



**Management's Discussion & Analysis**

**Intouch Insight Ltd.**

**Years ended December 31, 2019 and 2018**

(Expressed in Canadian Dollars)

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The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Intouch Insight Ltd. ("Intouch" or the "Company") and the notes to those statements as at and for the year ending December 31, 2019.

The accompanying audited consolidated financial statements have been prepared by and are the responsibility of Intouch's management. The audited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Dollar amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is dated as of April 2, 2020.

**FORWARD-LOOKING STATEMENTS**

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will", "may", "should", "continue", "anticipate", "believe", "plan", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors outlined in the MD&A and as discussed in public disclosure documents filed with Canadian regulatory authorities. Forward-looking statements are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A and Intouch disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance on the Company's forward-looking statements.

**OVERVIEW OF THE BUSINESS**

Intouch's vision is to provide perfect information, instantly. Our mission is to design, build and deliver solutions that collect data for customers to provide information that improves business outcomes.

Intouch develops managed mobile software applications and software-as-a-service (SaaS) platforms, and delivers services for private businesses, governments and regulators. These stakeholders need mobile, real-time information about leads, customer feedback, operational compliance, employee feedback and new product analysis. Intouch has developed comprehensive software platforms including IntouchCapture™, IntouchCheck™, IntouchSurvey™, and most recently a customer experience management platform, LiaCX™. These products facilitate the rapid development of data collection programs including event lead capture, customer satisfaction surveys, and mobile forms, checklist and audits. All products include real-time, online reporting and advanced analytics to help clients focus their time on the most strategic projects. Intouch also uses its technology to enable its data collection services including mystery shopping, third party audit and customer experience measurement programs.

IntouchCapture is a software application that provides event marketing solutions including analytics, logistics and support. With thousands of event days and millions of customer interactions every year, IntouchCapture is used by Fortune 1000 brands, agencies, government and military across North America. The Company's complete software stack, stocked hardware warehouse and technical engineers bring big data, analytics, mobile-first design and data collection expertise to our customers.

IntouchCheck is a powerful mobile application that helps organizations easily measure their operational standards internally and implement changes to drive lasting business improvements. The software allows businesses to create unlimited mobile forms and checklists to collect and aggregate data from all locations easily. Key product features include the ability to add photos and signatures to forms and issue management automation. The issue management functionality allows users to flag issues, automatically alert key stakeholders, assign issues and set due dates, and track issues through to resolution. IntouchCheck also includes real-time reporting on performance and the ability to view performance by location, region, date and more.

IntouchSurvey is a software application that allows businesses to perform web-based surveys to collect feedback and view results using robust, real-time dashboards. The most common application of this product is as a customer satisfaction survey tool. IntouchSurvey has an easy-to-use drag and drop survey builder, offers a wide range of question

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types, and includes more complex functionality like skip logic and conditional questions. The software also provides case management functionality, which allows key stakeholders to automatically be alerted of a low survey score or negative response to a specific question. The case can be assigned to another employee with a due date, and the stakeholder can view the outcome of the case.

LiaCX is a complete, SaaS-based solution that helps customer experience ("CX") professionals make targeted improvements to accelerate the delivery of a world-class customer experience. "Lia" stands for Listen, Interpret & Act, representing the closed-loop capabilities of the software. The platform centralizes all channels of feedback, operational and back-office system data within a centralized platform. It presents it in a logical manner for ease of interpretation and organizational alignment. Intelligent and predictive analytics and task completion accountability help mobilize customer-facing staff to close the loop on customer experience problems and drive better business results.

**FINANCIAL PERFORMANCE**

**Financial Highlights**

	Year ended December 31		%
	2019	2018	
Revenue	\$ 19,255,202	\$ 14,888,450	29%
Cost of services	9,292,174	7,175,306	30%
Gross Margin	9,963,028	7,713,144	29%
<i>Gross Margin %</i>	<i>51.7%</i>	<i>51.8%</i>	-0.1%
Operating Expenses	9,426,893	10,431,676	-10%
Earnings (loss) from operating activities	536,135	(2,718,532)	
Other earnings (expense)	(419,891)	(83,173)	
Net earnings (loss) and comprehensive income (loss)	116,244	(2,801,705)	
Adjusted EBITDA <sup>1</sup>	\$ 1,540,312	\$ (1,896,350)	

1 Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

**Balance Sheet - Highlights**

	December 31, 2019	December 31, 2018
Cash	\$ 1,382,296	\$ 242,865
Working Capital	2,878,263	1,896,727
Total Assets	6,101,677	4,915,921
Total Liabilities	1,823,123	910,006
Share capital and contributed surplus	6,976,508	6,820,113
Accumulated deficit	(2,697,954)	(2,814,198)
Shares issued and outstanding	# 22,511,811	# 22,146,811

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Highlights from the year December 31, 2019 compared to the same period in 2018:

- Revenue is 29% higher than the prior year due to organic growth in the technology enabled recurring services.
- The 52% gross margin as a percentage of revenue was consistent with the prior year.
- Earnings from operations was \$536,135 compared to a loss of \$2,718,532 in the prior year due to both growth in revenues and ongoing cost containment.
- Adjusted EBITDA (a non-IFRS measure) was \$1,540,312 compared to a loss of \$1,896,350 in 2018.
- The stronger operating results have led to an increase in working capital of \$981,536 since the start of 2019.

Non-IFRS Financial Measures

*Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.*

*Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.*

**OUTLOOK**

2019 finished the way it started; exceeding management's initial expectations for revenue, earnings and EBITDA. Management is also very pleased to have completed the year slightly ahead of its most recent guidance with revenue of \$19.3M representing growth of 29% over prior year. After the intense development cycle and launch of the Company's Customer Experience Management ("CEM") software, LiaCX™ in the previous two years, 2019 was spent fortifying the customer base and returning to profitable operations.

The Company's stable customer base and robust technology has not only allowed for considerable growth in recurring revenue but also has positioned the company as an attractive acquirer in the industry, evidenced with the announcement of two acquisitions in the first quarter of 2020. While one of those acquisitions is currently on hold due to the global pandemic, management believes that the Company has meaningfully differentiated its offering through its software and technology, positioning it for additional future growth once the current crisis is over.

To understand what to expect for 2020 revenue, we first need to review key decisions and developments which have occurred over the past few months. First, Intouch decided at the end of 2019 to exit a low margin merchandising business and thus terminated an agreement with a large client. In 2019 the client contributed \$1,121,609 in revenue but only \$151,516 in gross margin (13.5%). As this client was not purchasing any of the company's core product lines, this decision aligned with the strategy to focus sales on the recurring revenues of the CEM market. Second, Intouch completed the acquisition of PerformaLogics and MobilForce in February 2020, which were expected to contribute annual revenues of \$2M. Third, Intouch announced on March 22, 2020 that it had significantly reduced its cost structure because of the negative impact of the public health crises on recurring services revenues.

The widespread shut down of North American companies in the retail, foodservice and hospitality industries has forced the Company to put many of their recurring services programs on hold until their customers can resume operations. At this time, however, no customer has cancelled their contract, and we expect that revenue associated to these agreements will return once these businesses reopen. Management has acted swiftly to remain financially lean and robust. We will continue to take whatever measures are required to ensure that the Company is positioned well when this situation abates.

The negative impact on revenue, profitability and EBITDA will be felt in Q1 as the global shut down began in March 2020, but the majority of the impact is expected to manifest in Q2, 2020. At this time, the Company is unsure of the exact magnitude of the impact, which will largely be determined by variables outside its control such as the progression trajectory of COVID-19 and well as the length and severity of the current economic shut down across North America.

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Intouch entered 2020 as one of the largest and fastest-growing companies in their industry, and the Company is taking the steps necessary to position themselves to thrive in the future. The Company remains in discussions with the acquisition which was originally planned for May 1<sup>st</sup> but is now on hold. In addition, under the leadership of the new EVP, the sales and marketing organizations are pivoting to focus on how Intouch software can assist more companies in the new working environment as well as ensuring a healthy revenue pipeline to continue our market leadership when we exit this global health crisis.

**RESULTS OF OPERATIONS**

**a) Revenue**

The Company receives revenue from software applications and related services to its customers in a market referred to as data collection and reporting services.

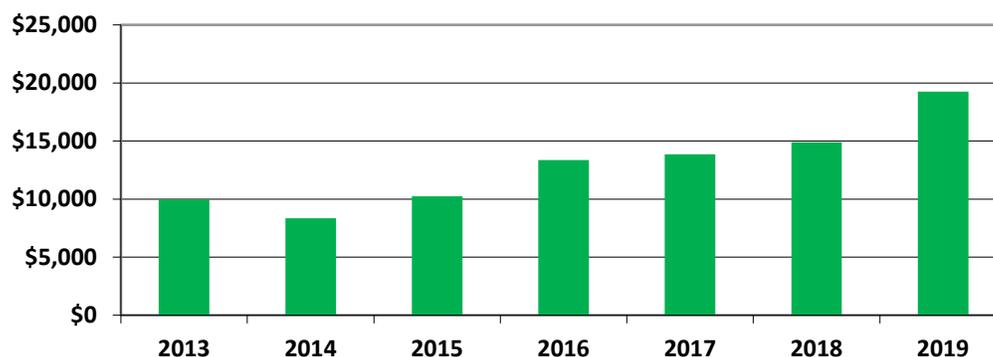
The Company's strategy is to focus on software applications, and long-term services contracts and as a result tracks its recurring revenue from both software and services. The following chart shows the breakdown of recurring software revenue as well as recurring and non-recurring services revenue for the years ended 2019 and 2018.

	2019	2018
Recurring software revenue	\$ 2,695,945	\$ 2,580,358
Recurring services revenue	16,423,966	12,219,359
Non-recurring services revenue	135,291	88,733
<b>Total revenue</b>	<b>\$ 19,255,202</b>	<b>\$ 14,888,450</b>

The Company's 2019 revenues increased 29% from 2018 revenues with its recurring revenue having increased by 29% and its revenue from non-recurring services increasing by 52% in the same time period. This increase in overall revenue was a result of organic growth and the acquisition of new clients. The increase in non-recurring services revenue was due to securing new customers.

Recurring software revenue increased by 4% while recurring services revenue increased by 34%. The Company has a high customer retention rate. While the contracts with many clients are for one-year terms, the Company's experience is that customers tend to renew each year for another twelve-month period.

**Yearly revenue (in '000s)**



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The Company also measures its revenue geographically. The following chart shows the breakdown of revenues from Canada, the U.S., and internationally.

	2019	%	2018	%
Canada	\$ 6,905,774	36%	\$ 6,332,846	43%
U.S.	12,298,721	64%	8,527,167	57%
Other	50,707	nil	28,437	nil
<b>Total revenue</b>	<b>\$ 19,255,202</b>	<b>100%</b>	<b>\$ 14,888,450</b>	<b>100%</b>

Revenue generated from Canadian clients in 2019 was 9% higher compared to 2018 while U.S. revenues increased by 44%. The Company concentrated its sales efforts in the U.S. and was successful in growing existing clients as well as attracting new clients. The Company secured an additional 3-year contract extension with one of its largest U.S. based clients, an automobile manufacturer that first signed in late 2006. Revenues from this client of \$2,398,827 were realized in 2019 compared to \$2,312,601 in 2018. Under the contract extension, however, revenues from this client are expected to decline based on the changing needs of their underlying business. The Company also launched a new compliance program for its largest client in 2019, a new US client who generated \$3,226,235 in revenues. This client is also expected to see a decline in its services need in 2020 now that the 2019 baseline information has been established for them. Revenues are also expected to be negatively impacted due to the impact of COVID-19 on the industry in general. The Company's U.S. revenues are subject to the fluctuation of foreign exchange.

Management expects fluctuations in quarter-over-quarter operating results. Overall, management expects 2020 recurring software revenues to be similar to those of 2019 as the Company expects the impact of COVID-19 on software sales to be offset through increased sales and marketing on the new software products which the Company has been developing in recent years.

**Revenue recognition:** The Company follows International Financial Reporting Standards in recognizing its revenue from operations. For further information on revenue recognition, refer to Note 2 in the audited consolidated financial statements dated December 31, 2019.

**b) Cost of Services/Gross Margin**

The Company's cost of services includes all direct costs incurred in the provision of its products and services. These costs include items such as expenses related to staff and independent contractors, delivery charges, communication costs (as each mobile unit or other device is equipped with cellular and/or wireless technology in order to transmit results or program updates live in the field) and amortization associated to the data collection units.

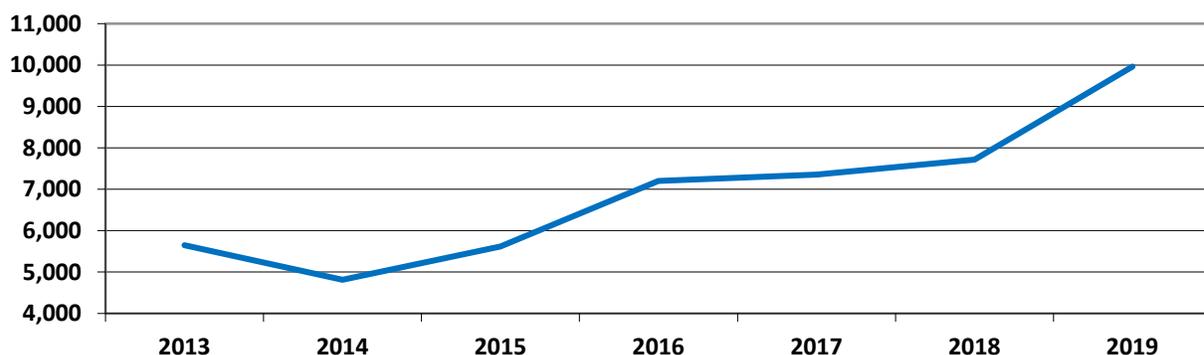
	2019	2018	%
Staff and contractor expense	\$ 7,594,247	\$ 5,750,243	32%
Delivery and communication costs	1,069,763	857,935	25%
Amortization	209,372	246,074	-15%
Other	418,792	321,054	30%
<b>Cost of services</b>	<b>\$ 9,292,174</b>	<b>\$ 7,175,306</b>	<b>30%</b>

Consolidated cost of services increased 30% in 2019 compared to 2018, which is consistent with the increase in revenues. For 2019, staff and contractor expense increased due to the increase in revenue. Management expects this expense to increase somewhat throughout 2020 as we acquire new business from new and existing customers and expects that there may be slight upward pressure on cost of services as a percentage of revenue through the integration period for its acquisitions. Delivery and communication cost increases also reflect the increase in revenues and management expects this expense to remain in line as a percentage of revenue. Amortization decreased as the Company's data collection devices aged, management expects this expense will increase for 2020 as new data collection devices will be purchased in 2020 to replace the aging fleet. Included in the other expenses are commissions

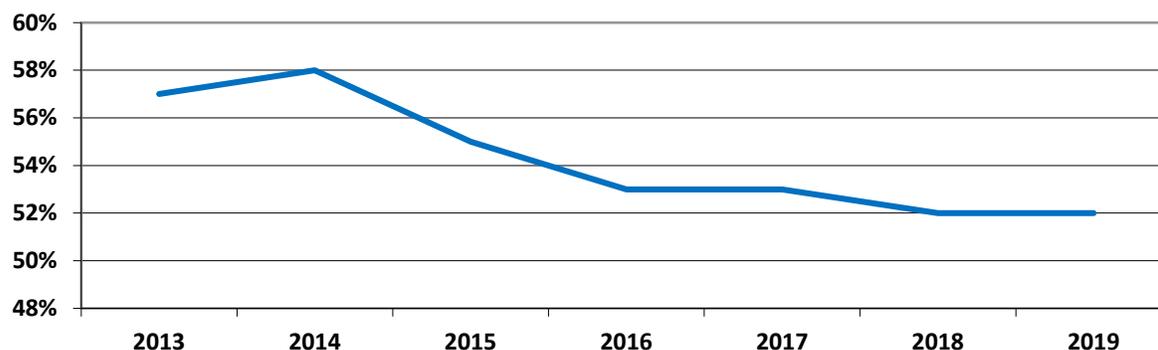
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of \$405,546 in 2019 compared to \$267,264 in 2018. Management expects commission expense to fluctuate based on revenues.

Yearly gross margin (in '000s)



Yearly gross margin results as a percentage of revenue



The consolidated gross margin increased by \$2,249,884 or 29% to \$9,963,028 in 2019 from \$7,713,144 in 2018 while maintaining the margin percentage of 52%. Product mix affects gross margin as IntouchCapture, IntouchSurvey, LiaCX and IntouchCheck gross margins are higher than those of IntouchShop and IntouchAudit.

**c) Selling**

The Company includes marketing, travel, salaries and benefits in selling expenses and are broken down as follows:

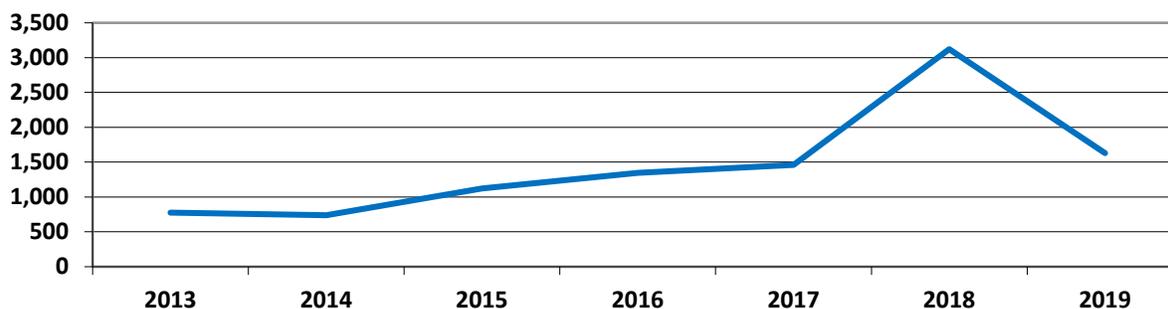
	2019	2018	%
Marketing expenses	\$ 658,944	\$ 1,220,741	-46%
Travel expenses	272,300	336,398	-19%
Salaries and benefits	701,128	1,565,155	-55%
<b>Selling expenses</b>	<b>\$ 1,632,372</b>	<b>\$ 3,122,294</b>	<b>-48%</b>

Selling expenses decreased by 48% in 2019. The decreases were the result of significant changes in the sales and marketing structure late in 2018 as well as decreased travel to trade shows and customer sites. While selling expenses decreased year-over-year the expense as a percentage of revenue also decreased by 13% to 8%. The Company began efforts to rebuild its sales and marketing capabilities in Q4 of 2019 and had expected to increase selling expenses

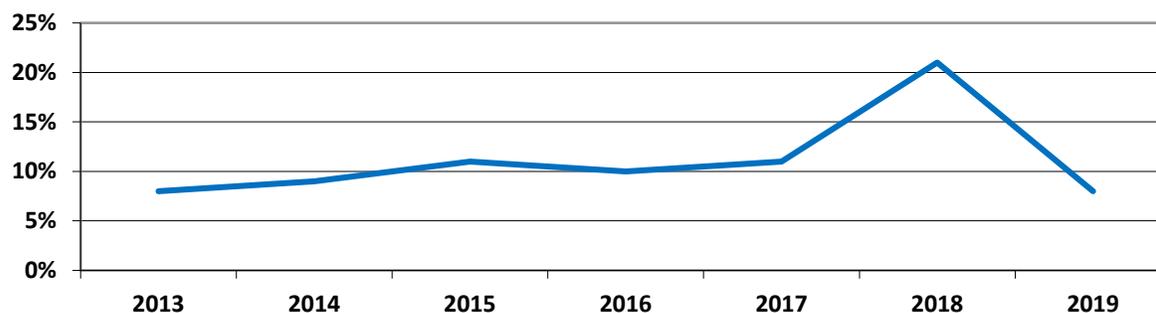
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throughout 2020 with both increased headcount and a re-focusing of its marketing activities. Given the COVID-19 impact, expenses are expected to decline significantly through Q2 and then begin to increase again in the later part of 2020. Management continues to watch the marketplace very closely and will aggressively seek new business opportunities.

Yearly selling expenses (in '000s)



Yearly selling expenses as a percentage of revenue

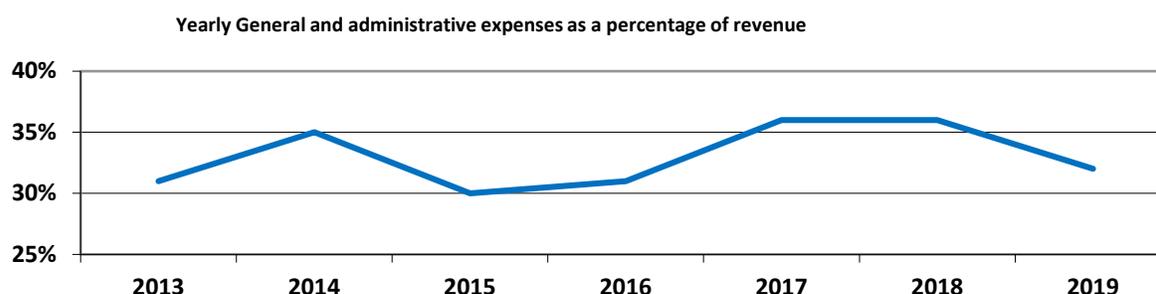
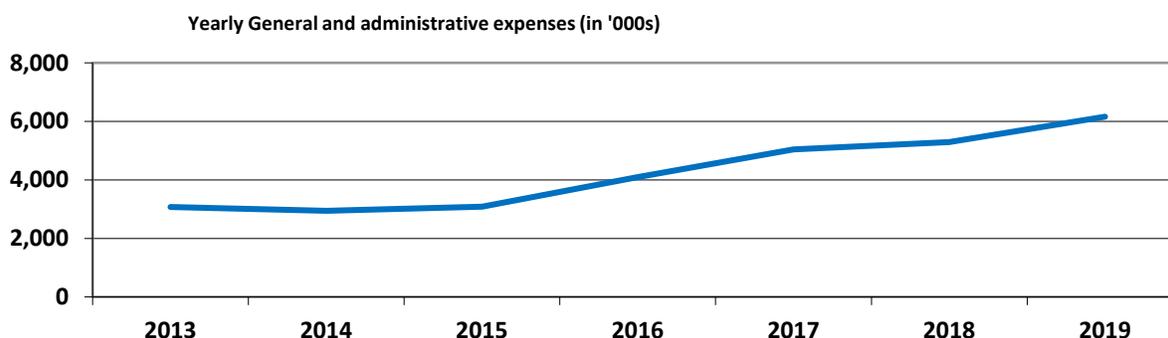


**d) General and Administrative**

	2019	2018	% change
Corporate administration	\$ 906,361	\$ 1,027,880	-12%
Consultant fees	230,682	85,357	170%
Professional fees	237,613	205,330	16%
Listing fees	125,145	177,182	-29%
Salaries and benefits	3,783,577	3,372,758	12%
Loss (gain) on disposal of property and equipment	(7,808)	(20,989)	-63%
Loss (gain) on foreign exchange	149,374	(66,351)	-325%
Amortization expense	729,611	515,694	41%
<b>Total general and administrative expenses</b>	<b>\$ 6,154,555</b>	<b>\$ 5,296,861</b>	<b>16%</b>

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General and administrative (“G&A”) expenses increased by 16% overall in 2019, due to increases in consultant fees, professional fees and salaries and benefits. The increase in consultant fees is due to engaging a third party to grow the IntouchAudit revenues, this engagement is expected to continue in 2020. The growth in professional fees is due to increase in professional services costs to support the increase in revenues. The increase in salaries and benefits is related to an increase in headcount to support the revenue growth as well as management variable compensation related to the results achieved in 2019. Share-based compensation added \$65,195 in non-cash salary expense to the 2019 G&A expense compared to \$59,698 for 2018. Management anticipates that share-based compensation will remain at these levels in 2020.



e) **Product Development**

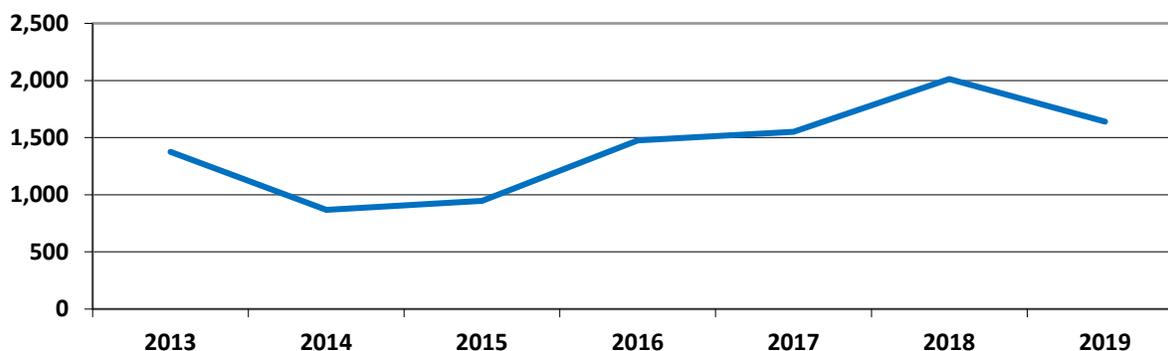
	2019	2018	% change
Salaries and benefits expense	\$ 1,729,624	\$ 2,232,521	-23%
Incentive tax credit (2019) and government agency contribution (2018)	(89,658)	(220,000)	-59%
<b>Total product development expense</b>	<b>\$ 1,639,966</b>	<b>\$ 2,012,521</b>	<b>-19%</b>

Product development spending decreased 19% in 2019. Salaries decreased 23% in 2019 through development headcount attrition following the release of the LiaCX offering. Included in the 2018 salary expense is an amount of \$106,241 which was a reversal of the ITC recovery asset that was impaired and written off. In 2019 the Company applied for and received tax credits related to scientific research and development credits, while in 2018 the Company successfully applied for and received a government agency contribution to assist in developing its Operational Intelligence project totalling \$220,000. There are no financial covenants attached to the contributions.

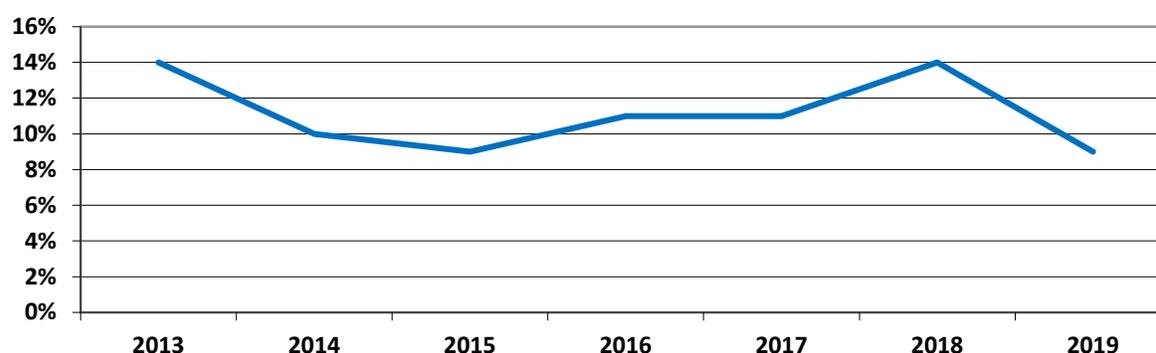
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Yearly Product development expenses (in '000s)



Yearly Product development expenses as a percentage of revenue



**f) Earnings (loss) from operating activities**

Income from operating activities in 2019 was \$536,135, an increase of \$3,254,667 compared to a loss of \$2,718,532 for 2018. The increase is attributable to effective cost cutting and re-focusing of resources as well as overall revenue growth. The Company will continue its focus on product development and increase its focus on sales and marketing in 2020 once the North American economy rebounds post COVID-19.

**g) Non-operating earnings (expenses)**

Finance costs for 2019 were \$75,831 compared to \$12,265 in 2018. The increase as a result of the Company's need to use lines of credit on an occasional basis throughout the year.

**h) Net income (loss) before income taxes**

The Company recorded a net income before income taxes in 2019 of \$460,304 compared to a net loss of \$2,730,797 in 2018.

**i) Income taxes**

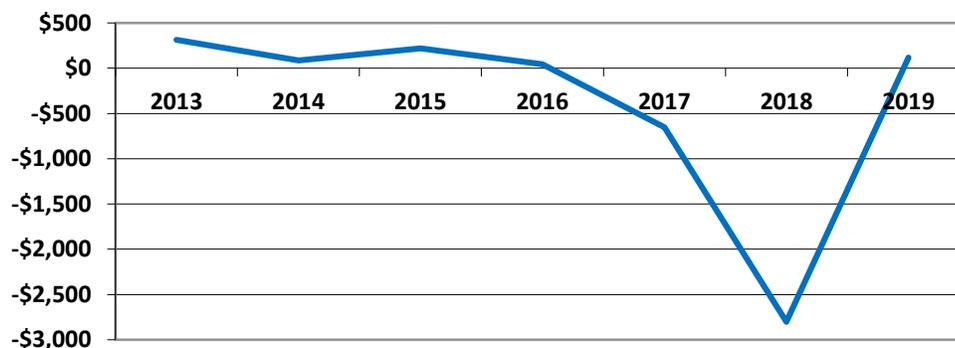
In 2019, the Company recorded a future tax expense of \$293,374 against its deferred tax assets (2018 \$55,854). A current income tax expense of \$50,686 was recorded for 2019 (2018 – expense of \$15,054).

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**j) Net loss and comprehensive loss**

The Company reported a net income and comprehensive income for 2019 of \$116,244 or \$0.01 per share basic and diluted compared to a net loss and comprehensive loss of \$2,801,705 or \$(0.13) per share basic and diluted for 2018. Although the Company expected to see a significant improvement in profitability for 2019, the speed and strength of the return were better than expected.

**Net earnings from continuing operations (in '000s)**



**k) Cash Flows**

The Company's cash position was \$1,382,296 at December 31, 2019, compared to \$242,865 at December 31, 2018.

	2019	2018	% change
Cash flows from operating activities before changes in working capital	\$ 1,481,818	\$ (1,863,807)	-180%
Changes in working capital	65,045	(866,698)	-108%
Cash flows from operating activities	1,546,863	(2,730,505)	-157%
Cash flows from financing activities	(388,251)	(302,742)	28%
Cash flows used in investing activities	(19,181)	(150,286)	-87%
<b>Increase (decrease) in cash</b>	<b>\$ 1,139,431</b>	<b>\$ (3,183,533)</b>	<b>-136%</b>

**Operating activities:**

This year's increase in operating cashflows was due to decreased spending in sales and marketing as per the Company's plan as well as the increase in normal operating working capital flowing from the increase in revenues.

**Financing activities:**

As at December 31, 2019 and 2018, the Company had not drawn on its bank line of credit. There were no new loans in 2019 or 2018. During the year, \$155,084 was repaid on its long-term debt while in 2018, \$408,371 was repaid.

Share capital increased by \$91,200 from the issuance of common shares during 2019 as a result of the exercise of stock options (2018 - \$117,894). Share issuance cost tax recovery for 2019 was nil compared to \$6,028 in 2018. Finance costs paid were \$75,831 compared to \$12,265 in 2018.

**Investing activities:**

In 2019, the Company invested \$30,254 in property and equipment. During 2018, \$176,344 was used to purchase property and equipment.

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**I) Liquidity and Capital Resources**

Working capital was \$2,878,263 as at December 31, 2019 compared to \$1,896,727 as at December 31, 2018. The table below shows other balance sheet accounts compared to previous year including the percentage change:

	As at December 31,		
	2019	2018	% change
Current portion of long-term debt	\$ -	\$ 155,084	-100%
Contract liabilities	\$ 340,894	\$ 135,712	151%
Trade and other liabilities	\$ 722,037	\$ 619,210	17%
Current portion of lease liabilities	\$ 247,934	\$ -	100%
Lease liabilities	\$ 512,258	\$ -	100%

Debt to equity increased from 0.23 as at December 31, 2018 to 0.43 at December 31, 2019. The increase in the ratio is due largely to the Company's recognition of capital leases in 2019. The lease obligations extend to the year 2022.

The Company has a current ratio of 3:1 and credit facilities that include a \$2,100,000 demand operating loan. The Company had not drawn on this facility as at December 31, 2019 or as at December 31, 2018. The Company had cash in the bank as at December 31, 2019 of \$1,382,296 and good quality accounts receivable of \$2,625,209. Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements. Risks include the ability of the Company to produce cash flows through revenues to meet our obligations. In 2019 the Company targeted year over year revenue increases with a return to positive earnings before interest, tax and amortization ("EBITDA").

**Review of quarterly operating results ('000s)**

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Revenue</b>	<b>\$ 4,721</b>	<b>\$ 4,909</b>	<b>\$ 5,037</b>	<b>\$ 4,588</b>	<b>\$ 3,544</b>	<b>\$ 3,915</b>	<b>\$ 3,862</b>	<b>\$ 3,567</b>
Cost of services	2,317	2,406	2,401	2,168	1,657	2,008	1,885	1,625
Gross margin	2,404	2,503	2,636	2,420	1,887	1,907	1,977	1,942
Total operating expenses	2,036	2,355	2,648	2,388	2,741	2,492	2,646	2,553
<b>Earnings (loss) from operating activities</b>	<b>\$ 368</b>	<b>\$ 148</b>	<b>\$ (12)</b>	<b>\$ 32</b>	<b>\$ (854)</b>	<b>\$ (585)</b>	<b>\$ (669)</b>	<b>\$ (611)</b>
Finance costs	(23)	(11)	(23)	(19)	(2)	(5)	(1)	(4)
<b>Net earnings (loss) before income taxes</b>	<b>\$ 345</b>	<b>\$ 137</b>	<b>\$ (35)</b>	<b>\$ 13</b>	<b>\$ (856)</b>	<b>\$ (590)</b>	<b>\$ (670)</b>	<b>\$ (615)</b>
Finance costs	23	11	23	19	2	5	1	4
Amortization of property and equipment	166	148	154	124	79	95	94	90
Amortization of intangible assets	86	87	87	87	87	106	106	106
Share-based compensation	18	16	19	12	17	16	16	11
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 638</b>	<b>\$ 399</b>	<b>\$ 248</b>	<b>\$ 255</b>	<b>\$ (671)</b>	<b>\$ (368)</b>	<b>\$ (453)</b>	<b>\$ (404)</b>

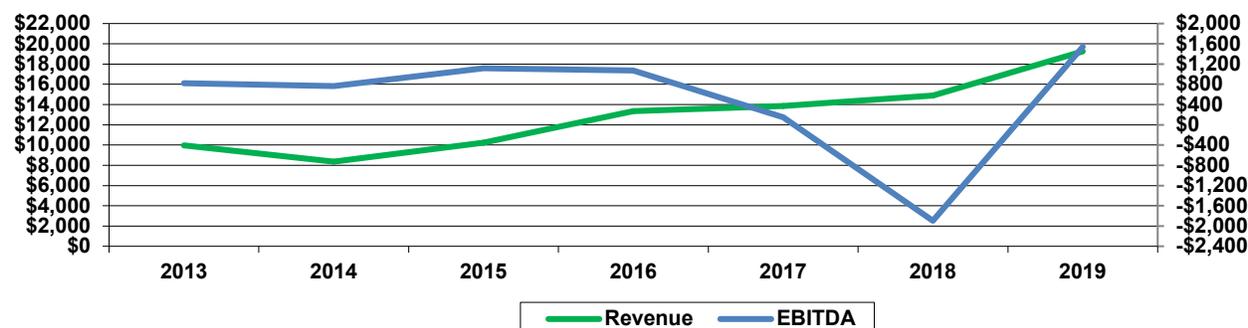
<sup>1</sup>Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

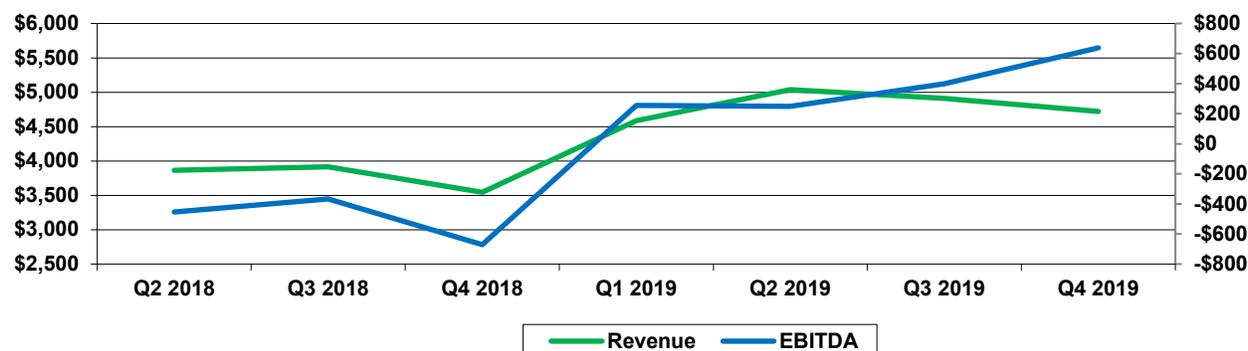
Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

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**Adjusted EBITDA and revenue (in '000s)**



**Quarterly Adjusted EBITDA and revenue (in '000s)**



**ACCOUNTING POLICIES**

**a) Critical Accounting Estimates and judgments**

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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*Contracts with clients*

Contracts with clients often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

*Useful lives of depreciable assets*

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

*Useful lives of intangible assets*

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

*Share-based compensation*

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted, the forfeiture rate, and the time of exercise of those share options, and the risk-free interest rate. The model used by the Company is the Black-Scholes valuation model.

*Warrants*

In calculating the value of the warrants, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company's stock price and the risk-free interest rate are used.

*Business combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates.

*Lease liabilities*

The measurement of lease liabilities is subject to management's judgment of the applicable incremental borrowing rate, as well as the expected lease renewals.

*Control and significant influence assessment*

The assessment of control and significant influence over an investment requires judgment.

*Assessing the stage of completion of revenue*

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in the consolidated financial statements Note 2.

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*Assessing the probability of utilizing deferred tax assets and investment tax credits*

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in the consolidated financial statements Note 24. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

*Impairment*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

*Functional currency*

An area of judgement that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency.

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

**b) Statement of compliance**

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards. On April 2, 2020 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

**c) Management's Conclusion on the design of Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure and internal controls and procedures as at December 31, 2019 and have concluded that the Company's controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which this report was being prepared.

**d) Management's Conclusion on the effectiveness of Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2019 and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

**CORPORATE GOVERNANCE**

The five-person Board of Directors of Intouch is composed of three independent directors who are not related to the Company. One director has been appointed as the Chairman of the Board of Directors and the other as Chief Executive Officer of the Company. The entire Board fulfils the Audit Committee and all directors other than the Chief Executive Officer fulfils the Compensation Committee mandates. The Board and Management will continue to ensure compliance with regulatory requirements.

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**RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

**RISK FACTORS AND UNCERTAINTIES**

The Company is focused on expanding its business internally as well as through strategic partnerships and acquisitions to achieve continued growth and profitability. Nevertheless, the Company's future results will depend on its ability to find financing and to continuously introduce new products and enhancements to its customers. There are other additional risks and uncertainties described below.

**a) Lengthy and Complex Sales Cycle**

Intouch sales efforts target large companies requiring Intouch to expend significant resources educating prospective customers about the uses and benefits of Intouch products. Because the purchase of Intouch's solution is a significant decision for these companies, prospective customers generally take a long time to evaluate the product. The sales cycle may range from four to six months for larger accounts, although these cycles can be longer due to significant delays over which Intouch has little or no control.

**b) Increasing Competition**

The markets in which Intouch operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants including large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than Intouch.

**c) Evolving Business Model**

The Intouch business model continues to evolve. Intouch seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Intouch will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

**d) Need to Manage Growth**

The growth of Intouch's business and its products and services cause significant demands on Intouch's managerial, operational and financial resources. Demands on Intouch's financial resources will grow rapidly with Intouch's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

**e) Dependency on Key Personnel**

Intouch's success will depend upon the continued service of its senior management team. Intouch employees may voluntarily terminate their employment with Intouch at any time. The loss of services of key personnel could have a material adverse effect upon Intouch's business, financial condition and results of operation.

**f) Future Capital Needs**

Intouch may need to raise funds through public or private financing in the event that Intouch incurs operating losses or requires substantial capital investment or in order for Intouch to respond to unanticipated competitive pressures or to

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take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to Intouch or at all.

**g) Foreign Exchange Exposure**

Intouch continues to seek expanding its operations into the US market. Fluctuations in the currency exchange rate may affect the revenue and operations of the company. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales to the US market grows.

**h) Cybersecurity**

Security breaches and other disruptions to our information technology networks and systems could interfere with our operations and could compromise the confidentiality of private customer data or our proprietary information. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and having developed contingency plans, we remain potentially vulnerable to additional known or unknown threats. We collect and store sensitive data including intellectual property, proprietary business information as well as personally identifiable information of our customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to our business operations and strategy. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

**CAPITAL MANAGEMENT**

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regard to its bank indebtedness, namely, a tangible net worth of at least \$1,600,000 as well as adequate accounts receivable to support any operating line draw. The Company was compliant with its covenant in both 2018 and 2019.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

During the year ended 2018, the Company successfully developed and launched its customer experience management product, LiaCX. As the year 2018 ended, the Company realized that while it was receiving revenues from LiaCX sales, the sales were taking longer to realize than anticipated and revenues from the software were not those that were projected. The Company continued to invest in LiaCX at a lower rate while also returning to positive increase in EBITDA as it had operated previous to 2018.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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**FINANCIAL INSTRUMENTS**

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

	As at December 31, 2019	As at December 31, 2018
<b>Financial assets:</b>		
<b>At amortized cost</b>		
Cash	\$1,382,296	\$242,865
Trade and other receivables	2,625,209	2,340,221
Contract assets	57,419	50,320
<b>Total financial assets</b>	<b>\$4,064,924</b>	<b>\$2,633,406</b>
<b>Financial liabilities:</b>		
<b>At amortized cost</b>		
Trade and other liabilities	\$722,037	\$619,210
Long term debt	-	155,084
Lease liabilities	760,192	-
<b>Total financial liabilities</b>	<b>\$1,482,229</b>	<b>\$774,294</b>

The carrying values of cash and cash equivalents, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt and capital lease obligations approximates the carrying value as the risk profile of the Company has not changed significantly since those loans or leases were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

**SHARES**

The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

During the year ended December 31, 2019, there were 365,000 shares issued resulting from the exercise of stock options (2018 – 388,333).

**MANAGEMENT'S STATEMENT OF RESPONSIBILITY**

The accompanying consolidated financial statements of Intouch Insight Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates that have been made using careful judgement.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the financial statements.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing the financial statements.

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The Board of Directors carries out its responsibility for the financial statements. The Board of Directors meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters.

Additional information about the Company such as the 2019 audited consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).