



Management's Discussion & Analysis

For the three months ended
March 31, 2019 and 2018

Vitalhub Corp.
480 University Avenue, Suite 1001, Toronto, ON M5G 1V2

GENERAL INFORMATION

This Management's Discussion and Analysis ("MD&A") is current as of May 24, 2019 and comments on the financial condition and operations of Vitalhub Corp. ("Vitalhub", or the "Company"), for the three months ended March 31, 2019 and updates our MD&A for the fiscal year 2018. The information contained herein should be read in conjunction with the Financial Statements and Auditor's Report for fiscal 2018 and the interim condensed consolidated financial statements ("Financial Statements") for the three months ended March 31, 2019.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Chartered Professional Accountants Canada Handbook ("CPA Canada Handbook"). All financial information contained in this MD&A and in the interim condensed consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" on page 14 of this MD&A.

All currency amounts in this MD&A are expressed in Canadian dollars, unless specified otherwise.

COMPANY PROFILE

Vitalhub and its subsidiaries develop and supports mission-critical healthcare information systems in the Mental Health (Child, Youth and Adult), Long Term Care, Community Health Service, Home Health and Hospital sectors. VitalHub technologies include Blockchain, Mobile, Patient Flow, and Web-Based Assessment and EHR solutions.

VitalHub's aim is to create high-value, secured solutions enabling interoperability among existing health data systems. VitalHub is primarily focused on working with organizations in the Mental Health, Acute and Long-Term Care space, to further extend organizations' applications across the continuum of care, powered by the security, efficiency, and trust of Blockchain technology.

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan. Currently, VitalHub serves 200+ participants across North America. VitalHub is based in Toronto, Canada, with an offshore development hub in Sri Lanka. The Company is publicly traded on the TSX Venture Exchange under the symbol "VHI".

COMPANY HIGHLIGHTS

- **Revenue** for the three months ended March 31, 2019 was \$2,444,310 as compared \$2,923,466 in the same period last year (includes a one-time perpetual license fee of \$1,613,362) and compared to \$2,215,911 in Q4/2018 a 10.3% increase and \$2,118,093 in Q3/2018.
- **Net Income** for the three months ended March 31, 2019 was \$61,545 as compared to \$6,350 in the same quarter last year and (\$112,574) in Q4/2018, and (\$293,434) in Q3/2018.
- **EBITDA** (defined as earnings before interest, taxation, depreciation and amortization) for the three months ended March 31, 2019 was \$558,036 compared to EBITDA of \$381,628 in the same period last year, \$333,195 in Q4/2018, and \$155,794 in Q3/2018. EBITDA is a non-IFRS measure.
- **Adjusted EBITDA** (defined as earnings before interest, taxation, depreciation, amortization, and share based compensation) for the three months ended March 31, 2019 was \$647,270 compared to adjusted EBITDA of \$750,876 in the same period last year, \$441,355 in Q4/2018, and \$296,403 in Q3/2018. Adjusted EBITDA is a non-IFRS measure.
- **The Company defines Annualized Contract Value ("ACV") of recurring revenue as the contracted annual renewable software license fees and maintenance services.** The ACV of recurring revenue at March 31, 2019 was \$5,226,623 as compared to \$4,486,680 at December 31, 2018, an increase of 14%. ACV is a non-IFRS measure.
- **The Company defines acquisition revenue as gross revenues of the Company at the time of acquisition and organic revenue as revenue over and above the acquisition revenues.** For the three months ended March 31, 2019, organic revenue represented 35% of total revenue (Q1/2018 – 1%, Q4/2018 – 29%), with the remaining 65% representing acquisition revenue (Q1/2018 – 43%, which includes a one time perpetual license which represents 56% of gross revenues, Q4/2018 – 71%). Acquisition and organic revenue are non-IFRS measures.
- **On January 18, 2019, the Company completed a non-brokered private placement (the "offering") of units ("units") with the former founders and management team of Aastra Technologies Limited (the "Investors").** The offering was completed at a price \$0.16 per unit for gross proceeds of \$3.3 million and a total of 20,625,000 units issued.
- **The Company sold both its TREAT and B Care solutions to the government of Yukon Health and Social services ("H&SS).** The Government of Yukon's initial commitment includes a 3-yr term with an option to extend the size and scope of usage. TREAT and B Care are being licensed as a hosted service (SaaS). Vitalhub is anticipating revenue during the initial term of approximately \$500,000.
- **On March 20, 2019, the Company completed its fifth acquisition.** The Company purchased all of the assets of the Oak Group, which included all of the issued and outstanding share capital in the Oak Group's wholly-owned subsidiary, The Oak Group (UK) Limited. The Oak Group is a software and service provider of its propriety 'Making Care Appropriate for Patients' ("MCAP") System and was ranked first (based on combined quality and value scores) on the NHS England framework and is licensed on more U.K. healthcare beds than any other product of its class.
- **The Company licensed its newly acquired software MCAP to Hamad Medical Corporation ("HMC") in Qatar to support the implementation of Qatar's National Continuing Care Strategy.**
- **The Company signed a contract to provide its TREAT solution to The Hawskesbury and District General Hospital as part of the regionalized expansion of the TREAT EHR through Ottawa Hospital, 15 organizations are now eligible to sign a Participation Agreement allowing them to license the TREAT software.**

SUMMARY OF OPERATING RESULTS

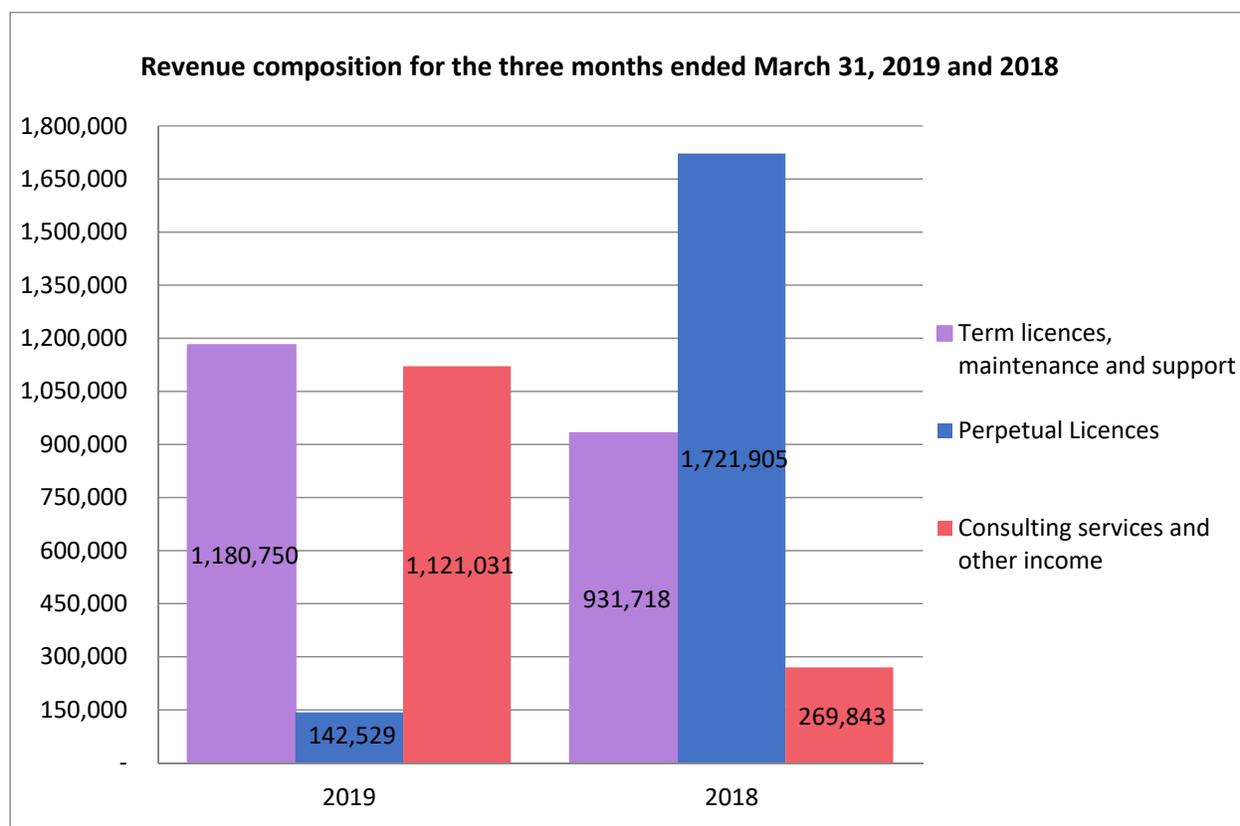
This report analyses the results for the three month period ended March 31, 2019, with comparisons to the same prior period. The Financial Statements for the period ended March 31, 2019 form an integral part of this Management's Discussion and Analysis. The Financial Statements can be found at www.sedar.com.

	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$	% Change
Revenues	2,444,310	2,923,466	(16.4%)
Cost of sales	675,476	287,745	134.7%
General and administrative expenses	577,880	615,546	(6.1%)
Sales and marketing expenses	155,924	263,706	(40.9%)
Research and development expenses	373,261	1,006,819	(62.9%)
Depreciation and amortization	356,976	350,085	2.0%
Amortization on right-of-use assets	48,693	-	100.0%
Stock based compensation	35,872	55,996	(35.9%)
Acquisition, restructuring and related expenses	53,362	313,252	(83.0%)
Foreign currency (gain) loss	(23,335)	(1,225)	1804.2%
Interest expense and accretion	116,081	116,192	(0.1%)
Interest income from sublease	(490)	-	(100.0%)
Interest expense from lease liabilities	9,985	-	100.0%
Loss on right of use asset and lease liability	27,869	-	100.0%
Loss on disposal of property, plant and equipment	470	-	100.0%
Current income taxes	2,941	-	100.0%
Deferred income taxes	(28,200)	(91,000)	(69.0%)
Net income	61,545	6,350	

REVENUE

The Company generates revenue from the sale of perpetual and annual renewable software licenses, maintenance and support and professional services. Certain agreements provide for the delivery of application software and continuing post contract services, such as maintenance and support for the application software sold.

For the three months ended March 31, 2019, the Company generated total revenue of \$2,444,310 representing a decrease of 16.4% over revenue of \$2,923,466 for the same period last year. This decrease is primarily a result of \$1,613,362 of perpetual license revenue from a sale to a customer for the HI Next software in the prior period.



Perpetual software licences:

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Revenue from the license of distinct software is recognized at the time that the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred control to the customer. These conditions generally are met when the application software has been delivered.

Revenue from perpetual software licences for the three months ended March 31, 2019 was \$142,529 compared to \$1,721,905 for the same period last year. This decrease is primarily a result of \$1,613,362 of perpetual license revenue sold to a customer for the HI Next software during the prior period.

Annual renewable software licenses and post contract maintenance and support:

Annual renewable software licenses include the right to access the software for a year, technical support and maintenance services. These agreements are accounted for as royalties, as the customer only has the right to access the software for a specified period of time. These services are similar in substance to a subscription, as the Company does not sell one-year licences without technical support and maintenance services, and the revenue is recognized rateably over the term of the agreement from the date the licence term commences.

Post contract maintenance and support revenue consists of fees charged for customer support on software post-delivery. These arrangements include an indeterminable number of acts with revenue from post contract services being recognized rateably over the term of arrangement.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription.

Revenue from term licences, maintenance and support for the three months ended March 31, 2019 was \$1,180,750 an increase of 26.7% compared to revenue of \$931,718 for the three months ended March 31, 2018.

Consulting, professional services and other income:

Professional Services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known. Other income consists of miscellaneous income such as grants and interest income which is recognized when received.

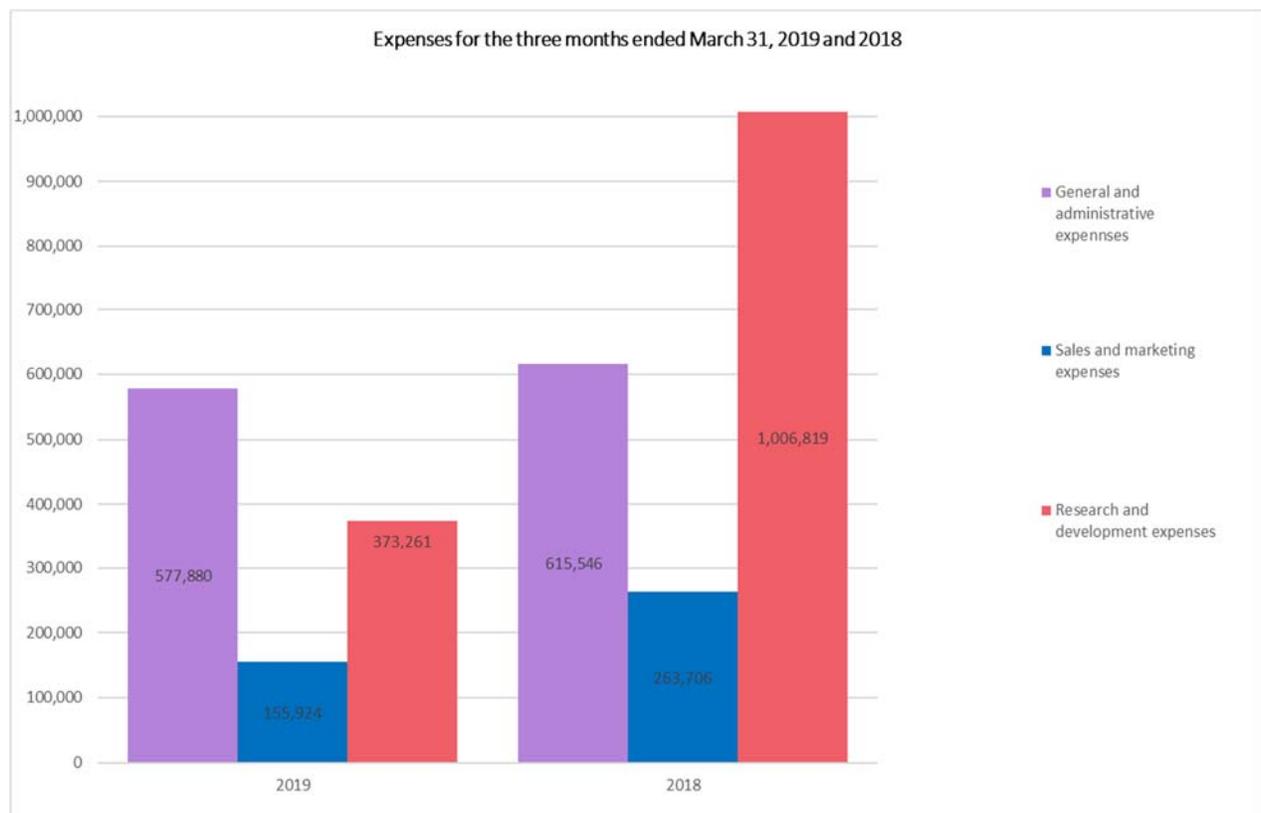
In addition, other income includes revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced.

Revenue from consulting, professional services and other for the three months ended March 31, 2019 was \$1,121,031, compared to \$269,843 for the same period last year, representing an increase of 315.4%. This increase is the direct result of increased business, primarily from the Province of Nova Scotia.

EXPENSES

Cost of sales

Cost of sales expense consists of commissions, hosting, royalties and employee salaries for development and support staff. Cost of sales for the three months ended March 31, 2019 were \$675,476 versus \$287,745 in the previous period. This increase is primarily attributable to the costs of salaries to earn services revenue.



General and administrative expenses

General and administrative expenses consist of employee salaries related to finance and administration personnel, professional fees (legal, audit, tax and consultants), public company expenses (listing fees and related expenses), and overhead expenses associated with maintaining the Company's office and premises. For the three months ended March 31, 2019 general and administrative expenses decreased by 6.1% from \$615,546 in the Q1 2018 to \$577,880. This decrease is due to several factors, decreased investor relations activities, and consulting services as well as more effective cost control on office related expenses. As a percentage of revenue, general and administrative expenses are 24% and 21% for three months ending March 31, 2019 and 2018.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, and travel costs of our direct sales team, and advertising and marketing costs. For the three months ended March 31, 2019, sales and marketing expenses were \$155,924 compared to \$263,706 in the previous period, representing a 40.9% decrease. This decrease is primarily due to decreased consulting services required. As a percentage of revenue sales and marketing expenses are 6% and 9% of revenue for the three months ending March 31, 2019 and 2018.

Research and development expenses

Research and development ("R&D") expenses consist of the salaries, benefits, travel and training costs of our R&D team. For the three months ended March 31, 2019 R&D expenses were \$373,261 representing a 62.9% decrease over expenses of \$1,006,819 in the previous period. This decrease is due to right sizing the department, as well as SRED recovery received in the period. For the three months ended March 31, 2019 and 2018, research and development expenses as a percentage of revenue were 15% and 34%.

Depreciation and amortization

Depreciation consists of depreciation and amortization on the Company's tangible and intangible assets which include computers, furniture and fixtures, leasehold improvements, acquired technologies, brand and customer relationships. Depreciation and amortization for the three months ended March 31, 2019 was \$356,976 (2018 - \$350,085).

Stock based compensation

Stock based compensation expense was \$35,872 for the three months ended March 31, 2019 compared to \$55,996 in the previous period.

Acquisition, restructuring and related expenses

Acquisition, restructuring and related expenses consist of costs incurred to acquire and integrate the businesses purchased as well as expenses incurred to realign parts of the business. For the three months ended March 31, 2019, acquisition, restructuring and related expenses were \$53,362 (2018 - \$313,252). This decrease is a result of fewer acquisitions completed in the periods as well as costs relating to employee restructuring that was completed to right size the acquired operations in the prior period.

Interest and accretion expense

Interest and accretion expense consists of bank charges and interest related to loans payable, debentures and contingent consideration. For the three months ended March 31, 2019, \$116,081 (2018 – \$116,192) of expenses were recognized.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended March 31, 2019:

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Revenues (\$)	2,444,310	2,215,911	2,118,093	1,856,446	2,923,390	721,989	159,874	135,875
Net income (loss) (\$)	61,545	(112,574)	(293,434)	(462,775)	6,350	(1,012,369)	(563,486)	(439,792)
EBITDA (\$)	558,036	333,195	155,794	(33,312)	381,627	(953,542)	(562,991)	(439,170)
Adjusted EBITDA (\$)	647,270	441,335	296,403	20,693	750,875	(481,657)	(559,437)	(435,616)
Net (loss) income per share - basic and diluted (\$)	0.00	(0.00)	(0.00)	(0.00)	0.00	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding - basic and diluted	134,754,035	132,562,739	130,259,775	126,037,262	124,929,400	85,360,157	41,110,405	34,424,445

OVERVIEW OF FINANCIAL POSITION

A discussion of the significant changes in the statements of financial position:

	March 31, 2019	December 31, 2018	\$ Change
Cash	3,749,658	2,805,993	943,665
Trade and other receivables	2,959,100	1,615,650	1,343,450
Customer option receivable	1,226,674	1,676,971	(450,297)
Lease receivable	55,513	-	55,513
Intangibles and goodwill	15,094,681	12,025,556	3,069,125
Right of use assets	1,088,969	-	1,088,969
Accounts payable and accrued liabilities	1,975,564	1,660,669	314,895
Loans payable	535,660	370,548	165,112
Contingent consideration	1,910,712	1,975,424	(64,712)
Lease liabilities	1,173,455	-	1,173,455
Deferred revenue	2,397,463	1,905,671	491,792
Debentures	1,834,808	1,785,427	49,381
Income taxes payable	72,495	87,424	(14,929)
Deferred tax liability	973,602	1,001,802	(28,200)

- **Cash** was \$3,749,658 an increase of \$943,665 from December 31, 2018. Refer to Liquidity and Capital Resources for a discussion of the changes in cash.
- **Trade and other receivables** were \$2,959,100 an increase of \$1,343,450 this is due primarily to new customer contracts signed in Q1 2019 and Q4 2018 and the business acquisition completed during the period and the inclusion of their trade and other receivables.
- **Intangibles and goodwill** are a direct result of the acquisitions completed in the period and the fair value of acquired customer relationships, software platforms, brands and resulting goodwill.
- **Accounts payable and accrued liabilities** were \$1,975,564 an increase of \$314,895, this is due primarily to the inclusion of the accounts payable and accrued liabilities of the business acquired during the period.
- **Deferred revenues** were \$2,397,463 representing an increase of \$491,792 from December 31, 2018 which is a direct result new customer contracts signed in Q1 2019 and the inclusion of the acquisition during the period.
- **Debentures** resulted from an issuance in December 2017 and the **Loan payable** relates to loans assumed upon the acquisitions during the prior year ending December 31, 2018.
- **Customer option receivable and contingent consideration** resulted from the acquisition of HI Next and an option exercised by a customer. This option has been recorded as an option receivable and a liability at its estimated fair value. This contingent consideration is to be paid over a two-year period. The balance at March 31, 2019 reflects the initial value on closing less the cash payments made and accretion during the three months ended March 31, 2019. The additional contingent consideration resulted from previous and current period acquisitions.
- **Income taxes payable and deferred tax liability** are the result the acquisitions completed by the Company.

OUTSTANDING SHARE DATA

SHARE CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2019 the Company had 159,867,661 (December 31, 2018 – 134,274,979) common shares issued and outstanding. As at March 31, 2019, there were 62,801,296 (December 31, 2018 – 43,111,296) warrants outstanding which entitle the holder to purchase one common share of the Company. Stock options outstanding as of March 31, 2019 were 12,062,741 (December 31, 2018 – 12,169,407) which entitle the holder to purchase one common share of the Company. The number of exercisable stock options as at March 31, 2019 was 7,749,534 (December 31, 2018 – 7,329,123).

FINANCIAL CONDITION

Liquidity and Capital Resources

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$	Change \$
Net income	61,545	6,350	55,195
Items not affecting cash	497,669	360,104	137,565
Net change in non-cash working capital	(1,300,906)	(939,896)	(361,010)
Cash used in operating activities	(741,693)	(573,442)	(168,251)

- The Company had net income of \$61,545 for the year three months ended March 31, 2019 compared to net income of \$6,350 in the prior period, as described in the Operating Results section of this MD&A.
- Changes in non-cash working capital increased to \$1,300,906 in comparison to the prior period. This is primarily due to an increase in contingent consideration in the period and an increase in accounts receivable from new customers in the period.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$	Favourable (Unfavourable) \$
Cash used in investing activities	(612,920)	(80,744)	(532,176)

Cash used in investing activities of \$612,920 relates to the acquisition of a business during the period and minor investments in computer equipment, furniture and fixtures and leasehold improvements.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$	Favourable (Unfavourable) \$
Cash provided by (used in) financing activities	2,343,800	(499,398)	2,843,198

Cash provided by financing activities was \$2,343,800 for the year three months ended March 31, 2019 compared to (\$499,398) in the prior period. The increase is mainly due a private placement completed in the current period with gross proceeds of \$3,300,000, the exercise of warrants in the amount of \$168,300 less repayment of loans in the amount of \$1,055,220.

CREDIT FACILITIES

The Company has an agreement with the Royal Bank of Canada (“RBC”) to provide a \$300,000, revolving demand facility, bearing interest at RBC’s prime rate plus 1%. The aggregate borrowings outstanding by way of letters of credit and letters of guarantee cannot exceed \$75,000 at any time. The facility is secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the Company and subsidiaries of the Company.

The Company has a second agreement with RBC to provide an additional \$300,000 revolving demand facility, bearing interest at RBC’s prime rate plus 3%. The facility is secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the Company and subsidiaries of the Company.

As at March 31, 2019, no amounts have been drawn on the credit facilities.

LOANS PAYABLE

The Company assumed a loan from the acquisition of BSharp with The Business Development Bank of Canada (“BDC”) in the amount of \$184,680. The loan bears interest at BDC’s floating base rate plus 3% and is due December 31, 2022. The loan is repayable in 1 monthly installment of principal of \$3,328 and 59 monthly installments of principal of \$3,240 plus interest, beginning October 31, 2017. The loan is secured by a general security agreement with a second ranking security interest over all property of the Company.

The Company assumed two loans from the acquisition of HI Next, the first one with RBC in the amount of \$134,466, this loan bears interest at RBC’s prime rate plus 3% and is due October 31, 2019. The loan is repayable in monthly installments of principal of \$6,111 plus interest, beginning November 30, 2016. This loan is secured by a general security agreement with a first ranking security interest over all property of the Company, guarantees and postponements of claim by the Company and subsidiaries of the Company, and a guarantee and postponement of claim by the Health Technology Exchange (“HTX”).

The loan assumed with HTX is unsecured and repayable in accordance with the payment plan stipulated in the agreement, to a maximum principal amount of \$380,372, plus accrued interest of \$64,730. The loan matures October 31, 2019.

During 2018, the Company obtained a sale and leaseback loan from RBC in the amount of \$231,215. This loan is secured by the assets sold which consist of leasehold improvements and furniture and fixtures to RBC and is repayable in monthly installments of principal and interest of \$6,974, the loan matures December 27, 2021. The Company has the option to purchase the assets on December 26, 2021 for \$1.

CONTINGENT OFF-BALANCE SHEET AND OTHER ARRANGEMENTS

The Company has obligations with respect to licence, maintenance and support arrangements for any 12-month period. This obligation is reflected on the Company's statement of financial position through its deferred revenue balance. Outside of deferred revenue, the Company has no material obligations or contingencies.

Critical Accounting Policies and Estimates

A description of the Company's accounting estimates that are critical to determining the Company's financial results and changes to accounting policies.

The Company's Financial Statements are prepared in accordance with IFRS, which require the Company to make estimates and assumptions that affect the amounts reporting in its Financial Statements. It has identified several policies as critical to the business operations and essential for an understanding of the results of operations. The application of these and other accounting policies are described in Note 3 of the Company's annual consolidated financial statements. There have been no significant changes in its critical accounting estimates from what was previously disclosed in its MD&A for the year ended December 31, 2018. These policies are incorporated herein by reference. Preparation of the Financial Statements requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reporting amounts of revenues and expenses during the reporting period. Actual results could vary significantly from those estimates. Significant areas requiring the Company to makes estimates include: the useful life of and value and assets, the valuation allowance of income tax accounts, the recognition of revenue and accrued liabilities.

Internal control over financial reporting

During the quarter, there were no changes that are likely to materially affect the internal control over the Company's financial reporting.

Reconciliation and Definition of Non-IFRS Measures

A description and calculation of certain measures used by management

Recurring revenue

Recurring revenue is defined as annual renewable software licence fees and maintenance services. The Company defines annualized contract value of recurring revenue as the contracted renewable software license fees and maintenance service. As the full value of such contracts is recognized over 12 months, the growth in this value is an important metric for the Company.

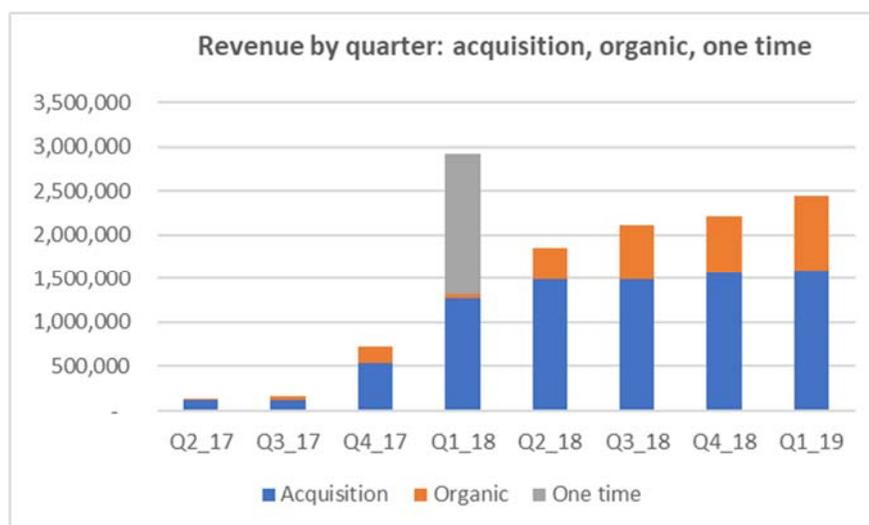
The ACV of recurring revenue at March 31, 2019 with existing customers was \$5,226,623 as compared to \$4,486,680 at December 31, 2018, an increase of 14%. The growth in ACV of recurring revenue is due to several new contracts signed in the quarter and the acquisition of The Oak Group.

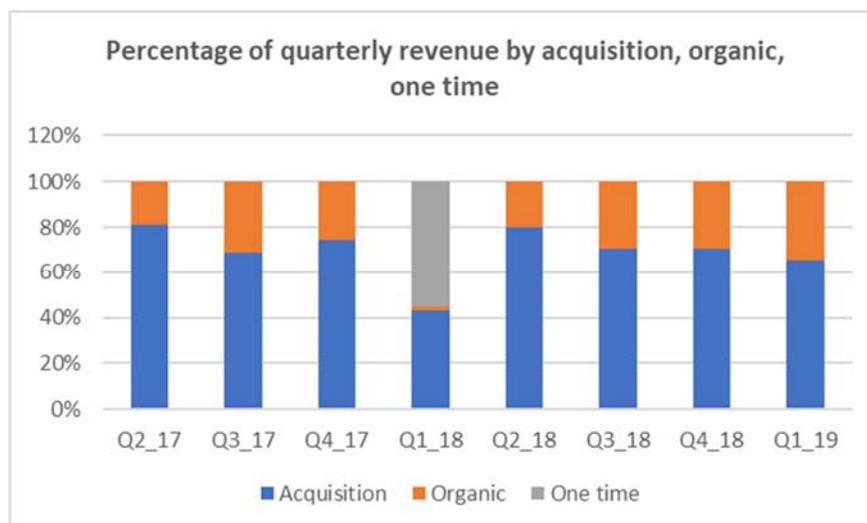
Recurring revenue comprised of 48.3% or \$1,180,750 of total revenue for the three months ended March 31, 2019.

Acquisition, organic and one-time revenue

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan

Acquisition revenue is defined as the gross revenues of the Company at the time of acquisition. Organic revenue growth is defined as the revenue over and above the acquisition revenues, and one-time revenues consist of perpetual license fees as described under the revenue section of this MD&A.





Earnings before interest, taxation, depreciation and amortization (“EBITDA”)

EBITDA is a measure used by management to evaluate operational performance. It is also a common measure that is reported on and used by investors in determining a company’s ability to incur and service debt as well as a valuation methodology. Management believes EBITDA enhances the information provided in the Financial Statements. EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company’s performance. EBITDA should not be used as an exclusive measure of cash flows because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the interim statements of cash flows.

The following chart reflects the Company’s calculation of EBITDA:

EBITDA	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$
Net income	61,545	6,350
Add: Interest	116,081	116,192
Add: Depreciation and amortization	405,669	350,085
Add: Current and deferred tax expense (recovery)	(25,259)	(91,000)
EBITDA	558,036	381,628

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, and Share Based Compensation expense is an additional measure used by management to evaluate cash flows and the Company's ability to service debt. Adjusted EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance.

The following chart reflects the Company's calculation of Adjusted EBITDA:

Adjusted EBITDA	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$
EBITDA as above	558,036	381,628
Add: Stock based compensation expense	35,872	55,996
Add: Acquisition, restructuring and related expenses	53,362	313,252
Adjusted EBITDA	647,270	750,876

Risks and Uncertainties

The Company operates in a dynamic environment that exposes it to a number of risks and uncertainties. The following section describes some, but not all, of the risks and uncertainties that may adversely impact Vitalhub business, financial condition, and/or results of operations. If any of these risks actually occur, the Company's business, financial condition and/or results of operations could be materially harmed.

The annual revenue and operating results of Vitalhub can be difficult to predict and can fluctuate substantially, which may harm or distort results of operations.

Vitalhub's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, operating results may not follow any past trends. The factors affecting revenue and results, many of which are outside of Vitalhub's control, include:

- Competitive conditions in the industry, including new products, product announcements and special pricing offered by competitors
- Market acceptance of products
- Ability to hire, train and retain sufficient qualified sales and professional services staff
- Ability to complete service obligations related to product sales in a timely manner
- Varying size, timing and contractual terms of orders for products, which may delay the recognition of revenue

- Ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts
- The discretionary nature of hospital purchase and budget cycles and changes in their budgets for, and timing of, software and related purchases
- The length and variability of the sales cycles
- Strategic decisions by Vitalhub or competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy
- General weakening of the economy resulting in a decrease in the overall demand for computer software and services
- Changes in Vitalhub pricing policies and the pricing policies of Vitalhub's competitors;
- Timing of product development and new product initiatives
- Changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher margin product license revenues
- Cancellation of recurring monthly software contracts

Because Vitalhub's annual revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the plan or budget to be inaccurate, and those variations could adversely affect financial results. Delays, reductions in the amount, or cancellations of customers' purchases would adversely affect Vitalhub revenues, results of operations and financial condition.

Vitalhub may need additional financing in order to support its operations, make further investments, or take advantage of unanticipated opportunities.

The ability of Vitalhub to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as its business success. There can be no assurance that Vitalhub will be successful in its efforts to arrange additional financing on satisfactory terms.

If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Vitalhub may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, then Vitalhub may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Vitalhub may be unable to identify and complete acquisitions. Acquisitions could divert Management’s attention and financial resources, may negatively affect operating results and could cause significant dilution to shareholders.

Vitalhub has, and in the future may continue to, engage in selective acquisitions of complementary products or businesses. There is a risk that Vitalhub will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. Vitalhub is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- Diversion of management’s attention
- Disruption to ongoing business
- Failure to retain key acquired personnel
- Difficulties in integrating acquired operations, technologies, products or personnel
- Unanticipated expenses, events or circumstances
- Assumption of disclosed and undisclosed liabilities
- Inappropriate valuation of the acquired in-process research and development, or the entire acquired business

If Vitalhub does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the performance of the business as a whole. In addition, if Vitalhub proceeds with an acquisition, available cash may be used to complete the transaction, diminishing liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

The industry in which Vitalhub operates is highly competitive and competition could intensify, or any technological advantages held by Vitalhub may be reduced or lost, as a result of technological advances by its competitors. If Vitalhub does not compete effectively with these competitors, its revenue may not grow.

Vitalhub has experienced competition from a number of software companies and expects it to continue in the future. Vitalhub’s competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and reduced growth in sales, any of which could have a material adverse effect on the business, results of operations and financial condition of Vitalhub. Vitalhub faces substantial competition from established competitors, many of which may have greater financial, engineering, manufacturing and marketing resources than it does. Many

of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than Vitalhub does. There can be no assurance that Vitalhub will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of Vitalhub, to be superior to competing products.

To maintain Vitalhub's competitive position, it is believed that Vitalhub will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that Vitalhub will have sufficient resources to continue to make these investments, that it will be able to make the technological advances necessary to maintain its competitive position, or that its products will receive market acceptance. Vitalhub's competitors may be able to respond more quickly to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products. Vitalhub may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development of new products.

The success of the business of Vitalhub is dependent upon its ability to develop new products and enhance existing products.

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, Vitalhub must enhance and improve existing products and must also continue to introduce new products and services. If Vitalhub is unable to successfully develop new products or enhance and improve existing products or it fails to position and/or price its products to meet market demand, the business and operating results of Vitalhub will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect operating results. Further, any new products could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

If Vitalhub is required to change its pricing models to compete successfully, margins and operating results may be adversely affected.

The intensely competitive market in which Vitalhub operates may require that prices be reduced. If competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other software products, Vitalhub may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce margins and could adversely affect operating results. Some competitors

may bundle software products that compete with Vitalhub products for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that Vitalhub can charge for its products. If Vitalhub cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software license revenue resulting from lower prices would adversely affect margins and operating results.

Vitalhub may not be able to successfully develop and maintain strategic relationships to sell and implement its products.

Vitalhub has or is developing relationships with third-party systems integrators, software and hardware vendors. These third parties may provide Vitalhub with customer referrals, cooperate in marketing Vitalhub's products and provide its customers with systems implementation services or additional complementary products. However, Vitalhub does not have formal agreements governing ongoing relationships with certain of these third-party providers and the agreements in place generally do not include obligations with respect to generating sales opportunities or co-operating on future business. Should any of these third parties go out of business or choose not to work with Vitalhub, the company may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. These third-party providers may work with other companies which have products that compete with the Vitalhub products. Vitalhub could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with Vitalhub.

The operations of Vitalhub could be negatively affected if it loses key executives or employees or is unable to attract and retain skilled executives and employees as needed.

The business and future operating results of Vitalhub depend in part upon its ability to attract and retain qualified management, technical, sales, marketing, and support personnel. This is crucial to the ability of Vitalhub to develop, market, and support its products and services. The loss of key personnel could negatively impact Vitalhub's business, results of operations, and financial condition. The success of Vitalhub is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and no assurance can be made that Vitalhub will be able to attract or retain highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect the future growth and profitability of Vitalhub. It may be necessary to increase the level of compensation paid to existing or new employees to a degree that operating expenses could be materially increased.

Errors in Vitalhub products could result in significant costs to Vitalhub and could impair its ability to sell its products.

Vitalhub products are complex and, accordingly, they may contain errors, or “bugs”, that could be detected at any point in their product life cycle. The reputation of Vitalhub could be materially and adversely affected by errors in the products. These errors could result in significant costs to Vitalhub, delay planned release dates and impair the ability to sell products in the future. The costs incurred in correcting any product errors may be substantial and could adversely affect operating margins. While Vitalhub plans to continually test its products for errors and work with customers through maintenance support services to identify and correct bugs, errors in the products may be found in the future.

A successful product liability claim against Vitalhub could seriously harm the business.

The license agreements that Vitalhub enters into with its customers typically contain provisions designed to limit the exposure Vitalhub has to potential product liability claims. Despite this, it is possible that these limitations of liability provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. Vitalhub has not experienced any product liability claims to date. However, the sale and support of Vitalhub products may entail the risk of those claims, which are likely to be substantial in light of the use of the products in critical applications. A successful product liability claim could result in significant monetary liability and a serious disruption of the business.

Economic uncertainty and downturns in the software market may lead to decreases in the revenue and margins of Vitalhub.

The market for Vitalhub’s products depends on economic conditions affecting the broader software market. Downturns in the economy may cause hospitals to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for Vitalhub products. This may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing Vitalhub to realize lower revenue and margins.

Vitalhub may lose sales or sales may be delayed due to the long sales cycles for its products.

Hospitals typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to license software products. Typically, the larger the sale, the more time, money and other resources will be invested. As a result, it may take many months after Vitalhub first has contact with a potential customer before a sale can actually be completed. Vitalhub may invest significant sales and other

resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of Vitalhub products varies among its customers and may last several months, depending on the customers' needs and the products deployed. During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- Purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty
- Vitalhub or its competitors may announce or introduce new products; or
- The customer's budget and purchasing priorities may change

If these events were to occur, sales of Vitalhub products or services may be cancelled or delayed, which would reduce future revenue.

Maintenance and service revenue produce substantially lower gross margins than license revenue, and an increase in service revenue relative to license revenue would harm Vitalhub's overall gross margins.

Maintenance and service revenue have substantially lower gross margins than license revenue. An increase in the percentage of net revenue represented by maintenance and service revenue could adversely affect overall gross margins percentage.

The volume and profitability of services can depend in large part upon:

- Competitive pricing pressure on the rates charged for professional services
- Billable utilization of services personnel
- The complexity of clients' IT environments; and
- The resources directed by customers to their implementation projects

Any erosion of margins for maintenance and service revenue, or any adverse changes in the mix of license versus maintenance and service revenue, could adversely affect operating results.

Vitalhub may license software from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect the company's ability to compete.

Vitalhub may license certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their

products, could delay Vitalhub's ability to ship its products, as Vitalhub may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by Vitalhub. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more products or relating to current or future technologies to enhance Vitalhub's product offerings. There is a risk that Vitalhub will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

Vitalhub is exposed to foreign currency risk by reason of collecting some of its revenues in US dollars and plans to sell into other foreign geographies as well as subsidiaries in foreign countries, a change in the foreign currency exchange rate could adversely affect the company's earnings.

For the period ended March 31, 2019, approximately 20% of Vitalhub's sales revenue originated from clients in the United States. It is possible that a greater percentage of Vitalhub's sales could emanate from the U.S., and other foreign countries. As such, a significant portion of Vitalhub's revenues are in U.S. dollars, or other foreign currencies which it then converts into Canadian dollars for reporting in its financial statements. Vitalhub's earnings could be adversely affected if the exchange rate between the U.S. and Canadian dollars, other foreign currencies and Canadian dollars continues to fluctuate.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budgets”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or “recurring”, or variations of such words and phrases or state certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including but not limited to: the ability of the issuer to obtain financing if required; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as may be required by applicable securities legislation. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.