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CAPITAL

This POS is on the Brink of Getting up to PAR

PAR®

The Manual of Ideas
ValueConferences: Best Ideas 2017
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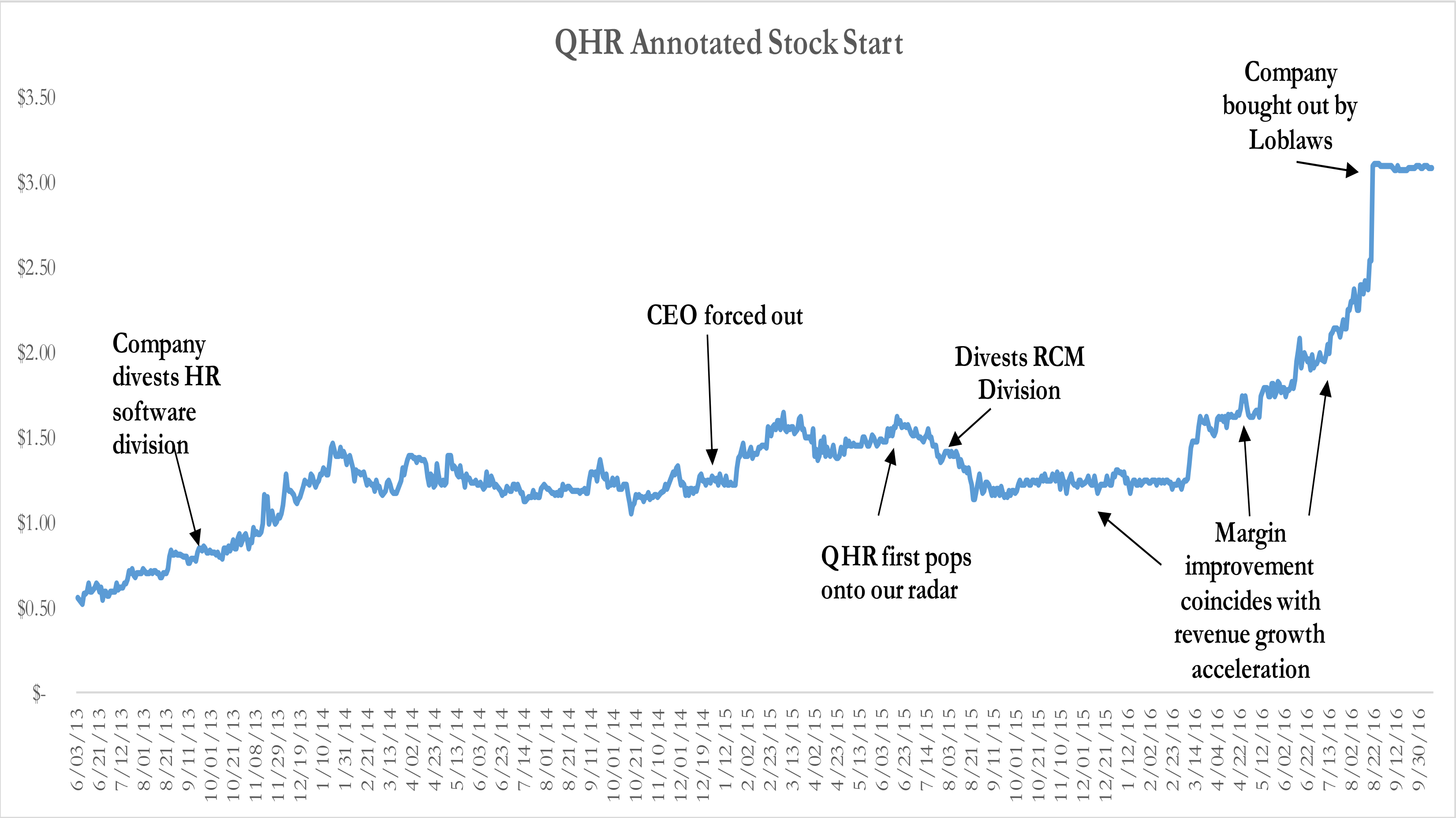
VOSS CAPITAL, LLC

- Opportunistic long/short value investors targeting underfollowed special situations.
- Median market cap: ~$400 million.
- Average Positions: ~30 longs, ~15 shorts.
  - Top Ten Weighting of Longs Since Inception: Average of 53%.
- Long only portion of fund has done a 29% CAGR since inception in 2011.
- 20% overall net CAGR since 2011 with average 40% net exposure.*
- Correlation to S&P 500 ~0.4.

*beta-adjusted net long exposure. Net of fees and expenses.

Last Year's Pick: QHR

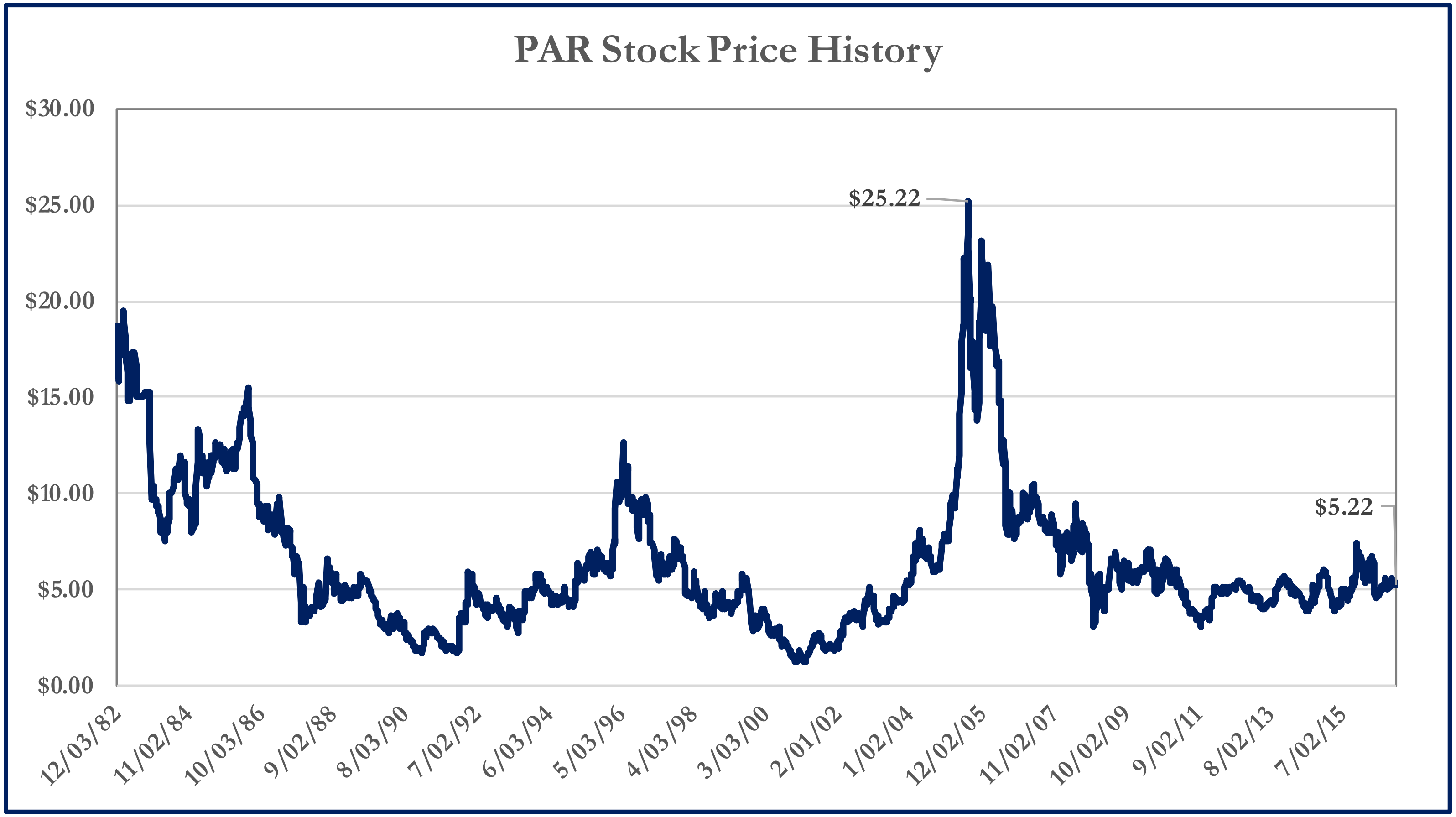
- Played out as well as one could hope for: +148% in 7 months; Voss' largest profit contributor in 2016.
- **Formula for Performance: Asset divestiture (new pure play) + Accelerating growth + Expanding Margins = "Voss Sauce"**



PAR TECHNOLOGY CORPORATION (PAR)

PAR is a technology provider in the Government and Quick Service Restaurant (QSR) Industries

Stock Price: $5.25 | **Market Cap:** $83 million | **Enterprise Value:** $85 million | **HQ:** New Hartford, NY



EXECUTIVE SUMMARY

- **PAR is an under followed multi-segment business that is an industry leader in its restaurant technology niche and is about to experience accelerating revenue growth and expanding margins, while starting from a depressed valuation, giving it >100% upside.**

- **PAR Hospitality** will maintain industry leadership in Point Of Sale Hardware and Brink will become the industry leader in Cloud-based POS system software for QSRs, with continued 100% CAGR in sales.

- **PAR's stock valuation is depressed for several key identifiable reasons:**
  - Lackluster historical operating results and messy financials.
  - Sum of the parts discount due to being a collection of unrelated businesses.
  - Underfollowed with low trading liquidity.
  - Previous poor management performance.

- **New management and Board members are intent on unlocking shareholder value, including the potential divestiture of the slower-growing Government Segment (for half of current EV) resulting in a simplified and fast growing restaurant technology pure play that would be trading at 0.25x EV/Sales, 1x Gross Profit, and <5x EBITDA.**

- **Our conservative base case sum of the parts valuation yields 125% upside and limited downside due to already distressed valuation levels, creating a highly asymmetric bet to the upside.**

QSRs: Quick Serve Restaurant, CAGR: Compound Annual Growth Rate

Overview of Businesses

Comprised of Two Completely Different Business Segments

	PAR Hospitality	PAR Government
Overview	**Software, hardware, and services to restaurants (63% of Revenues, 85% of Gross Profit, 33% of EBITDA*).**	**Government outsourced labor, with two divisions (37% of revenue, 15% of gross profit, 67% of EBITDA*).**
Description	▪ Hardware and software to large restaurant chains, including: ▫ Point of Sale System terminals. ▫ Cloud based POS software through Brink, acquired in September 2014. ▫ SureCheck, a food safety hardware product + software as a service component.	▪ **Mission Systems:** Operates telecommunications facilities for the military (e.g. install management team, manage facility to free up resources for the military); 5-6% pretax margins. ▪ **Intel Solutions**: Software development work for the government, mostly related to geo-mapping and satellite motion; 7-8% pretax margins.

** Trailing 12 months*

VALUATION IS DEPRESSED FOR IDENTIFIABLE REASONS

Based on our conservative 2017 estimates, PAR is currently trading at 1.75x gross profit, 0.38x sales, 6.4x EBITDA.

Lackluster Operating Results

- Declining revenues and margins in core hardware business, which makes up large proportion of revenue, masks improvements elsewhere
- Revenue and gross profit have not recovered from 2008 peak levels
- Not EBIT positive from 2012-2014; messy financials

Sum of the Parts Discount

- Sum of Total Parts discount due to collection of unrelated businesses
- Low margins of the Government Segment obscures other businesses
- No coherent investment narrative, few obvious turnaround signs

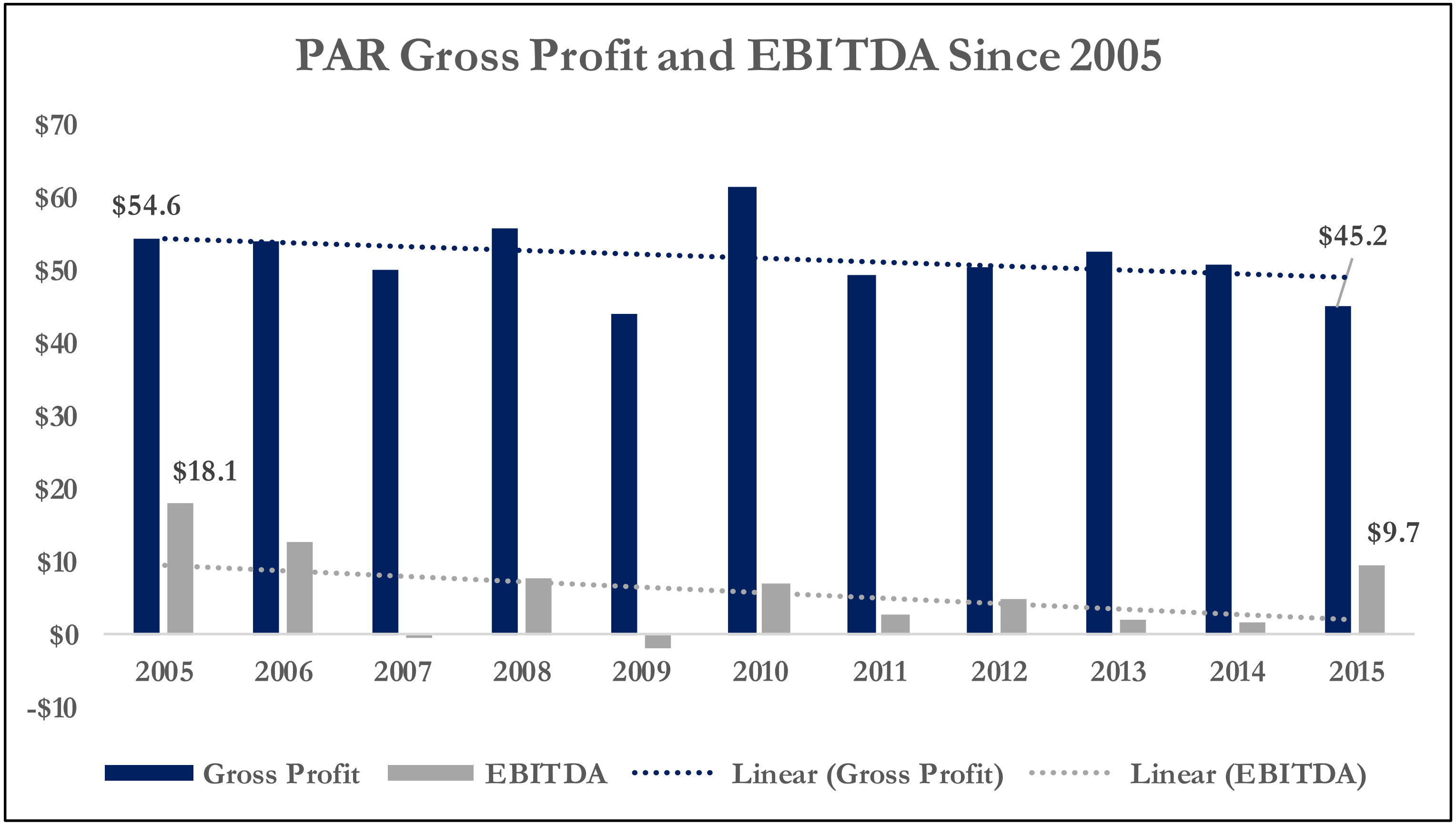
Underfollowed and Illiquid

- No sell side coverage, little buy side coverage
- Large, long term frustrated shareholders exiting recently (Wedbush)
- Low float /limited trading volume (~$100k/day)

Poor Management Performance

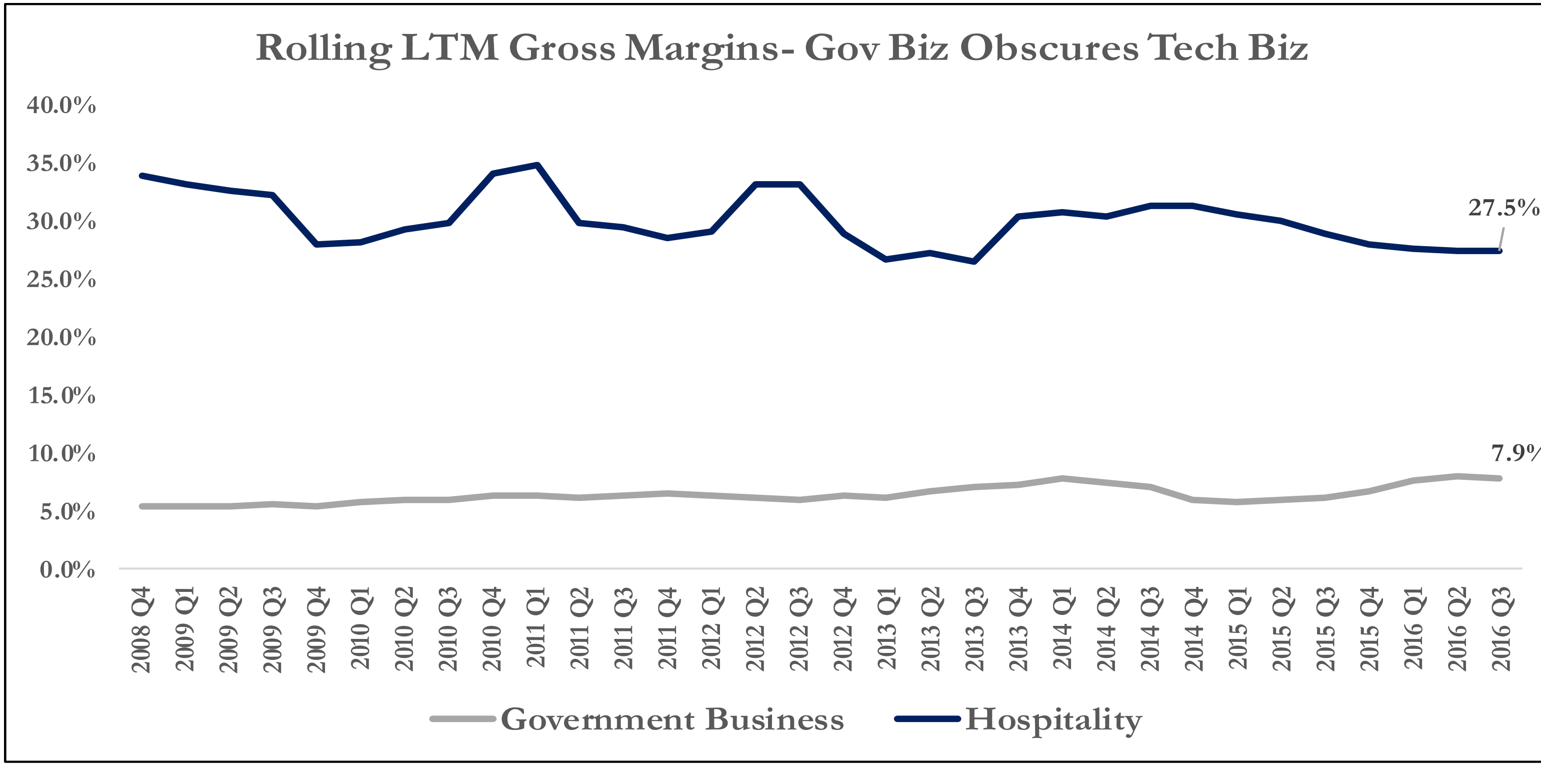
- Revolving door at C-suite level
- Perception company run for founders, little action taken to change notion
- Previous CFO caught for "mishandling" corporate funds in March 2016
- Material internal control weakness reported in Chinese office in Q3 2016

10 YEARS OF DECLINING PROFITS



- Over the last ten years, gross profit has declined by ~20% and EBITDA has declined by ~50%.
- Signs of investor capitulation after fatigue from continual disappointment.

GOVERNMENT SEGMENT'S LOW GROSS MARGINS



- We believe the low gross margins in the Government business (despite decent positive cash flow contributions) obscures positive developments within the Hospitality segment and precludes PAR as a viable growth tech company investment for those investors only looking superficially.

TRANSITION TO PURE PLAY

Sep 2015 | Nov 2015 | Mid 2017

PAR

PAR Solutions for Hospitality

PAR Government

Brink POS
CLOUD POINT OF SALE

EverServ SureCheck

PAR | EverServ 8000
POS Family

Springer-Miller

Evolution to a Simpler Company

Sep 2015 | **Nov 2015** | Mid 2017

Divestiture of Hotel Business…

par®

par® Solutions for Hospitality

par® Government

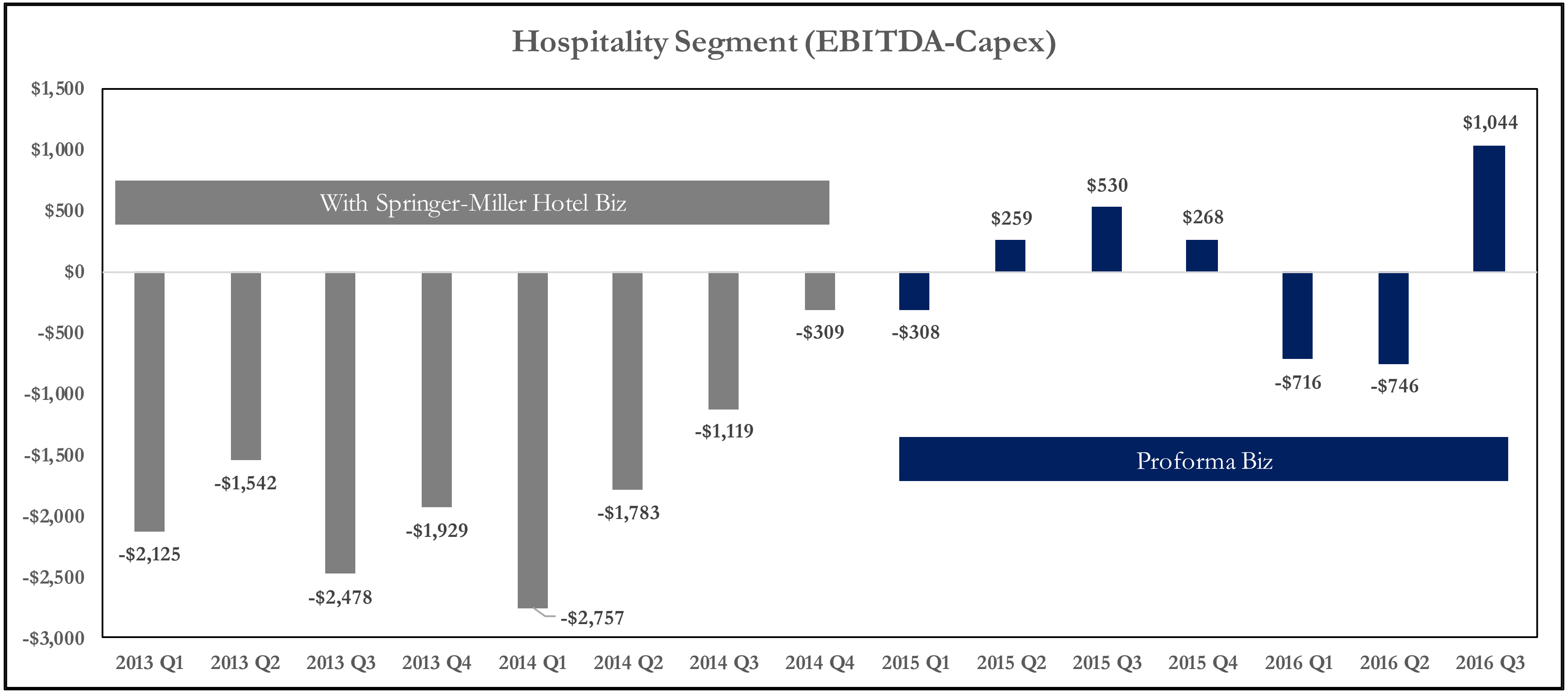
Brink POS CLOUD POINT OF SALE

EverServ® SureCheck

par® | EverServ® 8000 POS Family

- Springer-Miller hotel business was doing \$14.5mm in sales, with ~ -10% growth and losing \$3mm/year.
- Sold to Constellation Software for \$18.1 million, November 2015.
  - Will receive minimum additional \$4.5 million from a note receivable by June 2017.

PAR Hospitality: Improving Profitability Since Divestiture



- LTM Sales: $142 mm
- LTM Gross Profit $39 mm
- LTM EBITDA: $3.1 mm
- Q3 EBITDA: $1.8mm
- Run Rate EBITDA (last quarter annualized): $7.2 mm

Evolution to a Simpler Company

Sep 2015 → Nov 2015 → **Mid 2017**

Future Divestiture of Government…

par® → par® Solutions for Hospitality → Brink POS CLOUD POINT OF SALE / par EverServ® SureCheck / par® | EverServ® 8000 POS Family

- CEO has stated they can sell the Government Business after completing their new company wide ERP implementation in mid-2017.
- The time to accumulate the stock is ahead of this potential divestiture, before the multiple re-rating that would come with being a fast growing Hospitality pure play.

PAR OF THE FUTURE: RESTAURANT POS PURE PLAY

PAR Hospitality Proforma (Assuming Government Sale)	
Proforma Market Cap	$90,132
Proforma Net Cash*	$52,133
Proforma EV	**$37,999**
Hospitality Sales LTM	$141,796
Hospitality Sales (2017)	$152,197
Implied EV/Sales LTM	0.27x
Implied EV/Sales NTM	0.25x
Implied EV/Gross Profit LTM	0.96x
Implied EV/EBITDA (2017)	6.39x

** See Appendix for Net Cash breakdown*

GOVERNMENT BUSINESSES: MISSION SYSTEMS

- Takes over specific operations of telecom facilities that are run by the military.
- Contract length is usually 3-3.5 years.
- Value-add is that military would prefer their uniformed personnel to be doing something other than manning a telecom base.
- Customers are the various branches of the military (Army, Air Force, Navy, Pentagon, Marines, etc.).
- Has 5-6% pretax margins, with little to no capex requirements.
- Believe this segment is flat to slightly declining, although management does not break out.
- Competition: Booz Allen Hamilton, Raytheon, Boeing
- Example, recent October press release:

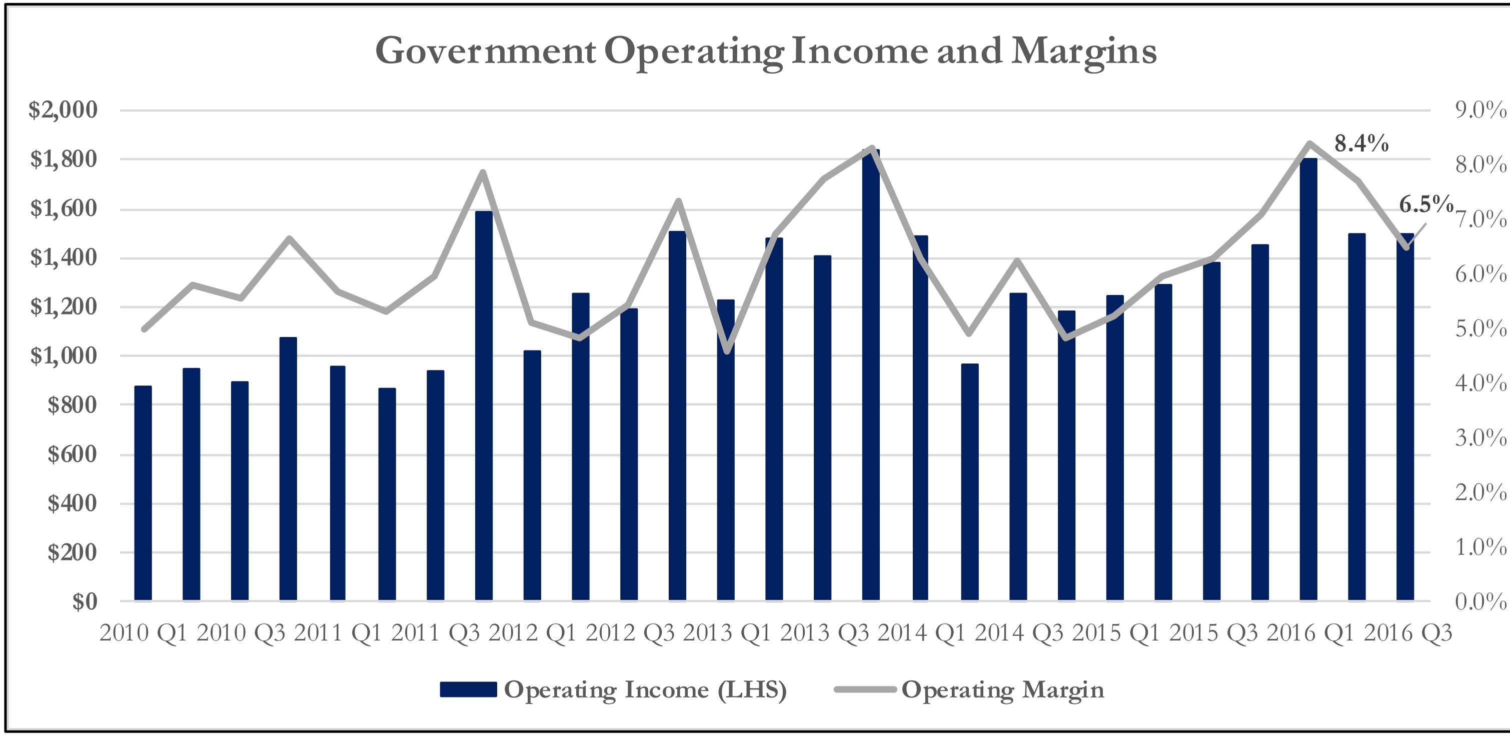
> *"PAR...has been awarded a $5.2 million subcontract from Delta Solutions & Strategies, LLC of Colorado Springs, CO to provide operation and maintenance of the USAF Air Combat Command (ACC) High Frequency Global Communication System - Puerto Rico Station (HFGCS-PRS). HFGCS-PRS is one of thirteen worldwide high powered, high frequency stations that make up the USAF's Command and Control (C2) network."*

GOVERNMENT BUSINESSES: INTEL SOLUTIONS

- High expertise (phD level) software development work for military institutions.
- Projects are generally classified/secretive but revolve around geo-mapping algorithms, and capturing real time motion video from satellites.
- Higher margin than Intel Solutions, 8-10% pretax margins.
- Growing faster than Missions Systems, which results in overall government margins rising over time.
- Competition: SAIC, NCI, ManTech, Leidos, CACI.
- Example from recent press release:

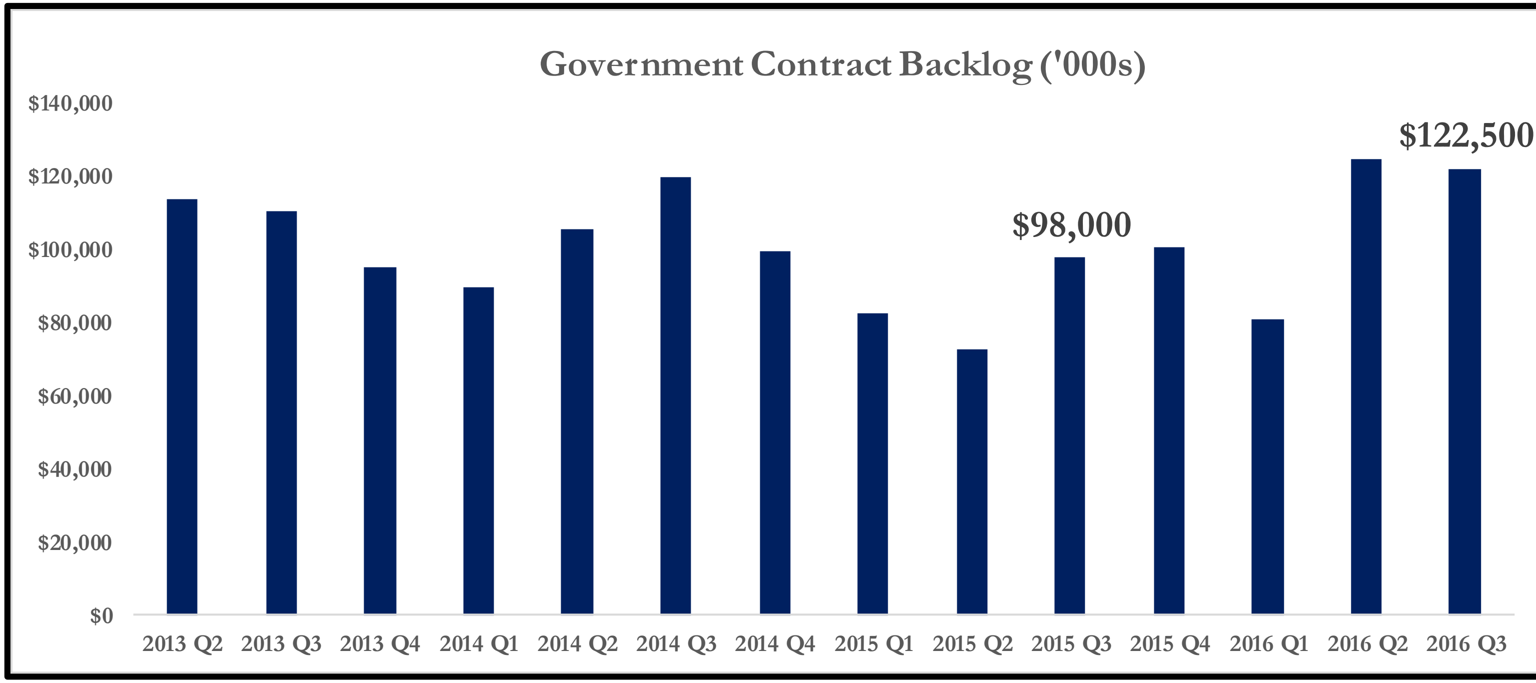
> *"PAR Government Systems Corporation, a wholly-owned subsidiary of PAR Technology Corporation (NYSE: PAR), today announced the awarding of a $7.2 million research and development contract with the U.S. Air Force Research Laboratory (AFRL) and the Defense Advanced Research Projects Agency (DARPA). Under this four-year contract, PAR Government will be leveraging its expertise in image and video processing, cloud computing, data analytics, and digital media forensics."*

PAR Government: Consistent Cash Generator



LTM Revenue	$84 million
LTM EBIT	$6.25 million
Revenue Growth (Q3 2016)	4.9%
EBIT Growth (Q3 2016)	8.2%

PAR GOVERNMENT: BACKLOG HAS IMPROVED



- Backlog has grown to a 3-year high and is +25% Y/Y.

PAR GOVERNMENT: WHAT IS IT WORTH?

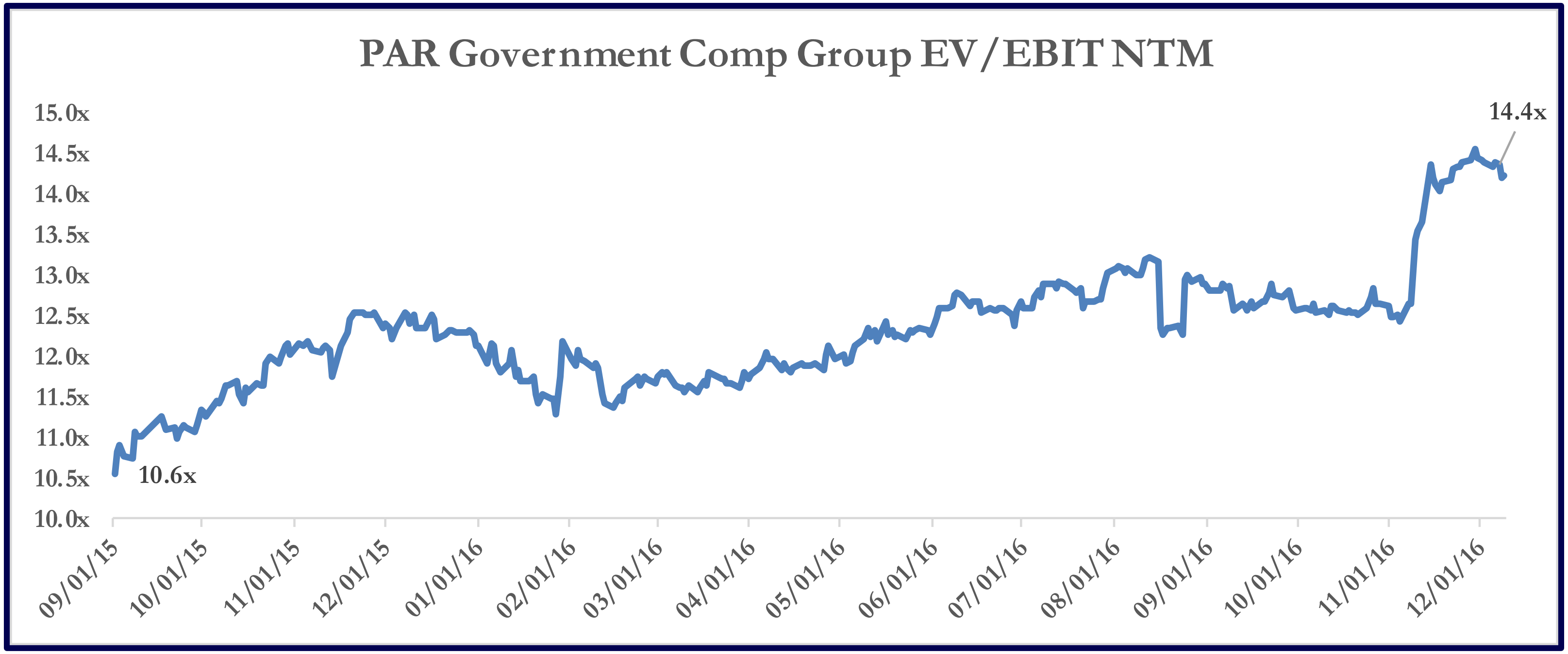
Government Comps		NTM Multiples		Margin (LTM)		Growth (Q0, y/y)	
Name	**Ticker**	**EV/Sales**	**EV/EBIT**	**Gross**	**EBIT**	**Sales**	**EBIT**
SAIC	SAIC	1.1x	16.5x	10.1%	6.5%	-1.9%	13.8%
Leidos*	LDOS	0.9x	12.1x	12.3%	7.5%	43.5%	53.1%
Booz Allen Hamilton	BAH	1.2x	13.5x	24.2%	8.8%	5.5%	8.1%
ManTech	MANT	1.0x	17.4x	14.7%	5.8%	5.7%	13.2%
NCI	NCIT	0.6x	8.8x	16.6%	6.6%	-3.1%	-2.2%
Raytheon	RTN	1.8x	14.2x	23.5%	12.8%	4.3%	15.5%
Median		**1.0x**	**13.8x**	**15.7%**	**7.0%**	**4.9%**	**13.5%**
Average		**1.1x**	**13.7x**	**16.7%**	**7.8%**	**8.4%**	**16.4%**
Low		**0.6x**	**8.8x**	**10.1%**	**5.8%**	**-3.1%**	**-2.2%**
PAR				7.9%	7.4%	4.9%	8.20%
PAR Gov at Low		**$ 49,257**	**$ 55,023**				
PAR Gov at Median		**$ 87,625**	**$ 86,379**				

** Note Leidos completed a major acquisition, most of growth is inorganic*

- Government Comp group trades around 1x Sales, and 14x EBIT.
- **At that valuation level PAR Government's value would exceed entire current EV.**
- Given lower scale, lower growth, and lower IP value, we apply the NCI multiple of 0.5x sales and 7x EBIT as a Base Case for a valuation of ~$50 million.
- *The best takeout comp is Harris buying Exelis for 1.2x sales and 12x EBIT in May, 2015.*

PAR GOVERNMENT: WHAT IS IT WORTH?

- PAR hired consultants to value the Government business and said results came in at \$45-\$50 million, based on its trailing EBIT levels.
- *However, this was over a year ago. Since that time the entire space has re-rated aggressively higher,* ***from 10.6x NTM EBIT to over 14.4x NTM EBIT.***
- Additionally, PAR's own fundamentals have improved with the group.
- Net-net, in the last few months we have become more comfortable with our Base case of gross proceeds from a sale of \$45-\$50 million.



How Does Par Hospitality Make Money?

Business	% of Hospitality Revenue	Description
1 Hardware	~65%	▪ Proprietary POS systems (30-40% gross margin, about 50% of HW) ▪ Peripheral hardware (~5% gross margin, about 50% of HW)
2 Software	~10%	▪ Brink SaaS (~85% gross margin) ▪ SureCheck (estimate ~40% Gross Margins currently, but will rise) ▪ PixelPoint License and Maintenance (~80% gross margin)
3 Services	~25%	▪ Hardware maintenance (recurring & contractual, 25-30% gross margins) ▪ Implementation/training/other (25% gross margins)

1 HARDWARE BUSINESS: BACKGROUND & HISTORY

- Founded in 1978 and has sales in 110 countries.

- Key Client Wins:
  - McDonald's (1978)
  - Yum! Brands (1983)
  - Subway (2009)
  - Jack in the Box (2015)

- PAR's POS hardware is in 75,000 restaurants globally.

- We estimate domestic Tier 1 market share at 35-40%.

- Total domestic market share 25%.

- Known for their Everserv Product Line:
  - Everserv 6000 (released 2010)
  - Everserv 7000 (released 2012)
  - Everserv 8000 (released 2016)

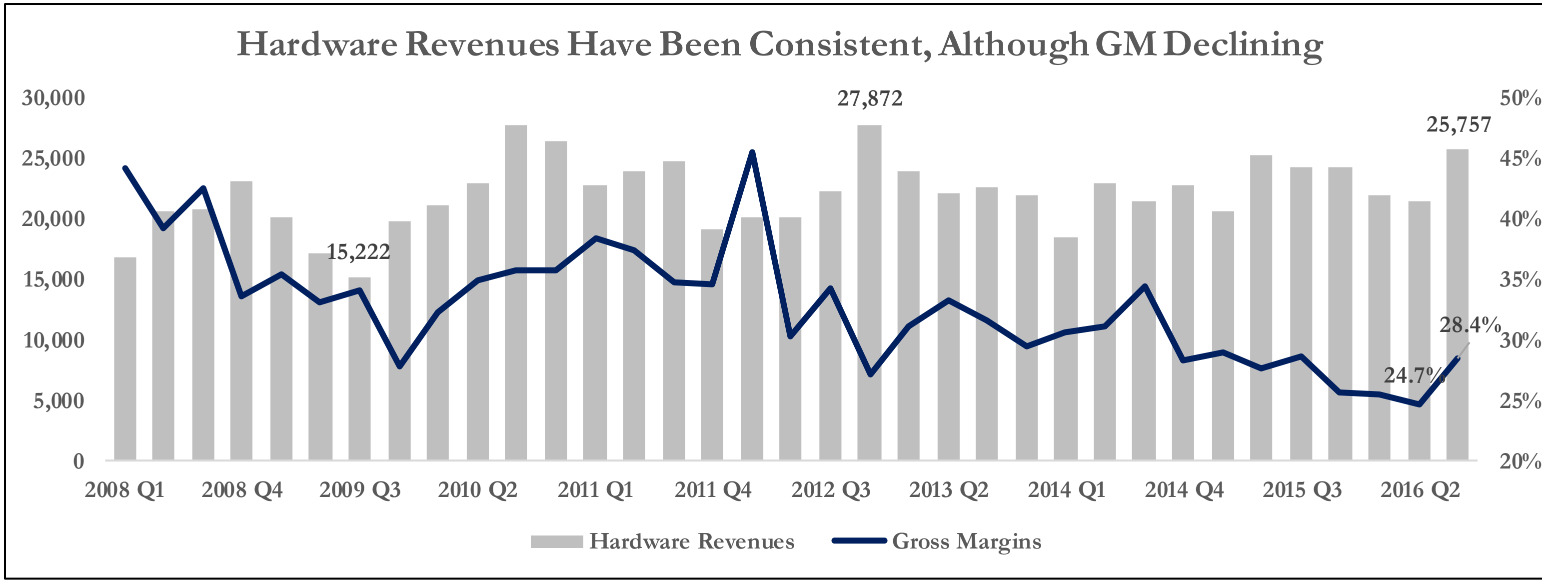
QSR INDUSTRY TAM: UNITED STATES

United State Restaurant TAM

Tier 1 Restaurants	**US Locations (2015)**	**PAR Customer?**
Subway	27,103	**Yes**
McDonald's	14,259	**Yes**
Starbucks	12,521	
Dunkin' Donuts	8,431	**Yes**
Pizza Hut	7,822	**Yes**
Burger King	7,126	
Taco Bell	6,121	**Yes**
Wendy's	5,722	
Domino's	5,200	
Dairy Queen	4,511	**Yes**
KFC	4,270	**Yes**
Little Caesars	4,237	
Sonic	3,526	
Arby's	3,214	**Yes**
Carl's Jr./Hardees	2,958	**Yes**
Popeyes	2,539	**Yes**
Jack in the Box	2,249	**Yes**
Chick-fil-A	1,983	
Panera	1,972	
Chipotle	1,971	

Total QSR Resaturant Locations (US)	240,115
Top 20 Locations	127,735
Top 20 Concentration	53.2%

① HARDWARE BUSINESS: REVENUES/MARGINS OVER TIME



- Revenues have been roughly flat to growing recently.
- Gross margins have deteriorated over last 8 years from mid-30% to 25-28%.
- We believe there is pricing pressure from new large customers.
- Revenue reasonably consistent given relatively consistent 6-8 year replacement cycle; **every year ~14% of installed base need to upgrade or replace their hardware.**

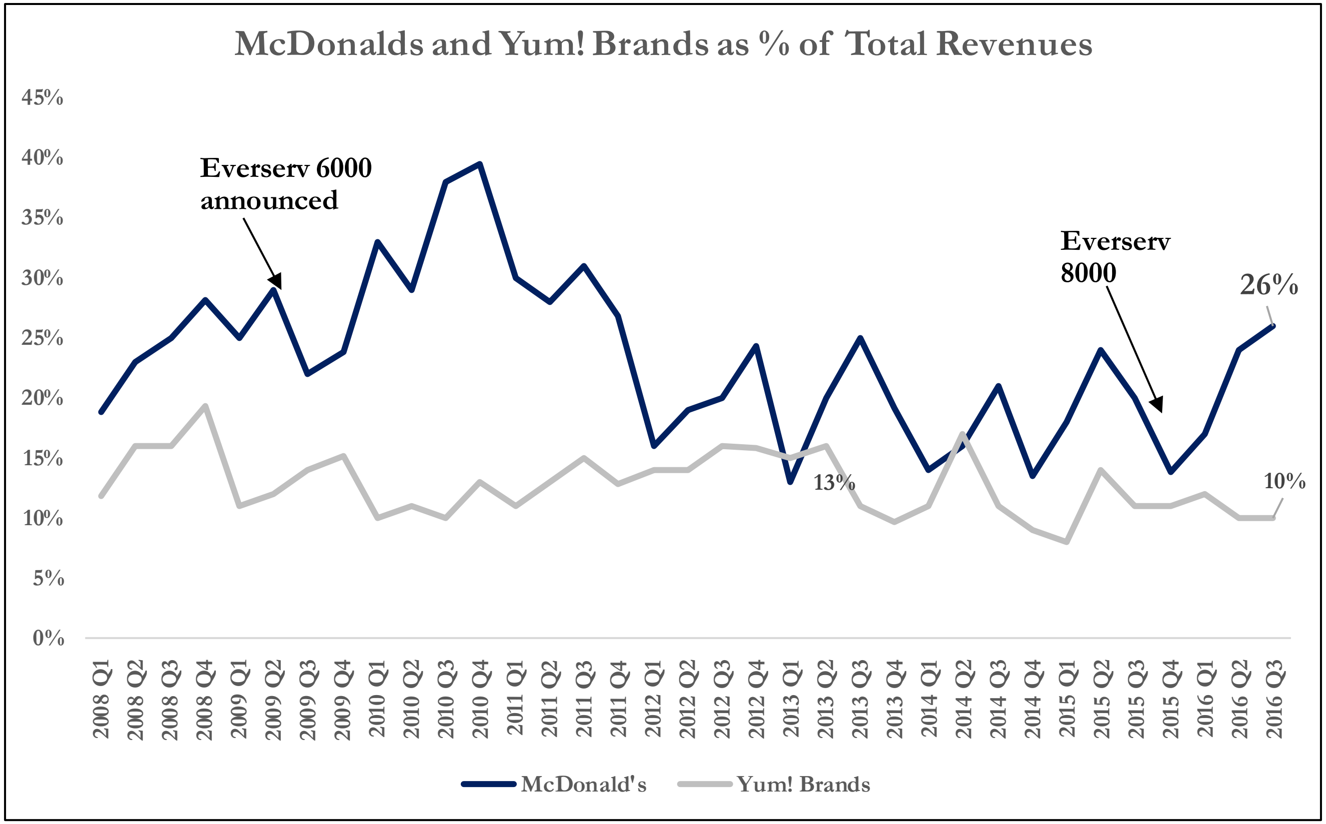
1 HARDWARE BUSINESS: REVENUE MODEL

Example of PAR sales from a single McDonald's franchisee:

Hardware Purchase	Implementation & Training	Maintenance
▪ 6-8 Terminals, \$25-\$30k ▪ 50% Proprietary hardware ▪ Everserv, tablets, 30-40% Gross Margins ▪ 50% Peripheral, printers, monitors, 5-10% Gross Margins	▪ Usually 5-10% on top of total hardware cost. ▪ Implementation done in ~1-2 days. ▪ Training done in ~1 hour.	▪ Recurring Maintenance, \$1,500/store/year. ▪ Non-Recurring (those not on maintenance, unusual maintenance).

- Go to market strategy: Deals negotiated at the corporate level.
- Deals with Tier 1 Vendors amount to a "hunting license."
- Total Hardware only revenue from one MCD location could be ~\$33,000 + \$1,500 recurring per year.

① HARDWARE BUSINESS: MCDONALD'S AND YUM!



Although Everserv 7000 was released in 2012, we believe there were more major upgrades in 2010 based on McDonald's share of PAR's revenue that year. This could mean that 2017 will be a large McDonald's year due to average 7 year useful life and thus needed hardware upgrades that franchisees have not replaced since 2010.

① CEO'S COMMENTARY ON MCDONALD'S

Backing this up, management has commented on McDonald's being a Q4 2016 and 2017 driver:

> *"The recent certification of the ES 8300 by McDonald's globally is generating a significant amount of backlog for the back half of this year… so we introduced our 8300, they let us let us showcase it at their convention in April. We received a really strong backlog from that convention, we have gone through all the pricing exercises, the field test that they require and we are -- right now we're able to deliver the product.* ***So it's going to be a pretty significant uptick****."*
>
> *–CEO Sammon, Q2 call*

> *"Our relationships with our Tier 1 clients including McDonald's and other large restaurant organizations are strong in our core business and strategic account teams delivered nearly 20% growth in hardware and services revenue versus the third quarter last year.* ***We expect this trend to continue*** *as these customers refresh their in-store technology systems."*
>
> *-CEO Sammon, Q3 call*

1

Hardware Maintenance

- Hardware maintenance is tied to active hardware install base.
- PAR generates about $26 million in hardware maintenance contracts annually.
- Consistent, growing revenue (+8% last quarter), but relatively low gross margin (25-30%).
- We value this at 1.25x sales, 4.0x gross profit, assuming 10% run off FCF margins. **This pegs valuation at $34 million.**

① HARDWARE THESIS GOING FORWARD

We do not anticipate a material uplift in Tier 1 gross margins in hardware, in fact we model a modest decline, however:

I. **Thesis 1**: McDonald's is at the start of an upgrade cycle that will continue well into 2017. Management claims that McDonald's carries higher hardware margins due to being an existing customer and *having more terminals per store*, therefore a higher mix of proprietary hardware with better gross margins.

II. **Thesis 2**: Brink and SureCheck will buffer any potential declines as both have accelerating growth and carry materially higher hardware gross margins than company average.

III. **Thesis 3**: ERP implementation along with "reshoring efforts" will help with inventory management and can possibly improve margins.

Our base case is for slow growth in hardware with flat margins, but there are reasons to believe margins can improve to closer to 30% due to shift in mix of hardware (higher margin McDonald's, Brink, and SureCheck).

2 SOFTWARE: OVERVIEW

PAR has three software products:

1. Brink (Cloud based POS)
2. Pixelpoint (On-premise POS)
3. SureCheck (Food safety product)

- Most of this presentation revolves around Brink and SureCheck, as Pixelpoint is steady at $6mm sales/year, but not growing and PAR is devoting all future development resources to Brink and SureCheck.
- Brink/Pixelpoint's R&D teams have recently merged.

2 BRINK: BACKGROUND AND BUSINESS

- Founded in San Diego in 2008, Brink is a pure Software as a Service POS product designed specifically for cloud deployment, and specifically for restaurants.
- Purchased by PAR for $17 million in September, 2014 ($10mm cash, $7mm in potential earn-outs). All original Brink employees and all four co-founders remain with PAR.
- At time of acquisition (Q3 2014), Brink was installed in 400 restaurants, all smaller Tier 3's.
- Business model is to sell POS software at a fixed monthly fee based on a number of factors, with blended ARPU of about $150/month/store.

Brink POS
CLOUD POINT OF SALE

2 BRINK: POS COMPETITIVE LANDSCAPE

Company	Product	OS	Niche
Oracle	Simphony/Onsite	Microsoft	None, broad POS
NCR	Silver/Onsite	iOS/Microsoft	None, broad POS
Revel	Revel POS	iOS	Restaurants/ C-Stations
Toast	Toast Restaurant POS System	Android	Small Scale Restaurants
PAR	Brink	Microsoft	QSR

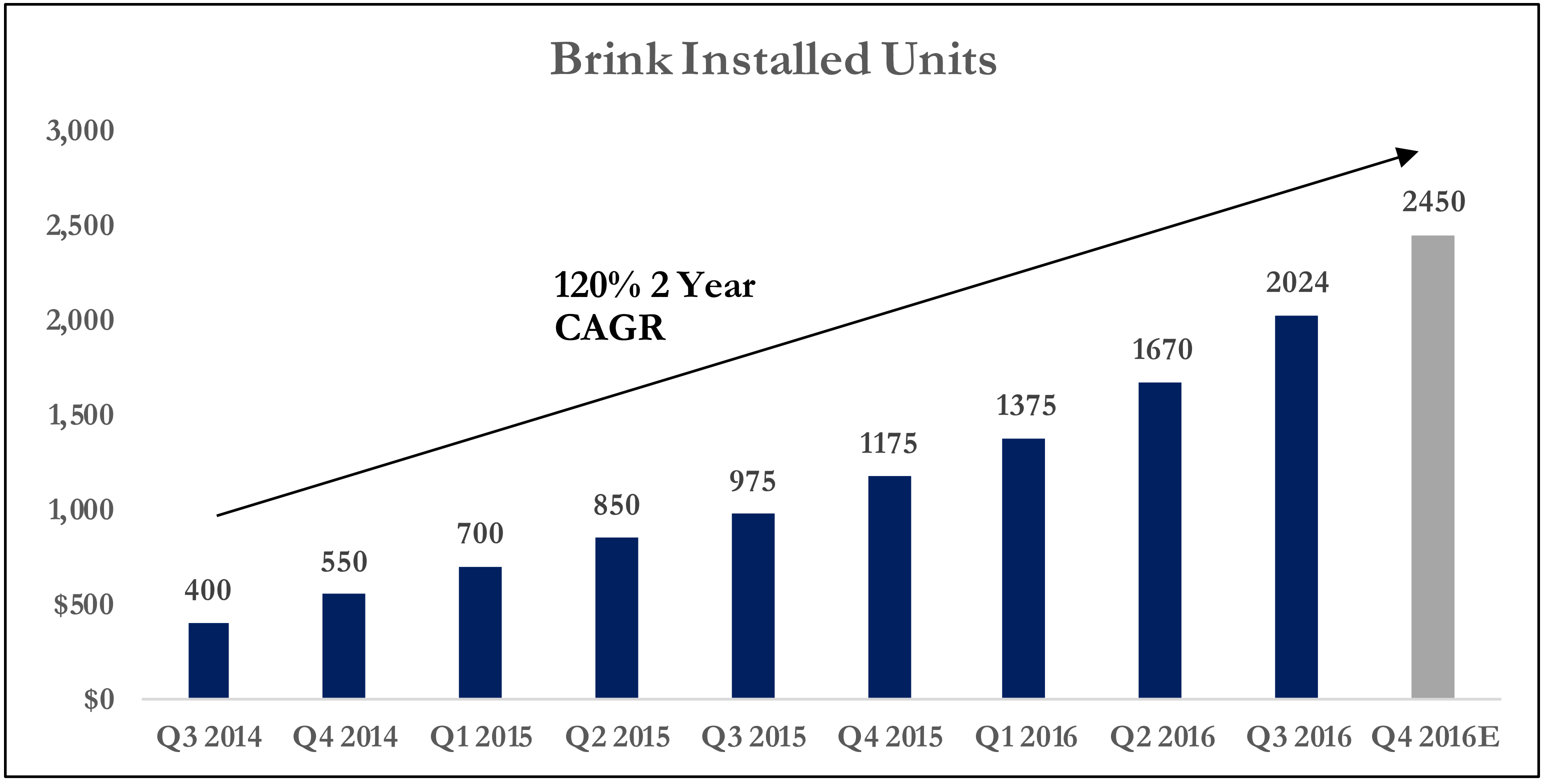
We believe PAR fills a unique void in the industry for those who want a cheaper enterprise ready solution, combined with decades of hardware experience and relationships.

2 BRINK: COMPETITIVE DIFFERENTIATION

We rate the landscape as highly competitive with both larger and smaller start-up competitors. We believe Brink has a few points of differentiation including:

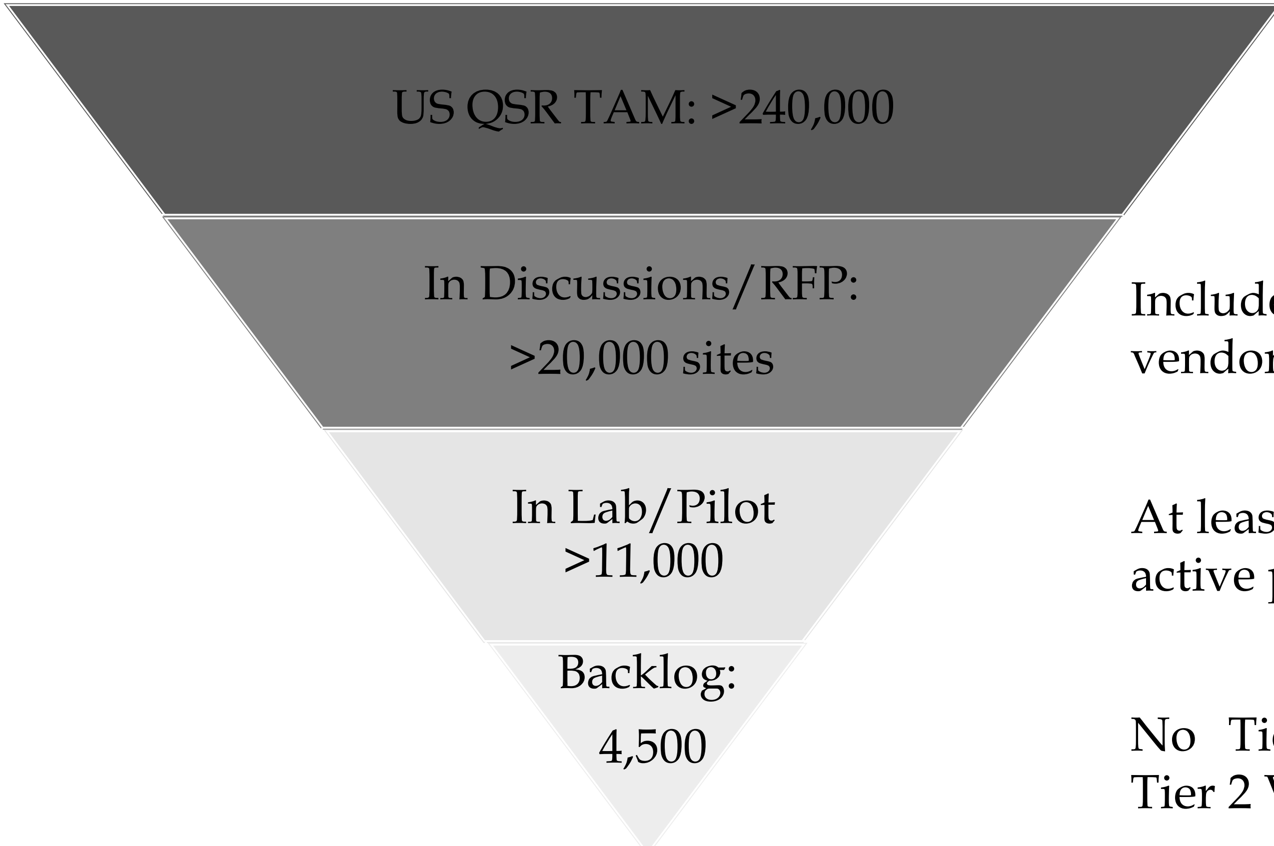
Key Strengths	Key Weaknesses
1) Superior integration with 3rd party vendors. 2) Designed purely for cloud-based deployment since inception. 3) Designed for QSR Restaurants. 4) Designed with enterprise level scale in mind. 5) Management: Paul Rubin as key evangelist and industry thought leader.	1) Only English language compatible currently. 2) Struggles to gain adoption outside of QSR, i.e. fine dining. 3) More expensive than start-up "ankle biters."

② BRINK: INSTALLED UNIT GROWTH SINCE ACQUISITION



- Guidance for Q4 is "just under 2,500" units.
- Annual Recurring Revenue (ARR) with 2,450 units is $4.4 million ($150*12*2,450) compared to $2.2 million one year ago.
- Backlog (signed but not implemented) rose 50% sequentially **to $9 million ARR** in latest quarter.

2 BRINK: THE SALES FUNNEL



Includes 3-4 more Tier 1 vendors.

At least one Tier 1 vendor in active pilot.

No Tier 1 Vendors, some Tier 2 Vendors.

Installed Base: ~2,450

Quote from independent restaurant consultant: ***"Brink is the hottest POS in the market. Their biggest challenge right now is handling all the RFPs."***

RFP: Request for Proposal

2 BRINK: THESES ON FUTURE GROWTH

- **Thesis 1: Wide Open Market in Early Innings**
  - Entire restaurant space is up for grabs for cloud based POS.
  - All large Tier 1 chains are looking for a cloud solution.

- **Thesis 2: Product Quality Leader**
  - Brink is the best in class POS cloud platform.
  - Consistently winning major deals over Oracle and NCR who have structural problems with their cloud products .
  - Displacing smaller competitors (Revel and Toast) who are having trouble scaling in concepts with 10-30 units.

- **Thesis 3: Clear Growth Visibility**
  - Brink's current implemented units **plus signed backlog will get the company over 5,000 units in 2017.**
  - Store base in pilot (11,000+ units) will starts implementing in 2018.
  - All Five Guys must be on Brink by end of 2017 (900+ units remain).

- **Thesis 4: Tier 1 Traction Imminent**
  - We think they will land contracts with 1-2 Tier 1 vendors in 2017.
  - This will result in continued 100%+ sales CAGR, and they will exit 2018 with $18-20 million in low churn, high margin recurring revenue worth a multiple of the pro-forma EV.

2 BRINK: THE RISING TIDE THAT LIFTS ALL BOATS

- Brink's success could mitigate any potential declines in core Tier 1 hardware business.

- Brink has an 80% attach rate for hardware and services.
  - We are told Brink hardware margins are "among highest in company" along with SureCheck devices.

- In last quarter:
  - Brink "pull through" was 10% of hardware revenue.
  - **Total "Brink associated revenue" grew 178% y/y**, including hardware, hardware maintenance, and professional services.

- We believe for every $1 of Brink SaaS revenue, it will generate an additional $3-4 dollars of hardware, hardware maintenance, and service revenue.

- **A holistic view of Brink**: **When it achieves $20 million in SaaS revenues, Brink may actually be generating $60-$70 million in total high margin revenues for PAR.**

2 BRINK: BLUE SKY SCENARIO

What would Brink look like if it lands and implements just three Tier 1 QSR chains? Hypothetical below (Tier 1 Vendors sampled from existing hardware and PixelPoint customer base):

	US Stores	ARPU	ARR
Tier 2/3 Base	9,000	$160	$17,290,000
Dairy Queen	4,500	$170	$9,180,000
Arby's	3,200	$170	$6,528,000
KFC	4,200	$170	$8,568,000
Total	21,900	$165	$41,556,000

We believe this $40+ million, high margin, low churn business, would command a sales multiple on its own of 6-7x, **making the Brink SaaS revenue alone worth $240-$280 million** (3x the current EV), disregarding the additional $120+ million in hardware/service revenue generated from these Tier-1's.

2 BRINK: BLUE SKY SCENARIO CONTINUED

But wait, we think there is potentially more…

1) **ARPU**: Management believes they can move ARPU over $180 and potentially to $190-$200 as they cross-sell new modules to the customer base (currently, mobile ordering, loyalty, kitchen module) and shift towards more direct sales.

2) **International**: The previous slide blue sky only focused on domestic stores. There are thousands more sites for those brands internationally and Brink R&D's biggest priority now is making Brink compatible in more languages.

3) **McDonald's**: Management has said they think they can eventually land McDonald's given their long history working with them and that McDonald's spends a fortune on their internally developed system now, but stress it is probably a 2018 or later story.

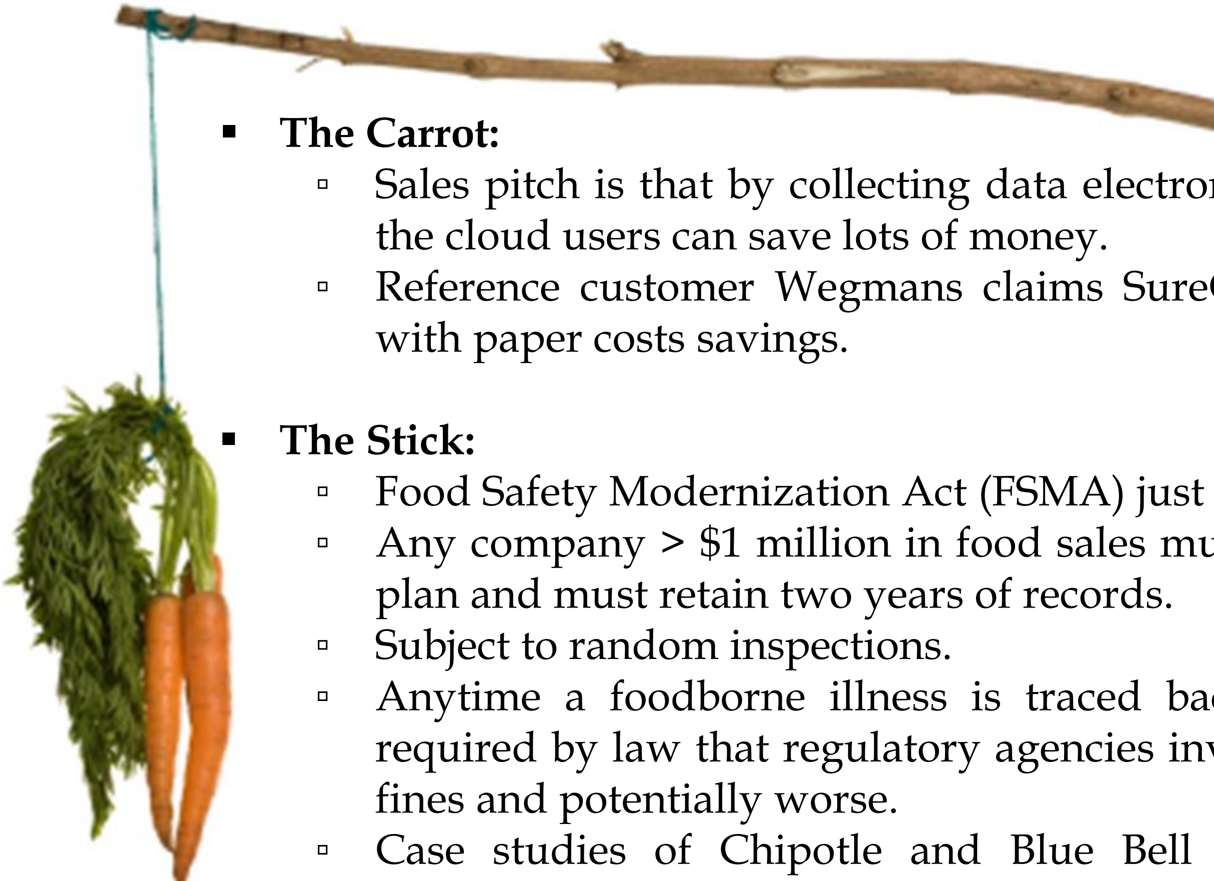
4) **Table Service POS**: At the FSTEC conference, the people asking questions of Paul Rubin were from TGIF and Red Lobster, and we hear they are getting more inbounds from outside their QSR niche. This would be another new, large market.

We do not model any of these things occurring through 2019, but if any one of them occurs it could be a material value contributor.

② FREE CALL OPTION: SURECHECK

- We currently ascribe very little value to SureCheck, but management believes it **could ultimately be larger than Brink given vast market size and limited competition.**
- Food Safety product with new SaaS revenue model.
- Originally built for Wal-Mart and rolled out to all North American Wal-Marts in 2012.
- Key use cases are temperature monitoring and check point data collection (cleaning, etc.), that replaces pencil and paper record keeping.
- Has a very broad mix of potential sales targets, ranging from:
  - Food Distribution (e.g. Sysco)
  - Food Production (e.g. Purdue)
  - Contract Food (e.g. Compass Catering)
  - Restaurants/Cafeterias (Chipotle, Luby's)
  - Grocers/Retail/Convenience Stores
  - (e.g. Wal-Mart, Whole Foods hot bar)
- Mix of hardware and software.

SURECHECK VALUE PROPOSITION: CARROT & STICK



- **The Carrot:**
  - Sales pitch is that by collecting data electronically and storing in the cloud users can save lots of money.
  - Reference customer Wegmans claims SureCheck pays for itself with paper costs savings.

- **The Stick:**
  - Food Safety Modernization Act (FSMA) just implemented.
  - Any company > $1 million in food sales must have a food safety plan and must retain two years of records.
  - Subject to random inspections.
  - Anytime a foodborne illness is traced back to a source, it is required by law that regulatory agencies investigate, can allocate fines and potentially worse.
  - Case studies of Chipotle and Blue Bell point to how these incidents can damage brands.

SureCheck can both save company money and can be an easy CYA.

SURECHECK HARDWARE

Two Options:

SureCheck TMD (Temperature Measuring Device)

- ~$400 per device.
- Used if only need to use for temperature measurement.
- Requires Bluetooth communication with another device.
- Wal-Mart uses this because they had already invested in. Motorola hardware infrastructure.

SureCheck Advantage

- ~$1,500 per device.
- Fully integrated as only device needed.
- Touchscreen is far more user friendly.
- Wegmans and almost all new customers are buying this.

We believe both options carry significantly higher gross margins than company average (in the 40-50% range), but vast majority of new sales are the SureCheck Advantage option.

SureCheck Software: Business Model Transition

- Current SureCheck non-hardware sales run-rate estimate: ~$4-6mm
- Original trial customers (Wal-Mart, Wegmans) got a deal by only paying a yearly license and hosting fee for using the software, rather than a monthly SaaS subscription fee.
- SureCheck has deployed at about 6,500 sites to date, but we believe only about 300 are on the SaaS model. All new sales will be on SaaS model.
- They are ramping up S&M and exploring partnerships for sales.

Original License Model

1) Hardware costs
2) Once a year license costs based on total original hardware spend (Wal-Mart about $500k a year), covers cloud hosting costs

SaaS Model (Going Forward)

1) Hardware costs
2) $45-$55/month/device
3) Average 4 devices a store
4) ~$200/store/month recurring revenue

SURECHECK SOFTWARE: EXAMPLE

That said, simply signing one large customer could change the complexion of analysis. What if, hypothetically, Kroger were to sign on as a customer?

Hypothetical Impact of One Large Customer- Kroger	
Kroger Stores in the US	2400
Devices/Store	4
Total Devices	**9600**
Cost Per Device (hardware)	$1,500
Saas/month/device	$45
One time hardware revenues	$14,400,000
Recurring Annual Subscription Revenu	$5,184,000

SURECHECK COMPETITIVE LANDSCAPE

- This is more or less a greenfield opportunity and the competitive landscape is currently uncrowded.

- Management cites paper record keeping as the biggest competitor.

- Most direct competitor cited is iCertainty, although there is emerging competition from Safety Chain and public company Digi International.

- Right now one of the adoption difficulties is there is little market awareness and limited competitor pricing to compare SureCheck to or work off of.

- While not a direct competitor, Park City Group (PCYG) is in the food safety space and trades at 18x sales, and shows the excitement/hype around the industry. **See appendix for short thesis/hedge idea**.

PAR HOSPITALITY: FORECASTS

Bringing it all together for Gross Profit forecast:

PAR Hospitality Proforma Estimate				
	2016	2017	2018	2019
Revenues				
Proprietary Hardware	$ 45,066	$47,000	$48,000	$49,000
Peripheral Hardware	$ 46,400	$47,000	$47,000	$47,000
Software License	$ 4,000	$4,000	$3,750	$3,500
Total Product	**$ 95,466**	**$98,000**	**$98,750**	**$99,500**
Brink	$ 3,097	$6,197	$12,188	$20,072
SureCheck (SaaS+Annual Hosting)	$ 5,206	$6,000	$6,500	$7,000
Hardware Recurring	$ 26,515	$27,000	$28,000	$29,000
PixelPoint/other Maintenance	$ 2,000	$2,000	$1,750	$1,750
Other Services (HW non-recu+install)	$ 12,521	$13,000	$13,500	$14,000
Total Service	**$ 49,339**	**$54,197**	**$61,938**	**$71,822**
Total Revenues	**$144,805**	**$152,197**	**$160,688**	**$171,322**
Gross Margin				
Proprietary Hardware	36%	37%	37%	37%
Peripheral Hardware	5%	5%	5%	5%
Software License	85%	85%	85%	85%
Brink SaaS	87%	88%	89%	90%
SureCheck SaaS	50%	60%	65%	70%
Hardware Maintenance	30%	30%	30%	30%
Pixel/Other Maintenance	70%	70%	70%	70%
Professional Services	25%	25%	25%	25%
Total Gross Margin	**27%**	**30%**	**32%**	**35%**
Total Gross Profit Dollars	**$ 39,726**	**$ 44,944**	**$ 51,369**	**$ 59,845**

Hospitality Valuation

PAR HOSPITALITY: VALUATION FRAMEWORK

PAR Hospitality Proforma (Assuming Government Sale)	
Proforma Market Cap	$90,132
Proforma Net Cash*	$52,133
Proforma EV	**$37,999**
Hospitality Sales LTM	$141,796
Hospitality Sales (2017)	$152,197
Implied EV/Sales LTM	0.27x
Implied EV/Sales NTM	0.25x
Implied EV/Gross Profit LTM	0.96x
Implied EV/EBITDA (2017)	6.39x

Why we are targeting 1x sales and 3x gross profit off the proforma EV:

This is bottom of the barrel valuation for tech companies who are:
1) Growing both sales and gross profits
2) Cash flow positive
3) Improving EBITDA margins

PAR HOSPITALITY: VALUATION FRAMEWORK

Screening the US Technology stock universe for the following criteria:

1) Cash flow positive 2) Growing sales and gross profit 3) Market Cap >$20 million.

Total Stocks in "Growing Profitable Tech" Screen	**130**
Stocks below 2.0x EV/Gross Profit:	1
Stocks below 2.5x EV/Gross Profit:	6
Stocks below 3.0x EV/Gross Profit:	11
Median EV/Gross Profit Ratio of the 130	8.0x
PAR EV/Gross Profit*	**0.95x**
Stocks below 1.0x EV/Sales	4
Median EV/Sales	4.3x
PAR EV/Sales*	**0.25x**

Of the names that also have EV/Sales <1.0x, the others are guiding to burn cash or growing inorganically.

*Pro-Forma for assumed sale of Government segment, using LTM Hospitality data.

Pure Play Trading Comps: Agilysys & Posera

Agilysys (AGYS): Similar to PAR except in the hotel POS industry.
Posera (PAY.v, Canadian): Restaurant POS except much smaller company.

		LTM Data				EV Multiples		
Company	**EV**	**Sales**	**Recurring**	**GP**	**FCF**	**Sales**	**Recurring**	**GP**
agilysys	$191.5	$124	$62.0	$64.3	-$9.8	1.5x	3.08x	2.98x
Posera	$10.9	$19.5	$7.4	$6.7	-$0.5	0.56x	1.47x	1.62x
PAR Hospitality	$38.0	$139	$34.9	$38.3	-$2.5	0.27x	1.08x	0.99x

- Note Posera is sub-scale, burning cash, and lacks revenue growth.
- AGYS is burning cash, the CEO & CFO abruptly left, and it has inconsistent growth.
- Isolating PAR Hospitality, if it were to trade at just 2.0x Recurring or 2.0x Gross Profit it would still trade a 33% discount to AGYS, yet would provide 45% upside to the stock. If it were to trade in-line with AGYS at just 3.0x LTM Gross Profit, the stock would have 95% upside, with more upside on forward estimates as opposed to LTM.

TRANSACTION COMPS- MICROS AND RADIANT

			LTM EV Multiple			
Closed	**Acquirer**	**Acquired Company**	Sales	Recurring	Gross Profit	EBITDA
24-Aug-11	NCR Corp	Radiant Systems	3.10x	7.85x	6.60x	19.9x
8-Sep-14	Oracle	MICROS	3.80x	9.50x	7.29x	18.5x

- Over the next few years PAR's profile due to Brink growth could be begin to look more like Radiant and MICROS, as PAR's mix of SaaS revenue rises and overall gross margins rise because of the sales mix-shift.

- Alternatively, isolating just the total Brink revenues could be an appropriate comp given revenue mix, but we would expect Brink (total software/services + hardware) may trade at a higher sales multiple given its 90-100% sales CAGR.

PAR HOSPITALITY: VALUATION FRAMEWORK

We can also justify our valuation by dissecting the different revenue streams:

Reported Under	Revenue Source	2017 Revenue	Multiple	Estimated Value	Comment
Product	Proprietary Hardware	$47,000	0.5x	$23,500	High gross margin, 30-40% but lumpy and margins have been declining with low to slightly negative growth
Product	Peripheral Hardware	$47,000	0.2x	$9,400	5%-10% margin, lumpy, ascribing very little value to
Service	Hardware Recurring	$27,000	1.25x	$33,750	Very consistent but fairly low margin (25-30%), we still view 1.25x sales as conservative
Service	Brink Software	$6,197	8.0x	$49,578	Assumes 4,800 units end of 2017, below target
Product	Pixel License Software	$4,000	1.5x	$6,000	Nice high margin revenue, but likely to decline slightly
Service	Pixel Maintenance	$2,000	3.0x	$6,000	Consistent, high margin revenue, slight decline
Service	Sure Check	$6,000	3.0x	$18,000	Currently very low % is SaaS but vast majority of new revenue will be SaaS
Service	Other Services	$13,000	0.5x	$6,500	Non-recurring HW+ Implementation
	Total	**$152,197**	**1.00**	**$152,728**	

KEY MANAGEMENT POINTS

- **Karen Sammon (CEO): Is having the founder's daughter as CEO risky?**
  - In theory, yes. However, we would note Karen, while leading ParTech, made the tough decisions, first selling Springer-Miller then evangelizing Brink, two critical, positive decisions in our view.
  - She fully understands value of a "pure play" and seems very likely to pursue a Government sale once ERP implementation is complete.
  - Thus far has generally delivered and commentary has been accurate.
  - Strikes us as ambitious and hard working, with good understanding of the industry.
- **Bryan Menar (CFO)**
  - Just hired in December, 2016.
  - Long tenure at Goldman Sachs.
  - No strong opinion, but just having a CFO after being absent one for nearly 9 months is an incremental positive and removal of uncertainty.
  - We expect more detailed, consistent financial metrics.
  - We have not yet met or spoken with Mr. Menar.
- **Board of Directors**
  - This is a new board regime with mostly fresh faces.
  - 5 of 7 board members have been on board less than 2 years (only co-founder more than 5 years).
  - Cynthia Russo: Previously CFO at both MICROS and CVENT (both acquired).
  - Todd Tyler: CEO at Lanyon (SaaS software) before it was acquired by software focused private equity firm Vista Equity.

KEY MANAGEMENT POINTS

- **Paul Rubin (Brink Co-founder and Senior VP of Engineering)**
  - Extremely well spoken, unique combination of salesmanship, technical, and financial prowess, the kind of leader needed to get a smaller product off the ground.
  - Long history at Jack in the Box and Starbucks within the IT/POS development groups.

- Pixelpoint development group has merged with Brink, giving Rubin more power in managing development resources.

- His presentation outlining the evolution of restaurant POS is compelling, given where we are with Cloud.

PAR: INVESTMENT THESIS REVISITED

Base Case SOTP

Segment	Value ($000s)	Per Share		Comment
Government Business	$38,743	$	2.32	7x EBIT less $5mm in taxes
Hospitality Business	$143,514	$	8.58	1x 2017 Sales, 3x Gross Profit
Net Cash	$0	$	-	Based on end of 2016 forecast
Real Estate/Receivable	$9,000	$	0.54	$5mm R/E, $4mm for receivable
Total	**$191,257**	**$**	**11.44**	
Current	$5.56			
Upside	**105.7%**			

Fully Diluted Shares *16,722*

- **Going long PAR is an asymmetric bet to the upside with lots of optionality and multi-bagger potential.**
- Sum Of The Parts valuation framework appropriate given management's objective to divest government business.
- 1.0x sales, 3.0x gross profit is close to distressed level valuations and very rare for a profitable technology business.

Key Risks to Investment

1) **Liquidity**: Currently very low liquidity (low float due to higher insider ownership, thus low ETF ownership) for such a high revenue company, we believe sell side will pick up coverage in 2017 and larger size could draw more interest and trading over time.
2) **CFO/Internal Controls:** Cockroach theory would say that there could be more undisclosed internal control problems after CFO/China issues.
3) **CEO/Nepotism:** We recommend talking to Karen and forming your own opinion. Chris, VP of Investor Relations is also extremely helpful and accessible.
4) **Hardware long term:** Margins could erode faster than expected and there is some talk (from McDonald's) about self ordering, potentially leading to fewer POS terminals.
5) **Brink rollout slower than expected:** A bad miss in their long term forecast of 10,000 units by the end of 2018 would undermine credibility in management.
6) **Competition**: Competition could intensify and come out of nowhere and be price insensitive in VC land where they don't care about making money.
7) **Customer Concentration:** McDonald's and Yum are still a large part of sales.
8) **Reckless Acquisition:** While we would prefer a large return of capital to investors, CEO says they may make an acquisition to complement Brink with proceeds from sale of Government segment. Outside of Brink, their track record on M&A is poor, although this is a new management team.

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PAR- Investment Thesis

- **Sum Of The Parts Valuation Yields 120% Upside in our Base Case**
  - Brink POS software alone will be worth the entire EV or more in 12 months
  - Clear catalyst to close SOTP discount as they will divest their Government business in late 2017/early 2018
  - Conservative estimate of 1x Sales and 3x Gross Profit of Hospitality business yields 120% upside

- **Ongoing Simplification of Business**
  - Company has already divested one money losing segment
  - Divesting Government will result in a profitable pure play business with a material re-rating
  - **Resulting Pro-forma Hospitality business will be trading at .25x sales, 1x gross profit, and under 5x EBITDA**

- **Industry leader in Hardware QSR Point of Sale (POS)**
  - We estimate US Tier 1 QSR market share of hardware at 35-40%, 30% overall
  - Long (30+ year) relationships with majority of major QSR brands in the United States selling hardware and hardware services (McDonalds, Yum! Brands, Subway, etc.)

- **Brink POS Software**
  - Cloud based software with >100% 2-year sales CAGR, with giant backlog indicating high visibility
  - Brink software sales lifting whole business (total Brink related sales grew 178% last quarter)
  - Likely to capture Tier 1 restaurants in 2017, which is not currently embedded in guidance/estimates

- **New Management/Board**
  - Fresh personnel with more urgency to unlock shareholder value

NOISE OBSCURING UNDERLYING IMPROVEMENTS

1) **November 17, 2015, Karen Sammon announced as CEO**
    - C-Suite Revolving Door: PAR's 3rd CEO in 5 years
    - Incites nepotism concerns
2) **March 14, 2016: New CFO caught for "mishandling" corporate funds**

    "PAR…today announced effective immediately, the employment of Michael S. Bartusek, the Company's Vice President and Chief Financial officer was terminated for cause in connection with unauthorized investments made in contravention of the Company's policies and procedures involving Company funds."
3) **Ongoing restructuring costs (all of 2015)**
4) **Ongoing costs of CFO investigation**
    - Totaled over $1.5 million over three quarters, significant dent to EBITDA

5) **Q3 2016:** Write down of legacy Human Resource System

6) **Q3 2016:** Announced material weakness in internal controls in China/Singapore offices; qualitative and non-recurring (effecting only $4-$5 million in annual revenues)

SureCheck: Compare to Park City Group (PCYG)

- We believe there is "excitement" in Food Safety as PCYG comp trades at 20x Sales, over 30x gross profit despite the "food safety" piece only representing about 10-15% of revenues.

- Park City can act as a short pair trade, as we believe the excitement is overblown and there are frequent and recurring signs of accounting manipulation from the company.

- Park City's Repositrak is geared toward supply chain management and making sure suppliers are in compliance with regulations.

- Major difference between SureCheck and Repositrak: Revenues for Repositrak primarily come from the suppliers vs. SureCheck generates revenues from source (e.g. SureCheck gets revenue from Wal-Mart while Repositrak would get revenue from a supplier, if Wal-Mart had an agreement with them).

PCYG: A COMPELLING SHORT AT 20X SALES

- Red Flags on PCYG:
  - DSO over 100 in recent quarter (up from 50 last year) as company is apparently charging suppliers but not able to collect.
  - Sales "growth" fueled almost purely by rise in A/R (chart below).
  - PCYG has long history of falsely booking receivables.
  - CEO said last quarter's growth unsustainable (~34%).
  - CEO no longer reporting any KPIs or metrics: "Too good to mention."
  - Deferred revenues flat.