



Management's Discussion & Analysis

For the three and nine months ended
September 30, 2021 and 2020

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

GENERAL INFORMATION

The following Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") prepared as of November 15, 2021 supplements but does not form part of the interim condensed consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the three and nine months ended September 30, 2021 and 2020.

The Company prepares its interim condensed 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 10 of this MD&A.

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

COMPANY PROFILE

Based in Toronto, Ontario, VitalHub Corp. and its subsidiaries provide technology to Health and Human Service providers including; Hospitals, Regional Health Authorities, Mental Health, Long Term Care, Home Health, Community and Social Services. VitalHub solutions span the categories of Electronic Health Record (EHR), Case Management, Care Coordination, Patient Flow & Operational Visibility, and DOCit Mobile Apps.

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 approximately 400 clients across Canada, USA, UK, Australia, Qatar, and Latvia.

Vitalhub's original technology was built at Mount Sinai Hospital in Toronto, with the goal of providing clinicians easy access to data from multiple disparate electronic medical records and other patient information systems that the hospital had invested a substantial amount into implementing. Vitalhub was a private company incorporated in 2010, when it received investment funding from MaRS Innovation as well as an angel investor. They continued to fund the Company, primarily through debt, through to April 2016. In May 2016, the Company was restructured and sold to 2514987 Ontario Inc., an arm's length corporation owned by Dan Matlow (CEO and President of Vitalhub) and Brian Goffenberg (CFO and EVP of Vitalhub). In November 2016, the new management took the Company public by completing a reverse takeover transaction with Vitalhub acquiring the controlling interest in Quinsam Opportunities I Inc. ("QOP"). Upon completion of the transaction, QOP changed its name to Vitalhub Corp., and commenced trading on the TSX Venture Exchange under the symbol "VHI" on December 2, 2016. On September 23, 2021 the Company's shares began trading on the TSX.

COMPANY HIGHLIGHTS

- **Revenue** for Q3 2021 was \$6,619,047, as compared to \$3,192,166 in Q3 2020, an increase of \$3,426,881 or 107%. Revenue for the nine months ended September 30, 2021 was \$17,734,300 as compared to \$8,711,060 for the same period last year, an increase of \$9,023,240 or 104%.
- **Gross profit as a percentage of revenue** for Q3 2021 was 82% compared to 81% in Q3 2020. For the nine months ended September 30, 2021 gross profit as a percentage of revenue was 79% as compared to 74% for the same period last year. This continued improvement is the result of both higher recurring revenue, combined with operating cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.
- **The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions of the renewable software license fees and maintenance services.**
 - ARR grew by \$1,811,726 or 9% (\$513,488 or 2.60% organic and \$1,298,238 or 6.57% acquisition) in Q3 2021. In Q3 2020 ARR grew by \$6,068,855 or 81% (\$543,583 or 7.25% organic and \$5,525,327 or 73.75% acquisition).
 - ARR at September 30, 2021 with existing customers was \$21,569,032 as compared to \$13,560,697 at September 30, 2020, an increase of 59%, and as compared to \$19,757,305 at June 30, 2021, an increase of 9%.
- **Cash on hand at September 30, 2021 was \$15,704,130** compared to \$23,391,946 as at December 31, 2020. The decrease is primarily the result of acquisitions completed during the period.
- **Cashflows from operations before changes in working capital** was \$1,394,927 for the period as compared to \$352,464 for the same period last year.
- **Net loss** for Q3 2021 was (\$575,792) as compared to a net loss of (\$1,065,505) for Q3 2020, an improvement of \$489,713. Net loss for the nine months ended September 30, 2021 was (\$1,340,869), as compared to a net loss of (\$1,450,504) for the same period last year, an improvement of \$109,635. The loss is primarily attributable to business acquisition, restructuring and integration costs of \$604,259 during the quarter and \$1,463,345 for the nine months ended September 30, 2021, plus one time costs relating to arranging the acquisition debt facility and moving to the TSX in the quarter.
- **EBITDA (defined as earnings before interest, taxation, depreciation and amortization)** for Q3 2021 was \$189,088 as compared to (\$419,362) in Q3 2020 an increase of \$608,450. For the nine months ended September 30, 2021 EBITDA was \$645,439 as compared to \$273,840 for the same period last year, an increase of \$371,599. EBITDA is a non-IFRS measure.
- **Adjusted EBITDA (defined as earnings before interest, taxation, depreciation, amortization, share based compensation, business acquisition, restructuring and integration costs)** for Q3 2021 was \$1,277,573 as compared to \$502,595 in Q3 2020 an improvement of \$774,978. For the nine months ended September 30, 2021 Adjusted EBITDA was \$3,197,090 as compared to \$1,539,136 for the same period last year, an improvement of \$1,657,954. The increase is attributable to a number of factors including increased revenue, combined with improved margins and synergies gained from earlier acquisitions and management's efforts to improve costs. Adjusted EBITDA is a non-IFRS measure.
- **Adjusted EBITDA as a percentage of revenue** for Q3 2021 was 19% as compared to 16% for Q3 2020. For the nine months ended September 30, 2021 and September 30, 2020 adjusted EBITDA as a percentage of revenue was 18%. The change in Q3 2021 is primarily attributable to the costs associated with acquisitions completed in the quarter. Due to the relatively high amortization of intangibles from acquisitions and periodic restructuring and integration costs from acquisitions management believes that Adjusted EBITDA as a percentage of revenue is a relevant KPI to measure. Adjusted EBITDA as a percentage of revenue is a non-IFRS measure.
- **During the quarter the Company arranged a \$10,000,000 acquisition debt facility** from the technology and Innovation banking division of The Bank of Nova Scotia.
- **On September 23, 2021 the Company commenced trading on the Toronto Stock Exchange ("TSX").** The common shares were previously listed on the TSX Venture Exchange ("TSXV") since December 2, 2016.

SELECTED QUARTERLY INFORMATION

	Three months ended					Nine months ended				
	September 30, 2021	% Revenue	September 30, 2020	% Revenue	Change	September 30, 2021	% Revenue	September 30, 2020	% Revenue	Change
	\$		\$		%	\$		\$		%
Revenue	6,619,047	100%	3,192,166	100%	107%	17,734,300	100%	8,711,060	100%	104%
Cost of sales	1,174,244	18%	618,482	19%	90%	3,773,770	21%	2,264,839	26%	67%
Gross Profit	5,444,803	82%	2,573,684	81%	112%	13,960,530	79%	6,446,221	74%	117%
Operating Expenses										
General and administrative	1,361,762	21%	680,030	21%	100%	3,638,214	21%	2,019,506	23%	80%
Sales and marketing	974,506	15%	433,933	14%	125%	2,646,543	15%	896,725	10%	195%
Research and development	1,875,775	28%	859,192	27%	118%	4,328,219	24%	1,992,248	23%	117%
Depreciation	42,625	1%	29,598	1%	44%	117,314	1%	82,961	1%	41%
Depreciation of right-of-use assets	71,006	1%	55,495	2%	28%	201,769	1%	162,341	2%	24%
Stock based compensation	484,226	7%	101,720	3%	376%	1,088,306	6%	189,493	2%	474%
Foreign currency loss (gain)	(44,469)	(1%)	97,934	3%	(145%)	148,311	1%	(1,394)	(0%)	(10736%)
Other Income and Expenses										
Amortization of intangible assets	637,685	10%	541,129	17%	18%	1,618,502	9%	1,427,604	16%	13%
Business acquisition, restructuring and integration costs	604,259	9%	820,237	26%	(26%)	1,463,345	8%	1,075,803	12%	36%
Interest expense and accretion (net of interest income)	(7,292)	(0%)	(59)	(0%)	12177%	(25,584)	(0%)	9,210	0%	(378%)
Interest income from sublease	0	0%	(404)	(0%)	(100%)	0	0%	(1,703)	(0%)	(100%)
Interest expense from lease liabilities	20,856	0%	18,509	1%	13%	64,236	0%	58,790	1%	9%
Loss on disposal of property and equipment	(344)	(0%)	0	0%	0%	2,153	0%	0	0%	100%
Current income taxes	0	0%	1,875	0%	100%	10,071	0%	(14,859)	(0%)	(168%)
Net (loss) income	(575,792)	(9%)	(1,065,505)	(33%)	(46%)	(1,340,869)	(8%)	(1,450,504)	(17%)	(8%)
EBITDA (Non-FRS measure)	189,088	3%	(419,362)	(13%)	(145%)	645,439	4%	273,840	3%	136%
Adjusted EBITDA (Non-FRS measure)	1,277,573	19%	502,595	16%	154%	3,197,090	18%	1,539,136	18%	108%
Annualized Recurring Revenue (Non-FRS measure)	21,569,032		7,491,841		188%	21,569,032		7,491,841		188%
Recurring revenue (Non-FRS Measure)	5,462,774	83%	2,479,513	78%	120%	13,960,056	79%	6,125,295	70%	128%

	As at	
	September 30, 2021	December 31, 2020
	\$	\$
Deferred revenue	9,667,128	6,214,736
Cash balance	15,704,130	23,391,946

REVENUE

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

Revenue Composition

	Three months ended			Nine months ended		
	September 30, 2021	September 30, 2020	Change	September 30, 2021	September 30, 2020	Change
	\$	\$	%	\$	\$	%
Term licenses, maintenance and support	5,462,774	2,479,513	120%	13,960,056	6,125,295	128%
Perpetual licenses	328,228	101,471	223%	906,482	840,975	8%
Services	715,912	551,638	30%	2,181,515	1,683,718	30%
Hardware	45,281	56,856	(20%)	385,339	56,856	578%
Other	66,852	2,688	2387%	300,908	4,216	7037%
Total Revenues	6,619,047	3,192,166	107%	17,734,300	8,711,060	104%

Revenue for Q3 2021 was \$6,619,047, as compared to \$3,192,166 in Q3 2020, an increase of \$3,426,881 or 107%.

The changes are explained by:

- The increase of \$2,983,261 or 120% quarter over quarter, in term licenses, maintenance and support revenue, is primarily attributable to new customer contracts won and revenue from the acquisitions completed in the year. Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented 83% of total revenues for Q3 2021 (Q3 2020 – 78%).
- Perpetual software licence revenues for Q3 2021 were \$328,228 as compared to \$101,471 for Q3 2020, an increase of \$226,757 or 223%. The revenues from perpetual licenses are dependant on the type of products sold. Although, revenues from perpetual licenses are welcome the company has a greater focus on obtaining recurring revenues.
- Professional services, hardware and other revenue for Q3 2021 was \$828,045 as compared to \$611,182 for Q3 2020, an increase of \$216,863 or 35%. The increase quarter over quarter is the result of services and hardware revenue growth and the gradual re-opening of the economy from the COVID-19 pandemic, which allows our staff to be able once again to go on site to deliver and implement.

Revenue for the nine months ended September 30, 2021 was \$17,734,300, as compared to \$8,711,060 in for the same period last year, an increase of \$9,023,240 or 104%.

The changes are explained by:

- The increase of \$7,834,761 or 128% period over period, in term licenses, maintenance and support revenue, is primarily attributable to new customer contracts won and revenue from the acquisitions completed in the period. Term licenses, maintenance and support represented 79% of total revenues for the nine months ended September 30, 2021 (nine months ended September 30, 2020 – 70%).
- Perpetual software licence revenues for the nine months ended September 30, 2021 were \$906,482 as compared to \$840,975 for the same period last year, an increase of \$65,507 or 8%.
- Professional services, hardware and other revenue for the nine months ended September 30, 2021 was \$2,867,762 as compared to \$1,744,790 for the same period last year, an increase of \$1,122,972 or 64%. The increase period over period is the result of services and hardware revenue growth and the gradual re-opening of the economy from the COVID-19 pandemic, which allows our staff to be able once again to go on site to deliver and implement.

EXPENSES AND GROSS PROFIT

Cost of sales

Cost of sales consists of commissions, hosting, royalties and employee salaries for development and support staff.

For Q3 2021 cost of sales was \$1,174,244 or 18% of revenue, as compared to \$618,482 for Q3 2020 or 19% of revenue, a decrease of 1% of cost of sales as a percentage of revenues.

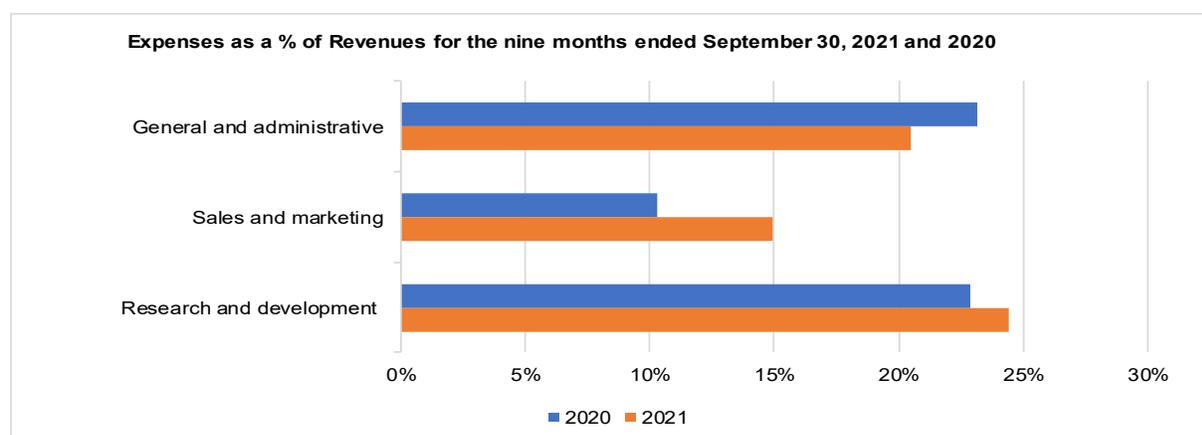
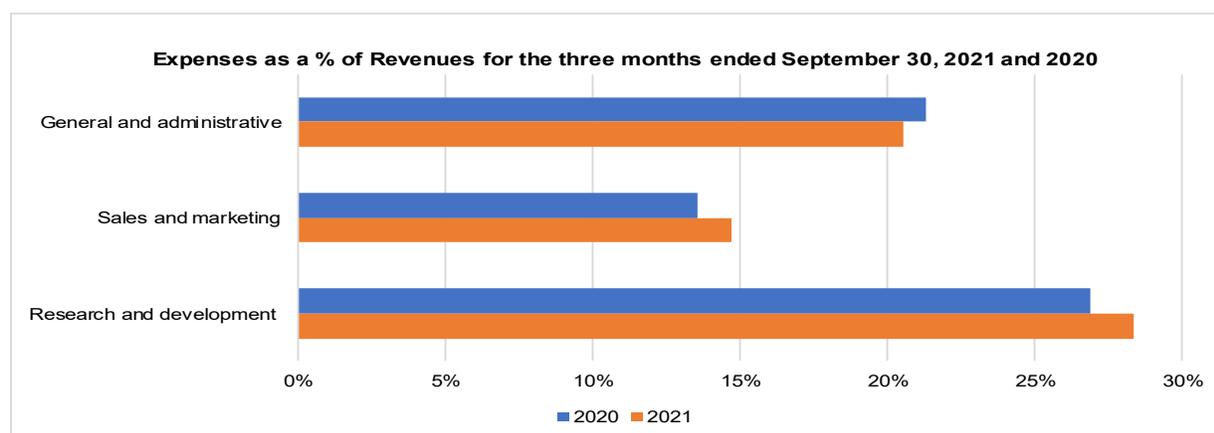
For the nine months ended September 30, 2021 cost of sales was \$3,773,770 or 21% of revenue as compared to \$2,264,839 or 26% of revenue, a decrease of 5% of cost of sales as a percentage of revenues.

We anticipate cost of sales to fluctuate with increased revenue and revenue mix, however management continuously works to improve margins through generating synergies and efficiencies.

Gross Profit

Gross profit for Q3 2021 was \$5,444,803 or 82% of revenue compared to \$2,573,684 or 81% of revenue in Q3 2020. For the nine months ended September 30, 2021 gross profit was \$13,960,530 or 79% of revenue as compared to \$6,446,221 or 74% of revenue for the same period last year.

Gross profit as a percentage of revenue changes are largely dependant upon the sales mix, with perpetual and term licences, and maintenance and support generating a higher margin than consulting services revenue. The positive increase reflects both higher recurring revenue, combined with operating cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.



Management strives to ensure the appropriate levels of resources are maintained by the Company to ensure we are servicing our customers effectively. This is expected to decrease expenses as a percentage of revenue as the Company grows.

General and administrative expenses

General and administrative expenses include 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.

General and administrative expenses for Q3 2021 were \$1,361,762 or 21% of revenue as compared to \$680,030 or 21% of revenue for Q3 2020. In Q3 2021, the Company incurred one-time costs relating to up listing to the TSX and in relation to arranging the acquisition debt facility.

For the nine months ended September 30, 2021 general and administrative expenses were \$3,638,214 or 21% of revenue as compared to \$2,019,506 or 23% of revenue, a decrease of 2% as a percentage of revenues.

The increase in general and administrative expenses is driven primarily by increased costs from acquisitions completed during the period, however as a percentage of revenues general and administrative expenses have improved for the nine months ended September 30, 2021.

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.

Sales and marketing expenses for Q3 2021 were \$974,506 or 15% of revenue as compared to \$433,933 or 14% of revenue for Q3 2020, an increase of \$540,573 or 1%.

For the nine months ended September 30, 2021 sales and marketing expenses were \$2,646,543 or 15% of revenue as compared to \$896,725 or 10% of revenue, an increase of \$1,749,818 or 195% over the same period last year.

The increase is driven primarily by increased costs from acquisitions completed in the period, as we obtain more innovative products we continue to add to our sales and marketing team. In addition, as the economy gradually begins to re-open there is increased travel and attendance at trade shows and conferences.

Research and development expenses

Research and development ("R&D") expenses consist of the salaries, benefits, travel and training costs of our R&D team.

R&D expenses for Q3 2021 were \$1,875,775 or 28% of revenue as compared to \$859,192 or 27% of revenue for Q3 2020, an increase of \$1,016,583 or 118%.

For the nine months ended September 30, 2021 R&D expenses were \$4,328,219 or 24% of revenue as compared to \$1,992,248 or 23% of revenue, an increase of \$2,335,971 or 1% over the same period last year.

The increase in dollars is driven primarily by increased costs from the timing of acquisitions completed in the period and the time it takes for synergies and cost savings to be recognized.

Depreciation and amortization

Depreciation consists of depreciation and amortization of the Company's tangible and intangible assets and right of use assets which include computers, furniture and fixtures, leasehold improvements, acquired technologies, customer relationships, brands and premise leases.

Depreciation and amortization for Q3 2021 was \$751,316 as compared to \$626,222 for Q3 2020, an increase of \$125,094 or 20%.

For the nine months ended September 30, 2021 depreciation and amortization was \$1,937,585 as compared to \$1,672,906 for the same period last year, an increase of \$264,679 or 16%.

The increases are attributable to the charges from the current year's acquisitions. With acquisitions, depreciation and amortization will continue to increase due to acquired intangible assets and the related amortization which is taken over five to twelve years. While this is an income statement expense, it is a noncash item.

Stock based compensation

Stock based compensation expense for Q3 2021 was \$484,226 as compared to \$101,720 for Q3 2020, an increase of \$382,506 or 376%.

For the nine months ended September 30, 2021 stock based compensation expense was \$1,088,306 as compared to \$189,493 for the same period last year, an increase of \$898,813 or 474%.

The increase is due to options granted in 2021 and [impact of the](#) increase in the share price [on calculations of this expense](#).

Business acquisition, restructuring and integration costs

Acquisition, restructuring and integration expenses consist of costs incurred to acquire and integrate the businesses purchased as well as expenses incurred to align segments of the business.

Acquisition, restructuring and integration expenses for Q3 2021 were \$604,259 as compared to \$820,237 for Q3 2020, a decrease of \$215,978 or 26%.

For the nine months ended September 30, 2021 acquisition, restructuring and integration expenses were \$1,463,345 as compared to \$1,075,083 for the same period last year, an increase of \$387,542 or 36%.

These expenses were recognized in connection with acquisitions completed in the period, with the majority of the costs relating to professional fees to acquire the businesses and employee movement to gain synergies across the organization.

Interest and accretion expense (net of interest income)

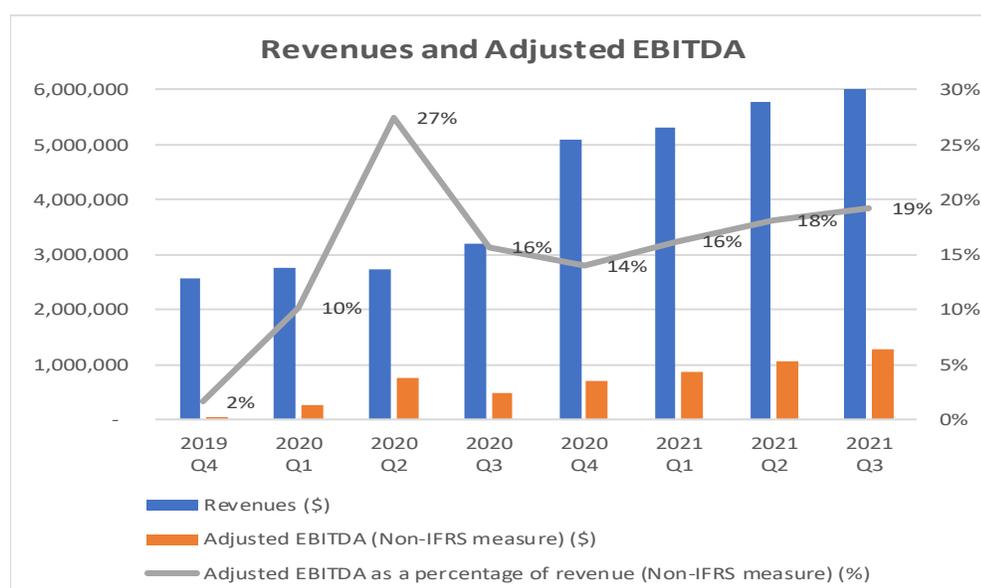
Interest expense consists of bank charges, and interest related to loans payable and contingent consideration, net of interest income. Interest expense for Q3 2021 was \$13,564 as compared to \$18,046 for Q3 2020, a decrease of \$4,482 or 25%.

For the nine months ended September 30, 2021 interest expense was \$38,652 as compared to \$66,297 for the same period last year, a decrease of \$27,645 or 42%.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended September 30, 2021:

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3
Revenues (\$)	2,560,661	2,770,000	2,748,894	3,192,166	5,083,132	5,323,074	5,792,182	6,619,047
Net income (loss) (\$)	250	(564,468)	179,467	(1,065,505)	(715,217)	(241,677)	(523,400)	(575,792)
EBITDA (Non-IFRS measure) (\$)	(704,462)	(12,688)	705,892	(419,362)	(125,716)	299,241	157,114	189,088
Adjusted EBITDA (Non-IFRS measure) (\$)	42,254	282,291	754,252	502,595	713,907	865,834	1,053,686	1,277,573
Net (loss) income per share - basic and diluted (\$)	0.00	(0.03)	0.01	(0.04)	(0.02)	(1.00)	(0.01)	(0.02)
Weighted average number of shares outstanding - basic	17,134,375	19,441,753	26,615,860	27,237,332	34,667,224	36,020,660	36,117,607	36,677,405
Weighted average number of shares outstanding - diluted	17,134,375	19,441,753	26,723,409	27,237,332	34,667,224	36,020,660	36,117,607	36,677,405



OUTSTANDING SHARE DATA

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2021 the Company had 36,726,448 (December 31, 2020 – 35,106,314) common shares issued and outstanding. As at September 30, 2021 there were 1,260,000 (December 31, 2020 – 2,291,250) warrants outstanding which entitle the holders to purchase one common share of the Company. Stock options outstanding as of September 30, 2021 were 2,340,500 (December 31, 2020 – 2,196,274) which entitle the holders to purchase one common share of the Company. The number of exercisable stock options as at September 30, 2021 was 1,161,997 (December 31, 2020 – 1,027,886).

FINANCIAL CONDITION

Liquidity and Capital Resources

As the September 30, 2021 the Company had \$15,704,130 in cash and cash equivalents on hand, compared to \$23,391,946 as at December 31, 2020. The decrease is primarily attributable to M&A activity in the period.

CASH USED IN OPERATING ACTIVITIES

	Nine months ended		Change
	September 30, 2021	September 30, 2020	
	\$	\$	
Net loss	(1,340,869)	(1,450,504)	109,635
Items not affecting cash	2,735,796	1,802,968	932,828
Cash from operations before changes in working capital	1,394,927	352,464	1,042,463
Net change in non-cash working capital	(1,600,069)	(755,186)	(844,883)
Cash used in operating activities	(205,142)	(402,722)	197,580

Changes in non-cash working capital increased to (\$1,600,069) in comparison to the prior period. This is primarily due to an increase in accounts payable and accrued liabilities and contingent consideration due to acquisitions completed in the period.

- Cash used by operating activities was (\$205,142) for the period as compared to (\$402,722) for the same period last year. This is due to one-time fees related to a bank financing and TSX listing completed in the quarter.

CASH USED IN INVESTING ACTIVITIES

	Nine months ended		Change
	September 30, 2021	September 30, 2020	
	\$	\$	
Cash used in investing activities	(10,272,966)	(9,392,561)	(880,405)

Cash used in investing activities of \$10,272,966 relates to investments in property and equipment and intangibles of \$186,832 and the cash portion of acquisitions completed in 2021 of \$10,086,134.

CASH PROVIDED BY FINANCING ACTIVITIES

	Nine months ended		Change
	September 30, 2021	September 30, 2020	
	\$	\$	
Cash provided by financing activities	2,859,771	15,961,198	(13,101,427)

Cash provided by financing activities was \$2,859,771 for the nine month period ended September 30, 2021 as compared to \$15,961,198 in the same period last year. The decrease is due to a bought deal offering and non-brokered private placement completed in Q1 2020 with total net proceeds of \$16,338,041. In the current period proceeds from financing activities relate to the exercise of options and warrants with proceeds of \$3,116,399, offset by principal payments on the company's loans and lease liabilities of \$256,628.

CREDIT FACILITIES

The Company has an agreement with The Bank of Nova Scotia ("Scotia") to provide a \$1,000,000, operating credit limit, bearing interest at Scotia's prime rate plus 1%. Advances under the operating credit are repayable no later than 24 months from the closing date. The Company also has available a \$10,000,000 revolving term facility, bearing interest at Scotia's prime rate plus a spread per annum as follows: Funded debt/EBITDA greater than 2.5x plus .275%, Funded debt/EBITDA equal to or less than 2.5x plus .15%. Any advances under this term facility are subject to an initial interest only period of 12 months. For the interest only period, any advance is repayable in up to 108 equal monthly instalments of principal, with the final payment due 36 months from the closing date. The facilities are 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 subsidiaries of the Company. As at September 30, 2021 no amounts have been drawn on these 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 September 30, 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, which began 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 a loan from the acquisition of Oculys with Catalyst. This loan is repayable in monthly installments of principal and interest of \$314, with a maturity of December 1, 2021. The loan bears interest at 12.065%.

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, 2020. 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 make 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 ARR as the recurring revenue we can expect based on yearly subscriptions of the renewable software license fees and maintenance services.

Recurring revenue and Annual Recurring revenues are non-IFRS measures.

ARR at September 30, 2021 with existing customers was \$21,569,032 as compared to \$13,560,697 at September 30, 2020, an increase of 59%, and as compared to \$19,757,305 at June 30, 2021, an increase of 9%.

Acquisition, organic and one-time revenue

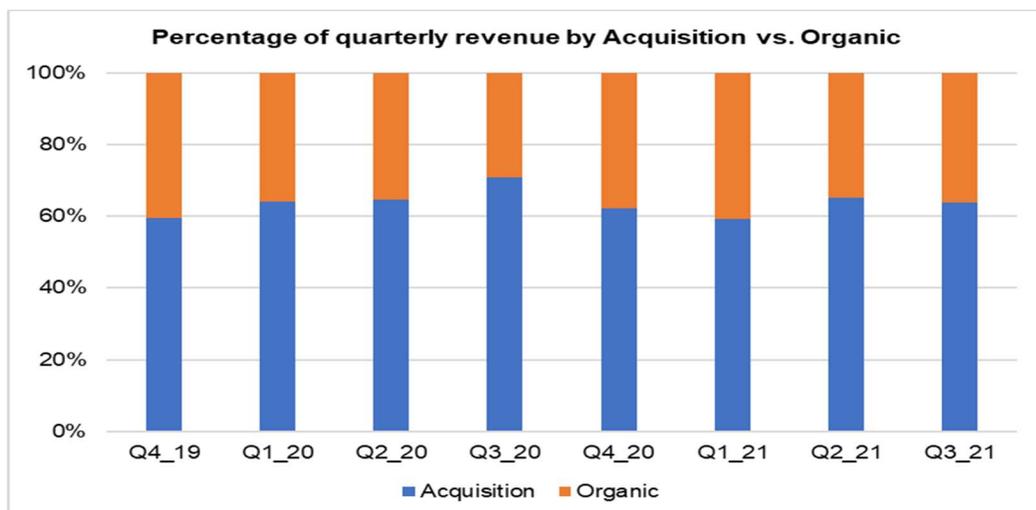
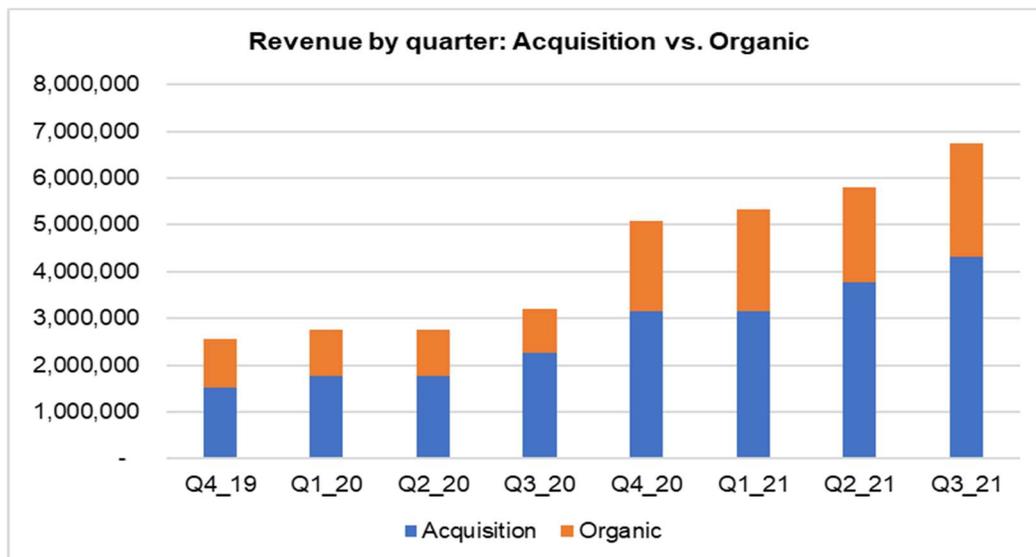
The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan.

Acquisition revenue is defined as the annual contract value of revenues of the Company’s 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. Acquisition revenue is a non-IFRS measure.

Annual Contract Value	Q4_19	Q1_20	Q2_20	Q3_20	Q4_20	Q1_21	Q2_21	Q3_21
Opening balance	\$ 5,579,377	\$ 7,430,444	\$ 7,486,925	\$ 7,491,841	\$ 13,560,696	\$ 14,844,039	\$ 15,931,628	\$ 19,757,306
Organic net of churn	\$ 51,067 0.92%	\$ 56,481 0.76%	\$ 4,916 0.07%	\$ 543,528 7.25%	\$ 1,283,343 9.46%	\$ 1,087,589 7.33%	\$ 501,835 3.15%	\$ 513,488 2.60%
Acquisition	\$ 1,800,000 32.26%	\$ - 0.00%	\$ - 0.00%	\$ 5,525,327 73.75%	\$ - 0.00%	\$ - 0.00%	\$ 3,323,843 20.86%	\$ 1,298,238 6.57%
Closing balance	\$ 7,430,444	\$ 7,486,925	\$ 7,491,841	\$ 13,560,696	\$ 14,844,039	\$ 15,931,628	\$ 19,757,306	\$ 21,569,032

ARR grew by \$1,811,726 or 9% (\$513,488 or 2.60% organic and \$1,298,238 or 6.57% acquisition) in Q3 2021. In Q3 2020 ARR grew by \$6,068,855 or 81% (\$543,583 or 7.25% organic and \$5,525,327 or 73.75% acquisition). The continued increase in organic ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

ARR for the 12 months ended September 30, 2021 grew by \$8,008,336 or 59% (\$3,386,255 or 42% acquisition, \$4,622,081 or 58% organic)



Organic revenues as a percentage of total revenues for Q3 2021 and Q3 2020 represented 36% and 35%.

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 condensed consolidated statements of cash flows.

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

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Net (loss) income	(575,792)	(1,065,505)	(1,340,869)	(1,450,504)
Add: Interest	13,564	18,046	38,652	66,297
Add: Depreciation and amortization	751,316	626,222	1,937,585	1,672,906
Add: Current and deferred tax expense (recovery)	0	1,875	10,071	(14,859)
EBITDA	189,088	(419,362)	645,439	273,840

EBITDA for Q3 2021 increased by \$608,450 or 145%, as compared to the same period in the prior year. EBITDA for the nine months ended September 30, 2021 increased by \$371,599 or 136%, as compared to the same period in the prior year.

The increase overall is the result of an improved net loss position due to higher revenues and continued synergies gained on acquisitions.

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Share Based Compensation expense, business acquisition, restructuring and integrations costs and other one time costs 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:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
EBITDA as above	189,088	(419,362)	645,439	273,840
Add: Stock based compensation expense	484,226	101,720	1,088,306	189,493
Add: Business acquisition, restructuring and integration costs	604,259	820,237	1,463,345	1,075,803
Adjusted EBITDA	1,277,573	502,595	3,197,090	1,539,136

Adjusted EBITDA for Q3 2021 increased by \$774,978 or 154%, as compared to the same periods in the prior year.

Adjusted EBITDA for the nine months ended September 30, 2021 increased by \$1,657,954 or 108%, as compared to the same period in the prior year.

The increase is attributable to higher revenue as a result of increased recurring revenue, combined with improved margins, and synergies gained through integrating acquisitions. Management believes adjusted EBITDA is a more appropriate KPI to measure as the two major items that flow through the income statement are people costs and amortization of intangibles (non-cash), and therefore better reflects the Company’s performance.

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.