Monthly Operating Review – November 2019

December 17, 2019

Monthly Operating Review Agenda

→ **Executive Summary**

→ Financial Review

→ Governance Reporting

→ Appendix

Executive Summary

Hits

- Strong bookings at $6.2m with invoiced sales at $5.6m, compared to target of $5.1m
- Strong subscription sales at $1.8m compared to target of $740k
- Pod ASP – $842 compared to target of $777
- Improved new customer adoption at 197 –(trending up from prior month of 188)
- 4.3.1 has been released to address security, configuration and usability issues based on customer feedback
- Organization/Key Hires
  - Executive Team held off-site for 2020 strategic planning
  - Key talent in Europe identified; technical, marketing, leadership and sales
  - Space renovations are on schedule
  - Mersive for Good launched (community impact program)
- Customer Adoption
  - Existing customers – WeWork ($1.7m), Accenture ($116k), Carnegie Mellon University ($109k), Iowa State University ($109k)
  - New/Land orders – Santander ($146k), IQVIA ($297k), Nexus International School ($226k), Cochlear ($51k), National Association of Broadcasters ($38k)

Executive Summary (Continued)

Misses

- GAAP EBITDA at $175k compared to target of $563k.

- Pod Sales at $3.7m compared to target of $4.3m.

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.

- Solstice Room Bridge behind schedule based technical challenges.

- Flexera – need to update version based on subscription and maintenance data reporting requirements.

Executive Summary – Risks and Challenges

| Description	Potential Impact	Plan to Address
Product Issues	**Sales shortfall** **Customer sat.** **Engineering burden**	4.3.1 release on 12/5 to address issues with 4.3 Miracast refactoring work progressing
VP Customer Ops	**Align customer facing responsibilities to improve communications, economies of scale and accountability**	**Olivier has been on board for 30 days and has been a quick study and has been able to make significant contributions**
AV industry	**Barco and many of our competitors are also launching capabilities similar to our Room Bridge, Action-Tec is for sale.**	**Ensure timely release of Solstice Room Bridge**
Improve margin/EBITDA while continuing to invest and grow	Failure to take advantage of market timing and growth	**Margin analysis by rep/region**
HR/Staffing/Comp	We need to upgrade leadership to move from tactical/admin to strategic initiatives	Hire VP HR in Q1 – done MBO program – done 401K match – done **Phantom stock – finalizing – waiting on legal agreement** **Professional development – program selected**
Sales Team Productivity	Failure to hit FY target, exploit competitors weaknesses, leverage market growth and timing	**Backfill PNW and SE RSD**
Recurring revenue	Impact on enterprise value Target incremental business with Opex model	Added dedicated sales responsibilities for upfront subscription to insides sales team Increasing pressure on Kepler dev for additional features

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%	
	Scale Sales Organization	New Hires - ANZ SE/France Channel Mgr/Consultant Liaison	Hire to plan	Rick	100%	All hires complete
		Hire Backfill positions - PNW RSD/Mid Atlantic SE/France SE	Hire to plan	Rick	66%%	PNW still outstanding with no prospects currently
		Sales Ops - deliver top 5 enablement/reporting projects	Sales onboarding/Demo pod lifecycle/Channal Mgr reporting/EMEAN+APAC disty reporting/SDR metrics reports	Craig/Rick	90%	Almost complete
3	Ensure Product Roadmap Drives Market Adoption	Delivery: Fulfill Q4 release milestones at agreed upon scope and timing	4.4 release feature freeze by end of Dec for Jan release	Tae	90%	Code freeze Dec 18, GA Jan 23
			Relay Beta launched by end of November including key partners/customers with sampling across regions/verticals	Chris/Tae	60%	Delayed due to technical roadblock (plus 45 days). Minimum viable product for beta finalized, team executing. Continuing to focus on key risk item (USB-IP)
			Location aware computing integrated within the Solstice framework for both analytics and improved user experience.	Chris	56%	On track. Research phase nearly complete and cloud infrastructure in place. Product impacts targeted at 4.4
		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%	Definition and product scope in place, feature flag build infrastructure project underway (required to build new product scope).
		Delivery: Kepler Dashboard & Analytics	Onboarding application ready for 4.4 release, complete cohorts of configuration settings added to kepler (complete all design, complete 12 of 13 cohorts. Analytics and reporting added at a pace to maintain market engagement.	Tae	80%	Added one additional cohort to scope for GA as a requirement
		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	90%	GA delivery targeted by end of Q1 2020
		Risk Mgmt: Improve Solstice Quality	Complete planned P1 bugs for 4.4 and release 4.3.1 patch release that stabilizes key cusotmers	Tae	90%	
		Deliver Operational Beta for Active Learning Application	Deliver working AL application on mobile platforms using AL API. Include to at least 15 Institutions with supporting materials, program webinars, and venues for feedback. Deliver scope/feature changes based on feedback to product team by end of year.	Chris/Tae	100%	
4	Scale Marketing and Support	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	83%	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 in Jan.
		Scale digital marketing	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	83%	All objectives are on-track. Demo pages and workflows complete. SEO work will continue through year end.
		Scale field marketing internationally	Gitex trade show (Dubai) 10/10; Nordic engage events 11/8; Italy engage event in Nov	Martin	67%	All objectives are complete except Solstice Engage Italy which has been postponed to 2020.
		Scale product marketing / support processes	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	75%	All objectives are on-track except VTC Education campaign which will start mid-Dec.
		Update Denver office space	150 construction complete	Michelle	50%	Renovations in 150 underway, will be complete, including furniture upgrade, by end of Q4
		Scale the HR Processes and Tech	Namely HRIS integrations built w/carriers	Michelle	10%	Underway, post Open Enrollment
			International payroll system proposed	Michelle	100%	Needs approval from Finance
		Improve total rewards	Upgrade U.S. benefits while reducing costs	Michelle	100%	
			Audit gaps in International benefits	Michelle	50%	
			Develop & implement key employee stock plan	Michelle	100%	
		Articulate Mersive Culture & Expectations	Talent Brand and EVP Communicated	Michelle	100%	
			Mersive Leadership Success Profile created	Michelle	75%	
6	Improve business intelligence reporting	Complete recurring revenue reporting	Include monthly reporting in MOR & Board deck	Dan	0%	This has been put on hold based pending CMM replacement.
		Complete Contract Management Module in NS	Inside sales team using CMM for subscription renewal opportunities	Dan	0%	This module has been put on hold based on Director of EA
		Complete KPI metrics for dashboards in NS	Onboard new controller - Starts Nov. 4	Dan	50%	Added several board level KPIs to dashboard.
		Rearchitect CRM systems	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	63%	All objectives are on-track. Completion of business process map has been postponed to Q1 2020.
7	Launch LCE	Complete all remaining LCE software tasks and customer survey		Rob	50%	

November '19- Big Wins, Key Deals and Losses

Upcoming Key Deals

- **TJX** – Pilot pending in UK, Canada and N America.
- **Shell** – Ongoing Q&A related to final decision – TBD on timing
- **Toyota** – Been told we are now global standard. Forecast pending
- **Marathon Oil** – Solstice is in the spec for 149 room building–early '20
- **Rolls Royce** – Declared standard in October. Orders in 2020
- **KKR –** install pushed to mid 2020. Order 1H 2020
- **EY** – opportunity to win global standard for 2020. Need Bluetooth?
- **Monash University –** potential $750K deal. Evaluating Active Studio
- **IBM** – early evaluation for new HQ in Germany
- **Hill Holliday** – moving toward standard. Initial purchases pending
- **PwC** – Potential reference account in Dubai. Need Room Bridge
- **Pfizer** – Pilot win in MA. Order in December
- **GDIT** – Evaluating for new build in early 2020
- **Continental AG** – In competition with Wolfvision. Mid 2020 decision
- **Northrop Gruman** – Land order in Jan basis for standard discussion
- **BP** – being evaluation for national standard. In "final four"
- **GM** – being evaluated for national standard
- **Darden** – decision on new HQ by January

Key Losses/Delays

- **Thrivent –** lost to Crestron. Wanted integration with Fusion
- **St Jude** – still active but building pushed to 2021
- **Egis** – going with Barco due to Miracast
- **Kering** – on hold pending Miracast introduction
- **EDF** – standard at risk. Barco while they wait for Miracast
- **Carlsberg** – sticking with Barco vs changing vendors
- **PEAB** – need Miracast. Have opportunity once available

Big Wins

- WeWork - $1.7M
- IQVIA – $297K
- Nexus Intl. School - $226K
- Santander - $147K
- Accenture - $117K
- Carnegie Mellon U - $109K

- Iowa State U - $109K
- Mastercard - $100K
- Convene - $78K
- Universitätsspital Zürich - $71K
- Statsbygg - $60K
- Ensemble Health Partners - $60K

Sales Metrics – Monthly Trend

Invoiced Sales & Bookings

Legend: Pod, Solstice Subscription - Upfront, Solstice Subscription - Renewal
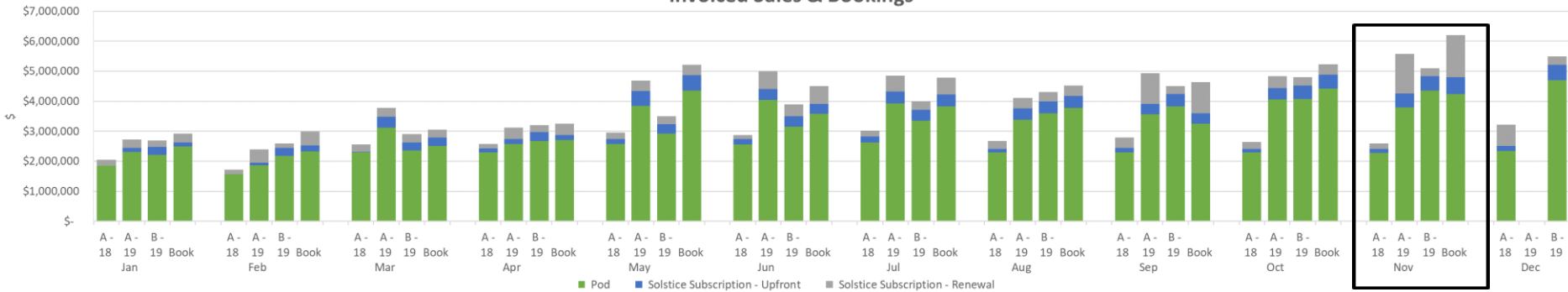
- November invoiced sales were $5.6m compared to target of $5.1m. Bookings were $6.2m compared to a $5.1m target.
- YTD invoiced sales were $46.0m compared to target of $41.5m. Bookings were $47.2m compared to a $41.5m target

Revenue by Product

Legend: Pod, Solstice Subscription - Extended, Solstice Subscription - 1st Year
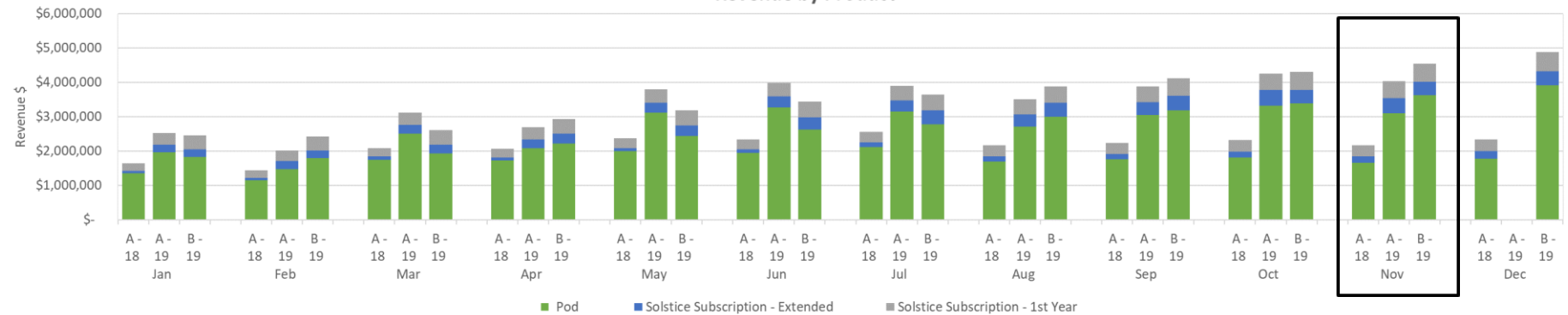
- Graph shows revenue comparatives by product type of '18 Actual, '19 Actual & '19 Budget

Pod Invoiced Sales Metrics – Monthly Trend

Pod Sales by Region

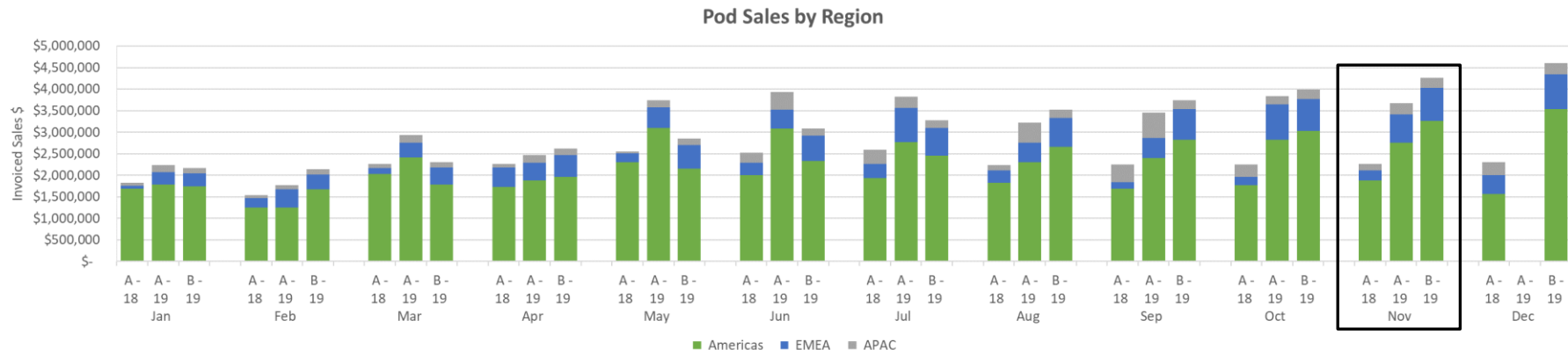- November invoiced sales were slightly below budget primarily due to underperformance in Americas and EMEA.
- YTD pod sales were $35.1m compared to target of $34.0m.

ASP - Blended

- Graph shows ASP by region historically and planned for remaining 2019
- Overall ASP across all regions was $842, which is above plan of $777 due to higher than expected ASP in Americas and EMEA. ASP increase from prior month due primarily to increased sales mix in Americas, as well as increased mix of unlimited vs SGE.
- Pod ASP including hardware upgrades to Gen 3 is $778 due to the ASP on hardware upgrades being $40.
- YTD ASP was $789 compared to target of $766.

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ASP by Region – Monthly Trend

ASP - Americas

ASP - EMEA

ASP - APAC
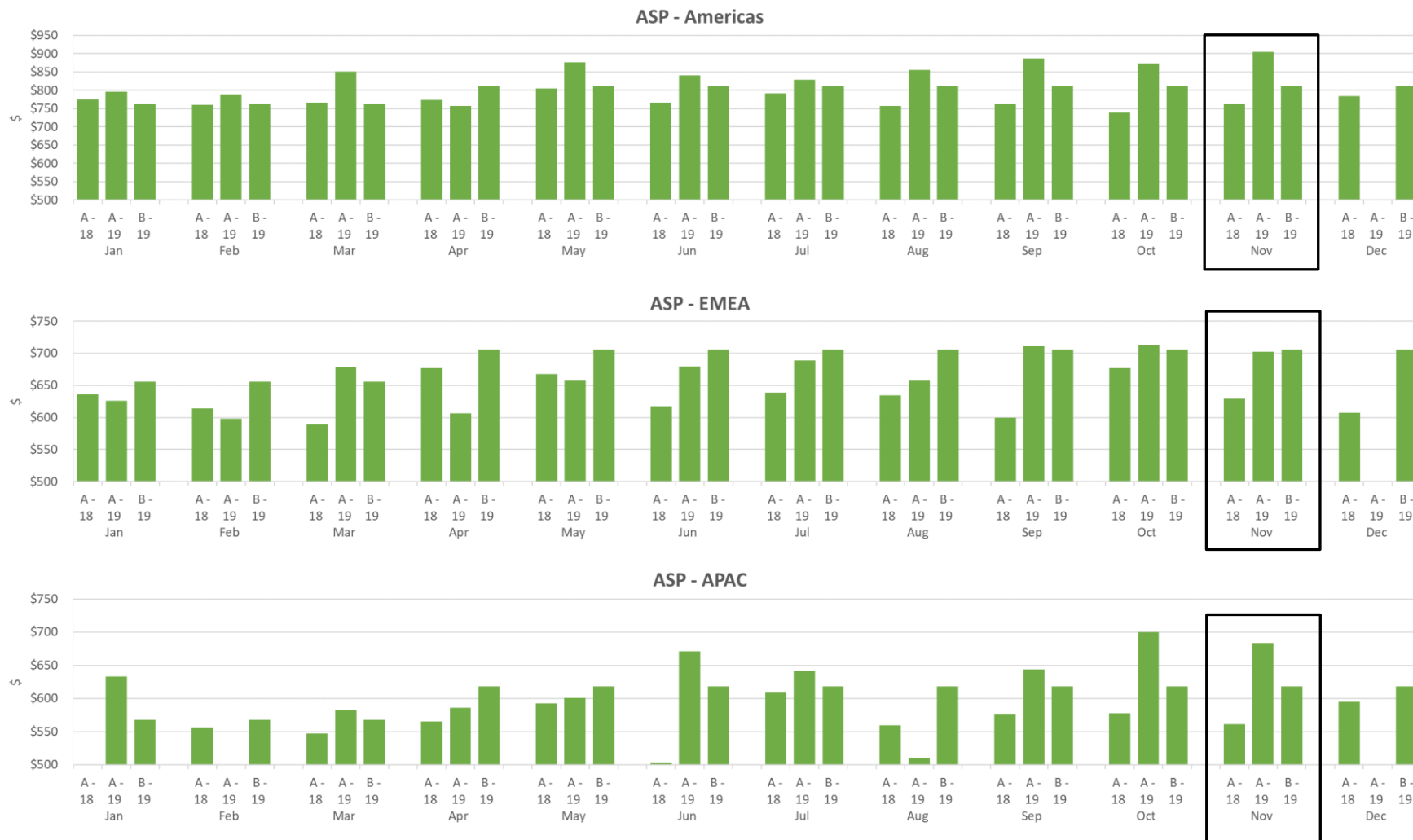
- EMEA and APAC have an overall lower ASP than Americas due to most sales going through distributor channel.
- MTD invoiced sales mix by region: Americas 80% actual vs 76% budget, EMEA 15% actual vs 19% budget, APAC 6% actual vs 5% budget. YTD invoiced sales mix by region: Americas 78% actual vs 76% budget, EMEA 15% actual vs 18% budget, APAC 7% actual vs 5% budget.
- Pod ASP including hardware upgrades to Gen 3 is:
  - Americas - $845 vs $825 in prior month
  - EMEA - $630 vs $713 in prior month
  - APAC - $624 vs $692 in prior month

Solstice Subscription Metrics – Monthly Trend

Invoiced Sales - Solstice Subscription
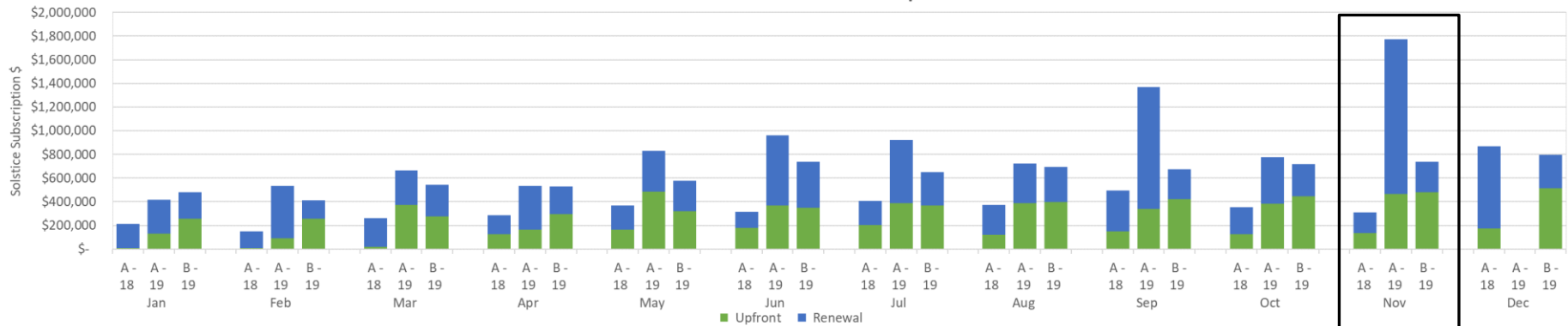
- November invoiced sales for Solstice subscriptions was $1.8m vs budget of $740k driven by large orders from WeWork, IQVIA, Carnegie Mellon, and Iowa State
- November renewal ASP was $98k compared to target of $145k, due to 7-month average term for WeWork co-term
- November upfront ASP was $286k compared to target of $225k
- YTD renewal sales were $5.9m compared to target of $2.9m, due to large co-terms.
- YTD upfront sales were $3.6m consistent with target of $3.9m.

Solstice Subscription Revenue
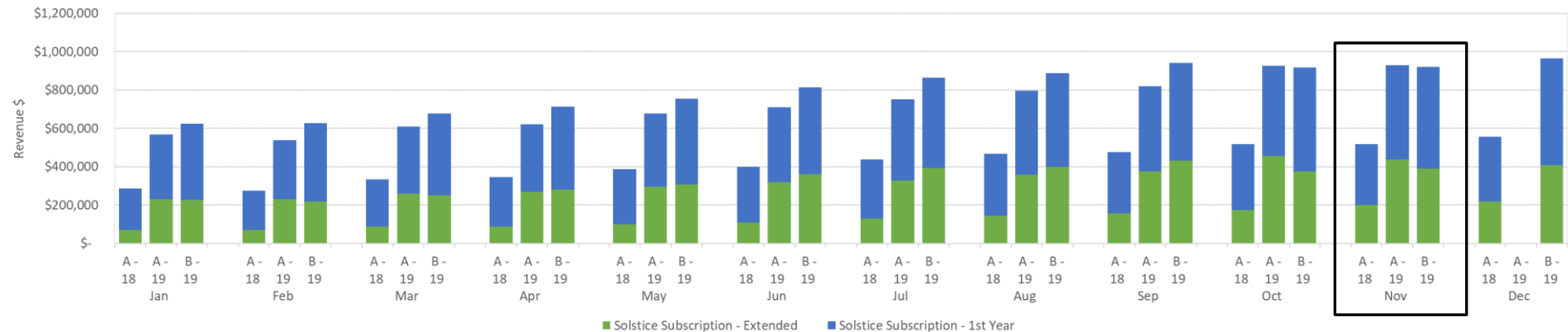
- Solstice Subscription – Extended (renewal + upfront) was $438k vs budget of $390k
- Solstice Subscription – 1st year was $492k vs budget of $531k primarily because of lower than expected fair value for 1st year software subscription.
- Total Solstice Subscription was $930k vs budget of 920k

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Product Type & Channel Metrics

Product Type
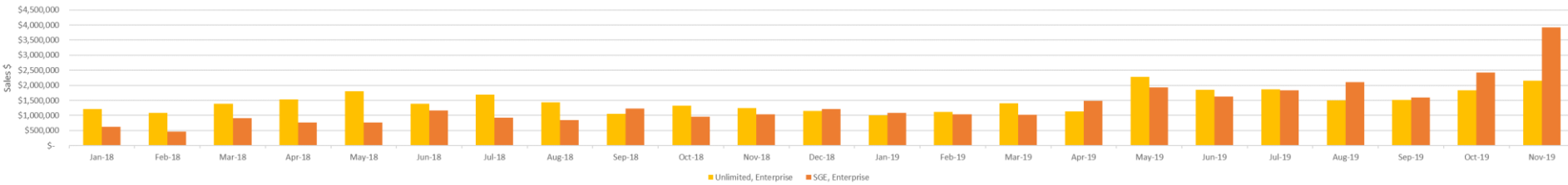
Sales Type
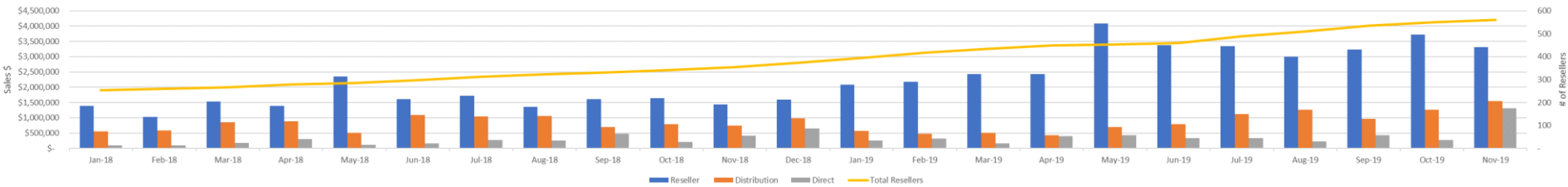
- Bookings

Customer Segment Metrics

Vertical

Bookings $

$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-

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 Nov-19

■ Corporate ■ Education

- Bookings excluding stocking orders and including sales out

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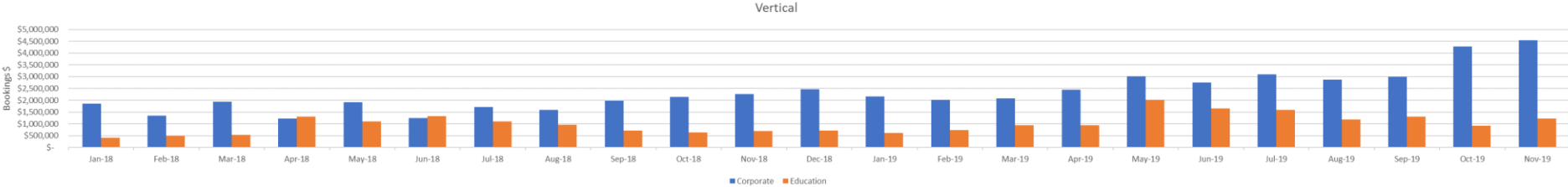
Big Deals and Run Rate Metrics

Big Deals vs Run Rate

Legend: Run Rate $ | Big Deal $ | # of Orders

>$25K

Legend: $ >$25k | # >$25k
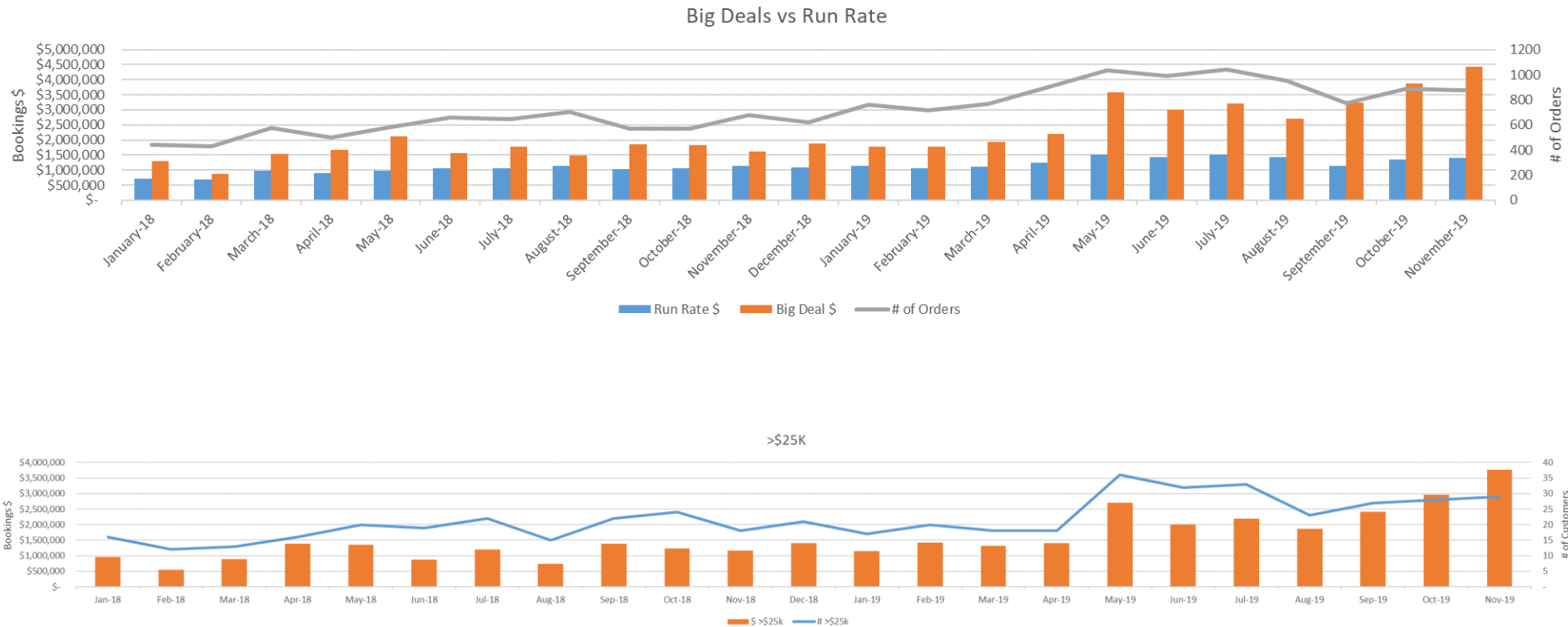
- Bookings excluding stocking orders and including sales out

End User Lifecycle Metrics

Lifecycle
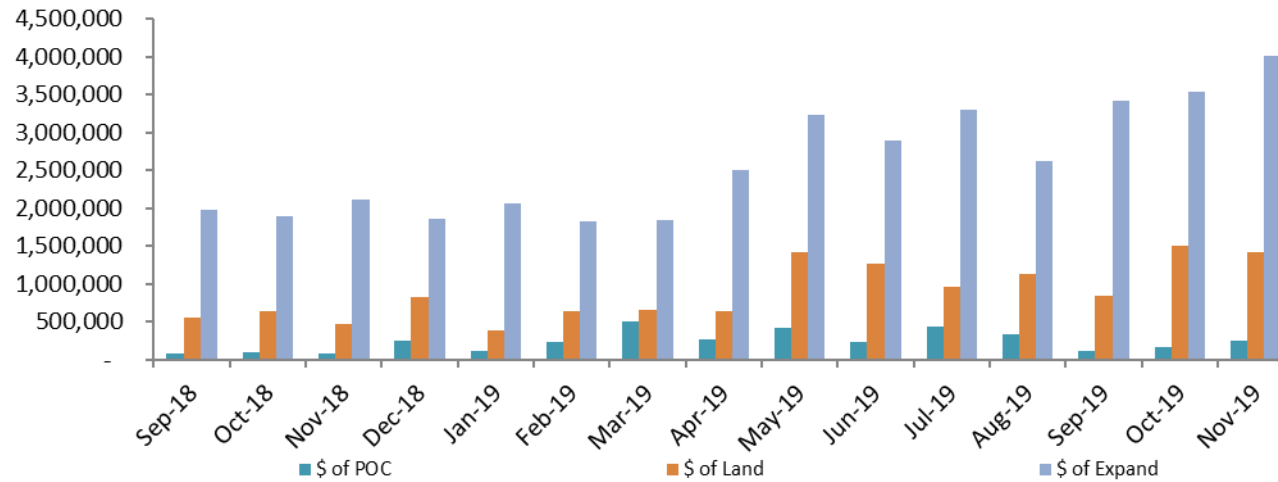
Lifecycle	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Total	%
$ of POC	78,454	98,798	82,215	248,107	118,912	226,336	503,914	272,401	416,792	229,211	428,380	336,264	116,920	156,670	240,194	3,475,113	7%
$ of Land	545,622	639,324	469,375	824,995	381,964	630,944	650,960	631,466	1,422,369	1,258,717	966,741	1,129,011	834,599	1,495,218	1,420,125	12,755,808	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	4,012,538	37,069,385	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**	**5,672,857**	**53,300,306**	**100%**

Top Customer Metrics

End User	October Amount	% of Total
WeWork	$ 1,705,688	29%
IQVIA	$ 297,411	5%
Nexus International School (Singapore)	$ 226,358	4%
Santander Consumer USA Holdings Inc	$ 146,602	3%
Accenture	$ 116,577	2%
Carnegie Mellon University	$ 109,361	2%
Iowa State University	$ 109,115	2%
Mastercard	$ 99,937	2%
Convene	$ 78,345	1%
Universitätsspital Zürich Logistik und Serviceze	$ 71,126	1%
Other Customers	$ 2,887,766	49%
Total	**5,848,287**	**100%**

End User	LTM Amount	% of Total
WeWork	7,117,646	15%
Nike	595,028	1%
Comcast	521,180	1%
Kiewit Corporation	445,180	1%
McDermott	428,863	1%
Mastercard	412,345	1%
Accenture	371,243	1%
Nestle	359,315	1%
Booz Allen Hamilton	354,315	1%
Capital One	329,375	1%
Other Customers	38,070,665	78%
Total	**49,005,085**	**100%**

Bookings Attribution Analysis

November 2019 Sales Bridge
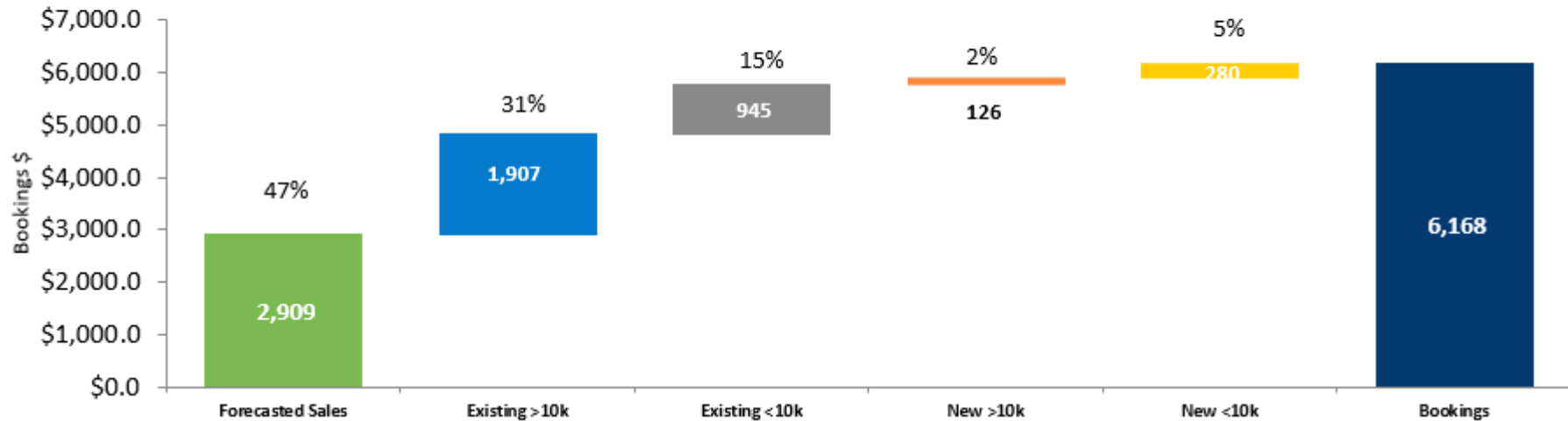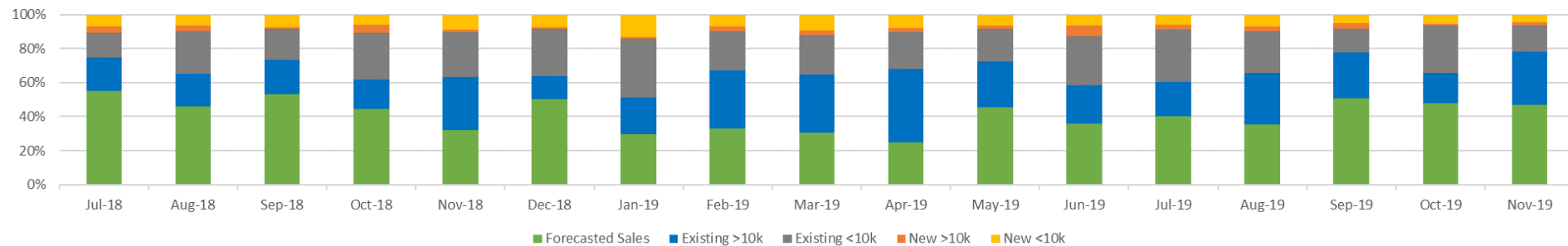
Management Discussion

- 47% of total bookings for the month were included in forecasted sales by the sales team for the month.
- Another 31% of bookings were from orders over $10K from existing customers but were not included in forecasted sales for the month.
- 15% 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.

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Quota Attainment by Region

November 2019 Bookings vs. Quota

Data pull 12/3/2019 9AM MST
Stack ranked by YTD % of Quota
*Quota is oversubscribed goal above $47M target

Name	Territory	Nov-19				2019 (YTD)			
		Quota	Actual	Var $	% of Target	Quota	Actual	Var $	% of Target
John Chandler	TOLA	325,674	376,957	51,283	116%	2,640,854	3,406,756	765,902	129%
Ryan Shannon	Midwest	977,021	792,934	(184,087)	81%	7,922,563	9,053,108	1,130,545	114%
Burt Feldman	Northeast	814,184	925,388	111,203	114%	6,602,136	6,563,221	(38,915)	99%
TBH	Southeast	597,069	362,096	(234,973)	61%	4,841,566	4,011,159	(830,407)	83%
Ryan Gregston	West	434,232	122,830	(311,402)	28%	3,521,139	2,505,646	(1,015,493)	71%
Jonathan Davies	New England	325,674	120,505	(205,169)	37%	2,640,854	1,745,022	(895,833)	66%
Melissa Johnson	Mid-Atlantic	488,511	235,453	(253,058)	48%	3,961,282	2,609,086	(1,352,196)	66%
Veronica Saldarriaga	Rocky Mountain	189,976	208,191	18,215	110%	1,540,498	881,061	(659,437)	57%
Jeff McDonald	ANZ	163,373	161,099	(2,274)	99%	1,318,816	750,018	(568,798)	57%
Danny Fabre	Canada	217,116	119,682	(97,434)	55%	1,760,570	887,029	(873,541)	50%
TBH	Northwest	244,255	33,010	(211,245)	14%	1,980,641	586,529	(1,394,111)	30%
*Johan Cederberg	Nordics	145,833	114,593	(31,241)	79%	947,917	1,000,093	52,176	106%
Chris Charran	UK	352,813	679,711	326,897	193%	2,860,926	2,916,616	55,690	102%
Thomas Liot	France/Spain	195,404	44,343	(151,061)	23%	1,584,513	1,179,463	(405,050)	74%
Rosario Marseglia	Germany/Italy	143,229	115,446	(27,783)	81%	1,356,771	617,884	(738,887)	46%
Cyril Mattar	MEA	143,229	64,241	(78,988)	45%	1,356,771	296,808	(1,059,963)	22%
Jeff Liu	China	163,373	122	(163,251)	0%	1,318,816	763,262	(555,554)	58%
Gark Tan	APAC	325,674	65,675	(259,998)	20%	2,640,854	2,335,728	(305,127)	88%
Jeff Meyer	EMEA	1,090,419	1,059,510	(30,909)	97%	9,004,098	6,233,844	(2,770,254)	69%

		Target	Actual	Var $	% of Target	Target	Actual	Var $	% of Target
Rick Emery	World	5,100,000	6,162,027	1,062,027	121%	41,500,000	47,634,645	6,134,645	115%

*Nordics quota number corrected from $1,750,000 to $1,093,750 to reflect new hire ramp

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	Nov-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	35,697
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	73,381
Renewal Rate	**54%**	**53%**	**51%**	**51%**	**50%**	**48%**	**52%**	**44%**	**46%**	**40%**	**42%**	**52%**	**51%**	**49%**	**47%**	**48%**	**47%**	**46%**	**47%**	**47%**	**50%**	**49%**	**49%**

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	Nov-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	1,637	13,440
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	4,360	47,752
Upfront Rate	**3%**	**8%**	**7%**	**21%**	**25%**	**31%**	**27%**	**20%**	**25%**	**23%**	**19%**	**21%**	**19%**	**14%**	**38%**	**16%**	**37%**	**28%**	**29%**	**29%**	**27%**	**30%**	**38%**	**28%**

Management Discussion

- Renewal rate remained flat at 49% during November which his above with the LTM average of 48% and below target of 60%
- Upfront attach rate increased to 38% during November slightly below the target of 40%.

Marketing Metrics

Sessions (Web Traffic)
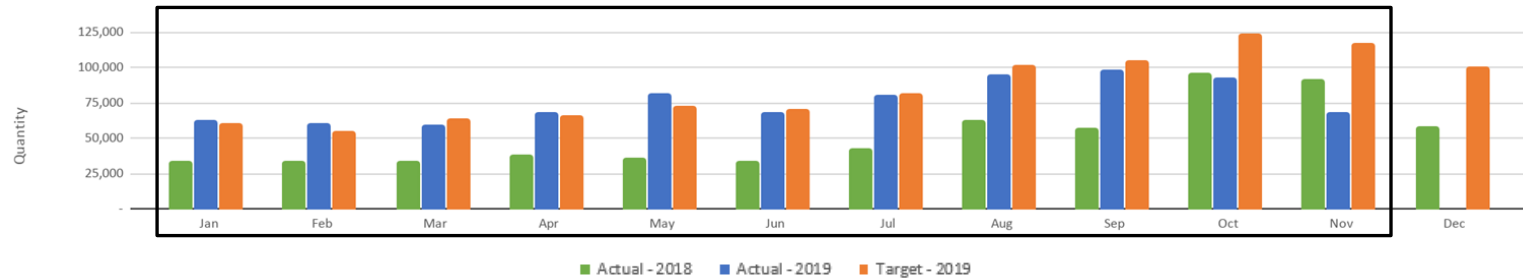
Marketing Qualified Leads (MQLs)
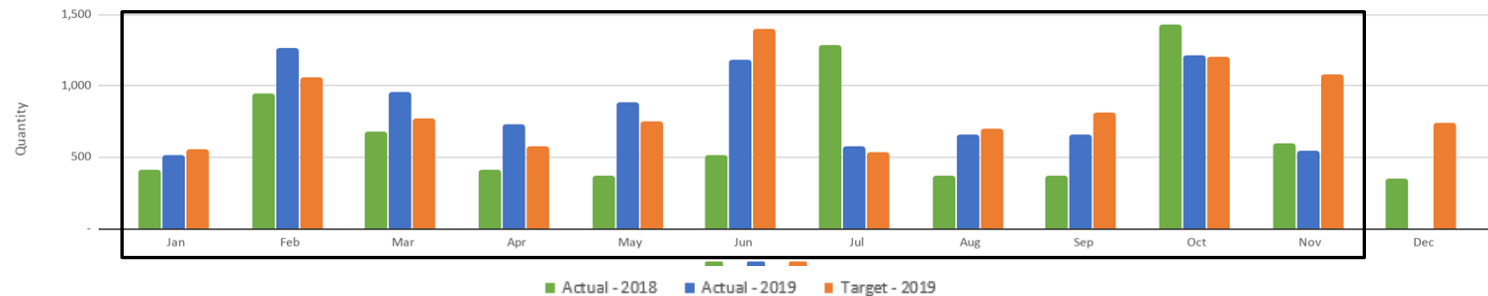
Management Discussion

- Web traffic is 93% of plan YTD due to a 52% reduction in Nov ad spend (vs. plan) and product roadmap timing that does not deliver significant releases in Q4 due to trade-offs made to deliver more for Q1.

- Digital MQL conversion rates are 110% of plan YTD and 115% of plan in Nov due to higher quality traffic (due to lower ad spend).

- MQLs are 97% of plan YTD with the miss in Nov due to lower web traffic and field event timing that did not match planned seasonality.

New Customer Metrics

Monthly New vs. Existing Customers

Legend: New Customers - $ · Existing Customers - $ · New Customers - # · Existing Customers - #

Marketing Touched New Accounts

Legend: Actual - 2018 · Actual - 2019 · Target - 2019
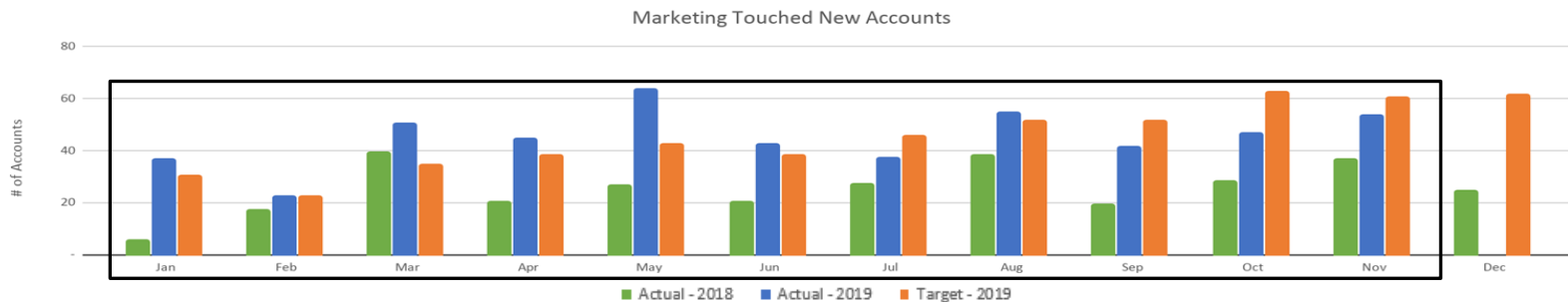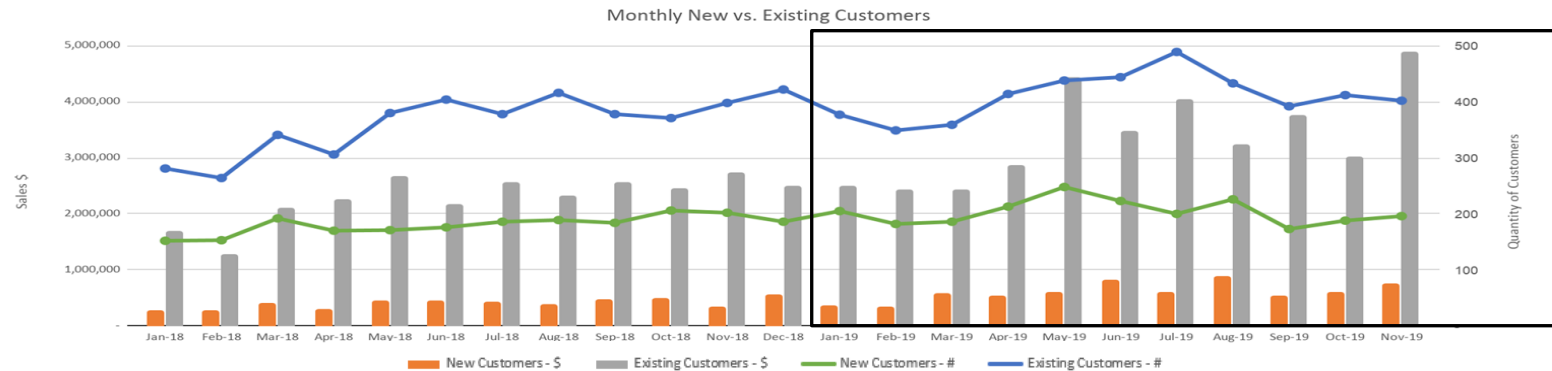
Management Discussion

- 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 11% YOY whereas Marketing touched NN accounts are up 74% YOY (101% of Plan).

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Marketing Spend

Digital Ad Spend

Field Marketing Spend
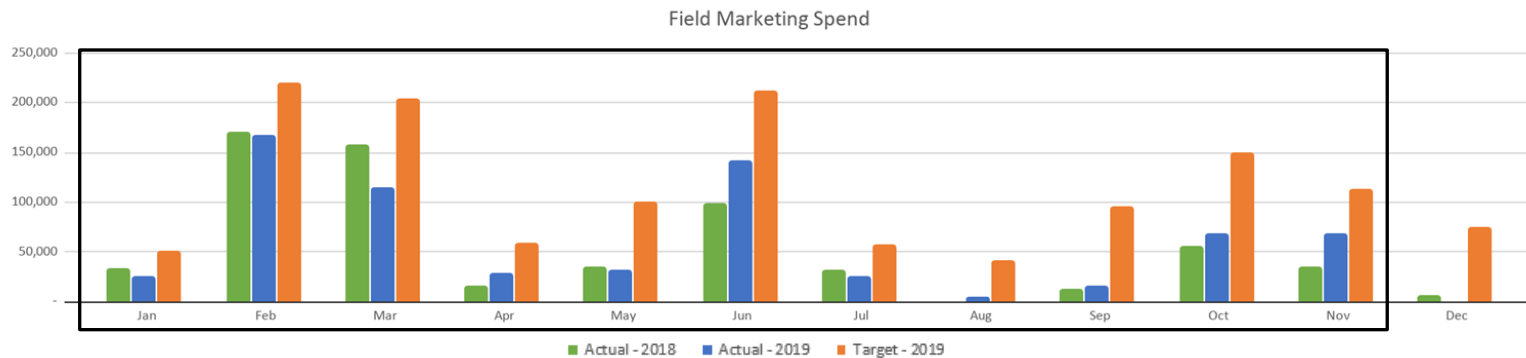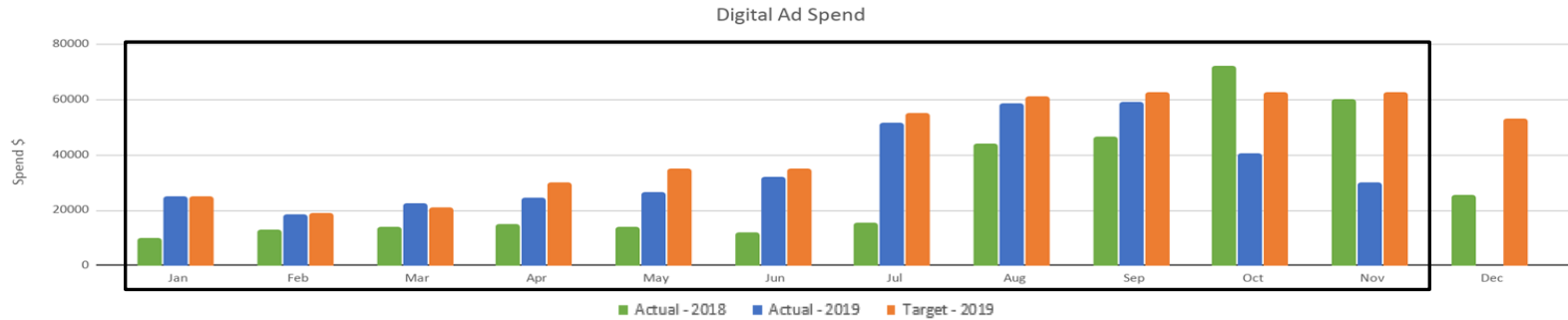
Management Discussion

- Digital Ad spend is at 83% of plan YTD (48% of plan in Nov) while Digital Ad lead gen is at 126% of plan YTD.
- Field Marketing spend is at 59% of plan YTD while Field Marketing lead gen is at 87% YTD.

Kepler - Engagement

Average Number of Sessions per User per Month
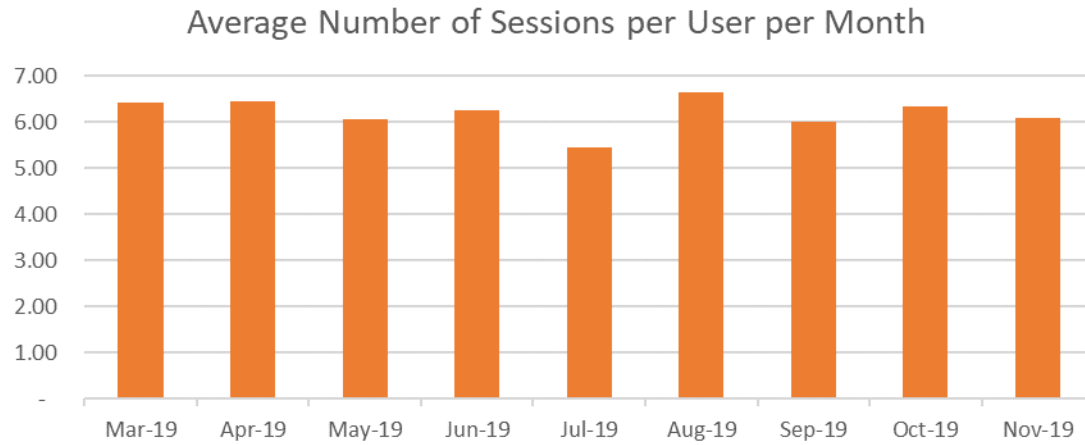
Management Discussion
- Average number of sessions per active user per month using Kepler.

Kepler - Adoption

% of Top 100 Customers with Kepler
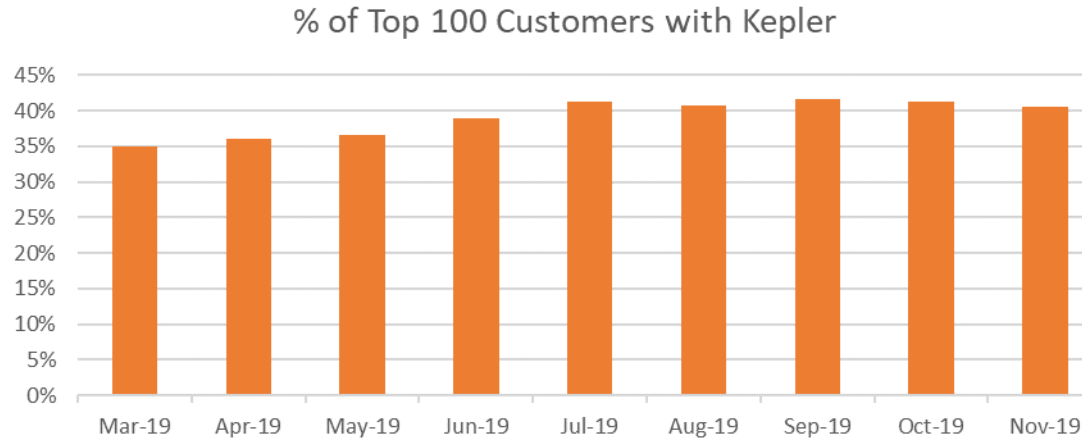
Management Discussion

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

Kepler – Kepler Import Month by Purchase Quarter

Kepler Import Month by Purchase Quarter
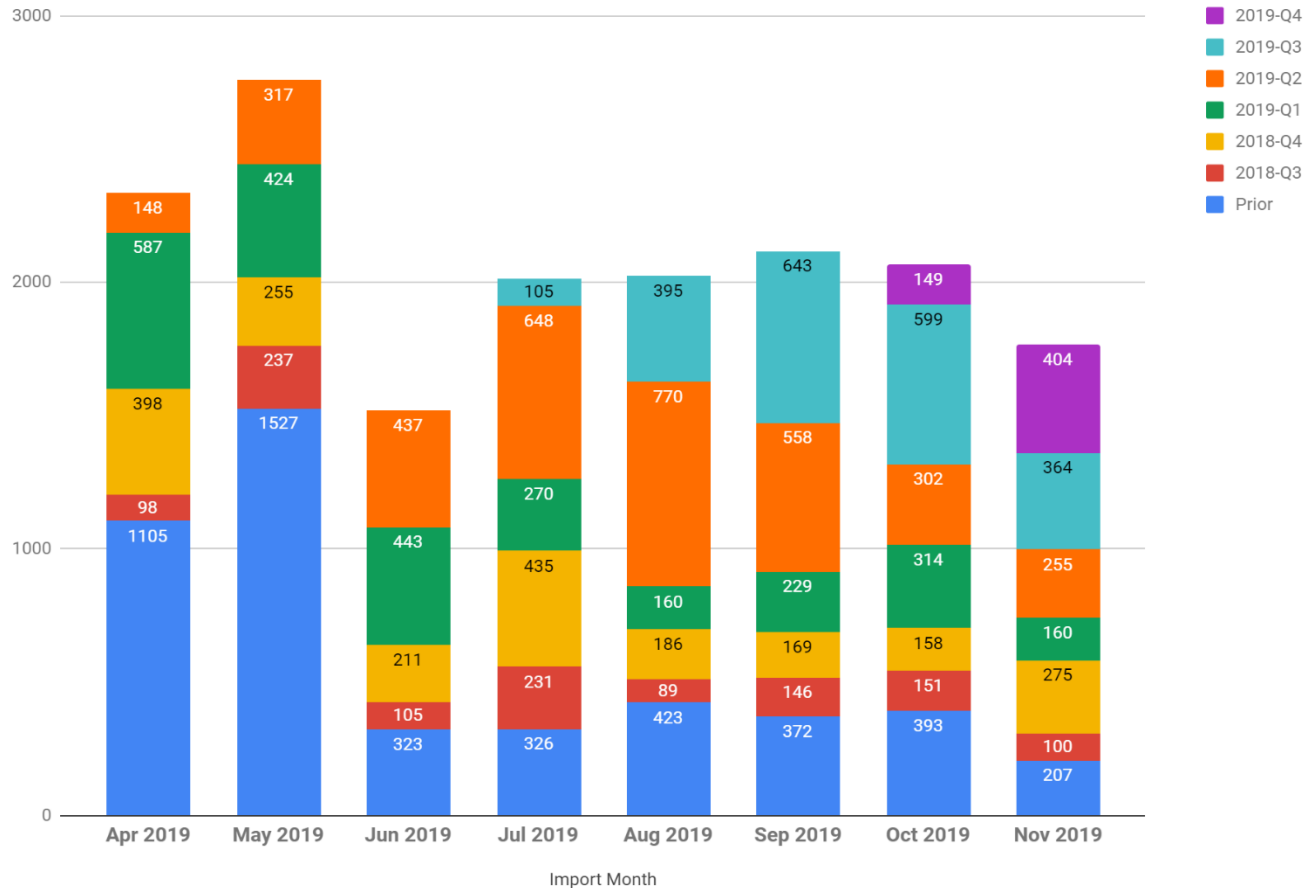
Management Discussion

- 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
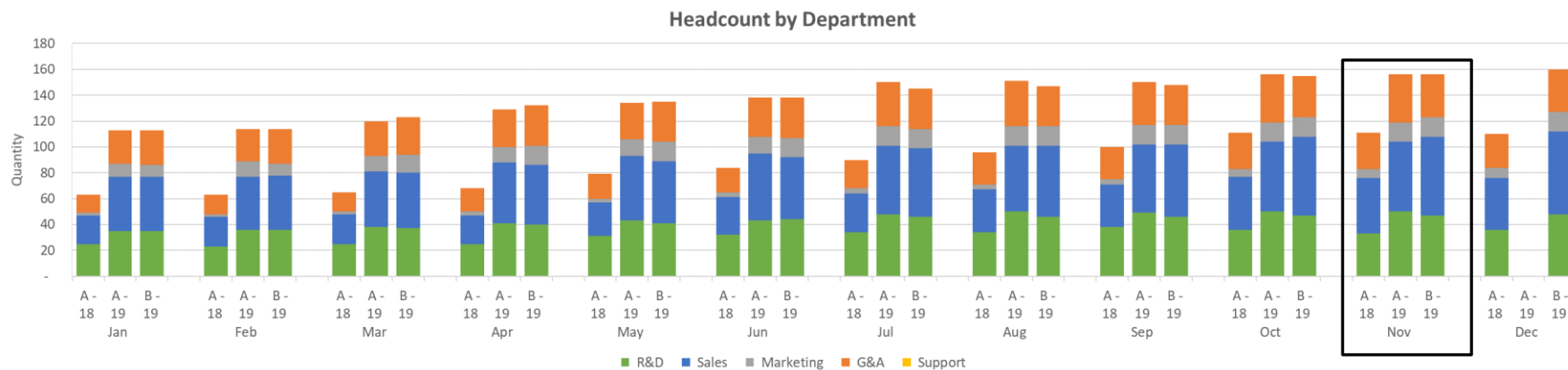
Management Discussion
- Headcount is ahead of plan through September at 156 compared to budget of 156.

11/30/19 Talent Snapshot

Team Members by Geography

Denver (113)

US field (25)

International field (18)

Team Members by Function

Tech (50)

Sales (54)

Marketing (15)

Operations (24)

Finance/HR/Exec (13)

Total Team Members: 156

YTD Hires: 83
YTD Departures: 35
YTD Net Headcount Growth: 48

Open Positions as of 12/1/19

Job	Department	Anticipated Start date
Regional Sales Manager - Detroit	Sales	February
Regional Sales Director - PacNW	Sales	January
Sales Engineer - UK	Sales	February
Regional Sales Manager – MN	Sales	January
Sales Engineer - Australia	Sales	December
Regional Sales Director - India	Sales	December
Inside Sales Development Rep - EMEA	Sales	February
Linex Kernel Engineer	Engineering/Product	December
Technical Support Engineer EMEA	Operations	December
Sr. Quality Engineer	Engineering/Product	January
Sr. Software Engineer - Backend	Engineering/Product	January
Fullstack Engineer	Engineering/Product	February
Product/ UX Designer	Engineering/Product	January
Senior Software Engineer- RUST	Engineering/Product	January
Senior Software Engineer- RUST	Engineering/Product	February
Field and Channel Mktg Mgr - EMEA	Marketing	December
Field Marketing Manager	Marketing	February

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Summary P&L Through Nov 2019

$'000	MTD		Variance		PY MTD	Variance		YTD		Var		PY YTD	Variance	
	Act	Bud	$	%	Act	$	%	Act	Bud	$	%	Act	$	%
Net Revenue	4,031	4,548	(516)	(11.4%)	2,172	1,860	85.6%	37,691	37,574	117	0.3%	23,391	14,300	61.1%
Material	1,111	1,177	(65)	(5.5%)	368	743	202.1%	9,614	8,913	701	7.9%	4,672	4,943	105.8%
Labor	101	68	33	48.5%	42	59	142.7%	929	671	258	38.4%	447	482	107.9%
Total COGS	1,212	1,245	(32)	(2.6%)	409	803	196.0%	10,543	9,584	959	10.0%	5,118	5,424	106.0%
Gross Margin	2,819	3,303	(484)	(14.7%)	1,762	1,057	60.0%	27,148	27,990	(842)	(3.0%)	18,272	8,876	48.6%
Gross Margin %	69.9%	72.6%			81.1%			72.0%	74.5%			78.1%		
R&D	802	641	161	25.2%	461	341	74.0%	6,672	6,404	268	4.2%	3,995	2,678	67.0%
Sales & Marketing	1,126	1,468	(342)	(23.3%)	818	308	37.6%	12,319	13,727	(1,408)	(10.3%)	6,878	5,441	79.1%
Administrative	716	631	85	13.4%	535	181	33.7%	6,965	6,882	83	1.2%	4,869	2,097	43.1%
Other Opex	–	–	–	N/A	–	–	N/A	–	–	–	N/A	–	–	N/A
Total Opex	2,644	2,740	(96)	(3.5%)	1,815	830	45.7%	25,957	27,014	(1,057)	(3.9%)	15,742	10,216	64.9%
EBITDA	175	563	(388)	(69.0%)	(52)	227	(435.2%)	1,191	976	215	22.0%	2,531	(1,340)	(52.9%)
EBITDA %	4.3%	12.4%			(2.4%)			3.2%	2.6%			10.8%		
Net Income (Loss)	$ (658)	$ 65	$ (723)	(1109.7%)	$ (518)	$ (139)	26.9%	$ (4,545)	$ (3,807)	$ (738)	19.4%	$ (2,680)	$ (1,865)	69.6%
Capex	$ (248)	$ (5)	$ (243)	4862.5%	$ (147)	$ (102)	69.3%	$ (806)	$ (479)	$ (327)	68.1%	$ (515)	$ (291)	56.6%

Management Discussion

- Invoiced sales were $5.6m compared to target of $5.1m, including $1.8m of solstice subscription invoice sales recorded. Bookings were $6.2m, resulting in backlog of $1.2m at month end. YTD invoiced sales were $46.0m compared to budget of $41.5m.

- MTD invoiced sales mix by region: Americas 80% actual vs 76% budget, EMEA 15% actual vs 19% budget, APAC 6% actual vs 5% budget. YTD invoiced sales mix by region: Americas 78% actual vs 76% budget, EMEA 15% actual vs 18% budget, APAC 7% actual vs 5% budget.

- MTD revenue of $4.0m includes approximately $3.1m of pod revenue and $930k of deferred solstice subscription revenue from prior months amortized into net revenue. Pod revenue of $3.1m is lower than budget of $3.6m for the month because of lower than expected pod sales in Americas.

- Units shipped for the month were 4,360 vs budget of 5,485 and overall invoiced ASP was $842 vs the budget of $777. ASP outperformance to budget driven by Americas and APAC. Americas ASP was $906 vs budget of $811, EMEA at $702 ASP vs $706 budgeted and APAC at $683 invoiced ASP vs $618 budgeted. With hardware upgrades included, ASP decreases to $778.

- Renewal solstice subscription licenses sold MTD were 13,376 compared to target of 1,807 resulting in invoiced sales of $1.3m compared to budget of $262k. YTD renewal invoiced sales of $5.9m is $3.0m above budget of $2.9m. Increased focus by Inside Sales on co-term deals are having significant impact on outperformance.

- Upfront solstice subscription licenses sold MTD were 1,637 compared to target of 2,124 resulting in invoiced sales of $467k compared to budget of $478k. Upfront attached rate was 38% compared to a budgeted attach rate of 40%. YTD upfront invoiced sales of $3.6m is $278k below budget of $3.9m.

- 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 $1.0m below budget rather than the $1.4m presented above. This is because $382K of commission expense has been reclassed to the BS per ASC606. S&M is also under budget due to reduced content marketing spend, lower than expected T&E expense, and being behind on hiring plan.

- MTD EBITDA miss largely due to lower GM $ and %.

- MTD CAPEX is over budget due primarily to office remodel.

Balance Sheet

$'000	Dec-18 Act	Aug-19 Act	Sep-19 Act	Oct-19 Act	Nov-19 Act	Nov-19 Bud	Variance $
Current Assets							
Cash and cash equivalents	$ 5,752	$ 8,068	$ 8,341	$ 7,425	$ 7,269	$ 5,838	$ 1,431
Short term investments	–	–	–	–	–	–	–
Accounts receivable, gross	5,113	6,626	7,173	7,442	8,149	7,556	593
Accounts receivable, reserves	(82)	(115)	(135)	(142)	(162)	(76)	(86)
Accounts receivable, net	5,031	6,511	7,039	7,300	7,987	7,480	507
Inventory, net	1,390	1,757	2,983	3,580	3,664	1,736	1,928
Prepaid expenses and other current assets	1,846	3,327	3,412	3,510	3,804	1,185	2,619
Total Current Assets	**14,019**	**19,663**	**21,775**	**21,815**	**22,724**	**16,239**	**6,485**
Non-Current Assets							
Property, plant & equipment, gross	908	1,393	1,416	1,465	1,714	1,390	324
Accumulated depreciation	(216)	(416)	(446)	(480)	(516)	(196)	(320)
Property, plant & equipment, net	692	977	971	985	1,198	1,194	4
Goodwill	30,375	28,981	28,723	28,466	27,904	20,675	7,229
Identifiable intangible assets, net	2,818	2,462	2,501	2,449	2,358	3,571	(1,213)
Deferred tax asset	4,736	5,049	5,049	5,049	5,049	7,137	(2,088)
Other non-current assets	354	695	743	773	846	275	571
Total Non-Current Assets	**38,973**	**38,165**	**37,987**	**37,722**	**37,356**	**32,852**	**4,504**
Total Assets	**$ 52,993**	**$ 57,828**	**$ 59,762**	**$ 59,536**	**$ 60,080**	**$ 49,091**	**$10,989**
Current Liabilities							
Notes payable	3,500	3,500	3,500	3,500	3,500	3,500	–
Accounts payable	842	2,298	3,780	3,219	2,789	1,149	1,640
Accrued liabilities	(243)	327	212	281	252	181	70
Accrued compensation	1,869	1,646	1,811	1,837	2,060	2,250	(190)
Income taxes payable	111	1,418	1,219	1,109	1,050	441	609
Other current liabilities	70	382	354	362	357	217	140
Total Current Liabilities	**6,149**	**9,571**	**10,876**	**10,308**	**10,008**	**7,739**	**2,269**
Long-term liabilities							
Long-term unearned revenue	6,783	11,410	12,366	12,963	14,431	10,820	3,612
Deferred liabilities	154	187	195	208	241	240	1
Total Long-Term Liabilities	**6,937**	**11,597**	**12,560**	**13,171**	**14,672**	**11,060**	**3,612**
Total Liabilities	**13,086**	**21,168**	**23,436**	**23,478**	**24,680**	**18,799**	**5,881**
Shareholders' Equity							
Total Shareholders' Equity	**39,907**	**36,661**	**36,326**	**36,058**	**35,400**	**30,292**	**5,108**
Total Liabilities and Shareholders' Equity	**$ 52,993**	**$ 57,828**	**$ 59,762**	**$ 59,536**	**$ 60,080**	**$ 49,091**	**$10,989**

Management Discussion

- Cash decreased month over month primarily driven by increased AR due to strong invoiced sales, inventory deposits and CAPEX for furniture purchases.
- AR 'days sales outstanding' at 61 vs budget of 51. AR is higher than budget due to invoiced sales being ahead of budget.
- Inventory 'days outstanding' at 94 is consistent budget of 43 and is above budget due to adding 11,100 units to inventory during Oct-2019 and 8,500 units in Nov-19. Total ending inventory balance: Gen 3 – 14,239 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, inventory deposits, 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 71 vs budget of 29. Variance to budget largely due to timing of inventory bills.
- 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, 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

$'000	MTD Act	MTD Bud	Var $	PY-MTD Act	Var $	YTD Act	YTD Bud	Var $	PY YTD Act	Var $
Cash flow from operations										
Net Income (Loss)	$ (658)	$ 65	$ (723)	$ (518)	$ (139)	$ (4,545)	$ (3,807)	$ (738)	$ (2,680)	$ (1,865)
Depreciation, amortization and other	720	294	426	367	353	4,197	3,174	1,024	4,074	123
Deferred income tax	–	(161)	161	(126)	126	(314)	(649)	336	(1,387)	1,073
Change in operating assets and liabilities:										
Accounts receivable	(687)	(440)	(247)	232	(919)	(2,955)	(2,501)	(454)	(1,032)	(1,923)
Inventory	(84)	63	(147)	439	(524)	(2,274)	(346)	(1,928)	(1,163)	(1,112)
Prepaid expenses and other current assets	(295)	(15)	(280)	(332)	38	(1,959)	655	(2,614)	242	(2,201)
Accounts payable	(430)	73	(504)	(399)	(31)	1,947	495	1,453	191	1,756
Accrued expenses	194	201	(7)	314	(120)	686	443	243	871	(185)
Accrued income taxes	(58)	(92)	34	25	(83)	939	(253)	1,192	(299)	1,238
Other changes in operating assets and liabilities	1,502	566	935	200	1,302	7,735	4,012	3,723	4,323	3,412
Other cash flow from operations	(112)	(3)	(108)	126	(238)	(171)	(643)	472	1,290	(1,461)
Total Cash Flow from Operations	$ 92	$ 551	$ (459)	$ 328	$ (236)	$ 3,287	$ 579	$ 2,707	$ 4,430	$ (1,143)
Cash flow from investing										
Additions to property, plant and equipment	$ (248)	$ (5)	$ (243)	$ (147)	$ (102)	$ (806)	$ (479)	$ (327)	$ (515)	$ (291)
Investment in intangibles	(0)	–	(0)	(12)	12	(964)	(40)	(924)	118	(1,082)
Total Cash Flow from Investing	$ (248)	$ (5)	$ (243)	$ (159)	$ (90)	$ (1,770)	$ (519)	$ (1,251)	$ (397)	$ (1,373)
Cash flow from financing										
Total Cash Flow from Financing	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Net change in cash	$ (156)	546	$ (702)	$ 169	$ (325)	$ 1,516	$ 60	$ 1,456	$ 4,033	$ (2,517)
Beginning cash	7,425	5,292	2,133	6,315	1,110	5,752	5,777	(25)	2,451	3,301
Change in cash	(156)	546	(702)	169	(325)	1,516	60	1,456	4,033	(2,517)
Ending cash	**$ 7,269**	**$ 5,838**	**$ 1,431**	**$ 6,484**	**$ 784**	**$ 7,269**	**$ 5,838**	**$ 1,431**	**$ 6,484**	**$ 784**

Management Discussion

- Cash is decreased primarily driven by increased accounts receivables, inventory purchases, and CAPEX furniture purchases.
- Cash conversion' at 84 days vs budget of 66.
- Cash from changes in Inventory was behind MTD as due to adding 8,500 units to inventory during Nov-2019.
- YTD Prepaids variance is driven inventory deposits for 2020.
- 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.

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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

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YTD OPEX Analysis

$'000

	YTD			Explanation of Variance				Variance Impact		
			Variance	One-Time /		Change in		Total Variance	YoY Impact	Annualized
	Act	Bud	(B) / W	Non-recurring	Timing	Run-rate	Other	(B) / W	(B) / W	Impact (B) / W
Payroll	$ 13,100	$ 14,134	$ (1,034)	$ —	$ (1,034)	$ —	$ —	$ (1,034)	$ —	$ —
Benefits	1,734	2,009	(275)	$ —	$ (275)	—	—	(275)	—	—
Bonus	1,370	1,713	(343)	$ —	$ (343)	—	—	(343)	—	—
Commissions	1,692	1,806	(115)	—	(115)	—	—	(115)	—	—
Marketing	2,130	2,244	(114)	—	(114)	—	—	(114)	—	—
Travel and Entertainment	1,488	1,450	39	—	39	—	—	39	—	—
Rent and Facilities	1,362	929	433	—	—	433	—	433	433	433
Insurance	54	46	8	—	8	—	—	8	—	—
Professional Fees	951	703	247	—	—	247	—	247	247	247
Utl., Repair, Maint., & Sec.	285	391	(106)	—	(106)	—	—	(106)	—	—
Office Expense	175	44	131	—	—	131	—	131	131	131
IT	1,329	1,356	(27)	—	—	(27)	—	(27)	(27)	(27)
Other Expenses	288	189	99	—	99	—	—	99	—	—
Total Opex	**$25,957**	**$27,014**	**$(1,057)**	$ —	$ (1,842)	$ 785	$ —	$ (1,057)	$ 785	$ 785

Management Discussion

- Payroll is under budget due to employee turnover and being behind plan on a $ basis. Budgeted employee headcount was 156 versus actual of 156 as of Nov-19.
- Commissions/Bonus, normalized for 606 adjustments, are $78k 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.
- Marketing is primarily under budget due to decrease spend in content marketing.
- 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.

Operating Expenses Summary

$'000	MTD Act	MTD Bud	Variance $	Variance %	PY MTD Act	Variance $	Variance %	YTD Act	YTD Bud	Var $	Var %	PY YTD Act	Variance $	Variance %
Opex Overview:														
Payroll	$ 1,430	$ 1,447	$ (17)	(1.2%)	$ 882	$ 548	62.2%	$ 13,100	$ 14,134	$ (1,034)	(7.3%)	$ 7,272	$ 5,827	80.1%
Benefits	197	191	6	3.0%	162	34	21.2%	1,734	2,009	(275)	(13.7%)	1,469	265	18.0%
Bonus	130	182	(52)	(28.5%)	113	18	15.7%	1,370	1,713	(343)	(20.0%)	1,143	227	19.8%
Commissions	183	243	(60)	(24.5%)	139	44	31.5%	1,692	1,806	(115)	(6.3%)	1,054	638	60.5%
Marketing	149	178	(29)	(16.3%)	132	17	13.2%	2,130	2,244	(114)	(5.1%)	1,366	764	55.9%
Travel and Entertainment	119	137	(18)	(12.8%)	61	58	94.2%	1,488	1,450	39	2.7%	675	813	120.4%
Rent and Facilities	123	103	20	19.8%	83	39	47.3%	1,362	929	433	46.6%	762	600	78.7%
Insurance	5	4	1	26.8%	3	3	105.9%	54	46	8	17.7%	45	9	19.9%
Professional Fees	115	61	54	87.6%	111	3	3.1%	951	703	247	35.2%	764	187	24.4%
Utl., Repair, Maint., & Sec.	22	36	(14)	(39.4%)	18	4	23.5%	285	391	(106)	(27.2%)	222	63	28.1%
Office Expenses	8	4	4	95.4%	40	(32)	(80.3%)	175	44	131	297.5%	419	(245)	(58.3%)
IT	129	137	(7)	(5.4%)	64	66	103.2%	1,329	1,356	(27)	(2.0%)	354	975	275.5%
Other Expenses	34	17	17	96.7%	7	27	384.5%	288	189	99	52.2%	176	111	63.1%
Total Opex	**$ 2,644**	**$ 2,740**	**$ (96)**	**(3.5%)**	**$ 1,815**	**$ 830**	**45.7%**	**$ 25,957**	**$27,014**	**$(1,057)**	**(3.9%)**	**$ 15,742**	**$10,216**	**64.9%**

Management Discussion

- Please see previous slide on expense analysis.

Operating Expenses Summary

OPEX by Department
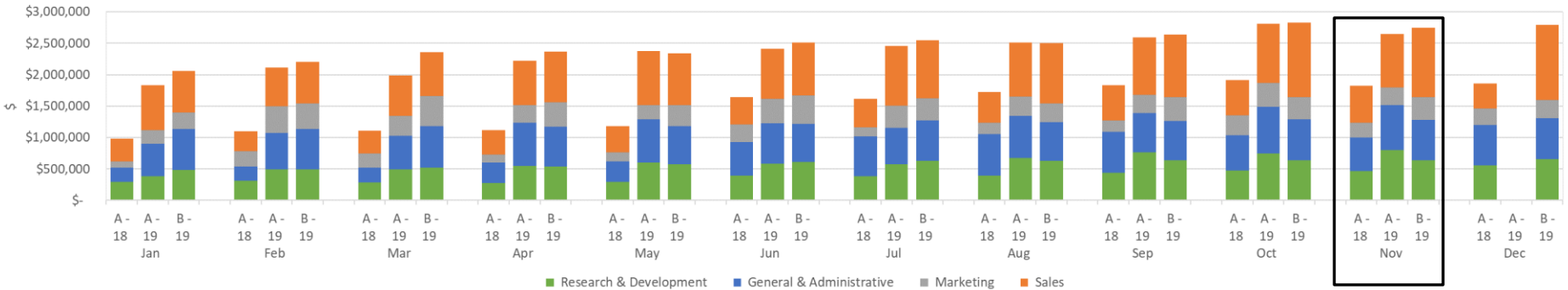
Management Discussion

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

AR and AP Aging Detail

$'000

	AR Aging				AP Aging		
Days	Sep-19	Oct-19	Nov-19	Days	Sep-19	Oct-19	Nov-19
0-30	$ 6,159	$ 6,588	$ 7,333	0-30	$ 3,771	$ 2,280	$ 2,786
30-60	564	366	425	30-60	(18)	943	4
60-90	145	224	198	60-90	10	12	9
>90	305	264	192	>90	17	(15)	(10)
Total Gross AR	$ 7,173	$ 7,442	$ 8,149	Total	$ 3,780	$ 3,219	$ 2,789
Reserves	(135)	(142)	(162)				
Total Net AR	$ 7,039	$ 7,300	$ 7,987				

Management Discussion

- AR increased due to the WeWork Renewal ($1.0 Million) in November. The decrease in >60 is due to Genesis Integration and Global Service Technicians moving into the greater than 90 bucket. The >90 bucket had customers pay their outstanding balances. The three largest in this bucket are Genesis Integration (67K), Getronics (54K) payment plan starting in November, Global Service Technicians (38K).

- AP decreased overall due to Smart Wireless shipping 2,500 less units during the month on November.