Management's Discussion & Analysis

For the three and nine months ended September 30, 2023 and 2022

Vitalhub Corp.
480 University Avenue, Suite 1001, Toronto, ON M5G 1V2

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budgets”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or “recurring”, or variations of such words and phrases or state certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including but not limited to: the ability of the issuer to obtain financing if required; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as may be required by applicable securities legislation. These forward looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

GENERAL INFORMATION

The following Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") prepared as of November 9, 2023 supplements, but does not form part of the of the unaudited interim condensed consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the three and nine months ended September 30, 2023 and 2022.

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Chartered Professional Accountants Canada Handbook ("CPA Canada Handbook"). All financial information contained in this MD&A and in the unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" as indicated in this MD&A.

All currency amounts in this MD&A are expressed in Canadian dollars, unless specified otherwise.

COMPANY PROFILE

Based in Toronto, Ontario, Vitalhub Corp. and its subsidiaries provide technology to Health and Human Service providers including; Hospitals, Regional Health Authorities, Mental Health, Long-Term Care, Home Health, Community and Social Services. Vitalhub solutions span the categories of Electronic Health Records (EHR), Case Management, Care Coordination, Patient Flow, Operational Visibility and Mobile Apps.

The Company's shares trade on the TSX under the symbol "VHI" and on the OTC Markets OTCQX Exchange under the symbol "VHIBF".

Products and services

Vitalhub's healthcare information technology solutions include mobile, patient flow, web-based assessment and electronic healthcare record solutions. Mental Health solutions support the distinct requirements of mental health and addictions service providers across inpatient, outpatient, and community settings. By charting the client's story during their journey of treatment, Vitalhub provides a longitudinal record of client information and supports seamless continuity of care.

Two-pronged growth strategy

The Company has a two-pronged approach to growth, targeting organic growth opportunities within its product suite, and pursuing an aggressive merger and acquisition ("M&A") strategy. By combining like software companies focused on Healthcare IT, growth and profitability will increase. Research and development spend will be reduced by moving development into the Vitalhub Innovation Lab located in Sri Lanka. This offshore development team is a wholly owned subsidiary of the Company, critical to the strategy of providing cost and development technology synergies. General and Administrative functions will be consolidated, resulting in cost savings. Vitalhub will cross-sell its products into the installed customer bases of the merged companies and will optimize sales and marketing processes across the organization, which will also drive sales growth. Since 2017, the Company has completed the following acquisitions:

1. B Sharp Technologies (B Care EHR), for patient information sharing, team and care coordination and communication;
2. HI Next (TREAT EHR), a participant management system that captures demographic and clinical data in standard modules; progress notes, assessments and interdisciplinary care plans;
3. Clarity EHR, an Ontario Mental Health-based web-based assessments company;
4. Roxy Software Inc.'s flagship product, Pirouette is a Software-as-a-Service ("SaaS") based software solution that allows community health agencies to manage their client activities;
5. MCAP from Oakgroup UK Limited. MCAP is a SaaS-based software solution that allows community health agencies to manage their client activities;
6. Oculys provides a real-time and predictive operational management system for hospitals, focusing on the efficiency and effectiveness of patient care;
7. Intouch with Health Ltd, a UK Patient Flow management solutions company;
8. Transforming Systems Ltd, a UK-based real-time access to information company operating in the health and social services sector;
9. S12 Solutions Ltd, a UK-based company that helps mental health professionals efficiently complete Mental Health Act 1983 processes;
10. Jayex Healthcare Limited, a leading UK and Australian e-health provider of integrated SaaS healthcare services delivery platforms;
11. Alamac Limited, a UK-based company that provides technological and advisory solutions that assist healthcare organizations across the NHS;

12. Beautiful Information Limited, a UK-based company that offers unique real-time information to NHS trusts to help them plan and resource clinical services to meet hourly fluctuations in patient flow;

13. Hicom Technology Limited, a UK-based company that develops software that automates healthcare and business processes;

14. Community Data Solutions, an Australian-based company, offering an online case management system and supporting products;

15. Advanced Digital Innovation (UK) Limited, with the product widely known as MyPathway. A digital health platform which is used to improve patient interactions during treatment, and;

16. Coyote Software Corporation, a Canadian-based company that specializes in tailored software solutions that streamline the workflows of health and social service organizations.

Customers

Vitalhub serves more then 1,000 customers across Canada, USA, UK, Australia, the Middle East and Europe. The Company's offerings serve a large addressable market for Digital Health Solutions. The focus has been on the publicly funded acute hospital, mental health, community and social services sectors. VitalHub is a provider in the provisioning of Patient Flow, Operational Visibility, Patient Journey Optimization and Patient Engagement Solutions in the United Kingdom and Australia and in the Community and Social Services sector in Canada and Australia with its EHR, Case Management and Care Coordination solutions. VitalHub is growing in markets across Europe, the Caribbean, the Middle East, and Australia and cross-selling its new portfolio products into the markets where it has a strong presence.

Sales Strategy

The Company sells and markets its solutions in specific geographies through a seasoned team of sales leaders and sales development representatives. Marketing is multipronged and maintained via a variety of channels including the Company's partner network, across social media, an active online presence, the Company's participation in events and trade shows, by hosting webinars, and via customer referrals all of which support the sales team and help to drive organic growth.

There is a significant opportunity for growth in the patient flow market, which the Company has entered via acquisitions. This represents an opportunity for international sales and distribution, with an existing customer base in five countries. The Company primarily focuses on government funded healthcare systems in Canada and internationally in the UK, Australia, Qatar, UAE and Latvia.

Third Quarter 2023 Highlights

- **Revenue of $13,224,264 as compared to $9,780,553 in the equivalent prior year period, an increase of $3,443,711 or 35%.**

  This increase was due to organic growth coupled with revenue derived from acquisitions completed during the first quarter of 2023 and the previous year.

- **Gross profit as a percentage of revenue was 82% compared to 80% in the equivalent prior year period (Q2 2023 - 81%).**

  Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses, maintenance and support generating a higher margin than consulting services and hardware revenue. The increase in Q3 2023 was primarily due to an increase in higher margin maintenance and support revenues in the quarter, coupled with an ongoing effort to manage costs and gain operating cost synergies.

- **ARR(1–2) at September 30, 2023 was $42,612,166 as compared to $41,008,702 at June 30, 2023.**

  ARR(1–2) movement is attributable to the following:

  - Organic growth of $1,475,976 or 4% (16.3% annualized);
  - Gain of $127,489 or 0.3% due to the increase in USD dollar rates relative to the CAD dollar in the quarter.

- **EBITDA(2) of $2,928,358 compared to $1,389,065 in the equivalent prior year period, an increase of $1,539,293 or 111%.**

- **Adjusted EBITDA(2) of $3,411,871 or 26% of revenue, compared to $2,151,753 or 22% of revenue in the equivalent prior year period, an increase of $1,260,118 or 59%.**

  The increase in EBITDA and adjusted EBITDA from Q3 2022 to Q3 2023 was primarily attributable to the higher recurring revenues of $10,821,758 in Q3 2023, as compared to $7,657,559 in Q3 2022, coupled with an ongoing effort to manage costs and gain operating cost synergies.

  Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI ("key performance indicator") to measure.

- **Net income before income taxes of $1,820,543 as compared to a net income of $409,498 in the equivalent prior year period, an increase of $1,411,045 or 78%.**

  The increase was primarily attributable to the significant increase in revenues from organic growth and acquisitions, coupled with an ongoing effort to manage costs and gain operating cost synergies.

Nine Month 2023 Highlights

- **Revenue of $38,904,879 as compared to $28,681,209 in the equivalent prior year period, an increase of $10,223,670 or 36%.**

  This increase was due to organic growth coupled with revenue derived from acquisitions completed during the first quarter of 2023 and the previous year.

- **Gross profit as a percentage of revenue was 81% compared to 82% in the equivalent prior year period.**

  Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses, maintenance and support generating a higher margin than consulting services and hardware revenue. The decrease of 1% was primarily due to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022, coupled with an ongoing effort to manage costs and gain operating cost synergies.

- **ARR(1–2) at September 30, 2023 was $42,612,166 as compared to $30,967,215 at September 30, 2022, an increase of $11,644,951 or 38%.**

  ARR(1–2) movement is attributable to the following:

  - Organic growth of $5,373,855 or 17%;
  - Growth from acquisitions of $4,100,854 or 13%.
  - Gain of $2,170,242 or 7.0% primarily due to the fluctuation in the GBP pound rates relative to the CAD dollar.

  The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

- **EBITDA(2) of $6,895,569 compared to $4,779,798 in the equivalent prior year period, an increase of $2,115,771 or 44%.**

- **Adjusted EBITDA(2) of $9,305,973 or 24% of revenue, compared to $7,069,334 or 25% of revenue in the equivalent prior year period, an increase of $2,236,639 or 32%.**

  The increase in EBITDA and adjusted EBITDA from Q3 2022 to Q3 2023 was primarily attributable to the higher recurring revenues of $31,029,887 for the nine months ended September 30, 2023, as compared to $20,623,096 in the equivalent prior year period, coupled with an ongoing effort to manage costs and gain operating cost synergies.

  Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI ("key performance indicator") to measure.

- **Cash on hand at September 30, 2023 was $29,794,692 compared to $17,452,210 as at December 31, 2022.**

  After spending approximately $1.8M on acquisitions in the nine months ended September 30, 2023, the Company has been able to maintain a steady cash balance, due to continued revenue growth (both organically and through acquisition) and with an ongoing effort to manage costs and gain operating cost synergies.

- **Cash from operations before changes in working capital was $8,536,603 as compared to $5,269,518 for the same period last year.**
- **Net income before income taxes of $3,343,487 as compared to $1,963,057 in the equivalent prior year period, an increase of $1,380,430 or 41%.**

  The change in net income was primarily attributable to higher revenues from maintenance and support, services and hardware.

(1) The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions of the renewable software license fees and maintenance services

(2) Non-IFRS measure

SELECTED FINANCIAL INFORMATION

	Three months ended					Nine months ended				
	September 30, 2023	% Revenue	September 30, 2022	% Revenue	Change	September 30, 2023	% Revenue	September 30, 2022	% Revenue	Change
	$		$		%	$		$		%
Revenue	13,224,264	100%	9,780,553	100%	35%	38,904,879	100%	28,681,209	100%	36%
Cost of sales	2,392,707	18%	1,952,398	20%	(23%)	7,333,455	19%	5,032,259	18%	(46%)
Gross profit	10,831,557	82%	7,828,155	80%	38%	31,571,424	81%	23,648,950	82%	34%
Operating expenses										
General and administrative	2,683,879	20%	2,159,870	22%	(24%)	8,853,440	23%	6,165,619	21%	(44%)
Sales and marketing	1,466,675	11%	1,076,673	11%	(36%)	4,488,319	12%	3,148,312	11%	(43%)
Research and development	3,167,468	24%	2,549,466	26%	(24%)	8,981,113	23%	7,208,055	25%	(25%)
Depreciation of property and equipment	84,202	1%	69,992	1%	(20%)	242,370	1%	173,865	1%	(39%)
Depreciation of right-of-use assets	100,951	1%	64,158	1%	(57%)	298,600	1%	179,640	1%	(66%)
Stock based compensation	266,784	2%	289,019	3%	8%	838,425	2%	872,803	3%	4%
Deferred share-based compensation	0	0%	0	0%	0%	97,560	0%	0	0%	100%
Foreign currency loss (gain)	103,766	1%	(109,607)	(1%)	195%	(55,319)	(0%)	56,573	0%	198%
Other income and expenses										
Amortization of intangible assets	1,066,767	8%	847,818	9%	(26%)	3,191,228	8%	2,327,016	8%	(37%)
Business acquisition, restructuring and integration costs	216,729	2%	473,669	5%	54%	1,228,094	3%	1,416,733	5%	13%
Loss on change in fair value of contingent consideration	0	0%	0	0%	0%	246,325	1%	0	0%	(100%)
Interest expense and accretion (net of interest income)	(160,917)	(1%)	(75,059)	(1%)	114%	(237,272)	(1%)	30,626	0%	875%
Interest expense from lease liabilities	16,812	0%	72,658	1%	77%	57,156	0%	105,594	0%	46%
Current and deferred income taxes	(1,006,534)	(8%)	368,721	4%	373%	(267,209)	(1%)	410,087	1%	165%
Net income	2,827,077	21%	40,777	0%	6833%	3,610,696	9%	1,552,970	5%	133%
EBITDA (Non-IFRS measure)	2,928,358	22%	1,389,065	14%	111%	6,895,569	18%	4,779,798	17%	44%
Adjusted EBITDA (Non-IFRS measure)	3,411,871	26%	2,151,753	22%	59%	9,305,973	24%	7,069,334	25%	32%
Annual recurring revenue (Non-IFRS measure)	42,612,166		30,967,215		38%	42,612,166		30,967,215		38%
Term licences, maintenance and support revenue	10,821,758	82%	7,657,559	78%	41%	31,029,887	80%	20,623,096	72%	50%

	As at	
	September 30, 2023	December 31, 2022
	$	$
Deferred revenue	22,544,629	15,495,461
Cash balance	29,794,692	17,452,210

REVENUE

The Company generates revenue from the sale of perpetual and annual renewable software licenses, maintenance and support, professional services, and hardware. Certain agreements provide for the delivery of application software and continuing post contract services, such as maintenance and support for the application software sold.

Revenue Composition	Three months ended			Nine months ended		
	September 30, 2023	September 30, 2022	Change	September 30, 2023	September 30, 2022	Change
	$	$	%	$	$	%
Term licenses, maintenance and support	10,821,758	7,657,559	41%	31,029,887	20,623,096	50%
Perpetual licenses	57,858	204,233	(72%)	623,314	3,121,009	(80%)
Services, hardware and other	2,344,648	1,918,761	22%	7,251,678	4,937,104	47%
Total Revenues	13,224,264	9,780,553	35%	38,904,879	28,681,209	36%

Revenue for Q3 2023 was $13,224,264 as compared to $9,780,553 in Q3 2022, an increase of $3,443,711 or 35%.

The changes are explained by:

- **An increase of $3,164,199 or 41% in term licenses, maintenance and support revenue from Q3 2022 to Q3 2023.**

  This increase reflects the impact of continued organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the first quarter of 2023 and the previous year.

  Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented (82%) of revenues in Q3 2023 (Q3 2022 - 78%).

- **A decrease of $146,375 or (72%) in perpetual software licenses from Q3 2022 to Q3 2023.**

  Perpetual software licenses are dependent on the type of products sold. The decrease was primarily attributable to the timing of deliveries of the Company's Intouch products.

- **An increase of $425,887 or 22% in services, hardware and other revenue from Q3 2022 to Q3 2023.**

  Professional services, hardware and other revenue can vary depending on the timing of hardware deliveries and the progression of customer projects. The increase is primary attributable to the deployment of the ongoing customer projects and additional service revenues from the new subsidiaries.

Revenue for the nine months ended September 30, 2023 was $38,904,879 as compared to $28,681,209 in the equivalent prior year period, an increase of $10,223,670 or 36%.

The changes are explained by:

- **An increase of $10,406,791 or 50% in term licenses, maintenance and support revenue for the nine months ended September 30, 2023.**

  This increase reflects the impact of continued organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the first quarter of 2023 and the previous year.

  Term licenses, maintenance and support represented 80% of revenues for the nine months ended September 30, 2023 (Nine months ended September 30, 2022 - 72%).

- **A decrease of $2,497,695 or (80%) in perpetual software licenses for the nine months ended September 30, 2023.**

  Perpetual software licenses are dependent on the type of products sold. The decrease was primarily attributable to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022.

- **An increase of $2,314,574 or 47% in services, hardware and other revenue for the nine months ended September 30, 2023.**

  Professional services, hardware and other revenue can vary depending on the timing of hardware deliveries and the progression of customer projects. The increase is primarily attributable to the deployment of the ongoing customer projects and additional service revenues from the new subsidiaries.

COST OF SALES, GROSS PROFIT AND EXPENSES

Cost of sales

Cost of sales consists of commissions, hosting, royalties, hardware and employee salaries for development and support staff.

For Q3 2023, cost of sales was $2,392,707 or 18% of revenue, as compared to $1,952,398 or 20% of revenue for Q3 2022, an increase of $440,309 or 23%.

For the nine months ended September 30, 2023, cost of sales was $7,333,455 or 19% of revenue, as compared to $5,032,259 or 18% of revenue for the equivalent prior year period, an increase of $2,301,196 or 46%.

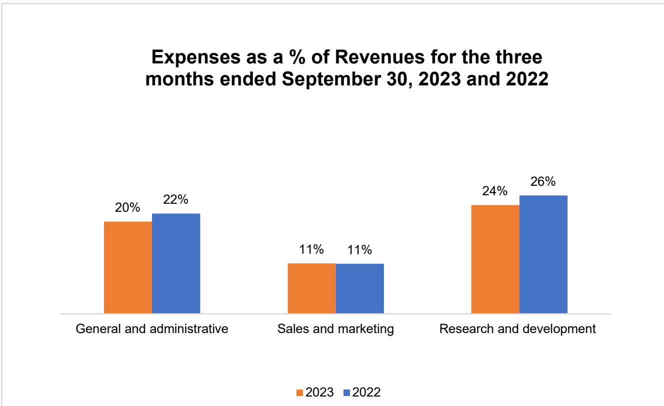
Cost of sales is largely dependent on sales mix. High margin perpetual licenses and recurring licenses, maintenance and support cost less to deliver, while professional services and hardware sales cost more to deliver. We anticipate cost of sales to fluctuate with increased revenues and based on the revenue mix. Management continuously works to improve margins by growing our recurring revenues, and by generating synergies on acquired businesses and overall efficiencies to reduce cost of sales.

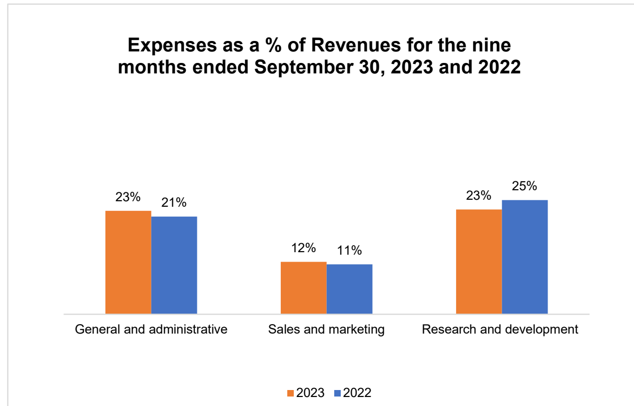
Gross profit

Gross profit for Q3 2023, was $10,831,557 or 82% of revenue, as compared to $7,828,155 or 80% of revenue for Q3 2022, an increase of $3,003,402 or 38%.

For the nine months ended September 30, 2023, gross profit was $31,571,424 or 81% of revenue, as compared to $23,648,950 or 82% of revenue for the equivalent prior year period, an increase of $7,922,474 or 34%.

Gross profit as a percentage of revenue changes are largely dependent upon the sales mix, with perpetual and term licenses, and maintenance and support generating a higher margin than consulting services and hardware revenue. The decrease of 1% was due to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022.





General and administrative expenses

General and administrative expenses include employee salaries related to finance and administration personnel, travel, professional fees (legal, audit, tax and consultants), public company expenses, listing fees and related expenses, and overhead expenses associated with maintaining the Company's office and premises.

General and administrative expenses for Q3 2023, were $2,683,879 or 20% of revenue, as compared to $2,159,870 or 22% of revenue for Q3 2022, a decrease of 2 percentage points of revenue.

For the nine months ended September 30, 2023, general and administrative expenses were $8,853,440 or 23% of revenue, as compared to $6,165,619 or 21% of revenue for the equivalent prior year period, an increase of 2 percentage points of revenue.

The increase during the nine months ended September 30, 2023 compared to the similar period in the prior year was driven by increased costs from acquisitions completed in 2023 and previous years, plus the time it takes for synergies and cost savings to be recognized, which can take longer for general and administrative expenses due to their nature.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, travel costs for our direct sales team, and marketing costs.

Sales and marketing expenses for Q3 2023, were $1,466,675 or 11% of revenue, as compared to $1,076,673 or 11% of revenue for Q3 2022.

For the nine months ended September 30, 2023, sales and marketing expenses were $4,488,319 or 12% of revenue, as compared to $3,148,312 or 11% of revenue for the equivalent prior year period, an increase of 1 percentage point of revenue.

The increase during the nine months ended September 30, 2023 in sales and marketing expenses as a percentage of revenue and in dollars is due to several conferences and exhibitions attended during the second quarter. We anticipate further increases as we add resources to sell products from our acquisitions in new geographies.

Research and development expenses

Research and development ("R&D") expenses consist of the salaries, benefits, travel and training costs of our R&D team.

R&D expenses for Q3 2023, were $3,167,468 or 24% of revenue, as compared to $2,549,466 or 26% of revenue for Q3 2022, a decrease of 2 percentage points of revenue.

For the nine months ended September 30, 2023, R&D expenses were $8,981,113 or 23% of revenue, as compared to $7,208,055 or 25% of revenue for the equivalent prior year period, a decrease of 2 percentage points of revenue.

Although R&D expenses decreased as a percentage of revenue, the increase in dollars is due to the acquisitions completed in 2023 and previous years and the time it takes for synergies and costs savings to be recognized.

Depreciation and amortization

Depreciation consists of depreciation and amortization of the Company's tangible and intangible assets and right of use assets which include computers, furniture and fixtures, leasehold improvements, acquired technologies, customer relationships, brands and premise leases.

Depreciation and amortization for Q3 2023, was $1,251,920, as compared to $981,968 for Q3 2022, an increase of 27%.

For the nine months ended September 30, 2023, depreciation and amortization expenses were $3,732,198 as compared to $2,680,521 for the equivalent prior year period, an increase of 39%.

The increase is attributable to the charges from acquisitions made since Q1 2022. With acquisitions, depreciation and amortization will continue to increase due to acquired intangible assets and the related amortization taken over their estimated useful lives which range from 2-14 years. While this is an income statement expense, it is a non-cash item.

Share-based compensation

Share-based compensation for Q3 2023, was $266,784 as compared to $289,019 for Q3 2022, a decrease of 8%.

For the nine months ended September 30, 2023, share-based compensation expense was $838,425, as compared to $872,803 for the equivalent prior year period, a decrease of 4%.

Deferred share-based compensation

Deferred share-based compensation for Q3 2023 and for the nine months ended September 30, 2023 was $nil and $97,560, as compared to $nil for Q3 2022.

Business acquisition, restructuring and integration costs

Business acquisition, restructuring and integration costs consist of costs incurred to acquire and integrate the businesses purchased, as well as expenses incurred to align segments of the business.

Business acquisition, restructuring and integration costs for Q3 2023, were $216,729, as compared to $473,669 for Q3 2022, a decrease of $256,940 or 54%.

For the nine months ended September 30, 2023, business acquisition, restructuring and integration costs were $1,228,094, as compared to $1,416,733 for the equivalent prior year period, a decrease of $188,639 or 13%.

These expenses were recognized in connection with the acquisition completed in 2023, with the majority of the costs relating to professional fees to acquire the businesses and employee restructuring to gain synergies across the organization.

Interest and accretion expense (net of interest income)

Interest expense consists of bank charges and interest related to loans payable and contingent consideration net of interest income.

Interest income for Q3 2023 was $160,917 as compared to interest income of $75,059 for Q3 2022, an increase of $85,858.

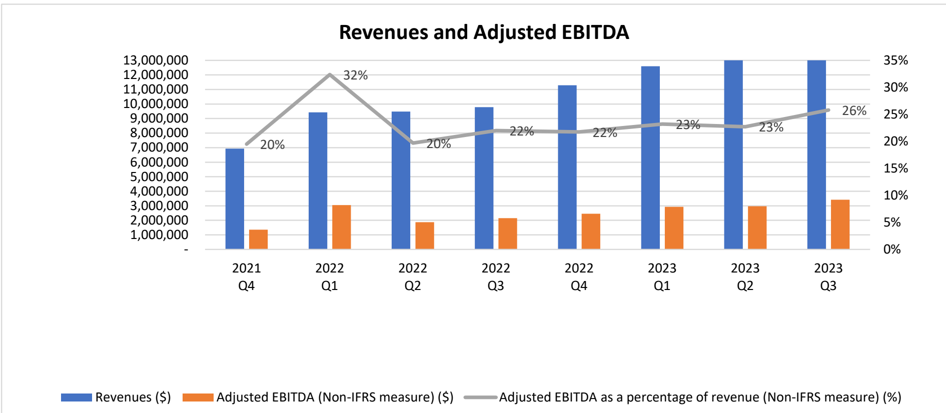
For the nine months ended September 30, 2023, interest income was $237,272, as compared to interest expense of $30,626 for the equivalent prior year period, an increase of $267,898.

The change was attributable to the Company having no debt during 2023 and therefore no interest payments, offset by interest earned on short-term investments.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended September 30, 2023:

	Q4 2021	Q1 2022	Q2 2022	**Q3 2022**	Q4 2022	Q1 2023	Q2 2023	**Q3 2023**
Revenues ($)	6,930,290	9,423,192	9,477,464	**9,780,553**	11,289,606	12,595,174	13,085,441	**13,224,264**
Net income (loss) ($)	(605,772)	1,437,615	74,579	**40,777**	(338,331)	162,168	621,451	**2,827,077**
EBITDA (Non-IFRS measure) ($)	470,036	2,367,047	1,023,686	**1,389,065**	470,220	1,987,747	1,979,464	**2,928,358**
Adjusted EBITDA (Non-IFRS measure) ($)	1,351,422	3,051,018	1,866,563	**2,151,753**	2,455,377	2,923,780	2,970,322	**3,411,871**
Net income (loss) per share - basic and diluted ($)	(0.02)	0.04	0.00	**0.00**	(0.01)	0.01	0.02	**0.07**
Weighted average number of shares outstanding - basic	36,898,290	37,120,147	41,916,986	**43,381,770**	43,464,758	43,617,864	43,628,373	**43,657,411**
Weighted average number of shares outstanding - diluted	36,898,290	39,268,851	43,787,986	**44,647,770**	43,464,758	44,685,367	44,690,876	**46,215,618**



Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI to measure. Adjusted EBITDA as a percentage of revenue is a non-IFRS measure.

OUTSTANDING SHARE DATA

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2023, the Company had 43,684,911 (December 31, 2022 - 43,599,648) common shares issued and outstanding.

As at September 30, 2023 and December 31, 2022, there were no warrants outstanding.

Deferred share units outstanding as at September 30, 2023 were 123,414 (December 31, 2022 - 87,414).

Share options outstanding as at September 30, 2023 were 2,948,206 (December 31, 2022 - 2,450,206) which entitle the holders to purchase one common share of the Company.

The number of exercisable share options as at September 30, 2023 was 1,963,185 (December 31, 2022 - 1,444,091).

FINANCIAL CONDITION

Liquidity and Capital Resources

As at September 30, 2023, the Company had $29,794,692 in cash and cash equivalents on hand, compared to $17,452,210 as at December 31, 2022.

After spending approximately $1.8M on acquisitions in the nine months ended September 30, 2023, the Company has been able to grow the cash balance, due to continued revenue growth (both organically and through acquisition) and with an ongoing effort to manage costs and gain operating cost synergies.

CASH PROVIDED BY OPERATING ACTIVITIES

	Nine months ended		
	September 30, 2023	September 30, 2022	**Change**
	$	$	**$**
Net income	**3,610,696**	1,552,970	**2,057,726**
Items not affecting cash	**4,925,907**	3,716,548	**1,209,359**
Cash from operations before changes in working capital	**8,536,603**	5,269,518	**3,267,085**
Net change in non-cash working capital	**7,166,227**	2,715,265	**4,450,962**
Cash provided by operating activities	**15,702,830**	7,984,783	**7,718,047**

Cash provided by operating activities was $15,702,830 for the nine months ended September 30, 2023, as compared to $7,984,783 for the same period last year.

The increase in non-cash working capital was primarily attributable to the increase in deferred revenue of $6,745,793.

CASH USED IN INVESTING ACTIVITIES

	Nine months ended		
	September 30, 2023	September 30, 2022	**Change**
	$	$	**$**
Cash used in investing activities	**(3,203,487)**	(13,962,779)	**10,759,292**

Cash used in investing activities relates primarily to the cash portion of the acquisition completed during the nine months ended September 30, 2023. The decrease period over period was due to the number and cost of acquisitions completed, as well as the timing of contingent consideration payments.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

	Nine months ended		
	September 30, 2023	September 30, 2022	**Change**
	$	$	**$**
Cash (used in) provided by financing activities	**(214,581)**	25,272,816	**(25,487,397)**

Cash used in financing activities relates to principal payments on lease liabilities of $282,012, repurchase of common shares of $39,069 net of proceeds from exercise of options for $106,500. In Q3 2022, cash provided from financing activities was higher primarily due to proceeds from a Scotiabank loan of $9,999,982 and the proceeds from the issuance of shares of $16,297,935.

CREDIT FACILITIES

The Company has an agreement with The Bank of Nova Scotia ("Scotia") to provide a $6,000,000 operating credit limit, and a $27,000,000 revolving term facility. The operating credit limit bears interest at Scotia's prime rate plus 1%. The revolving term facility, bears interest at Scotia's prime rate plus a spread per annum as follows: Funded debt/EBITDA greater than 2.5x plus 2.75%, Funded debt/EBITDA equal to or less than 2.5x plus 1.5%. The facilities are secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the subsidiaries of the Company.

The Company is subject to maintain the following covenants:

i) Funded Debt to EBITDA ratio, calculated on a trailing 12-month basis that is:

   1. equal to or less than 3.00:1, from July 1, 2022 to June 30th, 2023; and,
   2. equal to or less than 2.50:1, from July 1, 2023 and thereafter.

ii) A Fixed Charge Coverage Ratio (calculated on a trailing 12-month basis that is) of not less than 1.20:1.

As at September 30, 2023, the Company is in compliance with all of its covenants, and has no debt outstanding.

CONTINGENT OFF-BALANCE SHEET AND OTHER ARRANGEMENTS

The Company has obligations with respect to licence, maintenance, and support arrangements for any 12-month period. This obligation is reflected on the Company's statement of financial position through its deferred revenue balance. The Company has no material off-balance sheet obligations or contingencies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This is a description of the Company's accounting estimates that are critical to determining the Company's financial results and changes to accounting policies.

The Company's Financial Statements are prepared in accordance with IFRS, which require the Company to make estimates and assumptions that affect the amounts reported in its Financial Statements. It has identified several policies as critical to the business operations and essential for an understanding of the results of operations. The application of these and other accounting policies are described in Note 3 of the Company's annual consolidated financial statements. There have been no significant changes in its critical accounting estimates from what was previously disclosed in its MD&A for the year ended December 31, 2022. These policies are incorporated herein by reference. Preparation of the Financial Statements requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary significantly from those estimates. Significant areas requiring the Company to make estimates include: the useful life of and value of assets, the valuation allowance of income tax accounts, the recognition of revenue and accrued liabilities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter, there were no changes that are likely to materially affect the internal control over the Company's financial reporting.

RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES

Annual recurring revenue

Annual recurring revenue is defined as annual renewable software licence fees and maintenance services. The Company defines ARR as the recurring revenue we can expect based on yearly subscriptions of the renewable software license fees and maintenance services. Annual recurring revenue is a non-IFRS measure.

Annual Recurring Revenue	Q4 2021	Q1 2022	Q2 2022	**Q3 2022**	Q4 2022	Q1 2023	Q2 2023	**Q3 2023**
Opening balance ($)	21,569,032	22,106,663	24,015,090	**31,219,508**	30,967,215	36,145,150	39,634,517	**41,008,702**
Organic net of churn ($)	649,416	1,485,613	823,506	**850,755**	944,110	1,462,766	1,491,003	**1,475,976**
Organic net of churn (%)	3%	7%	3%	**3%**	3%	4%	4%	**4%**
Acquisition ($)	0	1,032,000	6,748,747	**0**	3,000,854	1,100,000	0	**0**
Acquisition (%)	0%	5%	28%	**0%**	10%	3%	0%	**0%**
Effect of foreign exchange (loss)	(111,785)	(609,186)	(367,835)	**(1,103,048)**	1,232,971	926,600	(116,818)	**127,489**
Effect of foreign exchange (loss)	(1%)	(3%)	(2%)	**(4%)**	4%	3%	(0%)	**0.3%**
Closing balance ($)	22,106,663	24,015,090	31,219,508	**30,967,215**	36,145,150	39,634,517	41,008,702	**42,612,166**

- **ARR[1–2] at September 30, 2023 was $42,612,166 as compared to $41,008,702 at June 30, 2023.**

  ARR[1–2] movement is attributable to the following:
  - Organic growth of $1,475,976 or 4% (16.3% annualized);
  - Gain of $127,489 or 0.3% due to the increase in USD dollar rates relative to the CAD dollar in the quarter.

- **ARR[1–2] at September 30, 2023 was $42,612,166 as compared to $30,967,215 at September 30, 2022, an increase of $11,644,951 or 38%.**

  ARR[1–2] movement is attributable to the following:
  - Organic growth of $5,373,855 or 17%;
  - Growth from acquisitions of $4,100,854 or 13%.
  - Gain of $2,170,242 or 7.0% primarily due to the fluctuation in the GBP pound rates relative to the CAD dollar.

The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

(1) The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions of the renewable software license fees and maintenance services

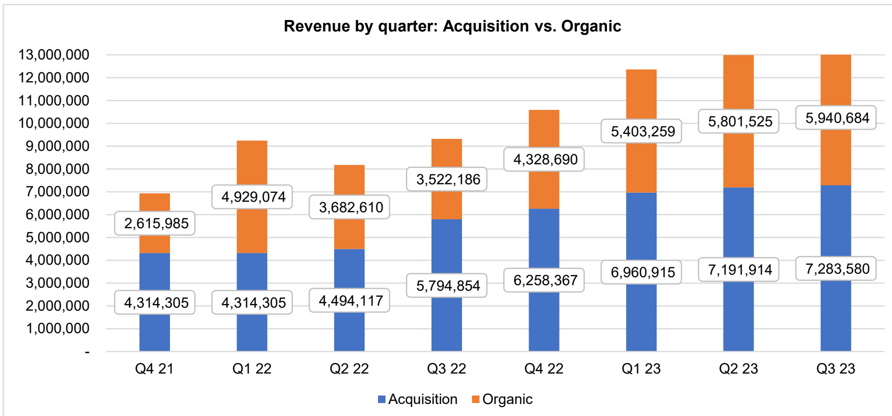
(2) Non-IFRS measure

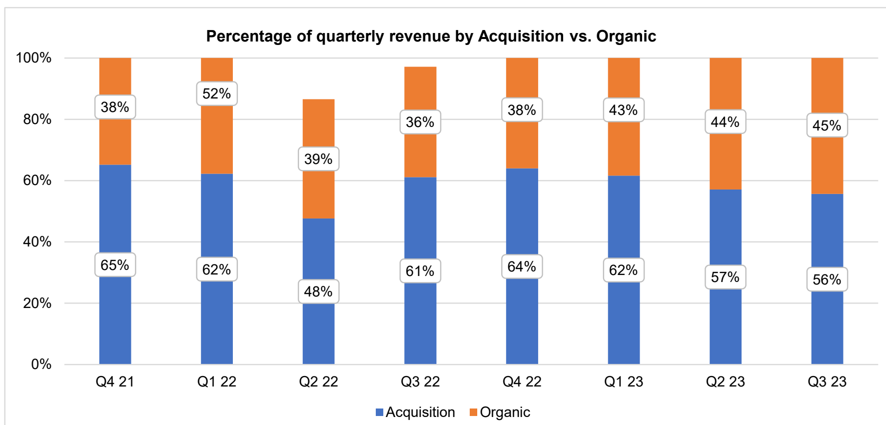
Acquisition and organic revenue

Acquisition revenue is defined as the annual contract value of revenues of the acquired companies at the time of acquisition. Organic revenue growth is defined as the revenue over and above the acquisition revenues. Acquisition revenue is a non-IFRS measure.

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan.

These charts reflect the success of the Company's robust M&A strategy, coupled with the Company's ability to organically grow the businesses acquired, where appropriate.





Earnings before interest, taxation, depreciation, and amortization ("EBITDA")

EBITDA is a measure used by management to evaluate operational performance. It is also a common measure that is reported on and used by investors in determining a company's ability to incur and service debt, as well as a valuation methodology. Management believes EBITDA enhances the information provided in the Financial Statements. EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance. EBITDA should not be used as an exclusive measure of cash flows because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the interim condensed consolidated statements of cash flows.

The following chart reflects the Company's calculation of EBITDA:

	Three months ended		**Nine months ended**	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Net income	**2,827,077**	40,777	**3,610,696**	1,552,970
Add: Interest	**(144,105)**	(2,401)	**(180,116)**	136,220
Add: Depreciation and amortization	**1,251,920**	981,968	**3,732,198**	2,680,521
Add: Current and deferred tax expense	**(1,006,534)**	368,721	**(267,209)**	410,087
EBITDA	**2,928,358**	1,389,065	**6,895,569**	4,779,798

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Share-Based compensation expense, business acquisition, restructuring and integration costs are an additional measure used by management to evaluate cash flows and the Company's ability to service debt. Adjusted EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance.

The following chart reflects the Company's calculation of adjusted EBITDA:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
EBITDA	**2,928,358**	1,389,065	**6,895,569**	4,779,798
Add: Share and deferred-based compensation expense	**266,784**	289,019	**935,985**	872,803
Add: Business acquisition, restructuring and integration costs	**216,729**	473,669	**1,228,094**	1,416,733
Add: Loss on change in fair value of contingent consideration	**0**	0	**246,325**	0
Adjusted EBITDA	**3,411,871**	2,151,753	**9,305,973**	7,069,334