



## Monthly Operating Review – October 2019

November 18, 2019

# Monthly Operating Review Agenda

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

## Hits

- Strong bookings at \$5.3m with invoiced sales at \$4.9m, compared to target of \$4.8m.
- Strong subscription sales at \$775k compared to target of \$720k.
- Pod ASP – \$824 compared to target of \$777
- Record Big Deals at \$3.9m
- Version 4.3 has been released featuring audio support for HDMI – feedback positive
- Organization/Key Hires
  - VP of Operations Olivier Biscaldi joined 10/23
  - Controller BethAnne Lossie hired, started 11/4
  - Insurance benefits renewed for 2020 with a net decrease in cost with no change in benefits
  - Phantom stock program communicated (still need to create individualized documents)
  - Space renovations are on schedule
- Customer Adoption
  - Existing customers – WeWork (\$909k), Comcast (\$140k), Capital One (\$127k), Case Western (\$75k)
  - New/Land orders – L.A. Rams (\$303k), Northern Trust (\$236k), Nestle (\$230k)

# Executive Summary (Continued)

## Misses

- GAAP EBITDA at \$201k compared to target of \$321k.
- New customer adoption at 188 –(trending up from prior month of 173) but below the 200+ in Q2 and Q3 2019.
- Pod Sales at \$3.8m compared to target of \$4.0m.

## Key Go-Forward Actions

- Solstice LCE – Engineering work is underway and progressing steadily. Several tactical decisions remain to be made about product features, especially level of management supported. Initial results of customer survey indicate anti-cannibalization tactics are valid and the LCE product represents revenue upside in 2020.
- Flexera – need to update version based on subscription and maintenance data reporting requirements.
- Financial issues at WeWork could negatively impact future sales opportunity.

# Executive Summary – Risks and Challenges

Description	Potential Impact	Plan to Address
<ul style="list-style-type: none"> <li>Product Issues</li> </ul>	<ul style="list-style-type: none"> <li>Sales shortfall</li> <li>Customer sat.</li> <li>Engineering burden</li> </ul>	<ul style="list-style-type: none"> <li>4.3 with audio support on HDMI was release earlier this month to mixed reviews – we are following up with a few customers who have seen issues</li> <li>Miracast needs to be refactored – expected release in early 2020</li> </ul>
<ul style="list-style-type: none"> <li>VP Customer Ops</li> </ul>	<ul style="list-style-type: none"> <li>Align customer facing responsibilities to improve communications, economies of scale and accountability</li> </ul>	<ul style="list-style-type: none"> <li>Olivier Biscaldi is our new VP Customer Operations – he will have Support, Customer Onboarding, Logistics and Order Entry as well as internal IT. He starts on 10/23</li> </ul>
<ul style="list-style-type: none"> <li>AV industry</li> </ul>	<ul style="list-style-type: none"> <li>Action-Tec's Screen Beam is our latest competitive threat – low cost, Miracast</li> </ul>	<ul style="list-style-type: none"> <li>Cease and desist letters received from both Crestron and Barco for what they claim is “misleading and defamatory product claims” - Barco dispute resolved</li> </ul>
<ul style="list-style-type: none"> <li>Improve margin/EBITDA while continuing to invest and grow</li> </ul>	<ul style="list-style-type: none"> <li>Failure to take advantage of market timing and growth</li> </ul>	<ul style="list-style-type: none"> <li>Margin analysis by rep/region</li> </ul>
<ul style="list-style-type: none"> <li>HR/Staffing/Comp</li> </ul>	<ul style="list-style-type: none"> <li>We need to upgrade leadership to move from tactical/admin to strategic initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Hire VP HR in Q1 – done</li> <li>MBO program – done</li> <li>401K match – done</li> <li>Phantom stock – finalizing – waiting on legal agreement</li> <li>Professional development – program selected</li> </ul>
<ul style="list-style-type: none"> <li>Sales Team Productivity</li> </ul>	<ul style="list-style-type: none"> <li>Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing</li> </ul>	<ul style="list-style-type: none"> <li>Backfill PNW RSD, SE for France</li> </ul>
<ul style="list-style-type: none"> <li>Recurring revenue</li> </ul>	<ul style="list-style-type: none"> <li>Impact on enterprise value</li> <li>Target incremental business with Opex model</li> </ul>	<ul style="list-style-type: none"> <li>Added dedicated sales responsibilities for upfront subscription to insides sales team</li> <li>Increasing pressure on Kepler dev for additional features</li> </ul>

# Executive Summary – Q4 OKR

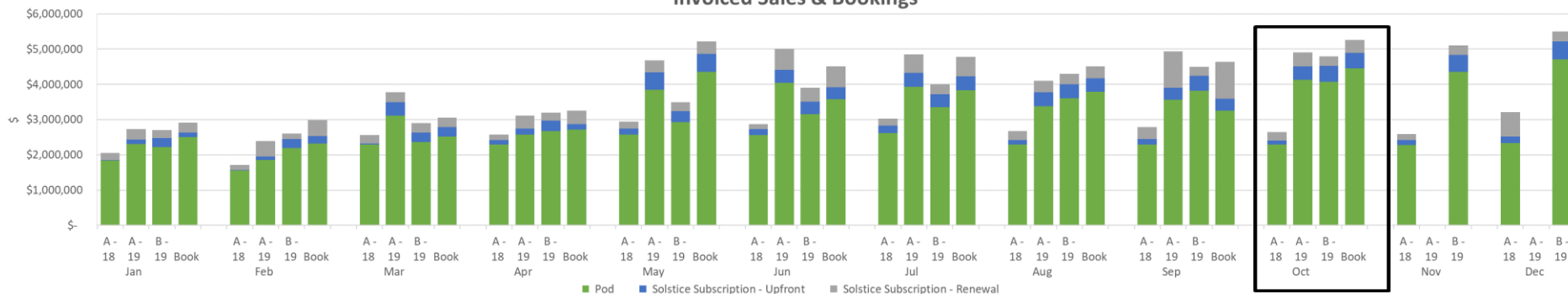
	2019 Corporate Priorities	Corporate Quarterly Objectives - Q4 2019	Key Result - As measured by	Owner	% Achieved	Status
1	Launch Gen3	Complete all remaining Gen3 hardware tasks	Finalize international certifications, product labeling changes, packaging updates, and spinning up a 2nd factory via Inforce, all completed by end of Q4.	Tae	0%	Consultant liaison accepted. France channel manager accepted. ANZ SE search ongoing France SE accepted. PNW RSD and Mid Atlantic SE searches ongoing Onboarding - 75%, Demo lifecycle - 90%, Channel Mgr Reporting - 100%, Disty report - 50%, SDR Metrics - 20%
	Scale Sales Organization	New Hires - ANZ SE/France Channel Mgr/Consultant Liaison	Hire to plan	Rick	66%	
		Hire Backfill positions - PNW RSD/Mid Atlantic SE/France SE	Hire to plan	Rick	33%	
3	Ensure Product Roadmap Drives Market	Sales Ops - deliver top 5 enablement/reporting projects	Sales onboarding/Demo pod lifecycle/Channel Mgr reporting/EMEAN+APAC disty reporting/SDR metrics reports	Craig/Rick	70%	Delayed due to technical roadblock (plus 45 days). Minimum viable product for beta finalized, team executing. On track. Research phase nearly complete and cloud infrastructure in place. Product impacts targeted at 4.4 Definition and product scope in place, feature flag build infrastructure project underway (required to build new product scope).
		Delivery: Fulfill Q4 release milestones at agreed upon scope and timeline	4.4 release feature freeze by end of Dec for Jan release	Tae	40%	
			Relay Beta launched by end of November including key partners/customers with sampling across regions/verticals	Chris/Tae	60%	
			Location aware computing integrated within the Solstice framework for both analytics and improved user experience.	Chris	50%	
		Delivery: Define and introduce a Low Cost Edition Solstice product to market	Establish LCE strategy and model Q1-20 delivery, Establish SW feature toggle matrix, establish release mapping to support delivery	Tae	60%	
		Delivery: Kepler Dashboard & Analytics	Onboarding application, complete cohorts of configuration settings added to kepler. Analytics and reporting added at a pace to maintain market engagement.	Tae	80%	
		Delivery: Miracast	Assess key gaps in performance, establish action plan, align to release for delivery in beta by end of year, release in Q1	Tae	25%	
4	Scale Marketing and Support	Risk Mgmt: Improve Solstice Quality	Complete planned P1 bugs for 4.4 and release 4.3.1 patch release that stabilizes key cusotmers	Tae	60%	All objectives are on-track. Will likely wait to make website positioning changes so that they occur in conjunction with additions of new products to the website. All objectives are on-track. All objectives are on-track. All objectives are on-track.
		Standardize branding / messaging	Revise positioning / messaging for subscription 10/25; Revise / refine product positioning on websites 11/20; Develop next version of product positioning statements 12/23	Martin	50%	
			Redesign online demo program webpages 11/4; Develop SEO strategy for EMEA websites 11/20; Develop automated workflow for demo pod recipients 12/23	Martin	58%	
			Gitex trade show (Dubai) 10/10; Nordic engage events 11/8; Italy engage event in Nov	Martin	67%	
6	Improve business intelligence reporting	Scale field marketing internationally	Launch augmented subscription campaign and sales tools 11/4; Launch VTC Education campaign 11/20; Launch technology alliances webpages 12/23; Transition support and customer onboarding to VP Customer Ops 11/4	Martin	46%	Renovations in 150 underway, will be complete, including furniture upgrade, by end of Q4 Underway, post Open Enrollment System identified Reviewing legal paperwork, expect to be fully communicated by end of November Q3 goals achieved, additional work prioritized for Q4 Ready for executive review This has been put on hold based pending CMM replacement. This module has been put on hold based on Director of EA Added several board level KPIs to dashboard. All objectives are on-track.
		Update Denver office space	150 construction complete	Michelle	25%	
		Scale the HR Processes and Tech	Namely HRIS integrations built w/carriers	Michelle	10%	
		Improve total rewards	International payroll system put in place	Michelle	20%	
			Upgrade U.S. benefits while reducing costs	Michelle	100%	
			Audit and fill in gaps in International benefits	Michelle	0%	
		Develop & implement key employee stock plan		Michelle	75%	
7	Launch LCE	Articulate Mersive Culture & Expectations	Talent Brand and EVP Communicated Mersive Leadership Success Profile created	Michelle	100%	
		Complete recurring revenue reporting	Include monthly reporting in MOR & Board deck	Michelle	75%	
		Complete Contract Management Module in NS	Onboard new controller - Starts Nov. 4	Dan	0%	
		Complete KPI metrics for dashboards in NS	Onboard Director Enterprise Apps 10/16; Develop map of business processes v1 10/25; De-dupe account object in SFDC staging environment 12/23	Dan	50%	
		Research CRM systems	Onboard new controller - Starts Nov. 4	Dan	50%	
			Onboard Director Enterprise Apps 10/16; Develop map of business processes v1 10/25; De-dupe account object in SFDC staging environment 12/23	Martin	50%	
7	Launch LCE	Complete all remaining LCE software tasks and customer survey		Rob	50%	

# October '19- Big Wins, Key Deals and Losses

Upcoming Key Deals	Key Losses/Delays
<ul style="list-style-type: none"> <li>• <b>TJX</b> – Pilot pending in UK, Canada and N America.</li> <li>• <b>Shell</b> – Ongoing Q&amp;A related to final decision – TBD on timing</li> <li>• <b>EDF</b> – Standardized on Solstice...tech issues holding up orders</li> <li>• <b>Toyota</b> – Been told we are now global standard. Forecast pending</li> <li>• <b>Marathon Oil</b> – Solstice is in the spec for 149 room building—early '20</li> <li>• <b>Rolls Royce</b> – Declared standard in October. Orders in 2020</li> <li>• <b>KKR</b> – Initial UK rollout of 30 units in Q4. Expand globally from there</li> <li>• <b>EY</b> – opportunity to win global standard for 2020</li> <li>• <b>Darden Restaurants</b> – Evaluating for deployment at HQ</li> <li>• <b>St Jude</b> – New building pending - \$80K</li> <li>• <b>Santander Consumer</b> – 110 unit AirMedia swap out</li> <li>• <b>Monash University</b> – potential \$750K deal if they select Solstice</li> <li>• <b>IBM</b> – early evaluation for new HQ in Germany</li> <li>• <b>Hill Holliday</b> – moving toward standard. Initial purchases pending</li> <li>• <b>Carlsberg</b> – pilot in DK may lead to corporate standard</li> <li>• <b>PwC</b> – Potential reference account in Dubai. Need Relay</li> <li>• <b>Pfizer</b> – Pilot win in MA will expand Pfizer footprint</li> <li>• <b>Stratstbygg</b> – Norwegian gov't construction company. Initial buy</li> <li>• <b>GDIT</b> – Evaluating for new build in early 2020</li> <li>• <b>Continental AG</b> – In competition with Wolfvision. Mid 2020 decision</li> </ul>	<ul style="list-style-type: none"> <li>• <b>PROS</b> – lost to Zoom in TX</li> <li>• <b>Cargurus</b> – lost to Zoom – will look at Relay when available</li> <li>• <b>Scheffler</b> – no clients allowed. Will look at 4.4 with clientless</li> <li>• <b>U San Diego</b> – Went 100% Crestron rooms</li> <li>• <b>Techland (Poland)</b> – Miracast dongle was cheap</li> </ul>
Big Wins	
<ul style="list-style-type: none"> <li>• WeWork - \$909K</li> <li>• LA Rams – 302K</li> <li>• Northern Trust - \$236K</li> <li>• Nestle - \$228K</li> <li>• Comcast - \$141K</li> <li>• Capital One - \$127K</li> </ul>	<ul style="list-style-type: none"> <li>• Case Western Reserve University - \$76K</li> <li>• Meetic Group - \$70K</li> <li>• Booz Allen Hamilton - \$68K</li> <li>• Mastercard - \$65K</li> <li>• Nike - \$64K</li> <li>• Honda R&amp;D - \$60K</li> </ul>

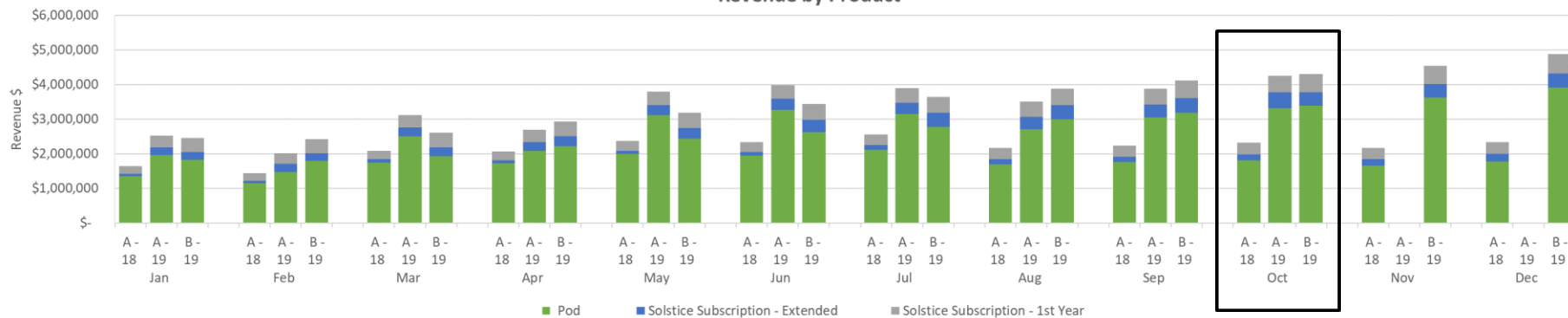
# Sales Metrics – Monthly Trend

## Invoiced Sales & Bookings



- October invoiced sales were \$4.9m compared to target of \$4.8m. Bookings were \$5.3m compared to a \$4.8m target.
- YTD invoiced sales were \$40.5m compared to target of \$36.4m. Bookings were \$41.1m compared to a \$36.4m target

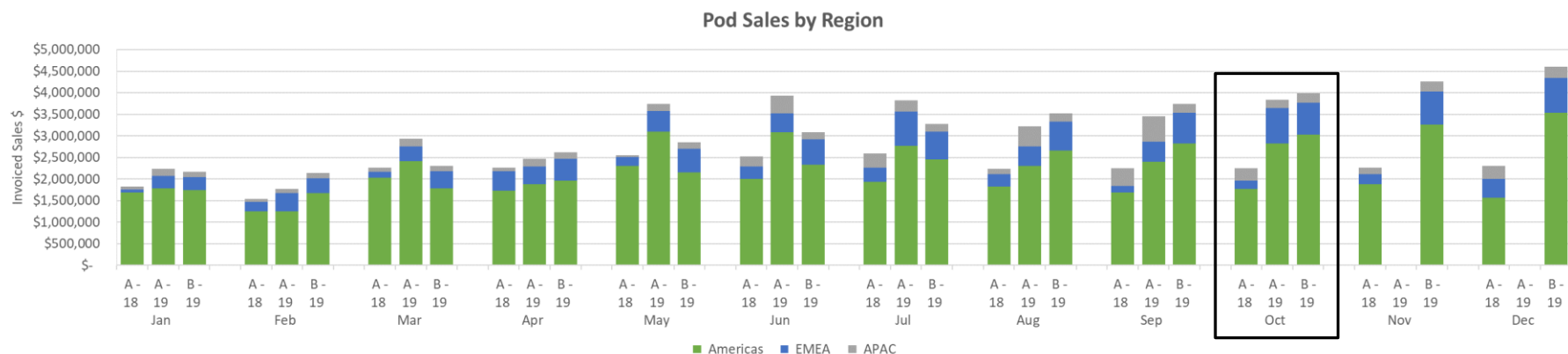
## Revenue by Product



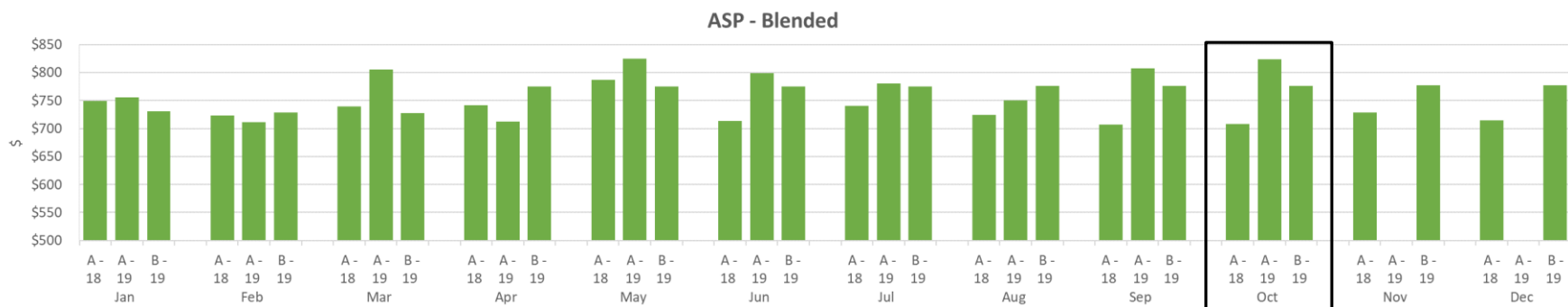
- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget



# Pod Invoiced Sales Metrics – Monthly Trend



- October invoiced sales were slightly below budget primarily due to underperformance in Americas and APAC, specifically driven by low “run-rate” orders and new customer acquisition.
- YTD pod sales were \$31.4m compared to target of \$29.7m.



- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was \$824, which is above plan of \$777 due to higher than expected ASP in all regions. ASP increase from prior month due primarily to decreased mix of ex-US sales.
- Pod ASP including hardware upgrades to Gen 3 is \$791 due to the ASP on hardware upgrades being \$152.
- YTD ASP was \$783 compared to target of \$765.

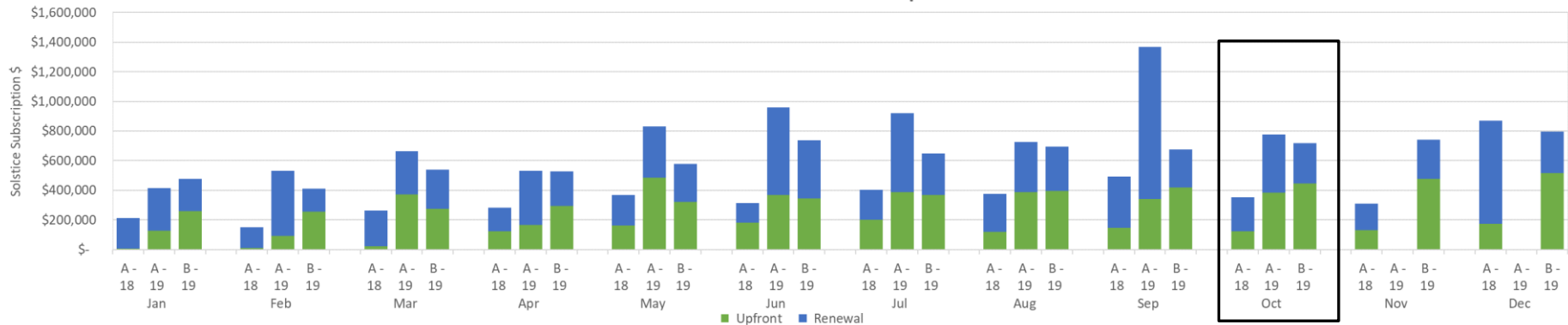
# ASP by Region – Monthly Trend



- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- ASP for all regions were higher than budget because of higher than expected ASP on Gen 3 pod sales, \$824 compared to budget of \$777.
- Pod ASP including hardware upgrades to Gen 3 is:
  - Americas - \$825
  - EMEA - \$713
  - APAC - \$692

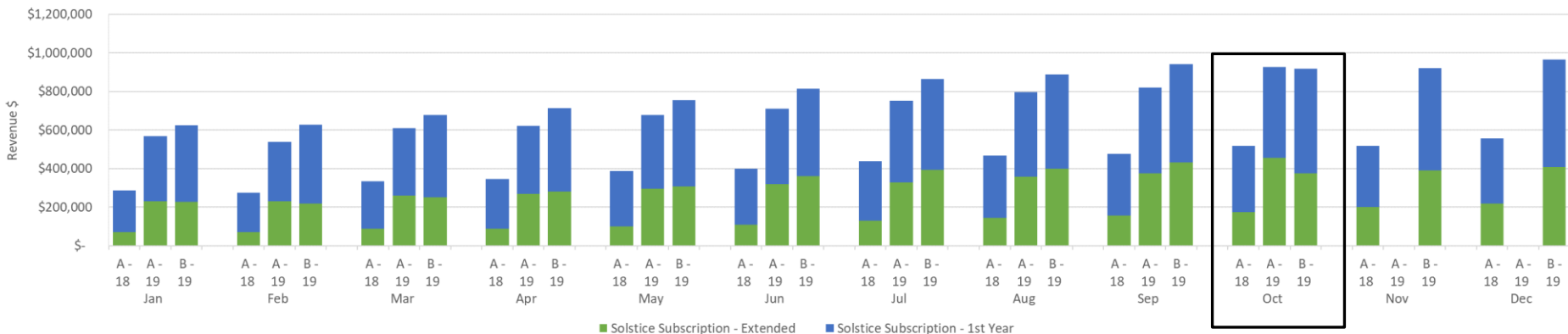
# Solstice Subscription Metrics – Monthly Trend

invoiced Sales - Solstice Subscription



- October invoiced sales for Solstice subscriptions was \$776k vs budget of \$720k driven by large orders from L.A. Rams, Nestle and AstraZeneca.
- October renewal ASP was \$189k compared to target of \$145k
- October upfront ASP was \$277k compared to target of \$225k
- YTD renewal sales were \$4.6m compared to target of \$2.6m, due to large co-terms.
- YTD upfront sales were \$3.1m consistent with target of \$3.4m.

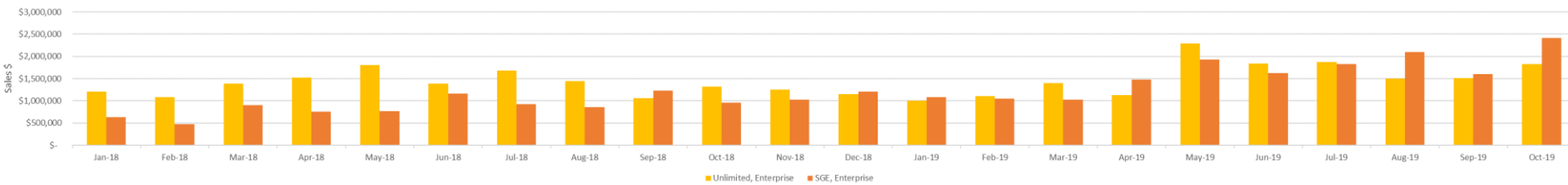
Solstice Subscription Revenue



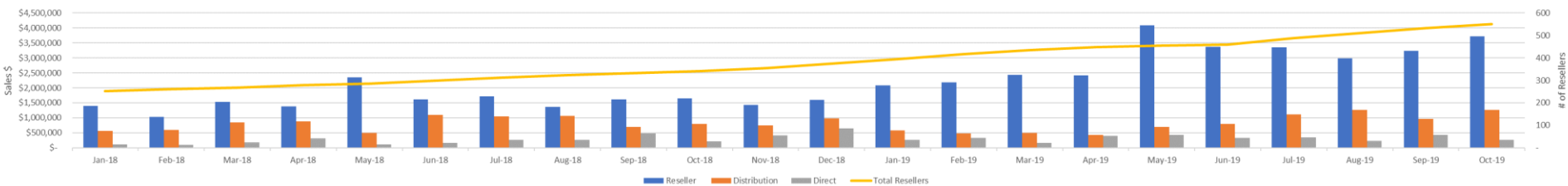
- Solstice Subscription – Extended was \$456k vs budget of \$376k
- Solstice Subscription – 1<sup>st</sup> year was \$471k vs budget of \$541k primarily because of lower than expected fair value for 1<sup>st</sup> year software subscription.

# Product Type & Channel Metrics

Product Type

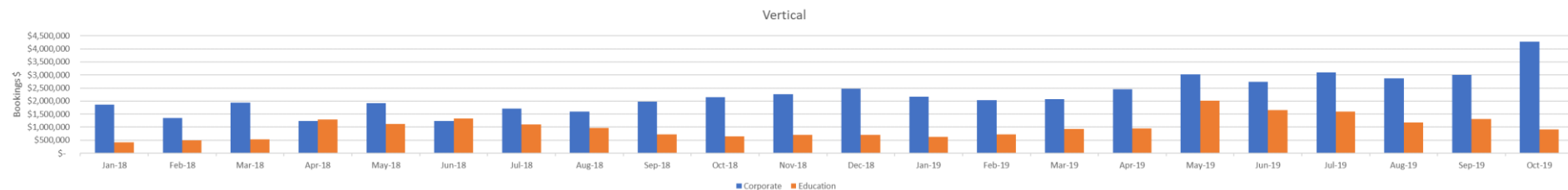


Sales Type



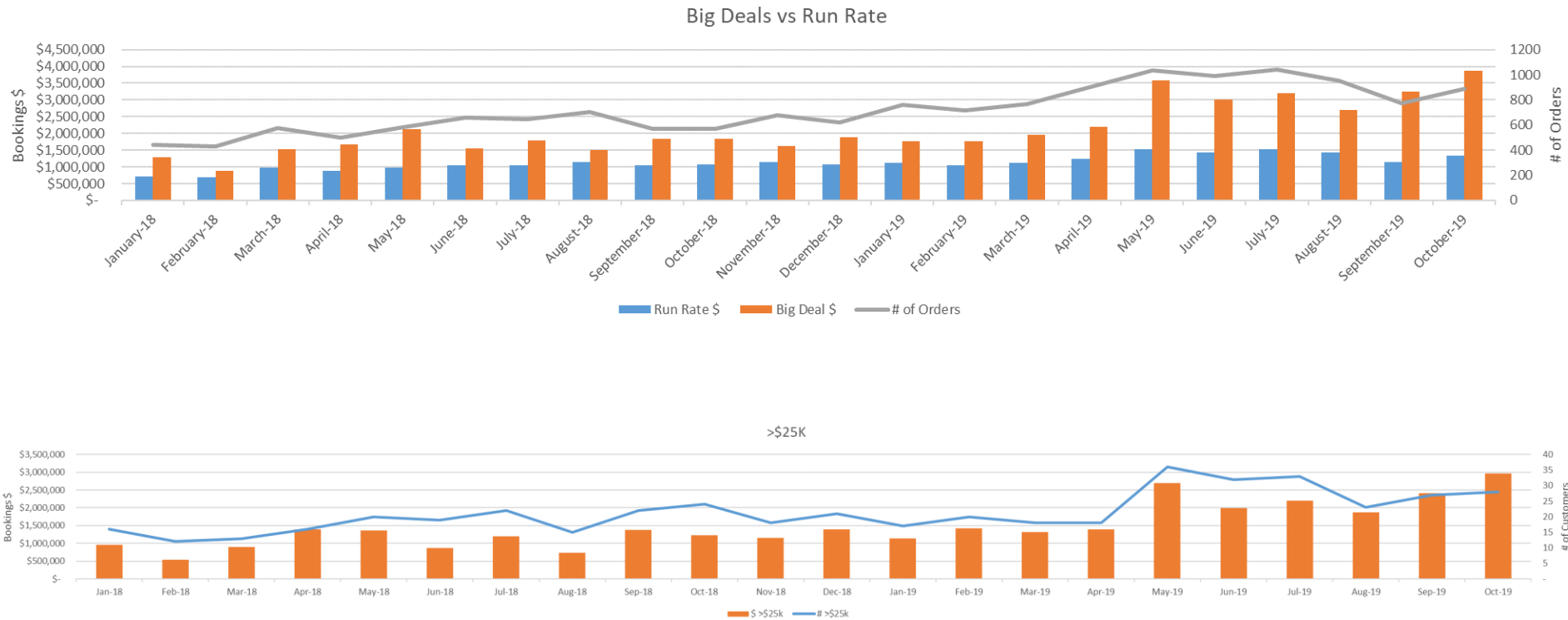
- Bookings

# Customer Segment Metrics



• Bookings excluding stocking orders and including sales out

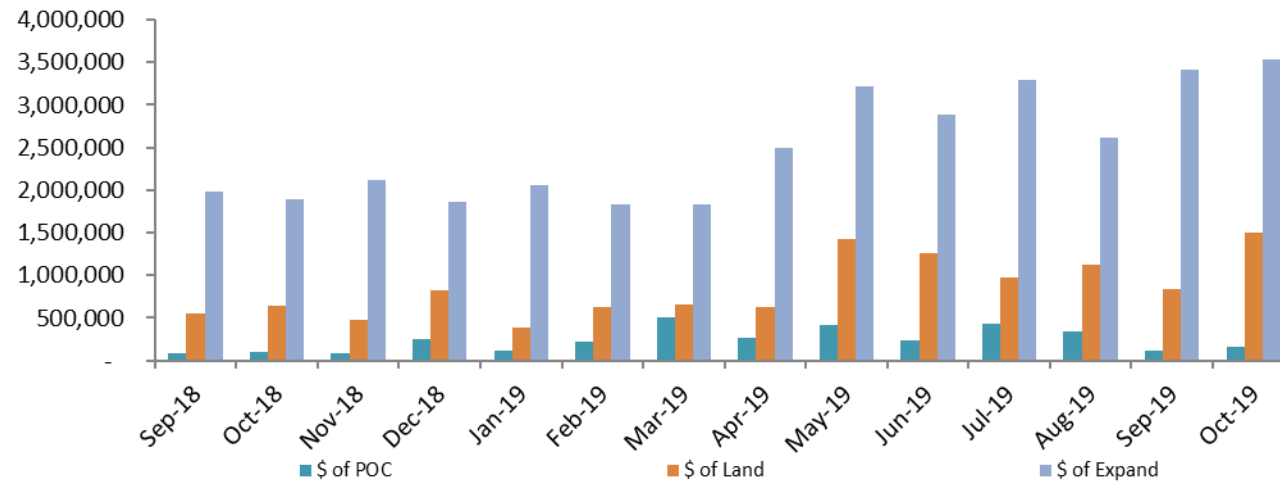
# Big Deals and Run Rate Metrics



- Bookings excluding stocking orders and including sales out

# End User Lifecycle Metrics

## Lifecycle



Lifecycle																
	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Total	%
\$ of POC	78,454	98,798	82,215	248,107	118,912	226,336	503,914	272,401	416,792	229,211	428,380	336,264	116,920	156,670	3,313,373	7%
\$ of Land	545,622	639,324	469,375	824,995	381,964	630,944	650,960	631,466	1,422,369	1,258,717	966,741	1,129,011	834,599	1,495,218	11,881,304	24%
\$ of Expand	1,979,358	1,896,181	2,112,443	1,854,519	2,055,559	1,829,387	1,837,827	2,499,749	3,221,062	2,889,865	3,295,942	2,612,346	3,417,541	3,534,426	35,036,205	70%
Total	2,603,434	2,634,303	2,664,032	2,927,621	2,556,435	2,686,667	2,992,701	3,403,617	5,060,223	4,377,793	4,691,063	4,077,621	4,369,060	5,186,314	50,230,882	100%

# Top Customer Metrics

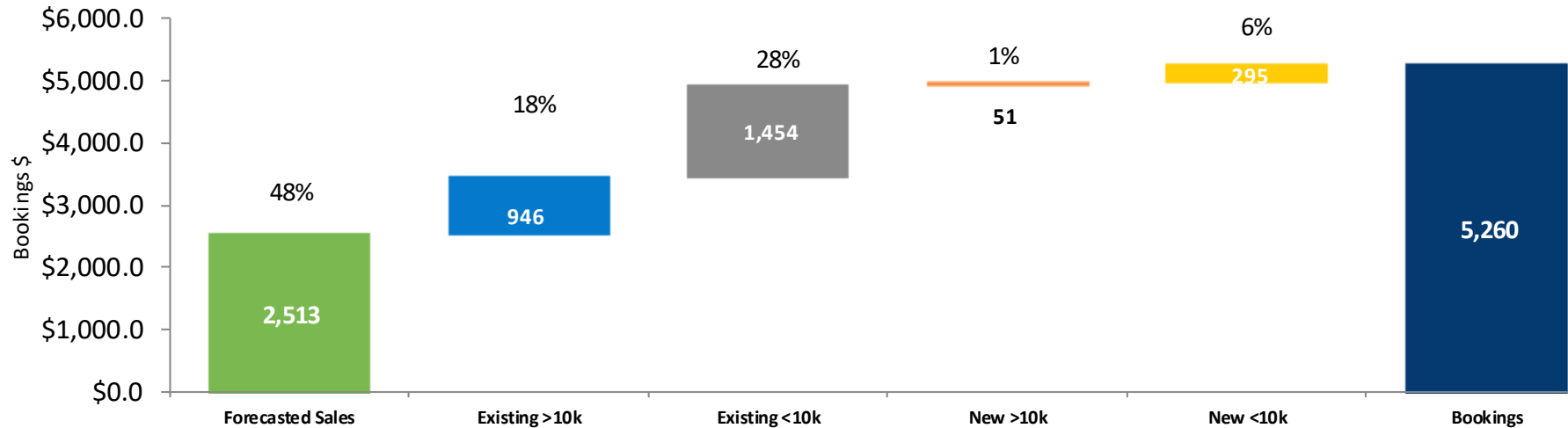
End User	October Amount	% of Total
WeWork	\$ 909,052	17%
LA Rams-L.A. Stadium and Entertainment District	\$ 302,487	6%
Northern Trust	\$ 235,666	5%
Nestle	\$ 228,257	4%
Comcast	\$ 140,819	3%
Capital One	\$ 126,546	2%
Case Western Reserve University	\$ 75,548	1%
Meetic Group	\$ 70,311	1%
Booz Allen Hamilton	\$ 68,489	1%
Mastercard	\$ 65,450	1%
Other Customers	\$ 2,993,297	57%
<b>Total</b>	<b>5,215,923</b>	<b>100%</b>

End User	LTM Amount	% of Total
WeWork	5,817,931	13%
Nike	609,323	1%
Comcast	486,853	1%
Kiewit Corporation	456,681	1%
McDermott	420,519	1%
Mastercard	370,856	1%
Nestle	350,240	1%
Booz Allen Hamilton	341,884	1%
Penn State University	328,561	1%
Capital One	322,799	1%
Other Customers	36,923,362	80%
<b>Total</b>	<b>46,429,009</b>	<b>100%</b>

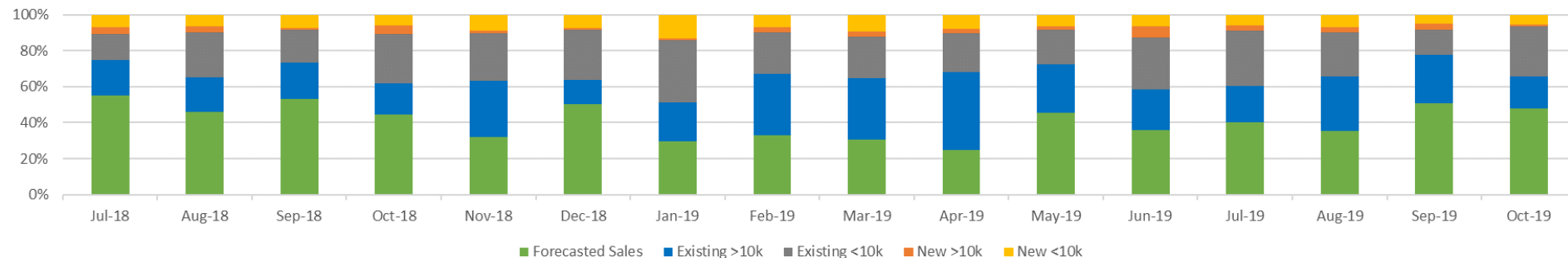


# Bookings Attribution Analysis

## October 2019 Sales Bridge



### Bookings



## Management Discussion

- 48% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 18% of bookings were from orders over \$10K from existing customers but were not included in forecasted sales for the month.
- 28% of bookings were from orders under \$10K from existing customers and which are not part of forecast.
- Remaining 7% of bookings were from new customers and not included in forecasted sales for the month.

# Quota Attainment by Region

## October 2019 Bookings vs. Quota EOM

Data pull 11/11/2019 8AM MST

Stack ranked by YTD % of Quota

\*Quota is oversubscribed goal above \$47M target

Name	Territory	Oct-19				2019 (YTD)			
		Quota	Actual	Var \$	% of Target	Quota	Actual	Var \$	% of Target
John Chandler	TOLA	305,019	206,129	(98,889)	68%	2,315,181	3,076,620	761,439	133%
Ryan Shannon	Midwest	915,056	1,008,733	93,677	110%	6,945,542	8,241,002	1,295,460	119%
Burt Feldman	Northeast	762,547	586,460	(176,087)	77%	5,787,952	5,763,387	(24,564)	100%
TBH	Southeast	559,201	387,188	(172,013)	69%	4,244,498	3,713,843	(530,655)	87%
Ryan Gregston	West	406,692	466,554	59,862	115%	3,086,908	2,403,946	(682,961)	78%
Jonathan Davies	New England	305,019	197,212	(107,807)	65%	2,315,181	1,656,404	(658,776)	72%
Melissa Johnson	Mid-Atlantic	457,528	360,847	(96,682)	79%	3,472,771	2,429,815	(1,042,956)	70%
Jeff McDonald	ANZ	153,305	17,743	(135,562)	12%	1,155,443	646,709	(508,734)	56%
Veronica Saldarriaga	Rocky Mountain	177,928	47,790	(130,137)	27%	1,350,522	694,391	(656,131)	51%
Danny Fabre	Canada	203,346	59,899	(143,446)	29%	1,543,454	766,558	(776,896)	50%
TBH	Northwest	228,764	43,618	(185,146)	19%	1,736,386	562,821	(1,173,565)	32%
Chris Charran	UK	330,437	205,074	(125,363)	62%	2,508,112	2,297,999	(210,113)	92%
Thomas Liot	France/Spain	183,011	371,168	188,157	203%	1,389,108	1,170,999	(218,109)	84%
Johan Cederberg	Nordics	176,816	52,844	(123,972)	30%	1,349,167	825,461	(523,706)	61%
Rosario Marseglia	Germany/Italy	143,229	11,661	(131,568)	8%	1,213,542	581,304	(632,238)	48%
Cyril Mattar	MEA	143,229	64,984	(78,246)	45%	1,213,542	234,045	(979,497)	19%
Jeff Liu	China	153,305	69,817	(83,488)	46%	1,155,443	758,807	(396,636)	66%
Gark Tan	APAC	305,019	277,578	(27,441)	91%	2,315,181	2,286,274	(28,906)	99%
Jeff Meyer	EMEA	1,051,948	745,104	(306,844)	71%	7,945,094	5,305,326	(2,639,768)	67%
		Target	Actual	Var \$	% of Target	Target	Actual	Var \$	% of Target
Rick Emery	World	4,800,000	5,257,313	457,313	110%	36,400,000	42,172,494	5,772,494	116%

# Solstice Subscription – Attach Rate

Renewal																						
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
Pods w/ Paid solstice subscription	6,485	6,756	6,992	7,411	8,072	8,628	9,852	9,125	10,319	11,588	12,734	16,809	18,930	21,552	22,042	23,944	25,299	26,324	29,013	30,100	33,452	34,956
Total Pods, post-free solstice subscription	12,088	12,764	13,593	14,551	16,009	17,814	19,060	20,733	22,409	28,731	30,182	32,633	36,845	44,360	47,171	50,356	54,051	56,643	61,940	63,789	66,290	70,903
<b>Renewal Rate</b>	<b>54%</b>	<b>53%</b>	<b>51%</b>	<b>51%</b>	<b>50%</b>	<b>48%</b>	<b>52%</b>	<b>44%</b>	<b>46%</b>	<b>40%</b>	<b>42%</b>	<b>52%</b>	<b>51%</b>	<b>49%</b>	<b>47%</b>	<b>48%</b>	<b>47%</b>	<b>46%</b>	<b>47%</b>	<b>47%</b>	<b>50%</b>	<b>49%</b>

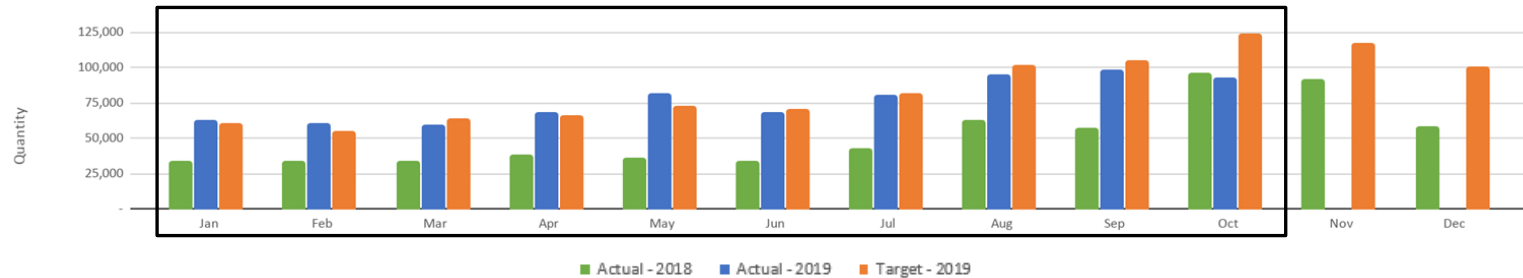
Upfront																							
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	LTM 2019
Total Upfront Units Sold	76	142	203	616	873	954	848	597	801	853	648	682	549	355	1,395	565	1,680	1,371	1,431	1,228	1,162	1,385	12,451
Total Unit Sales	2,281	1,865	2,945	2,970	3,425	3,034	3,151	2,934	3,142	3,677	3,374	3,297	2,951	2,484	3,645	3,472	4,524	4,916	4,888	4,285	4,270	4,660	46,766
Upfront Rate	3%	8%	7%	21%	25%	31%	27%	20%	25%	23%	19%	21%	19%	14%	38%	16%	37%	28%	29%	29%	27%	30%	27%

## Management Discussion

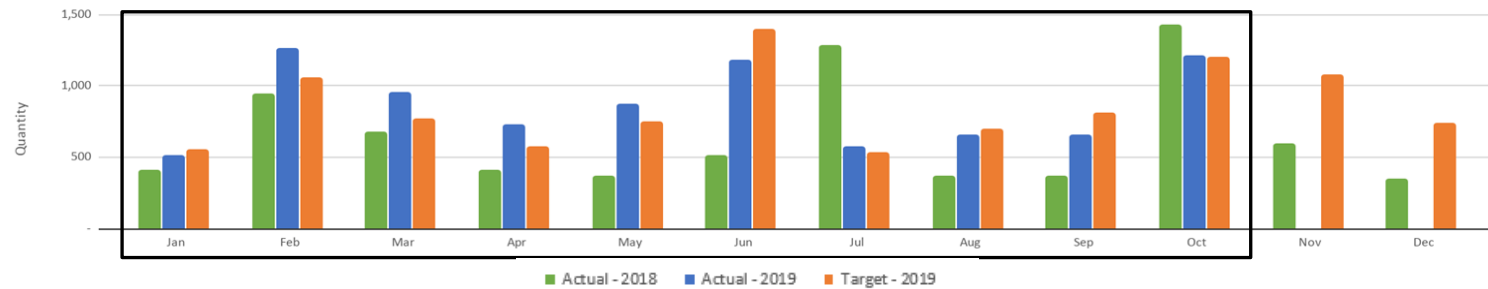
- Renewal rate decreased to 49% during October which is above with the LTM average of 48% and below target of 60%
- Upfront attach rate increased to 30% during October below the target of 40%.

## Marketing Metrics

Sessions (Web Traffic)



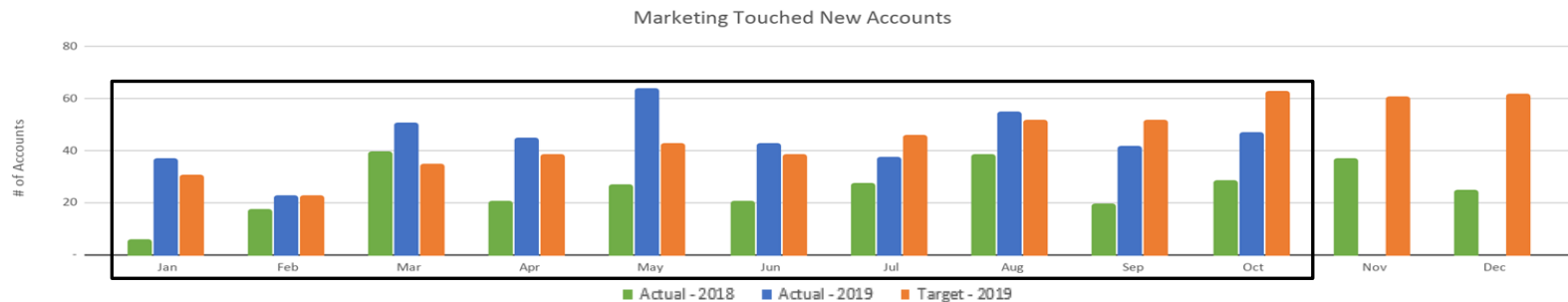
Marketing Qualified Leads (MQLs)



### Management Discussion

- Web traffic is 99% of plan YTD. Oct was 75% of plan due to about a one-third reduction in ad spend and lower than expected YoY growth in SEO / direct traffic.
- Digital MQL conversion rates are 107% of plan YTD.
- MQLs are 103% of plan YTD. Field Marketing was ahead of plan in Oct making up for a miss in Digital web traffic.

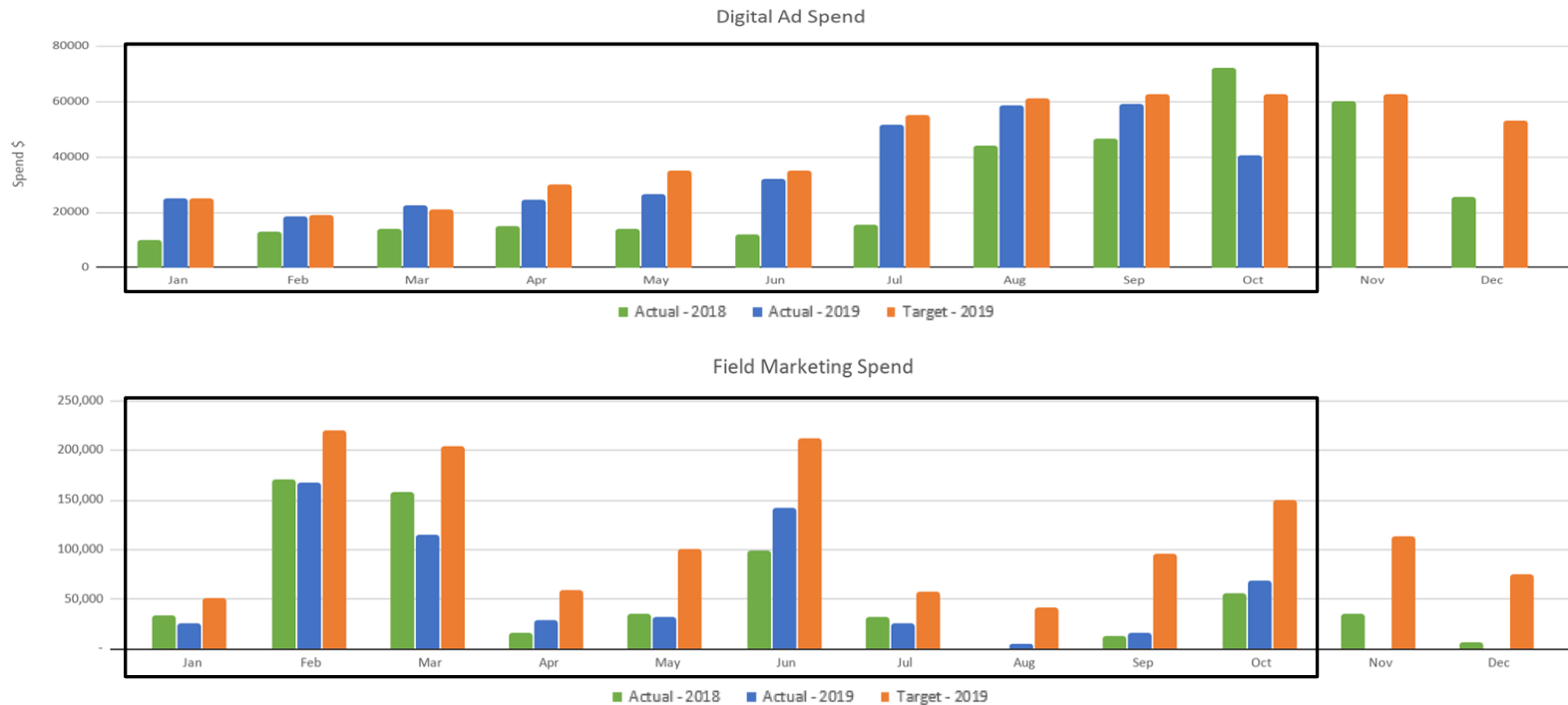
## New Customer Metrics



### Management Discussion

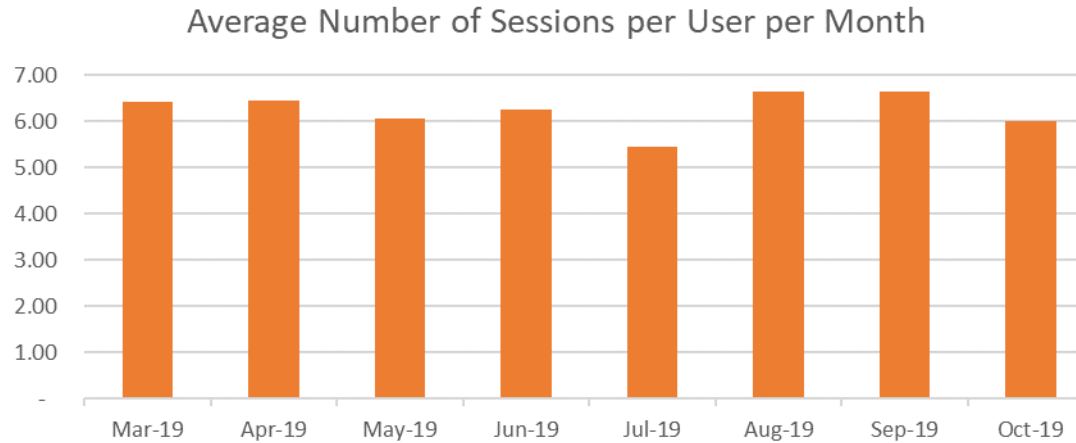
- New and Existing customers are calculated on a sales out basis (ie, so, they exclude stocking orders by definition). Methodology has been updated / tightened to account for non-standard demo pod submissions that were showing as new accounts inflating both 2018-19 numbers.
- The methodology for Marketing Attributed new accounts now looks out 6 months prior to first sale and also accounts for web visits.
- YTD total NN accounts are up 13% YOY whereas Marketing touched NN accounts are up 79% YOY (103% of Plan).

## Marketing Spend



### Management Discussion

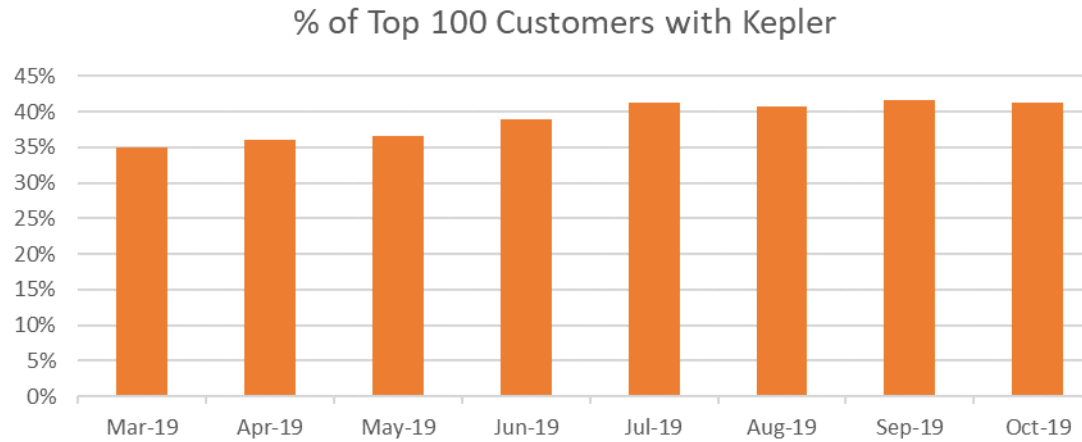
- Digital Ad spend is at 89% of plan YTD while Digital Ad lead gen is at 135% of plan YTD.
- Field Marketing is at 54% of plan YTD while Field Marketing lead gen is at 96% YTD.



## Management Discussion

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

# Kepler - Adoption



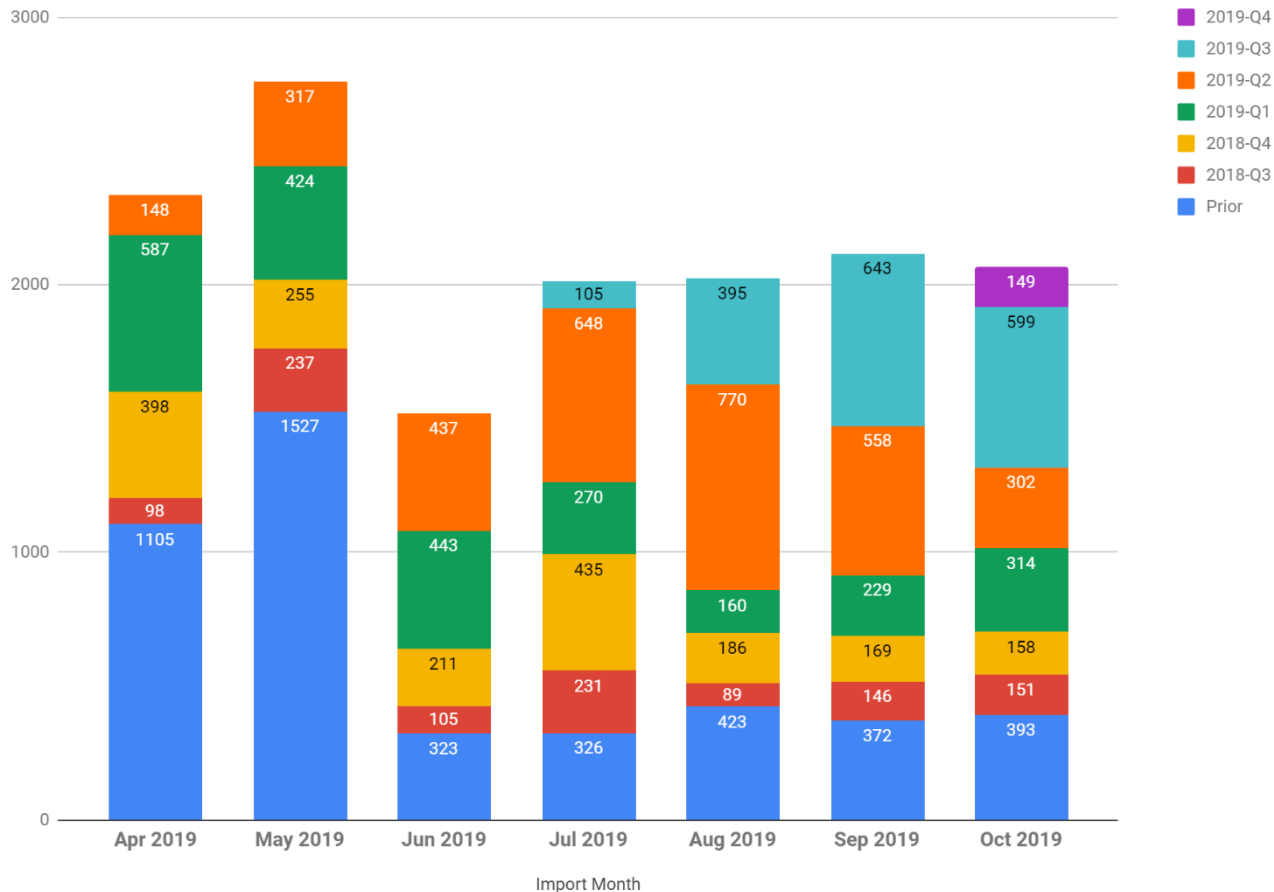
## Management Discussion

- % of top 100 customers based on # of pods with Kepler.



# Kepler – Kepler Import Month by Purchase Quarter

Kepler Import Month by Purchase Quarter

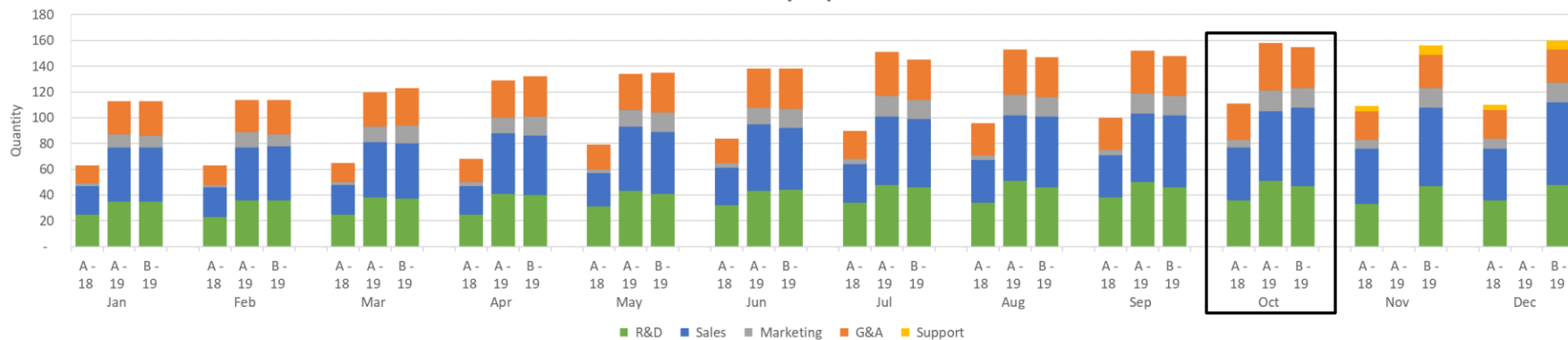


## Management Discussion

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

# Staffing Analysis

Headcount by Department



## Management Discussion

- Headcount is ahead of plan through September at 158 compared to budget of 155.

# 11/1/19 Talent Snapshot

# Open Positions as of 11/1/19

## Team Members by Geography

Denver (113)

US field (26)

International field (18)

## Team Members by Function

R&D (51)

Sales (47)

Marketing (25)

Operations (21)

Finance/HR/Exec (14)

Total Team Members: 158

YTD Hires: 80

YTD Departures: 31

YTD Net Headcount Growth: 49

Department	Backfill	Job Title
Engineering	Yes	C++ Systems Programmer (former SDET)
Engineering	No	Sr. Software Engineer (Content Sharing C++)
Engineering	No	Sr. Software Engineer (Android OS)
Engineering	Yes	Sr QE Engineer
Engineering	No	Sr Software Engineer - RUST
Engineering	No	Fullstack Back End - Enterprise
Engineering	No	Software Engineer - Infrastructure
Engineering	Yes	Principle Product Manager
Sales	No	Channel Sales Manager - France & Spain
Sales	Yes	Regional Sales Director - Northwest
Sales	Yes	Sales Engineer - Mid Atlantic
Sales	No	Sales Engineer - Australia
Sales	Yes	Sales Engineer - France
Sales	Yes	RSM/RSD - For South East
Finance	Yes	FP&A
Finance	Yes	Controller
Marketing	No	Field and Channel Marketing Manager (EMEA)
Operations	No	Tech Support EMEA (Italy)

# Monthly Operating Review Meeting Agenda

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

# Summary P&L Through Oct 2019



\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>4,255</b>	<b>4,311</b>	<b>(56)</b>	<b>(1.3%)</b>	<b>2,327</b>	<b>1,928</b>	<b>82.8%</b>		<b>33,659</b>	<b>33,026</b>	<b>633</b>	<b>1.9%</b>	<b>21,219</b>	<b>12,440</b>	<b>58.6%</b>	
Material	1,184	1,102	82	7.4%	470	714	151.9%		8,733	7,736	997	12.9%	4,304	4,430	102.9%	
Labor	80	64	16	25.1%	48	32	65.2%		685	603	82	13.6%	405	280	69.1%	
<b>Total COGS</b>	<b>1,264</b>	<b>1,166</b>	<b>98</b>	<b>8.4%</b>	<b>518</b>	<b>746</b>	<b>143.8%</b>		<b>9,418</b>	<b>8,339</b>	<b>1,079</b>	<b>12.9%</b>	<b>4,709</b>	<b>4,709</b>	<b>100.0%</b>	
<b>Gross Margin</b>	<b>2,991</b>	<b>3,145</b>	<b>(153)</b>	<b>(4.9%)</b>	<b>1,809</b>	<b>1,182</b>	<b>65.4%</b>		<b>24,241</b>	<b>24,687</b>	<b>(446)</b>	<b>(1.8%)</b>	<b>16,510</b>	<b>7,731</b>	<b>46.8%</b>	
<i>Gross Margin %</i>	<i>70.3%</i>	<i>72.9%</i>			<i>77.7%</i>				<i>72.0%</i>	<i>74.7%</i>			<i>77.8%</i>			
R&D	724	640	84	13.1%	474	250	52.6%		5,830	5,763	67	1.2%	3,534	2,297	65.0%	
Sales & Marketing	1,343	1,535	(192)	(12.5%)	865	479	55.4%		11,373	12,260	(887)	(7.2%)	6,060	5,313	87.7%	
Administrative	723	649	74	11.4%	558	165	29.6%		6,053	6,251	(198)	(3.2%)	4,333	1,720	39.7%	
Other Opex	—	—	—	N/A	—	—	N/A		—	—	—	N/A	—	—	N/A	
<b>Total Opex</b>	<b>2,790</b>	<b>2,824</b>	<b>(34)</b>	<b>(1.2%)</b>	<b>1,896</b>	<b>894</b>	<b>47.1%</b>		<b>23,256</b>	<b>24,274</b>	<b>(1,018)</b>	<b>(4.2%)</b>	<b>13,927</b>	<b>9,329</b>	<b>67.0%</b>	
<b>EBITDA</b>	<b>201</b>	<b>321</b>	<b>(120)</b>	<b>(37.3%)</b>	<b>(88)</b>	<b>289</b>	<b>(329.8%)</b>		<b>985</b>	<b>413</b>	<b>572</b>	<b>138.8%</b>	<b>2,583</b>	<b>(1,598)</b>	<b>(61.9%)</b>	
<i>EBITDA %</i>	<i>4.7%</i>	<i>7.4%</i>			<i>(3.8%)</i>				<i>2.9%</i>	<i>1.2%</i>			<i>12.2%</i>			
<b>Net Income (Loss)</b>	<b>\$ (268)</b>	<b>\$ (146)</b>	<b>\$ (122)</b>	<b>83.1%</b>	<b>\$ (555)</b>	<b>\$ 288</b>	<b>(51.8%)</b>		<b>\$ (3,887)</b>	<b>\$ (3,872)</b>	<b>\$ (16)</b>	<b>0.4%</b>	<b>\$ (2,162)</b>	<b>\$ (1,725)</b>	<b>79.8%</b>	
<b>Capex</b>	<b>\$ (49)</b>	<b>\$ (23)</b>	<b>\$ (26)</b>	<b>114.6%</b>	<b>\$ (234)</b>	<b>\$ 184</b>	<b>(78.9%)</b>		<b>\$ (662)</b>	<b>\$ (474)</b>	<b>\$ (188)</b>	<b>39.6%</b>	<b>\$ (368)</b>	<b>\$ (294)</b>	<b>79.9%</b>	

## Management Discussion

- Invoiced sales were \$4.9m compared to target of \$4.8m, including \$776k of solstice subscription invoice sales recorded. Bookings were \$5.3m, resulting in backlog of \$606k at month end. YTD invoiced sales were \$40.5m compared to budget of \$36.4m.
- MTD invoiced sales mix by region: Americas 73% actual vs 76% budget, EMEA 22% actual vs 19% budget, APAC 5% actual vs 5% budget. YTD invoiced sales mix by region: Americas 77% actual vs 76% budget, EMEA 15% actual vs 18% budget, APAC 8% actual vs 5% budget.
- MTD revenue of \$4.3m includes approximately \$3.3m of pod revenue and \$927k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of \$3.3m is consistent with budget of \$3.4m for the month.
- Units shipped for the month were 4,660 vs budget of 5,135 and overall invoiced ASP was \$824 vs the budget of \$777. ASP outperformance to budget driven by all regions. Americas ASP was \$874 vs budget of \$811, EMEA at \$713 ASP vs \$706 budgeted and APAC at \$700 invoiced ASP vs \$618 budgeted.
- Renewal solstice subscription licenses sold MTD were 2,074 compared to target of 1,880 resulting in invoiced sales of \$392k compared to budget of \$273k. YTD renewal invoiced sales of \$4.6m is \$2.0m above budget of \$2.6m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.
- Upfront solstice subscription licenses sold MTD were 1,385 compared to target of 1,989 resulting in invoiced sales of \$383k compared to budget of \$447k. Upfront attached rate was 30% compared to a budgeted attach rate of 40%. YTD upfront invoiced sales of \$3.1m is \$268k below budget of \$3.4m.
- Gross Margin % consistent vs prior month. YTD GP % remains below budget due to higher than budgeted Kepler and Labor costs.
- MTD S&M OpEx under budget due primarily to unbudgeted deferred commissions related to ASC606, being behind on hiring plan and lower than planned T&E. YTD S&M Opex, normalized for deferred commissions, is \$579k below budget rather than the \$887K presented above. This is because \$308K of commission expense has been reclassified to the BS per ASC606. Total YTD OpEx remains below budget primarily due to being behind on hiring plan.
- MTD GAAP EBITDA miss largely due to lower GM \$ and %..

# Balance Sheet

\$'000	Dec-18 Act	Jul-19 Act	Aug-19 Act	Sep-19 Act	Oct-19		Variance
	Act	Act	Act	Act	Act	Bud	\$
<b>Current Assets</b>							
Cash and cash equivalents	\$ 5,752	\$ 6,460	\$ 8,068	\$ 8,341	\$ 7,425	\$ 5,292	\$ 2,133
Short term investments	—	—	—	—	—	—	—
Accounts receivable, gross	5,113	7,635	6,626	7,173	7,442	7,111	331
Accounts receivable, reserves	(82)	(105)	(115)	(135)	(142)	(71)	(71)
Accounts receivable, net	5,031	7,531	6,511	7,039	7,300	7,040	260
Inventory, net	1,390	1,869	1,757	2,983	3,580	1,799	1,781
Prepaid expenses and other current assets	1,846	3,065	3,327	3,412	3,510	1,170	2,340
<b>Total Current Assets</b>	<b>14,019</b>	<b>18,925</b>	<b>19,663</b>	<b>21,775</b>	<b>21,815</b>	<b>15,301</b>	<b>6,514</b>
<b>Non-Current Assets</b>							
Property, plant & equipment, gross	908	1,389	1,393	1,416	1,465	1,385	80
Accumulated depreciation	(216)	(386)	(416)	(446)	(480)	(174)	(306)
Property, plant & equipment, net	692	1,003	977	971	985	1,211	(226)
Goodwill	30,375	28,527	28,270	28,012	27,754	20,675	7,079
Identifiable intangible assets, net	2,818	2,516	2,462	2,501	2,449	3,844	(1,395)
Deferred tax asset	4,736	5,715	5,715	5,715	5,715	6,976	(1,261)
Other non-current assets	354	668	695	743	773	275	498
<b>Total Non-Current Assets</b>	<b>38,973</b>	<b>38,429</b>	<b>38,119</b>	<b>37,941</b>	<b>37,676</b>	<b>32,981</b>	<b>4,695</b>
<b>Total Assets</b>	<b>\$ 52,993</b>	<b>\$ 57,354</b>	<b>\$ 57,783</b>	<b>\$ 59,716</b>	<b>\$ 59,490</b>	<b>\$ 48,282</b>	<b>\$ 11,208</b>
<b>Current Liabilities</b>							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	—
Accounts payable	842	2,130	2,298	3,780	3,219	1,076	2,144
Accrued liabilities	(243)	349	327	212	281	208	73
Accrued compensation	1,869	1,464	1,646	1,811	1,837	2,023	(186)
Income taxes payable	111	1,418	1,418	1,219	1,109	533	576
Other current liabilities	70	370	382	354	362	221	141
<b>Total Current Liabilities</b>	<b>6,149</b>	<b>9,230</b>	<b>9,571</b>	<b>10,876</b>	<b>10,308</b>	<b>7,561</b>	<b>2,747</b>
<b>Long-term liabilities</b>							
Long-term unearned revenue	6,783	10,866	11,402	12,358	12,955	10,268	2,688
Deferred liabilities	154	186	187	195	208	226	(18)
<b>Total Long-Term Liabilities</b>	<b>6,937</b>	<b>11,052</b>	<b>11,589</b>	<b>12,553</b>	<b>13,163</b>	<b>10,494</b>	<b>2,670</b>
<b>Total Liabilities</b>	<b>13,086</b>	<b>20,282</b>	<b>21,160</b>	<b>23,429</b>	<b>23,471</b>	<b>18,055</b>	<b>5,416</b>
<b>Shareholders' Equity</b>							
<b>Total Shareholders' Equity</b>	<b>39,907</b>	<b>37,071</b>	<b>36,622</b>	<b>36,287</b>	<b>36,020</b>	<b>30,227</b>	<b>5,792</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 52,993</b>	<b>\$ 57,354</b>	<b>\$ 57,783</b>	<b>\$ 59,716</b>	<b>\$ 59,490</b>	<b>\$ 48,282</b>	<b>\$ 11,208</b>

## Management Discussion

- Cash decreased month over month primarily driven by increasing inventory shipments from Inforce and paying invoices related these shipments as well as pre-payments required on Q4 & Q120 P.O.s with Inforce.
- AR 'days sales outstanding' at 53 vs budget of 51. AR is higher than budget due to invoiced sales being ahead of budget.
- Inventory 'days outstanding' at 88 is consistent budget of 48 and is above budget due to adding 11,100 units to inventory during Oct-2019. Total ending inventory balance: Gen 2i – 100 pods, Gen 3 – 11,058 pods. We have intentionally built our inventory safety stock levels based on projected Pod sales and given that we are still sole sourcing all pods from one vendor.
- Prepaid and OCA balances are higher than expected due to receivable from landlord, trade show prepaids, monitoring fees, and additional prepaids from various vendors.
- Goodwill is higher than budget because of addition of customer relationships to Goodwill and purchase price accounting.
- Other current assets are higher than expected due to under budgeted deferred sales commissions due to ASC606 implementation.
- AP 'days payable outstanding' at 79 vs budget of 29. Variance to budget largely due to timing of inventory bills.
- Accrued liabilities is higher than budget because of timing of payments for employee expense reports, Splash Top royalties, and reseller rebates.
- Income taxes payable was larger than expected due to accrued estimate for State & Federal tax liability for 2019.
- Deferred revenue is above budget primarily due to strong invoice sales exceeding budget (Free Year Subscription), as well as increased solstice subscription deferred revenue due to ASC 606 implementation
- Increase in SH equity and GW over budget is due to restating and correcting accounting treatment for purchase price related to rolled equity from prior investors and OGC contribution.

# Cash Flow Statement

	MTD			Var	PY-MTD	Var	YTD			Var	PY YTD	Var
	Act	Bud	\$				Act	Bud	\$			
<b>\$'000</b>												
<b>Cash flow from operations</b>												
Net Income (Loss)	\$ (268)	\$ (146)	\$ (122)		\$ (555)	\$ 288	\$ (3,887)	\$ (3,872)	\$ (16)		\$ (2,162)	\$ (1,725)
Depreciation, amortization and other	360	294	67		367	(7)	3,477	2,880	598		3,707	(230)
Deferred income tax	–	(111)	111		(126)	126	(980)	(488)	(491)		(1,261)	282
<b>Change in operating assets and liabilities:</b>												
Accounts receivable	(261)	(330)	69		271	(533)	(2,269)	(2,061)	(208)		(1,264)	(1,005)
Inventory	(596)	(6)	(590)		(213)	(384)	(2,190)	(409)	(1,781)		(1,602)	(588)
Prepaid expenses and other current assets	(97)	6	(103)		(17)	(80)	(1,664)	670	(2,334)		574	(2,238)
Accounts payable	(560)	71	(631)		32	(592)	2,378	421	1,956		590	1,787
Accrued expenses	95	60	35		14	81	493	243	250		557	(65)
Accrued income taxes	(110)	180	(290)		25	(135)	997	(161)	1,158		(323)	1,320
Other changes in operating assets and liabilities	610	503	107		328	282	6,226	3,446	2,780		4,123	2,103
Other cash flow from operations	(22)	(6)	(17)		117	(140)	(98)	(640)	542		1,163	(1,261)
<b>Total Cash Flow from Operations</b>	<b>\$ (850)</b>	<b>\$ 515</b>	<b>\$ (1,365)</b>		<b>\$ 243</b>	<b>\$ (1,093)</b>	<b>\$ 2,483</b>	<b>\$ 28</b>	<b>\$ 2,454</b>		<b>\$ 4,102</b>	<b>\$ (1,619)</b>
<b>Cash flow from investing</b>												
Additions to property, plant and equipment	\$ (49)	\$ (23)	\$ (26)		\$ (234)	\$ 184	\$ (558)	\$ (474)	\$ (83)		\$ (368)	\$ (190)
Investment in intangibles	(16)	–	(16)		(24)	8	(253)	(40)	(213)		130	(383)
<b>Total Cash Flow from Investing</b>	<b>\$ (66)</b>	<b>\$ (23)</b>	<b>\$ (43)</b>		<b>\$ (258)</b>	<b>\$ 193</b>	<b>\$ (811)</b>	<b>\$ (514)</b>	<b>\$ (296)</b>		<b>\$ (238)</b>	<b>\$ (572)</b>
<b>Cash flow from financing</b>												
<b>Total Cash Flow from Financing</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>		<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>		<b>\$ –</b>	<b>\$ –</b>
<b>Net change in cash</b>	<b>\$ (916)</b>	<b>492</b>	<b>\$ (1,407)</b>		<b>\$ (15)</b>	<b>\$ (901)</b>	<b>\$ 1,672</b>	<b>\$ (486)</b>	<b>\$ 2,158</b>		<b>\$ 3,864</b>	<b>\$ (2,192)</b>
Beginning cash	8,341	4,800	3,541		6,330	2,010	5,752	5,777	(25)		2,451	3,301
Change in cash	(916)	492	(1,407)		(15)	(901)	1,672	(486)	2,158		3,864	(2,192)
<b>Ending cash</b>	<b>\$ 7,425</b>	<b>\$ 5,292</b>	<b>\$ 2,133</b>		<b>\$ 6,315</b>	<b>\$ 1,110</b>	<b>\$ 7,425</b>	<b>\$ 5,292</b>	<b>\$ 2,133</b>		<b>\$ 6,315</b>	<b>\$ 1,110</b>

## Management Discussion

- Cash is decreased primarily driven by increased accounts payables, inventory purchases, and higher than expected sales.
- Cash conversion' at 62 days vs budget of 70.
- Cash from changes in Inventory was behind MTD as due to adding 11,100 units to inventory during Oct-2019.
- YTD Prepaids variance is driven by higher than expected receivable from landlord, trade show prepaids, furniture deposits and additional prepaids from various vendors.
- AP variance to budget is due to timing of inventory bills.
- YTD Deferred Revenue variance due to strong invoice sales exceeding budget, as well as increased solstice subscription deferred revenue due to ASC 606 implementation.

# Monthly Operating Review Meeting Agenda

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



# Management Governance Report

## **Board of Directors**

- Andrew Nikou
- Rob Young
- Chris Jaynes
- Rob Balgley
- John Case
- Paul Bridwell

## **Audit Committee**

- Dan Hudspeth
- Paul Bridwell
- Shawn Haghighi
- Andrew Martinez

## **2018 Year End Auditors**

- Deloitte

## **Anonymous Hotline**

- Navex implementation complete; hotline is now live

## **Internal Control & Authority Matrix**

- Adopted effective 2/27/18

## Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Deloitte has identified a lack of segregation of duties related to NetSuite. We will address revising roles upon hiring of Controller
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

# Monthly Operating Review Meeting Agenda

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

# YTD OPEX Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Act	Bud	Variance (B) / W	One-Time / Non-recurring	Timing	Change in Run-rate	Other	Total Variance (B) / W	YoY Impact (B) / W	Annualized Impact (B) / W
Payroll	\$ 11,712	\$ 12,687	\$ (975)	\$ -	\$ (975)	\$ -	\$ -	\$ (975)	\$ -	\$ -
Benefits	1,535	1,818	(283)	\$ -	\$ (283)	-	-	(283)	-	-
Bonus	1,240	1,531	(291)	\$ -	\$ (291)	-	-	(291)	-	-
Commissions	1,508	1,563	(55)	-	(55)	-	-	(55)	-	-
Marketing	2,041	2,067	(26)	-	(26)	-	-	(26)	-	-
Travel and Entertainment	1,360	1,313	47	-	47	-	-	47	-	-
Rent and Facilities	1,173	826	347	-	-	347	-	347	347	347
Insurance	49	42	7	-	7	-	-	7	-	-
Professional Fees	827	642	185	-	-	185	-	185	185	185
Utl., Repair, Maint., & Sec.	268	355	(86)	-	(86)	-	-	(86)	-	-
Office Expense	163	40	123	-	-	123	-	123	123	123
IT	1,129	1,219	(90)	-	-	(90)	-	(90)	(90)	(90)
Other Expenses	250	172	78	-	78	-	-	78	-	-
<b>Total Opex</b>	<b>\$23,256</b>	<b>\$24,274</b>	<b>\$ (1,018)</b>	<b>\$ -</b>	<b>\$ (1,583)</b>	<b>\$ 565</b>	<b>\$ -</b>	<b>\$ (1,018)</b>	<b>\$ 565</b>	<b>\$ 565</b>

## Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a \$ basis. Budgeted employee headcount was 158 versus actual of 155 as of Oct-19.
- Commissions/Bonus, normalized for 606 adjustments, are \$38k above budget.
- Rent is over budget primarily due to increased CAM, addition of 180 (vs budget start date of 9/1), and higher than expected monthly parking cost.
- Professional Fees are over budget due to 1) software development contractors 2) additional consulting hours related to systems improvements and 3) higher than expected recruiting costs
- Office expenses are largely due to unbudgeted dollars. Monthly trend has been consistent.
- IT is under budget due to timing of data related IT projects.

# Operating Expenses Summary

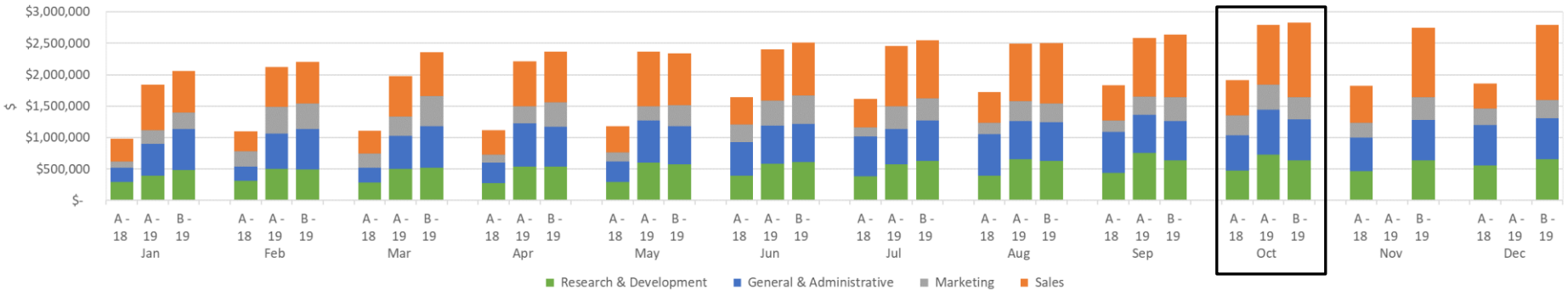
\$'000	MTD				Variance				PY MTD	Variance			YTD		Var		PY YTD		Variance		
	Act		Bud		\$	%	Act	\$		%	Act	Bud	\$	%	Act	\$	%				
Opex Overview:																					
Payroll	\$ 1,356	\$ 1,442	\$ (86)	(6.0%)	\$ 852	\$ 503	59.1%	\$ 11,712	\$ 12,687	\$ (975)	(7.7%)	\$ 6,391	\$ 5,321	83.3%							
Benefits	169	295	(126)	(42.8%)	173	(4)	(2.6%)	1,535	1,818	(283)	(15.6%)	1,307	228	17.4%							
Bonus	125	178	(53)	(29.6%)	104	21	20.5%	1,240	1,531	(291)	(19.0%)	1,031	209	20.3%							
Commissions	200	229	(29)	(12.6%)	118	82	69.0%	1,508	1,563	(55)	(3.5%)	914	594	65.0%							
Marketing	271	203	69	34.0%	228	44	19.1%	2,041	2,067	(26)	(1.2%)	1,235	806	65.3%							
Travel and Entertainment	181	138	43	31.3%	82	100	122.5%	1,360	1,313	47	3.6%	614	746	121.6%							
Rent and Facilities	123	103	20	19.8%	84	39	46.6%	1,173	826	347	42.0%	679	494	72.8%							
Insurance	5	4	0	8.5%	6	(2)	(28.0%)	49	42	7	16.8%	42	6	14.7%							
Professional Fees	118	61	57	92.5%	102	16	16.1%	827	642	185	28.9%	653	175	26.8%							
Utl., Repair, Maint., & Sec.	30	36	(6)	(18.0%)	24	6	25.5%	268	355	(86)	(24.4%)	204	64	31.2%							
Office Expenses	26	4	22	548.5%	56	(30)	(53.5%)	163	40	123	307.9%	380	(217)	(57.0%)							
IT	139	114	24	21.4%	54	85	158.0%	1,129	1,219	(90)	(7.4%)	290	839	288.9%							
Other Expenses	48	17	31	182.0%	15	34	229.7%	250	172	78	45.6%	169	81	47.8%							
Total Opex	\$ 2,790	\$ 2,824	\$ (34)	(1.2%)	\$ 1,896	\$ 894	47.1%	\$ 23,256	\$24,274	\$ (1,018)	(4.2%)	\$ 13,927	\$ 9,329	67.0%							

## Management Discussion

- Please see previous slide on expense analysis.

# Operating Expenses Summary

OPEX by Department



## Management Discussion

- Graph shows departmental spend comparatives for '18 actual, '19 actual and '19 budget.

# AR and AP Aging Detail

\$'000

Days	AR Aging		
	Aug-19	Sep-19	Oct-19
0-30	\$ 5,781	\$ 6,159	\$ 6,588
30-60	396	564	366
60-90	213	145	224
>90	236	305	264
<b>Total Gross AR</b>	<b>\$ 6,626</b>	<b>\$ 7,173</b>	<b>\$ 7,442</b>
<b>Reserves</b>	<b>(115)</b>	<b>(135)</b>	<b>(142)</b>
<b>Total Net AR</b>	<b>\$ 6,511</b>	<b>\$ 7,039</b>	<b>\$ 7,300</b>

Days	AP Aging		
	Aug-19	Sep-19	Oct-19
0-30	\$ 1,556	\$ 3,771	\$ 2,280
30-60	78	(18)	943
60-90	576	10	12
>90	87	17	(15)
<b>Total</b>	<b>\$ 2,298</b>	<b>\$ 3,780</b>	<b>\$ 3,219</b>

## Management Discussion

- AR increased due to increased invoicing at month end. The increase in >60 is due to Genesis Integration (67K) and Global Service Technicians (38K). The >90 bucket had customers pay their outstanding balances. The three largest in this bucket are still Getronics (106K) payment plan starting in November, Nike (55K) paid in November, and Equibuearu (43K) paid in November.
- Increase in > 30 AP is due to timing of inventory payments and deposit bill to Inforce for Q4 inventory production.



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