



# **SARGENT AND GREENLEAF**

## 2019 Monthly Operating Review— January 2020

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

Note: Results are presented in consolidating presentation as separate reports. Presentation contains results and discussion for the S&G security locking systems. Consolidated reporting will be forthcoming with February results.

# January 2020 Operating Review Meeting Agenda

- ➔ **Executive Summary**
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ Appendix

# Executive Summary | Overview

**January revenues of \$4.1M**, favorable to AOP (Budget) \$0.2M/4%, favorable to Prior Year(PY) \$0.8M/24%

- NA Favorable to Budget \$0.4M/35%; Genmega-OEM \$0.2M, MBA-Distributor \$0.1M, Timemaster-Distributor \$0.1M
- Government military 951 padlocks at Budget
- LAG Unfavorable to Budget (\$0.1M)/(56%); Cogar – scheduled order on-hold due to discipline on payment terms
- APC Unfavorable to Budget (\$0.1M)/(12%); ARYA – scheduled order delayed by customer to February
- EMEA Unfavorable to Budget (\$0.1M)/(14%); A Samuel (\$0.05M), ASSA (\$0.03M)

## Hits

- January Adjusted EBITDA \$0.2M favorable to Budget and \$0.4M favorable to PY
- Favorable Opex of \$0.3M compared to Budget related to timing of strategic initiative expenses, including rebranding, product development, recruiting and training costs
- January bookings favorable to Budget \$1.6M led by \$1.5M Timemaster blanket order to be released (April 2020 – March 2021) for government file cabinet application 8077 padlocks
- Backlog favorable to Budget \$1.0M
- Design of new network capable modular digital platform with display keypad continues to be on schedule for May 2020 launch

## Misses

- Backlog unfavorable (\$0.6M) compared to PY due to government military 951 padlocks (\$0.3M) and Arya (\$0.3M)
  - Arya 2020 blanket order and distribution agreement execution date targeted for 2/29/2020
- Continued struggle to fill key positions: Customer Relationship Director, Industry Market Manager-Financial, NA Sales Director, Marketing Specialists, Quality Manager, and Trainer/Technical Writer
- Warranty period expense in January of \$0.04M from firmware rework for A-Series With Display(ASWD) results in exchanges from Gunnebo, Grupo Sallen Tech, Synfis Service GMBH, Pingan, and Switzerland(SA) stock inventory
- 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.

# Executive Summary | Overview (continued)

## Key Go-Forward Actions

- Sales - Align expectations and drive performance
  - Assess regional team and individual performances → Deploy on corrective actions → Assess outcomes
    - Sales effectiveness training planned for Q2 2020 – Value Selling Training by Rick McAninch
    - Sales team members Sales Incentive Program(SIP) rolled at end of January
    - 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
    - Delay in first trademark/logo due to possible infringement – second trademark/logo viable
- 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

# Executive Summary | Overview (continued)

## Opportunities

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>NA: Rhino Metal (OEM) Working with Rhino to displace an Asian Lock Mfg. for smaller home safes</li> </ul>	<ul style="list-style-type: none"> <li>6,000 units of MPP</li> <li>Total value: \$150K</li> </ul>	<ul style="list-style-type: none"> <li>Working with Rhino on a weekly follow-up plan</li> <li>Success is dependent upon the Asian Mfg. being able to resolve outstanding and future quality concerns with new safes and existing safes in the field.</li> </ul>
<ul style="list-style-type: none"> <li>EMEA: Alfa Bank Ukraine (Bank) via Distributor – Renome Smart</li> </ul>	<ul style="list-style-type: none"> <li>800 units of ASWD</li> <li>Total value: \$250K</li> </ul>	<ul style="list-style-type: none"> <li>Proposal was sent via Renome (local Diebold partner)</li> <li>This could bring us potential new customers – clients of Renome: UkrSibBank and OschadBank</li> </ul>
<ul style="list-style-type: none"> <li>LAG: Microformas (Financial End User) targeting project Mexico opportunity for 400 Nexus IP units</li> </ul>	<ul style="list-style-type: none"> <li>400 units of Nexus IP</li> <li>Total value: \$160K</li> </ul>	<ul style="list-style-type: none"> <li>Demo and presentation done this week to Microformas</li> <li>Competing against Baussa and illustrating features and benefits of Nexus IP</li> <li>Left a Nexus sample and we will be conducting pilot at bank with Microformas</li> </ul>
<ul style="list-style-type: none"> <li>EMEA: BS/2 (Dist) project with Moldova AgroIndBank. Success story opportunity for BS/2 group as a new distributor with access to 9 countries</li> </ul>	<ul style="list-style-type: none"> <li>250 units of OTC</li> <li>Total value: \$100K</li> </ul>	<ul style="list-style-type: none"> <li>Partner with BS/2 (new distributor) with S&amp;G VP visit</li> <li>Pilot to be finalized early February</li> <li>Blanket order expected in February</li> </ul>
<ul style="list-style-type: none"> <li>NA: NCR Canada with ASWD (OEM)</li> </ul>	<ul style="list-style-type: none"> <li>600 units of ASWD</li> <li>Total value: \$174K</li> </ul>	<ul style="list-style-type: none"> <li>Provided evaluation documentation to NCR.</li> <li>Discuss proposed services with the customer to get a final outline of what is required</li> <li>Pilot could run 3-6 months (TBD)</li> </ul>
<ul style="list-style-type: none"> <li>APAC: Hitachi to be awarded 2.5k-3k ATM project in South East Asia</li> </ul>	<ul style="list-style-type: none"> <li>2,500 to 3,000 units of Titan and 6880</li> <li>Total value: \$250k</li> </ul>	<ul style="list-style-type: none"> <li>Order still expected now in late February or early March</li> </ul>

# Executive Summary | Overview (continued)

## Risks

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>• EMEA: Servus (distributor) is handling Privatbank project. Faulty S&amp;G locks returned (after firmware upgrade). Problems being addressed so not to have further issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Further issues could result in postponing orders (or even cancelling)</li> <li>• Risk 3,000 locks - \$1.0M</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proper attention to every package to be shipped to Privatbank.</li> <li>▪ They reported one display defect and one cable missing so far from 50 locks supplied for replacement</li> <li>▪ Have made decision to ship all product to SA office for review before delivering to Servus</li> </ul>
<ul style="list-style-type: none"> <li>• APAC: Customers in China affected by current Coronavirus outbreak. Most factories closed until February 7th at minimum</li> </ul>	<ul style="list-style-type: none"> <li>• Delays will occur in order intake</li> <li>• Reduction in late January orders</li> <li>• Will push into mid-to-late February</li> </ul>	<ul style="list-style-type: none"> <li>▪ Working closely with all customers with follow-up on status</li> <li>▪ Aligning orders for late February/March planning</li> </ul>
<ul style="list-style-type: none"> <li>• LAG: Banco de Guayaquil continues to have problems with ACG implementation</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>▪ Working with Engineering to get further insight on a fix to meet the concern</li> <li>▪ Engineering slow to respond and provide solutions – need faster solution</li> <li>▪ Continue to address customer inquiries as to not lose out on project</li> </ul>
<ul style="list-style-type: none"> <li>• APAC: Concerns by customers with shipping costs - ex US</li> </ul>	<ul style="list-style-type: none"> <li>• Customers shifting to more attractive deals from competitors</li> <li>• Long term financial impact unknown</li> </ul>	<ul style="list-style-type: none"> <li>▪ S&amp;G need to review current practice and identify competitive approaches to help customers identify more cost-efficient shipping partners</li> <li>▪ Securam can ship ex China to help customers save costs</li> <li>▪ Dorma Kaba can ship ex Singapore warehouse</li> </ul>

# Executive Summary | Key Wins and Losses

## Key Wins

### APAC

- PT Chubb (Indonesia) – 4,500 units of 6642 - \$140k
- Changsha (China) – Vault Doors 6730 & 6731 - \$90K

### EMEA

- Primat (Germany) – 100 units/month of FAS & 6642 - \$8K / month
- Alfa Bank (Ukraine) – 800 units of A-Series - \$250K (Feb.)

### LAG

- Casper (Mexico/OEM) – 1,000 units of 6730 - \$51K
- Brinks (Bolivia/CIT) – 30 units of 6128 - \$37K

### NA

- Timemaster (DIST) – 10,000 units of 8077 - \$1.6M
- Safe Cash Systems (IAD) – 250 units of 3006-202 - \$83k
- MBA USA (DIST) – 200 units of 3006-202 - \$80k
- Anixter (DIST) – multiple stocking orders - \$124K

## Key Losses

### APAC

- UG Mandiri – expected in January delayed to February
- Hitachi – expected in January delayed to February

### EMEA

- New Blanket order from South Africa Fidelity Vehicle Project lost due financial issues on the end-user side - \$50K

### LAG

- Surimax (Ecuador/OEM) – Loss of \$4K order for 6741 locks due to pricing Obtaining cheaper locks from Asia
- Segurblock (Peru/OEM) – Loss of \$20K order for timelocks due to pricing

### NA

- Timemaster (DIST) – 2890-543 - \$25K canceled order last day of the month due to their locksmith customer not getting credit line approval. Order was placed in January but credit was processed in February. Loss will be reflected in February sales numbers.

# 2020 S&G Sales Plan

## Global Sales Strategy

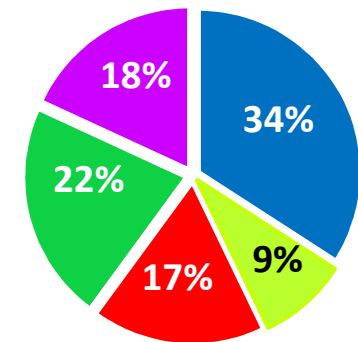
*Efforts to grow S&G sales to meet AOP goals are underway in 2020. Included is a view of key strategies, overview of the key growth markets, target customers, and trends.*

### Strategic Focus



### 2020 AOP – Bookings

(% Represents Portion of 2020 Global Bookings)



■ NA ■ LAG ■ EMEA-R ■ APAC ■ INDIA

#### Bookings Growth over 2019

NA - \$1.3M  
India - \$879K  
EMEA - \$764K  
LAG - \$567K  
APAC - \$339K

- Focused approach for 2020 to hit AOP target of \$45.3M in Bookings
- Key areas for entire salesforce:
  - Focus on 70% of annual bookings completed by Q2
  - Blanket Orders with top targets
  - YOY Growth with key targets
- Emphasis on driving sales early in year with Regional Expansion into underserved markets (E. Europe, Africa, S. America)



# 2020 S&G Sales Plan

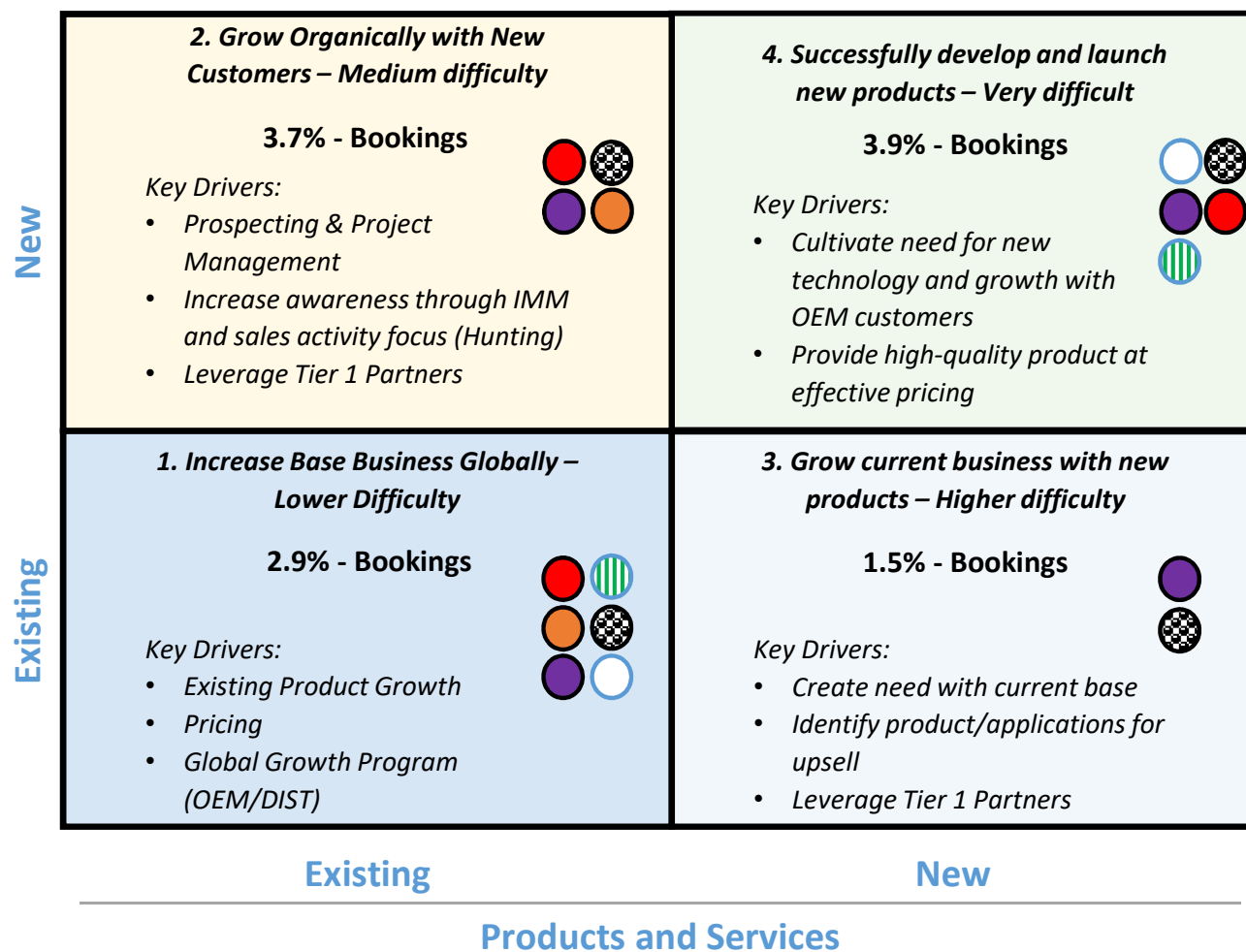
## Global Sales Outlook



SARGENT AND GREENLEAF

### Global Sales Growth – AOP

Exceed \$46M (12.0% growth) in Global Bookings and \$45.3M (7.7% growth) in Global Revenue for 2020



### Regional Growth Key Focus (Bookings)

- INDIA – New Product 4.4%, New Business 1.0%, Price 2.5%
  - Focus on Arya, NCR India
- APAC – New Product 0.9%, New Business 5.0%
  - Focus on AGS, TK, Inspur, Hanson, TSI/Dutech
- EMEA – New Product 7.7%, Price 1.3%
  - Focus on Diebold, Format, Caradonna, Abusarhad, NCR
- LAG – Organic Business 10.7%, New Product 5.6%, Price 1.8%
  - Focus on American Locks, International Latino, Mapa, Cogar
- NA – Organic Business 11.0%, New Product 2.0%, Price 2.0%
  - Focus on all Gun Safe OEM's, and Distributors with emphasis on TimeMaster, Lockmasters, Diebold Canada, Palmer
- GOV'T – New Product 9.1%, Price 2.5%
  - Focus on Palmer Solutions, Shurlock McGill and all Distributors

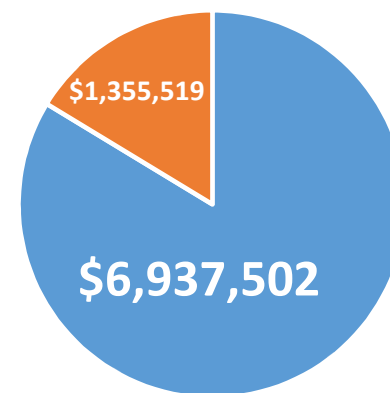
# 2020 S&G Sales Plan

## Global Sales Strategy

### Blanket Order Strategy

- Entire global sales team deployed and provided target lists by January 1, 2020
- Focus on securing blanket orders for 6- to 12-months with key customers \$500K and up
- Enhances backlog for improved forecasting
- Improves overall financial performance with growth focus and removal of concessions
- Reduces old mindset of chasing orders monthly and giving away margin
- Goal is to achieve 70% of 2020 AOP Bookings goal by end of Q2
- Allows for closer partnerships with customers and reduces potential issues for production and shipment timelines
- Sales team identifying opportunities for revenue growth through price, volume growth or both
- Flexibility in approach with largest targets with growth incentive programs to promote new SKU additions to existing applications
- Strategy ties back to new Sales Incentive Plan with emphasis on bookings
- Initial success examples: Caradonna – EMEA (see Case Study), Timemaster – NA (see Case Study), American Locks – LAG (see Case Study), A-Samuel - EMEA, Interlase - LAG, MBA - NA, Genmega - NA, Changsha - APAC

### CURRENT BACKLOG



■ 2020 BACKLOG ■ 2021 BACKLOG

### Target Examples

CUSTOMER	REGION	2019 YE	2020 GOAL	PRICE	BASE GROWTH	SKU GROWTH	PROGRAM	TARGET DATE	COMPLETE
NCR	EMEA	\$3,827,327	\$4,000,000		X	X	X	3/1/20	
ARYA	INDIA	\$3,437,707	\$3,650,000	X		X	X	3/1/20	
AGS	INDIA	\$457,500	\$620,000	X	X			3/1/20	
TIMEMASTER	NA	\$1,061,267	\$1,425,00		X			1/15/20	X
CARADONNA	EMEA	\$550,509	\$700,000		X	X	X	2/1/20	6-MONTH
TAKACHIHO KOHEKI	APAC	\$2,226,535	\$2,375,000	X	X			3/1/20	
SHANGHAI QIAHNE	APAC	\$863,665	\$1,000,000		X	X		3/1/20	
AMERICAN LOCKS	LAG	\$262,728	\$400,000	X	X			2/14/20	X
MBA, INC	NA	\$416,486	\$600,000		X	X		2/7/20	6-MONTH
COGAR/GSI	LAG	\$974,549	\$1,100,000		X			3/1/20	
DUTECH/TRI-STAR	APAC	\$1,148,640	\$1,300,000	X	X	X		3/1/20	
A-SAMUEL	EMEA	\$0	\$196,188		X			1/20/20	X
CASPER	LAG	\$38,114	\$105,000		X			1/20/20	X

# 2020 S&G Sales Plan

## Global Sales Strategy

### Blanket Order Case Study – Timemaster (NA)

- Approach to Timemaster by Roxie Rydl with S&G 8077 and multiple other SKU's
- Had current backlog into April 2020 on 8077
- Increased volumes on top of current blanket (700/month) to 1200/month
- Backlog tail now extends into April 2021
- Current backlog into April 2021 is \$1.9M
- Total volume increases drove 8077 sales by \$146,226
- Total orders to date in 2020 is \$1.77M
- Finished 2019 with total purchases of \$1.06M
- No concessions in pricing were provided on 8077, but remained same as 2019
- Will place another blanket order on multiple SKU's for \$110K by 3/1/20

#### YOY Comparison



### Blanket Order Case Study – American Locks (LAG)

- Introduced in early January 2020 to Argentinian distributor
- Struggled in 2019 due to slow down related to banks and Presidential election and struggling economy (inflation and peso value)
- Focus on OEM's, CIT's and Locksmiths
- Placed order on 2/13/20 for \$700K
- Current backlog into January 2021 is \$700K
- Total volume on blanket order drove increase in bookings by \$429,000 over 2019
- Opportunity for further SKU growth (ASWD) in Q2/Q3 2020 which could drive total volume increase up
- No concession on pricing were provided

#### YOY Comparison



# 2020 S&G Sales Plan

## Global Sales Strategy

### Blanket Order Case Study – Caradonna (EMEA)

- Portuguese company with manufacturing location in Paris that produces over 14K safes per year
- Focus on range of Safes, Safe Deposit Lockers, CIT, and Retail products.
- Also provides ATM and Cash Management products for Diebold Nixdorf
- Other product lines focused on bank vault, safe deposit, self checkout
- Discussions began in late 2019 to identify program for growth
- Customer was interested in pricing reductions to grow with S&G
- Proposed SKU expansion and growth with current products to receive year-end rebate program based on growth
- Allows both Caradonna and S&G to share in the YOY growth
- Place initial 6-month blanket order in February 2020 for \$250K, but expected to expand SKU's and place another blanket by middle of Q2
- Rebate program driven by growth with both Caradonna and S&G sharing in the growth
- SKU expansion will allow for positive benefit on pricing due to low usage and no history

### YOY Comparison



### Growth Incentive Program Example

- Goal is for incremental growth over prior year
- No change in cost structure and qualification concludes at end of December 2020
- Trigger for incentives does not begin until Caradonna achieves \$567K in sales – 4% growth over prior year or roughly \$17K in incremental growth
- Payout in rebate for 4% growth is 1% back on total sales
- Both Caradonna and S&G benefit from product portfolio and volume growth

2019 Sales → \$ 550,509.00

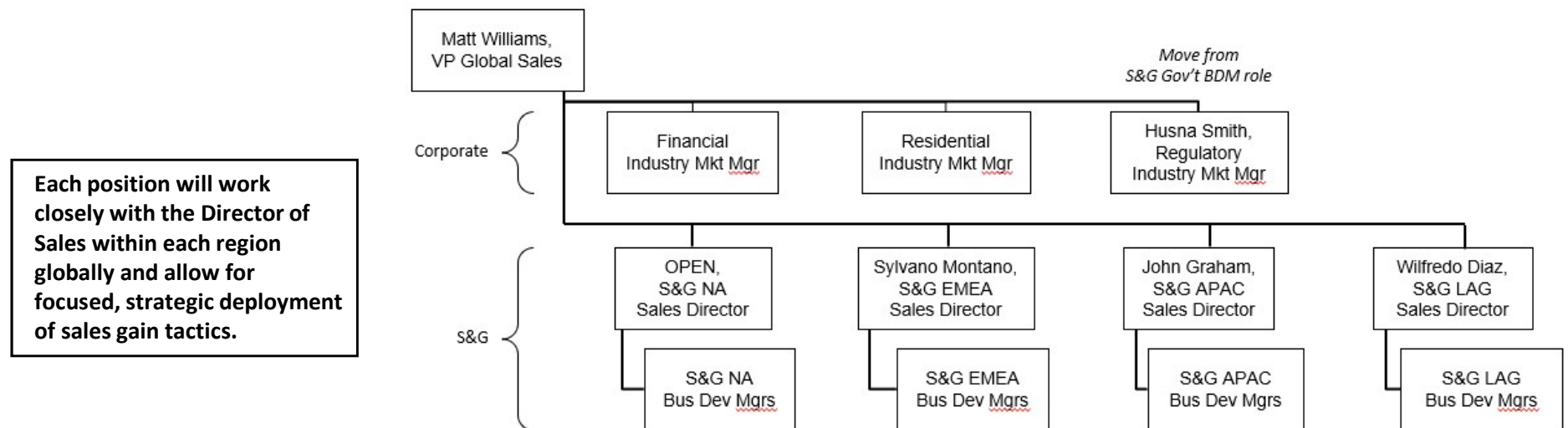
2020 Trigger	Total Sales	Volume Growth	Rebate %	Rebate \$	S&G Revenue Gain
	\$ 572,529.36	4%	1.0%	\$ 5,725.29	\$ 16,295.07
	\$ 595,430.53	5%	2.0%	\$ 11,908.61	\$ 33,012.92
	\$ 619,247.76	6%	3.0%	\$ 18,577.43	\$ 50,161.32
	\$ 644,017.67	7%	4.0%	\$ 25,760.71	\$ 67,747.96
	\$ 669,778.37	8%	5.0%	\$ 33,488.92	\$ 85,780.45
	\$ 696,569.51	9%	6.0%	\$ 41,794.17	\$ 104,266.34
	\$ 724,432.29	10%	7.0%	\$ 50,710.26	\$ 123,213.03

# Industry Market Manager




S A L E S

## Job Scope

- Reporting to Vice President, Global Sales, this new role will contribute to S&G growth in market share through the development of existing and emerging markets (Regulatory, Financial, Residential) toward maximizing sales and profitability
- Key focus areas:
  - Regulatory** – specifically with Government entities, Healthcare, Transportation, Pharmaceuticals, and Oil & Gas
  - Financial** – specifically with large financially-based organizations to develop Banking, ATM, Cash Management, CIT, and OEM corporate offices (NCR, Diebold, etc...)
  - Residential** – specifically focused on safe/security organizations, corporate level teams of residential and multi-family entities, and alliances with IoT organizations to integrate product offerings on large scale
- Responsible for engaging with and developing relationships with key strategic global alliances at the C-Suite level
- This person is the primary owner of communication of the Industry partners value throughout S&G and will lead the development of playbooks in specific verticals to help drive results with regional teams
- Lead business growth initiatives as a champion for strategic Market Development, Emerging-market New Product Development, Product Positioning, and value-based Sales Strategies
- The IMM role will develop and display strong functioning knowledge of market analysis, customer-driven product development, product valuation, and promotional programs toward supporting the medium to long-range growth plans of S&G
- Each IMM will coordinate cross-functional S&G resources to ensure alignment of partner activities with the strategies developed and deployed for the vertical market. This role will be clearly recognized as a thought leader for the respective vertical; as well as the face of S&G through networked relationships within related business circles (i.e. associations, governing bodies, etc.)



# Executive Summary | 2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Establish globally consistent pricing strategy		<ul style="list-style-type: none"> <li>Final set of transactional data, segmentation, mapping tables pulled and provided to Open Gate</li> <li>Data evaluation being conducted with Open Gate for normalizing pricing model</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)		<ul style="list-style-type: none"> <li>Legal search for all identified countries complete. All risks deemed manageable.</li> <li>First trademark application submitted, beginning with the U.S. market; feedback expected in 4-6 weeks</li> <li>Brand refresh launch timing tentatively scheduled for May based on new keypad timing</li> <li>New website copy updated to incorporate "family of brands"</li> </ul>	<ul style="list-style-type: none"> <li>Re-evaluate brand rollout strategy based new launch timing</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 and incorporate "family of brands" messaging where appropriate</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		<ul style="list-style-type: none"> <li>Schematic and BOM for PCBA complete (PQD design)</li> <li>Dual path mechanical design underway. S&amp;G design and PQD design. PQD quoting both designs</li> <li>Testing of new functional demo user app and software</li> </ul>	<ul style="list-style-type: none"> <li>Supplier quality audit of PQD/Futaba (TBD)</li> <li>Finalize PQD mechanical design (February-21)</li> <li>Kick-off tooling (February-28)</li> <li>Samples (ES1) for dev testing (March-20)</li> <li>ES2 samples (Mid-April)</li> <li>Verification/UL Testing (April/May)</li> <li>PQD Product Launch (May)</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



# Executive Summary | 2019 Key Initiatives (continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Improve instructions for electronic lock products		<ul style="list-style-type: none"> <li>• Created one page quick start guide</li> <li>• Added QR codes</li> <li>• Submitted for any possible layout changes to Marketing</li> <li>• Now meeting each Monday to keep on track</li> </ul>	<ul style="list-style-type: none"> <li>• Rewrite instructions for older product separating by keypad and lock installation</li> <li>• Operating instructions will be replaced by quick start and QR code</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritization of New Keypad versus other products</li> </ul>
Modularize core product lines		<ul style="list-style-type: none"> <li>• Modular locking mechanism in Stage 1 Development (Schematic complete)</li> <li>• Requirements for integration of Digital Platform features / functions to new keypad in process</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</li> <li>➤ Leverage core product (Titan / Spartan) for modular platform</li> </ul>
Develop new core products		<ul style="list-style-type: none"> <li>• Reviewing emerging technology trends (specific to Smart Home Communication protocols) with help from OGx</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)</li> <li>➤ Leverage OGx to identify firmware/software design partner(s)</li> </ul>
Develop SIOP process using historical data analytics		<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>



# Executive Summary | NPD Update

Schedule

Financial Outlook (\$'000)

Project	Description	Market Segment	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Realized	Basis	Units	Revenue	GM %	Gross Margin	ASP
ASWD (No Key Authentication) <i>Badger-S. Africa</i>	Custom Solution to provide "One Time Code" openings without use of Touch Key	ATM / Cash Management									2020 Ramp-up	Incremental	868	\$266		\$154	306.50
											2020 Ramp-up	Total	868	\$266		\$154	306.50
											2022 Full	Incremental	1,000	\$307		\$178	306.50
											2022 Full	Total	1,000	\$307	58%	\$178	\$ 307.00 306.50
ASWD (1 Keypad/2 Locks) <i>Gunnebo-EU</i>	"One Time Code" lock with the ability to operate 2 locks with 1 keypad.	ATM / Cash Management									2020 Ramp-up	Incremental	772	\$425		\$190	550.17
											2020 Ramp-up	Total	772	\$425		\$190	550.17
											2022 Full	Incremental	1,500	\$825		\$370	550.17
											2022 Full	Total	1,500	\$825	45%	\$370	\$ 441.00 550.17
Spring Bolt <i>Fireking</i>	New Lock Body for both digital and analog locks - Auto locks when door is closed "Package Lockers"	Commercial									2020 Ramp-up	Incremental	563	\$80		\$36	142.12
											2020 Ramp-up	Total	708	\$101		\$45	142.12
											2022 Full	Incremental	2,624	\$373		\$167	142.12
											2022 Full	Total	3,300	\$469	45%	\$210	\$ 142.00 142.12
Pedestrian Door Lock <i>US Government</i>	New Specification to C for 2890 Pedestrian Door Lock (PDL)	Government									2020 Ramp-up	Incremental				\$72	2,675.23
											2020 Ramp-up	Total	112	\$300		\$72	2,675.23
											2022 Full	Incremental				\$379	2,675.23
											2022 Full	Total	587	\$1,570	24%	\$379	\$2,702.25 2,675.23
Keypad App for electronic controls* / Web-based code generator <i>SBER Bank-Russia</i>	New App and AWS software. Thin client Lock Management Software (LMS) - generate swap codes for service and bank modes	ATM / Cash Management / Residential Safe									2020 Ramp-up	Incremental	1,065	\$144		\$73	135.24
											2020 Ramp-up	Total	1,065	\$144		\$73	135.24
											2022 Full	Incremental	5,600	\$757		\$386	135.24
											2022 Full	Total	5,600	\$757	51%	\$386	\$ 136.61 135.24
Multi-function / platform Keypad/Display* <i>OEM, Distributor,</i>	Modular keypad, display, wi-fi & biometrics - Common HW with SW differentiation and app design	ATM / Cash Management / Residential Safe w/ pivot locks									2020 Ramp-up	Incremental	4,289	\$273		\$83	63.63
											2020 Ramp-up	Total	8,130	\$622		\$189	76.57
											2022 Full	Incremental	22,245	\$1,415		\$431	63.63
											2022 Full	Total	42,165	\$3,228	30%	\$982	\$ 81.07 76.57















Realized	Basis	Units	Revenue	GM %	Gross Margin
2020 Ramp-up	Incremental	7,557	\$1,188	45%	\$537
2020 Ramp-up	Total	11,655	\$1,858	39%	\$725
2022 Full	Incremental	32,969	\$3,677	42%	\$1,531
2022 Full	Total	54,152	\$7,157	35%	\$2,505

\* 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.



# Executive Summary | NPD Update

Initiative	Status	Recent Progress	Next Steps	
ASWD (No Key Authentication)		<ul style="list-style-type: none"> <li>Firmware and LMS functionality for digital locks complete.</li> <li>Integrating latest FW</li> </ul>	<ul style="list-style-type: none"> <li>Prototype availability dependent on customer feedback</li> </ul>	
ASWD (1 Keypad/2 Locks)		<ul style="list-style-type: none"> <li>Feature naming convention complete</li> <li>Additional feedback from Beta customers received</li> </ul>	<ul style="list-style-type: none"> <li>Update FW with latest DP FW changes</li> <li>Complete ECN Process</li> <li>Instructions - Concern</li> </ul>	
Spring Bolt		<ul style="list-style-type: none"> <li>Potential Beta customers from each region identified</li> <li>Pilot Run for Digital locks complete</li> </ul>	<ul style="list-style-type: none"> <li>Regression testing</li> <li>Complete battery testing</li> <li>Integrate AxisBlu firmware</li> <li>Complete ECN process</li> <li>Instructions - Concern</li> </ul>	
Pedestrian Door Lock (2890C Specification)		<ul style="list-style-type: none"> <li>Government waiting on tooled cover samples before approval</li> <li>Tooled sampled expected week of Feb 17th</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		<ul style="list-style-type: none"> <li>New app available for testing</li> <li>Development of new LMS underway</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		<ul style="list-style-type: none"> <li>Schematic and BOM for PCBA complete (PQD design)</li> <li>Dual path mechanical design underway. S&amp;G design and PQD design. PQD quoting both designs</li> </ul>	<ul style="list-style-type: none"> <li>Supplier quality audit of PQD/Futaba (TBD)</li> <li>Finalize PQD mechanical design (February-21)</li> <li>Kick-off tooling (February-28)</li> <li>Samples (ES1) for dev testing (March-20)</li> </ul>	











# Executive Summary | NPD Update

Project	Financial Outlook (\$'000)								
	Realized	Expense \$	CapEx \$	ROI %	Units	Revenue	GM %	GM \$	ASP
Consolidated Lock Body	2020	\$ 241.0	\$ 160.0	33.0%	194	\$ 67.5	64.5%	\$ 43.6	
	2022				775	\$ 275.3	66.9%	\$ 184.2	\$ 355.23
Core Product Line Modularization	2020	\$ 130.0	\$ 15.0	16.0%	97	\$ 23.0	44.4%	\$ 10.3	
	2022				385	\$ 93.3	48.2%	\$ 45.4	\$ 242.34
Tier 4 (Low Cost) Electronic Keypad Lock Offering	2020	\$ 15.0	\$ -	158.0%	250	\$ 9.5	34.2%	\$ 3.3	
	2022				3,500	\$ 135.4	38.7%	\$ 52.9	\$ 38.69
One Time Code Lock	2020	\$ 155.0	\$ -	194.0%	100	\$ 32.6	53.0%	\$ 17.4	
	2022				3,000	\$ 996.5	56.1%	\$ 564.9	\$ 332.17

- 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

# Executive Summary | Sustaining Engineering Update

Initiative	Status	Recent Progress	Next Steps	Comments / Risks
Add Archive Function to LMS		<ul style="list-style-type: none"> <li>Design kicked-off with Development Partner</li> <li>Potential to add additional changes as part of update</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)		<ul style="list-style-type: none"> <li>Per discussion with sales team, looking to add user to Spartan (rather than Basic mode to Titan)</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)		<ul style="list-style-type: none"> <li>Defining requirements and scope</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)		<ul style="list-style-type: none"> <li>Sample provided by Tarik</li> <li>Confirming requirements and scope</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)		<ul style="list-style-type: none"> <li>Requirements and scope defined</li> <li>Prioritization of work 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)		<ul style="list-style-type: none"> <li>Proposal to add "Count Up" and "Count Down" option to DLL</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

# Executive Summary | Keypad Design VOC

## Keypad VOC Participants:

- Internal Employees (~25 people)



## Keypad Aesthetics:

- Looks like a thermostat
- Concern about clearance with square – will it work on all safes? Overlap with hinges?
- Reminds them of access control punch pad
- Would put LCD screen on higher end products only because it wouldn't be valued by lower tiers
- If price isn't right, their customers won't entertain it
- Residential would buy keypad only version, but not commercial due to warranty – they would replace the entire kit
- "Gun safe guys" will like the look, not sure how this will be accepted in the commercial space
- Can be an inexpensive material, but needs to feel robust, locks/keypads undergo a lot of wear and tear in retail setting
- People don't like plastic material, should be metal to convey a sense of quality
- Smudges on screen will allow someone to see code – big security risk
- Indifferent about shape
- "Progressive" look with light-up keys
- Keypad needs to be easy to operate and intuitive

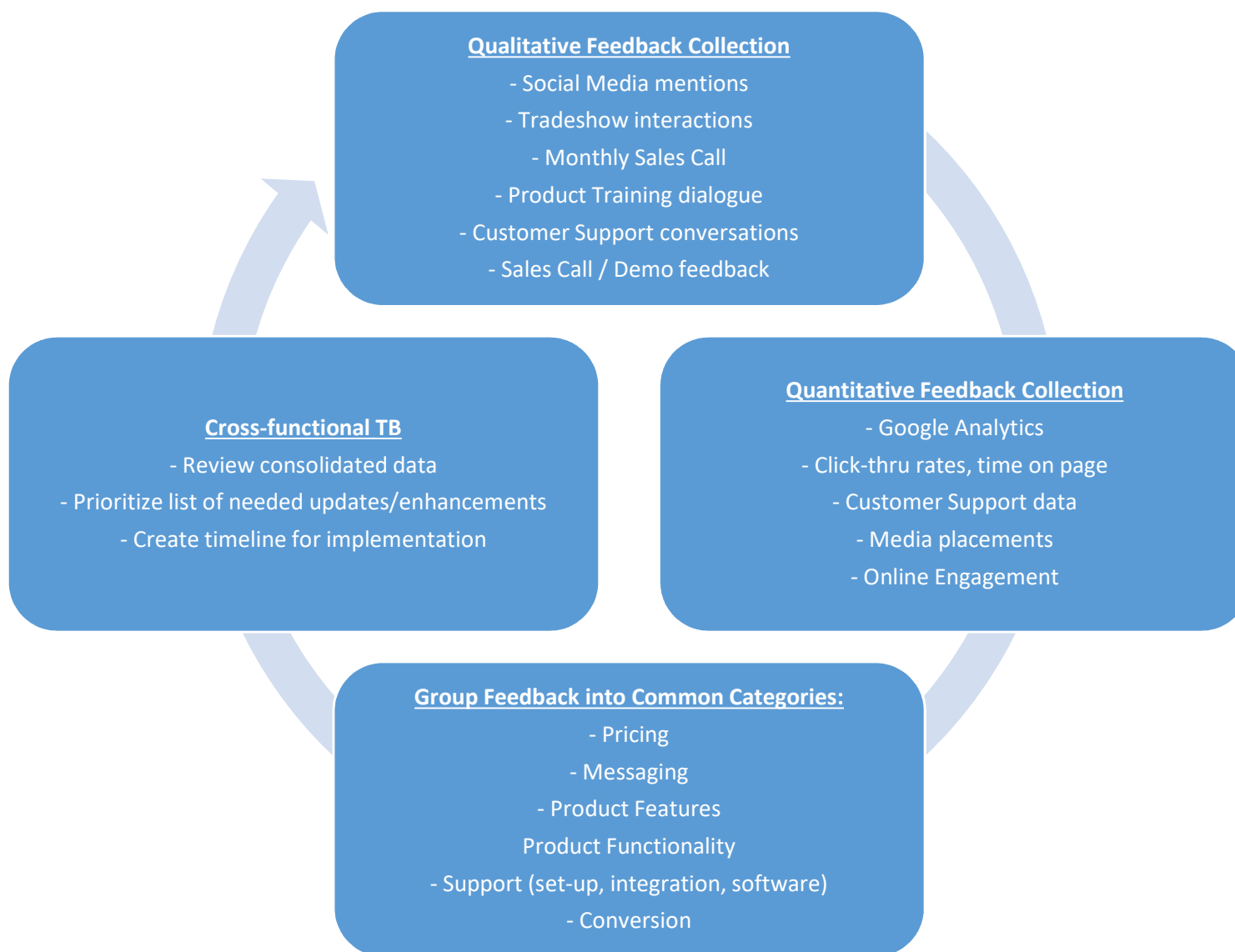
# Executive Summary | Keypad Design VOC Continued

## Proposed Keypad Architecture:

- Biometric:
  - A lot of initial interest (coolness factor), but no one buys it because:
    - Perceived high failure rates, not very secure
    - Perceived fear of not being able to access safe
    - High prices on biometric also impacting purchase intent (not an affordable safe locking option currently)
  - Might be okay for residential, but no application for commercial
- Network connected a big opportunity, especially in commercial – banking becoming more interested in it
  - Not a lot in residential interested because of cost
- Smart home integration **important**
- Firmware updates in the field:
  - If you're solving a problem, it could be a good thing
  - Prefer to upsell a new lock vs. upgrading in the field
  - Liability risk with field upgradable (if they program at distributor and something goes wrong, who is liable?)
- No to “a la carte” because it would drive channel partners crazy
  - No way to control quality through the system
  - Problems in field because they thought they bought something that they didn't

# Executive Summary | Post Product Launch VOC

Create **Feedback Loop** by collecting qualitative and quantitative data



# Executive Summary | Marketing Update



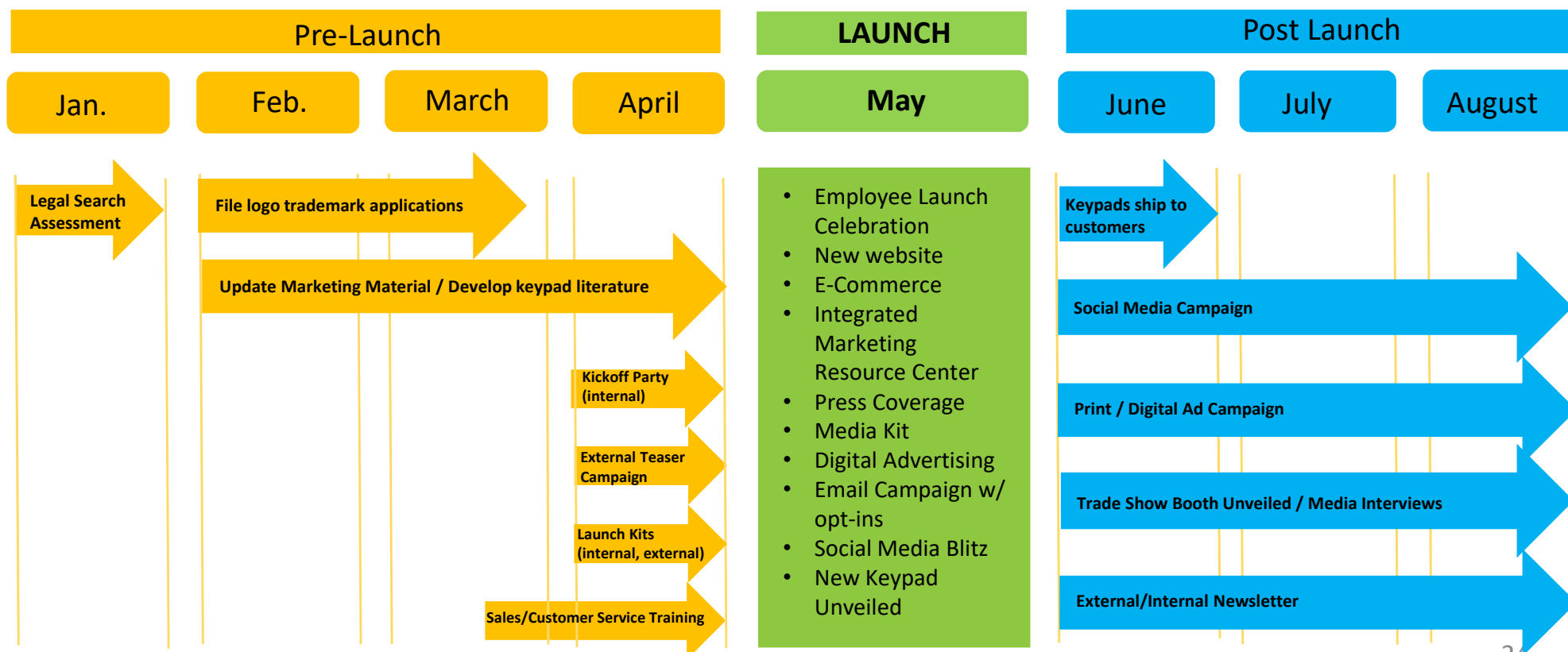
Current Logo



NEW Logo

## Recent Progress:

- Logo search reports complete; risks appear manageable, but formal response expected in ~4-6 weeks for U.S. market
- Brand Refresh launch has been pushed back ~3 months to better align with new keypad launch; exact date TBD, but targeting May 4



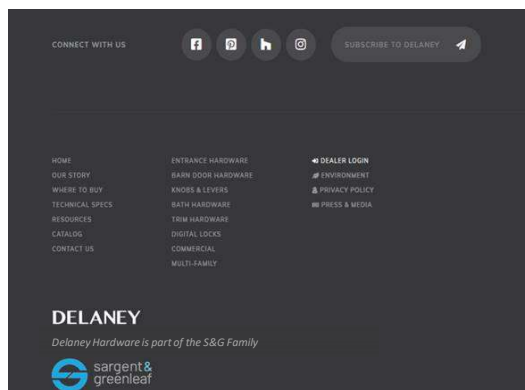


# Executive Summary | Marketing Integration Plan

**Positioning:** All three companies with overarching messaging of “Securing What You Value Most” within each of the target audiences.

**Visual:** Each brand will maintain individual brand identities while creating some visual synergies between the family of brands where appropriate (ex. Colors or metal usage)

**Copy:** Integrate “S&G’s Family of Brands” marketing copy



Company Family of Brands S&G, Delaney Hardware & Premier Logos. Approved logo artwork in a range of colors (offered in Metal, Steel Blue, Charcoal & White) and formats are available.



**Timing:** Updating Delaney & Premier now. S&G updates will be incorporated into new brand launch May 4<sup>th</sup> to avoid duplicate work.



# 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>QMS Intelligence / ERP Optimization</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>QMS Processes / Cost of Quality Reduction</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

Draft "Not Final" - Internal Confidential

# 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



# Executive Summary | Recruitment Update

POSITION	BUDGETED START	ESTIMATED START	BUDGETED ANNUAL SALARY	ESTIMATED ANNUAL SALARY	2020 BUDGETED 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	Phone screens to be scheduled week of 2/17 (Darrell Pruden & Shane Clemons)	C. Saunders	Darrell Pruden Shane Clemons
Customer Relationship Director	Feb	Mar	175K	160k	158k	132k	26k	2 candidates interviewed (one withdrew from consideration); Beckway scheduling phone screen with HR & Trent Perkins week of 2/10	M. LeMire	Alvaro Camargo Trent Perkins
Director of Sales, Americas	Feb	Mar	135K	135k	122k	112k	10k	Onsite interview scheduled with Bart Odgen for 2/18	M. Williams	Bart Odgen
Industry Market Manager, Financial	Mar	Mar	115K	115k	95k	95k	0k	Beckway building candidate pipeline; phone screen scheduled with HR on 2/17	M. Williams	Robert Wainscott
AR Temporary	Jan	Feb	40K	40k	40k	33k	7k	Engaged search with Robert Half; candidate interview 2/13 & 2/14	S. Tonkel	Francesca Rovera
Training Manager & Tech Writer	Apr	Apr	75K	75K	56K	42k	14k	Position posted internally & externally - 2/13	K. Edney	N/A
Software Engineer	Jul	Apr	125K	125k	63k	94k	-31k	Position posted internally & externally - 2/13	D. Ratliff	N/A
Executive Assistant	Feb	Apr	65k	65k	59k	49k	10k	Planned start in April	M. LeMire	N/A
Inside Sales, APAC	Mar	Jun	65k	65k	54k	38k	16k	Planned start in June	M. Williams	N/A
<b>Total</b>			<b>485k</b>	<b>485k</b>	<b>367k</b>	<b>351k</b>	<b>16k</b>			

# Executive Summary | Tariff Review

		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Current Tariffs (List 1-4)	Tariff %	January	February	March	April	May	June	July	August	September	October	November	December	2020 Impact
Keypads	25%	\$ 25.82	\$ 29.84	\$ 29.84	\$ 29.84	\$ 29.84	\$ 29.84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175.02
PCBAs	25%	\$ 42.98	\$ 5.56	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 3.28	\$ 81.34
Housings	25%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Misc	25%	\$ 1.90	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 25.00
Titan & Spartan Locks	7.5%	\$ 5.71	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 5.70	\$ 68.41
Keys	7.5%	\$ -	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 16.50
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	\$ 2.16	\$ 25.78
Total Tariff Spend/Forecast		\$ 78.43	\$ 46.86	\$ 44.58	\$ 44.58	\$ 44.58	\$ 44.58	\$ 14.74	\$ 14.74	\$ 14.74	\$ 14.74	\$ 14.74	\$ 14.74	\$ 392.05
AOP		\$ 55.40	\$ 55.40	\$ 55.40	\$ 55.40	\$ 55.40	\$ 55.40	\$ 25.36	\$ 25.36	\$ 25.36	\$ 25.36	\$ 25.36	\$ 25.36	\$ 484.56

- Tariff expense increase in January from final large purchase of PCBAs from China
- Recent tariff actions moved favorable from 15% to 7.5% for Locks, Keys, Dials & Rings
- Current Keypads scheduled to move from China to Mexico in June (Tooling Costs and Timing under Review)
- Material component and delivery costs subject to change from relocation of offshore manufacturing locations

# Executive Summary | Standalone Transition Milestones



## Q3 2020 and beyond

Focus on Phase II implementations for Quality Management Systems, freight contract onboarding, consolidated reporting for all S&G companies, and CRM strategy outcomes.

## Q2 2020

Transactional accounting supported temporarily in Nicholasville. Target date by May 31<sup>st</sup> for full AR, Collections, and AP for Cumming's Shared Services.

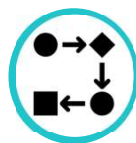


NetSuite Go-Live March 29, 2020

SolidWorks Go-Live March 1, 2020

## Q1 2020

NetSuite and SolidWorks testing and user acceptance. Gap closure, define financial shared services and initiate temporary financial transition role.



## Q3 2019

NetSuite and implementation agreement with RSM executed. Also, selected SolidWorks for product management Target Go-Live Date as March 1, 2020.



## February 19, 2020

Network, phones, and data storage changeover to cloud based in-house solutions. S&G controls connectivity and administrative rights to hardware.



## Q4 2019

Design and validation of NetSuite and SolidWorks. Coordinate network switchover from SBD to in-house.



## TSA with Stanley Black and Decker

One-year runout through May 2020 with two 3-month extensions. TSA includes network systems, SAP ERP, product management and freight contract sourcing. Expecting to leverage the SBD freight contracts through November 2020.



# Executive Summary | Net Suite Implementation

[illegible]

# January 2020 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ **Financial Review**
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ Appendix





# Financial Review | Summary P&L - MTD

\$'000	MTD		Variance		PY MTD	Variance	
	Act	Bud	\$	%	Act	\$	%
<b>Net Revenue</b>	<b>4,147</b>	<b>3,977</b>	<b>169</b>	<b>4.3%</b>	<b>3,350</b>	<b>796</b>	<b>23.8%</b>
Material	1,622	1,418	204	14.4%	1,083	540	49.8%
Labor	631	654	(23)	(3.5%)	621	10	1.7%
Other COGS	226	222	4	1.7%	190	36	18.6%
<b>Total COGS</b>	<b>2,479</b>	<b>2,294</b>	<b>185</b>	<b>8.1%</b>	<b>1,894</b>	<b>585</b>	<b>30.9%</b>
<b>Gross Margin</b>	<b>1,667</b>	<b>1,683</b>	<b>(16)</b>	<b>(0.9%)</b>	<b>1,456</b>	<b>211</b>	<b>14.5%</b>
<i>Gross Margin %</i>	<i>40.2%</i>	<i>42.3%</i>			<i>43.5%</i>		
R&D	212	281	(68)	(24.3%)	133	79	59.2%
Sales & Marketing	447	612	(165)	(26.9%)	374	73	19.5%
Administrative	325	389	(64)	(16.5%)	390	(66)	(16.8%)
Other Opex	—	—	—	N/A	—	—	N/A
<b>Total Opex</b>	<b>984</b>	<b>1,281</b>	<b>(297)</b>	<b>(23.2%)</b>	<b>898</b>	<b>86</b>	<b>9.6%</b>
<b>EBITDA</b>	<b>683</b>	<b>402</b>	<b>281</b>	<b>70.0%</b>	<b>559</b>	<b>125</b>	<b>22.3%</b>
<i>EBITDA %</i>	<i>16.5%</i>	<i>10.1%</i>			<i>16.7%</i>		
<b>Adj. EBITDA</b>	<b>928</b>	<b>747</b>	<b>\$ 181</b>	<b>24.2%</b>	<b>559</b>	<b>369</b>	<b>66.0%</b>
<i>Adj. EBITDA %</i>	<i>22.4%</i>	<i>18.8%</i>			<i>16.7%</i>		
<b>Net Income (Loss)</b>	<b>\$ (616)</b>	<b>\$ (610)</b>	<b>\$ (6)</b>	<b>0.9%</b>	<b>\$ 440</b>	<b>\$ (1,055)</b>	<b>(239.9%)</b>
Unincurred Standalone Costs	\$ 30	\$ 10					
<b>PF Adj EBITDA</b>	<b>\$ 897</b>	<b>\$ 737</b>					
<i>PF Adj. EBITDA %</i>	<i>21.6%</i>	<i>18.5%</i>					

## Management Discussion

### Budget

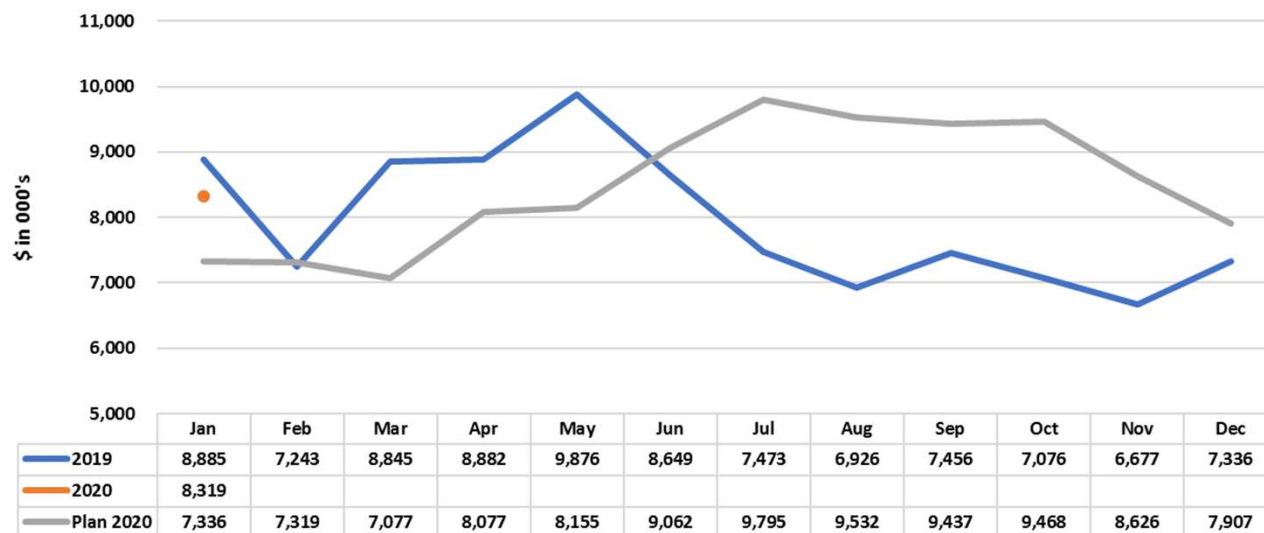
- January Revenue favorable variance of \$0.2M vs Budget
- Unfavorable performance in LAG (\$0.1M); Cogar
- Unfavorable performance in APAC (\$0.1M); ARYA
- Unfavorable performance EMEA (\$0.1M); A Samuel (\$0.05M), ASSA (\$0.03M)
- Favorable performance NA \$0.4M, Genmega-OEM \$0.2M, MBA-Distributor \$0.1M, Timemaster-Distributor \$0.1M
- January Adjusted EBITDA favorable \$0.2M to Budget. Gross margin is at target with a volume impact of \$0.1M and other impacts of approximately (\$0.2M) from standards change in material cost and period warranty cost.
- Opex is favorable \$0.3M vs Budget related timing spend on strategic initiatives
  - Actual 1x charges were \$0.2M versus Budget of \$0.3M
  - Rebranding and new keypad spending pushed to 2Q
  - Recruitment and training timing pushed out

### PY

- January Adjusted EBITDA favorable \$0.3M vs PY. Gross margin is favorable \$0.2M with a volume impact of \$0.3M and other impact of (\$0.1M).
- Opex is unfavorable (\$0.1M) compared to PY
  - Actual 1x adjustments were \$0.2M versus PY of \$0

# Financial Summary | Backlog Trends

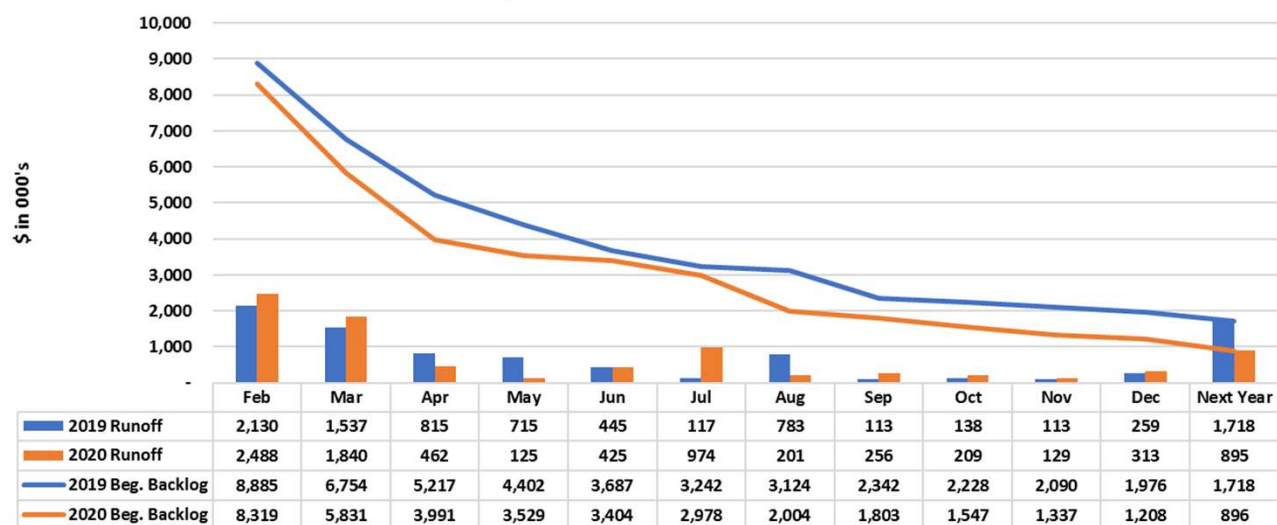
**Trended Backlog - Comparative January**



## Management Discussion

- January backlog of \$8.3M contains:
  - Timemaster blanket order of \$1.9M
  - Government 951 orders of \$1.4M
  - ARYA of \$0.3M
- 2019 Backlog of \$8.9M contained:
  - Timemaster blanket order of \$1.7M
  - Government 951 orders of \$1.6M
  - ARYA of \$0.8M

**Backlog Runoff-Comparative January**



# Financial Summary | Business Split Comparison

## YTD Sales (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$661	\$0	\$13	\$0	\$0	<b>\$674</b>
APAC (Less India)	\$265	\$16	\$425	\$22	\$2	<b>\$731</b>
EMEA	\$489	\$39	\$154	\$19	\$4	<b>\$705</b>
LATAM	\$55	\$23	\$22	\$1	\$5	<b>\$106</b>
US and Canada	\$116	\$828	\$548	\$239	\$25	<b>\$1,757</b>
<b>Total</b>	<b>\$1,586</b>	<b>\$907</b>	<b>\$1,162</b>	<b>\$281</b>	<b>\$37</b>	<b>\$3,972</b>

## YTD Sales (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	16.6%	0.0%	0.3%	0.0%	0.0%	<b>17.0%</b>
APAC (Less India)	6.7%	0.4%	10.7%	0.6%	0.1%	<b>18.4%</b>
EMEA	12.3%	1.0%	3.9%	0.5%	0.1%	<b>17.7%</b>
LATAM	1.4%	0.6%	0.5%	0.0%	0.1%	<b>2.7%</b>
US and Canada	2.9%	20.8%	13.8%	6.0%	0.6%	<b>44.2%</b>
<b>Total</b>	<b>39.9%</b>	<b>22.8%</b>	<b>29.3%</b>	<b>7.1%</b>	<b>0.9%</b>	<b>100.0%</b>

## YTD Contribution Margin (\$M)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$448	\$0	\$7	\$0	\$0	<b>\$455</b>
APAC (Less India)	\$158	\$2	\$88	\$1	\$1	<b>\$249</b>
EMEA	\$163	\$2	\$57	(\$4)	\$1	<b>\$219</b>
LATAM	\$21	\$4	\$8	\$1	\$1	<b>\$34</b>
US and Canada	\$49	\$409	\$221	\$129	\$8	<b>\$816</b>
<b>Total</b>	<b>\$839</b>	<b>\$417</b>	<b>\$381</b>	<b>\$127</b>	<b>\$10</b>	<b>\$1,773</b>

## YTD Contribution Margin (% of Total)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	25.3%	0.0%	0.4%	0.0%	0.0%	<b>25.6%</b>
APAC (Less India)	8.9%	0.1%	5.0%	0.0%	0.0%	<b>14.1%</b>
EMEA	9.2%	0.1%	3.2%	(0.2%)	0.1%	<b>12.3%</b>
LATAM	1.2%	0.2%	0.5%	0.0%	0.1%	<b>1.9%</b>
US and Canada	2.8%	23.0%	12.5%	7.3%	0.4%	<b>46.0%</b>
<b>Total</b>	<b>47.3%</b>	<b>23.5%</b>	<b>21.5%</b>	<b>7.1%</b>	<b>0.6%</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 Wiratanu 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)

# Financial Summary | YTD YOY Comparison

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

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$230	\$0	(\$27)	\$0	\$0	\$203
APAC (Less India)	\$123	(\$22)	\$226	\$22	(\$2)	\$346
EMEA	\$179	(\$21)	\$15	(\$8)	\$4	\$169
LATAM	(\$53)	\$10	(\$99)	(\$9)	(\$43)	(\$194)
US and Canada	(\$240)	\$19	\$206	\$156	(\$54)	\$88
<b>Total</b>	<b>\$239</b>	<b>(\$14)</b>	<b>\$322</b>	<b>\$162</b>	<b>(\$95)</b>	<b>\$614</b>

## YTD YoY Change in Sales (% Growth)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	53.4%	N/A	(67.2%)	N/A	N/A	43.3%
APAC (Less India)	85.8%	(58.0%)	113.7%	3,054.3%	(47.7%)	89.8%
EMEA	57.8%	(35.2%)	10.9%	(29.0%)	5,960.9%	31.7%
LATAM	(48.9%)	76.2%	(82.0%)	(93.5%)	(89.9%)	-64.7%
US and Canada	(67.4%)	2.3%	60.4%	189.1%	(67.7%)	5.3%
<b>Total</b>	<b>17.7%</b>	<b>(1.6%)</b>	<b>38.3%</b>	<b>136.3%</b>	<b>(72.1%)</b>	<b>18.3%</b>

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

> \$50k
< \$50k
+/- \$50k

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

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	\$142	\$0	(\$9)	\$0	\$0	\$133
APAC (Less India)	\$96	(\$1)	\$22	\$0	(\$1)	\$117
EMEA	\$81	(\$22)	\$7	(\$15)	\$1	\$53
LATAM	(\$40)	\$2	(\$32)	(\$4)	(\$8)	(\$83)
US and Canada	(\$173)	\$98	\$72	\$86	(\$17)	\$65
<b>Total</b>	<b>\$106</b>	<b>\$77</b>	<b>\$59</b>	<b>\$67</b>	<b>(\$25)</b>	<b>\$284</b>

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

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	-327 bps	N/A	1259 bps	N/A	N/A	-94 bps
APAC (Less India)	1631 bps	527 bps	-1267 bps	-3853 bps	-22 bps	-23 bps
EMEA	681 bps	-3384 bps	98 bps	-6191 bps	-4108 bps	-1 bps
LATAM	-1837 bps	104 bps	343 bps	5116 bps	20 bps	-697 bps
US and Canada	-1996 bps	1089 bps	-322 bps	125 bps	-158 bps	143 bps
<b>Total</b>	<b>-151 bps</b>	<b>906 bps</b>	<b>-549 bps</b>	<b>-490 bps</b>	<b>120 bps</b>	<b>31 bps</b>

Legend (Chg in Contribution Margin % of Sales):

> 50 bps
< 50 bps
+/- 50 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

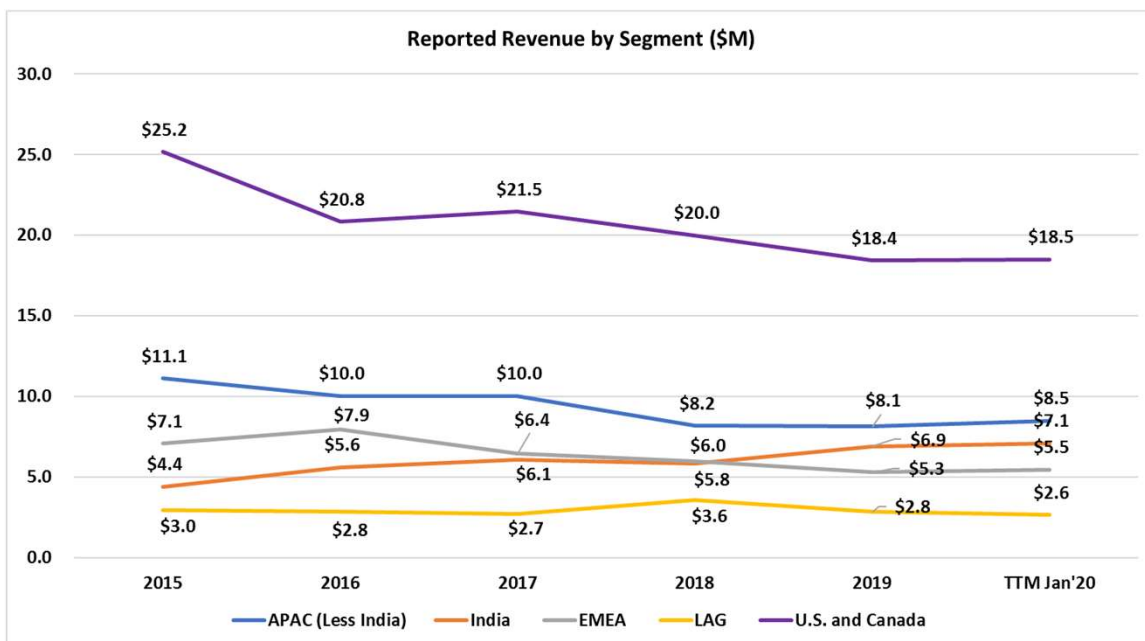
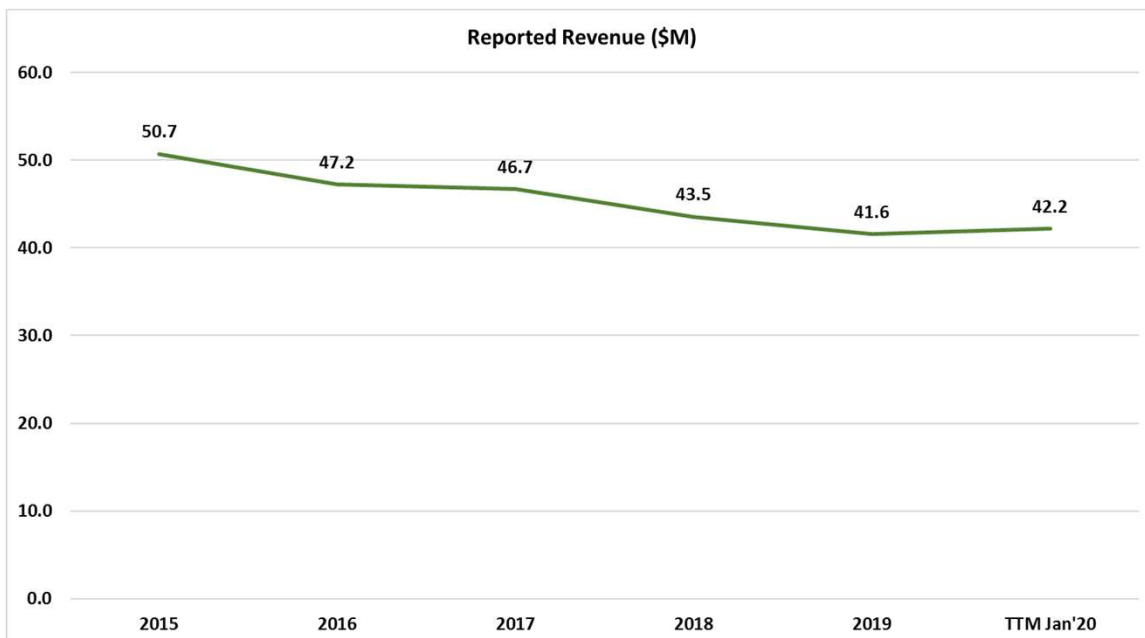
### EMEA

- ATM–Increased margin with NCR Hungary 6880's

### India

- ATM–price decrease for NCR India impacting margin %

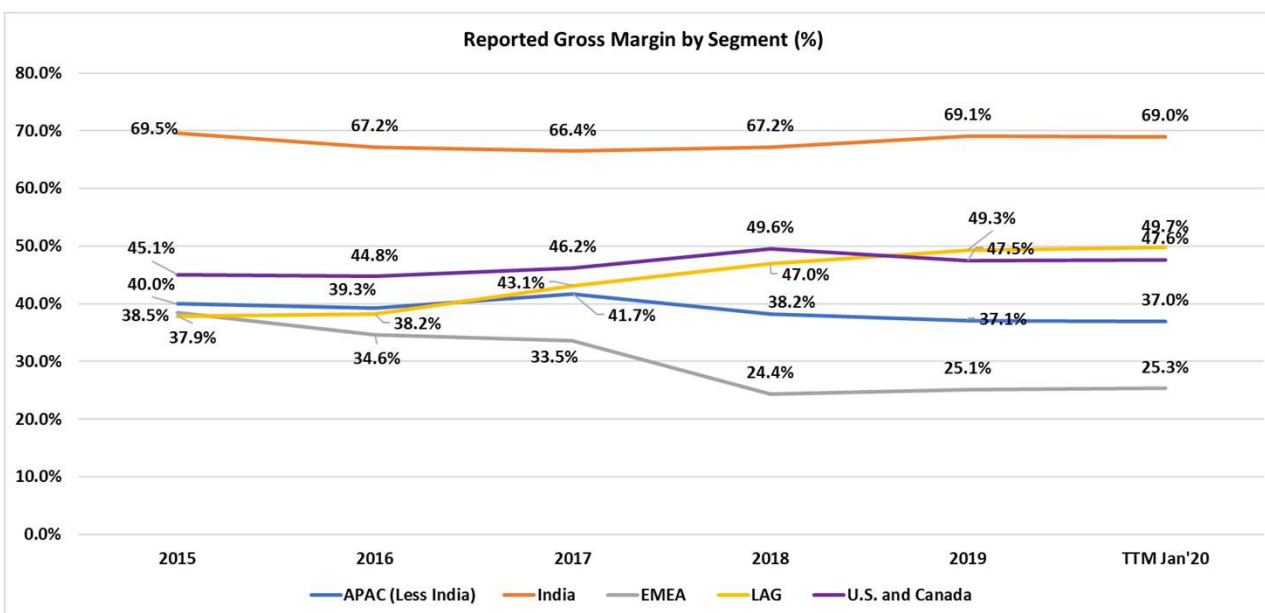
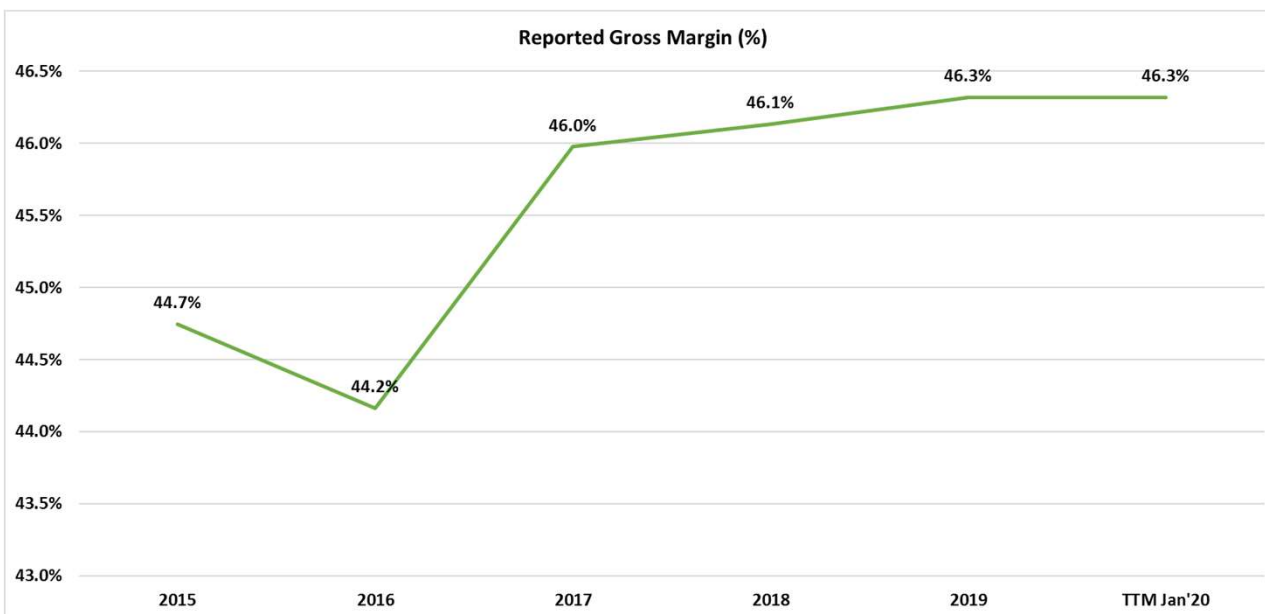
# Financial Summary | Revenue



## 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)

# Financial Summary | 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)

# Financial Summary | Cost of Goods Sold by Component

\$'000	MTD		Var	
	Act	Bud	\$	%
<b><u>Material</u></b>				
Material costs at standard	\$ 1,579	\$ 1,422	\$ 157	11.1%
Purchase price variance	(38)	(69)	31	(44.9%)
Freight in	44	57	(13)	(22.8%)
Cost revision	–	10	(10)	(100.0%)
Scrap costs	(13)	(12)	(1)	12.9%
Consumables	50	9	40	438.4%
<b>Total Material COGS</b>	<b>\$ 1,622</b>	<b>\$ 1,418</b>	<b>\$ 204</b>	<b>14.4%</b>
<b><u>Labor</u></b>				
Direct labor	\$ 270	\$ 282	\$ (13)	(4.6%)
Direct labor - overtime	19	31	(12)	(39.6%)
Direct labor - benefits	75	127	(52)	(40.9%)
Direct labor - overtime	19	31	(12)	(39.6%)
Indirect labor	191	173	18	10.4%
Indirect labor – benefits	76	40	37	92.3%
<b>Total Labor COGS</b>	<b>\$ 631</b>	<b>\$ 654</b>	<b>\$ (23)</b>	<b>(3.5%)</b>
<b><u>Other</u></b>				
Repairs and maintenance	\$ 24	\$ 20	\$ 4	20.3%
Rent / facilities	141	111	30	27.0%
Utilities	21	26	(5)	(18.6%)
Other cost of sales	39	65	(25)	(39.3%)
<b>Total Other COGS</b>	<b>\$ 226</b>	<b>\$ 222</b>	<b>\$ 4</b>	<b>1.7%</b>
<b>Total COGS</b>	<b>\$ 2,479</b>	<b>\$ 2,294</b>	<b>\$ 185</b>	<b>12.6%</b>

## Management Discussion

- (\$157k) Material costs – Volume increase (\$60k) and higher mix of lower margin mechanical locks
- 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), and brass rods(\$4K)
- Freight-in favorable from timing of purchase receipts and Tariff fees to recognize in February at customs clearing
- 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 (\$25K) for testing UL \$8K , VDS \$14K, CNPP \$7K
- Other cost of sales includes (\$52K) from unfavorable warranty returns of ASWD from EMEA customers



# Financial Summary | Balance Sheet

\$'000	Dec-19	Oct-19	Nov-19	Dec-19	Jan-20		Variance	
	Act	Act	Act	Act	Act	Bud	\$	%
<b>Current Assets</b>								
Cash and cash equivalents	\$ 1,606	\$ 3,780	\$ 3,401	\$ 1,606	\$ 880	\$ 507	\$ 373	73.6%
Accounts receivable, gross	4,956	7,240	6,935	4,956	5,944	6,363	(419)	(6.6%)
Accounts receivable, reserves	(220)	(201)	(213)	(220)	(220)	(127)	(93)	73.0%
Accounts receivable, net	4,736	7,040	6,722	4,736	5,724	6,236	(512)	(8.2%)
Inventory, gross	7,497	7,747	7,396	7,497	7,479	7,195	285	4.0%
Inventory, reserves	(474)	(564)	(550)	(474)	(625)	(471)	(154)	32.7%
Inventory, net	7,023	7,183	6,846	7,023	6,855	6,724	130	1.9%
Prepaid expenses and other current assets	(24)	113	84	(24)	(52)	(24)	(28)	116.6%
Other current assets	49,912	—	—	49,912	50,032	49,912	120	0.2%
<b>Total Current Assets</b>	<b>63,253</b>	<b>18,116</b>	<b>17,053</b>	<b>63,253</b>	<b>63,439</b>	<b>63,355</b>	<b>83</b>	<b>0.1%</b>
<b>Non-Current Assets</b>								
Property, plant & equipment, gross	11,683	11,492	11,522	11,683	11,714	11,690	24	0.2%
Accumulated depreciation	(917)	(502)	(787)	(917)	(1,011)	(1,039)	28	(2.7%)
Property, plant & equipment, net	10,765	10,990	10,735	10,765	10,703	10,650	52	0.5%
Goodwill	42,050	45,918	45,914	42,050	42,133	42,050	83	0.2%
Identifiable intangible assets, gross	15,100	15,100	15,100	15,100	15,100	15,100	—	0.0%
Accumulated amortization	(690)	(196)	(443)	(690)	(789)	(1,022)	233	(22.8%)
Identifiable intangible assets, net	14,410	14,904	14,657	14,410	14,311	14,078	233	1.7%
Deferred financing cost	2,759	1,646	1,646	2,759	2,759	2,732	27	1.0%
Other non-current assets	131	131	131	131	2	131	(129)	(98.2%)
<b>Total Non-Current Assets</b>	<b>70,115</b>	<b>73,590</b>	<b>73,084</b>	<b>70,115</b>	<b>69,908</b>	<b>69,641</b>	<b>267</b>	<b>0.4%</b>
<b>Total Assets</b>	<b>\$ 133,369</b>	<b>\$ 91,706</b>	<b>\$ 90,137</b>	<b>\$ 133,369</b>	<b>\$ 133,347</b>	<b>\$ 132,997</b>	<b>\$ 350</b>	<b>0.3%</b>
<b>Current Liabilities</b>								
Current portion of long-term debt	\$ 1,850	\$ 1,003	\$ 1,003	\$ 1,850	\$ 1,850	\$ 1,850	\$ —	0.0%
Accounts payable	2,788	3,574	2,839	2,788	2,515	3,026	(511)	(16.9%)
Accrued liabilities	1,975	1,627	1,615	1,975	1,558	1,975	(418)	(21.1%)
Accrued compensation	125	182	270	125	249	125	124	99.3%
Income taxes payable	128	152	152	128	128	128	(0)	(0.1%)
Short-term unearned revenue	45	262	16	45	33	45	(12)	(26.3%)
<b>Total Current Liabilities</b>	<b>6,912</b>	<b>6,800</b>	<b>5,894</b>	<b>6,912</b>	<b>7,583</b>	<b>7,150</b>	<b>433</b>	<b>6.1%</b>
<b>Long-term liabilities</b>								
Long-term debt less current maturities	90,658	43,360	43,360	90,658	90,658	90,658	—	0.0%
Deferred income taxes	(831)	2,989	2,989	(831)	(831)	(831)	—	0.0%
Other non-current liabilities	87	87	87	87	—	87	(87)	(100.0%)
<b>Total Long-Term Liabilities</b>	<b>89,914</b>	<b>46,436</b>	<b>46,436</b>	<b>89,914</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>53,236</b>	<b>52,330</b>	<b>96,825</b>	<b>97,410</b>	<b>97,063</b>	<b>346</b>	<b>0.4%</b>
<b>Shareholders' Equity</b>								
Common stock	40,228	40,228	40,228	40,228	40,228	40,228	—	0.0%
Retained earnings	(5,055)	(3,112)	(3,760)	(5,055)	(5,550)	(5,665)	116	(2.0%)
Accumulated other comprehensive income	1,370	1,354	1,339	1,370	1,258	1,370	(112)	(8.1%)
Other equity transactions	1	1	1	1	1	1	—	0.0%
<b>Total Shareholders' Equity</b>	<b>36,543</b>	<b>38,470</b>	<b>37,807</b>	<b>36,543</b>	<b>35,937</b>	<b>35,933</b>	<b>4</b>	<b>0.0%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 133,369</b>	<b>\$ 91,706</b>	<b>\$ 90,137</b>	<b>\$ 133,369</b>	<b>\$ 133,347</b>	<b>\$ 132,997</b>	<b>\$ 350</b>	<b>0.3%</b>

## Management Discussion

- Lower Accounts Receivable by (\$0.5M) compared to Budget due to lower than forecasted sales (December 2019)
- Slow pay A/R > than 16 days DFAS-Government \$470k, Cogar \$150k, Shanghai Best \$113k, Pingan \$75k
- Accounts Payable lower by (\$0.5M) compared to Budget due to lower volume and lower Capex spend
- Unfavorable inventory position (\$0.1M)



# Financial Summary | Opex Summary MTD

\$'000	MTD		Variance		PY MTD		Variance					
	Act	Bud	\$	%	Act	\$	%					
<b><u>Opex Overview:</u></b>												
Payroll	\$	326	\$	306	\$	20	6.5%	\$	311	\$	14	4.6%
Benefits		38		52		(14)	(26.4%)		97		(59)	(60.9%)
Bonus		49		67		(18)	(27.2%)		47		2	4.0%
Marketing		24		35		(11)	(31.3%)		33		(9)	(26.8%)
Travel and Entertainment		59		59		(0)	(0.7%)		28		30	106.5%
Rent and Facilities		1		1		0	3.1%		1		0	2.0%
Insurance		1		1		(0)	(11.7%)		1		(0)	(12.6%)
Professional Fees		266		420		(154)	(36.6%)		174		92	52.9%
Utl., Repair, Maint., & Sec.		2		6		(3)	(58.0%)		3		(0)	(3.0%)
IT		109		112		(3)	(2.5%)		45		65	144.5%
Bad Debts		—		—		—	N/A		44		(44)	(100.0%)
Supplies		15		6		9	147.4%		5		10	205.9%
Other Expenses		49		167		(118)	(70.6%)		61		(12)	(20.3%)
<b>Total Opex</b>	<b>\$</b>	<b>984</b>	<b>\$</b>	<b>1,281</b>	<b>\$</b>	<b>(297)</b>	<b>(23.2%)</b>	<b>\$</b>	<b>898</b>	<b>\$</b>	<b>86</b>	<b>9.6%</b>

## Management Discussion

- January vs Budget – favorable \$0.2M related to timing of delayed strategic initiative spend (rebranding, recruiting fees, new product development)
  - Actual 1x adjustments were \$244k versus Budget of \$345k due to delayed strategic initiative spend mentioned above



# Financial Summary | YTD Opex Analysis

\$'000

	YTD			Explanation of Variance					Variance Impact		
			Variance	One-Time /		Change in		Other	Total Variance	YoY Impact	Annualized
	Act	Bud	B / (W)	Non-recurring	Timing	Run-rate			B / (W)	B / (W)	Impact B / (W)
Payroll	\$ 326	\$ 306	\$ 20	\$ –	\$ –	\$ 20	\$ –		\$ 20	\$ 20	\$ 20
Benefits	38	52	(14)	–	–	(14)	–		(14)	(14)	(14)
Bonus	49	67	(18)	–	–	(18)	–		(18)	(18)	(18)
Commissions	44	49	(5)	–	–	(5)	–		(5)	(5)	(5)
Marketing	24	35	(11)	–	–	(11)	–		(11)	(11)	(11)
Travel and Entertainment	59	59	(0)	–	–	(0)	–		(0)	(0)	(0)
Rent and Facilities	1	1	0	–	–	0	–		0	0	0
Insurance	1	1	(0)	–	–	(0)	–		(0)	(0)	(0)
Professional Fees	266	420	(154)	146	(272)	(28)	–		(154)	(28)	(28)
Utl., Repair, Maint., & Sec.	2	6	(3)	–	–	(3)	–		(3)	(3)	(3)
IT	109	112	(3)	98	–	(100)	–		(3)	(100)	(100)
Supplies	15	6	9	–	–	9	–		9	9	9
Other Expenses	49	167	(118)	–	–	(118)	–		(118)	(118)	(118)
<b>Total Opex</b>	<b>\$ 984</b>	<b>\$ 1,281</b>	<b>\$ (297)</b>	<b>\$ 244</b>	<b>\$ (272)</b>	<b>\$ (269)</b>	<b>\$ –</b>		<b>\$ (297)</b>	<b>\$ (269)</b>	<b>\$ (269)</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.



# Financial Summary | Incurred Standalone Costs

\$'000		MTD		Variance	
	Description	Act	Bud	\$	%
<b>IT</b>		<b>30</b>	<b>30</b>	-	<b>0.0%</b>
Manager	Salary and Benefits	10	10	-	0.0%
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windc	5	5	-	0.0%
ERP tranisition licensing fees	Licensing	11	11	-	0.0%
Data Communications	Licensing	4	4	-	0.0%
<b>Legal</b>		<b>13</b>	<b>13</b>	-	<b>0.0%</b>
External legal fees and other expenses	Legal Fees	11	11	-	0.0%
Patent fees	Patent Fees	2	2	-	0.0%
<b>Finance</b>		<b>24</b>	<b>37</b>	<b>(13)</b>	<b>-33.9%</b>
CFO	Salary and Benefits	24	24	-	0.0%
Base compensation (2 FTEs)	Salary and Benefits	1	13	(13)	-93.3%
<b>Sales</b>		<b>29</b>	<b>46</b>	<b>(17)</b>	<b>-37.0%</b>
VP of Sales	Salary and Benefits	25	25	-	0.0%
Customer Relationship Manager	Salary and Benefits	4	21	(17)	-81.7%
<b>HR</b>		<b>2</b>	<b>2</b>	-	<b>0.0%</b>
Business Travel and Accident	Business Travel and Accident	0	0	-	0.0%
Global Emergency Travel Services	Global Emergency Travel Services	1	1	-	0.0%
<b>Trade Compliance</b>		<b>1</b>	<b>1</b>	-	<b>0.0%</b>
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	0	-	0.0%
Trade Flow software license	Trade Flow software license	1	1	-	0.0%
<b>Bonuses</b>	Incremental management bonuses	<b>63</b>	<b>63</b>	-	<b>0.0%</b>
<b>Risk</b>	Incremental cost of business insurances	<b>12</b>	<b>12</b>	-	<b>0.0%</b>
<b>Freight</b>	Adjust freight to actual charges versus allocation	<b>77</b>	<b>77</b>	-	<b>0.0%</b>
<b>401(k) compensation</b>	Estimated incremental 401(k) expense	<b>22</b>	<b>22</b>	-	<b>0.0%</b>
<b>Total Standalone Costs</b>		<b>274</b>	<b>304</b>	<b>(30)</b>	<b>-9.7%</b>



# Financial Summary | PF Standalone Costs

\$'000	Description	Jan					
		Budget		PF	Actual		PF
		Incurred	Unincurred		Incurred	Unincurred	
<b>IT</b>		<b>29</b>	<b>2</b>	<b>30</b>	<b>30</b>	-	<b>30</b>
Manager	Salary and Benefits	10	-	10	10	-	10
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	7	(2)	5	5	-	5
ERP transition licensing fees	Licensing	11	-	11	11	-	11
Data Communications	Licensing	1	4	4	4	-	4
<b>Legal</b>		<b>5</b>	<b>8</b>	<b>13</b>	<b>13</b>	-	<b>13</b>
External legal fees and other expenses	Legal Fees	5	6	11	11	-	11
Patent fees	Patent Fees	-	2	2	2	-	2
<b>Finance</b>		<b>24</b>	<b>13</b>	<b>37</b>	<b>24</b>	<b>13</b>	<b>37</b>
CFO	Salary and Benefits	24	-	24	24	-	24
Base compensation (2 FTEs)	Salary and Benefits	-	13	13	1	13	13
<b>Sales</b>		<b>25</b>	<b>21</b>	<b>46</b>	<b>29</b>	<b>17</b>	<b>46</b>
VP of Sales	Salary and Benefits	25	-	25	25	-	25
Customer Relationship Manager	Salary and Benefits	-	21	21	4	17	21
<b>HR</b>		<b>2</b>	-	<b>2</b>	<b>2</b>	-	<b>2</b>
Business Travel and Accident	Business Travel and Accident	0	-	0	0	-	0
Global Emergency Travel Services	Global Emergency Travel Services	1	-	1	1	-	1
<b>Trade Compliance</b>		<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	-	0	0	-	0
Trade Flow software license	Trade Flow software license	1	-	1	1	-	1
<b>Bonuses</b>	Incremental management bonuses	<b>47</b>	<b>16</b>	<b>63</b>	<b>63</b>	-	<b>63</b>
<b>Risk</b>	Incremental cost of business insurances	<b>28</b>	<b>(16)</b>	<b>12</b>	<b>12</b>	-	<b>12</b>
<b>Freight</b>	Adjust freight to actual charges versus allocation	<b>64</b>	<b>13</b>	<b>77</b>	<b>77</b>	-	<b>77</b>
<b>401(k) compensation</b>	Estimated incremental 401(k) expense	<b>11</b>	<b>11</b>	<b>22</b>	<b>22</b>	-	<b>22</b>
<b>Total Standalone Costs</b>		<b>235</b>	<b>69</b>	<b>304</b>	<b>274</b>	<b>30</b>	<b>304</b>

# Financial Summary | 1X Costs

	Actual	Bud	Var	% Chg
<b>Engineering</b>	<b>54</b>	<b>96</b>	<b>(42)</b>	<b>-43.6%</b>
Market Parity	-	42	(42)	-100.0%
OGX	54	54	-	0.0%
<b>Marketing</b>	<b>89</b>	<b>65</b>	<b>24</b>	<b>36.9%</b>
Brand Refresh	47	65	(18)	-27.7%
Ecommerce	24	-	24	#DIV/0!
Market Parity	18	-	18	#DIV/0!
<b>Admin</b>	<b>101</b>	<b>184</b>	<b>(83)</b>	<b>-45.0%</b>
Legal Services (policy reviews)	-	8	(8)	-100.0%
HR Consultant	3	8	(4)	-54.2%
Recruiting Fees	-	48	(48)	-100.0%
NetSuite Reports Consulting	-	8	(8)	-100.0%
TSA	74	71	3	4.6%
Planned Engineering Separation Project Start	-	10	(10)	-100.0%
IT Services - Transition Support	3	12	(9)	-75.0%
RSM Consulting	20	20	0	1.5%
<b>Total</b>	<b>244</b>	<b>345</b>	<b>(100)</b>	<b>-29.2%</b>

# Financial Summary | Cash Flow Statement

\$'000	YTD		Variance	
	Act	Bud	\$	%
<b><i>Cash flow from operations</i></b>				
Net Income (Loss)	\$ (616)	\$ (610)	\$ (6)	0.9%
Depreciation, amortization and other	109	454	(345)	(75.9%)
<i>Change in operating assets and liabilities:</i>				
Accounts receivable	(988)	(1,500)	512	(34.1%)
Inventory	168	299	(130)	(43.7%)
Prepaid expenses and other current assets	28	—	28	N/A
Accounts payable	(273)	238	(511)	(214.9%)
Accrued expenses	(418)	—	(418)	N/A
Accrued income taxes	(0)	—	(0)	N/A
Other changes in operating assets and liabilities	35	—	35	N/A
<b>Total Cash Flow from Operations</b>	<b>\$ (1,955)</b>	<b>\$ (1,120)</b>	<b>\$ (835)</b>	<b>74.6%</b>
<b><i>Cash flow from investing</i></b>				
Additions to property, plant and equipment	\$ (31)	\$ (7)	\$ (24)	347.3%
<b>Total Cash Flow from Investing</b>	<b>\$ (31)</b>	<b>\$ (7)</b>	<b>\$ (24)</b>	<b>347.3%</b>
<b><i>Cash flow from financing</i></b>				
Proceeds from the issuance (repayment) of short-term debt	\$ 1,250	\$ —	\$ 1,250	N/A
Other cash flow from financing costs	10	27	(17)	(64.4%)
<b>Total Cash Flow from Financing</b>	<b>\$ 1,260</b>	<b>\$ 27</b>	<b>\$ 1,233</b>	<b>4565.2%</b>
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>N/A</b>
<b>Net change in cash</b>	<b>\$ (726)</b>	<b>\$ (1,100)</b>	<b>\$ 373</b>	<b>(33.9%)</b>
Beginning cash	1,606	1,606	—	0.0%
Change in cash	(726)	(1,100)	373	(33.9%)
<b>Ending cash</b>	<b>\$ 880</b>	<b>\$ 507</b>	<b>\$ 373</b>	<b>73.7%</b>



SARGENT AND GREENLEAF

# Financial Summary | 13-Week Cash Flow Projection

In US\$	Forecast 2/10	Forecast 2/17	Forecast 2/24	Forecast 3/2	Forecast 3/9	Forecast 3/16	Forecast 3/23	Forecast 3/30	Forecast 4/6	Forecast 4/13	Forecast 4/20	Forecast 4/27	Forecast 5/4	Forecast 5/11
<b>Cash Inflows - Operational</b>														
Collections from customers (Actual)														
Collections from customers based on projected aging (Forecast)	1,009	633	1,271	897	613	777	455	295	492	83	37	48	34	32
Collections from new forecasted sales	-	-	-	-	-	245	245	420	420	668	685	710	720	808
<b>Total AR Collections</b>	1,009	633	1,271	897	613	1,022	700	715	912	750	722	758	754	840
Other non-AR inflows														
<b>Total Cash Inflows - Operational</b>	1,009	633	1,271	897	613	1,022	700	715	912	750	722	758	754	840
<b>Cash Outflows - Operational</b>														
Product inventory (SAP AP)	(944)	(279)	(312)	(297)	(440)	(301)	(320)	(509)	(321)	(325)	(322)	(419)	(372)	(390)
Payroll	(70)	(300)	(70)	(388)	(70)	(300)	(70)	(245)	(213)	(245)	(70)	(245)	(213)	(245)
Commissions														
Bonus														
Facilities & other (Freight)	(120)	(20)	(20)	(65)	(70)	(20)	(20)	(20)	(65)	(70)	(70)	(70)	(115)	(70)
Professional services	(85)	-	(62)	(210)	-	(62)	-	-	-	-	-	-	-	-
Marketing		(50)				(75)								
Recruiter fees		(25)					(25)				(25)			
Other expenses (Insurance, TSA, CC)	(112)	-	(160)	-	(72)	-	-	(160)	(72)	-	-	(160)	-	-
<b>Total Cash Outflows - Operational</b>	(1,331)	(674)	(624)	(960)	(652)	(758)	(435)	(934)	(671)	(640)	(487)	(894)	(700)	(705)
<b>Cashflows - Financial and Other</b>														
Revolving Loan Draw (Paydown)														
Term Loan paydowns								(463)						
Interest and financial amortization								(1,715)						
Other financial income/expense (e.g. fx, hedging)														
Non-financial income/expense														
Estimated Tax Payments														
Monitoring fees (including travel expenses)									(500)					
Non-recurring items														
<b>Total Cash Outflows - Financial and Other</b>	-	-	-	-	-	-	-	(2,178)	(500)	-	-	-	-	-
<b>TOTAL CASH FLOW</b>	(322)	(42)	647	(64)	(39)	264	265	(2,397)	(259)	110	235	(136)	54	135
<b>Cash Rollforward</b>														
Beginning cash balance	1,239	917	876	1,523	1,459	1,420	1,684	1,949	(448)	(708)	(598)	(362)	(499)	(445)
Cash activity	(322)	(42)	647	(64)	(39)	264	265	(2,397)	(259)	110	235	(136)	54	135
<b>ENDING CASH BALANCE</b>	917	876	1,523	1,459	1,420	1,684	1,949	(448)	(708)	(598)	(362)	(499)	(445)	(310)
<b>Debt Summary</b>														
Rolled debt	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Credit facility	92,508	92,508	92,508	92,508	92,508	92,508	92,508	92,045	92,045	92,045	92,045	92,045	92,045	92,045
<b>TOTAL DEBT</b>	93,758	93,758	93,758	93,758	93,758	93,758	93,758	93,295	93,295	93,295	93,295	93,295	93,295	93,295
<b>TOTAL NET DEBT</b>	92,841	92,882	92,235	92,299	92,338	92,074	91,809	93,743	94,003	93,893	93,657	93,794	93,740	93,605
<b>AVAILABILITY</b>	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750

Note: Presented in consolidating presentation for locking systems. Consolidated reporting will be forthcoming with February results.



## Financial Summary | Covenant Analysis

Covenant Analysis will be included in the February MOR once consolidation is complete.

# January 2020 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ **Full Year Financial Outlook**
- ➔ Governance Reporting
- ➔ Appendix

# Full Year Financial Outlook | Summary P&L

\$'000	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%	Rfc / Act	\$	%
<b>Net Revenue</b>	<b>45,547</b>	<b>45,377</b>	<b>169</b>	<b>0.4%</b>	<b>42,122</b>	<b>3,425</b>	<b>8.1%</b>
Material	16,270	16,066	204	1.3%	15,580	690	4.4%
Labor	6,998	7,020	(23)	(0.3%)	6,746	252	3.7%
Other COGS	2,438	2,434	4	0.2%	2,528	(90)	(3.6%)
<b>Total COGS</b>	<b>25,706</b>	<b>25,520</b>	<b>185</b>	<b>0.7%</b>	<b>24,854</b>	<b>852</b>	<b>3.4%</b>
<b>Gross Margin</b>	<b>19,841</b>	<b>19,857</b>	<b>(16)</b>	<b>(0.1%)</b>	<b>17,268</b>	<b>2,573</b>	<b>14.9%</b>
<i>Gross Margin %</i>	<i>43.6%</i>	<i>43.8%</i>			<i>41.0%</i>		
R&D	2,352	2,420	(68)	(2.8%)	1,495	857	57.3%
Sales & Marketing	5,479	5,644	(165)	(2.9%)	3,929	1,550	39.4%
Administrative	2,749	2,813	(64)	(2.3%)	8,366	(5,617)	(67.1%)
Other Opex	–	–	–	N/A	–	–	N/A
<b>Total Opex</b>	<b>10,580</b>	<b>10,877</b>	<b>(297)</b>	<b>(2.7%)</b>	<b>13,790</b>	<b>(3,210)</b>	<b>(23.3%)</b>
<b>EBITDA</b>	<b>9,261</b>	<b>8,980</b>	<b>281</b>	<b>3.1%</b>	<b>3,477</b>	<b>5,784</b>	<b>166.3%</b>
<i>EBITDA %</i>	<i>20.3%</i>	<i>19.8%</i>			<i>8.3%</i>		
<b>Adj. EBITDA</b>	<b>10,710</b>	<b>10,529</b>	<b>181</b>	<b>1.7%</b>	<b>10,077</b>	<b>633</b>	<b>6.3%</b>
<i>Adj. EBITDA %</i>	<i>23.5%</i>	<i>23.2%</i>			<i>23.9%</i>		
<b>Net Income (Loss)</b>	<b>\$ (835)</b>	<b>\$ (829)</b>	<b>\$ (6)</b>	<b>0.7%</b>	<b>\$ (2,628)</b>	<b>\$ 1,793</b>	<b>(68.2%)</b>

# Full Year Financial Outlook | Opex Summary

\$'000

\$'000	FY		Variance		PY	Variance						
	Fcst	Bud	\$	%	Rfc / Act	\$	%					
<b>Opex Overview:</b>												
Payroll	\$	3,947	\$	3,928	\$	20	0.5%	\$	3,481	\$	466	13.4%
Benefits		595		609		(14)	(2.2%)		744		(149)	(20.0%)
Bonus		788		806		(18)	(2.2%)		104		684	659.7%
Marketing		383		394		(11)	(2.8%)		281		101	36.1%
Travel and Entertainment		733		734		(0)	(0.1%)		521		212	40.7%
Rent and Facilities		17		17		0	0.3%		17		(0)	(0.4%)
Insurance		1		1		(0)	(11.7%)		1		(0)	(12.6%)
Professional Fees		2,512		2,666		(154)	(5.8%)		6,347		(3,835)	(60.4%)
Utl., Repair, Maint., & Sec.		38		42		(3)	(8.1%)		25		13	54.5%
IT		627		630		(3)	(0.4%)		1,264		(637)	(50.4%)
Bad Debts		—		—		—	N/A		101		(101)	(100.0%)
Supplies		81		72		9	12.3%		39		43	110.1%
Other Expenses		381		499		(118)	(23.6%)		469		(88)	(18.7%)
Total Opex	\$	10,580	\$	10,877	\$	(297)	(2.7%)	\$	13,790	\$	(3,210)	(23.3%)

# Full Year Financial Outlook | Balance Sheet

	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	
\$'000	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
<b>Current Assets</b>																			
Cash and cash equivalents	\$ 880	\$ 414	\$ 116	\$ (86)	\$ 141	\$ 313	\$ 84	\$ 87	\$ 1,241	\$ 880	\$ 250	\$ 353	\$ 353	\$ 237	\$ 116	48.7%	\$ 1,606	\$ (726)	(45.2%)
Accounts receivable, gross	5,944	6,215	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%	4,956	989	19.9%
Accounts receivable, reserves	(220)	(124)	(129)	(133)	(134)	(136)	(137)	(141)	(144)	(145)	(139)	(143)	(143)	(143)	—	0.0%	(220)	(0)	0.1%
Accounts receivable, net	5,724	6,091	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%	4,736	988	20.9%
Inventory, gross	7,479	7,348	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%	7,497	(17)	(0.2%)
Inventory, reserves	(625)	(481)	(501)	(506)	(496)	(496)	(502)	(497)	(491)	(494)	(488)	(345)	(345)	(345)	—	0.0%	(474)	(151)	31.9%
Inventory, net	6,855	6,867	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%	7,023	(168)	(2.4%)
Prepaid expenses and other current assets	(52)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	—	0.0%	(24)	(28)	116.6%
Other current assets	50,032	49,912	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%	49,912	120	0.2%
<b>Total Current Assets</b>	<b>63,439</b>	<b>63,260</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>63,253</b>	<b>185</b>	<b>0.3%</b>
<b>Non-Current Assets</b>																			
Property, plant & equipment, gross	11,714	11,857	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%	11,683	31	0.3%
Accumulated depreciation	(1,011)	(1,163)	(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%	(917)	(94)	10.2%
Property, plant & equipment, net	10,703	10,694	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%	10,765	(63)	(0.6%)
Goodwill	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	42,050	—	0.0%	42,050	83	0.2%
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%	15,100	—	0.0%
Accumulated amortization	(789)	(1,354)	(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%	(690)	(99)	14.3%
Identifiable intangible assets, net	14,311	13,746	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%	14,410	(99)	(0.7%)
Deferred financing cost	2,759	2,705	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%	2,759	—	0.0%
Other non-current assets	2	131	131	131	131	131	131	131	131	131	131	131	131	131	—	0.0%	131	(129)	(98.2%)
<b>Total Non-Current Assets</b>	<b>69,908</b>	<b>69,326</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>70,115</b>	<b>(207)</b>	<b>(0.3%)</b>
<b>Total Assets</b>	<b>\$ 133,347</b>	<b>\$ 132,586</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>\$ 133,369</b>	<b>\$ (22)</b>	<b>(0.0%)</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%	\$ 1,850	\$ —	0.0%
Accounts payable	2,515	3,090	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%	2,788	(273)	(9.8%)
Accrued liabilities	1,558	1,975	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%	1,975	(418)	(21.1%)
Accrued compensation	249	125	125	125	125	125	125	125	125	125	125	125	125	125	—	0.0%	125	124	99.3%
Income taxes payable	128	128	128	128	128	128	128	128	128	128	128	128	128	128	—	0.0%	128	(0)	(0.1%)
Short-term unearned revenue	33	45	45	45	45	45	56	56	56	56	56	56	56	56	—	0.0%	45	(12)	(26.3%)
<b>Total Current Liabilities</b>	<b>7,583</b>	<b>7,214</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>6,912</b>	<b>671</b>	<b>9.7%</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%	90,658	—	0.0%
Deferred income taxes	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	(831)	—	0.0%	(831)	—	0.0%
Other non-current liabilities	—	87	87	87	87	87	87	87	87	87	87	87	87	87	—	0.0%	87	(87)	(100.0%)
<b>Total Long-Term Liabilities</b>	<b>89,827</b>	<b>89,914</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>89,914</b>	<b>(87)</b>	<b>(0.1%)</b>
<b>Total Liabilities</b>	<b>97,410</b>	<b>97,128</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>96,825</b>	<b>584</b>	<b>0.6%</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%	40,228	—	0.0%
Retained earnings	(5,550)	(6,140)	(6,513)	(6,744)	(6,916)	(6,998)	(6,941)	(6,870)	(6,341)	(6,014)	(5,952)	(5,769)	(5,769)	(5,885)	116	(2.0%)	(5,055)	(494)	9.8%
Accumulated other comprehensive income	1,258	1,370	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%	1,370	(112)	(8.1%)
Other equity transactions	1	1	1	1	1	1	1	1	1	1	1	1	1	1	—	0.0%	1	—	0.0%
<b>Total Shareholders' Equity</b>	<b>35,937</b>	<b>35,458</b>	<b>35,086</b>	<b>34,855</b>	<b>34,683</b>	<b>34,601</b>	<b>34,658</b>	<b>34,729</b>	<b>35,258</b>	<b>35,584</b>	<b>35,646</b>	<b>35,830</b>	<b>35,830</b>	<b>35,714</b>	<b>116</b>	<b>0.3%</b>	<b>36,543</b>	<b>(606)</b>	<b>(1.7%)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 133,347</b>	<b>\$ 132,586</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>\$ 133,369</b>	<b>\$ (22)</b>	<b>(0.0%)</b>



# 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	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
<b>Cash flow from operations</b>																
Net Income (Loss)	\$ (616)	\$ (590)	\$ (372)	\$ (231)	\$ (172)	\$ (82)	\$ 57	\$ 71	\$ 529	\$ 326	\$ 62	\$ 183	\$ (835)	\$ (829)	\$ (6)	0.7%
Depreciation, amortization and other	109	801	457	461	462	423	423	423	426	427	427	427	5,266	5,266	—	0.0%
<b>Change in operating assets and liabilities:</b>																
Accounts receivable	(988)	(367)	(232)	(172)	(69)	(109)	(29)	(229)	(144)	(43)	324	(230)	(2,285)	(2,285)	—	0.0%
Inventory	168	(13)	(286)	(80)	145	—	(85)	78	78	(38)	78	78	124	124	—	0.0%
Prepaid expenses and other current assets	28	(28)	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Accounts payable	(273)	576	486	40	(72)	496	(481)	134	598	(58)	(47)	(47)	1,351	1,351	—	0.0%
Accrued expenses	(418)	418	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Accrued income taxes	(0)	0	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A
Other changes in operating assets and liabilities	35	(35)	(223)	—	—	(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>\$ 762</b>	<b>\$ (170)</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>\$ (481)</b>	<b>\$ 3,638</b>	<b>\$ (4,120)</b>	<b>(113.2%)</b>
<b>Cash flow from investing</b>																
Additions to property, plant and equipment	\$ (31)	\$ (143)	\$ (155)	\$ (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>\$ (143)</b>	<b>\$ (155)</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>\$ —</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	166	27	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>\$ (1,084)</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 27</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>\$ (466)</b>	<b>\$ (298)</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>\$ (1,253)</b>	<b>\$ (1,369)</b>	<b>\$ 116</b>	<b>(8.4%)</b>
Beginning cash	1,606	880	414	116	(86)	141	313	84	87	1,240	880	250	1,606	1,606	—	—
Change in cash	(726)	(466)	(298)	(202)	227	172	(229)	3	1,154	(360)	(631)	103	(1,253)	(1,369)	116	(8.4%)
<b>Ending cash</b>	<b>\$ 880</b>	<b>\$ 414</b>	<b>\$ 116</b>	<b>\$ (86)</b>	<b>\$ 141</b>	<b>\$ 313</b>	<b>\$ 84</b>	<b>\$ 87</b>	<b>\$ 1,240</b>	<b>\$ 880</b>	<b>\$ 250</b>	<b>\$ 353</b>	<b>\$ 353</b>	<b>\$ 237</b>	<b>\$ 116</b>	<b>48.7%</b>

# January 2020 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ **Governance Reporting**
- ➔ 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

# January 2020 Operating Review Meeting Agenda

- ➔ Executive Summary
- ➔ Financial Review
- ➔ Full Year Financial Outlook
- ➔ Governance Reporting
- ➔ **Appendix**



# Appendix | Squeeze Report

	Net Revenue						Adj. EBITDA						Net Debt		
	Act	Bud	Variance	PY	Variance		Act	Bud	Variance	PY	Variance	Act	Bud	PY	
This Month	\$ 4,147	\$ 3,977	4.3%	\$ 3,350	23.8%		\$ 928	\$ 747	24.2%	\$ 559	66.0%	\$ 92,878	\$ 92,001	\$ -	
Quarter to Date	\$ 4,147	\$ 3,977	4.3%	\$ 3,350	23.8%		\$ 928	\$ 747	24.2%	\$ 559	66.0%				
Year to Date	\$ 4,147	\$ 3,977	4.3%	\$ 3,350	23.8%		\$ 928	\$ 747	24.2%	\$ 559	66.0%				
LTM Trends (\$'000s)	2/28/19	3/31/19	4/30/19	5/31/19	6/30/19	7/31/19	8/31/19	9/30/19	10/31/19	11/30/19	12/31/19	1/31/20	LTM		
Net Revenue	\$ 4,088	\$ 3,904	\$ 3,773	\$ 3,235	\$ 4,413	\$ 4,259	\$ 3,058	\$ 3,196	\$ 4,025	\$ 3,055	\$ 1,767	\$ 4,147	\$ 42,918		
Gross Margin	1,821	1,838	1,469	1,354	2,129	1,777	567	1,403	2,039	1,126	287	1,667	17,479		
Gross Margin %	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.9%	50.7%	36.9%	16.3%	40.2%	40.7%		
SG&A	810	715	765	720	980	1,077	4,272	932	980	958	684	984	13,876		
Reported EBITDA	1,011	1,123	705	634	1,149	700	(3,704)	471	1,059	169	(397)	683	3,602		
Rep. EBITDA %	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	14.7%	26.3%	5.5%	(22.4%)	16.5%	8.4%		
Adj. EBITDA	1,011	1,123	705	634	1,653	1,064	800	771	1,221	708	(172)	928	10,446		
Adj. EBITDA %	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	24.1%	30.3%	23.2%	(9.7%)	22.4%	24.3%		
Capex	\$ -	\$ -	\$ -	\$ -	\$ (26)	\$ 1	\$ (0)	\$ 77	\$ (0)	\$ (30)	\$ (161)	\$ (31)	\$ (170)		
Accounts Receivable, Net	\$ 7,672	\$ 7,838	\$ 7,201	\$ 7,047	\$ 7,940	\$ 7,955	\$ 6,852	\$ 6,945	\$ 7,040	\$ 6,722	\$ 4,736	\$ 5,724	\$ 5,724		
Inventory, Net	6,772	6,832	6,979	7,788	7,453	7,327	6,760	6,942	7,183	6,846	7,023	6,855	6,855		
Accounts Payable	3,707	3,716	4,031	2,966	3,682	3,374	3,531	3,483	3,574	2,839	2,788	2,515	2,515		
CCC	\$ 10,736	\$ 10,954	\$ 10,149	\$ 11,870	\$ 11,710	\$ 11,907	\$ 10,081	\$ 10,405	\$ 10,649	\$ 10,729	\$ 8,971	\$ 10,064	\$ 10,064		
DSO	95.7	63.2	56.0	58.8	63.3	60.8	53.2	60.2	62.4	59.6	48.8	58.1	48.7		
DSI	104.1	100.8	96.6	102.2	94.3	93.3	88.1	97.2	104.3	112.2	132.0	123.7	58.3		
DPO	55.8	54.3	55.4	43.8	33.7	48.7	46.0	48.8	51.9	46.5	52.4	45.4	36.1		
C2C	144.0	109.7	97.2	117.2	123.9	105.4	95.3	108.6	114.8	125.3	128.3	136.4	70.9		
Bank revolver	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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		
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		
Cash and equivalents	-	-	-	2,407	2,878	3,579	5,017	3,600	3,780	3,401	1,606	880	880		
Total Net Debt	\$ -	\$ -	\$ -	\$ 42,979	\$ 41,708	\$ 41,007	\$ 39,569	\$ 40,764	\$ 40,584	\$ 40,962	\$ 90,902	\$ 92,878	\$ 92,878		
Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ 2,407	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 3,780	\$ 3,402	\$ 1,606	\$ 2,407		
Add / (Less): Operating Cash Flow	-	-	-	-	(7,751)	708	(2,004)	(1,262)	(694)	(333)	(48,698)	(1,955)	(61,989)		
Add / (Less): Investing Cash Flow	-	-	-	-	(26)	1	(0)	77	(0)	(30)	(161)	(31)	(170)		
Add / (Less): Financing Cash Flow	-	-	-	-	8,248	(9)	3,443	(232)	874	(15)	47,063	1,260	60,632		
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-		
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ 2,878	\$ 3,579	\$ 5,017	\$ 3,600	\$ 3,780	\$ 3,402	\$ 1,606	\$ 880	\$ 880		

# Appendix | 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		PY	Var	
	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
<b>Net Revenue</b>	<b>4,147</b>	<b>3,271</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>45,547</b>	<b>45,377</b>	<b>169</b>	<b>0.4%</b>	<b>42,122</b>	<b>3,425</b>	<b>8.1%</b>
Material	1,622	1,165	1,125	1,450	1,108	1,228	1,491	1,229	1,547	1,696	1,226	1,384	16,270	16,066	204	1.3%	15,580	690	4.4%
Labor	631	538	533	657	527	549	664	546	549	658	543	602	6,998	7,020	(23)	(0.3%)	6,746	252	3.7%
Other COGS	226	208	217	237	199	191	214	204	185	200	177	179	2,438	2,434	4	0.2%	2,528	(90)	(3.6%)
<b>Total COGS</b>	<b>2,479</b>	<b>1,911</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>25,706</b>	<b>25,520</b>	<b>185</b>	<b>0.7%</b>	<b>24,854</b>	<b>852</b>	<b>3.4%</b>
<b>Gross Margin</b>	<b>1,667</b>	<b>1,360</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>19,841</b>	<b>19,857</b>	<b>(16)</b>	<b>(0.1%)</b>	<b>17,268</b>	<b>2,573</b>	<b>14.9%</b>
<i>Gross Margin %</i>	<i>40.2%</i>	<i>41.6%</i>	<i>41.9%</i>	<i>43.4%</i>	<i>42.5%</i>	<i>42.2%</i>	<i>44.6%</i>	<i>44.0%</i>	<i>46.3%</i>	<i>46.6%</i>	<i>43.8%</i>	<i>44.1%</i>	<i>43.6%</i>	<i>43.8%</i>			<i>41.0%</i>		
R&D	212	268	210	235	128	144	161	198	156	274	151	215	2,352	2,420	(68)	(2.8%)	1,495	857	57.3%
Sales & Marketing	447	619	461	547	447	439	485	396	380	448	405	405	5,479	5,644	(165)	(2.9%)	3,929	1,550	39.4%
Administrative	325	300	287	241	197	218	237	178	183	210	185	188	2,749	2,813	(64)	(2.3%)	8,366	(5,617)	(67.1%)
Other Opex	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	N/A	–	–	N/A
<b>Total Opex</b>	<b>984</b>	<b>1,186</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>10,580</b>	<b>10,877</b>	<b>(297)</b>	<b>(2.7%)</b>	<b>13,790</b>	<b>(3,210)</b>	<b>(23.3%)</b>
<b>EBITDA</b>	<b>683</b>	<b>174</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>9,261</b>	<b>8,980</b>	<b>281</b>	<b>3.1%</b>	<b>3,477</b>	<b>5,784</b>	<b>166.3%</b>
<i>EBITDA %</i>	<i>16.5%</i>	<i>5.3%</i>	<i>12.2%</i>	<i>18.7%</i>	<i>18.3%</i>	<i>18.6%</i>	<i>23.9%</i>	<i>22.2%</i>	<i>29.4%</i>	<i>27.1%</i>	<i>22.4%</i>	<i>23.2%</i>	<i>20.3%</i>	<i>19.8%</i>			<i>8.3%</i>		
<b>Adj. EBITDA</b>	<b>928</b>	<b>654</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>10,710</b>	<b>10,529</b>	<b>181</b>	<b>1.7%</b>	<b>10,077</b>	<b>633</b>	<b>6.3%</b>
<i>Adj. EBITDA %</i>	<i>22.4%</i>	<i>20.0%</i>	<i>19.3%</i>	<i>21.3%</i>	<i>21.1%</i>	<i>20.4%</i>	<i>25.2%</i>	<i>24.3%</i>	<i>29.9%</i>	<i>27.5%</i>	<i>23.4%</i>	<i>23.9%</i>	<i>23.5%</i>	<i>23.2%</i>			<i>23.9%</i>		
<b>Net Income (Loss)</b>	<b>\$ (616)</b>	<b>\$ (590)</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>\$ (835)</b>	<b>\$ (829)</b>	<b>\$ (6)</b>	<b>0.7%</b>	<b>\$ (2,628)</b>	<b>\$ 1,793</b>	<b>(68.2%)</b>

# Appendix | 1X Costs

	AOP												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Engineering</b>	<b>96</b>	<b>155</b>	<b>62</b>	<b>33</b>	<b>28</b>	<b>33</b>	<b>28</b>	<b>73</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>595</b>
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>	<b>65</b>	<b>190</b>	<b>40</b>	<b>40</b>	<b>25</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>1</b>	<b>378</b>
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>	<b>184</b>	<b>120</b>	<b>104</b>	<b>37</b>	<b>22</b>	<b>21</b>	<b>28</b>	-	<b>2</b>	-	-	<b>2</b>	<b>519</b>
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>	-	<b>15</b>	<b>25</b>	-	<b>15</b>	<b>2</b>	-	-	-	-	-	-	<b>57</b>
Kaizen Training	-	15	25	-	15	2	-	-	-	-	-	-	57
<b>Total</b>	<b>345</b>	<b>480</b>	<b>230</b>	<b>109</b>	<b>89</b>	<b>61</b>	<b>56</b>	<b>73</b>	<b>25</b>	<b>23</b>	<b>33</b>	<b>25</b>	<b>1,549</b>

# Appendix | AR and AP Aging Detail

\$ 000's

AR Aging			
Days	Nov-19	Dec-19	Jan-20
0-30	6,027	3,766	4,887
30-60	508	509	325
60-90	32	454	215
>90	368	227	516
<b>Total Gross AR</b>	<b>6,935</b>	<b>4,956</b>	<b>5,944</b>
Reserves	(213)	(220)	(220)
<b>Total Net AR</b>	<b>6,722</b>	<b>4,736</b>	<b>5,724</b>

AP Aging			
Days	Nov-19	Dec-19	Jan-20
0-30	1,982	1,594	1,603
30-60	613	1,022	651
60-90	215	162	191
>90	29	11	69
<b>Total AP</b>	<b>2,839</b>	<b>2,788</b>	<b>2,514</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)
- Cogar \$150k (Requesting Payment Plan)
- Shanghai Best \$113k
- Pingan \$75k





# Appendix | Monthly Cost of Goods Sold by Component

\$'000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	FY	Var		PY	Var	
	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
<b>Material</b>																			
Material costs at standard	\$ 1,684	\$ 1,172	\$ 1,169	\$ 1,448	\$ 1,102	\$ 1,250	\$ 1,494	\$ 1,171	\$ 1,480	\$ 1,655	\$ 1,265	\$ 1,341	\$ 16,231	\$ 15,969	\$ 262	1.6%	\$ 15,543	\$ 688	4.4%
Purchase price variance	(38)	(73)	(123)	(59)	(63)	(103)	(69)	(23)	(23)	(29)	(113)	(53)	(769)	(800)	31	(3.9%)	(553)	(216)	39.0%
Freight in	44	57	71	54	61	73	57	73	81	62	66	88	788	801	(13)	(1.6%)	717	71	9.9%
Cost revision	–	10	10	10	10	10	10	10	10	10	10	10	110	120	(10)	(8.3%)	(232)	342	(147.4%)
Scrap costs	(13)	(9)	(9)	(12)	(9)	(9)	(12)	(9)	(9)	(12)	(9)	(9)	(121)	(120)	(1)	1.2%	(48)	(73)	152.0%
Consumables	50	7	7	9	7	7	9	7	7	9	7	7	136	96	40	42.2%	153	(17)	(11.1%)
<b>Total Material COGS</b>	<b>\$ 1,727</b>	<b>\$ 1,165</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>\$ 16,375</b>	<b>\$ 16,066</b>	<b>\$ 309</b>	<b>1.9%</b>	<b>\$ 15,580</b>	<b>\$ 795</b>	<b>5.1%</b>
<b>Labor</b>																			
Direct labor	\$ 270	\$ 224	\$ 226	\$ 295	\$ 229	\$ 242	\$ 301	\$ 237	\$ 240	\$ 294	\$ 234	\$ 280	\$ 3,071	\$ 3,084	\$ (13)	(0.4%)	\$ 3,013	\$ 58	1.9%
Direct labor - overtime	19	25	25	35	25	29	37	27	27	35	27	27	337	349	(12)	(3.5%)	198	138	69.7%
Direct labor - benefits	75	116	115	117	102	106	114	109	109	116	109	114	1,304	1,356	(52)	(3.8%)	962	342	35.6%
Direct labor - overtime	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	N/A	–	–	N/A
Indirect labor	191	139	139	179	143	145	182	145	145	182	145	153	1,888	1,870	18	1.0%	1,896	(8)	(0.4%)
Indirect labor – benefits	76	34	28	31	28	28	31	28	28	31	28	28	398	361	37	10.2%	677	(279)	(41.2%)
<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>\$ 6,746</b>	<b>\$ 252</b>	<b>3.7%</b>
<b>Other</b>																			
Repairs and maintenance	\$ 24	\$ 17	\$ 17	\$ 20	\$ 17	\$ 17	\$ 20	\$ 17	\$ 17	\$ 20	\$ 17	\$ 17	\$ 220	\$ 216	\$ 4	1.9%	\$ 201	\$ 19	9.3%
Rent / facilities	141	92	93	111	90	92	111	90	92	111	95	96	1,218	1,188	30	2.5%	2,200	(982)	(44.6%)
Utilities	21	26	23	21	22	25	21	22	21	21	24	25	274	279	(5)	(1.7%)	281	(7)	(2.6%)
Other cost of sales	11	73	83	85	70	57	62	74	54	47	40	40	698	751	(53)	(7.1%)	(154)	852	(553.0%)
<b>Total Other COGS</b>	<b>\$ 198</b>	<b>\$ 208</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>\$ 2,410</b>	<b>\$ 2,434</b>	<b>\$ (24)</b>	<b>(1.0%)</b>	<b>\$ 2,528</b>	<b>\$ (118)</b>	<b>(4.7%)</b>
<b>Total COGS</b>	<b>\$ 2,556</b>	<b>\$ 1,911</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>\$ 25,783</b>	<b>\$ 25,520</b>	<b>\$ 262</b>	<b>0.6%</b>	<b>\$ 24,854</b>	<b>\$ 929</b>	<b>4.2%</b>

# Appendix | Headcount by Month

Month	Direct Labor	Indirect Labor - Hourly	Indirect Labor - Salary	Delivery & Dist.	Research & Development	Sales & Marketing	Administrative	Other	Total Permanent	Agency FTE & Temps	Total Headcount	Bud Headcount	Difference to Bud
2020 January (A)	62	–	17	7	10	19	10	–	125	10	135	134	1
2020 February (F)	61	–	18	7	10	24	13	–	133	7	140	140	–
2020 March (F)	61	–	18	7	10	26	13	–	135	8	143	143	–
2020 April (F)	62	–	18	7	10	27	13	–	137	7	144	144	–
2020 May (F)	63	–	18	7	10	27	13	–	138	5	143	143	–
2020 June (F)	65	–	18	7	10	27	13	–	140	6	146	146	–
2020 July (F)	66	–	18	7	11	27	13	–	142	5	147	147	–
2020 August (F)	68	–	18	7	11	27	13	–	144	3	147	147	–
2020 September (F)	68	–	18	7	11	27	13	–	144	4	148	148	–
2020 October (F)	68	–	18	7	11	27	13	–	144	2	146	146	–
2020 November (F)	68	–	18	7	11	27	13	–	144	2	146	146	–
2020 December (F)	68	–	18	7	11	27	13	–	144	2	146	146	–
<b>Final Headcount</b>	<b>68</b>	<b>–</b>	<b>18</b>	<b>7</b>	<b>11</b>	<b>27</b>	<b>13</b>	<b>–</b>	<b>144</b>	<b>2</b>	<b>146</b>	<b>146</b>	<b>–</b>

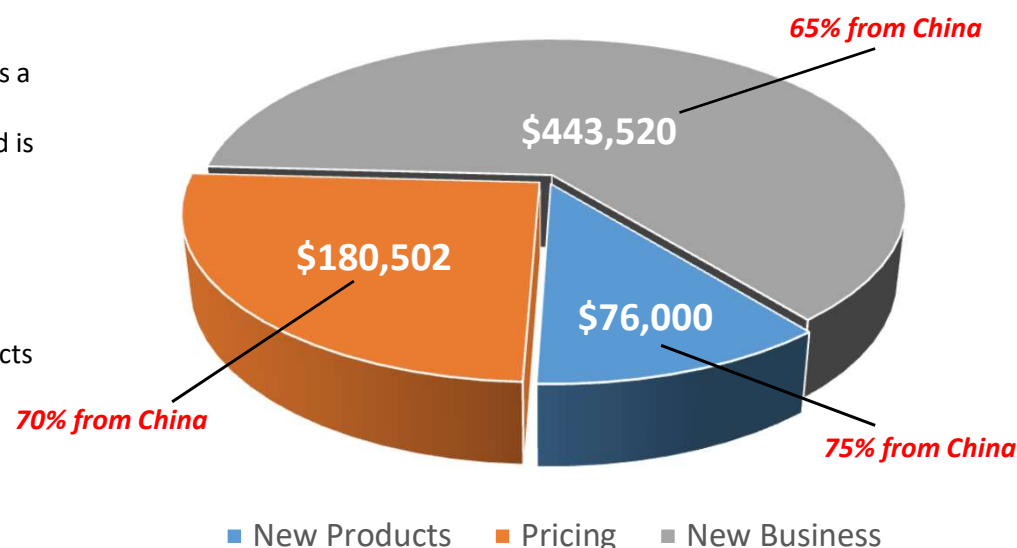
Recruiting for key positions: Customer Relationship Director, Industry Market Manager-Financial, NA Sales Director, Marketing Specialist, Quality Manager, and Trainer/Technical Writer

## REGIONAL SUMMARIES: APAC (CHINA)

### OVERVIEW

- China is a manufacturing-based market in which our majority target customers are ATM & Safe makers
- Market volume appear stable and come with long sales cycle and high standard of quality requirements
- S&G has very strong brand recognition in the market
- S&G locks known by high-end branded safe makers and vault door companies as a premium to mid-market brand
- S&G has little presence in the OTC market; this is dominated by local brands and is driven by regulatory challenges for which S&G could not provide the required solutions
- Focus in 2020 on growth with low-end safe and ATM makers, in which we need competitive product to overcome the budget constraint of manufacturing
- End-user and retailing sector in China domestic market is slowly growing and should be mature in coming 2-3 years with focus on technology-oriented products (wireless/connected)
- Chinese language focus is essential for the higher range products in product, software and literature
- Inability to ship product domestically in China is a challenge for cost-effective competitors; current system is exporting to Hong Kong and re-import of goods
- Continue to look for innovative ways to compete in the domestic and export market against local Chinese made products – look for fresh solutions and opportunities to stand aside as the leading foreign high security lock manufacturer

### APAC Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	ATM Exports	Losing out to China-made products due to cost and shipping efficiencies. Keep eye on needs to adjust across the region if ATM manufacturing shifts to India or Vietnam.	S&G is still growing for export markets and need to stay close to customers and leverage brand, quality and solid pricing.
↔	Residential / Gun Safe	Cost of China-made products and shipping efficiencies create gap for S&G. Many US-based gun safe companies looking for lower pricing and “ok” quality doesn’t seem to be concern.	Promote base solution via US-based team and leverage F2F service/quality value proposition. Identify targets to market a rated lock body without unrated keypad and achieve \$15 price point. Estimated volume projection is 150,000 units/year.
↓	One-time Code (OTC) Product	S&G doesn’t have a product that can be used due to regulations in China.	Need to continue working with Engineering on potential options for future products

## REGIONAL SUMMARIES: APAC (CHINA)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
TAKACHIHO KOHEKI (TK)	Financial	Titan / Spartan / 6128	\$1.24M	\$2.26M	\$2.3M
DUTECH/TSI	Residential / Gun	Electronic / Mech	\$1.43M	\$1.16M	\$1.2M
SHANGHAI QIAHNE (SQ)	Financial / Mixed	Electronic / Mech	\$420K	\$863K	\$890K
CHANGSHA	Financial	Mechanical Locks	\$495K	\$200K	\$280K
PINGAN	Financial / Mixed	ASWD / Mixed	\$537K	\$660K	\$680K
INSPUR (DIEBOLD)	Financial	Electronic / Mech	\$281K	\$431K	\$445K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Securam	All	All	China-based manufacturer / Regional Competitor	Low cost product delivery within China and SE Asia
Kaba	All	All	Global Competitor	Used for Overseas Safe Market good share in vault locks
Beijing Jinchu	All	All	China-based manufacturer	Copied S&G products initially new has full suite
Huijin (SGSG)	Financial	OTC	China-based manufacturer with 20% market share of ATM locks in country	Has driven the OTC market in China and impacts local regulation standards. 70% customers are banks

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Promotion of Nexus IP - Retail	Educate/work with safe makers to utilize Nexus IP on their safe; enables become a rated wi-fi connected safe, then sell as a solution to retailing sector in China	Q1 to Q4	\$200K
Product Portfolio Growth Focus	Dedicated focus on introduction of current product options for enhanced applications and expand customer's S&G portfolio. Key product is ASWD	Q1 to Q4	\$300K
Price Increase Implementation		Q2	\$250K

### ACHIEVEMENT CHALLENGES

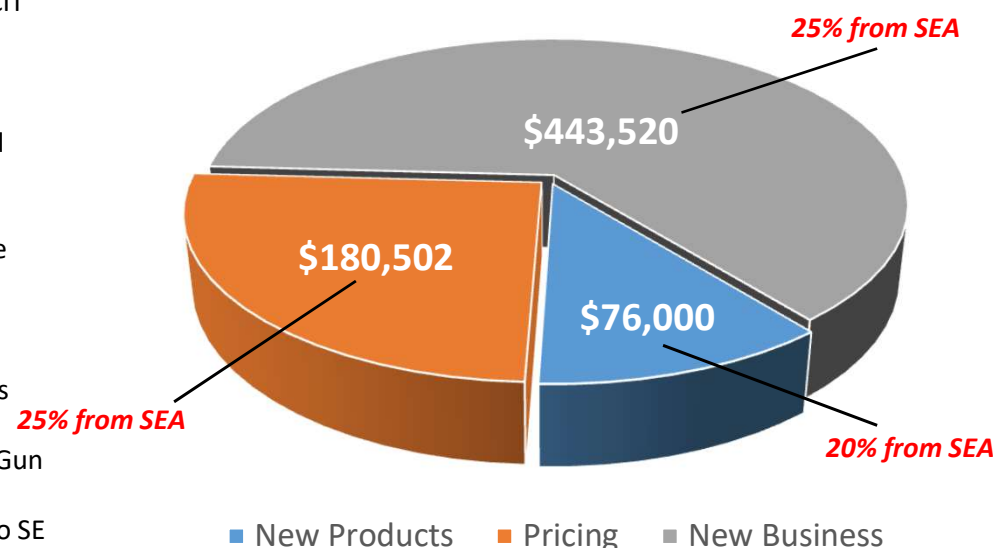
CHALLENGE	DESCRIPTION
Gains from Pricing Adjustments	Due to challenges within China on tariffs and existing low-price, domestic product options
Portfolio expansion adoption	Need for Chinese language support for S&G products and platform (IP) – priority for local use

## REGIONAL SUMMARIES: APAC (SE ASIA)

### OVERVIEW

- South East Asia has seen consolidation across the business in the last two years
- S&G's business focus is based upon specific project type work which did not materialize in 2019
- There are no large OEM customers in this region and the region relies a lot on CIT business
- CIT saw a slowdown in Indonesia and Thailand in 2019 and Prosegur (private) entered the market in the Philippines which took some time for adjustments
- The lack of large-scale distribution continues to be a challenge – alternative and additional channels being sought
- Competitors have advantage with lower customs duties and shipping costs
- Since late 2018, seeing some production from China move due to ongoing trade disputes and where they seek lower costs of manufacturing – (i.e. Vietnam)
- Further expansion into neighboring countries – Laos, Cambodia, Myanmar – all developing countries with some growth opportunity
- Main growth focus in 2020 return to project-based business with CIT companies
- Most SEA economies have tight personal firearm ownership restrictions (excl Philippines), so gun safe market mostly limited to uniformed services facilities. Gun safe production is typically for export to US
- Due to relationships with China, there are a lot of Chinese products shipped into SE Asia at reduced shipping costs and low import duties, enabling Chinese-made products to be very competitive locally

### APAC Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	CIT	Bank Group ATM locations consolidation and expansion into Retail segment. Relationships with larger groups driven by more local manufacturers. Use of low-cost China-made products	More CIT outsource by Banks. Independent ATMs increase. Growing use of drop safe services. Focusing on medium size OEMs looking to export to US and Europe. Active pricing support for "projects"
↑	ATM	Growth of ATM's nearing 8-10% per year and low regulations which drives costs down and more favorable for regional manufacturers. S&G market share low versus competition	Position with global ATM suppliers and partner with local distribution for access. Also focus on growing bank relationships
↓	Retail	Cashless transactions on strong rise in SEA, declining new/replacement safe products	Grow/leverage CIT partnerships for alignment with retailers

## REGIONAL SUMMARIES: APAC (SE ASIA)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
PT Chubb Indonesia	Commercial Export	Mix	\$762K	\$250K	\$300,000
PT Fokus Indonesia	Financial	A-Series	\$543K	\$10K	\$300,000
I&E Philippines	Mixed	Mix	\$212K	\$66K	\$90,000
Protech Philippines	Commercial Safes	Mix	\$96K	\$170K	\$190,000
Brinks Thailand	CIT	A-Series	\$116K	\$0	\$205,000
Wiratanu	CIT	A-Series	\$76K	\$126K	\$200,000

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Kaba	All	All	Global Competitor	Used for Overseas Safe Market good share in vault locks
Securam	All	All	Chinese Manufacturer	Low cost product delivery within China and SE Asia
Taiwan / China SDL	Safe Deposit Locks	Safe Deposit Locks	Low Price Manufacturing	Unable to compete
Tecnosicurezza	Gunnebo	Spartan-like	Lower Price. Global Decision	Gunnebo driving regionally

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Promotion of ASWD	Grow relationships with CIT companies (i.e. Guardforce, Brinks)	Q1 to Q4	\$400K
Expand Distribution Partners	Target regional distribution (i.e. Indonesia, Thailand) with all S&G products with project-based business and cost-effective solutions	Q1 to Q4	\$200K
Drive OEM growth	Identify project pricing win level and introduce growth/rebate approach	Q1 to Q4	\$350K

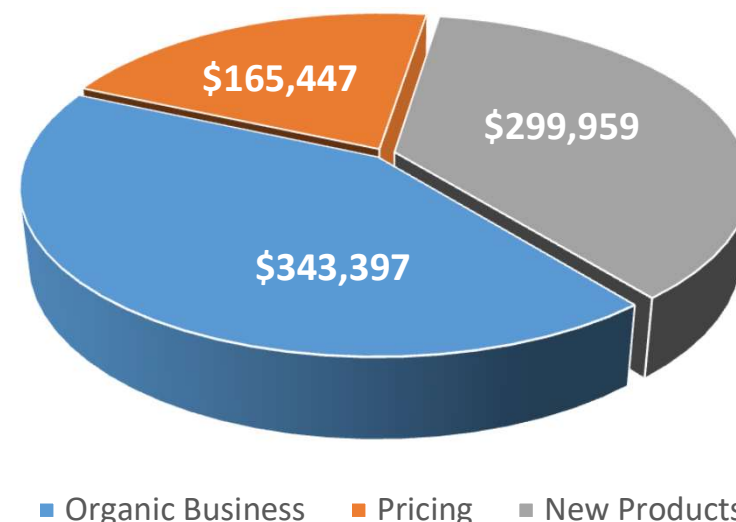
### ACHIEVEMENT CHALLENGES

CHALLENGE	DESCRIPTION
Gains from Pricing Adjustments	Due to challenges within China on tariffs and existing low-price, domestic product options
Strong local relationships and prior quality issues	Previous quality issues with S&G products (banking) which caused replacement by more regional partners

## OVERVIEW

- S&G have been very reliant on one distributor and have been very successful within the Financial Services sector however this is under review as expansion to other markets has not been achieved. This may be achieved through existing partner or finding new channels moving forward.
- Lower priced competition is a serious risk to S&G position particularly where those vendors can adapt product in a much quicker manner than S&G – India is a price driven market, and this presents a real challenge for high value products.
- The safe market of India is approximately USD \$187 million, currently the CAGR has slowed down from 12% to 7% due the merger of the Nationalized Banks, however Private Banks are expected to grow @ 20%. The market is expected to grow from 2021 at a CAGR 15%.
- The safe and Lock industry are divided in to 3 Areas, on basis of the size: Residential and Home Safe; Corporate/Commercial/ATM safes; Banking safes
- Retail market in India is growing fast and the market is opening up to foreign retailers however it still remains a challenge due to low cost mindset within the market.
- E-commerce is expected to have one of the highest adoption rates globally – this may present opportunities for S&G
- Electronic payment systems are being encouraged in the market, but hasn't had too much impact on traditional banking – longer term there may be an impact, at present India still has a large unbanked population.

## INDIA Bookings Growth via AOP



## MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	ATM	China-made products continue to be looked at due to cost and shipping efficiencies. Also seeing growth of white-label products. Replacement work on growth path, but branch expansions will create new product manufacturing into 2022	S&G is still strong here and market continues to grow due to central bank regulation. Continue to provide the best service we can and engage with distributor more to protect market share
↑	Residential Safe	A commodity-based sector with very low price and / or unregulated. Competition with local and low price Asian products	Untapped by S&G in the India market – offer more basic products for this sector and consider investing in low-cost keypad with current lock body offering
↔	Retail	Strong history here, but low cost competition (KABA, Perto, Securam) continue to see gains	Need to leverage new BDM to partner effectively with key retail entities to maintain/grow share



## REGIONAL SUMMARIES: INDIA

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
Arya Communications	Financial	A-Series / Mixed	\$1.9M	\$3.47M	\$3.65M
NCR	Financial	A-Series / Mixed	\$2.67M	\$2.92M	\$3.08M
AGS	Financial	A-Series	\$768K	\$457K	\$500K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Securam	All	All	China-based manufacturer / Regional Competitor	Low cost product
Kaba	Financial	Digital Locks	Global Competitor	Good share in vault locks with banks – not ATM
Perto	Financial	OTC Lock	Brazilian ATM manufacturer who has their own OTC locks	Able to offer their own internal products cheaper than S&G and partnered with NCR on white-label product

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Introduction of ASWD	Improved promotion of the product within the CIT and banking industry through new BDM and distribution partner (Arya)	Q1 to Q4	\$750K after adjusted 6128
Introduction of Biometric Lock	Product in development and begin identifying key partners for future use in Retail, Supermarket, Pharmacy	Q3	\$300K
Expansion of customer base	Leverage new BDM cultivation of relationships and partner through current partner (Arya) to expand service offering across markets	Q1 to Q4	\$350K

### ACHIEVEMENT CHALLENGES

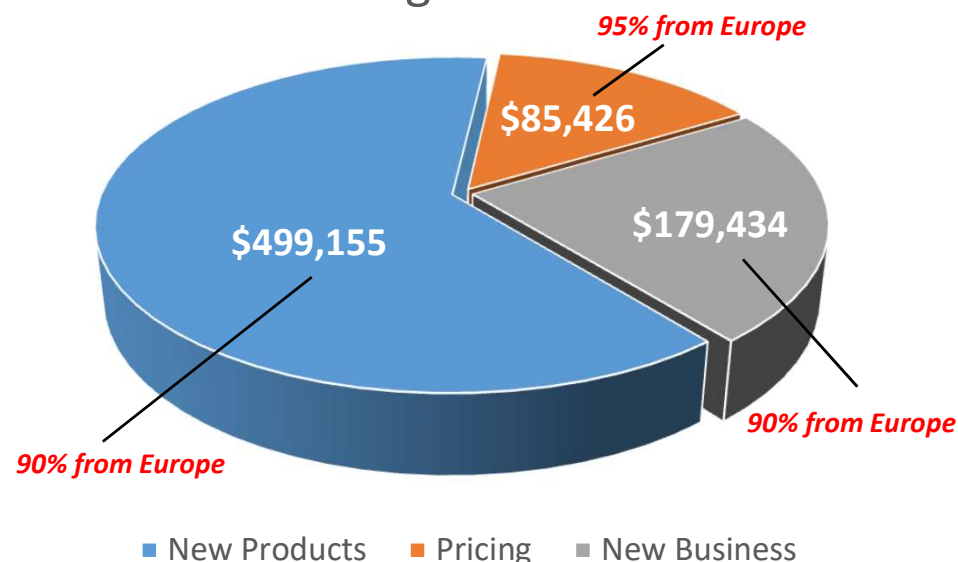
CHALLENGE	DESCRIPTION
Continued low-cost competition erosion	Quality and value get replaced by low-price product options (Securam, Perto)
Expansion of customer base	Need key partner (Arya) to effectively partner with their sales team to build-out partnerships. Historically have been reluctant to look at growth into other areas and comfortable with large share and relationships

## REGIONAL SUMMARIES: EMEA (EUROPE)

### OVERVIEW

- Very diverse, mature and fragmented market (multilingual territories, many countries with lot of cultural and historical background)
- Decreasing cash in Nordics
- Very strong competition both in high-end (Insys) and low/mid segment (Tecnosicurezza) in W. Europe; competition not as strong in E. Europe/Russia
- Banks and Financial Institutions work on cost reductions, resulting tougher competition for lock manufacturers and global CIT-s vs local providers
- Growing IAD sector and more financial institution collaborations (eg. Netherlands or Belgium where couple of banks created a third party ATM provider to manage all their ATM-s)
- Stronger retail sector, with growing smart safe manufacturers
- Banking system is growing, especially in Eastern Europe and Russian region. CIT companies are presented in Baltic states (servicing 100% of banks and ATMs), and Russia
- Safe manufacturers focused mostly on low-end products for residential market and OEM bare cabinets for European brand safe manufacturers
- Firearms are prohibited in all countries, except for hunting rifles
- Market is looking very positive moving forward, with main focus on Banking, Retail and OEM safe manufacturers
- CIT business continues to rise. Focus on retail chains, gas stations, railways, post offices, self service terminals and post machines

### EMEA Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	Banking / Financial	Kaba has strong share throughout W. Europe so gaining traction has been challenge. Certification requirements in W. Europe and expansion with higher-end products (S&G) prove challenging	Work with Engineering on certification needs and focus on building out partnerships with financial institutions in E. Europe and Russia where early project success can lead to expansion
↔	CIT / Banking	Growing in the E. Europe area and competition trying to penetrate with low-cost products. Initial projects wins are good momentum, but quality issues could cause concerns for customers	Continue partnering with key projects (Sber Bank, Privat, Turk) and adding new distributors (BS/2) to leverage footprint of ATM and CIT business
↓	Residential / Gun Safe	Movement to APAC continues and is driven by demand for low-cost products for export.	Work closely with key partners (Format) to expand into their other safe products for commercial.

## REGIONAL SUMMARIES: EMEA (EUROPE)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
NCR	ATM/Financial	Various	\$785K	\$1.1M	\$1.3M
Diebold-Nixdorf Group	ATM/Financial	Various	\$500K	\$600K	\$650K
Caradonna	Financial	Various	\$490K	\$550K	\$750K
ASSA Opening Solutions	Financial	Various	\$360K	\$419K	\$500K
Sberbank of Russia	Bank	A-Series	\$0	\$80K	\$200K
PrivatBank Ukraine	Bank	A-Series	\$0	\$210K	\$1M
ALT Turkmenistan	Distributor	A-Series	\$0	\$0	\$250K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Technosicurezza	All	Only Electronic	Price and innovation with	Product base similar to S&G, but priced lower
Kaba	All	All	Historical leader in mechanical/electronic products. Cencon product has been utilized primarily in E. Europe.	Large investments were made by customers in Kaba system, including software. Need to demonstrate better price and ability to operate Kaba locks from LMS
Insys GmbH	Banking / Retail	Only Electronic	Higher end products + higher certification	Has certifications with Vds KI 3 to 4
M-Locks, STUV, CARL WITTKOPP	OEM	Various safe locks	Lower prices, manufacturing in EU, 0% customs tax in Ukraine. 90% of safes less than \$100	Low-end class and no certification requirements. Demand for high security locks like S&G is low

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Grow distributor base in E. Europe	Develop partnerships with growing companies like BS/2, for expansion with CIT/ATM/Financial business	Q1 to Q4	\$300K
Product Portfolio Growth Focus	Dedicated focus on introduction of current product options for enhanced applications and expand S&G portfolio within NCR, Caradonna, ASSA	Q1 to Q4	\$600K
Project-based Alignment	Partner with key E. Europe/Russia projects for successful implementation	Q1 to Q4	\$1.3M

### ACHIEVEMENT CHALLENGES

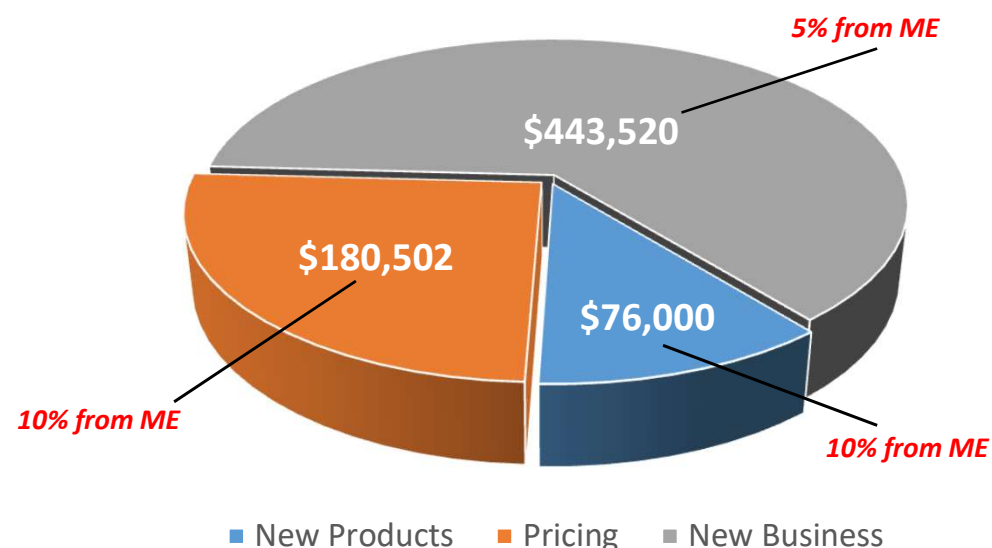
CHALLENGE	DESCRIPTION
Project loss due to quality	Initial project trials in 2020 have had quality issues and risks losing total projects if continues (\$1M)
Lack of Certification for W. Europe	Need for certification on all new products to meet European standards (VdS, CEN, etc..)

## REGIONAL SUMMARIES: EMEA (MIDDLE EAST)

### OVERVIEW

- Largest markets for the Middle East are Israel, Saudi Arabia, United Arab Emirates, and Qatar
- Continued growth with CIT and Banking industry since 2008 is driving overall demand
- S&G has strong presence in the CIT market in Saudi Arabia, but not in markets like UAE, Qatar, Egypt
- Saudi Arabia and UAE focus on historical brand presence and quality
- Residential safe business is not large, but S&G is primary brand within ME; however recent low-cost China-made products are starting to infiltrate the market
- Government projects and emphasis on security growing in markets like Israel,
- Enforce our presence in Turkey, push the banking industry to recognize our certified brand.
- Push ATM installation in Egypt with the partnership of ASPG (Saudi based)
- Growing private sector projects in Saudi Arabia with focus on telecom and server protection
- CIT vehicles still at risk from attacks and increase of attacks on vehicles is up 20% since 2012

### EMEA Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TREND	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	Banking Industry (UAE)	Fast-growing and presence by Kaba as historical leader could limit inclusion of S&G products	S&G is still looking to grow in this area and providing cost-effective solutions with products like Nexus IP could take share
↑	CIT (Saudi Arabia / UAE)	Competition by CIT companies continues to grow and other lock manufacturers taking note and offering lower-cost solutions	Maintain strong relationships with key CIT and integrator/distributor partners to grow business with up and coming companies (Abusarhad) and existing (Brinks)
↔	ATM (Small ME Countries)	ATM share decline in markets like Turkey, Iran, Oman due to low-cost, non-certified Chinese options	Partner closely with CIT and distributors to identify cost structure needs and look at diversifying pricing in these markets

## REGIONAL SUMMARIES: EMEA (MIDDLE EAST)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
ABUSARHAD	CIT	6128	\$483K	\$126K	\$250K
A-SAMUEL	Financial / Gov't	Various	\$140K	\$140K	\$180K
AMN & WAFAA	CIT	6128	\$97K	\$76K	\$35K
SANID	CIT	6128	\$94K	\$64K	\$64K
SAFE MASTER	Financial	Various	\$24K	\$35K	\$35K
AXON	Residential/Financial	Various	\$5K	\$29K	\$50K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Kaba	All	All	Global Competitor	Mainly see use of Lagard products in the ME market and cost-effective and historical presence
M-Locks	All Segments	Electronics	Low Price driven	Quality not significant
Zen Locks	Banking / retail / ATM	Only Electronics	Copy of S&G OTC only for Turkish market	No Cert. only Active in Turkey

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Target CIT Companies across ME	Work closely with distributors and current partnerships to expand on current footprint with 6128 and evaluate vehicle security solutions	Q1 to Q4	\$400K
Project Focus with Distributors	Leverage close relationships distributors have across private sector to win key projects in 2020 with network security (cabinets) and telecom industry (external safeguarding)	Q1 to Q4	\$500K
Distributor Expansion	Focus on non-traditional S&G countries (Jordan, Turkey, Egypt, Lebanon) and identify distributor partners for expansion in markets for Financial/CIT	Q2 to Q4	\$150K

### ACHIEVEMENT CHALLENGES

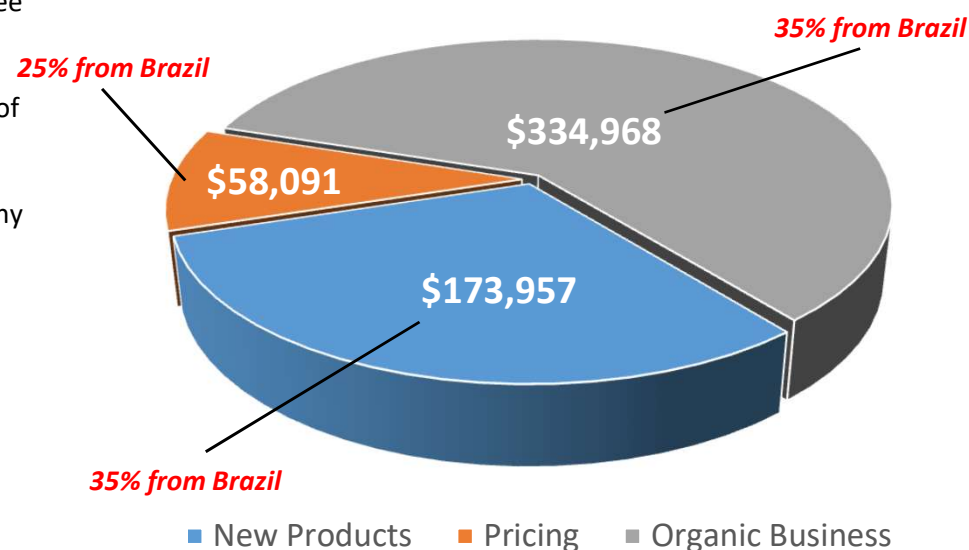
CHALLENGE	DESCRIPTION
Competitive Pricing	As financial market grows, must watch erosion of share by lower-cost, Chinese products
Distributor Expansion	Current footprint by other competitors (local and Kaba) could keep S&G products from gaining traction

## REGIONAL SUMMARIES: LAG (BRAZIL)

### OVERVIEW

- Brazil is the only market in Latin America where ATMs are being manufactured
- The major OEMs that manufacture ATMs are NCR, Diebold, OKI, and Perto
- The ATM industry is very important for the Brazilian government and therefore huge incentives are provided for outside companies to manufacture in Brazil's free trade zone (Manaus).
- ATM bids will resume in 2020 and we expect about 10,000 ATMs to be sold this year. Each ATM will have approximately 4 locks, so we are looking at a potential of 40,000 OTC locks sold this year in new bids.
- Most lock specs are driven by banks and they change constantly. Unlike other countries in Latin America, the banks dictate the type of lock that the CIT company uses.
- Currently the major lock companies are Intergard, Pentasis, and Perto. These companies develop locks in Brazil and work closely with the banks to meet the specs that the bank engineers design
- Perto's case is unique because they are an ATM manufacturer, but in addition to this, they make their own electronic lock as well. They have been aggressively trying to sell this OTC lock outside of Brazil (India)
- The use of smart safes in Brazil continues to increase with companies like Brinks and Prosegur leading this segment of the market
- Smart safe market will expand and be bigger than the ATM markets since the number of potential users is larger (retail stores, banks, jeweler stores, supermarkets, pharmacies, etc.)
- The lock that is used the most for smart safes is the Cryptogard from Intergard, as it has the lowest price point and is also the most used locks by CITs and banks in Brazil

### LAG Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	Smart Safes	Losing out to competitive locks and local manufacturing	Partner closely with distributors and look at opportunity with Diebold, OKI on providing parts to get around manufacturing requirements
↑	Financial / CIT	Erosion of share with key CIT companies (Brinks)	Leverage current relationships and business and introduce further options (ASWD) and other new options to grow portfolio/share

## REGIONAL SUMMARIES: LAG (BRAZIL)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
NCR Brazil	Financial	FAS	\$31K	\$33K	\$40K
Intergard	OEM	FAS	\$23K	\$31 K	\$35K
Perto	OEM	6124	\$3K	\$6K	\$8K
Procomp	OEM	6124	\$2	\$2	\$4
OKI	OEM	ALL	\$0	\$0	\$20K
DIEBOLD	OEM	ALL	\$0	\$0	\$30K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
Intergard	CIT, OEM, Financial	Crypto	Price & local manufactured	Leader in market
Pentasis	CIT, OEM, Financial	OTC	Price & local manufactured	Carving market share away from Intergard
Perto	CIT, Financial	OTC	Price & local manufactured	Proprietary lock and building locks for white label ATM's in India

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Develop ASWD sales	Focus on specs and local manufacturing	12-24 months	\$500K
Develop Nexus IP sales	Work on partnering with local manufacturing	12 months	\$100K
Increase presence in Brazil	Hire independent consultant (Commission only)	Q2	\$150K

### ACHIEVEMENT CHALLENGES

CHALLENGE	DESCRIPTION
Local manufacturing requirements	Building alliances with local OEM's are challenging and growth can be limited by lack of partnership
Product portfolio expansion	Need for better manuals and translations in Spanish language to reduce objections for use

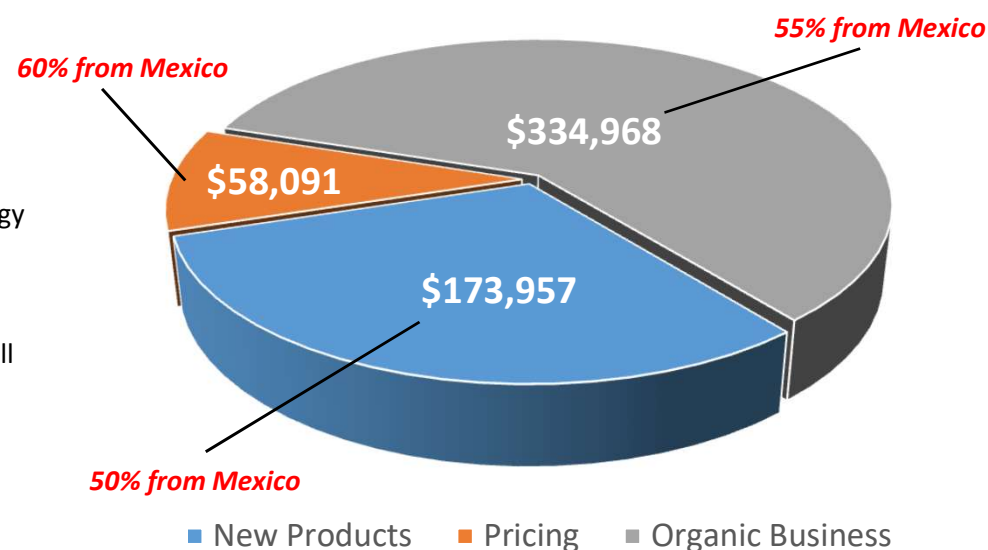


## REGIONAL SUMMARIES: LAG (MEXICO)

### OVERVIEW

- The last five years of the ATM market in Latin America has been spearheaded growth in Mexico. From 2013 to 2018, regional CAGR was 3.21%
- The growth of banked individuals in Mexico have contributed to the moderate growth in the ATM market
- Market in Mexico remains strong and there continues to be a solid demand for S&G products
- S&G has about 65% market share of the one-time code business
- Strong upgrade opportunities still exist with OTC locks, as well as other applications such as A-Series (armored trucks, smart safes, etc.)
- The Mexican market continues to request an all-weather lock with OTC technology
- New and smarter technologies continue to evolve. The potential to sell Nexus IP product is high (outside financial segment). The lack of cable connection for our product does not make the product feasible to banks
- Growth opportunity focus is in the retail and pawnshop market where Wi-Fi is still acceptable
- Having a Nexus IP product with cable and OTC will help penetrate the bank segment and compete against Baussa more effectively
- Banks continue to consolidate in Mexico and a black market of vault doors and time locks is abundant
- Use by banks of old time locks and not replacing is ongoing. S&G introduced the Digital Time Lock in this market by highlighting all the other benefits associated with digital/electronic technology and has share gain opportunity

### LAG Bookings Growth via AOP



### MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	Financial	IP Lock market is growing quickly with financial institutions and the lack of proper product details (cable) could put S&G behind in share gain	Work with engineering on developing cable attachment for Nexus IP to pair with OTC and advance current product within other non-banking segments where Wi-Fi is still acceptable
↔	Mechanical Products	Mechanical lock share is flattening out as several OEM's in Mexico are importing cheap Asian products	Focus on loyalty, brand and quality with OEM's and understand pricing position and leverage potential growth programs
↓	One-time Code (OTC) Product	Market saturation (65% share) due to being the long-standing leader in the Mexican market and limited growth opportunities	Partner with distributors and current customer base on replacement projects



## REGIONAL SUMMARIES: APAC (CHINA)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
Cogar	CIT	A Series	\$1,042M	\$975K	\$1.1M
MAPA	Various	Various	\$651K	\$657K	\$750K
Casper	OEM	Various	\$100K	\$96K	\$130K
OKI	OEM	Titan	\$1K	\$8K	\$10K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
LaGard	OEM, Financial, CIT	39 E	Price, Quality	Still has good share across Mexico, but declining
Baussa	OEM, Financial	Spider	OTC, Cabled	IP lock leader and could be challenged with the right S&G product
China Mechanical	OEM	Various	Low Price	Our brand still carries weight, but competition for OEM's to win is driving pricing decisions down
Intergard	CIT	Crypto	Price	Not having much success

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Develop ASWD sales through key partners	Focus on upgrades with existing OTC partners and sell feature/benefits, along with quality and long-standing partnerships	Q1 to Q4	\$1.2M
Dedicated focus on Nexus IP placement	Seek non-financial business where Wi-Fi can be utilized. Also work with Engineering to advance Nexus IP offering with cable and OTC combination solutions	Q1 to Q4	\$500K
Reintroduce MPP	Focus on corrections to prior quality concerns and S&G historical brand and partnerships with global OEM's	Q1 to Q4	\$100K
Development of Non-Corrosive Products	Consistent requests for items such as padlocks and OTC's for outdoor areas. Work with S&G team to identify solutions for differentiation	12 to 24 months	\$750K

### ACHIEVEMENT CHALLENGES

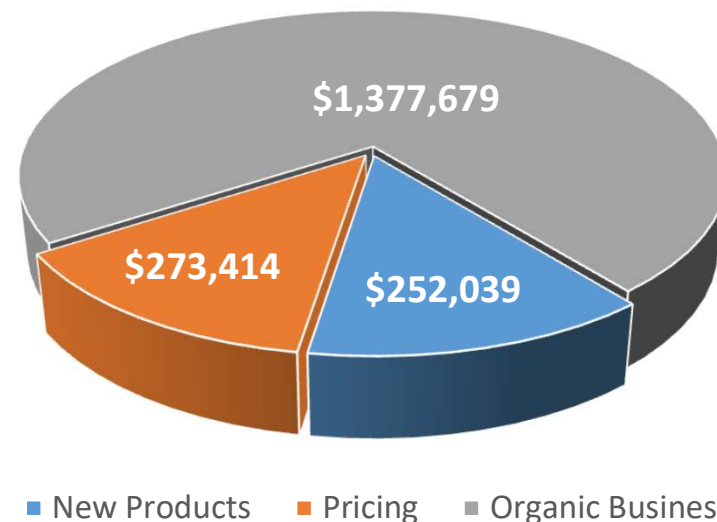
CHALLENGE	DESCRIPTION
Growth with Nexus IP	Lack of meeting demand of requirements with cable connection could greatly delay inclusion of product into Financial institutions currently leveraging one main competitor
Low Cost Product Intrusion	Potential for erosion of share with mechanical business

# REGIONAL SUMMARIES: NORTH AMERICA

## OVERVIEW

- Overall market for OEM's continues to decline, as many safe brands have partnered with China manufacturing to reduce costs in highly competitive market
- Brands such as Browning and Winchester have moved their cost-effective safe products to manufactured in China at the request of key, Big Box customers like Bass Pro Shops, Tractor Supply, and Cabelas
- Despite a small market decline since 2013, the residential safe market is expected to continue on its relatively stable growth trajectory over the foreseeable future due to continued growth in gun production and ownership
- Safe lock systems are evolving toward increased identity verification and alternate wireless physical access systems based on three primary drivers (increased functionality/security, appearance, and latest technology)
- Smart lock technology continues to drive with North American households, which is driving demand for more security products to mirror with app-based functionality
- S&G has lost a large share since 2016 with gun safe companies due to significant quality issues in it's low-cost lock (MPP)
- Tariff sanctions on China-made products has led to increased opportunity for S&G product gains, but recent poor quality has slowed this
- The U.S. ATM market has seen relatively stable sales and replacement to higher end cash management machines is growing steadily
- Despite growth in digital payments, there continues to be an increase in both ATM withdrawals and continued adoption of satellite ATMs away from banks as well as many bank branches housing multiple ATMs per branch

## NA Bookings Growth via AOP



## MARKET STATUS (S&G KEY AREAS)

TRENDS	SEGMENT	POTENTIAL RISKS	ACTIONS / STRATEGY
↑	Financial/ATM	Increased technology for cash management and expansion of ATM locations continues to be driven by cost-effective solutions by numerous players	Work with engineering on developing cable attachment for Nexus IP to pair with OTC and advance current product within other non-banking segments where Wi-Fi is still acceptable
↑	Smart Safes	Internet-based smart safes continue to grow and concern on technological advances in S&G products to meet the growing demand for remote-monitoring and cloud-based solutions	Partner with key NA financial institutions to identify product needs with emphasis on being technologically advanced versus competition
↔	Residential / Gun Safe	Erosion of share due to movement from mechanical to enhanced electronic locks, along with inability to retain business due to quality issues	Continue to work closely with current customer base on existing product portfolio and target/trial for new products

## REGIONAL SUMMARIES: APAC (CHINA)

### TOP CUSTOMERS

TOP CUSTOMER	MARKET SEGMENT	KEY PRODUCT(S)	2018 S&G SALES	2019 S&G SALES	2020 PLAN
Timemaster	Distributor	Various (incl Gov't)	\$2.4M	\$2.3M	\$3.0M
Lockmasters	Distributor	Various (Incl Gov't)	\$2.4M	\$2.1M	\$2.3M
Anixter	Distributor	Various	\$1.5M	\$1.1M	\$1.5M
Hamilton Safe	OEM	Various	\$659K	\$450K	\$600K

### COMPETITIVE STATUS

COMPANY	SEGMENT	PRODUCTS	WHY	COMMENTS
LaGard/Kaba	Financial	Vault Locks	Price, Quality	Strong share across NA and leverages long-standing partnerships for recurring business
Securam	Residential	Various	Low-priced China made and low quality concerns	Leveraged S&G quality issues to gain major traction with safe brands in North America
SGSG	Financial	Various	China-based manufacturer with 20% market share of ATM locks in NA	70% customers are banks and has strong performance with ATM products

### KEY STRATEGIC FOCUS

STRATEGY/GOAL	ACTIONS	TIMELINE	GROWTH OPPTY
Develop IMM Role	Introduce expansive roles into focus areas of Regulatory, Residential, and Financial to quarterback growth with key partners, entities, and projects	Q2 to Q4	\$1.0M
New Product Offering Expansion into Residential and Retail	Bring best-in-class product innovation to key safe companies and leverage new technologies for share growth from former partners	Q3 to Q4	\$350K
CIT Expansion across NA	Growth through branch expansion with Brinks, Garda, etc..	Q1 to Q4	\$250K
Leverage Global Partnerships	Partner further with NCR and Diebold for expansion across NA and into Canada	Q1 to Q4	\$500K

### ACHIEVEMENT CHALLENGES

CHALLENGE	DESCRIPTION
Slow to market with new product innovation	Lost business over last 3 years are interested in trying new Residential safe product upon release, but delays and/or quality issues may risk adoption and share gains away from competition
Competitive Low Cost Products	Continued efforts by competition to take away residential/financial business with emphasis on S&G quality and pricing could lead to slow gains in NA marketplace



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