

Receipt Paper Market Update

December 3, 2018

Dear Valued Customers,

Once again, I want to start by saying Thank You! 2018 has been a very interesting and challenging year for our industry. Through the trials and tribulations, you, our most valued customers, offered tremendous support of Iconex and our paper procurement strategy. I simply can't express enough appreciation for your patience and support.

Before providing an update on the market and industry, I'd first like to take this opportunity to share some very exciting news. On November 2nd Iconex announced the signing of a definitive agreement to acquire Schades and R+S from Hansol Paper. As a result of this transaction, Iconex, the market leader in North America, will become the European market leader as well. For more information please visit the link below.

<https://www.iconex.com/press-releases/shades-and-rs/>

As we close the year we wanted to provide another informational update regarding the major factors impacting the receipt paper market. Key factors continuing to affect market pricing and supply are leuco dye, pulp, and transportation. Additionally, we are closely watching the effects of impending tariffs in North America and market regulations in Europe for 2019.

Leuco Dye / BPS

As reported in multiple previous updates, Chameleon was shut down in May due to a waste leak in their industrial park. To date they have yet to resume production and we have no information or timetable for their return. According to our sources, Connect Chemical is operating at about 80% of their capacity. There is still concern over the Chinese government implementing a shutdown this Winter to control air pollution, which will continue to pressure all chemicals needed for the thermal coating process.

An additional pressure that we will be tracking closely is the BPA-Free transition that will take place in Europe. By the end of 2019, all thermal paper will be required to meet the EU's BPA-Free standard that goes into effect at the end of the year. Our most trusted supply partners in North America and Europe are all predicting that the increased demand for BPS to meet the European market needs will likely put pressure on the availability of BPA-Free paper globally.

With the pending acquisition in Europe and our established leadership in North America, Iconex continues to work closely with our suppliers. In fact, we have already secured commitments from our suppliers that will continue to meet all of our requirements globally.

Pulp

Although it was projected to stabilize in Q4, unexpected events have impacted market capacity and pulp prices continue to rise. Two recent hurricanes have affected capacity by nearly 70 thousand tons. Canfor, a major provider in Western Canada, has suffered an outage that has reduced their capacity by an estimated 65 thousand tons. These events in parallel with demand are fueling the historically high global market price for pulp. Prices are now predicted to remain high for the foreseeable future.

Tariffs

As trade tariffs against China are set to begin in January, many of the chemicals used for thermal paper production may be affected. Negotiations between the US and China are ongoing, but these proposed changes could have an adverse impact to domestic production in the US.

Transportation

Road freight capacity continues to be tight and costly. Weather events such as the recent hurricanes and wildfires in California have required priority, which increases the pressure on an already stressed capacity.

Ocean freight is also experiencing extreme capacity pressure. In addition to the normal holiday pressure, many companies are feverishly trying to beat the proposed tariffs. Hansol, one of our key suppliers, has communicated that they are experiencing 2-3 week delivery delays due to the extreme demand from Chinese competition for freight vessels.

Summary

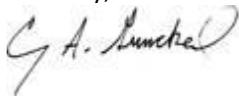
Several key factors continue to pressure the supply availability and pricing of thermal paper globally. The global market remains unsettled, supply is still limited, and several key cost factors continue to escalate. However, we are not predicting or forecasting any additional price increases for the balance of 2018. Due to various cost pressures discussed above, it is a bit more difficult to forecast Q1 and Q2 but our general opinion is that paper prices will be flat with some potential for additional price increases. While we are less certain about a potential price increase, we are not seeing any significant cost relief in the first half of 2019 that would drive paper prices lower.

Our recent acquisitions affirm that Iconex is committed to the long-term viability of the POS Receipt market and is committed to executing our strategy of being the lowest cost provider of paper receipts by reducing waste, improving efficiencies, and leveraging scale.

We hope that these updates continue to provide clarity and we welcome your perspective as well as any questions. You can also find the latest market information by contacting your Iconex Sales Representative or visiting www.iconex.com.

Lastly, I'd like to wish each of you a great holiday season both personally and professionally. We appreciate your valued business and continued support!

Sincerely,



Craig A. Gunckel
Chief Executive Officer



ICONEXTM