



FOURTH QUARTER AND FULL-YEAR RESULTS

Management's Discussion and Analysis

VECIMA NETWORKS INC.

For the years ended June 30, 2023 and 2022

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 19, 2023

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, 2023.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the years ended June 30, 2023 and 2022. 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, 2023 and 2022 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 and our expectations related to customer demand. 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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1. 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 Victoria, Burnaby, Duluth, Raleigh, San Jose, Qingdao, Shanghai, Tokyo, Amsterdam, and manufacturing and research and development ("R&D") facilities 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 provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** ("VBS") includes platforms that process data from the cable network and deliver high-speed internet connectivity to homes over cable and fiber as well as adapt video services to formats suitable to be consumed on televisions in commercial properties.

a. 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 fiber to the home ("FTTH") nodes as optical transport moves away from analog distribution to fully digital distribution. Our goal is to provide the market's most flexible and complete portfolio of broadband access infrastructure products driving the future of ultra-high speed networks to multi-gigabit per second symmetrical access.

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, providing a modular highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable;
- EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC-PHY, providing the full next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable;
- EntraOptical - Consists of both chassis and node based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
- EntraControl – a virtual cloud-based platform with centralized orchestration and control across all Entra products:
 - 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, leveraging existing video generation infrastructure by providing a direct pathway for video through to the Entra node; and
 - The Entra Access Controller ("EAC") virtualizes all of the control components allowing for the distribution of the data processing to the edge and into the Entra MAC and Entra Optical nodes; and
- EntraVideo – a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures:
 - 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 essential two-way network connectivity for legacy set-top boxes that are heavily deployed and in service today.

b. Our Terrace and TerraceQAM product families meet the unique needs of the business services vertical, including MDU ("multi-dwelling units") and hospitality (including hotels, motels and resorts) by adapting video services to the individual business requirements and leveraging existing televisions in rooms.

2) **Content Delivery and Storage** ("CDS") includes solutions and software, under the MediaScale brand, for service providers and content owners that focus on ingesting, producing, storing, delivering and streaming video for live linear, Video on Demand ("VOD"), network Digital Video Recorder ("nDVR") and time-shifted services over the internet.

MediaScale

- Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
- Origin: packages and secures video for streaming over-the-top ("OTT") or through a service provider managed network, regardless of network technology;
- Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause;

- Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience; and
 - Digital Add Insertion: Vecima's MediaScale™ Dynamic Content solution helps service providers gain control over content by supporting content rights, blackouts, and advertising. By manipulating content at the edge of the network, operators can deliver more efficient, personalized video content and more opportunities to monetize that content with targeted, higher-value ads.
- 3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands. Vecima's Telematics solutions allow fleets and high value assets to be tracked, managed, reported on and optimized over a subscription-based cloud portal serving commercial and municipal government customers.

2. Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards DAA under the latest data over cable system interface specification ("DOCSIS") standards. Multiple top-tier and mid-tier players have initiated a roll-out of this new platform with further large-scale deployments anticipated over the next several years. DAA 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 today and growing to 6 Gbps upload in the future. The speed provided by DAA using coaxial cable is comparable to that of fiber optic connections, thereby allowing cable operators to leverage their systems without the significant 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 DAA technology also enables significant cost-per-bit reductions relative to legacy DOCSIS network solutions.

The cable market began its broad shift towards DAA in 2020 as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impacts of the COVID-19 pandemic further increased demands on network bandwidth, accelerating the push towards distributed access solutions.

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, has subsequently released the DOCSIS 4.0 specifications, which include full duplex DOCSIS ("FDX") and extended spectrum DOCSIS ("ESD"), allowing multi-system operators ("MSO") to significantly increase their total capacity while leveraging their past coaxial infrastructure investment.

Increasingly, service providers are strategically extending their networks with an all-fiber architecture using cable specific fiber to the home ("10G EPON") technology. Further, government funding is being made available to subsidize widescale fiber network buildouts with an emphasis on rural areas that are currently underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial and fiber access networks over a common cloud management platform.

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.

Content owners and broadcasters are also leveraging IPTV technologies to deliver services directly to subscribers using OTT business models. Open cache technology, such as that being standardized by the streaming video alliance is aimed at consolidating IPTV traffic utilizing strategically placed cache capacity that reduces cost and network latency.

Telematics

Traditional vehicle telematics is widely available for commercial fleets, but operations managers increasingly demand additional value to improve productivity of personnel and investment in the entire asset base. This has created additional opportunities to leverage asset tracking technology used in the Internet of Things to cost-effectively monitor mobile or fixed assets in the field, particularly in service-based industries where asset utilization can drive a stronger profit margin. Managers in these asset-intensive industries can use key information and analytics to optimally manage their mobile and fixed assets using subscription-based cloud portals.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the MediaScale 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.

3. Fiscal 2023 Q4 and Full-Year Highlights

Financial and Corporate Highlights

- Full-year consolidated sales climbed 62.4% year-over-year, setting a new Company record at \$303.4 million. Fourth quarter sales grew 26.0% year-over-year to \$75.5 million.
- Full-year gross profit of \$142.0 million and fourth quarter gross profit of \$38.1 million were up 57.8% and 33.8%, respectively, from the same periods in fiscal 2022.
- Achieved full-year gross profit margin of 46.8% and Q4 gross profit margin of 50.5%, as compared to 48.2% and 47.5% in the same periods of fiscal 2022.
- Full-year adjusted EBITDA climbed 92.8% to \$59.8 million; Q4 adjusted EBITDA increased 35.7% year-over-year to \$15.1 million. As a percentage of revenue, Q4 adjusted EBITDA increased to 20.0% from 18.5% in Q4 fiscal 2022.
- Full-year adjusted EPS grew to a record \$1.19 per share, from \$0.41 in fiscal 2022; Q4 adjusted EPS grew to \$0.25 per share, from \$0.19 in Q4 fiscal 2022.
- Ended the fiscal year in strong financial position with \$2.3 million in cash and working capital of \$83.7 million at June 30, 2023, compared to \$12.9 million and \$58.6 million, respectively, at June 30, 2022.
- Declared annual dividends of \$0.22 per share, including a fourth quarter dividend of \$0.055 per share payable on November 6, 2023 to shareholders of record on October 13, 2023. This represents a cumulative \$45 million returned to shareholders through regular dividends since Vecima initiated dividends in October 2014.

Video and Broadband Solutions (VBS)

- Achieved strong segment sales growth with annual VBS revenue increasing 77.7% year-over-year to a record \$245.1 million and Q4 VBS sales climbing 15.4% year-over-year to \$57.0 million. VBS services revenues increased 44.9% to \$15.1 million for the full year and 25.5% to \$3.6 million in Q4.

DAA (Entra family)

- Deployments of next-generation Entra DAA products increased 107% year-over-year to \$222.1 million in FY23; Q4 Entra sales increased 26.8% year-over-year to \$50.7 million.
- Milestone DAA achievements in fiscal 2023 included:
 - An increase in total customer engagements to 107 MSOs worldwide, from 91 a year earlier. Fifty-one of these customers have now ordered Entra products, with order sizes increasing as operators continue to transition to broader deployment.
 - Customers engaged for cable access now number 61.
 - Customers engaged for fiber (or both cable and fiber) access technologies now number 46.
 - Achieved significant market adoption of next-generation fiber and cable access solutions, including deployments with eight of the twelve largest cable operators in North America.
 - Selected by Charter Communications to provide Entra ERM3 next-generation Remote PHY devices for this customer's planned enterprise-wide hybrid fiber coax (HFC) network evolution. The Entra ERM3 RPD is expected to be used for a substantial portion of Charter's network upgrade.
 - Reached a major fiber milestone with a Tier 1 operator in the US, deploying more than 20,000 10G PON (Passive Optical Network) ports of Vecima's Entra Fiber Access portfolio.
 - Grew Vecima's footprint in Europe with Entra R-PHY deployments at Telenet Belgium and Telenet Systems in Austria.
 - In Asia, Kbro, Taiwan's largest cable operator, selected Entra Remote PHY to enable high-speed DOCSIS 3.1 services to subscribers.
 - California's Orion Cable chose Vecima for an R-PHY solution tailored to smaller cable operators requiring a turnkey, cost-effective and future-proof path to DOCSIS 4.0.
 - Demonstrated 10G-capable multi-gigabit symmetrical speed DOCSIS 4.0 in partnership with Charter Communications.

- Expanded PON portfolio with the launch of the Entra EXS1610 All-PON 10G shelf solution, which broadly supports widely deployed PON standards.
- Recognized by Dell'Oro Group as the 2022 market share leader in two key DAA categories: Remote Optical Line Terminals and Remote MACPHY.

Commercial Video (Terrace Family)

- Generated full-year commercial video sales of \$22.2 million, as compared to \$29.8 million in fiscal 2022, and Q4 sales of \$6.3 million, as compared to \$8.8 million a year earlier, reflecting the transition to next-generation platforms and the impact of certain newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.
- Achieved a new milestone with Terrace and TerraceQAM bulk video delivery reaching an estimated 25,000 hotels, enterprises and commercial sites.
- Completed lab qualification and first large operator deployment of TerracelQ in an IPTV environment.

Content Delivery and Storage (CDS)

- Full-year CDS sales grew 20.3% to \$52.3 million, from \$43.5 million in fiscal 2022; achieved record fourth quarter CDS sales of \$17.1 million, up 85.4% from \$9.2 million in Q4 FY22.
- CDS services revenues increased 28.9% to \$22.2 million in FY23 and grew 44.3% to \$6.8 million in Q4.
- Undertook multiple IPTV expansions with existing customers in fiscal 2023, broadening network footprints to give larger subscriber bases access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric, while further migrating from legacy QAM-based video services. These significant customer expansions of MediaScale IPTV subscriber coverage included:
 - major footprint growth at a top 10 U.S. cable operator;
 - a phase 2 buildout with a Tier 2 telecom provider in the U.S.;
 - broadened IPTV deployment at a Tier 2 cable operator in the Midwestern U.S.;
 - increased IPTV services capacity with a fiber service provider in the Southeastern U.S. where Vecima's full MediaScale portfolio is used as the operator's flagship video offering to households and multiple dwelling units;
 - a major IPTV expansion with another top 10 U.S. cable operator; and
 - network capacity growth for a leading fiber service provider covering several U.S. markets with a full suite of IPTV services in multi-tenant and multi-dwelling communities.
- Achieved an additional telco win for IPTV linear streaming, cloud DVR and Video on Demand (VOD) in fiscal 2023.
- Supported the record traffic experienced by operators during the FIFA World Cup Qatar 2022™ and again during Super Bowl LVII, while delivering 100% uptime performance.
- Established a partnership with Cadent, the largest independent platform for advanced TV advertising, to integrate Vecima's MediaScale streaming solution with the Cadent Aperture platform. This integrated solution will enable service providers to protect existing linear ad revenue as they migrate to new IPTV platforms, while creating opportunities for incremental revenue.

Telematics

- Achieved best fiscal year to date for additions of new moveable asset customers, including 58 new customers for the NERO asset tracking platform and the addition of over 1,250 net new subscriptions. Asset tracking-related telematics subscriptions now represent approximately 17% of total subscriptions.
- Significantly increased the number of moveable assets being monitored to over 48,000 units, an over 280% increase in the last eight quarters.
- In the municipal government market for vehicle monitoring systems, continued roll-out with a Canadian municipality for approximately 100 vehicle subscriptions, including winter operations vehicles.
- Achieved record full-year and Q4 margins of 67.7% and 72.4%, respectively.
- Achieved record full-year sales of \$6.1 million.

4. Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services.

In the broadband market, these trends, together with significant government investment into rural broadband initiatives, are fueling a wave of demand for Vecima's world-class Entra DAA cable and fiber access solutions; demand that further amplifies the need to upgrade networks when compounded with the continuous capacity increases that must regularly occur. To date this demand has translated into record revenue growth for Vecima, including year-over-year consolidated sales increases of 50.5% in fiscal 2022 and 62.5% in fiscal 2023. With the industry poised to move to even wider adoption of DAA, we expect demand for our solutions will grow even stronger as we move into the latter part of fiscal 2024, while continuing to note that in the near term the macro environment is in transition.

As discussed in our Q3FY23 outlook, Vecima successfully managed major constraints in the supply chain to fulfill strong product deliveries in support of our customers' ongoing major network upgrade projects through fiscal 2023. Correspondingly, customers are now temporarily shifting from building up their product pipelines to managing their DAA rollout logistics, expanding field deployment activity, and working through existing inventories.

This is expected to lead to a temporary slowdown in Entra product deliveries in the first half of fiscal 2024, most notably in Q1, followed by an anticipated second half return to growth driven by new programs and deployments, as well as the work-down of inventory at customers nearing conclusion. In parallel, our Video and Broadband Solutions segment is preparing to launch major DAA rollouts with key customers in fiscal 2024, including supporting a Tier 1 customer's planned large scale cable access network upgrade to DAA with our ERM3 next-generation Remote PHY devices. By year-end our quarterly run rate is expected to reach new highs and we expect this momentum will continue to build into fiscal 2025 and beyond. As we have stated previously, we see a long and remarkable runway of growth for Entra.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to be slightly lower year-over-year as customers continue to transition to our next-generation Terrace IQ solution and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales.

In our Content Delivery and Storage segment, demand for our IPTV and open caching solutions continues to grow as existing IPTV customers undertake network expansions and new customers come on board. We expect to build on the segment's strong fiscal 2023 sales performance with low double-digit growth in fiscal 2024. We also continue to see robust longer-term growth potential as IPTV gains momentum and our newer open caching and dynamic ad insertion solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate incremental growth in subscriptions from the fleet tracking market, along with continued increases in demand for our asset tracking services that have been an important driver of segment differentiation and gains in recent quarters.

As we move forward, we anticipate that our market and product mix will continue to gradually shift to higher volume, lower-margin cable access products. Accordingly, we are targeting a gross margin percentage in the 45% to 49% range, and we expect this margin profile, combined with our operating expenses model, will support our targeted bottom line performance.

Overall, we expect fiscal 2024 will further demonstrate our ability to capture the major and multi-year opportunities in the compelling DAA and IPTV markets as we continue to build value for our shareholders.

5. 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 <i>(in thousands of dollars except common share data)</i>	Years ended June 30,								
	2023		2022		2021				
Sales	\$	303,437	100%	\$	186,814	100%	\$	124,177	100%
Cost of sales		161,466	53%		96,852	52%		67,535	54%
Gross profit		141,971	47%		89,962	48%		56,642	46%
Operating expenses									
Research and development ⁽¹⁾		45,950	15%		36,552	20%		26,247	21%
Sales and marketing		27,694	9%		19,330	10%		13,720	11%
General and administrative		29,428	10%		22,761	12%		17,937	14%
Restructuring costs		1,236	- %		-	- %		-	- %
Share-based compensation		2,502	1%		881	- %		1,420	1%
Other expense (income)		1,871	1%		1,001	1%		(1,512)	- %
		108,681	36%		80,525	43%		57,812	47 %
Operating income (loss)		33,290	11%		9,437	5%		(1,170)	(1)%
Finance (expense) income		(2,370)	(1)%		(272)	- %		69	- %
Foreign exchange gain (loss)		2,681	1%		1,882	1%		(2,973)	(2)%
Income (loss) before taxes		33,601	11%		11,047	6%		(4,074)	(3)%
Income tax expense (recovery)		6,389	2%		2,358	1%		(1,889)	(1)%
Net income (loss) from continuing operations		27,212	9%		8,689	5%		(2,185)	(2)%
Net income from discontinued operations		-	- %		-	- %		1,854	2%
Net income (loss)		27,212	9%		8,689	5%		(331)	- %
Other comprehensive (loss) income		(114)	- %		831	- %		(3,196)	(3)%
Comprehensive income (loss)	\$	27,098	9%	\$	9,520	5%	\$	(3,527)	(3)%
Net income (loss) per share⁽²⁾									
Basic – total	\$	1.15		\$	0.38		\$	(0.02)	
Basic – continuing operations	\$	1.15		\$	0.38		\$	(0.10)	
Diluted – total	\$	1.15		\$	0.38		\$	(0.02)	
Diluted – continuing operations	\$	1.15		\$	0.38		\$	(0.10)	
Other Data									
Total research and development expenditures ⁽³⁾	\$	57,428		\$	43,461		\$	35,023	
Adjusted EBITDA ⁽⁴⁾	\$	59,817		\$	31,032		\$	12,323	
Adjusted earnings (loss) per share ⁽⁵⁾	\$	1.19		\$	0.41		\$	(0.10)	
Number of employees ⁽⁶⁾		602			592			481	

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

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

(3) Amounts are from continuing operations. 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 listed includes the full impact of restructuring activities initiated in the fourth quarter and completed in early July, 2023.

Consolidated Statements of Financial Position <i>(in thousands of dollars except common share data)</i>	June 30, 2023	June 30, 2022	June 30, 2021
Cash and cash equivalents	\$ 2,278	\$ 12,902	\$ 28,909
Working capital	\$ 83,666	\$ 58,571	\$ 44,792
Total assets	\$ 331,686	\$ 262,608	\$ 214,732
Long-term debt ⁽¹⁾	\$ 14,123	\$ 15,115	\$ 4,107
Shareholders' equity	\$ 217,653	\$ 179,732	\$ 174,920
Number of common shares outstanding ⁽²⁾	23,712,384	23,079,181	22,748,826

⁽¹⁾ Since 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 net income 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 <i>(in thousands of dollars except per share amounts)</i>	Years ended June 30,		
	2023	2022	2021
Net income (loss)	\$ 27,212	\$ 8,689	\$ (331)
Loss on sale of non-core PP&E, net of tax	56	154	-
Restructuring costs, net of tax	976	-	-
Gain on disposal of discontinued operations, net of tax	-	-	(2,007)
Impairment expense, net of tax	-	591	-
Adjusted net income (loss)	\$ 28,244	\$ 9,434	\$ (2,338)
Net income (loss) per share	\$ 1.15	\$ 0.38	\$ (0.02)
Loss on sale of non-core PP&E, net of tax	-	0.01	-
Restructuring costs, net of tax	0.04	-	-
Gain on disposal of discontinued operations, net of tax	-	-	(0.08)
Impairment expense, net of tax	-	0.02	-
Adjusted earnings (loss) per share⁽¹⁾⁽²⁾	\$ 1.19	\$ 0.41	\$ (0.10)

⁽¹⁾ Adjusted earnings per share includes non-cash share-based compensation of \$1.3 million or \$0.05 per share for the three months ended June 30, 2023, and \$2.5 million or \$0.11 per share for the year ended June 30, 2023. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.

⁽²⁾ Adjusted earnings per share includes foreign exchange gain of \$1.3 million or \$0.06 per share for the three months ended June 30, 2023 and \$2.7 million or \$0.11 per share for the year ended June 30, 2023.

EBITDA and Adjusted EBITDA

The following table reconciles net income (loss) 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. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA <i>(in thousands of dollars)</i>	Years ended June 30,		
	2023	2022	2021
Net income (loss) from continuing operations	\$ 27,212	\$ 8,689	\$ (2,185)
Income tax expense (recovery)	6,389	2,358	(1,889)
Interest expense	2,390	299	225
Depreciation of PP&E	3,416	2,827	2,346
Depreciation of right-of-use assets	1,355	1,264	1,523
Amortization of deferred development costs	11,981	10,643	7,567
Amortization of intangible assets	3,265	3,115	3,319
EBITDA from discontinued operations	-	-	2,351
EBITDA	56,008	29,195	13,257
Loss (gain) on sale of property, plant and equipment	71	208	(302)
Impairment losses	-	748	-
Restructuring costs	1,236	-	-
Gain on disposal of discontinued operations	-	-	(2,052)
Share-based compensation	2,502	881	1,420
Adjusted EBITDA	\$ 59,817	\$ 31,032	\$ 12,323
Percentage of sales	20%	17%	10%

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 from Continuing Operations <i>(in thousands of dollars)</i>	Years ended June 30,		
	2023	2022	2021
Research and development per statement of income	\$ 45,950	\$ 36,552	\$ 26,247
Deferred development costs	23,354	17,419	16,205
Investment tax credits	117	148	138
Amortization of deferred development costs	(11,981)	(10,643)	(7,567)
Government grants	(12)	(15)	-
Total research and development expenditures	\$ 57,428	\$ 43,461	\$ 35,023
Percentage of sales	19%	23%	28%

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2023 and 2022 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.

<i>(in thousands of dollars except per share amounts)</i>	Fiscal 2023				Fiscal 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	\$ 75,522	\$ 78,256	\$ 76,212	\$ 73,447	\$ 59,960	\$ 50,872	\$ 43,587	\$ 32,395
Cost of Sales	37,410	44,183	40,167	39,706	31,478	26,914	21,767	16,693
Gross profit	38,112	34,073	36,045	33,741	28,482	23,958	21,820	15,702
Operating expenses								
Research and development	12,851	12,053	10,341	10,705	11,396	8,796	8,352	8,008
Sales and marketing	7,842	6,929	6,619	6,304	5,993	4,682	4,554	4,101
General and administrative	7,923	8,389	7,522	5,594	6,494	6,083	5,498	4,686
Restructuring costs	1,236	-	-	-	-	-	-	-
Share-based compensation	1,300	289	815	98	64	64	65	688
Other expense	1,553	275	22	21	767	215	13	6
	32,705	27,935	25,319	22,722	24,714	19,840	18,482	17,489
Operating income (loss)	5,407	6,138	10,726	11,019	3,768	4,118	3,338	(1,787)
Finance expense	(877)	(738)	(554)	(201)	(102)	(82)	(46)	(42)
Foreign exchange gain (loss)	1,319	198	(138)	1,302	1,427	(541)	(111)	1,107
Income (loss) before income taxes	5,849	5,598	10,034	12,120	5,093	3,495	3,181	(722)
Income tax expense (recovery)	739	1,147	1,895	2,608	1,609	505	1,708	(1,464)
Net income	5,110	4,451	8,139	9,512	3,484	2,990	1,473	742
Other comprehensive (loss) income	(1,896)	(105)	(482)	2,369	775	(750)	(110)	916
Comprehensive income	\$ 3,214	\$ 4,346	\$ 7,657	\$ 11,881	\$ 4,259	\$ 2,240	\$ 1,363	\$ 1,658
Net income per share								
Basic – total	\$ 0.21	\$ 0.18	\$ 0.35	\$ 0.41	\$ 0.16	\$ 0.13	\$ 0.06	\$ 0.03
Diluted – total	0.21	0.18	0.35	0.41	0.16	0.13	0.06	0.03
Adjusted EBITDA as reported	\$ 15,088	\$ 11,700	\$ 15,840	\$ 17,189	\$ 11,121	\$ 8,125	\$ 7,447	\$ 4,339

Quarter-to-Quarter Sales Variances

There are many factors that may 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 major new technology adoption such as the industry-wide migration to distributed access architecture. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules and any adjustments thereof. We are currently experiencing a transition in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate their focus to distributed access architecture and next-generation commercial video platforms.

Our Content Delivery and Storage segment also influences potential variations of our quarterly sales. Pronounced 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 and third quarters typically carrying slower customer activity.

7. Segmented Information

Sales

Segment	Three months ended June 30,		Years ended June 30,	
	2023	2022	2023	2022
Video and Broadband Solutions	\$ 56,988	\$ 49,399	\$ 245,083	\$ 137,891
Content Delivery and Storage	17,089	9,216	52,283	43,464
Telematics	1,445	1,345	6,071	5,459
Total Sales	\$ 75,522	\$ 59,960	\$ 303,437	\$ 186,814

Three-Month Sales

Total sales grew to \$75.5 million in the fourth quarter of fiscal 2023, up 26% from \$60.0 million in Q4 fiscal 2022 and 3% lower than the \$78.3 million generated in Q3 fiscal 2023. The significant year-over-year sales growth reflects higher sales from the Video and Broadband Solutions segment, combined with record fourth quarter sales in our Content Delivery and Storage segment.

The Video and Broadband Solutions segment grew fourth quarter sales by 15% to \$57.0 million, from \$49.4 million in Q4 fiscal 2022 as customers continued their transition to Vecima's next-generation cable and fiber access DAA network solutions. On a sequential quarterly basis, Q4 sales were 12% lower than the \$64.8 million generated in Q3 fiscal 2023.

- Next-generation Entra DAA products led the VBS segment growth with fourth quarter sales climbing 27% year-over-year to \$50.7 million, from \$40.0 million in the same period last year. As compared to Q3 fiscal 2023, Entra sales decreased 19% to \$62.7 million as customers caught up on backlogged installations and worked to reduce existing inventories. We anticipate a resurgence of demand momentum in the second half of fiscal 2024 as we begin to launch major DAA rollouts with key customers.
- Commercial Video sales of \$6.3 million were 29% lower than the \$8.8 million achieved in Q4 fiscal 2022, but 199% higher than the \$2.1 million generated in Q3 fiscal 2023. The year-over-year change reflects the transition to next-generation platforms and the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales. The quarter-over-quarter improvement reflects stronger-than-expected TC600E sales in Q4.

The Content Delivery and Storage segment delivered a record quarter with sales growing 85% year-over-year to \$17.1 million, from \$9.2 million in Q4 fiscal 2022. On a sequential quarterly basis, CDS sales were up 45% from \$11.8 million in Q3 fiscal 2023. Our record Q4 performance reflects significant IPTV expansion activity with customers, together with strong service revenues. Segment sales for the Q4 fiscal 2023 period included \$10.3 million of product sales (Q4 fiscal 2022 - \$4.5 million) and \$6.8 million of services revenue (Q4 fiscal 2022 - \$4.7 million). As always, we note that quarterly sales variances are typical for the CDS segment.

Fourth quarter Telematics sales of \$1.4 million were slightly higher than the \$1.3 million achieved in Q4 fiscal 2022 and lower than the \$1.7 million achieved in Q3 fiscal 2023. Results for the quarter were consistent with our expectations.

Twelve-Month Sales

For the year ended June 30, 2023 total sales increased 62% to \$303.4 million, from \$186.8 million in fiscal 2022. The year-over-year sales growth reflects record contribution from our Video and Broadband Solutions segment, together with strong performance from our CDS segment.

Video and Broadband Solutions sales increased 78% year-over-year to \$245.1 million, from \$137.9 million in fiscal 2022, as customers began their transition to our next-generation DAA solutions.

- Full-year Entra deployments accelerated to \$222.1 million, up \$114.8 million, or 107%, from \$107.3 million in fiscal 2022. Vecima carried out multiple Tier 1 customer deployments for Entra Remote PHY nodes, Remote MAC-PHY nodes and 10G EPON solutions during the year, including delivery of over 36,000 nodes and PON line cards, and over 107,880 million next-generation service groups with current or future 10G capability. Our fiscal 2023 Entra results included \$158.9 million of sales from our distributed access solutions portfolio compared to \$58.7 million in fiscal 2022, an increase of 171%.
- Commercial Video products sales of \$22.2 million were 26% lower than the \$29.9 million achieved in Q4 fiscal 2022. The year-over-year change reflects the transition to next-generation platforms and the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

Fiscal 2023 sales from our Content Delivery and Storage segment grew 20% to \$52.3 million, from \$43.5 million in fiscal 2022 as we undertook multiple major IPTV expansions with customers during the year. Fiscal 2023 sales included \$30.1 million of product sales (fiscal 2022 - \$26.3 million) and \$22.2 million of services revenue (fiscal 2022 - \$17.2 million).

Telematics sales of \$6.1 million in fiscal 2023 were 11% higher than the \$5.5 million generated in fiscal 2022. The record year reflects successful penetration into targeted industry verticals for Moveable Asset Solutions.

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.

Segment	Three months ended June 30,		Years ended June 30,	
	2023	2022	2023	2022
Video and Broadband Solutions	\$ 29,118	\$ 26,417	\$ 134,961	\$ 74,482
Content Delivery and Storage	7,892	4,600	24,544	20,481
Telematics	399	461	1,961	1,889
Total cost of sales	\$ 37,409	\$ 31,478	\$ 161,466	\$ 96,852

Three-Month Results

For the three months ended June 30, 2023, total cost of sales increased 19% year-over-year to \$37.4 million, primarily reflecting the 26% year-over-year increase in total sales. On a sequential quarterly basis, Q4 cost of sales decreased 15% from \$44.2 million in Q3 fiscal 2023, reflecting the 3% quarter-over-quarter decrease in total sales as well as product mix.

Fourth quarter cost of sales in the Video and Broadband Solutions segment grew 10% to \$29.1 million from \$26.4 million in Q4 fiscal 2022 and decreased by 24% from \$38.1 million in Q3 fiscal 2023. The year-over-year increase in cost of sales primarily reflects 15% higher VBS sales, a different product mix, and the lingering impact of supply chain constraints and expedite costs which resulted in higher costed inventory.

In the Content Delivery and Storage segment, fourth quarter cost of sales increased by 72% to \$7.9 million, from \$4.6 million in Q4 fiscal 2022, and were up 43% from \$5.5 million in Q3 fiscal 2023. The increase in CDS sales was the primary driver of the higher cost of sales.

Fourth quarter cost of sales from the Telematics segment was \$0.4 million, slightly lower than cost of sales of \$0.5 million in Q4 fiscal 2022 and \$0.6 million in Q3 fiscal 2023.

Twelve-Month Results

For the year ended June 30, 2023, total cost of sales was \$161.5 million, a 67% increase from \$96.9 million in fiscal 2022. This primarily reflects the 62% increase in total sales, as well as product mix and supply chain constraints which resulted in increased expedite costs.

Cost of sales in the Video and Broadband Solutions segment increased 81% to \$135.0 million in fiscal 2023, from \$74.5 million in fiscal 2022. The year-over-year increase reflects the 78% increase in VBS sales, a different product mix, and supply chain constraints that resulted in increased expedite costs.

In the Content Delivery and Storage segment, cost of sales increased by 20% to \$24.5 million, from \$20.5 million in fiscal 2022. The year-over-year increase reflects increased sales and product mix differences.

Cost of sales from the Telematics segment in fiscal 2023 was \$2.0 million, up from the \$1.9 million in fiscal 2022.

Gross Profit and Gross Margin

Segment	Three months ended June 30,		Years ended June 30,	
	2023	2022	2023	2022
Video and Broadband Solutions	\$ 27,869	\$ 22,983	\$ 110,122	\$ 63,410
Content Delivery and Storage	9,197	4,616	27,739	22,983
Telematics	1,046	883	4,110	3,569
Total gross profit	\$ 38,112	\$ 28,482	\$ 141,971	\$ 89,962
Video and Broadband Solutions	48.9%	46.5%	44.9%	46.0%
Content Delivery and Storage	53.8%	50.1%	53.1%	52.9%
Telematics	72.4%	65.7%	67.7%	65.4%
Total gross margin	50.5%	47.5%	46.8%	48.2%

Three-Month Results

For the three months ended June 30, 2023, total gross profit grew to \$38.1 million, up 34% from \$28.5 million in Q4 fiscal 2022 and 12% above the \$34.1 million achieved in Q3 fiscal 2023. Gross margin for the fourth quarter grew to 50%, from 48% in Q4 fiscal 2022 and 44% in Q3 fiscal 2023. This was above our targeted range of 45% to 49% and primarily reflects higher sales and margins in the CDS segment, reduced expedite costs in our commercial video products, a large software feature sale for commercial video, combined with a favourable deferred revenue adjustment resulting from a change in contract terms in the Video and Broadband Solutions segment.

Fourth quarter gross profit from the Video and Broadband Solutions segment grew 21% to \$27.9 million (gross profit margin of 49%), from \$23.0 million (gross profit margin of 47%) in Q4 fiscal 2022 and grew 4% from Q3 fiscal 2023 gross profit of \$26.7 million (gross profit margin of 41%). The year-over-year increase in gross profit reflects higher sales combined with reduced expedite costs in our commercial video products, a large software feature sale for commercial video and a favourable deferred revenue adjustment resulting from a change in contract terms.

In the Content Delivery and Storage segment, fourth quarter gross profit increased by 99% to \$9.2 million (gross profit margin of 54%), from \$4.6 million (gross profit margin of 50%) in the same period last year, reflecting increased sales and a higher-margin product mix. On a sequential quarterly basis, CDS gross profit was 47% higher than the \$6.3 million (gross profit margin of 53%) generated in Q3 fiscal 2023.

Fourth quarter gross profit from the Telematics segment increased to \$1.0 million (gross profit margin of 72%), from \$0.9 million (gross margin of 66%) in Q4 fiscal 2022, but was slightly lower than the \$1.1 million (gross margin of 65%) achieved in Q3 fiscal 2023. The year-over-year improvement in gross margin was mainly the result of lower product costs in the current quarter.

Twelve-Month Results

For the year ended June 30, 2023, total gross profit increased by \$52.0 million, or 58%, to \$142.0 million, from \$90.0 million in fiscal 2022. This improvement primarily reflects significantly higher sales of our Entra DAA product line within the VBS segment. Full-year gross margin decreased to 47% from 48% in fiscal 2022, primarily reflecting lower-margin product mixes as compared to last year.

Gross profit from the Video and Broadband Solutions segment increased by \$46.7 million, or 74%, to \$110.1 million (gross margin of 45%), from \$63.4 million (gross margin of 46%) in fiscal 2022. The higher gross profit dollars reflect increased sales, while the increased gross margin percentage reflects a higher-margin product mix and comparatively fewer supply chain constraints year-over-year.

The Content Delivery and Storage segment increased gross profit to \$27.7 million (gross margin of 53%) in fiscal 2023, from \$23.0 million (gross margin of 53%) last year. The increase in CDS gross profit and margin primarily reflects a shift in customer and product mix.

The Telematics segment generated gross profit of \$4.1 million (gross margin of 68%) for the year ended June 30, 2023, an increase of 15% from \$3.6 million (gross margin of 65%) achieved in fiscal 2022. Results from the segment were in line with our expectations.

Operating Expenses

Segment	Three months ended June 30,		Years ended June 30,	
	2023	2022	2023	2022
Video and Broadband Solutions	\$ 23,785	\$ 15,806	\$ 75,793	\$ 50,384
Content Delivery and Storage	7,993	7,990	29,460	27,062
Telematics	927	918	3,428	3,079
Total operating expense	\$ 32,705	\$ 24,714	\$ 108,681	\$ 80,525

Three-Month Results

For the three months ended June 30, 2023, total operating expenses were higher at \$32.7 million, as compared to \$24.7 million in the same period last year. The increase was primarily driven by higher operating expenses in the Video and Broadband Solutions segment.

Video and Broadband Solutions operating expenses increased to \$23.8 million, from \$15.8 million in Q4 fiscal 2022 and \$19.6 million in Q3 fiscal 2023. The \$8.0 million year-over-year increase primarily reflects additional expenses for research and development, general and administrative activities, and staffing, all related to sales growth.

Content Delivery and Storage operating expenses were \$8.0 million in both Q4 fiscal 2023 and Q4 fiscal 2022 and \$7.4 million in Q3 fiscal 2023. Higher expenditures on research and development and general and administrative activities were offset by impairment charges in the fourth quarter of fiscal 2022.

Telematics operating expenses of \$0.9 million were consistent with Q4 fiscal 2022 and Q3 fiscal 2023.

Research and development expenses for Q4 fiscal 2023 increased to \$12.9 million, or 17% of sales, from \$11.4 million, or 19% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees, the amortization of deferred development costs, and higher licensing costs, partially offset by increased capitalized development costs. 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 2023 increased to \$15.3 million, or 20% of sales, from \$12.7 million, or 21% of sales in Q4 fiscal 2022. The year-over-year increase reflects higher staffing costs as well as increased costs for software licensing in the current-year quarter as our next-generation product families moved closer to commercial deployment.

Sales and marketing expenses were \$7.8 million, or 10% of sales in Q4 fiscal 2023, compared to \$6.0 million, or 10% of sales in the same period last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel, entertainment, and trade show expenses.

General and administrative expenses increased to \$8.0 million, or 10% of sales in Q4 2023, compared to \$6.5 million, or 11% of sales in the same period last year. The year-over-year increase primarily reflects additional staffing, travel and entertainment, training and development and subcontracting costs.

Restructuring costs were \$1.2 million in Q4 fiscal 2023, compared to \$nil in Q4 fiscal 2022. The increase is a result of restructuring activities undertaken in Q4 fiscal 2023 to better align the Company's resources with our strategy and outlook.

Stock-based compensation expense was \$1.3 million in Q4 fiscal 2023, as compared to \$0.1 million in Q4 fiscal 2022. The increase was the result of increased amortization as a result of performance-based units that vested in the current period.

Other expenses were \$1.6 million in Q4 fiscal 2023, an increase from other expenses of \$0.8 million in Q4 fiscal 2022. This primarily relates to cancellation penalties incurred on supplier contracts, partially offset by impairment charges in fiscal 2022.

Twelve-Month Results

For the year ended June 30, 2023, total operating expenses increased to \$108.7 million, from \$80.5 million in fiscal 2022. This increase primarily reflects higher operating expenses in both the Video and Broadband Solutions and Content Delivery and Storage segments associated with recent sales increases and our future growth plans.

Video and Broadband Solutions operating expenses for the year ended June 30, 2023 increased to \$75.8 million, from \$50.4 million in fiscal 2022. Higher expenditures on research and development, sales and marketing, and general and administrative activities and staffing were planned and relate to our successful efforts to increase sales of our next-generation products.

Content Delivery and Storage operating expenses of \$29.5 million for the year ended June 30, 2023 were higher than the \$27.1 million recorded in fiscal 2022. Higher expenditures on research and development and general administrative costs were the main factors for the increase.

Telematics operating expenses of \$3.4 million in fiscal 2023 were higher than the \$3.1 million recorded last year. The \$0.3 million increase primarily reflects higher research and development expense due to lower capitalized development year-over-year and an increase in marketing expenses related to increased staffing.

Research and development expenses for the year ended June 30, 2023 increased to \$45.9 million, or 15% of sales, from \$36.6 million, or 20% of sales in fiscal 2022. This mainly reflects increased subcontracting costs, amortization of deferred development costs, and increased staffing and software licensing, partially offset by higher deferred development costs in the current year. 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, 2023 increased to \$57.4 million, or 19% of sales, from \$43.5 million, or 23% of sales for the fiscal 2022 period. This increase reflects higher costs for subcontracting, staffing, software licensing, and prototyping as our next-generation product families move closer to commercial deployment.

Sales and marketing expenses increased to \$27.7 million, or 9% of sales in fiscal 2023, from \$19.3 million, or 10% of sales last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in trade show, travel and entertainment activity year-over-year.

General and administrative expenses increased to \$29.5 million in fiscal 2023, from \$22.8 million in fiscal 2022. The year-over-year increase primarily reflects additional staffing to support the increase in sales, together with ERP implementation and higher training and development and travel and entertainment costs.

Restructuring costs were \$1.2 million in fiscal 2023, compared to \$nil in Q4 fiscal 2022. The increase is a result of restructuring activities in Q4 fiscal 2023 to better align the company's resources with our strategy and outlook.

Stock-based compensation expense was \$2.5 million in fiscal 2023, as compared to \$0.9 million in fiscal 2022. Higher amortization of performance-based units that vested in the current fiscal year compared to the prior fiscal year was the key factor in this change.

Other expense was \$1.9 million for the year ended June 30, 2023, an increase from income of \$1.0 million in fiscal 2022. The higher expense primarily relates to cancellation penalties incurred on supplier contracts as we worked to balance our inventories, partially offset by impairment charges in fiscal 2022.

Operating Income (Loss)

Segment	Three months ended June 30,		Years ended June 30,	
	2023	2022	2023	2022
Video and Broadband Solutions	\$ 4,084	\$ 7,177	\$ 34,329	\$ 13,026
Content Delivery and Storage	1,204	(3,375)	(1,721)	(4,080)
Telematics	119	(34)	682	491
Total operating income	\$ 5,407	\$ 3,768	\$ 33,290	\$ 9,437

Three-Month Results

Operating income increased to \$5.4 million in Q4 fiscal 2023 from \$3.8 million in Q4 fiscal 2022. The increase was primarily due to higher sales in the Content Delivery and Storage segment, partially offset by increased operating costs in the VBS segment with higher R&D and staffing aimed at supporting future growth.

The Video and Broadband Solutions segment generated fourth quarter operating income of \$4.1 million, as compared to \$7.2 million in Q4 fiscal 2022. The year-over-year decrease reflects the increase in segment operating costs, partially offset by a favourable deferred revenue adjustment in the fourth quarter.

Content Delivery and Storage recorded operating income of \$1.2 million in the fourth quarter, as compared to an operating loss of \$(3.4) million in the same period of fiscal 2022. The year-over-year improvement primarily reflects the significant increase in sales and margins, partially offset by higher operating costs.

Telematics operating income increased to \$0.1 million in Q4 fiscal 2023, from \$nil in Q4 fiscal 2022. This reflects higher sales and margins with flat operating costs.

Finance expense was \$0.9 million in Q4 fiscal 2023, as compared to \$0.1 million in the same period of fiscal 2022. This reflects increased interest costs related to our revolving line of credit and higher interest rates.

Foreign exchange gain for the fourth quarter was \$1.3 million, compared to \$1.4 million in the prior-year period.

Income tax expense was \$1.1 million in Q4 fiscal 2023, as compared to \$1.6 million in Q4 fiscal 2022.

Net income for Q4 fiscal 2023 increased to \$5.1 million or \$0.21 per share, from \$3.5 million or \$0.16 per share in Q4 fiscal 2022.

Other comprehensive income (loss) was \$(1.9) million in Q4 fiscal 2023, as compared to other comprehensive income of \$0.8 million in the same period in fiscal 2022. 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 income for Q4 fiscal 2023 was \$3.2 million compared to \$4.3 million in Q4 fiscal 2022. The decrease year-over-year was the result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2023, we generated operating income of \$33.3 million, compared to operating income of \$9.4 million in fiscal 2022. The significant year-over-year improvement mainly reflects increased sales and margins from the VBS and CDS segments, partially offset by higher operating costs.

Video and Broadband Solutions increased operating income to \$34.3 million in fiscal 2023, from operating income of \$13.0 million in fiscal 2022. The significant year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment.

Content Delivery and Storage reported an operating loss of \$1.7 million during the current year, compared to an operating loss of \$4.1 million in fiscal 2022. The year-over-year decrease in operating loss primarily reflects higher sales and margins, partially offset by higher operating costs.

Telematics operating income increased to \$0.7 million in fiscal 2023, from \$0.5 million in the prior year, reflecting higher sales and margins with flat operating costs.

Finance expense was \$2.4 million in fiscal 2023 compared to \$0.3 million in the same period of fiscal 2022. This reflects increased interest costs related to our revolving line of credit and the impact of higher interest rates.

Foreign exchange gain for the year ended June 30, 2023 was a gain of \$2.7 million, compared to a gain of \$1.9 million in fiscal 2022.

Income tax expense was \$6.4 million for the year ended June 30, 2023, compared to a \$2.4 million income tax recovery in fiscal 2022.

Net income for the year ended June 30, 2023 was \$27.2 million or \$1.15 per share, compared to \$8.7 million or \$0.38 per share in fiscal 2022.

Other comprehensive income (loss) was \$(0.1) million in the year ended June 30, 2023, compared to other comprehensive income of \$0.8 million in fiscal 2022. 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 income for the year ended June 30, 2023 increased to \$27.1 million, from \$9.5 million in fiscal 2022.

Operating Activities

For the three months ended June 30, 2023, cash flow from operating activities was \$4.6 million, as compared to \$10.4 million for the same period in fiscal 2022. The \$5.8 million change reflects a \$7.3 million decrease in cash flow from non-cash working capital, partially offset by a \$1.5 million increase in operating cash flow.

For the year ended June 30, 2023, cash flow used in operating activities was \$11.0 million, as compared to cash flow from operating activities of \$3.3 million in fiscal 2022. The \$14.3 million increase in cash flow used in operations reflects a \$40.3 million decrease in cash flow from non-cash working capital driven primarily by the building of inventory to support growth and minimize the impact of supply chain constraints, partially offset by a \$26.0 million increase in operating cash flow.

Investing Activities

For the three months ended June 30, 2023, cash flow used in investing activities increased to \$6.8 million, from cash flow used in investing activities of \$5.8 million in the same period last year. This increase reflects deferred development expenditures of \$6.1 million (Q4 fiscal 2022 - \$4.5 million) and the purchase of property, plant and equipment of \$0.7 million (Q4 fiscal 2022 - \$1.3 million).

For the year ended June 30, 2023, cash flow used in investing activities increased to \$26.4 million, from cash flow used in investing activities of \$23.3 million in fiscal 2022. This increase reflects deferred development expenditures of \$23.3 million (fiscal 2022 - \$17.4 million) and the purchase of property, plant and equipment of \$3.0 million (fiscal 2022 - \$5.9 million).

Financing Activities

For the three months ended June 30, 2023, we repaid \$0.3 million of our long-term debt (Q4 fiscal 2022 - \$0.06 million), received proceeds from exercised options of \$nil (Q4 fiscal 2022 - \$0.1 million), repaid lease liabilities of \$0.5 million (Q4 fiscal 2022 - \$0.4 million), paid dividends of \$1.3 million (Q4 fiscal 2022 - \$1.3 million), obtained a server equipment loan of \$nil (Q4 fiscal 2022 - \$0.2 million), transferred \$1.3 million (Q4 fiscal 2022 - \$nil) in common share value into escrow to settle PSU withholding tax requirements and utilized \$4.2 million (Q4 fiscal 2022 - \$nil) of the revolving line of credit.

For the year ended June 30, 2023, we repaid \$0.8 million of our short and long-term debt (fiscal 2022 - \$0.3 million), received proceeds from exercised options of \$0.4 million (fiscal 2022 - \$0.6 million), paid dividends of \$5.2 million (fiscal 2022 - \$5.1 million), repaid lease liabilities of \$1.8 million (fiscal 2022 - \$1.6 million), obtained a term loan of \$nil (fiscal 2022 - \$12.2 million), obtained a server equipment loan of \$nil (fiscal 2022 - \$0.2 million), transferred \$(2.8) million (fiscal 2022 - \$(1.1) million) in common share value into escrow to settle PSU withholding tax requirements and utilized \$20.5 million (fiscal 2022 - \$nil) of the revolving line of credit.

8. 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 cash equivalents of \$2.3 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, 2023, we had an authorized line of credit of \$55 million (June 30, 2022 - \$25 million) of which \$20.5 million (June 30, 2022 - \$nil) was drawn on as of June 30, 2023. The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of \$27.5 million). We also had a term loan of \$12.2 million (June 30, 2022 - \$12.2 million), a server equipment loan of \$nil (June 30, 2022 - \$0.2 million), an insurance financing loan of \$0.4 million (June 30, 2022 - \$nil) and a credit line of \$1.1 million (June 30, 2022 - \$1.2 million) as at June 30, 2023. As at June 30, 2023, the Company had an outstanding letter of credit of \$15,907 with a supplier, which reduced the available line of credit to \$18,580 which was returned subsequent to year-end.

Capital expenditures for fiscal 2023 were \$3.0 million, compared to \$5.9 million in fiscal 2022.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to \$83.7 million at June 30, 2023, from \$58.6 million at June 30, 2022. We note that working capital balances can 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 \$57.7 million at June 30, 2023, from \$49.7 million at June 30, 2022. This increase reflects the higher sales in Q4 fiscal 2023 compared to Q4 fiscal 2022, and the timing of sales in Q4 fiscal 2023 compared to Q4 fiscal 2022.

Income tax receivable balance was relatively flat at \$0.5 million at June 30, 2023 (June 30, 2022 - \$0.7 million). This balance represents income tax receivable in the CDS and VBS segments.

Inventories increased by \$52.0 million to \$101.6 million at June 30, 2023, from \$49.6 million as at June 30, 2022. The increase represents the buildup of inventory related to the ramp up of sales and new product inventory, as well as strategies undertaken to manage supply chain challenges. Finished goods inventories were \$55.3 million at June 30, 2023, compared to \$25.1 million at June 30, 2022. Raw material inventory increased to \$41.2 million at June 30, 2023, from \$22.1 million at June 30, 2022. Work-in-progress inventories increased to \$5.1 million as at June 30, 2023, from \$2.4 million at June 30, 2022. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were \$24.3 million at June 30, 2023 compared to \$23.0 million at June 30, 2022. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to \$47.2 million at June 30, 2023, from \$48.2 million at June 30, 2022. The increase is primarily due to the build-up of inventory related to higher sales and strategies undertaken to manage supply chain challenges.

Income tax payable balance was \$7.8 million at June 30, 2023 (June 30, 2022 - \$0.2 million). This balance represents income tax payable for our U.S. operations.

Long-term debt, including the current portion, increased to \$16.4 million at June 30, 2023, from \$16.9 million at June 30, 2022.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 20, 2022	\$0.055	October 7, 2022	November 7, 2022
November 8, 2022	\$0.055	November 25, 2022	March 19, 2022
February 7, 2023	\$0.055	February 24, 2023	March 27, 2023
May 9, 2023	\$0.055	May 26, 2023	June 19, 2023

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position as at June 30, 2023 were \$2.7 million. Our lease liabilities do not include short-term leases or low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at June 30, 2023, our undiscounted future cash payments in respect of our lease liabilities were as follows: \$1.6 million due within one year; \$1.1 million due between two-to-five years; and \$0.3 million thereafter.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at June 30, 2023, the contractual obligation, based on forecasted commitments, was estimated to be \$6.9 million, of which \$nil is deemed to be onerous. The contract was cancelled in the fourth quarter of fiscal 2023 with the impact reflected in the Company's Consolidated Financial Statements. Commitments at June 30, 2023 reflect what is remaining after settlement.

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 regard 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 fiscal Q3 and Q4 2020 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. The notice of appeal resulted in a settlement of 65% of the original claim with the impact reflected in the fourth quarter of 2023.

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, 2023, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.326 from \$1.290 as at June 30, 2022. This \$0.036 exchange difference increased the value of our \$53.9 million U.S. dollar net assets by approximately \$1.9 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, 2023, we had three open FX forward contracts with an asset position of \$0.6 million (June 30, 2022 - \$nil).

9. 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.

10. Transactions Between Related Parties

On August 1st, 2022, Vecima entered into a building lease with one of our principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in fiscal 2023 were \$0.1 million. There were no other related-party transactions in fiscal 2023.

11. Proposed Transactions

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

12. Critical Accounting Judgements and 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. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments in future periods to the carrying amount of the affected asset or liability. Actual results could differ from those estimates.

Functional currency

We assess the primary economic environment in which we operate by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services, and the currency that mainly influences labour, material and other costs of providing goods and services.

Sales by Vecima Networks Inc. are primarily transacted in U.S. dollars ("USD"). Our cost of materials is denominated in both Canadian and U.S. dollars and labour costs are denominated fully in Canadian dollars. Management pays close attention to gross margin, and the setting of prices in USD is influenced by costs which are primarily influenced by the Canadian dollar. Due to the mix of indicators for our primary economic environment, we assess the secondary indicators of finance activities and receipts from operations. Equity and debt financing activities are both denominated in Canadian dollars and receipts from operations are retained primarily in Canadian dollars. Based on all these factors, we determined that the functional currency for the entities listed above is the Canadian dollar.

Sales by Vecima Technology Inc. (a subsidiary of the Company) are primarily transacted in USD. The cost of materials and labour costs are denominated fully in USD. Equity and debt financing activities are both denominated in USD and receipts from operations are retained primarily in USD. Based on all these factors, we determined that the functional currency for Vecima Technology Inc. is USD.

Sales by Vecima Solutions Corporation (a subsidiary of the Company) are primarily transacted in Japanese Yen. The cost of materials is denominated in Japanese Yen, however certain inventory purchases are made in USD. The labour cost is denominated fully in Japanese Yen. Equity and intercompany financing activities are denominated in both Japanese Yen and USD and receipts from operations are retained in Japanese Yen. Based on all these factors, we determined that the functional currency for Vecima Solutions Corporation is the Japanese Yen.

Sales by Vecima Technology (UK) Ltd. (a subsidiary of the Company) are primarily transacted in Great British Pounds (GBP). The labour cost is denominated fully in GBP. Equity and intercompany financing activities are denominated in either GBP or USD and receipts from operations are retained primarily in GBP. Based on all these factors, we determined that the functional currency for Vecima Technology (UK) Ltd. is GBP.

Sales by Vecima Technology B.V. (a subsidiary of the Company) are primarily transacted in Euro. The cost of materials and labour costs are denominated fully in Euro. While equity transactions are denominated in Canadian dollars, intercompany financing activities and receipts from operations are denominated in Euro. Based on all these factors, we determined that the functional currency for Vecima Technology B.V. is Euro.

Sales by Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd., (subsidiaries of the Company) are transacted in Renminbi ("RMB"). The cost of materials and labour costs are denominated in RMB. Equity and debt financing activities are both denominated in RMB and receipts from operations are retained in RMB. Based on all of these factors, we determined that the functional currency for Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd. is RMB.

Revenue from contracts with customers and deferred revenue

Significant judgment may be required in determining the distinct performance obligations within a contract and the allocation of transaction price to multiple element performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price for each. If the stand-alone selling price is not observable, we estimate the stand-alone selling price for each distinct performance obligation based on a related cost-plus margin, taking into account reasonably available information relating to the market conditions, entity-specific factors, and the class of customer.

Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to the rendering of the associated service. Deferred revenue may be impacted by the allocation of the transaction price where a component of the contract includes such services. Billings for services are recognized as revenue in the period in which the services are provided. Upfront customer activation and connection fees are recognized over the expected term of the customer relationship.

Deferred development costs

Development costs are capitalized in accordance with our accounting policy. Capitalization of costs is initiated based on management's judgment that technological and economic feasibility is confirmed, usually when the research project is approved to begin development. In assessing whether these costs are impaired, management makes assumptions regarding the expected future cash flows from the project, discount rates to be applied and the expected periods of benefit.

Impairment of non-financial assets

Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value-in-use. The value-in-use calculation is based on a discounted cash flow model, where the cash flow is derived from the budget extrapolated over the next three to five years, exclusive of restructuring activities or significant future investments to enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used as well as the expected future cash inflows and growth rate used to extrapolate beyond the three to five years.

Share-based compensation

We measure the cost of share-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for share-based compensation transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option and the volatility.

The assumptions and models used for estimating fair value for share-based compensation are as follows:

Years ended June 30,	2023	2022
Weighted average share price	\$ 18.94	\$ 16.00
Expected option life	6.00 years	6.00 years
Risk-free rate of return	3.41%	1.12%
Volatility factor	23.47%	21.55%
Expected dividends	1.30%	1.36%
Forfeiture rate	4.54%	3.36%

Income taxes

The amounts of deferred tax assets and liabilities are estimated with consideration given to the timing, source and amounts of future taxable income together with tax planning strategies. We make certain judgments in interpreting tax rules and regulations when we compute income tax expense, and when we evaluate whether a deferred tax asset can be recovered based on an assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

Leases

We estimate the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Certain qualitative and quantitative assumptions are made when determining the value of the economic incentives.

The application of IFRS 16 requires us to make estimates that affect the measurement of right-of-use assets and liabilities, including:

- Identifying or determining if a contract is or contains an identified asset – the identified asset should be physically distinct or represent all or substantially all of the capacity of the asset, and should provide the right to all or substantially all of the economic benefits from the use of the identified asset;
- determining which interest rate to use in measuring the present value of the lease liability for each lease – the incremental borrowing rate should reflect the interest that would have to be paid to borrow at a similar term and with similar security; and
- determining, with reasonable certainty, whether we will exercise an option to extend or an option not to terminate a lease contract – this will be based on an assessment of the expected economic return from the lease.

Other areas

Other key areas of estimation where management is required to make subjective estimates, often as a result of matters that are inherently uncertain, include:

- the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence;
- the capitalization of overhead;
- the useful lives of property, plant and equipment; and the useful lives of intangible assets; and
- provisions, contingent liabilities and the fair value of financial assets.

13. Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2023

The following standards were adopted in the year:

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use

On May 14, 2020, the IASB issued amendments to IAS16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments become effective for annual reporting periods beginning on or after January 1, 2022.

Amendments to IAS 37 – Provisions (IAS 37)

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.

Standards and Amendments to Standards Issued but not yet Effective

Amendments to IAS 1 – Presentation of financial statements (IAS1)

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2024.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)

On 12 February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

We are assessing the impacts, if any, that the remaining standards or amendments will have on our consolidated financial statements.

14. 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, 2023.

15. 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, 2023 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, 2023. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2023 and ended on June 30, 2023 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. 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 the 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.

17. Risks and Uncertainties

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.

Third-party Component Supply

We maintain a global sourcing strategy and depend on third-party suppliers for certain components, subcomponents and raw materials used in our products. As an example, several of our products require specific components including silicon chips, for which reliable, high-volume supply is often available only from limited sources and for which we do not have guarantees of supply. While supply chain constraints have eased from the highs of the Covid-19 pandemic, the potential for such components to be in short supply or delayed in reaching us, could potentially result in product shipping delays and increased costs, which in turn, could adversely impact our gross margin and results of operations.

18. Outstanding Share Data

As at September 19, 2023, we had 24,301,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 37,312 common shares, and performance share units outstanding that are exercisable for an additional 277,985 common shares.

On April 25, 2023, 132,218 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.4 million. We withheld 56,215 common shares at a market value of \$1.3 million to settle withholding tax obligations on the issuance of the common share awards.

On February 7, 2023, 7,956 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$0.02 million. We withheld 2,405 common shares at a market value of \$0.1 million to settle withholding tax obligations on the issuance of the common share awards.

On December 19, 2022, 185,269 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.0 million. We withheld 71,037 common shares at a market value of \$1.4 million to settle withholding tax obligations on the issuance of the common share awards.

On December 14, 2022, we closed two common share offerings for the sale of 957,880 common shares at a price of \$17.75 per share with total aggregate gross proceeds of \$17.0 million. Share issuance costs in connection with the share offerings amounted to \$1.1 million.

On September 9, 2022, 7,955 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$0.05 million. We withheld 2,404 common shares at a market value of \$0.04 million to settle withholding tax obligations on the issuance of the common share awards.

On January 12, 2022, we announced our filing of a final short form base shelf prospectus with the securities commissions or similar regulatory authorities in each of the provinces of Canada, except for Quebec. The base shelf prospectus will allow us to offer up to \$150 million of common shares, warrants, subscription receipts, units, debt securities and share purchase contracts from time to time over the 25-month period after the applicable Canadian securities regulatory authorities have issued a receipt for the final short form base shelf prospectus.

On July 8, 2021, 187,487 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.0 million. We withheld 63,478 common shares at a market value of \$1.1 million to settle withholding tax obligations on the issuance of the common share awards.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the “Principal Shareholder”) which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at June 30, 2023, the Principal Shareholder collectively owned approximately 57% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities. Each common share carries the right to one vote. We have no other classes of voting securities.

19. 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: The Entra ERM3 RPD is expected to be used for a substantial portion of Charter's network upgrade; and we believe that our current cash 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 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 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 large customers; a small number of our shareholders control us; sale of common shares by our controlling shareholders could cause the share price to fall; volatility in our common share price; dilution from the exercise of stock options or settlement of performance share units; liquidity of common shares; our share price shall fluctuate; 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 continue to adapt content delivery products to add features allowing deployments to cable, IPTV, and Internet CDN providers to enable multi-screen video delivery; the failure to execute on this transition or execute quickly enough, may adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected

because the potential market for our products would be more limited than we currently believe; 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 operations depend on information technology systems, which may be disrupted or may not operate as desired; 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; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; 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; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima's profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities 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; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima's 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; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" 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.