



Management's Discussion & Analysis

For the years ended
December 31, 2020 and 2019

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 March 29, 2021 supplements, but does not form part of the consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the years ended December 31, 2020 and 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 consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" on page 10 of this MD&A.

The Consolidated Financial Statements for the year ended December 31, 2020 form an integral part of this Management's Discussion and Analysis. The Consolidated Financial Statements can be found at www.sedar.com.

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 strategy. The Company delivers its suite of products to its 275+ corporate customers across North America, Europe, Australia and Western Asia.

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 all 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 TSXV Venture Exchange under the symbol "VHI" on December 2, 2016.

COMPANY HIGHLIGHTS

- **Revenue** for Q4 2020 was \$5,083,132, as compared to \$2,560,661 in Q4 2019, an increase of \$2,522,471 or 99%. For the year ended December 31, 2020, the Company's revenue was \$13,794,192, as compared to \$10,227,924 for the year ended December 31, 2019, an increase of \$3,566,268 or 35%.
- **The Company defines Annualized Contract Value ("ACV") of recurring revenue as the contracted annual renewable software license fees and maintenance services.**
 - ACV grew by \$1,283,343 or 9% (all organic) in Q4 2020. In Q4 2019 ACV grew by \$1,851,067 or 33% (organic represented \$51,067 or 1% and acquisition \$1,800,000 or 32%).
 - ACV grew by \$7,413,595 or 100% (organic represented \$1,888,267 or 25% and acquisition \$5,525,327 or 75%) in 2020. In 2019 ACV grew by \$2,943,764 or 66% (organic represented \$435,054 or 10% and acquisition \$2,508,710 or 56%).
 - The ACV of recurring revenue at December 31, 2020 was \$14,844,039 as compared to \$7,430,444 at December 31, 2019, an increase of 100%, and \$13,560,696 at Q3 2020 an increase of 9% in Q4 2020. ACV is a non-IFRS measure.
- **Cash on hand at December 31, 2020 was \$23,391,946** compared to \$1,995,691 as at December 31, 2019. The increase was primarily due to, an increase in cash generated from operations of \$505,507 (FY 2019 – (\$107,690)), the closing of a bought deal offering in March 2020 with gross proceeds of \$15,311,340 for 8,506,300 common shares at a price of \$1.80 per common share, the closing of a bought deal offering in November 2020 with gross proceeds of \$16,996,248 for 5,860,775 common shares at a price of \$2.90 per common share, less cash paid to purchase InTouch with Health Ltd. (net of cash acquired) of \$4,084,332 and less cash paid to purchase Transforming Systems Ltd. (net of cash acquired) of \$5,272,999.
- **Net (loss)** for Q4 2020 was (\$715,217) as compared to a net income of \$250 for Q4 2019, a decrease of \$715,467. Net (loss) for the FY 2020 was (\$2,165,721) as compared to (\$625,534) for the FY 2019, an increase of \$1,540,187. The majority of the loss was due to business acquisition, restructuring and integration costs of \$542,310 for the quarter and \$1,618,114 for the year ended December 31, 2020, related to two acquisitions completed in Q3 2020.
- **EBITDA (defined as earnings before interest, taxation, depreciation and amortization)** for Q4 2020 was (\$125,716) as compared to Q4 2019 of (\$704,462) an improvement of \$578,746 or 82%. For the FY 2020 EBITDA decreased by \$497,342 or 77% from \$645,466 to \$148,125. The increase quarter over quarter is the result of the redemption of debentures and deferred tax expense in FY 2019. The decrease year over year is the result of the acquisitions completed during 2020 and the additional business acquisition, restructuring and integration costs. 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 and other one time costs)** for Q4 2020 was \$713,907 as compared to Q4 2019 of \$42,254 an increase of \$671,653 or 1590%. For the FY 2020 Adjusted EBITDA was \$2,253,045 as compared to FY 2019 of \$1,615,360, an increase of \$637,685 or 39%. The increase is attributable to a number of factors including increased recurring 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 Q4 2020 was 14% as compared to 2% for Q4 2019. Adjusted EBITDA as a percentage of revenue for the FY 2020 was 16% as compared to 16% for the FY 2019. The improvement in Q4 2020 is attributable to a number of factors including increased recurring revenue, combined with improved margins and synergies gained from earlier acquisitions and management's efforts to reduce costs. 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.
- **The Company continues to increase international presence with 8 additional licensing deals won in Q4 2020 as follows:**
 - Licensing of Synopsis iQ to Worcestershire Acute Hospitals NHS Trust,
 - Large-scale expansion of the digital health platform licensing contract with King's College Hospital NHS Foundation Trust,
 - Licensing of digital outpatient management solutions to the Royal Victorian Eye and Ear Hospital in partnership with Australia's Device Technologies,
 - Licensing of Synopsis iQ to the Northumbria Healthcare NHS Foundation Trust,
 - Expansion of the patient flow solution licensing contract with East Suffolk and North Essex NHS Foundation Trust,
 - Deployment of a contract for Transforming Systems' SHREWD products with Bedfordshire, Luton and Milton Keynes Integrated Care System,
 - Multi-year deployment of a contract for Transforming Systems' SHREWD products with NHS Herefordshire and Worcestershire CCG,
 - Expansion of the licensing contract for Synopsis iQ with King's College Hospital NHS Foundation Trust.
- **Vitalhub was ranked 10th on Deloitte's Technology Fast 50 program award amongst Canadian companies** for its rapid revenue growth with 1995% growth from 2016 to 2019. The Company also ranked 65th within North America on Deloitte's Technology Fast 500 Rankings List.
- **Subsequent to the year end the Company received proceeds of \$2,990,625** as a result of the exercise of 1,031,250 previously issued common share purchase warrants. The Company intends to use the proceeds of the warrant exercises for general working capital purposes and M&A activity.

SELECTED ANNUAL AND QUARTERLY INFORMATION

| | Three months ended | | | | | Year ended | | | | |
|---|----------------------|--------------|----------------------|--------------|-------------------|----------------------|--------------|----------------------|--------------|---------------|
| | December 31, 2020 | % Revenue | December 31, 2019 | % Revenue | Change | December 31, 2020 | % Revenue | December 31, 2019 | % Revenue | Change |
| | \$ | | \$ | | % | \$ | | \$ | | % |
| Revenue | 5,083,132 | 100% | 2,560,661 | 100% | 99% | 13,794,192 | 100% | 10,227,924 | 100% | 35% |
| Cost of sales | 1,238,526 | 24% | 661,566 | 26% | (87%) | 3,503,366 | 25% | 2,761,228 | 27% | (27%) |
| Gross Profit | 3,844,606 | 76% | 1,899,096 | 74% | 102% | 10,290,826 | 75% | 7,466,696 | 73% | 38% |
| Operating Expenses | | | | | | | | | | |
| General and administrative | 1,089,178 | 21% | 622,481 | 24% | (75%) | 3,108,682 | 23% | 2,414,956 | 24% | (29%) |
| Sales and marketing | 760,703 | 15% | 259,618 | 10% | (193%) | 1,657,427 | 12% | 822,356 | 8% | (102%) |
| Research and development | 1,226,969 | 24% | 897,749 | 35% | (37%) | 3,219,217 | 23% | 2,569,992 | 25% | (25%) |
| Depreciation | 25,984 | 1% | 14,775 | 1% | (76%) | 108,946 | 1% | 77,284 | 1% | (41%) |
| Depreciation of right-of-use assets | 57,212 | 1% | 31,957 | 1% | (79%) | 219,553 | 2% | 178,265 | 2% | (23%) |
| Stock based compensation | 297,313 | 6% | 76,451 | 3% | (289%) | 486,806 | 4% | 207,682 | 2% | (134%) |
| Foreign currency loss | 56,655 | 1% | 77,152 | 3% | 27% | 55,261 | 0% | 15,548 | 0% | (255%) |
| Other Income and Expenses | | | | | | | | | | |
| Amortization of intangible assets | 433,834 | 9% | 399,199 | 16% | (9%) | 1,861,438 | 13% | 1,517,201 | 15% | (23%) |
| Business acquisition, restructuring and integration costs | 542,310 | 11% | 259,865 | 10% | (109%) | 1,618,114 | 12% | 511,663 | 5% | (216%) |
| Interest expense and accretion (net of interest income) | 6,769 | 0% | (295,649) | (12%) | 102% | 15,979 | 0% | 461,036 | 5% | 97% |
| Interest income from sublease | (233) | (0%) | (2,150) | (0%) | 89% | (1,936) | (0%) | (3,890) | (0%) | 50% |
| Interest expense from lease liabilities | 18,178 | 0% | 48,162 | 2% | 62% | 76,968 | 1% | 90,664 | 1% | 15% |
| (Gain) loss on right-of-use assets and lease liabilities | 0 | 0% | (1,127) | (0%) | 100% | 0 | 0% | 26,744 | 0% | 100% |
| (Gain) loss on disposal of property and equipment | (2,806) | (0%) | 968 | 0% | 390% | (2,806) | (0%) | 1,740 | 0% | 261% |
| Loss on redemption of debentures | 0 | 0% | 410,400 | 16% | 100% | 0 | 0% | 250,549 | 2% | 100% |
| Current income taxes | 40,479 | 1% | (10,205) | (0%) | 497% | 25,620 | 0% | (47,758) | (0%) | 154% |
| Deferred income taxes | 7,278 | 0% | (890,802) | (35%) | 101% | 7,278 | 0% | (1,001,802) | (10%) | 101% |
| Net loss | (715,217) | (14%) | 250 | 0% | (285,823%) | (2,165,721) | (16%) | (625,534) | (6%) | (246%) |
| EBITDA (Non-IFRS measure) | (125,716) | (2%) | (704,462) | (28%) | 82% | 148,125 | 1% | 645,466 | 6% | (77%) |
| Adjusted EBITDA (Non-IFRS measure) | 713,907 | 14% | 42,254 | 2% | 1590% | 2,253,045 | 16% | 1,615,360 | 16% | 39% |
| Annualized Contract Value (Non-IFRS measure) | 14,844,039 | | 7,430,444 | | 100% | 14,844,039 | | 7,430,444 | | 100% |
| Recurring revenue (Non-IFRS Measure) | 3,875,409 | 76% | 1,607,600 | 63% | 141% | 10,000,703 | 72% | 5,424,349 | 53% | 84% |
| Deferred revenue | 6,214,736 | | 2,217,414 | | | 6,214,736 | | 2,217,414 | | |
| Cash balance | 23,391,946 | | 1,995,691 | | | 23,391,946 | | 1,995,691 | | |

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 | | | Year ended | | |
|--|--------------------|------------------|------------|-------------------|-------------------|------------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| | \$ | \$ | % | \$ | \$ | % |
| Term licences, maintenance and support | 3,875,409 | 1,607,600 | 141% | 10,000,703 | 5,424,349 | 84% |
| Perpetual licences | 147,141 | 43,589 | 238% | 988,117 | 620,842 | 59% |
| Services, hardware and other | 1,060,582 | 909,472 | 17% | 2,805,372 | 4,182,733 | (33%) |
| Total Revenues | 5,083,132 | 2,560,661 | 99% | 13,794,192 | 10,227,924 | 35% |

Revenue for Q4 2020 was \$5,083,132, as compared to \$2,560,661 in Q4 2019, an increase of \$2,522,471 or 99%. For the year ended December 31, 2020, the Company's revenue was \$13,794,192, as compared to \$10,227,924 for the year ended December 31, 2019, an increase of \$3,566,268 or 35%.

The changes are explained by:

- An increase of \$2,267,809 or 141% quarter over quarter, and an increase of \$4,576,354 or 84% year over year in term licenses, maintenance and support revenue, primarily attributable to new customer contracts and 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 72% of total revenues for FY 2020 (FY 2019 – 53%).
- Perpetual software licences for Q4 2020 was \$147,141 as compared to \$43,589 for Q4 2019, an increase of \$103,552 or 238%. Revenue from perpetual software licences for FY 2020 was \$988,117 as compared to \$620,842 for FY 2019, an increase of \$367,275 or 59%. While the increase in perpetual license revenues is most welcome the company has a greater focus on obtaining recurring revenues.
- Professional services, hardware and other revenue for Q4 2020 was \$1,060,582 as compared to \$909,472 for Q4 2019, an increase of \$151,110 or 17%. Revenue from professional services and other for FY 2020 was \$2,805,372 as compared to \$4,182,733 for FY 2019, a decrease of \$1,377,361 or 33%. The decrease year over year is a result of several factors included but not limited to, work stoppages and delays due to the ongoing COVID19 pandemic on some projects. Hospitals and their staff are focussed on dealing with the pandemic and as such our staff cannot go on site.

EXPENSES AND GROSS PROFIT

Cost of sales

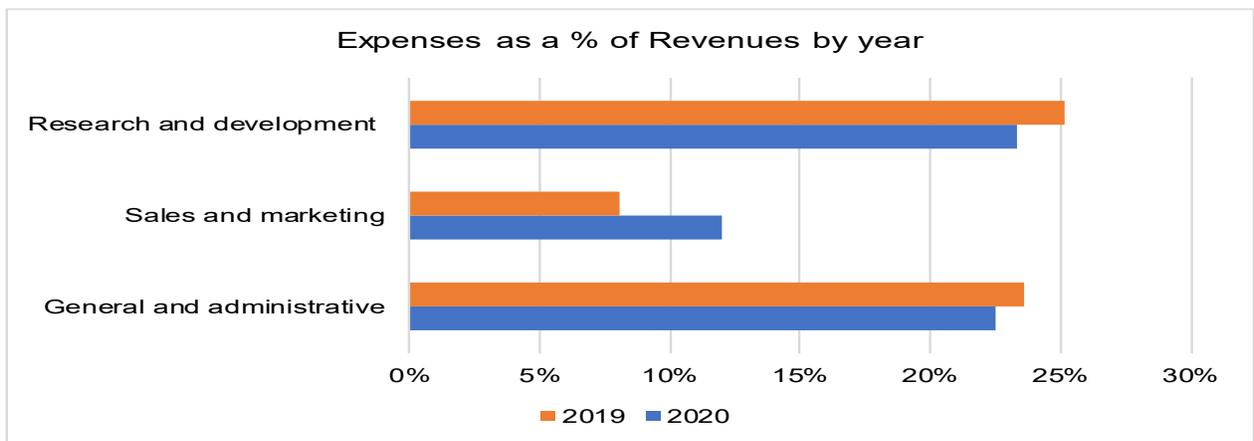
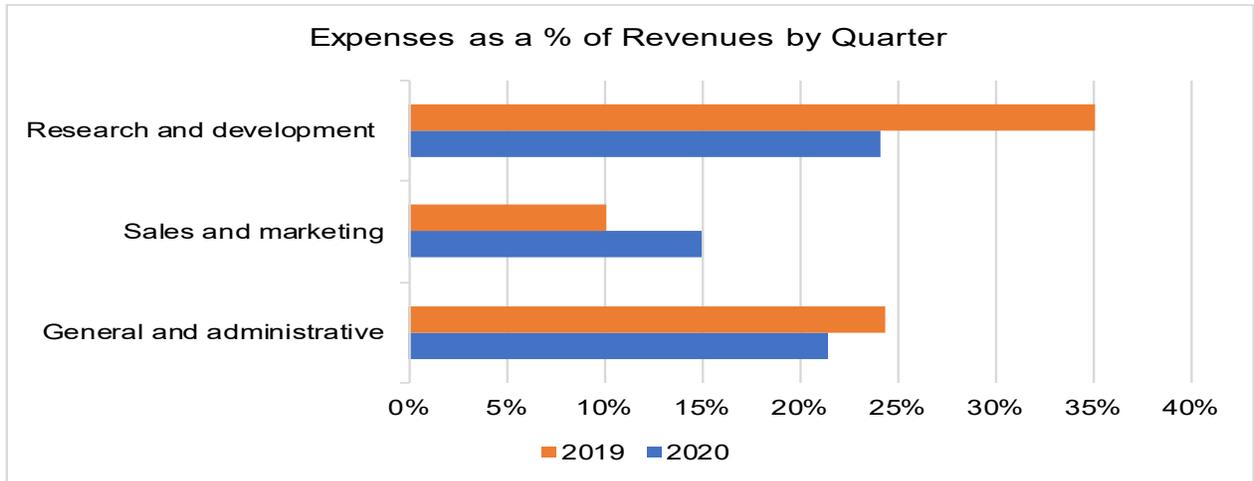
Cost of sales expense consists of commissions, hosting, royalties and employee salaries for development and support staff. For the Q4 2020 cost of sales were \$1,238,526 as compared to \$661,566 for Q4 2019. For FY 2020 cost of sales were and \$3,503,366 as compared to \$2,761,228 for FY 2019.

We anticipate cost of sales to fluctuate with increased revenue, however management continuously works to improve margins through generating synergies and efficiencies. The Company believes Gross Profit is a more meaningful KPI to measure.

Gross Profit

Gross profit for the three months ended December 31, 2020 was \$3,844,606 or 76% of revenue compared to \$1,899,096 or 74% of revenue in the same period in the prior year. Gross profit for the year ended December 31, 2020 was \$10,290,826 or 75% of revenue compared to \$7,466,696 or 73% of revenue in the same period in the prior 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 managements ongoing effort to reduce cost of sales.



As the Company grows, we expect the dollar amount of expenses to increase as we add resources, and expenses as a percentage of revenues to decrease as the Company right sizes the business. Management strives to ensure the appropriate levels of resources are maintained by the Company to ensure we are servicing our customers effectively.

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.

General and administrative expenses for Q4 2020 were \$1,089,178 as compared to \$622,481 for Q4 2019, an increase of \$466,697 or 75%. General and administrative expenses for FY 2020 were \$3,108,682 as compared to \$2,414,956 for FY 2019, an increase of \$693,726 or 29%.

General and administrative expenses as a percentage of revenues for Q4 2020 were 21% as compared to 24% for Q4 2019. For FY 2020 general and administrative expenses as a percentage of revenues were 23% as compared to 24% in FY 2019.

The increase in both periods is driven primarily by increased costs from acquisitions completed in the Q3 2020 offset by cost reductions and a wage subsidy received from the government available during the COVID-19 pandemic.

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 Q4 2020 were \$760,703 as compared to \$259,618 for Q4 2019, an increase of \$501,085 or 193%. Sales and marketing expenses for FY 2020 were \$1,657,427 as compared to \$822,356 for FY 2019, an increase of \$835,071 or 102%.

Sales and marketing expenses as a percentage of revenues for Q4 2020 were 15% as compared to 10% for Q4 2019. For FY 2020 Sales and marketing expenses as a percentage of revenues were 12% as compared to 8% in FY 2019.

The increase in both periods is driven primarily by increased costs from acquisitions completed in Q3 2020, as we obtain more innovative products we continue to add to our sales and marketing team, this is offset by cost reductions and a wage subsidy received from the government available during the COVID-19 pandemic.

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 Q4 2020 were \$1,226,969 as compared to \$897,749 for Q4 2019, an increase of \$329,220 or 37%. R&D expenses for FY 2020 were \$3,219,217 as compared to \$2,569,992 FY 2019, an increase of \$649,225 or 25%.

R&D expenses as a percentage of revenues for Q4 2020 were 24% as compared to 35% for Q4 2019. For FY 2020 R&D expenses as a percentage of revenues were 23% as compared to 25% in FY 2019.

The increase in both periods is driven primarily by increased costs from acquisitions completed in Q3 2020 offset by cost reductions and a wage subsidy received from the government available during the COVID-19 pandemic.

Depreciation and amortization

Depreciation consists of depreciation and amortization on 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 Q4 2020 was \$517,030 as compared to \$445,931 for Q4 2019, an increase of \$71,099 or 16%. Depreciation and amortization for FY 2020 was \$2,189,937 as compared to \$1,772,750 FY 2019, an increase of \$417,187 or 24%. The increases are attributable to the charges from the current year’s acquisitions. As we continue to make 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 a large item flowing through the income statement it is a noncash item.

Stock based compensation

Stock based compensation expense for Q4 2020 was \$297,313 as compared to \$76,451 for Q4 2019, an increase of \$220,862 or 289%. Stock based compensation expense for FY 2020 was \$486,806 as compared to \$207,682 for FY 2019, an increase of \$279,124 or 134%. The increase is due to options granted during the year and the increase in the exercise share price.

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 realign parts of the business.

Acquisition, restructuring and integration expenses for Q4 2020 were \$542,310 as compared to \$259,865 for Q4 2019, an increase of \$282,445 or 109%. For the FY 2020 acquisition, restructuring and integration expenses were \$1,618,114 as compared to \$511,663 for FY 2019, an increase of \$1,106,451 or 216%. These expenses were recognized in connection with acquisitions completed in the Q3 2020, 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, interest income and interest related to loans payable and contingent consideration. Interest expense for Q4 2020 was \$24,714 as compared to (\$249,637) for Q4 2019, an increase of \$274,351 or 110%. Interest expense for FY 2020 was \$91,011 as compared to \$547,810 for FY 2019, a decrease of \$456,799 or 83%. This decrease is due to the early redemption of debentures in Q3 2019 and the related present value adjustment on interest and our favourable cash position.

Results of Operations

The following table highlights selected financial information for the eight consecutive quarters ended December 31, 2020:

| | 2020 Q4 | 2020 Q3 | 2020 Q2 | 2020 Q1 | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 |
|---|------------|-------------|------------|------------|------------|------------|------------|------------|
| Revenues (\$) | 5,083,132 | 3,192,166 | 2,748,894 | 2,770,000 | 2,560,661 | 2,395,661 | 2,827,291 | 2,444,311 |
| Net income (loss) (\$) | (715,217) | (1,065,505) | 179,467 | (564,466) | 250 | (475,295) | (212,035) | 61,546 |
| EBITDA (Non-IFRS measure) (\$) | (125,716) | (419,362) | 705,892 | (12,689) | (704,462) | 445,290 | 337,118 | 567,520 |
| Adjusted EBITDA (Non-IFRS measure) (\$) | 713,907 | 502,595 | 754,252 | 282,291 | 42,254 | 363,816 | 552,535 | 656,755 |
| Net (loss) income per share - basic and diluted (\$) | (0.02) | (0.04) | 0.01 | (0.03) | 0.00 | (0.01) | (0.23) | 0.02 |
| Weighted average number of shares outstanding - basic | 34,667,224 | 27,237,332 | 26,615,860 | 19,441,753 | 17,134,375 | 16,028,640 | 15,989,469 | 13,475,403 |
| Weighted average number of shares outstanding - diluted | 34,667,224 | 27,237,332 | 26,723,409 | 19,441,753 | 17,134,375 | 16,028,640 | 15,989,469 | 13,475,403 |

OUTSTANDING SHARE DATA

SHARE CAPITAL

On January 3, 2020, the Company completed a 1:10 reverse stock split. The exercise price or conversion price of, and the number of common shares issuable under, any convertible securities of the Company were proportionately adjusted upon completion of the reverse stock split. References in this MD&A to share amounts, per share data, share prices, exercise prices and conversion prices have been adjusted to reflect the 1:10 reverse stock split.

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2020 the Company had 35,106,314 (December 31, 2019 – 18,017,912) common shares issued and outstanding. As at December 31, 2020 there were 2,291,250 (December 31, 2019 – 2,062,500) warrants outstanding which entitle the holders to purchase one common share of the Company. Stock options outstanding as of December 31, 2020 were 2,196,274 (December 31, 2019 – 1,253,274) which entitle the holders to purchase one common share of the Company. The number of exercisable stock options as at December 31, 2020 was 1,027,886 (December 31, 2019 – 962,440).

FINANCIAL CONDITION

Liquidity and Capital Resources

The Company closed the year with \$23,391,946 in cash and cash equivalents on hand, compared to \$1,995,691 as at December 31, 2019.

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

| | Year ended | | Change |
|---|----------------------|----------------------|-------------|
| | December 31, 2020 | December 31, 2019 | |
| | \$ | \$ | |
| Net loss | (2,165,721) | (625,534) | (1,540,187) |
| Items not affecting cash | 2,597,916 | 1,703,224 | 894,692 |
| Net change in non-cash working capital | (27,054) | (1,185,380) | 1,158,326 |
| Cash provided by (used in) operating activities | 405,141 | (107,690) | 512,831 |

Changes in non-cash working capital decreased to \$27,054 in comparison to the prior year. This is primarily due to the repayment of the customer option receivable in the prior period, offset by an increase in accounts receivable due to greater revenues and the inclusion of the two acquisitions receivables.

- Cash provided by (used in) operating activities was \$405,141 for FY 2020, compared to (\$107,690) for FY 2019. This increase is primarily due to an increase cash generated from operations, as management continues to gain synergies on acquisitions and continues to reduce the costs of operations.

CASH USED IN INVESTING ACTIVITIES

| | Year ended | | Change |
|-----------------------------------|-------------------|-------------------|-------------|
| | December 31, 2020 | December 31, 2019 | |
| | \$ | \$ | |
| Cash used in investing activities | (9,367,753) | (2,864,998) | (6,502,755) |

Cash used in investing activities of \$9,367,753, relates to the purchase of Intouch and Transform during FY 2020 of \$9,357,331, investments in property and equipment of \$110,788, offset by proceeds received from funds held in escrow on a prior acquisition of \$100,366.

CASH PROVIDED BY FINANCING ACTIVITIES

| | Year ended | | Change |
|---------------------------------------|-------------------|-------------------|------------|
| | December 31, 2020 | December 31, 2019 | |
| | \$ | \$ | |
| Cash provided by financing activities | 30,365,275 | 2,217,706 | 28,147,569 |

Cash provided by financing activities was \$30,365,275 for FY 2020 compared to \$2,217,706 in FY 2019. The increase is a result of two bought deal offerings completed during the year with net proceeds of \$29,842,060 and a non-brokered private placement completed during the year with net proceeds of \$2,183,840, these amounts are offset by the repayment of two RBC loans during the year, plus principal payments on the remaining loans totalling \$1,542,745, and principal payments on lease liabilities of \$291,700.

CREDIT FACILITIES

The Company has an agreement with the Royal Bank of Canada ("RBC") to provide a \$500,000, revolving demand facility, bearing interest at RBC's prime rate plus 1%. 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 subsidiaries of the Company.

As at December 31, 2020 and December 31, 2019, no amounts have been drawn on this revolving demand facility.

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 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 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. As at December 31, 2020, the Company had paid the remainder of this loan and purchased the assets.

The Company obtained an RBC non-revolving term facility in the amount of \$1,400,000. This loan bears interest at RBC's prime rate plus 2% and is due September 25, 2024. The loan is repayable in monthly installments of principal of \$23,333 plus interest, which began October 25, 2019. The 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. As at December 31, 2020, the Company had paid the remainder of this loan.

The Company assumed two loans from the acquisition of Oculys. The first one with Catalyst loan is repayable in monthly installments of principal and interest of \$314, which began January 1, 2019, with a maturity of December 1, 2021. The loan bears interest at 12.065%. The second loan with Vault is repayable in monthly installments of principal and interest of \$6,720, which began April 4, 2019, which was repaid on March 4, 2020.

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 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. Recurring revenue and ACV are non-IFRS measures.

The ACV of recurring revenue at December 31, 2020 with existing customers was \$14,844,039 as compared to \$7,430,445 at December 31, 2019, an increase of 100%, and as compared to \$13,560,696 at September 30, 2020, an increase of 9%.

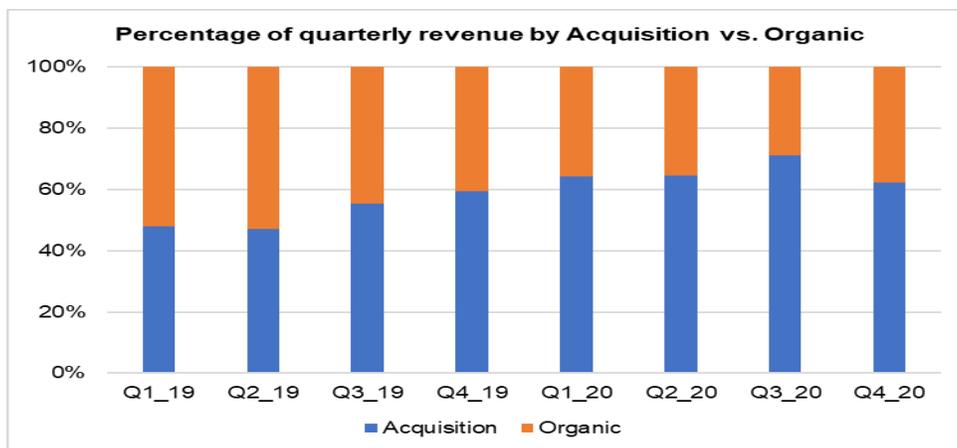
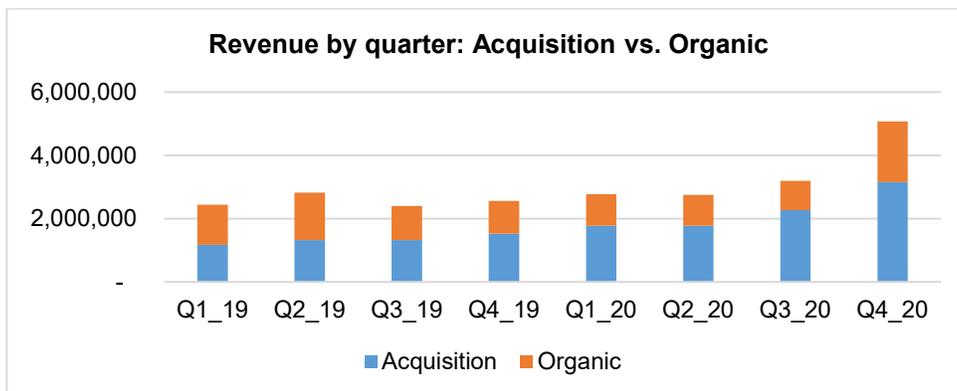
Acquisition, organic and one-time revenue

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 | Q1_19 | Q2_19 | Q3_19 | Q4_19 | FY_2019 | Q1_20 | Q2_20 | Q3_20 | Q4_20 | FY_2020 |
|-----------------------|----------------------|--------------------|---------------------|------------------------|------------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|
| Opening balance | \$ 4,486,680 | \$ 5,226,623 | \$ 5,321,119 | \$ 5,579,377 | \$ 4,486,680 | \$ 7,430,444 | \$ 7,486,925 | \$ 7,491,841 | \$ 13,560,696 | \$ 7,430,444 |
| Organic net of churn | \$ 31,233 0.70% | \$ 94,496 1.81% | \$ 258,258 4.85% | \$ 51,067 0.92% | \$ 435,054 9.70% | \$ 56,481 0.76% | \$ 4,916 0.07% | \$ 543,528 7.25% | \$ 1,283,343 9.46% | \$ 1,888,267 25.41% |
| Acquisition | \$ 708,710 15.80% | \$ - 0.00% | \$ - 0.00% | \$ 1,800,000 32.26% | \$ 2,508,710 55.91% | \$ - 0.00% | \$ - 0.00% | \$ 5,525,327 73.75% | \$ - 0.00% | \$ 5,525,327 74.36% |
| Closing balance | \$ 5,226,623 | \$ 5,321,119 | \$ 5,579,377 | \$ 7,430,444 | \$ 7,430,444 | \$ 7,486,925 | \$ 7,491,841 | \$ 13,560,696 | \$ 14,844,039 | \$ 14,844,039 |

ACV grew by \$1,283,343 or 9% (all organic) in Q4 2020. In Q4 2019 ACV grew by \$1,851,067 or 33% (organic represented \$51,067 or 1% and acquisition \$1,800,000 or 32%). ACV grew by \$7,413,595 or 100% (organic represented \$1,888,267 or 25% and acquisition \$5,525,327 or 75%) in 2020. In 2019 ACV grew by \$2,943,764 or 66% (organic represented \$435,054 or 10% and acquisition \$2,508,710 or 56%). The additional \$1,283,343 in organic ACV growth is a new milestone for the Company and reflective of our strategy to grow the business both organically and through acquisition.



Organic revenues as a percentage of total revenues for Q4 2020 represent 38% (FY 2020 - 35%) as compared to 40% in Q4 2019 (FY 2019 - 48%). This increase is attributable to new orders signed during the year and the expansion of the acquired businesses in Q4 2020, specifically Transform.

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 | | Year ended | |
|--|--------------------|-------------------|--------------------|-------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| | \$ | \$ | \$ | \$ |
| Net (loss) income | (715,217) | 250 | (2,165,721) | (625,534) |
| Add: Interest | 24,714 | (249,637) | 91,011 | 547,810 |
| Add: Depreciation and amortization | 517,030 | 445,932 | 2,189,937 | 1,772,750 |
| Add: Current and deferred tax expense (recovery) | 47,757 | (901,007) | 32,898 | (1,049,560) |
| EBITDA | (125,716) | (704,462) | 148,125 | 645,466 |

EBITDA for Q4 increased by \$578,746 or 82%, as compared to the same period in the prior year. For the FY 2020 EBITDA decreased by \$497,341 or 77%.

The increase quarter over quarter is the result of the redemption of debentures and deferred tax expense in FY 2019.

The decrease year over year is the result of the acquisitions completed during 2020 and the additional amortization on the intangible assets acquired.

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 | | Year ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| | \$ | \$ | \$ | \$ |
| EBITDA as above | (125,716) | (704,462) | 148,125 | 645,466 |
| Add: Stock based compensation expense | 297,313 | 76,451 | 486,806 | 207,682 |
| Add: Business acquisition, restructuring and integration costs | 542,310 | 259,865 | 1,618,114 | 511,663 |
| Add: Loss on redemption of debenture | 0 | 410,400 | 0 | 250,549 |
| Adjusted EBITDA | 713,907 | 42,254 | 2,253,045 | 1,615,360 |

Adjusted EBITDA for Q4 and FY 2020 increased by \$671,653 or 1590%, and \$637,685 or 39%, as compared to the same periods in the prior year.

The increase is attributable to higher revenue as a result of increased recurring revenue, combined with improved margins. 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.

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
- 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
- Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. A critical estimate for the Company is to assess the impact of the pandemic on the recoverability of long-lived assets, accounts receivable, goodwill, intangible assets as well as the availability of future financing in assessing the going concern assumption. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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 partially 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 cancelled, 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, GBP, AUD, and QAT 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 Q4 and for FY 2020 approximately 48% and 27% of Vitalhub's sales revenue originated from clients in the United States, the United Kingdom, Australia, Western Asia and other. It is possible that a greater percentage of Vitalhub's sales could emanate from other foreign countries. As such, a significant portion of Vitalhub's revenues are 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 other foreign currencies and Canadian dollars fluctuates.

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.