



Management's Discussion & Analysis

For the years ended
December 31, 2022 and 2021

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 23, 2023, 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, 2022 and 2021.

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" as indicated in this MD&A.

The Consolidated Financial Statements for the year ended December 31, 2022 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 Records (EHR), Case Management, Care Coordination, Patient Flow and Operational Visibility and 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, the Middle East and Europe.

The Company's shares trade on the TSX under the symbol "VHI".

Fourth Quarter 2022 Highlights

- **Revenue** of \$11,289,606, an increase of \$4,359,316 or 63% from the comparative period in the prior year. The positive increase reflects the impact of organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the year.
- **Gross profit as a percentage of revenue** for Q4 2022 was 82% compared to 79% in Q4 2021. Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses and maintenance and support generating a higher margin than consulting services and hardware revenue. This continued improvement is the result of both a positive sales mix (increased perpetual licenses and recurring revenues) combined with cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.
- **ARR^(1, 2)** at the end of Q4 2022 was \$36,145,150.
 - Organic growth of \$925,035 or 3% from Q3 2022,
 - Growth from acquisitions of \$3,000,854 (Community Data Solutions - \$2,428,874 and My Pathway - \$571,980) or 10%
 - Gain of \$1,252,046 or 4% due to the increase in the value of the GBP pound relative to the CAD dollar from the prior quarter.

The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

- **EBITDA⁽²⁾** of \$470,220 compared to \$470,034 in the comparative period in the prior year.
- **Adjusted EBITDA⁽²⁾** of \$2,455,377, or 22% of revenue, compared to \$1,351,420 or 20% of revenue in the comparative period in the prior year. The increase is attributable to several factors including increased recurring revenues, 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 and periodic restructuring and integration costs from acquisitions management believes that Adjusted EBITDA as a percentage of revenue is a relevant KPI ("key performance indicator") to measure.
- **Cash on hand at December 31, 2022 was \$17,452,210** compared to \$16,389,982 as at December 31, 2021. The Company has been able to maintain a steady cash balance year over year, due to continued revenue growth (both organically and through acquisition) with an ongoing effort to reduce costs and gain operating cost synergies. In 2022, we raised \$16,888,937 from an issuance of shares, used \$20,032,555 for M&A and generated \$7,119,817 cash flow from operations.
- **Subsequent to the quarter, the Company acquired all of the issued and outstanding shares of Coyote Software Corporation ("Coyote")**, a Canadian based company that specializes in tailored software solutions that streamline the workflows of health and social service organizations. Total closing consideration for the acquisition, not including any post-closing working capital adjustments was \$2,265,528 in cash subject to a 15% escrow for six months, and \$108,000 through the issuance of 38,163 common shares of Vitalhub which are subject to a four month hold from their date of issuance.
- **With the addition of the ARR^(1, 2) of Coyote, the Company's proforma ARR would be approximately \$37,000,000.**

Annual 2022 Highlights

- **Revenue** of \$39,970,814, an increase of \$15,306,221 or 62% from the prior year. The positive increase reflects the impact of organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the year.
- **Gross profit as a percentage of revenue** for FY 2022 was 82% compared to 79% in FY 2021. Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses and maintenance and support generating a higher margin than consulting services and hardware revenue. This continued improvement is the result both a positive sales mix (increased perpetual licenses and recurring revenues) combined with cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.
- **ARR^(1, 2)** for FY 2022 ARR grew by \$14,038,487 or 64% from FY 2021
 - Organic growth of \$4,084,909 or 18%
 - Growth from acquisitions of \$10,781,601 (Beautiful Information - \$1,032,000, Hicom - \$6,748,747, Community Data Solutions - \$2,428,874, and My Pathway - \$571,980) or 49% through acquisition and,
 - Less \$828,023 or 4% due to an unrealized foreign exchange loss primarily due to the decrease during the year in the value of the GBP pound relative to the CAD.
- **EBITDA⁽²⁾** of \$5,250,015 compared to \$1,115,477 in the prior year, an improvement of \$4,134,539 or 371%. The increase is attributable to a number of factors, including an increase in revenues of 62% and continued synergies gained from acquisitions and operations.

(1) 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

(2) Non-IFRS measure

- **Adjusted EBITDA** ⁽²⁾ of \$9,524,708, or 24% of revenue, compared to \$4,548,512 or 18% of revenue in the prior year. The continued improvement is attributable to several factors including increased revenues, 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 and periodic restructuring and integration costs from acquisitions, management believes that Adjusted EBITDA as a percentage of revenue is a relevant KPI ("key performance indicator") to measure.
- **Cashflow from operations before changes in working capital** was \$7,119,817 for FY 2022 as compared to \$1,972,933 for FY 2021. As we grow top line revenues the Company is committed to generating increased cash from operations. The increased cash from operations will come from increased revenues and synergies in operations as we gain efficiencies in the companies acquired.
- **Net income** of \$1,214,636 for the year ended December 31, 2022, compared to a net loss of \$1,946,641 in the prior year.

(1) 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

(2) Non-IFRS measure

SELECTED ANNUAL AND QUARTERLY INFORMATION

	Three months ended					Year ended				
	December 31,	% Revenue	December 31,	% Revenue	Change	December 31,	% Revenue	December 31,	% Revenue	Change
	2022		2021			2022		2021		
	\$	\$	\$	\$	%	\$	\$	\$	%	
Revenue	11,289,606	100%	6,930,290	100%	63%	39,970,814	100%	24,664,593	100%	62%
Cost of sales	1,999,560	18%	1,463,440	21%	(37%)	7,031,819	18%	5,237,210	21%	(34%)
Gross Profit	9,290,046	82%	5,466,850	79%	70%	32,938,995	82%	19,427,383	79%	70%
Operating Expenses										
General and administrative	2,548,472	23%	1,441,164	21%	(77%)	8,556,468	21%	5,079,379	21%	(68%)
Sales and marketing	1,126,839	10%	967,630	14%	(16%)	4,275,151	11%	3,614,173	15%	(18%)
Research and development	3,065,532	27%	1,717,580	25%	(78%)	10,431,212	26%	6,045,799	25%	(73%)
Depreciation	76,422	1%	45,110	1%	(69%)	250,287	1%	162,424	1%	(54%)
Depreciation of right-of-use assets	163,222	1%	70,713	1%	(131%)	342,863	1%	272,482	1%	(26%)
Stock based compensation	267,584	2%	628,789	9%	57%	1,140,387	3%	1,717,094	7%	34%
Foreign currency (gain) loss	93,826	1%	(10,383)	(0%)	1004%	150,399	0%	137,927	1%	(9%)
Other Income and Expenses										
Amortization of intangible assets	952,787	8%	622,750	9%	(53%)	3,279,803	8%	2,241,251	9%	(46%)
Business acquisition, restructuring and integration costs	1,022,171	9%	380,867	5%	(168%)	2,438,904	6%	1,844,212	7%	(32%)
Loss (gain) on change in fair value of contingent consideration	695,402	6%	(128,270)	(2%)	642%	695,402	2%	(128,270)	(1%)	642%
Interest expense and accretion (net of interest income)	10,288	0%	(3,966)	(0%)	359%	40,914	0%	(29,548)	(0%)	238%
Interest expense from lease liabilities	(76,163)	(1%)	18,195	0%	519%	29,431	0%	82,432	0%	64%
(Gain) loss on disposal of property and equipment	0	0%	(561)	(0%)	100%	1,057	0%	1,593	0%	34%
Current and deferred income taxes	(318,005)	(3%)	323,006	5%	198%	92,081	0%	333,076	1%	72%
Net income (loss)	(338,331)	(3%)	(605,773)	(9%)	44%	1,214,636	3%	(1,946,641)	(8%)	162%
EBITDA (Non-IFRS measure)	470,220	4%	470,034	7%	0%	5,250,015	13%	1,115,476	5%	371%
Adjusted EBITDA (Non-IFRS measure)	2,455,377	22%	1,351,420	20%	82%	9,524,708	24%	4,548,512	18%	109%
Annual Recurring Revenue (Non-IFRS measure)	36,145,150		22,106,663		64%	36,145,150		22,106,663		64%
Term licences, maintenance and support revenue	8,736,265	77%	5,290,210	76%	65%	29,359,361	73%	19,250,266	78%	53%
Deferred revenue						15,495,461		8,821,331		
Cash balance						17,452,210		16,389,982		

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		
	December 31, 2022	December 31, 2021	Change	December 31, 2022	December 31, 2021	Change
	\$	\$	%	\$	\$	%
Term licenses, maintenance and support	8,736,265	5,290,210	65%	29,359,361	19,250,266	53%
Perpetual licenses	497,543	541,041	(8%)	3,618,552	1,447,523	150%
Services, Hardware and other	2,055,798	1,099,038	87%	6,992,901	3,966,804	76%
Total Revenues	11,289,606	6,930,290	63%	39,970,814	24,664,593	62%

Revenue for Q4 2022 was \$11,689,606 as compared to \$6,930,290 in Q4 2021, an increase of \$4,359,316 or 63%. Revenues for the year ended December 31, 2022, were \$39,970,814, an increase of \$15,306,221 or 62% from \$24,664,593 for the year ended December 31, 2021

The changes are explained by:

- The increase of \$3,446,055 or 65% from Q4 2021 to Q4 2022, and \$10,109,095 or 53% year over year, in term licenses, maintenance and support revenue, reflects the impact of continued organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the quarter and year. Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented 77% and 73% of total revenues for Q4 and FY 2022, respectively. (Q4 and FY 2021 – 76% and 78%). Note the lower % of recurring revenues in 2022 of 73% was due to the unusually large perpetual revenues in 2022 of \$3,618,552 or 9% of revenues in 2022.
- Perpetual software licenses are dependent on the type of products sold. Revenues for Q4 2022 were \$497,543 as compared to \$541,041 for Q4 2021, a decrease of \$43,498 or 8%. For FY 2022, revenues were \$3,618,552 as compared to \$1,447,523 last year, an increase of \$2,171,029 or 150%. The increase is primarily attributable to new customer sales in Q1 2022 and the timing of deliveries of the Company's Intouch products.
- Professional services, hardware and other revenue can vary depending on the timing of hardware deliveries and the progression of customer projects. For Q4 2022 revenue was \$2,055,798 as compared to \$1,099,038 for Q4 2021, an increase of \$956,760 or 87%. For FY 2022 revenue was \$6,992,901 as compared to \$3,966,804 for the same period last year, an increase of \$3,026,097 or 76%.

EXPENSES AND GROSS PROFIT

Cost of sales

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

For Q4 2022, cost of sales was \$1,999,560 or 18% of revenue, as compared to \$1,463,440 Q4 2021 or 21% of revenue, a decrease of 3%.

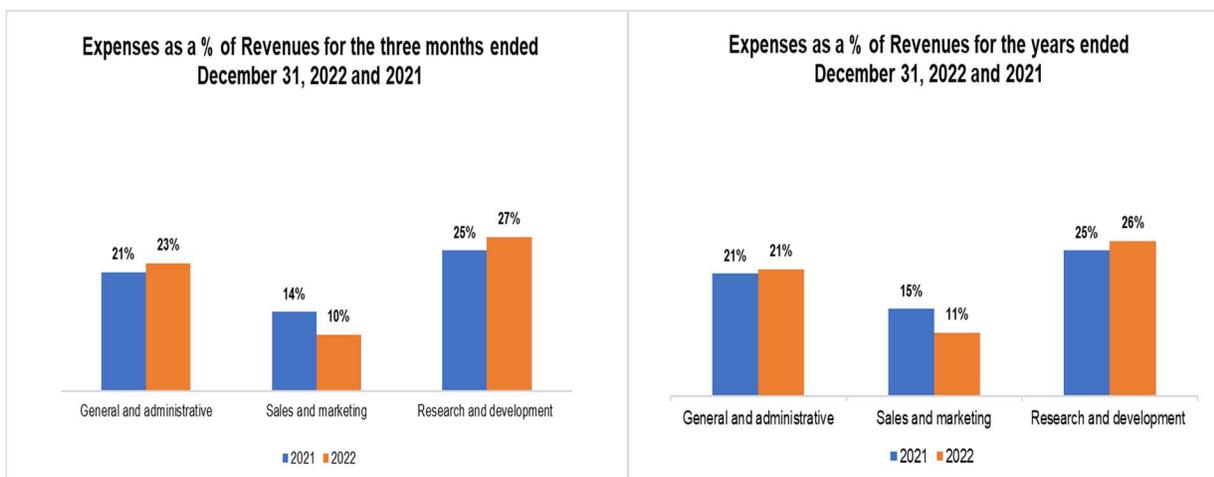
For FY 2022, cost of sales was \$7,031,819 or 18% of revenue as compared to \$5,237,210 or 21% of revenue for FY 2021, a decrease of 3%.

Cost of sales is largely dependent on sales mix – with high margin perpetual license and recurring license maintenance and support attracting the lowest cost of sales and professional services and hardware sales are more costly to deliver. We anticipate cost of sales to fluctuate with increased revenues and based on the revenue mix. Management continuously works to improve margins by growing our recurring revenues, and by generating synergies on acquired businesses and overall efficiencies to reduce cost of sales.

Gross profit

Gross profit for Q4 2022 was \$9,290,046 or 82% of revenue compared to \$5,466,850 or 79% of revenue in Q4 2021. For FY 2022 gross profit was \$32,938,995 or 82% of revenue as compared to \$19,427,383 or 79% of revenue for FY 2021.

Gross profit as a percentage of revenue changes is largely dependent upon the sales mix, with perpetual and term licenses, and maintenance and support generating a higher margin than consulting services and hardware revenue. The positive increase reflects both higher recurring revenue due to organic revenue growth, along with revenue from acquisitions completed during the year, combined with operating cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.



General and administrative expenses

General and administrative expenses include employee salaries related to finance and administration personnel, travel, 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 2022 were \$2,548,472 or 23% of revenue as compared to \$1,441,164 or 21% of revenue for Q4 2021. For FY 2022, general and administrative expenses were \$8,556,468 or 21% of revenue as compared to \$5,079,379 or 21% of revenue for FY 2021.

The increase quarter over quarter and year over year is driven by increased costs from acquisitions completed during the year and the time it takes for synergies and cost savings to be recognized, which can take longer for general and administrative expenses due to their nature. The increase quarter over quarter and year over year is also attributable to increased travel, coupled with increased professional fees.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, travel costs of our direct sales team, and advertising and marketing costs.

Sales and marketing expenses for Q4 2022 were \$1,126,839 or 10% of revenue as compared to \$967,630 or 14% of revenue for Q4 2021, a decrease of 4%.

For FY 2022, sales and marketing expenses were \$4,275,151 or 11% of revenue as compared to \$3,614,173 or 15% of revenue for FY 2021, a decrease of 4%.

The overall increase quarter over quarter and year over is the result of additional costs from acquisitions completed during the year, in addition to an increase in travel and marketing efforts. With the lifting of COVID restrictions we anticipate that sales, travel and marketing expenses will increase. We also anticipate increasing sales costs as we try and sell products from our acquisitions in new geographies.

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 2022 were \$3,065,532 or 27% of revenue as compared to \$1,717,580 or 25% of revenue for Q4 2021, an increase of 2%.

For FY 2022, R&D expenses were \$10,431,212 or 26% of revenue as compared to \$6,045,799 or 25% of revenue for FY 2021, an increase of 1%.

The increase is driven by increased costs from acquisitions completed in the year 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 Q4 2022 was \$1,192,431 as compared to \$738,572 for Q4 2021, an increase of \$453,859 or 61%.

For FY 2022, depreciation and amortization was \$3,872,953 as compared to \$2,676,157 for FY 2021, an increase of \$1,196,796 or 45%.

The increase is attributable to the charges from the current period's acquisition. With acquisitions, depreciation and amortization will continue to increase due to acquired intangible assets and the related amortization taken over their estimated useful lives which range from 5-14 years. While this is an income statement expense, it is a non-cash item.

Stock based compensation

Stock based compensation expense for Q4 2022 was \$267,584 as compared to \$628,789 for Q4 2021, a decrease of \$361,205 or 57%.

For FY 2022, stock based compensation expense was \$1,140,387 as compared to \$1,717,094 for FY 2021, a decrease of \$576,707 or 34%.

The decrease is due to fewer options granted in FY 2022 as compared to FY 2021, and the timing of vesting.

Business acquisition, restructuring and integration costs and loss (gain) on change in fair value of contingent consideration

Business acquisition, restructuring and integration costs and loss (gain) on change in fair value of contingent consideration consist of costs incurred to acquire and integrate the businesses purchased as well as expenses incurred to align segments of the business.

Business acquisition, restructuring and integration costs and loss (gain) on change in fair value of contingent consideration for Q4 2022 were \$1,717,573 as compared to \$252,597 for Q4 2021, an increase of \$1,464,976.

For FY 2022, Business acquisition, restructuring and integration expenses and loss (gain on change in fair value of contingent consideration expenses were \$3,134,306 as compared to \$1,715,942 for FY 2021, an increase of \$1,418,364.

These expenses were recognized in connection with the acquisitions completed in the year, with the majority of the costs relating to professional fees to acquire the businesses and employee restructuring 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 Q4 2022 was (\$65,875) as compared to \$14,229 for Q4 2021, a decrease of \$80,105.

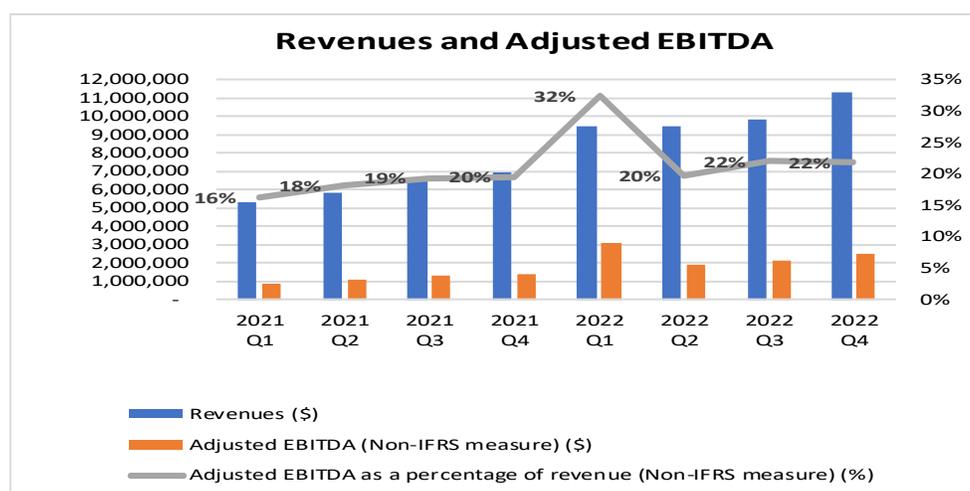
For FY 2022 interest expense was \$70,345 as compared to \$52,884 for FY 2021, an increase of \$17,461.

The increase is attributable to additional funds received and repaid to the Bank of Nova Scotia revolving for the term acquisition facility during the year and the associated interest paid, in addition to a standby fee on the available facilities, net of interest earned on short-term investments.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended December 31, 2022:

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Revenues (\$)	5,323,074	5,792,182	6,619,047	6,930,290	9,423,192	9,477,464	9,780,553	11,289,606
Net income (loss) (\$)	(241,677)	(523,400)	(575,792)	(605,772)	1,437,615	74,579	40,777	(338,331)
EBITDA (Non-IFRS measure) (\$)	299,238	157,114	189,088	470,036	2,367,047	1,023,686	1,389,065	470,220
Adjusted EBITDA (Non-IFRS measure) (\$)	865,831	1,053,686	1,277,573	1,351,422	3,051,018	1,866,563	2,151,753	2,455,377
Net income (loss) per share - basic and diluted (\$)	(0.01)	(0.01)	(0.02)	(0.02)	0.04	0.00	0.00	(0.01)
Weighted average number of shares outstanding - basic	36,020,660	36,117,607	36,677,405	36,898,290	37,120,147	41,916,986	43,381,770	43,464,758
Weighted average number of shares outstanding - diluted	36,020,660	36,117,607	36,677,405	36,898,290	39,268,851	43,787,986	44,647,770	43,464,758



Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions management believes that Adjusted EBITDA as a percentage of revenue is a relevant KPI to measure. The improvement in Q4 2022 from Q4 2021 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. Adjusted EBITDA as a percentage of revenue is a non-IFRS measure.

OUTSTANDING SHARE DATA

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2022, the Company had 43,599,648 (December 31, 2021 – 36,939,428) common shares issued and outstanding. As at December 31, 2022, there was no (December 31, 2021 – 1,077,000) warrants outstanding. Stock options outstanding as of December 31, 2022 were 2,450,206 (December 31, 2021 – 2,468,203) which entitle the holders to purchase one common share of the Company. Deferred share units outstanding as of December 31, 2022 were 87,414 (December 31, 2021 – 87,414). The number of exercisable stock options as at December 31, 2022 was 1,444,091 (December 31, 2021 – 1,445,127).

FINANCIAL CONDITION

Liquidity and Capital Resources

As the December 31, 2022 the Company had \$17,452,210 in cash and cash equivalents on hand, compared to \$16,389,982 as at December 31, 2021. The Company has been able to maintain a steady cash balance year over year, due to continued revenue growth (both organically and through acquisition) with an ongoing effort to reduce costs and gain operating cost synergies. In 2022, the Company raised \$16,297,935 from a share issuance, used \$22,297,462 for M&A and generated \$7,119,817 cash from operations.

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Year ended		Change
	December 31, 2022	December 31, 2021	
	\$	\$	
Net income (loss)	1,214,636	(1,946,641)	3,161,277
Items not affecting cash	5,905,181	3,919,574	1,985,607
Cash from operations before changes in working capital	7,119,817	1,972,933	5,146,884
Net change in non-cash working capital	(997,908)	(1,570,578)	572,670
Cash provided by operating activities	6,121,909	402,355	5,719,554

Cash provided by operating activities was \$6,121,909 for year ended December 31, 2022, as compared to \$402,355 for the same period in the prior year. This increase is primarily due to an increase in cash generated from operations, as management continues to gain synergies from acquisitions and continues to reduce the costs of operations.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

	Year ended		Change
	December 31, 2022	December 31, 2021	
	\$	\$	
Cash used in investing activities	(21,843,912)	(10,475,897)	(11,368,015)

Cash used in investing activities relates primarily to the cash portion of the acquisitions completed during the year. The increase year over year is due to the number of acquisitions completed during the year.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Year ended		Change
	December 31, 2022	December 31, 2021	
	\$	\$	
Cash provided by financing activities	16,402,569	3,167,464	13,235,105

Cash provided by financing activities were primarily borrowings to fund acquisitions in 2022, offset by loan repayments, net proceeds from a bought deal and the exercise of options and warrants.

CREDIT FACILITIES

The Company has an agreement with The Bank of Nova Scotia ("Scotia") to provide a \$6,000,000 operating credit limit, bearing interest at Scotia's prime rate plus 1%. The Company also has available a \$27,000,000 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 2.75%, Funded debt/EBITDA equal to or less than 2.5x plus 1.5%. 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.

The Company is subject to maintain the following covenants:

- i) Funded Debt to EBITDA ratio, calculated on a trailing 12 month basis that is:
 1. equal to or less than 3.75:1, from the Closing Date to September 30th, 2022;
 2. equal to or less than 3.00:1, from July 1, 2022 to September 30th, 2023; and
 3. equal to or less than 2.50:1, from July 1, 2023 and thereafter.
- ii) A Fixed Charge Coverage Ratio (calculated on a trailing 12 month basis that is) of not less than 1.20:1.

As at December 31, 2022, the Company is in compliance with all of its covenants, and has no debt outstanding.

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 off-balance sheet obligations or contingencies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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, 2021. 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 goodwill impairment testing and recoverability of assets, business combinations, income taxes, estimated useful life of long-lived assets, the fair value of share-based payments, and allowance for doubtful accounts.

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

Annual recurring revenue

Annual 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. Annual Recurring revenues are a non-IFRS measure.

ARR at December 31, 2022 was \$36,145,150 as compared to \$22,106,663 at December 31, 2021, an increase of 64%.

Annual Recurring Revenue	Q1 21	Q2 21	Q3 21	Q4 21	FY 21	Q1 22	Q2 22	Q3 22	Q4 22	FY 22
Opening balance (\$)	14,844,039	15,931,628	19,757,306	21,569,032	14,844,039	22,106,663	24,015,090	31,219,508	30,967,215	22,106,663
Organic net of churn (\$)	973,801	694,143	281,206	649,416	2,598,566	1,485,613	823,506	850,755	925,034	4,084,908
Organic net of churn (%)	7%	4%	1%	3%	18%	7%	3%	3%	3%	18%
Acquisition (\$)	0	3,430,575	1,319,098	0	4,749,673	1,032,000	6,748,747	0	3,000,854	10,781,601
Acquisition (%)	0%	22%	7%	0%	32%	5%	28%	0%	10%	49%
Effect of foreign exchange (loss) gain (\$)	113,788	(299,040)	211,422	(111,785)	(85,615)	(609,186)	(367,835)	(1,103,048)	1,252,046	(828,022)
Effect of foreign exchange (loss) gain (%)	1%	(2%)	1%	(1%)	(1%)	(3%)	(2%)	(4%)	4%	(4%)
Closing balance (\$)	15,931,628	19,757,306	21,569,032	22,106,663	22,106,663	24,015,090	31,219,508	30,967,215	36,145,150	36,145,150

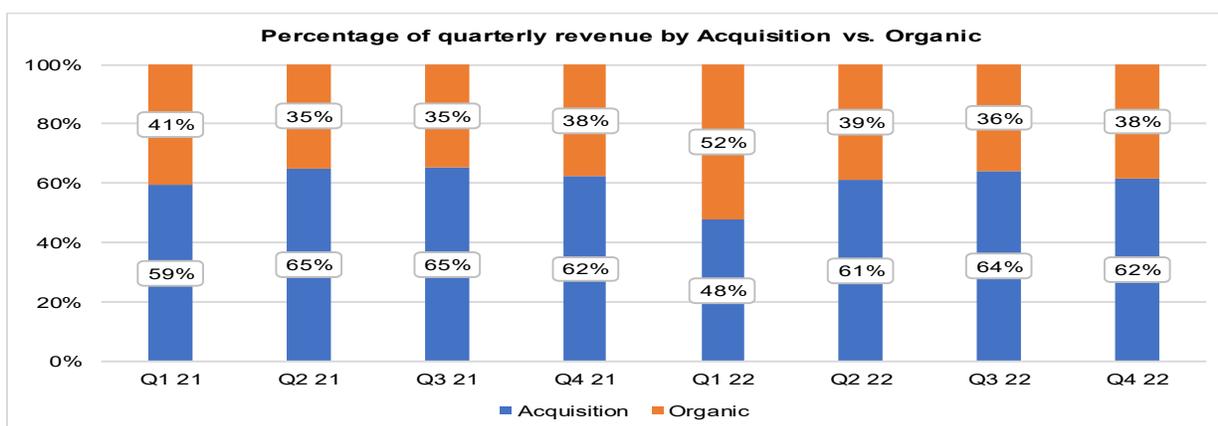
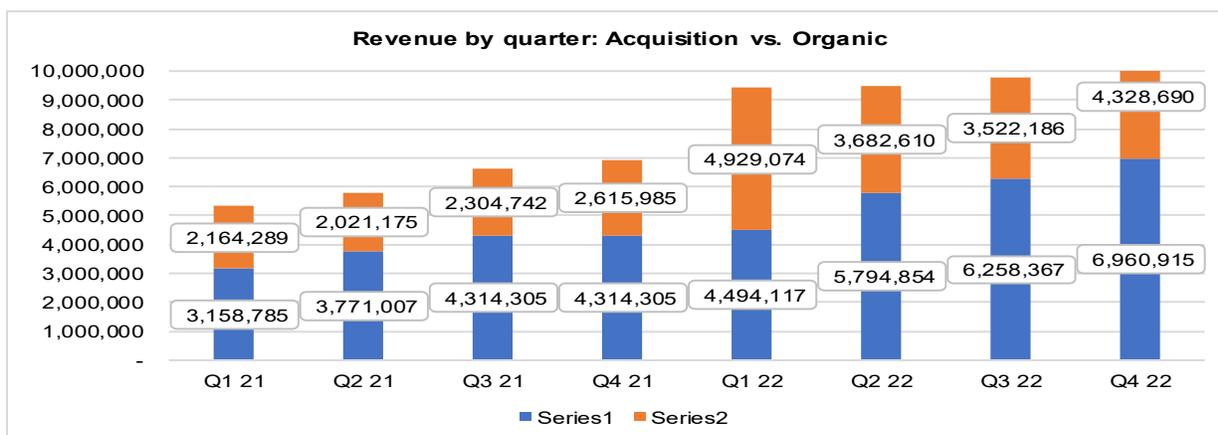
- ARR^(1, 2) at the end of Q4 2022 was \$36,145,150.
 - Organic growth of \$925,035 or 3% from Q3 2022,
 - Growth from acquisitions of \$3,000,854 (Community Data Solutions - \$2,428,874 and My Pathway - \$571,980) or 10%
 - Gain of \$1,252,046 or 4% due to the increase in the value of the GBP pound relative to the CAD dollar from the prior quarter.
- ARR^(1, 2) for FY 2022 ARR grew by \$14,038,487 or 64% from FY 2021
 - Organic growth of \$4,084,909 or 18%
 - Growth from acquisitions of \$10,781,601 (Beautiful Information - \$1,032,000, Hicom - \$6,748,747, Community Data Solutions - \$2,428,874, and My Pathway - \$571,980) or 49% through acquisition and,
 - Less \$828,023 or 4% due to an unrealized foreign exchange loss primarily due to the decrease during the year in the value of the GBP pound relative to the CAD.

The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

Acquisition and organic revenue

Acquisition revenue is defined as the annual contract value of revenues of the acquired companies at the time of acquisition. Organic revenue growth is defined as the revenue over and above the acquisition revenues. Acquisition revenue is a non-IFRS measure.

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



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 consolidated statements of cash flows.

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

	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Net income (loss)	(338,331)	(605,773)	1,214,636	(1,946,641)
Add: Interest	(65,875)	14,229	70,345	52,884
Add: Depreciation and amortization	1,192,431	738,572	3,872,953	2,676,157
Add: Current and deferred tax expense (recovery)	(318,005)	323,006	92,081	333,076
EBITDA	470,220	470,034	5,250,015	1,115,476

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Stock-based compensation expense, business acquisition, restructuring and integrations 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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
EBITDA	470,220	470,034	5,250,015	1,115,476
Add: Stock based compensation expense	267,584	628,789	1,140,387	1,717,094
Add: Business acquisition, restructuring and integration costs	1,022,171	380,867	2,438,904	1,844,212
Add: Loss (gain) on change in fair value of contingent consideration	695,402	(128,270)	695,402	(128,270)
Adjusted EBITDA	2,455,377	1,351,420	9,524,708	4,548,512

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,
- While the impact of COVID-19 on the Company has largely subsided, management continues to closely monitor all COVID-19 developments including its impact on the Company's customers, employees, suppliers, vendors, business partners, and distribution channels. In addition to COVID-19, the global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increases to inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on the Company's operation cannot be predicted. Despite these uncertainties, the Company believes it is well equipped to handle the uncertainty and has taken several proactive steps in an attempt to better manage the challenges of the COVID-19 pandemic including potential future impact on the Company's assets, cash flows and liquidity, operations and financial reporting.

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 considering 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 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 FY 2022 approximately 78% (FY 2021 - 70%) of Vitalhub's sales revenue originated from clients in the United States, the United Kingdom, Australia, Western Asia and the rest of the world. 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.

Security breaches, denial of service attacks, or other hacking and phishing attacks on our systems or other security breaches, including internal security failures and other privacy breaches including the unauthorized access to, use or disclosure of personal information, could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

In the current environment, the volume, velocity and creativity of security threats and cyber-attacks continue to grow, this includes criminal hackers, hacktivists, state-sponsored organizations, industrial espionage, employee misconduct, and human or technological errors.

The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations. Despite the Company's efforts to create security barriers, the Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks, security breaches and/or technological malfunctions affecting the Company or its products or services can result in, among other things, litigation, governmental audits or investigations, financial penalties or losses, unauthorized release of customer information or confidential information, loss of confidence in the Company's products and services and significant reputational risk, each of which could adversely affect its business, financial condition and results of operations.

Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked.

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.