

# Evercel

April 26, 2017

Dear Evercel Investor:

We closed the Fiscal Year at end of March and want to provide a brief update on the business, prior to conducting the audit and releasing a more comprehensive annual letter, which we expect to have this year by early August.

Printronix achieved many of the goals we set out with this year, as we successfully executed the required restructuring resulting from the sale of our thermal business.

- In operations, we brought online the new factory we built in Malaysia and moved our manufacturing in China and Singapore into it. We are in the process of building out additional capacity in this Malaysia facility to also accommodate moving our consumables production into it from Mexico, where we have for operated for decades. By the end, we will have reduce our manufacturing footprint and simplify our global operations by managing one factory instead of three. Leading the effort is our new head of global operations whom we hired earlier in the year.
- We completed the transition services agreement with TSC which required us to manufacture thermal printers for them until August 2016. We now are able to operate a business that is solely focused on building and selling line matrix printers and consumables, reducing the need to operate suboptimally and maintain legacy functions and facilities.
- As we rethink our processes and consolidate our back office functions, we have reduced our overall headcount over the past two years from 381 to 265 (including the 17 people who transitioned with the sale of the thermal business). We are increasing our Malaysia based finance team and have recently moved our entire purchasing team to Malaysia to be closer to the factory.
- Printronix generated approximately \$60m of gross revenue for the year, which reflects a roughly 10% decline over the \$66m of revenue the previous year associated with Line Matrix. We will report associated profitability when we have completed the audit. The majority of cash Printronix generated from operations in FY17 was reinvested in building out the Malaysia facility and other restructuring costs.
- Printronix received the \$3m in escrow from TSC, less ~\$400k in payments to TSC to cover returned product and a previously agreed upon sales incentive program for former Printronix employees responsible for achieving the sale threshold associated with the escrow.
- Printronix is in middle of the process of selling the 100,000 shares in TSC it is eligible to sell. Proceeding through the Taiwanese regulatory process to open a bank account and

sell the shares has been quite arduous and will require additional time due simply to Taiwanese regulatory issues.

- Printronix distributed a dividend on March 31 which included the escrow payment and excess cash at Printronix. Evercel's 80.1% pro-rata share equaled \$5m. At end of the fiscal year, Evercel had approximately \$28.5m in cash and marketable securities on its balance sheet, in addition to its 80.1% ownership interest in Printronix.

Printronix and Evercel are beginning the audit process for the year. We plan to transition the audit certification from the AICPA auditing standards used for private companies our audit firms have used since EVRC deregistered 14 years ago, to the PCAOB auditing standards the exchanges require for SEC registered companies. We have engaged a new audit firm to lead the work, Squar Milner. Squar Milner is one of the largest firms in Orange County, where Printronix is based, and we look forward to working with them.

Evercel continues to search for new investment opportunities and appreciates recommendations to relevant public and private companies that could be attractive control investments.

We look forward to sharing further updates in August when we expect to have completed the audit process.



Daniel Allen  
CEO

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