

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This MD&A for the three and nine months ended September 30, 2021 should be read in conjunction with our audited annual consolidated financial statements and unaudited condensed interim consolidated financial statements, along with the related notes thereto, for those periods included elsewhere in this MD&A. This MD&A is presented as of November 9, 2021 and was reviewed by the Audit Committee and approved by the company's Board of Directors. The financial information presented in this MD&A has been prepared in accordance with IFRS, as issued by the IASB. All dollar amounts are expressed in U.S. dollars except per share figures, per user figures and where otherwise indicated. Numbers may not add due to rounding.

### Caution Regarding Forward-Looking Information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward looking information") within the meaning of applicable securities laws. Forward-looking statements include or may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "may", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information.

This forward-looking information includes, but is not limited to, statements regarding industry trends; our growth rates and growth strategies; addressable markets for our products and solutions; expansion of our product offerings; expectations regarding the growth of our customer base; expectations regarding our revenue and revenue generation potential; our business plans and strategies; and our competitive position in our industry.

This forward-looking information and other forward-looking information are provided as of the date of the MD&A and are based on management's opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to grow and retain users, user engagement and average revenue per user; our ability to deliver modern user experiences, generate high quality content, and deliver modern infrastructure and performance; our ability to access multiple, third-party advertising and e-commerce networks; our ability to grow partnerships; our ability to deliver on monetization opportunities and improve products on our platform; our ability to migrate communities to our platform; our ability to identify and complete acquisitions under acceptable terms and successfully integrate the acquired communities with our existing communities; future investment in our platform; our ability retain existing customers and attract new customers; our ability to recruit and retain key talent; our ability to execute on our growth strategies; our ability to reduce our exposure to foreign currency and interest rate risks; the impact of competition; changes in trends in our industry or macroeconomic conditions, including the impact of the ongoing COVID-19 pandemic and its ongoing impact on consumer behaviour and supply chains; seasonality and the impact on customer budgets and consumer spending; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

We do not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Actual results may differ materially from those indicated or underlying forward looking statements as a result of various factors, including those contained in this MD&A. Accordingly, prospective investors should not place undue reliance on forward-looking information. We caution that the list of risk factors and uncertainties is not exhaustive, and other factors could also adversely affect our results. Many factors, including factors that are beyond our control, may have a detrimental impact on our operating performance.

**All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.**

#### **Cautionary Note Regarding Non-IFRS Measures**

This MD&A makes reference to certain non-IFRS measures, operating metrics and key performance indicators (KPIs). These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Such non-IFRS measures are operating metrics used in our industry. We also include these measures because we believe certain investors use these measures and metrics as a means of assessing financial performance and that such measures highlight trends in our financial performance that may not otherwise be apparent when one relies solely on IFRS measures. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, to confirm compliance with covenants under the Credit Agreement and to determine components of management compensation. Non-IFRS measures should not be considered in isolation, nor as a substitute for analysis of the financial information reported under IFRS including revenue, net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with IFRS, and may not be comparable to similarly titled measures used by other companies.

In addition to the KPIs, the non-IFRS measures presented in the MD&A are as follows with reconciliations to their nearest IFRS measures provided below:

**"Adjusted EBITDA"** is calculated as net income (loss) excluding interest, income tax expense (recovery), and depreciation and amortization, or EBITDA, adjusted for share-based compensation, unrealized gains or losses from changes in fair value of derivative financial instruments, severance, contingent consideration liabilities measured at fair value through profit and loss, gain or loss on sale of assets, gain or loss on sale of investments, foreign exchange loss (gain), impairment and other charges that include direct and incremental business acquisition related costs and costs directly incurred in connection with the Offering that are not deducted from the equity proceeds.

**"Adjusted EBITDA Margin"** measures Adjusted EBITDA as a percentage of revenue.

**"Free Cash Flow"** means Adjusted EBITDA less capital expenditures and income taxes paid during the period.

The following table sets forth a reconciliation of Adjusted EBITDA and Free Cash Flow to net income (loss):

| (in thousands of US dollars)                                  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2021                                | 2020      | 2021                               | 2020      |
| Net Income (loss)   | \$(2,289)                           | \$(963)   | \$(5,794)                          | \$(4,827) |
| Interest expense  | \$1,071                             | \$1,460   | \$5,581                            | \$5,334   |
| Income tax expense (recovery)                                 | \$(410)                             | \$463     | \$(1,259)                          | \$(1,478) |
| Depreciation and amortization                                 | \$4,770                             | \$4,991   | \$13,870                           | \$15,226  |
| EBITDA  | \$3,142                             | \$5,952   | \$12,397                           | \$14,255  |
| Share-based compensation                                      | \$1,665                             | \$1,127   | \$2,697                            | \$1,553   |
| Unrealized loss (gain) from changes in derivative instruments | \$8                                 | \$(61)    | \$79                               | \$(29)    |
| Severance <sup>(1)</sup>                                      | \$—                                 | \$66      | \$105                              | \$373     |
| Loss (gain) on sale of assets                                 | \$12                                | \$—       | \$14                               | \$(409)   |
| Loss (gain) on sale of investments                            | \$—                                 | \$(530)   | \$—                                | \$(530)   |
| Foreign exchange loss (gain)                                  | \$190                               | \$39      | \$300                              | \$48      |
| Impairment  | \$250                               | \$—       | \$250                              | \$—       |
| Other Charges <sup>(2)</sup>                                  | \$321                               | \$42      | \$3,466                            | \$117     |
| Adjusted EBITDA   | \$5,589                             | \$6,635   | \$19,308                           | \$15,378  |
| Less capital expenditures                                     | \$(1,287)                           | \$(1,201) | \$(3,793)                          | \$(3,606) |
| Cash Taxes  | \$(22)                              | \$(300)   | \$1                                | \$(488)   |
| Free Cash Flow  | \$4,280                             | \$5,134   | \$15,516                           | \$11,284  |

<sup>(1)</sup> Severance is included in wages and consulting on the consolidated statements of income (loss) and comprehensive (loss).

<sup>(2)</sup> Other charges are included in wages and consulting and general and administrative on the consolidated statements of income (loss) and comprehensive (loss). For the three and nine months ended September 30, 2021, charges are primarily one-time Initial Public Offering related professional fees.

## OVERVIEW

### Business Overview

VerticalScope Holdings Inc. was incorporated on November 19, 2012 under the OBCA. VerticalScope Inc., a subsidiary of VerticalScope HoldCo., was most recently formed by the amalgamation of VerticalScope Inc. (incorporated on July 5, 1999) and TrustedPros Inc. on January 1, 2019 under the OBCA.

We are a technology company that has built and operates a cloud-based digital enthusiast community platform serving nearly 100 million monthly active users (MAU) and 55 million registered community members across over one thousand and two hundred online communities as at September 30, 2021. We focus on hyper-specific subjects that engender strong affinity from online communities of enthusiasts, super fans, experts, pros, hobbyists and armchair analysts. Our brands include dedicated communities for watch geeks, audio nerds, motorheads, fitness-obsessed, mountain bikers, DIYers, deal junkies and enthusiasts of hundreds of additional topics. We maintain separate brands for each of our communities.

We have built our business through a combination of acquisitions and organic initiatives. We believe that adding communities to our platform through asset-focused acquisitions is an efficient use of capital as it allows us to grow the number of MAU we reach while providing acquired communities with improved technology, user experience and monetization capabilities. We have made over two hundred acquisitions in our history and we believe that acquisitions will be an important driver of our future growth.

## **Our Business Model**

We have one reporting segment and two main sources of revenue: digital advertising and e-commerce. The digital advertising stream includes revenue generated from (i) direct advertising campaigns, (ii) custom content solutions, and (iii) programmatic advertising. The e-commerce revenue stream includes revenue generated from (i) commissions, (ii) referral payments, and (iii) subscriptions.

### ***Digital Advertising***

- In 2020, we served over 400 direct advertisers in the U.S. and Canada. Our current customers include Cabela's, Canadian Tire, Chevrolet, Sony, and Yamaha, together with other OEMs, retailers and insurance providers. Our direct advertising efforts focus mainly on larger brands seeking to reach a national base of consumers.
- Geared Content Studios, our in-house production studio, provides custom content and video solutions specializing in reaching enthusiasts and in-market shoppers.
- Programmatic advertising includes the monetization of Impressions that are not sold by the higher-priced direct sales channel through Real-time Bidding (RTB). Programmatic advertising is driven by connections with the largest ad exchanges and supply-side platforms in North America. Programmatic advertising also includes revenue generated through our private marketplace and Programmatic Guaranteed advertising – an invitation-only auction for premium Impression sales with agreed upon price floors. Private marketplace and Programmatic Guaranteed advertising combine the relationship of direct advertising with the technology of RTB.

### ***E-commerce***

- We receive a commission from sales attributable to traffic we send to partners, with rates of up to 15% of transaction value. Sales are influenced by product reviews from our network of staff and freelance writers and by broader community discussion, which includes user-generated product links posted in our communities. Commissions are generated from over 70 partners and networks on our communities including Amazon, Best Buy, eBay and Sole Fitness.
- For certain e-commerce partners, we also generate referral payments for traffic directed from our communities, even if no transaction is completed.
- Subscription-related e-commerce revenue is generated from three sources: (i) a native commerce product that enables merchants to maintain a presence on our communities and engage in commercial conversations with our users, (ii) a business directory product that connects consumers with service providers, and (iii) paid user memberships which accounts for an immaterial portion of our current e-commerce revenue.

## **KPIs**

We monitor the following KPIs to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our KPIs may be calculated in a manner that differs from similar KPIs used by other companies.

### ***Monthly Active Users (MAU)***

Monthly active users is defined as the number of individuals who have visited our communities within a calendar month, based on data as measured by Google Analytics. It is calculated as the sum of the monthly users of each of our communities. To calculate average MAU in a given period, we sum the total MAU for each month in that period, divided by the number of months in that period. We view our MAU as a key indicator of the attractiveness of our platforms and their content, and the quality of our user experience. Measuring MAU is important to us and we believe it provides useful information to our investors because our

digital advertising and e-commerce revenue streams depend, in part, on our ability to provide customers and partners with connections to our users.

**Average Revenue Per Monthly Active User (ARPU)**

ARPU is defined as our average revenue over a given period divided by the average MAU over the same period. Similarly, each of our revenue streams can be used as the numerator in this measure to determine the ARPU for each revenue stream. We believe that measuring ARPU is reflective of how we are monetizing the users across our communities.

The following table sets forth a summary of the monthly average of our MAU and ARPU for the periods presented:

| (MAU in thousands) | YTD 2021 | Q4 2021  | Q3 2021  | Q2 2021  | Q1 2021  |
|--------------------|----------|----------|----------|----------|----------|
| MAU                | 96,456   |          | 93,824   | 94,813   | 100,732  |
| ARPU               | \$ 0.051 |          | \$ 0.050 | \$ 0.051 | \$ 0.053 |
|                    | FY 2020  | Q4 2020  | Q3 2020  | Q2 2020  | Q1 2020  |
| MAU                | 89,953   | 89,655   | 86,468   | 90,919   | 92,769   |
| ARPU               | \$ 0.053 | \$ 0.075 | \$ 0.051 | \$ 0.044 | \$ 0.040 |
|                    | FY 2019  | Q4 2019  | Q3 2019  | Q2 2019  | Q1 2019  |
| MAU                | 95,747   | 91,432   | 96,430   | 93,584   | 101,543  |
| ARPU               | \$ 0.051 | \$ 0.060 | \$ 0.047 | \$ 0.051 | \$ 0.046 |
|                    | FY 2018  | Q4 2018  | Q3 2018  | Q2 2018  | Q1 2018  |
| MAU                | 105,889  | 101,088  | 106,190  | 110,473  | 105,804  |
| ARPU               | \$ 0.054 | \$ 0.062 | \$ 0.052 | \$ 0.052 | \$ 0.049 |

MAU in FY 2020 was impacted by a number of factors throughout the year, including the onset of the COVID-19 pandemic and the events surrounding the U.S. election, each of which resulted in lower MAU on certain of our communities as people temporarily spent more time on general news sites. Similarly, digital advertising ARPU in FY 2020 was negatively impacted primarily as a result of adverse impacts to advertiser budgets resulting from COVID-19 and the short-term impact of the migration of our forum communities to the Fora platform, which included intentionally reducing our digital advertising revenue by removing ads that detracted from our user experience and slowed down our page load speeds. As 2020 progressed and the number of forum communities transitioned to the Fora platform increased, we began to see the long-term benefits of the new platform on MAU and digital advertising ARPU growth. The momentum in digital advertising ARPU continued into the nine months ended September 30, 2021, however, global supply chain issues leading to out-of-stock inventory across many product categories, and semiconductor chip shortages has slowed growth. While digital advertising ARPU has increased versus the prior year, overall ARPU declined for the three months ended September 30, 2021 as e-Commerce ARPUs fell as a result of (i) global supply chain issues leading to out-of-stock inventory across many product categories, (ii) a difficult comparable versus the prior year where e-commerce activity was elevated due to a pandemic induced surge in online shopping.

For the three months ended September 30, 2021 MAU increased 8.5% compared to the equivalent period in the prior year. We continued to see stronger MAU performance on the Fora platform, where growth was 12.1% for the three months ended September 30, 2021 compared to the equivalent period in the prior year.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Non-IFRS Measures".

### Impact of COVID-19 on our Operations

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. In response, many governments implemented preventive or protective measures such as temporary closures of businesses, quarantines or shelter-in-place orders. The resulting commercial disruption had a negative impact on our direct and programmatic advertising revenue throughout 2020, and this impact has continued in respect of certain of our digital advertising customers in 2021. Due to the economic hardships presented by the COVID-19 pandemic, we received benefits from the Canada Emergency Wage Subsidy (CEWS) and the CARES Act for a Paycheck Protection Program loan (the “**PPP Loan**”), and right-sized our workforce in Canada. In contrast, our revenue from e-commerce activities realized significant growth in 2020 and in the first quarter of 2021, which was accelerated by the lockdown measures imposed by governments in the U.S. and Canada as consumer behaviour accelerated towards making online purchases. As North America moves out of lockdowns and supply chain issues continue to materialize, we are seeing this trend, in part, reverse, although growth trends remain relative to levels prior to COVID-19.

We have embraced a “work from anywhere” model in response to the COVID-19 pandemic, striking a balance between in-office and remote work, with a majority of our workforce choosing to shift to working entirely remotely without a significant impact on productivity. This approach extends our reach beyond our physical office locations and provides a greater pool of talent from which to recruit. We recognize the social impacts of the COVID-19 pandemic on our team, and we are working to maintain our distinctive work environment and promote the well-being of our employees. In addition, we have implemented measures to prioritize the health and safety of our workforce, and we believe we comply with applicable laws and regulations in respect of COVID-19.

COVID-19 has also impacted various industries. In particular, the pandemic has boosted demand for semiconductor chips and this incremental demand along with lean inventories prior to the pandemic has had a series of knock-on effects, in particular chip shortages, supply chain disruptions, and shipping issues. The shortage has been hampering the Automotive industry in part due to the growing use of chips in new vehicles. For the company, this shortage could delay advertising campaigns for automotive and powersports OEM's as they wait for vehicle production and inventory levels to return to normal.

We are continuing to monitor the impact of COVID-19 on our business, financial condition and operations. Any future impact of COVID-19 on our operational and financial performance will depend on certain developments, including, but not limited to, the duration and spread of the outbreak, duration of local, state and federal issued public health orders, impact on our customers and our sales cycles, impact on our employees, and impact on regional and worldwide economies and financial markets in general, all of which are uncertain and cannot be predicted.

### Consolidated Highlights

#### *Financial Highlights for the Three Months Ended September 30, 2021*

- Revenue was \$14,001K, an increase of \$656K, or 5%, compared to the three months ended September 30, 2020.
- Adjusted EBITDA for the three months ended September 30, 2021 was \$5,589K a decrease of \$1,046K, or 16%, compared to \$6,635K for the three months ended September 30, 2020. Excluding the following noted three month ending year over year variances, Adjusted EBITDA decreased by \$128K or 2% compared to the three months ended September 30, 2020: (i) a \$248K adverse impact from the strengthening Canadian vs. U.S. dollar; (ii) \$1,158K in incremental public company and Omnibus incentive plan costs; (iii) benefits from COVID-19 relief and SR&ED totaling \$899K in the quarter versus \$412K in the prior year.
- Adjusted EBITDA Margin was 40%, a decrease of 10% compared to the three months ended September 30, 2020. Excluding the noted three month ending year over year variances above,

Adjusted EBITDA Margin was 44%, a decrease of 3 percentage points compared to the three months ended September 30, 2020.

- Net loss was \$2,289K, compared to net loss of \$963K for the three months ended September 30, 2020. Noted three month ending year over year variances in addition to the the three month ending year over year variances noted above: (i) share based compensation recognized under the new Omnibus incentive plan of \$1,264K; (ii) one-time IPO related costs of \$181K; (iii) and a \$250K impairment in the quarter in relation to our investment in Cakes Inc. versus a \$530K gain on our investment of Wide Open Spaces Inc. in the prior year.
- Free Cash Flow was \$4,280K, a decrease of \$855K, or 17% compared to the three months ended September 30, 2020. Excluding the noted three month ending year over year variances above with respect to foreign exchange, COVID-19 relief, wages and consulting, public company costs, and tax credits, Free Cash Flow was \$4,787K, an increase of \$64K or 1% compared to the three months ended September 30, 2020.

***Financial Highlights for the Nine Months Ended September 30, 2021***

- Revenue was \$44,343K, an increase of \$7,602K, or 21%, compared to the nine months ended September 30, 2020.
- Adjusted EBITDA was \$19,308K, an increase of \$3,929K, or 26%, compared to the nine months ended September 30, 2020. Excluding the following noted nine month ending year over year variances, Adjusted EBITDA increased by \$6,666K or 47% compared to the nine months ended September 30, 2020: (i) a \$807K adverse impact from the strengthening Canadian vs. U.S. dollar; (ii) \$1,653K in incremental public company and Omnibus incentive plan costs; (iii) benefits from COVID-19 relief and SR&ED totaling \$899K versus \$1,176K in the prior year.
- Adjusted EBITDA Margin was 44%, an increase of 2% compared to the nine months ended September 30, 2020. Excluding the nine month ending year over year variances noted above, Adjusted EBITDA Margin was 47%, an increase of 8 percentage points compared to the nine months ended September 30, 2020.
- Net loss was \$5,794K, an increase of \$967K compared to net loss of \$4,827K for the nine months ended September 30, 2020. Noted nine month ending year over year variances in addition to the nine month ending year over year variances listed above: (i) share based compensation recognized under the new Omnibus incentive plan of \$1,363K; (ii) one-time IPO costs and interest expense relating to the retirement of the previous credit agreement of \$5,793K; (iii) and a \$250K impairment in the quarter in relation to our investment in Cakes Inc. versus combined gains of \$1,189K from the sale of intangibles and our investment of Wide Open Spaces Inc. in the prior year.
- Free Cash Flow was \$15,516K, an increase of \$4,231K, or 37%, compared to the nine months ended September 30, 2020. Excluding the noted nine month ending year over year variances above with respect to foreign exchange, COVID-19 relief, wages and consulting, public company costs, and tax credits, Free Cash Flow was \$17,077K, an increase of \$6,968K or 69% compared to the nine months ended September 30, 2020.

***Notable Events***

- We continued the migration of our forum communities to the Fora platform. As at September 30, 2021, 1,180 communities which represent 92% of designated forum community MAU were migrated to the Fora platform, compared to 82% at the start of the year.

- For the three months ended September 30, 2021, we completed seven asset acquisitions for a total consideration of \$1,000K.
- In August 2021 our \$899K Paycheck Protection Loan (PPP) was fully forgiven by The Small Business Administration (SBA), with the relative benefit reflected in the three months ending September 30, 2021 results.

### ***Subsequent Events***

- We have entered into an agreement to sublease our remaining ~27K square feet of occupied space at our Toronto headquarters commencing on November 1, 2021 and ending on July 30, 2025. The sublease will provide us with a very attractive 91% net recovery and a net savings of approximately C\$4,800K over the term, and positions us well from a cost and employee preference perspective.
- In October we entered into an agreement with the landlord at our Toronto headquarters to lease a smaller 8,769 square foot space on the 6th floor of our existing location at 111 Peter Street. The lease term is October 1, 2021 to September 30, 2025 with total rent of approximately C\$1,500K over the term.
- October 1, 2021 to date we have completed four acquisitions for a total consideration of \$5,600K including the ProBoards.com acquisition highlighted in our October 19, 2021 press release.

### ***The Fora Software Platform***

In 2018, search engines began increasing their focus on page load speed and modern user experiences in determining the order in which search results were shown. Our multiple legacy software platforms made it extremely challenging to quickly respond to those changes. As a result, our search ranking declined meaningfully, resulting in fewer new users, lower MAU and lower revenue. To enable better infrastructure management and enhance performance and user experience, we began building the Fora platform. Our initial deployment of Fora was completed in early 2019 and we started migrating our forum of communities in batches to the Fora platform in May 2019. We intentionally reduced our digital advertising revenue by removing ads that detracted from our user experience and slowed down our page load speeds. We also temporarily paused our acquisition activity in order to focus our resources on building a software platform that would make future acquisitions more accretive.

### **Factors Affecting our Performance**

We believe that the growth and future success of our business depends on many factors, some of which are discussed below.

### ***Attractiveness of our Communities to Users and Search Engines***

Our success in generating digital advertising and e-commerce revenue is dependent on the volume and quality of the users engaging with our communities. Our business model is focused on the growth of our user base, and our financial performance will be significantly affected by our success in adding, retaining, and engaging active users of our communities, services and platform.

Our ability to maintain and grow the number of users, along with improvements to user engagement (e.g., more posts, higher quality content, increased time on site), will increase the appeal of our communities to advertisers and e-commerce partners, and help to drive greater digital advertising and e-commerce revenue. The majority of our MAU are sourced, organically, from online search engines such as Google and Bing. Our ability to deliver modern user experiences, generate high quality content, and deliver modern infrastructure and pages that load quickly are keys to maintaining our visibility in search results. This has a direct impact on our ability to grow MAU, and therefore our ability to monetize and grow revenue.

Additionally, access to multiple, third-party advertising networks ensures access to advertisers at competitive rates.

### ***Ability to Integrate Acquisitions***

We have acquired and effectively integrated over two hundred online communities. These acquisitions are typically immaterial when considered individually having regard to the overall size and value of our current business and operations. We apply a proven and repeatable process to expedite the transactional timeline, minimize cost and generate significant incremental value. Post-acquisition, we transition acquired forum communities to our Fora platform, which offers an improved user experience, driving added and improved engagement, leading to higher monetization. Our ability to identify and complete acquisitions under acceptable terms, to successfully integrate the acquired communities with our existing communities, services and platform, and to realize the anticipated benefits therefrom, may impact our future growth and success.

### ***Investment in our Fora Platform***

We plan to continue to invest in research and development as we continue to add new features and solutions, and enhance the ease of use and functionality of our communities and platform. Research and development expenses consist primarily of employee-related expenses, contractor and consultant fees and corporate overhead allocations for the design, development and management of our communities and platform. Such investments could reduce our short-term operating results and may not produce the long-term benefits that we expect.

### ***Growth in Monetization***

Monetization trends, which are reflected in ARPU, are a key factor that affect our revenue and financial results. We believe we have significant monetization opportunities ahead. We are focused on serving more advertisers, continuing to improve the advertising products we offer and providing additional e-commerce experiences in our communities.

There are many variables that impact digital advertising ARPU, including Impressions on our platform and the price we are able to charge per Impression. Our pricing per Impression depends on a number of factors including the engagement of our audience, the number of advertisers, the amount of advertising spend, an advertiser's objectives, the performance and effectiveness of our advertising products, as well as the effect of geographic and community subject matter on each of these factors.

There are many variables that impact e-commerce ARPU, including the volume and relevance of our content, broader market demand for products discussed, availability of commerce relationships with vendors and retailers, the gross merchandise value of the goods purchased and our percentage share of that revenue.

### ***Macroeconomic Factors and General Trends***

Macroeconomic and industry conditions have an impact on the demand for advertising and consumer purchasing behaviour, which can impact digital advertising revenue. These conditions also impact the willingness of our users to make purchases, which can impact e-commerce revenue and ad performance. In uncertain times or during an economic downturn, such as during the COVID-19 pandemic, there is generally an adverse impact on consumer spending and advertising budgets. Conversely, in periods of economic growth, there is generally increased consumer and advertising spending.

Aside from macroeconomic conditions, the broad shift from in-person to e-commerce retail and sales is a trend we believe will continue to benefit our growth and success as brands and advertisers look to generate both awareness and sales via our communities, and we continue to benefit from e-commerce.

### ***Foreign Currency***

The majority of our revenue is in U.S. dollars, whereas our wages and consulting expenses are primarily in Canadian dollars. From time to time, we enter into forward contracts to reduce our exposure to foreign currency risk and provide more certainty with cash flows. Otherwise, our results of operations may be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar.

### ***Seasonality***

Our platform can see changes in traffic, specifically over quarterly periods, as a result of expected changes, such as regular seasonal patterns.

Digital advertising expenditures by customers and e-commerce spending tends to be impacted by seasonality and as a result, our quarterly digital advertising revenue and e-commerce revenue are also impacted by seasonality. Typically, advertising budgets are set annually and digital advertising revenue is lowest in the first quarter, and peaks in the fourth quarter as advertisers and agencies look to utilize their budgets in full and consumer spending increases during the holiday season. E-commerce revenue faces similar seasonality.

As a result, we believe the best indicator for performance is year-over-year comparisons.

## **Key Components of Results of Operations**

### ***Revenue***

We generate revenue through digital advertising and e-commerce transactions with the majority of our revenue being generated from digital advertising.

### ***Digital Advertising***

Our digital advertising revenue comprises direct advertising, custom content solutions and programmatic advertising. Our success in generating digital advertising revenue is dependent on the volume and quality of the users engaging with our communities and the volume of Impressions generated in those communities. We engage a direct sales force to secure advertising contracts from major brands and agencies (including OEMs, retailers and insurance providers). Our ability to generate revenue from our direct sales channel is dependent upon the success of our sales team in managing the relationships with our customers and demonstrating the value of our communities. We rely on customers to purchase Impressions from our communities for future revenue. Our contracts with customers generally do not include long-term obligations.

Geared Content Studios, our in-house production studio, provides custom content and video solutions specializing in reaching enthusiasts and in-market shoppers.

Programmatic advertising includes monetization of Impressions that are not sold by the higher-priced direct sales channel through RTB. Programmatic advertising revenue is determined by Impression volumes generated in our communities and the price we are able to charge per Impression. Programmatic advertising revenue is driven by our relationship with the largest ad exchanges and supply-side platforms, which ensures access to advertisers at competitive rates. Programmatic advertising also includes revenue generated through our private marketplace and Programmatic Guaranteed advertising.

Data regarding our users generally improves how ads on our communities can be monetized. If data regarding these users decrease, revenue may therefore be adversely impacted. In addition, revenue is also dependent on the successful placement of ads on our communities to achieve optimal viewability in order to engage our users effectively.

### *E-Commerce*

E-commerce revenue is primarily driven by the monetization of our content through arrangements in respect of commissions and referral payments with e-commerce merchants, brands and marketplaces. We earn revenue from e-commerce transactions that our communities influence, for example through product reviews on our communities. We rely on our internal business development team to secure partnerships with brands and retailers and negotiate competitive rates for commissions and referral payments. Sales are influenced by product reviews from our network of staff and freelance writers and by broader community discussion, which includes user-generated product links posted in our communities. Accordingly, it is important that such content is relevant and trustworthy in order to drive user consumption and engagement. For certain e-commerce partners, we also generate referral payments for traffic directed from our communities, even if no transaction is completed.

If users decrease along with content they produce, revenue may be adversely impacted. Similarly, if we fail to produce or drive relevant content that can be monetized, e-commerce revenue may be adversely impacted. Also, changes to agreements in respect of commissions and referral payments may also impact e-commerce revenue.

### ***Operating Expenses***

Our operating expenses include wages and consulting expenses, share-based compensation, platform and technology expenses, general and administrative expenses, depreciation and amortization and adjustment to contingent consideration. Our largest operating expense is wages and consulting expenses. Our ability to attract and retain the type of talent we feel is necessary to achieve our growth strategy is significant to the future success of our business. Furthermore, our continued focus as a technology company requires that we attract this talent specifically within software, engineering and development capacities and, therefore, wages and consulting expenses may increase in the coming years. Platform and technology costs primarily consist of costs related to our cloud hosting infrastructure, cyber security, programmatic and e-commerce platform fees and other licensed software used in our operations. Adjustment to contingent consideration primarily consists of changes in the fair value of earn-out obligations in connection with previously completed acquisitions.

Addition information relating to the company is available on SEDAR [www.sedar.com](http://www.sedar.com).

**DISCUSSION OF OPERATIONS**
**Results of Operations**

The following table outlines our consolidated results of operations and certain other items for the periods presented:

| (in thousands of US dollars except per share data) | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|-----------------|------------------------------------|------------------|
|  | 2021                                | 2020            | 2021                               | 2020             |
| <b>Revenue</b>                                     | <b>\$14,001</b>                     | <b>\$13,345</b> | <b>\$44,343</b>                    | <b>\$36,741</b>  |
| Operating expenses:                                |                                     |                 |                                    |                  |
| Wages and consulting                               | 5,516                               | 4,539           | 17,228                             | 14,621           |
| Share-based compensation                           | 1,665                               | 1,127           | 2,697                              | 1,553            |
| Platform and technology                            | 1,680                               | 1,541           | 5,052                              | 4,481            |
| General and administrative                         | 1,545                               | 676             | 6,405                              | 2,723            |
| Depreciation and amortization                      | 4,770                               | 4,991           | 13,870                             | 15,226           |
| Impairment   | 250                                 | —               | 250                                | —                |
|  | 15,427                              | 12,875          | 45,502                             | 38,603           |
| <b>Operating income (loss)</b>                     | <b>(1,425)</b>                      | <b>470</b>      | <b>(1,159)</b>                     | <b>(1,862)</b>   |
| Other expenses:                                    |                                     |                 |                                    |                  |
| Loss (gain) on sale of assets                      | 12                                  | —               | 14                                 | (409)            |
| Interest expense                                   | 1,071                               | 1,460           | 5,581                              | 5,334            |
| Loss (gain) on investments                         | —                                   | (530)           | —                                  | (530)            |
| Foreign exchange loss (gain)                       | 190                                 | 39              | 300                                | 48               |
|  | 1,274                               | 970             | 5,895                              | 4,443            |
| Income (loss) before income taxes                  | (2,699)                             | (500)           | (7,054)                            | (6,305)          |
| Income taxes (recovery)                            |                                     |                 |                                    |                  |
| Current  | 113                                 | 67              | 432                                | 345              |
| Deferred   | (523)                               | 396             | (1,691)                            | (1,823)          |
|  | (410)                               | 463             | (1,259)                            | (1,478)          |
| <b>Net Income and comprehensive income (loss)</b>  | <b>(\$2,289)</b>                    | <b>(\$963)</b>  | <b>(\$5,794)</b>                   | <b>(\$4,827)</b> |
| <b>Loss per share:</b>                             |                                     |                 |                                    |                  |
| Basic  | (\$0.10)                            | (\$0.07)        | (\$0.28)                           | (\$0.35)         |
| Diluted  | (0.10)                              | (0.07)          | (0.28)                             | (0.35)           |

The following table outlines our summary of the monthly average of our MAU and ARPU, as well as a summary of our revenue, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow for the periods presented:

| (in thousands of US dollars except per share data and percentages) | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2021                                | 2020     | 2021                               | 2020     |
| Advertising Revenue  | \$10,075                            | \$7,956  | \$28,914                           | \$20,916 |
| E-Commerce Revenues  | 3,927                               | 5,389    | 15,430                             | 15,825   |
| Total Revenue  | \$14,001                            | \$13,345 | \$44,343                           | \$36,741 |
| Monthly Average Users (MAUs)                                       | 93,824                              | 86,468   | 96,456                             | 90,052   |
| ARPU - Advertising   | \$0.036                             | \$0.031  | \$0.033                            | \$0.026  |
| ARPU - E-Commerce  | \$0.014                             | \$0.021  | \$0.018                            | \$0.020  |
| ARPU - Total Revenue   | \$0.050                             | \$0.051  | \$0.051                            | \$0.045  |
| Adjusted EBITDA  | 5,589                               | 6,635    | 19,308                             | 15,378   |
| Adjusted EBITDA Margin   | 40%                                 | 50%      | 44%                                | 42%      |
| Free Cash Flow   | 4,280                               | 5,134    | 15,516                             | 11,284   |

## Revenue

### Three Months Ended September 30, 2021

Revenue for the three months ended September 30, 2021 was \$14,001K, an increase of \$656K, or 5%, compared to \$13,345K for the equivalent period in the prior year. This increase was primarily attributable to an increase in MAU of 8.5% offset by a decrease in total ARPU of 3.3%. The increase in MAU was primarily attributable to improved search ranking resulting from a higher proportion of our forum communities running on the Fora platform in the three months ended September 30, 2021 versus the equivalent period in the prior year.

Digital advertising revenue for the three months ended September 30, 2021 was \$10,075K, an increase of \$2,119K, or 27%, compared to \$7,956K for the equivalent period in the prior year. This increase was primarily attributable to an increase in digital advertising ARPU of 16.7%. The increase in digital advertising ARPU was primarily attributable to improved performance of our advertising products on forum communities that had migrated to the Fora platform which resulted in positive impacts to advertiser budgets and increased rates in programmatic advertising. Despite the strong performance in Digital Advertising, low inventory levels across multiple product categories driven by semiconductor chip shortages and global supply chain issues have adversely impacted revenue, with some advertisers continuing to defer spending until inventory levels return to normal. The semiconductor chip shortage has particularly impacted Automotive manufacturers as many have temporarily reduced production as a result.

E-commerce revenue for the three months ended September 30, 2021 was \$3,927K, a decrease of \$1,463K, or 27%, compared to \$5,389K for the equivalent period in the prior year. This decrease was primarily attributable to a decrease in e-commerce ARPU of 33%, partially offset by an increase in MAU of 8.5%. The decrease in e-commerce ARPU was attributable to stronger relative performance in the prior year comparable period tied to the pandemic induced surge in online shopping. The continued reopening of the U.S. economy during the three month period ended September 30, 2021, resulted in lower relative spending in certain high value categories such as home fitness. At the same time, global supply chain issues and corresponding out-of-stock online inventory and shortages have adversely impacted our e-commerce revenues as a result of lower conversions as traffic driven to e-commerce partner sites are experience out-of-stock levels across multiple product categories.

**Nine Months Ended September 30, 2021**

Revenue for the nine months ended September 30, 2021 was \$44,343K, an increase of \$7,602K, or 21%, compared to \$36,741K for the equivalent period in the prior year. This increase was primarily attributable to an increase in total ARPU of 13% and an increase in MAU of 7%. The increase in MAU was primarily attributable to improved search ranking resulting from a higher proportion of our forum communities running on the Fora platform in 2021.

Digital advertising revenue for the nine months ended September 30, 2021 was \$28,914K, an increase of \$7,997K, or 38%, compared to \$20,916K for the equivalent period in the prior year. This increase was primarily attributable to an increase in digital advertising ARPU of 29%. The increase in digital advertising ARPU was primarily attributable to improved performance on communities that had migrated to the Fora platform which resulted in higher rates and increased programmatic spend in the period. Digital advertising ARPU growth was also amplified due to weaker relative performance during the first nine months ended September 30, 2020 related to the onset of COVID-19. Despite the strong performance in Digital Advertising, low inventory levels across multiple product categories driven by semiconductor chip shortages and global supply chain issues have adversely impacted revenue, with some advertisers continuing to defer spending until inventory levels return to normal. The semiconductor chip shortage has particularly impacted Automotive manufacturers as many have temporarily reduced production as a result.

E-commerce revenue for the nine months ended September 30, 2021 was \$15,430K, a decrease of \$396K, or 2%, compared to \$15,825K for the equivalent period in the prior year. This decrease was attributable to a decrease in e-commerce ARPU of 9% partially offset by an increase in MAU of 7%. The decrease in e-commerce ARPU was attributable to stronger relative performance in the prior year comparable period tied to the pandemic induced surge in online shopping. The continued reopening of the U.S. economy in 2021 resulted in lower relative spending in certain high value categories such as home fitness. At the same time, global supply chain issues and corresponding out-of-stock online inventory and shortages have adversely impacted our e-commerce revenues as a result of lower conversions as traffic driven to e-commerce partner sites are experience out-of-stock levels across multiple product categories.

**Expenses**

Operating expenses for the three months ended September 30, 2021 and September 30, 2020 were \$15,427K and \$12,875K, respectively.

Operating expenses for the nine months ended September 30, 2021 and September 30, 2020 were \$45,502K and \$38,603K, respectively.

The change in operating expenses was primarily attributable to the following:

*Wages and Consulting*

| (in thousands of US dollars<br>except percentages) | Three Months Ended<br>September 30, |       |              |             | Nine Months Ended<br>September 30, |        |              |             |
|--|-------------------------------------|-------|--------------|-------------|------------------------------------|--------|--------------|-------------|
|  | 2021                                | 2020  | \$<br>Change | %<br>Change | 2021                               | 2020   | \$<br>Change | %<br>Change |
| Wages and consulting                               | 5,516                               | 4,539 | 976          | 22          | 17,228                             | 14,621 | 2,608        | 18          |
| Percentage of total revenue (%)                    | 39                                  | 34    |              |             | 39                                 | 40     |              |             |

Wages and consulting expenses increased from \$4,539K to \$5,516K, or 22%, for the three months ended September 30, 2021 compared to the equivalent period in the prior year. This growth is explained by the

following in the three month ending period; (i) \$719K in compensation relating to the new Omnibus incentive plan; (ii) a strengthening Canadian versus U.S. dollar adding \$248K in cost relative to prior year; (iii) with the remainder largely tied to merit increases, and headcount increasing from 234 to 252 or 8% over the comparable periods. The three months ended September 30, 2021 also included a \$899K benefit relating to the PPP loan forgiveness compared to \$412K in CEWS and SR&ED benefits recognized during the three months ended September 30, 2020.

Wages and consulting expenses increased from \$14,621K to \$17,228K, or 18%, for the nine months ended September 30, 2021 compared to the equivalent period in the prior year. This growth is explained by the following in the nine month ending period; (i) \$1,107K in compensation relating to the new Omnibus Incentive Plan; (ii) a strengthening Canadian versus U.S. dollar adding \$807K in cost relative to prior year; (iii) with the remainder largely tied to merit increases, and average headcount increasing from 236 to 244 or 3% over the comparable periods. The three months ended September 30, 2021 also included a \$899K benefit relating to the PPP loan forgiveness compared to \$1,176K in CEWS and SR&ED benefits recognized during the three months ended September 30, 2020.

#### *Share-based Compensation*

| (in thousands of US dollars<br>except percentages) | Three Months Ended<br>September 30, |       |              |             | Nine Months Ended<br>September 30, |       |              |             |
|--|-------------------------------------|-------|--------------|-------------|------------------------------------|-------|--------------|-------------|
|  | 2021                                | 2020  | \$<br>Change | %<br>Change | 2021                               | 2020  | \$<br>Change | %<br>Change |
| Share-based Compensation                           | 1,665                               | 1,127 | 538          | 48          | 2,697                              | 1,553 | 1,144        | 74          |
| Percentage of total revenue (%)                    | 12                                  | 8     |              |             | 6                                  | 4     |              |             |

Share-based compensation increased from \$1,127K to \$1,665K or 48%, for the three months ended September 30, 2021 compared to the equivalent period in the prior year. Share-based compensation increased from \$1,553K to \$2,697K or 74%, for the nine months ended September 30, 2021 compared to the equivalent period in the prior year. The increases can be attributed to the new Omnibus incentive plan.

#### *Platform and Technology*

| (in thousands of US dollars<br>except percentages) | Three Months Ended<br>September 30, |       |              |             | Nine Months Ended<br>September 30, |       |              |             |
|--|-------------------------------------|-------|--------------|-------------|------------------------------------|-------|--------------|-------------|
|  | 2021                                | 2020  | \$<br>Change | %<br>Change | 2021                               | 2020  | \$<br>Change | %<br>Change |
| Platform and technology                            | 1,680                               | 1,541 | 139          | 9           | 5,052                              | 4,481 | 571          | 13          |
| Percentage of total revenue (%)                    | 12                                  | 12    |              |             | 11                                 | 12    |              |             |

Platform and technology expenses increased from \$1,541K to \$1,680K, or 9%, for the three months ended September 30, 2021 compared to the equivalent period in the prior year. Platform and technology expenses increased from \$4,481K to \$5,052K, or 13%, for the nine months ended September 30, 2021 compared to the equivalent period in the prior year. These increases can be attributed to increased digital advertising activity, in particular programmatic activity, resulting in advertising platform costs growing by \$6K, and \$245K for the three and nine months ended September 30, 2021 respectively. The increases can also be attributed to an increase in cloud hosting infrastructure costs related to higher usage due to an increase in MAU.

*General and Administrative*

| (in thousands of US dollars<br>except percentages) | Three Months Ended<br>September 30, |      |              |             | Nine Months Ended<br>September 30, |       |              |             |
|--|-------------------------------------|------|--------------|-------------|------------------------------------|-------|--------------|-------------|
|  | 2021                                | 2020 | \$<br>Change | %<br>Change | 2021                               | 2020  | \$<br>Change | %<br>Change |
| General and administrative                         | 1,545                               | 676  | 869          | 129         | 6,405                              | 2,723 | 3,681        | 135         |
| Percentage of total revenue (%)                    | 11                                  | 5    |              |             | 14                                 | 7     |              |             |

General and administrative expenses increased from \$676K to \$1,545K or 129%, for the three months ended September 30, 2021 compared to the equivalent period in the prior year. For the three months ended September 30, 2021, there was \$181K in one-time IPO related costs, and \$133K in one-time brokerage fees tied to the company's sublease of office space. The remaining increase was primarily driven by incremental expenses tied to operating as a public company, with \$439K in total tied to higher insurance, audit, legal and public relations expense for the three months ended September 30, 2021.

General and administrative expenses increased from \$2,723K to \$6,405K, or 135%, for the nine months ended September 30, 2021 compared to the equivalent period in the prior year. The increase was tied to one-time professional fees relating to the IPO and the company's sublease of office space of \$3,394K. In addition, there were an incremental \$564K in public company costs, partially offset by \$419K in lower advertising expense in the period.

*Depreciation and Amortization*

| (in thousands of US dollars<br>except percentages) | Three Months Ended<br>September 30, |       |              |             | Nine Months Ended<br>September 30, |        |              |             |
|--|-------------------------------------|-------|--------------|-------------|------------------------------------|--------|--------------|-------------|
|  | 2021                                | 2020  | \$<br>Change | %<br>Change | 2021                               | 2020   | \$<br>Change | %<br>Change |
| Depreciation and amortization                      | 4,770                               | 4,991 | (221)        | (4)         | 13,870                             | 15,226 | (1,356)      | (9)         |
| Percentage of total revenue (%)                    | 34                                  | 37    |              |             | 31                                 | 41     |              |             |

Depreciation and amortization decreased from \$4,991K to \$4,770K, or 4%, for the three months ended September 30, 2021 compared to the equivalent period in the prior year. Depreciation and amortization decreased from \$15,226K to \$13,870K, or 9%, for the nine months ended September 30, 2021 compared to the equivalent period in the prior year. The decreases can be attributed to reductions in amortization of acquired intangibles from past acquisitions due to a pause in acquisition activity, partially offset by amortization of internally developed intangibles, in particular the Fora community software platform.

*Impairment*

During the three months ended September 30th, 2021 a review of the investment in Cakes Inc. was performed and it was determined that the investment was impaired due to the company being unable to raise additional capital and deciding to cease operations. Consequently, an impairment charge of \$250K was booked during the quarter, reducing the carrying value of the Cakes Inc. investment to nil at September 30, 2021.

**Net Income**

Net loss for the three months ended September 30, 2021 was \$2,289K, an increase in net loss of \$1,326K compared to net loss of \$963K for the three months ended September 30, 2020. This increase in net loss was primarily attributable to a decrease in operating income of \$1,895K, largely driven by an increase in Wages and Consulting expense and General and Administrative expense. Other expenses also increased by \$304K for the

three months ended September 30, 2021 as the prior year period contained a \$530K gain on sale of investments. These losses were partially offset by an increase in income tax recoveries of \$873K for the three months ended September 30, 2021 compared to the equivalent period in the prior year.

Net loss for the nine months ended September 30, 2021 was \$5,794K, an increase in net loss of \$967K compared to net loss of \$4,827K for the nine months ended September 30, 2020. Operating income increased by \$703K for the nine months ended September 30, 2021 compared to the equivalent period in the prior year despite \$3,261K in one-time expenses largely tied to the IPO. The increase in operating income was more than offset by an increase in other expenses of \$1,452K largely attributable to (i) a \$939K gain on sale of assets and investments for the nine months ended September 30, 2020, (ii) higher interest expense of \$247K for the nine months ended September 30, 2021. The losses were also further increased by a reduction in tax recoveries of \$218K compared to the nine months ended September 30, 2020.

#### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Adjusted EBITDA for the three months ended September 30, 2021 was \$5,589K, a decrease of \$1,046K, or 16%, compared to \$6,635K for the three months ended September 30, 2020. Excluding the following noted three month ending year over year variances, Adjusted EBITDA decreased by \$128K or 2% compared to the three months ended September 30, 2020: (i) a \$248K adverse impact from the strengthening Canadian vs. U.S. dollar; (ii) \$1,158K in incremental public company and Omnibus incentive plan costs; (iii) benefits from COVID-19 relief and SR&ED totaling \$899K in the quarter versus \$412K in the prior year.

Adjusted EBITDA Margin was 40%, a decrease of 10% compared to the three months ended September 30, 2020. Excluding the noted three month ending year over year variances above, Adjusted EBITDA Margin was 44%, a decrease of 3 percentage points compared to the three months ended September 30, 2020.

Adjusted EBITDA was \$19,308K, an increase of \$3,929K, or 26%, compared to the nine months ended September 30, 2020. Excluding the following noted nine month ending year over year variances, Adjusted EBITDA increased by \$6,666K or 47% compared to the nine months ended September 30, 2020: (i) a \$807K adverse impact from the strengthening Canadian vs. U.S. dollar; (ii) \$1,653K in incremental public company and Omnibus incentive plan costs; (iii) benefits from COVID-19 relief and SR&ED totaling \$899K in the quarter versus \$1,176K in the prior year.

Adjusted EBITDA Margin was 44%, an increase of 2% compared to the nine months ended September 30, 2020. Excluding the nine month ending year over year variances noted above, Adjusted EBITDA Margin was 47%, an increase of 8 percentage points compared to the nine months ended September 30, 2020.

Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS.

See “*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Non-IFRS Measures*” for a reconciliation of net income (loss) to Adjusted EBITDA and Adjusted EBITDA Margin.

#### ***Free Cash Flow***

Free Cash Flow for the three months ended September 30, 2021 was \$4,280K, a decrease of \$855K, or 17%, compared to \$5,134K for the equivalent period in the prior year. This decrease was primarily attributable to a decrease in Adjusted EBITDA, partially offset by a decrease in cash taxes.

Free Cash Flow for the nine months ended September 30, 2021 was \$15,516K, an increase of \$4,231K, or 37%, compared to \$11,284K for the equivalent period in the prior year. This increase was primarily attributable to an increase in Adjusted EBITDA and a decrease in cash taxes.

Free Cash Flow is not a recognized measure under IFRS.

See “Management's Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Non-IFRS Measures” for a reconciliation of net income (loss) to Free Cash Flow.

### SUMMARY OF QUARTERLY RESULTS

Prior to becoming a reporting issuer, we did not prepare quarterly financial statements and other than our interim financial statements for the three months ended March 31, June 30, and September 30 2021 and 2020, no other quarterly financial information is available.

| (in thousands of U.S. dollars except share and per share amounts) (Unaudited) | Three months ended |              |              |              |              |              |              |              |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | Dec 31, 2019       | Mar 31, 2020 | Jun 30, 2020 | Sep 30, 2020 | Dec 31, 2020 | Mar 31, 2021 | Jun 30, 2021 | Sep 30, 2021 |
| Total Revenue   | \$—                | \$11,265     | \$12,131     | \$13,345     | \$—          | \$15,918     | \$14,423     | \$14,001     |
| Total operating expense   | —                  | 13,784       | 11,944       | 12,875       | —            | 13,455       | 16,620       | 15,427       |
| Adjusted EBITDA   | —                  | 3,145        | 5,598        | 6,635        | —            | 7,673        | 6,045        | 5,589        |
| Net income (loss)   | —                  | (3,002)      | (862)        | (963)        | —            | 854          | (4,360)      | (2,289)      |
| Net income (loss) per share - basic   | \$—                | \$(0.22)     | \$(0.06)     | \$(0.07)     | \$—          | \$0.06       | \$(0.24)     | \$(0.10)     |
| Net income (loss) per share - diluted   | —                  | (0.22)       | (0.06)       | (0.07)       | —            | 0.06         | (0.24)       | (0.10)       |

Historically, our business tends to see revenue and EBITDA lowest during Q1, increasing to a peak in Q4 due to seasonality in digital advertising budgets and e-commerce spending. However, this trend was broken as the three months ended Mar 31, 2021 had a significant e-commerce component in part from a pandemic induced tailwind in online shopping. The subsequent quarters saw declines in e-commerce revenues as (i) the US economy reopened from Covid-19, (ii) many industries experienced supply chain issues leading to out-of-stock inventory, adversely impacting revenues.

### FINANCIAL POSITION

| (in thousands of US dollars except percentages) | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Cash and Cash Equivalents                       | \$69,875           | \$4,604           |
| Total Assets                                    | 144,784            | 87,684            |
| Total Liabilities                               | 58,023             | 110,228           |
| Total long-term liabilities                     | 49,899             | 95,937            |

#### Total Assets

Total assets increased by \$57,101K or 65% from December 31, 2020 to September 30, 2021 with cash accounting for \$65,271K of the increase due to (i) unused net proceeds from the Initial Public Offering, and (ii) Cash Flow from Operations. The deferred tax asset also increased by \$3,525K, and prepaid assets increased by \$963K relating to a new D&O insurance policy initiated on the close of the Initial Public Offering and the runoff of the expiring policy. These increases were offset by a reduction in trade and other receivables of \$6,750K and a reduction in intangible assets of \$4,806K. The reduction of trade and other receivables was due to seasonally higher credit sales at the end of 2020 that were subsequently collected. The reduction in intangible assets was primarily driven by amortization of prior period acquisitions.

### **Total Liabilities**

Total long-term liabilities decreased by \$46,038K or 48% largely due to a reduction in long-term debt. A portion of the IPO proceeds, \$43,885K, were used to pay down the previously existing Credit Agreement during the three months ended June 30, 2021.

Total current liabilities decreased by \$6,167K or 43%. The current portion of the long-term debt declined by \$5,810K due to a smaller term loan and lower amortization under the Amended and Restated Credit Agreement.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our capital structure consists of shareholders' equity and long-term debt. We manage our capital structure based on the funds available to us in order to support the continuation and expansion of our operations and to fund future acquisitions. We intend to rely on positive cash flows from operations, availability under our Credit Facilities and proceeds from the Initial Public Offering to achieve our growth strategies.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given our relative size, is reasonable. There were no changes in our approach to capital management for the three months ended September 30, 2021. Neither we nor our subsidiaries are subject to externally imposed capital requirements aside from the covenants described in Note 9 of our consolidated financial statements and described under "*Credit Facilities*" and "*Forgivable Loan*" below.

### **Working Capital**

Our primary source of cash flow is revenue from operations. Our principal cash requirements are for working capital, to service our Credit Facilities and to achieve our growth strategies. Our approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow, performing budget-to-actual analysis, and forecasting future performance and our effect on cash flow on a regular basis.

For the three and nine months ended September 30, 2021 we generated cash flow from operations totalling \$2,990K and \$18,193K respectively, which was sufficient to meet our short-term obligations. In addition to cash balances, we are able to, if necessary, draw on the Revolving Loans to, among other things, meet ongoing working capital requirements. Given our existing cash and Revolving Loans, along with anticipated cash flow generated from operations in the future, we believe that we will have sufficient liquidity to meet our current, short-term financial obligations. With respect to our Credit Facilities, given our anticipated cash flow generated from operations in the future, we believe that we will have sufficient liquidity to continue to service that debt.

### **Prospectus Supplement - Use of proceeds**

In the Company's supplemented PREP prospectus dated June 14, 2021, the company provided a summary of the expected use of proceeds in connection with the Initial Public Offering. The funds were to be primarily used for acquisitions, and in the case of the over-allotment option being exercised, the additional cash raised would be used to invest in our growth strategies, including continued investment in our Fora platform, products and services, as well as working capital needs. Additionally, we also outlined the option to reduce our debt in part or full with the proceeds, and subsequently when needed, draw on our Credit Facilities to fund acquisitions.

On June 21, 2021, the Company completed a TSX initial public offering and issued 5,685,000 Subordinate Voting Shares for a total gross consideration of C\$125.1 million, with an additional 852,750 Subordinate Voting Shares issued on July 6, 2021 as a result of the full exercise of the underwriters' over-allotment option which accounted for an additional C\$18.8 million in gross consideration. In total 6,537,750 Subordinate Voting Shares

were issued as part of the initial public offering and the over-allotment for a total gross consideration of C\$143.8 million. Total share issuance costs for both the Initial Public Offering and the over-allotment exercise amounted to C\$8.9 million resulting in total net considerations of C\$135 million. These net considerations along with available Revolving Loans under the new Credit Agreement will be used for future M&A opportunities.

As of the reporting date, we have used part of the proceeds to (i) reduce our debt by \$43,885K under the Amended and Restated Credit agreement (ii) completed eight asset acquisitions for a total consideration of \$4,436K. The company has \$69,875 in cash at September 30, 2021, along with access to \$75,000K through its Amended and Restated Credit agreement to fund its M&A pipeline.

### Cash Flows

The following table presents cash and cash flows from operating, investing and financing activities for the periods presented:

| (in thousands of US dollars except per share data) | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|--|-------------------------------------|---------|------------------------------------|---------|
|  | 2021                                | 2020    | 2021                               | 2020    |
| Net cash provided by Operating Activities          | \$2,990                             | \$2,424 | \$18,193                           | \$9,925 |
| Net cash provided (used) by financing activities   | 13,432                              | (4,142) | 55,295                             | (6,612) |
| Net cash used in investing activities              | (2,278)                             | (375)   | (8,212)                            | (2,353) |
| Changes in cash during the period                  | 14,143                              | (2,094) | 65,276                             | 960     |
| Cash and cash Equivalents, beginning of period     | 55,517                              | 8,154   | 4,604                              | 5,113   |
| Effect of movement of exchange rates on cash held  | 215                                 | 9       | (5)                                | (4)     |
| Cash and cash Equivalents, end of period           | \$69,875                            | \$6,069 | \$69,875                           | \$6,069 |

#### *Cash Flows from Operating Activities*

Cash flows from operating activities for the three months ended September 30, 2021 were \$2,990K, an increase of \$566K, or 23%, compared to the equivalent period in the prior year. Net income less items not involving cash and change in non-cash operating assets and liabilities declined by \$2,129K. This decline was more than offset by a reduction in interest paid of \$2,418K compared to the equivalent period in the prior year. In general, interest payments are lower in 2021 due to lower debt but the decline in interest paid for the three months ended September 30, 2021 versus the equivalent period in the prior year is also due to timing of quarterly payments. Taxes paid also decreased for the three months ended September 30, 2021 compared to the equivalent period in the prior year, further increasing cash flows from operating activities.

Cash flows from operating activities for the nine months ended September 30, 2021 were \$18,193K, an increase of \$8,268K, or 83%, compared to the equivalent period in the prior year. This increase was primarily attributable to an increase in net income less items not involving cash, and change in non-cash operating assets and liabilities of \$3,943K, and a decrease in interest paid of \$3,836K. Taxes paid also decreased by \$489K for the nine months ended September 30, 2021 compared to the equivalent period in the prior year, further increasing cash flows from operating activities.

#### *Cash Flows Used in Investing Activities*

Cash flows used in investing activities for the three months ended September 30, 2021 were \$2,278K, an increase of \$1,904K or 508% compared to the equivalent period in the prior year. This increase in cash flow used was primarily attributable to asset acquisitions of \$1,000K during the three months ended September 30, 2021. Capitalized expenditures primarily tied to the development of the Fora Platform also increased for the three months ended September 30, 2021 by \$279K compared to the equivalent period in the prior year. In addition, cash flows received through investing activities decreased by \$819K compared to the equivalent period in the prior year due to the sale of investments in 2020.

Cash flows used in investing activities for the nine months ended September 30, 2021 were \$8,212K, an increase of \$5,859K, or 249%, compared to the equivalent period in the prior year. This increase in cash flow used was primarily attributable to asset acquisitions of \$4,436K during the nine months ended September 30, 2021. Capital expenditures during the period increased by \$265K compared to the equivalent period in the prior year primarily tied to the development of the Fora Platform. In addition, cash flows received through investing activities for the nine months ended September 30, 2021 declined by \$1,235K compared to the equivalent period in the prior year due to the sale of investments and intangibles in 2020.

*Cash Flows Used in/from Financing Activities*

Cash flows received through financing activities for the three months ended September 30, 2021 were \$13,432K, an increase of \$17,574K compared to the equivalent period in the prior year. This increase in cash flows received was primarily due to net proceeds of \$14,283K from the IPO over-allotment option exercised by underwriters. In addition, cash flows used declined for the three months ended September 30, 2021 versus the equivalent period in the prior year due to the Amended & Restated Credit Agreement, in particular, reduced debt and amortization versus the previously Existing Credit Agreement.

Cash flows received through financing activities for the nine months ended September 30, 2021 were \$55,295K, an increase of \$61,907K compared to the equivalent period in the prior year. This increase in cash flows received was primarily due to proceeds from the Initial Public Offering of \$110,308K, partially offset by an increase of \$46,320K in payments against our long term debt, and payment of fees tied to the Amended and Restated Credit Agreement of \$1,275K. In addition, Cash flows received through financing activities declined for the nine months ended September 30, 2021 versus the equivalent period in the prior year due to one-time proceeds received in 2020 from the Paycheck Protection Program of \$899K.

**Capital Expenditures**

| (in thousands of U.S. dollars) | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|--------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                | 2021                                | 2020    | 2021                               | 2020    |
| Capitalized software           | \$1,232                             | \$953   | \$3,516                            | \$3,251 |
| Property and equipment         | 55                                  | 248     | 277                                | 355     |
| Total capital expenditures     | \$1,287                             | \$1,201 | \$3,793                            | \$3,606 |

We capitalize eligible software costs when certain criteria are met. Capitalized software costs are primarily wages and consulting expenses for third-party contractors.

Capital expenditures for the three months ended September 30, 2021 were \$1,287K, an increase of \$86K, or 7%, compared to \$1,201K for the equivalent period in the prior year. This increase was primarily attributable to an increase in capitalized development costs incurred for the Fora platform partially offset by a decline in expenditures tied to property and equipment.

Capital expenditures for the nine months ended September 30, 2021 were \$3,793K, an increase of \$187K, or 5%, compared to \$3,606K for the equivalent period in the prior year. This increase was primarily attributable to an increase in capitalized development costs incurred for the Fora platform partially offset by a decline in expenditures tied to property and equipment.

**Credit Facilities**

***Previously Existing Credit Agreement***

On October 5, 2017, we entered into a credit agreement (the "**Original Credit Agreement**") between VerticalScope OpCo as borrower (the "**Borrower**"), the Company, as guarantor and Capital One, National Association, as lender, providing for credit facilities (as may be amended or restated from time to time, including pursuant to the A&R Credit Agreement (as defined below), the "**Credit Facilities**") that originally consisted of a

revolving credit facility (the “**Revolving Loans**”) in the amount of \$20 million, initial term loans (the “**Initial Term Loans**”) in the amount of \$110 million, and delayed draw term loans (the “**Delayed Draw Term Loans**” and together with the Initial Term Loans the “**Term Loans**”) in the amount of up to \$70 million. Delayed Draw Term Loans were drawn in an aggregate amount of \$27.7 million in March 2018 and August 2018. Unused commitments for the Delayed Draw Term Loans terminated on October 5, 2019 in accordance with the terms of the Credit Agreement and commitment fees in respect of the Delayed Draw Term Loans ceased to be payable from that date. As of December 31, 2020, we had borrowings of \$101 million and \$20 million undrawn and available to borrow as Revolving Loans. As of December 31, 2020, all of the outstanding loans bear a floating interest of U.S. dollar LIBOR plus a margin, which is determined by the total net leverage ratio. The Credit Facilities had a maturity date of October 4, 2022. We incurred transaction costs of \$3.1 million, directly attributable to the establishment of the Credit Facilities, which amount was capitalized against the Credit Facilities and was being amortized using the effective interest method.

On December 20, 2019, we entered into the first amendment to the Original Credit Agreement (the “**First Amendment**”). The First Amendment increased the amortization to 7.5% per annum (from 5%), the maximum total net leverage ratio (as calculated in accordance with the Credit Agreement) to 4.50x (from 3.50x), with such ratio reducing by 0.25 percentage points each fiscal quarter beginning with fiscal quarter ended June 30, 2021, to 3.0x for the fiscal quarter ended September 30, 2022 and decreased the minimum fixed charge coverage ratio (as calculated in accordance with the Credit Agreement) to 1.05x (from 1.25x), with such ratio increasing to 1.10x for the fiscal quarter ending March 31, 2022 and thereafter. We incurred transaction costs of \$476, directly attributable to the issuance of the First Amendment, which were capitalized against the Credit Facilities and were being amortized using the effective interest method. On May 25, 2021, we entered into the second amendment to the Original Credit Agreement (the “**Second Amendment**” and the Original Credit Agreement, as amended by the First Amendment and the Second Amendment, the “**Credit Agreement**”) which provides for certain amendments to the event of default related to a “Change of Control” (as defined in the Credit Agreement).

### ***Amended and Restated Credit Agreement***

Following the Initial Public Offering, we entered into an amended and restated credit agreement (the “**A&R Credit Agreement**”), amending and restating the Credit Agreement and the Credit Facilities. As of the effective date of the A&R Credit Agreement, June 24, 2021, the Term Loan and Delayed Draw Term Loan were restated to be a single term loan of \$50 million (the “**Restated Term Loan**”), repayable in quarterly installments at an annual amortization rate of 5%, and the Revolving Facility was restated to \$75 million, with each maturing five years after the effective date. Under the A&R Credit Agreement, there would no longer be any Delayed Draw Term Loans. The maximum total net leverage ratio (as calculated in accordance with the Credit Agreement) is 4.00x (from 4.50x), with such ratio reducing by 0.25 percentage points each fiscal year beginning with fiscal year ended December 31, 2022, to 3.0x for the fiscal year ended December 31, 2025 and the minimum fixed charge coverage ratio (as calculated in accordance with the Credit Agreement) is 1.25x (from 1.05x) upon close and thereafter. All outstanding loans bear a floating interest of U.S. dollar LIBOR plus a margin, which is determined by the total net leverage ratio, with a maximum margin of 3.25% (from 3.50%) and a minimum margin of 2.25% (from 2.50%). The revolving facility incurs fees of 0.5% of the unused balance. The full balance remained undrawn at September 30, 2021.

### **Forgivable Loan**

The U.S. Paycheck Protection Program, offered by the U.S. Small Business Administration (“**SBA**”), was a COVID-19 relief loan designed to provide a direct incentive for small businesses to keep their workers on payroll. We applied for the loan, through our US subsidiaries, and were approved for the amount of \$899K in June 2020. The loan is eligible for forgiveness based on specified criteria from the SBA. Our application for full forgiveness has been reviewed by our lender and approved by the SBA. The loan forgiveness was removed from our long-term debt on the consolidated balance sheet as at September 30, 2021.

### Contractual Obligations

There were material changes to the contractual obligations during the three months ended September 30, 2021 versus prior periods. In particular, obligations tied to the Amended and Restated Credit Agreement are markedly lower versus those due under the previously Existing Credit Agreement. The updated debt commitments are summarized below.

| (in thousands of U.S. dollars)      | Payments Due by Period |         |             |             |           |
|-------------------------------------|------------------------|---------|-------------|-------------|-----------|
|                                     | Total                  | 1 year  | 2 – 3 years | 4 – 5 years | > 5 years |
| Debt                                | \$49,375               | \$2,500 | \$5,000     | \$41,875    | \$—       |
| Operating Leases                    | 7,086                  | 1,396   | 3,617       | 1,838       | 235       |
| Purchase Obligations <sup>(1)</sup> | 10,647                 | 1,638   | 4,914       | 4,095       | —         |
| Total Contractual Obligations       | 67,108                 | 5,534   | 13,531      | 47,808      | 235       |

Notes:

<sup>(1)</sup> "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on us that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

### Contingencies

We are, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. As of the date hereof, we do not believe that adverse decisions in any pending or threatened proceedings, or any amount we may be required to pay by reason thereof, will have a material adverse effect on our financial condition or future results of operations.

### OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations or financial condition as at the date hereof. All of our liabilities and commitments are reflected in our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of our operations.

### TRANSACTIONS WITH RELATED PARTIES

We have no related party transactions, other than those noted in our financial statements included in this MD&A.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management's judgements and also requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We review these estimates and underlying assumptions on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below.

#### Revenue Recognition

We have two primary streams of revenue: digital advertising and e-commerce. The digital advertising stream includes revenue generated from (i) direct advertising campaigns, (ii) custom content solutions, and (iii)

programmatic advertising. The e-commerce revenue stream includes revenue generated from (i) commissions, (ii) referral payments, and (iii) subscriptions.

#### Digital Advertising

Direct advertising campaigns include placement of advertising for end-advertiser customers. Revenue is recognized based on fees for the delivery of Impressions. Substantially all Impressions are delivered on communities owned by us. Impressions are tracked using both first-and-third party advertising management platforms and follow the guidelines established by the Interactive Advertising Bureau.

Custom content solutions include contracts for the production of custom content for customers using our in-house production studio. The projects are short-term in nature. Revenue is recognized over time on a proportionate performance basis as control is transferred to the customer and considering production milestones.

Programmatic advertising includes sales of display ad inventory on a per-Impression basis through an auction run by our ad exchange and supply-side platform partners, or premium Impression auctions in our private marketplace. Revenue is recognized for the fees we retain from these sales in the period the Impressions are delivered.

#### E-commerce

We receive commissions from third party sales attributable to traffic sent to partners, with rates of up to 15% of transaction value purchased. Commissioned sales are driven by product reviews from our network of freelance writers and by user-generated product links posted in communities. Commission revenue is recognized in the same period the commissioned transactions occur based on the contract terms.

For certain e-commerce customers, referral fees are earned for traffic directed from our communities, even if no transaction is completed. Referral fees are recognized in the period the transaction occurs which triggers the referral fee, as this is when our performance is completed.

Subscription-related e-commerce revenue is generated from term-based subscriptions with customers that: (i) enables merchants to maintain a presence on our communities; (ii) provide presence in an online business directory that connects consumers with service providers; and (iii) memberships that provide access to our communities with fewer advertisements. Revenue from subscription contracts is recognized evenly over the term of the subscription as the customer receives and consumes the benefits of the subscription services.

#### Intangible Assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises our purchase price plus any directly attributable costs of preparing the asset for our intended use. Intangible assets acquired as part of a business combination that are recognized separately from goodwill are initially measured at fair value.

We incur internal and external costs for our revenue-generating website communities. Costs incurred during the planning stage (pre-development) are expensed as incurred. Costs incurred during the application and infrastructure development stage, the graphical design stage and the content development stage are capitalized as internally generated intangible assets if the criteria for capitalizing development costs are met. This applies to costs that can be directly attributed and necessary to creating, producing or preparing the community for it to be capable of operating in the manner intended by management. Costs incurred to operate the communities once complete are expensed as incurred except for costs associated with additions to the communities that separately meet the capitalization criteria.

For costs associated with other internally developed intangibles controlled by us, such as our community software platform and other computer software, costs incurred during the development phase of the software

are capitalized once it can be demonstrated that software is technically feasible, future economic benefits are probable, and we intend to and have sufficient resources to complete development and to use or sell the asset. Capitalization ceases once the asset is capable of operating in the manner intended by management. Other costs are expensed as incurred.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets are amortized over the periods in the tables below. The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis. Effective February 1, 2020, we changed our method for amortizing computer software from the declining-balance method with 30% as the rate to the straight-line method of depreciation, as this method better approximates the useful life of the asset. The change was applied prospectively as a change in estimate and resulted in additional amortization of \$526K being charged in 2020 based on the application of the updated estimate method. Amortization is recognized using the following methods and rates:

| Asset                  | Basis         | Rate         |
|------------------------|---------------|--------------|
| Communities            | Straight line | 5 years      |
| Acquired content       | Straight line | 1 year       |
| Customer relationships | Straight line | 5 years      |
| Computer software      | Straight line | 3 to 5 years |

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Interim Financial Statements have been prepared using the accounting policies outlined in note 3 of the audited consolidated financial statements as at and for the year ended December 31, 2020, except the following:

##### **Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property and equipment in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on the consolidated financial statements.

##### **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, Levies, if 25 incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Company is currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on the consolidated financial statements.

#### Annual Improvements to IFRS Standards 2018-2020 Cycle

In May 2020, the IASB issued minor amendments to certain standards including IFRS 1, IFRS 9, Financial Instruments and IFRS 16, Leases ("IFRS 16"). The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are effective for annual periods beginning on or after January 1, 2022. The Company is currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on the consolidated financial statements.

#### Interest Rate Benchmark Reform (Phase 1)

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standard on disclosures, IFRS 7 Financial Instruments: Disclosures in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments modify specific hedge accounting requirements to allow entities to assume that the interest rate benchmark on which the hedged cash flows and the cash flows of which the hedging instrument are based on, are not altered as a result of LIBOR reform. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of the amendments did not have a material impact on the consolidated financial statements in the current or comparative periods.

#### Interest Rate Benchmark Reform (Phase 2)

The Company has initially adopted Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the "phase 2 amendments") from January 1, 2021.

The Company applied the phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the phase 2 amendments, the Company has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The adoption did not have a material impact in Q3 2021.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at September 30, 2021, our financial instruments consist of financial assets comprised of \$69,875K in cash, \$7,914K trade and other receivables and \$2K derivative instruments, as well as financial liabilities comprised of \$4,157K accounts payable and accrued liabilities, \$3,230K lease liability, and \$49,666K long-term debt.

The fair values of these financial instruments, excluding long-term debt, approximate their carrying value due to their short-term maturity. The carrying value of our long-term debt approximates fair value due to the variable interest rate in the relevant agreements.

### Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on accounts receivable from our customers. To the extent necessary, we take steps to monitor the credit risk of clients. Balances for trade accounts receivable are managed on an ongoing basis to ensure allowances for doubtful accounts that correspond to the specific credit risk of our customers, which are established and maintained at an appropriate amount.

As at December 31, 2020, there was a concentration of credit risk with 29% of our trade receivables balance with two customers for 20% and 9%, respectively, compared to a 20% trade receivables balance with two customers for 14% and 6%, respectively as at September 30, 2021. These customers are in the digital advertising and e-commerce streams.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our Credit Facilities, which bear interest at a LIBOR plus a margin determined by our net leverage ratio. We are also exposed to interest rate risk on the utilized portion of the Credit Facilities. Based on the amount owing at December 31, 2020, a 1% change in LIBOR would result in an increase (decrease) of \$1,082K in interest expense. Based on the amount owing at September 30, 2021, a 1% change in LIBOR would result in an increase (decrease) of \$497K in interest expense annually.

### Foreign Currency Risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The following table provides a summary of our exposure expressed in thousands of U.S. dollars:

| (in thousands of U.S. dollars)           | <b>CAD</b> | <b>EUR</b> | <b>GBP</b> | <b>KYD</b> | <b>Total</b> |
|--|------------|------------|------------|------------|--------------|
| Cash and cash equivalents                | \$1,196    | \$232      | \$130      | \$8        | \$1,565      |
| Trade and other receivables              | 1          | (10)       | —          | —          | (8)          |
| Accounts payable and accrued liabilities | (1,811)    | (140)      | (13)       | —          | (1,965)      |
| Lease liabilities                        | (2,924)    | (39)       | —          | —          | (2,963)      |
| Net financial position exposure          | (3,539)    | 42         | 118        | 8          | (3,370)      |

For the nine months ended September 30, 2021, we had various CAD-denominated operating expenses from continuing operations in the amount of \$20,097K (nine months ended September 30, 2020 - \$11,141K). We received a total of \$115K (nine months ended September 30, 2020 - \$97K) in CAD-denominated tax credits which offset these expenses. As at September 30, 2021, a 1% depreciation or appreciation of the Canadian dollar against the U.S. dollar would have resulted in an approximate \$163K and \$159K increase or decrease, respectively, in income before income taxes.

From time to time, we enter into foreign exchange contracts with financial institutions to hedge the value of foreign currency-denominated liabilities or future commitments. Gains and losses from these contracts offset the losses and gains from the underlying hedged transactions.

#### Liquidity Risk

Liquidity risk is the risk that we will be unable to fulfill our obligations on a timely basis or at a reasonable cost. We manage our liquidity risk by monitoring our operating requirements. We maintain sufficient cash on hand and access to additional shareholder funding to ensure we have sufficient funds to fulfill our obligations. As at December 31, 2020, we had working capital of \$5,865K to cover short term obligations. As at September 30, 2021, we had working capital of \$71,044K to cover short term obligations.

#### Concentration Risk – Industry

We operate in the social networking industry with a significant focus on the automotive sector and are affected by general economic trends. A decline in economic conditions, consumer interest or other adverse conditions in the social networking industry or automotive sector, could lead to reduced revenue and gross margin. We will face more risks than if it were diversified broadly over numerous industries or sectors.

### **DISCLOSURE OF OUTSTANDING SECURITY DATA**

VerticalScope Holdings Inc. is a publicly traded company listed under the symbol “FORA” on the Toronto Stock Exchange (“TSX”). Our authorized share capital consists of: (i) an unlimited number of Multiple Voting Shares; (ii) an unlimited number of Subordinate Voting Shares; and (iii) an unlimited number of Preferred Shares, issuable in series, of which 2,957,265 Multiple Voting Shares and 16,822,687 Subordinate Voting Shares were issued and outstanding as of June 30, 2021. Additionally, there are 940,000 options outstanding to acquire 940,000 Subordinate Voting Shares with a weighted average exercise price of U\$21.19.

On July 6, 2021 an additional 852,750 Subordinate Voting Shares were issued as part of an Over-Allotment option exercised by underwriters bringing the total number of issued and outstanding Subordinate Voting Shares to 17,675,437 as of that date and as of September 30, 2021.