

SYLOGIST LTD.

Management's Discussion & Analysis of Financial Condition and Results of Operations

For the years ended September 30, 2021 and 2020



SYLOGIST LTD.

Management's Discussion & Analysis
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Management's Discussion & Analysis of Financial Condition and Results of Operations

The following Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") of Sylogist Ltd. ("Sylogist" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the years ended September 30, 2021 and 2020 ("Financial Statements"). The Company's Financial Statements and MD&A consist of its results and the results of its wholly-owned subsidiaries; Sylogist USA Inc. and Serenic Software (U.K.) Limited, and its indirect wholly-owned subsidiaries, Serenic Software Inc., Serenic Software (US) Corporation, Municipal Accounting Systems, Inc. ("MAS") and Information Strategies, Inc. ("InfoStrat").

Data, comments and analysis are provided in this MD&A wherever considered appropriate, subject to reasonable limitations for confidentiality or competitive positioning of the Company, to assist the reader in understanding the Company's business from a management perspective. Certain information provided in this MD&A is forward-looking, being based on assumptions or anticipated results, which is subject to uncertainties. Incorrect assumptions or uncertainties materializing could lead to actual results differing materially from those expected. Readers are referred to "Forward-Looking Statements", "Critical Accounting Estimates" and "Risks and Uncertainties" in this MD&A.

Unless otherwise indicated, the reporting and measurement currency referred to in this MD&A is the Canadian dollar.

Additional information about Sylogist is available on its website at www.sylogist.com, as well as on SEDAR at www.sedar.com.

This MD&A is dated as of December 10, 2021.

Overview

Sylogist is a customer-focused SaaS technology innovation company that, through strategic acquisitions, investments, and operations management, provides cloud-based intellectual property ("IP") solutions to a wide range of public sector enterprises. Sylogist's verticals of education, not-for-profit ("NFP") and government allow the Company to provide comprehensive, mission-critical, enterprise resource planning ("ERP") and constituent relationship management ("CRM") solutions, including fund accounting, donor engagement, grant management, enterprise level case management, grantor money management, justice solutions, payments processing, and payroll. The Company's goal is to be the most trusted provider of software solutions for the public sector and NFPs.

Sylogist entered fiscal 2021 in a strong position, with a talented and dedicated team, a highly sticky and diverse customer community, contemporary products and a history of successful mergers and acquisitions ("M&A") execution. Beginning with the hiring of a new CEO, Bill Wood, in the first quarter of 2021, Sylogist began the significant undertaking of a strategic shift from a predominately EBITDA focused company to one that focuses on value creation, both through organic growth and M&A while maintaining a healthy EBITDA margin. With the board of directors' support, management is executing this strategy.

Sylogist is guided by the "Rule of 40", meaning there is an expected combined blend of growth and EBITDA margin greater than 40%, with the Company targeting an organic growth run rate in the high single digits in Fiscal 2022, while maintaining a healthy EBITDA margin.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Moving into Fiscal 2022, Sylogist is beginning to see the benefits of its strategic investments in growth and the strength and morale of its workforce. The Company intends to continue accelerating organic and M&A growth while maintaining strong profit margins in line with a "Rule of 40" posture. In addition, the Company intends to evaluate, on an ongoing basis, how best to deploy its capital to ensure alignment with strategy and shareholder value creation.

Organic Growth Strategy

In executing its organic growth strategy, Sylogist is seizing the opportunity to unlock the Company's top line revenue growth potential. This is accomplished by foundationally investing in talent across the go-to-market, product and development, and customer facing teams, reorganizing the company to break down silos, making use of contract resources to accelerate strategic projects, and implementing an agile development methodology to release product improvements at a faster cadence, compared to the previous waterfall approach.

Sylogist is also investing in its go-to-market capabilities and capacity, including sales, marketing, and customer account management talent, that will enhance the Company's awareness and market presence and drive growth across product lines.

These strategic investments further enhance the Company's foundational capabilities to better understand and effectively meet its customers' needs, bolster competitive advantages, expand customer wallet share and subsequently allow effective alignment and execution against the product road map. While these operational investments will compress margins in the near term, Sylogist expects this will lead to long term sustainable high margin revenue growth

M&A Growth Strategy

In executing the M&A strategy, Sylogist has increased its attention on maintaining a robust pipeline of opportunities, broadened its M&A outreach and is continuously evaluating inorganic growth opportunities relative to shareholder value creation. Sylogist has proven, repeatable diligence and integration playbooks with a track record of successfully realizing the value creation upside of acquired companies.

On March 17, 2021, Sylogist acquired MAS. MAS was founded in 1985 and has grown to serve nearly 85% of the Oklahoma K-12 public education market with its integrated Wen-GAGE platform. The modern SaaS solution includes advanced budgeting and accounting, comprehensive student information tracking, grading and scheduling, and lunchroom administration.

The acquisition was highly accretive and strategically valuable as MAS provides opportunities to enhance the Wen-GAGE platform, cross-sell new IP to the company's overall K-12 customer community and invest in expansion beyond the current Oklahoma footprint.

Further to its M&A strategy, on October 6, 2021, the Company acquired Mission CRM Ltd. ("Mission CRM"). Founded in 2016, Mission CRM has developed an innovative, 100% SaaS fundraising and donor engagement platform built on a Microsoft Dynamics 365 and Azure foundation; fully embracing the Microsoft Common Data Model for nonprofit and non-governmental organizations. With its latest release in 2020, and unlike other point-solution products in the marketplace, the platform provides seamless constituent engagement, online fundraising and campaign pages, event management, peer-to-peer fundraising, donation processing, funds distribution, postal integrations, and CRA receipting.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Mission CRM's innovative fundraising solution complements Sylogist's existing IP and platform versus product strategy well. The Company is combining assets to develop a fully integrated front-end donor engagement, fundraising, grants management and analytics, along with back-end financial management and reporting in a single, comprehensive SaaS platform.

Also, on October 18, 2021, the Company acquired The Pavlik Group Inc. ("Pavliks"), a provider of proprietary SaaS applications and professional services primarily to public sector organizations and member associations, with three distinct business units.

The Portal Connector ("TPC") business unit offers a fast growing, modern, low/no code, acclaimed solution enabling clients to build and integrate customer-facing web applications with Microsoft Dynamics. This innovative TPC solution has grown in excess of 40% annually in recent years to now generate approximately one third of Pavliks' total revenue from a global clientele, including marquee customers such as the Australian federal government. Sylogist has initiated plans to fast-track TPC's out-of-the-box integration and invest in its direct and channel sales capacity to enhance its already impressive growth. In addition, TPC presents material cross-sell and add-on platform enhancement opportunities across the entire Sylogist customer base.

Pavliks' other business units include Microsoft Dynamics development and implementation services focused mainly on public sector entities and member associations, and managed services, including coveted cybersecurity and cloud productivity. All Pavliks' activities are highly strategic and synergistic with Sylogist's platform offerings and growth strategy.

This acquisition was immediately accretive and brought to Sylogist near-term enhanced scale, organic growth, cash flows, and exciting strategic IP and value creation upside.

After stalling due to the pandemic, Company bookings are showing clear signs of accelerating. The decline in the pandemic's impact is also allowing the Company's nonprofit customers to conduct technology planning again. More specifically, customers are engaging in add-on projects and are upgrading to Sylogist's cloud offering.

Other Significant Events

Three new directors, Craig O'Neill, Lester Fernandes and Ian McKinnon were added to the board of directors and Barry Foster was appointed chairman. Craig, Lester and Ian have extensive experience leading high growth SaaS companies, and Barry is a seasoned investor focused on small-cap businesses.

The Company has also increased its capacity to fund acquisitions. In October 2020, the Company closed a \$40 million credit facility available for acquisitions, strategic initiatives, and general corporate purposes. Then, simultaneously with the MAS transaction in March 2021, the Company expanded its credit facility to \$75 million, providing further resources for strategic acquisitions. The Company is now able to pursue transformative acquisitions without diluting shareholders.

Effective March 31, 2021, Sylogist also graduated from the TSX Venture Exchange ("TSXV") to the Toronto Stock Exchange ("TSX"), trading under the symbol, "SYZ".

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Non-IFRS measures

This MD&A includes certain measures which have not been prepared in accordance with International Financial Reporting Standards ("IFRS"), namely "Adjusted Working Capital", "Adjusted Working Capital per share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Adjusted EBITDA per share".

These terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-IFRS measures. While these measures may not be comparable to similar measures presented by other issuers, these measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations. When assessing the Company's operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net profit, cash flow from operating activities or other cash flow data calculated in accordance with IFRS. In addition, the Company's calculation of Adjusted EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner.

The Non-IFRS measures "Adjusted Working Capital", "Adjusted Working Capital per share", "Adjusted EBITDA", "Adjusted EBITDA Margin", and "Adjusted EBITDA per share" used in this MD&A are calculated as follows:

Adjusted Working Capital refers to current assets less current liabilities adjusted for deferred revenue. The Company believes Adjusted Working Capital is a useful metric as it demonstrates the Company's ability to most efficiently manage its resources, meet its short-term obligations, and is monitored internally for such purposes.

Adjusted Working Capital per share refers to Adjusted Working Capital per basic weighted average number of shares outstanding.

Adjusted EBITDA refers to profit for the period before stock-based compensation, share based payments, foreign exchange gains or losses, interest expense, bargain purchase price on acquisition, income taxes, acquisition-related costs, one-time executive bonus buyout, depreciation and amortization. The Company believes that Adjusted EBITDA is useful supplemental information, as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration significant non-recurring items comprised of costs directly attributable to acquisitions, one-time buyout of executive historical employment contracts, share-based payments as well as non-cash expenses, which include stock-based compensation expense, depreciation and amortization. Adjusted EBITDA also serves as a proxy for the Company's cash flow. Management also uses Adjusted EBITDA and Adjusted EBITDA Margin measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet its capital expenditure, current taxes payable, and working capital requirements. Foreign exchange gains or losses are excluded from Adjusted EBITDA as they are not operational in nature. The foreign exchange gains and loss reflected in the Company's financial statements are primarily the result of intercompany payables and receivables between the Company and its foreign subsidiaries. The Company believes that the fluctuation in exchange rates is not a true indicator of the Company's performance.

Adjusted EBITDA Margin refers to Adjusted EBITDA as a percentage of revenue.

Adjusted EBITDA per share (Basic) refers to Adjusted EBITDA per basic weighted average number of shares outstanding.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Each non-IFRS measure is reconciled to its most directly comparable IFRS measure within the "Results of Operations" and "Liquidity and Capital Resources" sections of this MD&A.

Key performance indicators

Sylogist evaluates its overall performance using key financial indicators, particularly revenues, profit for the period, revenue per employee, Adjusted Working Capital, Annual Recurring Revenue, Adjusted EBITDA and Adjusted EBITDA Margin.

Fourth quarter 2021 highlights

During the three-month period ended September 30, 2021, revenue increased 10% compared to the same period in the last fiscal year. Sylogist delivered Adjusted EBITDA of \$4.8 million, or 44% of total revenues of approximately \$10.8 million.

This revenue increase was due mainly to the MAS acquisition, partially offset by unfavorable movements in the USD/CAD exchange rate and to reductions in professional services activity.

The Company's bookings and professional services project saw continued delays primarily due to the material impact of COVID-19 on the public sector markets Sylogist serves in the fourth quarter 2021 as compared to the fourth quarter 2020.

Financial and operational results for the fourth quarter of fiscal 2021 compared to the fourth quarter of fiscal 2020 include:

- Revenues of approximately \$10.8 million, compared to approximately \$9.8 million in the fourth quarter of fiscal 2020, an increase of 10%. On a year-over-year common currency basis, Q4 2021 revenue would have been approximately \$11.3 million;
- Recurring revenues from subscriptions and maintenance grew by 22% to \$8.8 million, compared to \$7.2 million for the fourth quarter of 2020;
- Gross Profit of \$8.0 million, compared to \$7.0 million in the same period last fiscal year, an increase of 15%;
- Gross Profit Margin of 74%, compared to 71% in fourth quarter of 2020;
- Profit before income tax of \$1.9 million, compared to \$3.4 million in the fourth quarter last year;
- Adjusted EBITDA of \$4.8 million, compared to \$3.9 million for the same period last year. On a year-over-year constant currency basis, Q4 2021 Adjusted EBITDA would have been approximately \$5.1 million;
- Adjusted EBITDA Margin of 44%, compared to 40% in Q4 2020. On a year-over-year constant currency basis, Q4 2021 Adjusted EBITDA Margin would have been approximately 45%;
- Adjusted EBITDA per share of \$0.20 per share, compared to \$0.16 per share in the fourth quarter of 2020. On a year-over-year constant currency basis, Q4 2021 Adjusted EBITDA per share would have been approximately \$0.21;
- Cash generated from operations totaled \$9.1 million, compared to cash generated from operations of \$3.4 million in the fourth quarter of fiscal 2020.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Fiscal 2021 highlights

During the year ended September 30, 2021, revenue increased 2% compared to the same period in the last fiscal year. Sylogist delivered Adjusted EBITDA of \$17.2 million, or 44% of total revenues of approximately \$38.7 million.

This revenue increase was due mainly to the MAS acquisition, which was partially offset by the negative impacts of exchange rates and reductions to professional services revenue. The decrease in professional services activity can be primarily attributed to the continued uncertainty within the Company's public sectors markets due to the COVID-19 pandemic. Professional services revenue was also impacted by the completion of significant projects in 2020 that were not replaced in 2021 and the disruption of new projects and deal cadence due to COVID-19.

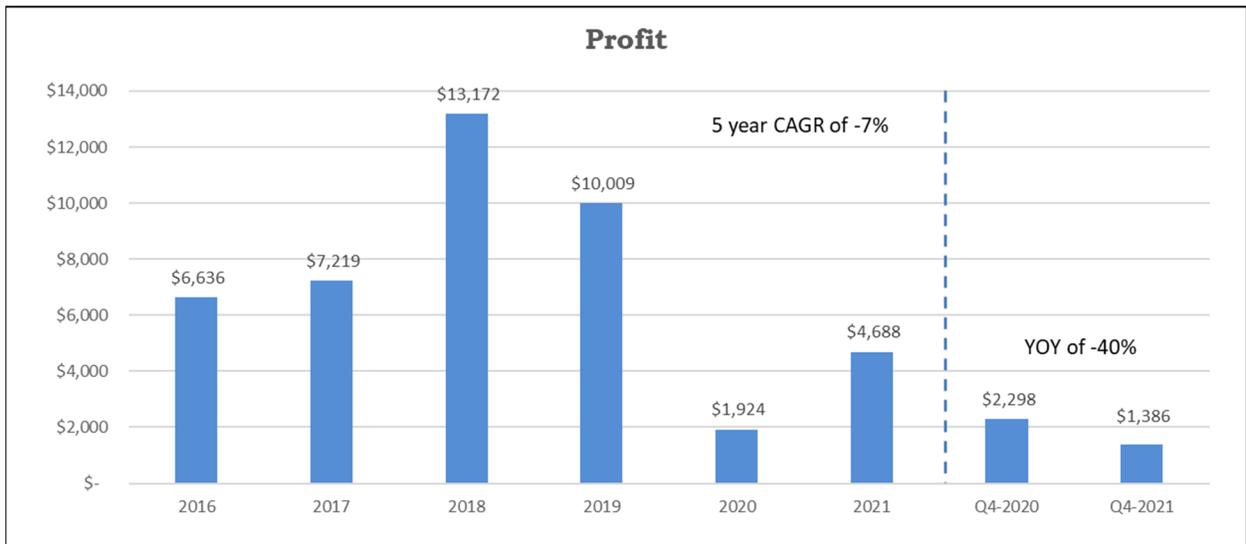
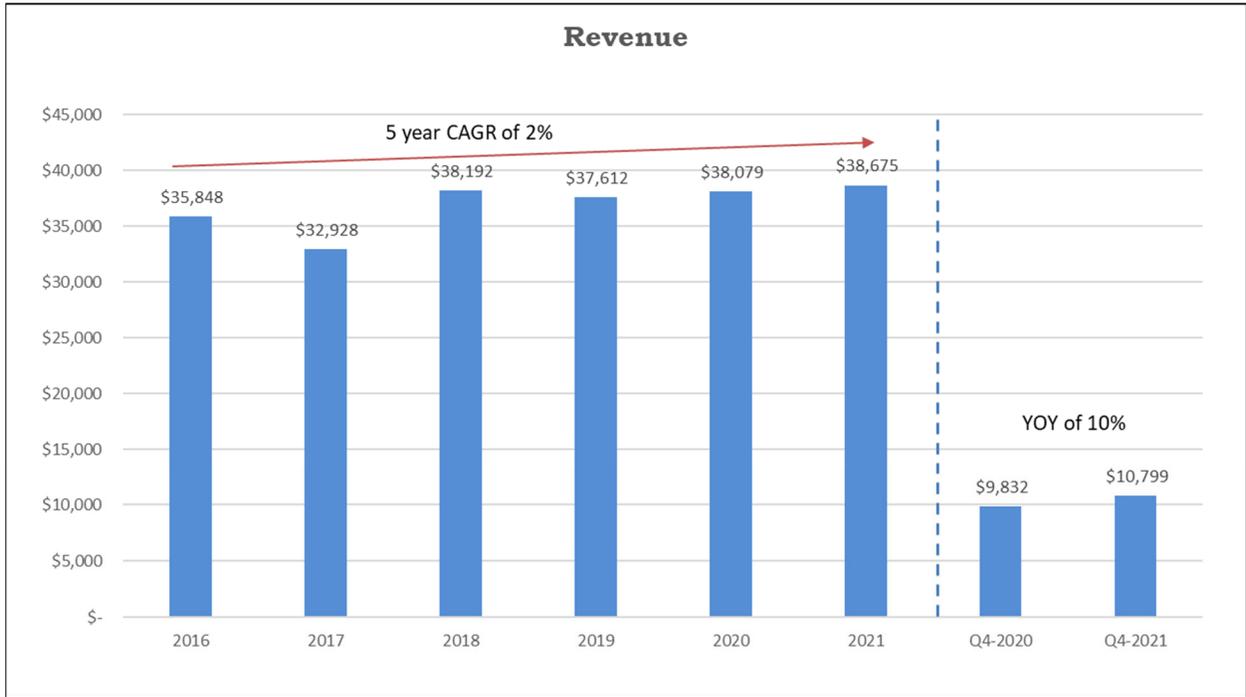
Financial and operational results for fiscal 2021, compared to fiscal 2020 include:

- Revenues of approximately \$38.7 million, compared to approximately \$38.1 million in 2020, an increase of 2%. On a common currency basis, 2021 revenue would have been approximately \$40.7 million;
- Recurring revenues from subscriptions and maintenance grew by 8% to \$30.8 million, compared to \$28.5 million in 2020.
- Gross Profit of \$28.0 million is consistent with \$28.1 million in the same period last year;
- Gross Profit Margin of 72%, compared to 74% in 2020;
- Profit before income tax of \$6.3 million, compared to \$2.5 million last year;
- Adjusted EBITDA of \$17.2 million, compared to \$20.4 million for the same period last year. On a constant currency basis, 2021 Adjusted EBITDA would have been approximately \$18.2 million;
- Adjusted EBITDA Margin of 44%, compared to 54% in 2020. On a year-over-year constant currency basis, 2021 Adjusted EBITDA Margin would have been approximately 45%;
- Adjusted EBITDA per share of \$0.72 per share, compared to \$0.86 per share in 2020. On a constant currency basis, 2021 Adjusted EBITDA per share would have been approximately \$0.76;
- Adjusted Working Capital was \$11.2 million as at September 30, 2021, compared to \$45.2 million as at September 30, 2020;
- Adjusted Working Capital per share of \$0.47 per share, compared to \$1.90 per share in 2020;
- The Company paid regular dividends to shareholders of \$11.9 million in 2021, compared to \$10.3 million in 2020;
- Cash and cash equivalents totaled \$29.6 million compared to \$42.8 million as at September 30, 2020; and
- Cash generated from operations totaled \$18.8 million, compared to cash generated from operations of \$3.5 million in 2020.

The following graphs depict the Company's historical revenue, profit, profit per share, Adjusted EBITDA, and Adjusted EBITDA per share compound annual growth rates ("CAGR") since 2016, as well as quarter-over-quarter comparisons for Q4-2021 vs. Q4-2020. Amounts are in thousands of dollars, except for percentages and per share amounts.

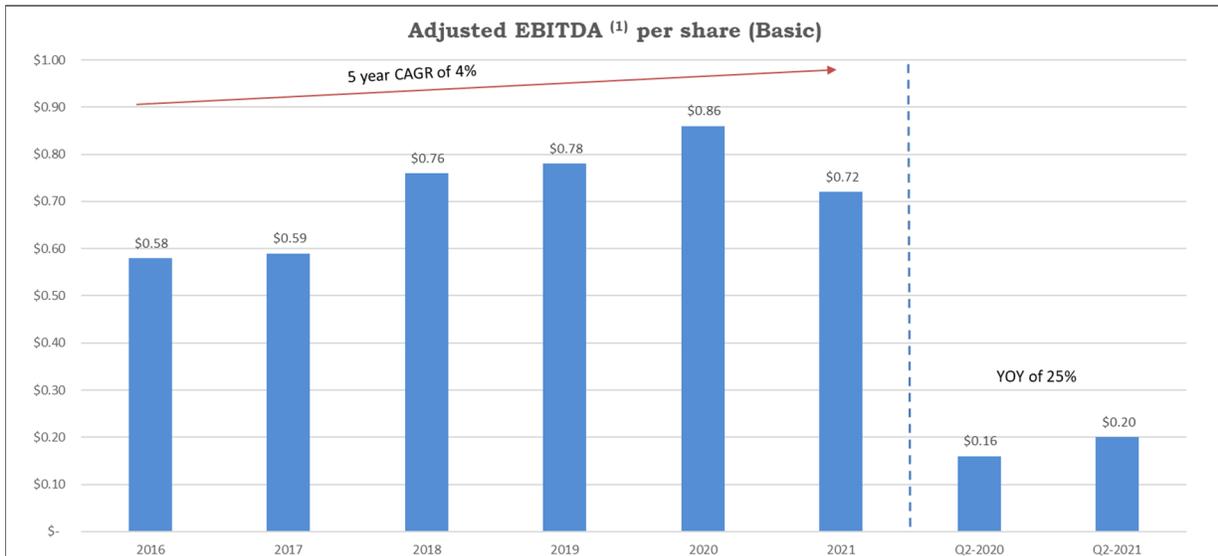
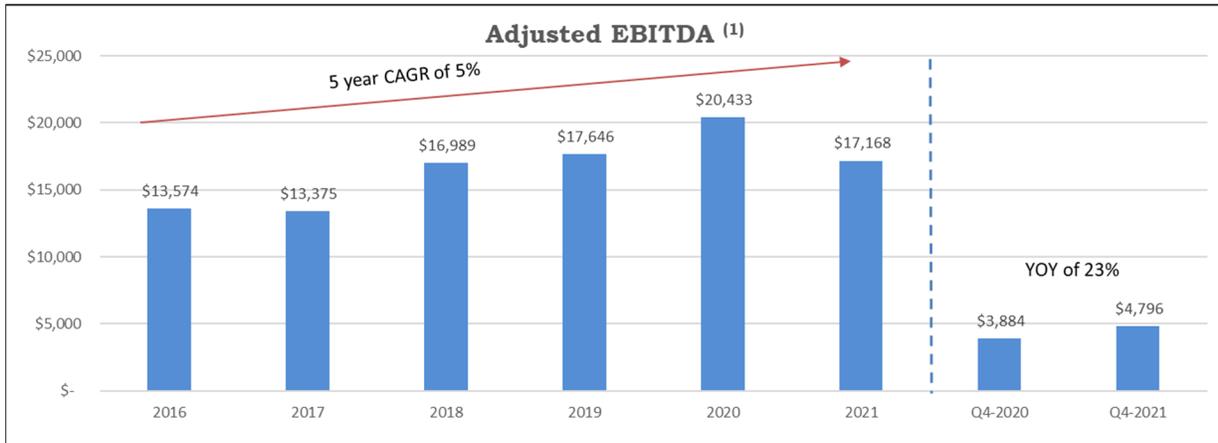
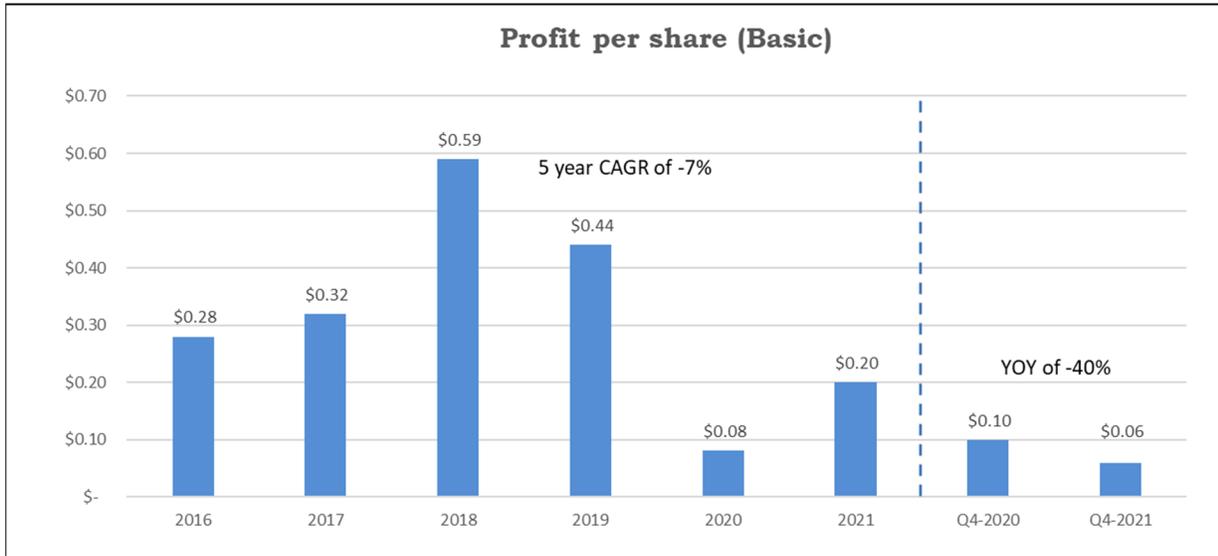
SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020



SYLOGIST LTD.

Management’s Discussion & Analysis
 For the years ended September 30, 2021 and 2020



n/m - "Not Meaningful"

1) Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS measures" for definition.

SYLOGIST LTD.

 Management's Discussion & Analysis
 For the years ended September 30, 2021 and 2020

Results of operations

(Amounts are in thousands of dollars, except percentages and per share amounts.)

	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change		Year ended September 30,
	2021	2020	\$	%	2021	2020	\$	%	2019
Revenue	10,799	9,832	967	10%	38,675	38,079	596	2%	37,612
Expenses, net of interest income	6,057	5,956	101	2%	21,754	29,714	(7,960)	-27%	19,966
Profit before income tax	1,916	3,355	(1,439)	-43%	6,276	2,472	3,804	154%	13,507
One-time executive bonus buyout	-	-	-	n/m	-	12,000	-	n/m	-
Amortization of intangible assets	2,121	1,151	970	84%	6,608	4,182	2,426	58%	3,624
Depreciation of property and equipment	22	8	14	175%	61	38	23	61%	118
Stock based compensation	515	(815)	1,330	-163%	1,777	1,072	705	66%	120
Interest expense	54	9	45	n/m	247	67	180	268%	-
Share based payments	(194)	-	(194)	n/m	1,001	-	1,001	n/m	-
Foreign exchange loss (gain)	4	(1)	5	n/m	94	(108)	202	-187%	(39)
Acquisition-related costs	358	177	181	102%	1,104	710	394	55%	316
Adjusted EBITDA ⁽¹⁾	4,796	3,884	912	23%	17,168	20,433	(3,265)	-16%	17,646
Adjusted EBITDA Margin ⁽²⁾	44%	40%			44%	54%			47%
Income tax (recovery) expense									
Current income tax	1,056	777	279	36%	3,479	1,292	2,187	169%	4,365
Deferred income tax	(526)	280	(806)	-288%	(1,576)	(744)	(832)	112%	(867)
Income tax expense	530	1,057	(527)	-50%	1,903	548	1,355	247%	3,498
Profit for the year	1,386	2,298	(912)	-40%	4,373	1,924	2,449	127%	10,009
Weighted average number of shares outstanding									
Basic	23,895,877	23,766,644			23,849,461	23,762,916			22,606,406
Diluted	23,953,262	24,028,402			24,118,525	23,800,319			22,967,964
Profit (loss) per share									
Basic	\$ 0.06	\$ 0.10	-0.04	-40%	\$ 0.18	\$ 0.08	0.10	125%	\$ 0.44
Diluted	\$ 0.06	\$ 0.10	-0.04	-40%	\$ 0.18	\$ 0.08	0.10	125%	\$ 0.44
Adjusted EBITDA per share									
Basic	\$ 0.20	\$ 0.16	0.04	25%	\$ 0.72	\$ 0.86	(0.14)	-16%	\$ 0.78
Diluted	\$ 0.20	\$ 0.16	0.04	25%	\$ 0.71	\$ 0.86	(0.15)	-17%	\$ 0.77
Working Capital	(6,207)	31,507	(37,714)	-120%	(6,207)	31,507	(37,714)	-120%	\$ 39,232
Working Capital per share									
(Basic shares outstanding at period end)	\$ (0.26)	\$ 1.33	(1.59)	-120%	\$ (0.26)	\$ 1.33	(1.59)	-120%	\$ 1.66
Adjusted Working Capital ⁽³⁾	11,246	45,200	(33,954)	-75%	11,246	45,200	(33,954)	-75%	\$ 53,497
Adjusted Working Capital per share									
(Basic shares outstanding at period end)	\$ 0.47	\$ 1.90	(1.43)	-75%	\$ 0.47	\$ 1.90	(1.43)	-75%	\$ 2.26
Cash dividends declared per share	\$ 0.125	\$ 0.125	-	0%	\$ 0.500	\$ 0.435	0.065	15%	\$ 0.385
Total assets	98,033	70,956	27,077	38%	98,033	70,956	27,077	38%	78,190
Total long-term liabilities	11,565	2,442	9,123	n/m	11,565	2,442	9,123	n/m	2,351

n/m - "Not Meaningful"

- Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS measures" for definition.
- Adjusted EBITDA Margin is a non-IFRS measure. See "Non-IFRS measures" for definition.
- Adjusted Working Capital is a non-IFRS measure. See "Non-IFRS measures" for definition.

SYLOGIST LTD.

Management's Discussion & Analysis
 For the years ended September 30, 2021 and 2020

Revenue analysis

(Amounts in thousands of dollars, except percentages)

Revenue	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change	
	<u>2021</u>	<u>2020</u>	\$	%	<u>2021</u>	<u>2020</u>	\$	%
	Licenses	141	175	(34)	-19%	607	656	(49)
Subscription and maintenance	8,818	7,235	1,583	22%	30,759	28,493	2,266	8%
Professional services	1,721	2,340	(619)	-26%	7,082	8,615	(1,533)	-18%
Hardware revenue	119	82	37	45%	227	315	(88)	-28%
	\$ 10,799	\$ 9,832	\$ 967	10%	\$ 38,675	\$ 38,079	\$ 596	2%

For the three-month period ended September 30, 2021, total revenue increased 10% to approximately \$10.8 million, compared to \$9.8 million in the same period last year.

For the three-month period ended September 30, 2021, subscription and maintenance revenue increased by 22% to \$8.8 million, compared to \$7.2 million during the same period in 2020. The increase was largely due to the MAS acquisition earlier in 2021. This increase was partially offset by unfavorable movements in the USD/CAD exchange rate.

The MAS acquisition, which was completed March 17, 2021, contributed \$2.3 million to subscription revenue during the fourth quarter of 2021. MAS also contributed positive earnings of \$1.5 million to the Company's Q4 2021 profit.

For the three-month period ended September 30, 2021, the decrease of 26% in professional services revenue, compared to the prior year was due the continued uncertainty within the public sectors markets created by the COVID-19 pandemic, highlighted by the completion of significant projects in 2020 that were not replaced in 2021. Another negative impact to professional services revenue was unfavorable movements in the USD/CAD exchange rate.

COVID-19 continues to have a material, negative impact on services demand overall, particularly in the NPO and non-governmental sector as many current and potential customers are dealing with internal challenges to conduct normal business activities accentuated by and materially pressured fund-raising revenue. In turn, they have postponed new projects and related expenses wherever possible to help offset the material pressures COVID-19 is placing on the public service organizations.

The timing of the Company's bookings tends to be variable and unpredictable in nature as the purchase decision and timing fluctuate with the prospective customers' needs and budgets. As mentioned above, COVID-19 continued to impact the typical cadence and matriculation of the Company's booking pipeline in forth quarter of fiscal 2021.

The Company's revenues are impacted by foreign exchange fluctuations due to a significant percentage of the Company's revenues being generated in the United States. Any weakening or strengthening of the Canadian dollar in relation to the United States dollar has an impact of the Company's revenue. During the three months ended September 30, 2021, exchange rate changes had a material, negative impact of approximately 5% on the Company's fourth quarter revenues.

For the year ended September 30, 2021, total revenue increased to \$38.7 million compared to \$38.1 million for the same period last year.

SYLOGIST LTD.

Management's Discussion & Analysis

For the years ended September 30, 2021 and 2020

For the year ended September 30, 2021, subscription and maintenance revenue increased by 8% to \$30.8 million, compared to \$28.5 million during the same period in 2020 due mainly to the MAS acquisition, which was partially offset by the negative impacts of exchange rates.

Professional services revenue decreased by 18% to \$7.1 million in 2021, compared to \$8.6 million during the same period in 2020 due the completion of significant projects in 2020 that were not replaced in 2021; further amplified by the negative impact of unfavourable exchange rates. The decrease in professional services activity can be attributed to the continued uncertainty created by COVID-19.

Geographical revenues:

(Amounts in thousands of dollars, except percentages)

	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change	
	2021	2020	\$	%	2021	2020	\$	%
Canada	2,086	2,247	(161)	-7%	8,604	8,700	(96)	-1%
U.S.	8,640	7,506	1,134	15%	29,766	29,025	741	3%
UK and other	73	79	(6)	-8%	305	354	(49)	-14%
	\$ 10,799	\$ 9,832	\$ 967	10%	\$ 38,675	\$ 38,079	\$ 596	2%

In the fourth quarter of 2021, geographically revenues in the Company's Canadian operations decreased 7% to \$2.1 million compared to the same period last year. Revenue from U.S. operations increased 15% to \$8.6 million, compared to the same period last year. U.K. and other operations decreased 8% to \$73 thousand in the fourth quarter of 2021, compared to the same period last year.

For the year ended September 30, 2021, revenues in the Canadian operations were \$8.6 million, consistent with the same period last year. Revenue from U.S. operations increased by \$0.7 million to \$29.8 million, compared to \$29.0 million last year. U.K. and other operations revenues decreased to \$0.3 million for the year ended September 30, 2021, compared to \$0.4 million for the same period last year.

Expenses net of interest income

(Amounts in thousands of dollars, except percentages)

	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change	
	2021	2020	\$	%	2021	2020	\$	%
Expenses								
Cost of sales	2,763	2,873	(110)	-4%	10,710	10,025	685	7%
General and administrative	1,452	1,363	89	7%	5,189	4,133	1,056	26%
Employee bonuses	394	-	394	n/m	1,568	-	1,568	n/m
Executive bonuses	-	820	(820)	n/m	-	921	(921)	n/m
One-time executive bonus buyout	-	-	-	n/m	-	12,000	(12,000)	n/m
Professional fees	242	453	(211)	-47%	1,270	758	512	68%
Sales and marketing	286	191	95	50%	904	728	176	24%
Product research	871	264	607	230%	1,881	1,483	398	27%
Interest expense	54	9	45	n/m	247	67	180	268%
Interest income	(5)	(17)	12	-70%	(15)	(401)	386	-96%
	\$ 6,057	\$ 5,956	\$ 101	2%	\$ 21,754	\$ 29,714	\$ (7,960)	-27%

n/m - "Not Meaningful"

For the three-month period ended September 30, 2021, overall expenses, net of interest income, were \$6.1 million, 2% higher than the same period in 2020. The Company is investing in organic

SYLOGIST LTD.

Management's Discussion & Analysis

For the years ended September 30, 2021 and 2020

growth through expanding go-to-market capabilities, customer relations and product innovation. The first of these involves investing in product management, direct sales, channel, and marketing organizations in order to build the Company's awareness and accelerate organic growth. The second involves investing in Sylogist's product development team to accelerate product advancement and innovation, moving from a waterfall to agile software development methodology, centralizing technology strategy, prioritizing data security and adding offshore and contract resources. Other items attributed to the increase in expenses is MAS operations being reflected and an increase from one-time and ongoing costs associated with the Company's move from the TSXV to the TSX.

For the year ended September 30, 2021, overall expenses decreased by \$8.0 million compared to the same period in the prior year, mainly due to the fact that the Company incurred a one-time \$12.0 million charge to buyout the historic executive compensation arrangements last year.

Cost of sales

The components of the Company's cost of sales are: 1) personnel costs (employees and external consultants) related to providing support and implementation services to the Company's customers; 2) royalties payable to Microsoft associated with the part of the Company's business that resells the Microsoft Business Central product; and 3) cost of hardware components that are included in the sale of the Company's Uniview hardware product. These costs are all directly related to revenues.

For the three-month period ended September 30, 2021, cost of sales of \$2.8 million was 4% lower due mainly to lower professional services activity due to COVID-19, and lower third-party maintenance and support costs. This decrease was partially offset by additional costs of sales from the MAS acquisition.

For the year ended September 30, 2021, cost of sales of \$10.7 million was 7% higher than the same period of prior year due mainly to the prior year InfoStrat acquisition being reflected for a full year, as well as the current year MAS acquisition. These increases were partially offset by a reduction in consulting costs as a result of decreased in professional service activity and lower third-party maintenance and support costs.

During the three-month period ended September 30, 2021, cost of sales was 26% of revenues compared to cost of sales of 29% of revenues for the comparative period ended September 30, 2020.

For fiscal 2021, cost of sales was 28% of revenues, compared to 26% of revenues for the comparative period ended September 30, 2020.

General and administrative

General and administrative expenses include salaries paid to management and administrative personnel, training, office, public company expenses, occupancy costs, as well as other costs associated with operations, including doubtful accounts.

For the three-month period ended September 30, 2021, general and administrative expenses of \$1.5 million were 7% higher than the same period last year due to additional staffing, public company costs incurred and the impacts of the MAS acquisition.

For the year ended September 30, 2021, general and administrative expenses of \$5.2 million were 26% higher than the same period last year due to both the InfoStrat and MAS acquisitions, and costs incurred to move from the TSXV to the TSX.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

For the three-month period ended September 30, 2021, general and administrative expenses were 13% of revenues, compared to 14% of revenues for the same period last year.

For the year ended September 30, 2021, general and administrative expenses were 13% of revenues, compared to 11% of revenues for the same period last year.

Employee Bonus Plan

Talented and motivated employees are the Company's power source. To help solidify employee retention and reward success, the Company adopted a company-wide annual employee bonus plan during the Company's third quarter 2021, based on both organizational and individual metrics that are aligned with value creation which is to be accrued monthly. During the three and twelve months ended September 30, 2021, the Company accrued \$0.4 million and \$1.6 million, respectively, compared to \$nil for the same period in the prior year.

Executive bonuses

The Company accrued \$0.8 million and \$0.9 million, respectively, during the three and twelve months ended September 30, 2020, for executive bonuses.

One-time executive bonus buyout

To facilitate a change to executive compensation, the Company paid the former Chief Executive Officer and the Executive Vice President a total of \$12.0 million in the first quarter of the prior year. The former Chief Executive Officer retired effective September 30, 2020.

Professional fees

During the three-month period ended September 30, 2021, professional fees, which consist primarily of legal, accounting, corporate financing services and recruitment fees, were \$0.2 million, compared to \$0.5 million for the same period last year. The decrease in professional fees was due to prior year legal costs associated with financing and other legal matters.

For the year ended September 30, 2021, professional fees were \$1.3 million, compared to \$0.8 million for the same period last year. The increase in professional fees was mainly attributable to higher legal fees associated with contract review for the Company's credit facility and graduating to the TSX and recruitment and legal fees associated with recruiting a new CEO.

Sales and marketing

Expenses incurred in sales and marketing consist primarily of salaries, sales commissions, travel, and other costs required to retain existing clients and to develop new client relationships. Other expenses such as advertising, promotional material, trade shows and other marketing programs are also included in this category.

Sales and marketing costs were \$0.3 million, or 3% of revenue, in the fourth quarter of 2021, compared to the same period last year at \$0.2 million, or 2% of revenue. The increase compared to the prior year fourth quarter was due mainly to higher outside consultant fees.

For the year ended September 30, 2021, sales and marketing costs were \$0.9 million, or 2% of revenue, compared to \$0.7 million, or 2% of revenue, for the same period last year.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Product research and development

For the three-month period ended September 30, 2021, product research expense was \$0.9 million compared to \$0.3 million in the same period last year. The increase was due to the MAS acquisition and increase in both salaries and consulting costs and a lower percentage of costs being capitalized.

For the year ended September 30, 2021, product research expense was \$1.9 million compared to \$1.5 million in the same period last year. The increase was due to the MAS acquisition and a lower percentage of costs being capitalized, partially offset by reduction in consulting costs.

In 2021, certain of Sylogist's development projects met the criteria for software development capitalization, resulting in \$0.7 million of costs associated with software development (2020 - \$0.9 million) being capitalized, offset by \$0.1 million (2020 - \$0.1 million) of investment tax credits.

In fiscal 2022, the Company expects to continue to add further functionality and innovation to existing product lines to increase its footprint in the existing marketplace and strengthen its advantages over competitive products.

Interest expense

For the three and twelve months ended September 30, 2021, the Company incurred interest expense of \$54 thousand and \$247 thousand, respectively, compared to \$9 thousand and \$67 thousand, respectively, for the same period last year. The increase in interest expense is driven by the principal outstanding on the credit facility.

Acquisition-related costs

For the three and twelve months ended September 30, 2021, the Company incurred acquisition-related costs of \$358 thousand and \$1,104 thousand, respectively, associated mainly with the MAS acquisition, compared to \$177 thousand and \$710 thousand, respectively, for the three and twelve months ended September 30, 2020, associated mainly with the InfoStrat acquisition.

Profit before income tax

For the three-month period ended September 30, 2021, the Company generated a profit before income tax of \$1.9 million, compared to \$3.4 million for the same period last year. The decrease was due mainly to an increase in stock-based compensation, product research, higher amortization expenses, partially offset by increased revenues due mainly to the MAS acquisition.

For the year ended September 30, 2021, profit before income tax was \$6.3 million compared to \$2.5 million in the same period in the prior year. The increase was due mainly to the fact that in the first quarter of the prior year, the Company incurred a one-time \$12 million charge to buyout the senior executive's historic compensation arrangements. In addition, the Company incurred higher general and administrative costs, amortization of intangible and right-of-use ("ROU") assets and share based payments.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Adjusted EBITDA/Adjusted EBITDA per share

(Amounts in thousands of dollars, except per share amounts)

	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change	
	2021	2020	\$	%	2021	2020	\$	%
Adjusted EBITDA Calculation ⁽¹⁾								
Profit before income tax	\$ 1,916	\$ 3,355	\$ (1,439)	-43%	\$ 6,276	\$ 2,472	\$ 3,804	154%
Adjusted for:								
One-time executive bonus buyout	-	-	-	n/m	-	12,000	(12,000)	n/m
Depreciation of property and equipment	22	8	14	175%	61	38	23	61%
Amortization of intangible assets	2,121	1,151	970	84%	6,608	4,182	2,426	58%
Stock based compensation	515	(815)	1,330	-163%	1,777	1,072	705	66%
Foreign exchange (gain)	4	(1)	5	n/m	94	(108)	202	-187%
Interest expense	54	9	45	n/m	247	67	180	268%
Acquisition-related costs	358	177	181	102%	1,104	710	394	55%
Share based payments	(194)	-	(194)	n/m	1,001	-	1,001	n/m
Adjusted EBITDA	\$ 4,796	\$ 3,884	\$ 912	23%	\$ 17,168	\$ 20,433	\$ (3,265)	-16%
Adjusted EBITDA per basic weighted average number of shares outstanding	\$ 0.20	\$ 0.16	\$ 0.04	25%	\$ 0.72	\$ 0.86	\$ (0.14)	-16%
Adjusted EBITDA per diluted weighted average number of shares outstanding	\$ 0.20	\$ 0.16	\$ 0.04	25%	\$ 0.71	\$ 0.86	\$ (0.15)	-17%

n/m - "Not Meaningful"

(1) Adjusted EBITDA is a non-IFRS. See "Non-IFRS measures".

Adjusted EBITDA for the three-month period ended September 30, 2021, was \$4.8 million compared to \$3.9 million for the same period last year. The increase is due to greater revenues and lower accrued bonuses and professional fees, partially offset by higher product development costs.

In addition, Adjusted EBITDA was impacted by foreign exchange fluctuations. Due to a large percentage of the Company's revenues being generated in the United States, any weakening or strengthening of the Canadian dollar in relation to the United States dollar has an impact on the Company's Adjusted EBITDA. During the three months ended September 30, 2021, exchange rate changes had a negative impact of approximately 7% on the Company's Adjusted EBITDA.

Adjusted EBITDA for the year ended September 30, 2021, was \$17.2 million, compared to \$20.4 million for the same period last year. Lower Adjusted EBITDA in 2021 compared to last year was principally due to higher expenses. For the year ended September 30, 2021, exchange rate changes had a negative impact of approximately 6% on the Company's Adjusted EBITDA.

Cash from operating activities before non-cash change in working capital.

(Amounts in thousands of dollars, except per share amounts)

	Three months ended September 30,		Period-Over-Period Change		Twelve months ended September 30,		Period-Over-Period Change	
	2021	2020	\$	%	2021	2020	\$	%
Profit before income tax	\$ 1,916	\$ 3,355	\$ (1,439)	-43%	\$ 6,276	\$ 2,472	\$ 3,804	154%
Items not affecting cash								
Depreciation of property and equipment	51	16	35	219%	90	67	23	34%
Amortization of intangible assets	2,203	1,186	1,017	86%	6,691	4,230	2,461	58%
Stock based compensation	515	(815)	1,330	-163%	1,777	1,072	705	66%
Interest on lease obligations	13	9	4	44%	34	40	(6)	-15%
Share based payments	(194)	-	(194)	n/m	1,001	-	1,001	n/m
Cash taxes paid	(763)	(509)	(254)	50%	(1,806)	(3,748)	1,942	-52%
Cash generated from operating activities before non-cash change in working capital	\$ 3,741	\$ 3,242	\$ 499	15%	\$ 14,063	\$ 4,133	\$ 9,930	240%
Cash (utilized) generated from operating activities before non-cash change in working capital per basic	\$ 0.16	\$ 0.14	\$ 0.02	14%	\$ 0.59	\$ 0.17	\$ 0.42	247%
Cash (utilized) generated from operating activities before non-cash change in working capital per diluted	\$ 0.16	\$ 0.13	\$ 0.03	23%	\$ 0.58	\$ 0.17	\$ 0.41	241%

n/m - "Not Meaningful"

The IFRS measure of cash from operating activities before non-cash changes working capital increased for the three months ended September 30, 2021, to \$3.7 million.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

For the year ended September 30, 2021, cash generated from operating activities before non-cash changes in working capital decreased to \$14.1 million.

Amortization of intangible and ROU assets

For the year ended September 30, 2021, the amortization of intangible and ROU assets increased year over year due to the acquisitions of the MAS suite of products in March 2021 and the InfoStrat suite of products in April 2020. In addition, during the year ended September 30, 2021, the Company recorded amortization of its internal ERP/Customer Relationship Management system.

For the year ended September 30, 2021, total amortization costs related to intangible assets was \$6.6 million, compared to approximately \$4.2 million last fiscal year. Approximately \$0.4 million of the amortization costs recorded in 2021 related to the ROU assets (2020 - \$0.4 million).

Share based payments

On November 9, 2020, the Company granted 100,000 Phantom Interest Award Units ("PIAUs") to an executive, that will entitle the awardee to a cash payment after 5 years of service or when a payment event occurs, whichever is first. 50,000 PIAUs vested on the grant date and the remaining 50,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first five anniversaries of the grant date if the executive has remained employed with Company through the anniversary date. On January 18, 2021, the Company granted 50,000 PIAUs to another executive that will entitle the awardee to cash payment after 5 years of service or when a payment event occurs, whichever is first. 10,000 PIAUs vested on the grant date and the remaining 40,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first four anniversaries of the grant date if the executive has remained employed with the Company through the anniversary date. The amount of cash payment for each vested PIAU shall be equal to the value of a Company common shares as of the payment date plus any dividends accrued on vested common shares.

The share-based payments for the twelve months ended September 30, 2021, was \$1,001 based on average exchange rate for the period (September 30, 2020 - \$nil), it is \$993 on the consolidated statement of the financial position, translated at the year-end spot rate.

The input used in the measurement of the fair values at grant date and measurement date of the PIAUs were as follows:

	Grant date	Grant date	Measurement date
	November 9, 2020	January 18, 2021	September 30, 2021
Fair value			
Share price	\$ 9.90	\$ 11.69	\$9.90 to \$11.69
Exercise price	\$ 9.90	\$ 11.69	\$ 10.24
Expected volatility (weighted-average)	34.9%	45.7%	53.7%
Expected life (weighted average)	5 years	5 years	4.1 to 4.3 years
Expected dividends	5%	3%	3%
Risk-free interest rate (based on government bonds)	0.43%	0.41%	1.09%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price. The expected term of the instruments has been based on historical experience and general option holder behavior.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Stock-based compensation expense

In 2021, the Company granted 1,155,000 stock options at an average exercise price of \$11.13 to directors and officers of the Company (September 30, 2020 – 1,825,000 at an average exercise price of \$10.65). In the same period 253,333 stock options were exercised (September 30, 2020 – 94,900) and 46,667 options expired (September 30, 2020 – 45,400). During the fiscal year ended September 30, 2021, no options were forfeited (September 30, 2020 – 1,000,000).

The compensation cost for the stock options has been determined based on the fair value method. It resulted in a non-cash charge of \$1.8 million to profit before income tax in 2021, compared to a non-cash charge to profit before tax of \$1.1 million in 2020.

Foreign exchange

A portion of the Company's revenue is generated through its wholly-owned U.S. and U.K. subsidiaries. In addition, some international contracts are denominated in U.S. and GBP currencies. Accordingly, Sylogist is susceptible to foreign exchange fluctuations. This exposure is reduced to the extent that the Company incurs some payroll and other operating expenses in those foreign currencies. According to IFRS, exchange gains and losses arising on translation of the Company's foreign operations are recorded as foreign currency translation adjustments in other comprehensive income. For the three-month period ended September 30, 2021, the foreign exchange differences on translating the Company's foreign operations were a gain of \$1.5 million compared to a loss of \$0.6 million for the same period last year.

All other foreign exchange gains and losses are recorded in earnings for the period. For the three-month period ended September 30, 2021, the Company recorded a foreign exchange loss of \$4 thousand compared to a gain of \$1 thousand for the same period last year. These foreign exchange gains and losses are primarily the result of intercompany payables and receivables between the Company and its foreign subsidiaries.

For the year ended September 30, 2021, the foreign exchange differences on translating the Company's foreign operations were a loss of \$0.8 million compared to a gain of \$0.2 million for the same period last year. All other foreign exchange gains and losses are recorded in earnings for the period. For the year ended September 30, 2021, the Company recorded a foreign exchange loss of \$94 thousand compared to a gain of \$108 thousand for the same period last year. The foreign exchange variance was due primarily to effects of the Canadian dollar to United States dollar exchange rate changes and working capital dominated in foreign currencies.

Income tax

As at September 30, 2021, the carrying value of the deferred income tax assets was \$nil (September 30, 2020 - \$nil) and the carrying value of the deferred tax liability was \$10.0 million (September 30, 2020 - \$2.3 million), using the asset and liability method of accounting for income taxes. The Company recognizes deferred income tax assets to the extent it believes that these assets will more likely than not be realized. In making this determination, the Company considers all available positive and negative evidence, including the reversal of all existing temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company offsets the deferred income tax assets against the deferred income tax liability when it has the legal right to do so.

For the fourth quarter of fiscal 2021, the Company recorded a current income tax expense of \$1.1 million compared to \$0.8 million for the same period in the prior year. A deferred income tax recovery of \$0.5 million was recorded in the fourth quarter of fiscal 2021, compared to a deferred income tax expense of \$0.3 million in the fourth quarter of fiscal 2020.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

For the year ended September 30, 2021, the Company recorded \$3.5 million in current tax expense, compared to \$1.3 million for the same period last year. In 2021, a deferred income tax recovery of \$1.6 million was recorded, compared to \$0.7 million in the same period last year.

The table below summarizes the Company's estimated Canadian income tax pools available. (Amounts are in thousands of Canadian dollars)

	2021	2020
Capital cost allowance	<u>\$ 2,972</u>	<u>\$ 3,197</u>

- (a) The US subsidiary, Serenic Software (US) Corporation, has cumulative net operating losses of \$719 thousand USD (\$913 thousand CAD) which are available to reduce taxable income in future periods subject to specific annual loss limitations with the maximum annual loss claim being approximately \$65 thousand USD (\$82 thousand CAD). The net operating losses carried forward expire at various dates up to 2034.

The Company considered all available positive and negative evidence, including the reversal of all existing temporary differences, projected future taxable income, tax-planning strategies, and the subsidiary's current year results.

- (b) The UK operations have trading losses of approximately £3.3 million (\$5.7 million CAD), which could reduce taxable income in future periods. The future tax benefit of the trading losses being carried forward has not been recognized in the consolidated financial statements. The trading losses carried forward do not expire but are subject to specific loss limitations.

Profit

For the quarter ended September 30, 2021, the Company's profit was \$1.4 million compared to \$2.3 million for the same period in the prior year. The decrease was due mainly to non-cash stock-based compensation and amortization of intangible and ROU assets. This was combined with increases in product development costs. An increase in revenue partially offset the decrease.

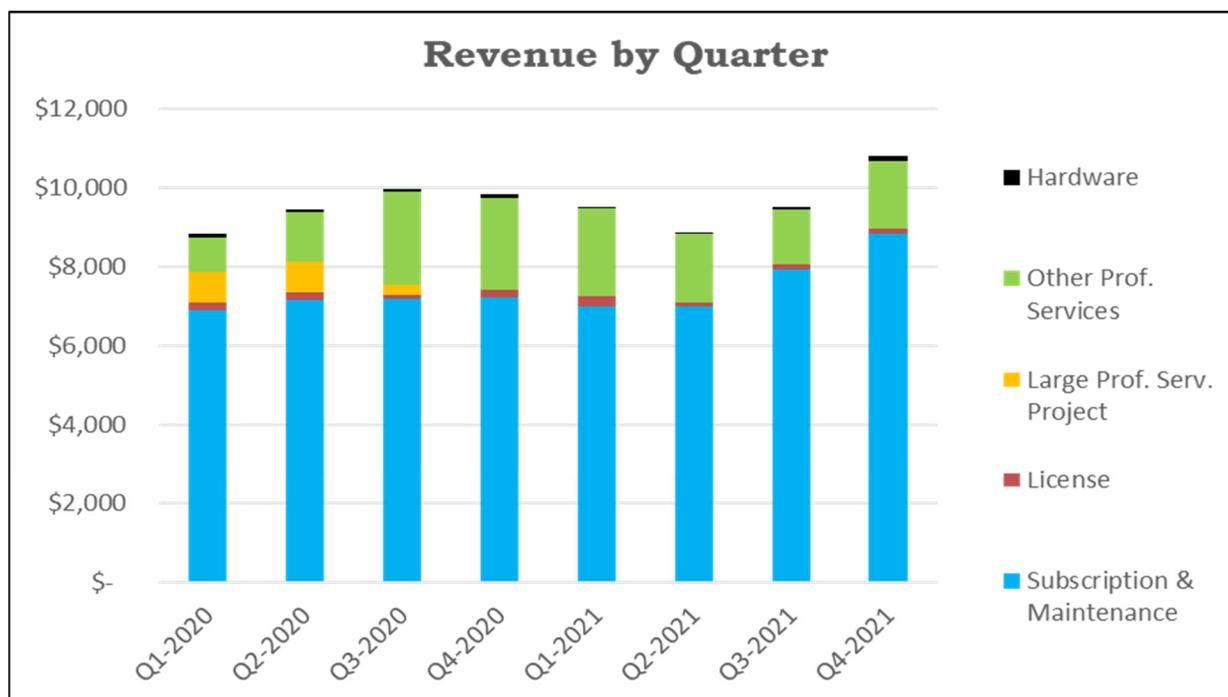
Profit for 2021 was \$4.4 million compared to \$1.9 million in the prior year.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

QUARTERLY RESULTS

(Amounts in thousands of dollars)



Selected financial data

(Amounts in thousands of Canadian dollars, except per share amounts)

	4 QTR 21	3 QTR 21	2 QTR 21	1 QTR 21	4 QTR 20	3 QTR 20	2 QTR 20	1 QTR 20
Revenue	\$ 10,799	\$ 9,519	\$ 8,860	\$ 9,497	\$ 9,832	\$ 9,965	\$ 9,442	\$ 8,840
Profit (loss) before income tax	1,916	(211)	1,727	2,843	3,356	3,837	3,865	(8,587)
Adjusted EBITDA ⁽¹⁾	4,796	3,001	4,447	4,925	3,884	5,682	5,646	5,215
Adjusted EBITDA per basic weighted number of shares ⁽²⁾	0.20	0.12	0.18	0.21	0.16	0.24	0.24	0.22
Profit for the period	1,386	(8)	1,115	1,880	2,298	3,164	2,824	(6,364)
Profit per basic weighted average shares outstanding	0.06	-	0.05	0.08	0.10	0.13	0.12	(0.27)
Profit per diluted weighted average shares outstanding	0.06	-	0.05	0.08	0.10	0.13	0.12	(0.27)
Dividends per share	0.125	0.125	0.125	0.125	0.125	0.11	0.10	0.10

(1) Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS measures" for definition.

(2) Non-IFRS measure. See "Non-IFRS measures" for definition.

Summary of quarterly results

Revenue for the fourth quarter of fiscal 2021 increased by \$1.0 million, or 10%, compared to the same period in fiscal 2020, to approximately \$10.8 million. The increase was driven mainly by the MAS acquisition partially offset by foreign exchange pressure. Expenses, net of interest income, for the fourth quarter of fiscal 2021 of \$6.1 million were slightly higher than the same period in fiscal 2020. Adjusted EBITDA increased by \$0.9 million to \$4.8 million.

Revenue for the third quarter of fiscal 2021 decreased by \$446 thousand, or 4%, compared to the same period in fiscal 2020, to approximately \$9.5 million. The 4% decrease in revenues was driven mainly by lower professional service revenues, down \$1.2 million, and overall negative foreign exchange pressure. Expenses, net of interest income, for the third quarter of fiscal 2021

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

of \$6.6 million were \$2.5 million higher than the same period in fiscal 2020. Adjusted EBITDA decreased by \$2.7 million to \$3.0 million.

Revenue for the second quarter of fiscal 2021 decreased by \$582 thousand, or 6%, compared to the same period in fiscal 2020, to approximately \$8.9 million. The 6% decrease in revenues was driven mainly by lower professional service revenues, down \$261 thousand, and subscription and maintenance revenues, down \$168 thousand. Expenses, net of interest income, for the second quarter of fiscal 2021 of \$4.5 million were \$670 thousand lower than the same period in fiscal 2020. The Company recorded higher general and administrative expenses due mainly to a donation of \$100 thousand to a select non-profit organization. Adjusted EBITDA decreased by \$1.2 million to \$4.4 million.

Revenue for the first quarter of fiscal 2021 increased by \$660 thousand, or 7%, compared to the same period in fiscal 2020, to approximately \$9.5 million. The 7% increase in revenues was driven mainly by higher professional service fees, up \$591 thousand, and subscription and maintenance revenues, up \$114 thousand. Expenses, net of interest income, for the first quarter of fiscal 2021 of \$4.6 million were \$11.1 million lower than the same period in fiscal 2020. Adjusted EBITDA decreased by \$290 thousand to \$4.9 million.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021, the Company had adjusted working capital of \$11.2 million, compared to \$45.2 million as at September 30, 2020. As at September 30, 2021, the Company had cash and cash equivalents of \$29.6 million, compared to \$42.8 million as at September 30, 2020.

Adjusted working capital ⁽¹⁾

(Amounts in thousands of dollars, except per share amounts)

	September 30, 2021		September 30, 2020
Current assets	\$ 33,567	\$	48,149
Current liabilities	(39,774)		(16,642)
Deferred revenue	17,453		13,693
	\$ 11,246	\$	45,200
Per basic shares outstanding at period end	\$ 0.47	\$	1.90

1) *Adjusted Working Capital is a non-IFRS measure, defined as: current assets less current liabilities adjusted for deferred revenue. See "Non-IFRS measures".*

Sylogist's requirement for property and equipment ("PE") is generally limited to computers, network applications, telephone systems, servers and furniture and fixtures for leased space. Investment in PE for the year ended September 30, 2021, was \$102 thousand, compared to \$19 thousand in the same period of fiscal 2020.

Due to the Company's customer base and strong financial position, it has the appropriate resources in place to carry on its operations. Cash proceeds from previous financing activities are available to pursue business expansion through organic growth initiatives, such as continued investment in venture opportunities and platform software development, as well as strategic acquisitions.

SYLOGIST LTD.

Management's Discussion & Analysis
 For the years ended September 30, 2021 and 2020

The Company has entered into various leases for its operating premises and service commitments. The following table discloses Sylogist's contractual obligations as at September 30, 2021:

(Amounts in thousands of Canadian dollars)

Contractual Obligations	Total	Fiscal 2022	Fiscal 2023-2026
Premise/Services	\$ 1,678	\$ 1,328	\$ 350

FINANCIAL INSTRUMENTS

Sylogist's principal financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income taxes payable and credit facility. The carrying value of all financial instruments approximates fair value.

Counterparty credit risk management

The Company is exposed to normal credit risk. The objective of managing counterparty credit risk is to prevent losses relating to financial assets. As at September 30, 2021, the majority of the Company's cash and cash equivalents are held at two Canadian Chartered Banks. The Company has a concentration of credit risk. The concentration of credit risk is mitigated by having concentrations with credit worthy clients and broadening the Company's customer base. The allowance for doubtful accounts of \$83 thousand represents approximately 4% of the trade accounts receivable as of September 30, 2021 (September 30, 2020 – 0.2%). As at September 30, 2021, three customers accounted for 19% (September 30, 2020 – three customers accounted for 23%) of the Company's total trade accounts receivable. Revenue from one customer represented approximately \$1,796 thousand or 4.6% of consolidated revenue earned during fiscal 2021 (September 30, 2020 – 7%).

The aging of the trade receivables balance is as follows:

(Amounts in thousands of dollars)

	2021	2020
1-30 days	\$ 1,297	\$ 1,693
31-90 days	104	309
91 + days	554	(89)
Total trade receivables	1,955	1,913
Allowance for doubtful accounts	(83)	(4)
Other receivables ⁽¹⁾	113	1,595
Total accounts receivable	\$ 1,985	\$ 3,504

⁽¹⁾ Other receivables consist primarily of income tax receivables and contracts in progress.

The majority of the accounts receivable balance relates to professional services and maintenance and support charges to customers that have a history of payment.

Foreign currency rate risk management

A portion of the Company's sales are made to customers in the United States and Europe. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company does not have any exposure to highly inflationary foreign currencies. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

bank accounts and trade accounts receivable to offset foreign currency payables. As at September 30, 2021, the change in profit before tax for each 1% change in the value of the Canadian dollar against the U.S. dollar amounts to approximately \$66 thousand (September 30, 2020 - \$36 thousand). For the same period, the increase or decrease in profit before income tax for each 1% change in the value of the Canadian dollar against the GBP amounts to approximately \$1 thousand (September 30, 2020 - \$5 thousand).

Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value, which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Sylogist expects that cash flow from operations together with cash and cash equivalents on hand, will be more than sufficient to fund its requirements for investments in working capital, maintenance capital expenditures, and product development. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain debt financing.

Interest rate risk

The Company's cash and cash equivalents and credit facility are subject to interest rate price risk, as the value will fluctuate due to changes in market rates. As at September 30, 2021, the increase or decrease in profit before tax for each 1% change in interest rates on the Company cash and cash equivalents amounts to approximately \$296 thousand (September 30, 2020 - \$428 thousand) per annum.

OFF BALANCE SHEET FINANCIAL ARRANGEMENTS

The Company has not engaged in any off-balance sheet financial arrangements as at September 30, 2021.

TRANSACTIONS WITH RELATED PARTIES

The related party transactions are limited to its five non-executive directors and its key management personnel. The five non-executive directors are each entitled to an annual fee of \$40 thousand.

Directors and key management personnel participated in the Company's stock option plan, which reflect the fair value of the options at time of issuance.

Salaries and benefits were paid to key management personnel, being the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Executive Vice President and the Vice President, Customer Experience and the Chief Technology & Innovation Officer.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Compensation of key management personnel was as follows:

(Amounts in thousands of dollars)

	2021		2020
Salaries and benefits-key management	\$ 1,751	\$	1,319
Executive bonus	677		921
One-time executive bonus buyout	-		12,000
Stock based compensation	1,638		1,064
Share based payments	1,001		-
Directors' fees	179		160
Special committee fees	-	\$	214
	\$ 5,246	\$	15,678

CRITICAL ACCOUNTING ESTIMATES

Sylogist prepares its financial statements in accordance with IFRS. Its significant accounting policies are contained in Note 3 to the September 30, 2021 Financial Statements. Some of these policies involve critical accounting estimates because they require the Company to make subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Management has discussed the application of key accounting policies and the critical accounting estimates and assumptions with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosures described in the Financial Statements.

Outstanding share data

As of the date of this MD&A, the Company has 23,900,877 common shares issued and outstanding and 1,870,000 stock options to acquire common shares outstanding, with an average exercise price of \$10.92 per common share.

SUBSEQUENT EVENTS

On October 6, 2021, the Company acquired Mission CRM for cash consideration of approximately \$2.7 million, adjusted for a working capital deficit of approximately \$0.3 million, plus earnout tied to agreed-upon revenue targets. Mission CRM is the developer of the Mission CRM fundraising and donor engagement SaaS platform for large and mid-market nonprofit organizations.

The earnout period is the three years ending September 30, 2024. Payments pursuant to the earnout will be settled in cash annually no later than 90 days following each fiscal year end. The earnout is treated as a contingent consideration measured at fair value, with the portion payable within one year considered a current liability, and the balance considered a long-term liability. The contingent consideration will be reviewed and reassessed at each period end. Due to the

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

complexity and timing of the acquisition, the Company is still in the process of determining and finalizing the fair value of the net assets acquired as part of the acquisition.

On October 9, 2021, the Company renewed its Credit Facility which will expire on October 9, 2022.

On October 18, 2021, the Company acquired Palviks, a provider of proprietary SaaS applications and professional services primarily to public sector organizations and member associations, for cash consideration of \$11.5 million, adjusted for excess working capital of approximately \$1.8 million. This includes a \$0.4 million holdback with respect to finalized working capital adjustments, to be released in or before January 2022. Sylogist drew \$7.5 million of the purchase price from its existing credit facility and financed the balance with cash on hand. Due to the complexity and timing of the acquisition, the Company is still in the process of determining and finalizing the fair value of the net assets acquired as part of the acquisition.

On November 18, 2021, the Company declared a quarterly eligible dividend of \$0.125 per share on Sylogist's common shares, payable on December 15, 2021.

RISK AND UNCERTAINTIES

Sylogist is subject to risks and uncertainties that could result in a material adverse effect on the Company's business and financial results on a consolidated basis. The Board of Directors of the Company has the overall responsibility and oversight of the Company's risk management practices. The Company's management is responsible for developing and monitoring the Company's risk strategy, and reports to the Board of Directors of the Company on its activities. Risk management is incorporated in all levels of strategic and operational planning and is reviewed regularly to reflect changes in market conditions and the Company's activities. Management has identified the risks below as specific risks to Sylogist. The reader is urged to review these risk factors. The markets in which Sylogist currently operates are very competitive and change rapidly and therefore, new risks may emerge from time to time.

Business Disruption Due to COVID-19

Since December 2019, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, mandatory quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

Beginning in late 2020, and throughout 2021, many countries, including Canada and the U.S., have been vaccinating the global population. Based solely on the information provided to the general public from health officials, the Company remains hopeful that the vaccines will be globally distributed to the general public in the coming months. However, it remains unknown to the Company how long it will take for the general public to be vaccinated given the unpredictable and novel nature of this virus and overall situation. There is a global risk of vaccine procurement and supply chain issues, which could prolong the adverse effect the pandemic may have on the economy, the Company and its customers, and is outside of the control of the Company.

It is unknown whether the vaccines being distributed will be as effective on any new strains of the virus. Based on the Company's understanding of these announcements, there is a risk these

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

new mutations may prolong, or increase the adverse effect the pandemic may have on the economy, the Company and its customers, and is outside of the control of the Company.

It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The extent of future potential business disruption due to COVID-19 cannot be known with any degree of certainty. While management anticipates that business will be disrupted in 2022, we do not believe it will have an overall material adverse effect on the Company's long-term outlook.

The pandemic has resulted in certain customers of the Company delaying project work, which could include the use of the Company's professional services and software. These organizations chose to focus on reorganizing their operations in response to COVID-19, which has resulted in a reduction in anticipated revenues to this point in the pandemic. In addition, it is possible that COVID-19 may affect future sales of the Company's products and services secured through traditional sales efforts, such as travel, face to face meetings and tradeshow, which are available but limited due to restrictions and mandates related to the pandemic. However, as the Company's customers and potential customers have transitioned to on-line working environments the effect of such disruptions will decrease. However, the impacts of said transition is unknown and not within the Company's control. The Company will closely monitor the situation and adjust to changing events as they unfold.

COVID-19 continues to have a material, negative impact on services demand overall, particularly in the NPO and non-governmental sector as many current and potential customers are dealing with internal challenges to conduct normal business activities accentuated by and materially pressured fund-raising revenue. In turn, they have postponed new projects and related expenses wherever possible to help offset the material pressures COVID-19 is placing on the public service organizations.

The timing of the Company's bookings tends to be variable and unpredictable in nature as the purchase decision and timing fluctuate with the prospective customers' needs and budgets. As mentioned above, COVID-19 continued to impact the typical cadence and matriculation of the Company's booking pipeline in forth quarter of fiscal 2021.

The Company has experienced minimal disruptions to its operations as employees have been able to work remotely with relative ease. The Company believes it is well positioned to deal with unusual business disruptions resulting from COVID-19, as the Company has been able to implement procedures to minimize negative impacts caused by travel restrictions and lack of usual access to people and other resources. While face to face meetings have been limited, the Company is able to conduct meetings using online and video conferencing tools. Accordingly, the Company does not anticipate a slowdown of product development or an inability to provide continuing satisfactory levels of service to its customers.

Finally, in the event that the pandemic and the measures taken in response materially and adversely affect the Company's customers, it is possible that this could increase the Company's credit risk, in the event that such customers are unable to pay any amounts owed to the Company in a timely manner or at all.

Profitability

As Sylogist grows its business, it expects operating expenses and capital expenditures to increase correspondingly, and as a result, it will need to generate increased revenue to maintain profitability. Sylogist may not be able to sustain or to increase profitability or cash flows from operations on a quarterly or annual basis in the future and could incur losses in future periods. If revenues decline, operating results could be seriously impaired because many of Sylogist's expenses are fixed and cannot be easily or quickly reduced.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Volatility in Quarterly Operating Results

Quarterly operational results may be impacted by many factors, including revenue fluctuations based on demand, economic conditions, capital allocation and budgeting cycles, timing of project sales, by acquisitions and related costs, by customer acceptance of product enhancements and by seasonal variations. The Company considers fluctuations in its quarterly operations to have an impact on its future financial position. The Company's expense levels are based in part on its expectations of future sales and projects, and the Company may not be able to adjust spending in a timely manner to compensate for any sales shortfall.

Fixed Price Contracts and Delivery Management

A portion of Sylogist's contracts are fixed price contracts. In the context of these fixed price contracts, there is a risk that the Company will be unable to deliver under the contract within the time specified and at a cost to the Company that is equal to or less than the contract price. The technical sophistication of the systems delivered under the contracts may require amendments to be negotiated from time to time, subject to agreed contract change processes. A significant contract overrun that is caused by the actions or inactions of the Company could affect the Company's results of operation and financial position.

Market and Competition

The markets for the Company's products and services are competitive and significantly affected by new product introductions and other market activities by industry participants. The Company expects competition to persist, increase and intensify in the future as the markets for the Company's products and services continue to develop and as additional companies enter each of its markets. Numerous releases of products and services that compete with those of the Company can be expected in the near future. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to other competing products, or significant price competition was to otherwise develop, the Company may be forced to lower its prices.

Potential Acquisitions and Investments

In previous years, the Company acquired and expects to continue acquiring or investing in businesses, products and technologies that expand or complement the Company's current business, products and services. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisition or investment can be satisfactorily financed or, if acquired, will generate revenue, income or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

Management of Growth and Integration of Acquisitions

The Company believes that growth of its product lines and number of personnel is required to maintain its competitive position. The Company plans to grow both organically and by acquisition in the future. There can be no assurance that the Company will complete any future acquisitions and, if completed, such acquisitions will be successfully integrated into the Company. The Company's growth will likely place strains on its resources and increased demands on its internal systems, procedures and controls. With any acquisition, the Company needs to integrate and manage the businesses acquired. This would increase the demands on the Company's management, resources, systems, procedures and controls. There can be no assurance that the Company's administrative infrastructure, systems, procedures and controls will continue to adequately support the Company's operations or that management will be able to achieve the rapid, effective execution of the product and business initiatives necessary to

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

successfully penetrate the markets for the Company's products and services, and successfully integrate any business acquisitions in the future.

Major Contracts

The Company has and may enter into major contracts that are complex and have several delivery milestones. These contracts are often subject to delay, change, revision and renewal. There is no guarantee that the Company can complete all activities on time and on budget and that the funding available from the customer will be adequate to meet adjustments to the contract. Failure by the Company to manage customer delivery responsibilities, secure project resources and collect payments on a timely basis are significant risks to the Company.

Government Contracts

A significant portion of the Company's total annual services revenue is derived from contracts with Public Sector entities. Changes in government, government policy, priorities or funding levels could affect the Company's financial condition or results of operations. Government contracts could be terminated or suspended at any time.

Risk to Reputation

Reputation is a critical asset in the technology services industry. Potential damage to that reputation is a significant risk for the Company. Any of the risks identified in this MD&A could damage Sylogist's reputation, which in turn, could result in a lack of customer or employee confidence, legal liability and difficulties in raising capital.

Volatility in Stock Price

The market price of the Company's common shares can be highly volatile and subject to fluctuations. These fluctuations in market price may continue due to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price fluctuations that have particularly affected the market price of equity securities of many high technology companies, and that have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter or year.

Foreign Currency Risk

The Company operates internationally and, accordingly, a portion of Sylogist's financial resources is held in currencies other than the Canadian dollar, the functional currency of the Company. Further, the Company generates revenues and incurs expenses in U.S. dollars, Euros and British Pounds. The Company's exposure to the U.S. dollar, Euros and the British pound may change over time as the geographic mix of Sylogist's business changes. Consequently, the Company's results have been affected and it expects its future results could be adversely affected by significant foreign exchange fluctuations.

Cyber Security

Sylogist manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Sylogist include, but are not limited to: loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Any of said risks could have a material adverse effect on Sylogist's competitive position, financial condition or results of operations. Sylogist applies technical and process controls in line with industry-accepted standards to protect its information assets and systems.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Sylogist may need to expend significant capital and other resources to protect against the threat of security breaches or alleviate problems caused by breaches. Identifying and eliminating security breaches, viruses and other external intrusions may require interruptions, delays or cessation of service to users and customers transacting business with Sylogist. Infrastructure and network security breaches may lead to a material disruption of the Company's business and/or the loss of business information, which may materially and adversely affect the Company's business. Risks relating to such a security breach may include, among other things: a material adverse impact on the Company's business and future financial results due to the theft, destruction, loss, misappropriation or release of confidential data; possible negative publicity resulting in reputation or brand damage with customers, vendors or peers due to the theft, destruction, loss, misappropriation or release of confidential data; operational or business delays resulting from the disruption of information technology systems and subsequent clean-up and mitigation activities; and potential adverse effects on the Company's compliance with regulatory laws and regulations. Repeated or substantial interruptions could result in the loss of customers and reduced revenues.

Environment and Market Risk

Sales are subject to some conditions outside the Company's control such as economic cycles, the growth of complementary businesses such as communications networks and software applications or events in specific industry verticals. The liquidity and financial position of the Company is a function of the decisions it will have to make to successfully compete in these markets. As the marketplace for the Company's products and services evolves, the Company's future results could be impacted by a dependence on a few customer or partner relationships. In addition, the timing and customer acceptance of new or upgraded products and services may also affect the Company's results in the future.

Pricing and Margins

Pricing of software products and services is highly competitive, as is pricing for related hardware and components. There are competitors of all sizes with competitive offerings, with notably larger competitors offering mission critical systems and support services. These competitive offerings can put pressure on prices and, consequently, operating margins. Hardware margins are typically lower than those realized in software sales.

Dividends

The Company's Board of Directors determined to pay a quarterly dividend commencing in 2010, which policy is reviewed quarterly. Sylogist's Board of Directors will, at their discretion, determine the amount of any future dividends payable. Although the Company has paid quarterly dividends since 2010, there can be no assurance that the Board of Directors will declare further dividends. The actual dividends declared, if any, will depend on numerous factors, such as profitability, working capital, sufficient operating cash flow, and the sustainability of operating margins. The Company may adjust future dividends payable upward or downward based on opportunities available to the Company.

Intellectual Property Rights

Although the Company makes efforts to protect its intellectual property rights, there can be no guarantee that unlicensed copying of the Company's software will not take place, especially in countries where software piracy laws and enforcement are weak. Policing unauthorized use of its technology, if required, may be difficult and costly.

From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources or cause Sylogist to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third-party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology may materially adversely affect its business and results of operations.

As the Company develops new technologies, Sylogist's ability to protect its proprietary rights from unauthorized use by third parties may be possible only to the extent that its intellectual property is effectively maintained as confidential know-how/trade secrets. The industries in which the Company operates can be subject to expensive litigation regarding intellectual property rights. As a result, Sylogist may be required to defend against claims of intellectual property infringement which may adversely affect its financial condition and operating results. Although the Company does not typically pursue patents, if it chooses to do so in the future, it cannot foresee whether any of its future patent applications will result in the issuance of any patents. If approved, any future patents of the Company may not be sufficiently broad to prevent others from developing competing products. The validity and enforceability of the Company's patents, if any, cannot be predicted with certainty and its future patents may be found to be invalid or unenforceable or its future patent applications may not be accepted.

Unauthorized parties may attempt to copy or otherwise obtain and use the Company's products or technology. Monitoring unauthorized use of its intellectual property is difficult, and Sylogist cannot be certain that the steps it has taken will prevent unauthorized use of its technology. If competitors are able to use Sylogist's technology, its ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to, or superior to, Sylogist's technologies. If that happens, the Company may need to license these technologies, and Sylogist may not be able to obtain licenses on reasonable terms, if at all, which could have a material adverse effect on its business.

Information Systems

Certain of Sylogist's information systems are internally developed and contain external applications that are linked to the proprietary core. There are continued risks when various departments operate on different systems and the Company must rely on developed interfaces between these systems.

Damage to the Company's computer systems

Sylogist's operations are dependent on the continued and uninterrupted performance of its computer systems and, accordingly, on its ability to protect its computer systems against damage from computer viruses, fire, power loss, telecommunications failures, vandalism or other malicious acts, or similar unexpected adverse events. Any system failure, security breach or other damage or unanticipated problem with the Company's computer systems could interrupt or delay its operations, damage its reputation and, if sustained or repeated, reduce the attractiveness of its services and result in the potential loss of customers.

Third Party Technology

The Company incorporates third party technology into some of its products and may incorporate additional third-party technology as it develops and expands its product lines. The operation of its products could be impaired if errors occur in such third-party technology, which errors may be difficult to correct being out of the Company's control, or to replace if a third-party vendor seeks to terminate the Company's license to use the technology. Such technology could become subject to claims of infringement by others.

Legislative, Insurance, Compliance Costs, Regulatory Action and Environment

To comply with various increasing and complex regulatory reporting and standards involves significant cost. Recent changes to securities regulatory standards, accounting policy, and compliance reporting have placed an additional expense burden on the Company. The Company

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

is utilizing more outside legal, accounting and advisory services than in the past. As a result, general and administrative costs will increase. Insurers may increase premiums as a result of high claims rates experienced by them over the past year and so future premiums for the Company's various insurance policies, including directors' and officers' insurance policies, could be subject to increase. Proposed changes in the accounting rules could materially increase the Company's internal accounting and external audit fees. Corporate governance standards in Canada are evolving continuously. Despite its best attempts, there can be no assurance that the Company will comply with all applicable corporate governance guidelines or best practices.

Key Partner Relationships

The Company has some reliance on partner relationships with a number of third-party suppliers to generate revenue. The financial stability, marketing plans, and personnel of these partnering organizations could change and materially impact the Company's relationship and the services and products Sylogist provides to its customers.

Key Supplier Relationships

Sylogist is dependent on its relationships with third parties to provide strategic components of its software license sales and maintenance revenue, as well as its hardware. To the extent third parties are unable to support the Company in its growing need for hardware components and fabrication, or to support the Company's software infrastructure, the Company may be forced to source components or software from others, perhaps at increased prices and with an impact on the Company's ability to service its customers. Many of the Company's products are dependent on the uninterrupted operations of data hosting centers, which, if unavailable, even for a limited period, could result in revenue loss and customer claims. While Sylogist takes what it believes to be reasonable precautions against some events, and that the Company believes its hosts are reputable businesses, there can be no assurance that their services will be provided uninterrupted.

Financial Condition, Liquidity, and Requirements Outlook

Sylogist's cash balance and working capital position are expected to be adequate to sustain the Company's existing operations. If the Company is unable to continue to grow revenue and cash flow from operations, its cash and working capital position could be affected.

Reliance on Financial Incentives

Sylogist receives payments and credits from vendors, including consideration pursuant to volume sales, incentive programs and marketing development funding programs. Vendor funding is used to offset, among other things, inventory costs, costs of goods sold, marketing costs and other operating expenses. If Sylogist is not in compliance with the terms of these programs, there could be a material negative effect on the amount of incentives offered or paid to the Company by its vendors. No assurance can be given that Sylogist will continue to receive financial incentives at historical payment levels in the future, or that Sylogist will be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. Any sizeable reduction in the discontinuance of, significant delay in receiving, or the inability to collect such incentives could have a material adverse effect on Sylogist's business, results of operations and financial condition.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Management of Future Growth and Expansion

Planned expansion of the Company's business and its future success will depend on its ability to manage growth as it expands its products and marketing capacities, which may place a significant strain on the Company's management resources, employees and operations, as well as its ability to finance such growth. To manage growth effectively, the Company will be required to continue to implement changes in certain aspects of its business, expand its operations, and develop, train, manage and assimilate an increasing number of management-level and other employees. If management is unable to manage growth effectively, the Company's business, prospects, financial condition and operating results could be affected.

Dependence on Key Personnel

The success of the Company is largely dependent on the performance of its key senior management employees. Failure to retain key employees and to attract and retain additional key employees with necessary skills could impact the Company's growth and profitability. Competition for highly skilled management, technical, R&D, and other employees is intense in the information technology industry.

The Company's progress to date in commercializing its proprietary products has been dependent, to a significant extent, on the skills of its senior management. The departure or death of certain members of the executive team could have an adverse effect on the Company.

The Company has experienced changes in its management personnel and further changes may occur in the future. The Company may face transitional difficulties in connection with these changes, and there can be no assurance that the Company will be able to attract and retain highly skilled and qualified personnel to replace employees who leave the Company.

Financial Position of Customers

Some of Sylogist's customers are smaller entities with significant market concentration. If any one or more of such customers is not able to secure financing or reduces or postpones current or expected purchases of Sylogist's products, the Company's business, results of operations and financial condition could be adversely affected.

Customer Retention/Attrition

Once Sylogist's solutions are deployed to a customer, they generally rely on Sylogist's support services to resolve any related issues. A high level of customer support and service is important for the successful future marketing and sales of the Company.

Industry Growth

There can be no assurance that the market for the Company's existing products will continue to grow, that firms within the industry will adopt the Company's products for integration with their wireless data communications solutions, or that the Company will be successful in independently establishing markets for its products. If the markets in which the Company's products compete fail to grow or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's operating results and financial condition could be adversely affected.

Reliance on Third Party Parts Suppliers

Certain parts and components used in Sylogist's products are purchased from a limited number of sources. The Company's reliance on these limited source suppliers involves certain risks and uncertainties, including the possibility of a shortage or discontinuation of certain key components and reduced control over delivery schedules, manufacturing capability, quality and costs. In addition, the purchase of certain key components may involve long lead times, and, in the event of unanticipated increases in demand for the Company's products, the Company may

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

in the future be unable to manufacture certain products in a quantity sufficient to meet its customers' demand in any particular period.

Third Party Software

Sylogist licenses certain technologies from third parties, which may in turn be offered by the Company to customers or channel partners and ultimately to end users. The termination of any of these third-party licenses could materially impact the Company's ability to sell its products and it may be forced to seek alternative solutions. There can be no guarantee that alternative solutions will be readily available, if at all. If the Company's third-party licensors do not maintain or update their products, the Company's ability to sell its products could be materially impacted, again potentially requiring the Company to seek alternatives, which may not be available. It may be necessary in the future to seek new third-party licenses from others than whom it currently contract, to sustain its business offerings and there can be no certainty that such licenses will be available on commercially reasonable terms, if at all.

Lengthy and Variable Sales Cycle

Licensing the Company's technologies and selling its products is a long and complex process. In the past, the Company's sales cycle has generally ranged from three to thirty-nine months. Sylogist spends a substantial amount of time educating potential customers about the use and benefits of its technologies and products. Because the adoption of the Company's technologies often represents a substantial investment, potential customers may take months to evaluate the Company's technologies and products, determine the size of the user base to be covered, and obtain the necessary expenditure authorizations and financing required to purchase the Company's technologies or products. The process of entering into a licensing agreement with a service provider typically involves lengthy negotiations. This process may be extended if the service provider is marketing Sylogist's technologies and products as part of a larger project or system. After a prospective customer has signed a license agreement, Sylogist may then be required to integrate its technologies and products into the licensee's products and services, which integration must be accepted by the licensee.

In addition, the Company may spend a significant amount of time and money on a potential customer that ultimately does not purchase its technologies or products. Any delay in sales of the Company's technologies and products could cause the Company's operating results to vary significantly from projected results. Also, the Company may not be able to accurately predict the sales of its technologies and products by its alliance partners, since the Company's alliance partners do not always keep Sylogist informed about the status of possible sales and other revenue opportunities with their customers. Sales of the Company's products by the Company's alliance partners also depend on the timing of the roll-out of their own products and systems. The Company has no control over the timing of its alliance partners' rollouts, and the Company may not be informed of when these rollouts will occur.

Because of these factors and the Company's limited revenue history, it is especially difficult to forecast the Company's revenue and operating results. The Company's inability to accurately predict the timing and magnitude of the Company's sales could cause a number of problems, including the following: (i) the Company may have difficulty meeting the Company's customers' delivery requirements in the event many large orders are received in a short period of time; (ii) the Company may expend significant management efforts and incur substantial sales and marketing expenses in a particular period that do not translate into orders during that period, or at all; and, (iii) the Company may have difficulty meeting its cash flow requirements and obtaining credit because of delays in receiving orders or delays in receiving payment for its products and services. The problems resulting from the Company's lengthy and variable sales cycle could impede its growth, harm its valuation, and restrict its ability to take advantage of new opportunities.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Risks Related to Acquisitions

The Company intends to expand its operations and business by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. Acquisitions could also result in potentially dilutive issuances of equity securities. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Economic Slowdown

From time-to-time markets have witnessed the weakening of global macro-economic conditions. This weakness affected information technology spending patterns on a global basis, and as a result affected Sylogist's ability to forecast current and future period revenues. In spite of the weakness in economic activity, Sylogist's customer base remains solid, and the Company remains encouraged by the level of interest that the marketplace continues to show in its offerings.

International Markets

Sales outside of Canada represent a significant portion of the Company's total gross revenues. Sales to international customers are subject to a number of risks and uncertainties including, but not limited to, complications in both compliance with and unexpected changes in foreign government laws, regulations and telecommunications standards, import and export license requirements, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, exchange controls, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, potential political and economic instability, events of international terrorism, economic effects of public health threats such as pandemics or epidemics, uncertainties of laws and enforcement relating to the protection of property rights including intellectual property rights, unauthorized copying of the Company's proprietary technologies, uncertainties in local commercial or financial sector practices, uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations, and other factors depending on the country involved. While international sales are typically denominated in U.S. dollars and Sylogist typically extends limited credit terms, fluctuations in currency exchange rates could cause the Company's products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. As a result of these factors, the Company may not be successful in entering certain international markets and maintaining or increasing international market demand for the Company's products.

Litigation

The Company may be subject to litigation in the ordinary course of business, as well as in the context of potential securities claims, class actions and other corporate activities. Any litigation is time consuming and costly, both financially and by distracting management and staff resources from the Company's day to day business.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

Taxation

Sylogist is subject to income and non-income-based taxes in Canada, the United States, the United Kingdom and other foreign jurisdictions. Tax structure and tax filings are subject to review by taxation authorities in the ordinary course of business and Sylogist cannot be assured that the final determination of any such review will not be different from what is reflected in its historical income tax filings, provisions or accruals and any such differences could materially affect operating results or result in additional tax expense in future periods. Significant judgment is required of management in determining the Company's provisions for income taxes and other tax liabilities and while management strives to ensure its estimates and filing positions are reasonable, there can be no assurance that the result of any tax audits or proceedings will not differ, which may materially impact operating results. In addition, tax laws are subject to change which may materially impact the Company's tax filings and operating results.

Potential Need for Future Financing

The Company may have fewer financial resources than some of its principal competitors. If the Company exceeds its growth expectations, it may require additional equity or debt financing. There can be no assurance that the Company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favorable commercial terms, or at all. Failure to obtain such financing could result in the delay or abandonment of some or all of the Company's plans for product development, or in the Company being unable to satisfy its obligations as they become due.

Acquisition Related Liabilities

Sylogist may incur contingent liabilities through acquisitions which may be material, despite the Company's best efforts to estimate risks associated with the contingencies and the likelihood of them materializing. The Company's estimates could differ materially from such liabilities actually incurred.

Product Liability

Sylogist's products are highly complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. Errors may be found in new products after commencement of commercial shipments or, if discovered, Sylogist may not be able to successfully correct such errors in a timely manner, if at all. The occurrence of such errors and failures in Sylogist's products could result in a loss or delay in their market acceptance and correcting these could require significant expenditure of capital. Sylogist's products are integrated into its customers' networks and equipment. The sale and support of these products may entail the risk of product liability or warranty claims based on damage to such networks and equipment. In addition, the failure of Sylogist's products to perform to customer expectations could give rise to warranty claims.

MAINTENANCE OF DISCLOSURE CONTROLS, PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have, as at September 30, 2021, designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to Sylogist is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Sylogist in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

The CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of Sylogist's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Sylogist's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission to design Sylogist's ICFR.

Most of the Company's corporate office staff and many site administrative staff offsite worked remotely for substantial periods of 2021 due to the COVID-19 pandemic. We have retained documentation in electronic form as a result of remote work through this period. During the quarter ended September 30, 2021, there were no changes in Sylogist's ICFR that have materially affected or are reasonably likely to materially affect the Corporation's ICFR. As at September 30, 2021, the CEO and CFO have evaluated the design and operation of Sylogist's DC&P and ICFR and concluded that they were effective. This assessment was based on the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Forward-looking statements

The Company cautions that forward-looking statements in this MD&A are based on certain assumptions or anticipated results made by the Company that may prove to be inaccurate or unachievable. Such forward-looking statements are made for the purpose of providing information about management's current expectations and plans relating to the future. Investors are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. In particular, the Company has not adjusted or revised any forward-looking statements in this MD&A to account for any potential disruption to the Company's business from the coronavirus (COVID-19) pandemic, the impact of which is not immediately known or quantifiable.

Since forward-looking information addresses future events and conditions, such information by its very nature involves inherent risks, uncertainties and other factors, any or all of which could cause or contribute to actual results or achievements differing materially from those currently anticipated. These include, but are not limited to, the risks and uncertainties associated with the industries and markets in which Sylogist operates in general such as: costs and expenses; impacts of the coronavirus pandemic, commodity prices, interest rate and exchange rate fluctuations; competition; failure to realize the anticipated benefits of a transaction and to successfully integrate an acquired company or business unit; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws. Readers are referred to the "Risks and Uncertainties" section in this MD&A.

Forward-looking statements include those identified by the expressions "allow", "anticipate", "believe", "could", "may", "plan", "estimate", "expect", "intend" and "will", and similar expressions to the extent that they relate to the Company or its management. In particular, forward-looking information and statements contained in this MD&A include, but are not limited to, the following:

- Sylogist is undertaking a strategic shift from a predominately EBITDA focused company to one that focuses on value creation.

SYLOGIST LTD.

Management's Discussion & Analysis

For the years ended September 30, 2021 and 2020

- In executing its organic growth strategy, Sylogist is seizing the opportunity to unlock the Company's top line revenue growth potential.
- With a clear internal strategy, Sylogist is investing in its go-to-market capabilities and capacity that will enhance the Company's awareness and market presence and drive growth across product lines.
- Sylogist's strategic investments enhance the Company's foundational capabilities to better understand and effectively meet customers' needs, bolster competitive advantages, expand customer wallet share and subsequently allow effective alignment and execution against a product road map.
- Sylogist is guided by the "Rule of 40", meaning it is expected to have a combined blend of growth and EBITDA greater than 40%, and the Company targets organic growth at a run rate in the high single digits in 2022, while maintaining a healthy EBITDA margin.
- While strategic investments will compress margins in the near term, Sylogist is already starting to see investments pay off relative to shareholder value creation over the long term.
- In executing the M&A strategy, Sylogist has increased its attention on maintaining a robust pipeline of opportunities, broadened its M&A outreach and is continuously evaluating inorganic growth opportunities relative to shareholder value creation
- The MAS acquisition was highly accretive and strategically valuable as it provides opportunities to enhance the Wen-GAGE platform, cross-sell new IP to the company's overall K-12 customer community and invest in expansion beyond the current Oklahoma footprint.
- Mission CRM's innovative fundraising solution complements Sylogist's existing IP and platform versus product strategy well. The Company is accelerating towards offering a fully integrated front-end donor engagement, fundraising, grants management and analytics, along with back-end financial management and reporting in a single, comprehensive SaaS platform.
- Sylogist has initiated plans to fast-track TPC's out-of-the-box integration and invest in its direct and channel sales capacity to enhance its already impressive growth. In addition, TPC presents material cross-sell and add-on platform enhancement opportunities across the entire Sylogist customer base.
- All Pavliks' activities are highly strategic and synergistic with Sylogist's platform offerings and growth strategy. This acquisition was immediately accretive and brought to Sylogist near-term enhanced scale, organic growth, cash flows, and exciting strategic IP and value creation upside.
- After stalling due to the pandemic, Company bookings are showing clear signs of accelerating. The decline in the pandemic's impact is also allowing the Company's nonprofit customers to conduct technology planning again. More specifically, customers are engaging in add-on projects and are upgrading to Sylogist's cloud offering.
- The Company has also increased its capacity to fund acquisitions. The Company is now able to pursue transformative acquisitions without diluting shareholders.

SYLOGIST LTD.

Management's Discussion & Analysis

For the years ended September 30, 2021 and 2020

- Moving into Fiscal 2022, Sylogist is beginning to see the benefits of its strategic investments in growth and the strength and morale of its workforce. The Company intends to continue accelerating organic and M&A growth while maintaining strong profit margins in line with a “Rule of 40” posture. In addition, the Company intends to evaluate, on an ongoing basis, how best to deploy its capital to ensure alignment with strategy and shareholder value creation.
- In fiscal 2022, Sylogist expects to add further functionality to existing product lines to increase its footprint in the existing marketplace and position itself to expand its growth.
- Future dividends payable.
- Sylogist expects that cash flow from operations together with cash and cash equivalents on hand, will be more than sufficient to fund its requirements for investments in working capital, maintenance capital expenditures, and product development.
- The Company expects competition to persist, increase and intensify in the future as the markets for the Company's products and services continue to develop and as additional companies enter each of its markets.
- The extent of future potential business disruption due to COVID-19 cannot be known with any degree of certainty. It is possible that COVID-19 may affect future sales of the Company's products and services secured through traditional sales efforts, such as travel, face to face meetings and tradeshows, which are not currently available due to restrictions related to the pandemic. However, as the Company's customers and potential customers make use of on-line working environments, the effect of such disruptions has decreased. The Company continues to monitor the situation and adjust to changing events as they unfold.

In the event that the pandemic and the measures taken in response materially and adversely affect the Company's customers, it is possible that this could increase the Company's credit risk, in the event that such customers are unable to pay any amounts owed to the Company in a timely manner or at all.

- The Company may enter major contracts that are complex and have several delivery milestones.
- The Company's results have been affected and it expects its future results could be adversely affected by significant foreign exchange fluctuations.
- As Sylogist grows its business, it expects operating expenses and capital expenditures to increase correspondingly, and as a result, it will need to generate increased revenue to maintain profitability.
- Quarterly operational results may be impacted by many factors, including revenue fluctuations based on demand, economic conditions, capital allocation and budgeting cycles, timing of project sales, by acquisitions and related costs, by customer acceptance of product enhancements and by seasonal variations.
- The Company believes that growth of its product lines and number of personnel is required to maintain its competitive position.
- Sylogist may need to expend significant capital and other resources to protect against the

SYLOGIST LTD.

Management's Discussion & Analysis
For the years ended September 30, 2021 and 2020

threat of security breaches or alleviate problems caused by breaches.

All of the aforementioned statements and information can be found in the "Overview", "Focus and Strategy", "Results of Operations", "Liquidity and Capital Resources", "Financial Instruments", and "Risk and Uncertainties" sections of this MD&A.

These forward-looking statements relate to the future operations and profitability of the Company and are not historical facts but reflect the Company's current expectations and assumptions regarding future results or events. Particularly, these forward-looking statements are based on management's estimate of revenues and expenses based on business volumes and commitments at the date of this MD&A. Readers are cautioned, as provided in this MD&A, that actual revenue and expense results may vary materially from estimates and, in particular, are subject to risks including delivery, competition and management of growth. Additional assumptions include: customer demand for the Company's services, the Company's ability to maintain and enhance customer relationships, as well as the Company's ability to bring to market its services. Please see also the "Risk and Uncertainties" section for risks and uncertainties that may affect the Company.

Although Sylogist believes that the expectations and anticipated results reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Sylogist can give no assurance that they will prove to be correct. The forward-looking statements contained in this MD&A are made as of its date and Sylogist undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information or future events, unless so required by applicable securities laws.

Certain information set out in this MD&A may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Sylogist's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

This MD&A should be read in conjunction with the Company's other publicly available filings found on SEDAR at www.sedar.com.