NowVertical Group Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2022

November 16, 2022

The following management's discussion and analysis ("**MD&A**") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of NowVertical Group Inc. (the "**Company**", "**we**", "**us**" or "**our**"). All references to "$" are U.S. dollars and all references to "C$" are Canadian dollars.

As described in this MD&A and in the Company's filings on SEDAR, the Company was formed in September 2020 with a business strategy to bring together top technologies, services and the human capital needed to provide public and private organizations with full stack analytic and intelligence solutions. In June 2021, the Company went public and in just over two years since its formation, has built an experienced corporate management team, completed nine acquisitions that result in Pro Forma TTM Adjusted Revenue (see "Non-IFRS Measures" below) at September 30, 2022 of $32.7 million and now employs more than 400 people in five countries on three continents. The Company is a publicly-held big data, analytics and Vertical Intelligence™ ("**VI**") software and solutions company that has and will continue to grow organically and through the acquisition of additional businesses that complement its big-data, analytics and VI software and solutions business strategy.

This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's results of operations and financial position for the three and nine months ended September 30, 2022, and should be read in conjunction with the Company's interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2022 (the "**Interim Financial Statements**"), which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("**IASB**"), the Company's MD&A and consolidated financial statements for the year ended December 31, 2021 and the period from inception on September 22, 2020 to December 31, 2020, and the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com. The Interim Financial Statements and the notes thereto, along with this MD&A, were approved by the Company's board of directors.

Forward-Looking Statements

This MD&A may contain statements deemed "forward-looking statements" that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or its industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. All statements in this MD&A, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements, and words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate", "contemplate" and other similar terminology are intended to identify these forward-looking statements. These statements reflect management's current assumptions and expectations regarding future events and operating performance as of the date of this MD&A.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether or not such events, performance or results will be achieved. A number of factors could cause actual events, performance or results to vary significantly from the events, performance or results discussed in the forward looking statements, including but not limited to the factors discussed below under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual events, performance or results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS, such as "Pro Forma TTM Adjusted Revenue", "Adjusted Revenue" and "Adjusted EBITDA". These are not recognized measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers.

Pro Forma TTM Adjusted Revenue is a supplemental measure intended to portray the impact of the Company's acquisitive growth strategy being employed by management to execute its business plan.

Adjusted Revenue and Adjusted EBITDA provide investors with supplemental measures of the Company's historical operating performance without regard to potential distortions by adjusting for items that are not directly related to the Company's operating performance or operating conditions and thus highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS measures.

The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period and to prepare annual budgets and forecasts. The non-IFRS financial measures referred to in this MD&A are defined below:

> "**Pro Forma TTM Adjusted Revenue**" represents the trailing 12 months of Adjusted Revenue of all acquisitions completed as of the end of the respective period presented.
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> "**Adjusted Revenue**" adjusts revenue to eliminate the effects of acquisition accounting on the Company's revenues.
>
> "**Adjusted EBITDA**" adjusts net income (loss) before depreciation and amortization expenses, net interest costs, and provision for income taxes for revenue adjustments in "Adjusted Revenue" and items such as acquisition accounting adjustments, transaction expenses related to acquisitions, transactional gains or losses on assets, asset impairment charges, non-recurring expense items, non-cash stock compensation costs, and the full year impact of cost synergies related to restructuring activities, such as a reduction of employees.

Incorporation

The Company is an Ontario corporation listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "NOW". Prior to its name change in connection with the closing of the Transaction (as described below), the Company was a capital pool company on the TSXV known as Good2Go Corp.

As a matter of emphasis, note that the ultimate public entity, NowVertical Group Inc., does not have a comma (",") in its legal name, whereas the U.S. operating company, NowVertical Group, Inc., has a comma in its legal name.

NowVertical Group, Inc. ("**NVG**"), a U.S. operating subsidiary of the Company, was incorporated on September 22, 2020 in Delaware, USA. On March 22, 2021, NVG entered into a business combination agreement with G2G, a Company incorporated under the laws of the Province of Ontario, which contemplated the acquisition by G2G of all the issued and outstanding shares of NVG (the "**Transaction**"). The Transaction, which was structured as a "three-cornered" amalgamation and a reverse triangular merger, constituted a reverse takeover of G2G by NVG and the qualifying transaction of G2G under the TSXV's Policy 2.4 – *Capital Pool Companies*. Concurrently with the Transaction's closing on June 28, 2021, G2G changed its (i) name to Now Vertical Group Inc., (ii) symbol on the TSXV to "NOW", and (iii) year-end from February 28 to December 31, to conform with that of NVG. The Company's subordinate voting shares (the "**Subordinate Voting Shares**") commenced trading on the TSXV on July 5, 2021.

Description of the Business and Business Strategy

The Company was founded in September 2020 with a business strategy to bring together top technologies, services and human capital needed to provide public and private organizations with full stack analytic and intelligence solutions. The Company is now a publicly-held big data, analytics and VI software and solutions company that is and will continue to grow organically and through acquisitions.

Since its inception, the Company has raised more than $19 million (net) that has been deployed to acquire nine companies and to build its management team and public company operating structure. Most recently, the Company has also used debt capital to partially fund its acquisitions. Management intends to continue to access capital and debt markets to execute its acquisitive growth strategy.

The Company's revenue for the three and nine months ended September 30, 2022 increased nine-fold from the same periods in the prior year to $8.4 million and $18.6 million respectively (2021: $1.0 million and $2.1 million respectively). The Company's Pro Forma TTM Adjusted Revenue, which reflects trailing 12 months of Adjusted Revenue for all entities owned at September 30, 2022, increased over ten-fold from September 30, 2021 to $32.7 million (September 30, 2021: $3.3 million).

The Company's VI solutions address industry-specific needs including, but not limited to, three areas: (i) data access and transformation (including data fusion, mobilization and securitization), (ii) data visualization and analysis, and (iii) artificial intelligence and automation. The Company's proprietary technologies include NOW Fusion, NOW Privacy, NOW DataBench, and NOW Affinio.

NOW Fusion is a data fusion engine. NOW Fusion brings together back-end structured and unstructured data from both within and outside an organization to facilitate better business analytics across a customer's enterprise.

NOW Privacy is a data risk and compliance tool. NOW Privacy gives customers full data visibility to identify and mitigate concerns before they cause greater damage. NOW Privacy works across a customer's structured and unstructured data with a central dashboard and user-driven workflows to help form the backbone of future vertically intelligent data governance efforts.

NOW DataBench is a data science platform. NOW DataBench brings several industry leading, open-source data science and business intelligence tools into a single interface to empower more people in an organization to make informed decisions using their data. It is built to both upskill users with less traditional data science backgrounds as well as facilitate collaboration among large-scale analytics teams.

NOW Affinio is an audience intelligence platform. NOW Affinio helps marketers create better campaigns by giving them deeper insight into their most valuable audiences. It uses graph analytics and platform automations to simplify and expedite the analysis and segmentation process, leveraging Twitter data to help organizations conduct audience research at scale. The platform is also natively available in the Snowflake Data Marketplace, expanding the NOW Affinio experience to cover first party and partner data. On Snowflake, NOW Affinio's proven data clustering and automations combine with the cloud service's secure data access across internal and external stakeholders to provide a privacy-safe data mobilization solution for sales, marketing, and product teams.

The Company's operating segments are (i) Technology, which comprises activity from the Company's technology tools and platforms divisions, (ii) Solutions, which comprises activities from the Company's services divisions, and (iii) Corporate, which includes corporate costs.

Acquisitions completed during the nine months ended September 30, 2022

The following paragraphs summarize four acquisitions completed during the first nine months of 2022 made to enhance the Company's Solutions and Technology operating segments.

Acquisitions in the Solutions Segment

On February 16, 2022 the Company acquired all of the issued and outstanding securities of CoreBI S.A., a data analytics services company in Argentina, and CoreBI SAS, a data analytics services company in Colombia (together, "**CoreBI**"). The acquisition was made to enhance the Company's data analytics services business and provide a footprint for the Company in Latin America. CoreBI generated revenues of approximately $6.6 million and income from operations of approximately $2.0 million in 2021 (audited, translated to USD at the 2021 year-end ARS:USD exchange rate of .00974, and before adjusting non-monetary items for hyperinflation). Aggregate consideration consisted of (i) a cash payment of $3.0 million, (ii) a deferred cash payment of $1.75 million payable 12 months from closing, subject to CoreBI meeting certain corporate objectives, and (iii) up to $3.25 million in future consideration (payable in cash or stock or both cash and stock, at the option of the Company) based on CoreBI's financial performance. The Company accounted for this transaction as an acquisition of a business.

On April 6, 2022, the Company acquired 100% of the issued and outstanding securities of Allegient Defense, Inc. ("**Allegient**"), a U.S.-based government defense contractor providing systems engineering and technical assistance support to the U.S. Department of Defense. The acquisition was made to enhance the Company's government contracting platform, provide additional pathways for VI solutions that meet government needs, and to expand the Company's defense and IT solutions offerings. Allegient generated revenues of approximately $14.2 million and income from operations of approximately $1.0 million in 2021 (audited), and at the time of acquisition had contracted backlog of approximately $70 million to 2025. Pursuant to the terms of a stock purchase agreement dated December 20, 2021, as amended on April 1, 2022, the aggregate consideration consisted of (i) a cash payment of $900,000 paid on closing, (ii) a deferred cash payment of $1,100,000, paid in May 2022, (iii) 600,000 Subordinate Voting Shares issued on closing, (iv) the assumption of a third party loan to Allegient, which was refinanced at $3,800,000 at closing, and (v) an earn-out of up to an additional $4,000,000, payable in Subordinate Voting Shares (priced at the greater of (A) the Canadian dollar equivalent of $1.00 per Subordinate Voting Share and (B) the Company's 20-day volume weighted average trading price prior to the applicable issuance) and/or cash, at the option of the Company, payable over a three-year period post-closing based on financial performance. In connection with the acquisition, the Company secured a revolving line of credit of up to $2,000,000. The Company accounted for this transaction as an acquisition of a business.

On July 20, 2022, the Company acquired 100% of the issued and outstanding securities of Resonant Analytics LLC ("**Resonant**"), a U.S.-based guided solutions marketing analytics firm providing CRM program strategy, database marketing and business intelligence solutions to Fortune 500 companies. The acquisition was made to significantly expand the U.S. commercial business of the Solutions segment, adding opportunities for marketing data and data analytics solutions and dashboards. Resonant generated revenues of approximately $1.8 million and income from operations of approximately $0.5 million in 2021 (unaudited). Pursuant to the terms of a stock purchase agreement dated July 5, 2022, the aggregate consideration consisted of (i) a cash payment of $1,500,000 (subject to holdbacks) paid on closing, (ii) 900,000 Subordinate Voting Shares (subject to holdback) issued on closing, and (iii) earn-out consideration payable over three fiscal years based on financial performance, and paid annually in two-thirds cash and one-third Subordinate Voting Shares priced at the greater of (A) the Company's 20-day volume-weighted average trading price prior to each applicable issuance and (B) $1.00 per share. The closing cash consideration was funded with $1.35 million in term debt with a U.S. banking partner, payable on an interest-only basis for six months and amortized over six years thereafter. In connection with the acquisition, Resonant secured a revolving line of credit of up to $250,000. The Company accounted for this transaction as an acquisition of a business.

Acquisition in the Technology Segment

On March 25, 2022, the Company acquired 100% of the issued and outstanding securities of Exonar Ltd. ("**Exonar**"), a UK-based software solutions firm. Exonar generated revenues of approximately $2.4 million and a loss from operations of approximately $4.5 million in 2021 (audited and translated to USD at the 2021 average GBP:USD exchange rate of 1.3757). The acquisition was made to enhance the Company's data compliance software business. Aggregate consideration consisted of (i) Exonar's transaction costs of $150,000 paid in cash on closing, and (ii) the issuance of Subordinate Voting Shares 12 months after closing of the acquisition valued at $500,000 at the greater of (A) the Canadian dollar equivalent of $1.00 per Subordinate Voting Share and (B) the Company's 20-day volume weighted average trading price on the day prior to issuance, less the maximum discount permitted under the rules of the TSXV. The Company accounted for this transaction as an acquisition of a business.

Results of Operations

Revenue

Revenue increased to $8,381,076 for the three months ended September 30, 2022 compared to $957,708 for the same period in 2021, and increased to $18,617,418 for the nine months ended September 30, 2022 compared to $2,080,569 for the same period in 2021 These increases were primarily due to additional revenue from the companies acquired since September 2021.

Gross Profit

Gross profit increased to $3,276,390 and $7,974,877 for the three and nine months ended September 30, 2022, respectively, compared to $786,153 and $1,736,248 for the same periods in the prior year, primarily due to gross profit earned from companies acquired since September 2021. Cost of revenue includes amortization of acquired technology intangible assets of $127,838 and $367,850 for the three and nine months ended September 30, 2022 (2021: $15,750 and $47,250 respectively).

Administrative Expenses

Administrative expenses include corporate costs, the costs of acquired companies that are not included in the cost of revenue, and non-cash operating costs such as share-based compensation. Major components of administrative expenses were as follows:

	Three months ended		Nine months ended	
	September 30, 2022	**September 30 2021**	**September 30, 2022**	**September 30 2021**
Compensation and benefits	$ 3,256,501	$ 1,147,654	$ 7,647,450	$ 1,952,087
Professional fees	832,294	243,038	2,882,970	948,709
Marketing and advertising	284,944	138,150	776,367	151,186
Investor relations and filing fees	118,316	59,097	505,571	64,082
Product development	-	42,188	243,000	90,776
Office and other expenses	103,167	149,344	569,714	187,452
Travel expense	49,463	-	154,721	-
Depreciation	33,513	616	55,920	1,217
Amortization of intangible assets	272,802	49,513	653,072	160,961
Exchange (gain) / loss	63,022	2,534	(16,846)	80,867
Share-based compensation expense	84,949	347,512	237,303	3,880,404
Total administrative expenses	**$ 5,098,971**	**$ 2,179,646**	**$ 13,709,242**	**$ 7,517,740**

Compensation and benefits expense increased compared to the same periods in 2021 due to the compensation costs of acquired companies and growing the corporate management team and support teams to manage the growth of the Company.

Professional fee expenses increased compared to the same periods in 2021 due to higher audit fees, tax advisory services and filings, legal fees, and consultants related to the growth of the Company and to support its reporting and other obligations as a public company, as well as additional professional fees related to acquisitions.

Marketing and advertising, and investor relations and filing fees expenses both increased compared to the same periods in 2021 due to expanded corporate investor relations and marketing initiatives which began after the Company's going-public transaction (the "**RTO**") in June 2021, as well as additional marketing costs related to acquired companies.

Product development costs increased compared to the same nine month period in 2021 primarily due to acquired companies and represent the costs of enhancing and integrating the Company's acquired technology platforms, and decreased compared to the same three month period in 2021 as the Company leverages new internal resources from acquired companies for product development.

Office and other expenses increased compared to the same nine month period in 2021 primarily due the additional costs of acquired companies. Office and other expenses decreased compared to the same three month period in 2021 primarily due to lower software licensing costs.

Depreciation expense increased compared to the same periods in 2021 primarily due to the depreciation of capital assets of acquired companies.

Amortization of intangible assets expense increased compared to the same periods in 2021 due to higher intangible assets related to acquisitions.

Share-based compensation expense relates to stock options and RSUs issued. The higher expense in each of the comparative prior periods is primarily related to issued units vesting over a shorter period.

The following expenses had no comparative amounts in 2021:

Travel expense is related to travel for operations and the acquisition and integration of acquired companies.

Other expenses

Other expenses include revaluations of financial liabilities, one-time costs, inflation impact and net interest, as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30 2021	September 30, 2022	September 30 2021
Contingent compensation related to acquisitions	$ (419,549)	$ -	$ (1,067,397)	$ -
Revaluation of warrant liabiity	(201,816)	-	834,612	-
Revaluation of share consideration	(56,770)	-	64,228	-
Revaluation of earn-out and deferred consideration	(70,210)	-	95,121	-
Gain on settlement of lease obligation	-	-	-	1,640,370
Loss on settlement of lease holdback	-	-	-	(1,881,820)
Inflation effect on the net monetary position	(316,363)	-	(732,333)	-
Listing expense	-	-	-	(1,011,110)
RTO expenses	-	21,089	-	(2,117,763)
Interest income (expense), net	156,071	(14,072)	109,325	(225,437)
Total other expenses	**$ (908,637)**	**$ 7,017**	**$ (696,444)**	**$ (3,595,760)**

Contingent compensation related to acquisitions is related to contingent deferred consideration for an acquired company that is classified as compensation expense and accrued over time. Revaluation of warrant liability is the revaluation of warrants issued in the Company's unit offering in December 2021. Revaluation of share consideration relates to the fair value adjustment of shares to be issued in the future in relation to acquisitions. Revaluation of earn-out and deferred consideration relates to the revaluations of contingent earn-out consideration and deferred consideration in relation to acquisitions. Inflation effect on the net monetary position relates to the inflationary adjustment required under IAS 29 related to operations in Argentina.

Gross interest income generated by revenue on cash deposits in 2022 is partially offset by interest expense on long term debt. Interest expense decreased for both periods in 2022 compared to 2021, primarily related to the repayment in December 2021 of a significant portion of a term loan, the renegotiation of a lower interest rate for that term loan, and the conversion in June 2021 of interest-bearing convertible notes issued in March and April 2021, partially offset by interest expense on Allegient and Resonant's term loan.

Income Tax Expense (Benefit)

Income tax expense or benefit is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the Interim Financial Statements may differ from management's estimate of the effective tax rate for the Company's annual financial statements.

For the nine months ended September 30, 2022, the Company recorded an income tax benefit of $439,948 on pre-tax book loss of $6,430,809. The Company's effective tax rate for the nine-months ended September 30, 2022 was 6.84% which differs from the Canadian statutory rate of 26.5% primarily due to certain pre-tax losses for which no benefit was recorded. The Company recorded a discrete income tax benefit of $681,030 in the nine months ended September 30, 2022 related to a partial recognition of the Company's U.S. deferred tax assets given the business combination consummated during the interim period ended September 30, 2022 created a source of future taxable income.

For the three months ended September 30, 2022, the Company recorded an income tax expense of $171,409 on pre-tax book loss of $2,731,218. The Company's effective tax rate for the three-months ended September 30, 2022 was (6.28)%, which differs from the Canadian statutory rate of 26.5% primarily due to certain pre-tax losses for which no benefit was recorded.

Net Loss and Loss Per Share

The Company reported a net loss of $2,902,626 and a comprehensive loss of $3,113,658 for the three months ended September 30, 2022, compared to a net loss of $1,370,750 and comprehensive loss of $1,380,008 for the same period in 2021, and a net loss of $5,990,861 and a comprehensive loss of $6,090,774 for the nine months ended September 30, 2022, compared to a net loss of $9,361,495 and comprehensive loss of $9,328,328 for the same period in 2021.

On a per share basis, this represents a net loss per basic and diluted share to $0.05 and $0.10 for the three and nine months ended September 30, 2022 compared to a net loss per basic and diluted share of $0.03 and $0.19 for the three and nine months ended September 30, 2021.

The increase in the net loss per basic and diluted share for the three month period is primarily related to higher Other expenses in 2022, which are discussed above. The decrease in the net loss per basic and diluted share for the nine month period is primarily due to higher Other expenses in the 2021 comparative period related to the RTO transaction.

Pro Forma TTM Adjusted Revenue (millions)	**As at September 30, 2022**	**As at September 30, 2021**
	$ 32.7	**$ 3.3**

Pro Forma TTM Adjusted Revenue of $32.7 million at September 30, 2022 is nearly 10 times the comparable amount of $3.3 million for businesses owned by the Company as at September 30, 2021, primarily due to the acquisitions of Allegient, CoreBI, Affinio and Resonant.

Non-IFRS Results for the three and nine months ended September 30, 2022

	Three months ended		**Nine months ended**	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Adjusted Revenue	$ 8,516,044	$ 957,708	$ 19,170,930	$ 2,561,944
Adjusted EBITDA	$ (282,256)	$ (881,897)	$ (1,219,679)	$ (632,930)

Adjusted Revenue increased to $8.5 million (more than nine times) and $19.2 million (more than seven times), respectively, in the three and nine months ended September 30, 2022 compared to the same periods in the prior year, primarily due to the acquisitions of Allegient, CoreBI, Affinio, Exonar and Resonant.

Adjusted EBITDA increased to $(0.2) million compared to $(0.9) million in the same three month period in 2021, primarily due to increased operating profit from the acquisitions of Allegient, CoreBI, and Resonant, partially offset by higher corporate costs. Adjusted EBITDA decreased to $(1.2) million compared to $(0.6) million in the same nine month period in 2021, due to primarily to higher corporate costs as the Company added additional personnel to manage the growth of the business and support the Company's operational requirements, engaged external service providers to assist the Company in meeting its public company requirements and in connection with executing its acquisition strategy, and incurred acquisition-related expenses.

Non-IFRS Results by operating segment for the three and nine months ended September 30, 2022

	Three months ended							
	September 30, 2022				September 30, 2021			
	Technology	Solutions	Corporate	Total	Technology	Solutions	Corporate	Total
Adjusted Revenue	$1,612,077	$ 6,903,967	$ -	$ 8,516,044	$ 750,000	$ 207,708	$ -	$ 957,708
Cost of revenue	(135,543)	(4,838,199)	-	(4,973,742)	(34,374)	(121,431)	-	(155,805)
Gross Profit	1,476,534	2,065,768	-	3,542,302	715,626	86,277	-	801,903
Administrative and other expenses	(881,445)	(1,273,511)	(1,669,602)	(3,824,558)	(43,810)	(128,717)	(1,511,335)	(1,683,862)
Adjusted EBITDA	$ 595,089	$ 792,257	$ (1,669,602)	$ (282,256)	$ 671,816	$ (42,377)	$ (1,511,335)	$ (881,897)

	Nine months ended							
	September 30, 2022				September 30, 2021			
	Technology	Solutions	Corporate	Total	Technology	Solutions	Corporate	Total
Adjusted Revenue	$4,927,009	$ 14,243,921	$ -	$ 19,170,930	$2,250,000	$ 311,944	$ -	$2,561,944
Cost of revenue	(484,764)	(9,786,822)	-	(10,271,586)	(100,729)	(196,342)	-	(297,071)
Gross Profit	4,442,245	4,457,099	-	8,899,344	2,149,271	115,602	-	2,264,873
Administrative and other expenses	(2,566,591)	(2,774,377)	(4,778,055)	(10,119,023)	(227,642)	(332,943)	(2,337,218)	(2,897,803)
Adjusted EBITDA	$1,875,654	$ 1,682,722	$ (4,778,055)	$ (1,219,679)	$1,921,629	$ (217,341)	$ (2,337,218)	$ (632,930)

Technology Segment

Adjusted Revenue and Gross Profit for the Technology operating segment increased in the three and nine months ended September 30, 2022 compared to the same periods in 2021 due to the acquisitions of Affinio, DocAuthority and Exonar.

Adjusted EBITDA decreased slightly in the Technology operating segment in the three and nine months ended September 30, 2022 compared to the same periods in 2021. While revenue and gross profit in the Technology segment were higher in the 2022 periods compared to the same periods in 2021, this was offset by higher administrative and other costs in the acquired companies.

Solutions Segment

Adjusted Revenue, Gross Profit and Adjusted EBITDA for the Solutions operating segment increased in the three and nine months ended September 30, 2022 compared to the same periods in the prior year due to the acquisitions of CoreBI, Allegient and Resonant.

Corporate Segment

Adjusted corporate costs increased in the three and nine months ended September 30, 2022 compared to the same periods in 2021 primarily due to the cost of adding personnel to manage the growth of the business and support the Company’s operational requirements, and engaging external service providers to assist the Company in meeting its public company requirements and in connection with executing its acquisition strategy.

Reconciliation of Adjusted Revenue and Adjusted EBITDA

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	**$ 8,381,076**	**$ 957,708**	**$ 18,617,418**	**$ 2,080,569**
Acquisition accounting impact on revenue	134,968	-	553,512	481,375
Adjusted revenue	**$ 8,516,044**	**$ 957,708**	**$ 19,170,930**	**$ 2,561,944**
Loss from operations	**$ (1,822,581)**	**$ (1,393,492)**	**$ (5,734,365)**	**$ (5,781,492)**
Depreciation and amortization	437,262	78,301	1,079,947	209,428
Acquisition accounting impact on revenue	134,794	-	553,512	481,375
Non-cash stock-based compensation	84,949	347,512	237,303	3,880,404
Expenses incurred in connection with transactions	296,209	85,783	1,270,054	577,355
Impact of cost synergies related to reduction of employees	587,111	-	1,373,871	-
Adjusted EBITDA	**$ (282,256)**	**$ (881,896)**	**$ (1,219,679)**	**$ (632,930)**

The three months ended September 30, 2022 includes an add-back of $587,111 for the impact of cost synergies related to restructuring activities undertaken in the quarter to streamline operations, primarily in the Technology segment. For the three months ended June 30, 2022, this add-back was $272,741. The amount for the nine months ended September 30, 2022 is $1,373,871, as it includes the year to date costs of the reduction of employees undertaken in the third quarter, which was not included in add-back for the three months ended June 30, 2022.

Summary of Quarterly Results

The Company was incorporated on September 22, 2020 and began operations in October 2020. The selected financial information provided below is derived from the Company's unaudited quarterly financial statements prepared in accordance with IFRS. Certain amounts in comparative periods have been reclassified to conform with the presentation adopted in the current period.

Amounts in millions except loss per share	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20
Adjusted Revenue	$ 8.516	$ 7.653	$ 2.767	$ 1.505	$ 0.958	$ 0.804	$ 0.800	$ 0.365
Adjusted EBITDA	(0.282)	(3.067)	(3.088)	(1.663)	(0.867)	(0.082)	0.331	0.233
Revenue	8.381	7.150	2.595	1.140	0.958	0.804	0.319	0.154
Gross profit	3.276	3.030	1.488	0.698	0.724	0.676	0.175	0.115
Loss from operations	(1.823)	(1.766)	(2.146)	(1.925)	(1.393)	(3.418)	(1.286)	(0.139)
Net loss	(2.903)	(1.268)	(1.820)	(4.499)	(1.371)	(6.361)	(1.629)	(1.979)
Basic and diluted loss per share	$ (0.05)	$ (0.02)	$ (0.03)	$ (0.08)	$ (0.03)	$ (0.22)	$ (0.06)	$ (0.13)
Weighted average shares outstanding	63.751	62.603	62.047	52.604	49.061	29.282	28.601	14.862
Shares outstanding, end of period	64.968	62.648	62.048	62.042	49.807	49.252	28.601	28.601

Revenue and gross profit are increasing quarter over quarter as the Company acquires new companies and expands its product offerings. Cost of revenue includes amortization expense for technology related intangible assets related to acquisitions. The higher net loss in the third quarter of 2022 was primarily related to revaluations of warrant liability, future share consideration and earn-out consideration, as well as the inflationary adjustment related to operations in Argentina. The higher net loss in the fourth quarter of 2021 was primarily related to higher compensation expenses and professional fees as the Company continued to grow the business, an impairment charge related to certain intangible assets, and a revaluation expense related to the unit warrant liability. The higher net loss in the second quarter of 2021 was related to the RTO Transaction which was completed in June 2021.

Liquidity and Capital Resources

The Company manages its capital structure on a consolidated level based on the funds available to it to support the continuation and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines "capital" to include share capital and its borrowings. The Company intends to rely on cash flows from operations for its operating requirements as well as to negotiate a new credit facility and additional financings to achieve its acquisition growth strategy. The primary sources of the Company's cash flow are revenue from customers and net cash proceeds from equity and convertible debt offerings, which the Company expects to be able to supplement with debt financing for future acquisitions. The Company intends to maintain sufficient liquidity to meet its liabilities as they come due by continuously monitoring cash flow, reviewing actual operating expenditures and revenue to budget and forecast and with the proceeds of additional equity and convertible debt offerings.

At September 30, 2022 the Company had cash on-hand of $2.8 million and a working capital deficit of $4.6 million (excluding deferred revenue and equity and contingent consideration payable related to acquired companies). In October, 2022 the Company raised $3.2 million net proceeds in a marketed public offering and concurrent private placement of convertible debenture units. The Company utilized $1.1 million of the net proceeds to pay consideration due related to acquired businesses. As of the date of this MD&A, the Company has cash of $2.8 million. The cash includes $1.8 million held in banks in Argentina. The Central Bank of the Argentine Republic has placed restrictions on the repatriation of funds at the official exchange rate, and the Company is working with its advisors to finalize a cash repatriation plan.

Additional sources of capital and/or financing will be required to meet planned growth initiatives and long term operational objectives. The Company has raised over $19 million in net cash from equity and convertible notes from its inception to date and management expects to be able to raise additional financing. The Company was receipted for a base shelf registration on January 24, 2022 to raise up to C$65.0 million (of which C$5.1 million has been utilized to date). Management expects that future cash generated from its operating entities, along with additional financings and a planned credit facility to fund acquisitions, will provide sufficient capital for the Company to execute on its strategy. Management expects to continue to grow revenue and improve the profitability of the Company's existing business by leveraging internal sales channels and other cross-entity synergies, and plans to acquire businesses that can be financed with a credit facility. Whether and when the Company can attain profitability and positive cash flows from operations and obtain additional funds from financing is uncertain. The Company's continued operations depend upon its ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results. (Refer to Note 2 of the Interim Financial Statements for Going Concern disclosure).

Cash Flow from Operations

For the nine months ended September 30, 2022, the Company used $1,926,719 of cash for operations (2021: $2,819,811) primarily due to its loss from operations, which includes costs related to the additional personnel and external service providers hired to manage the growth of the business and support its operational requirements and acquisition strategy, and expenses related to the acquisitions of CoreBI, Exonar, Allegient and Resonant.

Cash Flow from Investing Activities

For the nine months ended September 30, 2022, the Company used $4,939,768 of cash for investing activities related to cash used for the acquisitions of CoreBI, Exonar, Allegient and Resonant, net of cash acquired in the transactions. For the same period in 2021, the Company used $416,002 of cash for investing activities related to cash used for the acquisitions of Integra and the assets of DocAuthority.

Cash Flow from Financing Activities

For the nine months ended September 30, 2022, the Company generated cash of $680,000 from financing activities, related to debt financing secured for the Resonant acquisition, partially offset by debt repayments. For the same period in 2021, the Company generated $8,192,221 in cash from financing activities, primarily from proceeds from equity subscriptions and convertible notes, partially offset by repayment of a leasing liability.

Contractual Obligations

The Company has a remaining payment obligation of $112,979 on a senior secured redeemable debenture issued by Signafire in 2019 which the Company renegotiated in 2021. Affinio has four unsecured, non-interest bearing loans outstanding of $665,475 in the aggregate at September 30, 2022, of which $130,956 is due within 12 months. Allegient has a term loan with a remaining balance of $3.7 million at September 30, 2022, of which $545,788 is due within the next 12 months. Resonant has a term loan with a remaining balance of $1.4 million at September 30, 2022, of which $128,021 is due in the next 12 months.

On June 30, 2022, the Company amended its agreement with the Affinio vendors. Pursuant to the terms of the agreement, the vendors were entitled to a deferred cash payment of $1.5 million on July 2, 2022. Per the amendment, the vendors agreed, in lieu of the deferred cash payment of $1.5 million on July 2, 2022, to accept a $750,000 cash payment on or before August 31, 2022 (which was paid on October 7, 2022), and the remaining $750,000 in Subordinate Voting Shares of the Company ("NOW Shares") at a price per share equal to the VWAP of the NOW Shares on the TSXV for the 10-day period prior to the date of issuance, plus an additional 195,000 NOW Shares. Pursuant to the amendment, the Company issued 1,561,298 NOW Shares on August 31, 2022.

As at September 30, 2022, the consideration payable related to acquired companies is as follows:

		September 30, 2022
Consideration payable	$	3,228,855
Equity consideration payable		243,122
Contingent consideration payable		429,067
Total current liabilities	$	3,901,044
Contingent consideration payable	$	1,312,232
Total long-term liabilities	$	1,312,232

Contingent consideration payable represents the fair value of estimated earn-out payments related to acquired companies, which are contingent on achieving certain operating results. Equity consideration payable represents the fair value of shares to be issued in relation to acquisitions.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries and bonuses	$ 272,500	$ 904,063	$ 817,500	$ 1,185,938
Consulting fees	-	-	-	80,000
Share-based payments	63,533	447,622	96,560	636,327
	$ 336,033	$ 1,351,685	$ 914,060	$ 1,902,265

Proposed Transactions

The Company seeks potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. Additional funding will be required to execute on the Company's acquisition plan for the next twelve months, and a new credit facility is being pursued. The Company successfully utilized debt financing to facilitate its recent acquisition.

Changes in Accounting Policies including Initial Adoption

There are no new standards issued by the International Accounting Standards Board that were not effective at September 30, 2022 that are expected to have a significant impact on the Company.

Financial Instruments and Other Instruments

The Company's financial assets categorized at amortized cost include trade and other receivables, unbilled revenue, taxes receivable, and cash. The Company does not have any financial assets categorized as FVTPL or FVOCI.

The Company's financial liabilities are initially measured at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, financial liabilities are measured either at amortized cost using the effective interest method or at fair value through profit and loss (FVTPL). For financial liabilities measured at amortized cost, all interest-related charges and, if applicable, changes in fair value that are reported in profit and loss are included within finance costs or finance income.

The Company's financial instruments categorized at amortized cost include long-term debt, loan payable, accounts payable, accrued expenses and other current liabilities, deferred revenue, and consideration payable related to acquired companies. The Company's financial instruments categorized at FVTPL are contingent consideration payable related to acquired companies and equity consideration payable related to acquired companies.

Derivative instruments, including derivative instruments embedded in other contracts (such as warrants) and instruments designated for hedging activities, are recognized as either asset or liabilities in the statement of financial position and measured at fair value. The Company has not used derivative instruments to hedge exposures to cash flow or foreign currency risks. Any change in the fair value of a derivative instrument or an embedded derivative not designated as a hedging instrument is recognized as an unrealized gain or loss in the statement of loss and comprehensive loss.

Outstanding Share Data

The Company is authorized to issue an unlimited number of class A Subordinate Voting Shares and an unlimited number of class B proportionate voting shares ("**Proportionate Voting Shares**"). As of the date of this MD&A, the following securities of the Company were issued and outstanding: (i) 42,713,317 Subordinate Voting Shares (of which 4,365,275 are restricted share units), (ii) 223,651 Proportionate Voting Shares, convertible, subject to adjustment, into 22,365,100 Subordinate Voting Shares (iii) 4,592,093 stock options to purchase 4,592,093 Subordinate Voting Shares, (iv) 11,398,761 Warrants exercisable to purchase 11,398,761 Subordinate Voting Shares, and (v) Debenture Units that are convertible into 4,827,619 Subordinate Voting Shares.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, which are described comprehensively in the Company's short form prospectus dated September 26, 2022 and incorporated by reference herein. Particularly, the Company's activities expose it to financial risks, including credit risk, liquidity risk, and currency risk. It is the Company's opinion that it is not exposed to other significant market risks, including price, or variable interest rate risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of trade and other receivables balances. The Company's exposure to credit risk was $4,720,659 at September 30, 2022.

Liquidity risk

Liquidity risk is the risk that the Company might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it can only do so on terms that are materially disadvantageous. The Company is exposed to liquidity risk through non-payment of accounts payable, accrued expenses, other current liabilities, loan payable, long-term debt and consideration payable related to acquired companies. As at September 30, 2022, the Company had cash of $2.8 million, other current assets of $5.3 million and current liabilities of $12.7 million (excluding deferred revenue, equity consideration, and contingent consideration). On October 5, 2022, the Company closed a convertible debenture financing for net proceeds of $3.2 million. The Company utilized $1.1 million of the net proceeds to pay consideration due related to acquired businesses. As of the date of this MD&A, the Company has cash of $2.8 million. The cash includes $1.8 million held in banks in Argentina. The Central Bank of the Argentine Republic has placed restrictions on the repatriation of funds at the official exchange rate, and the Company is working with its advisors to finalize a cash repatriation plan. Additional funding will be required to meet the Company's contractual obligations and execute on its business plan for the next 12 months. The Company was receipted for a base shelf registration in January 2022 to raise up to C$65.0 million (of which C$5.1 million has been utilized to date). The Company has successfully raised over $19 million in net cash from equity and convertible notes to date and management expects to be able to successfully raise additional financing. Management expects that future cash generated from its operating entities, along with additional financings and a planned credit facility to fund acquisitions, will provide sufficient capital for the Company to execute on its strategy. Whether and when the Company can attain profitability and positive cash flows from operations and obtain additional funds from financing is uncertain. The Company's continued operations depend upon its ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results. (Refer to Note 2 of the Interim Financial Statements for Going Concern disclosure).

Currency risk

The Company is exposed to foreign currency fluctuations. Such exposure arises from translation of monetary assets and liabilities denominated in foreign currencies, such as the Canadian dollar and the Argentinian peso, the impact of which is recorded in the Company's Statement of Operations; and translation of entities that have a functional currency that differs from the U.S. dollar presentation currency of the Company, the impact of which is recorded through the Company's Other Comprehensive Income.

The Company continually monitors its exposure to foreign currency risks arising from foreign currency balances and transactions. The Company does not utilize any financial instruments to hedge this risk.

Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial also may impair our business and operations and cause the price of the Subordinate Voting Shares to decline. If any of the noted risks actually occur, the Company's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Subordinate Voting Shares could decline, and shareholders may lose all or part of their investment.

Additional Information Relating to the Company

Additional information relating to the Company, including our Annual Information Form, can be found on the Company's profile at www.sedar.com and on the Company's website at www.nowvertical.com.