

LUMINE GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024, which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board, and the Consolidated Financial Statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). Certain information included herein is forward looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risk Factors".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars and all references to "\$" are to U.S. dollars. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information about Lumine Group Inc. (the "Company" or "Lumine"), is available on SEDAR+ at www.sedarplus.ca.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of Lumine or its industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, May 1, 2024. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Several factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this MD&A are based upon what management of Lumine believes are reasonable assumptions, Lumine cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and Lumine assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with Lumine's other publicly available filings, copies of which can be obtained electronically on SEDAR+ at www.sedarplus.ca.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as free cash flow available to shareholders and operating income.

Free cash flow available to shareholders "FCFA2S" refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on bank debt, transaction costs on bank debt, repayments of lease obligations and property and equipment purchased. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See "Results of Operations - Free cash flow available to shareholders" for a reconciliation of FCFA2S to net cash flows from operating activities.

Operating income (loss) refers to income (loss) before income taxes, amortization of intangible assets, redeemable Preferred and Special Share expense, and finance and other expenses (income). We believe that operating income is useful supplemental information as it provides an indication of the profitability of the Company related to its core operations. Operating income (loss) is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that operating income (loss) should not be construed as an alternative to net income (loss). See "Results of Operations" for a reconciliation of operating income (loss) to net income.

Overview

We acquire, strengthen and grow vertical market software ("VMS") businesses in the Communications and Media industry. The Company is headquartered in Toronto, with businesses located worldwide. Generally, our businesses provide mission critical software solutions that address the specific needs of customers in particular segments of the Communications and Media industry. Our focus on acquiring businesses with growth potential, strengthening their core profitability, and then growing them, has allowed us to generate significant cash flow and revenue growth over the past several years. Our software solutions enable our customers to boost productivity and operate more cost effectively, innovate more rapidly to address rapidly changing market needs and opportunities, grow top-line sales, improve customer service, and reduce customer churn. Many of the VMS businesses that we acquire have the potential to be leaders within their particular market niches whether that be geography, tier of customer, type of customer, or other differentiated customer demographic. We target the VMS sector because of the attractive economics that it provides and our belief that our management teams have a deep understanding of those economics.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue consists of fees charged for customer support on our software products post-delivery and also includes, recurring fees derived from software as a service, subscriptions, term licenses, transaction-related revenues, managed services and hosted products. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions.

Expenses consist primarily of staff costs, the cost of hardware, 3rd party licenses, maintenance and professional services used internally and for our customers, travel and occupancy costs, other general operating expenses, and legal and advisory fees.

Three Months Ended March 31, 2024 Compared to 2023

Results of Operations

The following table displays a summary of the results of operations of the Company for the three months ended March 31, 2024 and 2023.

Results of Operations

(In millions of dollars or shares, except percentages and per share amounts)

(Unaudited)	Three months ended March 31,		Period-Over-Period Change	
	2024	2023	\$	%
Revenue	141.1	95.4	45.7	48%
Expenses	96.6	73.7	22.9	31%
Operating income ¹	44.5	21.7	22.8	105%
Amortization of intangible assets	22.8	14.8	8.0	54%
Redeemable Preferred and Special Securities expense	317.4	654.6	(337.3)	-52%
Finance and other expense (income)	4.3	1.9	2.3	122%
Income before income taxes	(300.0)	(649.7)	349.7	-54%
Income tax expense (recovery)				
Current income tax expense	8.3	7.5	0.8	11%
Deferred income tax expense (recovery)	(4.0)	(5.7)	1.7	-30%
Income tax expense	4.3	1.8	2.5	136%
Net income (loss)	(304.3)	(651.6)	347.2	-53%
Net cash flows from operating activities	35.0	15.0	20.0	134%
Free cash flow available to shareholders ¹	28.8	11.7	17.1	146%
Weighted average shares outstanding				
Basic	86.1	67.8	18.32	27%
Diluted	253.3	236.7	16.65	7%
Net loss per share				
Basic and diluted	(3.53)	(9.61)	6.08	-63%
Net cash flows from operating activities per share				
Basic	0.41	0.24	0.17	73%
Diluted	0.14	0.06	0.08	141%
Free cash flow available to shareholders per share ¹				
Basic	0.33	0.18	0.15	82%
Diluted	0.11	0.04	0.07	154%
Total assets	1,217.9	1,136.7	81.2	7%
Total long-term liabilities	375.4	294.8	80.6	27%

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.

¹ See “Non-IFRS Measures”.

Comparison of the three months ended March 31, 2024 and 2023

Revenue

Total revenue for the three months ended March 31, 2024 was \$141.1 million, an increase of 48%, or \$45.7 million, compared to \$95.4 million for the comparable period in 2023. The increase for the three months compared to the same period in the prior year is attributable to revenues from new acquisitions. The Company experienced organic growth of -2% for the three months ended March 31, 2024 or -3% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition, compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by the Company. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended March 31,		Period-Over-Period Change		Q1-23 Pro Forma Adj. (Note 1)	Organic Growth
	2024	2023	\$	%	\$	%
	(\$ in millions, except percentages)					
Licences	11.7	10.6	1.1	10%	3.3	-16%
Professional services	24.9	16.8	8.1	48%	5.3	13%
Hardware and other	2.4	4.6	(2.2)	-48%	1.3	-59%
Maintenance and other recurring	102.0	63.3	38.7	61%	38.9	0%
	141.1	95.4	45.7	48%	48.3	-2%

\$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended March 31, 2023 from companies acquired after December 31, 2022 (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type for the prior 8 quarters. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by the Company may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	June. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	June. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024
Licences	6%	-26%	23%	-4%	-25%	-14%	-34%	-16%
Professional services	-17%	-23%	-25%	-10%	10%	16%	4%	13%
Hardware and other	-5%	-55%	-12%	25%	31%	70%	36%	-59%
Maintenance and other recurring	-4%	-11%	-9%	-2%	1%	5%	2%	0%
Revenue	-6%	-18%	-9%	-3%	0%	6%	-2%	-2%

The following table shows the same information adjusting for the impact of foreign exchange movements.

	June. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	June. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024
Licences	12%	-20%	28%	0%	-26%	-16%	-35%	-17%
Professional services	-9%	-16%	-18%	-5%	10%	12%	2%	11%

Hardware and other	5%	-47%	-1%	33%	31%	64%	32%	-60%
Maintenance and other recurring	3%	-4%	-3%	1%	1%	3%	1%	0%
Revenue	1%	-11%	-2%	1%	1%	4%	-3%	-3%

Expenses

The following table displays the breakdown of our expenses:

Expenses	Three months ended March 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Staff	73.0	48.6	24.4	50%
Hardware	1.5	3.3	(1.8)	-54%
Third party license, maintenance and professional services	8.5	4.7	3.8	80%
Occupancy	0.9	0.8	0.1	15%
Travel, telecommunications, supplies & software and equipment	6.8	4.7	2.1	45%
Professional fees	2.8	7.3	(4.5)	-61%
Other, net	0.9	2.8	(1.8)	-66%
Depreciation	2.1	1.5	0.6	40%
	96.6	73.7	22.9	31%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the three months ended March 31, 2024 increased 31%, or \$22.9 million to \$96.6 million, compared to \$73.7 million during the same period in 2023. As a percentage of total revenue, expenses equalled 68% for the three months ended March 31, 2024 and 77% for the same period in 2023.

Staff expense – Staff expenses increased 50% or \$24.4 million for the three months ended March 31, 2024 over the same period in 2023. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended March 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Professional services	12.2	9.3	2.9	31%
Maintenance	14.5	8.4	6.1	73%
Research and development	20.1	13.0	7.1	55%
Sales and marketing	11.1	7.7	3.5	46%
General and administrative	15.0	10.2	4.8	47%
	73.0	48.6	24.4	50%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three ended March 31, 2024 was primarily due to the growth in the number of employees compared to the same periods in 2023 from new acquisitions made in preceding quarters.

Hardware expenses – Hardware expenses decreased 54% or \$1.8 million for the three months ended March 31, 2024 over the same period in 2023 as compared with the 48% decrease in hardware and other revenue for the three months ended March 31, 2024 over the comparable period in 2023. Hardware margin for the three months ended March 31, 2024 was 37%, as compared to 28% for the respective comparable periods in 2023. Hardware sales typically consist of the resale of third party hardware as part of the sale of customized solutions to our customers and margins are affected by macroeconomic environment and vary period to period based on the nature, geographical location, and type of hardware required of solutions provided.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 80% or \$3.8 million for the three months ended March 31, 2024 over the same period in 2023. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 15% or \$0.1 million for the three months ended March 31, 2024 over the same period in 2023. The increase is primarily due to increased operating expenses associated with business units acquired in the preceding quarters.

Travel, telecommunications, supplies & software and equipment expenses – Travel, telecommunications, supplies & software and equipment expenses increased 45% or \$2.1 million for the three months ended March 31, 2024 over the same period in 2023. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees decreased by 61% or \$4.5 million for the three months ended March 31, 2024 over the same period in 2023. The decrease for the three months ended March 31, 2024 is due to non-recurring professional fees incurred in the prior year related to Lumine's public listing and acquisitions closed in the prior period.

Other, net – Other expenses decreased by 66% or \$1.8 million for the three months ended March 31, 2024 over the same period in 2023. The following table provides a further breakdown of expenses within this category.

	Three months ended March 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ in millions, except percentages)			
Advertising and promotion	0.8	0.8	0.1	9%
Recruiting and training	0.5	0.5	0.0	4%
R&D tax credits	(3.1)	(0.3)	(2.8)	NM
Contingent consideration	0.0	0.7	(0.6)	-94%
Other expense, net	2.7	1.2	1.5	129%
	0.9	2.8	(1.8)	-66%

NM – Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Advertising and promotion expense increased 9% or \$0.1 million for the three months ended March 31, 2024 over the same period in 2023. The marginal increase is mainly attributable to increased spending across the businesses in order to expand sales pipelines, including trade shows and conferences.

R&D tax credits decreased by \$2.8 million for the three months ended March 31, 2024 over the same period in 2023. The decrease is due to changes in US SR&ED tax credits.

Contingent consideration expense decreased 94% or \$0.6 million for the three months ended March 31, 2024 over the same period in 2023. The decrease is related to an increase in anticipated acquisition earnout payment accruals in the prior year primarily as a result of increase to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly.

Other expense, net increased 129% or \$1.5 million for the three months ended March 31, 2024 over the same period in 2023. This includes promotion expense, bad debt expense, subscription and membership fees, management fees paid to the Parent, which reimburse the Parent for services and resources they provided to the Company (see “Related Parties” below for a discussion of the nature of these charges), recruitment and training, bank fees, and withholding taxes. The increase in other expense for the three months ended March 31, 2024 is due to higher bad debt expense, subscription and membership fees, and management fees.

There are no individually material reasons contributing to the remaining variances.

Depreciation – Depreciation of property and equipment increased 40% or \$0.6 million for the three months ended March 31, 2024 as compared to the same period in 2023. The increase in depreciation expense from acquired businesses was partially offset by decreases in depreciation expense at various existing business units as assets reached the end of their useful lives for the three-month ended March 31, 2024.

Operating Income

Operating income for the three months ended March 31, 2024 was \$44.5 million compared to \$21.7 million for the same period in 2023. Operating income is a non-IFRS Measure. See “Non-IFRS Measures”.

The following table reconciles operating income to net income:

	Three months ended March 31,		Period-Over-Period Change	
	2024	2023	\$	%
Net income (loss)	(304.3)	(651.6)	347.2	-53%
Adjusted for:				
Amortization of intangible assets	22.8	14.8	8.0	54%
Redeemable preferred and special securities expense	317.4	654.6	(337.3)	-52%
Finance and other expense (income)	4.3	1.9	2.3	122%
Income tax expense (recovery)	4.3	1.8	2.5	136%
Operating income ¹	44.5	21.7	22.8	105%

¹ See “Non-IFRS Measures”.

Other Income and Expenses

The following table displays the breakdown of our other income and expenses:

	Three months ended March 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Amortization of intangible assets	22.8	14.8	8.0	54%
Foreign exchange (gain) loss	1.4	0.4	1.0	231%
Redeemable Preferred and Special Securities expense	317.4	654.6	(337.3)	-52%
Finance and other expense (income)	2.9	1.5	1.4	91%
Income tax expense (recovery)	4.3	1.8	2.5	136%
	348.8	673.2	(324.4)	-48%

NM – Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Amortization of intangible assets – Amortization of intangible assets increased 54% or \$8.0 million for the three months ended March 31, 2024 over the same period in 2023. The increase in amortization for the three months ended March 31, 2024 is primarily attributable to an increase in the carrying amount of our intangible asset balance as a result of acquisitions.

Foreign exchange (gain) loss – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three months ended March 31, 2024, we recorded a foreign exchange loss of \$1.4 million compared to a loss of \$0.4 million for the same period in 2023. The year-over-year fluctuations in foreign exchange (gain) loss relate to movement in foreign currency exchange rates.

Redeemable Preferred and Special Securities expense – During 2023, the Company completed the acquisition of Lumine Group (Holdings) Inc. In connection with this acquisition, the Company issued 55,233,745 Preferred Shares to the Parent and, and in connection with the acquisition of WideOrbit Inc. (“WideOrbit”), the Company issued 10,204,294 Special Shares to the rollover shareholders of WideOrbit and 8,348,967 Preferred Shares to the Parent, collectively the “Preferred and Special Securities”. The Preferred and Special Securities, under certain conditions, were redeemable at the option of the holder for a redemption price of \$21.74 per share. The redemption price may either be settled in cash or through the issuance of a variable number of Subordinate Voting Shares of equal value determined by the 60-day volume weighted average trading price of the Subordinate Voting Shares, or any combination thereof. The Preferred Shares were also convertible into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share. The Special Shares were convertible into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share. The Preferred and Special Securities holders were also entitled to a fixed annual cumulative dividend of 5% per annum on the initial face value of \$21.74 per share.

On March 25, 2024 (“Mandatory Conversion Date”), the Preferred and Special Securities were converted to 189,114,307 Subordinate Voting Shares. The accrued dividend payable on the Preferred and Special Securities of \$87.4 million at March 25, 2024 was also settled through the issuance of an additional 3,515,418 Subordinate Voting Shares. Subsequent to the conversion and dividend settlement, the total issued and outstanding share capital of the Company now reflects 256,620,388 Subordinate Voting Shares and no Preferred Shares or Special Shares issued or outstanding. The Company recorded \$403.3 million in capital stock, \$1,200.0 million in contributed surplus and \$3,096.0 million in retained earnings on the condensed consolidated interim statement of changes in equity for the three months ended March 31, 2024.

The Preferred and Special Securities were recorded at fair value at the end of each reporting period until the Mandatory Conversion Date of March 25, 2024. Based on the Preferred and Special Securities’ conversion rights, the value of the Preferred and Special Securities was primarily dependent on the price movement of Lumine Subordinate Voting Shares. For the three months ended March 31, 2024, up to the Mandatory Conversion Date, the Company recorded \$299.0 million related to mark-to-market adjustments on the fair value of the Preferred and Special Securities (March 31, 2023 – \$646.5 million), and \$18.7 million related to accrued dividends on the Preferred and Special Securities (March 31, 2023 - \$8.1 million).

Finance and other expense (income) – Finance and other expense increased \$1.4 million for the three months ended March 31, 2024 over the same period in 2023. The increase is largely driven by interest on new bank debts entered into after March 31, 2023 (see Bank Debts under “Capital Resources and Commitments”).

Income taxes – We operate globally, and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a combined basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the three months ended March 31, 2024, income tax expense increased \$2.5 million to \$4.3 million compared to \$1.8 million for the same period in 2023. Current tax expense has historically approximated our cash tax rate. The Company’s combined effective tax rate in respect of continuing operations for the three months ended March 31, 2024 was -0.70% (-0.28% for the three months ended March 31, 2023). The change in effective tax rate for the three months ended March 31, 2024 is mainly caused by book to return adjustments and non-deductible permanent differences for acquisitions. The current and prior period effective tax rates are impacted by the redeemable Preferred and Special Securities expense, which is not deductible for tax purposes.

Net Income (Loss) per Share

Net loss for the three months ended March 31, 2024 was \$304.3 million compared to net loss of \$651.6 million for the same period in 2023. On a per share basis, this translated into net income (loss) per basic and diluted share of \$(3.53) in the three months ended March 31, 2024 compared to net income (loss) per basic and diluted share of \$(9.61) for the same period in 2023.

Net cash flows from operating activities ("CFO")

For the three months ended March 31, 2024, CFO increased \$20.0 million to \$35.0 million compared to \$15.0 million for the same period in 2023 representing an increase of 134%. The increase is driven by higher operating income of \$22.8 million and lower taxes paid of \$1.2 million, partly offset by a change in non-cash operating working capital of \$4.0 million.

Free cash flows available to shareholders ("FCFA2S")

For the three months ended March 31, 2024, FCFA2S increased \$17.1 million to \$28.8 million compared to \$11.7 million for the same period in 2023 representing an increase of 146%. The increase in the three months ended March 31, 2024 is driven by higher CFO compared to the same periods in 2023 partly offset by interest paid on bank debt. FCFA2S is a non-IFRS Measure. See "Non-IFRS Measures".

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended March 31,		Period-Over-Period Change	
	2024	2023	\$	%
Net cash flows from operating activities:	35.0	15.0	20.0	134%
Adjusted for:				
Interest paid on lease obligations	(0.2)	(0.1)	(0.1)	66%
Interest paid on other facilities	(2.5)	(0.3)	(2.1)	622%
Credit facility transaction costs	(1.7)	(1.8)	0.1	-7%
Payment of lease obligations	(1.6)	(0.8)	(0.7)	86%
Property and equipment purchased	(0.4)	(0.2)	(0.1)	50%
Free cash flow available to shareholders	28.8	11.7	17.1	146%

Quarterly Results

	Quarter ended							
	Jun. 30 <u>2022</u>	Sep. 30 <u>2022</u>	Dec. 31 <u>2022</u>	Mar. 31 <u>2023</u>	Jun. 30 <u>2023</u>	Sep. 30 <u>2023</u>	Dec. 31 <u>2023</u>	Mar. 31 <u>2024</u>
Revenue	61.3	66.0	68.3	95.4	129.9	131.3	143.1	141.1
Operating income ¹	18.2	21.8	10.6	21.7	36.4	45.1	41.6	44.5
Net income (loss)	8.8	11.8	(1.1)	(651.6)	(489.6)	(179.0)	(1,506.1)	(304.3)
CFO	8.1	12.1	9.8	15.0	22.4	44.5	26.4	35.0
FCFA2S ¹	7.3	11.3	8.0	11.7	17.3	39.6	20.3	28.8
Weighted average shares (in millions)								
Basic	N/A	N/A	63.6	67.8	74.0	74.0	74.1	86.1
Diluted	N/A	N/A	197.8	236.7	253.1	253.1	253.1	253.3
Net income (loss) per share								
Basic and diluted	N/A	N/A	(0.02)	(9.61)	(6.62)	(2.42)	(20.33)	(3.53)
CFO per share								
Basic	N/A	N/A	0.15	0.22	0.30	0.60	0.36	0.41
Diluted	N/A	N/A	0.04	0.06	0.09	0.18	0.10	0.14

FCFA2S per share¹

Basic	N/A	N/A	0.12	0.17	0.23	0.54	0.27	0.33
Diluted	N/A	N/A	0.03	0.05	0.07	0.16	0.08	0.11

¹ See “Non-IFRS Measures”.

In millions of dollars, except per share amounts.

Since the Company did not legally own Lumine Group (Holdings) Inc. during 2022 prior to its acquisition and amalgamation of Lumine Group (Holdings) Inc. and its subsidiaries in February 2023, the amalgamated entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 Earnings per share has not been presented for 2022 and prior.

We do not generally experience significant seasonality in our operating results from quarter to quarter. However, our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, and gains or losses on the sale of financial and other assets. The Preferred and Special Securities expense (income) is primarily dependent on the price movement of Subordinate Voting Shares. Material swings in the price will have a material impact on quarterly operating results.

Liquidity

Cash increased by \$113.3 million to \$259.8 million at March 31, 2024 from December 31, 2023. The increase in cash was predominantly driven by borrowings of \$90.0 million from the Lumine revolving credit facility (the “Lumine Facility”) entered into in March 2024 to fund the acquisition from Nokia in April 2024 (see “Subsequent Events”) as well as cash generated from operations, offset by net repayments of bank debts and due to related parties, net. Bank indebtedness increased by \$88.0 million to \$240.7 million at March 31, 2024 compared to \$152.7 million at December 31, 2023, due to the borrowings on the Lumine Facility. Due to related parties, net (see “Related Parties” below) decreased by \$1.3 million to \$1.1 million compared to \$2.4 million at December 31, 2023.

Total assets increased \$81.2 million, from \$1,136.7 million at December 31, 2023 to \$1,217.9 million at March 31, 2024. The increase is primarily due to a \$113.3 million increase in cash, partly offset by \$25.6 million decrease in intangible assets. The increase in cash is driven by the borrowings on the Lumine Facility. The decrease in intangible assets is due to regular amortization.

Current liabilities decreased \$4,478.8 million, from \$4,683.8 million at December 31, 2023 to \$205.0 million at March 31, 2024. The decrease is primarily due to the Mandatory Conversion of Preferred and Special Securities into Subordinate Voting Shares on March 25, 2024.

Non-current liabilities increased \$80.6 million, from \$294.9 million at December 31, 2023 to \$375.4 million at March 31, 2024. The increase is primarily due to an increase of \$88.9 million in bank debt.

(Unaudited)
Net Changes in Cash Flows
(\$ in millions)

	Three months ended March 31,		Period-Over-Period Change	
	2024	2023	\$	%
Net cash provided by operating activities	35.0	15.0	20.0	134%
Net cash from (used in) financing activities	81.8	348.5	(266.7)	-77%
Cash used in the acquisition of businesses	(0.7)	(315.1)	314.4	-100%
Cash obtained with acquired businesses	-	34.0	(34.0)	-100%
Net cash from (used in) other investing activities	(0.4)	(0.2)	(0.1)	47%
Net cash from (used in) investing activities	(1.0)	(281.4)	280.4	-100%
Effect of foreign currency	(2.5)	0.3	(2.8)	NM
Net increase (decrease) in cash and cash equivalents	113.3	82.4	30.9	38%

The net cash flows from operating activities were \$35.0 million for the three months ended March 31, 2024, which is a result of \$304.3 million in net loss generated during the period, offset by \$351.0 million of non-cash adjustments, which includes \$317.4 million in Redeemable Preferred and Special Securities expense. This is partially offset by \$8.0 million of cash used in non-cash operating working capital and \$3.6 million in taxes paid.

The net cash flows from financing activities for the three months ended March 31, 2024 were \$81.8 million, which is a result of the borrowings on the Lumine Facility of \$90.0 million.

The net cash flows used in investing activities for the three months ended March 31, 2024 were \$1.0 million. The cash used in investing activities was primarily due to post acquisition settlement payments.

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. As such, management anticipates that it can continue to grow the Company organically without any additional funding. Additional funding may be utilized depending upon the size and timing of potential future acquisitions.

Related Parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, significant shareholders, directors, key management personnel, certain companies affiliated with key management personnel, and companies that are under common control of the Company's indirect controlling shareholder, CSI. Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged.

The Company pays management fees to the Parent (included within "Other, net" expenses), reimburses the Parent for certain expenses paid on behalf of the Company, and borrows funds from the Parent from time to time to fund acquisitions. During the three months ended March 31, 2024, the Company expensed management fees of \$0.5 million (March 31, 2023 – \$0.3 million). At March 31, 2024, the Company had outstanding amounts due to related parties of \$1.1 million (December 31, 2023 – \$2.4 million) which reflects the amount owing to the Parent for management fees and the reimbursement of expenses paid on its behalf, net of the cash sent to the Parent during the quarter.

On March 25, 2024, the Company issued 154,519,381 Subordinate Voting Shares amounting to \$1,382.3 million to the Parent in relation to the Mandatory Conversion of the Preferred Shares, and 3,034,152 Subordinate Voting Shares amounting to \$75.4 million to the Parent in relation to settlement of accrued dividends on the Preferred Shares.

Redeemable Preferred and Special Securities

A detailed description of the significant terms and conditions of the Preferred and Special Securities are described in Note 8 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2024.

Capital Resources and Commitments

Bank Debt

WideOrbit Loan

On March 2, 2023, WideOrbit, a wholly owned subsidiary, entered into a revolving financing facility with a syndicate of Canadian and US financial institutions amounting to \$185.0 million, to provide long-term financing in connection with the acquisition of WideOrbit (the "WO Loan"), of which \$175.0 million was drawn and incurred transaction costs of \$1.8 million. As of March 31, 2024, there were no additional borrowings made and a balance of \$125.0 million remains outstanding (December 31, 2023 - \$125 million).

Covenants associated with this facility are monitored and reported based on the financial position and financial performance of WideOrbit. The covenants include a leverage ratio and a fixed charge coverage ratio. The WO Loan has a maturity date of March 2, 2028 and bears an interest rate of SOFR plus applicable spreads ranging from 1.75% to 3%, based on the leverage ratio. The Company does not guarantee this debt, nor are there any cross-guarantees between other subsidiaries. The credit facility is collateralized by substantially all of the assets of WideOrbit.

Telarix Loans

On October 31, 2022, Telarix Inc., a wholly owned subsidiary, closed term loan funding with a Canadian chartered bank, amounting to \$39.0 million, of which \$19.7 million was drawn and \$18.3 million remains outstanding as of March 31, 2024 (December 31, 2023 - \$18.5 million), to provide long-term financing in connection with an acquired business. The financing also comes with a revolving credit facility of \$2.5 million (collectively, the "Telarix Loans"). For the three months ended March 31, 2024, there were no additional borrowings made on the Telarix Loans and normal course repayments of \$0.2 million made on the term loan (2023 – repayments of \$0.9 million).

Covenants and guarantees associated with this loan are monitored and reported based on the financial position and financial performance of Telarix Inc. The covenants include a leverage ratio and an interest coverage ratio. The Telarix loans have a maturity date of October 31, 2026. The term loan bears an interest rate of SOFR plus applicable spreads ranging from 1.85% to 3.85%, based on the leverage ratio. The revolving facility bears an interest rate of Prime plus applicable spreads ranging from 0.50% to 2.50%. The Company does not guarantee the Telarix loans, nor are there any cross-guarantees between other subsidiaries. The Telarix Loans are collateralized by substantially all of the assets of Telarix Inc. and its subsidiaries.

WizTivi Loan

On November 24, 2023, Lumine Group France SAS ("Lumine France"), a wholly owned subsidiary, closed a term loan facility with HSBC Continental Europe amounting to €10.0 million (\$10.9 million) to provide long-term financing in connection with its wholly owned subsidiary, WizTivi SAS (the "WizTivi Loan"), of which the full amount was drawn and incurred transaction costs of \$0.2 million in 2023.

Covenants associated with this facility are monitored and reported based on the financial position and financial performance of WizTivi. The covenants include a leverage ratio and WizTivi cash position. The WizTivi Loan has a maturity date of November 24, 2028 and bears an interest rate of EURIBOR plus applicable spreads ranging from 2% to 3%, based on the leverage ratio. The Company does not guarantee this debt, nor are there any cross-guarantees between other subsidiaries. The credit facility is collateralized by substantially all of the assets of Lumine France and WizTivi.

Lumine Facility

On March 20, 2024, the Company entered into a revolving credit financing facility with a syndicate of Canadian and US financial institutions, amounting to \$310.0 million to support future acquisitions, of which \$90.0 million was drawn and incurred transaction costs of \$1.7 million during the three months ended March 31, 2024.

Covenants associated with this facility are monitored and reported based on the financial position and financial performance of the Company's business units. The covenants include a leverage ratio and an interest coverage ratio. The Lumine Facility has a maturity date of March 21, 2027 and bears an interest rate of SOFR plus applicable spreads ranging from 1.25% to 3.25%, based on the leverage ratio. The credit facility is collateralized by substantially all of the assets of certain direct and indirect subsidiaries of the Company subject to the ringfence arrangement.

As of March 31, 2024, the Company and its subsidiaries are in compliance with their respective debt covenants.

(\$ in thousands)	Maturity	Principal Amount	Interest Rate	March 31, 2024	December 31, 2023
Telarix Loan - Term loan	2026	39,000	SOFR+1.85%	\$ 18,281	\$ 18,525
Telarix Loan - Revolving facility	2026	2,500	Prime+0.50%	-	-
WO Loan	2028	185,000	SOFR+2.5%	125,000	125,000
WizTivi Loan	2028	€10,000	EURIBOR+2.5%	10,791	11,036
Lumine Facility	2027	310,000	SOFR+1.25%	90,000	-
				244,073	154,561
Deferred transaction costs				(3,348)	(1,854)
Less current portion				\$ (2,228)	\$ (3,071)
Total long-term debt				\$ 238,497	\$ 149,636

The annual minimum repayment requirements are as follows:

(\$ in thousands)	
2024	3,133
2025	3,133
2026	18,490
2027	92,158
2028	127,158
	\$ 244,073

Other Commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was \$2.5 million at March 31, 2024.

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for short term leases, leases of low value assets, and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Subsequent Events

Acquisition from Nokia

On April 1, 2024, the Company acquired the assets of the Device Management and Service Management Platform businesses from Nokia (NYSE: NOK) for aggregate cash consideration of \$113.0 million on closing. The acquired businesses operate in the communications and media market, similar to the Company's existing businesses. This arrangement includes a maximum, or capped, contingent consideration which is not expected to exceed \$37.8 million. The closing cash consideration is subject to adjustments for such items as net tangible asset assessments, as defined in the purchase and sale agreement, and claims under the respective representations and warranties of the purchase and sale agreement.

As of the date of issuance of these financial statements, the Company had not yet completed the initial accounting for the acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date of issuance of these financial statements.

Acquisition from Casa Systems

On April 29, 2024, the Company acquired the Axyom Cloud Native 5G Core Software & RAN assets from Casa Systems Inc. for aggregate cash consideration of \$32,250 on closing, subject to certain customary closing adjustments. The acquired businesses operate in the communications and media market, similar to the Company's existing businesses.

As of the date of issuance of these financial statements, the Company had not yet completed the initial accounting for the acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date of issuance of these financial statements.

Share Capital

As at March 31, 2024, there were 256,620,388 Subordinate Voting Shares and 1 Super Voting Share outstanding.

The Super Voting Share is convertible into a Subordinate Voting Share on a one-for-one basis. On the Mandatory Conversion Date, the Preferred and Special Securities were converted to 189,114,307 Subordinate Voting Shares and accrued dividends were satisfied with the issuance of additional 3,515,418 Subordinate Voting Shares.

For more information on the capital structure of Lumine, including additional details regarding the terms and conditions relevant to the Subordinate Voting Shares, the Super Voting Share, the Preferred Shares, and the Special Shares of Lumine, see Lumine's final long form prospectus dated February 6, 2023, which is available on SEDAR+ at www.sedarplus.ca.

Risk Factors

The Company's business is subject to a number of risk factors which are described in the final prospectus of Lumine dated February 6, 2023. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our Subordinate Voting Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Subordinate Voting Shares could decline, and shareholders may lose all or part of their investment.