

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 12, 2024

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 three months ended September 30, 2024.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three months ended September 30, 2024 and 2023. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2024 and 2023 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.sedarplus.ca.

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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, and 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 products incorporate sophisticated hardware and software developed within our R&D facilities. Examples of the types of technologies incorporated within our solutions include content workflow processing, content delivery networks, video storage, video transcoding, edge caching, high-speed digital signal processing, control, and digital modulation. In addition to these technologies, Vecima’s embedded software also facilitates the implementation of other network functions, such as media access control, traffic management and embedded system management.

Vecima’s diverse array of products across its business segments allows for strategic alignment with a broad array of global customers.

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 third symmetrical access.

The Entra Distributed Access Architecture (“DAA”) family of products is divided into the following 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;
- EntraCloud – An open, interoperable set of software applications to centralize orchestration, management, control, and virtualized data plane across all Entra products which include:
 - The cloud-native Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and designed to maximize performance while minimizing space, power, and cost through virtualization. Includes the Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and is designed to maximize performance while minimizing space, power, and cost through virtualization;
 - 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.

- 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, Terrace QAM and Terrace IQ 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
 - Dynamic Content: provides dynamic ad insertion, content replacement, blackout, simultaneous substitution, official alert insertion, and other content personalization on a stream-by-stream basis at the edge of the customer network; and
 - Open CDN: Streaming Video Technology Alliance standards-compliant Open Caching solution aimed at operator monetization of OTT content via partnerships with OTT content owners.
- 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 and 4.0 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 and network resiliency enhancements 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, and accelerated 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 wide-scale fiber network build-outs with an emphasis on rural areas that are currently unserved or underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial cable 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. First Quarter Fiscal 2025 Highlights

Financial and Corporate Highlights

- First quarter revenue increased 33% to \$81.9 million, from \$61.5 million in Q1 fiscal 2024.
- Increased gross profit to \$34.2 million, up 14% from \$30.0 million in the same period last year.
- Gross margin of 41.7%, compared to 48.8% in the prior-year period.
- Adjusted EBITDA climbed 42.6% to \$11.6 million, from \$8.1 million in Q1 fiscal 2024.
- Earnings per share of \$0.09, compared to \$0.07 in Q1 fiscal 2024. Adjusted EPS of \$0.10, compared to \$0.09 in Q1 fiscal 2024.
- Ended the first quarter in a solid financial position with working capital of \$83.5 million at September 30, 2024, compared to \$84.9 million at June 30, 2024.

Video and Broadband Solutions (VBS)

- Video and Broadband Solutions segment sales increased 65% to \$72.9 million, from \$44.1 million in Q1 fiscal 2024; decreased 2% from \$74.7 million in Q4 fiscal 2024.

DAA (Entra Family)

- Achieved strong next-generation Entra product sales of \$68.3 million, a year-over-year increase of 76% (Q1 fiscal 2024: \$38.8 million; Q4 fiscal 2024: \$68.7 million).
- Increased total customer engagements to 123 MSOs worldwide, from 108 a year earlier. 62 of these customers are ordering Entra products with order sizes increasing as broader DAA deployment continues.
- Began volume shipments of EN9000 GAP Node, with continued ramp up expected in the coming quarters. The modular EN9000 provides customers with a future-proof path to 10G, protecting today's network investment by ensuring operators can easily transition to future technologies, including DOCSIS 4.0 and 10G FTTH.
- Demonstrated interoperability of Entra DOCSIS 4.0 Remote-PHY device against third-party cores, including a showcase of our "Unified" Platform with Cox Communications at the SCTE TechExpo.
- Significant increase in customer engagement for our vCMTS platform, including ongoing lab trials with the lead Tier 1 customer, and initiation of trials with additional Tier 2 and Tier 3 operators.
- Subsequent to the quarter-end, on October 11, 2024, acquired Falcon V Systems, a provider of innovative software orchestration products that help operators manage, test and deliver services across converged cable, fiber and mobile networks.
 - Combination of Vecima's Entra Cloud™ and Falcon V's Principal Core will help operators accelerate and simplify convergence of their multi-access networks with multi-vendor interoperability.
 - Falcon V's Test Suite™ product allows operators to more rapidly scale their DAA deployments and pursue multi-core convergence by ensuring they can fully test new software in a multi-core, multi-vendor environment, allowing for substantially more rapid iteration, verification, and deployment.
 - The Falcon V principal core also accelerates opportunities for Vecima's vCMTS platform by abstracting the orchestration and provisioning system interface layer to the principal core, making multi-vendor support and interoperability broader at the vCMTS and RPD layers of a distributed cable access network. This is expected to further compel operator adoption of vCMTS platforms from multiple vendors and optimizes the feature-set in the vCMTS to core data packet processing functions while migrating network orchestration functions to Vecima's principal core.

Commercial Video (Terrace Family)

- Generated Commercial Video sales of \$4.5 million, as compared to \$5.3 million in Q1 fiscal 2024 and \$5.9 million in Q4 fiscal 2024 as customers began to transition to next-generation platforms.

Content Delivery and Storage (CDS)

- Content Delivery and Storage segment sales decreased to \$7.2 million reflecting the timing of orders (Q1 fiscal 2024: \$15.7 million; Q4 fiscal 2024: \$11.1 million).
 - Achieved strong CDS gross margin of 60.2% (Q1 fiscal 2024: 62.2%; Q4 fiscal 2024: 56.7%).
 - Increased CDS services revenues year-over-year as the base of deployed MediaScale platforms continues to grow.
 - Continued progress in development of the standards-compliant MediaScale Open CDN platform, with first deployments expected in the coming quarters.
 - Continued progress of the MediaScale Dynamic Ad Insertion platform, including first phase development at Hotwire Communications, moving this customer toward dynamic and tailored ad experiences to subscribers going forward.
 - On November 13, 2024 announced global agreement with Digital Harmonic to exclusively resell its innovative dh/KeyFrame™ technology as part of Vecima's MediaScale™ video content distribution portfolio. With dh/KeyFrame, network operators in the media and entertainment space are able to significantly elevate video quality while reducing content bitrates, providing significant cost savings and network capacity increases.

Telematics

- Telematics segment sales grew approximately 5% year-over-year to \$1.7 million (Q1 fiscal 2024: \$1.6 million; Q4 fiscal 2024: \$1.8 million).
 - Generated additional deployments in high-value verticals, including municipal government and moveable asset customers in areas such as restoration and emergency medical services.
 - Added six new customers for the NERO asset tracking platform, bringing customer count to over 200 and increasing the number of moveable assets being monitored to over 72,000 units.
 - Achieved strong gross margin percentage of 72.3%.

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.

In fiscal 2025, a number of Tier 1 customers are implementing major DAA network rollouts supported by Vecima's next-generation solutions. In our Video and Broadband Solutions segment, volume deployments of our ERM3 Remote-PHY devices and new EN9000 Generic Access Platforms are underway and expected to be significant contributors to our revenue results in fiscal 2025, with our new EXS1610 All-PON Shelf adding additional contribution as the year progresses. While the transition to the US\$42.5 billion BEAD program as a source of funding for network expansion into underserved rural areas has been slower than expected, we continue to see solid support for our fiber access products from operators accessing the existing Rural Digital Opportunity Fund (RDOF). Longer term, our entry into the vCMTS market provides an additional significant growth driver for Vecima. As these and other opportunities begin to converge, and as a broader range of MSOs worldwide begin to undertake their own DAA rollouts, we expect to build on our Entra-driven revenue results in fiscal 2025 as we more fully realize the rewards of our multi-year investment into the world's most comprehensive DAA portfolio.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to be lower year-over-year as customers continue to transition to our next-generation TerraceIQ 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, we anticipate a stronger second quarter as projects delayed in Q1 resume in Q2. On a full-year basis, we expect CDS segment performance to be supported by an increase in existing and new customers' IPTV upgrades and expansions, the roll out of our new Dynamic Ad Insertion products with more customers, and new opportunities created by our recently announced dh/KeyFrame reselling agreement with Digital Harmonic. We continue to see excellent long-term opportunities for this segment as IPTV gains further momentum and our newer open caching and Dynamic Ad Insertion solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate continued profitable growth as demand for our asset tracking services grows and as we add additional subscriptions from the fleet tracking market.

On a consolidated basis, we continue to expect fiscal 2025 to be a growth year for Vecima, with our momentum building more significantly in the second half. Given our expectation of increased node platform sales as part of the EN9000 rollout, we expect our product mix to deliver a full-year gross margin slightly below our target range of 45%-to-49%, tied to the sequence of customer programs and timing being supported this year. Cable access node platforms, like the EN9000 GAP node, carry a lower margin profile that becomes enhanced by the software-driven access modules that are separately sold and later embedded into the platform as the operator rolls out each generation of cable access technology such as DOCSIS 3.1, followed by DOCSIS 4.0.

We continue to see fiscal 2025 as a year of capturing major and multi-year opportunities in the compelling DAA and IPTV markets as we 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 Data <i>(in thousands of dollars except common share data)</i>	Three months ended September 30,			
	2024		2023	
Sales	\$ 81,905	100%	\$ 61,478	100%
Cost of sales ⁽⁷⁾	47,734	58%	31,460	51%
Gross profit	34,171	42%	30,018	49%
Operating expenses				
Research and development ⁽¹⁾	11,883	15%	10,296	17%
Sales and marketing ⁽⁷⁾	9,442	12%	8,434	14%
General and administrative ⁽⁷⁾	7,461	9%	8,173	13%
Share-based compensation	546	–%	256	1%
Other expense	293	–%	170	–%
	29,625	36%	27,329	45%
Operating income	4,546	6%	2,689	4%
Finance expense	(2,373)	(3)%	(700)	(1)%
Foreign exchange gain (loss)	508	–%	(584)	(1)%
Income before taxes	2,681	3%	1,405	2%
Income tax recovery (expense)	536	–%	(340)	(1)%
Net income	2,145	3%	1,745	3%
Other comprehensive (loss) income	(912)	(1)%	973	1%
Comprehensive income	\$ 1,233	2%	\$ 2,718	4%
Net income per share ⁽²⁾				
Basic – total	\$ 0.09		\$ 0.07	
Diluted – total	\$ 0.09		\$ 0.07	
Other Data:				
Research and Development Expenditures ⁽³⁾	\$ 15,074		\$ 13,410	
Adjusted EBITDA ⁽⁴⁾	\$ 11,580		\$ 8,123	
Adjusted earnings per share ⁽⁵⁾	\$ 0.10		\$ 0.09	
Number of employees ⁽⁶⁾	612		591	

(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 is determined as of the end of the period.

(7) The Company has restated the comparative period for a change in commissions expense presentation. Refer to Note 21 of the Interim Condensed Financial Statements for the three month period ended September 30, 2024.

Consolidated Statements of Financial Position <i>(in thousands of dollars except common share data)</i>	September 30,		June 30,	
	2024		2024	
Cash and cash equivalents	\$	2,220	\$	2,136
Working capital	\$	83,477	\$	84,857
Total assets	\$	369,465	\$	387,823
Long-term debt ⁽¹⁾	\$	15,601	\$	15,399
Shareholders' equity	\$	235,411	\$	234,960
Number of common shares outstanding ⁽²⁾		24,311,637		23,712,384

(1) Long-term debt includes lease liabilities per IFRS 16.

(2) Based on the weighted average number of common shares outstanding during the first three months of fiscal 2025.

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, warrant expense, advisory fees, acquisition-related expenses 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 telematics 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>	Three months ended September 30,	
	2024	2023
Net income	\$ 2,145	\$ 1,745
Loss on sale of non-core PP&E, net of tax	16	–
Warrant expense, net of tax	84	509
Acquisition-related expenses, net of tax	206	–
Adjusted net income	\$ 2,451	\$ 2,254
Net income per share	\$ 0.09	\$ 0.07
Loss on sale of non-core PP&E, net of tax	–	–
Warrant expense net of tax	–	0.02
Acquisition-related expenses, net of tax	0.01	–
Adjusted earnings per share⁽¹⁾⁽²⁾	\$ 0.10	\$ 0.09

(1) Adjusted earnings per share includes non-cash share-based compensation of \$0.5 million or \$0.02 per share for the three months ended September 30, 2024, and \$0.3 million or \$0.01 per share for the three months ended September 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 (loss) of \$0.5 million or \$0.02 per share for the three months ended September 30, 2024, and a gain (loss) of \$(0.6) million or \$(0.02) per share for the three months ended September 30, 2023.

Adjusted Gross Margin

The following table reconciles Gross Margin for the period to Adjusted Gross Margin. The term “Gross Margin” refers to sales less cost of sales as reported in the IFRS financial statements. The term “Adjusted Gross Margin” refers to gross margin adjusted for warrants expense. We believe that Adjusted Gross Margin 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 telematics services. Adjusted Gross Margin is not a recognized measure under IFRS and, accordingly, investors are cautioned that adjusted margin should not be construed as alternatives to gross margin, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted Gross Margin <i>(in thousands of dollars)</i>	Three months ended September 30,	
	2024	2023
Sales	\$ 81,905	\$ 61,478
Cost of Sales ⁽²⁾	47,734	31,460
Gross Margin	34,171	30,018
Warrants expense ⁽¹⁾	106	638
Adjusted Gross Margin	\$ 34,277	\$ 30,656
Adjusted Gross Margin %	41.8 %	49.9 %

(1) Reflects non-cash expense associated with warrants issued to a customer which are recorded as sales incentives under IFRS.

(2) The Company recast prior year periods for a change in presentation of commission expense, whereby these costs are now reflected as sales and marketing and general and administrative expenses, and no longer reclassified to cost of sales. Please refer to Note 21 in the Company’s Q1 Fiscal 2025 Interim Consolidated Financial Statements for additional information.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term “EBITDA” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term “Adjusted EBITDA” refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; warrant expense; advisory fees, acquisition-related expenses 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>	Three months ended September 30,	
	2024	2023
Net income	\$ 2,145	\$ 1,745
Income tax expense	536	(340)
Interest expense	2,400	700
Depreciation of property, plant and equipment	859	832
Depreciation of right-of-use assets	362	325
Amortization of deferred development costs	3,534	3,150
Amortization of intangible assets	815	816
EBITDA	10,651	7,228
Loss on sale of property, plant and equipment	20	1
Share-based compensation	546	256
Warrants expense	106	638
Acquisition-related expenses	257	–
Adjusted EBITDA	\$ 11,580	\$ 8,123
Percentage of sales	14%	13%

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 expenditures) below:

Calculation of R&D Expenditures <i>(in thousands of dollars)</i>	Three months ended September 30,	
	2024	2023
R&D expense per statement of comprehensive income	\$ 11,883	\$ 10,296
Deferred development costs	6,676	6,231
Investment tax credits	49	33
Amortization of deferred development costs	(3,534)	(3,150)
Total research and development expenditures	\$ 15,074	\$ 13,410
Percentage of sales	18%	22%

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three months ended September 30, 2024 and 2023 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 2025		Fiscal 2024		Fiscal 2023			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	\$ 81,905	\$ 87,476	\$ 80,139	\$ 61,954	\$ 61,478	\$ 75,522	\$ 78,256	\$ 76,212
Cost of Sales ⁽¹⁾	47,734	45,548	41,312	31,109	31,460	36,127	42,964	39,055
Gross profit	34,171	41,928	38,827	30,845	30,018	39,395	35,292	37,157
Operating expenses								
Research and development	11,883	11,041	11,281	11,551	10,296	12,851	12,053	10,341
Sales and marketing ⁽¹⁾	9,442	9,529	7,721	7,674	8,434	8,897	7,932	7,534
General and administrative ⁽¹⁾	7,461	8,757	8,123	6,607	8,173	8,151	8,605	7,719
Restructuring costs	–	–	–	–	–	1,236	–	–
Share-based compensation	546	248	272	257	256	1,300	289	815
Other expense	293	189	1,349	97	170	1,553	275	22
	29,625	29,764	28,746	26,186	27,329	33,988	29,154	26,431
Operating income	4,546	12,164	10,081	4,659	2,689	5,407	6,138	10,726
Finance expense	(2,373)	(3,184)	(1,580)	(1,660)	(700)	(877)	(738)	(554)
Foreign exchange gain (loss)	508	(2,029)	(1,159)	1,837	(584)	1,319	198	(138)
Income before income taxes	2,681	6,951	7,342	4,836	1,405	5,849	5,598	10,034
Income tax expense (recovery)	536	(1,306)	1,542	1,247	(340)	739	1,147	1,895
Net income	2,145	8,257	5,800	3,589	1,745	5,110	4,451	8,139
Other comprehensive (loss) income	(912)	959	1,361	(1,157)	973	(1,896)	(105)	(482)
Comprehensive income	\$ 1,233	\$ 9,216	\$ 7,161	\$ 2,432	\$ 2,718	\$ 3,214	\$ 4,346	\$ 7,657
Net income per share								
Basic – total	\$ 0.09	\$ 0.34	\$ 0.24	\$ 0.15	\$ 0.07	\$ 0.21	\$ 0.18	\$ 0.35
Diluted – total	0.09	0.34	0.24	0.15	0.07	0.21	0.18	0.35
Adjusted EBITDA as reported	\$ 11,580	\$ 15,969	\$ 17,221	\$ 12,470	\$ 8,123	\$ 15,088	\$ 11,700	\$ 15,840

⁽¹⁾ The Company recast prior year periods for a change in presentation of commission expense, whereby these costs are now reflected as sales and marketing and general and administrative expenses, and no longer reclassified to cost of sales.

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 September 30,	
	2024	2023
Video and Broadband Solutions	\$ 72,937	\$ 44,143
Content Delivery and Storage	7,236	15,689
Telematics	1,732	1,646
Total sales	\$ 81,905	\$ 61,478

Three-Month Results

We achieved total sales of \$81.9 million in the first quarter of fiscal 2025, an increase of 33% from \$61.5 million in Q1 fiscal 2024 and 6% lower than the record \$87.5 million generated in Q4 fiscal 2024. The strong year-over-year sales growth was primarily driven by the VBS segment, partially offset by lower CDS segment sales.

The Video and Broadband Solutions segment achieved revenue of \$72.9 million in the first quarter, an increase of 65% from \$44.1 million in Q1 fiscal 2024 and a decrease of 2% from \$74.7 million in Q4 fiscal 2024.

- Next-generation Entra product sales of \$68.3 million were 76% higher than the \$38.8 million generated in Q1 fiscal 2024 and 1% lower than the \$68.7 million achieved in Q4 fiscal 2024.
- Commercial Video product sales were lower at \$4.5 million, a decrease of 15% from \$5.3 million in Q1 fiscal 2024 and 23% lower than the \$5.9 million achieved in Q4 fiscal 2024. The change in Commercial Video sales was anticipated and reflects the transition to next-generation platforms and the impact of certain newer DAA-driven solutions being accounted for as part of Entra family sales.

The Content Delivery and Storage segment generated first quarter sales of \$7.2 million, a decrease of 54% from \$15.7 million in Q1 fiscal 2024 and 35% lower than the \$11.1 million achieved in Q4 fiscal 2024. The year-over-year and quarter-over-quarter decreases reflect the delay of key projects during the current quarter, with these projects expected to get underway in Q2. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q1 fiscal 2025 period included \$1.4 million of product sales (Q1 fiscal 2024 - \$9.9 million) and \$5.9 million of services revenue (Q1 fiscal 2024 - \$5.8 million).

First quarter Telematics sales of \$1.7 million were 5% higher than the \$1.6 million generated in the same period of fiscal 2024 and 2% lower than the \$1.8 million generated in Q4 fiscal 2024. Results for the quarter were consistent with our expectations.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, inventory management costs, 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, 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, and support activities. 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 September 30,	
	2024	2023 ⁽¹⁾
Video and Broadband Solutions	\$ 44,376	\$ 24,958
Content Delivery and Storage	2,878	5,937
Telematics	480	565
Total cost of sales	\$ 47,734	\$ 31,460

⁽¹⁾ The Company recast prior year periods for a change in presentation of commission expense, whereby these costs are now reflected as sales and marketing and general and administrative expenses, and no longer reclassified to cost of sales. Please refer to Note 21 in the Company's Q1 Fiscal 2025 Interim Consolidated Financial Statements for additional information.

Three-Month Results

For the three months ended September 30, 2024, total cost of sales increased 52% to \$47.7 million, from \$31.5 million in Q1 fiscal 2024, primarily reflecting the significant year-over-year increase in VBS segment sales. On a sequential basis, cost of sales decreased by 5% from \$45.5 million in Q4 fiscal 2024.

First quarter cost of sales in the Video and Broadband Solutions segment increased 78% to \$44.4 million, from \$25.0 million in Q1 fiscal 2024, and increased 10% from \$40.3 million in Q4 fiscal 2024. The year-over-year increase reflects significantly higher sales combined with a different product mix. The quarter-over-quarter increase was primarily driven by a different product mix.

In the Content Delivery and Storage segment, first quarter cost of sales decreased by 52% to \$2.9 million, from \$5.9 million in Q1 fiscal 2024 and was 40% lower than the \$4.8 million recorded in Q4 fiscal 2024. The year-over-year decrease was primarily driven by lower sales.

In the Telematics segment, cost of sales was \$0.5 million in the first quarter, slightly lower than the \$0.6 million recorded in the same period of fiscal 2024 and consistent with Q4 fiscal 2024.

Gross Profit and Gross Margin

Segment	Three months ended September 30,	
	2024	2023 ⁽¹⁾
Video and Broadband Solutions	\$ 28,561	\$ 19,185
Content Delivery and Storage	4,358	9,752
Telematics	1,252	1,081
Total gross profit	\$ 34,171	\$ 30,018
Video and Broadband Solutions	39.2 %	43.5 %
Content Delivery and Storage	60.2 %	62.2 %
Telematics	72.3 %	65.7 %
Total gross margin	41.7 %	48.8 %

⁽¹⁾ The Company recast prior year periods for a change in presentation of commission expense, whereby these costs are now reflected as sales and marketing and general and administrative expenses, and no longer reclassified to cost of sales. Please refer to Note 21 in the Company's Q1 Fiscal 2025 Interim Consolidated Financial Statements for additional information.

Three-Month Results

For the three months ended September 30, 2024, we generated total gross profit of \$34.2 million, an increase of 14% from \$30.0 million in Q1 fiscal 2024 and a decrease of 19% from \$41.9 million in Q4 fiscal 2024. The year-over-year improvement reflects higher VBS segment sales, partially offset by a lower gross margin percentage. Our first quarter gross margin of 41.7% compares to 48.8% in Q1 fiscal 2024 and 47.9% in Q4 fiscal 2024. The decrease reflects the shift in our VBS product mix during the current quarter as we rolled out our new EN9000 platform, which carries a lower margin profile. Our gross margin performance also reflects the decrease in higher-margin CDS segment sales.

The Video and Broadband Solutions segment generated gross profit of \$28.6 million (gross profit margin of 39.2%), 49% higher than the \$19.2 million (gross profit margin of 43.5%) achieved in Q1 fiscal 2024. The year-over-year increase reflects higher segment sales, partially offset by a lower-margin product mix. On a sequential quarterly basis, VBS gross profit was 17% lower than the \$34.4 million achieved in Q4 fiscal 2024 (gross profit margin of 44.8%), reflecting slightly lower sales and the lower-margin product mix.

In the Content Delivery and Storage segment, first quarter gross profit was \$4.4 million as compared to \$9.8 million in the same period last year. The year-over-year change reflects lower CDS sales and a slightly lower gross margin percentage of 60.2% (Q4 fiscal 2024 - 62.2%). On a sequential quarterly basis, first quarter CDS gross profit was 30% lower than the \$6.3 achieved in Q4 fiscal 2024, reflecting lower sales, partially offset by a higher gross margin percentage (Q4 fiscal 2024 - 56.7%).

First quarter gross profit from the Telematics segment increased to \$1.3 million (gross profit margin of 72.3%), from \$1.1 million (gross margin of 65.7%) in Q1 fiscal 2024. This improvement reflects increased sales and a higher gross margin. On a sequential quarterly basis, first quarter Telematics gross profit was also slightly higher than the \$1.3 million achieved in Q4 fiscal 2024 and reflects a higher gross margin of 72.1%, partially offset by slightly lower sales.

Operating Expenses

Segment	Three months ended September 30,	
	2024	2023 ⁽¹⁾
Video and Broadband Solutions	\$ 21,700	\$ 18,888
Content Delivery and Storage	7,002	7,586
Telematics	923	855
Total operating expense	\$ 29,625	\$ 27,329

⁽¹⁾ The Company recast prior year periods for a change in presentation of commission expense, whereby these costs are now reflected as sales and marketing and general and administrative expenses, and no longer reclassified to cost of sales. Please refer to Note 21 in the Company's Q1 Fiscal 2025 Interim Consolidated Financial Statements for additional information.

Three-Month Results

For the three months ended September 30, 2024, total operating expenses were \$29.6 million, as compared to \$27.3 million in Q1 fiscal 2024 and \$29.8 million in Q4 fiscal 2024. As a percentage of sales, Q1 operating expenses decreased to 36%, from 45% in Q1 fiscal 2024.

Video and Broadband Solutions operating expenses increased to \$21.7 million, from \$18.9 million in Q1 fiscal 2024 and \$20.2 million in Q4 fiscal 2024. The \$2.8 million year-over-year increase primarily reflects sales growth, and includes higher shared service cost allocations and increased research and development and sales and marketing costs, partially offset by lower general and administrative costs.

Content Delivery and Storage operating expenses decreased to \$7.0 million, from \$7.6 million in Q1 fiscal 2024 and \$8.5 million in Q4 fiscal 2024. The year-over-year decrease primarily reflects lower segment sales, and includes lower shared service allocations, partially offset by higher research and development expenses.

Telematics operating expenses of \$0.9 million were slightly higher than in Q1 fiscal 2024 and in line with Q4 fiscal 2024. The year-over-year change reflects slightly higher sales and marketing and general administrative costs primarily due to higher salary and wages.

Research and development expenses increased to \$11.9 million, or 15% of sales in Q1 2025, from \$10.3 million, or 17% of sales in the same period of fiscal 2024. This primarily reflects higher expenses for salary and wages and allocations, partially offset by higher 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 Q1 fiscal 2025 were \$15.1 million, or 18% of sales, as compared to \$13.4 million, or 22% of sales in Q1 fiscal 2024.

Sales and marketing expenses were \$9.4 million, or 12% of sales in Q1 fiscal 2025, as compared to \$8.4 million, or 14% of sales in the same period last year. The year-over-year increase was primarily due to higher commissions and trade show and promotion expenses, partially offset by lower subcontractor costs.

General and administrative expenses decreased to \$7.5 million, or 9% of sales in Q1 fiscal 2025, from \$8.2 million or 13% of sales in Q1 fiscal 2024. The year-over-year decrease reflects lower depreciation expense, partially offset by higher salary and wages and professional fees.

Stock-based compensation expense was \$0.5 million in Q1 fiscal 2025, compared to \$0.3 million in the same period of fiscal 2024.

Other expense was \$0.3 million in Q1 fiscal 2025, compared to \$0.2 million in the same period last year.

Operating Income (Loss)

Segment	Three months ended September 30,	
	2024	2023
Video and Broadband Solutions	\$ 6,861	\$ 297
Content Delivery and Storage	(2,644)	2,166
Telematics	329	226
Total operating income	\$ 4,546	\$ 2,689

Three-Month Results

Operating income increased 69% to \$4.5 million in Q1 fiscal 2025, from \$2.7 million in the prior-year period. The \$1.9 million increase was primarily due to higher VBS sales, partially offset by lower gross margins on the product mix and higher operating costs as compared to the same period in fiscal 2024.

The Video and Broadband Solutions segment grew first quarter operating income to \$6.9 million, from \$0.3 million in Q1 fiscal 2024. The improved result primarily reflects higher VBS sales, partially offset by lower gross margins on the product mix and higher operating costs as compared to the same period in fiscal 2024.

Content Delivery and Storage recorded an operating loss of \$2.6 million in the first quarter, as compared to operating income of \$2.2 million in the same period of fiscal 2024. The year-over-year change primarily reflects lower segment sales, partially offset by lower operating costs.

Telematics operating income increased to \$0.3 million in Q1 fiscal 2025, from \$0.2 million in the same period of fiscal 2024, primarily due to higher sales and improved gross margins.

Finance expense increased to \$2.4 million in Q1 fiscal 2025, from \$0.7 million in Q1 fiscal 2024, reflecting increased interest costs associated with the revolving line of credit and customer factoring programs.

Foreign exchange gain for the first quarter was \$0.5 million, compared to a foreign exchange loss of \$0.6 million in the same period of fiscal 2024. Foreign exchange gains resulted from the impact of a strengthening Canadian dollar on translation of monetary liabilities.

Income tax expense was \$0.5 million in Q1 fiscal 2025, compared to income tax recovery of \$0.3 million in Q1 fiscal 2024, reflecting higher net income before taxes and the impact of future income tax temporary differences in the prior-year period.

Net income for Q1 fiscal 2025 decreased to \$2.1 million or \$0.09 per share, from \$1.7 million or \$0.07 per share in Q1 fiscal 2024.

Other comprehensive loss was \$0.9 million in Q1 fiscal 2025, compared to other comprehensive income of \$1.0 million in the same period in fiscal 2023, reflecting the impact of a strengthening Canadian dollar on the translation of foreign operations the Company's reporting currency.

Comprehensive income decreased to \$1.2 million, from \$2.7 million in Q1 fiscal 2024. The year-over-year decrease was a result of the changes described above.

Cash Flow Provided by (Used in) Operating, Investing and Financing Activities

Operating Activities

For the three months ended September 30, 2024, cash flow provided by operating activities was \$24.4 million, compared to cash flow provided by operations of \$8.4 million in the prior-year period. The \$16.0 million increase in cash flow from operating activities reflects a \$11.9 million increase in cash flow from non-cash working capital combined with a \$4.1 million increase in operating cash flow.

Investing Activities

For the three months ended September 30, 2024, cash flow used in investing activities increased to \$7.7 million, from \$7.0 million in the same period last year. This increase reflects deferred development expenditures of \$6.7 million (Q1 fiscal 2024 - \$6.2 million) and the purchase of property, plant and equipment of \$1.0 million (Q1 fiscal 2024 - \$0.8 million).

Financing Activities

For the three months ended September 30, 2024, we repaid \$0.5 million of our long-term debt (Q1 fiscal 2024 - \$0.3 million repaid), repaid lease liabilities of \$0.2 million (Q1 fiscal 2024 - \$0.4 million), received proceeds of \$0.01 million from the exercise of stock options (Q1 fiscal 2024 - \$nil) and repaid \$15.8 million of our revolving line of credit balance (Q1 fiscal 2024 - \$0.8 million repaid).

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 working capital position, access to loan facilities and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

We maintain an authorized line of credit of \$85.0 million (June 30, 2024 - \$85.0 million) of which \$36.0 million was drawn on as of September 30, 2024 (June 30, 2024 - \$51.7 million). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable plus 40% of the value up to \$42,500 of certain inventory. Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at September 30, 2024 was 6.45% (June 30, 2024 - 6.70%).

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at September 30, 2024, we were in compliance with all covenants related to the line of credit.

Capital expenditures in the three months of fiscal 2025 were \$1.1 million, compared to \$0.8 million in the same period last year.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to \$83.5 million at September 30, 2024, from \$84.9 million at June 30, 2024. We note that our 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 decreased to \$49.6 million at September 30, 2024, from \$70.1 million at June 30, 2024. The change reflects the impact of factoring certain customer receivables to manage working capital requirements.

Inventories increased by \$1.9 million to \$137.9 million at September 30, 2024, from \$136.0 million as at June 30, 2024. Finished goods inventories were \$34.8 million at September 30, 2024, compared to \$35.0 million at June 30, 2024. Raw material inventory decreased to \$85.6 million at September 30, 2024, from \$86.4 million at June 30, 2024. Work-in-progress inventories increased to \$17.6 million as at September 30, 2024, from \$14.6 million at June 30, 2024. 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.

Prepaid expenses and other current assets balance decreased to \$5.7 million at September 30, 2024 (June 30, 2024 - \$6.6 million). This primarily reflects lower prepaid software licenses due to the timing of renewals.

Investment tax credits were \$20.1 million at September 30, 2024, compared to \$21.8 million at June 30, 2024. 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 \$58.4 million at September 30, 2024, from \$57.6 million at June 30, 2024. The increase is primarily due to the purchase of inventory to fulfill orders.

Financial liabilities, including the current portion, was \$2.5 million at September 30, 2024, as compared to \$2.6 as at June 30, 2023, reflecting a decrease in share price which impacted the valuation of customer-based warrants.

Long-term debt, including the current portion and lease liabilities, was \$18.0 million at September 30, 2024, as compared to \$17.8 million at June 30, 2024.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
February 12, 2024	\$0.055	February 23, 2024	March 18, 2024
May 13, 2024	\$0.055	May 24, 2024	June 17, 2024
September 17, 2024	\$0.055	October 11, 2024	November 4, 2024
November 12, 2024	\$0.055	November 22, 2024	December 16, 2024

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at September 30, 2024 were \$5.5 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at September 30, 2024, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is \$1.6 million; due between two-to-five years is \$4.2 million; and thereafter is \$0.3 million.

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 September 30, 2024, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.351 from \$1.368 as at June 30, 2024. This \$0.02 exchange difference decreased the value of our \$35.6 million U.S. dollar net assets by approximately \$0.6 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. We had no forward contracts outstanding at September 30, 2024.

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

Key management personnel consist of the Board of Directors and certain executives who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

We entered into a building lease on August 1st, 2022 with one of the principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in the first quarter of fiscal 2025 were \$0.05 million (Q1 Fiscal 2024 - \$0.05 million). There were no other related party transactions in Q1 fiscal 2025.

11. Proposed Transactions

We continually review potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value.

On October 11, 2024, the Company acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of \$5.2 million, plus an additional \$0.6 million paid for excess cash as defined in the agreement. Falcon is a Poland-based provider of vendor-agnostic, virtualized software solutions and services for Broadband Services Providers worldwide, and their key products will be integrated into the Company's Entra Cloud portfolio of open, interoperable, cloud-native applications. In accordance with the acquisition, the Company incurred \$0.3 million of acquisition-related costs included in other expense.

At the current time, there are no other reportable proposed transactions.

12. Critical Accounting Estimates

See our 2024 annual MD&A and our 2024 annual audited consolidated financial statements and notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and results of our operations.

13. Accounting Pronouncements and Standards

Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2025:

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 adoption of this amendment did not have a material impact on our 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 September 30, 2024.

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 September 30, 2024 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 September 30, 2024. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2024 and ended on September 30, 2024 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.

Cybersecurity incidents and other issues related to our information systems, technology and data may materially and adversely affect us.

Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The technology industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to our systems or our clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by us and our service providers, and other third parties, are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages and terrorism.

We have experienced cybersecurity incidents in the past, and expect to experience cybersecurity incidents in the future. While we take efforts to protect our systems and data, including establishing internal processes and implementing technological measures designed to provide multiple layers of security, and contract with third-party service providers to take similar steps, we have experienced cybersecurity breaches in the past, and there can be no assurance that our safety and security measures (and those of our third-party service providers) will prevent damage to, or interruption or breach of, our information systems, data (including personal data) and operations. We have recently taken steps to expand and enhance our cybersecurity controls and practices and, as cybersecurity-related threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Nevertheless, it is possible we could suffer an impact or disruption that could materially and adversely affect us. Our operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of our employee, or otherwise, and, as a result, an unauthorized party may obtain access to our accounts, data, or digital assets. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. Controls employed by our information technology department and our customers and third-party service providers, could prove inadequate. If an actual or perceived breach occurs, the market perception of our effectiveness could be harmed.

Moreover, there could be public announcements regarding any cybersecurity-related incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of

our common shares. Further, any publicized security problems affecting our businesses or those of third parties with whom we are affiliated or otherwise conduct business may discourage consumers from doing business with us, which could have a material and adverse effect on our business, financial condition and results of operations.

It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminals' intent to commit cybercrime, and these efforts may not be successful in anticipating, preventing, detecting or stopping attacks, or reacting in a timely manner. The increasing sophistication and resources of cybercriminals and other non-state threat actors and increased actions by nation-state actors make it difficult to keep up with new threats and could result in a breach of security. Additionally, we cannot guarantee that our insurance coverage would be sufficient to cover any such losses.

To the extent the operation of our business relies on our third-party service providers, through either a connection to, or an integration with, third parties' systems, the risk of cybersecurity attacks and loss, corruption, or unauthorized access to or publication of our information or the confidential information and personal data of customers and employees may increase. Third-party risks may include insufficient security measures, where laws, security measures or other controls may be inadequate or in which there are uncertainties regarding governmental intervention and use of such information, and our ability to monitor our third-party service providers' cybersecurity practices are limited. Although we generally have agreements relating to cybersecurity and data privacy in place with our third-party service providers, they are limited in nature and we cannot guarantee that such agreements will prevent the accidental or unauthorized access to or disclosure, loss, destruction, disablement or encryption of, use or misuse of or modification of data (including personal data) or enable us to obtain adequate or any reimbursement from our third-party service providers in the event we should suffer any such incidents. Due to applicable laws and regulations or contractual obligations, we may be held responsible for any information security failure or cybersecurity attack attributed to our vendors as they relate to the information we share with them. A vulnerability in or related to a third-party service provider's software or systems, a failure of our third-party service providers' safeguards, policies or procedures, or a breach of a third-party service provider's software or systems could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions.

The security of the information and technology systems used by us and our service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in our business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders (and the beneficial owners of stockholders). Such a failure could harm our reputation, subject us to legal claims and otherwise materially and adversely affect our investment and trading strategies and our value.

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

18. Outstanding Share Data

As at November 12, 2024, we had 24,312,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 35,000 common shares, and performance share units outstanding that are exercisable for an additional 553,227 common shares.

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 September 30, 2024, the Principal Shareholder collectively owned approximately 56% of our common shares outstanding. 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: We believe that our current working capital position, access to loan facilities and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future; with respect to the CDS segment, the year-over-year and quarter-over-quarter decreases reflect the delay of key projects during the current quarter, with these projects expected to get underway in Q2. 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.sedarplus.ca.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and, other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.