



**SARGENT AND GREENLEAF**

## 2019 Revised Annual Operating Plan

July 30, 2019

# 2019 Annual Operating Plan Agenda

- ➔ Executive Summary
- ➔ Strategic Plan
- ➔ 2019 Financial Plan
- ➔ Appendix – Detailed Revised AOP Financials

## Executive Summary

- Standalone AOP was presented in the May Monthly Operating Review with Revenue of \$48.1M and Adjusted EBITDA of \$12.5M
- The Revised AOP represents Revenue of \$48.1M and Adjusted EBITDA of \$12.2M
- The Revised AOP shown in this presentation layers in costs associated to Strategic Initiatives; Product Development Activities; and other known changes in primarily OPEX and CAPEX expenses
- The decrease in Adjusted EBITDA from Standalone AOP to Revised AOP is (\$0.3M)
- The decrease in CAPEX from Standalone AOP to Revised AOP is (\$0.2M)



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# 2018 Act to 2019 Revised AOP – Summary Bridge

2018 Actual		2019 AOP		2019 Revised AOP
<b>Net Revenue</b> \$43.9M	9.6% • 951 Padlock Contract +\$2M, NA +\$1.4M offset by decline in Mechanical Locks (\$0.4M), APAC +\$0.8M driven by strength in India and SEA, EMEA +\$0.4M driven by fully ramped EE BDM	<b>Net Revenue</b> \$48.1M	• No Change	<b>Net Revenue</b> \$48.1M
<b>Gross Margin</b> \$19.8M 45.1%	+130bps • Favorable Mix – Higher Electronic Lock Sales Offsetting Mechanical Erosion; Price & Productivity offsetting inflationary headwinds	<b>Gross Margin</b> \$22.2M 46.4%	• No Change	<b>Gross Margin</b> \$22.2M 46.4%
<b>OPEX</b> \$9.7M 22.2%	(\$1.9M) • All Opex Growth Added Back as EBITDA Adjustments. No Incremental Spending On Base Opex.	<b>OPEX</b> \$11.6M 24.1%	(\$1.3M) • Cost of strategic initiative and other known expenses	<b>OPEX</b> \$12.8M 26.7%
<b>EBITDA</b> \$10.1M 23%	\$0.5M • Volume Increase Key Driver; Mix & OPEX Leverage Also Contribute To EBITDA Favorability	<b>EBITDA</b> \$10.6M 25%	(\$1.3M) • Cost of Strategic Initiatives and Other Known Expenses	<b>EBITDA</b> \$9.3M 19%
<b>Adjustments</b> \$0.0M	\$1.9M • 1X Costs Allowed as EBITDA Addbacks	<b>Adjustments</b> \$1.9M	\$1.0M • 1X Costs Allowed as EBITDA Addbacks	<b>Adjustments</b> \$2.9M
<b>Adj EBITDA</b> \$10.1M 23%	\$2.4M • Volume Increase Key Driver; Mix & OPEX Leverage Also Contribute To EBITDA Favorability	<b>Adj EBITDA</b> \$12.5M 26%	(\$0.3M) • Impact of Initiatives not Categorized as Addbacks	<b>Adj EBITDA</b> \$12.2M 25%
<b>Capex</b> \$1.4M	\$0.2M • Continued Investment In Factory Automation + RTB Needs	<b>Capex</b> \$1.6M	(\$0.2M) • Strategic Initiatives +\$0.3M, FAS Lock Automation (\$0.6M), other +\$0.1M	<b>Capex</b> \$1.4M
<b>NWC</b> \$9.2M	4% • VPY AR increased \$1.4M, Inventory decreased (\$0.8M), AP increased \$0.3M	<b>NWC</b> \$9.6M	• No Change	<b>NWC</b> \$9.6M

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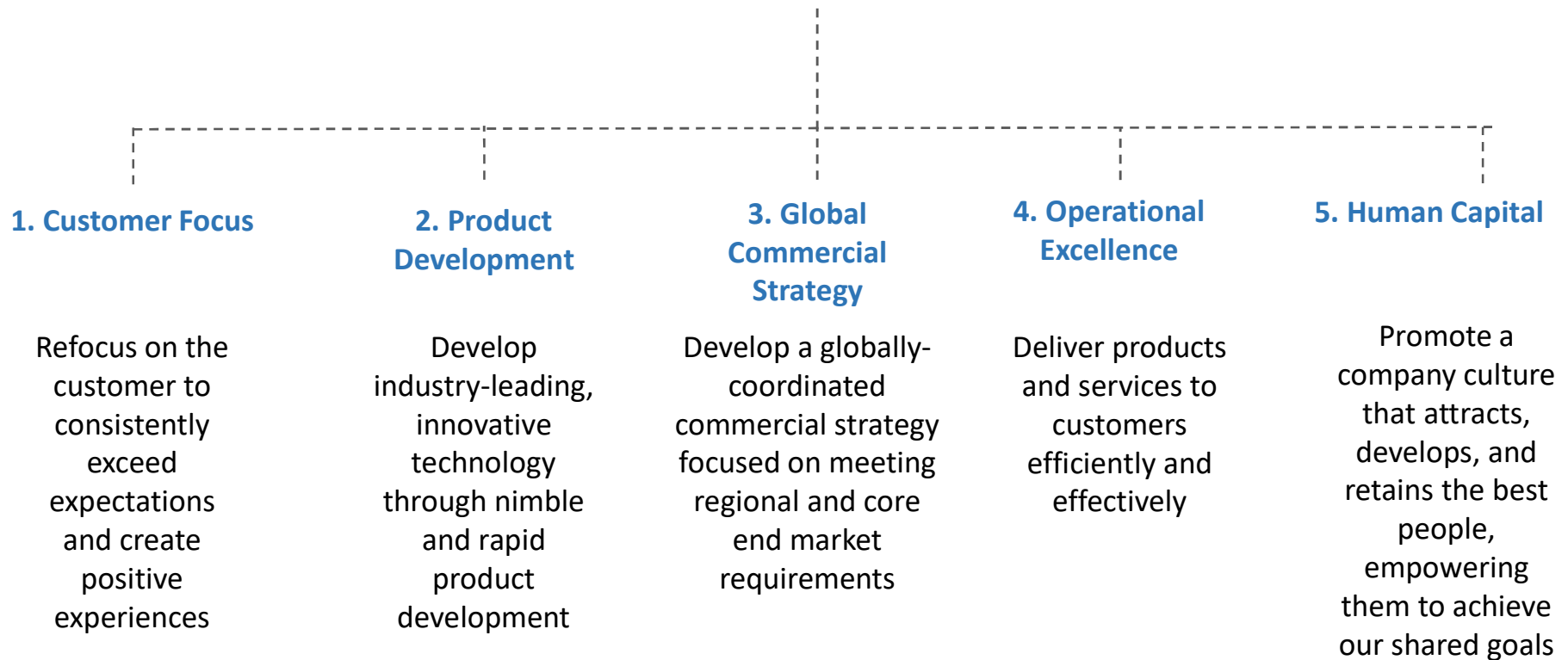


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## Vision and Strategic Pillars

### Vision

S&G will be the trusted global leader in innovative high security locking systems





# Strategic Initiative Functional Area Matrix (1 of 4)

	1. Customer Focus	2. Product Development	3. Global Commercial Strategy	4. Operational Excellence	5. Human Capital
<b>Sales</b> Matt Williams	<ul style="list-style-type: none"> <li>Conduct global market and customer segmentation and prioritization</li> <li>Establish and implement S&amp;G Selling Model to Global sales team</li> <li>Develop and optimize selling tools</li> <li>Develop SIP to drive sales growth in key product categories</li> <li><b>A</b> Plan and implement Global Partner Meeting</li> </ul>		<ul style="list-style-type: none"> <li>Establish consistent global pricing model and associated customer agreements</li> <li>Generate go to market strategy (including Direct Sales and Channel Partners)</li> <li>Develop key account management strategy to maximize value from top global customers</li> </ul>		
<b>Marketing</b> Kelly Edney	<ul style="list-style-type: none"> <li><b>B</b> Develop online training modules for external customers</li> <li><b>C</b> Improve website and social media experience</li> <li>Build and launch refreshed brand image and branding elements</li> <li>Incorporate image restoration scorecard into existing annual customer opinion survey</li> </ul>		<ul style="list-style-type: none"> <li>Establish ongoing process to source market analysis (market sizes and trends) and competitive intelligence to gain better understanding of market landscape/potential and trends/technology</li> <li><b>D</b> Develop e-commerce strategy</li> <li><b>E</b> Identify and select new global PR agency with expertise in security technology and establish thought leadership strategy</li> </ul>		



# Strategic Initiative Functional Area Matrix (2 of 4)

	1. Customer Focus	2. Product Development	3. Global Commercial Strategy	4. Operational Excellence	5. Human Capital
<b>Product Management</b> Patrick Cunningham	<b>F</b> Improve instructions, including implementation of AR for AxisBlu <b>G</b> Identify optimal product management staffing and tools by region. <ul style="list-style-type: none"> <li>Improve packaging functionality, quality and consistency</li> </ul>	<b>H</b> Develop online and physical competitive intelligence resource base <b>I</b> Build out multi-year new and existing product road map and establish ongoing internal communication cadence <ul style="list-style-type: none"> <li>Develop software/app product management and pricing strategy</li> <li>Establish Robust VoC process for new product</li> </ul> <b>J</b> Develop RMR potential product and associated tech platform. Identify partners for new RMR and service offerings <ul style="list-style-type: none"> <li>Standardize beta partners for beta testing by chosen vertical and relevance for product target</li> <li>Gather VoC, market trends and technology surrounding a new, profound keypad change</li> <li>Develop product to help customers build their business based on input from applications engineers in focused verticals</li> </ul>	<ul style="list-style-type: none"> <li>Execute SKU rationalization and establish maintenance process and cadence</li> <li>Institutionalize regular VoC feedback process: On-going feedback about launched products and assist in creating improved products</li> </ul>		
<b>Engineering</b> Devon Ratliff		<ul style="list-style-type: none"> <li>Ensure sufficient internal and external engineering resources to execute ongoing product development</li> <li>Establish a new nimble and rapid product development process</li> <li>Establish cross-functional product development committee</li> </ul> <b>K</b> Investigate re-architecture of digital platform firmware to be more modular <ul style="list-style-type: none"> <li>Establish technology roadmap to capture emerging technology trends</li> </ul>	<b>L</b> Incorporate new industrial design into existing product portfolio		





# Strategic Initiative Functional Area Matrix (3 of 4)

	1. Customer Focus	2. Product Development	3. Global Commercial Strategy	4. Operational Excellence	5. Human Capital
<b>Operations</b> Craig Saunders	<ul style="list-style-type: none"> <li>Formalize Communication Escalation Path for Customers (all external communication channels)</li> <li>Establish a customer communication protocol that addresses shipping lead time delays and quality issues (including technical bulletins)</li> <li><b>M</b> Identify and Implement Optimal Customer Service and Technical Support Platform, Staffing, and Tools</li> </ul>			<ul style="list-style-type: none"> <li><b>N</b> Fill Quality Manager position</li> <li><b>O</b> Deploy "Industry 4.0" Enablers on Shop Floor (AI Vision for inspection)</li> <li>Optimize Lead Times that are more in line with Customer Expectations</li> <li>Optimize operational processes to ensure on-time delivery</li> <li><b>P</b> Develop and implement Predictive Maintenance capability and program</li> <li>Develop "Make where you sell" Strategy</li> <li>Develop Company Wide Continuous Improvement Program</li> <li>Renew focus on VAVE, driving x% of incremental productivity</li> <li>Tailor product quality systems to meet customer expectations</li> </ul>	
<b>Supply Chain</b> Michael Rose	<ul style="list-style-type: none"> <li>Optimize stocking levels for superior customer experience</li> </ul>			<ul style="list-style-type: none"> <li>Improve Demand Planning &amp; SIOP Process</li> </ul>	
<b>IT</b> Sean Barnes	<ul style="list-style-type: none"> <li>Implement Customer/Service/Tech Support Call Center Management Application</li> </ul>			<ul style="list-style-type: none"> <li>Implement a core business ("ERP") system that provides the necessary functionality for today together with a platform for growth and diversity in the future</li> </ul>	



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# Strategic Initiative Functional Area Matrix (4 of 4)

	1. Customer Focus	2. Product Development	3. Global Commercial Strategy	4. Operational Excellence	5. Human Capital
<b>Human Resources</b> Cathy Jackson				<ul style="list-style-type: none"> <li>Optimize usage of temporary labor</li> </ul>	<b>Q</b> Implement applicant tracking and compensation benchmark capabilities <ul style="list-style-type: none"> <li>Create and communicate system of corporate values</li> <li>Develop cadence of 2019 employee engagement activities and process for ongoing activities thereafter</li> <li>Implement new performance management system for salaried employees</li> <li>Develop succession plan</li> <li>Develop professional development program</li> </ul> <b>R</b> Develop affirmative action policy
<b>Finance</b> Steve Tonkel			<ul style="list-style-type: none"> <li>Establish business model to be paid for value added services and recurring monthly revenue(RMR)</li> <li>Profitability by Product - Establish centralized product pricing and profit analysis capability</li> <li>"MarketSpace" - Conduct and establish ongoing "heat map" analysis of end markets and regions to inform commercial strategy development; rate of change driven by geographic, segment, or virtual trends.</li> </ul>		



# 2019 Financial Summary - Initiatives

	Sales	Marketing				Product Management				Engineering			Operations				Human Resources		Other Changes	Total Impact
Initiative	A	B	C	D	E	F	G	H	J	I	K	L	M	N	O	P	Q	R		
<b>Net Revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	9	-	-	-	-	-	9
Other COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total COGS</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	9	-	-	-	-	-	9
<b>Gross Margin</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)	-	-	-	-	-	(9)
R&D	-	-	-	-	-	25	13	29	3	515	17	-	-	-	-	-	-	-	-	601
Sales & Marketing	25	100	86	20	8	-	-	-	-	-	-	-	-	-	-	-	-	-	13	252
Administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	15	397	420
Other Opex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Opex</b>	<b>25</b>	<b>100</b>	<b>86</b>	<b>20</b>	<b>8</b>	<b>25</b>	<b>13</b>	<b>29</b>	<b>3</b>	<b>515</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>15</b>	<b>411</b>	<b>1,274</b>
<b>Reported EBITDA</b>	<b>(25)</b>	<b>(100)</b>	<b>(86)</b>	<b>(20)</b>	<b>(8)</b>	<b>(25)</b>	<b>(13)</b>	<b>(29)</b>	<b>(3)</b>	<b>(515)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>(15)</b>	<b>(411)</b>	<b>(1,282)</b>
<i>EBITDA addbacks</i>	-	100	86	20	-	-	-	25	-	351	-	-	-	-	-	-	-	15	379	976
<b>EBITDA, Adjusted</b>	<b>(25)</b>	-	-	-	(8)	(25)	(13)	(4)	(3)	(164)	(17)	-	-	(9)	-	-	(8)	-	(32)	(306)
<b>Capex</b>	-	-	60	-	-	-	-	-	-	136	-	20	50	-	5	65	-	-	(571)	(235)

<b>A</b> Plan and implement Global Partner Meeting
<b>B</b> Improve website and social media experience
<b>C</b> Build and launch refreshed brand image and branding elements
<b>D</b> Develop e-commerce strategy
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<b>K</b> Investigate re-architecture of digital platform firmware to be more modular
<b>L</b> Incorporate new industrial design into existing product portfolio
<b>M</b> Identify and Implement Optimal Customer Service and Technical Support Platform, Staffing, and Tools
<b>N</b> Fill Quality Manager position
<b>O</b> Deploy "Industry 4.0" Enablers on Shop Floor (AI Vision for inspection)
<b>P</b> Develop and implement Predictive Maintenance capability and program
<b>Q</b> Implement applicant tracking and compensation benchmark capabilities
<b>R</b> Develop affirmative action policy



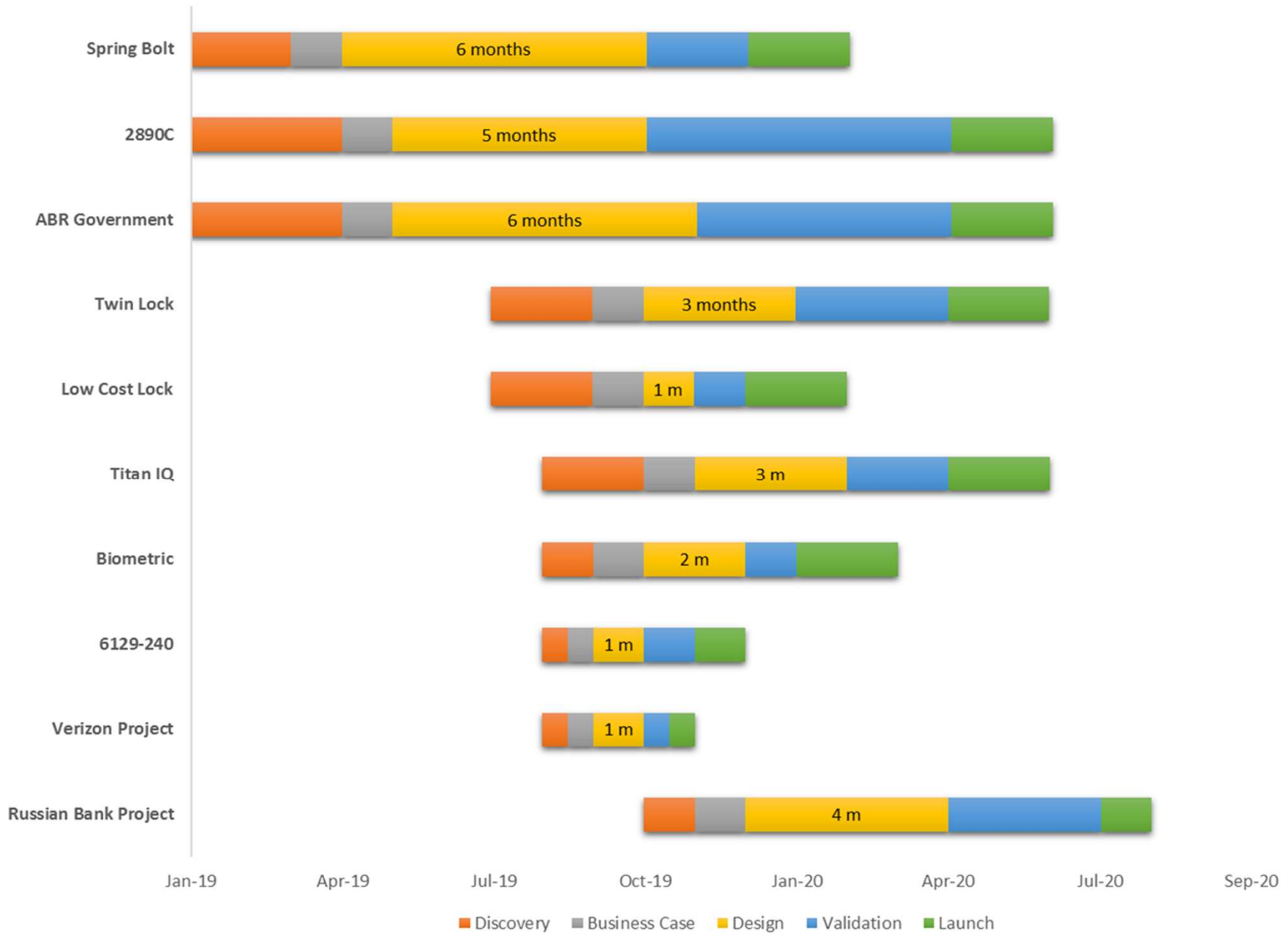
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## New Product Development Summary

1

Product Name	Description	Market Parity	Development Start Date	Commericalization Date	End Markets
Springbolt	Option of analog or digital controls, new lock body mechanic	Y	January 2019	February 2020	Residential/Retail
2890C	Latest specification for 2890 (compliance)		January 2019	June 2020	Government
ABR Government	Automatic bolt retraction for 2890		January 2019	June 2020	Government
Twin Lock	2 ASWD + 1 Keypad, higher certification for European safes	Y	July 2019	June 2020	ATM
Low Cost Lock	Simple electronic offering aimed at e-commerce	Y	July 2019	February 2020	Residential
Titan IQ	Smart Gun Safe Lock	Y	August 2019	June 2020	Residential
Biometric	Titan based, fingerprint entry	Y	August 2019	March 2020	Residential
6129-240	CIT Truck OTC Lock		August 2019	December 2019	ATM
Verizon Project	2 locks + 1 keypad, take Securam market share		August 2019	November 2019	Retail
Russian Bank Project	ATM retro fit		October 2019	August 2020	ATM

# Product Development Roadmap





# New Product Development ROI

I

Product Name	1x Costs	Cap Ex	Total Investment	Incremental Revenue				Incremental EBITDA				ROI	2023	NPV	Payback Years
				2020	2021	2022	2023	2020	2021	2022	2023		EBITDA/ Tot Invest		
Springbolt	75	75	150	363	444	498	615	241	319	370	478	132%	3.2x	565	2.0
2890C - Gov't Spec Change	25	-	25										0.0x		
ABR Government	68	68	136	115	156	159	163	47	71	78	81	33%	0.6x	54	3.8
Twin Lock	37	-	37	890	454	463	472	565	299	316	325	482%	8.8x	993	1.0
Low Cost Lock	60	-	60	596	964	1,157	1,778	85	291	172	706	143%	11.8x	847	2.7
Titan IQ	278	37	315	905	1,539	1,884	1,921	343	648	868	906	105%	2.9x	980	2.4
Biometric	195	20	215	716	813	909	1,011	179	232	292	324	55%	1.5x	374	3.0
CIT Truck Lock	30	-	30	570	580	592	604	405	424	443	455	729%	15.2x	846	1.1
Verizon Project	12	-	12	87	89	91	92	23	28	33	34	131%	2.8x	59	2.2
Russian Bank Project	118	153	270	890	908	926	945	368	412	455	474	89%	1.8x	698	2.4
Total	897	353	1,250	5,132	5,947	6,679	7,601	2,256	2,724	3,027	3,783		3.0x	5,416	

Average Payback of 2.3 years for all development

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# 2019 Summary Revised AOP P&L Comparative

(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>2019 vs 2018</u>		<u>2019</u>	<u>Standalone vs</u>	
	Act	Standalone AOP	\$	%	Revised AOP	\$	%
<b>Net Revenue</b>	<b>\$ 43.9</b>	<b>\$ 48.1</b>	<b>\$ 4.2</b>	<b>9.6%</b>	<b>\$ 48.1</b>	<b>\$ -</b>	<b>0.0%</b>
Material	\$ 15.6	\$ 15.7	\$ 0.1	0.6%	\$ 15.7	\$ (0.0)	0.0%
Labor	6.5	7.2	0.7	11.3%	7.2	0.0	0.0%
Other COGS	2.0	3.0	1.0	50.1%	3.0	0.0	0.0%
<b>Total COGS</b>	<b>\$ 24.1</b>	<b>\$ 25.9</b>	<b>\$ 1.8</b>	<b>7.5%</b>	<b>\$ 25.9</b>	<b>\$ 0.0</b>	<b>0.0%</b>
<b>Gross Margin</b>	<b>\$ 19.8</b>	<b>\$ 22.2</b>	<b>\$ 2.4</b>	<b>12.1%</b>	<b>\$ 22.2</b>	<b>\$ (0.0)</b>	<b>0.0%</b>
<i>Gross Margin %</i>	45.1%	46.2%	1.0%		46.2%	0.0%	
R&D	\$ 1.8	\$ 1.9	\$ 0.1	8.3%	\$ 2.5	\$ 0.6	31.5%
Sales & marketing	3.7	4.7	1.0	25.5%	4.9	0.2	4.9%
Administrative	4.3	5.0	0.7	17.2%	5.4	0.4	8.4%
Other Opex	-	-	-		-	-	0.0%
<b>Total OPEX (excl D&amp;A)</b>	<b>\$ 9.7</b>	<b>\$ 11.6</b>	<b>\$ 1.8</b>	<b>18.8%</b>	<b>\$ 12.8</b>	<b>\$ 1.2</b>	<b>10.8%</b>
<b>Reported EBITDA *</b>	<b>\$ 10.1</b>	<b>\$ 10.6</b>	<b>\$ 0.6</b>	<b>5.6%</b>	<b>\$ 9.3</b>	<b>\$ (1.3)</b>	<b>-12.4%</b>
<i>EBITDA Margin %</i>	22.9%	25.0%	2.0%		19.3%	-5.6%	
<i>EBITDA addbacks</i>	\$ -	\$ 1.9	\$ 1.9		\$ 2.9	\$ 1.0	52.1%
<b>EBITDA, adjusted*</b>	<b>\$ 10.1</b>	<b>\$ 12.5</b>	<b>\$ 2.4</b>	<b>24.3%</b>	<b>\$ 12.2</b>	<b>\$ (0.3)</b>	<b>-2.8%</b>
<i>EBITDA Margin %</i>	22.9%	26.0%	3.1%		25.3%	-0.7%	

## Management Discussion

- ❖ OPEX increase of \$1.2M in Revised AOP versus Standalone Budget Split Between Strategic Initiatives, \$0.8M, SA closure \$0.3M and Other Known Expense, \$0.1M.
- ❖ Of \$1.2M Incremental OPEX, \$1.0M qualify for EBITDA Addbacks per Credit Agreement
- ❖ Overall impact to Adjusted EBITDA, (\$0.3M).

\* Excludes monitoring fees of \$1.0M/year





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# 2019 Revised AOP 1X Costs Comparative

\$'000	Description	Revised AOP							2019 AOP
		19-Jun AOP	19-Jul AOP	19-Aug AOP	19-Sep AOP	19-Oct AOP	19-Nov AOP	19-Dec AOP	
<b>IT</b>		<b>49</b>	<b>28</b>	<b>144</b>	<b>64</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>449</b>
IT Specialist	Gray Drohan consulting fees	49	20	20	20	20	20	20	169
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	—	8	124	44	34	34	34	280
<b>Legal/Professional Fees</b>		<b>432</b>	<b>247</b>	<b>66</b>	<b>41</b>	<b>51</b>	<b>46</b>	<b>41</b>	<b>921</b>
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	55	—	—	—	—	—	—	55
HR Specialist	Joel Tokarz consulting fees, HR consultant Aug-Dec	213	60	18	18	18	18	18	363
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	95	164	—	—	—	—	—	259
OGX	Consulting Fees	23	23	23	23	23	23	23	161
Other	Navex, Affirmative Action Policy, Morgan Lewis DSS invoice	47	—	25	—	10	5	—	87
<b>Marketing/Rebranding</b>	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	<b>7</b>	<b>19</b>	<b>17</b>	<b>20</b>	<b>30</b>	<b>108</b>	<b>58</b>	<b>259</b>
<b>Payroll Implementation</b>	International GEO, Domestic PEO set up fees, visa transfer fees	<b>11</b>	<b>—</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>27</b>
<b>Market Parity</b>		<b>—</b>	<b>—</b>	<b>74</b>	<b>82</b>	<b>56</b>	<b>56</b>	<b>83</b>	<b>351</b>
<b>SA Closure</b>	SA Severance Costs	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>310</b>	<b>310</b>
<b>TSA</b>		<b>87</b>	<b>87</b>	<b>78</b>	<b>73</b>	<b>73</b>	<b>70</b>	<b>70</b>	<b>535</b>
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	54	54	46	41	41	38	38	314
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	32	32	31	31	31	31	31	221
<b>Total 1X Costs</b>		<b>585</b>	<b>379</b>	<b>395</b>	<b>279</b>	<b>262</b>	<b>332</b>	<b>615</b>	<b>2,852</b>

		Chg vs Standalone AOP							2019
Description		19-Jun	19-Jul	19-Aug	19-Sep	19-Oct	19-Nov	19-Dec	
<b>IT</b>		<b>—</b>	<b>(64)</b>	<b>(33)</b>	<b>(15)</b>	<b>(7)</b>	<b>(3)</b>	<b>0</b>	<b>(120)</b>
IT Specialist	Gray Drohan consulting fees	—	(9)	(12)	(9)	(1)	3	6	(22)
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	—	(55)	(21)	(6)	(6)	(6)	(6)	(98)
<b>Legal/Professional Fees</b>		<b>—</b>	<b>62</b>	<b>43</b>	<b>18</b>	<b>28</b>	<b>23</b>	<b>18</b>	<b>192</b>
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	—	—	—	—	—	—	—	—
HR Specialist	Joel Tokarz consulting fees, HR consultant Aug-Dec	—	—	18	18	18	18	18	90
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	—	62	—	—	—	—	—	62
OGX	Consulting Fees	—	—	—	—	—	—	—	—
Other	Navex, Affirmative Action Policy, Morgan Lewis DSS invoice	—	—	25	—	10	5	—	40
<b>Marketing/Rebranding</b>	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	<b>—</b>	<b>—</b>	<b>17</b>	<b>20</b>	<b>30</b>	<b>108</b>	<b>58</b>	<b>233</b>
<b>Payroll Implementation</b>	International GEO, Domestic PEO set up fees, visa transfer fees	<b>—</b>	<b>—</b>	<b>9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9</b>
<b>Market Parity</b>		<b>—</b>	<b>—</b>	<b>74</b>	<b>82</b>	<b>56</b>	<b>56</b>	<b>83</b>	<b>351</b>
<b>SA Closure</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>310</b>	<b>310</b>
<b>TSA</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	—	—	—	—	—	—	—	—
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	—	—	—	—	—	—	—	—
<b>Total 1X Costs Variance</b>		<b>—</b>	<b>(2)</b>	<b>112</b>	<b>106</b>	<b>107</b>	<b>184</b>	<b>160</b>	<b>976</b>

## Management Discussion

- IT- IT Specialist Consulting Fees New Estimate Provided, \$22k Less than Original
- Legal/Professional Fees – Updated Recruitment Fees, \$62k, Morgan Lewis DDS Invoice, \$25k, Affirmative Action Policy, \$15k
- Marketing – Market Study, Ecommerce/Social Media Refresh and Strategy, All Rebranding
- Payroll Implementation – Visa Transfer Fees for Eastern Europe Employee
- Market Parity – Cost to Refresh/Update Product Offering to Compete In Current Market
- SA – Severance accrual for Jan 2020 closure



## 2019 Revised AOP Capital Expenditures Comparative

Standalone Budget					
\$'000	Q1-19	Q2-19	Q3-19	Q4-19	2019
Health & Safety	\$ —	\$ —	\$ —	\$ —	\$ —
Maintenance	147	264	85	—	496
Market Growth	—	—	—	—	—
Share Growth	—	—	—	—	—
Innovation	75	65	55	—	195
Cost Reduction	—	50	75	805	930
<b>Total Capex</b>	<b>\$ 222</b>	<b>\$ 379</b>	<b>\$ 215</b>	<b>\$ 805</b>	<b>\$ 1,621</b>

Incremental					
	Q1-19	Q2-19	Q3-19	Q4-19	2019
Health & Safety	\$ —	\$ —	\$ 10	\$ —	\$ 10
Maintenance	—	—	(65)	114	49
Market Growth	—	—	—	110	110
Share Growth	—	—	—	88	88
Innovation	—	—	12	56	68
Cost Reduction	—	—	25	(605)	(580)
<b>Total Capex</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (18)</b>	<b>\$ (237)</b>	<b>\$ (255)</b>

Revised AOP					
	Q1-19	Q2-19	Q3-19	Q4-19	2019
Health & Safety	\$ —	\$ —	\$ 10	\$ —	\$ 10
Maintenance	147	264	20	114	545
Market Growth	—	—	—	110	110
Share Growth	—	—	—	88	88
Innovation	75	65	67	56	263
Cost Reduction	—	50	100	200	350
<b>Total Capex</b>	<b>\$ 222</b>	<b>\$ 379</b>	<b>\$ 197</b>	<b>\$ 568</b>	<b>\$ 1,366</b>

### Management Discussion

- ❖ FAS Lock Automation Key Productivity Project For 2019 Removed due to Low ROI (\$0.6M)
- ❖ Strategic Initiatives Additional \$0.3M in Cap Ex
- ❖ Spend not occurring on smaller Cap Ex Items (\$0.1M)

# 2019 Annual Operating Plan Agenda

- ➔ Executive Summary
- ➔ 2019 Financial Plan
- ➔ Strategic Plan
- ➔ Appendix – Detailed Revised AOP Financials



# 2019 Revenue Build

Revenue	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>N. America (Connelly)</b>	<b>1,361</b>	<b>1,705</b>	<b>1,674</b>	<b>2,162</b>	<b>1,554</b>	<b>1,869</b>	<b>2,071</b>	<b>1,618</b>	<b>1,628</b>	<b>2,066</b>	<b>1,674</b>	<b>1,569</b>	<b>20,953</b>
Steve Clark	137	113	235	158	113	93	151	118	119	182	170	119	1,708
Roxie Rydl	609	482	807	845	608	904	810	633	637	758	679	458	8,231
Elizabeth Cawood	446	982	372	865	622	699	828	647	651	977	676	861	8,627
John Garrett	169	128	260	294	211	173	282	220	221	149	149	131	2,386
<b>House/Gov't</b>	<b>282</b>	<b>302</b>	<b>303</b>	<b>294</b>	<b>211</b>	<b>341</b>	<b>80</b>	<b>70</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,946</b>
<b>E-Commerce</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>21</b>	<b>15</b>	<b>18</b>	<b>21</b>	<b>16</b>	<b>14</b>	<b>25</b>	<b>19</b>	<b>18</b>	<b>216</b>
<b>APAC (Graham)</b>	<b>724</b>	<b>919</b>	<b>1,501</b>	<b>1,968</b>	<b>1,091</b>	<b>928</b>	<b>1,266</b>	<b>1,324</b>	<b>1,489</b>	<b>1,392</b>	<b>1,100</b>	<b>1,107</b>	<b>14,809</b>
Open China/ N Asia	289	344	604	821	421	322	547	514	698	592	458	476	6,088
Open India/Aus	315	374	660	866	459	340	601	676	653	630	482	476	6,531
Soames Pescud	119	202	236	280	211	267	118	134	139	170	160	155	2,189
<b>EMEA/R (Montano)</b>	<b>610</b>	<b>568</b>	<b>559</b>	<b>525</b>	<b>437</b>	<b>533</b>	<b>457</b>	<b>538</b>	<b>532</b>	<b>571</b>	<b>511</b>	<b>513</b>	<b>6,354</b>
Sylvano Montano	129	108	98	84	86	143	88	112	96	140	140	117	1,341
Tamas Horvath	360	343	328	347	257	309	300	351	374	365	308	342	3,984
Open EMEA/R	120	118	132	94	94	81	69	74	62	66	63	54	1,028
<b>LAG</b>	<b>347</b>	<b>279</b>	<b>280</b>	<b>338</b>	<b>251</b>	<b>295</b>	<b>378</b>	<b>342</b>	<b>323</b>	<b>426</b>	<b>297</b>	<b>241</b>	<b>3,795</b>
<b>Total S&amp;G</b>	<b>3,341</b>	<b>3,790</b>	<b>4,331</b>	<b>5,308</b>	<b>3,559</b>	<b>3,983</b>	<b>4,272</b>	<b>3,907</b>	<b>4,050</b>	<b>4,480</b>	<b>3,601</b>	<b>3,448</b>	<b>48,072</b>

## Management Discussion

- NA Growth Of \$1.4M / 7% Driven By Fully Ramped Govt BDM, Continued 8077 Padlock Momentum, And New Products Offsetting Mechanical Lock Erosion In OEM Channel
- APAC Growth Of \$0.8M / 5% Driven Largely By Continued Strength In India And SEA's return to growth profile
- EMEA Growth Of \$0.4M / 6% Driven By Fully Ramped EE BDM
- LAG Relatively Flat Yr/Yr Due To large non repeating projects in 2018



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# 2019 Revised AOP Monthly P&L

\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	2018	Var	
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Act	\$	%
<b>Gross Revenue</b>	\$ 3,766	\$ 4,327	\$ 4,964	\$ 5,976	\$ 4,007	\$ 4,485	\$ 4,810	\$ 4,399	\$ 4,560	\$ 5,043	\$ 4,055	\$ 3,882	\$ 54,275	\$ 50,276	\$ 3,998	8.0%
Adj. to Gross Revenue	(425)	(537)	(633)	(668)	(448)	(501)	(538)	(492)	(510)	(564)	(453)	(434)	(6,203)	(6,409)	206	(3.2%)
<b>Net Revenue</b>	<b>3,341</b>	<b>3,790</b>	<b>4,331</b>	<b>5,308</b>	<b>3,559</b>	<b>3,983</b>	<b>4,272</b>	<b>3,907</b>	<b>4,050</b>	<b>4,480</b>	<b>3,601</b>	<b>3,448</b>	<b>48,072</b>	<b>43,867</b>	<b>4,205</b>	<b>9.6%</b>
Material	1,083	1,424	1,248	1,778	1,123	1,224	1,414	1,256	1,433	1,425	1,166	1,142	15,717	15,626	91	0.6%
Labor	621	550	531	811	569	609	636	564	646	642	523	511	7,214	6,473	741	11.4%
Other COGS	303	65	432	381	182	202	211	177	217	301	245	239	2,955	1,968	986	50.1%
<b>Total COGS</b>	<b>2,006</b>	<b>2,039</b>	<b>2,210</b>	<b>2,971</b>	<b>1,874</b>	<b>2,035</b>	<b>2,262</b>	<b>1,997</b>	<b>2,296</b>	<b>2,368</b>	<b>1,934</b>	<b>1,893</b>	<b>25,886</b>	<b>24,067</b>	<b>1,819</b>	<b>7.6%</b>
<b>Gross Margin</b>	<b>1,335</b>	<b>1,750</b>	<b>2,121</b>	<b>2,337</b>	<b>1,685</b>	<b>1,949</b>	<b>2,011</b>	<b>1,910</b>	<b>1,754</b>	<b>2,111</b>	<b>1,668</b>	<b>1,555</b>	<b>22,186</b>	<b>19,800</b>	<b>2,386</b>	<b>12.0%</b>
<i>Gross Margin %</i>	<i>40.0%</i>	<i>46.2%</i>	<i>49.0%</i>	<i>44.0%</i>	<i>47.3%</i>	<i>48.9%</i>	<i>47.1%</i>	<i>48.9%</i>	<i>43.3%</i>	<i>47.1%</i>	<i>46.3%</i>	<i>45.1%</i>	<i>46.2%</i>	<i>45.1%</i>		
R&D	154	125	121	179	162	163	178	272	288	294	276	301	2,511	1,763	747	42.4%
Sales & Marketing	410	351	327	413	353	368	487	396	435	466	474	450	4,930	3,727	1,203	32.3%
Administrative	351	354	338	342	340	720	481	665	379	370	381	686	5,407	4,254	1,153	27.1%
Other Opex	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	N/A
<b>Total Opex</b>	<b>915</b>	<b>829</b>	<b>786</b>	<b>934</b>	<b>855</b>	<b>1,250</b>	<b>1,146</b>	<b>1,334</b>	<b>1,102</b>	<b>1,129</b>	<b>1,131</b>	<b>1,436</b>	<b>12,848</b>	<b>9,744</b>	<b>3,104</b>	<b>31.9%</b>
<b>EBITDA</b>	<b>421</b>	<b>921</b>	<b>1,335</b>	<b>1,403</b>	<b>829</b>	<b>698</b>	<b>865</b>	<b>577</b>	<b>652</b>	<b>982</b>	<b>536</b>	<b>119</b>	<b>9,338</b>	<b>10,056</b>	<b>(718)</b>	<b>(7.1%)</b>
<i>EBITDA %</i>	<i>12.6%</i>	<i>24.3%</i>	<i>30.8%</i>	<i>26.4%</i>	<i>23.3%</i>	<i>17.5%</i>	<i>20.2%</i>	<i>14.8%</i>	<i>16.1%</i>	<i>21.9%</i>	<i>14.9%</i>	<i>3.4%</i>	<i>19.4%</i>	<i>22.9%</i>		
Adjustments	–	–	–	–	–	586	380	395	280	263	333	615	2,852	–		
<b>Adj. EBITDA</b>	<b>421</b>	<b>921</b>	<b>1,335</b>	<b>1,403</b>	<b>829</b>	<b>1,284</b>	<b>1,244</b>	<b>972</b>	<b>932</b>	<b>1,245</b>	<b>870</b>	<b>734</b>	<b>12,190</b>	<b>10,056</b>	<b>2,134</b>	<b>21.2%</b>
<i>Adj. EBITDA %</i>	<i>12.6%</i>	<i>24.3%</i>	<i>30.8%</i>	<i>26.4%</i>	<i>23.3%</i>	<i>32.2%</i>	<i>29.1%</i>	<i>24.9%</i>	<i>23.0%</i>	<i>27.8%</i>	<i>24.1%</i>	<i>21.3%</i>	<i>25.4%</i>	<i>22.9%</i>		
<b>Net Income (Loss)</b>	<b>\$ 211</b>	<b>\$ 576</b>	<b>\$ 873</b>	<b>\$ 919</b>	<b>\$ 515</b>	<b>\$ 124</b>	<b>\$ (7)</b>	<b>\$ 40</b>	<b>\$ 96</b>	<b>\$ 76</b>	<b>\$ 12</b>	<b>\$ (279)</b>	<b>\$ 3,154</b>	<b>\$ 8,802</b>	<b>\$ (5,648)</b>	<b>(64.2%)</b>

\* Excludes monitoring fees of \$1.0M/year



# 2019 Bud Opex Summary

\$'000

				Explanation					Total B / (W)
	2019 Bud	2018 Act	Variance B / (W)	One-Time / Non-recurring	Timing	Change in Run-rate	FX	Other	
<b>Opex Overview:</b>									
Payroll	\$ 3,591	\$ 3,716	\$ (125)	\$ –	\$ –	\$ (125)	\$ –	\$ –	\$ (125)
Overtime	9	5	4	–	–	4	–	–	4
Benefits	588	967	(380)	–	–	(380)	–	–	(380)
Bonus	445	193	252	–	–	252	–	–	252
Severance	310	–	310	310	–	–	–	–	310
Marketing	311	546	(235)	–	–	(235)	–	–	(235)
Commissions	761	222	539	–	–	539	–	–	539
Travel and entertainment	495	434	61	–	–	61	–	–	61
Rent and facilities	–	–	–	–	–	–	–	–	–
Insurance	33	36	(3)	–	–	(3)	–	–	(3)
Professional fees	4,421	1,996	2,425	2,051	–	374	–	–	2,425
Utilities, repair, maintenance, and security	52	73	(21)	–	–	(21)	–	–	(21)
Office expense	–	–	–	–	–	–	–	–	–
Safety and training	–	–	–	–	–	–	–	–	–
IT	1,003	538	465	449	–	16	–	–	465
Bad Debts	0	55	(55)	–	–	(55)	–	–	(55)
Supplies	128	67	61	–	–	61	–	–	61
FX	–	–	–	–	–	–	–	–	–
JV Loss (Income)	–	–	–	–	–	–	–	–	–
Other	703	897	(194)	42	–	(236)	–	–	(194)
<b>Total Opex</b>	<b>\$ 12,849</b>	<b>\$ 9,744</b>	<b>\$ 3,105</b>	<b>\$ 2,852</b>	<b>\$ –</b>	<b>\$ 253</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 3,105</b>

## Management Discussion

- Fewer planned head count additions that in pro-forma 2018 (1IT, 1 Legal, 2 Finance FTEs)
- Benefit savings due to actual costs vs allocation in 2018
- Bonus – additional accrual for new positions (CFO and VP of Sales) and adjustments to OGC Management Bonus Program
- Professional Fees favorable variance in run rate due to budgeted spending controls across functional areas
- Other – removal of corporate allocations



# 2019 Standalone Costs

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

## Management Discussion

- Additional \$32k in Compensation Expense for Jul-Dec from VP of Sales and CFO Base Compensation



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## 2019 Bud Monthly EBITDA to Net Income (Loss) Bridge

\$'000	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	2018	Var	
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Act	\$	%
<b>EBITDA - as reported</b>	\$ 421	\$ 921	\$ 1,335	\$ 1,403	\$ 829	\$ 698	\$ 865	\$ 577	\$ 652	\$ 982	\$ 536	\$ 119	\$ 9,338	\$ 8,911	\$ 427	4.8%
Depreciation and amortization	121	104	96	100	100	98	101	101	100	103	102	100	1,227	1,216	11	0.9%
Interest and amortization	–	–	–	–	–	299	295	295	294	294	294	293	2,065	2,058	7	0.3%
Other financial income/expense	–	–	–	–	–	–	–	–	–	–	–	–	–	29	(29)	(100.0%)
Non-financial income/expense	–	–	–	–	–	–	–	–	–	–	–	–	–	500	(500)	(100.0%)
Monitoring fees (including expenses)	–	–	–	–	–	–	250	–	–	250	–	–	500	500	–	–
Restructuring costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	N/A
Non-recurring items	–	–	–	–	–	–	–	–	–	–	–	–	–	858	(858)	(100.0%)
Taxes	88	241	365	385	215	177	225	140	163	259	128	6	2,393	1,124	1,269	112.9%
<b>Net Income (Loss)</b>	<b>\$ 211</b>	<b>\$ 576</b>	<b>\$ 873</b>	<b>\$ 919</b>	<b>\$ 515</b>	<b>\$ 124</b>	<b>\$ (7)</b>	<b>\$ 40</b>	<b>\$ 96</b>	<b>\$ 76</b>	<b>\$ 12</b>	<b>\$ (279)</b>	<b>\$ 3,154</b>	<b>\$ 3,920</b>	<b>\$ (766)</b>	<b>(19.5%)</b>





# 2019 Bud Summary Balance Sheet – NWC, Cash, and Debt

(\$ in Millions)

	<u>Jun-19</u>	<u>Sep-19</u>	<u>Dec-19</u>
	<u>Bud</u>	<u>Bud</u>	<u>Bud</u>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 1.2	\$ 1.8	\$ 1.2
Short term investments	–	–	–
Accounts receivable, net	9.0	8.8	8.1
Inventory, net	5.8	5.9	5.5
Prepaid expenses and other current assets	0.2	0.2	0.1
Current portion of deferred taxes	–	–	–
Revenue in excess of billings	–	–	–
Other current assets	–	–	–
<b>Total Current Assets</b>	<b>16.2</b>	<b>16.6</b>	<b>15.0</b>
<b><u>Current Liabilities</u></b>			
Current portion of long-term debt	\$ 0.9	\$ 1.0	\$ 1.1
Notes payable	–	–	–
Accounts payable	4.0	4.3	4.0
Accrued liabilities	0.7	0.8	0.8
Accrued compensation	0.2	0.4	0.3
Income taxes payable	(0.1)	(0.4)	(0.8)
Short-term unearned revenue	–	–	–
Other current liabilities	–	–	–
<b>Total Current Liabilities</b>	<b>5.8</b>	<b>6.0</b>	<b>5.5</b>
<b><u>Long-term liabilities</u></b>			
Long-term debt less current maturities	43.7	43.4	43.0
Capital lease	–	–	–
Debt owing to OpenGate	–	–	–
Deferred income taxes	–	–	–
Long-term unearned revenue	–	–	–
Deferred liabilities	–	–	–
Other non-current liabilities	–	–	–
<b>Total Long-Term Liabilities</b>	<b>43.7</b>	<b>43.4</b>	<b>43.0</b>

## Management Discussion

- Continued growth in cash with no borrowing on the revolving loan
- Improvement in collections and lower planned 4Q Revenue (due to short months) driving lower AR balances
- Review and re-concentrate efforts to reduce E&O and overall inventory balances
- Accounts payable hold constant levels
- Cash Remains Positive after Additional Costs Related to Strategic Initiatives. No Draw on Revolver Planned.

Full Balance Sheet to be presented at July MOR, after Opening Balance Sheet Audit is completed



# 2019 Bud Cash Flow Summary

(\$ in Millions)

## Cash flow from operations

	<u>Q2 19</u> Bud	<u>Q3 19</u> Bud	<u>Q4 19</u> Bud
Net Income (Loss)	\$ 0.1	\$ 0.1	\$ (0.2)
Depreciation, amortization and other	0.1	0.3	0.3
<i>Change in operating assets and liabilities:</i>			
Accounts receivable	0.2	0.2	0.7
Inventory	0.6	(0.1)	0.4
Prepaid expenses and other current assets	(0.2)	0.0	0.0
Accounts payable	0.3	0.3	(0.3)
Accrued expenses	0.0	0.0	0.0
Accrued income taxes	(0.6)	(0.3)	(0.4)
Other changes in operating assets and liabilities	0.1	0.1	(0.0)
Other cash flow from operations	—	—	—
<b>Total Cash Flow from Operations</b>	<b>\$ 0.7</b>	<b>\$ 0.7</b>	<b>\$ 0.5</b>

## Cash flow from investing

Additions to property, plant and equipment	\$ (0.2)	\$ (0.2)	\$ (0.8)
<b>Total Cash Flow from Investing</b>	<b>\$ (0.2)</b>	<b>\$ (0.2)</b>	<b>\$ (0.8)</b>

## Cash flow from financing

Proceeds from the issuance (repayment) of short-term debt	\$ (0.8)	\$ —	\$ —
Repayment of debt	—	(0.2)	(0.2)
Other cash flow from financing	—	0.2	(0.0)
<b>Total Cash Flow from Financing</b>	<b>\$ (0.8)</b>	<b>\$ 0.0</b>	<b>\$ (0.2)</b>

## Effect of FX rates on cash and cash equivalents

	\$ —	\$ —	\$ —
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## Net change in cash

<b>Net change in cash</b>	<b>\$ (0.4)</b>	<b>\$ 0.5</b>	<b>\$ (0.5)</b>
Beginning cash	1.6	1.2	1.8
Change in cash	(0.4)	0.5	(0.5)
<b>Ending cash</b>	<b>\$ 1.2</b>	<b>\$ 1.8</b>	<b>\$ 1.2</b>

## Management Discussion

- Stronger Net Income as we move past the one-time standalone costs incurred in 2Q.
- Maintain a consistently strong cash position, while carrying zero balance on revolving loan
- Positive Cash Flow Maintained After Addition for Strategic Initiative Costs



SARGENT AND GREENLEAF

## 2019 Bud Headcount Hires and Attrition

Functional Area	Dec 31, 2018	Hires	Transfers	Involuntary Term	Voluntary Term	Dec 31, 2019	2018 vs 2019
	Act					Bud	
Direct Labor	65	6	—	—	—	71	6
Indirect Labor - Hourly	-	—	—	—	—	-	-
Indirect Labor - Salary	17	1	—	—	—	18	1
Delivery & Dist.	7	—	—	—	—	7	-
Research & Development	10	—	—	—	—	10	-
Sales & Marketing	16	4	—	—	—	20	4
Administrative	7	4	—	—	—	11	4
Other	-	—	—	—	—	-	-
Agency FTE & Temps	10	—	—	—	—	10	-
<b>Total</b>	<b>132</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>15</b>

### Management Discussion

- Direct/Indirect Labor – Positions are not incremental positions but rather the hiring for open positions (key position: Quality Manager)
- Sales & Marketing – changes in headcount the result of hiring for vacant BDM positions and hiring VP of Sales
- Administrative – Hiring of 2 IT employees (1 in Jun, 1 in Jul), CFO in June and HR Specialist in Oct



## 2018 Act – 2019 Bud Headcount by Month

Month		Direct Labor	Indirect Labor - Hourly	Indirect Labor - Salary	Delivery & Dist.	Research & Development	Sales & Marketing	Administrative	Other		Total Permanent	Agency FTE & Temps	Total Headcount
Jan-18	Act	65	0	16	7	10	18	7	0		123	15	138
Feb-18	Act	65	0	16	7	10	18	6	0		122	12	134
Mar-18	Act	66	0	18	7	10	18	6	0		125	12	137
Apr-18	Act	66	0	18	7	10	18	6	0		125	13	138
May-18	Act	66	0	18	7	10	17	7	0		125	17	142
Jun-18	Act	67	0	18	7	10	18	7	0		127	16	143
Jul-18	Act	64	0	17	7	10	18	7	0		123	17	140
Aug-18	Act	63	0	17	7	10	18	7	0		122	18	140
Sep-18	Act	66	0	17	7	10	18	7	0		125	16	141
Oct-18	Act	65	0	17	7	10	18	7	0		124	12	136
Nov-18	Act	65	0	17	7	10	17	7	0		123	10	133
Dec-18	Act	65	0	17	7	10	17	7	0		123	10	133
Jan-19	Bud	71	0	18	7	10	19	7	0		132	10	142
Feb-19	Bud	71	0	18	7	10	19	7	0		132	10	142
Mar-19	Bud	71	0	18	7	10	19	7	0		132	10	142
Apr-19	Bud	71	0	18	7	10	19	7	0		132	10	142
May-19	Bud	71	0	18	7	10	19	7	0		132	10	142
Jun-19	Bud	71	0	18	7	10	19	9	0		134	10	144
Jul-19	Bud	71	0	18	7	10	20	10	0		136	10	146
Aug-19	Bud	71	0	18	7	10	20	10	0		136	10	146
Sep-19	Bud	71	0	18	7	10	20	10	0		136	10	146
Oct-19	Bud	71	0	18	7	10	20	11	0		137	10	147
Nov-19	Bud	71	0	18	7	10	20	11	0		137	10	147
Dec-19	Bud	71	0	18	7	10	20	11	0		137	10	147

### Management Discussion

- Direct/Indirect Labor – Positions are not incremental positions but rather the hiring for open positions (key position: Quality Manager)
- Sales & Marketing – changes in headcount the result of hiring for vacant BDM positions and hiring VP of Sales
- Administrative – Hiring of 2 IT employees (1 in Jun, 1 in Jul), CFO in June and HR Specialist in Oct



## 2019 Bud Cost of Goods Sold Variance Analysis

\$'000	2019 Bud	2018 Act*	2019 vs 2018 Variance
Material	15,717	15,626	91
Labor	7,206	6,473	733
Other COGS	2,955	1,968	986
<b>Total COGS</b>	<b>\$ 25,877</b>	<b>\$ 24,067</b>	<b>\$ 1,810</b>
<b><u>Variances:</u></b>			
PPV & Cost Revision			(383)
Price			474
Other			—
<b>Material</b>			<b>91</b>
Volume			563
Inflation			194
Open Positions			338
Productivity Projects			(362)
<b>Labor</b>			<b>733</b>
Volume			258
Price			—
Other			728
<b>Other COGS</b>			<b>986</b>
<b>COGS Actual</b>			<b>\$ 1,810</b>

### Management Discussion

- Material – Planned inflation, adjusted freight rates, tariff impact offset by productivity
- Labor – planned inflation, additional hiring for open positions



# 2019 Bud Monthly Balance Sheet

\$'000	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud
<b><u>Current Assets</u></b>								
Cash and cash equivalents	\$ 1,607	\$ 1,247	\$ 1,978	\$ 2,695	\$ 1,755	\$ 1,492	\$ 2,971	\$ 1,235
Accounts receivable, gross	9,337	9,119	8,994	8,833	8,911	9,298	8,726	8,210
Accounts receivable, reserves	(168)	(164)	(162)	(159)	(160)	(167)	(157)	(148)
Accounts receivable, net	9,169	8,954	8,832	8,674	8,750	9,130	8,569	8,062
Inventory, gross	6,811	6,216	5,979	6,089	6,329	6,505	6,374	5,948
Inventory, reserves	(477)	(435)	(419)	(426)	(443)	(455)	(446)	(416)
Inventory, net	6,334	5,781	5,560	5,663	5,886	6,049	5,928	5,532
Prepaid expenses and other current assets	59	238	222	206	189	173	157	141
<b>Total Current Assets</b>	<b>17,170</b>	<b>16,221</b>	<b>16,592</b>	<b>17,238</b>	<b>16,581</b>	<b>16,845</b>	<b>17,625</b>	<b>14,969</b>
<b><u>Current Liabilities</u></b>								
Current portion of long-term debt	\$ 892	\$ 892	\$ 892	\$ 892	\$ 1,003	\$ 1,003	\$ 1,003	\$ 1,115
Accounts payable	3,691	4,028	3,559	3,693	4,291	3,921	4,191	4,041
Accrued liabilities	711	739	1,054	1,350	765	1,082	1,363	773
Accrued compensation	111	228	304	338	374	277	311	347
Income taxes payable	498	(121)	104	244	(389)	(130)	(2)	(792)
Short-term unearned revenue	—	—	—	—	—	—	—	—
<b>Total Current Liabilities</b>	<b>6,703</b>	<b>5,765</b>	<b>5,913</b>	<b>6,518</b>	<b>6,044</b>	<b>6,153</b>	<b>6,867</b>	<b>5,483</b>
<b><u>Long-term liabilities</u></b>								
Long-term debt less current maturities	43,694	43,694	43,694	43,694	43,360	43,360	43,360	43,025

Full Balance Sheet to be presented at  
July MOR, after Opening Balance Sheet  
Audit is completed



# 2019 Bud Monthly Cash Flow

\$'000	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
	Bud	Bud	Bud	Bud	Bud	Bud	Bud	Bud
<b>Cash flow from operations</b>								
Net Income (Loss)	\$ 124	\$ (7)	\$ 40	\$ 96	\$ 76	\$ 12	\$ (279)	\$ 60
Depreciation, amortization and other	90	93	93	91	94	94	92	648
<i>Change in operating assets and liabilities:</i>								
Accounts receivable	215	122	158	(76)	(380)	561	507	1,107
Inventory	553	221	(103)	(224)	(163)	121	396	803
Prepaid expenses and other current assets	(179)	16	16	16	16	16	16	(81)
Accounts payable	336	(468)	134	598	(371)	271	(150)	350
Accrued expenses	28	314	297	(585)	317	281	(590)	62
Accrued income taxes	(619)	225	140	(633)	259	128	(791)	(1,291)
Other changes in operating assets and liabilities	116	76	34	36	(97)	34	36	236
Other cash flow from operations	—	—	—	—	—	—	—	—
<b>Total Cash Flow from Operations</b>	<b>\$ 664</b>	<b>\$ 593</b>	<b>\$ 810</b>	<b>\$ (682)</b>	<b>\$ (248)</b>	<b>\$ 1,519</b>	<b>\$ (763)</b>	<b>\$ 1,893</b>
<b>Cash flow from investing</b>								
Additions to property, plant and equipment	\$ (225)	\$ (80)	\$ (100)	\$ (35)	\$ (15)	\$ (40)	\$ (750)	\$ (1,245)
<b>Total Cash Flow from Investing</b>	<b>\$ (225)</b>	<b>\$ (80)</b>	<b>\$ (100)</b>	<b>\$ (35)</b>	<b>\$ (15)</b>	<b>\$ (40)</b>	<b>\$ (750)</b>	<b>\$ (1,245)</b>
<b>Cash flow from financing</b>								
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (800)
Proceeds from the issuance of debt	—	—	—	—	—	—	—	—
Repayment of debt	—	—	—	(223)	—	—	(223)	(446)
Other cash flow from financing costs	—	225	—	—	—	(0)	—	225
<b>Total Cash Flow from Financing</b>	<b>\$ (800)</b>	<b>\$ 225</b>	<b>\$ —</b>	<b>\$ (223)</b>	<b>\$ —</b>	<b>\$ (0)</b>	<b>\$ (223)</b>	<b>\$ (1,021)</b>
<b>Effect of FX rates on cash and cash equivalents</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Net change in cash</b>	<b>\$ (361)</b>	<b>\$ 739</b>	<b>\$ 710</b>	<b>\$ (940)</b>	<b>\$ (263)</b>	<b>\$ 1,479</b>	<b>\$ (1,736)</b>	<b>\$ (373)</b>
Beginning cash	—	(361)	378	1,088	148	(115)	1,364	15,118
Change in cash	(361)	739	710	(940)	(263)	1,479	(1,736)	(373)
<b>Ending cash</b>	<b>\$ (361)</b>	<b>\$ 378</b>	<b>\$ 1,088</b>	<b>\$ 148</b>	<b>\$ (115)</b>	<b>\$ 1,364</b>	<b>\$ (373)</b>	<b>\$ 1,235</b>