Evercel

November 30, 2016

Dear Shareholder:

We write with an update of the operations through the present and financials of Evercel's fiscal year, which ended March 25, 2016.

The 2016 fiscal year was an important year for Evercel, as we succeeded in selling a significant portion of Printronix and our factory building in Singapore—which resulted in Evercel receiving a return of the $18.2m it originally invested in Printronix. Today, Evercel has cash distributed back from Printronix, plus the cash from the sale of NECC and its building, along with its ownership of the remaining Printronix business, which is debt-free.

On a stand-alone basis, we believe the ongoing business of Printronix after restructuring is capable of generating profits similar to what the combined business could have generated had we not divested Thermal. Last year, the combined Printronix business generated $12.8m of management reported adjusted EBITDA (non-GAAP), which excludes $2.7m of restructuring charges and $5.4m for other non-recurring expenses. As discussed in further detail below, achieving an efficient business has and will continue to require significant efforts, however. We are focused on optimizing the Printronix business to capture its potential, and finding new, related or unrelated, investment opportunities with the cash available to Evercel.

Printronix

Printronix is the global leader in Line Matrix printing solutions. We compete with industrial laser printers, lower speed impact printers and, increasingly, with digital (no print) solutions. While demand for Line Matrix printing is declining due to newer technologies, there are many applications for which Line Matrix printers remain the best solution for a customer's needs. In the developed world, these alternative applications frequently include distribution and manufacturing centers of large Fortune 500 companies in key industries such as automotive, transportation & logistics, food & beverage distribution and retail distribution. In the developing world, in addition to distribution and manufacturing centers, alternative applications also include banks, utilities and government applications, like printing utility bills, banking records and government checks. Over time, applications in the developing world are expected to decline as they have in the developed world. We intend to migrate our focus in the developing world to those applications where we have been successful in the developed world, which are primarily those that require high volume and reliable printing of multi-part forms.

Our leading market position (near 100% market share outside of Asia and 90%+ global market share) enables us to generate significant profits in the Line Matrix segment, including a related consumables business. With our 40+ year history of selling rugged and reliable printers to many of the world's top global companies, we also have a premium brand position that could be valuable for a broader product line.

Thermal Sale

In January 2016, Printronix successfully closed the sale of the Printronix Thermal printer business to TSC Auto ID Technology Co., Ltd ("TSC").

Prior to the sale, Printronix had two product lines that were complementary in terms of application but were in conflict for management resources and sales and marketing dollars. Simultaneously growing a business while squeezing cash from the other required two distinct strategies and cultures, and was challenging while sharing the same resources and channel partners.

In contrast to the Line Matrix product line where we have nearly 100% market-share and attached consumables, we had low single digit market share in the Thermal product line, competed with companies larger than us by an order of magnitude, and were able to sell only few attached consumables after the hardware transaction. Not surprisingly, the bulk of Printronix's profits have historically come from the Line Matrix product line yet the market perceived the Thermal printer line to be the more valuable business. Splitting the operations to divest only the Thermal printer business was a challenging task as both businesses shared the same brand name, salesforce, engineering teams, manufacturing facilities, and G&A support staff. The market valued the Thermal printer business alone roughly equal to the two businesses together, so we determined attempting to split the company into two was worthwhile.

After a process that took more than a year to find an interested buyer, we closed a deal to separate and sell the Thermal business for roughly $52m (including the payoff of debt). The purchase price included a $3m earn-out (which may or may not be received), and $2m of stock in the acquiring company with a lock-up up to two years. While the strategic fit between the two companies was strong, the acquirer was based in Taiwan, had never done an acquisition of this size, and had to raise cash to pay for the deal. Further, selling only the parts of the business the acquirer wanted while maximizing the value of the remaining NOL and utilizing additional remaining tax credits at the Printronix level required a complicated corporate restructuring where we spun off the Line Matrix business into a brand new company prior to selling the parent corporation while creating insurance to provide an indemnity for associated liabilities.

The transaction was structured as the sale of the stock of Printronix, Inc. and the concurrent sale of certain assets related to the Thermal printer business. Thirty employees from offices around the world transitioned with the sale. The Printronix Line Matrix printer business and all other business operations not directly related to the Thermal printer business were spun off into a new subsidiary of Evercel, which is called Printronix, LLC, prior to the sale to TSC. Following the transaction and the sale of the Singapore building, Printronix is debt free and continues to operate under the Printronix brand.

LMP Go to Market Strategy

After years of allocating disproportionate focus to the Thermal business, management now has time to turn its attention to optimizing the Line Matrix operation. Following the sale of Thermal, we embarked on an in-depth strategic analysis of how to rethink our Line Matrix go to market approach. We spoke directly with many of our largest end users for the first time to learn why they chose to buy Line Matrix printers, how they wanted to buy, and what their future plans for Line Matrix might include. The conclusions led to a new strategic plan which the company is in the process of rolling out over the next few quarters that we expect will drive higher margins.

Manufacturing Strategy

Further, now that Printronix no longer manufacturers Thermal printers, Printronix will pursue the opportunity to reduce its manufacturing costs by consolidating its global operations into fewer locations. Until recent months, Printronix has maintained manufacturing operations in Singapore (in an owned facility), China (through a dedicated contract manufacturer), Mexico (through a dedicated contract manufacturer but managed by Printronix), and Irvine (primarily building prototypes, and providing warehouse and logistics for the Americas). The new manufacturing facility in Malaysia that Printronix built over the past year has enabled the shut down of the Singapore facility and the move of the China and Singapore operations into Malaysia. Further, Printronix moved its warehouse from its Irvine headquarters to a third party logistics facility near its Nogales factory. We subleased the excess space in Irvine as well. Over the coming year, Printronix plans to optimize the efficiency of its new Malaysia facility and ensure it maintains the quality Printronix is known for, and then consolidate the Mexico factory where we produce ribbons and cartridges into the Malaysia facility. Though the upfront costs and investment in management focus to execute this consolidation is significant, the smaller footprint will be expected to lead to a strong return from the efficiencies and added simplicity.

Financials

Printronix generated $90m of revenue in FY16. Of that, $24m came from ten months of the discontinued Thermal business. Line Matrix revenue was down 21% last year over the previous year. The sale of the Thermal business towards the end of the year and focus on growing the business through the earlier part of the year led to significant distraction from the Line Matrix business through much of FY16. With our sole focus now on Line Matrix, we expect revenue can stabilize and bottom lines results improve as management reduces the cost structure and complexity of the business.

As the Thermal and Line Businesses shared the same infrastructure costs, it is impossible to reflect historical bottom line profitability for the Line Matrix business alone without making arbitrary allocations. The $11.8m reported loss from continued operations of Printronix doesn't tell the full story, though, as it includes many non-cash and charges related to restructuring, and is burdened by 100% of costs that were shared with Thermal but didn't initially go away with the sale. Adding back to that $11.8m loss, non-cash goodwill impairment loss of $4.5m, non-cash total depreciation and amortization of $5.6m (which includes amortization of intangible assets and goodwill), costs related to restructuring of $2.7m, and costs related to G&A "special projects" (e.g. charges like building the Malaysia factory) of $5.4m, results in approximately $6.3m of Adjusted EBITDA from Line Matrix in FY16. However, that number includes all costs that did not fully transition along with the Thermal business, some of which are being eliminated during the current restructuring. Similarly, the additional $6.4m of EBITDA from discontinued operations (the Thermal business) does not include any shared SG&A or engineering costs other than the $3.9m of direct engineering and sales costs that transitioned to TSC at the time of the sale.

Printronix Summary

In summary, Printronix continues to meet the earnings expectations we set forth when we acquired the company. In our first year, we focused on generating sufficient cash to pay down and refinance the debt. We brought in JPMorgan to take out the highly restrictive and expensive seller paper. In the second year, we embarked on an initiative to maximize the value of our struggling Thermal business and developed a plan to leverage our premium brand and loyal customers through investing in designing new printers and restructuring our go to market strategy. In our third year, we began to execute the new Thermal strategy and brought on a new CEO to lead the company. In parallel, we engaged in discussions with our competitors and other likely potential acquirers, which resulted in the sale. Now in our fourth year, after separating the Thermal and Line Matrix businesses, we are focused on optimizing the go-to-market approach and manufacturing cost structure of our remaining Line Matrix business. We believe there is attractive opportunity to continue to generate significant cash flow.

Evercel

The past year was also an important year for successfully cleaning up many remaining legacy aspects of Evercel. The assets of New England Crab and Sontek are now fully liquidated and beyond the timeframe required to be part of future audits. The litigation with former management and investigations with the Federal Department of Labor related to crab operations have been fully settled.

Further, after lengthy deliberations, the Board of Directors of Evercel has settled an ongoing dispute with Corona Park Investment Partners and Daniel Allen (together "Corona Park") concerning the failure of relevant 2012 documentation to reflect the original intent of the role and economic arrangement between Evercel and Corona Park. To properly reflect the original understanding between Evercel and Corona Park on its investment in Printronix and to simplify Evercel's corporate structure amongst other business reasons, Evercel will redeem its shares of MMXIV (the original minority owner entity of Printronix) that Evercel received in 2014 without contributing any additional cash. Evercel will receive consideration that will include, among other things, $3.6 million of cash. Consistent with the original deal, Evercel will own 80.1% of Printronix. The settlement remains subject to the execution of definitive documents between the parties.

Regarding shareholder reporting, we continue our policy to distribute information to all shareholders simultaneously and decline to respond to individual requests. We currently communicate through issuing press releases with the information, or through a press release announcing the posting of information to the Evercel website. Audited financials from the year ending in March 2016 are also available on our website. While Evercel is not registered with the SEC and therefore has no public company reporting obligations, we strive to provide transparency while ensuring all shareholders simultaneously receive equal information. We also strive to improve the reporting process, while not disadvantaging any shareholder or creating an undue burden on our operating company. We expect in future years, however, to be able to release audited financials several months earlier as we streamline the audit process. We began the Evercel audit after the Printronix audit was completed, which was delayed this year in part due to the complexities of the Thermal sale. Further, the Evercel accounting consolidation for the audit was complicated by turn-over in our audit and accounting staff and the need to merge data from two incompatible financial systems. Next year's audit (FY17) will be the first that does not include material legacy financials from Sontek and NECC. We have no immediate plans to register, as the cost and requirements to become a registered company after more than a decade are significant.

We will continue to focus on building long-term shareholder value from maximizing the value of our underlying assets. With the cash we have from the distributions from Printronix, we plan to find new investment opportunities, targeting under-managed companies, to replicate our Printronix playbook. We welcome suggestions from our shareholders on potential opportunities.

We plan to hold a Shareholder Annual meeting in the end of January. Formal notice will be posted at www.Evercel.com, issued through a press release, and go out through email to those who have signed up for Evercel announcements. Please refer to our website for additional information.

Finally, we would like to continue to express our gratitude for the commitment and efforts of our employees, and to our long-term shareholders for their continued support. We plan to continue to provide updates following the publication of our annual audit.

Daniel Allen
CEO

James Gerson
Chairman

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