



SARGENT AND GREENLEAF

2019 Monthly Operating Review— August 2019

September 19th, 2019

August 2019 Operating Review Meeting Agenda

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

Executive Summary | Overview

August revenues of \$3.1M, unfavorable to revised Standalone AOP (budget) (\$850k)/(22%), unfavorable to PY (\$722k)/(19%)

- Favorable, EMEA \$100k/5% driven by A-Series project from Servus (Ukraine)
- Unfavorable, NA (\$800k)/(41%)
 - OEM: Diebold (\$100k), Timing of 6128 shipments and a decline in 6880 sales
 - Distributors: Timemaster (\$200k) Timing of 8077 shipments, Anixter (\$100k) Decline in 8077 sales
 - Government: Krieger (\$100k) Decline in 2890-523 sales
- Unfavorable, APAC (\$100k)/(10%) driven by Arya, timing of 6128 shipments
- Unfavorable, LAG (\$50k)/(24%) driven by Cogar, decline in 6128 sales

YTD revenues of \$30.0M, unfavorable to budget by (\$2.4M)/(7%), unfavorable to PY (\$100k)/(0.3%)

- Favorable to Budget, APAC by \$1.0M/11%
 - India Favorable to PY \$1.7M/46%, driven by A-Series orders
- Unfavorable to Budget, NA by (\$2.9M)
 - OEM's and Distributors by (\$2.9M)/(21%)
 - 951 Government padlocks flat to Budget
- Unfavorable to Budget, LAG by (\$500k)/(21%) driven by decline in Sales to American Locks
- Favorable to PY, 951 NA Padlock Gov't contract sales of \$2.0M offset total volume decline of (\$2.1M)

Hits

- Favorable Opex, excluding Opening Balance Sheet (OBS) entries, by \$504k versus budget related to timing of strategic initiative expense and IT carve-out expense. Full year Opex projected to be \$750k favorable to full year budget.
- NA, Lockmasters multiple lock stocking order of \$227k due to growth of S&G products (up 8% over PY)
- APAC, NCR additional stocking order of \$423k/20%+ growth from 2018 YTD

Misses

- NA YTD revenue declines in OEM Liberty (\$600k), Diebold (\$500k), Genmega (\$400k), Global File (\$400k); and Distributor Anixter (\$300k)
 - ProSteel has stopped using our 1004 due to multiple product failures and has moved to SecuRam. \$150K potential loss annually.
- Unfavorable, Gross Margin, excluding OBS entries, versus Standalone AOP (budget) by (\$474k) related to unfavorable volume (\$415k) and manufacturing costs of (\$59k). Unfavorable Gross Margin versus PY, excluding OBS entries, by (\$498k) related to unfavorable volume (\$370k) and manufacturing costs of (\$128k).

Executive Summary | Overview (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
 - Filled all open sales positions: BDM Joe Healey – NA East Region & BDM Indramil Dasgupta – India
 - Increasing Senior Leadership engagement with sales team and key channel partners – EMEA and APAC to date
 - Identify and focus on channel partner and key account opportunities (i.e. blanket and stocking order programs)
 - Second meeting scheduled with Arya in India (week of October 13th) toward establishing Tier 1
 - Identify additional Tier 1 Distributor partners (ie, Mapa-MX, Lockmasters & Timemaster-NA, Badger-S. Africa, Alinvest-Russia, HIS-Singapore)
 - Must identify Tier 1 channel partners in Western Europe (Germany preferred) and China
- 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 in final review and feedback stage
 - Keypad design concepts approved and in process of rapid prototype for feedback from the focus group
 - Reviewing build out of pricing strategy for 2020 plan
- Execute to the defined New Product Development Pipeline
 - Recapture lost and eroding business in Residential Safe Market
 - 3 projects (Low Cost, Biometric & Network Enabled) 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 (OTD and Warranty)
 - Fill key positions: Customer Relationship Director and Quality Engineer



Executive Summary | Overview (continued)

	Description	Potential Impact	Plan to Address
Risks	<ul style="list-style-type: none"> Continued erosion of market share in core business (Residential & ATM) 	<ul style="list-style-type: none"> Annualized global decline of (\$2.6M) 	<ul style="list-style-type: none"> Introduce new product platform strategy to address scope of market needs Execute on a market pricing strategy Emphasis on operational excellence including quality
	<ul style="list-style-type: none"> Mechanical Portfolio Erosion 	<ul style="list-style-type: none"> YTD Mechanical Lock Sales decline of (\$0.7M) 	<ul style="list-style-type: none"> Strategic Initiative prioritized for low-cost Electronic Lock Keypad refresh Offset migration from mechanical lock by improving growth in low cost electronic solutions
	<ul style="list-style-type: none"> Import Tariff Pressure 	<ul style="list-style-type: none"> Annualized \$0.3M Margin Pressure Driven By Tariffs Impact in 2020 if not remediated 	<ul style="list-style-type: none"> Partner with key suppliers on manufacturing moves to Canada and Mexico (Dec. 2019) 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 over two years Interlase/Marnell on Bancolombia switch from LaGard for 2,000 units, \$700k 	<ul style="list-style-type: none"> Follow-up on time line for Global Smart Safes order Cogar currently testing samples for project viability Establish messaging and replacement program that will drive market share acquisition with this customer base
	<ul style="list-style-type: none"> EMEA Partnership with Abusarhad (Other-CIT) in Saudi Arabia on ASWD 	<ul style="list-style-type: none"> Organic growth opportunity of \$250K 	<ul style="list-style-type: none"> Sample product demo completed and expect order(s) in September/October
	<ul style="list-style-type: none"> NA Penetration with Cord Financial via Nexus IP 	<ul style="list-style-type: none"> New product stock buy of \$160K 	<ul style="list-style-type: none"> Leverage demo success for order in Q4
	<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 Order timing is 15k units in 2019 and 10k units in Q2-2020



Executive Summary | Key Wins and Losses

Key Wins

APAC

- Arya – India (Dist) – 6128 order of \$160K due to growth – 141% growth from 2018 YTD
- NCR – India (OEM) – additional stocking order of \$423K – 20%+ growth from 2018 YTD
- TK (OEM) – China (OEM) – additional \$84K order of 6128 due to growth

EMEA

- Servus (Dist) – A-Series order of \$210K

LAG

- Cogar – Mexico (Dist) – 6128 order of \$67K – Organic CIT order
- American Locks – Argentina (Dist) – Multiple lock order of \$72K
- MAPA-SD – Mexico (Dist) – Multiple lock order of \$61K due to growth

NA

- Southern Lock – US – Multiple lock stocking order of \$47K due to growth of S&G Products
- Lockmasters – US – Multiple lock stocking order of \$227K due to growth of S&G products (up 8% over PY)

Key Losses

APAC

- Hanson – Thailand (Dist) – Due to decline in Hyosung business held off \$100K order of Titan's
- PT Pacific – Indonesia (Dist) – Due to customer budget issues - \$85K

EMEA

- Abusarhad – Saudi Arabia (Dist) – Due to declining ATM market, loss of \$25K of standard orders

LAG





- Banco Multiva (Mexico) – Due to customer delays on project implementation, loss order of \$25K on 6128

NA

- ProSteel has stopped using our 1004 due to multiple product failures and has moved to SecuRam. \$150K potential loss annually.
- Continued sales loss from Liberty Safes YOY of \$650K



Executive Summary | 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"> Internal and External interviews are complete First round logo concepts reviewed Website scope defines Social media strategy defined 	<ul style="list-style-type: none"> Review research findings and align on aspirational brand positioning and vision Refine/rework logo concepts based on team feedback Finalize website map Begin testing social strategy concepts 	<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 4 & 5 of keypad design concepts reviewed Defined modular architecture for new keypad line (network connected, biometric and basic lock) 	<ul style="list-style-type: none"> OGx to create non-functioning models of 3 keypad designs for customer acceptance testing/VOC S&G team to define display and biometric sensor specs & source 	<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
Improve instructions for electronic lock products		<ul style="list-style-type: none"> Generate a business case evaluation; determine resultants ROI Identify and propose alternative options Determine most asked questions 	<ul style="list-style-type: none"> Add QR codes to instructions linking directly to videos Add new video about command 43* and QR code 	<ul style="list-style-type: none"> Instructions are still hardcopies <ul style="list-style-type: none"> ➤ If lost, QR codes also lost



Complete



On-Schedule







At Risk



Behind



Executive Summary | 2019 Key Initiatives (continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Modularize core product lines		<ul style="list-style-type: none"> Defined modular architecture for new keypad and residential product line (network connected, biometric and basic lock) 	<ul style="list-style-type: none"> Define rollout strategy for new keypad design Develop SKU rationalization strategy for legacy keypads(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"> Demand Solutions (SBD Forecasting tool) scheduled shut-down end of September OGx to provide program tool week of 9/22 	<ul style="list-style-type: none"> Begin to use OGx program tool in October 	<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; based on pricing provided by OGx 	<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

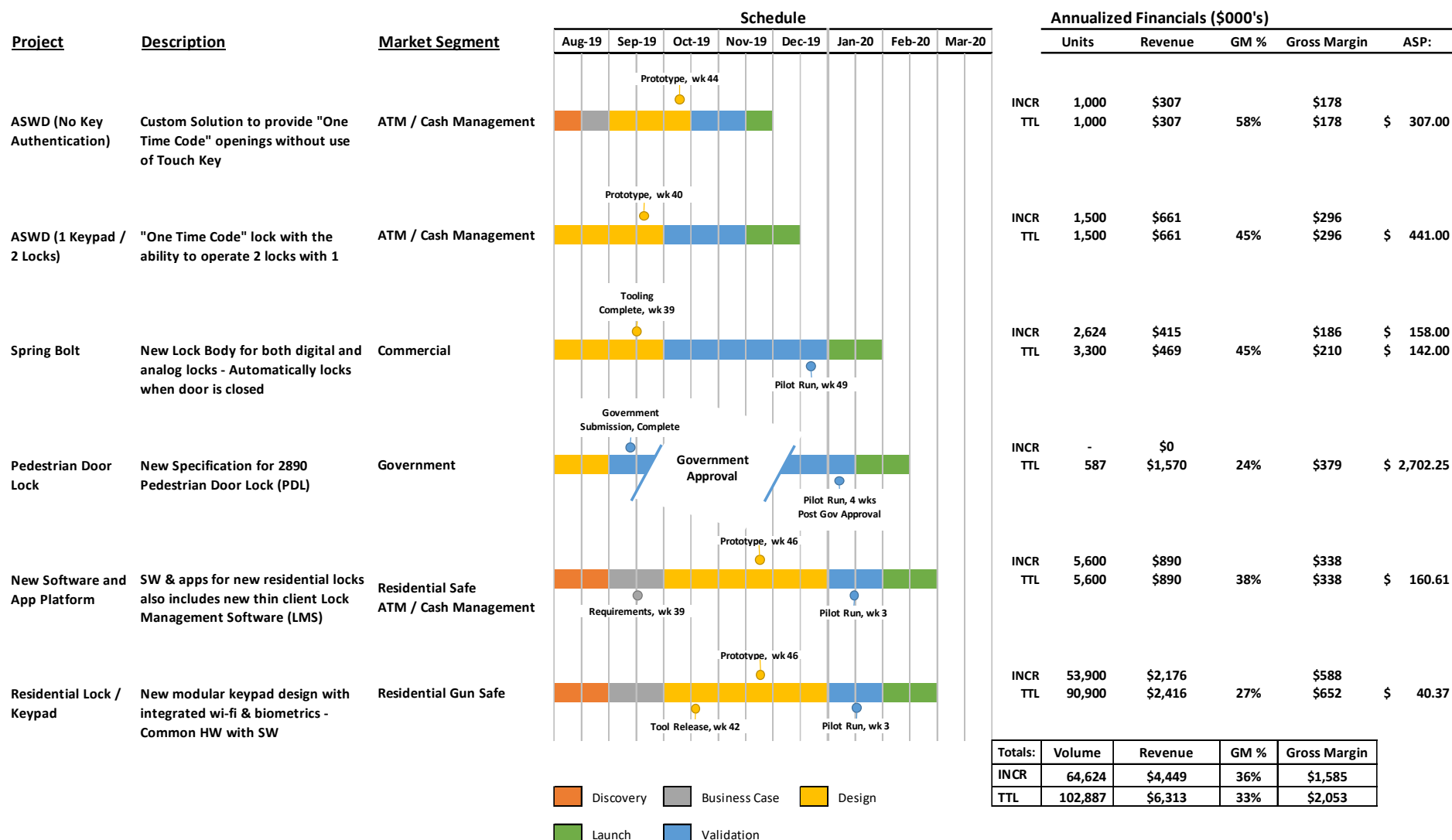


Behind



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Executive Summary | New Product Pipeline



Executive Summary | Current Product Mix



Residential

Gun Safe

Home Safe

Vault Door

Financial

ATM

Cash
Drawer

Vault Door

One Time
Code

Commercial

Retail
Safes

Filing
Cabinets

Pedestrian
Door

On Mode



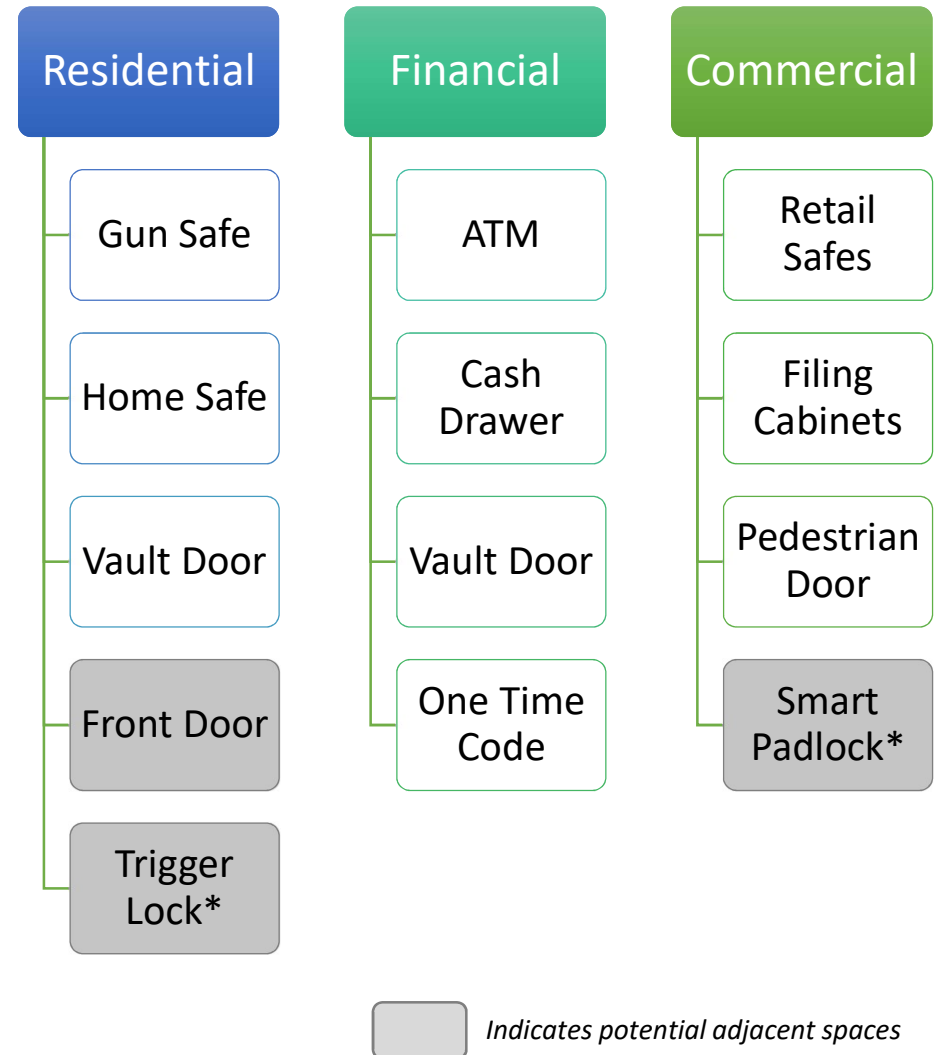
Sleep Mode



CONCEPT 3

- Solid, Discreet, Classic
- Isolated lock icon/ bio metric
- Two tone material change
- De-boss logo

Executive Summary | New Product Mix

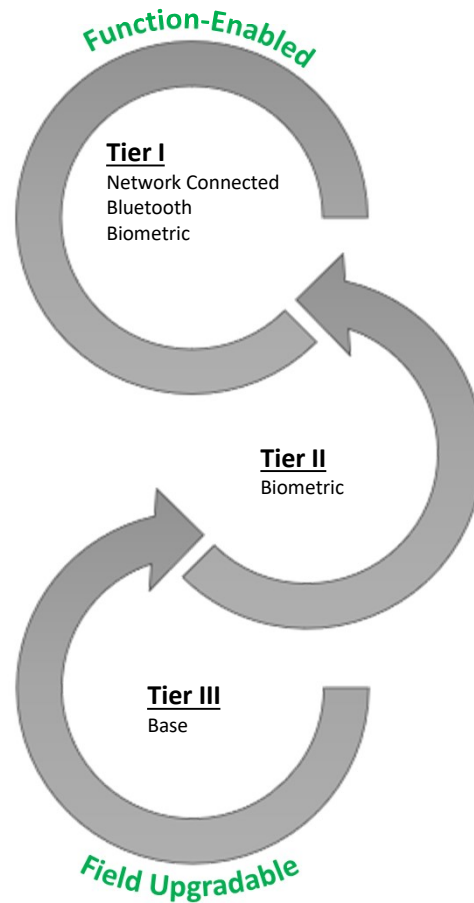


**biometric module application*



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Executive Summary | Value Proposition



Benefits to S&G

Product Line Simplification

Streamlined SIOP Process

Shortened Design Cycle

Quicker path to market for future designs

Simplifies ordering and inventory mgmt

Retrofittable for new way to sell

Easier to train operators

Benefits to OEM

Field Upgradable (RMR opportunity)

Streamlined inventory management

Compatible with all lock bodies

Smart home integration capability (OEM)

Easier to train

Benefits to End User

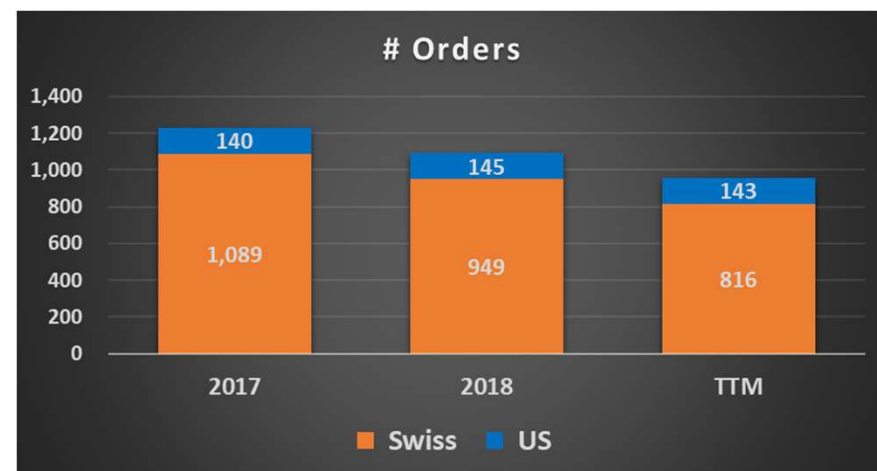
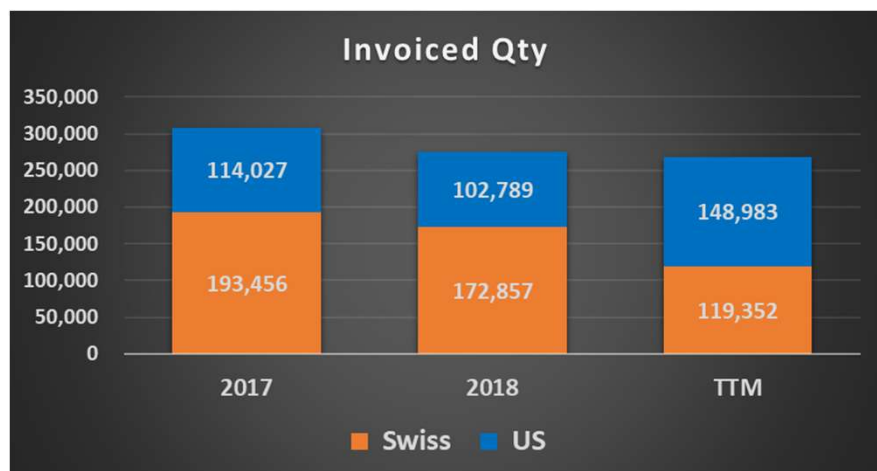
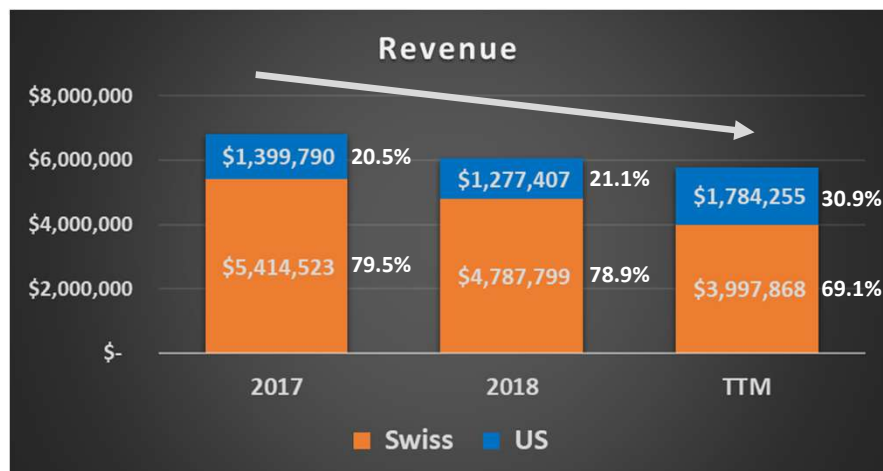
Field upgradable

Retrofittable to existing S&G lock in field

Smart home integration capability

Enhances user experience (multiple ways to access lock)

Executive Summary | EMEA Revenue & Margin





Executive Summary | SA Impact on EBITDA

		Scenario A			
SA Percent Decrease in Revenue @ \$4M Base	0.0%	-10.0%	-20.0%	-30.0%	-38.8%
Gross Margin %	41.0%	41.0%	41.0%	41.0%	41.0%
Revenue Change	\$ -	\$ (400,000)	\$ (800,000)	\$ (1,200,000)	\$ (1,551,702)
Gross Margin Reduction	\$ -	\$ (164,000)	\$ (328,000)	\$ (492,000)	\$ (636,198)
Closure Improvement	\$ 664,311	\$ 664,311	\$ 664,311	\$ 664,311	\$ 664,311
Margin at Risk from Change in Shipping Dock*	TBD	TBD	TBD	TBD	TBD
Employment Contract Change	\$ (28,113)	\$ (28,113)	\$ (28,113)	\$ (28,113)	\$ (28,113)
Net Savings Opportunity	\$ 636,198	\$ 636,198	\$ 636,198	\$ 636,198	\$ 636,198
EBITDA Improvement/(Reduction)	\$ 636,198	\$ 472,198	\$ 308,198	\$ 144,198	\$ -

- Scenario A - likely to lose 10 percent of the current run rate sales shipped of \$4M from the SA location. Represents a 6.7 percent reduction of current total EMEA run rate sales of \$6M.
- Next Steps:
 - *Analyze data related to customer landed cost for freight risk from change in shipping dock to determine true EBITDA impact
 - Identify and deploy on strategy to offset risk of negative perception within EMEA region
 - Invest in BDM position(s) within most affected region(s) (i.e. Germany)
 - Establish Tier 1 distributor channel partner(s), establishing “center of excellence” presence within most affected region(s) of EMEA



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Executive Summary | SA Execution Schedule Draft

Present

Prepare employment contract cessations and conversion to PEO

C. Jackson

Review lease contract arrangements

B. Callihan

Develop Inventory Reduction Plan

M. Rose

Est. Q4 2019

Internal Announcement and Notify SA affected personnel

M. LeMire

Identify center of excellence and lead distributor locations

M. Williams

Develop transition plan for EMEA customer service

C. Saunders

Notify customers and publish PR announcements

K. Edney

Notify Lessor and allow of new tenant search

B. Callihan

Dispose and liquidate obsolete inventories

M. Rose

Est. Q1 2020

Vacate SA facility

B. Callihan



Executive Summary | Key Performance Indicators

		Full Month - Aug				Comments
		Actual	OR	VOR		
<i>In \$(000)s</i>						
Safety	# of Recordables	1.0	0.0	1.0	●	2,020 days and 1.5M hours w/o lost time Recordable- Laceration to left thumb requiring prescription
	TRIR	0.7	1.6	(0.8)	●	
	LTIR	0.0	0.0	0.0	●	
	Roadmap	0.5	0.6	(0.1)	●	
Service	Fill Rate	93.7%	98.0%	-4.3%	●	6129 PCB's from Etratech (Demand higher than forecast), Key Blanks from ASSA
	On Time	0.0%	0.0%	0.0%	●	
	Lead Time	0.0	0.0	0.0	●	
	Past Due	86.0	100.0	(14.0)	●	
	Oldest Order	48	30.0	18.0	●	
Quality	EOLA	569.6	800.0	(230.4)	●	
	Customer Complaints #	21	32	(11)	●	
	Warranty \$	\$ 24.0	\$ 34.6	\$ (10.6)	●	
	Scrap %	1.9%	1.3%	0.6%	●	
SFS	Inventory \$	\$ 6,474.0	\$ 5,330.2	\$ 1,143.8	●	Beginning 2019 Inventory greater than planned levels as a result of soft 4Q sales. Purchased Inventory to avoid Tariffs - ASWD \$400K & Electronic Locks \$250K. Purchased remaining FAS inventory from ASSA with 25%-35% discount \$300K Largest portion is excess as a result of soft 2018 sales
	DSI	99.3	84.7	14.6	●	
	Plant Turns	3.7	4.3	(0.6)	●	
	E&O \$	\$ 1,358.8	\$ 747.0	\$ 611.8	●	
	E&O %	21.0%	14.0%	7.0%	●	
Mtl Cost	Material COS @ STD	\$ 832.0	\$ 1,085.9	\$ (253.9)	●	Zinc (\$15k), 2007-101 Titan DD purchased bulk (\$14k), 6130-009 nut (\$7k), 3000-015 power cable and 605-284000 packing tray (\$6k) each, 6124 keypad (\$4k) and 6128 PCB Assembly \$15k Scrap: Zinc \$5k, Inventory Losses: 8497-100 Brute \$5k, Production Order Variances: \$14k OR#5001192225, \$10k OR#5001166235 and \$9k OR#5001196001. Lower scrap sales due to volume and timing
	Mat'l PPV	\$ (36.0)	\$ 12.7	\$ (48.7)	●	
	Other Mat'l Variances	\$ 56.0	\$ (52.9)	\$ 108.9	●	
	Subtotal	\$ 852.0	\$ 1,045.8	\$ (193.8)	●	
Labor & Conv	Labor (Comp & Ben)	\$ 370.0	\$ 334.2	\$ 35.8	●	Additional Warranty Expense Use of purchased FAS locks reduced Die Cast and Stamping.
	OT Premium	\$ 16.0	\$ 9.4	\$ 6.6	●	
	Conversion	\$ 105.0	\$ 123.4	\$ (18.4)	●	
	Base	\$ 308.0	\$ 289.3	\$ 18.7	●	
	Subtotal	\$ 799.0	\$ 756.2	\$ 42.8	●	
	Liquidations	\$ (661.0)	\$ (729.3)	\$ 68.3	●	
	Variance to Standard	\$ 138.0	\$ 26.9	\$ 111.1	●	
	Total 4-wall Cost	\$ 1,651.0	\$ 1,802.0	\$ (151.0)	●	
	Total Variances	\$ 158.0	\$ (13.3)	\$ 171.3	●	
	<i>% of Standard COS</i>	<i>11%</i>	<i>-1%</i>	<i>11%</i>		
	Earned Hours (000's)	11.03	10.02	1.01		
Per ELH	Labor	35.00	34.28	0.72		
	Conversion	9.52	12.31	(2.79)		
	Base	27.93	28.87	(0.94)		
	Total Spending	72.45	75.47	(3.02)		
Per Liq	Labor	0.56	0.46	0.10		14 Temps
	Conversion	0.16	0.17	(0.01)		
	Base	0.47	0.40	0.07		

August 2019 Operating Review Meeting Agenda

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- ➔ **Financial Review**
- ➔ Full Year Financial Outlook
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- ➔ Appendix



Financial Review | Summary P&L - MTD

\$'000

	MTD		Variance		PY MTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Gross Revenue	\$ 3,532	\$ 4,399	\$ (867)	(19.7%)	\$ 4,364	\$ (832)	(19.1%)	
Adj. to Gross Revenue	(474)	(492)	18	(3.6%)	(584)	110	(18.9%)	
Net Revenue	3,058	3,907	(850)	(21.7%)	3,780	(722)	(19.1%)	
Material	1,722	1,256	466	37.1%	1,195	526	44.0%	
Labor	533	564	(31)	(5.5%)	522	11	2.1%	
Other COGS	236	177	59	33.2%	129	107	82.8%	
Total COGS	2,490	1,997	493	24.7%	1,846	644	34.9%	
Gross Margin	567	1,910	(1,343)	(70.3%)	1,934	(1,366)	(70.7%)	
<i>Gross Margin %</i>	<i>18.6%</i>	<i>48.9%</i>			<i>51.2%</i>			
R&D	116	272	(156)	(57.4%)	129	(13)	(9.9%)	
Sales & Marketing	402	396	6	1.4%	325	77	23.7%	
Administrative	3,754	665	3,089	464.6%	383	3,371	879.5%	
Other Opex	—	—	—	N/A	—	—	N/A	
Total Opex	4,272	1,334	2,938	220.3%	837	3,435	410.4%	
EBITDA	(3,704)	577	(4,281)	(742.2%)	1,097	(4,801)	(437.8%)	
<i>EBITDA %</i>	<i>(121.1%)</i>	<i>14.8%</i>			<i>29.0%</i>			
Adj. EBITDA	799	972	(173)	(17.8%)	1,097	(298)	(27.1%)	
<i>Adj. EBITDA %</i>	<i>26.5%</i>	<i>24.9%</i>			<i>29.0%</i>			
Net Income (Loss)	\$ (4,947)	\$ 40	\$ (4,987)	(12552.1%)	\$ 995	\$ (5,942)	(597.3%)	
Capex	\$ —	\$ 120	\$ (120)	(100.0%)	\$ 40	\$ (40)	(100.0%)	

Management Discussion

Budget

- August Adjusted EBITDA unfavorable variance of (\$162k). Excluding the impact of the Opening Balance Sheet (OBS) entries, the Gross margin is unfavorable (\$474k) with a volume impact of (\$415k) and manufacturing variance of (\$59k).
 - OBS inventory revalued of step-up costs by \$869k for WIP and Finished Goods
- Excluding the impact of the OBS entries, Opex is favorable \$504k related to open positions, timing of HR specialist fees, timing of strategic initiative spend and discretionary spending controls.
 - Actual 1x adjustments were \$197k versus budget of \$395k
 - OBS transaction fee expenses incurred of \$3.4M

PY

- August Adjusted EBITDA unfavorable (\$287k). Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$498k) with a volume impact of (\$370k) and manufacturing cost of (\$128k).
 - OBS inventory revalued of step-up costs by \$869k for WIP and Finished Goods
- Excluding the impact of the OBS entries, Opex is Flat to PY
 - Actual 1x adjustments were \$197k versus Budget of \$395k
 - OBS transaction fee expenses incurred of \$3.4M



Financial Review | Summary P&L - YTD

\$'000	YTD		Var		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%	
Gross Revenue	\$ 34,626	\$ 36,734	\$ (2,109)	(5.7%)	\$ 34,219	\$ 407	1.2%	
Adj. to Gross Revenue	(4,547)	(4,242)	(305)	7.2%	(4,044)	(503)	12.4%	
Net Revenue	30,078	32,493	(2,414)	(7.4%)	30,175	(97)	(0.3%)	
Material	11,158	10,551	607	5.8%	10,999	159	1.4%	
Labor	4,563	4,891	(328)	(6.7%)	4,364	199	4.6%	
Other COGS	1,945	1,952	(7)	(0.4%)	1,432	513	35.8%	
Total COGS	17,667	17,394	272	1.6%	16,795	871	5.2%	
Gross Margin	12,412	15,098	(2,687)	(17.8%)	13,380	(968)	(7.2%)	
<i>Gross Margin %</i>	<i>41.3%</i>	<i>46.5%</i>			<i>44.3%</i>			
R&D	941	1,353	(411)	(30.4%)	1,192	(251)	(21.0%)	
Sales & Marketing	2,669	3,105	(436)	(14.1%)	2,351	318	13.5%	
Administrative	6,627	3,591	3,035	84.5%	2,786	3,841	137.9%	
Other Opex	—	—	—	N/A	—	—	N/A	
Total Opex	10,237	8,049	2,187	27.2%	6,329	3,908	61.8%	
EBITDA	2,175	7,049	(4,874)	(69.1%)	7,051	(4,876)	(69.2%)	
<i>EBITDA %</i>	<i>7.2%</i>	<i>21.7%</i>			<i>23.4%</i>			
Adj. EBITDA	7,548	8,410	(862)	(10.3%)	7,051	497	7.0%	
<i>Adj. EBITDA %</i>	<i>25.1%</i>	<i>25.9%</i>			<i>23.4%</i>			
Net Income (Loss)	\$ (922)	\$ 3,250	\$ (4,172)	(128.4%)	\$ 6,221	\$ (7,143)	(114.8%)	
Capex	\$ 249	\$ 751	\$ (502)	(66.9%)	\$ 921	\$ (672)	(73.0%)	

Management Discussion

Budget

- YTD Adjusted EBITDA unfavorable variance of (\$851k). Excluding the impact of the OBS entries, gross margin is unfavorable (\$1,800k) with a volume impact of (\$1,100k) and manufacturing cost of (\$695k).
 - OBS inventory revalued step-up incurred of \$869k to material cost
- Excluding the impact of the OBS entries, Opex is favorable \$751k related to timing of innovation spend (R&D), timing of strategic initiative spend and discretionary spending controls (T&E/Other Expenses)
 - Actual 1x adjustments were \$1.1M versus Budget of \$1.4M
 - OBS transaction fee expenses incurred of \$3.4M

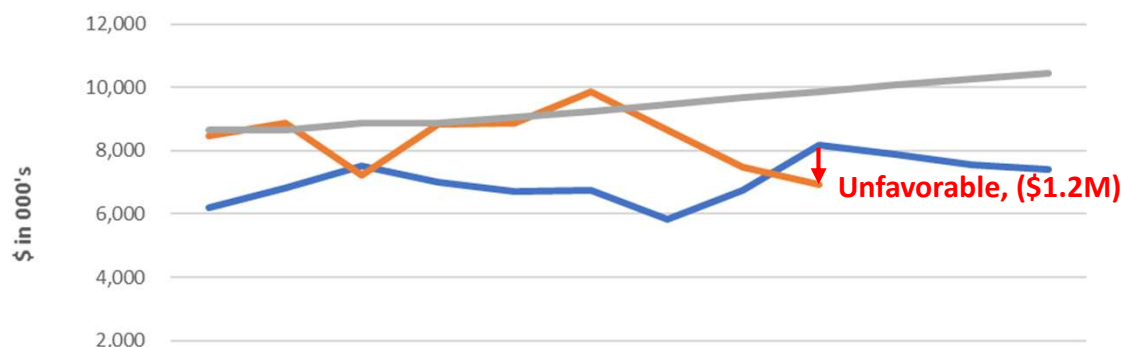
PY

- YTD Adjusted EBITDA favorable \$508k. Excluding the impact of the OBS entries, Gross Margin is unfavorable (\$99k) with a volume impact of (\$43k) and an other impact of (\$56k).
 - OBS inventory revalued of step-up costs by \$869k for WIP and Finished Goods
 - \$96k of other impact related to YTD Warranty expense (July)
- Excluding the impact of the OBS entries, Opex is unfavorable (\$466k) related to 1x costs.
 - Actual 1x adjustments were \$1.1k versus \$0 in PY
 - OBS transaction fee expenses incurred of \$3.4M



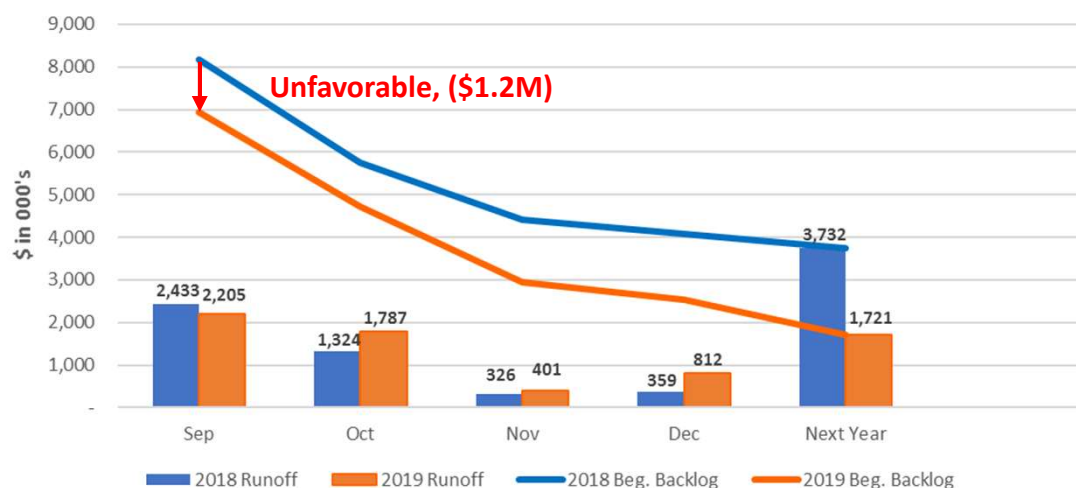
Financial Summary | Backlog Trends

Trended Backlog - Comparative August



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	6,202	6,816	7,526	6,994	6,714	6,763	5,848	6,732	8,174	7,900	7,544	7,427
2019	8,476	8,885	7,243	8,845	8,882	9,876	8,649	7,473	6,926			
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 August



Management Discussion

- Current backlog of \$6.9M contains \$5.2M of run-off in 2019
 - \$1.0M of 951 Government Padlock Orders scheduled in 2019
 - October, \$319k
 - November, \$117k
 - December, \$554k
- 2018 Backlog of \$8.2M contained \$4.4M of run-off for 2018. \$3.7M of 2019 run-off contained:
 - Arya blanket order, \$1.3M entered on 8/13/18
 - Two Gov't 951 orders totaling \$615k entered on 8/7/18 and 8/31/18
- Outlook: Through September 15th, backlog has increased \$1.1M.
 - Shanghai Qiahne 6651 orders for \$550k
 - Arya 6128 orders for \$546k



SARGENT AND GREENLEAF

Financial Summary | Business Split Comparison

2015 - 2018 Change in Revenue (\$000s)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	1,609	2	(149)	(0)	0	1,462
APAC (Less India)	(1,416)	(279)	(1,015)	(65)	(167)	(2,942)
EMEA	(496)	(29)	(324)	(253)	(6)	(1,107)
LATAM	486	(9)	31	39	68	615
US and Canada	299	(2,708)	(2,102)	(460)	(198)	(5,168)
Total	483	(3,022)	(3,559)	(740)	(302)	(7,140)

2015 - 2018 Change in Contribution Margin (\$000s)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	936	(1)	(56)	(1)	0	879
APAC (Less India)	(943)	(121)	(172)	(70)	(18)	(1,323)
EMEA	(992)	(62)	(117)	(95)	(0)	(1,266)
LATAM	498	(9)	24	27	18	558
US and Canada	29	(786)	(528)	(117)	(35)	(1,438)
Total	(472)	(978)	(849)	(256)	(35)	(2,590)

Aug YTD YoY Change in Revenue (\$000s)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	1,608	(4)	111	1	0	1,715
APAC (Less India)	(349)	62	(164)	27	(1)	(427)
EMEA	(401)	61	12	(21)	(0)	(348)
LATAM	(510)	40	60	(37)	(98)	(544)
US and Canada	(738)	1,204	(1,360)	(59)	303	(650)
Total	(389)	1,364	(1,341)	(90)	203	(253)

Aug YTD YoY Change in Contribution Margin (\$000s)

	ATM	Gov.	Resi.	Retail/ Other	Safe Dep Box	Total
India	1,065	(0)	37	(0)	0	1,101
APAC (Less India)	(100)	1	(55)	14	(1)	(142)
EMEA	30	23	(44)	(8)	(0)	(0)
LATAM	(210)	4	30	(21)	(16)	(213)
US and Canada	(206)	195	(478)	(46)	59	(475)
Total	580	222	(509)	(62)	42	272

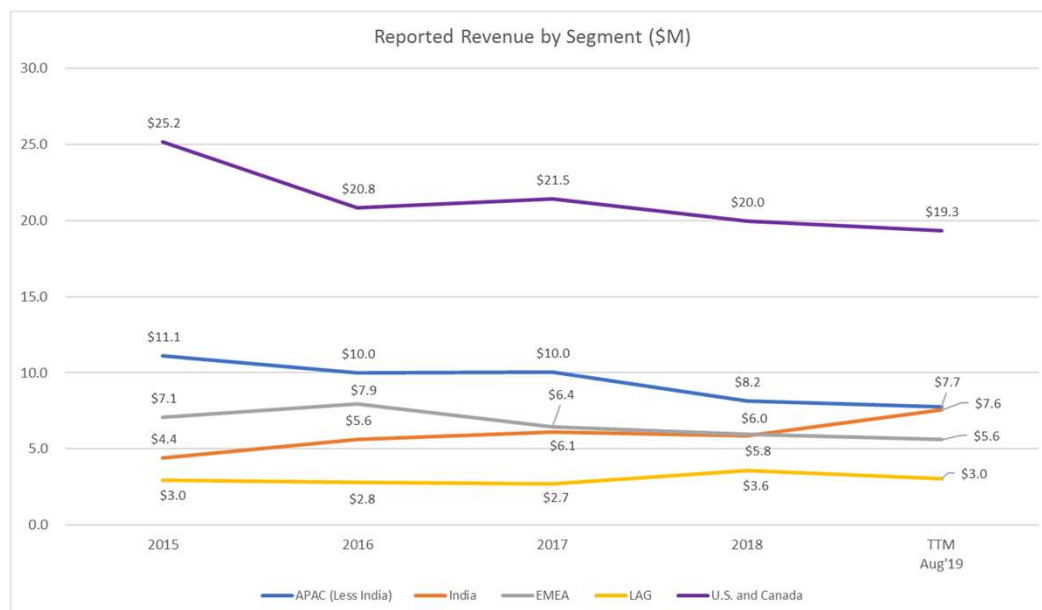
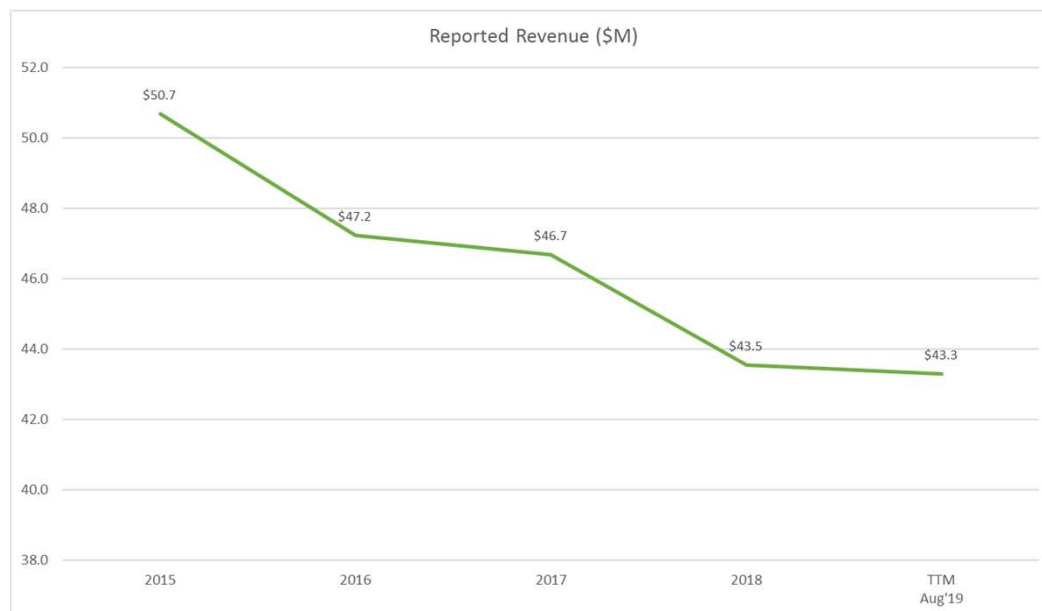
Management Discussion

- India ATM Market continues to remain steady YOY, however softening in all other key markets is the trend. This is due to less cash usage globally and increased alternative pay methods (mobile)
- Gun safe market (Resi) still growing, but decline to S&G due to pricing and quality issues over last 2 years. Competitive products continue to drive downward, while S&G products are remaining steady with strong margins.
- Government business is up with potential to expand partnerships and offerings on 2740's with non-US Gov't customers focused on these products. New Government BDM is aligning strategic approach to approved regions.



SARGENT AND GREENLEAF

Financial Summary | Revenue



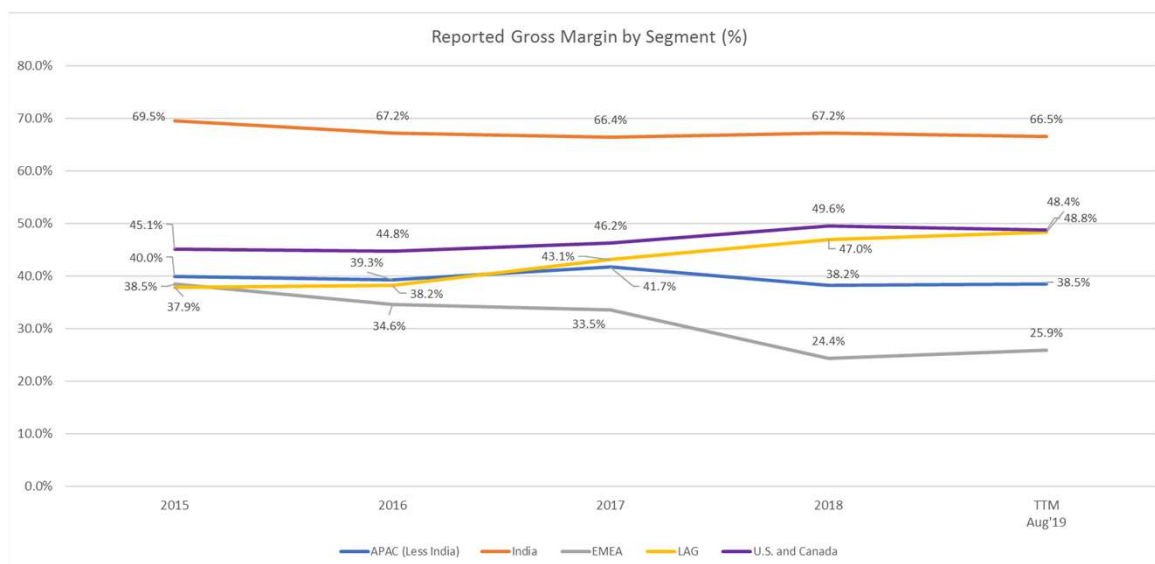
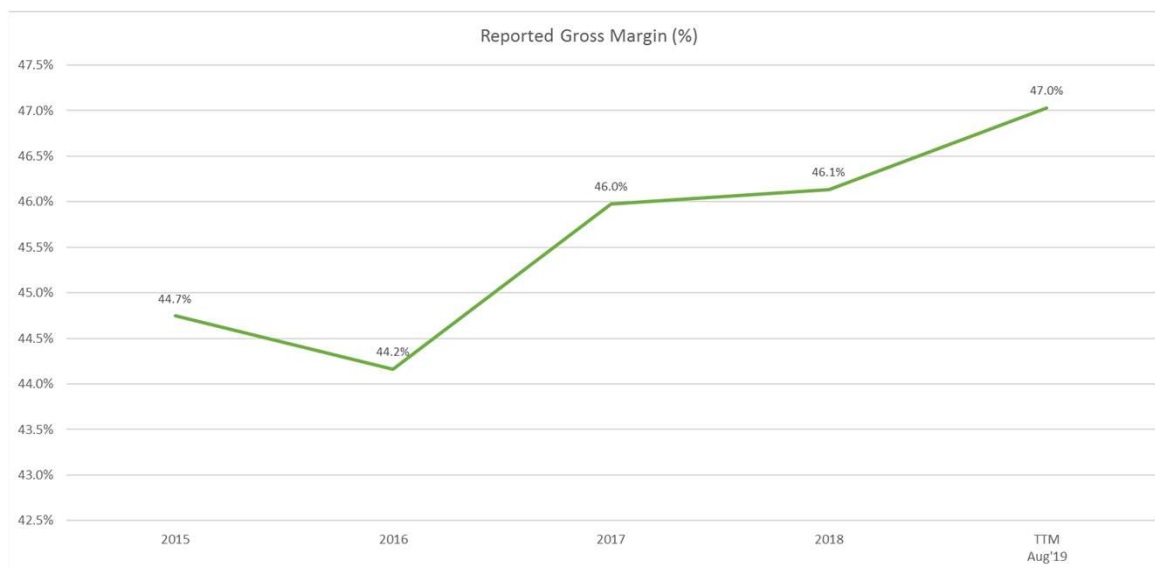
Management Discussion

- Overall (\$7.2M) decline from 2015 to 2018
 - Unfavorable, NA by (\$5.2M)
 - 951 Government padlocks (\$3.5M), Liberty Safe electronic locks (\$3.3M), GSA (\$1.2M)
 - Timemaster \$1.8M, Lockmaster \$1.6M
 - Unfavorable, EMEA by (\$1.1M)
 - Amnco (\$486k), TK (\$384k), Polital (\$295k)
 - Abusarhad \$413k, Diebold Nixdorf \$177k, Format \$177k
 - Unfavorable, APAC less India (\$2.9M)
 - TK (\$1.4M), Tri-Star (\$592k), Dutech (\$548k), Hyosung (\$452k)
 - PT Fokus \$543k
 - Favorable, India \$1.6M
 - NCR \$1.0M, Arya \$855k
 - Locksmith Supply (\$415k)



SARGENT AND GREENLEAF

Financial Summary | Gross Margin (@Standard)



Management Discussion

- Overall Gross Margin Favorable 140 basis points 2015 v 2018
 - Unfavorable, EMEA (1,410bps) due to increased cost of FAS and Mechanical Locks. Increased pricing pressure from Diebold and NCR.
 - Unfavorable, India (230bps) due to lower pricing for increased volume to NCR and Arya
 - Unfavorable, APAC less India (180bps) due to loss of higher margin sales to Takachiho, partially offset by a decrease of lower margin sales to Dutech
 - Favorable, LAG 850bps due to increased sales to Cogar
 - Favorable, NA 450bps due to loss of lower margin sales to residential safes (Liberty, Granite and Hamilton)



Financial Summary | Cost of Goods Sold by Component

\$'000	MTD		Var		YTD		Var	
	Act	Bud	\$	%	Act	Bud	\$	%
Material								
Material costs at standard	\$ 1,701	\$ 1,240	\$ 460	37.1%	\$ 11,117	\$ 10,495	\$ 622	5.9%
Materials FX loss / (gain)	(0)	0	(0)	(994.1%)	(0)	(0)	(0)	37.2%
Purchase price variance	(36)	5	(41)	(791.2%)	(241)	15	(256)	(1741.2%)
Freight in	25	28	(2)	(8.4%)	415	387	28	7.2%
Cost revision	—	—	—	N/A	(232)	(232)	—	0.0%
Scrap costs	5	(23)	28	(122.3%)	2	(156)	158	(101.3%)
Consumables	26	6	20	327.6%	98	43	55	129.4%
Total Material COGS	\$ 1,722	\$ 1,256	\$ 466	37.1%	\$ 11,158	\$ 10,551	\$ 607	5.8%
Labor								
Direct labor	\$ 246	\$ 254	\$ (7)	(2.8%)	\$ 2,041	\$ 2,275	\$ (234)	(10.3%)
Direct labor - overtime	16	9	6	66.0%	124	89	35	39.6%
Direct labor - benefits	72	102	(30)	(29.1%)	689	886	(197)	(22.2%)
Indirect labor	135	152	(17)	(11.5%)	1,283	1,244	40	3.2%
Indirect labor – benefits	64	47	17	35.9%	426	398	28	7.0%
Total Labor COGS	\$ 533	\$ 564	\$ (31)	(5.5%)	\$ 4,563	\$ 4,891	\$ (328)	(6.7%)
Other								
Repairs and maintenance	\$ 12	\$ 17	\$ (5)	(27.1%)	\$ 137	\$ 128	\$ 8	6.5%
Rent / facilities	175	168	7	4.4%	1,489	1,451	38	2.6%
Utilities	25	23	2	10.6%	182	195	(13)	(6.9%)
Other cost of sales	23	(31)	53	(173.6%)	137	177	(40)	(22.5%)
Total Other COGS	\$ 236	\$ 177	\$ 59	33.2%	\$ 1,945	\$ 1,952	\$ (7)	(0.4%)
Total COGS	\$ 2,490	\$ 1,997	\$ 493	64.8%	\$ 17,667	\$ 17,394	\$ 272	(1.3%)

Management Discussion

August

- Excluding the impact of the OBS entries, favorable Material costs of \$409k, \$270k driven by decreased volume, \$139k driven by Other
 - OBS inventory revalued step-up incurred of \$869k to material cost
- Favorable PPV of \$36k driven by Zinc \$15k, 2007-101 Titan DD purchased bulk \$14k, 6130-009 nut \$7k, 3000-015 power cable and 605-284000 packing tray \$6k each, 6124 keypad \$4k and 6128 PCB Assembly (\$15k)
- Unfavorable Scrap of (\$28k) driven by Zinc, (\$5k) and lower than planned scrap income
- Unfavorable Consumables of (\$20k) driven by Inventory Losses: 8497-100 Brute (\$5k) and Production Order Variances of (\$19k)

YTD

- Excluding the impact of the OBS entries, favorable Material costs of \$247k. Driven by decreased volume \$602k, offset by unfavorable Other (\$355k)
 - OBS inventory revalued step-up incurred of \$869k to material cost
- Favorable PPV of \$256k driven primarily Zinc and 6120 Satin Chrome Housings
- Unfavorable Scrap of (\$158k) driven by Zinc and Aluminum, 2740 Covers and 6124 Case offsetting scrap income of \$220k



Financial Summary | Balance Sheet

\$'000	Aug-19		Variance	
	Act	Bud	\$	%
Current Assets				
Cash and cash equivalents	\$ 5,017	\$ 5,228	\$ (210)	(4.0%)
Short term investments	–	–	–	N/A
<i>Accounts receivable, gross</i>	7,047	7,047	–	0.0%
<i>Accounts receivable, reserves</i>	(195)	(127)	(68)	53.5%
Accounts receivable, net	6,852	6,920	(68)	(1.0%)
<i>Inventory, gross</i>	7,226	6,958	269	3.9%
<i>Inventory, reserves</i>	(467)	(487)	20	(4.2%)
Inventory, net	6,760	6,471	289	4.5%
Prepaid expenses and other current assets	196	206	(10)	(4.9%)
Total Current Assets	18,825	18,824	1	0.0%
Non-Current Assets				
<i>Property, plant & equipment, gross</i>	11,569	11,944	(375)	(3.1%)
<i>Accumulated depreciation</i>	(389)	–	(389)	N/A
Property, plant & equipment, net	11,180	11,944	(764)	(6.4%)
Goodwill	44,223	44,223	–	0.0%
<i>Identifiable intangible assets, gross</i>	15,100	15,100	–	0.0%
<i>Accumulated amortization</i>	–	–	–	N/A
Identifiable intangible assets, net	15,100	15,100	–	0.0%
Deferred financing cost	1,646	1,646	–	0.0%
Other non-current assets	131	131	–	0.0%
Total Non-Current Assets	72,280	73,044	(764)	(1.0%)
Total Assets	\$ 91,106	\$ 91,869	\$ (763)	(0.8%)
Current Liabilities				
Current portion of long-term debt	\$ 892	\$ 892	\$ 0	0.0%
Accounts payable	3,531	3,693	(163)	(4.4%)
Accrued liabilities	1,804	1,350	453	33.6%
Accrued compensation	302	338	(36)	(10.6%)
Income taxes payable	266	244	22	8.9%
Short-term unearned revenue	56	56	–	0.0%
Total Current Liabilities	6,851	6,575	277	4.2%
Long-term liabilities				
Long-term debt less current maturities	43,694	43,694	(0)	(0.0%)
Deferred income taxes	2,989	2,989	–	0.0%
Other non-current liabilities	87	87	–	0.0%
Total Long-Term Liabilities	46,770	46,770	(0)	(0.0%)
Total Liabilities	53,621	53,345	276	0.5%
Shareholders' Equity				
Common stock	40,228	40,228	–	0.0%
Retained earnings	(4,098)	(3,059)	(1,039)	34.0%
Accumulated other comprehensive income	1,354	1,354	–	0.0%
Other equity transactions	1	1	–	0.0%
Total Shareholders' Equity	37,484	38,524	(1,039)	(2.7%)
Total Liabilities and Shareholders' Equity	\$ 91,106	\$ 91,869	\$ (763)	(0.8%)

Management Discussion

- Lower Accounts Receivable by (\$68k) compared to Budget due to lower than budgeted sales
 - Slow pay A/R > than 16 days
 - Diebold \$195k
 - Inspur \$186k
 - NCR (paid in Sept) \$188k
 - Badger \$138k
 - Payment Alliance \$103k
 - AGS \$92k
 - Business Cash \$65k
- Accounts Payable lower by (\$163k) compared to Budget due to lower volume
- Inventory \$269k greater than budget due to inventory purchased to avoid tariff impact(ASWD \$400k, Electronic Locks \$250k) and purchase of remaining FAS lock inventory from ASSA at a discounted rate \$300k
- Budgeted Balance sheet has been adjusted to reflect Opening Balance Sheet position.



Financial Summary | Opex Summary

\$'000	MTD		Variance		PY MTD		Variance		YTD		Var		PY YTD		Variance									
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%										
Opex Overview:																								
Payroll	\$	266	\$	292	\$	(26)	(8.8%)	\$	310	\$	(44)	(14.2%)	\$	2,346	\$	2,369	\$	(22)	(0.9%)	\$	2,502	\$	(155)	(6.2%)
Overtime		—		1		(1)	(100.0%)		0		(0)	(100.0%)		0		6		(6)	(94.4%)		5		(4)	(92.3%)
Benefits		54		23		31	135.5%		79		(26)	(32.2%)		595		512		83	16.1%		628		(33)	(5.3%)
Bonus		16		42		(26)	(61.7%)		43		(27)	(62.4%)		131		272		(141)	(51.8%)		175		(44)	(25.3%)
Commissions		36		59		(23)	(38.8%)		8		28	345.0%		204		507		(303)	(59.8%)		176		28	16.1%
Marketing		45		14		30	212.7%		55		(10)	(17.9%)		322		224		98	43.9%		370		(48)	(12.9%)
Travel and Entertainment		65		34		30	87.1%		18		47	267.8%		275		311		(35)	(11.4%)		307		(32)	(10.4%)
Insurance		—		3		(3)	(100.0%)		3		(3)	(100.0%)		1		22		(21)	(95.1%)		24		(23)	(95.4%)
Professional Fees		3,651		463		3,188	688.8%		154		3,497	2272.5%		5,345		2,546		2,799	109.9%		1,345		4,000	297.4%
Utl., Repair, Maint., & Sec.		0		5		(4)	(93.1%)		3		(2)	(88.1%)		13		37		(24)	(65.5%)		27		(14)	(51.9%)
IT		115		338		(223)	(65.9%)		45		71	157.4%		540		677		(136)	(20.2%)		358		182	50.8%
Bad Debts		—		—		—	N/A		47		(47)	(100.0%)		76		—		76	N/A		92		(15)	(16.6%)
Supplies		6		10		(4)	(37.1%)		1		5	348.6%		41		85		(44)	(51.3%)		39		2	5.2%
Other Expenses		16		50		(34)	(67.9%)		72		(56)	(77.5%)		334		481		(146)	(30.4%)		282		53	18.7%
Total Opex	\$	4,272	\$	1,334	\$	2,938	220.3%	\$	837	\$	3,435	410.4%	\$	10,237	\$	8,049	\$	2,187	27.2%	\$	6,329	\$	3,908	61.8%

Management Discussion

- August vs Budget – favorable \$504k, excluding the impact of the OBS entries, related to open positions, timing of HR specialist fees, strategic initiative spend and IT carve-out expenses.
 - Actual 1x adjustments were \$197k versus Budget of \$395k
 - **OBS transaction fee expenses incurred of \$3.4M**
- YTD vs Budget - favorable \$751k, excluding the impact of the BOS entries, related to timing of hiring open positions, timing of innovation spend (R&D), Strategic initiative spend and IT carve-out expenses, lower commissions driven by lower sales and discretionary spending controls (T&E/Other Expenses)
 - Actual 1x adjustments were \$1,100k versus Budget of \$1,400k
 - **OBS transaction fee expenses incurred of \$3.4M**
- August vs PY – flat to PY.
 - Actual 1x adjustments were \$197k versus \$0 in PY
 - **OBS transaction fee expenses incurred of \$3.4M**
- YTD vs PY – unfavorable (\$466k), excluding the impact of the OBS entries, related to 1x costs
 - Actual 1x adjustments were \$1.1M versus \$0 in PY
 - **OBS transaction fee expenses incurred of \$3.4M**



Financial Summary | YTD Opex Analysis

\$'000

	YTD			Explanation of Variance				Variance Impact		
	Act	Bud	Variance B / (W)	One-Time / Non-recurring	Timing	Change in Run-rate	Other	Total Variance B / (W)	YoY Impact B / (W)	Annualized Impact B / (W)
Payroll	\$ 2,346	\$ 2,369	\$ (22)	\$ –	\$ –	\$ (22)	\$ –	\$ (22)	\$ (22)	\$ (22)
Overtime	0	6	(6)	–	–	(6)	–	(6)	(6)	(6)
Benefits	595	512	83	–	–	83	–	83	83	83
Bonus	131	272	(141)	–	–	(141)	–	(141)	(141)	(141)
Commissions	204	507	(303)	–	–	(303)	–	(303)	(303)	(303)
Marketing	322	224	98	–	–	98	–	98	98	98
Travel and Entertainment	275	311	(35)	–	–	(35)	–	(35)	(35)	(35)
Rent and Facilities	11	–	11	–	–	11	–	11	11	11
Insurance	1	22	(21)	–	–	(21)	–	(21)	(21)	(21)
Professional Fees	5,345	2,546	2,799	4,232	–	(1,433)	–	2,799	(1,433)	(1,433)
Utl., Repair, Maint., & Sec.	13	37	(24)	–	–	(24)	–	(24)	(24)	(24)
IT	540	677	(136)	271	–	(407)	–	(136)	(407)	(407)
Bad Debts	76	–	76	–	–	76	–	76	76	76
Supplies	41	85	(44)	–	–	(44)	–	(44)	(44)	(44)
Other Expenses	334	481	(146)	–	–	(146)	–	(146)	(146)	(146)
Total Opex	\$ 10,237	\$ 8,049	\$ 2,187	\$ 4,503	\$ –	\$ (2,316)	\$ –	\$ 2,187	\$ (2,316)	\$ (2,316)

Management Discussion

- Bonus and Commissions are under budget due to lower than budgeted revenue.
- Professional fees included non recurring expense of \$3.4M in OBS transaction fee expense, as well as, other 1x costs (recruiting fees, consultants). Change in run rate related to the timing of Innovation spend and open sales positions (now filled).
- IT contains \$271k in TSA fees. The decline in run rate is related to timing of technology carve-out costs



Financial Summary | Standalone Costs

\$'000		MTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%
IT		10	207	(197)	-95.1%	21	270	(248)	-92.1%
Manager	Salary and Benefits	9	9	-	0.0%	18	28	(10)	-36.1%
Analyst	Salary and Benefits	-	6	(6)	0.0%	-	13	(13)	0.0%
Direct Technology Charges	Office 365, AvePoint, WebRoot, Duo MFA, voice services, Creo, Windchill	-	177	(177)	-100.0%	-	203	(203)	-100.0%
Business Services	Offset to TSA	-	8	(8)	0.0%	-	8	(8)	0.0%
Sales Force	Licensing	-	-	-	0.0%	-	-	-	0.0%
Accounting / HR systems	Concur Set-up and monthly fee	1	2	(1)	-46.0%	4	8	(5)	-56.5%
ERP tranisition licensing fees	Licensing	-	5	(5)	0.0%	-	10	(10)	0.0%
Data Communications	Licensing	-	-	-	0.0%	-	-	-	0.0%
Legal		-	19	(19)	-100.0%	-	56	(56)	-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%	-	38	(38)	-100.0%
Patent fees	Patent Fees	-	6	(6)	-100.0%	-	19	(19)	-100.0%
Finance		30	30	-	0.0%	73	87	(14)	-16.2%
CFO	Salary and Benefits	21	21	-	0.0%	47	61	(14)	-23.2%
Base compensation (2 FTEs)	Salary and Benefits	-	-	-	0.0%	-	-	-	0.0%
Audit Fees	2019 Audit Fees	9	9	-	0.0%	26	26	-	0.0%
Sales		22	22	(0)	0.0%	36	36	0	0.9%
VP of Sales	Salary and Benefits	22	22	(0)	0.0%	36	36	0	0.9%
HR		2	2	(0)	-14.4%	5	6	(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%	4	4	-	0.0%
Trade Compliance		1	1	-	0.0%	4	4	-	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%	3	3	-	0.0%
Bonuses	Incremental management bonuses	15	15	-	0.0%	26	46	(21)	-44.6%
Risk	Incremental cost of business insurances	16	16	-	0.0%	49	49	-	0.0%
Freight	Adjust freight to actual charges versus allocation	47	42	5	12.4%	108	125	(17)	-13.6%
401(k) compensation	Estimated incremental 401(k) expense	10	10	-	0.0%	29	29	-	0.0%
Total Standalone Costs		153	364	(210)	-57.8%	351	708	(357)	-50.4%



SARGENT AND GREENLEAF

Financial Summary | 1X Costs

\$'000		MTD		Variance		YTD		Variance	
	Description	Act	Bud	\$	%	Act	Bud	\$	%
IT		19	144	(125)	-86.8%	82	221	(140)	-63.0%
IT Specialist	Gray Drohan consulting fees	10	20	(10)	-50.0%	73	89	(16)	-18.2%
Technology Carve-Out	ERP Implementation, VOIP, Firewall hardware, network re-engineering, Office 365	9	124	(115)	0.0%	9	132	(123)	0.0%
Legal/Professional Fees		49	66	(17)	-25.3%	667	744	(77)	-10.4%
Audit/Valuation Fees	Opening Balance Sheet/Asset Valuation Fees	25	—	25	#DIV/0!	56	55	1	1.0%
HR Specialist	Joel Tokarz consulting fees	—	18	(18)	-100.0%	276	291	(15)	-5.2%
Employee Recruitment	Recruiting Fees for CFO, VP of Sales, IT Manager, IT Analyst, Gov't BDM	—	—	—	#DIV/0!	258	259	(2)	-0.6%
OGX	Consulting Fees	23	23	—	0.0%	68	69	(1)	-1.2%
Other	Navex	1	25	(24)	-96.0%	10	72	(62)	-86.5%
Marketing/Rebranding	Deal related external communications, rebranding (signage, business cards, etc)	35	17	18	100.0%	35	43	(8)	-18.7%
Payroll Implementation	Internaltion GEO, Domestic PEO set up fees	—	16	(16)	-100.0%	7	27	(20)	-73.1%
Market Parity	Products to catch up to competitors' offerings	—	74	(74)	0.0%	—	74	(74)	0.0%
TSA		90	78	12	15.8%	271	251	20	7.9%
TSA - IT	Data center infrastructure, ERP and all other in use systems and support, Enterprise services and Business Services	58	46	12	25.2%	168	155	13	8.3%
TSA - Non-IT	Order to Cash, AP, GL, Treasury Management, Trade Compliance, Transportation, Global Supply Management,	32	31	1	3.6%	104	96	8	7.8%
Total 1X Costs		193	395	(202)	-51.1%	1,062	1,359	(297)	-21.9%



Financial Summary | Cash Flow Statement

\$'000	YTD		Variance	
	Act	Bud	\$	%
Cash flow from operations				
Net Income (Loss)	\$ (4,443)	\$ 156	\$ (4,599)	(2947.0%)
Depreciation, amortization and other	1,048	–	1,048	N/A
<i>Change in operating assets and liabilities:</i>				
Accounts receivable	195	496	(300)	(60.6%)
Inventory	1,028	672	356	53.0%
Prepaid expenses and other current assets	(114)	(147)	32	(21.9%)
Accounts payable	565	2	563	27067.6%
Accrued expenses	1,202	596	606	101.6%
Accrued income taxes	266	(254)	520	(204.9%)
Other changes in operating assets and liabilities	(8,796)	227	(9,023)	(3970.7%)
Other cash flow from operations	–	–	–	N/A
Total Cash Flow from Operations	\$ (9,048)	\$ 1,749	\$ (10,796)	(617.4%)
Cash flow from investing				
Additions to property, plant and equipment	\$ (25)	\$ (375)	\$ 350	(93.4%)
Total Cash Flow from Investing	\$ (25)	\$ (375)	\$ 350	(93.4%)
Cash flow from financing				
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ (800)	\$ –	0.0%
Proceeds from the issuance of debt	–	–	–	N/A
Repayment of debt	–	–	–	N/A
Other cash flow from financing costs	12,483	225	12,258	5442.8%
Total Cash Flow from Financing	\$ 11,683	\$ (575)	\$ 12,258	(2132.6%)
	\$ –	\$ –	\$ –	N/A
Net change in cash	\$ 2,610	\$ 799	\$ 1,812	226.8%
Beginning cash	–	–	–	N/A
Change in cash	2,610	799	1,812	226.8%
Ending cash	\$ 5,017	\$ 5,228	\$ (210)	(4.0%)

Budgeted Cash Flow has been updated to reflect opening balance sheet position. YTD Cash Flow calculated from May 30th 2019.



SARGENT AND GREENLEAF

Financial Summary | 13-Week Cash Flow Projection

In US\$	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	Forecast 11/18	Forecast 11/25	Forecast 12/2	Forecast 12/9	Forecast 12/16
Cash Inflows - Operational														
Collections from customers (Actual)														
Collections from customers based on projected aging (Foreca	1,193	1,158	897	782	812	552	410	391	242	37	62	33	101	40
Collections from new forecasted sales	-	-	-	-	-	280	438	685	425	843	888	1,113	813	768
Total AR Collections	1,193	1,158	897	782	812	832	848	1,076	667	880	950	1,146	913	808
Other non-AR inflows														
Total Cash Inflows - Operational	1,193	1,158	897	782	812	832	848	1,076	667	880	950	1,146	913	808
Cash Outflows - Operational														
Product inventory (SAP AP)	(316)	(495)	(299)	(655)	(278)	(309)	(400)	(267)	(373)	(322)	(318)	(378)	(372)	(373)
Payroll	(290)	(70)	(245)	(213)	(290)	(70)	(245)	(213)	(245)	(115)	(245)	(213)	(245)	(70)
Commissions														
Bonus														
Facilities & other (Freight)	(63)	(23)	(23)	(23)	(68)	(250)	(23)	(23)	(68)	(150)	(23)	(23)	(68)	(23)
Professional services	(62)	-	-	-	-	(62)	-	-	-	(62)	-	-	-	(62)
Marketing		(18)												
Recruiter fees														
Other expenses (Insurance, TSA, CC)	(178)	(25)	(64)	-	(77)	(80)	(64)	-	(77)	(80)	(64)	-	(77)	-
Total Cash Outflows - Operational	(909)	(631)	(631)	(891)	(713)	(771)	(732)	(503)	(763)	(729)	(650)	(614)	(762)	(528)
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													(600)	
Monitoring fees (including travel expenses)				(250)										
Non-recurring items														
Total Cash Outflows - Financial and Other	-	-	(1,108)	(250)	-	-	-	-	-	-	-	-	(600)	-
TOTAL CASH FLOW	284	528	(842)	(358)	99	61	116	573	(96)	150	300	532	(449)	279
Cash Rollforward														
Beginning cash balance	4,307	4,591	5,119	4,277	3,918	4,017	4,078	4,194	4,767	4,670	4,821	5,121	5,653	5,204
Cash activity	284	528	(842)	(358)	99	61	116	573	(96)	150	300	532	(449)	279
ENDING CASH BALANCE	4,591	5,119	4,277	3,918	4,017	4,078	4,194	4,767	4,670	4,821	5,121	5,653	5,204	5,483
Debt Summary														
Rolled debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit facility	44,586	44,586	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363
TOTAL DEBT	44,586	44,586	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363	44,363
TOTAL NET DEBT	39,995	39,467	40,086	40,445	40,346	40,285	40,169	39,596	39,693	39,542	39,242	38,710	39,159	38,880
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

Financial Summary | 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	10,629	10,929	11,194	11,340
Less:				
TTM Unfinanced Capital Expenditures	890	1,050	1,151	1,092
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	5,554	5,693	5,858	6,063
Fixed Charge Coverage Ratio	1.25	1.32	1.34	1.37
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	676	941	1,039	1,190

Amounts for October 2018 through April 2019 defined per credit agreement



Financial Summary | 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	6,175	5,894	7,439	6,640
Total Debt	38,188	38,469	36,924	37,500
EBITDA for the Defined Period (calculated in the manner required by Section 6.1 of the Compliance Certificate)	10,629	10,929	11,194	11,340
TTM Adjusted EBITDA	10,629	10,929	11,194	11,340
Total Debt to EBITDA Ratio (ratio of Total Debt to Adjusted EBITDA for the Defined Period)	4.17	4.06	3.96	3.89
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	6,365	6,412	6,154	6,250
TTM EBITDA Cushion	4,264	4,517	5,040	5,090

Amounts for October 2018 through April 2019 defined per credit agreement

August 2019 Operating Review Meeting Agenda

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



Full Year Financial Outlook | Summary P&L

\$'000

	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%		\$	%
Gross Revenue	\$ 52,166	\$ 54,275	\$ (2,109)	(3.9%)	\$ 50,276	\$ 1,889	3.8%
Adj. to Gross Revenue	(6,508)	(6,203)	(305)	4.9%	(6,409)	(99)	1.5%
Net Revenue	45,658	48,072	(2,414)	(5.0%)	43,867	1,790	4.1%
Material	16,325	15,717	607	3.9%	15,626	699	4.5%
Labor	6,886	7,214	(328)	(4.5%)	6,473	413	6.4%
Other COGS	2,948	2,955	(7)	(0.2%)	1,968	980	49.8%
Total COGS	26,158	25,886	272	1.1%	24,067	2,091	8.7%
Gross Margin	19,500	22,186	(2,687)	(12.1%)	19,800	(301)	(1.5%)
<i>Gross Margin %</i>	<i>42.7%</i>	<i>46.2%</i>			<i>45.1%</i>		
R&D	2,099	2,511	(411)	(16.4%)	1,763	336	19.0%
Sales & Marketing	4,494	4,930	(436)	(8.9%)	3,727	767	20.6%
Administrative	8,442	5,407	3,035	56.1%	4,254	4,188	98.5%
Other Opex	—	—	—	N/A	—	—	N/A
Total Opex	15,035	12,848	2,187	17.0%	9,744	5,291	54.3%
EBITDA	4,464	9,338	(4,874)	(52.2%)	10,056	(5,592)	(55.6%)
<i>EBITDA %</i>	<i>9.8%</i>	<i>19.4%</i>			<i>22.9%</i>		
Adj. EBITDA	11,328	12,190	(862)	(7.1%)	10,056	1,272	12.6%
<i>Adj. EBITDA %</i>	<i>24.8%</i>	<i>25.4%</i>			<i>22.9%</i>		
Net Income (Loss)	\$ (1,018)	\$ 3,154	\$ (4,172)	(132.3%)	\$ 8,802	\$ (9,819)	(111.6%)
Capex	\$ 864	\$ 1,366	\$ (502)	(36.8%)	\$ 1,412	\$ (548)	(38.8%)

Full Year Financial Outlook | Opex Summary

\$'000

\$'000	FY		Variance		PY		Variance					
	Fcst	Bud	\$	%	Act	\$	%					
Opex Overview:												
Payroll	\$	3,569	\$	3,591	\$	(22)	(0.6%)	\$	3,716	\$	(148)	(4.0%)
Overtime		4		9		(6)	(62.6%)		5		(2)	(31.6%)
Benefits		670		588		83	14.1%		967		(297)	(30.7%)
Bonus		304		445		(141)	(31.7%)		193		111	57.5%
Commissions		458		761		(303)	(39.8%)		222		236	106.5%
Marketing		409		311		98	31.7%		546		(137)	(25.1%)
Travel and Entertainment		460		495		(35)	(7.1%)		434		26	5.9%
Insurance		12		33		(21)	(64.0%)		36		(24)	(67.1%)
Professional Fees		7,219		4,421		2,799	63.3%		1,996		5,224	261.7%
Utl., Repair, Maint., & Sec.		27		52		(24)	(46.9%)		73		(46)	(62.5%)
IT		867		1,003		(136)	(13.6%)		538		329	61.2%
Bad Debts		76		0		76	N/A		55		22	39.5%
Supplies		84		128		(44)	(34.3%)		67		17	25.5%
Other Expenses		555		703		(147)	(21.0%)		897		(341)	(38.1%)
Total Opex	\$	15,035	\$	12,847	\$	2,187	17.0%	\$	9,744	\$	5,291	54.3%



Full Year Financial Outlook | Balance Sheet

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
\$'000	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Current Assets												
Cash and cash equivalents	\$ 2,407	\$ 2,878	\$ 3,579	\$ 5,017	\$ 6,175	\$ 5,894	\$ 7,439	\$ 6,640	\$ 6,640	\$ 6,640	\$ -	0.0%
Short term investments	-	-	1	-	-	-	-	-	-	-	-	N/A
<i>Accounts receivable, gross</i>	7,203	8,117	8,149	7,047	7,125	7,512	6,940	6,424	6,424	6,424	-	0.0%
<i>Accounts receivable, reserves</i>	(156)	(177)	(195)	(195)	(128)	(135)	(125)	(116)	(116)	(116)	-	0.0%
Accounts receivable, net	7,047	7,940	7,955	6,852	6,997	7,376	6,816	6,309	6,309	6,309	-	0.0%
<i>Inventory, gross</i>	8,254	7,911	7,875	7,226	6,329	6,505	6,374	5,948	5,948	5,948	-	0.0%
<i>Inventory, reserves</i>	(466)	(458)	(548)	(467)	(443)	(455)	(446)	(416)	(416)	(416)	-	0.0%
Inventory, net	7,788	7,453	7,327	6,760	5,886	6,049	5,928	5,532	5,532	5,532	-	0.0%
Prepaid expenses and other current assets	81	46	273	196	189	173	157	141	141	141	-	0.0%
Total Current Assets	17,324	18,317	19,135	18,825	19,248	19,493	20,340	18,621	18,621	18,621	-	0.0%
Non-Current Assets												
<i>Property, plant & equipment, gross</i>	11,544	11,570	11,569	11,569	11,991	12,273	12,496	12,559	12,559	12,559	-	0.0%
<i>Accumulated depreciation</i>	(92)	(193)	(290)	(389)	(480)	(573)	(667)	(758)	(758)	(758)	-	0.0%
Property, plant & equipment, net	11,452	11,377	11,278	11,180	11,511	11,700	11,829	11,801	11,801	11,801	-	0.0%
Goodwill	44,975	44,972	44,974	44,223	43,973	43,723	43,473	43,223	43,223	43,223	-	0.0%
<i>Identifiable intangible assets, gross</i>	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	-	0.0%
<i>Accumulated amortization</i>	-	(1)	-	-	-	-	-	-	-	-	-	N/A
Identifiable intangible assets, net	15,100	15,099	15,100	15,100	15,100	15,100	15,100	15,100	15,100	15,100	-	0.0%
Deferred financing cost	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	1,646	-	0.0%
Other non-current assets	(8,873)	294	131	131	131	131	131	131	131	131	-	0.0%
Total Non-Current Assets	64,299	73,389	73,129	72,280	72,362	72,301	72,180	71,901	71,901	71,901	-	0.0%
Total Assets	\$81,623	\$91,706	\$92,263	\$91,106	\$91,609	\$91,793	\$92,520	\$90,522	\$90,522	\$90,522	\$ -	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	2,966	3,682	3,374	3,531	4,291	3,921	4,191	4,041	4,041	4,041	-	0.0%
Accrued liabilities	601	891	1,370	1,804	1,218	1,535	1,816	1,226	1,226	1,226	-	0.0%
Accrued compensation	149	179	287	302	374	277	311	347	347	347	-	0.0%
Income taxes payable	(0)	266	266	266	(389)	(130)	(2)	(792)	(792)	(792)	-	0.0%
Short-term unearned revenue	43	70	315	56	56	56	56	56	56	56	-	0.0%
Total Current Liabilities	5,450	5,981	6,505	6,851	6,554	6,662	7,377	5,993	5,993	5,993	-	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%
Deferred income taxes	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	-	0.0%
Other non-current liabilities	46	87	87	87	87	87	87	87	87	87	-	0.0%
Total Long-Term Liabilities	46,729	46,770	46,770	46,770	46,436	46,436	46,436	46,102	46,102	46,102	-	0.0%
Total Liabilities	52,179	52,751	53,275	53,621	52,990	53,098	53,813	52,094	52,094	52,094	-	0.0%
Shareholders' Equity												
Common stock	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	40,228	-	0.0%
Retained earnings	(16,975)	(2,644)	(2,593)	(4,098)	(2,963)	(2,887)	(2,876)	(3,155)	(3,155)	(3,155)	-	0.0%
Accumulated other comprehensive income	1,336	1,370	1,352	1,354	1,354	1,354	1,354	1,354	1,354	1,354	-	0.0%
Other equity transactions	4,855	1	1	1	1	1	1	1	1	1	-	0.0%
Total Shareholders' Equity	29,444	38,955	38,988	37,484	38,619	38,695	38,707	38,428	38,428	38,428	-	0.0%
Total Liabilities and Shareholders' Equity	\$81,623	\$91,706	\$92,262	\$91,106	\$91,609	\$91,793	\$92,520	\$90,522	\$90,522	\$90,522	\$ -	0.0%

Forecasted/Budgeted Balance sheet has been adjusted to reflect Opening Balance Sheet position.



Full Year Financial Outlook | Cash Flow Summary

\$'000	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	FY	FY	Var	
	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%
Cash flow from operations											
Net Income (Loss)	\$ 463	\$ 41	\$ (4,947)	\$ 96	\$ 76	\$ 12	\$ (279)	\$ (4,539)	\$ 60	\$ (4,599)	(7677.6%)
Depreciation, amortization and other	104	96	849	341	344	343	341	2,418	1,758	659	37.5%
<i>Change in operating assets and liabilities:</i>									\$ -		
Accounts receivable	(893)	(15)	1,102	(144)	(380)	561	507	739	1,107	(368)	(33.3%)
Inventory	335	126	567	874	(163)	121	396	2,256	1,611	645	40.1%
Prepaid expenses and other current assets	35	(227)	77	6	16	16	16	(59)	(81)	22	(27.2%)
Accounts payable	717	(308)	157	761	(371)	271	(150)	1,076	350	726	207.4%
Accrued expenses	290	479	433	(585)	317	281	(590)	625	472	153	32.4%
Accrued income taxes	266	0	(0)	(655)	259	128	(791)	(792)	(1,291)	498	(38.6%)
Other changes in operating assets and liabilities	(9,069)	515	(243)	72	(97)	34	36	(8,751)	236	(8,987)	(3810.1%)
Other cash flow from operations	-	-	-	-	-	-	-	-	-	-	N/A
Total Cash Flow from Operations	\$ (7,751)	\$ 708	\$ (2,004)	\$ 763	\$ 1	\$ 1,768	\$ (514)	\$ (7,029)	\$ 4,222	\$ (11,251)	(266.5%)
Cash flow from investing											
Additions to property, plant and equipment	\$ (26)	\$ 1	\$ (0)	\$ (422)	\$ (283)	\$ (223)	\$ (63)	\$ (1,015)	\$ (990)	\$ (25)	2.5%
Total Cash Flow from Investing	\$ (26)	\$ 1	\$ (0)	\$ (422)	\$ (283)	\$ (223)	\$ (63)	\$ (1,015)	\$ (990)	\$ (25)	2.5%
Cash flow from financing											
Proceeds from the issuance (repayment) of short-term debt	\$ (800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800)	\$ (800)	\$ -	0.0%
Proceeds from the issuance of debt	-	-	-	-	-	-	-	-	-	-	N/A
Repayment of debt	-	-	-	(223)	-	-	(223)	(446)	(446)	-	0.0%
Other cash flow from financing costs	9,048	(9)	3,443	1,039	0	0	-	13,522	225	13,297	5904.3%
Total Cash Flow from Financing	\$ 8,248	\$ (9)	\$ 3,443	\$ 817	\$ 0	\$ 0	\$ (223)	\$ 12,276	\$ (1,021)	\$ 13,297	(1302.8%)
Effect of FX rates on cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Net change in cash	\$ 471	\$ 701	\$ 1,439	\$ 1,158	\$ (281)	\$ 1,546	\$ (800)	\$ 4,233	\$ 2,211	\$ 2,022	91.4%
Beginning cash	2,407	2,878	3,579	5,017	6,175	5,894	7,439	2,407	4,429	(2,021)	(45.6%)
Change in cash	471	701	1,439	1,158	(281)	1,546	(800)	4,233	2,211	2,022	91.4%
Ending cash	\$ 2,878	\$ 3,579	\$ 5,017	\$ 6,175	\$ 5,894	\$ 7,439	\$ 6,640	\$ 6,640	\$ 6,640	\$ 0	0.0%

Forecast and Budgeted Cash Flow has been updated to reflect opening balance sheet position. Full year Cash Flow calculated from May 30th 2019. 39

August 2019 Operating Review Meeting Agenda

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

Governance Reporting | Management Report

Disclosure Committee:

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

Anonymous Hotline:

- No activity

Modification of Internal Control and Authority Matrix:

- None

Governance Reporting | Management 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

August 2019 Operating Review Meeting Agenda

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



SARGENT AND GREENLEAF

Appendix | Squeeze Report

	Net Revenue					Adj. EBITDA					Net Debt		
	Act	Bud	Variance	PY	Variance	Act	Bud	Variance	PY	Variance	Act	Rfc	PY
This Month	\$ 3,058	\$ 3,907	-21.7%	\$ 3,780	-19.1%	\$ 800	\$ 972	-17.8%	\$ 1,097	-27.1%	\$ 39,569	\$ (2,695)	\$ (11,396)
Quarter to Date	\$ 7,316	\$ 8,180	-10.6%	\$ 7,560	-3.2%	\$ 1,864	\$ 2,217	-15.9%	\$ 2,097	-11.1%			
Year to Date	\$ 30,078	\$ 32,493	-7.4%	\$ 30,175	-0.3%	\$ 7,548	\$ 8,410	-10.2%	\$ 7,051	7.0%			
LTM Trends (\$'000s)	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	8/31/19	LTM
Net Revenue	\$ 4,037	\$ 3,764	\$ 2,783	\$ 3,109	\$ 3,350	\$ 4,088	\$ 3,904	\$ 3,773	\$ 3,235	\$ 4,413	\$ 4,259	\$ 3,058	\$ 43,771
Gross Margin	2,008	1,771	1,357	1,285	1,456	1,821	1,838	1,469	1,354	2,129	1,777	567	18,832
Gross Margin %	49.7%	47.0%	48.8%	41.3%	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.0%
SG&A	1,018	890	809	697	898	810	715	765	720	980	1,077	4,272	13,652
Reported EBITDA	989	880	548	588	559	1,011	1,123	705	634	1,149	700	(3,704)	5,180
Rep. EBITDA %	24.5%	23.4%	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	11.8%
Adj. EBITDA	989	880	548	588	559	1,011	1,123	705	634	1,653	1,064	800	10,553
Adj. EBITDA %	24.5%	23.4%	19.7%	18.9%	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	24.1%
Capex	\$ (17)	\$ (1)	\$ (56)	\$ (416)	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ -	\$ -	\$ (241)
Accounts Receivable, Net	\$ 7,712	\$ 7,332	\$ 6,979	\$ 6,637	\$ 6,542	\$ 7,672	\$ 7,838	\$ 7,201	\$ 7,047	\$ 7,940	\$ 7,955	\$ 6,852	\$ 6,852
Inventory, Net	6,320	6,420	6,742	6,360	6,919	6,772	6,832	6,979	7,788	7,453	7,327	6,760	6,760
Accounts Payable	4,415	3,722	3,743	3,785	3,933	3,707	3,716	4,031	2,966	3,682	3,374	3,531	3,531
CCC	\$ 9,617	\$ 10,029	\$ 9,979	\$ 9,212	\$ 9,528	\$ 10,736	\$ 10,954	\$ 10,149	\$ 11,870	\$ 11,710	\$ 11,907	\$ 10,643	\$ 10,643
DSO	83.7	70.5	66.0	61.9	84.9	95.7	63.2	56.0	58.8	63.3	60.8	53.2	53.2
DSI	95.3	98.8	114.1	110.3	121.8	104.1	100.8	96.6	102.2	94.3	93.3	88.1	88.1
DPO	65.6	55.8	61.5	63.8	67.7	55.8	54.3	55.4	43.8	33.7	48.7	46.0	46.0
CZC	113.4	113.5	118.6	108.4	139.1	144.0	109.7	97.2	117.2	123.9	105.4	95.3	95.3
Bank revolver	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -
Unclassified external debt / OID	-	-	-	-	-	-	-	-	-	-	-	-	-
OpenGate debt	-	-	-	-	-	-	-	-	44,586	44,586	44,586	44,586	44,586
Total Debt Outstanding	-	-	-	-	-	-	-	-	45,386	44,586	44,586	44,586	44,586
Cash and equivalents	-	-	-	-	-	-	-	-	2,407	2,878	3,579	5,017	5,017
Total Net Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,979	\$ 41,708	\$ 41,007	\$ 39,569	\$ 39,569
Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,407	\$ 2,878	\$ 3,579	\$ -
Add / (Less): Operating Cash Flow	-	-	-	-	-	-	-	-	-	(7,751)	708	(2,004)	(9,048)
Add / (Less): Investing Cash Flow	-	-	-	-	-	-	-	-	-	(26)	1	(0)	(25)
Add / (Less): Financing Cash Flow	-	-	-	-	-	-	-	-	-	8,248	(9)	3,443	11,683
Effect of FX rates / Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,878	\$ 3,579	\$ 5,017	\$ 5,017



Appendix | 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	Act	Fcst	Fcst	Fcst	Fcst	Fcst	Bud	\$	%	Act	\$	%
Gross Revenue	\$ 3,737	\$ 4,592	\$ 4,440	\$ 4,311	\$ 3,933	\$ 5,195	\$ 4,885	\$ 3,532	\$ 4,560	\$ 5,043	\$ 4,055	\$ 3,882	\$ 52,166	\$ 54,275	\$ (2,109)	(3.9%)	\$ 50,276	\$ 1,889	3.8%
Adj. to Gross Revenue	(387)	(504)	(536)	(538)	(698)	(782)	(626)	(474)	(510)	(564)	(453)	(434)	(6,508)	(6,203)	(305)	4.9%	(6,409)	(99)	1.5%
Net Revenue	3,350	4,088	3,904	3,773	3,235	4,413	4,259	3,058	4,050	4,480	3,601	3,448	45,658	48,072	(2,414)	(5.0%)	43,867	1,790	4.1%
Material	1,083	1,424	1,272	1,488	1,169	1,485	1,516	1,722	1,433	1,425	1,166	1,142	16,325	15,717	607	3.9%	15,626	699	4.5%
Labor	621	550	539	632	543	489	656	533	646	642	523	511	6,886	7,214	(328)	(4.5%)	6,473	413	6.4%
Other COGS	190	292	255	184	168	311	310	236	217	301	245	239	2,948	2,955	(7)	(0.2%)	1,968	980	49.8%
Total COGS	1,894	2,266	2,066	2,303	1,881	2,284	2,482	2,490	2,296	2,368	1,934	1,893	26,158	25,886	272	1.1%	24,067	2,091	8.7%
Gross Margin	1,456	1,821	1,838	1,469	1,354	2,129	1,777	567	1,754	2,111	1,668	1,555	19,500	22,186	(2,687)	(12.1%)	19,800	(301)	(1.5%)
Gross Margin %	43.5%	44.6%	47.1%	38.9%	41.9%	48.2%	41.7%	18.6%	43.3%	47.1%	46.3%	45.1%	42.7%	46.2%			45.1%		
R&D	133	112	103	109	109	84	176	116	288	294	276	301	2,099	2,511	(411)	(16.4%)	1,763	336	19.0%
Sales & Marketing	374	336	315	308	305	240	388	402	435	466	474	450	4,494	4,930	(436)	(8.9%)	3,727	767	20.6%
Administrative	390	362	297	348	306	656	513	3,754	379	370	381	686	8,442	5,407	3,035	56.1%	4,254	4,188	98.5%
Other Opex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N/A	—	—	N/A
Total Opex	898	810	715	765	720	980	1,077	4,272	1,102	1,129	1,131	1,436	15,035	12,848	2,187	17.0%	9,744	5,291	54.3%
EBITDA	559	1,011	1,123	705	634	1,149	700	(3,704)	652	982	536	119	4,464	9,338	(4,874)	(52.2%)	10,056	(5,592)	(55.6%)
EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	26.0%	16.4%	(121.1%)	16.1%	21.9%	14.9%	3.4%	9.8%	19.4%			22.9%		
Adj. EBITDA	559	1,011	1,123	705	634	1,653	1,064	800	932	1,245	870	734	11,328	12,190	(862)	(7.1%)	10,056	1,272	12.6%
Adj. EBITDA %	16.7%	24.7%	28.8%	18.7%	19.6%	37.5%	25.0%	26.2%	23.0%	27.8%	24.1%	21.3%	24.8%	25.4%			22.9%		
Net Income (Loss)	\$ 440	\$ 909	\$ 1,028	\$ 609	\$ 535	\$ 463	\$ 41	\$ (4,947)	\$ 96	\$ 76	\$ 12	\$ (279)	\$ (1,018)	\$ 3,154	\$ (4,172)	(132.3%)	\$ 8,802	\$ (9,819)	(111.6%)
Capex	\$ 120	\$ 22	\$ 21	\$ 16	\$ 45	\$ 24	\$ —	\$ —	\$ 47	\$ 283	\$ 223	\$ 63	\$ 864	\$ 1,366	\$ (502)	(36.8%)	\$ 1,412	\$ (548)	(38.8%)



Appendix | 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	



Appendix | 1X Costs

\$'000		19-Jun	19-Jul	19-Aug	Revised AOP		19-Nov	19-Dec	2019
Description		AOP	AOP	AOP	19-Sep	19-Oct	AOP	AOP	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

Appendix | AR and AP Aging Detail

\$ 000's

AR Aging			
Days	Jun-19	Jul-19	Aug-19
0-30	7,125	6,864	5,954
30-60	828	267	413
60-90	120	598	239
>90	45	420	441
Total Gross AR	8,117	8,149	7,047
Reserves	(177)	(195)	(195)
Total Net AR	7,940	7,955	6,852

AP Aging			
Days	Jun-19	Jul-19	Aug-19
0-30	2,101	2,438	2,573
30-60	1,176	736	758
60-90	517	225	289
>90	(111)	(25)	(89)
Total AP	3,682	3,374	3,531

Management Discussion

- \$1.1M decline in AR from July to August due to payments received and sales volume reduction
 - 0+30 days: Takachiho \$646k, Defense Finance and Accounting \$185k, Timemaster \$178k and Anixter \$149k



SARGENT AND GREENLEAF

Appendix | 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	Act	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	\$ 1,701	\$ 1,423	\$ 1,414	\$ 1,160	\$ 1,131	\$ 16,245	\$ 15,623	\$ 622	4.0%	\$ 14,987	\$ 1,258	8.4%
Materials FX loss / (gain)	—	(0)	0	—	—	—	—	(0)	—	—	—	—	(0)	(0)	(0)	37.2%	(2)	2	(91.6%)
Purchase price variance	14	(32)	(48)	14	(44)	(45)	(65)	(36)	5	6	5	5	(220)	37	(256)	(700.4%)	68	(287)	(424.5%)
Freight in	57	82	58	38	84	30	41	25	22	25	18	23	503	475	28	5.9%	681	(178)	(26.1%)
Cost revision	(50)	(30)	(50)	(50)	(50)	—	—	—	—	—	—	—	(232)	(232)	—	0.0%	—	(232)	N/A
Scrap costs	5	(11)	(54)	11	47	(11)	10	5	(23)	(29)	(23)	(23)	(96)	(254)	158	(62.2%)	(200)	104	(52.0%)
Consumables	(18)	20	49	12	11	2	(5)	26	6	8	6	6	124	69	55	80.3%	92	32	34.6%
Total Material COGS	\$ 1,083	\$ 1,424	\$ 1,272	\$ 1,488	\$ 1,169	\$ 1,485	\$ 1,516	\$ 1,722	\$ 1,433	\$ 1,425	\$ 1,166	\$ 1,142	\$ 16,325	\$ 15,717	\$ 607	3.9%	\$ 15,626	\$ 699	4.5%
Labor																			
Direct labor	\$ 277	\$ 238	\$ 235	\$ 293	\$ 244	\$ 217	\$ 290	\$ 246	\$ 335	\$ 297	\$ 207	\$ 194	\$ 3,073	\$ 3,307	\$ (234)	(7.1%)	\$ 2,736	\$ 337	12.3%
Direct labor - overtime	15	19	17	16	8	14	19	16	10	13	15	16	178	143	35	24.7%	194	(16)	(8.1%)
Direct labor - benefits	102	83	81	98	81	80	92	72	102	125	101	101	1,117	1,314	(197)	(15.0%)	971	146	15.0%
Indirect labor	168	161	158	167	164	149	182	135	152	158	153	153	1,901	1,861	40	2.1%	1,971	(71)	(3.6%)
Indirect labor – benefits	60	48	48	57	47	29	73	64	47	50	47	47	617	589	28	4.7%	600	17	2.8%
Total Labor COGS	\$ 621	\$ 550	\$ 539	\$ 632	\$ 543	\$ 489	\$ 656	\$ 533	\$ 646	\$ 642	\$ 523	\$ 511	\$ 6,886	\$ 7,214	\$ (328)	(4.5%)	\$ 6,473	\$ 413	6.4%
Other																			
Repairs and maintenance	\$ 13	\$ 6	\$ 35	\$ 24	\$ 10	\$ 14	\$ 21	\$ 12	\$ 17	\$ 21	\$ 17	\$ 17	\$ 208	\$ 199	\$ 8	4.2%	\$ 220	\$ (12)	(5.5%)
Rent / facilities	206	215	193	167	157	178	199	175	166	187	169	167	2,178	2,140	38	1.8%	979	1,199	122.4%
Utilities	22	25	21	22	21	21	24	25	23	29	23	23	279	293	(13)	(4.6%)	300	(20)	(6.7%)
Other cost of sales	(50)	46	5	(29)	(21)	98	65	23	11	65	36	33	282	322	(40)	(12.3%)	469	(187)	(39.8%)
Total Other COGS	\$ 190	\$ 292	\$ 255	\$ 184	\$ 168	\$ 311	\$ 310	\$ 236	\$ 217	\$ 301	\$ 245	\$ 239	\$ 2,948	\$ 2,955	\$ (7)	(0.2%)	\$ 1,968	\$ 980	49.8%
Total COGS	\$ 1,894	\$ 2,266	\$ 2,066	\$ 2,303	\$ 1,881	\$ 2,284	\$ 2,482	\$ 2,490	\$ 2,296	\$ 2,368	\$ 1,934	\$ 1,893	\$ 26,158	\$ 25,886	\$ 272	(0.9%)	\$ 24,067	\$ 2,091	60.6%



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Appendix | 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 (A)	63	–	19	7	10	20	10	–	129	12	141	147	(6)
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	–

Appendix | SG Revenue By Region

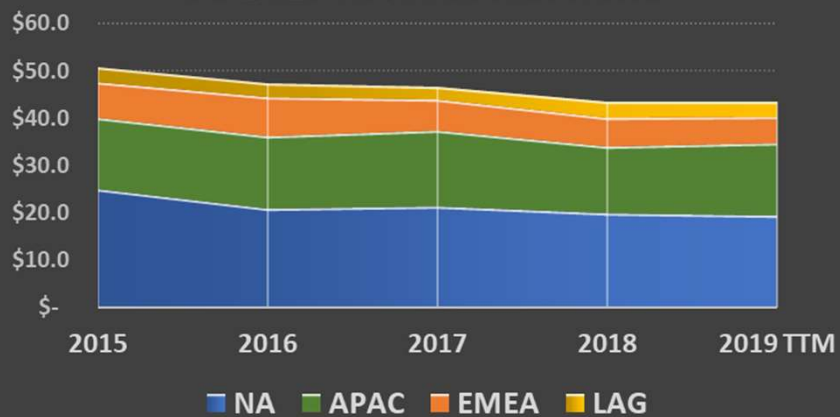
EMEA revenues shipped from both SA and Nicholasville directly to customer channels



SG 2019 Annualized Revenue (\$M)



SG 2019 Revenue Mix Trend



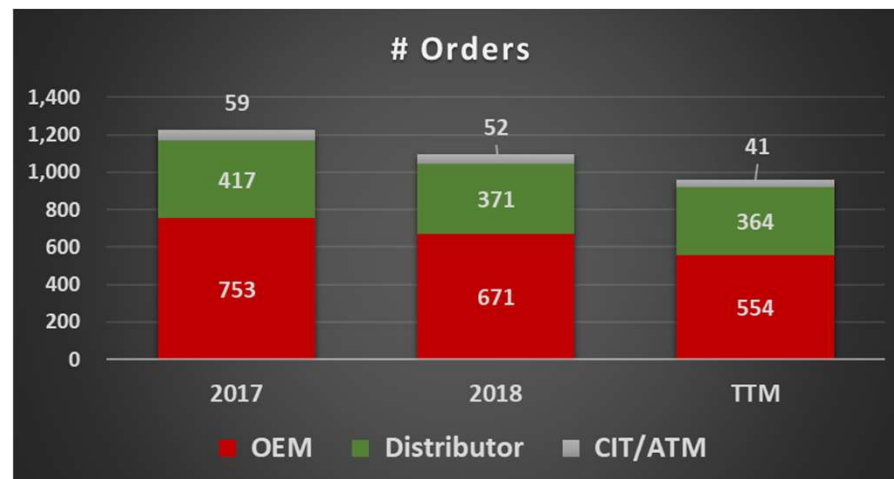
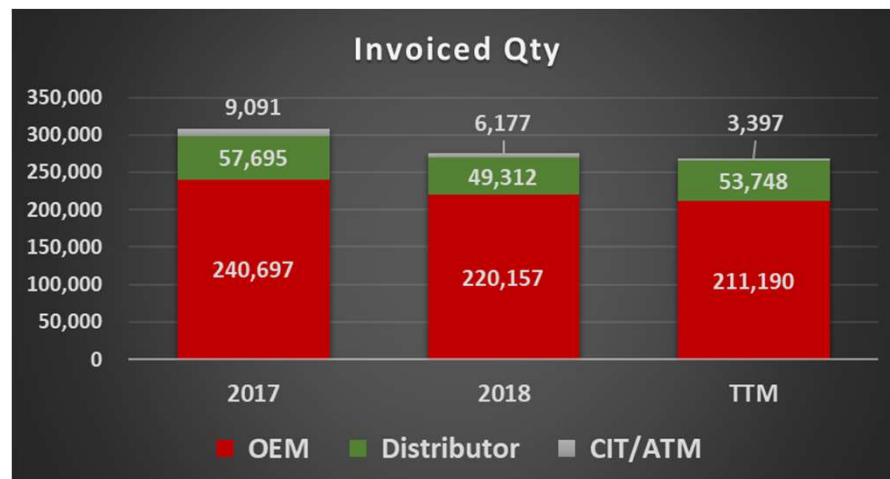
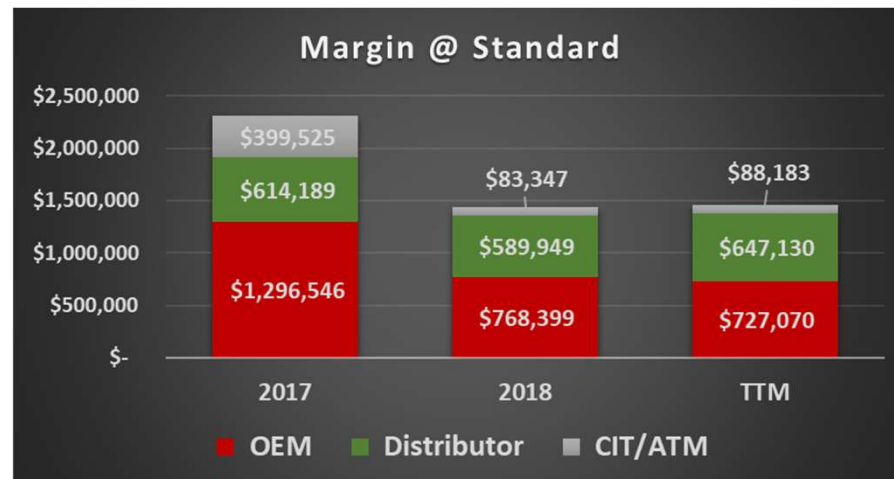
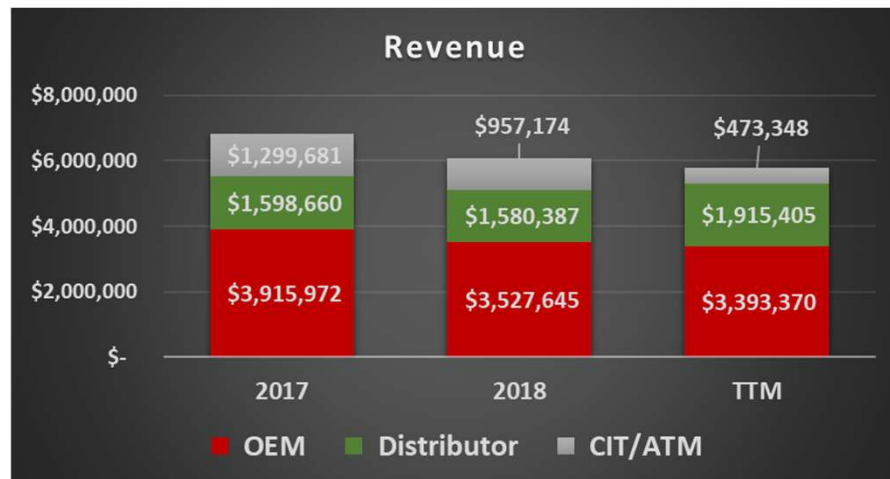
Mix	2015	2016	2017	2018	TTM
NA	49.4%	44.0%	45.7%	45.7%	44.7%
APAC	29.6%	32.3%	34.4%	32.5%	35.0%
EMEA	15.1%	17.7%	14.0%	13.8%	13.3%
LAG	5.9%	6.0%	5.9%	8.0%	7.0%



Appendix | EMEA Gross Margin Compared to SG Total

	EMEA	EMEA		EMEA	S&G w/o EMEA	Total S&G
	2017	2018		2019	2019	2019
	Actual	Actual		TTM	TTM	TTM
EMEA Net Revenue	\$6,814	\$6,065		\$5,782	\$37,989	\$43,771
Standard Cost of Sales	\$4,003	\$4,093		\$3,912	\$19,724	\$23,636
Standard Gross Margin	\$2,812	\$1,973		\$1,870	\$18,265	\$20,135
<i>% of Sales</i>	41.3%	32.5%		32.3%	48.1%	46.0%
Other Cost of Sales*	\$502	\$531		\$408	\$895	\$1,303
Gross Margin	\$2,310	\$1,442		\$1,462	\$17,370	\$18,832
<i>% of Sales</i>	33.9%	23.8%		25.3%	45.7%	43.0%
*Includes SA Warehouse + Transit Cost of Sales						

Appendix | EMEA Market Channels



Appendix | EMEA Customers by Shipping Dock

EMEA	Swiss	US
Distributor	62	4
OEM	57	10
CIT/ATM	30	0
Total	149	14

Four OEMs Shipped from Dual Locations

Supply to EMEA is only region supported by an offsite S&G distribution center

17 Customers are billed in Swiss Franks(CHF.) The CHF billed sales of \$375k represent 8 percent of total annual EMEA run rate shipments.



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Appendix | EMEA Customers by Shipping Dock (continued)

SA Customer Name	Country	Channel	Revenue \$			Margin @ Standard \$			Qty			Orders		
			2017	2018	TTM	2017	2018	TTM	2017	2018	TTM	2017	2018	TTM
NCR HUNGARY	Hungary	OEM	\$ 779,799	\$ 995,827	\$ 914,570	\$ 291,148	\$ 345,531	\$ 285,702	17,359	25,570	17,258	71	125	68
AMNCO*	SAUDI ARABI	Other	\$ 713,429	\$ -	\$ -	\$ 316,982	\$ 1,564	\$ -	3,165	(100)	-	2	1	-
ABUSARHAD	SAUDI ARABI	Other	\$ 148,385	\$ 470,094	\$ 7,400	\$ 12,612	\$ 26,064	\$ 1,200	570	2,090	400	4	4	2
CARADONNA	South Africa	OEM	\$ 431,410	\$ 424,674	\$ 332,155	\$ 123,196	\$ 72,827	\$ 39,643	24,135	39,453	32,669	81	56	34
BADGER	SOUTH AFRICA	Distributor	\$ -	\$ 148,880	\$ 275,071	\$ -	\$ 36,096	\$ 36,803	-	2,499	3,446	-	17	22
TECNOLOCK	SPAIN	Distributor	\$ 206,162	\$ 273,921	\$ 257,843	\$ 73,342	\$ 102,178	\$ 98,819	9,561	12,298	11,634	88	56	61
SERVUS*	Ukraine	Distributor	\$ -	\$ 3,234	\$ 210,172	\$ -	\$ 776	\$ 36,403	-	24	770	-	1	3
ALINVEST COMPANY	RUSSIAN FEDERATION	Distributor	\$ 45,431	\$ 46,041	\$ 189,583	\$ 11,530	\$ 2,436	\$ 38,574	3,592	4,282	9,847	5	5	8
POLITAL RYSARD	POLAND	Distributor	\$ 247,426	\$ 177,874	\$ 157,748	\$ 73,726	\$ 46,480	\$ 41,870	6,648	5,855	4,531	36	34	27
AMN & WAFAA*	SAUDI ARABI	Other	\$ -	\$ 78,438	\$ 152,044	\$ -	\$ 9,196	\$ 30,646	-	240	440	-	2	3
ASSA ABLOY SWE (CHF)	Seychelles	OEM	\$ 65,565	\$ 90,934	\$ 127,353	\$ 30,031	\$ 36,319	\$ 48,529	1,215	1,484	2,175	53	43	48
SANID*	SAUDI ARABI	Other	\$ 2,598	\$ 92,522	\$ 120,795	\$ 937	\$ 20,427	\$ 30,956	770	335	420	2	2	4
MB SAFETY	NETHERLANDS	Distributor	\$ 149,498	\$ 153,077	\$ 88,462	\$ 63,373	\$ 71,532	\$ 39,667	2,445	2,666	1,582	29	31	26
SAFELOCKING	UK	Other	\$ 44,941	\$ 95,697	\$ 82,509	\$ 17,075	\$ 16,732	\$ 12,449	2,776	2,031	1,189	31	22	11
BODE PANZER	CZECH REP	OEM	\$ 363,910	\$ 271,593	\$ 73,196	\$ 89,453	\$ 44,230	\$ 13,643	34,457	24,055	5,085	49	42	21
GUNNEBO DIEMEN	Guinea	OEM	\$ 38,155	\$ 64,218	\$ 59,424	\$ 9,375	\$ 16,762	\$ 16,289	1,752	3,092	2,998	21	38	38
WERTHEIM MODRA	Slovakia	OEM	\$ 84,117	\$ 68,651	\$ 58,647	\$ 39,455	\$ 28,117	\$ 24,836	4,212	3,655	2,746	36	23	17
BUSINESS CASH	Martinique	Other	\$ 101,908	\$ 75,265	\$ 56,304	\$ 14,448	\$ 12,529	\$ 4,148	420	300	180	2	1	1
SAFE & VAULT	IRELAND	Distributor	\$ 55,833	\$ 66,080	\$ 53,244	\$ 21,293	\$ 23,919	\$ 18,788	2,187	2,318	1,761	45	45	31
DE RAAT	NETHERLANDS	OEM	\$ 19,684	\$ 51,109	\$ 50,144	\$ 7,118	\$ 14,180	\$ 10,941	357	1,821	2,051	27	23	21
FORMAT TRESORBAU	GERMANY	OEM	\$ 137,987	\$ 57,429	\$ 46,371	\$ 39,668	\$ 19,027	\$ 8,493	3,024	1,688	1,610	45	22	32
DIEBOLD NIXDORF GMBH	Germany	OEM	\$ 189,195	\$ 145,845	\$ 42,077	\$ 46,218	\$ 13,713	\$ 6,821	19,695	13,841	3,120	19	22	11
Other			\$ 1,589,089	\$ 936,397	\$ 642,756	\$ 549,340	\$ 288,968	\$ 247,789	55,116	23,360	13,440	443	334	327
Total			\$ 5,414,523	\$ 4,787,799	\$ 3,997,868	\$ 1,830,321	\$ 1,249,602	\$ 1,093,009	193,456	172,857	119,352	1,089	949	816

Nicholasville Customer Name	Country	Channel	Revenue \$			Margin @ Standard \$			Qty			Orders		
			2017	2018	TTM	2017	2018	TTM	2017	2018	TTM	2017	2018	TTM
ASSA ABLOY OPENING SOLUTIONS	SWEDEN	OEM	\$ -	\$ 164,125	\$ 280,307	\$ -	\$ 56,133	\$ 97,344	-	10,558	12,225	-	41	52
A SAMUEL LTD	ISRAEL	Distributor	\$ 98,554	\$ 75,340	\$ 142,814	\$ 52,901	\$ 41,252	\$ 91,077	3,598	2,157	4,226	6	4	7
INITIAL SECURITE	FRANCE	Distributor	\$ 155,847	\$ 148,598	\$ 129,042	\$ 63,304	\$ 53,448	\$ 45,130	6,211	5,858	6,210	12	11	9
FORMAT TRESORBAU GMBH AND CO	GERMANY	OEM	\$ -	\$ 176,188	\$ 133,130	\$ -	\$ 53,850	\$ 38,185	-	9,020	7,250	-	8	3
YA SAFE	ISRAEL	OEM	\$ 82,144	\$ 80,277	\$ 50,561	\$ 40,224	\$ 37,279	\$ 23,685	3,470	3,374	2,855	11	14	9
CARADONNA ASSEMBLAGE DE COF	PORTUGAL	OEM	\$ 57,200	\$ 183,040	\$ 205,920	\$ 12,250	\$ (16,234)	\$ 20,873	6,000	21,785	16,800	6	19	18
SICUR GEN SRL	ITALY	Distributor	\$ 73,292	\$ 52,751	\$ 36,060	\$ 36,210	\$ 26,229	\$ 19,619	4,030	2,858	1,414	10	7	5
BALI MAKINA SANAYI	TURKEY	Distributor	\$ 73,361	\$ 16,730	\$ 20,152	\$ 32,524	\$ 9,362	\$ 10,906	2,939	640	720	6	4	3
BODE PANZER SRO	CZECH REP	OEM	\$ 208,493	\$ 157,745	\$ 249,510	\$ 49,365	\$ (19,399)	\$ 10,597	21,416	18,925	25,500	14	17	9
DIEBOLD NIXDORF SYSTEM GMBH	GERMANY	OEM	\$ 138,750	\$ 190,550	\$ 524,465	\$ 8,193	\$ (63,152)	\$ 8,673	15,000	25,013	59,100	6	12	24
ASSA ABLOY OPENING SOLUTIONS	SWEDEN	OEM	\$ -	\$ 32,065	\$ 12,295	\$ -	\$ 13,326	\$ 3,286	-	2,601	-	-	8	4
ASSA OEM AB	SWEDEN	OEM	\$ 410,970	\$ -	\$ -	\$ 151,770	\$ -	\$ -	42,347	-	9,682	62	-	-
DIEBOLD HUNGARY	HUNGARY	OEM	\$ -	\$ -	\$ -	\$ (558)	\$ -	\$ -	16	-	1	4	-	-
PREMS TP SA	ROMANIA	OEM	\$ 101,180	\$ -	\$ -	\$ 33,755	\$ -	\$ -	9,000	-	3,000	3	-	-
Total			\$ 1,399,790	\$ 1,277,407	\$ 1,784,255	\$ 479,939	\$ 192,094	\$ 369,374	114,027	102,789	148,983	140	145	143

Four OEMs Shipped from Dual Distribution

Appendix | Annual Opportunity Costs

	Headcount	Wages + Fringes	Lease	Other Costs	Total
Warehouse and Purchasing	2	\$ 184,086	\$ 23,640	\$ 5,396	\$ 213,122
Inter-location Transit Costs - Freight		\$ -	\$ -	\$ 177,301	\$ 177,301
Customer Service	1	\$ 110,070	\$ -	\$ (0)	\$ 110,070
Administrative	1	\$ 78,697	\$ 16,858	\$ 20,960	\$ 116,515
Finance and Professional Services		\$ -	\$ -	\$ 47,304	\$ 47,304
Annual Opportunity Savings Identified	4	\$ 372,853	\$ 40,498	\$ 250,960	\$ 664,311

- \$664k is annual incurred expenses to support the Switzerland distribution and office – expenses based on 2018 full year results adjusted for current wages
- Nicholasville builds orders and transports to Switzerland warehouse
- Warehouse and office is non-value additive activity to the SG customer
- Other costs except as noted includes supplies and janitorial services
- Cost avoidance for expenses to changeover SA ERP and install air conditioning to the office is not included in savings.



Executive Summary | SA EBITDA Improvement Scenario A

EBITDA	2020
Onetime Restructuring Costs	\$ (152,013)
SA Facility Closure Improvement	\$ 664,311
EMEA Sales Volume Risk of 6.7 percent	\$ (164,000)
Margin at Risk from Change in Shipping Point	TBD
Employment Contract Change	\$ (28,113)
EBITDA Improvement/(Reduction)	\$ 320,185

- Onetime restructuring costs excluded from Adjusted EBITDA
- EMEA Customer volume risk valued at standard margin of current mix
- Margin risk from change in shipping point to be determined
 - Study underway to determine possible allowances to S&G pricing to balance landed costs paid currently by SG customer
 - Evaluate current lead-time requirements for SA shipping point customers
- EMEA orders will be filled and transported directly to customer channels

Appendix | Onetime Restructuring Costs

	Total
1 Month Severance/Stay Bonus	\$ 32,390
15 Months of Lease without Sublease	\$ 50,623
Inventory Net Disposition Costs	\$ 20,000
Facility Clean-up	\$ 4,000
Warehouse Clean-out	\$ 8,000
Records Retention	\$ 12,000
Miscellaneous Contingency	\$ 25,000
Total	\$ 152,013

- Payout one month bonus for all SA employees who constructively work through the close-out period
- Lease expires March 31, 2021. Opportunity to release early if new tenant can be signed.
- Include expedited expenses to vacate facility to accommodate a new tenant in January 2020

Appendix | Inventory

Switzerland Held	Qty	Standard Cost	
Current	2,299	\$ 364,654.50	74.5%
> 12 months usage or obsolete	17,952	\$ 124,845.76	25.5%
Total	20,251	\$ 489,500.26	

- Current SA inventory can be shipped to other region's order fulfillment to expedite inventory liquidation. Replace Nicholasville incoming manufactured demand.
- Current inventory is determined based on SA EMEA shipment history. Thus, outcome to fulfill orders with on-hand stock to worldwide locations is optimistic.
- Aged inventory contains numerous subassemblies for kit product offerings. Commercial value is minimal at best.
- Nicholasville supply chain team to analyze demand for SA held inventory.

Appendix | SA Considerations

Lease:

For the lease the next date is the 31st of March 2021 if resigned before the 30th March 2020. It is possible to resign before if a new tenant is found (a person/company that is solvent and take the lease at the same condition). For example resignation send on the 15th December for end of January and find a replacement for 1st of February. (The minimum notice in that case is 30 days, so end of a month for the next month).

Facility:

One the second floor of a five story multi-use retail, office, and warehouse property. The property includes a shared distribution center with docks on the first floor.

Appendix | SA Considerations (continued)

Employees:

For the company under 10 employees there are no social scheme in the law and no obligation of notice to the local authorities. The minimum requirement would be in each person contract or if nothing is indicated the following would apply for the contract termination:

- 1 month notice during the 1st year
- 2 month notice starting from the 2nd year to the 9th year
- 3 month notice starting from the 10th year

The termination is always given for the end of a month. For example for Betul, if the letter is given on the 25th August, the contract will end on the 30th October.

If due to the illness and as per law the delay of termination is suspended for a certain period of time (depending of the seniority). The illness insurance has a special clause about the closing of a company and it is written that no compensation will be given after the close of the company.

Appendix | SA Considerations (continued)

Company

- Minutes taken during the general assembly assisted by a notary
- Designation of a person in charge of the closing
- Announcement of the closing to the register of commerce
- Announcement in the Swiss Official Gazette of Commerce. This announcement is made to potential suppliers for any open or due amounts. This announcement as to be made 3 times (could be in 3 days).
- Closing itself (one year after the previous point, could be shorter with an audit)
- Announcement to the registry of commerce
- Taft law office assisting with closing requirements



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