>	<b>\$ 12,365</b>	<b>\$ 11,788</b>	<b>\$ 578</b>	<b>4.9%</b>		
<b>Current Liabilities</b>																		
Accounts payable	100	681	762	758	741	783	819	810	824	850	853	813	813	345	468	135.8%		
Accrued liabilities	715	155	270	273	277	283	289	294	301	306	311	314	314	268	45	17.0%		
Accrued compensation	125	173	64	96	129	161	193	225	257	289	321	263	263	366	(102)	(28.0%)		
Income taxes payable	877	877	627	627	627	627	627	627	627	627	627	627	627	877	(250)	(28.6%)		
<b>Total Current Liabilities</b>	<b>1,817</b>	<b>1,885</b>	<b>1,723</b>	<b>1,754</b>	<b>1,773</b>	<b>1,853</b>	<b>1,927</b>	<b>1,956</b>	<b>2,009</b>	<b>2,072</b>	<b>2,112</b>	<b>2,017</b>	<b>2,017</b>	<b>1,856</b>	<b>161</b>	<b>8.7%</b>		
<b>Long-term liabilities</b>																		
Capital lease	67	64	–	–	–	–	–	–	–	–	–	–	–	71	(71)	(100.0%)		
Deferred income taxes	(250)	(250)	–	–	–	–	–	–	–	–	–	–	–	(250)	250	(100.0%)		
Other non-current liabilities	(5,630)	(6,502)	(6,164)	(6,344)	(6,660)	(6,950)	(7,208)	(7,127)	(7,532)	(7,838)	(7,926)	(8,196)	(8,196)	(5,874)	(2,322)	39.5%		
<b>Total Long-Term Liabilities</b>	<b>(5,814)</b>	<b>(6,689)</b>	<b>(6,164)</b>	<b>(6,344)</b>	<b>(6,660)</b>	<b>(6,950)</b>	<b>(7,208)</b>	<b>(7,127)</b>	<b>(7,532)</b>	<b>(7,838)</b>	<b>(7,926)</b>	<b>(8,196)</b>	<b>(8,196)</b>	<b>(6,054)</b>	<b>(2,142)</b>	<b>35.4%</b>		
<b>Total Liabilities</b>	<b>(3,997)</b>	<b>(4,804)</b>	<b>(4,442)</b>	<b>(4,590)</b>	<b>(4,887)</b>	<b>(5,097)</b>	<b>(5,281)</b>	<b>(5,171)</b>	<b>(5,523)</b>	<b>(5,766)</b>	<b>(5,814)</b>	<b>(6,179)</b>	<b>(6,179)</b>	<b>(4,198)</b>	<b>(1,981)</b>	<b>47.2%</b>		
<b>Shareholders' Equity</b>																		
Common stock	–	–	10,597	10,597	10,597	10,597	10,597	10,597	10,597	10,597	10,597	10,597	10,597	–	10,597	N/A		
Retained earnings	5,696	6,130	5,644	5,762	5,939	6,255	6,538	6,787	7,155	7,443	7,772	7,948	7,948	5,389	2,559	47.5%		
Other equity transactions	10,597	10,597	–	–	–	–	–	–	–	–	–	–	–	10,597	(10,597)	(100.0%)		
<b>Total Shareholders' Equity</b>	<b>16,293</b>	<b>16,727</b>	<b>16,241</b>	<b>16,359</b>	<b>16,536</b>	<b>16,852</b>	<b>17,135</b>	<b>17,383</b>	<b>17,752</b>	<b>18,040</b>	<b>18,369</b>	<b>18,544</b>	<b>18,544</b>	<b>15,986</b>	<b>2,559</b>	<b>16.0%</b>		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,296</b>	<b>\$ 11,923</b>	<b>\$ 11,799</b>	<b>\$ 11,768</b>	<b>\$ 11,648</b>	<b>\$ 11,756</b>	<b>\$ 11,854</b>	<b>\$ 12,213</b>	<b>\$ 12,229</b>	<b>\$ 12,274</b>	<b>\$ 12,555</b>	<b>\$ 12,365</b>	<b>\$ 12,365</b>	<b>\$ 11,788</b>	<b>\$ 578</b>	<b>4.9%</b>		

# Premier Full Year Financial Outlook | Cash Flow Summary

\$'000	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ 446	\$ 433	\$ 118	\$ 177	\$ 317	\$ 282	\$ 249	\$ 369	\$ 288	\$ 329	\$ 175	\$ 254	\$ 3,437	\$ 2,951	\$ 486	16.5%
Depreciation, amortization and other	12	12	125	76	76	76	76	81	81	81	85	85	866	952	(85)	(9.0%)
<i>Change in operating assets and liabilities:</i>																
Accounts receivable	(237)	5	231	9	61	(176)	(128)	61	(65)	(77)	1	137	(176)	(2)	(174)	8848.3%
Inventory	(31)	(129)	69	(19)	(17)	(7)	(46)	(26)	(33)	(49)	(22)	(32)	(344)	(397)	53	(13.2%)
Prepaid expenses and other current assets	(80)	34	46	—	—	—	—	—	—	—	—	—	(0)	(0)	0	(0.0%)
Accounts payable	(245)	580	82	(4)	(17)	42	36	(9)	13	26	3	(40)	468	400	68	17.0%
Accrued expenses	446	(560)	115	3	4	6	6	5	7	5	5	2	45	52	(7)	(13.3%)
Accrued income taxes	—	—	(250)	—	—	—	—	—	—	—	—	—	(250)	(250)	—	0.0%
Other changes in operating assets and liabilities	(1)	(827)	416	(148)	(284)	(257)	(226)	113	(373)	(274)	(56)	(328)	(2,244)	(2,644)	400	(15.1%)
<b>Total Cash Flow from Operations</b>	<b>\$ 311</b>	<b>\$ (451)</b>	<b>\$ 952</b>	<b>\$ 94</b>	<b>\$ 140</b>	<b>\$ (34)</b>	<b>\$ (33)</b>	<b>\$ 595</b>	<b>\$ (81)</b>	<b>\$ 41</b>	<b>\$ 191</b>	<b>\$ 78</b>	<b>\$ 1,802</b>	<b>\$ 1,062</b>	<b>\$ 740</b>	<b>69.7%</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ —	\$ (44)	\$ (34)	\$ (35)	\$ —	\$ —	\$ —	\$ (475)	\$ —	\$ —	\$ (345)	\$ —	\$ (933)	\$ (933)	\$ —	0.0%
<b>Total Cash Flow from Investing</b>	<b>\$ —</b>	<b>\$ (44)</b>	<b>\$ (34)</b>	<b>\$ (35)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (475)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (345)</b>	<b>\$ —</b>	<b>\$ (933)</b>	<b>\$ (933)</b>	<b>\$ —</b>	<b>0.0%</b>
<b>Cash flow from financing</b>																
Common stock issued (repurchased)	—	—	10,597	—	—	—	—	—	—	—	—	—	10,597	10,597	—	0.0%
Other cash flow from financing costs	(139)	—	(11,201)	(59)	(140)	34	33	(120)	81	(41)	154	(78)	(11,476)	(10,736)	(740)	6.9%
<b>Total Cash Flow from Financing</b>	<b>\$ (139)</b>	<b>\$ —</b>	<b>\$ (604)</b>	<b>\$ (59)</b>	<b>\$ (140)</b>	<b>\$ 34</b>	<b>\$ 33</b>	<b>\$ (120)</b>	<b>\$ 81</b>	<b>\$ (41)</b>	<b>\$ 154</b>	<b>\$ (78)</b>	<b>\$ (879)</b>	<b>\$ (139)</b>	<b>\$ (740)</b>	<b>534.0%</b>
<b>Net change in cash</b>	<b>\$ 172</b>	<b>\$ (495)</b>	<b>\$ 314</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ (9)</b>	<b>\$ (9)</b>	<b>\$ (0)</b>	<b>0.0%</b>
Beginning cash	309	482	(14)	300	300	300	300	300	300	300	300	300	309	309	—	—
Change in cash	172	(495)	314	(0)	(0)	0	(0)	(0)	0	0	(0)	0	(9)	(9)	(0)	0.0%
<b>Ending cash</b>	<b>\$ 482</b>	<b>\$ (14)</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 0</b>	<b>0.0%</b>

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ Premier
- ④ **Governance Reporting**
- ④ Appendix

# Governance Reporting | Management Report

## **Disclosure Committee:**

- Members include: CEO, CFO, VP Sales, VP Operations, VP and General Counsel
- Financial Review held on Thursday January 23<sup>rd</sup>, prior to the Q4 Board meeting

## **Anonymous Hotline:**

- No activity

## **Modification of Internal Control and Authority Matrix:**

- None

## Governance Reporting | Management 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:	None
D) Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None



# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ Premier
- ④ Governance Reporting
- ④ **Appendix**

S&G

**Delaney**

**Premier**

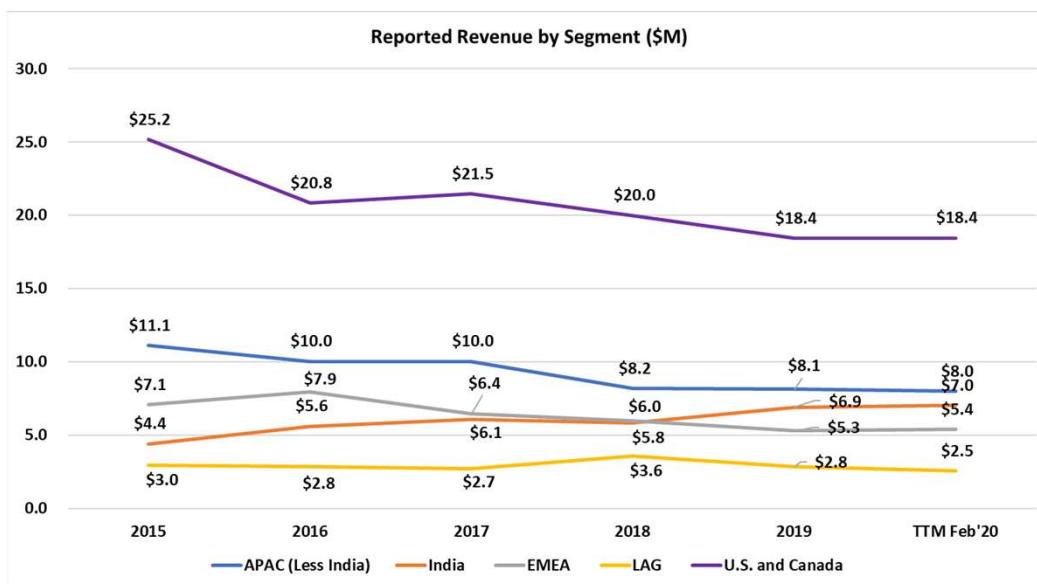
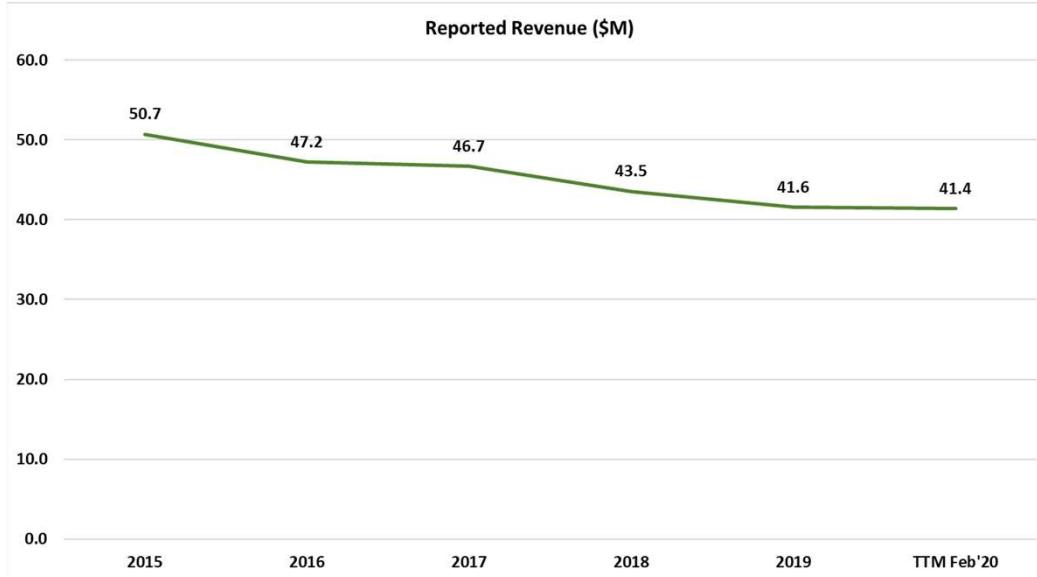


# S&G Appendix | Squeeze Report

	Net Revenue					Adj. EBITDA					Net Debt		
	Act	Bud	Variance	PY	Variance	Act	Bud	Variance	PY	Variance	Act	Bud	PY
	\$ 3,290	\$ 3,271	0.6%	\$ 4,088	-19.5%	\$ 455	\$ 654	-30.4%	\$ 1,011	-55.0%	\$ 91,836	\$ 92,210	\$ -
This Month	\$ 3,290	\$ 3,271	0.6%	\$ 4,088	-19.5%	\$ 455	\$ 654	-30.4%	\$ 1,011	-55.0%	\$ 91,836	\$ 92,210	\$ -
Quarter to Date	\$ 7,437	\$ 7,248	2.6%	\$ 7,438	0.0%	\$ 1,383	\$ 1,401	-1.3%	\$ 1,570	-11.9%			
Year to Date	\$ 7,437	\$ 7,248	2.6%	\$ 7,438	0.0%	\$ 1,383	\$ 1,401	-1.3%	\$ 1,570	-11.9%			
<b>LTM Trends (\$'000s)</b>	<b>3/31/19</b>	<b>4/30/19</b>	<b>5/31/19</b>	<b>6/30/19</b>	<b>7/31/19</b>	<b>8/31/19</b>	<b>9/30/19</b>	<b>10/31/19</b>	<b>11/30/19</b>	<b>12/31/19</b>	<b>1/31/20</b>	<b>2/28/20</b>	<b>LTM</b>
Net Revenue	\$ 3,904	\$ 3,773	\$ 3,235	\$ 4,413	\$ 4,259	\$ 3,058	\$ 3,196	\$ 4,025	\$ 3,055	\$ 1,767	\$ 4,147	\$ 3,290	\$ 42,121
Gross Margin	1,838	1,469	1,354	2,129	1,777	567	1,403	2,039	1,126	287	1,667	1,190	16,847
<i>Gross Margin %</i>	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.9%	50.7%	36.9%	16.3%	40.2%	36.2%	40.0%
SG&A	715	765	720	980	1,077	4,272	932	980	958	684	984	954	14,020
<b>Reported EBITDA</b>	<b>1,123</b>	<b>705</b>	<b>634</b>	<b>1,149</b>	<b>700</b>	<b>(3,704)</b>	<b>471</b>	<b>1,059</b>	<b>169</b>	<b>(397)</b>	<b>683</b>	<b>236</b>	<b>2,827</b>
<i>Rep. EBITDA %</i>	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	14.7%	26.3%	5.5%	(22.4%)	16.5%	7.2%	6.7%
<b>Adj. EBITDA</b>	<b>1,123</b>	<b>705</b>	<b>634</b>	<b>1,653</b>	<b>1,064</b>	<b>800</b>	<b>771</b>	<b>1,221</b>	<b>708</b>	<b>(172)</b>	<b>928</b>	<b>455</b>	<b>9,890</b>
<i>Adj. EBITDA %</i>	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	24.1%	30.3%	23.2%	(9.7%)	22.4%	13.8%	23.5%
Capex	\$ -	\$ -	\$ -	(26)	\$ 1	\$ (0)	\$ 77	\$ (0)	\$ (30)	\$ (161)	\$ (31)	\$ (17)	\$ (187)
Accounts Receivable, Net	\$ 7,838	\$ 7,201	\$ 7,047	\$ 7,940	\$ 7,955	\$ 6,852	\$ 6,945	\$ 7,040	\$ 6,722	\$ 4,736	\$ 5,724	\$ 6,534	\$ 6,534
Inventory, Net	6,832	6,979	7,788	7,453	7,327	6,760	6,942	7,183	6,846	7,023	6,855	6,526	6,526
Accounts Payable	3,716	4,031	2,966	3,682	3,374	3,531	3,483	3,574	2,839	2,788	2,515	2,746	
<b>CCC</b>	<b>\$ 10,954</b>	<b>\$ 10,149</b>	<b>\$ 11,870</b>	<b>\$ 11,710</b>	<b>\$ 11,907</b>	<b>\$ 10,081</b>	<b>\$ 10,405</b>	<b>\$ 10,649</b>	<b>\$ 10,729</b>	<b>\$ 8,971</b>	<b>\$ 10,064</b>	<b>\$ 10,314</b>	<b>\$ 10,314</b>
DSO	63.2	56.0	58.8	63.3	60.8	53.2	60.2	62.4	59.6	48.8	58.1	74.7	56.6
DSI	100.8	96.6	102.2	94.3	93.3	88.1	97.2	104.3	112.2	132.0	123.7	108.1	56.5
DPO	54.3	55.4	43.8	33.7	48.7	46.0	48.8	51.9	46.5	52.4	45.4	48.7	39.7
<b>C2C</b>	<b>109.7</b>	<b>97.2</b>	<b>117.2</b>	<b>123.9</b>	<b>105.4</b>	<b>95.3</b>	<b>108.6</b>	<b>114.8</b>	<b>125.3</b>	<b>128.3</b>	<b>136.4</b>	<b>134.2</b>	<b>73.5</b>
Bank revolver	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250
Unclassified external debt / OID	-	-	44,586	44,586	44,586	44,586	44,363	44,363	44,363	92,508	92,508	92,508	92,508
OpenGate debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Outstanding	-	-	45,386	44,586	44,586	44,586	44,363	44,363	44,363	92,508	93,758	93,758	93,758
Cash and equivalents	-	-	2,407	2,878	3,579	5,017	3,600	3,780	3,401	1,606	880	1,922	1,922
<b>Total Net Debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,979</b>	<b>\$ 41,708</b>	<b>\$ 41,007</b>	<b>\$ 39,569</b>	<b>\$ 40,764</b>	<b>\$ 40,584</b>	<b>\$ 40,962</b>	<b>\$ 90,902</b>	<b>\$ 92,878</b>	<b>\$ 91,836</b>	<b>\$ 91,836</b>
<b>Beginning Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,407</b>	<b>\$ 2,878</b>	<b>\$ 3,579</b>	<b>\$ 5,017</b>	<b>\$ 3,600</b>	<b>\$ 3,780</b>	<b>\$ 3,402</b>	<b>\$ 1,606</b>	<b>\$ 880</b>	<b>\$ 2,878</b>
Add / (Less): Operating Cash Flow	-	-	-	(7,751)	708	(2,004)	(1,262)	(694)	(333)	(48,698)	(1,955)	1,062	(60,927)
Add / (Less): Investing Cash Flow	-	-	-	(26)	1	(0)	77	(0)	(30)	(161)	(31)	(17)	(187)
Add / (Less): Financing Cash Flow	-	-	-	8,248	(9)	3,443	(232)	874	(15)	47,063	1,260	(2)	60,630
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,878</b>	<b>\$ 3,579</b>	<b>\$ 5,017</b>	<b>\$ 3,600</b>	<b>\$ 3,780</b>	<b>\$ 3,402</b>	<b>\$ 1,606</b>	<b>\$ 880</b>	<b>\$ 1,922</b>	<b>\$ 1,922</b>



## S&G Appendix | Revenue



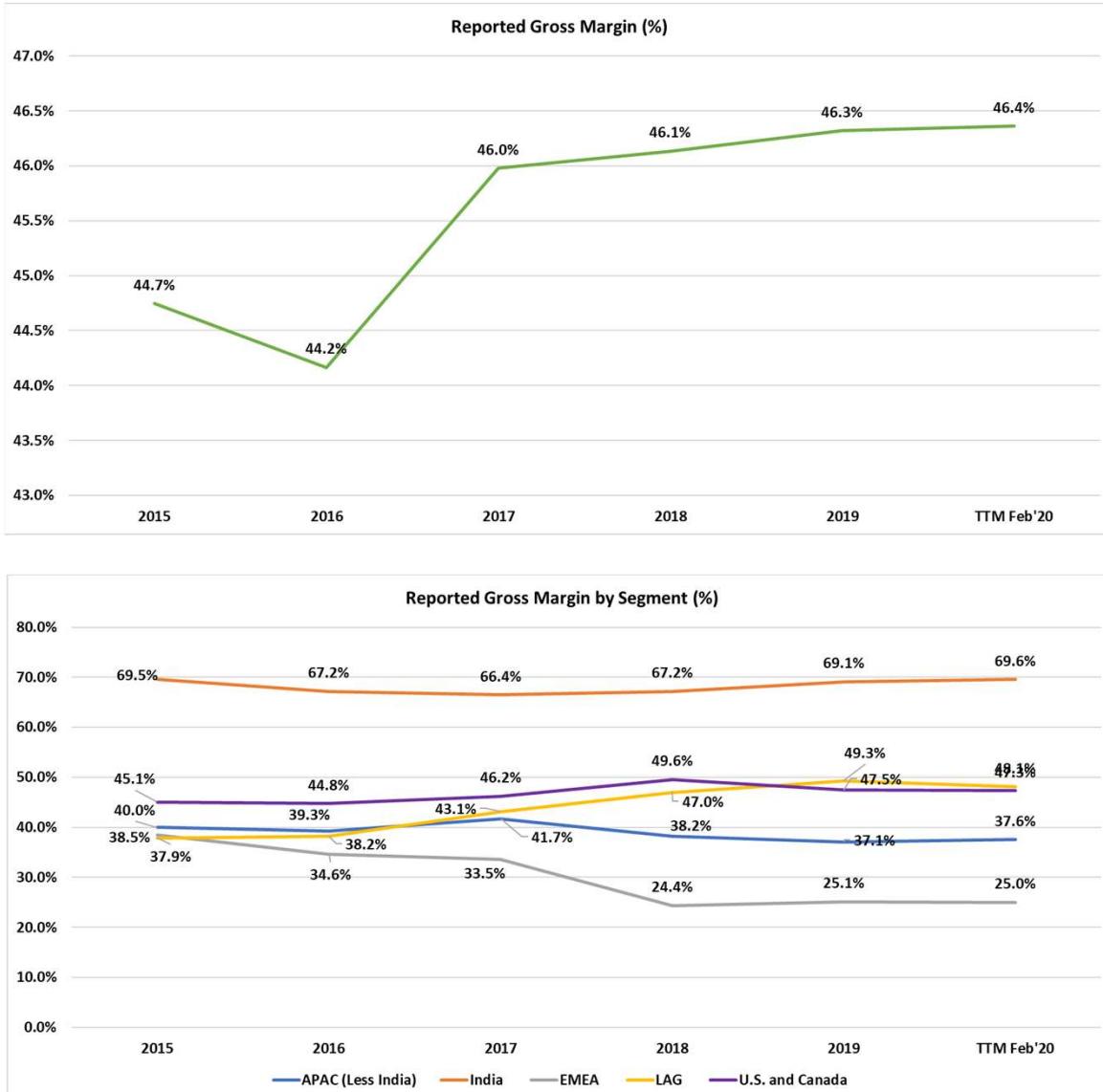
### Management Discussion

- Overall (\$9.1M) decline from 2015 to 2019

- Unfavorable, NA by (\$6.8M)
  - 951 Government padlocks (\$1.0M), Liberty Safe electronic locks (\$4.1M), GSA (\$1.2M)
- Unfavorable, EMEA by (\$1.8M)
  - Amnco (\$0.5M), Polital (\$0.3M), Hollandi Bank (\$0.3M), Sanid (\$0.2M), House of Locks (\$0.2M)
- Unfavorable, APAC less India (\$2.9M)
  - TK (\$1.0M), Tri-Star (\$0.6M), Dutech (\$1.0M), Hyosung (\$0.4M)
- Favorable, India \$2.4M
  - NCR \$1.2M, Arya \$2.4M
  - Diebold (\$0.6M), AGS (\$0.3M)



# S&G Appendix | Gross Margin (@Standard)



## Management Discussion

- Overall Gross Margin Favorable 160 basis points 2015 v 2019
  - Unfavorable, EMEA (1,340bps) due to increased cost of FAS and Mechanical Locks. Increased pricing pressure from Diebold and NCR.
  - Unfavorable, India (50bps) due to lower pricing for increased volume to NCR and Arya
  - Unfavorable, APAC less India (240bps) due to loss of higher margin sales to Takachiho, partially offset by a decrease of lower margin sales to Dutech
  - Favorable, LAG 1,140bps due to increased sales to Cogar
  - Favorable, NA 240bps due to loss of lower margin sales to residential safes (Liberty, Granite and Hamilton)



# S&G Financial Summary | Opex Summary MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Opex Overview:</b>								
Payroll	\$ 267	\$ 294	\$ (27)	(9.1%)	\$ 303	\$ (36)	(11.8%)	
Benefits	43	50	(7)	(13.5%)	89	(46)	(51.4%)	
Bonus	50	59	(9)	(15.3%)	26	25	96.2%	
Commissions	30	46	(16)	(35.1%)	48	(18)	(37.4%)	
Marketing	17	134	(118)	(87.7%)	17	(1)	(5.2%)	
Travel and Entertainment	31	62	(31)	(50.4%)	33	(2)	(6.3%)	
Rent and Facilities	1	1	0	2.3%	1	0	2.5%	
Insurance	–	–	–	N/A	–	–	N/A	
Professional Fees	361	409	(48)	(11.8%)	147	213	144.9%	
Utl., Repair, Maint., & Sec.	2	3	(1)	(44.9%)	6	(5)	(74.6%)	
IT	107	100	7	7.4%	45	62	138.9%	
Bad Debts	–	–	–	N/A	32	(32)	(100.0%)	
Supplies	4	7	(3)	(43.6%)	7	(3)	(43.9%)	
Other Expenses	41	21	20	98.6%	56	(15)	(26.3%)	
<b>Total Opex</b>	<b>\$ 954</b>	<b>\$ 1,186</b>	<b>\$ (232)</b>	<b>(19.6%)</b>	<b>\$ 810</b>	<b>\$ 144</b>	<b>17.7%</b>	

## Management Discussion

- February vs Budget – favorable \$0.2M related to timing of delayed strategic initiative spend (rebranding, recruiting fees, new product development)
  - Actual 1x adjustments were \$219k versus Budget of \$480k due to delayed strategic initiative spend mentioned above



# S&G Financial Summary | Opex Summary YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Opex Overview:</b>								
Payroll	\$ 593	\$ 600	\$ (7)	(1.2%)	\$ 615	\$ (22)	(3.5%)	
Benefits	81	102	(20)	(20.1%)	186	(105)	(56.4%)	
Bonus	99	126	(27)	(21.6%)	72	26	36.6%	
Commissions	74	96	(21)	(22.3%)	95	(20)	(21.5%)	
Marketing	41	169	(129)	(76.0%)	50	(10)	(19.3%)	
Travel and Entertainment	89	121	(31)	(26.0%)	61	28	46.3%	
Rent and Facilities	3	3	0	2.7%	3	0	2.3%	
Insurance	1	1	(0)	(11.7%)	1	(0)	(12.6%)	
Professional Fees	627	829	(202)	(24.3%)	322	306	95.0%	
Utl., Repair, Maint., & Sec.	4	9	(5)	(53.7%)	9	(5)	(53.9%)	
IT	216	212	5	2.2%	90	127	141.7%	
Bad Debts	–	–	–	N/A	76	(76)	(100.0%)	
Supplies	19	13	6	41.8%	12	7	54.6%	
Other Expenses	90	187	(97)	(51.9%)	117	(27)	(23.2%)	
<b>Total Opex</b>	<b>\$ 1,938</b>	<b>\$ 2,467</b>	<b>\$ (529)</b>	<b>(21.5%)</b>	<b>\$ 1,708</b>	<b>\$ 230</b>	<b>13.5%</b>	

## Management Discussion

- YTD vs Budget – favorable \$0.5M related to timing of delayed strategic initiative spend (rebranding, recruiting fees, new product development)
  - Actual 1x adjustments were \$463k versus Budget of \$825k due to delayed strategic initiative spend mentioned above



# S&G Financial Summary | YTD Opex Analysis

\$'000

	YTD			Explanation of Variance						Variance Impact		
	Act	Bud	Variance B / (W)	One-Time / Non-recurring		Change in Run-rate			Total Variance B / (W)	YoY Impact B / (W)	Annualized Impact B / (W)	
				Timing	Other	Run-rate	Other					
Payroll	\$ 593	\$ 600	\$ (7)	\$ -	\$ -	\$ (7)	\$ -	\$ (7)	\$ (7)	\$ (7)	\$ (7)	
Benefits	81	102	(20)	-	-	(20)	-	(20)	(20)	(20)	(20)	
Bonus	99	126	(27)	-	-	(27)	-	(27)	(27)	(27)	(27)	
Commissions	74	96	(21)	-	-	(21)	-	(21)	(21)	(21)	(21)	
Marketing	41	169	(129)	-	-	(129)	-	(129)	(129)	(129)	(129)	
Travel and Entertainment	89	121	(31)	-	-	(31)	-	(31)	(31)	(31)	(31)	
Rent and Facilities	3	3	0	-	-	0	-	0	0	0	0	
Insurance	1	1	(0)	-	-	(0)	-	(0)	(0)	(0)	(0)	
Professional Fees	627	829	(202)	243	(462)	17	-	(202)	17	17	17	
Utl., Repair, Maint., & Sec.	4	9	(5)	-	-	(5)	-	(5)	(5)	(5)	(5)	
IT	216	212	5	220	-	(215)	-	5	(215)	(215)	(215)	
Supplies	19	13	6	-	-	6	-	6	6	6	6	
Other Expenses	90	187	(97)	-	-	(97)	-	(97)	(97)	(97)	(97)	
<b>Total Opex</b>	<b>\$ 1,938</b>	<b>\$ 2,467</b>	<b>\$ (529)</b>	<b>\$ 463</b>	<b>\$ (462)</b>	<b>\$ (531)</b>	<b>\$ -</b>	<b>\$ (529)</b>	<b>\$ (531)</b>	<b>\$ (531)</b>	<b>\$ (531)</b>	

## Management Discussion

- Professional fees includes timing variances related to delayed spend in rebranding, recruiting expense, product development and sales effectiveness training
- IT contains 1x costs contains TSA fees.



## S&G Appendix | 1X Costs

	AOP												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Engineering</b>	96	155	62	33	28	33	28	73	23	23	23	23	595
Market Parity	42	155	62	33	28	33	28	73	23	23	23	23	541
OGX	54	54	54	23	23	23	23	23	23	23	23	23	365
<b>Marketing</b>	65	190	40	40	25	5	1	1	1	1	11	1	378
Brand Refresh	65	180	35	30	10	-	-	-	-	-	-	-	320
Ecommerce	-	5	5	10	10	-	-	-	-	-	-	-	30
Market Parity	-	5	-	-	5	5	1	1	1	1	11	1	28
<b>Admin</b>	184	120	104	37	22	21	28	-	2	-	-	2	519
Legal Services (policy reviews)	8	6	6	-	-	-	-	-	-	-	-	-	20
Consultant	8	8	8	-	-	2	-	-	2	-	-	2	29
Recruiting Fees	48	-	25	-	-	-	28	-	-	-	-	-	101
NetSuite Reports Consulting	8	6	6	8	6	6	-	-	-	-	-	-	40
TSA	71	58	17	17	13	13	-	-	-	-	-	-	189
Planned Engineering Separation Project Start	10	10	10	10	-	-	-	-	-	-	-	-	40
IT Services - Transition Support	12	12	12	3	3	-	-	-	-	-	-	-	41
RSM Consulting	20	20	20	-	-	-	-	-	-	-	-	-	60
<b>Manufacturing</b>	-	15	25	-	15	2	-	-	-	-	-	-	57
Kaizen Training	-	15	25	-	15	2	-	-	-	-	-	-	57
<b>Total</b>	345	480	230	109	89	61	56	73	25	23	33	25	1,549



# S&G Appendix | AR and AP Aging Detail

\$ 000's

AR Aging				AP Aging			
Days	Dec-19	Jan-20	Feb-20	Days	Dec-19	Jan-20	Feb-20
0-30	3,766	4,887	5,563	0-30	1,594	1,603	1,899
30-60	509	325	348	30-60	1,022	651	622
60-90	454	215	192	60-90	162	191	211
>90	227	516	651	>90	11	69	14
<b>Total Gross AR</b>	<b>4,956</b>	<b>5,944</b>	<b>6,754</b>	<b>Total AP</b>	<b>2,788</b>	<b>2,514</b>	<b>2,746</b>
Reserves	(220)	(220)	(220)				
<b>Total Net AR</b>	<b>4,736</b>	<b>5,724</b>	<b>6,534</b>				

## Management Discussion

## **Slow pay A/R > than 16 days past due**

- DFAS \$470k (951 Shipments to U.S. Department of Defense Mislabeled – correcting in February 2020 for March payment)
  - Arya \$138k
  - PT Wiratana Persada \$127k
  - Cogar \$123k (Requesting Payment Plan)
  - Shanghai Best \$113k
  - Pingan \$82k

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ Premier
- ④ Governance Reporting
- ④ **Appendix**

**S&G**

**Delaney**

**Premier**



**DELANEY®**

# Delaney Appendix | Squeeze Report

	Net Revenue					Adj. EBITDA					Net Debt		
	Act	Bud	Variance	PY	Variance	Act	Bud	Variance	PY	Variance	Act	Bud	PY
This Month	\$ 3,369	\$ 3,196	5.4%	\$ 2,666	26.4%	\$ 656	\$ 520	26.3%	\$ 408	60.9%	\$ -	\$ -	\$ -
Quarter to Date	\$ 6,608	\$ 6,448	2.5%	\$ 6,101	8.3%	\$ 1,169	\$ 1,039	12.6%	\$ 983	19.0%			
Year to Date	\$ 6,608	\$ 6,448	2.5%	\$ 6,101	8.3%	\$ 1,169	\$ 1,039	12.6%	\$ 983	19.0%			
<b>LTM Trends (\$'000s)</b>	<b>3/31/19</b>	<b>4/30/19</b>	<b>5/31/19</b>	<b>6/30/19</b>	<b>7/31/19</b>	<b>8/31/19</b>	<b>9/30/19</b>	<b>10/31/19</b>	<b>11/30/19</b>	<b>12/31/19</b>	<b>1/31/20</b>	<b>2/28/20</b>	<b>LTM</b>
Net Revenue	\$ 3,071	\$ 3,105	\$ 3,186	\$ 3,031	\$ 2,774	\$ 3,467	\$ 2,787	\$ 3,653	\$ 2,717	\$ 2,764	\$ 3,240	\$ 3,369	\$ 37,163
Gross Margin	1,213	1,068	1,192	1,130	1,042	1,292	1,117	1,419	1,087	1,021	1,259	1,266	14,106
<i>Gross Margin %</i>	39.5%	34.4%	37.4%	37.3%	37.6%	37.3%	40.1%	38.9%	40.0%	36.9%	38.9%	37.6%	38.0%
SG&A	711	587	601	460	536	608	523	662	605	547	746	630	7,216
<b>Reported EBITDA</b>	<b>501</b>	<b>481</b>	<b>591</b>	<b>670</b>	<b>506</b>	<b>684</b>	<b>594</b>	<b>757</b>	<b>482</b>	<b>474</b>	<b>513</b>	<b>636</b>	<b>6,890</b>
<i>Rep. EBITDA %</i>	16.3%	15.5%	18.6%	22.1%	18.2%	19.7%	21.3%	20.7%	17.7%	17.2%	15.8%	18.9%	18.5%
<b>Adj. EBITDA</b>	<b>501</b>	<b>481</b>	<b>591</b>	<b>670</b>	<b>506</b>	<b>684</b>	<b>594</b>	<b>757</b>	<b>482</b>	<b>474</b>	<b>513</b>	<b>656</b>	<b>6,910</b>
<i>Adj. EBITDA %</i>	16.3%	15.5%	18.6%	22.1%	18.2%	19.7%	21.3%	20.7%	17.7%	17.2%	15.8%	19.5%	18.5%
<b>Capex</b>	\$ (48)	\$ (39)	\$ (23)	\$ (132)	\$ (42)	\$ (49)	\$ (35)	\$ 22	\$ (15)	\$ (24)	\$ (23)	\$ (10)	\$ (418)
Accounts Receivable, Net	\$ 3,853	\$ 3,816	\$ 4,052	\$ 4,312	\$ 3,700	\$ 3,990	\$ 4,035	\$ 4,779	\$ 4,611	\$ 3,974	\$ 4,363	\$ 4,531	\$ 4,531
Inventory, Net	9,347	9,706	10,141	9,768	10,214	10,036	9,877	9,687	9,521	9,823	9,795	9,877	9,877
Accounts Payable	470	583	492	470	295	373	337	748	569	558	760	725	725
<b>CCC</b>	\$ 12,730	\$ 12,939	\$ 13,701	\$ 13,610	\$ 13,619	\$ 13,653	\$ 13,574	\$ 13,718	\$ 13,563	\$ 13,240	\$ 13,397	\$ 13,683	\$ 13,683
<b>Beginning Cash Balance</b>	\$ 224	\$ 176	\$ 443	\$ 248	\$ 247	\$ 247	\$ 308	\$ (37)	\$ 391	\$ (78)	\$ 669	\$ 415	\$ 224
Add / (Less): Operating Cash Flow	66	335	(112)	301	122	468	(302)	(68)	233	146	292	(120)	1,361
Add / (Less): Investing Cash Flow	(48)	(39)	(23)	(132)	(42)	(49)	(35)	22	(15)	(24)	(23)	(10)	(418)
Add / (Less): Financing Cash Flow	(66)	(28)	(60)	(170)	(19)	10	(8)	6	(21)	—	(524)	524	(357)
Effect of FX rates / Other	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Ending Cash Balance</b>	\$ 176	\$ 443	\$ 248	\$ 247	\$ 308	\$ 675	\$ (37)	\$ (78)	\$ 588	\$ 44	\$ 415	\$ 810	\$ 810



# Delaney Financial Summary | Opex Summary - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b><u>Opex Overview:</u></b>								
Payroll	\$ 204	\$ 208	\$ (4)	(2.1%)	\$ 169	\$ 34	20.4%	
Overtime	3	3	0	11.6%	3	1	29.2%	
Benefits	22	24	(3)	(10.3%)	24	(2)	(9.3%)	
Bonus	36	34	2	7.3%	34	2	6.5%	
Commissions	162	160	2	1.2%	152	9	6.1%	
Marketing	93	97	(4)	(4.2%)	96	(3)	(2.8%)	
Travel and Entertainment	20	19	1	7.4%	18	2	12.7%	
Rent and Facilities	4	4	(0)	(5.1%)	4	(0)	(5.5%)	
Insurance	24	29	(5)	(16.4%)	28	(4)	(13.5%)	
Professional Fees	12	7	5	74.8%	20	(9)	(43.0%)	
Utl., Repair, Maint., & Sec.	8	7	1	17.6%	10	(2)	(20.7%)	
Office Expenses	2	—	2	N/A	5	(2)	(47.2%)	
IT	9	9	(0)	(2.1%)	6	3	54.0%	
Bad Debts	3	3	—	0.0%	1	2	200.0%	
Supplies	6	6	1	12.0%	2	4	259.4%	
Other Expenses	22	26	(4)	(14.8%)	19	3	13.5%	
<b>Total Opex</b>	<b>\$ 630</b>	<b>\$ 635</b>	<b>\$ (4)</b>	<b>(0.7%)</b>	<b>\$ 591</b>	<b>\$ 39</b>	<b>6.7%</b>	

## Management Discussion



# Delaney Financial Summary | Opex Summary - YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b>Opex Overview:</b>								
Payroll	\$ 430	\$ 429	\$ 1	0.3%	\$ 390	\$ 40	10.3%	
Overtime	7	6	1	11.7%	5	1	24.9%	
Benefits	48	50	(2)	(3.7%)	50	(2)	(3.6%)	
Bonus	72	66	6	8.3%	68	4	6.5%	
Commissions	330	328	2	0.6%	332	(2)	(0.5%)	
Marketing	285	284	1	0.4%	180	105	58.0%	
Travel and Entertainment	29	38	(8)	(21.9%)	28	1	4.3%	
Rent and Facilities	10	9	1	6.6%	8	2	22.0%	
Insurance	59	66	(7)	(10.1%)	62	(3)	(5.4%)	
Professional Fees	13	13	0	0.9%	35	(22)	(62.0%)	
Utl., Repair, Maint., & Sec.	14	18	(4)	(20.6%)	15	(2)	(9.8%)	
Office Expenses	5	—	5	N/A	7	(2)	(23.6%)	
IT	16	20	(3)	(17.2%)	13	3	21.2%	
Bad Debts	6	6	—	0.0%	2	4	200.0%	
Supplies	11	10	1	13.1%	4	7	159.5%	
Other Expenses	40	44	(4)	(9.5%)	38	2	5.8%	
<b>Total Opex</b>	<b>\$ 1,376</b>	<b>\$ 1,386</b>	<b>\$ (10)</b>	<b>(0.7%)</b>	<b>\$ 1,238</b>	<b>\$ 138</b>	<b>11.1%</b>	

## Management Discussion

- Overall Opex higher than PY due to timing of expenses within marketing.



DELANEY®

## Delaney Appendix | Monthly CoGS by Component

\$'000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	FY	Var	
	Act	Act	Fcst	Bud	\$	%										
<b>Material</b>																
Material costs at standard	\$ 1,663	\$ 1,815	\$ 1,801	\$ 1,624	\$ 1,582	\$ 1,924	\$ 1,748	\$ 1,665	\$ 1,698	\$ 1,900	\$ 1,564	\$ 1,789	\$ 20,772	\$ 20,698	\$ 74	0.4%
Purchase price variance	-	(0)	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)	N/A
Freight in	28	9	13	13	13	13	13	13	13	13	13	13	167	156	11	7.4%
Cost revision	15	17	15	15	15	15	15	15	15	15	15	15	182	180	2	0.9%
Scrap costs	3	3	3	3	3	3	3	3	3	3	3	3	36	36	(0)	(0.2%)
<b>Total Material COGS</b>	<b>\$ 1,710</b>	<b>\$ 1,843</b>	<b>\$ 1,832</b>	<b>\$ 1,655</b>	<b>\$ 1,613</b>	<b>\$ 1,955</b>	<b>\$ 1,779</b>	<b>\$ 1,696</b>	<b>\$ 1,729</b>	<b>\$ 1,931</b>	<b>\$ 1,595</b>	<b>\$ 1,820</b>	<b>\$ 21,157</b>	<b>\$ 21,070</b>	<b>\$ 86</b>	<b>0.4%</b>
<b>Labor</b>																
Direct labor	\$ 1	\$ (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4)	\$ -	\$ (4)	N/A
Indirect labor	65	58	84	83	86	83	86	86	83	86	83	86	972	995	(23)	(2.3%)
Indirect labor - overtime	6	8	8	8	8	8	8	8	8	8	8	8	94	96	(2)	(2.3%)
Indirect labor - benefits	9	8	9	9	9	9	9	9	9	9	9	9	110	109	1	1.0%
<b>Total Labor COGS</b>	<b>\$ 81</b>	<b>\$ 69</b>	<b>\$ 101</b>	<b>\$ 101</b>	<b>\$ 104</b>	<b>\$ 101</b>	<b>\$ 104</b>	<b>\$ 104</b>	<b>\$ 101</b>	<b>\$ 104</b>	<b>\$ 101</b>	<b>\$ 104</b>	<b>\$ 1,172</b>	<b>\$ 1,200</b>	<b>\$ (28)</b>	<b>(2.3%)</b>
<b>Other</b>																
Repairs and maintenance	\$ -	\$ 0	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 10	\$ 12	\$ (2)	(13.9%)
Freight out	133	128	145	122	121	132	134	128	131	137	122	139	1,571	1,566	5	0.3%
Rent / facilities	41	41	41	41	41	41	41	41	41	42	42	42	494	495	(1)	(0.1%)
Utilities	7	6	6	6	5	6	7	7	5	6	6	6	74	75	(1)	(1.6%)
Other cost of sales	10	15	14	12	12	13	13	13	13	12	13	13	153	153	0	0.2%
<b>Total Other COGS</b>	<b>\$ 190</b>	<b>\$ 190</b>	<b>\$ 206</b>	<b>\$ 183</b>	<b>\$ 181</b>	<b>\$ 193</b>	<b>\$ 196</b>	<b>\$ 189</b>	<b>\$ 191</b>	<b>\$ 200</b>	<b>\$ 182</b>	<b>\$ 201</b>	<b>\$ 2,302</b>	<b>\$ 2,301</b>	<b>\$ 2</b>	<b>0.1%</b>
<b>Total COGS</b>	<b>\$ 1,981</b>	<b>\$ 2,103</b>	<b>\$ 2,140</b>	<b>\$ 1,938</b>	<b>\$ 1,897</b>	<b>\$ 2,249</b>	<b>\$ 2,079</b>	<b>\$ 1,989</b>	<b>\$ 2,021</b>	<b>\$ 2,234</b>	<b>\$ 1,878</b>	<b>\$ 2,124</b>	<b>\$ 24,632</b>	<b>\$ 24,571</b>	<b>\$ 60</b>	<b>(1.8%)</b>



## Delaney Appendix | AR and AP Aging Detail

### Delaney AR Aging

Current	3,869
0-30	569
31-60	65
61-90	17
90+	31
<b>Delaney Total</b>	<b>4,551</b>

### Delaney AP Aging

Current	169
31-60	104
61-90	77
90+	69
<b>Delaney Total</b>	<b>419</b>

Management Discussion

# February 2020 Operating Review Meeting Agenda

- ④ Consolidated
- ④ S&G
- ④ Consolidated Delaney
- ④ Delaney
- ④ Premier
- ④ Governance Reporting
- ④ **Appendix**

**S&G**

**Delaney**

**Premier**

# Premier Appendix | Squeeze Report

	Net Revenue					Adj. EBITDA					Net Debt		
	Act	Bud	Variance	PY	Variance	Act	Bud	Variance	PY	Variance	Act	Bud	PY
This Month	\$ 1,640	\$ 1,608	2.0%	\$ 1,522	7.7%	\$ 449	\$ 364	23.3%	\$ 328	37.1%	\$ -	\$ -	\$ -
Quarter to Date	\$ 3,430	\$ 3,133	9.5%	\$ 2,966	15.7%	\$ 907	\$ 654	38.7%	\$ 577	57.3%			
Year to Date	\$ 3,430	\$ 3,133	9.5%	\$ 2,966	15.7%	\$ 907	\$ 654	38.7%	\$ 577	57.3%			
<b>LTM Trends (\$'000s)</b>	<b>3/31/19</b>	<b>4/30/19</b>	<b>5/31/19</b>	<b>6/30/19</b>	<b>7/31/19</b>	<b>8/31/19</b>	<b>9/30/19</b>	<b>10/31/19</b>	<b>11/30/19</b>	<b>12/31/19</b>	<b>1/31/20</b>	<b>2/28/20</b>	<b>LTM</b>
Net Revenue	\$ 1,430	\$ 1,464	\$ 1,737	\$ 1,689	\$ 1,630	\$ 1,764	\$ 1,610	\$ 1,765	\$ 1,371	\$ 1,459	\$ 1,790	\$ 1,640	\$ 19,349
Gross Margin	486	504	654	639	586	692	629	690	428	611	673	652	7,244
Gross Margin %	34.0%	34.4%	37.6%	37.8%	35.9%	39.2%	39.1%	39.1%	31.2%	41.9%	37.6%	39.8%	37.4%
SG&A	166	174	178	179	192	172	187	194	205	296	215	206	2,364
<b>Reported EBITDA</b>	<b>320</b>	<b>330</b>	<b>476</b>	<b>460</b>	<b>394</b>	<b>519</b>	<b>442</b>	<b>496</b>	<b>223</b>	<b>315</b>	<b>458</b>	<b>446</b>	<b>4,880</b>
Rep. EBITDA %	22.4%	22.5%	27.4%	27.2%	24.2%	29.4%	27.4%	28.1%	16.3%	21.6%	25.6%	27.2%	25.2%
<b>Adj. EBITDA</b>	<b>320</b>	<b>330</b>	<b>476</b>	<b>460</b>	<b>394</b>	<b>519</b>	<b>442</b>	<b>496</b>	<b>223</b>	<b>315</b>	<b>458</b>	<b>449</b>	<b>4,883</b>
Adj. EBITDA %	22.4%	22.5%	27.4%	27.2%	24.2%	29.4%	27.4%	28.1%	16.3%	21.6%	25.6%	27.4%	25.2%
<b>Capex</b>	\$ -	\$ (94)	\$ (9)	\$ -	\$ (35)	\$ (5)	\$ (17)	\$ (191)	\$ (51)	\$ -	\$ -	\$ (44)	\$ (447)
Accounts Receivable, Net	\$ 1,333	\$ 1,278	\$ 1,548	\$ 1,752	\$ 1,911	\$ 1,844	\$ 1,770	\$ 2,005	\$ 1,761	\$ 1,731	\$ 1,969	\$ 1,963	\$ 1,963
Inventory, Net	2,783	2,846	3,019	2,915	2,845	3,243	3,123	3,067	2,965	3,022	3,053	3,182	
Accounts Payable	875	708	1,126	984	562	748	564	491	427	345	100	681	681
<b>CCC</b>	<b>\$ 3,241</b>	<b>\$ 3,416</b>	<b>\$ 3,441</b>	<b>\$ 3,684</b>	<b>\$ 4,194</b>	<b>\$ 4,339</b>	<b>\$ 4,330</b>	<b>\$ 4,581</b>	<b>\$ 4,299</b>	<b>\$ 4,408</b>	<b>\$ 4,921</b>	<b>\$ 4,465</b>	<b>\$ 4,465</b>
<b>Beginning Cash Balance</b>	<b>\$ 9</b>	<b>\$ 18</b>	<b>\$ 1</b>	<b>\$ 21</b>	<b>\$ 76</b>	<b>\$ 76</b>	<b>\$ (1)</b>	<b>\$ 220</b>	<b>\$ 189</b>	<b>\$ (197)</b>	<b>\$ 309</b>	<b>\$ 482</b>	<b>\$ 9</b>
Add / (Less): Operating Cash Flow	29	94	47	(39)	(58)	(34)	226	(172)	(47)	554	311	(451)	461
Add / (Less): Investing Cash Flow	-	(94)	(9)	-	(35)	(5)	(17)	(191)	(51)	-	-	(44)	(447)
Add / (Less): Financing Cash Flow	(21)	(17)	(18)	94	16	8	12	(53)	17	-	(139)	-	(102)
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash Balance</b>	<b>\$ 18</b>	<b>\$ 1</b>	<b>\$ 21</b>	<b>\$ 76</b>	<b>\$ (1)</b>	<b>\$ 45</b>	<b>\$ 220</b>	<b>\$ (197)</b>	<b>\$ 107</b>	<b>\$ 357</b>	<b>\$ 482</b>	<b>\$ (14)</b>	<b>\$ (14)</b>

# Premier Appendix | Opex Summary - MTD



\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b><u>Opex Overview:</u></b>								
Payroll	\$ 105	\$ 98	\$ 7	7.2%	\$ 96	\$ 9	9.2%	
Benefits	35	36	(2)	(5.3%)	39	(4)	(11.2%)	
Bonus	21	21	(0)	(0.6%)	14	7	47.9%	
Severance	—	—	—	N/A	(3)	3	(100.0%)	
Commissions	13	8	5	64.8%	6	8	142.0%	
Marketing	4	4	(0)	(11.4%)	10	(7)	(65.9%)	
Travel and Entertainment	9	4	5	136.5%	1	9	1595.7%	
Rent and Facilities	0	0	(0)	(17.5%)	0	(0)	(36.5%)	
Professional Fees	5	5	0	9.0%	4	1	38.5%	
Utl., Repair, Maint., & Sec.	3	3	0	9.2%	3	0	3.0%	
IT	3	3	0	0.7%	3	(0)	(8.5%)	
Supplies	4	3	1	37.9%	3	1	32.2%	
Other Expenses	5	6	(1)	(18.5%)	6	(2)	(24.8%)	
<b>Total Opex</b>	<b>\$ 206</b>	<b>\$ 191</b>	<b>\$ 16</b>	<b>8.2%</b>	<b>\$ 182</b>	<b>\$ 24</b>	<b>13.5%</b>	

## Management Discussion

# Premier Appendix | Opex Summary - YTD



\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
<b><u>Opex Overview:</u></b>								
Payroll	\$ 210	\$ 196	\$ 14	7.2%	\$ 192	\$ 19	9.7%	
Benefits	77	72	5	7.0%	74	3	3.9%	
Bonus	41	42	(0)	(0.6%)	28	13	47.9%	
Severance	—	—	—	N/A	(7)	7	(100.0%)	
Commissions	18	16	2	11.4%	12	6	47.7%	
Marketing	9	8	1	16.3%	16	(6)	(39.8%)	
Travel and Entertainment	17	8	9	116.4%	4	13	356.2%	
Rent and Facilities	0	0	(0)	(13.3%)	0	(0)	(12.8%)	
Professional Fees	10	10	1	7.7%	8	3	36.8%	
Utl., Repair, Maint., & Sec.	9	6	3	58.7%	8	1	14.6%	
IT	6	6	1	13.3%	5	2	38.0%	
Supplies	5	6	(0)	(6.9%)	5	(0)	(5.8%)	
Other Expenses	18	14	4	24.6%	8	10	129.4%	
<b>Total Opex</b>	<b>\$ 421</b>	<b>\$ 383</b>	<b>\$ 39</b>	<b>10.1%</b>	<b>\$ 352</b>	<b>\$ 69</b>	<b>19.7%</b>	

## Management Discussion

# Premier Appendix | Monthly CoGS by Component

\$'000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	FY	Var	
	Act	Act	Fcst	Bud	\$	%										
<b>Material</b>																
Material costs at standard	\$ 710	\$ 650	\$ 654	\$ 670	\$ 786	\$ 766	\$ 740	\$ 839	\$ 774	\$ 838	\$ 671	\$ 707	\$ 8,806	\$ 8,803	\$ 3	0.0%
Freight in	7	6	—	—	—	—	—	—	—	—	—	—	13	—	13	N/A
Scrap costs	14	12	—	—	—	—	—	—	—	—	—	—	26	—	26	N/A
<b>Total Material COGS</b>	<b>\$ 730</b>	<b>\$ 668</b>	<b>\$ 654</b>	<b>\$ 670</b>	<b>\$ 786</b>	<b>\$ 766</b>	<b>\$ 740</b>	<b>\$ 839</b>	<b>\$ 774</b>	<b>\$ 838</b>	<b>\$ 671</b>	<b>\$ 707</b>	<b>\$ 8,845</b>	<b>\$ 8,803</b>	<b>\$ 42</b>	<b>0.5%</b>
<b>Labor</b>																
Direct labor	\$ 215	\$ 194	\$ 198	\$ 198	\$ 184	\$ 198	\$ 198	\$ 191	\$ 198	\$ 191	\$ 191	\$ 157	\$ 2,311	\$ 2,280	\$ 31	1.4%
Direct labor - bonus	4	4	—	—	—	—	—	—	—	—	—	—	8	—	8	N/A
Direct labor - overtime	39	33	30	28	25	27	27	27	27	32	26	22	344	342	1	0.4%
Indirect labor	87	80	29	29	26	29	29	27	29	27	27	20	437	325	112	34.5%
Indirect labor - bonus	6	6	—	—	—	—	—	—	—	—	—	—	13	—	13	N/A
Indirect labor - overtime	4	3	3	3	4	4	3	4	2	5	4	5	43	43	0	0.5%
Indirect labor - benefits	12	12	84	84	82	84	84	83	84	83	83	78	854	997	(142)	(14.3%)
<b>Total Labor COGS</b>	<b>\$ 367</b>	<b>\$ 331</b>	<b>\$ 344</b>	<b>\$ 341</b>	<b>\$ 321</b>	<b>\$ 341</b>	<b>\$ 341</b>	<b>\$ 333</b>	<b>\$ 340</b>	<b>\$ 338</b>	<b>\$ 331</b>	<b>\$ 282</b>	<b>\$ 4,010</b>	<b>\$ 3,987</b>	<b>\$ 23</b>	<b>0.6%</b>
<b>Other</b>																
Repairs and maintenance	\$ 43	\$ 16	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 158	\$ 119	\$ 39	32.7%
Absorption	(222)	(197)	(157)	(157)	(157)	(157)	(157)	(157)	(157)	(157)	(157)	(157)	(1,986)	(1,880)	(106)	5.6%
Freight out	(15)	(29)	(18)	(18)	(21)	(21)	(20)	(23)	(21)	(23)	(18)	(19)	(246)	(238)	(8)	3.4%
Rent / facilities	33	33	34	34	34	34	34	34	34	34	34	34	402	402	(0)	(0.1%)
Utilities	20	18	20	20	20	20	20	20	20	20	20	20	242	244	(2)	(1.0%)
Other cost of sales	161	147	144	144	144	144	144	144	144	144	144	144	1,746	1,726	21	1.2%
<b>Total Other COGS</b>	<b>\$ 19</b>	<b>\$ (11)</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ 30</b>	<b>\$ 30</b>	<b>\$ 31</b>	<b>\$ 28</b>	<b>\$ 30</b>	<b>\$ 28</b>	<b>\$ 33</b>	<b>\$ 32</b>	<b>\$ 316</b>	<b>\$ 373</b>	<b>\$ (57)</b>	<b>(15.3%)</b>
<b>Total COGS</b>	<b>\$ 1,117</b>	<b>\$ 987</b>	<b>\$ 1,032</b>	<b>\$ 1,044</b>	<b>\$ 1,137</b>	<b>\$ 1,137</b>	<b>\$ 1,112</b>	<b>\$ 1,200</b>	<b>\$ 1,144</b>	<b>\$ 1,204</b>	<b>\$ 1,035</b>	<b>\$ 1,021</b>	<b>\$ 13,170</b>	<b>\$ 13,162</b>	<b>\$ 7</b>	<b>(14.3%)</b>

## Premier Appendix | AR and AP Aging Detail

<b>Premier AR Aging</b>	
Current	1,422
30 Days	366
60 Days	110
90 Days	66
<b>Premier Total</b>	<b>1,964</b>

<b>Premier AP Aging</b>	
Current	681

Management Discussion