

Sargent & Greenleaf Family of Brands Presentation

2Q 2020 Quarterly Operating Review

July 21st, 2020



sargent &
greenleaf™

Call To Order & Approval of Minutes	(Mike G.)	12:30pm	10 minutes
Financial Overview	(Milan V.)	12:40pm	20 minutes
Delaney	(Libby Z.)	1:00pm	45 minutes
Premier	(Joey M.)	1:45pm	45 minutes
S&G	(Mark L.)	2:30pm	45 minutes
Committee Reports / Board Resolutions	(Board of Directors)	3:15pm	45 minutes
Board-Only Discussion	(Board of Directors)	4:00pm	30 minutes
Adjourn		4:30pm	



Q2 2020 Operating Review

- ➔ Administrative (call to order, confirm APR MOR minutes, etc.)
- ➔ **Financial Review**
- ➔ Delaney
- ➔ Premier
- ➔ S&G
- ➔ Committee reports
- ➔ Appendix



Financial Review | Consolidated Summary P&L - MTD

\$'000	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	8,133	8,441	(307)	(3.6%)	9,045	(911)	(10.1%)	
Material	3,960	3,634	327	9.0%	3,734	226	6.1%	
Labor	842	991	(149)	(15.1%)	879	(38)	(4.3%)	
Other COGS	40	415	(374)	(90.2%)	534	(493)	(92.4%)	
Total COGS	4,842	5,040	(197)	(3.9%)	5,148	(305)	(5.9%)	
Gross Margin	3,291	3,401	(110)	(3.2%)	3,897	(606)	(15.6%)	
<i>Gross Margin %</i>	<i>40.5%</i>	<i>40.3%</i>			<i>43.1%</i>			
R&D	226	144	82	57.3%	84	143	170.5%	
Sales & Marketing	605	766	(161)	(21.1%)	470	135	28.7%	
Administrative	864	736	128	17.4%	1,065	(201)	(18.8%)	
Other Opex	—	—	—	N/A	—	—	N/A	
Total Opex	1,695	1,646	49	3.0%	1,618	77	4.8%	
EBITDA	1,596	1,755	(160)	(9.1%)	2,279	(683)	(30.0%)	
<i>EBITDA %</i>	<i>19.6%</i>	<i>20.8%</i>			<i>25.2%</i>			
Adj. EBITDA	1,994	1,816	178	9.8%	2,783	(789)	(28.4%)	
<i>Adj. EBITDA %</i>	<i>24.5%</i>	<i>21.5%</i>			<i>30.8%</i>			
Net Income (Loss)	\$ (4,171)	\$ 523	\$ (4,694)	(897.5%)	\$ 1,112	\$ (5,283)	(475.0%)	
Unincurred Standalone Costs	17	—	17	N/A	126	\$ (109)	(86.6%)	
PF Adj EBITDA	\$ 1,977	\$ 1,816	\$ 161	8.9%	\$ 2,657	\$ (680)	(25.6%)	
<i>PF Adj. EBITDA %</i>	<i>24.3%</i>	<i>21.5%</i>			<i>29.4%</i>			

Management Discussion

vs. Budget

- Revenue unfavorable (\$0.3M)
 - S&G: (\$0.5M)
 - Delaney: Flat
 - Premier: Flat
- Gross Margin unfavorable (\$0.1M)
 - S&G: (\$0.2M)
 - Delaney: Flat
 - Premier: \$0.1M
- Opex is flat
 - S&G: (\$0.1M)
 - Delaney: \$0.1M
 - Premier: Flat
- Adj EBITDA favorable \$0.2M
 - S&G: (\$0.1M)
 - Delaney: \$0.1M
 - Premier: \$0.1M

vs PY

- Revenue unfavorable (\$0.9M)
 - S&G: (\$1.5M)
 - Delaney: \$0.5M
 - Premier: \$0.1M
- Gross Margin unfavorable (\$0.6M)
 - S&G: (\$0.9M)
 - Delaney: \$0.2M
 - Premier: \$0.1M
- Opex unfavorable (\$0.1M)
 - S&G: Flat
 - Delaney: (\$0.1M)
 - Premier: Flat
- Adj EBITDA unfavorable (\$0.8M)
 - S&G: (\$1.0M)
 - Delaney: \$0.2M
 - Premier: \$0.1M



Financial Review | Consolidated Summary P&L - YTD

\$'000

	YTD		Var		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	46,603	49,759	(3,156)	(6.3%)	49,686	(3,083)	(6.2%)
Material	21,298	21,189	109	0.5%	21,238	60	0.3%
Labor	5,467	6,066	(599)	(9.9%)	5,712	(245)	(4.3%)
Other COGS	2,114	2,608	(493)	(18.9%)	2,596	(481)	(18.5%)
Total COGS	28,879	29,862	(983)	(3.3%)	29,546	(667)	(2.3%)
Gross Margin	17,724	19,897	(2,173)	(10.9%)	20,140	(2,416)	(12.0%)
<i>Gross Margin %</i>	<i>38.0%</i>	<i>40.0%</i>			<i>40.5%</i>		
R&D	958	1,265	(307)	(24.3%)	649	309	47.5%
Sales & Marketing	4,060	5,267	(1,207)	(22.9%)	3,852	208	5.4%
Administrative	5,172	4,700	472	10.0%	5,033	139	2.8%
Other Opex	—	—	—	N/A	—	—	N/A
Total Opex	10,189	11,232	(1,043)	(9.3%)	9,534	655	6.9%
EBITDA	7,535	8,665	(1,130)	(13.0%)	10,606	(3,071)	(29.0%)
<i>EBITDA %</i>	<i>16.2%</i>	<i>17.4%</i>			<i>21.3%</i>		
Adj. EBITDA	9,206	9,979	(774)	(7.8%)	11,110	(1,905)	(17.1%)
<i>Adj. EBITDA %</i>	<i>19.8%</i>	<i>20.1%</i>			<i>22.4%</i>		
Net Income (Loss)	\$ (6,463)	\$ 741	\$ (7,203)	(972.7%)	\$ 6,629	\$ (13,092)	(197.5%)
Unincurred Standalone Costs	154	20	134	670.0%	213	(59)	(27.7%)
PF Adj EBITDA	\$ 9,052	\$ 9,959	\$ (908)	-9.1%	\$ 10,897	\$ (1,846)	(16.9%)
<i>PF Adj. EBITDA %</i>	<i>19.4%</i>	<i>20.0%</i>			<i>21.9%</i>		

Management Discussion

vs. Budget

- Revenue unfavorable (\$3.2M)
 - S&G: (\$4.0M)
 - Delaney: \$0.4M
 - Premier: \$0.2M
- Gross Margin unfavorable (\$2.2M)
 - S&G: (\$3.0M)
 - Delaney: \$0.3M
 - Premier: \$0.6M
- Opex favorable \$1.0M
 - S&G: \$0.8M
 - Delaney: \$0.2M
 - Premier: Flat
- Adj EBITDA unfavorable (\$0.8M)
 - S&G: (\$2.1M)
 - Delaney: \$0.6M
 - Premier: \$0.6M

vs PY

- Revenue unfavorable (\$3.1M)
 - S&G: (\$5.6M)
 - Delaney: \$1.7M
 - Premier: \$0.7M
- Gross Margin unfavorable (\$2.4M)
 - S&G: (\$4.1M)
 - Delaney: \$1.0M
 - Premier: \$0.7M
- Opex unfavorable (\$0.7M)
 - S&G: (\$0.3M)
 - Delaney: (\$0.2M)
 - Premier: (\$0.2M)
- Adj EBITDA unfavorable (\$1.9M)
 - S&G: (\$3.5M)
 - Delaney: \$0.9M
 - Premier: \$0.6M



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



\$'000

	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	2,875	3,404	(529)	(15.5%)	4,413	(1,537)	(34.8%)	
Material	1,405	1,228	177	14.4%	1,485	(80)	(5.4%)	
Labor	416	549	(133)	(24.2%)	489	(72)	(14.8%)	
Other COGS	(179)	191	(371)	(193.7%)	311	(490)	(157.7%)	
Total COGS	1,642	1,969	(327)	(16.6%)	2,284	(642)	(28.1%)	
Gross Margin	1,233	1,435	(202)	(14.1%)	2,129	(895)	(42.1%)	
<i>Gross Margin %</i>	<i>42.9%</i>	<i>42.2%</i>			<i>48.2%</i>			
R&D	226	144	82	57.3%	84	143	170.5%	
Sales & Marketing	347	439	(92)	(20.9%)	240	107	44.4%	
Administrative	364	218	146	66.7%	656	(291)	(44.5%)	
Total Opex	938	801	136	17.0%	980	(42)	(4.3%)	
EBITDA	296	634	(338)	(53.4%)	1,149	(853)	(74.3%)	
<i>EBITDA %</i>	<i>10.3%</i>	<i>18.6%</i>			<i>26.0%</i>			
Adj. EBITDA	625	695	\$ (70)	(10.1%)	1,653	(1,029)	(62.2%)	
<i>Adj. EBITDA %</i>	<i>21.7%</i>	<i>20.4%</i>			<i>37.5%</i>			
Net Income (Loss)	\$ (879)	\$ (82)	\$ (796)	968.4%	\$ 463	\$ (1,341)	(289.9%)	
Unincurred Standalone Costs	17	—	17	N/A	126	(126)	(100.0%)	
PF Adj EBITDA	\$ 608	\$ 695	\$ (87)	-12.5%	\$ 1,527	(833)	(54.5%)	
<i>PF Adj. EBITDA %</i>	<i>21.1%</i>	<i>20.4%</i>			<i>34.6%</i>			

Management Discussion

◦Unfavorable Revenue to AOP due to EMEA (\$0.3M), LAG (\$0.2M), NA (\$0.1M) and India (\$0.1M). APAC less India was favorable \$0.2M

◦Unfavorable Revenue to PY due to NA (\$0.7M), APAC less India (\$0.5M) and EMEA (\$0.3M). India and LAG were flat to PY.

◦Gross margin as % of sales favorable to AOP due to mix and unfavorable to PY due to absorption

◦Opex unfavorable to AOP (\$136k) driven by Professional fees overspend of (\$188k) due to outside consultants/legal expense accrual and IT (\$56k) due to NetSuite consulting fees, partially offset by reduced commissions \$47k, volume related, and T&E \$68k.

◦Opex favorable to PY \$42k driven by Professional fees, consulting and recruiting fees, \$213k offset by increased payroll \$81k, Benefits \$33k and bonus \$47k.



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



\$'000

	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Net Revenue	17,176	21,208	(4,033)	(19.0%)	22,762	(5,586)	(24.5%)	
Material	7,345	7,495	(150)	(2.0%)	7,920	(575)	(7.3%)	
Labor	2,940	3,458	(519)	(15.0%)	3,374	(434)	(12.9%)	
Other COGS	919	1,276	(357)	(28.0%)	1,400	(481)	(34.4%)	
Total COGS	11,204	12,229	(1,025)	(8.4%)	12,695	(1,491)	(11.7%)	
Gross Margin	5,972	8,980	(3,008)	(33.5%)	10,068	(4,096)	(40.7%)	
<i>Gross Margin %</i>	<i>34.8%</i>	<i>42.3%</i>			<i>44.2%</i>			
R&D	958	1,265	(307)	(24.3%)	649	309	47.5%	
Sales & Marketing	2,035	3,125	(1,090)	(34.9%)	1,879	156	8.3%	
Administrative	2,202	1,632	570	34.9%	2,360	(158)	(6.7%)	
Total Opex	5,195	6,022	(827)	(13.7%)	4,888	307	6.3%	
EBITDA	778	2,958	(2,181)	(73.7%)	5,180	(4,402)	(85.0%)	
<i>EBITDA %</i>	<i>4.5%</i>	<i>13.9%</i>			<i>22.8%</i>			
Adj. EBITDA	2,177	4,273	(2,095)	(49.0%)	5,684	(3,507)	(61.7%)	
<i>Adj. EBITDA %</i>	<i>12.7%</i>	<i>20.1%</i>			<i>25.0%</i>			
Net Income (Loss)	\$ (7,457)	\$ (2,058)	\$ (5,399)	262.4%	\$ 3,984	\$ (11,441)	(287.2%)	
	\$ 1,399.6	\$ 1,314.4						
Unincurred Standalone Costs	154	20	134	670.0%	213	(59)	(27.7%)	
PF Adj EBITDA	\$ 2,023	\$ 4,253	\$ (2,229)	-52.4%	\$ 5,471	(3,448)	(63.0%)	
<i>PF Adj. EBITDA %</i>	<i>11.8%</i>	<i>20.1%</i>			<i>24.0%</i>			

Management Discussion

- Unfavorable Revenue to AOP due to LAG (\$1.1M), EMEA (\$0.9M), APAC less India (\$0.8M), India (\$0.7M) and NA (\$0.4M)
- Unfavorable Revenue to PY due to NA (\$2.9M), India (\$0.8M), EMEA (\$0.7M), LAG (\$0.7M) and APAC less India (\$0.6M)
- Gross margin as % of sales unfavorable to AOP due to standard cost roll (\$0.2M), Consulting costs (\$0.2M), Warranty (\$0.1M), Absorption (\$0.4M).
- Gross margin as % of sales unfavorable to PY driven by lost absorption (\$0.8M) and Consulting costs (\$0.2M).
- Opex favorable to AOP \$827k driven by Commissions \$203k, Bonus \$162k, Marketing \$84k, T&E, \$244k, Payroll & Benefits \$135k due to open positions.
- Opex unfavorable to PY (\$307k) driven by Professional Fees (\$380k) due to outside consultants and legal fees, primarily all 1x costs and IT (\$331k) driven by NetSuite implementation partially offset by insurance of \$118k mapped to COGS in 2020, benefits \$226k, Commission \$161k, and T&E \$59k



Financial Review | S&G 1X Costs



	June				YTD			
	Actual	Bud	Var	% Chg	Actual	Bud	Var	% Chg
Engineering	39	55	(16)	-28.7%	102	558	(456)	-81.8%
Market Parity	-	33	(33)	-100.0%	-	351	(351)	-100.0%
OGX	39	23	17	74.2%	93	207	(114)	-55.0%
Six Sigma Training	-	-	-	N/A	9	-	9	N/A
Marketing	24	5	19	380.0%	125	365	(240)	-65.8%
Brand Refresh	-	-	-	N/A	59	320	(261)	-81.6%
Ecommerce	24	-	24	N/A	48	30	18	60.0%
Market Parity	-	5	(5)	N/A	18	15	3	20.0%
Sales	26	-	26	N/A	74	-	74	N/A
SmartVentures	-	-	-	N/A	30	-	30	N/A
Wise Strategies	26	-	26	N/A	45	-	45	N/A
Admin	227	21	206	966.4%	965	488	478	97.9%
Legal Services (policy reviews)	-	-	-	N/A	-	20	(20)	-100.0%
HR Consultant	15	2	13	662.4%	56	25	31	127.0%
Recruiting Fees	-	-	-	N/A	41	73	(32)	-44.3%
NetSuite Reports Consulting	11	6	5	81.9%	38	40	(2)	-4.8%
CFO transition consulting	11	-	11	N/A	11	-	11	N/A
TSA	17	13	4	26.9%	348	189	159	83.9%
Planned Engineering Separation Project Start	-	-	-	N/A	-	40	(40)	-100.0%
IT Services - Transition Support	3	-	3	N/A	36	41	(5)	-13.1%
RSM Consulting	78	-	78	N/A	243	60	183	305.2%
Six Sigma Training	-	-	-	N/A	11	-	11	N/A
KPMG Consulting	-	-	-	N/A	20	-	20	N/A
Retention Bonuses	70	-	70	N/A	70	-	70	N/A
Board Member Fees	22	-	22	N/A	93	-	93	N/A
Manufacturing	30	2	28	1400.0%	227	57	170	299.0%
Quality Consulting	30	-	30	N/A	209	-	209	N/A
SmartVentures-Supply Chain Optimization	-	-	-	N/A	79	-	79	N/A
Kaizen Training	-	2	(2)	N/A	-	57	(57)	-100.0%
Total	346	83	263	315.6%	1,479	1,467	12	0.8%



Financial Review | Delaney Summary P&L - MTD



\$'000

	MTD		Variance		PY MTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	3,559	3,570	(11)	(0.3%)	3,031	528	17.4%
Material	1,950	1,955	(5)	(0.2%)	1,610	340	21.1%
Labor	72	101	(28)	(28.3%)	88	(15)	(17.7%)
Other COGS	202	193	9	4.5%	204	(2)	(1.1%)
Total COGS	2,224	2,249	(25)	(1.1%)	1,902	322	17.0%
Gross Margin	1,335	1,322	13	1.0%	1,130	205	18.2%
<i>Gross Margin %</i>	<i>37.5%</i>	<i>37.0%</i>			<i>37.3%</i>		
Sales & Marketing	185	274	(88)	(32.3%)	158	27	16.9%
Administrative	366	364	2	0.6%	301	65	21.6%
Total Opex	551	638	(86)	(13.5%)	460	92	20.0%
EBITDA	784	684	100	14.6%	670	114	17.0%
<i>EBITDA %</i>	<i>22.0%</i>	<i>19.2%</i>			<i>22.1%</i>		
Adj. EBITDA	828	684	144	21.0%	670	158	23.6%
<i>Adj. EBITDA %</i>	<i>23.3%</i>	<i>19.2%</i>			<i>22.1%</i>		
Net Income (Loss)	\$ (2,363)	\$ 323	\$ (2,686)	(831.5%)	\$ 256	\$ (2,618)	(1024.6%)

Management Discussion

- June net revenue down (\$11k) to AOP and up \$528k to PY. Versus AOP: Multi-Family up \$33k, Online up \$94k, Single Family up \$75k, offset by Hollow Metal (\$9k), Bravura (\$25k), and I/C sales to Premier (\$200k). In addition revenue reductions were favorable \$20k. Versus PY: Multi-Family up \$57k, Online up \$161k, Single Family up \$103k, Hollow Metal up \$58k, and Bravura down (\$5k). In addition, revenue reductions were favorable \$154k driven by rebates and tariff surcharge.
- Margins favorable to AOP driven by lower labor costs.
- OPEX favorable by \$86k to AOP primarily driven by Marketing due to spending cuts as well as \$38k accrual release.
- Adjusted EBITDA up \$144k to AOP and up \$158k to PY.
- Net Loss is a result of write off of the step-up of inventory as a result of the audit (revaluation) as well as true up of Goodwill Amort and Trademark Amort.



Financial Review | Delaney Summary P&L - YTD



\$'000

	YTD		Var		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	20,191	19,808	383	1.9%	18,494	1,698	9.2%
Material	10,763	10,521	242	2.3%	10,156	607	6.0%
Labor	459	585	(126)	(21.5%)	467	(8)	(1.8%)
Other COGS	1,146	1,141	6	0.5%	1,047	99	9.5%
Total COGS	12,368	12,247	121	1.0%	11,670	698	6.0%
Gross Margin	7,823	7,561	262	3.5%	6,823	1,000	14.7%
<i>Gross Margin %</i>	<i>38.7%</i>	<i>38.2%</i>			<i>36.9%</i>		
Sales & Marketing	1,565	1,820	(255)	(14.0%)	1,585	(20)	(1.3%)
Administrative	2,209	2,188	21	0.9%	2,013	196	9.7%
Total Opex	3,774	4,008	(235)	(5.9%)	3,597	176	4.9%
EBITDA	4,050	3,553	497	14.0%	3,226	824	25.5%
<i>EBITDA %</i>	<i>20.1%</i>	<i>17.9%</i>			<i>17.4%</i>		
Adj. EBITDA	4,157	3,553	604	17.0%	3,226	931	28.9%
<i>Adj. EBITDA %</i>	<i>20.6%</i>	<i>17.9%</i>			<i>17.4%</i>		
Net Income (Loss)	\$ (205)	\$ 1,511	\$ (1,716)	(113.6%)	\$ 863	\$ (1,067)	(123.7%)

Management Discussion

- YTD June net revenue up \$383k vs AOP and \$1,698k to PY. Versus AOP: Hollow Metal up \$128k, Online up \$462k, Multi-Family up \$478k, partially offset by Single family down (\$491k), and Bravura (\$160k). In addition, revenue reductions were favorable \$155k, partially driven by favorable returns of \$71k, and tariff surcharge of \$47k. Versus PY: Single family up \$137k, Multi-Family up \$571k, Online up \$803k, partially offset by Hollow Metal down (\$160k), and Bravura down (\$256k) part of which is driven by projects that occurred last year. In addition, revenue reductions were favorable by \$589k, largely due to tariff surcharge.
- Margins up to AOP driven by lower labor costs as well as favorable revenue reductions.
- OPEX favorable by \$235k to AOP primarily driven by Marketing due to spending cuts and T&E.
- Adjusted EBITDA up \$604k to AOP and up \$931k to PY.
- Net Loss is a result of write off of the step-up of inventory as a result of the audit (revaluation) as well as true up of Goodwill Amort and Trademark Amort.



Financial Review | Premier Summary P&L - MTD

PREMIER STEEL DOORS AND FRAMES

\$'000

	MTD		Variance		PY MTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	1,802	1,782	20	1.1%	1,689	113	6.7%
Material	708	766	(58)	(7.6%)	728	(20)	(2.7%)
Labor	353	341	12	3.5%	303	50	16.4%
Other COGS	18	30	(12)	(40.2%)	19	(1)	(5.1%)
Total COGS	1,079	1,137	(58)	(5.1%)	1,050	29	2.7%
Gross Margin	723	645	78	12.1%	639	84	13.1%
<i>Gross Margin %</i>	40.1%	36.2%			37.8%		
Sales & Marketing	72	53	19	35.7%	71	1	2.0%
Administrative	134	154	(20)	(12.9%)	108	26	24.0%
Total Opex	206	207	(1)	(0.4%)	179	27	15.3%
EBITDA	517	437	79	18.1%	460	57	12.3%
<i>EBITDA %</i>	28.7%	24.6%			27.2%		
Adj. EBITDA	524	437	87	19.9%	460	64	14.0%
<i>Adj. EBITDA %</i>	29.1%	24.6%			27.2%		
Net Income (Loss)	\$ (929)	\$ 282	\$ (1,212)	(429.3%)	\$ 394	\$ (1,324)	(335.8%)

Management Discussion

- June net revenue up \$20k to AOP and up \$113k to PY. Versus AOP: Pre-Assembled down (\$12k), Distributor down (\$4k), OEM up \$38k, Cash down (\$4k). Versus PY: OEM up \$15k, Distributor up \$126k, Pre-Assembled down (\$28k).
- Margins up to AOP largely driven by favorable material costs.
- OPEX flat to AOP.
- Adjusted EBITDA up \$87k to AOP and up \$64k to PY.
- Net Loss is a result of write off of the step-up of inventory as a result of the audit (revaluation) as well as true up of Goodwill Amort and Trademark Amort.



Financial Review | Premier Summary P&L - YTD

PREMIER STEEL DOORS AND FRAMES

\$'000

	YTD		Var		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	10,027	9,803	224	2.3%	9,286	741	8.0%
Material	3,981	4,233	(252)	(6.0%)	4,055	(74)	(1.8%)
Labor	2,068	2,023	46	2.3%	1,871	197	10.6%
Other COGS	49	191	(142)	(74.3%)	149	(99)	(66.9%)
Total COGS	6,098	6,447	(349)	(5.4%)	6,074	24	0.4%
Gross Margin	3,928	3,356	573	17.1%	3,212	717	22.3%
<i>Gross Margin %</i>	<i>39.2%</i>	<i>34.2%</i>			<i>34.6%</i>		
Sales & Marketing	460	322	137	42.6%	388	72	18.5%
Administrative	761	880	(118)	(13.5%)	661	101	15.3%
Total Opex	1,221	1,202	19	1.6%	1,049	172	16.4%
EBITDA	2,707	2,154	554	25.7%	2,163	544	25.2%
<i>EBITDA %</i>	<i>27.0%</i>	<i>22.0%</i>			<i>23.3%</i>		
Adj. EBITDA	2,718	2,154	564	26.2%	2,163	555	25.7%
<i>Adj. EBITDA %</i>	<i>27.1%</i>	<i>22.0%</i>			<i>23.3%</i>		
Net Income (Loss)	\$ 1,199	\$ 1,288	\$ (88)	(6.9%)	\$ 1,746	\$ (546)	(31.3%)

Management Discussion

- YTD June net revenue up \$224k to AOP and up \$741k to PY. Versus AOP: Pre-Assembled down (\$8k), Cash (\$13k), OEM is up \$239k, Distributor up \$6k. Versus PY: Pre-Assembled down (\$35k), Cash down (\$33k), OEM up \$333k, and Distributor up \$480k.
- Margins up to AOP largely driven by favorable material costs and higher absorption.
- OPEX up to AOP by \$19k due to higher Professional Fees due to recruiting costs – maintenance manager.
- Adjusted EBITDA up \$564k to AOP and up \$555k to PY.
- Net Income includes the write off of the step-up of inventory as a result of the audit (revaluation) as well as true up of Goodwill Amort and Trademark Amort.



Financial Review | Consolidated Balance Sheet

\$'000	Jun-20		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 11,555	\$ 6,367	\$ 5,188	81.5%
Accounts receivable, gross	13,285	12,663	622	4.9%
Accounts receivable, reserves	(275)	(136)	(139)	101.8%
Accounts receivable, net	13,010	12,950	60	0.5%
Inventory, gross	19,655	22,025	(2,370)	(10.8%)
Inventory, reserves	(2,275)	(2,666)	391	(14.7%)
Inventory, net	17,380	19,358	(1,978)	(10.2%)
Prepaid expenses and other current assets	(14)	204	(218)	(106.8%)
Other current assets	—	49,912	(49,912)	(100.0%)
Total Current Assets	43,697	88,792	(45,095)	(50.8%)
Non-Current Assets				
Property, plant & equipment, gross	14,057	15,620	(1,562)	(10.0%)
Accumulated depreciation	(2,189)	(2,801)	612	(21.9%)
Property, plant & equipment, net	11,869	12,819	(950)	(7.4%)
Goodwill	90,123	64,989	25,135	38.7%
Identifiable intangible assets, gross	25,100	15,100	10,000	66.2%
Accumulated amortization	(1,642)	(2,682)	1,040	(38.8%)
Identifiable intangible assets, net	23,458	12,418	11,040	88.9%
Deferred financing cost	2,759	2,597	162	6.2%
Deferred tax asset	(1,761)	672	(2,433)	(362.3%)
Other non-current assets	49,727	131	49,596	37770.8%
Total Non-Current Assets	176,175	93,626	82,549	88.2%
Total Assets	\$ 219,872	\$ 182,418	\$ 37,454	20.5%
Current Liabilities				
Current portion of long-term debt	\$ 1,850	\$ 1,850	—	0.0%
Notes payable	5,000	—	5,000	N/A
Accounts payable	3,862	5,737	(1,874)	(32.7%)
Accrued liabilities	4,421	3,337	1,084	32.5%
Accrued compensation	1,272	814	458	56.2%
Income taxes payable	(44)	762	(806)	(105.8%)
Short-term unearned revenue	84	45	39	87.4%
Other current liabilities	—	—	—	N/A
Total Current Liabilities	16,446	12,545	3,901	31.1%
Long-term liabilities				
Long-term debt less current maturities	90,194	90,212	(18)	(0.0%)
Capital lease	50	—	50	N/A
Deferred income taxes	961	(831)	1,791	(215.6%)
Other non-current liabilities	585	3,792	(3,208)	(84.6%)
Total Long-Term Liabilities	91,789	93,173	(1,384)	(1.5%)
Total Liabilities	108,235	105,718	2,516	2.4%
Shareholders' Equity				
Common stock	84,463	72,725	11,738	16.1%
Retained earnings	(13,442)	2,604	(16,046)	(616.2%)
Accumulated other comprehensive income	389	1,370	(981)	(71.6%)
Other equity transactions	—	1	(1)	(100.0%)
Total Shareholders' Equity	111,638	76,699	34,938	45.6%
Total Liabilities and Shareholders' Equity	\$ 219,872	\$ 182,418	\$ 37,454	20.5%

Management Discussion

- Cash in June reflects \$5M still open on the revolver. Paydown occurred in July along with the Term & interest payment



Financial Review | Consolidated Cash Flow

\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$		%
Cash flow from operations								
Net Income (Loss)	\$ (6,463)	\$ 741	\$ (7,203)	(972.7%)	\$ 6,629	\$ (13,092)		(197.5%)
Depreciation, amortization and other	6,842	22,955	(16,113)	(70.2%)	(42,788)	49,630		(116.0%)
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(2,595)	1,465	(4,060)	(277.1%)	(9,624)	7,029		(73.0%)
Inventory	4,606	9,670	(5,064)	(52.4%)	(8,451)	13,057		(154.5%)
Prepaid expenses and other current assets	285	193	93	48.1%	(153)	438		(287.0%)
Accounts payable	355	1,489	(1,134)	(76.1%)	4,040	(3,685)		(91.2%)
Accrued expenses	891	(1,135)	2,026	(178.5%)	760	131		17.3%
Accrued income taxes	131	(236)	367	(155.5%)	258	(127)		(49.3%)
Other changes in operating assets and liabilities	(363)	(41,620)	41,257	(99.1%)	34,013	(34,377)		(101.1%)
Other cash flow from operations	—	—	—	N/A	—	—		N/A
Total Cash Flow from Operations	\$ 3,691	\$ (6,479)	\$ 10,169	(157.0%)	\$ (15,314)	\$ 19,005		(124.1%)
Cash flow from investing								
Additions to property, plant and equipment	\$ (368)	\$ 340	\$ (709)	(208.2%)	\$ (12,015)	\$ 11,647		(96.9%)
Investment in intangibles	—	—	—	N/A	(15,100)	15,100		(100.0%)
Total Cash Flow from Investing	\$ (368)	\$ 340	\$ (709)	(208.2%)	\$ (27,115)	\$ 26,747		(98.6%)
Cash flow from financing								
Proceeds from the issuance (repayment) of short-term debt	\$ 5,000	\$ —	\$ 5,000	N/A	\$ —	\$ 5,000		N/A
Common stock issued (repurchased)	—	21,194	(21,194)	(100.0%)	7,731	(7,731)		(100.0%)
Other cash flow from financing costs	344	(11,497)	11,842	(103.0%)	(7,022)	7,366		(104.9%)
Total Cash Flow from Financing	\$ 5,344	\$ 9,251	\$ (3,906)	(42.2%)	\$ 45,295	\$ (39,950)		(88.2%)
	\$ —	\$ —	\$ —	N/A	\$ —	\$ —		N/A
Net change in cash	\$ 8,667	\$ 3,113	\$ 5,554	178.4%	\$ 2,865	\$ 5,801		202.5%
Beginning cash	2,893	3,254	(362)	(11.1%)	336	2,557		761.3%
Change in cash	8,667	3,113	5,554	178.4%	2,865	5,801		202.5%
Ending cash	\$ 11,556	\$ 6,367	\$ 5,189	81.5%	\$ 3,201	\$ 8,355		261.0%



Financial Review | Consolidated 13-Week Cash Flow Projection

In US\$	Forecast 7/13	Forecast 7/20	Forecast 7/27	Forecast 8/3	Forecast 8/10	Forecast 8/17	Forecast 8/24	Forecast 8/31	Forecast 9/7	Forecast 9/14	Forecast 9/21	Forecast 9/28	Forecast 10/5
Cash Inflows - Operational													
Collections from customers (Actual)	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections from customers based on projected aging (Forecast)	2,709	1,995	1,660	1,159	1,445	701	561	365	155	127	101	101	73
Collections from new forecasted sales	-	-	-	-	685	1,525	965	1,173	1,020	2,018	1,990	1,403	1,438
Total AR Collections	2,709	1,995	1,660	1,159	2,129	2,226	1,526	1,538	1,175	2,145	2,091	1,504	1,511
Other non-AR inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflows - Operational	2,709	1,995	1,660	1,159	2,129	2,226	1,526	1,538	1,175	2,145	2,091	1,504	1,511
Cash Outflows - Operational													
Product inventory	(807)	(1,201)	(791)	(883)	(887)	(1,542)	(840)	(892)	(697)	(885)	(997)	(965)	(1,169)
Payroll	(322)	(260)	(282)	(260)	(465)	(280)	(282)	(260)	(405)	(340)	(222)	(320)	(405)
Commissions	(165)	-	-	-	(165)	-	-	(60)	-	(165)	-	-	-
Bonus	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities & other (Freight)	(120)	(315)	(70)	(110)	(125)	(115)	(270)	(110)	(147)	(115)	(270)	(110)	(77)
Professional services	(162)	(105)	(97)	(75)	(75)	(75)	(127)	(75)	(75)	(75)	(135)	(75)	(75)
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-
Recruiter fees	(30)	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses (Insurance, TSA, CC)	(199)	(65)	(321)	-	(50)	(3)	(987)	(8)	(50)	(3)	(12)	(683)	(50)
Total Cash Outflows - Operational	(1,805)	(1,946)	(1,561)	(1,328)	(1,767)	(2,015)	(2,506)	(1,405)	(1,374)	(1,583)	(1,635)	(2,153)	(1,776)
Cashflows - Financial and Other													
Revolving Loan Draw (Paydown)	-	-	-	-	-	-	-	-	-	-	-	-	-
Term Loan paydowns	-	-	-	-	-	-	-	-	-	-	-	(463)	-
Interest and financial amortization	-	-	-	-	-	-	-	-	-	-	-	(1,718)	-
Other financial income/expense (e.g. fx, hedging)	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial income/expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Estimated Tax Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Monitoring fees (including travel expenses)	-	-	-	-	-	-	-	-	-	-	-	(500)	-
Non-recurring items	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Outflows - Financial and Other	-	-	-	-	-	-	-	-	-	-	-	(2,681)	-
TOTAL CASH FLOW	904	49	99	(169)	362	212	(980)	133	(199)	562	455	(3,330)	(265)
Cash Rollforward													
Beginning cash balance	3,599	4,503	4,552	4,651	4,482	4,844	5,056	4,075	4,208	4,009	4,572	5,027	1,697
Cash activity	904	49	99	(169)	362	212	(980)	133	(199)	562	455	(3,330)	(265)
ENDING CASH BALANCE	4,503	4,552	4,651	4,482	4,844	5,056	4,075	4,208	4,009	4,572	5,027	1,697	1,432
Debt Summary													
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,119	91,119
TOTAL DEBT	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,582	91,119	91,119
TOTAL NET DEBT	87,079	87,030	86,931	87,100	86,738	86,526	87,507	87,374	87,573	87,010	86,555	89,422	89,687
AVAILABILITY	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ENDING CASH BALANCE - S&G	1,269	1,780	2,121	2,143	1,543	1,656	1,697	1,665	1,631	1,772	2,066	(537)	(482)
ENDING CASH BALANCE - Delaney	2,664	1,979	1,819	1,601	2,520	2,515	2,351	2,343	2,007	2,316	2,305	2,099	1,642
ENDING CASH BALANCE - Premier	570	793	712	737	781	884	28	200	372	484	656	134	272
ENDING CASH BALANCE - Consolidated	4,503	4,552	4,651	4,482	4,844	5,056	4,075	4,208	4,009	4,572	5,027	1,697	1,432



Fixed Charge Coverage Ratio

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Fixed Charges:												
Interest paid (net of interest received)	8,243	7,736	7,842	7,418	7,477	7,514	7,307	7,354	7,391	7,258	7,296	7,329
Plus:												
Principal payments with respect to all debt	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850
Fixed Charges	10,093	9,587	9,692	9,268	9,327	9,364	9,157	9,204	9,242	9,108	9,146	9,179
EBITDA for defined Period	22,358	22,172	21,368	21,152	21,028	20,238	20,328	20,230	20,542	20,523	20,721	21,711
Less:												
Unfinanced Capital Expenditures	1,133	1,159	1,178	1,046	1,114	1,026	1,126	1,573	1,570	1,484	1,760	1,602
Fees and expenses paid/incurred under the Management Agreement	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Any federal, state, local or other income and franchise taxes paid or payable in cash net of any cash tax credits or other cash tax benefits	200	200	200	200	179	(116)	50	273	370	721	829	1,024
Operating Cash Flow	19,025	18,813	17,990	17,906	17,734	17,328	17,152	16,384	16,602	16,318	16,133	17,086
Fixed Charge Coverage Ratio	1.88	1.96	1.86	1.93	1.90	1.85	1.87	1.78	1.80	1.79	1.76	1.86
Minimum Ratio	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
In Compliance	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
TTM Minimum Operating Cash Flow	11,102	10,545	10,661	10,195	10,260	10,301	10,073	10,125	10,166	10,019	10,061	10,097
TTM Operating Cash Flow Cushion	7,922	8,268	7,328	7,711	7,474	7,028	7,079	6,259	6,436	6,300	6,072	6,989

Amounts for January 2019 through October 2019 defined per credit agreement



Financial Review | Financial Covenants

Total Debt to EBITDA

000's

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Total Debt:												
Revolver Balance	1,250	1,250	10,000	10,000	10,000	5,000	-	-	-	-	-	-
Plus: Term Loan Balance	92,508	92,508	92,045	92,045	92,045	91,583	91,583	91,583	91,120	91,120	91,120	90,658
Plus: Other Debt	-	-	-	-	-	-	-	-	-	-	-	-
Less: Qualified Cash	1,777	2,718	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Debt	91,981	91,040	97,045	97,045	97,045	91,583	86,583	86,583	86,120	86,120	86,120	85,658
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	22,358	22,172	21,368	21,152	21,028	20,238	20,328	20,230	20,542	20,523	20,721	21,711
TTM Adjusted EBITDA	22,358	22,172	21,368	21,152	21,028	20,238	20,328	20,230	20,542	20,523	20,721	21,711
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.11	4.11	4.54	4.59	4.62	4.53	4.26	4.28	4.19	4.20	4.16	3.95
Maximum Permitted Total Debt to EBITDA Ratio for the Defined Period	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50
In Compliance	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Minimum TTM EBITDA required	15,997	15,833	16,877	16,877	16,877	15,927	15,058	15,058	14,977	14,977	14,977	15,574
TTM EBITDA Cushion	6,361	6,339	4,491	4,275	4,150	4,311	5,270	5,172	5,564	5,546	5,744	6,137

Amounts for January 2019 through October 2019 defined per credit agreement



Q2 2020 Operating Review

- ➔ Administrative (call to order, confirm APR MOR minutes, etc.)
- ➔ Financial Review
- ➔ **Delaney**
- ➔ Premier
- ➔ S&G
- ➔ Committee reports
- ➔ Appendix



Summary review

- June net revenue up \$528K to PY - a RECORD month for Delaney.

Hits

- Ecommerce continues to be strong up \$161K to PY.
- No sign of slow down from brick and mortar customers even with supply chain challenges. Our first container out of the Philippines is scheduled to ship July 20th.

Misses

- Beginning to turn down MF orders due to inventory shortages. Also seeing increased demand in SF which is causing further backorders. Have increased purchases with Callan factory to mitigate issues in coming months.
- Within Region 1 – N.E., PA, and Midwest are off (\$350K) through June vs PY – which is attributable to the strict shut-downs in those states.
- Bravura sales unfavorable through June by (\$256K) vs. PY.

Market outlook and expectations

- Multi-Family sales are down in July due to inventory shortages, which will continue in August and September. Funding will also be very tight for the remainder of the year which may stall new construction. There are rising concerns facing both Student Housing and Rental Property Communities. Due to covid, many Colleges and Universities will revert to single-occupancy rooms, which could drive demand for off-campus housing options – however this could be partially offset by an increase in online learning. A shift to work-from-home is driving some renters out of the high-priced city into new MF properties in the suburbs.
- Single Family Builders are scrambling to secure products and report demand is still strong. Competitor lead times have extended to 8-10 weeks, presenting some opportunity but inventory concerns will limit our ability to fully take advantage.
- Indications are that eCommerce will remain strong for the remainder of the year. An increase in new Covid cases and major retailers requiring masks are contributing factors, however reports suggest shopper's spending dollars may decrease.

Focus and priorities

- Supply Chain: managing factory lead times, leveraging alternate suppliers, clearly communicating to internal and external customers
- Hiring Product & Market Manager
- MF Smartlock
- Strategic Growth Initiatives: driving growth through National Account programs, increased Builder focus and updated Bravura collaterals
- NetSuite Implementation: underway with no major hurdles or roadblocks identified.

Risks

- COVID-19 continues to be a concern as schools reopen and exposure risks increase. Update 7/20: a member of our Customer Service Dept. has tested positive. Will shift some additional staff members to remote work.
- Supply Chain Issues/Backorders
 - We anticipate a reduction in revenue of \$100K - \$200K due to container delays in July and additionally in Aug.
 - We had two State of the Union calls with entire Sales force to review inventory situation.
 - OSRs reporting customer demand is strong and that the major competitors are also experiencing delays, some significant (Kwikset & Schlage out 8-10 weeks, Baldwin out 12 weeks, Emtek announced longer lead times of 7-10 days)

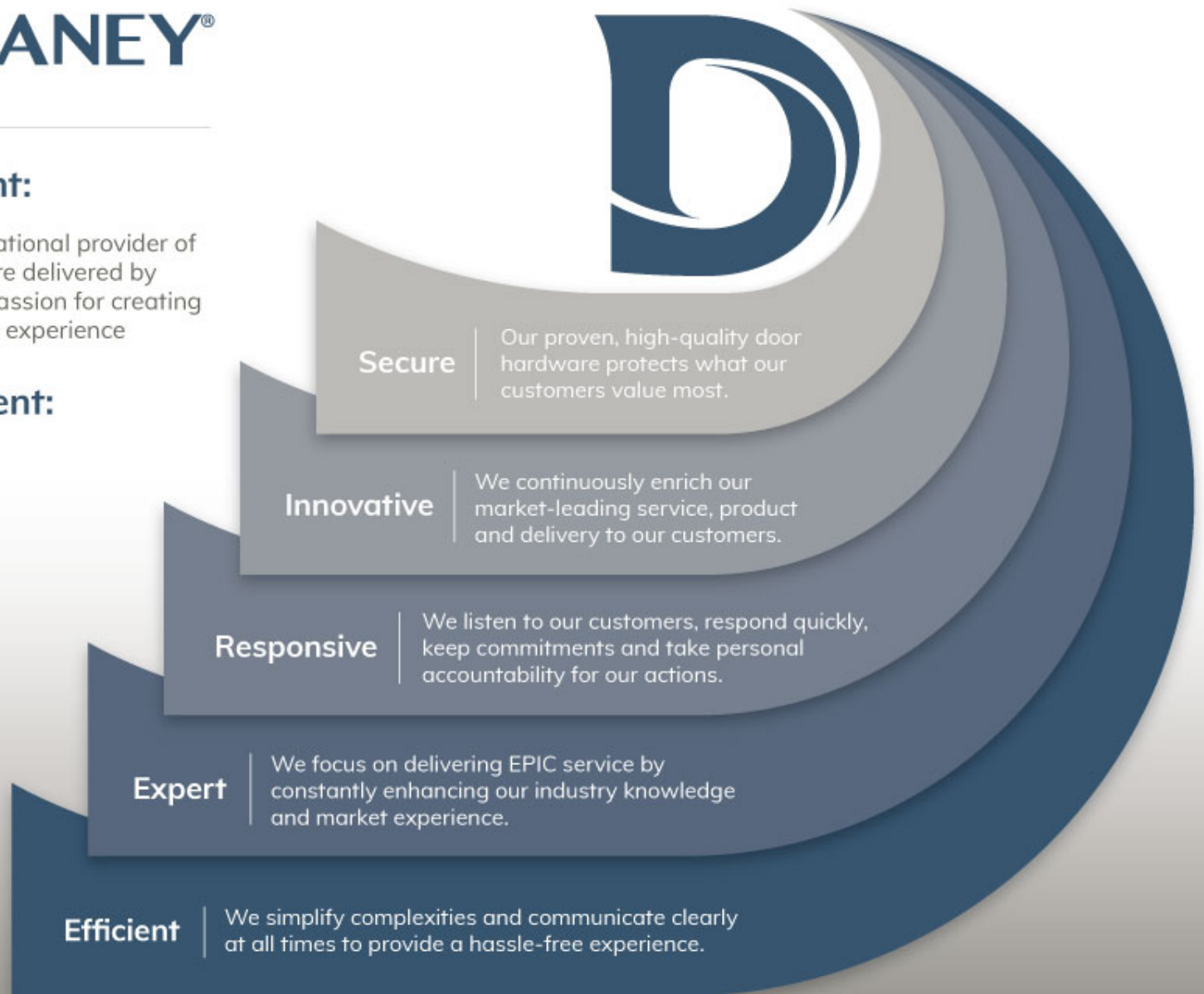


Vision Statement:

To be a growth-driven national provider of lock and builder hardware delivered by talented people with a passion for creating an epic customer-centric experience

Mission Statement:

In development





Inventory Projection

Month	AOP Sales	Projected Inventory \$'s
Jul-20	\$3,559,907	\$8,119,050
Aug-20	\$3,389,405	\$8,267,335
Sep-20	\$3,474,848	\$8,082,989
Oct-20	\$3,637,249	\$8,090,696
Nov-20	\$3,213,573	\$8,204,606
Dec-20	\$3,664,470	\$7,905,582

- Average Inventory runs \$10.5M

Factory Lead Times

FACTORY	STANDARD LEAD TIME	CURRENT LEAD TIME
KAMBO	105	135
TONGLUNG SUBIC	105	225
TONGLUNG TAIWAN	105	120
SSS DOOR	90	90
SSS EXIT	100	100
SSS-COMMERCIAL	100	100
METEK	105	105
SUNCASTLE	105	105
PROMIA	105	105
AOPO	105	105
NINGBO	105	105
JINTAN	120	120

- KAMBO represents 37% of our purchases.
- TONG LUNG represents 19% of our purchases.

YTD				
	Actual	PY	\$ Chg to PY	% to PY
L	\$7,666,639	\$7,779,841	(\$113,202)	98.5%
P	\$643,745	\$821,944	(\$178,199)	78.3%
	\$446,990	\$497,762	(\$50,772)	89.8%
E	\$608,214	\$729,681	(\$121,467)	83.4%
S	\$1,928,436	\$1,710,155	\$218,281	112.8%
S	\$4,036,605	\$4,018,093	\$18,512	100.5%
T	\$2,649	\$2,206	\$443	120.1%
2	\$5,686,872	\$6,216,404	(\$529,532)	91.5%
)	\$3,272,141	\$3,742,167	(\$470,025)	87.4%
S	\$1,295,097	\$1,248,658	\$46,440	103.7%
N	\$89,475	\$88,937	\$537	100.6%
E	\$318,525	\$327,157	(\$8,632)	97.4%
R	\$107,585	\$87,643	\$19,942	122.8%
S	\$251,916	\$253,696	(\$1,780)	99.3%
P	\$144,481	\$153,988	(\$9,507)	93.8%
R	\$90,934	\$109,723	(\$18,789)	82.9%
T	\$116,718	\$204,435	(\$87,717)	57.1%
Y	\$5,239,958	\$4,368,140	\$871,818	120.0%
H	\$5,227,185	\$4,333,204	\$893,981	120.6%
S	\$12,773	\$34,936	(\$22,163)	36.6%
E	\$1,766,475	\$965,607	\$800,868	182.9%
E	\$403,475	\$325,803	\$77,672	123.8%
L	\$20,763,419	\$19,657,521	\$1,105,899	105.6%

- Our traditional brick & mortar accounts were hit hard due to Covid shutdowns and a shift to online purchasing, particularly in the Northeast and Midwest.
- The momentum in MF & SF will be disrupted due to Inventory shortages. Covid has changed many customers approach to pursuing MF projects.



MF Smartlock Milestones

Milestone	Status	Owner	Date(s)	Status Update
ES1 Electronic Design	●	Tom/BL	1/30-3/27	Complete
ES1 Mechanical Design	●	Tom/TL	1/30-3/27	Complete
ES1 FW Development	●	BuLogics	1/30-3/31	Complete
ES1 Prototype Testing	●	Tom/TL	3/31-5/8	Complete – Several issues discovered, see PCB revision below
Internal Fire Test	●	Tong Long	3/31-4/7	Complete
Packaging Design	●	Tong Long	5/4-7/30	Confirmation pending
PCBA Revision (ES2)	●	Tom/TL	5/11-8/17	ESD protection, short circuit, and card credential issues
FW Revision (ES2)	●	Tom/TL	5/11-8/17	
App Development	●	Stratis IOT	5/13-8/31	NVRAM issue discovered impacting PCBA design and App development
User/Install Manuals	●	TL/Delaney	6/1-8/31	
UL Fire Test	●	S&G/TL	TBD	S&G Compliance Manager working with UL on proposed testing dates
Mfg. Fixtures/JIGS	●	Tong Lung	7/13-8/14	Complete
Product Validation	○	S&G/Delaney	8/17-9/21	
Production/Cycle Testing	○	Tom/TL	8/17-9/21	
ITS G2 Test	○	Tong Long	8/31-10/1	
FCC Certification	○	Tong Lung	10/1-11/16	Start date dependent on PCBA completion
Bluetooth Certification	○	Tong Lung	10/1-11/16	Start date dependent on PCBA completion
Pilot Run	○	Tong Lung	11/16-12/7	
MP Material Prep	○	Tong Lung	12/7-1/11	
Mass Production	○	Tong Lung	1/11	

PRIMARY GATING ITEM – Functional Units

Activity

- Two (2) samples ready for UL testing
- Obtain final pricing from Tong Lung
- Define EOL (end of line) Testing
- Obtain source for mechanical test firmware from Bulogics

Status

- S&G Compliance Engineer to arrange UL Testing and confirm whether PCBAs need to be operational
- Tong Lung waiting on final spin for pricing
- End of line testing protocol to be completed

DESIGN PARTNERS

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



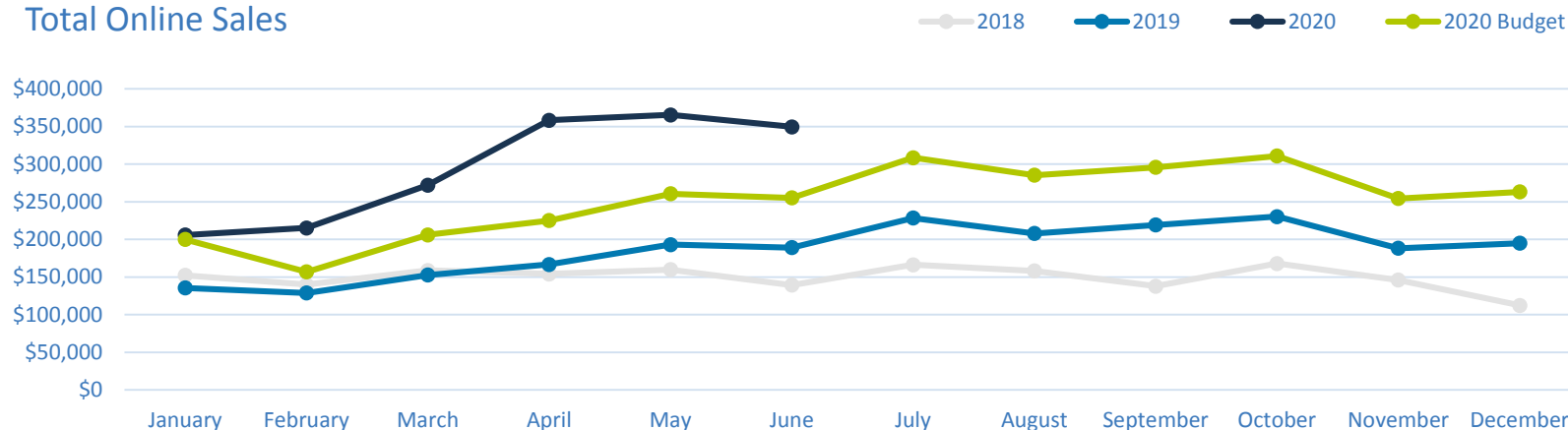


June Total = **\$349,622**

↑ Up 85% vs. 2019

Exceeded June AOP by 37%

Total Online Sales



June Sales by Partner (Ranked in Sales):

Home Depot \$133,158 – 112% Growth vs. June 2019

Lowes \$84,953 – 547% Growth vs. June 2019

Wayfair \$47,655 – 19% Growth vs. June 2019

Build.com \$44,077 – 16% Growth vs. June 2019

Amazon \$28,421 – 25% Growth vs. June 2019

of Orders: 132% increase over 2019

June 2020 – Total# of orders 5,409

22 Billing Days

Average Sales per order - \$64.63

June 2019 - Total# of orders 2,329

20 Billing Days

of Units:

June # of Line Items 2020 = 7,854

22 Billing Days

June # of Line Items 2019 = 3,817

20 Billing Days

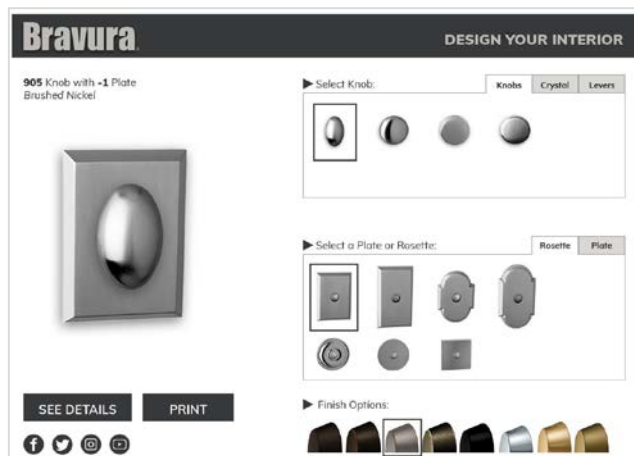


Primary objectives:

- Revamp Catalog & Price List to include a more user-friendly, clear and concise offering, fully depicting the customizable options
- New stand alone Website (still on legacy platform that is outdated and not secure)
- Custom product configurator
- To place additional Displays, including smaller footprint Revolving Tower

Next Steps

- Rep Interviews
- SKU Rationalization
- Price Testing
- Identify Target Markets
- Training, training, training
- Display analysis



		PV3 Lever Polished Brush	US4 Sera Brush	US10B Oil Rubbed Bronze	US10B Aged Brush	US15 Sera Nickel	US15A Aged Polished	US19 Black	US26 Polished Chrome
ROSETTES	-0								
	-1								
	-2								
	G-1								
	G-2								
	-6								
	-7								
KNOBS	905 Knob								
	906 Knob								
	936 Knob								
	947 Knob								
	925 Crystal Knob								
	926 Crystal Knob								
LEVERS	928 Crystal Egg								
	927 Crystal Rectangle								
	903 Lever								
	904 Lever								
	904S Lever								
	909 Lever								
	931 Lever								
	935 Lever								
	937 Lever								
	938 Lever								
	939 Lever								
	940 Lever								
	943 Lever								
	944 Lever								
	945 Lever								



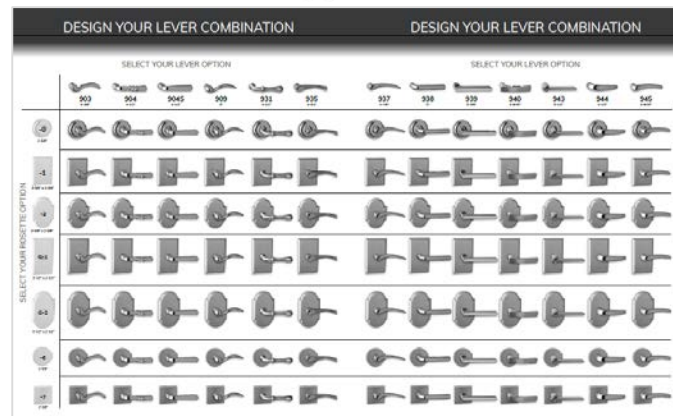


- Created new barndoor off-shelf merchandiser for sales team
- Received new Bravura tower prototype
- Started Bravura catalog revisions
- Create commercialization launch for new Barndoor pulls
- Implemented new social media content strategy and outreach with influencers for product placement (Increased followers 10%)
- E-commerce - forecasting bundle packs & new 5 pack options. Created pitches for Lowes & Home Depot E-commerce merchants.



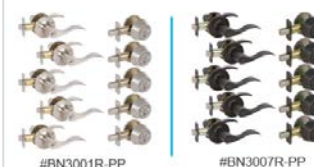
Next Initiatives Focus:

- Finalize new Delaney and Bravura catalogs
- Finish implementing Phase 1 of Delaney website enhancements
- Present lead generation program plan



DOOR HARDWARE: PRO SUMMER EVENT

NEW PRO 5-PACK DEADBOLT & ENTRY LEVER COMBOS



- 5 wave style entry lever door locks and 5 single cylinder deadbolts in 1 project pack.
- Ideal for new construction or remodeling projects where multiple doors need to operate on the same key system.
 - Available in Satin Nickel and Oil Rubbed Bronze Finish.
 - All 10 locks operate with the same key.
 - 10-keys included



Q2 2020 Operating Review

- ➔ Administrative (call to order, confirm APR MOR minutes, etc.)
- ➔ Financial Review
- ➔ Delaney
- ➔ **Premier**
- ➔ S&G
- ➔ Committee reports
- ➔ Appendix



Good News / Positives to Business and Plan

June sales favorable to AOP by \$20k / 1.1% and \$113k / 6.7% to PY. EBITDA was up \$87k / 19.9% to AOP and \$64k / 14% to PY

June was a top five revenue month, and reported monthly EBITDA was the second highest ever.

YTD sales favorable to AOP by \$204k (2.5%) and \$628k (8.3%) to PY

Gross margins remain strong in some part due to mix, but a favorable cost structure is the primary driver.

Adjusted YTD EBITDA up \$564k / 26.2% to AOP and \$555k / 25.7% to PY

Bookings and backlog remain solid

New Customers onboarded in June totaled \$55k (JF, RC Door, Littco, Trinity, & ETAS)

Risks / Challenges to the Business and Plan

COVID-19

Marginal impact on operations and supply chains thus far. However, confirmed cases in LA and Monroe are rising and outside exposures are beginning to affect our Monroe operations. Our Atlanta facility was also impacted for the first time as well. Quarantines implemented for affected employees, and facilities continue to be sanitized on a weekly basis. Community spread and higher positivity rates led the LA governor to impose more business restrictions on July 11th.

Construction Climate

Sentiment took a dip in June, and some of our distribution partners are starting to report some softness. OTC and repair work in the commercial sector has diminished, and the ABI went backwards in June. We'll have to keep a close eye on this going forward.

Equipment Constraints

Mechanical breakdowns have been a hindrance in 2020. SMR quotes are forthcoming to assess the viability of the remaining repairs needed. The approved capex spend process is also underway, but the equipment being purchased won't be functional until late in 2020. Therefore, O/T will continue to be required to drive numbers, and employee fatigue is a concern. Already some are becoming reluctant to work the needed overtime hours.

Other Significant Matters / Events

Cost controls remain in place.

Work from home continues, and the recent surge in positive cases has slowed our employees return to the office.

Bob West, AHC came on board as SBDM on July 15th.

Vision Statement:

To be the most trusted and valued national provider of hollow metal doors, frames, and related hardware recognized as an invaluable resource by our customers and strategic partners

Mission Statement:

In development

Efficient

We have a continuous improvement culture to drive operational excellence for optimal customer experience.

Expert

We focus on being an invaluable resource to our customers and strategic partners.

Responsive

We listen to our customers, respond quickly, keep commitments and take personal accountability for our actions.

Innovative

We continually enrich our market-leading service, product and delivery to our customers.

Secure

Our trusted, high-quality hollow metal doors and frames protect businesses, people and assets



- Premier operated two production departments (doors and frames) near-full capacity (~300 doors / day and ~900 frame pieces / day) prior to Covid-19. Substantial machinery failures coupled with new Covid-19 distancing realities have led to new current capacity that is below AOP CY targets by 20%
- Capex is required to alleviate risk to current demand, but is also designed to support future needs and additional sales and new products (i.e. 14g BR doors and frames)
- Capacity in both departments is reduced when high mix production creates time-intensive set-ups or changeovers.
 - Mix is only getting more choppy and current capabilities are designed for small variation high volume
- \$1.6M capex in automated machines capable of producing expanded product line while reducing changeovers, increasing production capacity by 31% (~\$5.95M in revenue), and supporting increased customer demand and current backlog while also mitigating elongated lead times. Estimated head count reduction of four.

Capex Approved Spend \$1.6M:

• Salvagnini Panel Bender (Doors)	\$750,000
• Amada EMK 3612 Turret Punch (Doors)	\$399,000
• Amada AE2510NT Turret Punch (Frames)	\$232,900
• Ermaksan CNC Press Brake (Doors)	\$113,890
• Miscellaneous Tooling, Prep, Etc.	<u>\$104,210</u>
	\$1,600,000

	ASP	YTD Parts	Remaining Capacity	Yearly	Revenue	Total	AOP	Hit/Miss	Comments
Doors	182	32,210	32,560	64,770	11,788,140	19,718,140	20,533,932	-815,792	Assumes working EVERY Friday for the rest of the year and no more breakdowns
Frames	40	98,674	99,576	198,250	7,930,000				Assumes working EVERY Friday for the rest of the year and no more breakdowns

- Key factors to consider
 - The backlog is and continues to be the highest in company history
 - Current machinery is functioning, but further catastrophic breakdowns are imminent as several presses are substantially worn and only operating because of no other options (i.e. 2 presses have worn eccentrics to the point that frequent adjustment is required and could fail at any time, another press has cracked housings and platen landings through the weld that will fail, another press has a clutch, drive, and shaft assembly that is both completely worn and unrepairable [recommendations from industrial maintenance consultant is to completely remove and replace the entire operating drive])
 - Covid-19 has had human capital impact on an already tight labor market. Workforce issues have been exacerbated by illness events, materially beneficial programs to not work, and employee fears. Capex as presented reduces overall dependency on additional labor.
- Because of the mechanical issues (compounded by Covid-19), Premier is unable to hit needed productions targets for 2020 AOP without Capex. Existing production, given the likelihood of continued mechanical issues, also remains at risk.
- Lag time from order placement to machinery in service is approximately 90-120 days. Attempts to close production gaps will utilize additional shifts and/or overtime hours.

Future State

	CASP	FS	Add'l Capacity	Add'l Revenue
Doors	182	84,500	20,137	3,664,934
Frames	40	244,250	57,068	<u>2,282,720</u>
				\$ 5,947,654





- Located in Birmingham, AL
- Approximate \$5M in revenues with advised EBITDA of \$1M
- Custom Door & Frame Emphasis
- Owner engaged and extremely interested
- Site visit and initial meetings with owner planned and scheduled for 7-29/30
- There are some expected synergies and we'll confirm that in our meetings / diligence.
 - Delaney purchases approximately \$500-600k annually from HMF/Concept. (See Chart)
 - Premier's customers also interested in BR, FEMA, Thermal, & Stainless doors & frames
 - S & G could benefit from SCIF (Secure Compartmented Information Facility) assemblies offered by MegaMet as well.



	2019	June 2020	Grand Total
CONCEPT	40,891.10	453.00	41,344.10
GENSTEEL	3,545.92		3,545.92
HMF	536,172.20	325,596.13	861,768.33
Grand Total	580,609.22	326,049.13	906,658.35





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Summary review

- Most notable impact to Q2 performance being May (Revenue at 64% to AOP), however June Revenue at 85% to Plan combined with Jul – Dec Backlog and Opportunities, outlooks an average of 80% to AOP rest of year performance. The identified projects provide upside potential.
- Core-customer business in all regions, particularly EMEA, are down more than 35% over PY. Unfavorability being reduced through identification and capture of organic new customer opportunities, typically project-based. Continue to experience longer sales cycles.

Hits

- June Bookings favorable \$1.1M to AOP and \$2.2M to PY; YTD-June Bookings favorable \$443k/102% to AOP
- June Backlog favorable \$2.5M to AOP and \$3.6M to PY

Misses

- Q2 Revenue unfavorable (\$3.1M)/(29%) to AOP and unfavorable (\$3.8M)/(33%) to PY

Market outlook to AOP and expectations

Region	Outlook	Risk Areas	Risk Core-Customers	Near-term Opportunities
APAC	81%	China, Japan, SE Asia	SQ, Tristar/Dutech	
India	84%	-	Arya, NCR	
EMEA	75%	Germany, Italy, Portugal, Spain	Caradonna, Format, NCR	Post Bank (\$210k), Privat Bank (\$1.2M), Russian ATM (\$900k)
LAG	79%	Argentina, Columbia, Mexico, Peru	American Locks, GSI, Mapa	B-Box (\$2.2M)
NA	86%	-	Lockmasters, Timemaster	Independent Hardware (\$810k), MBA (\$465k), Scripps Safe (\$2.1M)

Focus and priorities

- Sales force effectiveness: Value Selling training kicked off 7/20 with 'Assessment' and will conclude in Oct/Nov; Market Expansion business case
- Operational objectives: Filled the Customer Relationship Director position with Michael Brislin (start Aug. 3rd) – generate on-boarding plan (30-60-90 day objectives); Quality Manager position in recruiting stage
- New Product Development: Execute to NPD Roadmap; Modularized Lock Body business case

Risks

- On-going impact of COVID-19 on hotspot regions and core customers toward realizing backlog and closing of long-term projects
- Manage reduced efficiencies due to batch-flow manufacturing and work-from-home support staff
- New keypad challenges with UL screen test may result in production delays up to 6 weeks



s&g family of brands



sargent &
greenleaf.



DELANEY®

PREMIER STEEL
DOORS
AND
FRAMES

Lock Solutions Group

Door Solutions Group



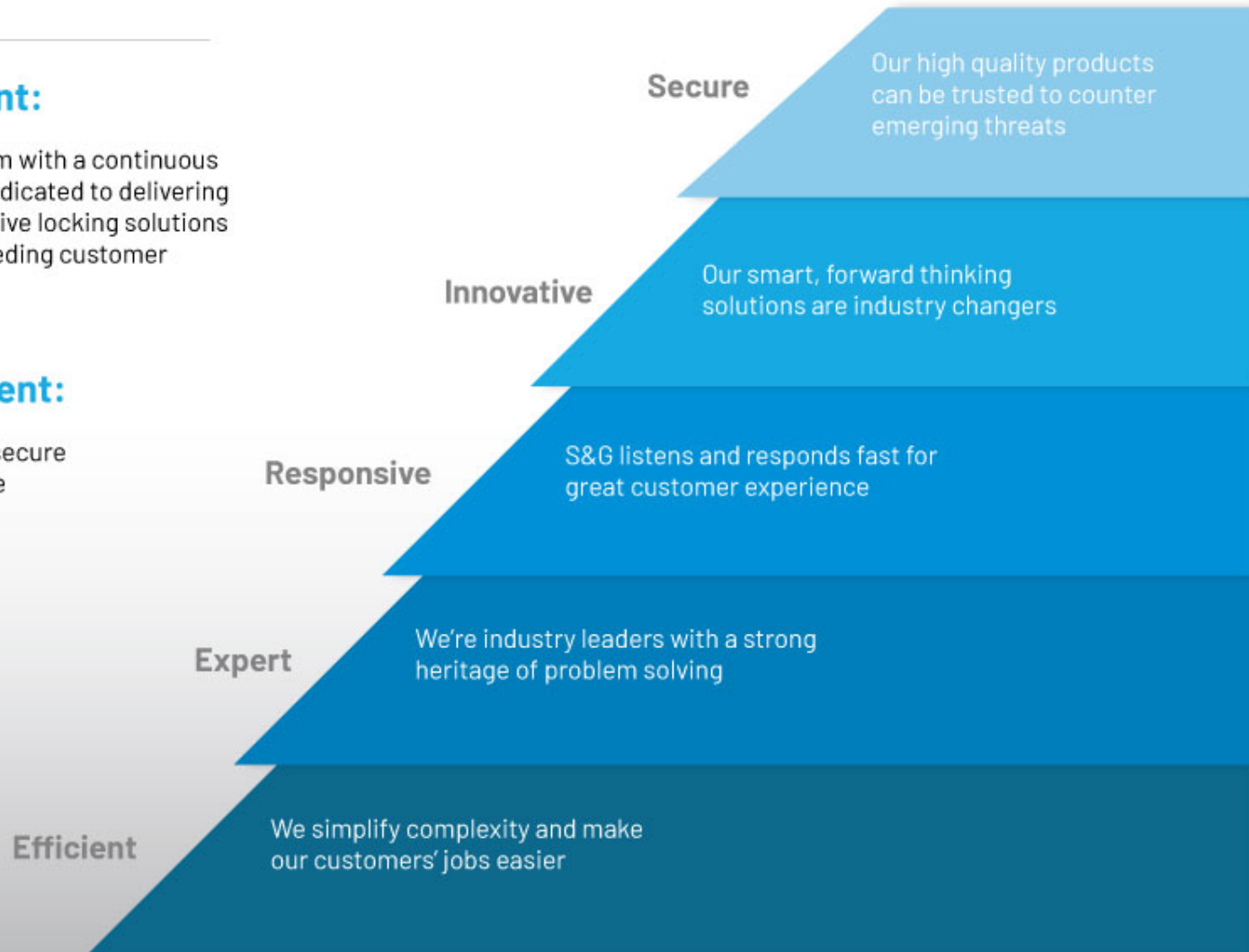


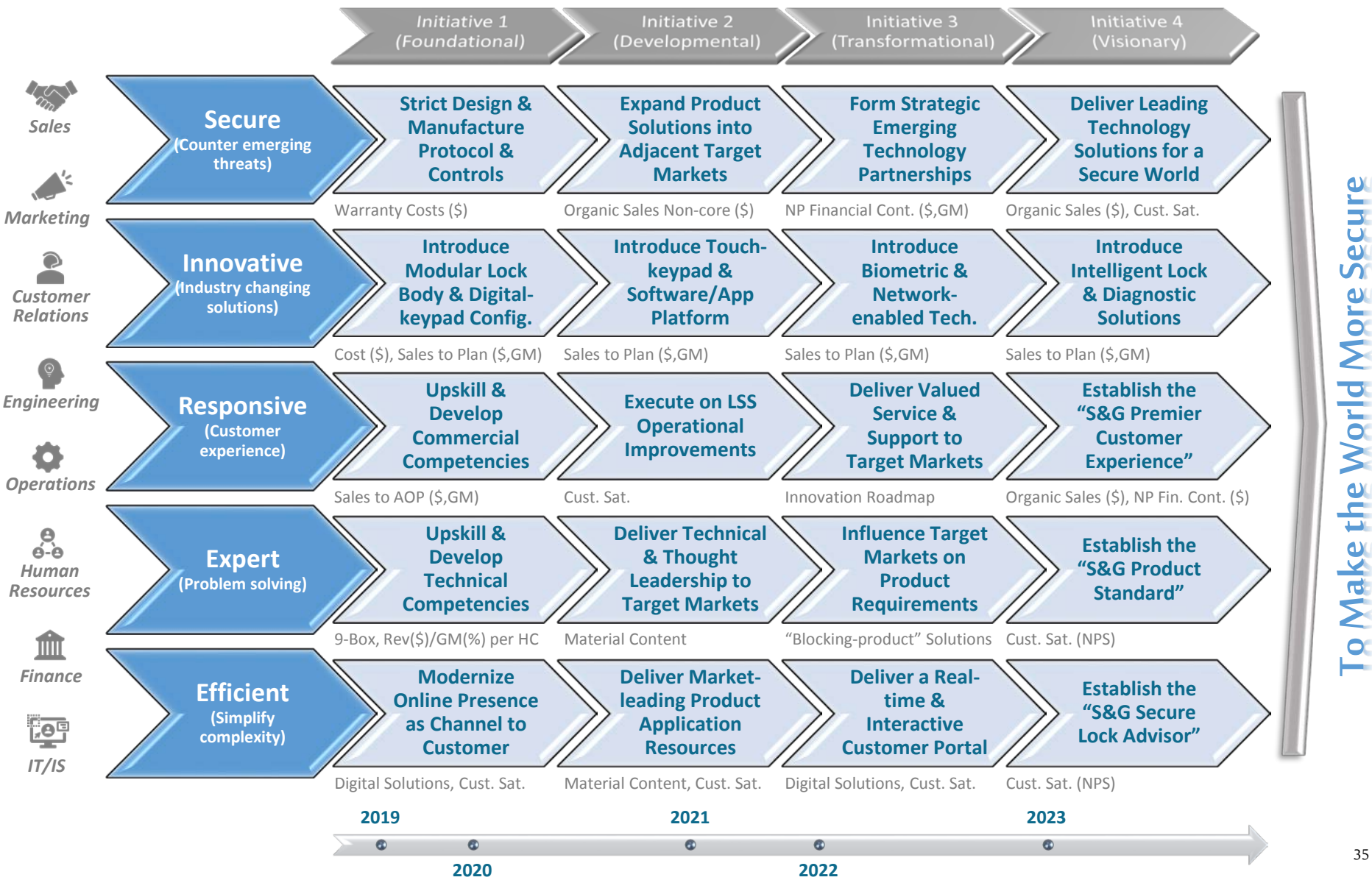
Vision Statement:

S&G is a passionate team with a continuous improvement culture dedicated to delivering trusted and transformative locking solutions while consistently exceeding customer expectations

Mission Statement:

Making the world more secure today and into the future







		Initiative 1 (Foundational)	Initiative 2 (Developmental)	Initiative 3 (Transformational)	Initiative 4 (Visionary)
	F-level KPI	Strict Design & Manufacture Protocol & Controls	Expand Product Solutions into Adjacent Target Markets	Form Strategic Emerging Technology Partnerships	Deliver Leading Technology Solutions for a Secure World
Sales	Sales revenue (organic)	-	Identify growth markets & applications requiring high-value, secure lock solutions	-	Enhance skillsets of sales team through ValueSelling approach to effectively execute sales growth
Marketing	Material content, Lead generation	-	Acquire market intelligence, including VoC, to validate market expansion opportunities	-	Identify, evaluate & implement advanced Marketing & Selling tools
Customer Relations	Escalation close, Quote time, Call log	Establish a reliable & responsive customer escalation & resolution SOP	Ensure the quote-to-order resources & process supports the market expansion strategy	-	Prepare CR team for market support; Identify & implement virtual/networked solutions
Engineering	NPD roadmap, Project delivery to schedule	Establish an exacting product design & validation program to optimize quality & reliability	Roadmap & develop adjacent market products (handgun safe, trigger lock)	Identify emerging technology developments & partner with strategic third-parties	Execute on an Innovation Roadmap to deliver advanced technology solutions
Operations	COPQ, Supplier management, Make vs Buy	Establish a market-leading Quality infrastructure, process & controls to ensure on-going quality & reliability of all products	Identify & effectively execute on the insourcing vs outsourcing strategy for all products	Supply chain to establish & effectively manage supplier/partner identification, validation, agreement & audit	Deliver market-leading quality & reliability on the full scope of the developing product portfolio
Human Resources	Recruit costs, Skill matrix, Retention	Recruit & on-board Quality Manager; Execute on Quality development program (LSS)	Identify resource requirements; Recruit, on-board & train	Standardization of Processes and Procedures	Identify & action skill gaps in 'Talent Management'
Finance	Budget to Plan, Material content	Capture budgetary requirements in AOP	Establish business case model toward financial analysis of new market opportunities	-	Lead business case generation & identify budgetary requirements within AOP
IT/IS	Tech solutions	-	-	-	Provide application support
	B-level KPI	Warranty Costs (\$)	Organic Sales Non-core Market (\$)	NP Financial Contribution (\$,GM)	Organic Sales (\$), Cust Sat.



Not started



In-process
On-schedule



In-process
Behind-schedule



In-process
Late-to-schedule



Completed



		Initiative 1 (Foundational)	Initiative 2 (Developmental)	Initiative 3 (Transformational)	Initiative 4 (Visionary)
	F-level KPI	Introduce Modular Lock Body & Digital Keypad Config.	Introduce Touch-keypad & Software/App Platform	Introduce Biometric & Network-enabled Tech.	Introduce Intelligent Lock & Diagnostic Solutions
Sales	Sales to Plan, New account growth (Pick 5)	Identify, target & execute on core & non-core key accounts, by market, to maximize NP sales	Leverage identified key accounts to accelerate adoption and growth of new technologies	Leverage identified key accounts to accelerate adoption and growth of new technologies	Leverage identified key accounts to accelerate adoption and growth of new technologies
Marketing	Lead gen., New accounts, Sales to Plan	Generate & execute on new product launch program	Generate & execute on new product launch program	Generate & execute on new product launch program	Generate outbound messaging and sales tools in support of new technology solutions
Customer Relations	Quote-to-order conversion, Skill Matrix	Prepare CR team for customer support on product conversion & configured quoting	Prepare CR team for quote-to-order fulfillment & customer technical support	Prepare CR team for quote-to-order fulfillment & customer technical support	Establish the CR team as a valued customer resource to advanced technical solutions
Engineering	Product launch to NPD Roadmap, ROI to Biz Case	Generate all production/supplier, validation/quality, marketing/sales supporting materials	Generate all production/supplier, validation/quality, marketing/sales supporting materials	Generate all production/supplier, validation/quality, marketing/sales supporting materials	Identify & develop market valued advancement in software functionality with RMR potential
Operations	Cost to target, Leadtime, COPO	Plan & action supply chain, manufacturing & quality to new product requirements	Plan & action supply chain, manufacturing & quality to new product requirements	Plan & action supply chain, manufacturing & quality to new product requirements	Establish an operation optimized to support a configurable lock-controls solution
Human Resources	Recruit costs, Skill matrix, Retention	Identify & action skill gaps in 'Talent Management'	Identify & action skill gaps in 'Talent Management'	Identify & action skill gaps in 'Talent Management'	Identify & action skill gaps in 'Talent Management'
Finance	Financial report (MOR, QOR, dashboard)	Lead business case generation, capture budget in AOP & report on performance to Plan	Lead business case generation, capture budget in AOP & report on performance to Plan	Lead business case generation, capture budget in AOP & report on performance to Plan	Lead business case generation, capture budget in AOP & report on performance to Plan
IT/IS	Tech solutions	-	Provide application support	Provide application support	Provide application support
	B-level KPI	Cost Benefit (\$), Sales to Plan (\$, GM)	Sales to Plan (\$, GM)	Sales to Plan (\$, GM)	Sales to Plan (\$, GM)



Not started



In-process
On-schedule



In-process
Behind-schedule



In-process
Late-to-schedule



Completed



		Upskill & Develop Commercial Competencies	Execute on LSS Operational Improvements	Deliver Valued Service & Support to Target Markets	Establish the "S&G Premier Customer Experience"
	F-level KPI				
Sales	Talent Matrix, Mat'l content as SIP objective	Evaluate & upskill Sales team; Identify, source and implement Sales professional development (Value Selling training)	Establish a 'Global Partner Advisory Council' to capture continuous improvement opportunities	Provide market intelligence on technology trends, disruptors & unmet needs to advance market expansion opportunities	Leverage the CRM to identify targeted Marketing/Sales campaigns aligned to customer interests
Marketing	Material content, Market analysis	Generate outbound messaging & Sales tools in support of Value Selling approach	Establish & maintain a quantitative competitive analysis & value position (SWOT)	Identify & communicate trended market movements (customer & competitor)	Execute on tailored Marketing/Sales materials toward identified opportunities
Customer Relations	Talent Matrix, VoC SOP, Cust. Sat.	Establish channel for market input to continuous improvement; Establish Technical Training program for Commercial app.	Capture comprehensive VoC feedback as standard practice & apply a LSS approach to continuous improvement	Install discovery questions into customer communications to identify pain points	Prepare CR team as valued resource in support of identified products and applications
Engineering	Innovation / NPD roadmap	-	Execute on NPD stage-gate process, delivering expected project results per Biz Case	Identify technology/disruptors to drive valued product solutions	Develop or source, via JV, on product solutions in answer to identified opportunities
Operations	New product implementation SOP	-	-	-	Establish supply chain, final assembly & validation in response to new product solutions
Human Resources	Talent Management, Recruit-Train-Retain	Recruit & on-board Customer Relationship Director; Identify & action skill gaps in 'Talent Management'	HR Planning and Labor Forecasts, Sucession Planning, Identify Opportunities and Threats (Internal SWOT)	-	Identify & action skill gaps in 'Talent Management'
Finance	Budget to Plan	Capture budgetary requirements in AOP	-	-	Capture budgetary requirements in AOP
IT/IS	Tech solutions	-	Support VoC data capture	-	Provide application support
	B-level KPI	Sales to AOP (\$, GM)	Customer Satisfaction	Innovation roadmap	Organic Sales (\$), NP Fin. Cont. (\$)



Not started



In-process
On-schedule



In-process
Behind-schedule



In-process
Late-to-schedule



Completed



		Initiative 1 (Foundational)	Initiative 2 (Developmental)	Initiative 3 (Transformational)	Initiative 4 (Visionary)
	F-level KPI	Upskill & Develop Technical Competencies	Deliver Technical & Thought Leadership to Target Markets	Influence Target Markets on Product Requirements	Establish the "S&G Product Standard"
Sales	Talent Matrix, Mat'l content as SIP objective	Assess, plan & action on product & application knowledge of Sales team and channel partners	Identify and execute on 'White Paper' opportunities with key customers/applications	Establish presence with governing bodies & associations for respective target markets	The messaged S&G value proposition becomes the market expectation
Marketing	Brand position per market surveys	Incorporate a compelling technical solutioning approach to outbound Marketing materials	Generate & drive the thought leadership strategy	Broadcast & educate market on application requirements & "recommendations"	Establish & communicate the brand identity & market position in respect to our mission
Customer Relations	Talent Matrix, Cust. Sat.	Evaluate, upskill & develop the CR team in alignment to advancing virtual communication	Demonstrate measured improvement in technical competency of staff	Reinforce application requirements throughout customer forums	Establish the CR team as a commercially recognized, leading-resource to the market
Engineering	Talent Matrix, Material content	Evaluate, upskill & develop the engineer team in alignment to identified technology advancements	Provide product/solution technical insight in support of application value	Actively engage & establish credibility within governing bodies & associations of target markets	Execute on a design engineering stage-gate process & supporting resources that ensure rapid & consistent project results
Operations	Talent Matrix, LSS/Kaizen	Evaluate, upskill & develop operations team in alignment to product manufacturing needs	Establish & demonstrate best practice in manufacturing efficiencies, quality & reliability	Ensure manufacturing & validation protocols align to established product requirements	Demonstrate a Lean Six Sigma culture throughout the order fulfillment process
Human Resources	Talent Management, Employee Sat.	Recruit & on-board Software Engineer; Identify & action skill gaps in 'Talent Management'	Manage performance through Training and Development	HR Balanced Scorecard (Learning and Development, Employee Satisfaction)	Champion cultural development to Mission, Vision, Values ('MVV')
Finance	Budget to Plan	Capture budgetary requirements in AOP	-	Capture budgetary requirements in AOP	Capture budgetary requirements in AOP
IT/IS	Tech solutions	-	-	Provide application support	Provide application support
	B-level KPI	9-Box, Rev(\$)/GM(%) per HC	Material content	"Blocking-product" solutions	Cust. Sat. (NPS)



Not started



In-process
On-schedule



In-process
Behind-schedule



In-process
Late-to-schedule



Completed



		Initiative 1 (Foundational)	Initiative 2 (Developmental)	Initiative 3 (Transformational)	Initiative 4 (Visionary)
	F-level KPI	Modernize Online Presence as Channel to Customer	Deliver Market-leading Product Application Resource	Deliver a Real-time & Interactive Customer Portal	Establish the "S&G Secure Lock Advisor"
Sales	Market Intel as SIP objective	Provide input to Marketing on market expectations & identified customer needs	Development & utilization of Sales tools for informing customers on technology resources	Provide input to Marketing on market expectations & identified customer needs	Promote the CR team as a valued market / application resource
Marketing	Digital material content, VoC applied to Cont. Improvement	Create a market-leading digital presence; leveraging advanced technology tools	Build out the library of technical resources to enable the customer to readily resolve product / application questions	Acquire VoC toward determining desired functionality of customer portal	Promote the CR team as a valued market resource; Acquire VoC of end-user experience for continuous improvement
Customer Relations	Material content, Warranty, Cust. Sat.	Support the customer engagement & experience via live chat & advanced virtual tools	Identify & contribute to the development of valued customer resources	Support the customer engagement & experience via the online portal	Leverage a market-leading technical team & virtual resources to establish Customer Relations as "Secure Lock Advisor"
Engineering	Material content	-	Provide product/solution technical materials	Provide product/solution technical materials	Provide product/solution technical materials & training
Operations	OTD, Warranty, Cust. Sat.	-	-	Leverage NetSuites toward effective operational management, data capture & outbound communication	Consistently deliver to committed customer expectations of product availability, quality & reliability
Human Resources	Talent Management	-	Identify & action skill gaps in 'Talent Management'	Identify & action skill gaps in 'Talent Management'	Identify & action skill gaps in 'Talent Management'
Finance	Budget to Plan	Capture budgetary requirements in AOP	Capture budgetary requirements in AOP	Capture budgetary requirements in AOP	Capture budgetary requirements in AOP
IT/IS	Tech solutions	Provide application support	Provide application support	Provide application support	Provide application support
	B-level KPI	Digital solutions, Cust. Sat.	Material content, Cust. Sat.	Digital solutions, Cust. Sat.	Customer Satisfaction (NPS)



Not started



In-process
On-schedule



In-process
Behind-schedule



In-process
Late-to-schedule



Completed



Objective

- Obtain investment in **3 IMMs at an incremental cost of \$600K** (\$600K comp. fully loaded¹, with addt'l \$50K budget each) with **optional incremental \$100K personnel investment** based on growth (i.e. additional CSR support estimated for \$4M sales growth) for adjacent market entry in **Healthcare, Transportation, and Regulatory** market sectors to **pursue target revenue growth of ~\$4MM in each sector by 2022**

Background

- Current sales concentrated in commercial (banking / finance, \$22M), residential (\$11.3M), and regulatory (\$9.3M) sectors (2019 REV)
- Low new customer acquisition volumes (both few customers, and low volume customers) - **28 new customers (2020) contributing total REV YTD of ~400K; does not account for backlog / contracted earnings only recognized REV (as of JUN2020)**
- Market headwinds for core products (e.g. ATMs, gun safes) reflect flat or significantly declining outlook emphasizes need to broaden exposure / market footprint

Strategy proposal

- Sales growth potential exists through existing product adaptation and limited new product development in adjacent markets
- Healthcare and Transportation present significant market opportunities for valuable storage across product applications (table below)
- S&G's current team leverages a generalist model with regional responsibilities, and lacks industry specialization and customer targeting capabilities in these market sectors (HC, Trans)
- Market entry may leverage a blending organic and inorganic model, informed by IMMs with specific industry insight; potential acquisition opportunities to be explored in further depth with OGC M&A team and aligned to strategy
- Investment in IMMs (\$600K comp. fully loaded¹, with addt'l \$50K budget)** offset by sales growth (organic est. below, M&A would accelerate timeline and considered incremental); additional personnel / sales rep investment will be moderated based on progress to plan

Estimated opportunity for adjacent market sectors, \$K

Market sector	Growth rate	2020	2021	2022	2023
Regulatory	5.0%	185,800	195,090	204,845	215,087
Healthcare	8.5%	65,190	70,740	76,763	83,298
Transportation	8.5%	112,445	122,018	132,406	143,678
Total		363,435	387,848	414,013	442,063

Forecasted S&G revenues by adjacent market sector, \$K

Market sector	Start-date (tgt)	2020	2021	2022	2023
Regulatory	2Q2021	0	1,040	3,590	4,160
Healthcare	3Q2020	60	1,930	4,010	4,160
Transportation	3Q2020	110	2,240	4,310	4,500
Total	-	170	5,210	11,910	12,820

1. Regulatory IMM would replace BDM role which is currently a backfill for dismissed employee; incremental compensation cost for IMM \$50K annually



Business Strategy | Adjacent Market Entry (Cont.)

S&G growth opportunities in adjacencies is highest in segment 2 – focusing on existing product (or slightly altered) sales into new market sectors for both new and existing customers

Strongest growth opportunity for S&G due to:

- Market headwinds in existing market sectors
- Customer overlap / existing sales in some market adjacencies
- Product application flexibility / cross-market applicability for existing inventory, or slightly modified inventory
- Investment in personnel (training) and equipment (CRM) for sales effectiveness and customer acquisition



Customer and product application overlap ex

- Scripps Safe Inc, \$6K REV (YTD) healthcare products (e.g. pharma safe) produces FireKing product, \$140K REV (2019)
- Matt W. contacted as result of initial discussions regarding adjacent markets
- Ambulatory pharmacy need identified for multi-user, audit enabled lock
- Scripps current OEM suffering from service and performance challenges
- Discussing opportunity for purchase of existing S&G products: Audit 2.0 (USB enabled audit lock) and NEXUS IP (wifi / remote enabled audit lock)



Core and new account sales contribution 2020

New account revenue contribution increasingly significant in Q2, offsetting core declines by ~\$640K with an additional \$110K MTD JUL 2020

Takeaways

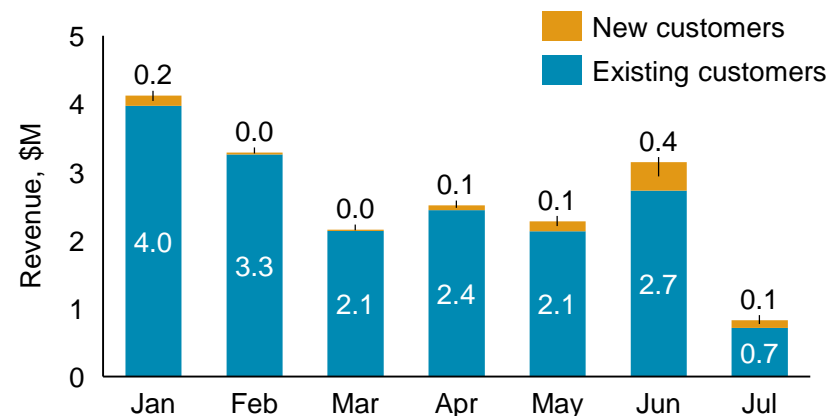
- New accounts (non-core customers) are contributing an increasing amount to monthly revenue
- Growth for new accounts is most prevalent in North America (3%-7%) and growing in EMEA (0%-4%) in 2020
- Increased focus and growth in non-core markets may offset declines and gaps to plan from existing customers
- Planned investment in IMM roles for Healthcare and Transportation are expected to increase new customer exposure and account creation

Customer breakout by region and account type¹, % Rev (pd), \$

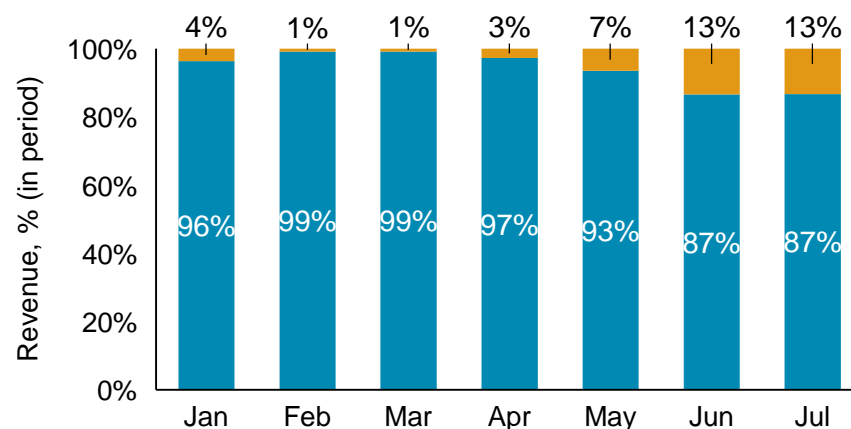
Row Labels	% of Total Revenue			Revenue		
	Q1	Q2	Q3	Q1	Q2	Q3
APAC						
Core	99%	97%	100%	3,157,440	3,149,131	226,827
New acct	1%	3%	0%	17,601	88,471	950
EMEA						
Core	100%	96%	99%	1,299,105	1,002,500	119,823
New acct	0%	4%	1%	2,622	39,399	720
LAG						
Core	96%	99%	100%	383,729	507,365	2,132
New acct	4%	1%		14,419	5,541	
U.S. and Canada						
Core	97%	93%	96%	4,518,256	2,640,865	367,474
New acct	3%	7%	4%	161,698	196,510	14,546
Total				9,554,869	7,629,781	732,471

1. Gap to reported REV requires "Region" classification (data cleaning exerc.)

Revenue contribution by Core (existing) and new accts, abs.
\$M, YTD (19JUL20)



Revenue contribution by Core (existing) and new accts, rel.
% revenue (in period), YTD (19JUL20)

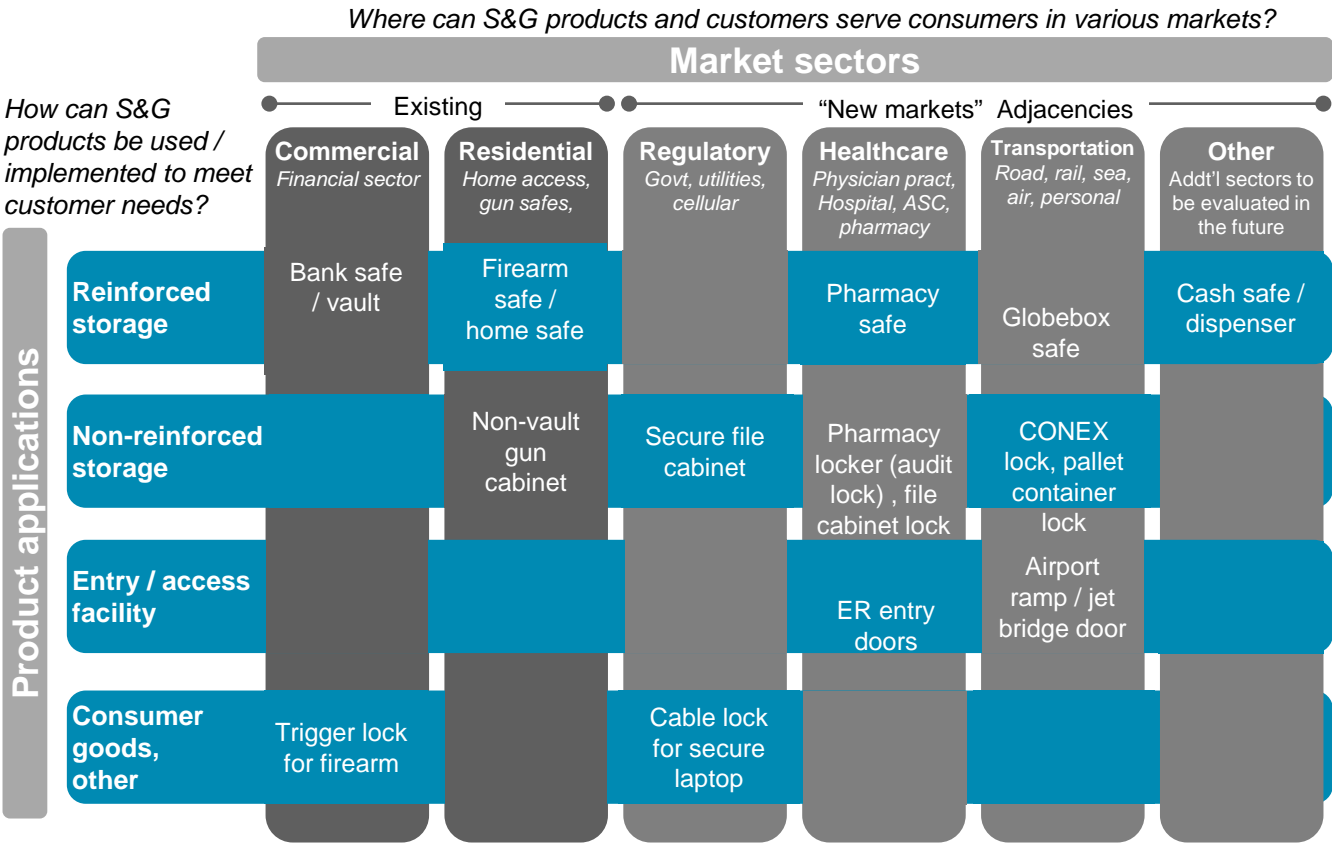




Takeaways

- Characterize goods and services by product applications and use / service
- Transition perspective of market to “outside-in”, customer centric view
- Enable cross-market assessment for products and services

Market framework



Illustrative examples – not an exhaustive list of products in the market



Business Strategy | Quantitative Market Opportunity Assessment



Opportunity assessment: Total market opp. \$K, %GM, % growth, % market share, #K, addressable market opportunity \$K
Assumptions detailed in appendix

Service category	Opportunity	Commercial	Residential	Regulatory	Healthcare	Transportation	Total
Safe / vault	Estimated market size (total)	115,800	88,300	145,200	11,500	36,500	397,300
	Market Opportunity, \$REV	17,370	8,830	7,260	1,150	3,650	38,260
	Market Opportunity, \$GM	8,090	4,110	3,380	550	1,700	17,830
	Market share (target)	15%	10%	5%	10%	10%	9.6%
	Gross Margin, %	47%	47%	47%	47%	47%	46.6%
Container (non-reinforced)	Estimated market size (total)	21,000	16,000	26,400	33,000	84,000	180,400
	Market Opportunity, \$REV	3,150	1,600	1,320	1,650	4,200	11,920
	Market Opportunity, \$GM	1,670	850	700	500	1,250	4,970
	Market share (target)	15%	10%	5%	5%	5%	6.6%
	Gross Margin, %	53%	53%	53%	30%	30%	41.7%
Entry / access – Facility	Estimated market size (total)	9,200	7,000	11,600	27,500	6,000	61,300
	Market Opportunity, \$REV	1,380	700	580	2,750	600	6,010
	Market Opportunity, \$GM	450	230	190	900	200	1,970
	Market share (target)	15%	10%	5%	10%	10%	9.8%
	Gross Margin, %	33%	33%	33%	33%	33%	32.8%
Consumer, generalized application	Estimated market size (total)	2,000	1,500	2,600	0	0	6,100
	Market Opportunity, \$REV	300	150	130	0	0	580
	Market Opportunity, \$GM	90	40	40	0	0	170
	Market share (target)	15%	10%	5%	10%	10%	9.5%
	Gross Margin, %	30%	30%	30%	30%	30%	29.3%
Estimated market size (total)		148,000	112,800	185,800	65,190	112,445	624,235
Total opportunity - Global	Market Opportunity, \$REV	22,200	11,280	9,290	5,550	8,450	56,770
	Market Opportunity, \$GM	10,300	5,230	4,310	1,950	3,150	24,940
	Market share (target), implied	15.0%	10.0%	5.0%	8.5%	7.5%	9.1%
	Gross Margin, %	46.4%	46.4%	46.4%	35.1%	37.3%	43.9%
	Growth rate				1%	3%	

Supporting analysis available by market sector



Assumptions

Revenue increases driven by:

- Volume increase attributable to hires in core and adjacent markets (hires detailed on previous page, market opportunities & prioritization detailed earlier in analysis)
- Share of wallet expansion as result of investment in personnel training and technology (CRM)
- Price improvements identified by 3rd party support and dashboard capabilities

COGS

- Existing & core business - minor margin improvement for material (37% reduced to 35% in '22) and labor (16% reduced to 15% in '21)
- Non-core / adjacent markets – slightly higher margins for less established partners and potential product mix adjustments: material (40% reduced to 32% by '23) and labor (18% reduced to 12% by '23) with potential evolution to assembly production model and leveraging outsourced manufacturing

OPEX

- Sales and marketing investments: VSA training, campaign capability (NetSuite), E-commerce platform development
- R&D – team expansion and capability expansion, product development sprints, lockbody consolidation production streamlining

Budget impact, incremental \$K

Metric	2020	2021	2022	2023
Revenue				
Existing team	35,925	39,160	40,254	41,081
Existing team_Core	35,628	37,260	38,005	38,765
Existing team_Non-Core	298	1,901	2,249	2,316
Core	0	1,629	4,275	4,864
Non-Core	171	5,012	9,909	10,288
Combined	36,096	45,801	54,437	56,233
COGS				
Existing team	18,994	19,972	20,127	20,130
Core	0	831	2,137	2,383
Non-Core	99	2,796	4,954	4,527
Combined	19,093	23,599	27,219	27,040
Gross Margin, \$				
Existing team	16,931	19,188	20,127	20,951
Core	0	798	2,137	2,481
Non-Core	72	2,216	4,954	5,761
Combined	17,003	22,202	27,219	29,193
Gross Margin, %				
Existing team	47.1%	49.0%	50.0%	51.0%
Core		49.0%	50.0%	51.0%
Non-Core	42.0%	44.2%	50.0%	56.0%
Combined	47.1%	48.5%	50.0%	51.9%
OPEX				
Sales & Marketing	9,054	10,447	10,870	11,093
R&D	2,040	2,255	2,240	2,240
Admin	3,000	3,073	3,135	3,195
Other	1,020	1,078	663	500
Total OPEX	15,114	16,852	16,908	17,028
EBITDA, \$	1,888	5,351	10,311	12,165
EBITDA, %	5.2%	11.7%	18.9%	21.6%



Personnel

Role	Hire date	Comp. (fully loaded), \$K	Cost offset (net contribution), \$K
IMM – Healthcare	3Q20	\$200	\$4,000 increm. sales (\$1,400 net contribution)
IMM – Trans.	3Q20	\$200	\$4,000 increm. sales (\$1,400 net contribution)
IMM – Regulatory ¹	3Q21	\$200 ¹	\$4,000 increm. sales (\$1,400 net contribution)
Customer Svc Rep	3Q21	\$50	Required for support of incremental sales (~\$4M REV growth)
Customer Svc Rep	2Q22	\$50	Required for support of incremental sales (~\$4M REV growth)
Total		\$600 + \$100 (inc. w/ growth) \$450 incremental¹	\$12,000 increm. Sales (\$4,200 net contribution)

Minimum target sales for IMM role at \$4M with full-ramp / production between years 2-3

Additional investment for sales rep (\$150K, full loaded) may be required at point when sales exceed \$4M growth, able to support across multiple market sectors

1. Regulatory IMM would replace BDM role which is currently a backfill for dismissed employee; incremental compensation cost for IMM \$50K annually

Non-personnel

Expense	Period	Amount, \$K
Market research, customer lists, etc.; Healthcare		\$50
Market research, customer lists, etc.; Transportation		\$50
Market research, customer lists, etc.; Regulatory		\$50
R&D investment for product modification, HC		\$15
R&D investment for product modification, Trans		\$15
Total		\$180



Q2 2020 Operating Review

- ➔ Administrative (call to order, confirm APR MOR minutes, etc.)
- ➔ Executive Summary
- ➔ Financial Review
- ➔ Key initiatives
- ➔ **Committee reports**
- ➔ Appendix



Context

- DCSA requirements currently inhibit S&G's ability to communicate detailed transaction data to OpenGate Capital
- Constraints affect communication of details regarding: government specific sales and customer details for specific contracts and sensitive SKUs, along with any employee personally identifiable information (PII)
- Communication with OpenGate Capital can be consolidated / constrained with respect to sensitive / protected information, in compliance with DCSA requirements, while still providing a high-degree of transparency regarding the commercial performance of the business (~90-95% total activity)

Proposed solution

- Define "Government Sales" using 2 elements
 - Product sales - 2740 and 2890 (all sales)
 - Customers - Specific list of unique customers w/ only government sales - e.g. "GSA Accounts Payable", "General Services Administration"
- Consolidate data on S&G owned / managed SQL server / workbench prior to submission / sharing with OGC
- Implement governance structure to review report templates prior to initiation of sharing, and to conduct regular audits of data provided to OGC to avoid disclosure of sensitive information, particularly with dynamic nature of sales and customer acquisition / purchasing behavior

Impact

- Methodology above would consolidate \$2.6M sales b/w 2019 and 2020YTD; Top 10 customers purchasing sensitive products (2740 and 2890) account for \$2.2M with a total of 27 customers affected
- Significant overlap of sensitive products sales with distributors, some of which comprise our largest customers - excluding these customers wholesale would limit broader business visibility (total sales from customers with any sensitive product consumption of \$11.5M)
- Approach outlined above would reduce spend for some customers by grouping their spend into "Government" element (e.g. Anixter international government business comprises ~30% of their purchases our 10th largest customer) but would provide significant visibility across the commercial business while ensure protection of sensitive information and compliance with federal requirements
- Limited insight to customer "sensitive" behavior / purchasing activity through disclosure of overall sales / purchasing due to low correlation between volumes when evaluated at customer level (2019-2020 YTD, May) and when considered for all S&G customers



Committee Reports | DCSA Compliance Requirements and Transparency



Consolidation of Gov't data retains significant transparency of overall S&G portfolio business, with ~95% of S&G or ~97% of consolidated account and transaction visibility

Compliance requirements

“Sensitive information” definition

- Any government contract specific business details (e.g. customer, SKU, delivery details)
 - Will include SKUs unique / specific to federal contracts (i.e. 2740, 2890B/C)
- Government customer details and performance (sales, SKU type and volume, location)
- Personally Identifiable Information (PII) – any personnel details for current or potential future employees to avoid undue influence or targeting

Actions / review to establish definition

- GSC discussed with addt'l entities under FOCI review
- Initial convos with FSO and FSO (alt) conducted to confirm guidance
- Ensure compliance with AOP following approval
- Socialize / submit approach to GSC for review & approval

Target transparency / visibility in dashboard, \$M 2019 sales

By LOB: D – Detail C – Consolidated O – Omitted

Preliminary

Detail category	Example metrics / data	\$40.5 Commercial	\$2.2 Federal	\$36.6 DELANEY	\$18.9 PREMIER
Sales, \$, # Margins, %	Top line	D	C	D	D
	Geo	D	O	D	D
	Cust. Segment	D	O	D	D
	Product cat.	D	O	D	D
	Customer	D	O	D	D
	Product	D	O	D	D
	Sales Rep	D	O	D	D
Production, #	Total vol.	D	C	D	D
	Product cat.	D	O	D	D
	SKU	D	O	D	D
Inventory	Total vol	D	C	D	D
	Product cat.	D	O	D	D
	SKU	D	O	D	D
Personnel	Headcount	D	C	D	D
	Individual det.	O	O	O	O
	Labor hrs / exp.	C	C	C	C



Customer segmentation is insufficient to characterize sales behavior and enable effective compliance with DCSA requirements and OGC transparency

Takeaways

- S&G customer segmentation includes 50 classifications, of which 16 include “Gov’t” characterizations, totaling \$13.8MM annual sales (2019)
- Further segmentation of sensitive spending will be necessary to comply with both DCSA requirements and enable visibility to ownership regarding business activities

S&G sales to “Gov’t” entities

Customer Type	Date		Grand Total
	2019	2020	
CIT, Consumer, Gov’t, Industrial, Locksmith, OEM, Other,...	817,766	471,717	1,289,483
CIT, Consumer, Gov’t, Industrial, Locksmith, Retail	32,945	2,465	35,410
CIT, Consumer, Gov’t, Industrial, OEM, Other	417,038	242,232	659,270
CIT, Consumer, Gov’t, Industrial, Retail	10,312	7,006	17,318
CIT, Gov’t	1,724	3,421	5,145
CIT, Gov’t, Locksmith, OEM, Retail	157,042	77,011	234,053
CIT, Industrial, Locksmith, OEM, Retail	5,007	1,217	6,224
Consumer, Gov’t, Industrial, Locksmith, Retail	7,552,325	2,316,672	9,868,998
Consumer, Gov’t, Locksmith	224,182	99,803	323,984
Consumer, Gov’t, Locksmith, Retail	173,467	91,826	265,292
Gov’t	3,203,234	1,301,669	4,504,902
Gov’t, Industrial, Locksmith	147,542	24,523	172,065
Gov’t, Locksmith	154,623	36,810	191,432
Gov’t, Locksmith, OEM	766,448	361,178	1,127,626
Gov’t, Locksmith, OEM, Retail	306,881	-35	306,847
Gov’t, OEM	842,237	217,588	1,059,826
Grand Total	13,837,033	4,719,530	18,556,563



Applying a SKU filter for 2740 and 2890 products across customer segments narrows the scope of impacted business to \$2.6MM

Takeaways

- Not all customer segments identified as “Gov’t” include sales of identified “sensitive” products – 2740 or 2890
- Approximately \$2.64MM of sales occurred within the identified products (2019 FY, 2020 YTD, May), of which \$450K occurred in channels not explicitly labeled as “Gov’t”

Customer sales of affected SKUs (2740 and 2890) \$MM

Customer Type	Government product		True F
	Null	False	
Grand Total	292,571	54,420,952	2,635,442
Consumer, Gov't, Industri..		8,450,831	1,418,167
Gov't, OEM	1,786	407,586	650,454
Locksmith	38,385	4,530,433	214,526
CIT, Gov't, Locksmith, OE..		41,507	192,546
Consumer, Gov't, Locksmi..		72,746	192,546
OEM	202,343	23,498,061	178,994
Gov't		4,369,327	135,575
CIT, Consumer, Gov't, Ind..		564,235	95,035
Retail	500	98,798	35,856
Other	2,640	2,347,987	23,100
Gov't, Industrial, Locksmi..		171,315	749
OEM, Retail	15,623	2,331,870	
OEM, Other	0	1,449	
Locksmith, Retail	853	128,676	
Locksmith, Other		218,711	
Locksmith, OEM, Retail	18	198,269	
Locksmith, OEM		198,027	
Industrial, Retail		32,402	
Industrial		91,602	
Gov't, Locksmith, OEM, R..	7,465	299,381	
Gov't, Locksmith, OEM	16,375	1,111,251	
Gov't, Locksmith	596	190,837	
Consumer, Locksmith		15,201	
Consumer, Industrial, Loc..		175,907	
Consumer, Gov't, Locksmi..		323,984	
CIT, Retail	6,497	1,092,051	
CIT, Other	-21	33,773	
CIT, OEM, Retail		229	
CIT, OEM, Other, Retail		30,750	
CIT, OEM	600	4,836,103	
CIT, Locksmith, Retail	575	179,351	
CIT, Locksmith, OEM, Retail	1,691	123,837	
CIT, Locksmith, OEM		10,011	
CIT, Industrial, Locksmith,..	39	6,185	
CIT, Gov't		5,145	
CIT, Consumer, Retail	439	8,314	
CIT, Consumer, Locksmith..	347	6,620	
CIT, Consumer, Locksmith..	437	20,589	



Limiting reporting of customer spend outside DCSA SKU scope may distort / impact insight due to the scale of holistic purchasing behavior (~\$9MM)

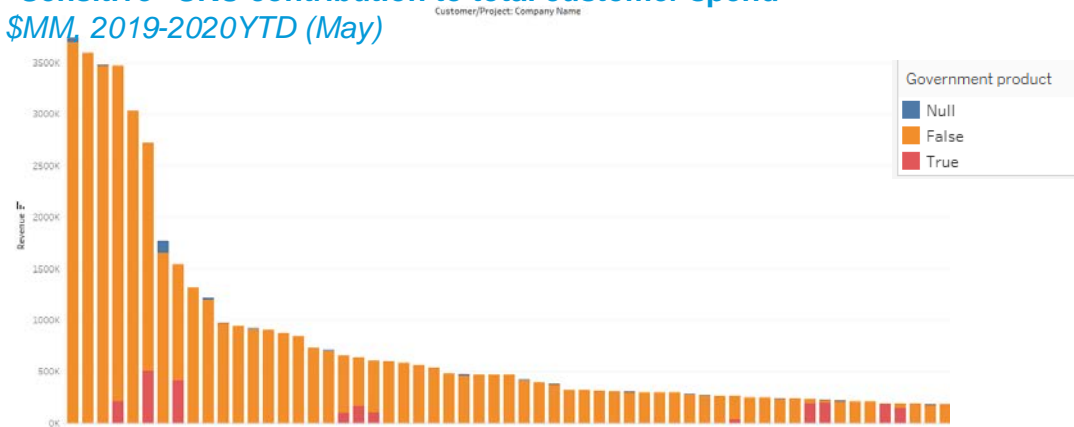
Takeaways

- Total customer purchases, for those having purchased either 2740 or 2890, equaled \$11.5MM in 2019-2020YTD (May), with ~\$8.9MM being spent on products not considered in-scope for DCSA compliance constraints
- 3 of the 10 largest S&G customers (by sales volume) comprise \$1.1MM of “sensitive” purchases, while maintaining significant non-government / sensitive business
- Opportunity may exist to isolate “sensitive” component of sales in order to preserve insight concerning performance

“Sensitive” SKU purchasing customer summary \$MM. 2019-2020YTD (May)

Government product	Distinct count of Customer/Project: Compan..	Revenue	CustomerTotalSales
Null	77	292,571	18,392,063
False	375	54,420,952	57,105,888
True	27	2,635,442	11,489,978

“Sensitive” SKU contribution to total customer spend \$MM. 2019-2020YTD (May)



Customer names removed for information control purposes



Customer data beyond the scope of “sensitive” products may not imply / infer government purchasing behavior / characteristics

Takeaways

- Large purchasers of “sensitive” products include numerous distributors with broad activity; correlation between their overall activity and government specific volume is unknown (i.e. by showing customer volumes for non-sensitive sales may not imply “sensitive” purchasing volume)
- Some customers with clear government affiliations / names exclusively purchase “sensitive” products (e.g. “GSA Accounts Payable Branch”); under the proposed consolidation methodology would not be disclosed in customer data due to their lack of non-sensitive activity

“Sensitive” SKU purchasing customer summary \$MM, 2019-2020YTD (May)

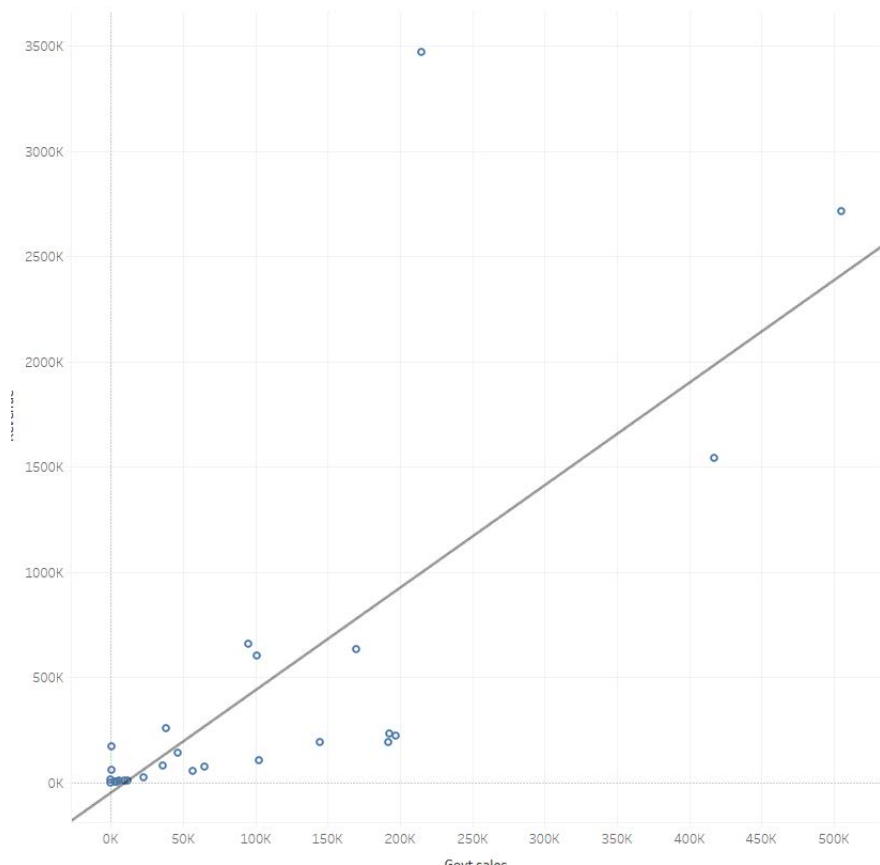
Customer Type	Government product		
	Null	False	True
	292,571	54,420,952	2,635,442
Consumer, Gov't, Industrial, Locksmith, R..		2,210,869	505,053
Consumer, Gov't, Industrial, Locksmith, R..		1,124,117	416,950
Consumer, Gov't, Industrial, Locksmith, R..		3,255,964	214,526
Locksmith		3,255,964	214,526
Gov't, OEM	286	26,646	196,875
CIT, Gov't, Locksmith, OEM, Retail		41,507	192,546
Consumer, Gov't, Locksmith, Retail		41,507	192,546
Gov't, OEM		123	192,153
OEM		462,375	169,500
Gov't, OEM		46,354	144,640
Gov't, OEM	750	69	102,767
Consumer, Gov't, Industrial, Locksmith, R..		503,265	101,440
CIT, Consumer, Gov't, Industrial, OEM, Ot..		564,235	95,035
Consumer, Gov't, Industrial, Locksmith, R..		564,235	95,035
Gov't		9,800	64,975
Gov't			56,390
Consumer, Gov't, Industrial, Locksmith, R..		95,390	46,044
Consumer, Gov't, Industrial, Locksmith, R..		220,910	38,456
Retail	0	42,663	35,856
Other			23,100
Gov't			11,606
Gov't, OEM			9,568
OEM		4,155	5,650
Gov't, OEM			4,451
OEM			3,844
Gov't			2,605
Gov't, Industrial, Locksmith		171,315	749
Consumer, Gov't, Industrial, Locksmith, R..		58,999	445
Consumer, Gov't, Industrial, Locksmith, R..		14,745	216
Other		0	0
Locksmith	13	57,368	
Industrial		-45,400	
Gov't, OEM		72,844	
OEM		12,833	
OEM		77,831	
OEM		14,156	
OEM		55,591	

Customer names removed for information control purposes



Correlation of “sensitive” volume to overall customer volume is limited, particularly when considered across all customers rather than gov’t business

Customer sale correlation b/w total sales and government sales
\$K, 2019-2020YTD(May)



Takeaways

- Disclosure of customer non-sensitive sales does not explicitly indicate volume / behavior in sensitive product category
- Some correlation exists for customers sensitive and non-sensitive purchasing, but is offset by the high volume of commercial customers with no “sensitive” sales volume

Correlation details

Trend Lines Model

A linear trend model is computed for sum of Revenue given Govt sales. The model may be significant at $p \leq 0.05$.

Model formula: (Govt sales + intercept)
Number of modeled observations: 27
Number of filtered observations: 0
Model degrees of freedom: 2
Residual degrees of freedom (DF): 25
SSE (sum squared error): 8.39158e+12
MSE (mean squared error): 3.35663e+11
R-Squared: 0.544701
Standard error: 579364
p-value (significance): < 0.0001

Individual trend lines:

Panels		Line		Coefficients				
Row	Column	p-value	DF	Term	Value	StdErr	t-value	p-value
Revenue	Govt sales	< 0.0001	25	Govt sales	4.87105	0.890681	5.46891	< 0.0001
				intercept	-49903.2	141387	-0.352955	0.727081



Q2 2020 Operating Review

- ➔ Administrative (call to order, confirm APR MOR minutes, etc.)
- ➔ Executive Summary
- ➔ Financial Review
- ➔ Key initiatives
- ➔ Committee reports
- ➔ **Appendix**



Appendix| Consolidated COGS by Component

\$'000

	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
Material								
Material costs at standard	\$ 3,870	\$ 3,624	\$ 245	6.8%	\$ 20,698	\$ 21,071	\$ (373)	(1.8%)
Purchase price variance	(92)	(103)	11	(10.6%)	(276)	(490)	214	(43.7%)
Freight in	68	86	(18)	(21.1%)	686	452	234	51.7%
Cost revision	15	25	(10)	(40.0%)	90	150	(60)	(39.9%)
Scrap costs	(24)	(6)	(18)	283.1%	24	(42)	66	(156.5%)
Consumables	(26)	7	(33)	(450.6%)	(73)	48	(121)	(251.9%)
Total Material COGS	\$ 3,811	\$ 3,634	\$ 177	4.9%	\$ 21,148	\$ 21,189	\$ (40)	(0.2%)
Labor								
Direct labor	\$ 356	\$ 440	\$ (83)	(18.9%)	\$ 2,521	\$ 2,653	\$ (132)	(5.0%)
Direct labor - bonus	—	—	—	N/A	19	—	19	N/A
Direct labor - overtime	34	56	(22)	(39.3%)	238	351	(113)	(32.3%)
Direct labor - benefits	114	106	8	7.4%	720	684	36	5.3%
Indirect labor	235	257	(22)	(8.7%)	1,586	1,567	19	1.2%
Indirect labor – bonus	—	—	—	N/A	32	—	32	N/A
Indirect labor - overtime	12	12	0	3.1%	71	68	3	4.5%
Indirect labor – benefits	108	121	(13)	(11.1%)	297	743	(446)	(60.0%)
Total Labor COGS	\$ 858	\$ 991	\$ (133)	(13.4%)	\$ 5,484	\$ 6,066	\$ (582)	(9.6%)
Other								
Repairs and maintenance	\$ 18	\$ 28	\$ (10)	(36.5%)	\$ 192	\$ 173	\$ 18	10.6%
Absorption	(494)	(157)	(337)	215.3%	(1,822)	(940)	(882)	93.9%
Freight out	111	111	—	0.0%	670	662	9	1.4%
Rent / facilities	163	167	(4)	(2.1%)	1,385	1,038	347	33.4%
Utilities	45	51	(6)	(12.2%)	268	303	(35)	(11.4%)
Other cost of sales	201	214	(14)	(6.3%)	1,425	1,372	53	3.8%
Total Other COGS	\$ 44	\$ 415	\$ (371)	(89.4%)	\$ 2,118	\$ 2,608	\$ (490)	(18.8%)
Total COGS	\$ 4,713	\$ 5,040	\$ (327)	(97.9%)	\$ 28,750	\$ 29,862	\$ (1,112)	(28.6%)



\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
Material								
Material costs at standard	\$ 1,495	\$ 1,250	\$ 245	19.6%	\$ 7,208	\$ 7,563	\$ (355)	(4.7%)
Purchase price variance	(92)	(103)	11	(10.6%)	(276)	(490)	214	(43.7%)
Freight in	55	73	(18)	(24.9%)	542	374	168	44.8%
Cost revision	—	10	(10)	(100.0%)	(4)	60	(64)	(106.7%)
Scrap costs	(27)	(9)	(18)	191.1%	(52)	(60)	8	(13.3%)
Consumables	(26)	7	(33)	(450.6%)	(73)	48	(121)	(251.9%)
Total Material COGS	\$ 1,405	\$ 1,228	\$ 177	14.4%	\$ 7,345	\$ 7,495	\$ (150)	(2.0%)
Labor								
Direct labor	\$ 159	\$ 242	\$ (83)	(34.4%)	\$ 1,319	\$ 1,499	\$ (180)	(12.0%)
Direct labor - overtime	7	29	(22)	(76.2%)	52	170	(118)	(69.5%)
Direct labor - benefits	114	106	8	7.4%	720	684	36	5.3%
Indirect labor	123	145	(22)	(15.4%)	742	918	(176)	(19.2%)
Indirect labor – benefits	14	28	(13)	(48.6%)	104	188	(85)	(45.0%)
Total Labor COGS	\$ 416	\$ 549	\$ (133)	(24.2%)	\$ 2,940	\$ 3,458	\$ (519)	(15.0%)
Other								
Repairs and maintenance	\$ 7	\$ 17	\$ (10)	(59.8%)	\$ 95	\$ 108	\$ (13)	(12.2%)
Rent / facilities	89	92	(4)	(3.8%)	932	591	341	57.7%
Utilities	19	25	(6)	(25.2%)	117	143	(26)	(18.2%)
Other cost of sales	44	57	(14)	(23.7%)	437	434	3	0.7%
Total Other COGS	\$ (179)	\$ 191	\$ (371)	(193.7%)	\$ 919	\$ 1,276	\$ (357)	(28.0%)
Total COGS	\$ 1,642	\$ 1,969	\$ (327)	(203.5%)	\$ 11,204	\$ 12,229	\$ (1,025)	(45.0%)



\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<u>Material</u>								
Material costs at standard	\$ 1,919	\$ 1,924	\$ (6)	(0.3%)	\$ 10,551	\$ 10,335	\$ 215	2.1%
Purchase price variance	(0)	–	(0)	N/A	(0)	–	(0)	N/A
Freight in	12	13	(1)	(8.9%)	99	78	21	26.9%
Cost revision	15	15	–	0.0%	94	90	4	4.6%
Scrap costs	5	3	2	66.3%	19	18	1	6.8%
Total Material COGS	\$ 1,950	\$ 1,955	\$ (5)	(0.2%)	\$ 10,763	\$ 10,521	\$ 242	2.3%
<u>Labor</u>								
Direct labor	\$ –	\$ –	\$ –	N/A	\$ (4)	\$ –	\$ (4)	N/A
Indirect labor	63	83	(20)	(24.2%)	379	484	(104)	(21.6%)
Indirect labor - overtime	5	8	(3)	(43.2%)	41	48	(7)	(15.1%)
Indirect labor – benefits	4	9	(5)	(52.7%)	43	53	(10)	(19.5%)
Total Labor COGS	\$ 72	\$ 101	\$ (28)	(28.3%)	\$ 459	\$ 585	\$ (126)	(21.5%)
<u>Other</u>								
Repairs and maintenance	\$ 0	\$ 1	\$ (1)	(75.1%)	\$ 1	\$ 6	\$ (5)	(88.4%)
Freight out	135	132	3	2.0%	789	776	13	1.7%
Rent / facilities	41	41	(0)	(0.0%)	247	246	1	0.5%
Utilities	4	6	(2)	(33.3%)	35	38	(3)	(7.7%)
Other cost of sales	22	13	9	66.9%	75	76	(0)	(0.6%)
Total Other COGS	\$ 202	\$ 193	\$ 9	4.5%	\$ 1,146	\$ 1,141	\$ 6	0.5%
Total COGS	\$ 2,224	\$ 2,249	\$ (25)	(24.1%)	\$ 12,368	\$ 12,247	\$ 121	(18.7%)



\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
Material								
Material costs at standard	\$ 688	\$ 766	\$ (77)	(10.1%)	\$ 3,859	\$ 4,233	\$ (374)	(8.8%)
Freight in	8	–	8	N/A	52	–	52	N/A
Scrap costs	12	–	12	N/A	70	–	70	N/A
Total Material COGS	\$ 708	\$ 766	\$ (58)	(7.6%)	\$ 3,981	\$ 4,233	\$ (252)	(6.0%)
Labor								
Direct labor	\$ 212	\$ 198	\$ 15	7.4%	\$ 1,221	\$ 1,155	\$ 66	5.7%
Direct labor - bonus	4	–	4	N/A	23	–	23	N/A
Direct labor - overtime	32	27	4	16.3%	190	181	9	5.2%
Indirect labor	82	29	54	188.0%	498	166	332	200.4%
Indirect labor – bonus	6	–	6	N/A	38	–	38	N/A
Indirect labor - overtime	5	4	1	26.1%	24	20	4	20.1%
Indirect labor – benefits	12	84	(72)	(85.3%)	74	501	(427)	(85.3%)
Total Labor COGS	\$ 353	\$ 341	\$ 12	3.5%	\$ 2,068	\$ 2,023	\$ 46	2.3%
Other								
Repairs and maintenance	\$ 23	\$ 10	\$ 13	129.7%	\$ 108	\$ 59	\$ 49	82.5%
Absorption	(198)	(157)	(42)	26.6%	(1,202)	(940)	(262)	27.9%
Freight out	(26)	(21)	(5)	24.7%	(121)	(114)	(7)	5.7%
Rent / facilities	33	34	(0)	(0.4%)	206	201	5	2.3%
Utilities	19	20	(1)	(7.3%)	113	122	(9)	(7.5%)
Other cost of sales	167	144	23	16.3%	945	863	82	9.6%
Total Other COGS	\$ 18	\$ 30	\$ (12)	(40.2%)	\$ 49	\$ 191	\$ (142)	(74.3%)
Total COGS	\$ 1,079	\$ 1,137	\$ (58)	(44.3%)	\$ 6,098	\$ 6,447	\$ (349)	(78.0%)



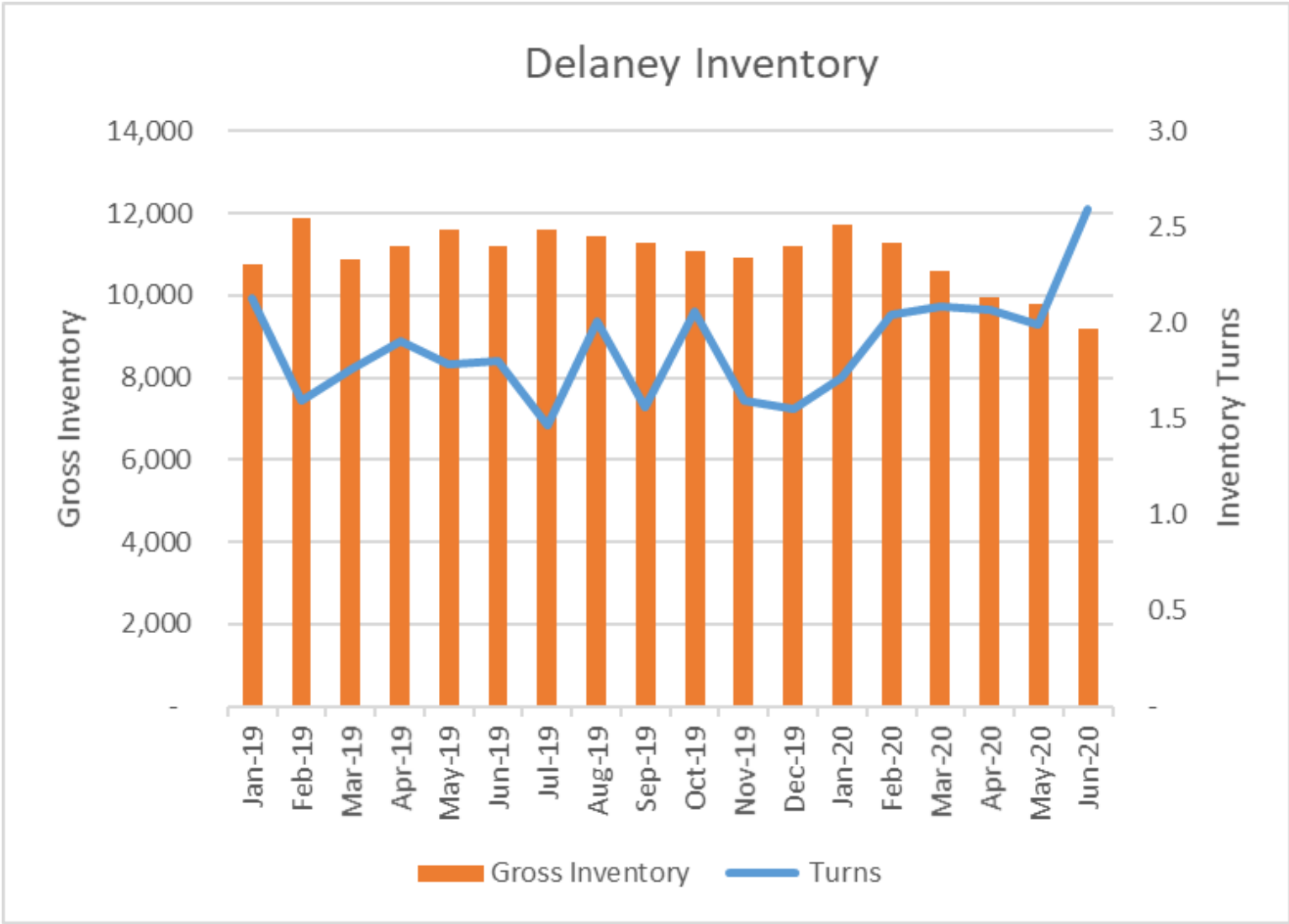
Financial Review | S&G Balance Sheet



\$'000	Jun-20		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 9,259	\$ 198	\$ 9,061	4583.9%
Accounts receivable, gross	6,675	6,808	(134)	(2.0%)
Accounts receivable, reserves	(223)	(136)	(87)	63.8%
Accounts receivable, net	6,452	6,672	(221)	(3.3%)
Inventory, gross	7,384	7,585	(201)	(2.7%)
Inventory, reserves	(640)	(496)	(144)	29.0%
Inventory, net	6,743	7,089	(345)	(4.9%)
Prepaid expenses and other current assets	(274)	(24)	(250)	1036.7%
Other current assets	—	49,912	(49,912)	(100.0%)
Total Current Assets	23,945	63,847	(39,902)	(62.5%)
Non-Current Assets				
Property, plant & equipment, gross	11,731	12,713	(982)	(7.7%)
Accumulated depreciation	(1,680)	(1,638)	(42)	2.5%
Property, plant & equipment, net	10,051	11,075	(1,024)	(9.2%)
Goodwill	37,013	42,050	(5,037)	(12.0%)
Identifiable intangible assets, gross	15,100	15,100	—	0.0%
Accumulated amortization	(1,282)	(2,682)	1,400	(52.2%)
Identifiable intangible assets, net	13,818	12,418	1,400	11.3%
Deferred financing cost	2,759	2,597	162	6.2%
Other non-current assets	49,727	131	49,596	37770.8%
Total Non-Current Assets	113,369	68,271	45,098	66.1%
Total Assets	\$ 137,313	\$ 132,117	\$ 5,196	3.9%
Current Liabilities				
Current portion of long-term debt	\$ 1,850	\$ 1,850	—	0.0%
Accounts payable	2,784	4,040	(1,256)	(31.1%)
Accrued liabilities	3,159	1,975	1,183	59.9%
Accrued compensation	506	125	381	305.0%
Income taxes payable	(44)	128	(173)	(134.5%)
Short-term unearned revenue	84	45	39	87.4%
Total Current Liabilities	13,339	8,164	5,175	63.4%
Long-term liabilities				
Long-term debt less current maturities	90,194	90,212	(18)	(0.0%)
Deferred income taxes	(2)	(831)	829	(99.7%)
Other non-current liabilities	4,665	87	4,579	5281.3%
Total Long-Term Liabilities	94,857	89,468	5,389	6.0%
Total Liabilities	108,196	97,632	10,564	10.8%
Shareholders' Equity				
Common stock	40,300	40,228	72	0.2%
Retained earnings	(11,571)	(7,113)	(4,458)	62.7%
Accumulated other comprehensive income	389	1,370	(981)	(71.6%)
Other equity transactions	—	1	(1)	(100.0%)
Total Shareholders' Equity	29,117	34,485	(5,368)	(15.6%)
Total Liabilities and Shareholders' Equity	\$ 137,313	\$ 132,117	\$ 5,196	3.9%



\$'000	Jun-20		Variance	
	Act	Bud	\$	%
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,528	\$ 4,536	\$ (3,007)	(66.3%)
Accounts receivable, net	4,608	4,313	295	6.8%
Inventory, gross	9,179	11,060	(1,881)	(17.0%)
Inventory, reserves	(1,635)	(1,993)	358	(18.0%)
Inventory, net	7,544	9,067	(1,523)	(16.8%)
Prepaid expenses and other current assets	138	184	(46)	(25.0%)
Total Current Assets	13,819	18,100	(4,281)	(23.7%)
<u>Non-Current Assets</u>				
Property, plant & equipment, gross	1,073	1,784	(711)	(39.9%)
Accumulated depreciation	(246)	(896)	650	(72.6%)
Property, plant & equipment, net	827	888	(61)	(6.9%)
Goodwill	35,851	17,453	18,398	105.4%
Identifiable intangible assets, net	5,974	–	5,974	N/A
Deferred tax asset	(1,761)	672	(2,433)	(362.3%)
Total Non-Current Assets	40,891	19,013	21,878	115.1%
Total Assets	\$ 54,709	\$ 37,113	\$ 17,597	47.4%
<u>Current Liabilities</u>				
Accounts payable	323	877	(554)	(63.2%)
Accrued liabilities	1,066	1,072	(7)	(0.6%)
Accrued compensation	508	497	11	2.2%
Income taxes payable	–	7	(7)	(100.0%)
Total Current Liabilities	1,896	2,453	(557)	(22.7%)
<u>Long-term liabilities</u>				
Other non-current liabilities	2,944	9,580	(6,636)	(69.3%)
Total Long-Term Liabilities	2,944	9,580	(6,636)	(69.3%)
Total Liabilities	4,840	12,033	(7,193)	(59.8%)
<u>Shareholders' Equity</u>				
Common stock	51,790	21,900	29,890	136.5%
Retained earnings	(1,921)	3,180	(5,100)	(160.4%)
Total Shareholders' Equity	49,869	25,080	24,789	98.8%
Total Liabilities and Shareholders' Equity	\$ 54,710	\$ 37,113	\$ 17,597	47.4%





Appendix| Premier Balance Sheet

\$'000	Jun-20		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 769	\$ 1,634	\$ (865)	(53.0%)
Accounts receivable, net	1,950	1,965	(14)	(0.7%)
<i>Inventory, gross</i>	3,093	3,380	(288)	(8.5%)
<i>Inventory, reserves</i>	—	(177)	177	(100.0%)
Inventory, net	3,093	3,203	(110)	(3.4%)
Prepaid expenses and other current assets	122	44	78	175.1%
Total Current Assets	5,934	6,846	(912)	(13.3%)
Non-Current Assets				
<i>Property, plant & equipment, gross</i>	1,254	1,123	131	11.7%
<i>Accumulated depreciation</i>	(263)	(267)	3	(1.3%)
Property, plant & equipment, net	991	856	135	15.7%
Goodwill	17,259	5,486	11,773	214.6%
Total Non-Current Assets	21,916	6,342	15,574	245.6%
Total Assets	\$ 27,849	\$ 13,188	\$ 14,661	111.2%
Current Liabilities				
Accounts payable	755	819	(64)	(7.8%)
Accrued liabilities	196	289	(93)	(32.0%)
Accrued compensation	259	193	66	34.2%
Income taxes payable	—	627	(627)	(100.0%)
Total Current Liabilities	1,210	1,927	(717)	(37.2%)
Long-term liabilities				
Capital lease	50	—	50	N/A
Deferred income taxes	963	—	963	N/A
Other non-current liabilities	(7,025)	(5,874)	(1,150)	19.6%
Total Long-Term Liabilities	(6,012)	(5,874)	(138)	2.3%
Total Liabilities	(4,802)	(3,947)	(855)	21.7%
Shareholders' Equity				
Common stock	32,601	10,597	22,004	207.6%
Retained earnings	50	6,538	(6,488)	(99.2%)
Total Shareholders' Equity	32,651	17,135	15,516	90.6%
Total Liabilities and Shareholders' Equity	\$ 27,849	\$ 13,188	\$ 14,661	111.2%



\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Cash flow from operations								
Net Income (Loss)	\$ (7,457)	\$ (2,058)	\$ (5,399)	262.4%	\$ 463	\$ (7,920)	(1711.9%)	
Depreciation, amortization and other	3,414	2,713	701	25.8%	104	3,310	3192.5%	
Change in operating assets and liabilities:								
Accounts receivable	(1,721)	(1,936)	215	(11.1%)	(893)	(829)	92.9%	
Inventory	266	(65)	332	(506.5%)	335	(69)	(20.6%)	
Prepaid expenses and other current assets	308	—	308	N/A	35	273	778.6%	
Accounts payable	55	1,252	(1,198)	(95.6%)	717	(662)	(92.3%)	
Accrued expenses	1,032	—	1,032	N/A	290	742	255.6%	
Accrued income taxes	131	—	131	N/A	266	(135)	(50.7%)	
Other changes in operating assets and liabilities	6,021	—	6,021	N/A	(9,069)	15,090	(166.4%)	
Total Cash Flow from Operations	\$ 2,049	\$ (94)	\$ 2,143	(2272.6%)	\$ (7,751)	\$ 9,800	(126.4%)	
Cash flow from investing								
Additions to property, plant and equipment	\$ (48)	\$ (1,030)	\$ 982	(95.3%)	\$ (26)	\$ (22)	86.1%	
Total Cash Flow from Investing	\$ (48)	\$ (1,030)	\$ 982	(95.3%)	\$ (26)	\$ (22)	86.1%	
Cash flow from financing								
Proceeds from the issuance (repayment) of short-term det	\$ 5,000	\$ —	\$ 5,000	N/A	\$ (800)	\$ 5,800	(725.0%)	
Other cash flow from financing costs	40,572	162	40,410	24944.5%	9,048	31,524	348.4%	
Total Cash Flow from Financing	\$ 5,344	\$ (284)	\$ 5,628	(1981.9%)	\$ 8,248	\$ (2,904)	(35.2%)	
	\$ —	\$ —	\$ —	N/A	\$ —	\$ —	N/A	
Net change in cash	\$ 7,345	\$ (1,409)	\$ 8,754	(621.4%)	\$ 471	\$ 6,874	1459.6%	
Beginning cash	1,914	1,606	308	19.2%	—	1,914	N/A	
Change in cash	7,345	(1,409)	8,754	(621.4%)	471	6,874	1459.6%	
Ending cash	\$ 9,260	\$ 198	\$ 9,062	4584.6%	\$ 2,878	\$ 6,382	221.7%	



\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Cash flow from operations								
Net Income (Loss)	\$ (205)	\$ 1,511	\$ (1,716)	(113.6%)	\$ 863	\$ (1,067)	(123.7%)	
Depreciation, amortization and other	4,251	1,616	2,635	163.0%	1,564	2,687	171.7%	
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	(654)	(339)	(315)	92.9%	(1,085)	431	(39.7%)	
Inventory	2,079	232	1,847	794.9%	(702)	2,781	(396.2%)	
Prepaid expenses and other current assets	55	—	55	N/A	(101)	156	(154.1%)	
Accounts payable	(110)	320	(430)	(134.4%)	(336)	226	(67.3%)	
Accrued expenses	(69)	(38)	(31)	82.5%	(47)	(22)	47.2%	
Accrued income taxes	—	7	(7)	(100.0%)	(8)	8	(100.0%)	
Other changes in operating assets and liabilities	(4,412)	(424)	(3,989)	941.6%	130	(4,542)	(3501.8%)	
Total Cash Flow from Operations	\$ 935	\$ 2,885	\$ (1,950)	(67.6%)	\$ 279	\$ 656	235.3%	
Cash flow from investing								
Additions to property, plant and equipment	\$ (76)	\$ (150)	\$ 74	(49.4%)	\$ (292)	\$ 216	(74.0%)	
Total Cash Flow from Investing	\$ (76)	\$ (150)	\$ 74	(49.4%)	\$ (292)	\$ 216	(74.0%)	
Cash flow from financing								
Common stock issued (repurchased)	—	—	—	N/A	—	—	N/A	
Other cash flow from financing costs	0	1,131	(1,131)	(100.0%)	(65)	65	(100.0%)	
Total Cash Flow from Financing	\$ 0	\$ 1,131	\$ (1,131)	(100.0%)	\$ (65)	\$ 65	(100.0%)	
Net change in cash	\$ 859	\$ 3,866	\$ (3,007)	(77.8%)	\$ (78)	\$ 937	(1196.9%)	
Beginning cash	669	669	0	0.0%	325	344	106.0%	
Change in cash	859	3,866	(3,007)	(77.8%)	(78)	937	(1196.9%)	
Ending cash	\$ 1,528	\$ 4,535	\$ (3,007)	(66.3%)	\$ 247	\$ 1,282	519.9%	



\$'000	YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$		%
Cash flow from operations								
Net Income (Loss)	\$ 1,199	\$ 1,288	\$ (88)	(6.9%)	\$ 1,746	\$ (546)		(31.3%)
Depreciation, amortization and other	1,508	18,626	(17,118)	(91.9%)	427	1,081		253.5%
Change in operating assets and liabilities:								
Accounts receivable	(219)	3,741	(3,960)	(105.9%)	(599)	380		(63.5%)
Inventory	(70)	9,503	(9,573)	(100.7%)	(296)	226		(76.4%)
Prepaid expenses and other current assets	(78)	193	(270)	(140.3%)	(5)	(72)		1340.2%
Accounts payable	411	(83)	494	(593.5%)	694	(283)		(40.8%)
Accrued expenses	(72)	(1,097)	1,025	(93.4%)	(85)	13		(15.2%)
Accrued income taxes	—	(243)	243	(100.0%)	—	—		N/A
Other changes in operating assets and liabilities	(1,976)	(41,197)	39,221	(95.2%)	(1,644)	(331)		20.2%
Total Cash Flow from Operations	\$ 703	\$ (9,270)	\$ 9,973	(107.6%)	\$ 236	\$ 467		197.7%
Cash flow from investing								
Additions to property, plant and equipment	\$ (244)	\$ 1,521	\$ (1,765)	(116.1%)	\$ (153)	\$ (91)		59.2%
Total Cash Flow from Investing	\$ (244)	\$ 1,521	\$ (1,765)	(116.1%)	\$ (153)	\$ (91)		59.2%
Cash flow from financing								
Common stock issued (repurchased)	—	21,194	(21,194)	(100.0%)	—	—		N/A
Other cash flow from financing costs	(0)	(12,790)	12,790	(100.0%)	(18)	18		(100.0%)
Total Cash Flow from Financing	\$ (0)	\$ 8,404	\$ (8,404)	(100.0%)	\$ (18)	\$ 18		(100.0%)
Net change in cash	\$ 459	\$ 655	\$ (196)	(29.9%)	\$ 65	\$ 394		604.9%
Beginning cash	309	979	(669)	(68.4%)	11	298		2719.7%
Change in cash	459	655	(196)	(29.9%)	65	394		604.9%
Ending cash	\$ 769	\$ 1,634	\$ (865)	(53.0%)	\$ 76	\$ 693		909.8%



Appendix | S&G Incurred Standalone Costs



\$'000

Description	June		Variance		YTD		Variance	
	Act	Bud	\$	%	Act	Bud	\$	%
IT	30	29	1	3.6%	192	175	16	9.4%
Manager Salary and Benefits	8	8	(0)	-5.2%	54	54	(1)	-1.6%
Direct Technology Charges Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	4	5	(1)	-23.4%	23	31	(8)	-26.3%
ERP transition licensing fees Licensing	11	11	-	0.0%	63	63	-	0.0%
Data Communications Licensing	7	4	3	62.0%	51	26	26	98.7%
Legal	74	12	62	521.6%	189	75	114	153.1%
External legal fees and other expenses Legal Fees	74	10	64	647.2%	189	63	126	201.6%
Patent fees Patent Fees	-	2	(2)	-100.0%	-	12	(12)	-100.0%
Finance	14	30	(16)	-54.0%	122	195	(73)	-37.2%
CFO Salary and Benefits	10	19	(9)	-47.9%	114	124	(9)	-7.6%
Base compensation (2 FTEs) Salary and Benefits	4	11	(7)	-64.5%	8	71	(63)	-89.0%
Sales	20	37	(17)	-46.4%	131	241	(110)	-45.7%
VP of Sales Salary and Benefits	20	20	(0)	-1.7%	131	132	(1)	-0.5%
Customer Relationship Manager Salary and Benefits	-	17	(17)	-100.0%	-	109	(109)	-100.0%
HR	2	2	-	0.0%	10	10	-	0.0%
Business Travel and Accident Business Travel and Accident	0	0	-	0.0%	2	2	-	0.0%
Global Emergency Travel Services Global Emergency Travel Services	1	1	-	0.0%	8	8	-	0.0%
Trade Compliance	1	1	-	0.0%	8	8	-	0.0%
Export Compliance Daily/ICPA annual fee Export Compliance Daily/ICPA annual fee	0	0	-	0.0%	1	1	-	0.0%
Trade Flow software license Trade Flow software license	1	1	-	0.0%	7	7	-	0.0%
Bonuses	19	63	(44)	-69.7%	176	377	(201)	-53.4%
Risk	17	12	5	37.5%	118	73	46	62.9%
Freight	68	77	(9)	-12.0%	415	464	(49)	-10.6%
401(k) compensation	7	19	(12)	-63.3%	71	120	(49)	-40.5%
Total Standalone Costs	251	282	(31)	-11.0%	1,431	1,736	(306)	-17.6%



Appendix| S&G PF Standalone Costs

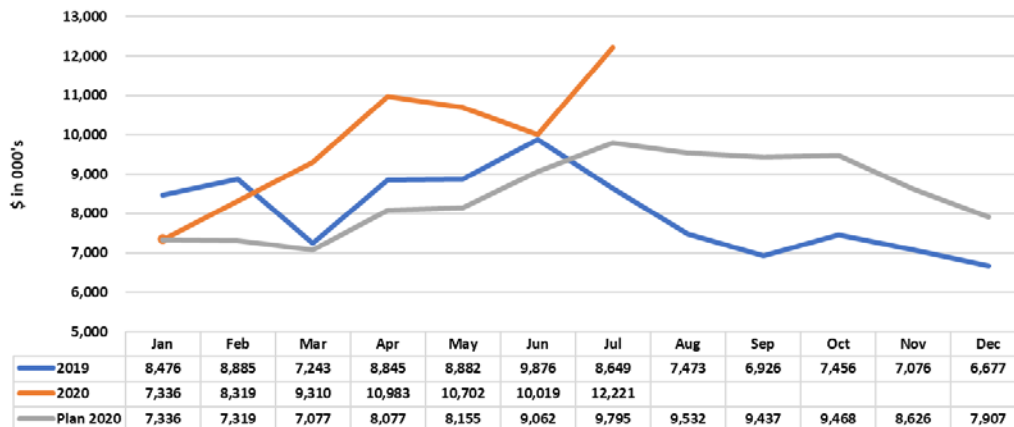


\$'000		June						YTD					
		Budget			Actual			Budget			Actual		
		Incurring	Unincurred	PF	Incurring	Unincurred	PF	Incurring	Unincurred	PF	Incurring	Unincurred	PF
Description													
IT		28	1	29	30	(1)	29	172	3	175	195	(20)	176
Manager	Salary and Benefits	8	0	8	8	0	8	54	1	54	54	1	54
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	5	0	5	4	1	5	33	(1)	31	19	12	32
ERP transition licensing fees	Licensing	11	(0)	11	11	-	11	64	(1)	63	63	-	63
Data Communications	Licensing	4	0	4	7	(3)	4	22	4	26	58	(33)	23
Legal		6	6	12	74	(62)	12	30	44	75	208	(134)	75
External legal fees and other expenses	Legal Fees	6	4	10	74	(64)	10	30	32	63	204	(142)	63
Patent fees	Patent Fees	-	2	2	-	2	2	-	12	12	4	8	12
Finance		14	16	30	14	16	30	122	73	195	123	72	195
CFO	Salary and Benefits	10	9	19	10	9	19	114	9	124	114	9	124
Base compensation (2 FTEs)	Salary and Benefits	4	7	11	4	7	11	8	63	71	9	62	73
Sales		20	17	37	20	17	37	131	110	241	135	106	242
VP of Sales	Salary and Benefits	20	0	20	20	0	20	131	1	132	131	1	132
Customer Relationship Manager	Salary and Benefits	-	17	17	-	17	17	-	109	109	4	106	108
HR		2	-	2	2	-	2	10	-	10	10	-	10
Business Travel and Accident	Business Travel and Accident	0	-	0	0	-	0	2	-	2	2	-	2
Global Emergency Travel Services	Global Emergency Travel Services	1	-	1	1	-	1	8	-	8	8	-	8
Trade Compliance		1	-	1	1	-	1	8	-	8	8	-	8
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	-	0	0	-	0	1	-	1	1	-	1
Trade Flow software license	Trade Flow software license	1	-	1	1	-	1	7	-	7	7	-	7
Bonuses		19	44	63	19	44	63	176	201	377	203	174	377
Risk		17	(5)	12	17	(5)	12	107	(34)	71	91	(19)	72
Freight		68	9	77	68	9	77	415	49	464	428	35	465
401(k) compensation		7	12	19	7	12	19	71	49	120	85	35	120
Total Standalone Costs		181	101	282	251	31	282	1,242	495	1,737	1,484	251	1,736

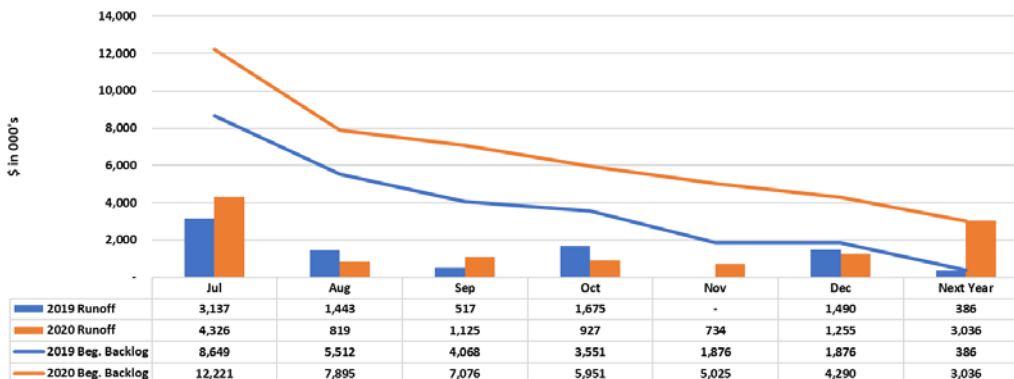


Appendix| S&G Backlog Trends

Trended Backlog - Comparative June



Backlog Runoff-Comparative June



Management Discussion

- June backlog of \$12.2M contains:
 - AGS blanket order of \$2.4M
 - ARYA blanket order of \$1.9M
 - Timemaster blanket order of \$1.3M
 - GSI orders of \$0.9M
 - American Locks orders of \$0.5M
 - Shanghai Qiahne orders of \$0.4M
- 2019 Backlog of \$8.7M contained:
 - Timemaster blanket order of \$1.4M
 - ARYA of \$1.4M
 - Lockmasters of \$0.6M
 - NCR orders of \$0.4M



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

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	(\$938)	\$117	(\$24)	\$21	\$0	(\$824)
APAC (Less India)	(\$681)	(\$79)	(\$175)	\$235	(\$3)	(\$703)
EMEA	(\$581)	(\$45)	\$0	\$247	\$13	(\$365)
LATAM	(\$592)	\$3	(\$124)	\$76	(\$13)	(\$651)
US and Canada	(\$728)	(\$1,842)	(\$759)	\$469	(\$385)	(\$3,245)
Total	(\$3,520)	(\$1,847)	(\$1,081)	\$1,049	(\$388)	(\$5,787)

YTD YoY Change in Sales (% Growth)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	(27.0%)	N/A	(10.3%)	N/A	N/A	(22.2%)
APAC (Less India)	(34.0%)	(34.6%)	(9.8%)	606.7%	(16.5%)	(17.3%)
EMEA	(33.1%)	(19.4%)	0.0%	426.0%	165.0%	(12.7%)
LATAM	(65.5%)	4.0%	(28.8%)	228.9%	(11.4%)	(42.0%)
US and Canada	(46.7%)	(34.9%)	(28.5%)	148.3%	(75.9%)	(31.4%)
Total	(36.3%)	(31.8%)	(18.2%)	234.7%	(59.9%)	(25.7%)

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

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	(\$685)	\$32	(\$9)	\$9	\$0	(\$653)
APAC (Less India)	(\$299)	(\$42)	(\$122)	\$85	(\$2)	(\$381)
EMEA	(\$27)	(\$88)	\$5	\$23	\$4	(\$82)
LATAM	(\$437)	(\$2)	(\$52)	\$44	(\$2)	(\$449)
US and Canada	(\$487)	(\$590)	(\$355)	\$261	(\$83)	(\$1,254)
Total	(\$1,934)	(\$690)	(\$533)	\$421	(\$83)	(\$2,819)

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



	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	-144 bps	N/A	37 bps	17714 bps	N/A	-341 bps
APAC (Less India)	365 bps	-2132 bps	-434 bps	-524 bps	-987 bps	-309 bps
EMEA	920 bps	-4015 bps	59 bps	-2379 bps	115 bps	48 bps
LATAM	-1599 bps	-328 bps	-56 bps	-173 bps	61 bps	-1173 bps
US and Canada	-552 bps	635 bps	-61 bps	507 bps	1103 bps	334 bps
Total	22 bps	203 bps	-255 bps	-431 bps	446 bps	-88 bps

Legend (Chg in Contribution Margin % of Sales):

	> 50 bps
	< 50 bps
	+/- 50 bps



Summary evaluation

Industry	 Healthcare	 Transportation
Opportunity and characteristics <i>Bus. Alignment</i>	<ul style="list-style-type: none"> Growing industry with global footprint and investment Valued goods present throughout delivery chain (equipment, drugs, facilities) Overlap with existing customers and product offering Strong regulatory influence and controls (i.e. potential for differentiation aligned with S&G expertise / certifications) 	<ul style="list-style-type: none"> Growing industry with global footprint and investment Valued goods present throughout delivery chain (infrastructure and product) Overlap with existing customers and product offering Industry equipment standardization and interchangeability (e.g. containers, vehicles) Global networks with high volume and demand for product replacement due to usage
Solution concepts <i>Initial concepts, potential product leverage / cross-sell, applications</i>	<ul style="list-style-type: none"> Pharmaceutical vault / safe Pharmaceutical refrigerator w/ locking mechanism Cash management safe / ATM Records / cabinet safe Medicine cabinet Equipment room entry door lock / pushbar Facility access door lock 	<ul style="list-style-type: none"> Vehicle vault Glovebox safe Enclosed / container pallet lock Pallet, unenclosed lock Conex / shipping container lock Switch box lock (e.g. rail switch) Puck lock (e.g. vehicle, freight, or loading door lock) Port access / entry mechanism Fuel tank, wheel, motor or steering column lock
Competition	<ul style="list-style-type: none"> General safe manufacturers (exist. Comp) Specialized safe / lock manufacturers – additional evaluation of existing products required to determine manufacturing source 	<ul style="list-style-type: none"> Ranger Lock, Master Lock, Trilogy, ABUS, Philips, Trilogy Container manufacturers Network administrators (e.g. marine fleet) Low-cost / one-time use substitutes
Customers, consumers, and regulators <i>Major OEMs, decision makers, consumers</i>	<ul style="list-style-type: none"> OEMs – PharmaSafe, FireKing, Protex, Mesa, AMSEC, Hamilton, American locks, etc. Insurers – United Health, Kaiser, Anthem, Humana Pharmaceutical manufacturers, distributors, and CMOs – Pfizer, Roche, Novartis, Merck, GlaxoSmithKline, J&J Regulation / regulators – Controlled Substances Act (CSA), Drug Enforcement Agency (DEA), Drug Supply Chain Security Act (DSCSA), World Health Organization (WHO), etc. 	<ul style="list-style-type: none"> Network administrators / Freight networks – Maersk, MSC, COSCO, CMA, Hapag-Lloyd, FedEx Freight, UPS Freight, YRC Regional, Holland Regional OEMs - CONEX manufacturers: CIMC, SINGAMAS, CXIC, CSCL, Maersk, JINDO; Vehicle OEMs: Daimler, Tata motors, MAN Truck and Bus AG, Iveco, Volvo, Navistar Customs and transportation agencies – FAA, US Customs and border control



Healthcare

Methodology

- Bottom up approach (conservative) based on potential product applications (e.g. pharmacy safe, medical record storage) for target customer segments (e.g. pharmacy, ambulatory surgical center, hospital)
- Applied product, market, and customer characteristic assumptions to scale volume, revenue, gross margin, and market share
- Market estimate / heuristic:

\$GM opportunity = [Locations x units / location x (1/effective life (years)) X (1 + Growth)] x % adoption x % Market share X \$GM / sale

Assumptions

Variable / metric	Assumption	Rationale
Units / location	1 - 20	Application dependent; i.e. pharmacy non-reinforced cabinet 5 per facility
Effective life (years)	5 – 10	Conservative timeframe; reflective of cust. / facility
Gross margin, %	30% - 47%	Concurrent with existing business; more conservative estimate for non-reinforced products
Market share, %	5% - 10%	Conservative target aligned with strategic goal
Market growth, %	1 %	Market research; CDC, CMS, NHTSA



Transportation

Methodology

- Bottom up approach (conservative) based on potential product applications (e.g. CONEX lock, port entry access) for target customer segments (e.g. freight transport, airports, shipping)
- Applied product, market, and customer characteristic assumptions to scale volume, revenue, gross margin, and market share
- Market estimate / heuristic:

\$GM opportunity = [Units (pieces of equipment) x units per Inventory or location x (1/effective life (years)) X (1 + Growth)] x % adoption x % Market share x \$GM / sale

Assumptions

Variable / metric	Assumption	Rationale
Units / inventory of location	1 – 5	App. dependent; i.e. freight container non-reinforced (1)
Effective life (years)	5 – 10	Conservative timeframe; reflective of use / wear
Gross margin, %	30% - 47%	Concurrent with existing business; more conservative estimate for non-reinforced products
Market share, %	5% - 10%	Conservative target aligned with strategic goal
Market growth, %	3 %	Market research; DOT, Oliver Wyman research
% Adoption	0.05% - 10%	Application dependent; i.e. pallet application or airport secure door application resp.



Appendix | Delaney Business Split Comparison



Summary item class:	(\$M)				Chg		Sales % Growth & Mgn %		
	Sales		GM		Sales	GM	Sales	2019 Mgn	2020 Mgn
	2019	2020	2019	2020	\$	\$	Growth	%	%
Single Family									
Callan	6,308	6,200	3,241	3,137	(108)	(104)	-1.7%	51.4%	50.6%
Delaney	2,087	2,125	999	1,079	38	80	1.8%	47.9%	50.8%
Builders hardware	1,004	1,085	565	608	81	43	8.0%	56.2%	56.0%
Barn door hardware	996	1,146	609	677	151	68	15.2%	61.2%	59.1%
Bath accessories	743	880	414	497	137	83	18.5%	55.8%	56.5%
Commercial	409	436	176	173	27	(2)	6.7%	43.0%	39.8%
Other	510	539	281	298	29	18	5.8%	55.1%	55.4%
Single family (excl. interco, online, special, hollow, samples, displays, online)	3,661	4,086	2,045	2,254	425	209	11.6%	55.9%	55.2%
Bravura	666	531	310	271	(135)	(39)	-20.3%	46.6%	51.0%
Special order items	29	14	11	3	(15)	(8)	-51.2%	39.1%	22.4%
Hollow metal	-	-	-	-	-	-	0.0%	0.0%	0.0%
Samples and Displays	4	-	(15)	(3)	(4)	12	-100.0%	-378.5%	0.0%
Online	966	1,766	558	1,047	801	489	82.9%	57.8%	59.3%
Single Family (excl. intercompany)	13,720	14,721	7,150	7,789	1,001	639	7.3%	52.1%	52.9%
Multi-family									
Delaney	1,205	1,603	545	766	398	220	33.0%	45.3%	47.8%
Callan	404	342	191	163	(62)	(28)	-15.4%	47.3%	47.6%
Commercial	519	804	235	336	285	101	55.0%	45.4%	41.8%
Bath accessories	412	416	187	189	4	2	0.9%	45.3%	45.5%
Barn door hardware	385	220	228	123	(165)	(105)	-42.9%	59.3%	56.0%
Builders hardware	213	258	101	131	44	30	20.8%	47.4%	50.9%
Other	110	177	83	115	67	32	60.9%	75.8%	65.0%
Multi-family (excl. interco, online, special, hollow, samples, displays, online)	1,639	1,874	835	895	235	60	14.4%	50.9%	47.7%
Special order items	787	694	232	183	(93)	(49)	-11.8%	29.5%	26.4%
Hollow metal	1,551	1,500	422	393	(52)	(28)	-3.3%	27.2%	26.2%
Bravura	132	11	53	6	(120)	(47)	-91.5%	40.4%	53.3%
Samples and Displays	-	-	-	-	-	-	0.0%	0.0%	0.0%
Multi-family (excl. intercompany)	5,718	6,024	2,278	2,406	306	127	5.4%	39.8%	39.9%
Intercompany	219	232	0	0	12	0	5.6%	0.0%	0.2%
Total	19,657	20,977	9,429	10,195	1,320	766	6.7%	48.0%	48.6%



- \$548K cash contribution for May, and \$1.86M YTD
- June EBITDA up \$87K vs AOP. Up \$564K versus AOP YTD. Up \$555K, or 26%, YTD versus PY.
- Credits were minimal with one incident accounting for 90% of the issuance (an IS issue that as been correct to prevent future occurrence).
- RBB are all favorable, with an exceptional backlog increase. The backlog convertible amount is functionally lower as it is tied to a release schedule.

\$506K
CASH
CONTRIBUTIONS
FOR DEBT / I/C

YTD \$2.37M

\$524K
EBITDA

AOP \$87K/20%
YTD \$564K/26%
PYM \$64K/14%

\$3.7K
CREDITS

of REV 0.21%
YTD \$13.3k

\$1.802M
NET REVENUE

AOP \$20K/1.1%
YTD \$224K/2.3%
PYM \$113k/6.7%

\$1.796M
BOOKINGS

PY \$1.629M
PY \$167k/10.3%

\$2.707M
BACKLOG

PY \$804K
PY \$1.9M/236%



	Apr	May	June	Q2	AOP	Vs
Net Revenue	1.56M	1.68M	1.80M	5.04M	5.16M	120k
EBITDA	388K	495K	524K	1.41M	1.22M	190K
Cash in Excess	262K	548K	408K	1.22M	0	1.22M
Bookings	2.04M	2.76M	1.80M	6.59M	5.16M	1.43M
Backlog	962K	2.45M	2.71M	2.71M	960K	1.75M
Credits	0.5K	0.2K	3.7K	4.4K	4.5K	0.1K



Quality

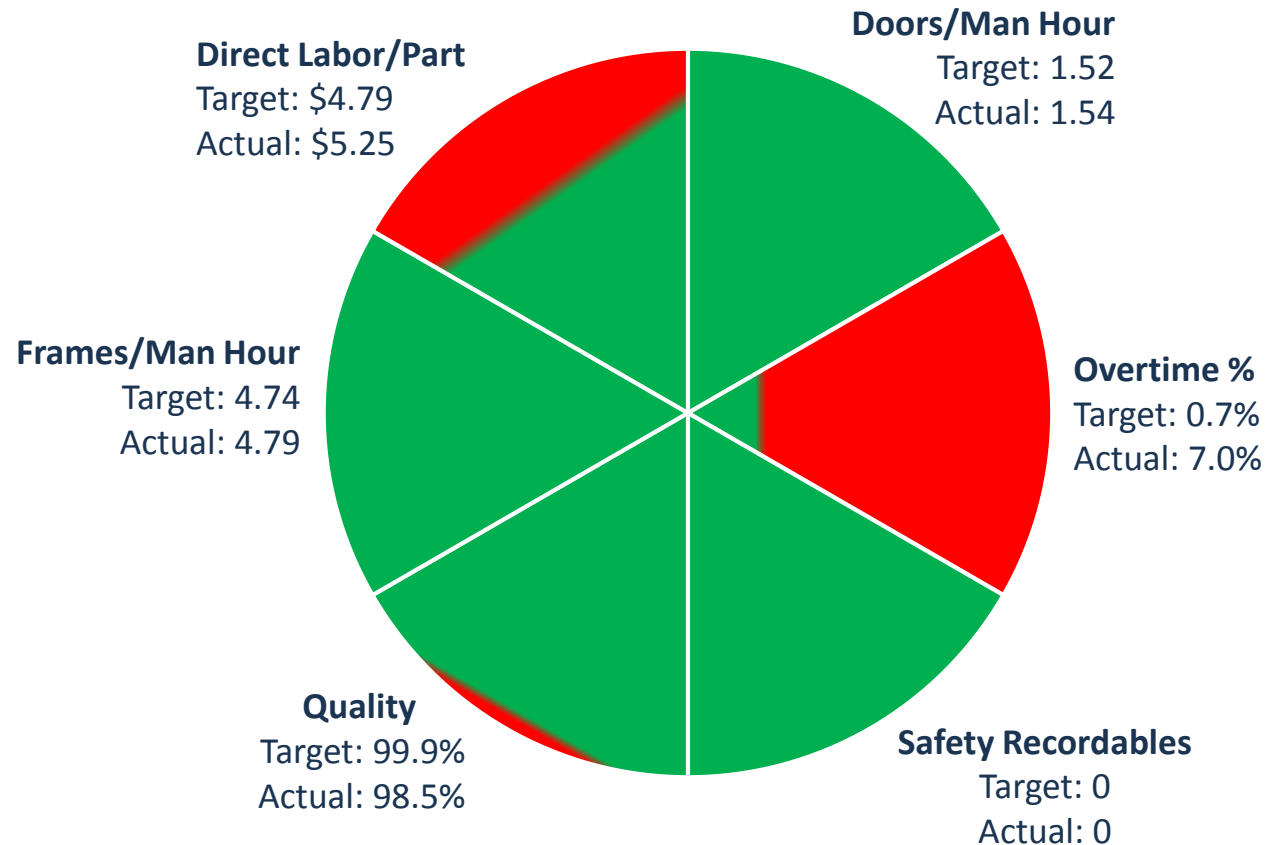
Three hundred frame pieces rejected because of wash booth not being on (corrected process). One door with concealed damage.

OT

Increasingly more OT is required due to increased demand and secondary factors like distancing and process alterations. CAPEX remedies have begun to mitigate capacity and capability constraints.

Cost & Rate

Cost per part has shifted because of increased overtime utilization combined with equipment failures and temp usage. Realignment of plant personnel for Covid-19 and postponed CAPEX had a negative effect on productivity for June.





	Q1	Apr	May	June	Q2	Q2 AOP	Q2 Vs
Direct Labor per part	\$4.53	\$4.78	\$4.93	\$5.25	\$5.00	\$4.47	\$0.53
Doors/man hr	1.35	1.07	1.38	1.54	1.31	1.36	0.05
Frames/man hr	4.73	4.20	4.02	4.79	4.34	4.50	0.45
OT%	1%	1%	8.0%	7.0%	7.1%	0.71%	6.4%
Quality%	99.9%	99.9	99.9%	98.5%	99.4%	99.9%	0.5%
Safety	0	0	0	0	0	0	0

Q2 performance was substantially impacted by machine issues and covid-19 resulting in a near-miss in terms of revenue but a beat of profit at the cost of timing and inventory.

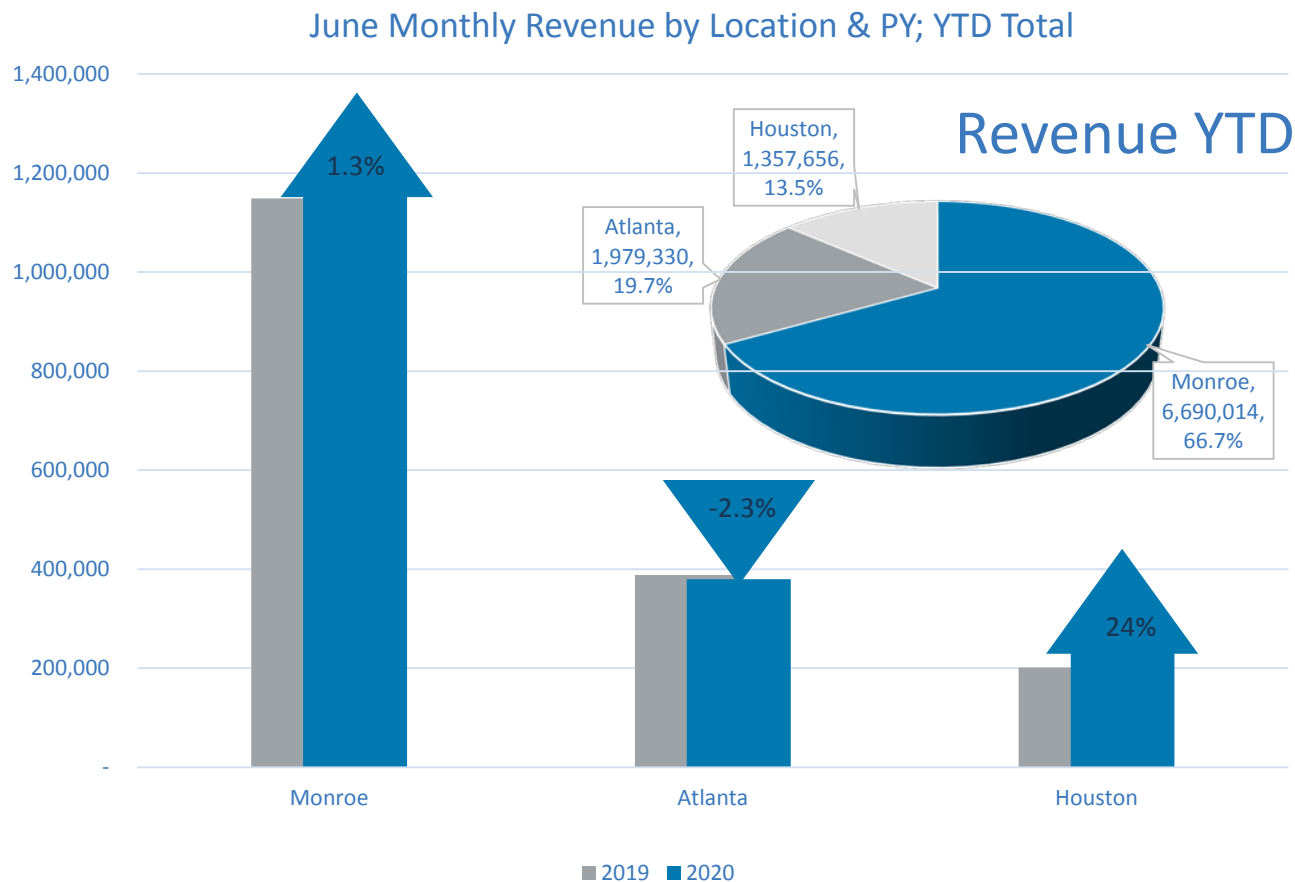
Capacity and capabilities were effectively maxed out during the period with OT (as noted by the metrics miss for productivity and cost), but the approach is quickly diminishing as increased community spread and temperatures mitigate efforts. Additionally, finished stock levels have been drastically drawn down and has changed almost all production runs into MTO which requires more changeovers. Temp workers have been implemented to augment the workforce but increase costs and reduce efficiency.

CAPEX spend will improve capacity and capabilities, but the lead-in time to realization and continued community health issues may result in benefits later in Q3 at the earliest.



- June revenue favorable, but capacity and capabilities essentially at maximum including the use of OT because of covid mitigation efforts and machine limitations.
- YTD, Monroe accounts for majority of growth, but all locations are up (Monroe 10.9%, ATL 0.6%, and Houston 7.2%). Warehouse growth has been and is being limited by low support inventory because of production problems with machinery.
- Shifting capacity to supply undersupplied warehouses is a contributing factor to lower growth rates. Pandemic mitigation measures and persistent machine issues are substantially impacting the ability to fill both factory and warehouse orders.
- **Intercompany HM purchases down \$ 76,099 YTD.**

JUNE 2020 = \$ 558,051
JUNE 2019 = \$ 634,150



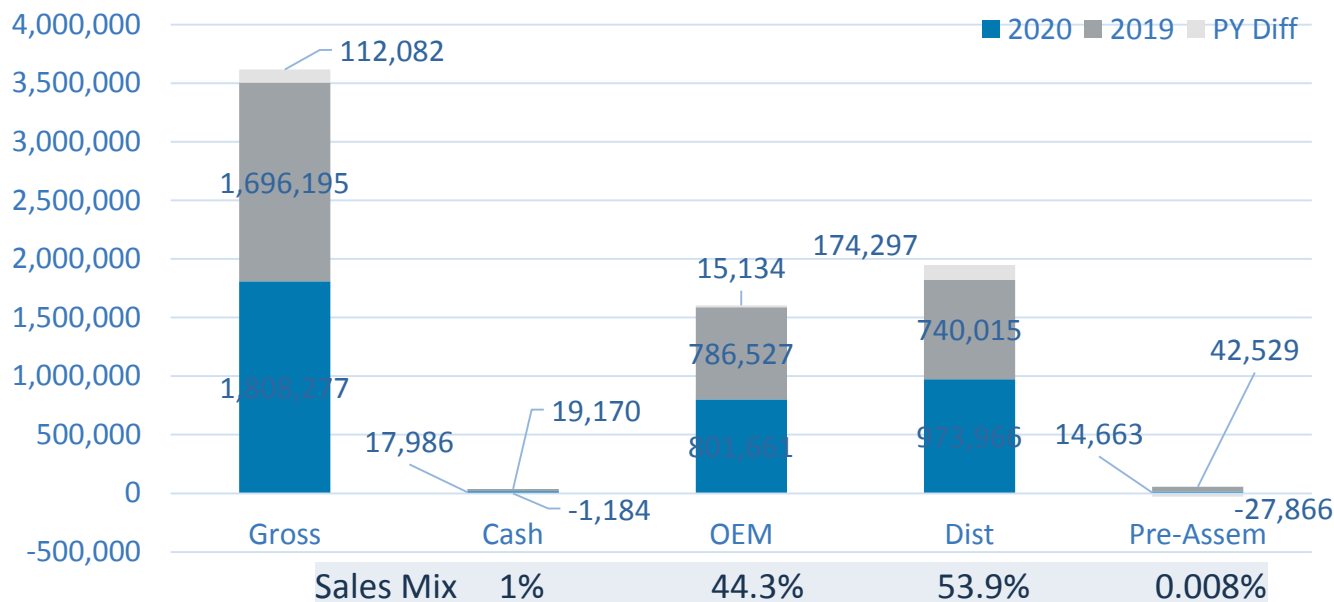


Gross sales up 6.6% from PY and were 1% above the AOP. Cash sales were down as expected due to distancing and continued mechanical limitations and community health issues decreased production capabilities for other mix categories.

OEM beat PY and AOP, Distributor beat PY but missed AOP, and other categories were down in both regards.

Distributor sales were only slightly off to AOP despite continued reduced **intercompany HM demand** which is down \$ 76,099 YTD.

June Segmentation and Mix

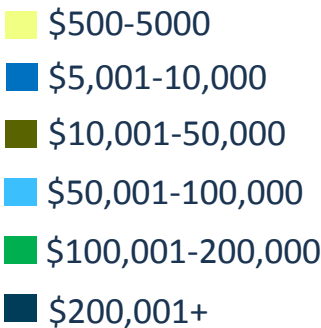
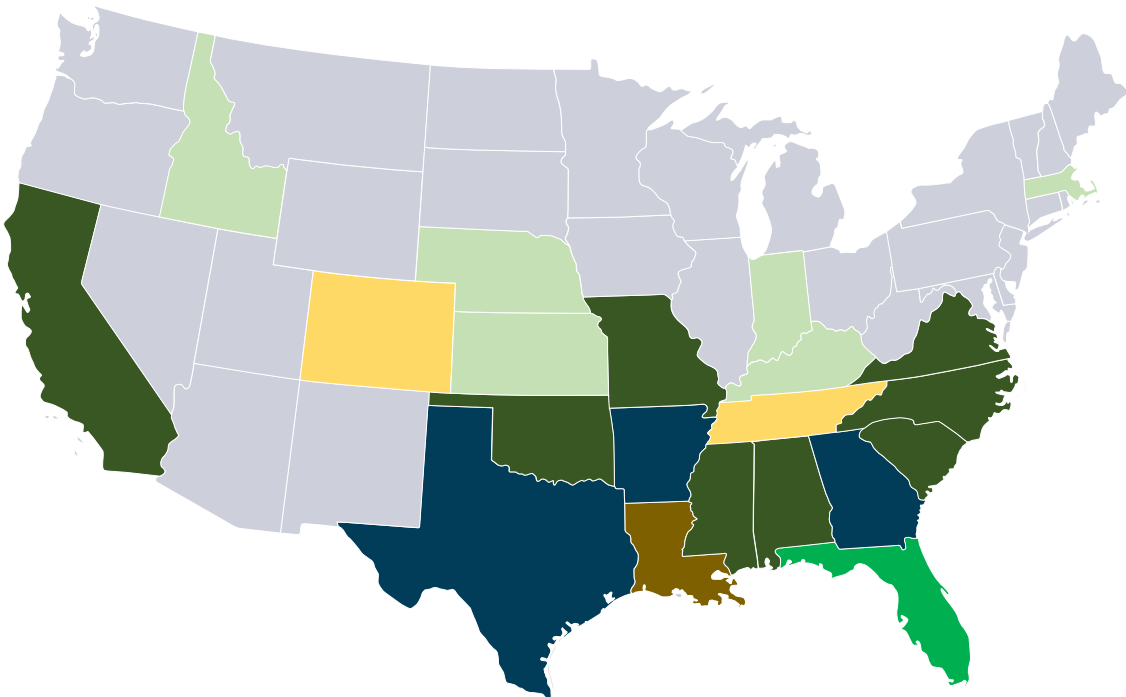


Element	2020	2019	PY Diff	% Change	AOP	AOP Diff	Over/Under
Gross	1,808,277	1,696,195	112,082	6.61%	1,790,719	17,558	0.98%
Cash	17,986	19,170	-1,184	-6.18%	21,775	-3,789	-17.40%
OEM	801,661	786,527	15,134	1.92%	763,234	38,427	5.03%
Dist	973,966	847,970	125,996	14.86%	978,653	-4,687	-0.48%
Pre-Assem	14,663	42,529	-27,866	-65.52%	27,057	-12,394	-45.81%



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

June 2020 = 91.7%





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