



SARGENT AND GREENLEAF

2019 Monthly Operating Review— July 2019

August 21st, 2019

July 2019 Operating Review Meeting Agenda

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

Executive Summary

July revenues of \$4.3M, achieved Standalone AOP (budget), favorable to PY \$478k/13%

- Favorable, APAC by \$0.7M/51%
- Unfavorable, NA OEM's and Distributors by (\$0.7M)/(34%)

YTD revenues of \$27.0M, unfavorable to budget by (\$1.6M)/(5.5%), favorable to PY \$625k/2%

- Favorable, APAC by \$0.9M/10%
 - Strong Q1 and July in India, somewhat offset by election pressures in May-June
- Unfavorable, NA OEM's and Distributors by (\$2.5M)/(20%)
- Favorable, 951 Padlock Gov't contract sales of \$2.0M offset total volume decline of (\$1.4M)

Hits

- YTD Total Backlog of \$7.5M is favorable to PY by \$0.7M/11%
 - \$1.0M in 4Q in 951 Padlock Gov't contract
- Favorable, Opex by \$69k versus Standalone AOP (budget) related to open positions, timing of HR specialist fees and discretionary Spending controls.

Misses

- Softness Across NA OEM And Distributor Base: YTD Liberty (\$0.6M), Genmega (\$0.4M), Global File (\$0.4M), Diebold (\$0.4M)
- Unfavorable, Gross Margin versus Standalone AOP (budget) by (\$234k) related to unfavorable mix (\$135k) and increased Warranty Expense (\$99k). Warranty Expense related to Palmers claim for MPP locks.

Executive Summary (continued)

Key Go-Forward Actions

- Align expectations and execute on near-term targets with current Sales team
 - Increase reach and frequency of customer-facing engagement
 - Added VP of Sales, Matt Williams | 20+yrs of sales experience, most recently for Allegion
 - Backfilled Gov't BDM – NA, Husna Smith | 10+yrs of experience in Government sector
 - Backfilling key Sales positions (BDM – NA East Region & BDM – India) in August/September
 - Identify and focus on channel partner and key account opportunities (i.e. blanket and stocking order programs)
 - August 27th meeting in Nicholasville scheduled with Arya, India | Develop definition of Tier 1 Distributor
- Effective deployment and adherence to the schedule on 2019 Strategic Initiatives
 - Finalize the refreshed Brand, including product Visual Brand Language
 - Brand properties, including logo design concepts from contract resource, to be reviewed in August
 - Keypad design concepts refined and in process of creating finalized family (base-to-premium product) concepts and estimated costs with OGx and ID contractor
- Execute to the defined New Product Development Pipeline
 - Recapture lost and eroding business in NA Gun Safe Market
 - 3 projects (Low Cost, Biometric & Titan IQ) prioritized in the NPD Pipeline
 - Mechanical lock elements of the design are completed
 - Keypad design finalization, tooling and supplier lead time (~6 weeks) driving a 2019-Q4 to 2020-Q1 release
- Leverage Operational capabilities and capacities
 - Market-lead in most critical customer KPI's
 - Quality Engineer to start in August
 - Proposing the addition of a Customer Relationship Manager



Executive Summary (continued)

	Description	Potential Impact	Plan to Address
Risks	<ul style="list-style-type: none"> Mechanical Portfolio Erosion 	<ul style="list-style-type: none"> YTD Mechanical Lock Sales decline of (\$0.6M) 	<ul style="list-style-type: none"> Strategic Initiative prioritized for low-cost Electronic Lock Keypad refresh Recapture Liberty business to offset migration from mechanical lock and reset growth in sales at this key account
	<ul style="list-style-type: none"> Demand Slowdown Across Non-Govt Channels In North America 	<ul style="list-style-type: none"> YTD (\$3.5M) vs Quota; (\$2.4M) vs PY 	<ul style="list-style-type: none"> Analysis of opportunity funnel and improvement on win-loss Set Gap-to-Plan initiatives to drive growth
	<ul style="list-style-type: none"> Tariff Pressure – Margin Tariff Pressure – China Sales 	<ul style="list-style-type: none"> Annualized \$0.3M Margin Pressure Driven By Tariffs Resi Safe OEMs In China Down (\$0.6M)/60% VPY 	<ul style="list-style-type: none"> Partner with key suppliers on manufacturing moves Leverage duty drawback and targeted surcharges to offset margin pressure
Opportunities	<ul style="list-style-type: none"> LAG Market Penetration Potential with ASWD 	<ul style="list-style-type: none"> Global Smart Safes, Mexico with 2,000 units, \$700k Cogar upgrade program, installed base of 15,000 units, \$5M Interlase/Marnell on Bancolombia switch from LaGard for 2,000 units, \$700k 	<ul style="list-style-type: none"> Establish messaging and replacement program that will drive market share acquisition with this customer base Note, leverage similar opportunities identified in Germany and Netherlands
	<ul style="list-style-type: none"> Dormakaba Cencon ATM product hacking potential presented at Defcon hacker tradeshow and detailed in digital article is going viral https://www.wired.com/story/atm-lock-hack-electric-leaks/ 	<ul style="list-style-type: none"> Identify whether any Dormakaba Cencon ATM customers concerned enough to invest in replacing units Dormakaba indicating this was an ex-employee and customers not demonstrating panic as of yet 	<ul style="list-style-type: none"> Testing the ASWD based on 3rd party defined hacking method Preparing message to Sales and impacted market on the ASWD as a secure solution to the “recent concerns on hacking”
	<ul style="list-style-type: none"> APAC, SQ Shanghai (OEM-Hyosung) for a one-time opportunity brought to S&G; competing with Dormakaba La Gard 	<ul style="list-style-type: none"> High volume, low margin one-time opportunity for model 6651 of 25,000 units at \$23 per unit, \$575k total 	<ul style="list-style-type: none"> Reviewing margin impact and opportunity to apply extended rebate on further volume or pull-through



Key Wins and Losses during July 2019

Key Wins

APAC

- Hanson – Korea (Dist) – 2006 (Titan) stocking order of \$86k
- Hanson – Korea (Dist) – 6120 stocking order of \$31k
- Dutech – China (OEM) – 6120 stocking order of \$18k
- AGS – India (OEM) – 6128 order of \$183k

EMEA

- Polital – Poland (Dist) – 8550 order of \$22k

LAG

- Dham – Peru (new Dist) – 2nd Titan order of \$7k
- Interlase – Columbia (Dist) – Bancolombia order of \$32k
- Brinks – Bolivia (OEM) – 1st ASWD order of \$17k
- MAPA-SD – Mexico (Dist) – Multiple lock order competing against Bulls Eye- \$17k

NA

- ScotiaBank – Canada – orders of \$10k in 6550, \$7k in 6129

Key Losses

APAC

- Guardforce – Thailand (Dist) – 6128 order of \$90k

EMEA

- None

LAG





- Importadora Bash – Chile (Dist) – 6370 Timelock order of \$25k – due to price

NA

- Liberty did not place an order in July due to current inventory quantities on Mechanical



2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Establish globally consistent pricing strategy		<ul style="list-style-type: none"> Analyzing current pricing, discount and margin by product, region, customer End of month discounting determined to be in line; no red flags Established discount authority process 	Segmentation of Market, Region, Product: <ul style="list-style-type: none"> Identify Pricing opportunities and risks Develop list price/discount model to achieve market-based pricing 	<ul style="list-style-type: none"> Potential for instances of margin loss when applying a unified pricing model <ul style="list-style-type: none"> ➤ Anticipate aggregate upside ➤ Offset with premium list price and targeted discount
Launch refreshed brand and digital marketing presence (i.e. website)		<ul style="list-style-type: none"> Formed hypothesis on current brand and competitive position Prioritized digital media customer-enhancing elements 	<ul style="list-style-type: none"> Define future state brand vision and related elements: marketing collateral and product design properties Define strategy and scope for digital material roll-out 	<ul style="list-style-type: none"> Achieve objective while managing potential for scope creep and diminishing returns <ul style="list-style-type: none"> ➤ Prioritize on core and growth Market, Product & Region
Develop new industrial design aesthetic for existing and new products		<ul style="list-style-type: none"> Versions 1 & 2 of keypad design concepts reviewed Identified key visual brand elements to incorporate on family (base-to-premium) lock products 	<ul style="list-style-type: none"> OGx & Industrial Design partner to propose a family (base-to-premium product) of keypad design incorporating scaled brand elements 	<ul style="list-style-type: none"> Bandwidth to apply new design across new product pipeline and core product (i.e. Titan, Spartan) <ul style="list-style-type: none"> ➤ Consider contractor for application across core product
Develop Augmented Reality installation instructions for key product lines		<ul style="list-style-type: none"> Identified contract partners and/or tools to generate A/R with OGx Acquired cost estimates 	<ul style="list-style-type: none"> Generate a business case evaluation; determine resultant ROI Identify and propose alternative options 	<ul style="list-style-type: none"> The costs are likely prohibitive <ul style="list-style-type: none"> ➤ Target highest growth potential market only ➤ Conventional solution (YouTube)



Complete



On-Schedule







At Risk



Behind



2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Modularize core product lines		<ul style="list-style-type: none"> Defining key requirements and product candidates (Ideation phase) 	<ul style="list-style-type: none"> Compare current design platform to requirements Identify gaps and opportunities Develop SKU rationalization strategy (Discovery phase) 	<ul style="list-style-type: none"> Ensure modular design does not compromise performance and quality <ul style="list-style-type: none"> ➤ Leverage core product (Titan / Spartan) for modular platform
Develop new core products		<ul style="list-style-type: none"> In process of top-down build out of market needs across the identified Verticals – Segments – Applications – Feature/Function – Product 	<ul style="list-style-type: none"> Identify current Product gaps and opportunities Generate 3yr NPD Pipeline with ROC's toward quantifying financial impact and establishing priorities 	<ul style="list-style-type: none"> Effectual deployment of design resources including contract (i.e. biometric & network connect) <ul style="list-style-type: none"> ➤ Leverage OGx to identify firmware/software design partner(s)
Develop SIOP process using historical data analytics		<ul style="list-style-type: none"> Historical data review completed with OGx resulted in an inconsistent forecasted demand Comparing to results from current tool, Demand Solutions 	<ul style="list-style-type: none"> OGx segmenting the data to product family levels to compare and validate high-level forecast Include improved opportunity forecasting to reduce variability 	<ul style="list-style-type: none"> Sufficient history and clean data to derive accurate demand and forecast model <ul style="list-style-type: none"> ➤ OGx modeling by product families for review and reality check
Deploy Artificial Intelligence vision inspection system to improve quality		<ul style="list-style-type: none"> Reviewed candidate production areas (FAS Key Cut Verification and Packed Components) to maximize customer satisfaction needs and ROI 	<ul style="list-style-type: none"> Software feasibility and design proposal by OGx Conduct ROI analysis; hardware requirements are minimal 	<ul style="list-style-type: none"> Software development requirements on OGx <ul style="list-style-type: none"> ➤ Requirements straight-forward, risk is nominal



Complete



On-Schedule



At Risk



Behind



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Key Performance Indicators (Current State)

		In \$(000's)						Actual + Estimate						Comments (week 7 Actual)	
		Full Month - Jul						Full Quarter - 3Q							
		Actual	OR	VOR		Actual	OR	VOR		Actual	OR	VOR			
Safety	# of Recordables	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0		Safety	1,992days and 1.5M hours w/o lost time
	TRIR	0.0	1.6	(1.6)		0.0	1.6	(1.6)		0.0	1.6	(1.6)			
	LTIR	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0			
	Roadmap	0.5	0.6	(0.1)		0.5	0.6	(0.1)		0.5	0.6	(0.1)			
Service	Fill Rate	96.9%	98.0%	-1.1%		96.9%	98.0%	-1.1%		96.9%	98.0%	-1.1%		Service	
	On Time	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%			
	Lead Time	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0			
	Past Due	150.0	100.0	50.0		-	100.0	(100.0)		-	100.0	(100.0)			
	Oldest Order	30.0	30.0	-		30.0	30.0	-		30.0	30.0	-			
Quality	EOLA	539.4	800.0	(260.6)		539.4	800.0	(260.6)		539.4	800.0	(260.6)		Quality	
	Customer Complaints #	19	40	(21)		19	104	(85)		19	104	(85)			
	Warranty \$	\$ 154.9	\$ 43.3	\$ 111.7		\$ 224.2	\$ 112.5	\$ 111.7		\$ 224.2	\$ 112.5	\$ 111.7			
	Scrap %	0.0%	1.3%	-1.3%		0.0%	1.3%	-1.3%		0.0%	1.3%	-1.3%			
SFS	Inventory \$	\$ 5,193.1	\$ 5,197.0	\$ (3.9)		\$ 5,193.1	\$ 5,608.0	\$ (414.9)		\$ 5,193.1	\$ 5,608.0	\$ (414.9)		SFS	Beginning 2019 Inventory greater than planned levels as a result of soft 4Q sales Largest portion is excess as a result of soft 2018 sales
	DSI	77.6	83.3	(5.7)		87.3	90.2	(2.9)		87.3	90.2	(2.9)			
	Plant Turns	4.7	4.4	0.3		4.2	4.0	0.1		4.2	4.0	0.1			
	E&O \$	\$ 1,358.8	\$ 760.0	\$ 598.8		\$ 1,358.8	\$ 747.0	\$ 611.8		\$ 1,358.8	\$ 747.0	\$ 611.8			
	E&O %	26.2%	14.6%	11.5%		26.2%	13.3%	12.8%		26.2%	13.3%	12.8%			
Mtl Cost	Material COS @ STD	\$ 1,535.4	\$ 1,248.3	\$ 287.1		\$ 3,977.4	\$ 3,690.3	\$ 287.1		\$ 3,977.4	\$ 3,690.3	\$ 287.1		Mtl Cost	
	Mat'l PPV	\$ (65.0)	\$ 15.9	\$ (80.9)		\$ (39.7)	\$ 41.3	\$ (80.9)		\$ (39.7)	\$ 41.3	\$ (80.9)			
	Other Mat'l Variances	\$ 45.6	\$ (62.0)	\$ 107.6		\$ (65.4)	\$ (173.0)	\$ 107.6		\$ (65.4)	\$ (173.0)	\$ 107.6			
	Subtotal	\$ 1,516.0	\$ 1,202.2	\$ 313.8		\$ 3,872.4	\$ 3,558.6	\$ 313.8		\$ 3,872.4	\$ 3,558.6	\$ 313.8			
Labor & Conv	Labor (Comp & Ben)	\$ 443.9	\$ 416.8	\$ 27.1		\$ 1,112.6	\$ 1,085.5	\$ 27.1		\$ 1,112.6	\$ 1,085.5	\$ 27.1		Labor & Conv	Additional Warranty Expense
	OT Premium	\$ 19.1	\$ 11.2	\$ 7.8		\$ 38.0	\$ 30.2	\$ 7.8		\$ 38.0	\$ 30.2	\$ 7.8			
	Conversion	\$ 244.3	\$ 154.2	\$ 90.1		\$ 491.1	\$ 401.0	\$ 90.1		\$ 491.1	\$ 401.0	\$ 90.1			
	Base	\$ 356.2	\$ 299.0	\$ 57.1		\$ 888.9	\$ 877.5	\$ 11.5		\$ 888.9	\$ 877.5	\$ 11.5			
	Subtotal	\$ 1,063.4	\$ 881.3	\$ 182.1		\$ 2,530.7	\$ 2,394.2	\$ 136.5		\$ 2,530.7	\$ 2,394.2	\$ 136.5			
	Liquidations	\$ (749.2)	\$ (813.4)	\$ 64.2		\$ (2,203.6)	\$ (2,267.8)	\$ 64.2		\$ (2,203.6)	\$ (2,267.8)	\$ 64.2			
	Variance to Standard	\$ 314.2	\$ 67.9	\$ 246.3		\$ 327.1	\$ 126.4	\$ 200.6		\$ 327.1	\$ 126.4	\$ 200.6			
	Total 4-wall Cost	\$ 2,579.4	\$ 2,083.5	\$ 495.9		\$ 6,403.1	\$ 5,952.8	\$ 450.3		\$ 6,403.1	\$ 5,952.8	\$ 450.3			
	Total Variances	\$ 294.8	\$ 21.8	\$ 273.0		\$ 222.0	\$ (5.3)	\$ 227.3		\$ 222.0	\$ (5.3)	\$ 227.3			
	% of Standard COS	13%	1%	12%		4%	0%	4%		4%	0%	4%			
	Earned Hours (000's)	12.18	12.02	0.16		12.18	31.62	(19.44)		12.18	31.62	(19.44)			
Per ELH	Labor	38.01	35.60	2.41		94.48	35.28	59.20		94.48	35.28	59.20		Per ELH	
	Conversion	20.06	12.83	7.23		40.32	12.68	27.64		40.32	12.68	27.64			
	Base	29.24	24.87	4.37		72.99	27.75	45.24		72.99	27.75	45.24			
	Total Spending	87.32	73.30	14.02		207.80	75.72	132.08		207.80	75.72	132.08			
Per Liq	Labor	0.59	0.51	0.08		0.50	0.48	0.03		0.50	0.48	0.03		Per Liq	13 Temps
	Conversion	0.33	0.19	0.14		0.22	0.18	0.05		0.22	0.18	0.05			
	Base	0.48	0.37	0.11		0.40	0.39	0.02		0.40	0.39	0.02			

July 2019 Operating Review Meeting Agenda

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



Summary P&L

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Gross Revenue	\$ 4,885	\$ 4,810	\$ 75	1.6%	\$ 4,230	\$ 655	15.5%		\$ 31,094	\$ 32,335	\$ (1,242)	(3.8%)	\$ 29,855	\$ 1,239	4.1%	
Adj. to Gross Revenue	(626)	(538)	(89)	16.5%	(450)	(177)	39.3%		(4,073)	(3,750)	(323)	8.6%	(3,459)	(614)	17.7%	
Net Revenue	4,259	4,272	(14)	(0.3%)	3,780	478	12.6%		27,021	28,585	(1,564)	(5.5%)	26,395	625	2.4%	
Material	1,516	1,414	102	7.2%	1,341	175	13.1%		9,436	9,295	142	1.5%	9,804	(368)	(3.8%)	
Labor	656	636	20	3.2%	641	15	2.3%		4,030	4,327	(297)	(6.9%)	3,842	188	4.9%	
Other COGS	310	211	98	46.6%	162	148	91.3%		1,710	1,775	(66)	(3.7%)	1,303	406	31.2%	
Total COGS	2,482	2,262	220	9.7%	2,144	338	15.8%		15,176	15,397	(221)	(1.4%)	14,949	227	1.5%	
Gross Margin	1,777	2,011	(234)	(11.6%)	1,636	140	8.6%		11,845	13,188	(1,344)	(10.2%)	11,446	398	3.5%	
<i>Gross Margin %</i>	<i>41.7%</i>	<i>47.1%</i>			<i>43.3%</i>				<i>43.8%</i>	<i>46.1%</i>			<i>43.4%</i>			
R&D	176	178	(2)	(1.0%)	182	(6)	(3.2%)		825	1,080	(255)	(23.6%)	1,063	(238)	(22.4%)	
Sales & Marketing	388	487	(99)	(20.3%)	103	285	277.2%		2,267	2,709	(442)	(16.3%)	2,026	241	11.9%	
Administrative	513	481	32	6.6%	352	161	45.8%		2,873	2,926	(54)	(1.8%)	2,403	470	19.6%	
Other Opex	–	–	–	N/A	–	–	N/A		–	–	–	N/A	–	–	N/A	
Total Opex	1,077	1,146	(69)	(6.0%)	637	441	69.2%		5,965	6,716	(751)	(11.2%)	5,492	473	8.6%	
EBITDA	700	865	(165)	(19.1%)	1,000	(300)	(30.0%)		5,880	6,472	(593)	(9.2%)	5,954	(75)	(1.3%)	
<i>EBITDA %</i>	<i>16.4%</i>	<i>20.2%</i>			<i>26.4%</i>				<i>21.8%</i>	<i>22.6%</i>			<i>22.6%</i>			
Adj. EBITDA	1,064	1,244	(180)	(14.5%)	1,000	64	6.4%		6,749	7,438	(689)	(9.3%)	5,954	794	13.3%	
<i>Adj. EBITDA %</i>	<i>25.0%</i>	<i>29.1%</i>			<i>26.4%</i>				<i>25.0%</i>	<i>26.0%</i>			<i>22.6%</i>			
Net Income (Loss)	\$ 41	\$ (7)	\$ 49	(668.0%)	\$ 897	\$ (855)	(95.4%)		\$ 4,025	\$ 3,210	\$ 815	25.4%	\$ 5,226	\$ (1,201)	(23.0%)	
Capex	\$ –	\$ 30	\$ (30)	(100.0%)	\$ 226	\$ (226)	(100.0%)		\$ 249	\$ 631	\$ (382)	(60.6%)	\$ 881	\$ (632)	(71.7%)	

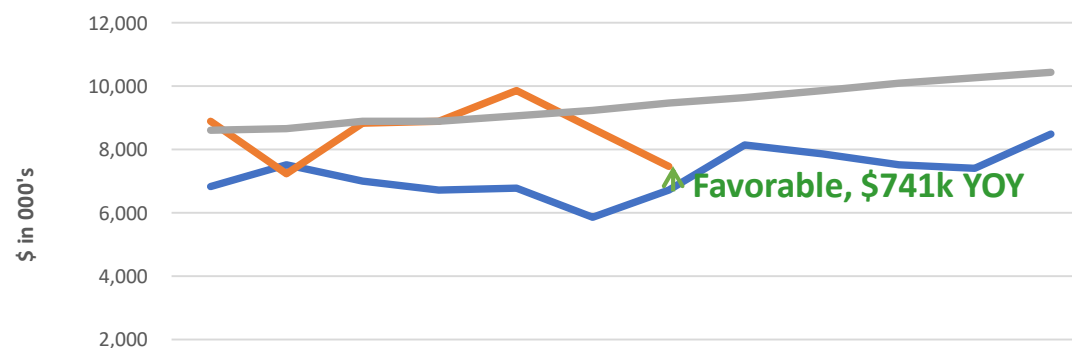
Management Discussion

- July Adjusted EBITDA unfavorable variance of (\$180k) vs. Budget from gross margin unfavorable mix (\$135k) and increased Warranty Expense (\$99k). Opex favorable \$69k related to open positions, timing of HR specialist fees and discretionary Spending controls.
 - Actual 1x adjustments were \$364k versus Budget of \$379k
- YTD Adjusted EBITDA unfavorable variance of (\$689k) vs. Budget from gross margin unfavorable volume (\$722k) and mix/other (\$622k). Opex favorable \$751k related to timing of innovation spend (R&D) and discretionary spending controls (T&E/Other Expenses)
 - Actual 1x adjustments were \$869k versus Budget of \$966k
- July Adjusted EBITDA favorable \$64k vs PY, from gross margin favorable volume of \$207k, mix/other of (\$67k), of which \$99k was Warranty Expense. Opex unfavorable (\$441k) related to 1x costs.
 - Actual 1x adjustments were \$364k versus \$0 in PY
- YTD Adjusted EBITDA favorable \$794k vs PY, from gross margin volume \$271k and mix/other \$127k. Opex unfavorable (\$473k) related to 1x costs.
 - Actual 1x adjustments were \$869 versus \$0 in PY



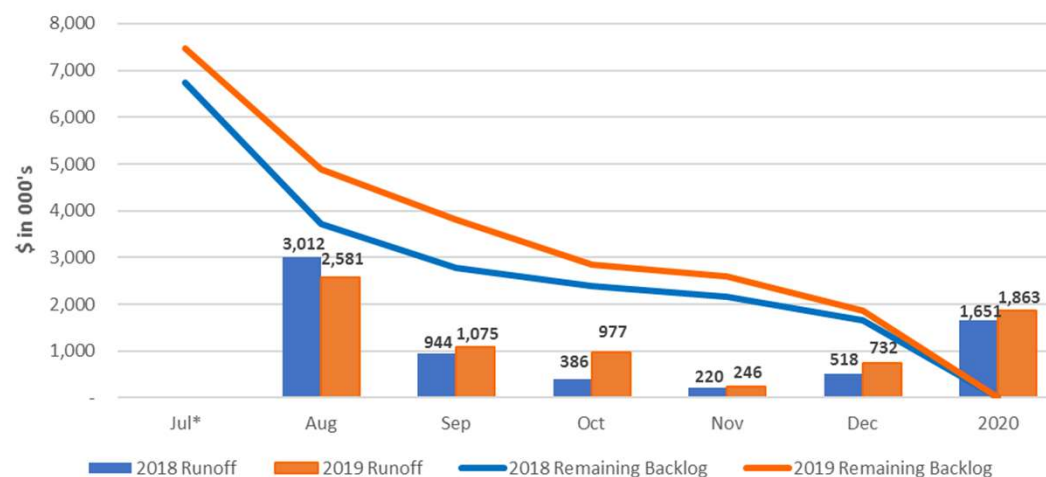
Backlog Trends (@ Month End)

Trended Backlog - Comparative July



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	6,816	7,526	6,994	6,714	6,763	5,848	6,732	8,174	7,900	7,544	7,427	8,476
2019	8,885	7,243	8,845	8,882	9,876	8,649	7,473					
Plan 2019	8,643	8,665	8,882	8,882	9,060	9,260	9,473	9,669	9,871	10,095	10,275	10,447

Backlog Runoff - Comparative July



* Only ending backlog balance shown for current reporting month. No runoff for closed month.



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YTD Business Split

YTD Sales (\$'s 000)

	ATM	Gov.	Resi.	Rail	Retail/ Other	Safe Dep Box	Total
India	\$4,554	\$0	\$228	\$0	\$1	\$0	\$4,782
APAC (Less India)	\$2,519	\$325	\$2,259	\$0	\$42	\$17	\$5,162
EMEA	\$1,980	\$315	\$933	\$0	\$69	\$8	\$3,305
LATAM	\$986	\$88	\$470	\$0	\$34	\$150	\$1,728
US and Canada	\$1,714	\$6,203	\$3,134	\$38	\$392	\$562	\$12,044
Total	\$11,753	\$6,931	\$7,024	\$38	\$538	\$737	\$27,022

YTD Sales (% of Total)

	ATM	Gov.	Resi.	Rail	Retail/ Other	Safe Dep Box	Total
India	17%	0%	1%	0%	0%	0%	18%
APAC (Less India)	9%	1%	8%	0%	0%	0%	19%
EMEA	7%	1%	3%	0%	0%	0%	12%
LATAM	4%	0%	2%	0%	0%	1%	6%
US and Canada	6%	23%	12%	0%	1%	2%	45%
Total	43%	26%	26%	0%	2%	3%	100%

YTD Contribution Margin (\$'s 000)

	ATM	Gov.	Resi.	Rail	Retail/ Other	Safe Dep Box	Total
India	\$3,117	\$0	\$92	\$0	(\$1)	\$0	\$3,208
APAC (Less India)	\$1,308	\$51	\$662	\$0	\$19	\$6	\$2,046
EMEA	\$468	\$88	\$265	\$0	\$26	\$3	\$849
LATAM	\$634	\$12	\$183	\$0	\$21	\$28	\$879
US and Canada	\$1,038	\$2,764	\$1,437	\$15	\$181	\$145	\$5,580
Total	\$6,565	\$2,914	\$2,640	\$15	\$245	\$182	\$12,561

YTD Contribution Margin (% of Total)

	ATM	Gov.	Resi.	Rail	Retail/ Other	Safe Dep Box	Total
India	25%	0%	1%	0%	(0%)	0%	26%
APAC (Less India)	10%	0%	5%	0%	0%	0%	16%
EMEA	4%	1%	2%	0%	0%	0%	7%
LATAM	5%	0%	1%	0%	0%	0%	7%
US and Canada	8%	22%	11%	0%	1%	1%	44%
Total	52%	23%	21%	0%	2%	1%	100%



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YTD YOY Comparison

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

	ATM	Gov.	Resi.	Rail	Other	Retail/ Dep Box	Safe Total
India	\$1,850	(\$4)	\$133	\$0	\$1	\$0	\$1,980
APAC (Less India)	(\$369)	\$52	(\$157)	\$0	\$23	\$3	(\$447)
EMEA	(\$411)	\$114	\$74	\$0	(\$19)	\$1	(\$242)
LATAM	(\$298)	\$37	\$43	\$0	(\$49)	(\$97)	(\$364)
US and Canada	(\$553)	\$1,637	(\$1,147)	(\$207)	(\$109)	\$328	(\$51)
Total	\$219	\$1,836	(\$1,055)	(\$207)	(\$153)	\$235	\$876

YTD YoY Change in Sales (% Growth)

	ATM	Gov.	Resi.	Rail	Other	Retail/ Dep Box	Safe Total
India	68%	-100%	140%		N/A	N/A	71%
APAC (Less India)	-13%	19%	-6%		119%	24%	-8%
EMEA	-17%	57%	9%		-22%	21%	-7%
LATAM	-23%	73%	10%		-59%	-39%	-17%
US and Canada	-24%	36%	-27%		-22%	140%	0%
Total	2%	36%	-13%		-22%	47%	3%

* 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.	Rail	Other	Retail/ Dep Box	Safe Total
India	\$1,239	(\$6)	\$58	\$0	(\$0)	\$0	\$1,290
APAC (Less India)	(\$117)	\$14	(\$57)	\$0	\$15	\$1	(\$145)
EMEA	\$37	\$36	(\$39)	\$0	(\$9)	\$1	\$25
LATAM	(\$139)	\$3	\$7	\$0	(\$22)	(\$17)	(\$169)
US and Canada	(\$117)	\$331	(\$433)	(\$97)	(\$70)	\$62	(\$325)
Total	\$902	\$378	(\$466)	(\$97)	(\$87)	\$47	\$677

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

	ATM	Gov.	Resi.	Rail	Other	Retail/ Dep Box	Safe Total
India	-103 bps	0 bps	409 bps	0 bps	0 bps	0 bps	-134 bps
APAC (Less India)	256 bps	225 bps	-47 bps	0 bps	2316 bps	-398 bps	57 bps
EMEA	563 bps	202 bps	-702 bps	0 bps	-241 bps	-568 bps	245 bps
LATAM	406 bps	-370 bps	-237 bps	0 bps	920 bps	48 bps	77 bps
US and Canada	960 bps	-873 bps	217 bps	-591 bps	-397 bps	-941 bps	-249 bps
Total	676 bps	-773 bps	-86 bps	-591 bps	-253 bps	-241 bps	103 bps

Legend (Chg in Contribution Margin % of Sales):

	> 50 bps
	> 50 bps
	+/- 50 bps

Management Discussion

- Favorable \$0.7M variance in overall contribution margin
 - Region
 - Favorable, \$1.3M in India
 - Unfavorable, (\$0.1M) in other APAC, (\$0.2M) in LATAM and (\$0.3M) in US and Canada
 - Channel
 - Favorable, \$0.9M in ATM, \$0.4M in Government
 - Unfavorable, (\$0.4M) in Residential, (\$0.2M) across all other channels



Cost of Goods Sold by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
<u>Material</u>								
Material costs at standard	\$ 1,535	\$ 1,401	\$ 134	9.6%	\$ 9,416	\$ 9,254	\$ 162	1.7%
Materials FX loss / (gain)	—	—	—	N/A	0	(0)	0	(103.6%)
Purchase price variance	(65)	6	(71)	(1111.4%)	(206)	10	(215)	(2251.6%)
Freight in	41	28	13	46.0%	390	359	30	8.4%
Cost revision	—	—	—	N/A	(232)	(232)	—	0.0%
Scrap costs	10	(29)	39	(134.1%)	(3)	(133)	130	(97.6%)
Consumables	(5)	8	(13)	(167.8%)	72	37	35	96.1%
Total Material COGS	\$ 1,516	\$ 1,414	\$ 102	7.2%	\$ 9,436	\$ 9,295	\$ 142	1.5%
<u>Labor</u>								
Direct labor	\$ 290	\$ 293	\$ (3)	(1.0%)	\$ 1,795	\$ 2,021	\$ (227)	(11.2%)
Direct labor - overtime	19	11	8	69.8%	109	80	29	36.5%
Direct labor - benefits	92	126	(34)	(26.8%)	617	784	(167)	(21.4%)
Indirect labor	182	156	26	16.7%	1,149	1,091	57	5.3%
Indirect labor – benefits	73	49	23	46.8%	362	351	11	3.1%
Total Labor COGS	\$ 656	\$ 636	\$ 20	3.2%	\$ 4,030	\$ 4,327	\$ (297)	(6.9%)
<u>Other</u>								
Repairs and maintenance	\$ 21	\$ 21	\$ 0	0.9%	\$ 124	\$ 112	\$ 13	11.5%
Rent / facilities	199	185	13	7.2%	1,314	1,283	31	2.4%
Utilities	24	29	(4)	(14.6%)	157	173	(16)	(9.2%)
Other cost of sales	65	(24)	89	(377.5%)	115	208	(93)	(44.8%)
Total Other COGS	\$ 310	\$ 211	\$ 98	46.6%	\$ 1,710	\$ 1,775	\$ (66)	(3.7%)
Total COGS	\$ 2,482	\$ 2,262	\$ 220	56.9%	\$ 15,176	\$ 15,397	\$ (221)	(9.0%)

Management Discussion

- July/YTD Favorable purchase price variance (PPV) of \$71k and \$215h, respectively, related to Zinc and 6120 Satin Chrome Housings
- July/YTD Unfavorable freight-in variances of (\$13k) and (\$30k), respectively, related to increased transportation rates and increased tariffs
- July Scrap Income of \$36k offset by scrap costs in 2740 Covers and 6124 Cases
- YTD Scrap Income of \$209k offset by Zinc and Aluminum, scrap costs in 2740 covers, 6124 cases, rivets and 6242
- July Unfavorable Other cost of sales, (\$89k), related to Palmer warranty accrual of \$99k on MPP locks



Balance Sheet, NWC, Cash, Debt

\$'000	Jul-19		Variance	
	Act	Bud	\$	%
<u>Current Assets</u>				
Cash and cash equivalents	\$ 2,779	\$ 1,978	\$ 801	40.5%
Accounts receivable, gross	8,149	8,994	(845)	(9.4%)
Accounts receivable, reserves	(195)	(162)	(33)	20.2%
Accounts receivable, net	7,955	8,832	(877)	(9.9%)
Inventory, gross	7,006	5,979	1,027	17.2%
Inventory, reserves	(548)	(419)	(130)	31.0%
Inventory, net	6,458	5,560	898	16.1%
Prepaid expenses and other current assets	273	222	51	23.0%
Total Current Assets	17,465	16,592	872	5.3%
<u>Current Liabilities</u>				
Current portion of long-term debt	\$ 892	\$ 892	\$ 0	0.0%
Accounts payable	3,374	3,559	(185)	(5.2%)
Accrued liabilities	1,327	1,054	273	25.9%
Accrued compensation	287	304	(17)	(5.6%)
Income taxes payable	266	104	162	155.7%
Short-term unearned revenue	315	—	315	N/A
Total Current Liabilities	6,461	5,913	548	9.3%
<u>Long-term liabilities</u>				
Long-term debt less current maturities	43,694	43,694	(0)	(0.0%)

Management Discussion

- A/R Balances below plan due to lighter than budgeted revenue
- Inventory Balances higher than plan due to purchases to mitigate tariffs
- A/P Balances lower than plan due to G&A spending controls and Cap Ex timing
- Full balance sheet pending opening balance sheet adjustments
- Accrued liabilities unfavorable (\$273k) related to warranty and freight accruals
- Short-term unearned revenue is prepayments by customers for orders not shipped. Balance driven by prepayment from Servus for A-series locks shipped in August



Opex Summary

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
Opex Overview:																
Payroll	\$ 342	\$ 280	\$ 61	21.9%	\$ 330	\$ 12	3.7%		\$ 2,080	\$ 2,077	\$ 3	0.2%	\$ 2,192	\$ (111)	(5.1%)	
Overtime	–	1	(1)	(100.0%)	1	(1)	(100.0%)		0	5	(5)	(93.5%)	4	(4)	(91.9%)	
Benefits	63	3	60	1873.9%	87	(24)	(27.2%)		541	489	52	10.6%	549	(7)	(1.4%)	
Bonus	2	47	(44)	(95.3%)	1	1	166.5%		115	230	(115)	(50.0%)	133	(18)	(13.3%)	
Commissions	30	73	(43)	(59.1%)	14	16	114.6%		168	448	(280)	(62.5%)	168	0	0.3%	
Marketing	56	24	32	136.2%	27	28	103.4%		277	210	68	32.4%	316	(38)	(12.1%)	
Travel and Entertainment	13	39	(26)	(67.4%)	32	(20)	(60.8%)		211	276	(65)	(23.7%)	289	(79)	(27.3%)	
Insurance	–	3	(3)	(100.0%)	3	(3)	(100.0%)		1	20	(19)	(94.4%)	21	(20)	(94.8%)	
Professional Fees	422	547	(125)	(22.8%)	197	225	114.3%		1,694	2,083	(389)	(18.7%)	1,191	503	42.2%	
Utl., Repair, Maint., & Sec.	1	10	(10)	(94.0%)	8	(7)	(92.2%)		12	32	(20)	(61.6%)	24	(11)	(47.8%)	
IT	104	51	53	104.5%	45	60	133.0%		425	339	86	25.5%	314	111	35.6%	
Bad Debts	18	–	18	N/A	–	18	N/A		76	–	76	N/A	45	32	71.4%	
Supplies	2	11	(9)	(78.4%)	6	(3)	(56.0%)		35	75	(40)	(53.3%)	38	(3)	(7.9%)	
Other Expenses	23	58	(35)	(60.4%)	(113)	136	(120.4%)		318	431	(112)	(26.1%)	210	108	51.6%	
Total Opex	\$ 1,077	\$ 1,146	\$ (69)	(6.0%)	\$ 637	\$ 440	69.2%		\$ 5,965	\$ 6,716	\$ (751)	(11.2%)	\$ 5,492	\$ 473	8.6%	

Management Discussion

- July vs Budget –favorable \$69k related to open positions, timing of HR specialist fees and discretionary Spending controls.
- YTD vs Budget - favorable \$751k related to timing of hiring open positions, timing of innovation spend (R&D), lower commissions driven by lower sales and discretionary spending controls (T&E/Other Expenses)
- July vs PY – unfavorable (\$440k) related to 1x costs.
 - Actual 1x adjustments were \$364k versus \$0 in PY
- YTD vs PY– unfavorable (\$473k) related to 1x costs partially offset by open positions, timing of Innovation Spend (R&D) and discretionary spending controls (T&E)
 - Actual 1x adjustments were \$869 versus \$0 in PY



Standalone Cost

\$'000		MTD				Variance				YTD				Variance			
	Description	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%	Act	Bud	\$	%
IT		11	39	(28)	-71.4%	11	63	(52)	-82.4%								
Manager	Salary and Benefits	9	9	(1)	-6.8%	9	19	(10)	-54.0%								
Analyst	Salary and Benefits	-	6	(6)	0.0%	-	6	(6)	0.0%								
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	-	16	(16)	-100.0%	-	27	(27)	-100.0%								
Business Services	Offset to TSA	-	0	(0)	0.0%	-	0	(0)	0.0%								
Sales Force	Licensing	-	-	-	0.0%	-	-	-	0.0%								
Accounting / HR systems	Concur Set-up and monthly fee	3	2	1	35.1%	3	6	(4)	-59.7%								
ERP transition licensing fees	Licensing	-	5	(5)	0.0%	-	5	(5)	0.0%								
Data Communications	Licensing	-	-	-	0.0%	-	-	-	0.0%								
Legal		-	19	(19)	-100.0%	-	38	(38)	-100.0%								
Headcount costs (1 FTE)	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%								
External legal fees and other expenses	Legal Fees	-	13	(13)	-100.0%	-	25	(25)	-100.0%								
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	13	(13)	-100.0%								
Finance		30	30	0	0.0%	44	58	(14)	-24.6%								
CFO	Salary and Benefits	21	21	0	0.0%	26	40	(14)	-35.3%								
Base compensation (2 FTEs)	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%								
Audit Fees	2019 Audit Fees	9	9	-	0.0%	18	18	-	0.0%								
Sales		13	11	2	19.9%	13	13	0	2.3%								
VP of Sales	Salary and Benefits	13	11	2	19.9%	13	13	0	2.3%								
HR		2	2	(0)	-14.4%	3	4	(1)	-14.4%								
Specialist	Salary and Benefits	-	0	(0)	-100.0%	-	1	(1)	-100.0%								
Business Travel and Accident	Business Travel and Accident	0	0	-	0.0%	1	1	-	0.0%								
Global Emergency Travel Services	Global Emergency Travel Services	1	1	-	0.0%	3	3	-	0.0%								
Trade Compliance		1	1	-	0.0%	3	3	-	0.0%								
Export Compliance Daily/ICPA annual fee	Export Compliance Daily/ICPA annual fee	0	0	-	0.0%	0	0	-	0.0%								
Trade Flow software license	Trade Flow software license	1	1	-	0.0%	2	2	-	0.0%								
Bonuses	Incremental management bonuses	10	15	(5)	-33.7%	10	31	(21)	-66.9%								
Risk	Incremental cost of business insurances	16	16	-	0.0%	33	33	-	0.0%								
Freight	Adjust freight to actual charges versus allocation	61	42	19	46.7%	61	83	(22)	-26.6%								
401(k) compensation	Estimated incremental 401(k) expense	10	10	-	0.0%	20	20	-	0.0%								
Total Standalone Costs		154	185	(30)	-16.4%	197	344	(147)	-42.6%								



1X Costs

\$'000		MTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%
IT		23	28	(5)	-18.5%	63	77	(14)	-18.4%
IT Specialist	Gray Drohan consulting fees	23	20	3	14.1%	63	69	(6)	-9.0%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	–	8	(8)	0.0%	–	8	(8)	0.0%
Legal/Professional Fees		256	247	10	3.9%	618	679	(61)	-8.9%
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	31	–	31	#DIV/0!	31	55	(24)	-44.5%
HR Specialist	Joel Tokarz consulting fees	–	60	(60)	-100.0%	276	273	3	1.1%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	201	164	37	22.3%	258	259	(2)	-0.6%
OGX	Consulting Fees	23	23	(1)	-2.2%	45	46	(1)	-1.8%
Other	Navex	3	–	3	#DIV/0!	9	47	(38)	-81.4%
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc)	–	19	(19)	-100.0%	–	26	(26)	-100.0%
Payroll Implementation	Internaltion GEO, Domestic PEO set up fees	–	–	–	#DIV/0!	7	11	(4)	-33.6%
Market Parity	Products to catch up to competitors' offerings	–	–	–	0.0%	–	–	–	0.0%
TSA		85	87	(1)	-1.4%	181	173	8	4.3%
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	53	54	(1)	-2.2%	110	109	1	1.0%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	32	32	–	0.0%	71	65	6	9.9%
Total 1X Costs		365	379	(14)	-3.8%	869	965	(96)	-9.9%



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Cash Flow Statement

Cash Flow will be presented beginning in August, after Opening Balance Sheet Audit is completed and entries are booked



SARGENT AND GREENLEAF

13-Week Cash Flow Projection

In US\$	Forecast 8/12	Forecast 8/19	Forecast 8/26	Forecast 9/2	Forecast 9/9	Forecast 9/16	Forecast 9/23	Forecast 9/30	Forecast 10/7	Forecast 10/14	Forecast 10/21	Forecast 10/28	Forecast 11/4	Forecast 11/11
Cash Inflows - Operational														
Collections from customers (Actual)														
Collections from customers based on projected aging (Foreca	1,343	1,174	1,578	643	913	823	612	423	156	48	37	48	37	30
Collections from new forecasted sales	-	-	-	-	-	263	438	640	425	823	975	1,175	600	918
Total AR Collections	1,343	1,174	1,578	643	913	1,086	1,050	1,063	581	871	1,012	1,223	637	948
Other non-AR inflows														
Total Cash Inflows - Operational	1,343	1,174	1,578	643	913	1,086	1,050	1,063	581	871	1,012	1,223	637	948
Cash Outflows - Operational														
Product inventory (SAP AP)	(374)	(275)	(442)	(290)	(351)	(290)	(535)	(254)	(349)	(271)	(314)	(397)	(404)	(469)
Payroll	(70)	(290)	(70)	(388)	(70)	(290)	(70)	(245)	(213)	(290)	(70)	(245)	(213)	(245)
Commissions														
Bonus														
Facilities & other (Freight)	(65)	(200)	(23)	(23)	(68)	(23)	(23)	(23)	(23)	(68)	(23)	(23)	(23)	(68)
Professional services	(64)	-	-	-	(62)	-	-	-	-	(62)	-	-	-	(62)
Marketing		(18)												
Recruiter fees														
Other expenses (Insurance, TSA, CC)	(148)	(25)	(64)	(178)	(77)	-	(64)	-	(80)	(77)	(64)	-	(80)	(77)
Total Cash Outflows - Operational	(721)	(808)	(599)	(879)	(628)	(603)	(692)	(522)	(665)	(769)	(471)	(665)	(720)	(921)
Cashflows - Financial and Other														
Revolving Loan Draw (Paydown)														
Term Loan paydowns								(223)						
Interest and financial amortization								(885)						
Other financial income/expense (e.g. fx, hedging)														
Non-financial income/expense														
Estimated Tax Payments					(650)									
Monitoring fees (including travel expenses)									(250)					
Non-recurring items														
Total Cash Outflows - Financial and Other	-	-	-	-	(650)	-	-	(1,108)	(250)	-	-	-	-	-
TOTAL CASH FLOW	622	366	979	(236)	(365)	482	358	(567)	(334)	102	541	558	(83)	27
Cash Rollforward														
Beginning cash balance	2,061	2,683	3,050	4,028	3,793	3,427	3,910	4,267	3,700	3,366	3,468	4,009	4,567	4,484
Cash activity	622	366	979	(236)	(365)	482	358	(567)	(334)	102	541	558	(83)	27
ENDING CASH BALANCE	2,683	3,050	4,028	3,793	3,427	3,910	4,267	3,700	3,366	3,468	4,009	4,567	4,484	4,511
Debt Summary														
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,363	44,363	44,363	44,363	44,363	44,363	44,363
TOTAL DEBT	44,586	44,586	44,586	44,586	44,586	44,586	44,586	44,363	44,363	44,363	44,363	44,363	44,363	44,363
TOTAL NET DEBT	41,903	41,536	40,558	40,793	41,159	40,676	40,319	40,663	40,997	40,895	40,354	39,796	39,879	39,852
AVAILABILITY	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500



Covenant Analysis

	Fixed Charge Ratio			
000's	Sep	Oct	Nov	Dec
TTM Fixed Charges:				
TTM Net Cash Interest	3,542	3,428	3,489	3,539
Plus:				
TTM Mandatory Principal Debt Payments	892	892	892	892
Fixed Charges	4,434	4,320	4,381	4,430
TTM EBITDA for defined Period	10,791	11,091	11,356	11,502
Less:				
TTM Unfinanced Capital Expenditures	1,010	1,170	1,271	1,212
TTM OGC Monitoring Fees	1,000	1,000	1,000	1,000
TTM Cash Taxes Paid	3,185	3,185	3,185	3,185
TTM Operating Cash Flow	5,596	5,735	5,900	6,105
Fixed Charge Coverage Ratio	1.26	1.33	1.35	1.38
Minimum Ratio	1.10	1.10	1.10	1.10
In Compliance	YES	YES	YES	YES
TTM Minimum Operating Cash Flow	4,877	4,752	4,819	4,873
TTM Operating Cash Flow Cushion	718	983	1,081	1,232

Amounts for October 2018 through April 2019 defined per credit agreement



Covenant Analysis

Total Debt to EBITDA Ratio

000's	Sep	Oct	Nov	Dec
Total Debt:				
Revolver Balance	-	-	-	-
Plus: Term Loan Balance	44,363	44,363	44,363	44,140
Plus: Other Debt	-	-	-	-
Less: Qualified Cash	1,765	1,504	2,986	1,562
Total Debt	42,598	42,859	41,377	42,578
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	10,791	11,091	11,356	11,502
TTM Adjusted EBITDA	10,791	11,091	11,356	11,502
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.11	4.00	3.91	3.84
Maximum Permitted Total Debt to EBITDA Ratio for the Defined Period	6.00	6.00	6.00	6.00
In Compliance	YES	YES	YES	YES
Minimum TTM EBITDA required	7,100	7,143	6,896	7,096
TTM EBITDA Cushion	3,691	3,947	4,460	4,406

Amounts for October 2018 through April 2019 defined per credit agreement

July 2019 Operating Review Meeting Agenda

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



Full year Forecast: Summary P&L

\$'000	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%	Act	\$	%
Gross Revenue	\$ 53,033	\$ 54,275	\$ (1,242)	(2.3%)	\$ 50,276	\$ 2,756	5.5%
Adj. to Gross Revenue	(6,525)	(6,203)	(323)	5.2%	(6,409)	(116)	1.8%
Net Revenue	46,508	48,072	(1,564)	(3.3%)	43,867	2,640	6.0%
Material	15,859	15,717	142	0.9%	15,626	233	1.5%
Labor	6,917	7,214	(297)	(4.1%)	6,473	444	6.9%
Other COGS	2,889	2,955	(66)	(2.2%)	1,968	921	46.8%
Total COGS	25,665	25,886	(221)	(0.9%)	24,067	1,598	6.6%
Gross Margin	20,843	22,186	(1,344)	(6.1%)	19,800	1,042	5.3%
<i>Gross Margin %</i>	<i>44.8%</i>	<i>46.2%</i>			<i>45.1%</i>		
R&D	2,256	2,511	(255)	(10.2%)	1,763	492	27.9%
Sales & Marketing	4,488	4,930	(442)	(9.0%)	3,727	761	20.4%
Administrative	5,444	5,497	(54)	(1.0%)	4,254	1,190	28.0%
Other Opex	–	–	–	N/A	–	–	N/A
Total Opex	12,188	12,938	(751)	(5.8%)	9,744	2,443	25.1%
EBITDA	8,655	9,248	(593)	(6.4%)	10,056	(1,401)	(13.9%)
<i>EBITDA %</i>	<i>18.8%</i>	<i>19.4%</i>			<i>22.9%</i>		
Adj. EBITDA	11,454	12,143	(689)	(5.7%)	10,056	1,397	13.9%
<i>Adj. EBITDA %</i>	<i>24.7%</i>	<i>25.4%</i>			<i>22.9%</i>		
Net Income (Loss)	\$ 3,878	\$ 3,063	\$ 815	26.6%	\$ 8,802	\$ (4,923)	(55.9%)
Capex	\$ 984	\$ 1,366	\$ (382)	(28.0%)	\$ 1,412	\$ (428)	(30.3%)

Management Discussion

- Includes Customer Relations Manager beginning in October. Adj EBITDA impact of \$47k in 2019. Total Annualized Compensation of \$189k and \$43k of recruiting fees



Full year Forecast: Opex Summary

\$'000

	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%	Act	\$	%
Opex Overview:							
Payroll	\$ 3,633	\$ 3,630	\$ 3	0.1%	\$ 3,716	\$ (83)	(2.2%)
Overtime	4	9	(5)	(54.3%)	5	(1)	(16.2%)
Benefits	648	597	52	8.7%	967	(319)	(33.0%)
Bonus	330	445	(115)	(25.9%)	193	137	70.9%
Commissions	481	761	(280)	(36.8%)	222	259	116.8%
Marketing	378	311	68	21.9%	546	(167)	(30.7%)
Travel and Entertainment	430	495	(65)	(13.2%)	434	(4)	(1.0%)
Insurance	15	33	(19)	(55.8%)	36	(22)	(59.7%)
Professional Fees	4,074	4,464	(389)	(8.7%)	1,996	2,079	104.2%
Utl., Repair, Maint., & Sec.	32	52	(20)	(38.5%)	73	(41)	(56.6%)
IT	1,089	1,003	86	8.6%	538	552	102.6%
Bad Debts	76	0	76	N/A	55	22	39.5%
Supplies	88	128	(40)	(31.3%)	67	21	31.3%
Other Expenses	589	703	(113)	(16.1%)	897	(307)	(34.3%)
Total Opex	\$ 12,188	\$ 12,938	\$ (750)	(5.8%)	\$ 9,744	\$ 2,444	25.1%

Full year Forecast: Balance Sheet Summary - Quarterly

Balance Sheet will be presented beginning in August, after Opening Balance Sheet Audit is completed and entries are booked



SARGENT AND GREENLEAF

Full year Forecast: Cash Flow Summary

Cash Flow will be presented beginning in August, after Opening Balance Sheet Audit is completed and entries are booked

July 2019 Operating Review Meeting Agenda

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

Management Governance Report

Disclosure Committee:

- Members include: CEO, CFO, VP Sales, VP Operations, VP and General Counsel
- First Audit Committee meeting to be held on Tuesday July, 30th prior to the Q2 Board meeting

Anonymous Hotline:

- Navex implemented July 16th, 2019. No activity.

Modification of Internal Control and Authority Matrix:

- OGC finalized and distributed to S&G

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:	None
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

July 2019 Operating Review Meeting Agenda

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



SARGENT AND GREENLEAF

Squeeze Report

	Net Revenue					Adj. EBITDA					Net Debt		
	Act	Rfc	Variance	PY	Variance	Act	Rfc	Variance	PY	Variance	Act	Rfc	PY
This Month	\$ 4,259	\$ 4,272	-0.3%	\$ 3,780	12.6%	\$ 1,064	\$ 1,244	-14.5%	\$ 1,000	6.4%	\$ (1,978)	\$ (1,978)	\$ (10,981)
Quarter to Date	\$ 4,259	\$ 4,272	-0.3%	\$ 3,780	12.6%	\$ 1,064	\$ 1,244	-14.5%	\$ 1,000	6.4%			
Year to Date	\$ 27,021	\$ 28,585	-5.5%	\$ 26,395	2.4%	\$ 6,749	\$ 7,438	-9.3%	\$ 5,954	13.3%			
LTM Trends (\$'000s)	8/31/18	9/30/18	10/31/18	11/30/18	12/31/18	1/31/19	2/28/19	3/31/19	4/30/19	5/31/19	6/30/19	7/31/19	LTM
Net Revenue	\$ 3,780	\$ 4,037	\$ 3,764	\$ 2,783	\$ 3,109	\$ 3,350	\$ 4,088	\$ 3,904	\$ 3,773	\$ 3,235	\$ 4,413	\$ 4,259	\$ 44,493
Gross Margin	1,934	2,008	1,771	1,357	1,285	1,456	1,821	1,838	1,469	1,354	2,129	1,777	20,199
Gross Margin %	51.2%	49.7%	47.0%	48.8%	41.3%	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	45.4%
SG&A	837	1,018	890	809	697	898	810	715	765	720	980	1,077	10,217
Reported EBITDA	1,097	989	880	548	588	559	1,011	1,123	705	634	1,149	700	9,981
Rep. EBITDA %	29.0%	24.5%	23.4%	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	22.4%
Adj. EBITDA	1,097	989	880	548	588	559	1,011	1,123	705	634	1,653	1,064	10,850
Adj. EBITDA %	29.0%	24.5%	23.4%	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	24.4%
Capex	\$ (42)	\$ (17)	\$ (1)	\$ (56)	\$ (416)	\$ (29)	\$ (21)	\$ (22)	\$ (14)	\$ (47)	\$ (26)	\$ 1	\$ (690)
Accounts Receivable, Net	\$ 6,864	\$ 7,712	\$ 7,332	\$ 6,979	\$ 6,637	\$ 6,542	\$ 7,672	\$ 7,838	\$ 7,201	\$ 7,047	\$ 7,940	\$ 8,832	\$ 8,832
Inventory, Net	5,943	6,320	6,420	6,742	6,360	6,919	6,772	6,832	6,979	6,919	6,584	5,560	5,560
Accounts Payable	4,082	4,415	3,722	3,743	3,785	3,933	3,707	3,716	4,031	2,966	2,980	3,559	3,559
CCC	\$ 8,725	\$ 9,617	\$ 10,029	\$ 9,979	\$ 9,212	\$ 9,528	\$ 10,736	\$ 10,954	\$ 10,149	\$ 11,001	\$ 11,544	\$ 10,833	\$ 10,833
DSO	72.3	83.7	70.5	66.0	61.9	84.9	95.7	63.2	56.0	58.8	63.3	49.6	72.5
DSI	83.8	95.3	98.8	114.1	110.3	121.8	104.1	100.8	96.6	102.2	94.3	89.0	45.6
DPO	56.7	65.6	55.8	61.5	63.8	67.7	55.8	54.3	55.4	43.8	33.7	54.0	53.5
C2C	99.4	113.4	113.5	118.6	108.4	139.1	144.0	109.7	97.2	117.2	123.9	84.6	64.6
Bank revolver	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 800	\$ -	\$ -
Unclassified external debt / OID	-	-	-	-	-	-	-	-	-	-	-	-	-
OpenGate debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Outstanding	-	-	-	-	-	-	-	-	-	800	800	-	-
Cash and equivalents	11,396	11,658	10,845	11,132	11,172	10,903	10,588	1,328	422	807	1,376	1,978	1,978
Total Net Debt	\$ (11,396)	\$ (11,658)	\$ (10,845)	\$ (11,132)	\$ (11,172)	\$ (10,903)	\$ (10,588)	\$ (1,328)	\$ (422)	\$ (7)	\$ (1,376)	\$ (1,978)	\$ (1,978)
Beginning Cash Balance	\$ 10,981	\$ 11,396	\$ 11,658	\$ 10,846	\$ 11,132	\$ 11,172	\$ 10,903	\$ 10,588	\$ 1,328	\$ 422	\$ 1,607	\$ 1,376	\$ 10,981
Add / (Less): Operating Cash Flow	948	178	(2,512)	795	3,447	207	6,879	1,413	1,044	8,479	595	1,402	22,874
Add / (Less): Investing Cash Flow	(42)	(17)	(1)	(56)	(416)	(29)	(21)	(22)	(14)	(47)	(26)	1	(690)
Add / (Less): Financing Cash Flow	(490)	101	1,701	(452)	(2,990)	(446)	(7,173)	(10,652)	(1,935)	(7,247)	(800)	-	(30,384)
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	\$ 11,396	\$ 11,658	\$ 10,846	\$ 11,132	\$ 11,174	\$ 10,903	\$ 10,588	\$ 1,328	\$ 422	\$ 1,607	\$ 1,376	\$ 2,779	\$ 2,779



SARGENT AND GREENLEAF

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	FY	FY	Var		PY	Var	
	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Gross Revenue	\$ 3,737	\$ 4,592	\$ 4,440	\$ 4,311	\$ 3,933	\$ 5,195	\$ 4,885	\$ 4,399	\$ 4,560	\$ 5,043	\$ 4,055	\$ 3,882	\$ 53,033	\$ 54,275	\$ (1,242)	(2.3%)	\$ 50,276	\$ 2,756	5.5%
Adj. to Gross Revenue	(387)	(504)	(536)	(538)	(698)	(782)	(626)	(492)	(510)	(564)	(453)	(434)	(6,525)	(6,203)	(323)	5.2%	(6,409)	(116)	1.8%
Net Revenue	3,350	4,088	3,904	3,773	3,235	4,413	4,259	3,907	4,050	4,480	3,601	3,448	46,508	48,072	(1,564)	(3.3%)	43,867	2,640	6.0%
Material	1,083	1,424	1,272	1,488	1,169	1,485	1,516	1,256	1,433	1,425	1,166	1,142	15,859	15,717	142	0.9%	15,626	233	1.5%
Labor	621	550	539	632	543	489	656	564	646	642	523	511	6,917	7,214	(297)	(4.1%)	6,473	444	6.9%
Other COGS	190	292	255	184	168	311	310	177	217	301	245	239	2,889	2,955	(66)	(2.2%)	1,968	921	46.8%
Total COGS	1,894	2,266	2,066	2,303	1,881	2,284	2,482	1,997	2,296	2,368	1,934	1,893	25,665	25,886	(221)	(0.9%)	24,067	1,598	6.6%
Gross Margin	1,456	1,821	1,838	1,469	1,354	2,129	1,777	1,910	1,754	2,111	1,668	1,555	20,843	22,186	(1,344)	(6.1%)	19,800	1,042	5.3%
Gross Margin %	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	48.9%	43.3%	47.1%	46.3%	45.1%	44.8%	46.2%			45.1%		
R&D	133	112	103	109	109	84	176	272	288	294	276	301	2,256	2,511	(255)	(10.2%)	1,763	492	27.9%
Sales & Marketing	374	336	315	308	305	240	388	396	435	466	474	450	4,488	4,930	(442)	(9.0%)	3,727	761	20.4%
Administrative	390	362	297	348	306	656	513	665	379	370	381	686	5,354	5,407	(54)	(1.0%)	4,254	1,100	25.8%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—	—	N/A
Total Opex	898	810	715	765	720	980	1,077	1,334	1,102	1,129	1,131	1,436	12,097	12,848	(751)	(5.8%)	9,744	2,353	24.1%
EBITDA	559	1,011	1,123	705	634	1,149	700	577	652	982	536	119	8,746	9,338	(593)	(6.3%)	10,056	(1,311)	(13.0%)
EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	14.8%	16.1%	21.9%	14.9%	3.4%	18.8%	19.4%			22.9%		
Adj. EBITDA	559	1,011	1,123	705	634	1,653	1,064	972	932	1,245	870	734	11,501	12,190	(689)	(5.7%)	10,056	1,445	14.4%
Adj. EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	24.9%	23.0%	27.8%	24.1%	21.3%	24.7%	25.4%			22.9%		
Net Income (Loss)	\$ 440	\$ 909	\$ 1,028	\$ 609	\$ 535	\$ 463	\$ 41	\$ 40	\$ 96	\$ 76	\$ 12	\$ (279)	\$ 3,969	\$ 3,154	\$ 815	25.8%	\$ 8,802	\$ (4,833)	(54.9%)
Capex	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ —	\$ 120	\$ 47	\$ 283	\$ 223	\$ 63	\$ 984	\$ 1,366	\$ (382)	(28.0%)	\$ 1,412	\$ (428)	(30.3%)



Standalone Costs

\$'000		Pre-close Proforma Standalone Costs					Post-Close Standalone Revised Costs							
	Description	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
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, Windd	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 tranisition 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



1X Costs

\$'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	
IT		49	28	175	85	70	70	70	547
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	155	65	50	50	50	378
Legal/Professional Fees		433	247	66	41	51	46	41	925
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	55	–	–	–	–	–	–	55
HR Specialist	Joel Tokarz consulting fees	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
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc), Ecommerce/social media refresh strategy, competitive database	7	19	17	20	30	108	58	259
Payroll Implementation	International GEO, Domestic PEO set up fees, visa transfer fees	11	–	16	–	–	–	–	27
Market Parity	Products to catch up to competitors' offerings	–	–	74	82	56	56	83	351
SA Closure	Severance	–	–	–	–	–	–	310	310
TSA		87	87	78	73	73	70	70	535
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
Total 1X Costs		587	380	427	301	279	349	632	2,955



SARGENT AND GREENLEAF

Monthly Cost of Goods Sold by Component

\$'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	FY	FY	Var		PY	Var	
	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Material																			
Material costs at standard	\$ 1,075	\$ 1,395	\$ 1,318	\$ 1,462	\$ 1,122	\$ 1,508	\$ 1,535	\$ 1,240	\$ 1,423	\$ 1,414	\$ 1,160	\$ 1,131	\$ 15,784	\$ 15,623	\$ 162	1.0%	\$ 14,987	\$ 797	5.3%
Materials FX loss / (gain)	—	(0)	0	—	—	—	—	0	—	—	—	—	0	(0)	0	(120.0%)	(2)	2	(101.2%)
Purchase price variance	14	(32)	(48)	14	(44)	(45)	(65)	5	5	6	5	5	(179)	37	(215)	(589.2%)	68	(246)	(364.4%)
Freight in	57	82	58	38	84	30	41	28	22	25	18	23	506	475	30	6.4%	681	(175)	(25.7%)
Cost revision	(50)	(30)	(50)	(50)	(50)	—	—	—	—	—	—	—	(232)	(232)	—	0.0%	—	(232)	N/A
Scrap costs	5	(11)	(54)	11	47	(11)	10	(23)	(23)	(29)	(23)	(23)	(124)	(254)	130	(51.1%)	(200)	76	(37.9%)
Consumables	(18)	20	49	12	11	2	(5)	6	6	8	6	6	104	69	35	51.1%	92	12	12.8%
Total Material COGS	\$ 1,083	\$ 1,424	\$ 1,272	\$ 1,488	\$ 1,169	\$ 1,485	\$ 1,516	\$ 1,256	\$ 1,433	\$ 1,425	\$ 1,166	\$ 1,142	\$ 15,859	\$ 15,717	\$ 142	0.9%	\$ 15,626	\$ 233	1.5%
Labor																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 290	\$ 254	\$ 335	\$ 297	\$ 207	\$ 194	\$ 3,080	\$ 3,307	\$ (227)	(6.9%)	\$ 2,736	\$ 344	12.6%
Direct labor - overtime	15	19	17	16	8	14	19	9	10	13	15	16	172	143	29	20.4%	194	(22)	(11.3%)
Direct labor - benefits	102	83	81	98	81	80	92	102	102	125	101	101	1,147	1,314	(167)	(12.7%)	971	175	18.0%
Indirect labor	168	161	158	167	164	149	182	152	152	158	153	153	1,918	1,861	57	3.1%	1,971	(53)	(2.7%)
Indirect labor – benefits	60	48	48	57	47	29	73	47	47	50	47	47	600	589	11	1.8%	600	(0)	(0.1%)
Total Labor COGS	\$ 621	\$ 550	\$ 539	\$ 632	\$ 543	\$ 489	\$ 656	\$ 564	\$ 646	\$ 642	\$ 523	\$ 511	\$ 6,917	\$ 7,214	\$ (297)	(4.1%)	\$ 6,473	\$ 444	6.9%
Other																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 17	\$ 17	\$ 21	\$ 17	\$ 17	\$ 212	\$ 199	\$ 13	6.4%	\$ 220	\$ (8)	(3.5%)
Rent / facilities	206	215	193	167	157	178	199	168	166	187	169	167	2,171	2,140	31	1.4%	979	1,192	121.7%
Utilities	22	25	21	22	21	21	24	23	23	29	23	23	277	293	(16)	(5.4%)	300	(23)	(7.5%)
Other cost of sales	(50)	46	5	(29)	(21)	98	65	(31)	11	65	36	33	229	322	(93)	(28.9%)	469	(240)	(51.2%)
Total Other COGS	\$ 190	\$ 292	\$ 255	\$ 184	\$ 168	\$ 311	\$ 310	\$ 177	\$ 217	\$ 301	\$ 245	\$ 239	\$ 2,889	\$ 2,955	\$ (66)	(2.2%)	\$ 1,968	\$ 921	46.8%
Total COGS	\$ 1,894	\$ 2,266	\$ 2,066	\$ 2,303	\$ 1,881	\$ 2,284	\$ 2,482	\$ 1,997	\$ 2,296	\$ 2,368	\$ 1,934	\$ 1,893	\$ 25,665	\$ 25,886	\$ (221)	(5.4%)	\$ 24,067	\$ 1,598	55.1%



Monthly Balance Sheet: NWC, Cash, Debt

\$'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	FY	FY	Var	
	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Current Assets																
Cash and cash equivalents	\$ 10,903	\$ 10,588	\$ 1,328	\$ 422	\$ 1,607	\$ 1,376	\$ 2,779	\$ 2,695	\$ 1,755	\$ 1,492	\$ 2,971	\$ 1,235	\$ 1,235	\$ 1,235	\$ -	0.0%
<i>Accounts receivable, gross</i>	6,704	7,865	8,000	7,380	7,203	8,117	8,149	8,833	8,911	9,298	8,726	8,210	8,210	8,210	-	0.0%
<i>Accounts receivable, reserves</i>	(162)	(194)	(161)	(179)	(156)	(177)	(195)	(159)	(160)	(167)	(157)	(148)	(148)	(148)	-	0.0%
Accounts receivable, net	6,542	7,672	7,838	7,201	7,047	7,940	7,955	8,674	8,750	9,130	8,569	8,062	8,062	8,062	-	0.0%
<i>Inventory, gross</i>	7,413	7,264	7,342	7,448	7,385	7,042	7,006	6,089	6,329	6,505	6,374	5,948	5,948	5,948	-	0.0%
<i>Inventory, reserves</i>	(493)	(492)	(510)	(470)	(466)	(458)	(548)	(426)	(443)	(455)	(446)	(416)	(416)	(416)	-	0.0%
Inventory, net	6,919	6,772	6,832	6,979	6,919	6,584	6,458	5,663	5,886	6,049	5,928	5,532	5,532	5,532	-	0.0%
Prepaid expenses and other current assets	113	118	122	75	81	46	273	206	189	173	157	141	141	141	-	0.0%
Total Current Assets	24,477	25,150	16,120	14,677	15,655	15,946	17,465	17,238	16,581	16,845	17,625	14,969	14,969	14,969	-	0.0%
Current Liabilities																
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 892	\$ 892	\$ 892	\$ 892	\$ 1,003	\$ 1,003	\$ 1,003	\$ 1,115	\$ 1,115	\$ 1,115	\$ -	0.0%
Accounts payable	3,933	3,707	3,716	4,031	2,966	2,980	3,374	3,693	4,291	3,921	4,191	4,041	4,041	4,041	-	0.0%
Accrued liabilities	643	809	1,333	950	557	848	1,327	1,350	765	1,082	1,363	773	773	773	-	0.0%
Accrued compensation	116	140	134	110	149	179	287	338	374	277	311	347	347	347	-	0.0%
Income taxes payable	1,876	-	-	(140)	(0)	266	266	244	(389)	(130)	(2)	(792)	(792)	(792)	-	0.0%
Short-term unearned revenue	80	20	34	72	43	70	315	-	-	-	-	-	-	-	-	N/A
Total Current Liabilities	6,628	4,677	5,218	5,023	5,406	5,235	6,461	6,518	6,044	6,153	6,867	5,483	5,483	5,483	-	0.0%
Long-term liabilities																
Long-term debt less current maturities	-	-	-	-	43,694	43,694	43,694	43,694	43,360	43,360	43,360	43,025	43,025	43,025	-	0.0%

Entire Balance Sheet will be presented beginning in August, after Opening Balance Sheet Audit is completed and entries are booked



Monthly Cash Flow

\$'000	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Cash flow from operations											
Net Income (Loss)	\$ 463	\$ 41	\$ 40	\$ 96	\$ 76	\$ 12	\$ (279)	\$ 982	\$ 60	\$ 923	1540.1%
Depreciation, amortization and other	103	87	100	91	94	94	92	764	648	116	17.9%
Change in operating assets and liabilities:											
Accounts receivable	(893)	(15)	158	(76)	(380)	561	507	16	1,107	(1,091)	(98.5%)
Inventory	335	126	(103)	(224)	(163)	121	396	550	803	(253)	(31.5%)
Prepaid expenses and other current assets	35	(227)	16	16	16	16	16	(117)	(81)	(35)	43.5%
Accounts payable	15	394	134	598	(371)	271	(150)	(175)	350	(525)	(150.0%)
Accrued expenses	290	479	297	(585)	317	281	(590)	96	62	34	55.6%
Accrued income taxes	266	0	140	(633)	259	128	(791)	(490)	(1,291)	800	(62.0%)
Other changes in operating assets and liabilities	(19)	515	34	36	(97)	34	36	9,492	236	9,256	3924.0%
Other cash flow from operations	—	—	—	—	—	—	—	—	—	—	N/A
Total Cash Flow from Operations	\$ 595	\$ 1,402	\$ 817	\$ (682)	\$ (248)	\$ 1,519	\$ (763)	\$ 11,118	\$ 1,893	\$ 9,225	487.3%
Cash flow from investing											
Additions to property, plant and equipment	\$ (26)	\$ 1	\$ (100)	\$ (35)	\$ (15)	\$ (40)	\$ (750)	\$ (1,012)	\$ (1,245)	\$ 233	(18.7%)
Total Cash Flow from Investing	\$ (26)	\$ 1	\$ (100)	\$ (35)	\$ (15)	\$ (40)	\$ (750)	\$ (1,012)	\$ (1,245)	\$ 233	(18.7%)
Cash flow from financing											
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (800)	\$ 800	(100.0%)
Proceeds from the issuance of debt	—	—	—	—	—	—	—	—	—	—	N/A
Repayment of debt	—	—	—	(223)	—	—	(223)	(446)	(446)	—	0.0%
Other cash flow from financing costs	0	—	—	—	—	(0)	—	(8,047)	225	(8,272)	(3673.1%)
Total Cash Flow from Financing	\$ (800)	\$ —	\$ —	\$ (223)	\$ —	\$ (0)	\$ (223)	\$ (8,493)	\$ (1,021)	\$ (7,472)	732.1%
Effect of FX rates on cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	N/A
Net change in cash	\$ (231)	\$ 1,403	\$ 717	\$ (940)	\$ (263)	\$ 1,479	\$ (1,736)	\$ 1,613	\$ (373)	\$ 1,986	(533.1%)
Beginning cash	1,607	1,376	1,979	2,695	1,755	1,492	2,971	422	1,607	(1,185)	(73.7%)
Change in cash	(231)	1,403	717	(940)	(263)	1,479	(1,736)	1,613	(373)	1,986	(533.1%)
Ending cash	\$ 1,376	\$ 2,779	\$ 2,695	\$ 1,755	\$ 1,492	\$ 2,971	\$ 1,235	\$ 1,235	\$ 1,235	\$ —	—



SARGENT AND GREENLEAF

Headcount by Month

Month	Direct Labor	Indirect Labor - Hourly	Indirect Labor - Salary	Delivery & Dist.	Research & Development	Sales & Marketing	Administrative	Other	Total Permanent	Agency FTE & Temps	Total Headcount	Bud Headcount	Difference to Bud
2019 January (A)	67	—	18	7	10	17	7	—	126	6	132	143	(11)
2019 February (A)	65	—	19	7	10	17	7	—	125	6	131	143	(12)
2019 March (A)	65	—	19	7	10	16	7	—	124	5	129	143	(14)
2019 April (A)	65	—	19	7	10	16	7	—	124	9	133	143	(10)
2019 May (A)	64	—	19	7	10	16	7	—	123	8	131	143	(12)
2019 June (A)	63	—	19	7	10	17	8	—	124	8	132	145	(13)
2019 July (A)	62	—	19	7	10	19	10	—	127	9	136	147	(11)
2019 August (F)	71	—	18	7	10	21	10	—	137	10	147	147	—
2019 September (F)	71	—	18	7	10	21	10	—	137	10	147	147	—
2019 October (F)	71	—	18	7	10	21	11	—	138	10	148	148	—
2019 November (F)	71	—	18	7	10	21	11	—	138	10	148	148	—
2019 December (F)	71	—	18	7	10	21	11	—	138	10	148	148	—
Final Headcount	71	—	18	7	10	21	11	—	138	10	148	148	—



SARGENT AND GREENLEAF