

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

This MD&A for the three and twelve months ended December 31, 2022 should be read in conjunction with VerticalScope Holdings Inc.'s (the "Company", "VerticalScope", "us", "we" or "our") audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021, along with the related notes thereto. This MD&A is presented as of March 7, 2023 and was reviewed by the Audit Committee and approved by our Board of Directors (the "Board"). The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. Some totals and subtotals might not match and some percentages may not reconcile 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.

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. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

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 are material factors made in preparing forward-looking information and management's expectations, including: 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 to 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; the impact of Russia's invasion of Ukraine and its impact on the global supply chain and consumer spending; seasonality and the impact on customer budgets and consumer spending; and the changes in laws, rules, regulations, and global standards.

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 (loss), 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.

The KPIs and 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, share performance related bonuses, unrealized gains or losses from changes in fair value of derivative financial instruments, severance, adjustments to 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 Initial Public 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.

"Free Cash Flow Conversion" is equal to Free Cash Flow for the period divided by Adjusted EBITDA for the period.

"Working Capital" is equal to current assets less current liabilities.

KPIs

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 reconciliation of Adjusted EBITDA and Free Cash Flow to net loss:

(in thousands of U.S. dollars)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$144	(\$6,678)	(\$24,772)	(\$12,264)
Net interest expense	998	492	3,094	6,073
Income tax expense (recovery)	234	(571)	(2,333)	(1,830)
Depreciation and amortization	9,030	6,766	38,659	20,636
EBITDA	10,406	10	14,648	12,615
Share-based compensation	1,564	3,435	9,809	6,132
Share performance related bonus ⁽¹⁾	1	743	(1,079)	1,080
Unrealized loss (gain) from changes in derivative fair value of financial instruments	(91)	(16)	18	62
Severance ⁽²⁾	202	—	1,003	105
Loss on sale of assets	—	397	3	411
Foreign exchange loss (gain)	(77)	27	(22)	118
Impairment of investment	1,000	—	1,000	250
Adjustment to contingent considerations	(6,345)	1,710	2,671	1,710
Other charges ⁽³⁾	585	3,097	2,818	6,563
Adjusted EBITDA	7,245	9,403	30,870	29,048
Less capital expenditures	(870)	(1,500)	(5,303)	(5,229)
Income taxes paid	(2,134)	(240)	(3,860)	(239)
Free Cash Flow	\$4,241	\$7,663	\$21,706	\$23,580

⁽¹⁾ Share performance related bonus is included in wages and consulting on the consolidated statements of loss and comprehensive loss.

⁽²⁾ Severance is included in wages and consulting on the consolidated statements of loss and comprehensive loss.

⁽³⁾ Other charges are included in wages and consulting and general and administrative on the consolidated statements of loss and comprehensive loss. For the three and twelve months ended December 31, 2022, these charges include direct and incremental asset acquisition or business acquisition related costs. For the three and twelve months ended December 31, 2021, these charges are primarily one-time Initial Public Offering related professional fees.

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

(MAU in thousands)	FY 2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022
MAU	111,392	113,636	109,521	109,036	113,377
ARPU	\$ 0.060	\$ 0.056	\$ 0.060	\$ 0.067	\$ 0.059
	FY 2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021
MAU	98,784	105,767	93,824	94,813	100,732
ARPU	\$ 0.055	\$ 0.068	\$ 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

For the three months ended December 31, 2022, MAU increased 7.4% compared to the equivalent period in the prior year due to acquisitions, inclusive of a 5.9% organic decline. For the twelve months ended December 31, 2022, MAU increased 12.8% compared to the equivalent period in the prior year. The slower MAU growth for the three months ended December 31, 2022 is largely attributable to the lapping of 2021 acquisitions as well as the unwinding of pandemic-induced traffic patterns, macro-economic impacts on consumer online spending behavior, and consecutive search engine algorithm updates.

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

OVERVIEW

Business Overview

VerticalScope Holdings Inc. was incorporated on November 19, 2012 under the OBCA. VerticalScope Inc., a subsidiary of VerticalScope Holdings Inc., was 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 over 100 million monthly active users (MAU) and 60 million registered community members across over 1,200 online communities as at December 31, 2022. 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 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 230 acquisitions in our history and we believe that acquisitions will be an important driver of our future growth.

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. As part of the migration, we intentionally reduced our digital advertising revenue by removing ads that detracted from our user experience and slowed down our page load speeds. During this time, 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. As at December 31, 2022 there were 1,264 communities running on the Fora platform which represent 92% of designated forum community MAU compared to 1,203 communities or 86% at the start of the year. Fluctuations to this percentage are expected as acquired communities are onboarded and prepared for migration to the Fora platform.

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

Digital Advertising

Our digital advertising revenue comprises direct advertising, programmatic advertising and custom content solutions. 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). We rely on customers to purchase impressions from our communities for future revenue. Our contracts with customers generally do not include long-term obligations.

- **Direct Advertising:** we serve hundreds of direct advertisers primarily in the U.S. and Canada including OEMs, retailers and insurance providers. Our direct advertising efforts focus mainly on larger brands seeking to reach a national base of consumers.
- **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, which ensures access to advertisers at competitive rates. 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.
- **Custom Content:** includes our in-house production studio Geared Content Studios which provides custom content, in particular, video solutions specializing in reaching enthusiasts and in-market shoppers. Our wider Content team also manages and produces a range of branded content for advertisers, including product reviews, articles, e-mail features, and short videos.

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. For certain e-commerce partners, we also generate referral payments for traffic directed from our communities, even if no transaction is completed. Also, changes to agreements in respect of commissions and referral payments may also impact e-commerce revenue.

- Commissions and referral payments: 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 60 partners and networks on our communities. 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.

Consolidated Highlights

Financial Highlights for the Three Months Ended December 31, 2022 ("Q4") and the Twelve Months Ended December 31, 2022 ("2022"). All comparatives, unless otherwise noted, are versus the same period in the prior year.

- 2022 revenue experienced a 22% increase to a record \$80.5M, due to contributions from 2021 acquisitions, despite an 11% drop to \$19.1M in Q4 attributed to macroeconomic conditions compared to record performance in the prior year.
- Revenue from Digital Advertising increased 25% in 2022 to \$55.1M inclusive of a Q4 decline of 6% to \$14.2M. E-commerce revenue grew by 17% to \$25.4M in 2022 inclusive of a Q4 drop of 24% to \$4.9M. Digital Advertising and E-commerce growth in revenue in Q4 was affected by a decline in advertising and conversion rates compared to the prior year due to macroeconomic pressures.
- 2022 Adjusted EBITDA rose to \$30.9M, representing an increase of 6% from the previous year. Despite this, Adjusted EBITDA for Q4 decreased by 23% to \$7.2M, due to negative macroeconomic impacts that had an adverse effect on revenue growth. To address this, the Company announced organizational changes on February 1, 2023, aimed at aligning its cost structure to core long-term growth opportunities.
- In 2022, the Company generated Free Cash Flow of \$21.7M, resulting in a 70% Free Cash Flow conversion rate, after accounting for \$5.3M in capital expenditures and \$3.9M in cash taxes.
- In 2022, net loss increased to \$24.8M, compared to a net loss of \$12.3M in the prior year. This increase in net loss was mainly due to an increase in amortization of intangibles recognized in the period, amounting to \$37.3M compared to \$19.2M in the prior year.

Acquisitions

- For the twelve months ended December 31, 2022, we signed and closed 14 asset deal acquisitions for a total consideration of \$4.4M.

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 200 online communities. These acquisitions are typically immaterial when considered individually having regard to the overall size and value of our current business and operations. 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. 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.

Impact of COVID-19 on our Operations

As a result of the COVID-19 pandemic, the ability and willingness of advertisers to spend on our services has fluctuated due to semiconductor chip shortages, supply chain issues, rising commodity prices and inventory and labor shortages. This had a negative impact to advertising revenue throughout 2020, and continued to affect the ability and willingness of such impacted advertisers to spend on our platform during 2022.

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 has moved out of lockdowns and supply chain issues continue to materialize, we've seen this trend, in part, reverse, although growth trends remain relative to levels prior to COVID-19.

We are currently unable to accurately predict the full impact that the COVID-19 pandemic will have on our financial results due to uncertainties regarding the duration and rate of the ongoing spread of the pandemic, including variants of the COVID-19 virus, including any resurgences, the extent and effectiveness of containment actions and other public health measures, the distribution and public acceptance of vaccines and treatments, and the impact of these and other factors on our employees, users, advertisers, partners and vendors.

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 and Russia's invasion of Ukraine, 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 long-term 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.

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. Typically, our fourth quarter generates higher digital advertising and e-commerce revenue relative to other quarters. As a result, we believe the best indicator for performance is year-over-year comparisons.

CONSOLIDATED RESULTS OF OPERATIONS

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

(in thousands of U.S. dollars except per share data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenue	\$19,094	\$21,418	\$80,488	\$65,762
Operating expenses:				
Wages and consulting	8,397	9,690	35,818	26,918
Share-based compensation	1,564	3,435	9,809	6,132
Platform and technology	2,115	2,125	8,816	7,177
General and administrative	2,033	4,024	7,743	10,428
Depreciation and amortization	9,030	6,766	38,659	20,636
Impairment of investment	1,000	—	1,000	250
Adjustment to contingent considerations	(6,345)	1,710	2,671	1,710
Operating income (loss)	1,299	(6,332)	(24,029)	(7,491)
Other expenses:				
Loss on sale of assets	—	397	3	411
Net interest expense	998	492	3,094	6,073
Foreign exchange loss (gain)	(77)	27	(22)	118
	922	917	3,076	6,603
Income (loss) before income taxes	377	(7,249)	(27,105)	(14,094)
Income taxes (recovery)				
Current	1,000	292	3,093	724
Deferred	(766)	(863)	(5,426)	(2,554)
	234	(571)	(2,333)	(1,830)
Net income (loss)	\$144	(\$6,678)	(\$24,772)	(\$12,264)
Other comprehensive loss				
<i>Items that may be reclassified to net loss</i>				
Cumulative translation adjustment	(187)	64	(89)	(144)
Total comprehensive loss	(\$43)	(\$6,614)	(\$24,862)	(\$12,409)
Income (loss) per share:				
Basic	\$0.01	(\$0.32)	(\$1.16)	(\$0.59)
Diluted	0.01	(0.32)	(1.16)	(0.59)

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 U.S. dollars except per share data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Digital Advertising Revenue	\$14,243	\$15,073	\$55,090	\$43,987
E-Commerce Revenue	4,851	6,345	25,398	21,775
Total Revenue	\$19,094	\$21,418	\$80,488	\$65,762
Monthly Average Users (MAUs)	113,636	105,767	111,392	98,784
ARPU - Digital Advertising	\$0.042	\$0.048	\$0.041	\$0.037
ARPU - E-Commerce	\$0.014	\$0.020	\$0.019	\$0.018
ARPU - Total Revenue	\$0.056	\$0.068	\$0.060	\$0.055
Adjusted EBITDA	7,245	9,403	30,870	29,048
Adjusted EBITDA Margin	38%	44%	38%	44%
Free Cash Flow	4,241	7,663	21,706	23,580

DISCUSSION OF OPERATIONS

Revenue

Three Months Ended December 31, 2022

Revenue for the three months ended December 31, 2022 decreased by 11% to \$19,094K, compared to \$21,418K for the same period in the prior year. This decrease was primarily driven by a decrease in ARPU across all revenue streams, partially offset by an increase in MAU of 7%. Digital advertising revenue for the three months ended December 31, 2022 decreased by 6% to \$14,243K, primarily due to a 12% decrease in digital advertising ARPU, caused by the difficult macroeconomic conditions which resulted in lower advertising rates. E-commerce revenue for the same period decreased by 24% to \$4,851K, primarily due to a 29% decrease in e-commerce ARPU, caused by reduced volumes from e-commerce partners due to the same macroeconomic conditions, coupled with reduced commission rates in the streaming category as major platforms turn their focus to maximizing the profitability of their content and services.

Twelve Months Ended December 31, 2022

For the twelve months ended December 31, 2022, total revenue was \$80,488K, a 22% increase from the same period in the prior year. This increase in revenue was primarily due to a 9% increase in total ARPU and a 13% increase in MAU, with acquisitions contributing to the MAU growth. Digital advertising revenue increased 25% to \$55,090K, with an 11% increase in digital advertising ARPU and the same 13% increase in MAU. This ARPU growth was driven by direct sales, an increase in programmatic spend, and contributions from acquisitions. E-commerce revenue for the same period increased 17% to \$25,398K, due to a 3% increase in e-commerce ARPU and the same 13% increase in MAU. This increase was driven by acquired growth from the streaming category, partially offset by a decline in categories such as Fitness, where demand for products was brought forward during the pandemic, and reduced commissions from major streaming platforms implemented during the three months ended December 31, 2022.

Expenses

(in thousands of U.S. dollars except percentages)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
Wages and consulting	\$ 8,397	\$ 9,690	\$ (1,293)	(13)%	\$35,818	\$26,918	\$ 8,900	33 %
Share-based compensation	1,564	3,435	(1,872)	(54)%	9,809	6,132	3,677	60 %
Platform and technology	2,115	2,125	(10)	0 %	8,816	7,177	1,639	23 %
General and administrative	2,033	4,024	(1,991)	(49)%	7,743	10,428	(2,685)	(26)%
Depreciation and amortization	9,030	6,766	2,264	33 %	38,659	20,636	18,023	87 %
Impairment of investments	1,000	—	1,000	0 %	1,000	250	750	300 %
Adjustment to contingent considerations	(6,345)	1,710	(8,055)	(471)%	2,671	1,710	961	56 %
Total operating expenses	\$17,795	\$27,751	\$ (9,956)	(36)%	\$104,517	\$73,253	\$31,265	43 %

Our operating expenses include wages and consulting expenses, share-based compensation, platform and technology expenses, general and administrative expenses, depreciation and amortization, impairment and adjustment to contingent consideration. Our largest operating expense is wages and consulting expenses. 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.

Operating expenses for the three months ended December 31, 2022 and December 31, 2021 were \$17,795K and \$27,751K, respectively. Operating expenses for the twelve months ended December 31, 2022 and December 31, 2021 were \$104,517K and \$73,253K, respectively.

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

Wages and consulting

For the three months ended December 31, 2022, wages and consulting expenses decreased 13% year-over-year, from \$9,690K to \$8,397K, primarily due to lower average headcount and the settlement of acquisition related bonuses recognized in the prior year. For the twelve months ended December 31, 2022, wages and consulting expenses increased 33% year-over-year, from \$26,918K to \$35,818K with an increase of 29%, or \$8,001K, when excluding \$899K in Paycheck Protection Loan forgiveness recognized during the twelve months ended December 31, 2021. This growth was mainly attributed to wage inflation and employees onboarded from acquisitions completed during the three months ended December 31, 2021. The average full-time headcount for the twelve months ended December 31, 2022 was 289, compared to 255 in the prior year period.

Share-based compensation

For the three months ended December 31, 2022, the Company experienced a decrease in share-based compensation of 54%, from \$3,435K to \$1,564K, compared to the same period in the prior year. This decrease can be attributed to a decrease in the fair market value of market performance based share units granted during the three months ended December 31, 2021. For the twelve months ended December 31, 2022, share-based compensation increased by 60%, from \$6,132K to \$9,809K, compared to the same period in the prior year. This increase can be largely attributed to grants under the Omnibus Incentive Plan as well as restricted share units and market performance based share units granted since the comparative periods.

Platform and technology

For the three months ended December 31, 2022, platform and technology expenses decreased slightly compared to the equivalent period in the prior year, with a decrease from \$2,125K to \$2,115K. For the twelve months ended December 31, 2022, platform and technology expenses increased by 23% relative to the prior year, increasing from \$7,177K to \$8,816K. This increase can generally be attributed to cloud hosting and ad serving costs relative to changes in MAU and digital advertising revenue.

General and administrative

For the three months ended December 31, 2022, general and administrative expenses decreased 49% from \$4,024K to \$2,033K compared to the equivalent period in the prior year. This decrease is primarily attributed to decreases in search engine marketing expenses and acquisition related professional fees. For the twelve months ended December 31, 2022, general and administrative expenses decreased 26% from \$10,428K to \$7,743K compared to the equivalent period in the prior year. This decrease is primarily attributed to professional fees incurred during the prior year period online tied to the Initial Public Offering, partially offset by increases in search engine marketing expenses, travel expenses, and the recognition of a full year of public company professional fees.

Depreciation and amortization

For the three months ended December 31, 2022, depreciation and amortization increased by 33%, from \$6,766K to \$9,030K compared to the equivalent period in the prior year. For the twelve months ended December 31, 2022, the increase was more significant, with an 87% increase from \$20,636K to \$38,659K compared to the same period in the prior year. This increase is largely attributed to the amortization of intangibles acquired during the three months ended December 31, 2021.

Impairment of investment & adjustment to contingent considerations

At December 31, 2022, VerticalScope Inc. holds a 4.12% diluted interest in a forum mobile application. A review of the investment was performed during 2022 and it was determined that the investment was impaired. Consequently, an impairment charge of \$1,000K was recorded, reducing the carrying value of the forum mobile application investment to nil as at December 31, 2022.

During the twelve months ended December 31, 2022, the fair market value of the contingent consideration related to the acquisition of FOMOPOP Inc. was revalued based on actual performance versus projected performance. This resulted in a change in the amount expected to be paid and a fair market value adjustment. The maximum current portion of the contingent consideration, \$15,000K, was paid on January 6, 2023.

Net income (loss)

For the three months ended December 31, 2022, net income was \$144K, a decrease of \$6,822K from the net loss of \$6,678K for the three months ended December 31, 2021. The decrease in net loss was primarily due to an increase in operating income of \$7,632K, primarily driven by a decrease of \$8,055K in Adjustment to contingent considerations. This was partially offset by higher Depreciation and amortization and a \$1,000K Impairment to investment in a forum mobile app. The decrease in net loss was further attributed to an increase in income taxes of \$804K.

For the twelve months ended December 31, 2022, our net loss was \$24,772K, an increase of \$12,508K compared to the prior year. Operating income decreased by \$16,538K due to higher non-cash amortization costs related to acquisitions and additional expenses associated with our Initial Public Offering, partially offset by lower interest expense due to decreased debt levels and income tax recoveries of \$503K lower than the prior year period. Amortization of intangibles in the period was \$37,303K compared to \$19,177K in the prior year.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three months ended December 31, 2022 was \$7,245K, a decrease of 23% compared to \$9,403K for the same period in 2021. The overall decrease was primarily due to macroeconomic headwinds leading to a \$2,324K decline in revenue. For the twelve months ended December 31, 2022, Adjusted EBITDA was \$30,870K, a 6% increase compared to the same period in 2021. This growth was largely attributed to a \$14,727K increase in revenue, offset by a \$12,905K increase in cash impacting operating expenses, due to a higher average headcount, increased hosting and ad serving costs relative to growth in MAU and digital advertising revenue and a full year of public company costs.

For the three and twelve months ended December 31, 2022, Adjusted EBITDA margin decreased 6 percentage points when compared to the same periods in 2021. Revenue decreases and wage inflation in the three months ended December 31, 2022, in addition to a higher average headcount in the twelve months ended December 31, 2022, have been a key factor in the decline in Adjusted EBITDA margin.

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 loss to Adjusted EBITDA and Adjusted EBITDA Margin.

Free Cash Flow

For the three months ended December 31, 2022, Free Cash Flow decreased by 45%, to \$4,241K, from \$7,663K in the prior year. This was mainly due to a decrease in Adjusted EBITDA and an increase in cash taxes, partially offset by an increase in impairment of investments. For the twelve months ended December 31, 2022, Free Cash Flow decreased by 8%, to \$21,706K from \$23,580K in the prior year. The decline in Free Cash Flow was the result of an increase in cash taxes, partially offset by a rise in Adjusted EBITDA.

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 loss to Free Cash Flow.

Additional information relating to the Company is available on SEDAR www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for each of the eight most recently completed quarters.

(in thousands of U.S. dollars except per share amounts) (Unaudited)	Three months ended							
	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022
Total Revenue	\$15,918	\$14,423	\$14,001	\$21,418	\$20,048	\$21,769	\$19,577	\$19,094
Total Operating Expenses	13,455	16,620	15,427	27,751	32,491	28,467	25,764	17,795
Adjusted EBITDA	7,673	6,045	5,926	9,403	7,282	9,316	7,026	7,245
Net income (loss)	854	(4,360)	(2,289)	(6,470)	(11,871)	(7,001)	(6,044)	144
Net income (loss) per share - basic	\$0.06	(\$0.24)	(\$0.10)	(\$0.31)	(\$0.56)	(\$0.33)	(\$0.28)	\$0.01
Net income (loss) per share - diluted	\$0.06	(\$0.24)	(\$0.10)	(\$0.31)	(\$0.56)	(\$0.33)	(\$0.28)	\$0.01

Historically, our business has typically seen revenue and EBITDA at its lowest during the first quarter of the year, increasing to its peak in the fourth quarter due to seasonality in digital advertising budgets and e-commerce spending. However, this pattern was disrupted in the three months ended March 31, 2021, as we saw a significant contribution from e-commerce due to a pandemic-induced surge in online shopping. Subsequent quarters showed decreases in e-commerce revenues, as (i) the U.S. economy reopened from COVID-19, and (ii) many industries encountered supply chain issues leading to out-of-stock inventory, adversely impacting revenues. The three months ended March 31, 2022 did not experience a sequential decrease in revenues due to a full quarter of revenue contributions from acquisitions completed during the three months ended December 31, 2021. The three months ended December 31, 2022 also did not experience a sequential increase relative to the three months ended September 30, 2022, due to unfavorable macro factors affecting MAU, advertising rates, and commerce activity.

FINANCIAL POSITION

(in thousands of U.S. dollars)	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	\$8,767	\$20,494
Total Assets	177,556	217,328
Total Liabilities	96,060	121,085
Total Long-Term Liabilities	67,050	96,765

Total Assets

Total assets decreased by \$39,772K or 18% from December 31, 2021 to December 31, 2022. This decrease was primarily attributed to: (i) a \$28,226K reduction in intangible assets as a result of amortization from recent acquisitions, and (ii) a reduction in cash of \$11,728K primarily driven by payments against the Revolving Loan (as defined below).

Total Liabilities

Total current liabilities increased by \$4,689K or 19%. Due to better than expected performance, revaluation of the 2022 earn-out for FOMOPOP, Inc. resulted in additional contingent consideration of \$7,084K partially offset by payments against accruals and accounts payable.

Total long-term liabilities decreased by \$29,715K or 31%. The decrease was primarily driven by a reduction in long-term debt via voluntary prepayments against the Revolving Loan. Long-term liabilities also declined due to revaluation of the 2023 earn-out for FOMOPOP, Inc. resulting in a \$4,413K reversal of contingent consideration.

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 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 twelve months ended December 31, 2022. Aside from the covenants described in Note 11 of our consolidated financial statements and described under "*Credit Facilities*" and "*Forgivable Loan*" below, we are not subject to externally imposed capital requirements.

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 twelve months ended December 31, 2022 we generated cash flow from operations totaling \$3,322K and \$20,636K 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 Loan to, among other things, meet ongoing working capital requirements. Given our existing cash and Revolving Loan, 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.

Additionally, on January 14, 2022, we filed a final short form base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada. The base shelf prospectus will allow the Company to qualify the distribution of up to \$500 million Canadian dollars of securities during the 25-month period that this prospectus remains in effect. Our ability to pursue funding through the base shelf prospectus is intended to provide financing flexibility to execute on our M&A pipeline and strategy. As of the date of this MD&A, there has been no distribution of securities as part of the final short form base shelf prospectus.

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 consideration of C\$135 million. As of the reporting date, we have used all of the proceeds to reduce our debt and complete asset acquisitions and business combinations. The Company has \$8,767 in cash at December 31, 2022, along with access to \$64,000K through its A&R 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)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$3,322	\$1,409	\$20,636	\$19,603
Net cash provided (used) by financing activities	(1,237)	29,109	(22,474)	84,405
Net cash used in investing activities	(1,010)	(79,544)	(9,658)	(87,756)
Changes in cash during the period	1,075	(49,025)	(11,496)	16,251
Cash and cash equivalents, beginning of period	7,764	69,875	20,494	4,604
Change in restricted cash balances	50	(180)	63	(180)
Effect of movement of exchange rates on cash and restricted cash held	(123)	(176)	(295)	(181)
Cash and cash equivalents, end of period	\$8,767	\$20,494	\$8,767	\$20,494

Cash Flows from Operating Activities

For the three months ended December 31, 2022, cash flows from operating activities increased by \$1,913K, or 136%, compared to the equivalent period in the prior year. This increase was primarily due to an increase of \$4,298K in net income less items not involving cash and change in non-cash operating assets and liabilities, which was partially offset by an increase in interest paid of \$491K and an increase in taxes paid of \$1,894K due to installment payments made during the comparable period.

For the twelve months ended December 31, 2022, cash flows from operating activities were \$20,636K, a 5% increase of \$1,033K from the equivalent period in the prior year. This increase was mainly due to a \$4,957K increase in net income less items not involving cash and change in non-cash operating assets and liabilities, offset by higher interest paid of \$302K and higher taxes paid of \$3,621K due to installment payments made during the twelve months ended December 31, 2022.

Cash Flows Used in/from Financing Activities

For the three months ended December 31, 2022, cash flows from financing activities were \$1,237K, an increase of \$30,347K compared to the same period in the prior year. This increase is primarily due to a \$30,000K draw on the Revolving Loan to fund acquisitions during the prior year period.

For the twelve months ended December 31, 2022, cash flows used in financing activities totaled \$22,474K, an increase of \$106,879K when compared to the same period in the prior year. The primary source of the increase was a \$19,000K voluntary prepayment against the Revolving Loan. This was partially offset by cash proceeds received from the IPO and a \$30,000K draw on the Revolving Loan in the comparative period.

Cash Flows Used in Investing Activities

The decrease in cash flows used in investing activities for the three and twelve months ended December 31, 2022 compared to the same period in the prior year was primarily due to a reduction in acquisition activity. For the three months ended December 31, 2022, cash flows used in investing activities were \$1,010K, a decrease of \$78,534K or 99%, while for the twelve months ended December 31, 2022, cash flows used in investing activities were \$9,658K, a decrease of \$78,098K, or 89%.

Capital Expenditures

(in thousands of U.S. dollars)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Capitalized software	\$802	\$1,375	\$4,665	\$4,827
Property and equipment	69	125	638	402
Total capital expenditures	\$870	\$1,500	\$5,303	\$5,229

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

For the three months ended December 31, 2022, capital expenditures decreased by 42%, to \$870K, as compared to \$1,500K for the same period in the prior year. This decline was largely due to a decrease in capitalized development costs related to the Fora platform.

Capital expenditures for the twelve months ended December 31, 2022 were \$5,303K, a 1% increase from the prior year's total of \$5,229K. This rise in capital expenditure was mainly due to an increase in property and equipment, which was partially offset by decreased capitalized development costs incurred for the Fora platform.

Credit Facilities

Previously Existing Credit Agreement

On October 5, 2017, the Company entered into a credit agreement (the "2017 Credit Facility") with Capital One, National Association, as successor from Antares Capital LP. The 2017 Credit Facility consisted of a revolving credit facility (the "Revolving Loan") in the amount of \$20,000,000, a term loan in the amount of \$110,000,000 and a delayed draw term loan in the amount of \$70,000,000, which each bear interest at a floating interest rate of LIBOR plus a margin determined by the Company's net leverage ratio. The 2017 Credit Facility had an expiry date of October 4, 2022.

On December 20, 2019, the Company entered into the first amendment to the 2017 Credit Facility (the "Amendment" or "Credit Facility"). The Amendment increased the amortization to 7.5% per annum, Maximum Total Net Leverage to 4.50x and decreased the Minimum Fixed Charge Coverage Ratio to 1.05x.

Amended and Restated Credit Agreement

On June 24, 2021, the Company entered into an amended and restated credit agreement (the "A&R Credit Agreement"), amending and restating the Amendment. As of the effective date of the A&R Credit Agreement, the term loan and the delayed draw term loan were restated to be a single term loan of \$50,000,000 (the "Term Loan"), repayable in quarterly installments at an annual amortization rate of 5%, and the Revolving Loan was restated to \$75,000,000, 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 is 4.00x, with such ratio reducing by 0.25 percentage points each fiscal year beginning with the fiscal year ended December 31, 2022, to 3.0x for the fiscal year ended December 31, 2025 and the minimum fixed charge coverage ratio is 1.25x 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% and a minimum margin of 2.25%. The Company incurred transaction costs of \$1,274,501, directly attributable to this amendment and restatement, which were expensed during the year ended December 31, 2021. Additionally, unamortized transaction costs of \$1,052,844 were expensed due to the extinguishment of the former Credit Facility during the same period. The Revolving Loan incurs fees of 0.5% of the unused balance. There was \$11 million drawn on the Revolving Loan at December 31, 2022.

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 U.S. subsidiaries, and were approved for \$899K in June 2020. The loan was 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 was removed from our long-term debt on the consolidated balance sheet as at September 30, 2021.

Contractual Obligations

There were no material changes to the contractual obligations during the three months ended December 31, 2022. In particular, obligations tied to the A&R Credit Agreement are lower than 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	\$57,250	\$2,500	\$5,000	\$49,750	\$—
Purchase Obligations ⁽¹⁾	8,600	2,457	5,460	683	—
Total Contractual Obligations	\$65,850	\$4,957	\$10,460	\$50,433	\$—

Notes:

⁽¹⁾ "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.

TRANSACTIONS WITH RELATED PARTIES

There were no related party transactions during the twelve months ended December 31, 2022.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements often involves management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. We review these estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

Areas requiring the use of management estimates and judgments include the expected credit losses on trade and other receivables, the recognition of government grants including investment tax credits and receivables, right-of-use asset, property and equipment and intangible asset impairment assessments, goodwill impairment assessments, the determination of the estimated useful lives of property and equipment and intangibles assets, inputs used in the determination of the fair value of share option grants, the determination of the incremental borrowing rate and lease term for lease contracts for right of use assets and lease contract liability, and deferred income taxes.

Areas requiring the most significant management estimates and judgements are outlined below:

(i) Valuation of acquired intangibles

In a business combination or asset acquisition, all identifiable net assets acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management with assistance from an independent valuation expert develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, significant assumptions include the future net cash flows, royalty rates and discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not be for more than one year from the acquisition date.

In addition, we determine the value of contingent considerations associated with acquisitions based on an assessment of probabilities attached to the achievement of performance targets as set out in the related agreements. Changing probabilities can result in material adjustments to the fair value of contingent consideration amounts.

(ii) Internally generated intangibles

Management exercises significant judgment in determining whether an item meets the criteria in the definition of an intangible asset which, in part, requires that the 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. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years 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.

Asset	Basis	Rate
Websites / Trade Names	Straight line	5 to 15 years
Acquired content	Straight line	1 year
Customer relationships	Straight line	5 years
Software	Straight line	3 to 10 years

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The Financial Statements have been prepared using the accounting policies outlined in note 3 of the audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

New and revised IFRS:

(i) 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 adoption of the amendments to this standard did not have a material impact on the audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

(ii) 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 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 adoption of the amendments to this standard did not have a material impact on the audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

(iii) 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 adoption of the amendments to this standard did not have a material impact on the audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

(iv) Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure Initiative – Accounting Policies

The amendments are to help companies provide useful accounting policy disclosures. The key amendments include:

- requires companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifies that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifies that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are applied for annual periods beginning on or after January 1, 2023.

We are currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on our consolidated financial statements.

(vi) Amendments to IAS 8 - Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are applied for annual periods beginning on or after January 1, 2023. 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2022, our financial instruments consist of financial assets comprised of \$8,767K in cash, and \$15,713K trade and other receivable as well as financial liabilities comprised of \$8,335K accounts payable and accrued liabilities, \$3,545K lease liability, \$58,093K in debt, and \$16,051K in contingent considerations.

The fair values of these financial instruments, excluding long-term debt and contingent considerations, 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. The carrying value of our contingent considerations approximates fair value due to the specific financial performance requirements to be achieved during a two year period.

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 the trade receivables from our customers. To the extent necessary, we take steps to monitor the credit risk of clients. Balances for trade receivables are managed on an ongoing basis to ensure a credit loss provision that corresponds to the specific credit risk of our customers, which are established and maintained at an appropriate amount.

As at December 31, 2022, there was a concentration of credit risk with 16% of our trade receivables balance with one digital advertising customer, compared to 22% of our trade receivables balance with two customers for 11% and 10% respectively as at December 31, 2021. These customers are in the e-commerce and digital advertising streams, respectively.

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, 2022, a 1% change in LIBOR would result in an increase (decrease) of \$573K in interest expense annually. Based on the

amount owing at December 31, 2021, a 1% change in LIBOR would result in an increase (decrease) of \$788K 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)	CAD	EUR	GBP	ILS	KYD	Total
Cash	\$379	\$68	\$203	\$277	\$9	\$936
Trade and other receivables	2,316	—	6	32	—	2,354
Investment tax credits recoverable	242	—	—	—	—	242
Prepaid expenses and other assets	770	—	—	2	—	772
Accounts payable and accrued liabilities	(2,110)	(44)	(86)	(665)	—	(2,905)
Other long-term liabilities	(282)	—	—	—	—	(282)
Net financial position exposure	\$1,315	\$24	\$123	(\$354)	\$9	\$1,117

For the twelve months ended December 31, 2022, we had various CAD-denominated operating expenses from continuing operations in the amount of \$19,650K (twelve months ended December 31, 2021 - \$22,190K). We received nil (twelve months ended December 31, 2021 - \$102K) in CAD-denominated tax credits which offset these expenses. As at December 31, 2022, a 1% depreciation or appreciation of the Canadian dollar against the U.S. dollar would have resulted in an approximate \$195K and \$198K increase or decrease, respectively, in income before income taxes (as at December 31, 2021, \$219K and \$224K increase or decrease, respectively)

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, 2022, we had working capital deficiency of \$2,717K. The working capital deficiency as at December 31, 2022 was driven by the accrual related to the FOMOPOP Inc. year 1 contingent consideration of \$15,000K. The payment of the contingent consideration for year 1 was settled on January 6, 2023 through the draw of an advance on the Revolving Loan under the A&R Credit Agreement. We plan to cover short term obligations with future cash flows from operations and funding sources such as our Revolving Loan.

DISCLOSURE OF OUTSTANDING SECURITY DATA

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. As of the date of this MD&A, 2,957,265 Multiple Voting Shares and 18,294,304 Subordinate Voting Shares were issued and outstanding. As of such date, we also had 1,181,322 outstanding share options, 596,129

outstanding restricted share units, 1,527,429 market performance-based share units and 25,488 outstanding deferred share units.

INTERNAL CONTROL OVER DISCLOSURE AND FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible for establishing and maintaining internal controls over financial reporting to a standard that provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and based on this assessment have concluded that the Company's internal control over financial reporting is effective as of December 31, 2022.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2022.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place which includes the continuous testing and reporting of the results to senior management and the Board on the effectiveness of the disclosure controls and internal controls over financial reporting.