



Management's Discussion and Analysis of

VECIMA NETWORKS INC.

For the years ended June 30, 2024 and 2023

Vecima Networks Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 17, 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 year ended June 30, 2024.

Our MD&A supplements, but does not form part of, our consolidated financial statements and related notes for the year ended June 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 consolidated financial statements and accompanying notes for the year ended June 30, 2024 and 2023 which have been prepared in accordance with IFRS Accounting Standards 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.

Table of Contents

1.	Company Overview	2
2.	Industry Developments	4
3.	Fiscal 2024 Q4 and Full Year Highlights	5
4.	Outlook	7
5.	Consolidated Results of Operations	8
6.	Summary of Quarterly Results of Operations	11
7.	Segmented Information	12
8.	Liquidity and Capital Resources	18
9.	Off-Balance Sheet Arrangements	20
10.	Transactions Between Related Parties	20
11.	Proposed Transactions	20
12.	Critical Accounting Estimates	20
13.	Accounting Pronouncements and Standards	23
14.	Disclosure Controls and Procedures	23
15.	Internal Control over Financial Reporting	24
16.	Legal Proceedings	24
17.	Risks and Uncertainties	24
18.	Outstanding Share Data	26
19.	Additional Information	26

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. including the 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;
 - 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. Fiscal 2024 Q4 and Full-Year Highlights

Financial and Corporate

- Generated record quarterly revenue of \$87.5 million, up 15.8% from \$75.5 million in Q4 fiscal 2023. Full-year consolidated sales of \$291.0 million decreased 4.1% year-over-year, reflecting the slower first half of fiscal 2024, largely offset by back-to-back record quarters in the second half.
- Gross profit increased by 6.7% to \$40.7 million from \$38.1 million in Q4 fiscal 2023. Full-year gross profit of \$136.7 million as compared to \$142.0 million in fiscal 2023.
- Achieved a Q4 gross profit margin of 46.5% and full-year gross profit margin of 47.0%, as compared to 50.5% and 46.8% in the same periods of fiscal 2023.
- Fourth quarter adjusted EBITDA climbed 5.8% to \$16.0 million, from \$15.1 million in the same period last year. Reported full-year adjusted EBITDA of \$53.8 million as compared to \$59.8 million in fiscal 2023. (Removing foreign exchange losses in fiscal 2024 and gains in fiscal 2023, the respective full year adjusted EBITDA would have been \$55.9 million and \$57.1 million.)
- Earnings per share increased to \$0.34, from \$0.21 in Q4 fiscal 2023. Full-year earnings per share of \$0.80 compared to \$1.15 in fiscal 2023.
- Ended the fourth quarter in a solid financial position with working capital of \$84.9 million at June 30, 2024, compared to \$83.7 million at June 30, 2023.

Video and Broadband Solutions

- Achieved record Video and Broadband Solutions ("VBS") sales of \$74.7 million in the fourth quarter, with sales climbing 31.0% year-over-year. Generated full-year VBS sales of \$236.1 million, as compared to \$245.1 million in fiscal 2023, reflecting slower sales during the transition in the first half of fiscal 2024, partially offset by the record results achieved in the second half.

DAA (Entra Family)

- Fourth quarter deployments of next-generation Entra DAA products increased 35.5% year-over-year to a new high of \$68.7 million. Full-year Entra sales reflected the first-half transition and were 4.5% lower year-over-year at \$212.2 million.
 - Increased total customer engagements to 115 MSOs worldwide, from 107 a year earlier. Sixty-two of these customers are ordering Entra products, with order sizes increasing as broader DAA deployment continues.
 - Ramped up volume deliveries of our Entra ERM3 Remote PHY device ("RPD") to our lead customer, while also initiating deliveries to additional customers. The award-winning ERM3 RPD helps operators upgrade legacy HFC nodes to DAA quickly and cost-effectively, while dramatically increasing broadband capacity.
 - Began deployments of the new EN9000 GAP (Generic Access Platform) node with a leading Tier 1 customer, while ramping up manufacturing in preparation for anticipated strong adoption. The modular EN9000 GAP Node provides customers with a future-proof path to 10G, protecting today's network investments by ensuring operators can easily transition to future technologies, including DOCSIS 4.0 and 10G FTTH.
 - Initiated shipments of the new Entra EXS1610 All-PON shelf to two customers in North America. A key component of Vecima's industry-leading fiber access product portfolio, the EXS1610 ALL-PON Shelf enables customers to cost effectively deploy fiber to the premises services in any market or hub deployment, providing maximum flexibility for customers.
 - Continued lab trials of the Entra Virtualized Cable Modem Termination System ("vCMTS") with the lead Tier 1 customer, while securing additional customer engagements for this new platform. The Entra vCMTS is part of the Entra Cloud platform of open, interoperable, and cloud-native applications that help cable operators virtualize and transform their networks for next-generation broadband access.
 - Added additional customers for Vecima's Remote MACPHY solutions, shipping to operators in North America, Latin America, Europe and Asia.
 - Subsequent to the year-end, commenced U.S. manufacturing of certain Entra fiber access equipment to meet Buy America requirements under the U.S. Broadband Equity, Access, and Deployment ("BEAD") program.
 - Subsequent to the year-end, successfully demonstrated the DOCSIS 4.0 Remote PHY node at an industry interoperability event.

Commercial Video (Terrace Family)

- Generated fourth quarter Commercial Video product sales of \$5.9 million as compared to \$6.3 million in Q4 fiscal 2023. Full-year Commercial Video products sales increased to \$23.8 million in 2024, up 7.0% from \$22.2 million in fiscal 2023.

Content Delivery and Storage (CDS)

- The Content Delivery and Storage segment generated sales of \$11.1 million (Q4 fiscal 2023: \$17.1 million; Q3 fiscal 2024: \$10.2 million).
- Fourth quarter gross margin of 53.5% was similar to 53.8% in Q4 fiscal 2023; Full-year gross margin increased to 56.7%, from 53.1% in fiscal 2023, reflecting increased service revenue.
- Successfully launched Dynamic Ad Insertion ("DAI") systems with two U.S. customers and expect further customer additions in upcoming quarters. DAI significantly enhances the ability of operators to further monetize their video assets.
- Introduced next-generation recording system for Cloud DVR.
- Initiated Tier 1 customer program to migrate its on-demand streaming network to a Virtual Machine.
- Continued to grow live linear IPTV traffic with customers regularly exceeding prior all-time high throughputs.
- Released new versions of Media Scale Origin and Dynamic Content products with additional Dynamic Ad Insertion features, including advances in asset insertion workflows, scaling of ingest throughput for dynamic versus static ad assets, and enhanced stitching capability for frame accurate ad insertion in highly variable ad window duration scenarios.
- Continued IPTV expansion at multiple customers, growing network footprints to give a larger subscriber base access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric.

Telematics

- Fourth quarter Telematics segment sales grew approximately 22.3% year-over-year to a record \$1.8 million, with full-year sales growing 11.1% to \$6.7 million as compared to fiscal 2023.
- Achieved strong gross margin percentage of 71.1% in the fourth quarter and 67.5% for the full year.
- Accelerated penetration into targeted industry verticals for our moveable asset solution, which monitors valuable asset location in warehouses, on vehicles, and at customer work sites.
- Added 16 new customers for the NERO asset tracking platform in the fourth quarter and significantly increased the number of moveable assets being monitored to over 68,000 units.
- On a full-year basis, added 50 new customers for Nero asset tracking translating to over 1,600 new Telematics subscriptions in addition to approximately 20,000 assets under management.

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.

Moving into fiscal 2025, a number of Tier 1 customers are underway with major DAA network rollouts supported by Vecima's next-generation solutions. In our Video and Broadband Solutions segment, we expect the continued ramp up of deliveries of our ERM3 Remote-PHY devices and new EN9000 Generic Access Platforms to have a positive impact on our revenue results in fiscal 2025, with our new EXS1610 All-PON Shelf adding additional contribution as the year progresses. With U.S. manufacturing now in place for parts of our fiber access portfolio, we also anticipate significant new opportunities becoming available via the US\$42.5 billion BEAD program beginning in fiscal 2025. 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 stronger segment performance in fiscal 2025 as we support existing and new customers' IPTV upgrades and expansions, and begin to roll out our new Dynamic Ad Insertion products with more customers. 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 anticipate strong revenue performance in fiscal 2025, with 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 gross margin near to or in the lower end of our target range of 45%-to-49%. 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.

Overall, we see fiscal 2025 as a year of capturing the major and multi-year opportunities in the compelling DAA and IPTV markets as we continue to build value for our shareholders.

5. Consolidated Results of Operations

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

Consolidated Statements of Comprehensive Income Data <i>(in thousands of dollars except common share data)</i>	Years ended June 30,					
	2024		2023		2022	
Sales	\$ 291,047	100%	\$ 303,437	100%	\$ 186,814	100%
Cost of sales	154,382	53%	161,466	53%	96,852	52%
Gross profit	136,665	47%	141,971	47%	89,962	48%
Operating expenses						
Research and development ⁽¹⁾	44,169	15%	45,950	15%	36,552	20%
Sales and marketing	29,285	10%	27,694	9%	19,330	10%
General and administrative	30,780	11%	29,428	10%	22,761	12%
Restructuring costs	–	–%	1,236	–%	–	–%
Share-based compensation	1,033	–%	2,502	1%	881	–%
Other expense	1,805	1%	1,871	1%	1,001	1%
	107,072	37%	108,681	36%	80,525	43%
Operating income	29,593	10%	33,290	11%	9,437	5%
Finance expense	(7,124)	(2)%	(2,370)	(1)%	(272)	–%
Foreign exchange (loss) gain	(1,935)	(1)%	2,681	1%	1,882	1%
Income before taxes	20,534	7%	33,601	11%	11,047	6%
Income tax expense	1,143	(1)%	6,389	2%	2,358	1%
Net income	19,391	6%	27,212	9%	8,689	5%
Other comprehensive income (loss)	2,136	1%	(114)	–%	831	–%
Comprehensive income	\$ 21,527	7%	\$ 27,098	9%	\$ 9,520	5%
Net income per share⁽²⁾						
Basic – total	\$ 0.80		\$ 1.15		\$ 0.38	
Diluted – total	\$ 0.80		\$ 1.15		\$ 0.38	
Other Data:						
Research and Development Expenditures ⁽³⁾	\$ 58,729		\$ 57,428		\$ 43,461	
Adjusted EBITDA ⁽⁴⁾	\$ 53,783		\$ 59,817		\$ 31,032	
Adjusted earnings per share ⁽⁵⁾	\$ 0.89		\$ 1.19		\$ 0.41	
Number of employees ⁽⁶⁾	608		602		592	

(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 Accounting Standards 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 Accounting Standards 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.

Consolidated Statements of Financial Position <i>(in thousands of dollars except common share data)</i>	June 30, 2024		June 30, 2023		June 30, 2022	
Cash and cash equivalents	\$	2,136	\$	2,278	\$	12,902
Working capital ⁽¹⁾	\$	84,857	\$	83,666	\$	58,571
Total assets	\$	387,823	\$	331,686	\$	262,608
Long-term debt ⁽²⁾	\$	15,399	\$	14,123	\$	15,115
Shareholders' equity	\$	234,960	\$	217,653	\$	179,732
Number of common shares outstanding ⁽³⁾		24,307,418		23,712,384		23,079,181

(1) Working capital does not have any standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers.

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

(3) Based on the weighted average number of common shares outstanding during fiscal 2024.

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 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 Accounting Standards and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share (in thousands of dollars)	Years ended June 30,		
	2024	2023	2022
Net income	\$ 19,391	\$ 27,212	\$ 8,689
(Gain) loss on sale of non-core PP&E, net of tax	(1,886)	56	154
Impairment expense, net of tax	–	–	591
Restructuring costs, net of tax	–	976	–
Warrants expense, net of tax	1,619	–	–
Settlement on software support costs, net of tax	485	–	–
Advisory fees, net of tax	2,026	–	–
Adjusted net income	\$ 21,635	\$ 28,244	\$ 9,434
Net income per share	\$ 0.80	\$ 1.15	\$ 0.38
(Gain) loss on sale of non-core PP&E, net of tax	(0.08)	–	0.01
Impairment expense, net of tax	–	–	0.02
Restructuring costs, net of tax	–	0.04	–
Warrants expense net of tax	0.07	–	–
Settlement on software support costs, net of tax	0.02	–	–
Advisory fees, net of tax	0.08	–	–
Adjusted earnings per share⁽¹⁾⁽²⁾	\$ 0.89	\$ 1.19	\$ 0.41

⁽¹⁾ Adjusted earnings per share includes non-cash share-based compensation of \$1.0 million or \$0.04 per share for the year ended June 30, 2024, and \$2.5 million or \$0.11 per share for the year ended June 30, 2023. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.

⁽²⁾ Adjusted earnings per share includes foreign exchange loss of \$1.9 million or \$0.08 per share for the year ended June 30, 2024, and a gain of \$2.7 million or \$0.11 per share for the year ended June 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 Accounting Standards 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 Accounting Standards and, accordingly, investors are cautioned that adjusted margin should not be construed as alternatives to gross margin, determined in accordance with IFRS Accounting Standards, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted Gross Margin (in thousands of dollars)	Years ended June 30,		
	2024	2023	2022
Sales	\$ 291,047	\$ 303,437	\$ 186,814
Cost of Sales	154,382	161,466	96,852
Gross Margin	136,665	141,971	89,962
Warrant expense ⁽¹⁾	2,024	–	–
Adjusted Gross Margin	\$ 138,689	\$ 141,971	\$ 89,962
Adjusted Gross Margin %	47.7 %	46.8 %	48.2 %

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

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 Accounting Standards 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; share-based compensation expense; warrant expense; settlement on software support costs and advisory fees. 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 Accounting Standards and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS Accounting Standards, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA (in thousands of dollars)	Years ended June 30,		
	2024	2023	2022
Net income	\$ 19,391	\$ 27,212	\$ 8,689
Income tax expense	1,143	6,389	2,358
Interest expense	7,136	2,390	299
Depreciation of property, plant and equipment	4,746	3,416	2,827
Depreciation of right-of-use assets	1,289	1,355	1,264
Amortization of deferred development costs	12,970	11,981	10,643
Amortization of intangible assets	3,270	3,265	3,115
EBITDA	49,945	56,008	29,195
(Gain) loss on sale of property, plant and equipment	(2,357)	71	208
Impairment expense	–	–	748
Restructuring costs	–	1,236	–
Share-based compensation	1,033	2,502	881
Warrant expense	2,024	–	–
Settlement on software support costs	606	–	–
Advisory fees	2,532	–	–
Adjusted EBITDA	\$ 53,783	\$ 59,817	\$ 31,032
Percentage of sales	18%	20%	17%

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS Accounting Standards 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 (in thousands of dollars)	Years ended June 30,		
	2024	2023	2022
R&D expense per statement of comprehensive income	\$ 44,169	\$ 45,950	\$ 36,552
Deferred development costs	27,395	23,354	17,419
Investment tax credits	135	117	148
Amortization of deferred development costs	(12,970)	(11,981)	(10,643)
Government grants	–	(12)	(15)
Total research and development expenditures	\$ 58,729	\$ 57,428	\$ 43,461
Percentage of sales	20%	19%	23%

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2024 and 2023 in accordance with IFRS Accounting Standards. 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 2024				Fiscal 2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	\$ 87,476	\$ 80,139	\$ 61,954	\$ 61,478	\$ 75,522	\$ 78,256	\$ 76,212	\$ 73,447
Cost of Sales	46,820	42,543	32,354	32,665	37,410	44,183	40,167	39,706
Gross profit	40,656	37,596	29,600	28,813	38,112	34,073	36,045	33,741
Operating expenses								
Research and development	11,041	11,281	11,551	10,296	12,851	12,053	10,341	10,705
Sales and marketing	8,510	6,741	6,605	7,429	7,842	6,929	6,619	6,304
General and administrative	8,504	7,872	6,431	7,973	7,923	8,389	7,522	5,594
Restructuring costs	–	–	–	–	1,236	–	–	–
Share-based compensation	248	272	257	256	1,300	289	815	98
Other expense	189	1,349	97	170	1,553	275	22	21
	28,492	27,515	24,941	26,124	32,705	27,935	25,319	22,722
Operating income	12,164	10,081	4,659	2,689	5,407	6,138	10,726	11,019
Finance expense	(3,184)	(1,580)	(1,660)	(700)	(877)	(738)	(554)	(201)
Foreign exchange (loss) gain	(2,029)	(1,159)	1,837	(584)	1,319	198	(138)	1,302
Income before income taxes	6,951	7,342	4,836	1,405	5,849	5,598	10,034	12,120
Income tax (recovery) expense	(1,306)	1,542	1,247	(340)	739	1,147	1,895	2,608
Net income	8,257	5,800	3,589	1,745	5,110	4,451	8,139	9,512
Other comprehensive income (loss)	959	1,361	(1,157)	973	(1,896)	(105)	(482)	2,369
Comprehensive income	\$ 9,216	\$ 7,161	\$ 2,432	\$ 2,718	\$ 3,214	\$ 4,346	\$ 7,657	\$ 11,881
Net income per share								
Basic – total	\$ 0.34	\$ 0.24	\$ 0.15	\$ 0.07	\$ 0.21	\$ 0.18	\$ 0.35	\$ 0.41
Diluted – total	0.34	0.24	0.15	0.07	0.21	0.18	0.35	0.41
Adjusted EBITDA as reported	\$ 15,969	\$ 17,221	\$ 12,470	\$ 8,123	\$ 15,088	\$ 11,700	\$ 15,840	\$ 17,189

Quarter-to-Quarter Sales Variances

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

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

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

7. Segmented Information

Sales

Segment	Three months ended June 30,		Years ended June 30,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 74,651	\$ 56,988	\$ 236,085	\$ 245,083
Content Delivery and Storage	11,058	17,089	48,220	52,283
Telematics	1,767	1,445	6,742	6,071
Total sales	\$ 87,476	\$ 75,522	\$ 291,047	\$ 303,437

Three-Month Results

We achieved record total sales of \$87.5 million in Q4 fiscal 2024, an increase of 16% from \$75.5 million in Q4 fiscal 2023 and 9% higher than the \$80.1 million generated in Q3 fiscal 2024. These increases were primarily driven by the VBS segment and reflect the resumption of Entra DAA demand momentum, partially offset by lower CDS segment sales.

The Video and Broadband Solutions segment grew revenue to \$74.7 million in Q4 fiscal 2024, an increase of 31% from \$57.0 million in Q4 fiscal 2023 and 9% from \$68.2 million in Q3 fiscal 2024.

- Next-generation Entra products sales of \$68.7 million were 35% higher than the \$50.7 million generated in Q4 fiscal 2023 and 13% higher than the \$60.9 million achieved in Q3 fiscal 2024.
- Commercial Video product sales of \$5.9 million decreased 6% from \$6.3 million in Q4 fiscal 2023 and were 18% lower than the \$7.2 million of sales generated in Q3 fiscal 2024. The year-over-year decrease reflects the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra Family sales.

The Content Delivery and Storage segment generated sales of \$11.1 million in Q4 fiscal 2024, a decrease of 35% from \$17.1 million in Q4 fiscal 2023, but 8% higher than the \$10.2 million achieved in Q3 fiscal 2024. The year-over-year decrease in CDS sales reflects particularly strong deliveries in the prior-year quarter related to record IPTV expansion activity. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q4 fiscal 2024 period included \$4.5 million of product sales (Q4 fiscal 2023 - \$10.3 million) and \$6.5 million of services revenue (Q4 fiscal 2023 - \$6.8 million).

Telematics sales grew to \$1.8 million in Q4 fiscal 2024, 22% higher than the \$1.4 million generated in Q4 fiscal 2023 and 4% higher than the \$1.7 million generated in Q3 fiscal 2024. Results for the quarter reflect the steady incremental growth we have been achieving with our moveable asset solutions strategies and were consistent with our expectations.

Twelve-Month Results

For the year ended June 30, 2024, total sales were \$291.0 million compared to \$303.4 million in the same period of fiscal 2023, a decrease of 4%. The year-over-year change primarily reflects the temporary slowdown in VBS product orders in the first half of fiscal 2024, partially offset by higher VBS segment sales in the second half.

Video and Broadband Solutions sales were \$236.1 million, as compared to \$245.1 million in fiscal 2023, a decrease of 4%.

- Full-year Entra product sales were \$212.2 million, as compared to \$222.1 million in 2023, a decrease of 4%. The year-over-year change was anticipated and reflects the temporary delay in large scale network build outs that occurred in the first six months of fiscal 2024 as customers drew down inventory levels accumulated during a period impacted by supply chain constraints. This impact was partially offset by a rebound to record quarterly Entra sales in the second half.
- Commercial Video product sales increased to \$23.8 million in 2024, up 7% from \$22.2 million in the same period last year. The year-over-year increase reflects a temporary increase in legacy product orders.

In the Content Delivery and Storage segment, full-year sales of \$48.2 million were 8% lower than the \$52.3 million achieved in fiscal 2023. Lower product sales, related to decreased IPTV expansion activity among our customers, partially offset by higher services revenue were the key factors in this change. Fiscal 2024 segment sales included \$23.7 million of product sales (fiscal 2023 - \$30.1 million) and \$24.5 million of services revenue (fiscal 2023 - \$22.2 million).

Full-year Telematics sales grew 11% to \$6.7 million, from \$6.1 million in fiscal 2023. Results for the year were consistent with our expectations and reflect the increase in assets and tags monitored.

Cost of Sales

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

Segment	Three months ended June 30,		Years ended June 30,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 41,172	\$ 29,118	\$ 131,304	\$ 134,961
Content Delivery and Storage	5,138	7,892	20,887	24,544
Telematics	510	399	2,191	1,961
Total cost of sales	\$ 46,820	\$ 37,409	\$ 154,382	\$ 161,466

Three-Month Results

For the three months ended June 30, 2024, total cost of sales increased 25% to \$46.8 million, from \$37.4 million in Q4 fiscal 2023 and were up 10% from \$42.5 million in Q3 fiscal 2024. The year-over-year increase primarily reflects higher sales combined with a different product mix.

Fourth quarter cost of sales in the Video and Broadband Solutions segment increased 41.4% to \$41.2 million, from \$29.1 million in Q4 fiscal 2023, and increased 9% from \$37.9 million in Q3 fiscal 2024. The year-over-year change reflects higher sales, partially offset by a lower-margin product mix. The quarter-over-quarter increase primarily reflects higher sales.

In the Content Delivery and Storage segment, fourth quarter cost of sales decreased 35% to \$5.1 million, from \$7.9 million in Q4 fiscal 2023 and increased 25% from \$4.1 million in Q3 fiscal 2024. The year-over-year change was primarily due to lower sales.

In the Telematics segment, cost of sales was \$0.5 million in the fourth quarter, as compared to \$0.4 million in the same period of fiscal 2023 and consistent with Q3 fiscal 2024. The year-over-year increase reflects higher sales.

Twelve-Month Results

For the year ended June 30, 2024, total cost of sales decreased by 4% to \$154.4 million, from \$161.5 million in fiscal 2023. This decrease primarily reflects lower sales, together with the easing of supply chain constraints and associated expedite costs, partially offset by a decrease in higher-margin CDS segment sales.

Full-year cost of sales in the Video and Broadband Solutions segment decreased to \$131.3 million, from \$135.0 million in fiscal 2023. The 3% decrease reflects lower sales, a different product mix, and the easing of supply chain constraints, which reduced expedite costs in the current period.

In the Content Delivery and Storage segment, full-year cost of sales decreased by 15% to \$20.9 million in fiscal 2024, from \$24.5 million in fiscal 2023. Lower sales, partially offset by higher service revenues which carry higher margins, were the key factors in this change.

Cost of sales in the Telematics segment increased to \$2.2 million in fiscal 2024, from \$2.0 million in fiscal 2023. Higher Telematics sales accounted for most of this increase.

Gross Profit and Gross Margin

Segment	Three months ended June 30,			Years ended June 30,	
	2024	2023		2024	2023
Video and Broadband Solutions	\$ 33,479	\$ 27,869	\$	104,781	\$ 110,122
Content Delivery and Storage	5,920	9,197		27,333	27,739
Telematics	1,257	1,046		4,551	4,110
Total gross profit	\$ 40,656	\$ 38,112	\$	136,665	\$ 141,971
Video and Broadband Solutions	44.8 %	48.9 %		44.4 %	44.9 %
Content Delivery and Storage	53.5 %	53.8 %		56.7 %	53.1 %
Telematics	71.1 %	72.4 %		67.5 %	67.7 %
Total gross margin	46.5 %	50.5 %		47.0 %	46.8 %

Three-Month Results

For the three months ended June 30, 2024, total gross profit grew to \$40.7 million, an increase of 7% from \$38.1 million in Q4 fiscal 2023 and 8% from \$37.6 million in Q3 fiscal 2024. The year-over-year improvement reflects higher VBS segment sales, partially offset by lower CDS segment sales. Fourth quarter gross margin was 46.5%, compared to 50.5% in Q4 fiscal 2023 and 46.9% in Q3 fiscal 2024. The year-over-year decrease in Q4 gross margin reflects a different product mix in the VBS segment, combined with lower CDS sales which carry a higher gross margin.

The Video and Broadband Solutions segment grew gross profit by 20% to \$33.5 million, from \$27.9 million in Q4 fiscal 2023. The year-over-year increase reflects higher segment sales combined with tight management of our supply chain, partially offset by the product mix-related decrease in gross profit margin to 44.8%, from 48.9% in Q4 2023. On a sequential quarterly basis, fourth quarter VBS gross profit was 10% higher than the \$30.3 million achieved in Q3 fiscal 2024 (gross profit margin of 44.5%), reflecting higher sales.

In the Content Delivery and Storage segment, fourth quarter gross profit was \$5.9 million as compared to \$9.2 million in the same period last year. The year-over-year change reflects lower CDS sales. CDS gross margin decreased slightly to 53.5%, from 53.8% in the same period last year, reflecting a lower proportion of higher-margin services sales in the revenue mix. On a sequential quarterly basis, third quarter CDS gross profit was lower than the \$6.1 million achieved in Q3 fiscal 2024, while gross margin decreased from 59.8%.

Fourth quarter gross profit from the Telematics segment increased 20% to \$1.3 million (gross profit margin of 71.1%), from \$1.0 million (gross margin of 72.4%) in Q4 fiscal 2023. The improved gross profit results reflect the addition of new customers and higher sales. On a sequential quarterly basis, Telematics gross profit was also higher than the \$1.2 million (gross margin of 67.8%) achieved in Q3 fiscal 2024.

Twelve-Month Results

For the year ended June 30, 2024, we generated gross profit of \$136.7 million, as compared to \$142.0 million in fiscal 2023. The 4% year-over-year decrease reflects lower consolidated sales, partially offset by a higher gross margin percentage. Gross margin in fiscal 2024 increased to 47.0%, from 46.8% in the same period of fiscal 2023, primarily reflecting tight management of our supply chain expenses and a reduction in expedite costs as supply chain constraints have eased. We target a gross margin percentage of 45% to 49%.

The Video and Broadband Solutions segment generated gross profit of \$104.8 million (gross profit margin of 44.4%) in fiscal 2024, as compared to \$110.1 million (gross profit margin of 44.9%) in fiscal 2023, a decrease of 5%. The year-over-year change in gross profit primarily reflects lower segment sales.

Content Delivery and Storage segment gross profit decreased by 1% to \$27.3 million (gross profit margin of 56.7%) in fiscal 2024, from \$27.7 million (gross profit margin of 53.1%) in fiscal 2023. The slight year-over-year decline in CDS gross profit reflects lower sales, partially offset by higher service revenues, which carry a higher gross margin percentage.

Telematics segment gross profit increased to \$4.6 million (gross profit margin of 67.5%) in fiscal 2024, from \$4.1 million (gross margin of 67.7%) in fiscal 2023. The year-over-year improvement in gross profit was primarily driven by higher sales.

Operating Expenses

Segment	Three months ended June 30,		Years ended June 30,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 19,285	\$ 23,785	\$ 73,321	\$ 75,793
Content Delivery and Storage	8,163	7,993	29,994	29,460
Telematics	1,044	927	3,757	3,428
Total operating expense	\$ 28,492	\$ 32,705	\$ 107,072	\$ 108,681

Three-Month Results

For the three months ended June 30, 2024, total operating expenses were \$28.5 million, as compared to \$32.7 million in Q4 fiscal 2023 and \$27.5 million in Q3 fiscal 2024. As a percentage of sales, Q4 operating expenses were lower at 33%, as compared to 43% in Q4 fiscal 2023.

Video and Broadband Solutions operating expenses decreased to \$19.3 million, from \$23.8 million in Q4 fiscal 2023, and were flat as compared to Q3 fiscal 2024. The \$4.5 million year-over-year decrease reflects lower research and development expenses and restructuring costs combined with the gain on sale of the Company's Victoria office, partially offset by higher general and administrative and sales and marketing expenses.

Content Delivery and Storage operating expenses were \$8.2 million in Q4 fiscal 2024, compared to \$8.0 million in Q4 fiscal 2023 and \$7.4 million in Q3 fiscal 2024. Higher research and development and sales and marketing expenses were partially offset by lower restructuring costs and share-based compensation compared to the same period in fiscal 2023.

Telematics operating expenses increased slightly to \$1.0 million in Q4 fiscal 2024, from \$0.9 million in both Q4 fiscal 2023 and Q3 fiscal 2024. This increase reflects higher sales and marketing and general administrative costs in the Q4 fiscal 2024 period.

Research and development expenses decreased to \$11.0 million, or 13% of sales in Q4 2024, from \$12.9 million, or 17% of sales in the same period of fiscal 2023. This primarily reflects lower expense for salary and wages and higher capitalized development costs, partially offset by higher costs for software and licensing. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q4 fiscal 2024 were \$15.6 million, or 18% of sales, as compared to \$15.3 million, or 20% of sales in Q4 fiscal 2023.

Sales and marketing expenses were \$8.5 million, or 10% of sales in Q4 fiscal 2024, as compared to \$7.8 million, or 10% of sales in the same period last year. The year-over-year increase was primarily due to higher salaries and wages, as well as expenses aimed at supporting future sales.

General and administrative expenses increased to \$8.5 million, or 10% of sales in Q4 fiscal 2024, from \$7.9 million or 10% of sales in Q4 fiscal 2023. The year-over-year increase reflects higher salary and wages and expenses aimed at supporting future growth.

Stock-based compensation expense was \$0.2 million in Q4 fiscal 2024 compared to \$1.3 million in Q4 fiscal 2023. The decrease is mainly attributed to the vesting of performance share units (each a "PSU") in the prior-year period compared to nil vesting in Q4 fiscal 2024.

Other expense was \$0.2 million in Q4 fiscal 2024, compared to other expense of \$1.6 million in the same period last year. Other income included a \$2.4 million gain on the sale of our office property in Victoria, B.C., partially offset by advisory fees and the settlement of third-party software support contracts.

Twelve-Month Results

For the year ended June 30, 2024, total operating expenses were \$107.1 million, as compared to \$108.7 million in fiscal 2023. The year-over-year decrease primarily reflects a \$2.4 million gain on the sale of the property in Victoria, lower restructuring costs and decreased share-based compensation expense, partially offset by advisory fees related to the bid on Casa Systems' cable business assets and higher sales and marketing expenses. As a percentage of sales, full-year operating expenses were 37% as compared to 36% in fiscal 2023.

Video and Broadband Solutions operating expenses were lower at \$73.3 million in fiscal 2024, as compared to \$75.8 million in fiscal 2023. The \$2.5 million decrease primarily reflects the \$2.4 million gain on sale of the office property in Victoria, lower restructuring costs and share-based compensation, partially offset by higher sales and marketing expenses aimed at supporting growth.

Content Delivery and Storage operating expenses increased slightly to \$30.0 million in fiscal 2024, from \$29.5 million in fiscal 2023. The \$0.5 million increase reflects higher marketing and general administrative costs, partially offset by lower research and development expenditures.

Telematics operating expenses increased to \$3.8 million in fiscal 2024, from \$3.4 million in fiscal 2023, primarily reflecting higher general and administrative and research and development expenditures.

Research and development expenses in fiscal 2024 were \$44.2 million, or 15% of sales, compared to \$46.0 million, or 15% of sales in fiscal 2023. This change primarily reflects an increase in capitalized development costs and lower salary and wages, partially offset by increased software and licensing and prototyping 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 fiscal 2024 increased to \$58.7 million, or 20% of sales, from \$57.4 million, or 19% of sales in fiscal 2023. This increase reflects higher costs for prototyping and software and licensing, partially offset by lower expense for salary and wages as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were \$29.3 million, or 10% of sales in fiscal 2024, as compared to \$27.7 million, or 9% of sales in fiscal 2023. This change primarily reflects activities in support of higher sales, including increased trade show and promotion expenses, partially offset by lower product demo costs, as compared to fiscal 2023.

General and administrative expenses increased to \$30.8 million, or 11% of sales in fiscal 2024, as compared to \$29.4 million, or 10% of sales in fiscal 2023.

Stock-based compensation expense was \$1.0 million in fiscal 2024, compared to \$2.5 million in fiscal 2023.

Other expense was \$1.8 million in fiscal 2024, compared to \$1.9 million in fiscal 2023. Other expenses included \$1.3 million of advisory fees related to M&A activity in the quarter.

Operating Income (Loss)

Segment	Three months ended June 30,		Years ended June 30,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 14,194	\$ 4,084	\$ 31,460	\$ 34,329
Content Delivery and Storage	(2,243)	1,204	(2,661)	(1,721)
Telematics	213	119	794	682
Total operating income	\$ 12,164	\$ 5,407	\$ 29,593	\$ 33,290

Three-Month Results

Operating income increased 125% to \$12.2 million in the fourth quarter of fiscal 2024, from \$5.4 million in the prior-year period. The \$6.8 million increase was primarily due to higher VBS sales, partially offset by a lower gross margin percentage as compared to the same period in fiscal 2023.

The Video and Broadband Solutions segment grew fourth quarter operating income to \$14.2 million, a 248% increase from \$4.1 million in Q4 fiscal 2023. The improved result primarily reflects higher VBS sales, partially offset by a lower gross margin percentage as compared to the same period in fiscal 2023.

Content Delivery and Storage recorded an operating loss of \$2.2 million in the fourth quarter, as compared to operating income of \$1.2 million in the same period of fiscal 2023. The year-over-year change primarily reflects lower segment sales.

Telematics operating income increased to \$0.2 million in Q4 fiscal 2024, from \$0.1 million in the same period of fiscal 2023, primarily due to higher sales.

Finance expense increased to \$3.2 million in Q4 fiscal 2024, from \$0.9 million in Q4 fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange loss for the fourth quarter was \$2.0 million, compared to a foreign exchange gain of \$1.3 million in the same period of fiscal 2023. Foreign exchange losses resulted from the impact of a weakening Canadian dollar on the translation of monetary liabilities.

Income tax recovery was \$1.3 million in Q4 fiscal 2024, compared to an income tax expense of \$0.7 million in Q4 fiscal 2023, reflecting the impact of foreign tax credits, partially offset by higher net income before taxes.

Net income for Q4 fiscal 2024 increased to \$8.3 million or \$0.34 per share, from \$5.1 million or \$0.21 per share in Q4 fiscal 2023.

Other comprehensive income increased to \$1.0 million in Q4 fiscal 2024, from an other comprehensive loss of \$1.9 million in the same period in fiscal 2023.

Comprehensive income increased to \$9.2 million in Q4 fiscal 2024, from \$3.2 million in Q4 fiscal 2023. The year-over-year increase was a result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2024, operating income decreased to \$29.6 million, from \$33.3 million in fiscal 2023. This was primarily due to lower VBS and CDS segment sales, partially offset by higher gross margin percentages in the CDS segment.

The Video and Broadband Solutions segment generated operating income of \$31.5 million in fiscal 2024, as compared to \$34.3 million generated in fiscal 2023. The decrease primarily reflects lower sales due to the temporary slowdown in Entra product orders during the first half of fiscal 2024 as customers worked through existing inventories built up during the supply chain challenges of the previous year.

Content Delivery and Storage recorded an operating loss of \$2.7 million in fiscal 2024, as compared to an operating loss of \$1.7 million in fiscal 2023. The \$0.9 million year-over-year decline primarily reflects lower sales, partially offset by increased higher-margin service revenues.

Telematics operating income was \$0.8 million in fiscal 2024, slightly higher than the \$0.7 achieved in fiscal 2023. Results for the year were consistent with our expectations and reflect the increase in assets and tags monitored.

Finance expense increased to \$7.1 million in fiscal 2024, from \$2.4 million in fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange loss was \$1.9 million in fiscal 2024, compared to a gain of \$2.7 million in fiscal 2023. Foreign exchange losses resulted from the impact of a weakening Canadian dollar on the translation of monetary liabilities.

Income tax expense was \$1.1 million in fiscal 2024, compared to \$6.4 million in fiscal 2023, reflecting lower before tax net income.

Net income for fiscal 2024 was \$19.4 million or \$0.80 per share, compared to \$27.2 million or \$1.15 per share in fiscal 2023.

Other comprehensive income increased to \$2.1 million in fiscal 2024, from \$0.1 million in fiscal 2023, reflecting the positive impact of a weakening Canadian dollar on the translation of foreign entities.

Comprehensive income for fiscal 2024 was \$21.5 million, compared to \$27.1 million in fiscal 2023. The year-over-year decrease was the result of the changes described above.

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

Operating Activities

For the three months ended June 30, 2024, cash flow provided by operating activities was \$36.1 million, compared to cash flow provided by operations of \$4.6 million in the prior-year period. The \$31.5 million increase in cash provided by operating activities reflects a \$32.8 million increase in cash flow from net working capital, partially offset by a \$1.3 million decrease in operating cash flow.

For the year ended June 30, 2024, cash flow provided by operating activities was \$2.7 million, compared to cash flow used in operating activities of \$11.0 million in fiscal 2023. The \$13.7 million increase in cash provided by operating activities reflects a \$37.8 million increase in cash flow from net working capital, partially offset by a \$24.1 million decrease in operating cash flow resulting from lower sales and higher income taxes paid.

Investing Activities

For the three months ended June 30, 2024, cash flow used in investing activities decreased to \$4.2 million, from \$6.8 million in the same period last year. This decrease reflects proceeds from the sale of property, plant and equipment of \$3.9 million (Q4 fiscal 2023 - \$nil), deferred development expenditures of \$7.6 million (Q4 fiscal 2023 - \$6.1 million), and the purchase of property, plant and equipment of \$0.5 million (Q4 fiscal 2023 - \$0.7 million).

For the year ended June 30, 2024, cash flow used in investing activities decreased to \$26.2 million, from \$26.4 million in fiscal 2023. This slight decrease reflects deferred development expenditures of \$27.4 million (fiscal 2023 - \$23.3 million), the purchase of property, plant and equipment of \$2.7 million (fiscal 2023 - \$3.0 million) and proceeds from the sale of property, plant and equipment of \$3.9 million (fiscal 2023 - \$nil).

Financing Activities

For the three months ended June 30, 2024, we repaid \$0.5 million of our long-term debt (Q4 fiscal 2023 - \$0.3 million repaid), paid withholding taxes on PSUs of \$nil (Q4 fiscal 2023 - \$1.3 million), repaid lease liabilities of \$0.4 million (Q4 fiscal 2023 - \$0.5 million), paid dividends of \$1.3 million (Q4 fiscal 2023 - \$1.3 million), received proceeds of \$nil from the exercise of stock options (Q4 fiscal 2023 - \$0.1 million) and had net repayments of our revolving line of credit of \$30.0 million (Q4 fiscal 2023 - \$4.2 million drawn).

For the year ended June 30, 2024, we had no share offerings (fiscal 2023 - \$17.0 million gross proceeds, \$1.1 share issuance costs and \$15.9 million net proceeds), we repaid \$1.6 million of our long-term debt (fiscal 2023 - \$0.8 million repaid), received proceeds from exercised options of \$0.1 million (fiscal 2023 - \$0.4 million), paid withholding taxes on PSUs of \$nil (fiscal 2023 - \$2.8 million), repaid lease liabilities of \$1.6 million (fiscal 2023 - \$1.8 million), paid dividends of \$5.3 million (fiscal 2023 - \$5.2 million) and had net draws from our revolving line of credit of \$31.2 million (fiscal 2023 - \$20.5 million).

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 million (June 30, 2023 - \$55 million) of which \$51.7 million was drawn on as of June 30, 2024 (June 30, 2023 - \$20.5 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 and 40% of certain inventory (to a maximum of \$42.5 million). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2024 was 6.70% (June 30, 2023 - 6.70%). As at June 30, 2024, we had no outstanding letters of credit (June 30, 2023 - \$15.9 million) with our suppliers.

Capital expenditures in fiscal 2024 were \$2.7 million, compared to \$3.0 million in fiscal 2023.

We expect to continue to see fluctuations in our liquidity through fiscal 2025 due to the timing of cash coming in from customers not matching the timing of cash spent on supplies. In order to manage this issue we expect to either increase our credit line or borrowing base, or pursue additional financing options.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to \$84.9 million at June 30, 2024, from \$83.7 million at June 30, 2023. 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 increased to \$70.1 million at June 30, 2024, from \$57.7 million at June 30, 2023. The increase reflects higher VBS segment sales and the timing of customer payments.

Inventories increased by \$34.4 million to \$136.0 million at June 30, 2024, from \$101.6 million as at June 30, 2023. The increase represents the build-up of inventory related to the anticipated ramp-up of sales and demand for new product inventory in fiscal 2025. Finished goods inventories were \$35.0 million at June 30, 2024, compared to \$55.3 million at June 30, 2023. Raw material inventory increased to \$86.4 million at June 30, 2024, from \$41.2 million at June 30, 2023. Work-in-progress inventories increased to \$14.6 million as at June 30, 2024, from \$5.1 million at June 30, 2023. 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 \$6.6 million at June 30, 2024 (June 30, 2023 - \$13.7 million). This primarily reflects the return of payments made to contract manufacturing suppliers for raw material inventories purchased and received related to forecast commitments.

Investment tax credits were \$21.8 million at June 30, 2024, compared to \$24.3 million at June 30, 2023. 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 \$57.6 million at June 30, 2024, from \$47.2 million at June 30, 2023. The increase was primarily due to the purchase of inventory to fulfill orders in the second half of fiscal 2024 and into fiscal 2025.

Financial liabilities, including the current portion, was \$2.6 million at June 30, 2024, as compared to \$nil as at June 30, 2023, reflecting the warrant agreement executed with a customer in the first quarter of fiscal 2024.

Long-term debt, including the current portion and lease liabilities, was \$17.8 million at June 30, 2024, as compared to \$16.4 million at June 30, 2023.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
November 7, 2023	\$0.055	November 24, 2023	December 18, 2023
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

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at June 30, 2024 were \$4.8 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at June 30, 2024, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is \$1.3 million; due between two-to-five years is \$3.8 million; and thereafter is \$0.4 million.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at June 30, 2024, the contractual obligation, based on forecasted commitments, is estimated to be \$nil (June 30, 2023 - \$6.9 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 June 30, 2024, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.368 from \$1.354 as at June 30, 2023. This \$0.01 exchange difference increased the value of our \$24.3 million U.S. dollar net assets by approximately \$1.0 million Canadian.

Financial Instruments

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

As at June 30, 2024, we did not have any forward contracts (June 30, 2023 - \$581 - asset position).

Expected Use of Proceeds and Financings

On May 29, 2024, the Company closed a subscription receipt offering for the sale of an aggregate 1,309,390 subscription receipts at a price of \$21.00 per subscription receipt, for total aggregate gross proceeds of \$27 million. The net proceeds of the subscription receipt financing from May 2024 were expected to be utilized to support the acquisition of Casa Systems, Inc.'s cable business assets (the "Transaction"). The Transaction was not consummated, and the proceeds of the subscription receipt financing were returned to the subscribers.

On December 14, 2022, the Company closed two common share offerings for the sale of an aggregate of 957,880 common shares at a price of \$17.75 per share for total aggregate gross proceeds of \$17.0 million. The net proceeds of the financing from December 14, 2022 were utilized for repayments of the Company's revolving line of credit as previously disclosed.

Description	Estimated Amount	Expended Amount ⁽¹⁾
Repayment of revolving line of credit	\$ 17,002	\$ 17,002
Total	\$ 17,002	\$ 17,002

⁽¹⁾ The Company has now spent the full \$17,002 of the proceeds from the offering to be allocated for the repayment of the revolving line of credit, as aligned with previously disclosed expectations.

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.

The Company entered into a building lease (the "Lease") on August 1st, 2022 with Surinder Kumar, Chairman. The Lease terms are at fair market value with the lease expiring in March 2026. During the year ended June 30, 2024, total lease payments, including interest, were \$0.2 million (June 30, 2023 - \$0.1 million). The building is being used for additional inventory storage space.

There were no other related party transactions during fiscal 2024 and 2023.

11. Proposed Transactions

We continually review potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value. At the current time, there are no reportable proposed transactions.

12. Critical Accounting Estimates

The preparation of our consolidated financial statements, in conformity with IFRS Accounting Standards, requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments in future periods to the carrying amount of the affected asset or liability. Actual results could differ from those estimates.

Functional currency

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

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

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

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

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

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

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

Revenue from contracts with customers and deferred revenue

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

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

Deferred development costs

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

Impairment of non-financial assets

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

Share-based compensation

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

The assumptions within the Black-Scholes option-pricing model used for estimating fair value for share-based compensation are as follows:

Years ended June 30,	2024	2023
Weighted average share price	\$ 17.14	\$ 18.94
Expected option life	6 years	6 years
Risk-free rate of return	3.89%	3.41%
Volatility factor	27.71%	23.47%
Expected dividends	1.29%	1.30%
Forfeiture rate	4.75%	4.54%

Income taxes

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

Leases

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

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

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

Other areas

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

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

13. Accounting Pronouncements and Standards

Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the International Accounting Standards Board ("IASB") were adopted in fiscal 2024:

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

On February 12 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The adoption of this amendment did not have a significant impact on the Company's financial statements.

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

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The adoption of this amendment did not have a significant impact on our financial statements.

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

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company's financial statements.

Accounting standard amendments issued but not yet applied

The following amended standard and interpretation issued by the IASB is effective after our June 30, 2024 year-end date and have not yet been adopted by us:

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

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

We are assessing the impact, if any, of this amendment, which is not yet effective on our consolidated financial statements.

14. Disclosure Controls and Procedures

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 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 Accounting Standards. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at June 30, 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 June 30, 2024. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2024 and ended on June 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 September 17, 2024, we had 24,311,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 36,000 common shares, and performance share units outstanding that are exercisable for an additional 563,794 common shares.

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

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

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

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

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

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the "Principal Shareholder") which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at June 30, 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: the believe that our current working capital position, access to loan facilities and cash together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future; began deployments of the new EN9000 GAP (Generic Access Platform) node with a leading Tier 1 customer, while ramping up manufacturing in preparation for anticipated strong adoption; and with respect to inventory working capital, the increase represents the build-up of inventory related to the anticipated ramp-up of sales and demand for new product inventory in fiscal 2025. 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.