



# Lattice Inc.

*July 20, 2016*  
*Ticker Symbol: LTTC*





## ***Safe Harbor Statement***

Management's prepared remarks contain forward-looking statements which are subject to risks and uncertainties and management may make additional forward-looking statements in response to your questions. Therefore, the company claims the protection of the Safe Harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the company's filings with the Securities and Exchange Commission.

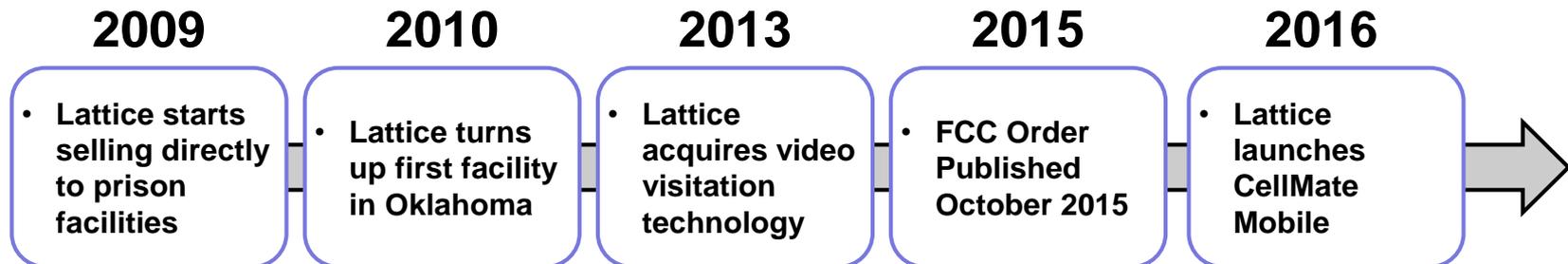


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# The Company

- **Lattice has been developing and providing secure communications and information technology since 1973.**
- **Our focus on innovation is the source of our longevity through market ups and downs.**



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# The Company

- Technology leader in the \$5 Billion correctional facilities market. Approximately 75% of facilities are small and fit in our target market.
- Provides a suite of cloud based services enabling smaller facilities access to technology traditionally only available to large facilities.
- Investing in new technology via development and acquisitions to grow share of wallet with existing customers and take share from slower moving competitors.
- 800% revenue growth from 2010 to 2015(ttm).



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# Corrections Operating Platform (COP)

- ❖ Encompasses Inmate Account Management, Products and Services, and facility/inmate Support solutions:

**(COP) Corrections Operating Platform™**

- INMATE ACCOUNT MANAGEMENT**
  - On-Site Deposit Kiosks
  - Online, Phone, and Money Order Deposits
  - JMS/Commissary Integration
  - Payment Processing and Billing
- PRODUCTS AND SERVICES**
  - Nexus Inmate Phone System
  - NetVisit™ Video Visitation and Video Arraignment
  - CellMate™ Mobile Devices
- INDUSTRY-LEADING SUPPORT**
  - InTouch™ Inmate Hotline
  - Billing and Technical Support
  - Account Funding Transactions

# Rapid Cloud Innovation

Lattice's cloud platform enables rapid service innovation, seamless acquisition integration and the ability to serve customers more cost effectively regardless of size or location

## INTEGRATION SERVICES

INVESTIGATION

LEGAL COUNSEL

EDUCATION

HOME PC

EMAIL

MUSIC DOWNLOAD

SOCIAL MEDIA

## SCHEDULING SERVICES

DEDICATED INMATE STATION

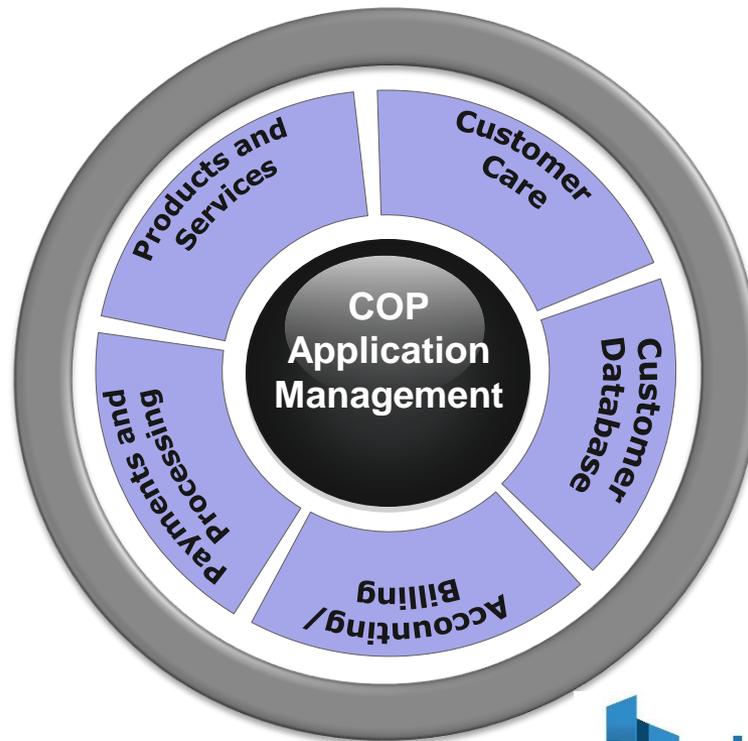
COMMISSARY ORDERING

INMATE E DEVICE

VIDEO VISITATION

VOICE MAIL

TEXT MESSAGING





**CellMate<sup>TM</sup> Mobile** Mobile Inmate  
Communications Device

**Taking Inmate Communications  
To the Next Level!**

# CellMate™ Mobile

- ❖ Grow facility revenue by providing new ways for inmates to communicate with family/friends and access entertainment/educational content
- ❖ Drive recurring Lattice revenue through continuous phone call and text messaging usage
- ❖ Deliver increased facility efficiency via a smartphone-sized device encompassing multiple apps/functionality
- ❖ Enable inmates to connect with family and friends, remain productive, improve their morale, and reduce recidivism

# Product Overview



## Communications

- ❖ Phone and Voicemail
- ❖ Text Messaging
- ❖ Electronic Messaging
- ❖ Manage Commissary and Phone Accounts
- ❖ Inmate Messaging for Medical, Grievances

## Content

- ❖ Entertainment
- ❖ Music
- ❖ eBooks
- ❖ Games
- ❖ Educational and Legal
- ❖ Rehabilitation Videos
- ❖ Online Courses
- ❖ Law Library

# Product Overview: Physical Appearance

- ❖ Mobile handheld device, size of a smartphone
- ❖ Clear back cover deters and identifies contraband from being hidden in back of device



# Smartphone Size Benefits Vs. Competitive Tablets



- ❖ Smartphone size is the most natural and common for making calls and sending texts
- ❖ The percentage of users reading eBooks and other content on smartphones is growing, while the percentage reading on tablets and e-readers is declining\*
- ❖ “The future of digital reading is on the phone” -- Judith Curr, publisher Simon & Schuster affiliate Atria Books\*

\* Source: *Wall Street Journal*, “The Rise Of Phone Reading”



# ***Business Model***

- **Revenue Sharing Eases Facility Budget Constraints**
  - Sticky recurring revenue streams
- **Lattice Leading Features & Products Benefit both the Facilities and Inmates**
  - Ability for family members to credit inmate's call account increases revenue
  - Video Visitation reduces costs for the facility and the inmate's family
  - Kiosk for cash management and value added services for unbanked inmates
  - Lattice social media and tablets increase revenues, decrease disruptive inmate behavior, and reduce recidivism



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# Problems Solved

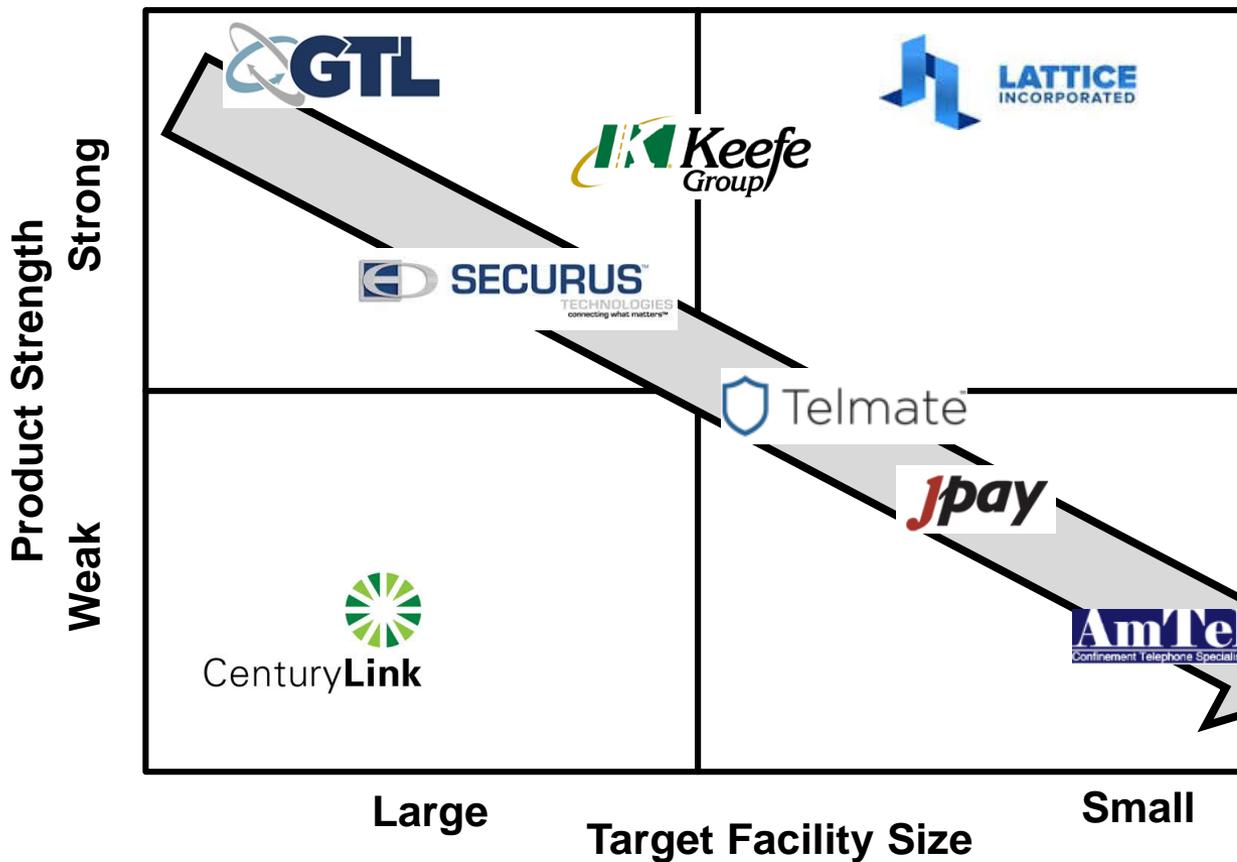
- **Lattice serves the advanced communications needs of small to medium sized prisons which are poorly served by our competitors**
- **Small Regional Service Providers**
  - Unsophisticated players which cater exclusively to very small or small facilities
  - Lattice technology will often enable their solution
- **Large National Service Providers**
  - Focus on larger facilities
  - Provide inconsistent service to smaller facilities
  - Serving small facilities is often not cost effective for these players



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# Competitive Landscape



- Smaller providers typically have a limited product set to serve small/medium facilities
- Cloud platform enables Lattice to serve existing customers and win new ones



# *Differentiation*

- Improved Revenue Generation per Facility
- Top Notch Tech Support & Customer Service for Inmates and Families
- Industry Leading Reliability
- Innovative product mix enabling improved quality of life for inmates



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# U.S. Market Overview

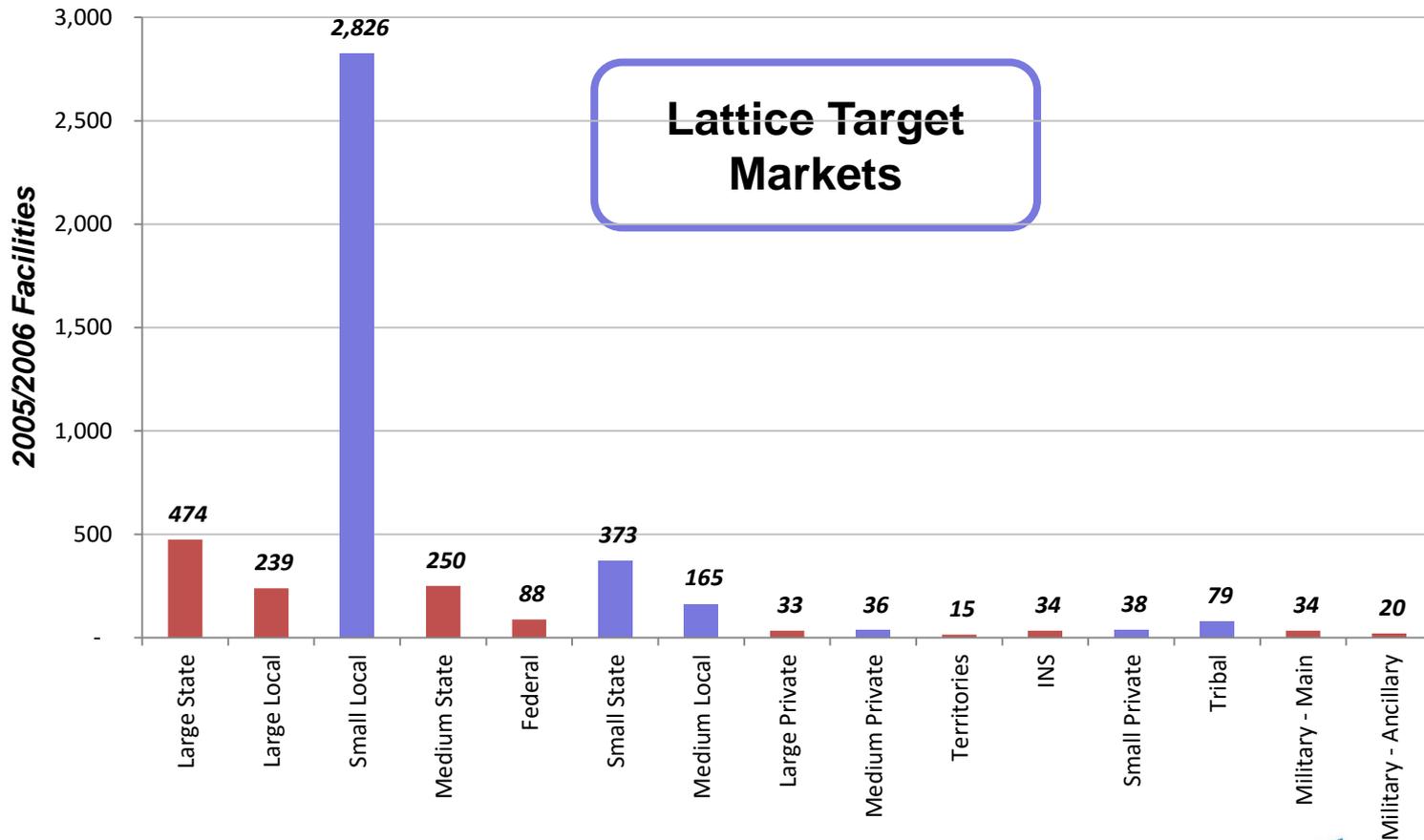
- \$5.0B+ Market total in Federal, State, and County
- \$650 - \$850 Telecom Revenue/inmate
- 2.3 Million Inmates today, steadily growing at 3% annually
- Communications revenues are split with the prison and are an important source of cash to augment traditionally stretched county and state budgets
- Strong recurring revenue base which is highly sticky



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# U.S. Market – Correctional Facilities



# ***Growth Opportunities***

## **Products/services**

- Drive increased usage of existing services by improving ease of use
- Grow revenue by adding innovative new products and services such as a Phablet

## **Increase Share**

- Win share from competitors
- Buy smaller players
- License technology to other providers
- Partner with specialists in private prisons

## **New Markets**

- Enter new domestic markets by adding experienced direct sales
- Partner with established Systems Integrators to expand further internationally



# Proof Points

## ➤ Domestic Success

- In five years, expanded market share in target market.
- Winning footholds in new states and expanding regionally

## ➤ International Success

- Canada: awarded four installations under partnerships with Telus Canada and Wymactel
- Singapore: COP pilot project successful, currently rolling out an expanded program
- UK: First site operational in Gibraltar, successful trials in 400 bed UK facility



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# Investment Highlights

- Cloud based service delivery allows us to drive higher revenue, lower costs and gives us the ability to more cost-effectively address new markets
- Proven track record of growth both domestically and internationally
- Ability to leverage new technologies from one market to another
- Recurring revenue model with 800% revenue growth over the last 5 years.



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# 2016 Updates

- **Recurring revenue continues to ramp.**
- **FCC Order published on October 22, 2015 eliminated most ancillary fees creating a more competitive market.**
- **Officially launched CellMate Mobile.**
- **Launched Video Arraignment product.**





# Q&A



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