Management's Discussion and Analysis of

VECIMA NETWORKS INC.

For the years ended June 30, 2020 and 2019

Dear Fellow Shareholders,

Fiscal 2020 has been an extraordinary year. Around the world, businesses, communities and families have been grappling with the effects of a once-in-a-lifetime global pandemic. It's during times like these we realize what is truly important to us.

At Vecima, our first priority was, and continues to be, protecting the health and safety of our employees. In the first few weeks of the Covid-19 pandemic, we took steps to allow most of our employees to work remotely and implemented strict practices and protocols for the small group of employees who were required on site. I want to thank our employees for continuing to execute amidst these changes, and for helping Vecima fulfill our important role in the essential telecommunications industry, connecting together the lives of millions worldwide.

On behalf of the entire Vecima family, I would also like to thank the health professionals, first responders and all the front-line workers everywhere who are providing the essential services to keep our lights on, our food and supplies stocked and our people healthy. We appreciate their selfless dedication in persevering through these uncertain times.

As I reflect upon the many impacts of the pandemic, I am grateful and humbled by how our industry has responded to this global crisis. In the worldwide surge for data to keep business and residential customers operational, our content provider and service provider customers have stepped up in unparalleled ways to provide content and connectivity to their millions of subscribers. Vecima's technologies and solutions have been instrumental in enabling them to do so, and I am deeply proud that our decades of innovation, reliability and customer partnership are making a difference in these challenging times.

A Year of Major Milestones

Financially, fiscal 2020 was a pivotal year for Vecima as we began to realize the benefit of our investments into next generation technologies.

Revenues of $96.4 million were our best in four years, led by outstanding growth performance from our Content Delivery and Storage segment and early-stage market deployment of our next generation Entra distributed access architecture (DAA) products. This was profitable growth. Gross profit climbed 17% to $52.3 million year-over-year, adjusted EBITDA increased to $18.3 million, a gain of 123%, and we increased adjusted earnings per share to $0.06 from a loss of $0.09 in fiscal 2019.

We also ended the year in a strong financial position with no debt and a solid cash balance of $34.5 million – a significant achievement given the heavy investment in next generation technologies we've made in recent years. Importantly, we continued to generate value for our shareholders. Our share price improved from $9.00 to $10.45 over the course of the fiscal year, and as of September 14, 2020 had reached $12.50. And we returned another $29.9 million to shareholders through our quarterly dividends in fiscal 2020.

Video and Broadband Solutions

In our Video and Broadband Solutions segment, we realized our critical objective of commercially launching our Entra family of DAA products, a milestone we have been working toward for seven years.

We came into fiscal 2020 having secured our first master purchase agreement for our new Entra Remote PHY Access Node and Remote PHY Monitor. During the first quarter, we launched our Entra Interactive Video Controller and double density Remote PHY node and received our first customer order for our new Entra Video QAM Manager (VQM). We broke the million-dollar milestone in the second quarter with Entra sales of $1.1 million as cable operators began purchasing our new DAA platforms and products. And by the fourth quarter, we had secured our first major Tier 1 DAA customer, initiated product deployments of our industry-leading, multi-core interoperable Entra Remote PHY nodes, and grown our quarterly Entra revenues to $2.1 million. In total, we achieved Entra family sales of $5.3 million in fiscal 2020, a material result and just the very beginning of the DAA potential we anticipate.

Subsequent to the year-end on August 10, we further enhanced our DAA market position with the acquisition of Nokia's portfolio of cable access business. This transaction immediately expanded our portfolio of market-ready products and technologies, including fiber-to-the-home (FTTH) capabilities with 10G EPON and DOCSIS DAA with Remote MACPHY solutions, two critical pieces of the cable DAA ecosystem. The acquisition also brought us a talented group of R&D and product development employees across four offices in the United States and China.

By consolidating the industry's leading DAA products, technologies and teams, Vecima has now emerged as the prime holder of DAA technology in the industry, providing our customers with unmatched choice to select the access architecture that is right for them, and expanding our addressable market by approximately three times. Quite simply, this is a game-changer that dramatically accelerates Vecima's momentum in the vast new DAA market.

In other parts of our Video and Broadband Solutions segment, fiscal 2020 brought robust demand for our TerraceQAM commercial video products. Sales of TerraceQAM nearly doubled to $11.7 million year-over-year as our lead customer broadened its extensive hospitality services platform, while preparing for migration to the next generation Terrace IQ platform and the move to IPTV.

Content Delivery and Storage

Fiscal 2020 was a break-out year for our Content Delivery and Storage segment. From the outset, we anticipated over 20% revenue growth based on the strong demand for our MediaScaleX solutions and expansion in the IPTV market. We greatly exceeded this target with 32% year-over-year sales growth culminating in record segment sales of $55.2 million.

This impressive growth was driven by the addition of 13 new IPTV customers in fiscal 2020, as well as by an expansion of our business with existing customers as we continued to grow market share. Additionally, we increased our CDS service revenues both in actual dollars and as a percentage of our segment revenues. This reflects both the large number of new deployments in 2020 as well as the high-value recurring services offered by our team. As we continue to grow the CDS segment, we expect services will play an increasingly important role in generating high-margin, stable revenues for this part of our business.

Our CDS segment also made major inroads internationally in fiscal 2020, securing deployment agreements for MediaScaleX with customers in the Latin America and Caribbean regions and increasing international revenues by 37% year-over-year. The record-high percentage of total segment revenue now coming from outside North America showcases our increasing geographic diversification and highlights our emerging strength in the CALA region and beyond.

Subsequent to the year-end, we announced another major international agreement, worth approximately $12 million, with a long-time Tier 1 customer in the Asia Pacific region. The agreement involves delivering IP video to our customer's over five million subscribers as we continue to demonstrate Vecima's position as a global leader in video delivery and storage.

Telematics

Our Telematics segment continued to progress steadily into the moveable assets tracking market in fiscal 2020 after launching this business in the previous year. We secured 21 new restoration industry customers and by year-end we were monitoring over 6,000 assets with Vecima's Bluetooth Low Energy (BLE) tags.

In our fleet management business, we achieved a second municipal city fleet management win with the City of Saskatoon, complementing our City of Victoria win the previous year. The new Saskatoon municipal contract encompasses a fleet management solution covering 1,000 municipal vehicles and municipal assets.

Looking Forward

Fiscal 2020 clearly demonstrated the power and importance of a digitally-connected world. It is the lifeline of businesses and communities and an essential service needed by millions. With social distancing and travel bans in place, the world is reimagining business and finding new ways to conduct it safely, from virtual marketing initiatives and meetings, to work-from-home measures.

Vecima plays a critical role in this evolution.

As our broadband cable customers begin their transition to DAA, and operators worldwide continue to adopt IPTV, we are supporting them with what I believe is the world's most advanced and comprehensive portfolio of next-generation DAA and IPTV solutions. We expect this to translate into meaningful growth for our Entra family of products in the year ahead, while we also consolidate and continue to build on the gains achieved for our MediaScaleX solutions in fiscal 2020.

Overall, we anticipate the year ahead will be a consequential one for Vecima as our multi-year investment, development and strategic acquisition strategy continues to bear fruit.

In closing, I want to offer a sincere thank you to all our Vecima employees for their work in bringing in a phenomenal year during a time of unprecedented global upheaval. I am honoured by their dedication to our success. On behalf of the Board of Directors, I also want to thank you, our shareholders, for your continued support. We are truly excited about Vecima's future and looking forward to significant new achievements in fiscal 2021.

Sincerely,

Sumit Kumar

President and CEO

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 22, 2020

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the year ended June 30, 2020.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the years ended June 30, 2020 and 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2020 and 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, our expectations related to customer demand and the impacts of novel coronavirus pandemic ("COVID-19"). For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information - Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Vancouver, Atlanta, Raleigh, Sunnyvale, Qingdao, Shanghai, Tokyo, Amsterdam, London, and a manufacturing facility in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that transform content delivery and storage, enable high-capacity broadband network access, and streamline data analytics.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** (VBS) includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices.

   a. Our Terrace and TerraceQAM product families meet the needs of the business services vertical, including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).

   b. Our next generation Entra™ family of products and platforms addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Architecture platform is Vecima's realization of the next generation of hybrid fiber coaxial (HFC) and 10G EPON nodes as optical transport moves away from analog radio frequency (RF) distribution to all digital Ethernet. Our goal is to provide independent, agnostic and future proof Distributed Access solutions that can work with every core vendor and be upgradable to Full Duplex (FDX), Extended Spectrum DOCSIS (ESD), Passive Optical Network (PON) or whatever the future of ultra high speed networks require.

   The Entra Distributed Access Architecture (DAA) family of products is divided into five core categories:

   - EntraPHY - Multiple variants of the Entra Access Node that can operate as Remote PHY provides a modular platform for deployment of access technologies;
   - EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC PHY and provides a modular platform for deployment of access technologies;
   - EntraOptical - Consists of both a Chassis and Node based 10G EPON access technologies;
   - EntraControl -
     - The Entra Remote PHY Monitor (RPM), which offers unified control software for management, service assurance and monitoring of access nodes;
     - The Entra Video QAM Manager (VQM), which allows for the integration of video in a DAA environment within existing infrastructure, maximizing efficiency of fiber usage while reducing operational costs; and
     - The Entra Access Controller (EAC) manages all components of a Virtual CCAP Solution; and
   - EntraVideo -
     - The Entra Legacy QAM Adapter (LQA) and DV-12, which provide a simple solution to adapt existing video QAM infrastructure for distributed access; and
     - The Entra Interactive Video Controller (IVC), which supports both next-generation DAA Remote PHY and traditional RF networks providing essential two-way network connectivity for QAM set-top boxes that are heavily deployed and in service today.

2) **Content Delivery and Storage** (CDS) includes solutions and software, under the MediaScaleX™ and ContentAgent™ brands, for industries and customers that focus on ingesting, producing, storing, delivering and streaming video content for live linear, Video On Demand (VOD), network Digital Video Recorder (nDVR) and time-shifted TV services.

   Our Content Delivery and Storage business focuses specifically on multiple system operators' ("MSO") video content delivery and storage needs under the product categories: Storage, Cache, Origin and Transcode.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures under the latest DOCSIS 3.1 standard. Some top tier players have initiated a gradual roll-out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps for upload speed. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure costs of building fiber to the home. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost-per-bit reductions relative to DOCSIS 3.0 network solutions.

Starting in calendar 2020, the cable market began a broad shift towards DAA, focusing on Remote PHY technology as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impact of COVID-19 in the year saw an increase in demand on network bandwidth, accelerating the push towards distributed access solutions. In 2020, Cable Television Laboratories or CableLabs, a not-for-profit innovation and research and development lab that works in cooperation with cable companies and cable equipment manufacturers, released the DOCSIS 4.0 specifications which includes full duplex DOCSIS (FDX) and extended spectrum DOCSIS (ESD), allowing multi-system operators (MSO) to significantly increase their upstream bandwidth.

Content Delivery and Storage

Global demand for Internet Protocol (IP) video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud-based models. According to the latest industry analysis in the Cisco Visual Networking Index™, consumer Video On Demand traffic is expected to double by 2022 with IP video comprising 82% of all IP traffic.

Telematics

As asset tracking technology broadens beyond fleet management to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

Fiscal 2020 Full-Year and Q4 Highlights

Financial and Corporate Highlights

- Grew fiscal 2020 consolidated sales by 13% to $96.4 million year-over-year; increased fourth quarter FY2020 consolidated sales by 26% to $26.1 million
- Grew full-year gross profit 17% to $52.3 million, delivering a gross margin of 54%, as compared to 53% in FY2019. Increased fourth quarter gross profit by 26% to $12.8 million, delivering gross margin of 49%.
- Full-year adjusted EBITDA grew 123% to $18.3 million, from $8.2 million in fiscal 2019. Fourth quarter Adjusted EBITDA grew 1,262% to $3.8 million, a year-over-year increase of $3.5 million
- Adjusted full-year EPS grew to $0.06 per share, from a loss of $(0.09) per share in fiscal 2019. Adjusted fourth quarter EPS improved to $(0.06) from a loss of $(0.08) per share in Q4 fiscal 2019

- Ended the fiscal year in strong financial position with $34.5 million in cash and working capital of $55.3 million
- Declared annual dividends of $0.22 per share, including a fourth quarter dividend of $0.055 per share payable on November 2, 2020 to shareholders of record on October 9, 2020. This represents $29.9 million returned to shareholders through regular dividends since we initiated our dividends in October 2014

Video and Broadband Solutions

- Full-year segment sales decreased 5% year-over-year, reflecting the anticipated transition by customers from legacy platforms to next generation IP-enabled solutions and distributed access architectures. Fourth quarter VBS sales of $10.5 million increased 52% year-over-year, reflecting higher sales of Entra family and TerraceQAM products

- Entra family
  - Deployments of next generation Entra DAA products tied to the earliest stages of the market contributed full-year sales of $5.3 million and Q4 sales of $2.1 million, up significantly from $1.2 million and $0.6 million, respectively, in the same periods of fiscal 2019
  - Lead Tier 1 customer began first in-field service group deployments of Vecima's industry-leading, multi-core interoperable Entra Remote PHY node in Q4. Vecima has received orders covering multiple geographies and markets within the Tier 1 customer's footprint
  - Multiple products within Vecima's broad Entra DAA ecosystem were purchased by a wide group of MSOs as the industry kicked off on the network evolution to distributed access architecture throughout the year
  - Through the course of FY20 Vecima continued to build out a powerful and unparalleled portfolio of Entra platforms that are making DAA a reality as the industry sets off on the associated major infrastructure upgrade. Highlights included:
    - the Entra EN8124 node doubling downstream and upstream capacity in a single Remote PHY node;
    - the Entra Interactive Video Controller providing essential two-way connectivity to interactive set-top boxes in a DAA architecture;
    - major releases of the Entra RPM which has proven a critical configuration service assurance and monitoring platform; and
    - the paired Entra LQA and VQM products that maintain legacy video services in a DAA environment that are material to MSO revenue.
  - Subsequent to year-end on August 7, Vecima significantly expanded and accelerated its Entra offering with the closing of the acquisition of Nokia's cable access portfolio of Remote PHY, Remote MAC-PHY and 10G EPON/DPoE products. Vecima now offers the broadest full complement of access network solutions in the industry, spanning the varied needs of all manners of cable operators globally
  - Combined with the expansion the Company drove in Fiscal 20, the market acceleration and broader scope achieved with the Nokia cable access portfolio acquisition has increased Vecima's global engagements for Entra across a wide spectrum of operators encompassing multiple tiers, geographies and access network profiles. Vecima now has engagements for access network technologies with 41 operators, including 27 operators that are either in lab trial, field trial, or live deployment phases across the globe

- Commercial Video family
  - Increased full-year TerraceQAM sales by 93% and Q4 sales by 98% year-over-year as our lead Tier 1 MSO widened its extensive hospitality services platform, while preparing for migration to the next generation TerraceIQ system
  - Terrace family sales of $16.3 million in Fiscal 20 continued to provide ongoing contribution as Tier 1 customers neared full coverage leading up to the migration to the TerraceIQ next generation platforms
  - Continued to progress development of the next generation TerraceIQ platform, supporting the intent of customers to upgrade their widely deployed ecosystems of the Terrace and TerraceQAM products as networks move to IPTV

Content Delivery and Storage

- Generated record annual segment sales with revenue increasing 32% to $55.2 million year-over-year. Q4 sales grew 14% to $14.3 million
- Secured 13 new customers for Vecima's MediaScaleX IPTV products, including three new customers in Q4 and bringing to 34 the number of operators now using Vecima products to deliver IPTV. Achieved an additional two customer wins subsequent to year-end
- Further increased deployments of IPTV solutions with cable operators, telcos and broadcasters around the world, selling to over 100 customers in fiscal 2020 representing a combined operator footprint of over 132 million subscribers
- Established all-time record for services revenue, reflecting the large number of new deployments and the high-value services offered by the CDS team
- Signed agreement to supply the CDN to a Tier 1 MSO operating across Latin America and the Caribbean in Q1 for its IPTV network
- Robust sales uptake in Q2 of a major software release upgrade by a world top-five MSO where MediaScaleX is deployed to provide on-demand video across over 75% of the operator's footprint
- Revenue from outside North America grew to a record-high 37%, highlighting our geographic diversification and emerging strength in Latin America
- Responded to major increases in capacity utilization across all networks due to increased demand related to COVID-19 by delivering higher capacity across a number of customer deployments
- Set the stage for FY2021 by securing largest order in CDS segment's history to provide a full refresh of a Tier 1 APAC customer's Origin, Storage and CDN platform to be deployed over the course of several quarters

Telematics

- Continued roll out of previously announced City of Saskatoon fleet management solution, as well as expansions with other municipal government customers
- Continued penetration in the moveable assets market, adding 21 new restoration industry customers in FY2020, including four in Q4

Subsequent Events

Performance Share Units

The adoption of our performance share unit (PSU) plan was approved as well as the authorization, ratification and confirmation of all PSUs granted on or before June 23, 2020, during a special meeting of our shareholders held on July 28, 2020. The continuation and amendment of our stock option plan was also approved at this special meeting.

Acquisition of Nokia's Cable Access Portfolio of DAA and EPON/DPoE Solutions

On August 7, 2020, we completed the purchase of the DOCSIS DAA and EPON/DPoE cable access technology portfolios from Nokia Corporation for USD $4.8 million. The purchase price included inventory, property, plant and equipment and intangible assets.

The portfolio includes a centrally controlled DAA solution for unified support for Flexible MAC DAA nodes for Hybrid Fiber Coaxial (FHC) networks and DOCSIS Provisioning of EPON (DPoE) nodes for fiber-to-the-home and business. The portfolio also includes a DAA video engine and a chassis based EPON/DPoE solution for non-HFC network implementations. The Nokia employees that supported these products have transitioned to Vecima, but remain located in Raleigh, North Carolina; Sunnyvale, California; Qindao, China, and Shanghai, China.

We believe this acquisition creates compelling advantages for Vecima, including:

- creating the cable industry's most advanced next generation access ecosystem;
- expanding our addressable market by approximately three times;
- significantly accelerating our technology timeline by adding market-ready 10G EPON and MAC PHY capabilities to our portfolio today;

- enabling operators to select the access architecture that is right for them upfront, and migrate or mix and match over time as their networks evolve; and
- providing opportunities to expand and deepen our relationship with existing customers, including many of the world's Tier 1 MSOs.

Outlook

Around the globe, high levels of utilization across our customers' cable and IPTV networks are requiring that operators continue to expand capacity across their networks. Vecima is responding to this demand with an industry-leading portfolio of Distributed Access Architecture (DAA), commercial video and IPTV solutions that enable our customers to expand their capacity and network offerings.

In our Video and Broadband Solutions (VBS) segment, we anticipate a building of momentum for our next generation Entra DAA products in fiscal 2021, particularly in the second half. A lead Tier 1 DAA customer is expected to transition to scale deployment during the fiscal year, while a broader set of MSOs are expected to shift from lab trials to initial field deployments. Together with the new DAA Remote MAC-PHY, access controller and 10G EPON products gained through our recent acquisition of the Nokia cable access portfolio, we believe Vecima now offers the industry's strongest and most relevant DAA portfolio for the cable industry evolution underway and we anticipate meaningful sales growth for our entire Entra portfolio in fiscal 2021. We expect the Entra growth to be accompanied by continued demand for our TerraceQAM solution and emerging opportunities for our next generation TerraceIQ solution, which will help offset the impact of tapering demand for our legacy cable products.

Our Content Delivery and Storage segment is positioned for measured growth in fiscal 2021 as we consolidate the record-setting new business wins of fiscal 2020. We expect demand for our MediaScaleX solutions will remain strong as additional operators begin their evolution to IPTV, and we have already secured two additional new customer wins since year-end. We note, as always, that the Content Delivery and Storage segment is prone to significant quarter-to-quarter revenue variations due to the size and timing of orders.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2021, along with continued gradual growth in demand for our asset tracking services.

Overall, we anticipate a very strong fiscal 2021 for Vecima as our multi-year investment, development, and strategic acquisition strategy continues to bear fruit.

COVID-19 Business Update

Social distancing and stay at home mandates related to the COVID 19 pandemic continue to drive unusually high levels of utilization across our customers' cable and IPTV networks. As a manufacturer and provider of communications solutions that expand the capacity of our customers' networks, Vecima's operations are not only deemed essential, but we have seen interest in our solutions increase since the onset of the pandemic.

We have taken a number of proactive steps to protect the health and safety of our employees and to support our ability to provide our products and platforms to our customers worldwide.

Employee Health and Safety: Our highest priority continues to be the well being of our employees, more than 80% of whom are able to perform their job functions outside of a Vecima facility and have transitioned to working remotely. A small number of Vecima employees, primarily those in our Saskatoon manufacturing facility, have roles whose physical presence is required to perform their job function. These employees continue to report to work but are subject to strict protocols intended to reduce the risk of transmission, including social distancing, increased cleaning and availability of personal protective equipment as necessary.

Operations and Supply Chain: Our manufacturing sites have continued to operate at or near normal levels, and we have increased inventory levels to enhance our ability to fulfill orders. While lead times for some of our component supplies have subsequently increased, and in certain limited cases we have needed to seek out alternate sources of supply, we have not encountered significant disruptions to our supply chain to date.

While it is difficult to predict what the full economic, supply chain and network development impacts of the COVID-19 pandemic will be, given the evolving and uncertain nature of this crisis, we will continue to monitor the situation closely and make adjustments to our business as necessary. Please see "Risks and Uncertainties and COVID-19" and "Forward Looking Information" for more information on COVID-19 as it pertains to our business.

Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income (Loss) Data	**Years ended June 30,**					
	2020		2019		2018	
Sales	**$ 96,416**	**100 %**	$ 85,032	100 %	$ 78,104	100 %
Cost of sales	**44,112**	**46 %**	40,155	47 %	36,254	46 %
Gross profit	**52,304**	**54 %**	44,877	53 %	41,850	54 %
Operating expenses						
Research and development[1]	**22,173**	**23 %**	18,973	22 %	15,101	19 %
Sales and marketing	**14,048**	**14 %**	14,112	17 %	10,463	13 %
General and administrative	**16,280**	**17 %**	16,596	20 %	13,248	17 %
Impairment of intangible assets	**-**	**- %**	-	- %	22	- %
Restructuring costs	**-**	**- %**	2,176	3 %	-	- %
Share-based compensation	**59**	**- %**	112	- %	80	- %
Other (income) expenses	**(479)**	**- %**	(418)	(1)%	(317)	- %
	52,081	**54 %**	51,551	61 %	38,597	49 %
Operating income (loss)	**223**	**- %**	(6,674)	(8)%	3,253	4 %
Finance income	**633**	**1 %**	879	1 %	1,132	2 %
Foreign exchange gain (loss)	**1,340**	**1 %**	(66)	- %	930	1 %
Income (loss) before taxes	**2,196**	**2 %**	(5,861)	(7)%	5,315	7 %
Income tax expense (recovery)	**390**	**- %**	(2,402)	(3)%	1,532	2 %
Net income (loss) from continuing operations	**1,806**	**2 %**	(3,459)	(4)%	3,783	5 %
Discontinued operations	**-**	**- %**	-	- %	7,019	9 %
Net income (loss)	**1,806**	**2 %**	(3,459)	(4)%	10,802	14 %
Other comprehensive income (loss)	**1,088**	**1 %**	(67)	- %	1,077	1 %
Comprehensive income (loss)	**$ 2,894**	**3 %**	$ (3,526)	(4)%	$ 11,879	15 %
Net income (loss) per share[2]						
Basic	**$ 0.08**		$ (0.15)		$ 0.48	
Basic from continuing operations	**$ 0.08**		$ (0.15)		$ 0.17	
Diluted	**$ 0.08**		$ (0.15)		$ 0.48	
Diluted from continuing operations	**$ 0.08**		$ (0.15)		$ 0.17	
Other Data						
Total research and development expenditures[3]	**$ 25,828**		$ 29,336		$ 27,469	
Adjusted EBITDA[4]	**$ 18,272**		$ 8,177		$ 14,535	
Adjusted earnings per share[5]	**$ 0.06**		$ (0.09)		$ 0.17	
Number of employees[6]	**377**		364		419	

(1) *Net of investment tax credits and capitalized development costs.*

(2) *Based on weighted average number of common shares outstanding.*

(3) *See "Total Research and Development Expenditures".*

(4) *Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".*

(5) *Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".*

(6) *The number of employees is determined as of the end of the fiscal year.*

Consolidated Statements of Financial Position		**As at June 30,**				
(unaudited - in thousands of dollars except common share data)		**June 30, 2020**		June 30, 2019		June 30, 2018
Cash and cash equivalents	**$**	**17,350**	$	19,834	$	11,034
Short-term investments	**$**	**17,165**	$	24,569	$	46,660
Working capital	**$**	**55,280**	$	58,286	$	77,403
Total assets	**$**	**210,298**	$	200,770	$	210,039
Long-term debt(1)	**$**	**4,613**	$	1,729	$	1,979
Shareholders' equity	**$**	**179,762**	$	180,768	$	189,285
Number of common shares outstanding(2)		**22,411,612**		22,362,031		22,414,944

(1)*Fiscal 2020 Long-term debt now includes lease liabilities per IFRS 16.*

(2)*Based on weighted average number of common shares outstanding.*

Adjusted Net Income and Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term “adjusted net income” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for sale, impairments of intangible assets, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share		**Years ended**				
(unaudited - in thousands of dollars except per share amounts)		**2020**		2019		2018
Net income (loss)	**$**	**1,806**	$	(3,459)	$	10,802
Gain on sale spectrum licenses, net of tax		**-**		-		(7,087)
Gain on sale of non-core intangibles, net of tax		**-**		(176)		-
Gain on sale of non-core PP&E, net of tax		**(397)**		-		-
Impairment of intangible assets, net of tax		**-**		-		16
Restructuring costs, net of tax		**-**		1,623		-
Adjusted net income (loss)	**$**	**1,409**	$	(2,012)	$	3,731
Net income (loss) per share	**$**	**0.08**	$	(0.15)	$	0.48
Gain on sale of spectrum licenses, net of tax		**-**		-		(0.31)
Gain on sale of non-core intangibles, net of tax		**-**		(0.01)		-
Gain on sale of non-core PP&E, net of tax		**(0.02)**		-		-
Restructuring costs, net of tax		**-**		0.07		-
Adjusted earnings per share	**$**	**0.06**	$	(0.09)	$	0.17

As of Q4 fiscal 2019, we changed our definition and calculation of adjusted net income and adjusted earnings per share to incorporate restructuring costs to the calculation of these measures. We believe this change provides a more consistent determination as compared to other companies in our industry. We also believe this consistency enables management, investors and analysts to better assess our main business activities as well as improve comparability to others within our industry.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

The adoption of IFRS 16 impacted the calculation of EBITDA with depreciation of right-of-use assets increasing fiscal 2020 EBITDA by $1,403 and interest on lease liabilities increasing EBITDA by $230.

Calculation of Adjusted EBITDA	**Years ended**		
	2020	2019	2018
Net income (loss)	**$ 1,806**	$ (3,459)	$ 10,802
Income tax expense (recovery)	**390**	(2,402)	2,626
Interest expense	**297**	200	92
Depreciation of PP&E	**2,197**	2,339	2,406
Depreciation of right-of-use assets	**1,403**	-	-
Amortization of deferred development costs	**8,702**	5,529	4,227
Amortization of intangible assets	**3,873**	3,802	2,294
EBITDA	**18,668**	6,009	22,447
Gain on assets held for resale	**-**	-	(8,109)
(Gain) loss on sale of property, plant and equipment	**(455)**	82	95
Gain on sale of intangible assets	**-**	(202)	-
Restructuring costs	**-**	2,176	-
Impairment of intangible assets	**-**	-	22
Share-based compensation	**59**	112	80
Adjusted EBITDA	**$ 18,272**	$ 8,177	$ 14,535
Percentage of sales	**19 %**	10 %	19 %

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development) to our actual cash research and development expenditures (total research and development expenditure) below:

Calculation of Research and Development Expenditures	**Years ended**		
	2020	2019	2018
Research and development per statement of income	**$ 22,173**	$ 18,973	$ 15,101
Deferred development costs	**12,250**	16,057	16,407
Investment tax credits	**205**	67	237
Amortization of deferred development costs	**(8,702)**	(5,529)	(4,227)
Government grants	**(98)**	(232)	(49)
Total research and development expenditure	**$ 25,828**	$ 29,336	$ 27,469
Percentage of sales	**27 %**	34 %	35 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2020 and 2019 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	Fiscal Year 2020				Fiscal Year 2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	$ 26,088	$ 25,093	$ 25,123	$ 20,112	$ 20,715	$ 20,328	$ 22,654	$ 21,335
Cost of sales	13,290	12,069	9,115	9,638	10,555	9,642	9,814	10,144
Gross profit	12,798	13,024	16,008	10,474	10,160	10,686	12,840	11,191
Operating expenses								
Research and development	6,857	5,714	4,534	5,068	5,006	4,797	4,567	4,603
Sales and marketing	3,177	3,698	3,427	3,746	3,631	4,029	3,252	3,200
General and administrative	4,070	4,087	4,142	3,981	4,340	4,247	4,006	4,003
Restructuring costs	-	-	-	-	1,419	-	-	757
Share-based compensation	12	13	17	17	10	28	40	34
Other (income) expense	(349)	25	(145)	(10)	17	(69)	(278)	(88)
	13,767	13,537	11,975	12,802	14,423	13,032	11,587	12,509
Operating (loss) income	(969)	(513)	4,033	(2,328)	(4,263)	(2,346)	1,253	(1,318)
Finance income (expense)	109	(238)	554	208	329	301	27	222
Foreign exchange (loss) gain	(453)	1,972	(477)	298	(523)	(619)	1,593	(517)
(Loss) income before income taxes	(1,313)	1,221	4,110	(1,822)	(4,457)	(2,664)	2,873	(1,613)
Income tax (recovery) expense	(276)	555	549	(438)	(1,504)	(1,203)	823	(518)
Net (loss) income from continuing operations	(1,037)	666	3,561	(1,384)	(2,953)	(1,461)	2,050	(1,095)
Net (loss) income	(1,037)	666	3,561	(1,384)	(2,953)	(1,461)	2,050	(1,095)
Other comprehensive (loss) income	(1,125)	2,416	(426)	223	(460)	(584)	1,395	(418)
Comprehensive (loss) income	$ (2,162)	$ 3,082	$ 3,135	$ (1,161)	$ (3,413)	$ (2,045)	$ 3,445	$ (1,513)
Net income (loss) per share								
Basic	$ (0.05)	$ 0.03	$ 0.16	$ (0.06)	$ (0.13)	$ (0.06)	$ 0.09	$ (0.05)
Diluted	$ (0.05)	$ 0.03	$ 0.16	$ (0.06)	$ (0.13)	$ (0.06)	$ 0.09	$ (0.05)
Adjusted EBITDA as reported	$ 3,827	$ 5,617	$ 7,042	$ 1,786	$ 281	$ 424	$ 5,539	$ 1,933

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

Our Content Delivery and Storage segment also contributes to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the typically large size of customer orders and associated IPTV projects that are subject to customer timing adjustments. Demand for CDS solutions is also prone to seasonal demand fluctuations with the first quarter typically carrying slower customer activity.

Segmented Information

Sales

Segment		Three months ended June 30, 2020		2019		Years ended June 30, 2020		2019
Video and Broadband Solutions	**$**	**10,466**	$	6,890	**$**	**35,859**	$	37,665
Content Delivery and Storage		**14,300**		12,504		**55,199**		41,879
Telematics		**1,322**		1,321		**5,358**		5,488
Total sales	**$**	**26,088**	$	20,715	**$**	**96,416**	$	85,032

Three-Month Sales

Total sales grew to $26.1 million in the fourth quarter of fiscal 2020, up 26% from $20.7 million in Q4 fiscal 2019 and an increase of 4% from the $25.1 million generated in Q3 fiscal 2020. The year-over-year sales growth reflects higher sales in both our Video and Broadband segment and our Content Delivery and Storage segment.

The Video and Broadband Solutions segment recorded fourth quarter sales of $10.5 million, an increase of 52% from $6.9 million in Q4 fiscal 2019 and up 9% from $9.6 million in Q3 fiscal 2020. The year-over-year increase in Video and Broadband Solutions sales was driven by higher demand for ourTerraceQAM and Entra family products.

- Terrace family sales of $4.0 million decreased 1% from the $4.1 million generated in both Q4 fiscal 2019 and Q3 fiscal 2020. The slight reduction in Terrace Family sales was anticipated and primarily reflects lower sales of our legacy TC600 and TC600E products.
- TerraceQAM sales grew to $3.3 million, up 98% from $1.7 million in the fourth quarter of fiscal 2019 and in line with the $3.3 million generated in Q3 fiscal 2020. While we anticipate continued ordering activity for TerraceQAM, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.
- Further deployments of our next generation Entra products contributed fourth quarter revenue of $2.1 million, up 255% from $0.6 million in Q4 fiscal 2019 and 17% from $1.8 million in Q3 fiscal 2020.

Our Content Delivery and Storage segment achieved strong quarterly sales of $14.3 million, an increase of 14% from $12.5 million in the fourth quarter of fiscal 2019 and an increase of 1% from the $14.2 million generated in Q3 2020. The increase in Content Delivery and Storage sales reflects the expansion of our customer base and strong demand for our IPTV solutions. Segment sales for the Q4 fiscal 2020 period included $9.6 million of product sales and $4.7 million of services revenue.

Telematics sales were stable at $1.3 million in the fourth quarter of fiscal 2020, as compared to $1.3 million in both Q4 fiscal 2019 and Q3 fiscal 2020. Results for the quarter were in line with our expectations.

Twelve-Month Sales

For the year ended June 30, 2020 total sales increased 13% to $96.4 million from $85.0 million in fiscal 2019. The year-over-year sales growth primarily reflects a strong contribution from our Content Delivery and Storage segment, partially offset by lower sales in the Video and Broadband Solutions segment.

Video and Broadband Solutions reported sales of $35.9 million in fiscal 2020, as compared to $37.7 million in fiscal 2019.

- Fiscal 2020 Terrace family sales of $16.3 million decreased 32% from $24.1 million in fiscal 2019. The year-over-year change reflects a slower pace of purchasing activity for legacy TC600E products.
- Sales of TerraceQAM increased by 93% to $11.7 million in fiscal 2020, from $6.0 million in fiscal 2019. While we anticipate continued ordering activity for TerraceQAM, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.

- Initial deployments of our Entra family products contributed sales of $5.3 million in fiscal 2020, an increase of 334% from $1.2 million in fiscal 2019.

Content Delivery and Storage generated record sales of $55.2 million in fiscal 2020, a 32% increase from $41.9 million in fiscal 2019. The segment's best-ever performance was driven by strong demand for our MediaScaleX family of products from an expanded base of 100 global customers. Segment sales in fiscal 2020 included $37.4 million of product sales and $17.8 million of services revenue.

Telematics sales were modestly lower at $5.4 million in fiscal 2020, compared to $5.5 million in fiscal 2019. These results were in line with our expectations.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, inventory management costs, and sales commissions, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, including amortization of software development costs, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Gross Profit and Gross Margin

	Three months ended June 30,		Years ended June 30,	
Segment	**2020**	2019	**2020**	2019
Video and Broadband Solutions	**$ 4,091**	$ 3,094	**$ 16,945**	$ 18,244
Content Delivery and Storage	**7,781**	6,202	**31,675**	22,891
Telematics	**926**	864	**3,684**	3,742
Total gross profit	**$ 12,798**	$ 10,160	**$ 52,304**	$ 44,877
Video and Broadband Solutions	**39.1 %**	44.9 %	**47.3 %**	48.4 %
Content Delivery and Storage	**54.4 %**	49.6 %	**57.4 %**	54.7 %
Telematics	**70.0 %**	65.4 %	**68.8 %**	68.2 %
Total gross margin	**49.1 %**	49.0 %	**54.2 %**	52.8 %

Three-Month Results

For the three months ended June 30, 2020, we achieved a gross margin of 49%, in line with our expectations. This was consistent with the 49% achieved in Q4 fiscal 2019, but lower than the 52% achieved in Q3 fiscal 2020, reflecting different product mixes in the periods. Total gross profit increased to $12.8 million in the fourth quarter of fiscal 2020, up 26% from $10.2 million in Q4 fiscal 2019 as a result of higher sales. On a sequential quarterly basis, Q4 2020 gross profit was lower than the $13.0 million achieved in Q3 fiscal 2020, reflecting the higher gross margin in the Q3 period.

Gross margin from the Video and Broadband Solutions segment was 39% (gross profit of $4.1 million) in the fourth quarter of fiscal 2020, as compared to 45% (gross profit of $3.1 million) in Q4 fiscal 2019 and 47% (gross profit of $4.5 million) in Q3 fiscal 2020. The change in gross profit reflects different product mixes in each period, as well as one-time costs related to our new Entra products incurred during the Q4 fiscal 2020 period.

The Content Delivery and Storage segment increased fourth quarter gross margin to 54% (gross profit of $7.8 million), from 50% (gross profit of $6.2 million) in Q4 fiscal 2019 and 54% (gross profit of $7.6 million) in Q3 fiscal 2020. The stronger gross margin performance in Q4 2020 reflects a different product and customer mix.

Gross margin from the Telematics segment increased to 70% (gross profit of $0.9 million) in the fourth quarter of fiscal 2020, up from 65% (gross profit of $0.9 million) in Q4 fiscal 2019 and in-line with the 70% (gross profit of $0.9 million) in Q3 fiscal 2020.

Twelve-Month Results

For the year ended June 30, 2020, gross margin increased to 54% from 53% in the same period last year while total gross profit increased 17% year-over-year to $52.3 million from $44.9 million. The improved results reflect higher sales and an increase in higher-margin software and service sales in the current year.

Gross margin from the Video and Broadband Solutions segment decreased slightly to 47% in fiscal 2020, from 48% in the same period last year. The change reflects increased sales of specific Entra products that carry lower margins, partially offset by an increase in higher-margin software sales and the positive impact of a stronger US dollar relative to the Canadian dollar on a year-over-year basis. Video and Broadband Solutions gross profit of $16.9 million in fiscal 2020 compares to $18.2 million in the same period of fiscal 2019, reflecting lower sales and a slightly lower gross margin.

The Content Delivery and Storage segment increased gross margin to 57% in fiscal 2020, from 55% in fiscal 2019. The improvement in gross margin primarily reflects a shift in customer and product mix. Fiscal 2020 gross profit grew 38% to $31.7 million, from $22.9 million in fiscal 2019. This significant improvement reflects higher sales with a slightly higher gross margin percentage in the current year.

The Telematics segment generated a gross margin of 69% (gross profit of $3.7 million) in the year ended June 30, 2020, as compared to 68% (gross profit of $3.7 million) in fiscal 2019.

Operating Expenses

Segment	**Three months ended June 30,**		**Years ended June 30,**	
	2020	2019	**2020**	2019
Video and Broadband Solutions	**$ 6,630**	$ 7,716	**$ 23,242**	$ 26,858
Content Delivery and Storage	**6,454**	5,926	**25,793**	21,756
Telematics	**683**	781	**3,046**	2,937
Total operating expenses	**$ 13,767**	$ 14,423	**$ 52,081**	$ 51,551

Three-Month Results

For the three months ended June 30, 2020, total operating expenses decreased to $13.8 million, from $14.4 million in the same period last year. The $0.6 million decrease primarily reflects a reduction in costs in the Video and Broadband Solutions segment partially offset by higher operating expenses in the Content Delivery and Storage segment.

Video and Broadband Solutions operating expenses decreased to $6.6 million, from $7.7 million in Q4 fiscal 2019. The $1.1 million reduction reflects restructuring costs incurred in the fiscal 2019 period that did not repeat in Q4 fiscal 2020, together with subsequent savings from the restructuring initiatives that benefitted current period results partially offset by additional deferred development amortization resulting from the reversal of prior-year investment tax credits that expired. It also reflects lower finished goods inventory allowances year-over-year.

Content Delivery and Storage operating expenses were $6.5 million in Q4 fiscal 2020, higher than $5.9 million in Q4 fiscal 2019, but in line with $6.4 million in Q3 fiscal 2020. The year-over-year increase reflects increased research and development expenses due to higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher staffing costs to support sales growth.

Telematics operating expenses of $0.7 million were slightly lower than the $0.8 million reported in both Q4 fiscal 2019 and Q3 fiscal 2020. This reflects lower research and development expenses as a result of higher deferrals in the current quarter.

Research and development expenses for Q4 fiscal 2020 increased to $6.9 million, or 26% of sales, from $5.0 million, or 24% of sales in the same period of fiscal 2019. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q4 fiscal 2020 increased to $6.8 million, or 26% of sales, from $6.2 million, or 30% of sales in Q4 fiscal 2019. The increase reflects higher staffing costs and higher prototyping costs as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $3.2 million, or 12% of sales in Q4 fiscal 2020, as compared to $3.6 million, or 18% of sales in the same period last year. The decrease in sales and marketing expense was primarily due to lower finished goods inventory allowances in the current period.

General and administrative expenses decreased to $4.1 million in Q4 fiscal 2020 from $4.3 million in the same period last year. A year-over-year reduction in Video Broadband Solutions staffing costs was partially offset by the addition of expenses from the newly acquired ContentAgent business.

Restructuring costs were $nil in Q4 fiscal 2020 as compared to $1.4 million in Q4 fiscal 2019. Prior-year costs represented severance costs related to the reorganization of our research and development staff as we moved closer to commercial deployment of our new products.

Stock-based compensation expense was $0.01 million in Q4 fiscal 2020, in line with $0.01 million in Q4 fiscal 2019.

Other (income) expense increased to $0.3 million in Q4 fiscal 2020 from other expense of $0.02 million in Q4 fiscal 2019 due to a gain on sale of the Revelstoke property in the current year quarter.

Twelve-Month Results

For the year ended June 30, 2020, total operating expenses increased to $52.1 million, from $51.6 million in fiscal 2019. This primarily reflects higher operating expenses in the Content Delivery and Storage segment in support of growth offset by lower operating costs in the Video and Broadband Solutions segment as a result of the reorganization of the research and development and manufacturing cost areas partially offset by higher deferred development amortization resulting from the reversal of prior-year investment tax credits that expired.

Video and Broadband Solutions operating expenses decreased to $23.2 million for the year ended June 30, 2020, from $26.9 million in fiscal 2019. The significant $3.7 million reduction reflects restructuring costs incurred in fiscal 2019 that did not repeat in fiscal 2020, together with subsequent savings from the restructuring efforts which benefitted fiscal 2020 results partially offset by higher deferred development amortization resulting from the reversal of prior-year investment tax credits that expired.

Content Delivery and Storage operating expenses increased to $25.8 million for the year ended June 30, 2020 from $21.8 million in fiscal 2019. This primarily reflects higher staffing costs to support growth, and the addition of the ContentAgent business.

Telematics operating expenses increased to $3.0 million in fiscal 2020, from $2.9 million last year. This $0.1 million increase primarily reflects slightly higher research and development expenses year-over-year.

Research and development expenses for the year ended June 30, 2020 increased to $22.2 million, or 23% of sales, from $19.0 million, or 22% of sales in fiscal 2019. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the year ended June 30, 2020 decreased to $25.8 million, or 27% of sales, from $29.3 million, or 34% of sales for the same period in the prior year. This decrease primarily reflects lower staffing, subcontracting and prototyping costs year-over-year as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $14.0 million, or 15% of sales in fiscal 2020, as compared to $14.1 million, or 17% of sales last year. The slight decrease in expense primarily reflects lower finished goods inventory allowances partially offset by additional staffing costs in the Content Delivery and Storage segment in support of sales growth, as well as incremental costs related to the addition of the ContentAgent business.

General and administrative expenses decreased to $16.3 million in fiscal 2020, from $16.6 million in fiscal 2019. The year-over-year decrease primarily reflects lower staffing costs partially offset by the addition of the ContentAgent business.

Restructuring costs were $nil for the year ended June 30, 2020 as compared to $2.2 million in fiscal 2019 when we incurred severance costs related to the reorganization of our research and development staffing and manufacturing operations.

Stock-based compensation expense was $0.06 million in fiscal 2020 as compared to $0.11 million in fiscal 2019.

Other income increased to $0.5 million for the year ended June 30, 2020, from $0.4 million in fiscal 2019 reflecting real estate property sales in the current year and intellectual property sales in the prior year.

Operating (Loss) Income

	Three months ended June 30,				Years ended June 30,			
Segment Operating (Loss) Income		**2020**		2019		**2020**		2019
Video and Broadband Solutions	**$**	**(2,539)**	$	(4,622)	**$**	**(6,297)**	$	(8,614)
Content Delivery and Storage		**1,327**		276		**5,882**		1,135
Telematics		**243**		83		**638**		805
Total operating (loss) income	**$**	**(969)**	$	(4,263)	**$**	**223**	$	(6,674)

Three-Month Results

Operating loss significantly improved to $1.0 million in Q4 fiscal 2020, from an operating loss of $4.3 million in Q4 fiscal 2019. The $3.3 million improvement was mainly driven by a $2.1 million decrease in loss from the Video and Broadband Solutions segment, a $1.0 million increase in contribution from the Content Delivery and Storage segment and a $0.2 million increase in contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment generated a fourth quarter operating loss of $2.5 million, as compared to an operating loss of $4.6 million in Q4 fiscal 2019. The year-over-year improvement reflects the $1.1 million decrease in operating expenses and $1.0 million increase in segment gross profit.

Content Delivery and Storage increased operating income to $1.3 million in the fourth quarter of fiscal 2020, from $0.3 million in the same period of fiscal 2019. The $1.0 million year-over-year increase primarily reflects the $1.6 million improvement in gross profit partially offset by the $0.6 million increase in operating expenses.

Telematics operating income increased to $0.2 million in Q4 fiscal 2020, from $0.1 million in Q4 fiscal 2019. This reflects a $0.1 million increase in gross profits year-over-year.

Finance income was income of $0.1 million in Q4 fiscal 2020, as compared to income of $0.3 million in the same period last year. The current period result is lower due to a loss in the value of shares held in AirIQ.

Foreign exchange loss for the fourth quarter was $0.5 million, in line with the $0.5 million loss in the prior-year period.

Income tax (recovery) was a recovery of $0.3 million in Q4 fiscal 2020, as compared to a recovery of $1.5 million in Q4 fiscal 2019.

Net loss for Q4 fiscal 2020 improved to $1.0 million or $0.05 per share, from a loss of $3.0 million or $0.13 per share in Q4 fiscal 2019.

Other comprehensive loss increased to a loss of $1.1 million in Q4 fiscal 2020 from other comprehensive loss of $0.5 million in the same period in fiscal 2019. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive loss for Q4 fiscal 2020 improved to $2.6 million, from a comprehensive loss of $3.4 million in Q4 fiscal 2019. The improvement year-over-year is a result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2020, operating income improved to $0.2 million up $6.9 million from an operating loss of $6.7 million in fiscal 2019. The year-over-year increase mainly reflects improved results from the Content Delivery and Storage segment and the Video and Broadband Solutions segment, partially offset by decreased operating income from the Telematics segment.

Video and Broadband Solutions reported an operating loss of $6.3 million in fiscal 2020, as compared to an operating loss of $8.6 million in fiscal 2019. The $2.3 million improvement reflects the $3.6 million decrease in operating expenses partially offset by the $1.3 million decrease in gross profit.

Content Delivery and Storage increased operating income to $5.9 million from $1.1 million in fiscal 2019. The $4.8 million gain reflects the $8.8 million increase in segment gross profit partially offset by the $4.0 million increase in operating expenses.

Telematics operating income decreased to $0.6 million in the year ended June 30, 2020, from $0.8 million in fiscal 2019. The $0.2 million decrease reflects the $0.1 million increase in operating expenses and a $0.1 million decrease in gross profit.

Finance income decreased to $0.6 million in fiscal 2020, from $0.9 million in the previous year reflecting a decrease in short-term investment income year-over-year.

Foreign exchange gain (loss) for the year ended June 30, 2020 was a gain of $1.3 million, compared to a loss of $0.1 million in fiscal 2019.

Income tax expense (recovery) was an expense of $0.4 million for the year ended June 30, 2020 compared to a recovery of $2.4 million in fiscal 2019.

Net income (loss) for the year ended June 30, 2020 increased to income of $1.8 million or $0.08 per share from a loss of $3.5 million or $0.15 loss per share in fiscal 2019.

Other comprehensive income (loss) increased to comprehensive income of $1.1 million in the year ended June 30, 2020, from other comprehensive loss of $0.1 million in fiscal 2019. The $1.2 million improvement reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive income (loss) for the year ended June 30, 2020 increased to comprehensive income of $2.9 million, from comprehensive loss of $3.5 million in fiscal 2019.

Operating Activities

For the three months ended June 30, 2020, cash flow from operating activities was $2.5 million, in line with $2.8 million in the same period last year. In the Q4 fiscal 2020 period, a $3.1 million reduction in cash flow from non-cash working capital was fully offset by a $2.8 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $0.4 million as a result of depreciation of right-of-use assets.

For the year ended June 30, 2020, cash flow from operating activities decreased to $9.8 million, from $11.4 million in fiscal 2019. This primarily reflects the $11.0 million decrease in cash flow from non-cash working capital, partially offset by the $9.4 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $1.4 million as a result of depreciation of right-of-use assets.

Investing Activities

For the three months ended June 30, 2020, cash flow used in investing activities increased to $3.1 million from $1.2 million in the same period last year. This increase reflects the purchase of short-term investments of $0.2 million (Q4 fiscal 2019 sale of marketable securities - $3.6 million), deferred development expenditures of $3.4 million (Q4 fiscal 2019 - $2.9 million), and the purchase of property, plant and equipment of $0.4 million (Q4 fiscal 2019 - $1.1 million).

For the year ended June 30, 2020, cash flow from investing activities increased to $6.0 million from cash provided by investing activities of $2.5 million in fiscal 2019. The cash used by investing activities represents the net sale of short-term investments of $7.4 million (fiscal 2019 - $22.1 million), deferred development expenditures of $12.3 million (fiscal 2019 - $16.1 million), and the purchase of property, plant and equipment of $2.1 million (fiscal 2019 - $2.9 million).

Financing Activities

In the three months ended June 30, 2020, we repaid $0.06 million of our long-term debt (Q4 fiscal 2019 - $0.06 million repaid). We paid dividends of $1.2 million (Q4 fiscal 2019 - $1.2 million). We received proceeds from exercised options of $0.4 million (Q4 fiscal 2019 - $0.1 million) and proceeds from government grants of $nil (Q4 fiscal 2019 - $0.1 million) and we repaid lease liabilities of $0.7 million (Q4 fiscal 2019 - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

In the year ended June 30, 2020, we repaid $0.3 million of our long-term debt (fiscal 2019 - $0.3 million repaid). We paid dividends of $4.9 million (fiscal 2019 - $4.9 million). We received proceeds from exercised options of $0.9 million (fiscal 2019 - $0.1 million) and proceeds from government grants of $0.1 million (fiscal 2019 - $0.2 million) and we repaid lease liabilities of $1.7 million (fiscal 2019 - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current cash and short-term investments of $34.5 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at June 30, 2020, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2019), of which $nil was drawn as an operating line of credit (June 30, 2019 - $nil was drawn). We had term credit of $1.7 million as at June 30, 2020 (June 30, 2019 - $2.0 million).

Capital expenditures for Q4 fiscal 2020 were $0.4 million, compared to $1.1 million in Q4 fiscal 2019.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $55.3 million at June 30, 2020, from $58.3 million at June 30, 2019. This decrease is mainly a result of changes from the adoption of IFRS 16 which increased the current portion of long-term debt. We note that working capital balances can also be subject to significant swings from quarter-to-quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5-to-$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $24.9 million at June 30, 2020, from $15.2 million at June 30, 2019. This increase reflects the larger sales in Q4 fiscal 2020 compared to Q4 fiscal 2019, Q3 2020 sales that will be collected in Q1 fiscal 2021 and the timing of sales in Q4 fiscal 2020 as compared to Q4 fiscal 2019.

Income tax receivable balance was slightly lower at $0.3 million at June 30, 2019 ($0.4 million as at June 30, 2019). This represents income tax receivable in the Content Delivery and Storage segment.

Inventories increased by $4.5 million to $17.2 million at June 30, 2020, from $12.7 million as at June 30, 2019. The increase represents the ramp up of inventory related to our new product inventory, as well as some strategic inventory purchases in light of the COVID-19 situation. Finished goods inventories were $6.4 million at June 30, 2020, compared to $5.9 million at June 30, 2019. Raw material inventory increased to $7.0 million at June 30, 2020, from $5.5 million at June 30, 2019. Work-in-progress inventories increased to $3.8 million as at June 30, 2020, from $1.3 million at June 30, 2019. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $24.4 million at June 30, 2020 flat from $24.4 million at June 30, 2019. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable. Increases in eligible credits were offset by the recording of the CRA tax ruling denying our SR&ED Notice of Objection that decreased our tax pools by $1.3 million and $1.2 million for expired provincial investment tax credits.

Accounts payable and accrued liabilities increased to $17.1 million at June 30, 2020 from $11.7 million at June 30, 2019.

Long-term debt, including the current portion, was $6.3 million at June 30, 2020, as compared to $2.0 million at June 30, 2019. The increase is a result of the adoption of IFRS 16 which requires the recording of contractual lease liabilities.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 24, 2019	$0.055	October 11, 2019	November 1, 2019
November 12, 2019	$0.055	November 22, 2019	December 16, 2019
February 4, 2020	$0.055	February 21, 2020	March 23, 2020
May 12, 2020	$0.055	May 22, 2020	June 15, 2020

Contractual Obligations

Due to the adoption of IFRS 16, as of the transition date of July 1, 2019, the contractual lease obligations have been recorded as lease liabilities of $5.7 million with corresponding right-of-use assets of $5.1 million on our consolidated statements of financial position. Lease liabilities recorded on our consolidated statements of financial position, as at June 30, 2020 were $4.6 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at June 30, 2020, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.4 million; due between two to five years is $3.2 million; and thereafter is $nil.

Contingencies

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1.3 million.. We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. We received a Notice of Confirmation in February 2020 that our Notice of Objection was denied. We have recorded the adjustment in our financial statements. The impact of this adjustment was a $1.3 million increase in deferred development amortization expense. We have filed a Notice of Appeal in April 2020 to defend our original tax treatment of these SR&ED claims.

Foreign Exchange

Approximately 97% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchased are in U.S. dollars.

As at June 30, 2020, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.366 from $1.313 as at June 30, 2019. This $0.053 exchange difference increased the value of our $37.6 million U.S. dollar net assets by approximately $2.0 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at June 30, 2020, we had forward contracts in an asset position of $0.1 million (June 30, 2019 - $nil).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial condition.

Transactions Between Related Parties

We had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was $nil for the year ended June 30, 2020 (June 30, 2019 - $0.2 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2020

IFRS 16 - Leases

Effective July 1, 2019, we adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – *Leases* (IAS 17) and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors. The impact to the statement of financial position was a right-of-use asset of $5.1 million, reduction in accrued liabilities of $0.8 million, current portion of lease obligations of $1.3 million, long-term lease obligations of $4.4 million and opening retained earnings of $0.2 million.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements in IAS 12 – *Income Taxes*, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. We adopted IFRIC 23 and determined that the application did not have a material impact on our consolidated financial statements because our policies were in line with the standard.

Standards and Amendments to Standards Issued but not yet Effective

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 – *Business Combinations* (IFRS 3). The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether the future acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively for acquisitions made on or after the first annual reporting period beginning on or after January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

IAS 1 - Presentation of Financial Statements; and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On October 31, 2018, IAS 1 and IAS 8 were amended to clarify the definition of “material” and how it should be applied. The amendments also improve the explanation of the definition and ensure consistency across all IFRS standards. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Amendment to IFRS 16 - Leases

On May 28, 2020, the IASB published *Covid-19-Related Rent Concessions (Amendments to IFRS 16)*, amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted. We do not expect the amendment to IFRS 16 will have an effect on our consolidated financial statements.

IFRS 17 - Insurance Contracts

IFRS 17 is a new standard that replaces IFRS 4 – *Insurance contracts*. IFRS 17 aims to provide consistency and transparency in the application of accounting for insurance contracts. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023. We do not expect IFRS 17 will have an effect on our consolidated financial statements.

IFRS 9 - Financial Instruments; IAS 39 - Financial Instruments: Recognition and Measurement; and IFRS 7 - Financial Instruments: Disclosures

Amendments to these accounting standards provides temporary, but mandatory, relief from specific hedge accounting requirements to address potential effects of the uncertainty in the lead up to interbank offer rates reform (IBOR reform). The amendments are effective for annual reporting periods beginning on or after January 1, 2020. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IAS 37 - Provisions

On May 14, 2020 the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures were designed to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2020.

Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at June 30, 2020 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at June 30, 2020. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2019 and ended on June 30, 2020 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting

Business Combination

On May 31, 2019, we completed an acquisition of substantially all of the operating assets of ContentAgent, a software and solutions company specializing in video-ingest and delivery automation solutions for the media industry.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the consolidation of ContentAgent and our existing business; expected growth in the underlying markets which ContentAgent serves; and the strength of the assembled workforce.

Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, a provision for the loss is made, based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of comprehensive income or consolidated statements of financial position.

Risks and Uncertainties and COVID-19

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading “Forward-Looking Information” below) and the risk factors set forth in our Annual Information Form for our most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of these risks occurs, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at June 30, 2020, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

COVID-19

We have been closely monitoring the impact of COVID-19. At this time, our industry is recognized as an essential service in the areas where we operate. We have taken steps to allow most of our workforce to work remotely. We have also implemented all of the social distancing and increased facility sanitization guidelines and suspended all travel. In addition, we have increased production where possible to get ahead of any staffing challenges we might encounter.

It is too soon to gauge the impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. COVID-19 is altering business and consumer activity in affected areas and beyond. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions, the temporary shut-down of non-essential services and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where we operate. Labour shortages due to illness, Company or government imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of our operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts our business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the economies in which we operate and could continue to negatively impact stock markets, including the trading price of our shares, Potential impacts include, but are not limited to, an impairment of long-lived assets, an impairment of short-term investments and a change in the estimated credit loss on accounts receivable.

Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in our financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, impairments of short-term investments and a change in the estimated credit losses on accounts receivable.

Our financial priorities remain unchanged. Importantly we continue to have a very strong balance sheet. We are continuing with the payment of our quarterly dividend.

Outstanding Share Data

As at September 22, 2020, we had 22,495,807 common shares outstanding as well as stock options outstanding that are exercisable for an additional 359,400 common shares, and performance share units outstanding that are exercisable for an additional 578,834 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 10,356 common shares in fiscal 2019. The normal course issuer bid expired on December 19, 2019.

On January 2, 2020, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 7,068 common shares of Vecima for cancellation in Q4 fiscal 2020 and 13,380 common shares in fiscal 2020. The normal course issuer bid commenced on January 6, 2020 and expires on January 5, 2021.

Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the consolidated financial statements and notes thereto and the MD&A. Additionally, it is management's responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent.

External auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes but is not limited to statements that: we are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, while we anticipate continued ordering activity for TerraceQAM, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform; and we believe that our current cash and short-term investments of $34.5 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward-looking information also includes our Strategy, our Industry Developments and our COVID-19 Business Update and Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and can develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property; and epidemics, pandemics or other public health crises, including the current outbreak of COVID-19. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties and COVID-19" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.