



*Interim Condensed Consolidated Financial Statements of*

**VECIMA NETWORKS INC.**

*For the three months ended September 30, 2024 and 2023*

*(unaudited)*

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Vecima Networks Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim condensed consolidated financial statements by an entity’s auditor.

**VECIMA NETWORKS INC.**  
**Interim Condensed Consolidated Statements of Financial Position**  
*(unaudited - in thousands of Canadian dollars)*

As at	Note	September 30, 2024	June 30, 2024
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 2,220	\$ 2,136
Accounts receivable	3	49,615	70,139
Income tax receivable		385	359
Inventories	4	137,948	136,040
Prepaid expenses and other current assets	5	5,709	6,632
Contract assets		1,851	2,276
<b>Total current assets</b>		<b>197,728</b>	<b>217,582</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	11,970	11,908
Right-of-use assets		5,147	4,670
Goodwill		15,206	15,308
Intangible assets	7	95,593	93,893
Investment tax credits		20,072	21,760
Deferred tax assets		22,653	21,420
Other long-term assets		1,096	1,282
<b>Total assets</b>		<b>\$ 369,465</b>	<b>\$ 387,823</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Revolving line of credit	8	\$ 35,965	\$ 51,732
Accounts payable and accrued liabilities		58,364	57,583
Provisions		636	591
Income tax payable		2,179	2,757
Deferred revenue		11,654	15,856
Current portion of financial liability		1,676	1,773
Current portion of long-term debt	9	2,440	2,433
Dividends payable		1,337	–
<b>Total current liabilities</b>		<b>114,251</b>	<b>132,725</b>
<b>Non-current liabilities</b>			
Provisions		424	375
Deferred revenue		2,972	3,511
Long-term portion of financial liability		806	853
Long-term debt	9	15,601	15,399
<b>Total liabilities</b>		<b>134,054</b>	<b>152,863</b>
<b>Shareholders' equity</b>			
Share capital	10	24,129	24,117
Reserves		4,663	4,120
Retained earnings		205,776	204,968
Accumulated other comprehensive income		843	1,755
<b>Total shareholders' equity</b>		<b>235,411</b>	<b>234,960</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 369,465</b>	<b>\$ 387,823</b>

*Subsequent events - Note 20*  
*The accompanying notes are an integral part of these consolidated financial statements.*

**VECIMA NETWORKS INC.****Interim Condensed Consolidated Statements of Comprehensive Income***(unaudited - in thousands of Canadian dollars, except per share amounts)*

		Three months ended September 30,		
	Note	2024	2023	
<b>Sales</b>	11,14	\$ 81,905	\$	61,478
<b>Cost of sales</b> <sup>(1)</sup>		47,734		31,460
<b>Gross profit</b>		<b>34,171</b>		<b>30,018</b>
<b>Operating expenses</b>				
Research and development		11,883		10,296
Sales and marketing <sup>(1)</sup>		9,442		8,434
General and administrative <sup>(1)</sup>		7,461		8,173
Share-based compensation	10	546		256
Other expense	12	293		170
<b>Total operating expenses</b>		<b>29,625</b>		<b>27,329</b>
<b>Operating income</b>		<b>4,546</b>		<b>2,689</b>
Finance expense	13	(2,373)		(700)
Foreign exchange gain (loss)		508		(584)
<b>Income before income taxes</b>		<b>2,681</b>		<b>1,405</b>
Income tax expense (recovery)		536		(340)
<b>Net income</b>		<b>\$ 2,145</b>	<b>\$</b>	<b>1,745</b>
Other comprehensive income (loss):				
<b>Item that may be subsequently reclassified to net income</b>				
Exchange differences on translation of foreign operations		\$ (912)	\$	973
<b>Comprehensive income</b>		<b>\$ 1,233</b>	<b>\$</b>	<b>2,718</b>
<b>Net income per share</b>				
Basic	14	\$ 0.09	\$	0.07
Diluted	14	\$ 0.09	\$	0.07
<b>Weighted average number of common shares</b>				
Shares outstanding – basic	14	24,311,637		24,301,594
Shares outstanding – diluted	14	24,381,964		24,324,324

<sup>(1)</sup> The Company has restated the comparative period for a change in commissions expense presentation. Refer to Note 21.*The accompanying notes are an integral part of these consolidated financial statements.*

**VECIMA NETWORKS INC.****Interim Condensed Consolidated Statements of Changes in Equity***(unaudited - in thousands of Canadian dollars)*

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at June 30, 2023		\$ 23,997	\$ 3,111	\$ 190,926	\$ (381)	\$ 217,653
Net income		–	–	1,745	–	1,745
Other comprehensive income		–	–	–	973	973
Dividends		–	–	(1,252)	–	(1,252)
Share-based payment expense	10	–	256	–	–	256
<b>Balance as at September 30, 2023</b>		<b>23,997</b>	<b>3,367</b>	<b>191,419</b>	<b>592</b>	<b>219,375</b>
Balance as at June 30, 2024		24,117	4,120	204,968	1,755	234,960
Net income		–	–	2,145	–	2,145
Other comprehensive loss		–	–	–	(912)	(912)
Dividends		–	–	(1,337)	–	(1,337)
Shares issued by exercising options	10	12	(3)	–	–	9
Share-based payment expense	10	–	546	–	–	546
<b>Balance as at September 30, 2024</b>		<b>\$ 24,129</b>	<b>\$ 4,663</b>	<b>\$ 205,776</b>	<b>\$ 843</b>	<b>\$ 235,411</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**VECIMA NETWORKS INC.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
*(unaudited - in thousands of Canadian dollars)*

		<b>Three months ended September 30,</b>	
	Note	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 2,145	\$ 1,745
Adjustments for non-cash items:			
Loss on sale of property, plant and equipment	12	20	1
Depreciation and amortization	18	5,570	5,123
Share-based compensation	10	546	256
Warrant expense		106	638
Income tax expense		1,940	2,711
Deferred income tax recovery		(1,404)	(3,051)
Interest expense	13	2,400	700
Interest income	13	(27)	(2)
Net change in working capital	18	16,165	4,234
Decrease in other long-term assets		76	12
Increase (decrease) in provisions		107	(1,218)
Increase in investment tax credits		(49)	(33)
Income tax paid		(587)	(1,950)
Interest received		27	2
Interest paid		(2,587)	(727)
<b>Cash provided by operating activities</b>		<b>24,448</b>	<b>8,441</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures, net	18	(988)	(763)
Deferred development costs	7	(6,676)	(6,231)
<b>Cash used in investing activities</b>		<b>(7,664)</b>	<b>(6,994)</b>
<b>FINANCING ACTIVITIES</b>			
Net repayment of the revolving line of credit		(15,767)	(836)
Principal repayments of lease liabilities	9	(237)	(405)
Principal repayments of long-term debt	9	(454)	(280)
Issuance of shares through exercised options		9	–
<b>Cash used in financing activities</b>		<b>(16,449)</b>	<b>(1,521)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>335</b>	<b>(74)</b>
Effect of change in exchange rates on cash		(251)	88
Cash and cash equivalents, beginning of period		2,136	2,278
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,220</b>	<b>\$ 2,292</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

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## **1. NATURE OF THE BUSINESS**

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 771 Vanalman Avenue, Victoria, B.C., V8Z 3B8. The Company's common shares are traded on the Toronto Stock Exchange under the trading symbol "VCM".

The Company's Video and Broadband Solutions business designs, manufactures and sells products for the cable industry that allow service providers a cost-effective "last mile" solution for both video and broadband access, especially in the business services market segment. The Company's Content Delivery and Storage business includes solutions and software for industries and customers that focus on storing, protecting, transforming, and delivering high-value media assets. The Company's Telematics business provides fleet managers key information and analytics they require to optimally manage their business.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***(a) Statement of compliance***

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under International Accounting Standard 34 - Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2024.

### ***(b) Basis of presentation***

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, Summary of Significant Accounting Policies in our consolidated financial statements for the year ended June 30, 2024, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on November 12, 2024.

### ***(c) Adoption of new accounting standards and 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 the Company's financial statements.

**VECIMA NETWORKS INC.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three months ended September 30, 2024 and 2023**  
*(in thousands of dollars except otherwise noted)*

**3. ACCOUNTS RECEIVABLE**

	September 30 2024	June 30, 2024
Trade receivables	\$ 48,111	\$ 69,192
Less: allowance for doubtful accounts	(10)	(3)
<b>Total trade receivables</b>	<b>48,101</b>	<b>69,189</b>
Goods and services tax	695	834
Government grants receivable	707	–
Other receivables	112	116
<b>Total accounts receivable</b>	<b>\$ 49,615</b>	<b>\$ 70,139</b>

All trade receivables are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the receivables.

**4. INVENTORIES**

	September 30 2024	June 30, 2024
Raw materials	\$ 85,602	\$ 86,401
Work-in-progress	17,560	14,594
Finished goods	34,786	35,045
<b>Total inventory</b>	<b>\$ 137,948</b>	<b>\$ 136,040</b>

**5. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

	September 30 2024	June 30, 2024
Payments for contract manufacturer inventory purchases	\$ 2,376	\$ 2,250
Software licenses	1,525	2,069
Insurance	251	482
Other	1,557	1,831
<b>Total prepaid expenses and other current assets</b>	<b>\$ 5,709</b>	<b>\$ 6,632</b>

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**6. PROPERTY, PLANT AND EQUIPMENT**

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment	Total
<b>At cost</b>					
At July 1, 2024	\$ 321	\$ 8,173	\$ 28,554	\$ 14,889	\$ 51,937
Additions	–	14	677	365	1,056
Disposals	–	–	(165)	(30)	(195)
Effect of foreign exchange	–	(2)	12	(1)	9
<b>At September 30, 2024</b>	<b>\$ 321</b>	<b>\$ 8,185</b>	<b>\$ 29,078</b>	<b>\$ 15,223</b>	<b>\$ 52,807</b>
<b>Accumulated depreciation and amortization</b>					
At July 1, 2024	\$ –	\$ 3,570	\$ 22,752	\$ 13,707	\$ 40,029
Depreciation	–	62	599	198	859
Disposals	–	(1)	(55)	(22)	(78)
Effect of foreign exchange	–	(4)	30	1	27
<b>At September 30, 2024</b>	<b>\$ –</b>	<b>\$ 3,627</b>	<b>\$ 23,326</b>	<b>\$ 13,884</b>	<b>\$ 40,837</b>
<b>Net book value</b>					
At June 30, 2024	\$ 321	\$ 4,603	\$ 5,802	\$ 1,182	\$ 11,908
<b>At September 30, 2024</b>	<b>\$ 321</b>	<b>\$ 4,558</b>	<b>\$ 5,752</b>	<b>\$ 1,339</b>	<b>\$ 11,970</b>

**VECIMA NETWORKS INC.**  
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**7. INTANGIBLE ASSETS**

	Indefinite-life intangible assets		Finite-life intangible assets			Total
	Spectrum and other licenses	Customer contracts	Patents	Intellectual property	Deferred development costs	
<b>At cost</b>						
At July 1, 2024	\$ 107	\$ 21,062	\$ 1,386	\$ 10,867	\$ 118,472	\$ 151,894
Additions	–	–	29	–	6,676	6,705
Investment tax credits	–	–	–	–	(202)	(202)
Effect of foreign exchange	–	(165)	(6)	(95)	(519)	(785)
<b>At September 30, 2024</b>	<b>\$ 107</b>	<b>\$ 20,897</b>	<b>\$ 1,409</b>	<b>\$ 10,772</b>	<b>\$ 124,427</b>	<b>\$ 157,612</b>
<b>Accumulated amortization</b>						
At July 1, 2024	\$ –	\$ 15,016	\$ 940	\$ 9,235	\$ 32,810	\$ 58,001
Amortization	–	496	23	296	3,534	4,349
Effect of foreign exchange	–	(115)	(3)	(88)	(125)	(331)
<b>At September 30, 2024</b>	<b>\$ –</b>	<b>\$ 15,397</b>	<b>\$ 960</b>	<b>\$ 9,443</b>	<b>\$ 36,219</b>	<b>\$ 62,019</b>
<b>Net book value</b>						
At June 30, 2024	\$ 107	\$ 6,046	\$ 446	\$ 1,632	\$ 85,662	\$ 93,893
<b>At September 30, 2024</b>	<b>\$ 107</b>	<b>\$ 5,500</b>	<b>\$ 449</b>	<b>\$ 1,329</b>	<b>\$ 88,208</b>	<b>\$ 95,593</b>

**8. REVOLVING LINE OF CREDIT**

The Company maintains an authorized line of credit of \$85,000 (June 30, 2024 - \$85,000) of which \$35,965 was drawn on as of September 30, 2024 (June 30, 2024 - \$51,732). 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 of 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, the Company was in compliance with all covenants related to the line of credit.

**VECIMA NETWORKS INC.**  
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**9. LONG-TERM DEBT**

	September 30, 2024	June 30, 2024
Term credit facility	\$ 753	\$ 831
Term loan facility	11,692	11,845
Insurance financing	142	367
Lease liabilities	5,454	4,789
	<b>\$ 18,041</b>	<b>\$ 17,832</b>
<b>Comprised of:</b>		
Current portion of term facilities and lease liabilities	\$ 2,440	\$ 2,433
Long-term portion of term facilities and lease liabilities	15,601	15,399
	<b>\$ 18,041</b>	<b>\$ 17,832</b>

Term credit facility

The term credit facility is with a Canadian chartered bank. The facility is repayable in monthly installments of \$21 principal plus interest at Prime of 6.45% (June 30, 2024 - \$21, and 6.70%, respectively), expires in October 2025 and is collateralized by a general security agreement. The Company has an authorized loan amount of \$3,792 and annually renews this facility with the bank.

Term loan facility

The term loan facility is with a Canadian chartered bank and was amended from interest only payments to a Canadian Overnight Repo Rate Average ("CORRA") loan in fiscal 2024. The facility is repayable in monthly installments of \$51 principal plus interest at the CORRA rate of 4.30% plus 0.3% (June 30, 2024 – 4.80% plus 0.3%), expires in October 2025 and is collateralized by a general security agreement. The Company has an authorized loan amount of \$12,200 and annually renews this facility with the bank.

The term credit and loan facilities are recorded at amortized cost. The Company's term credit and loan facilities are at an interest rate that floats based on Prime and the carrying value of the principal is considered to be fair value.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit and loan facilities as at September 30, 2024:

2024	\$ 374
2025	1,284
2026	610
2027	610
2028	610
Thereafter	9,099
	<b>\$ 12,587</b>

**VECIMA NETWORKS INC.**  
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Lease liabilities:

The following is a reconciliation of the Company's lease liabilities as at September 30, 2024:

At July 1, 2024	\$	4,789
Net additions during the period		855
Interest on lease liabilities		60
Principal repayments of lease liabilities		(237)
Effect of foreign exchange		(13)
<b>At September 30, 2024</b>		<b>5,454</b>
Less: current portion		1,351
<b>Long-term portion</b>	<b>\$</b>	<b>4,103</b>

The contractual lease payments related to the lease liabilities are as follows:

	September 30, 2024
Within one year	\$ 1,574
After one year but not more than five years	4,153
More than five years	349
<b>Total contractual lease payments</b>	<b>\$ 6,076</b>

## 10. SHARE CAPITAL

### (a) Share capital

The Company has authorized share capital of an unlimited number of common shares with no par value and an unlimited number of preferred shares with no par value. The table below provides details of common shares outstanding and their carrying value.

	Number of Shares	Carrying Value
Balance, July 1, 2023	24,301,594	\$ 23,997
Shares issued by exercising options	10,000	\$ 120
<b>Balance, June 30, 2024</b>	<b>24,311,594</b>	<b>\$ 24,117</b>
Shares issued by exercising options	1,000	12
<b>Balance, September 30, 2024</b>	<b>24,312,594</b>	<b>\$ 24,129</b>

### (b) Reserves

Reserves within shareholders' equity represent equity-settled employee benefits reserve.

**VECIMA NETWORKS INC.**  
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**(c) Share-based compensation**

The following table summarizes the share-based compensation expense included in the consolidated statements of comprehensive income:

	Three months ended September 30,	
	2024	2023
Stock options	\$ 10	\$ 15
Performance share units	536	241
<b>Total share-based compensation</b>	<b>\$ 546</b>	<b>\$ 256</b>

Stock options

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes option-pricing model. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options.

Changes in the stock option plan for the three months ended September 30, 2024 are as follows:

<i>(in number of units, except prices)</i>	Weighted average	
	Number of Options	exercise price per option
Outstanding, July 1, 2024	36,000	\$ 15.44
Exercised	(1,000)	9.10
<b>Outstanding, September 30, 2024</b>	<b>35,000</b>	<b>\$ 15.62</b>
<b>Vested and exercisable, September 30, 2024</b>	<b>19,563</b>	<b>\$ 13.78</b>

Performance share units ("PSUs")

The Company's PSU plan sets the maximum number of PSUs that can be issued at 6% of the outstanding common shares of the Company. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the three months ended September 30, 2024, the Company issued 195,000 PSUs to eligible persons under the PSU plan (September 30, 2023 - 35,750 PSUs). These PSUs have five-year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days.

A summary of PSU activity during the three months ended September 30, 2024 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2024	368,794
Granted	195,000
Forfeited	(10,567)
<b>PSUs outstanding as at September 30, 2024</b>	<b>553,227</b>

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The fair value of the PSUs were determined using a Monte Carlo simulation. On grant, the Company estimated the achievement dates of each performance condition, and the cost of the PSUs is expensed on a straight-line basis over the period from the grant date to the expected market condition achievement date. The Company estimated forfeitures of PSUs at 10% on grant, and adjusts the amount recognized in expense upon vesting.

**11. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 15 - Segmented Financial Information for additional segmented financial information.

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
<b>For the three months ended September 30, 2024</b>				
Product sales	\$ 68,953	\$ 1,365	\$ 231	<b>70,549</b>
Provision of services	3,988	5,871	1,497	<b>11,356</b>
<b>Total sales</b>	<b>\$ 72,941</b>	<b>\$ 7,236</b>	<b>\$ 1,728</b>	<b>\$ 81,905</b>
<b>For the three months ended September 30, 2023</b>				
Product sales	\$ 40,760	\$ 9,942	\$ 263	<b>50,965</b>
Provision of services	3,383	5,747	1,383	<b>10,513</b>
<b>Total sales</b>	<b>\$ 44,143</b>	<b>\$ 15,689</b>	<b>\$ 1,646</b>	<b>\$ 61,478</b>

**12. OTHER EXPENSE**

	Note	Three months ended September 30, 2024	2023
Acquisition-related costs	20	\$ 256	\$ –
Loss on sale of property, plant and equipment		20	1
Contract cancellation fees		17	210
Other income		–	(41)
<b>Total other expense</b>		<b>\$ 293</b>	<b>\$ 170</b>

**VECIMA NETWORKS INC.**  
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*(in thousands of dollars except otherwise noted)*

**13. FINANCE EXPENSE**

	Three months ended September 30,	
	2024	2023
Interest income	\$ (27)	\$ (2)
Revolving line of credit interest expense	764	495
Term credit facility interest expense	212	181
Accounts receivable factoring costs	1,222	–
Other expense	142	–
<b>Finance expense before interest on lease liabilities</b>	<b>2,313</b>	<b>674</b>
Interest expense on lease liabilities	60	26
<b>Total finance expense</b>	<b>\$ 2,373</b>	<b>\$ 700</b>

**14. NET INCOME PER SHARE**

The following table sets forth the calculation of basic and diluted net income per share:

	Three months ended September 30,	
	2024	2023
Net income: basic and diluted	\$ 2,145	\$ 1,745
<b>Weighted average number of shares outstanding:</b>		
Basic	24,311,637	24,301,594
Dilution adjustment for stock options and warrants	70,327	22,730
<b>Diluted</b>	<b>24,381,964</b>	<b>24,324,324</b>
Net income per share: basic	\$ 0.09	\$ 0.07
Net income per share: diluted	\$ 0.09	\$ 0.07

Stock options and warrants could potentially dilute basic net income per share in the future. Dilutive stock options and warrants are calculated using the treasury stock method. For the three months ended September 30, 2024, there were 30,000 dilutive stock options (September 30, 2023 - 25,312) which resulted in a dilution of adjustment of 8,311 (September 30, 2023 - 9,538), with the remaining 5,000 outstanding options (September 30, 2023 - 16,000) being anti-dilutive. For the three months ended September 30, 2024, there were 361,050 warrants outstanding which resulted in a dilution adjustment of 62,016 shares (September 30, 2023 - 13,192).

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**15. SEGMENTED FINANCIAL INFORMATION**

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunications markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, and transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. Inter-segment transactions take place at terms that approximate fair value. The majority of the Company's operations, employees and assets reside in Canada and the United States. The following tables highlight key financial information by segment and geographical region:

**Segments**

For the three months ended September 30, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 72,937	\$ 7,236	\$ 1,732	\$ 81,905
Cost of sales	44,376	2,878	480	47,734
<b>Gross profit</b>	<b>28,561</b>	<b>4,358</b>	<b>1,252</b>	<b>34,171</b>
Operating expenses	17,650	5,939	632	24,221
Depreciation and amortization	4,050	1,063	291	5,404
<b>Operating income (loss)</b>	<b>6,861</b>	<b>(2,644)</b>	<b>329</b>	<b>4,546</b>
Finance expense				(2,373)
Foreign exchange gain				508
Income tax expense				(536)
<b>Net income</b>			<b>\$</b>	<b>2,145</b>

For the three months ended September 30, 2023	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 44,143	\$ 15,689	\$ 1,646	\$ 61,478
Cost of sales <sup>(1)</sup>	24,958	5,937	565	31,460
<b>Gross profit</b>	<b>19,185</b>	<b>9,752</b>	<b>1,081</b>	<b>30,018</b>
Operating expenses <sup>(1)</sup>	15,387	6,241	578	22,206
Depreciation and amortization	3,501	1,345	277	5,123
<b>Operating income</b>	<b>297</b>	<b>2,166</b>	<b>226</b>	<b>2,689</b>
Finance expense				(700)
Foreign exchange loss				(584)
Income tax recovery				340
<b>Net income</b>			<b>\$</b>	<b>1,745</b>

<sup>(1)</sup> The Company has restated the comparative period for a change in commissions expense presentation. Refer to Note 21.

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**Geographical region**

	Three months ended September 30, 2024	
	2024	2023
<b>Sales to external customers:</b>		
United States	\$ 75,042	\$ 53,855
Canada	2,397	4,626
Japan	3,353	1,198
Europe	669	1,456
Other	444	343
<b>Total sales</b>	<b>\$ 81,905</b>	<b>\$ 61,478</b>

	September 30, 2024	June 30, 2024
<b>Non-current assets:</b>		
United States	\$ 66,958	\$ 65,344
Canada	102,253	103,301
Japan	1,414	534
Europe	413	296
China	699	766
<b>Total non-current assets</b>	<b>\$ 171,737</b>	<b>\$ 170,241</b>

**Sales to major customers**

Sales to major customers accounting for more than 10% of total sales are as follows:

	Three months ended September 30, 2024	
	2024	2023
Customer A	\$ 59,745	\$ 18,417
Customer B	3,821	22,104
<b>Total sales to major customers</b>	<b>\$ 63,566</b>	<b>\$ 40,521</b>

Sales to these customers are with the Video and Broadband Solutions and Content Delivery and Storage segments.

**16. FAIR VALUE HIERARCHY**

Assets and liabilities measured at fair value in the consolidated statements of financial position, or where fair value disclosures are required, are classified based on a three-level hierarchy as follows:

Level 1: determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2: determined by using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: determined using inputs that are not based on observable market data.

During the three months ended September 30, 2024, there were no transfers between Level 1 and Level 2 fair value classifications. As at September 30, 2024, the Company had customer based warrants outstanding which were classified as Level 2. Refer to Note 17 - Financial Instruments for further information.

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**17. FINANCIAL INSTRUMENTS**

Accounts receivable

As at September 30, 2024, the weighted average age of customer accounts receivable was 32 days (June 30, 2024 - 33 days), and the weighted average age of past-due accounts receivable approximated 65 days (June 30, 2024 - 55 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

	<b>September 30, 2024</b>	June 30, 2024
Current	\$ 42,807	\$ 67,423
31 to 60 days	2,566	622
61 to 90 days	2,121	63
Over 90 days	607	1,081
<b>Total accounts receivable</b>	<b>\$ 48,101</b>	<b>\$ 69,189</b>

The Company maintains allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The Company has an allowance for doubtful accounts at September 30, 2024 of \$10 (June 30, 2024 - \$3).

Currency exposure

The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). 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 September 30, 2024 and June 30, 2024, the Company did not have any forward contracts.

Customer based warrants

The Company executed a warrant agreement with one of its key customers in the first quarter of fiscal 2024 to purchase up to 361,050 common shares at an exercise price of \$17.09 with vesting conditions based on the achievement of certain multi-year spending targets. The first tranche of 100,000 vested in the third quarter of fiscal 2024 as the spending targets were met. The warrants are accounted for as financial liabilities due to their conversion features and will be remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer based warrants. The fair value of warrants as at September 30, 2024 was \$2,483 (June 30, 2024 - \$2,626). Warrant vesting expense during the three months ended September 30, 2024 of \$106 (September 30, 2023 - \$638) was reflected as a sales incentive and reduction of revenue in the Company's consolidated statements of comprehensive income.

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**18. SUPPLEMENTAL INFORMATION**

The following tables provide details of the Company's supplemental cash flow information:

Depreciation and amortization – operating activities

	Three months ended September 30,	
	2024	2023
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 finite-life intangible assets	815	816
<b>Total depreciation and amortization</b>	<b>\$ 5,570</b>	<b>\$ 5,123</b>

Net change in working capital – operating activities

	Three months ended September 30,	
	2024	2023
Accounts receivable	\$ 20,372	\$ 7,753
Inventories	(2,172)	(34,874)
Prepaid expenses	956	7,892
Contract assets	267	936
Accounts payable and accrued liabilities	1,314	26,427
Deferred revenue	(4,572)	(3,900)
<b>Total change in net working capital</b>	<b>\$ 16,165</b>	<b>\$ 4,234</b>

Capital expenditures, net – investing activities

	Three months ended September 30,	
	2024	2023
<b>Capital expenditures:</b>		
Property, plant and equipment	\$ (1,056)	\$ (763)
Intangible assets	(29)	–
	<b>(1,085)</b>	<b>(763)</b>
<b>Proceeds of disposition:</b>		
Property, plant and equipment	97	–
<b>Total capital expenditures, net</b>	<b>\$ (988)</b>	<b>\$ (763)</b>

**19. RELATED PARTY TRANSACTIONS**

The Company entered into a building lease on August 1, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the three months ended September 30, 2024, total lease payments, including interest, were \$47 (September 30, 2023 - \$47). There were no other related party transactions in the first three months of fiscal 2025.

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**20. SUBSEQUENT EVENTS**

On October 11, 2024, the Company acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of \$5,229, plus an additional \$628 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 \$256 of acquisition-related costs included in other expense.

On November 12, 2024, the Board of Directors declared a dividend of \$0.055 per common share, payable on December 16, 2024 to shareholders of record as at November 22, 2024 consistent with its previously announced dividend policy.

**21. CHANGE IN PRESENTATION**

In the first quarter of fiscal 2025, the Company has adopted a change in presentation of commissions expense to reflect these costs in sales and marketing and general and administrative expenses where the costs originate. The Company will no longer reclassify these expenses to costs of sales. This change in presentation aligns our results with our peers which management believes enhances comparability and better reflects our results.

The below table summarizes the impact on the first quarter of fiscal 2024:

For the three months ended September 30, 2023	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
<b>Previously Reported</b>				
Cost of sales	\$ 25,575	\$ 6,512	\$ 578	\$ 32,665
Gross profit	18,568	9,177	1,068	28,813
Sales and marketing	5,513	1,687	229	7,429
General and administrative	5,461	2,179	333	7,973
Total operating expenses	18,271	7,011	842	26,124
Operating income	\$ 297	\$ 2,166	\$ 226	\$ 2,689
<b>Reclassification</b>				
Cost of sales	\$ (617)	\$ (575)	\$ (13)	\$ (1,205)
Gross profit	617	575	13	1,205
Sales and marketing	531	461	13	1,005
General and administrative	86	114	—	200
Total operating expenses	617	575	13	1,205
Operating income	\$ —	\$ —	\$ —	\$ —
<b>Restated</b>				
Cost of sales	\$ 24,958	\$ 5,937	\$ 565	\$ 31,460
Gross profit	19,185	9,752	1,081	30,018
Sales and marketing	6,044	2,148	242	8,434
General and administrative	5,547	2,293	333	8,173
Total operating expenses	18,888	7,586	855	27,329
Operating income	\$ 297	\$ 2,166	\$ 226	\$ 2,689