LUMINE GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2024, which were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. 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, March 6, 2025. 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 (loss).

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, dividends paid to redeemable preferred and special securities holders, 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 (loss)

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 – Operating Income” for a reconciliation of operating income (loss) to net income.

Capital Reorganization and Acquisitions of Lumine Group (Holdings) Inc. and WideOrbit Inc.

Capital Reorganization

On February 21, 2023, the Company filed articles of amendment and reorganized its share capital. Subsequent to the reorganization, the Company was authorized to issue one super voting share (“Super Voting Share”), an unlimited number of subordinate voting shares (“Subordinate Voting Shares”), an unlimited number of preferred shares (“Preferred Shares”), and an unlimited number of special shares (“Special Shares”). The Preferred Shares are non-voting and are entitled to a cumulative dividend of 5% per annum and are convertible into Subordinate Voting Shares at a pre-determined ratio. The holders of the Preferred Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Preferred Shares. The Special Shares carry voting rights equivalent to Subordinate Voting Shares, with a cumulative dividend entitlement of 5% per annum and can be converted to Subordinate Voting Shares at a pre-determined ratio. The holders of the Special Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Special Shares, plus one Subordinate Voting Share for each Special Share redeemed.

Holders of Subordinate Voting Shares, the Super Voting Share and the Special Shares are entitled to attend and vote at meetings of the Company’s shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Subordinate Voting Shares and Special Shares are entitled to one vote per share, and the holder of the Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding Super Voting Shares, Subordinate Voting Shares and Special Shares at such time. Other than in respect of voting rights, the Subordinate Voting Shares and the Super Voting Share have the same rights, are equal in all respects and are treated as if they were one class of shares.

As a result of the share capital reorganization, the Company exchanged the one common share issued to Trapeze Software ULC (“Trapeze”), a wholly owned subsidiary of Volaris Group Inc. (“Volaris”), and an indirect subsidiary of Constellation Software Inc. (“CSI”, or collectively referred to as the “Parent”), into one Super Voting Share.

Acquisition of Lumine Group (Holdings) Inc.

On February 22, 2023, the Company acquired Lumine Group (Holdings) Inc. (‘Lumine Holdings”), a global portfolio of communications and media software companies and a wholly owned subsidiary of the Parent. As consideration for the acquisition, the Company issued 63,582,712 Subordinate Voting Shares at a nominal value and 55,233,745 Preferred Shares at $21.74 per share to the Parent. The total value of Preferred Shares of $1,200.8 million was recorded as a reduction to the contributed surplus on the consolidated statement of changes in equity for the year ended December 31, 2023.

Immediately following the completion of the acquisition of Lumine Holdings, the Company amalgamated with Lumine Holdings, with the resulting entity being the Company (the “Amalgamation”).

The acquisition of Lumine Holdings is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by CSI, both before and after the acquisition and Amalgamation transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. The Company accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities.

Acquisition of WideOrbit Inc.

On February 22, 2023, immediately following the Amalgamation, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. (“WideOrbit”) for a purchase price of $504.6 million which was funded through a combination of cash, repayment of WideOrbit debt, and the issuance of 10,204,294 Special Shares. WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. The Company obtained the cash portion of the purchase price from the Parent, in exchange for issuing it a further 8,348,967 Preferred Shares.

Spinout of the Company

On February 23, 2023, Trapeze declared and paid a dividend-in-kind and distributed its 63,582,712 Subordinate Voting Shares of the Company to its parent, Volaris, who further distributed these shares to its ultimate parent CSI. CSI then distributed 63,582,706 Subordinate Voting Shares to its shareholders pursuant to a dividend-in-kind, resulting in the Company’s Subordinate Voting Shares being issued to public shareholders of CSI. The Company’s Subordinate Voting Shares began trading on the TSX Venture Exchange on March 24, 2023 under the symbol “LMN.”

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 and other 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 consist of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with the Company’s software that has been sold to the customer, and hosted software-as-a-service products.. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware and other sales include the resale of third-party hardware that forms part of our customer solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs.

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

Three and Twelve Months ended December 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 and twelve months ended December 31, 2024 and 2023.

Results of Operations

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

(Unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
Revenue	187.1	143.1	44.0	31%	668.4	499.7	168.7	34%
Expenses	118.5	101.5	16.9	17%	458.0	355.0	103.0	29%
Operating income[1]	68.7	41.6	27.1	65%	210.4	144.7	65.7	45%
Amortization of intangible assets	26.4	22.7	3.8	17%	108.1	80.3	27.7	35%
Redeemable Preferred and Special Securities expense	-	1,525.0	(1,525.0)	-100%	317.4	2,871.0	(2,553.6)	-89%
Finance and other expense	5.3	1.1	4.2	373%	24.2	11.1	13.1	118%
Income (loss) before income taxes	36.9	(1,507.2)	1,544.1	NM	(239.2)	(2,817.7)	2,578.5	-92%
Income tax expense (recovery)								
Current income tax expense (recovery)	8.8	(6.0)	14.8	NM	40.0	24.8	15.2	61%
Deferred income tax expense (recovery)	(1.3)	5.1	(6.4)	NM	(20.3)	(16.9)	(3.4)	20%
Income tax expense (recovery)	7.5	(0.9)	8.4	NM	19.7	7.9	11.8	150%
Net income (loss)	**29.4**	**(1,506.3)**	**1,535.7**	**NM**	**(258.9)**	**(2,825.6)**	**2,566.7**	**-91%**
Net cash flows from operating activities	**52.3**	**26.4**	**25.9**	**98%**	**116.2**	**108.2**	**7.9**	**7%**
Free cash flow available to shareholders[1]	**43.7**	**20.3**	**23.4**	**115%**	**85.7**	**88.8**	**(3.2)**	**-4%**
Weighted average shares outstanding								
Basic	256.6	74.0	182.58	247%	214.2	72.5	141.73	195%
Diluted	256.6	253.1	3.52	1%	255.8	245.1	10.73	4%
Net income (loss) per share								
Basic and diluted	0.11	(20.34)	20.46	NM	(1.21)	(38.97)	37.77	-97%
Net cash flows from operating activities per share								
Basic	0.20	0.36	(0.15)	-43%	0.54	1.49	(0.95)	-64%
Diluted	0.20	0.10	0.10	96%	0.45	0.44	0.01	3%
Free cash flow available to shareholders[1] per share								
Basic	0.17	0.27	(0.10)	-38%	0.40	1.23	(0.83)	-67%
Diluted	0.17	0.08	0.09	113%	0.33	0.36	(0.03)	-8%
Total assets	1,288.4	1,135.9	152.6	13%	1,288.4	1,135.9	152.6	13%
Total long-term liabilities	391.4	294.8	96.6	33%	391.4	294.8	96.6	33%

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 and twelve months periods ended December 31, 2024 and 2023

Revenue

Total revenue for the three months ended December 31, 2024 is $187.1 million, an increase of 31%, or $44.0 million, compared to $143.1 million for the comparable period in 2023. For the twelve months ended December 31, 2024, total revenue was $668.4 million, an increase of 34%, or $168.7 million, compared to $499.7 million for the comparable period in 2023. The increase for the three and twelve months ended December 31, 2024 compared to the same periods in the prior year is primarily attributable to revenues from new acquisitions. The Company experienced organic growth of -9% and -8%, respectively, for the three and twelve months ended December 31, 2024 or -9% and -9% 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. For the year ended December 31, 2024, there was one customer with revenues in excess of 10% of the Company's total revenues. Revenues from this customer for the year were $71.5 million ($nil – for the year ended December 31, 2023).

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

	Three months ended December 31,		Period-Over-Period Change		Q4-23 Pro Forma Adj. (Note 1)	Organic Growth	Year ended December 31,		Period-Over-Period Change		Q4-23 Pro Forma Adj. (Note 2)	Organic Growth
	2024	2023	$	%	$	%	2024	2023	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licences	15.2	13.2	2.0	15%	11.4	-38%	51.4	46.1	5.2	11%	34.2	-36%
Professional services	27.2	26.0	1.2	5%	15.9	-35%	113.9	89.3	24.5	27%	48.9	-18%
Hardware and other	6.9	4.9	2.0	41%	4.9	-29%	18.2	19.9	(1.6)	-8%	14.0	-46%
Maintenance and other recurring	137.8	99.1	38.8	39%	30.7	6%	484.9	344.4	140.6	41%	131.2	2%
	187.1	143.1	44.0	31%	62.8	-9%	668.4	499.7	168.7	34%	228.2	-8%

$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 December 31, 2023 from companies acquired after September 30, 2023. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the twelve months ended December 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 eight quarters, as well as the trailing twelve months. 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.

(unaudited)	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024	12 months ended Dec. 31 2023	12 months ended Dec. 31 2024
Licenses	-4%	-25%	-14%	-34%	-16%	-43%	-40%	-38%	-22%	-36%
Professional services	-10%	10%	16%	4%	13%	-22%	-12%	-35%	5%	-18%
Hardware and other	25%	31%	70%	36%	-59%	-69%	-39%	-29%	40%	-46%
Maintenance and other recurring	-2%	1%	5%	2%	0%	0%	1%	6%	2%	2%
Revenue	**-3%**	**0%**	**6%**	**-2%**	**-2%**	**-12%**	**-8%**	**-9%**	1%	-8%

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

	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024	12 months ended Dec. 31 2023	12 months ended Dec. 31 2024
Licenses	0%	-26%	-16%	-35%	-17%	-43%	-40%	-38%	-21%	-36%
Professional services	-5%	10%	12%	2%	11%	-22%	-13%	-35%	6%	-18%
Hardware and other	33%	31%	64%	32%	-60%	-69%	-39%	-31%	33%	-47%
Maintenance and other recurring	1%	1%	3%	1%	0%	0%	0%	6%	2%	2%
Revenue	**1%**	**1%**	**4%**	**-3%**	**-3%**	**-12%**	**-9%**	**-9%**	**1%**	**-9%**

The negative organic growth during the year ended December 31, 2024 is primarily related to the carve-out acquisitions completed in Q2 2024 which are continuing to go through integration and onboarding of best practices where a reduction in organic growth can be expected as we re-evaluate contracts and projects.

Expenses

The following table displays the breakdown of our expenses:

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
Expenses	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Staff	82.6	71.2	11.4	16%	333.3	252.9	80.4	32%
Hardware	4.3	3.2	1.1	33%	10.9	13.0	(2.2)	-17%
Third party license, maintenance and professional services	12.2	8.9	3.3	38%	41.2	29.4	11.7	40%
Occupancy	2.1	1.1	1.1	103%	6.2	3.7	2.6	70%
Travel, telecommunications, supplies & software and equipment	8.8	6.4	2.4	38%	32.5	21.5	11.0	51%
Professional fees	4.5	4.3	0.2	5%	15.6	16.6	(0.9)	-6%
Other, net	1.7	4.5	(2.8)	-63%	9.2	9.9	(0.7)	-7%
Depreciation	2.2	2.1	0.1	5%	9.1	7.9	1.2	15%
	118.5	101.5	16.9	17%	458.0	355.0	103.0	29%

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

Overall expenses for the three months ended December 31, 2024 increased 17%, or $16.9 million to $118.5 million, compared to $101.5 million during the same period in 2023. During the twelve months ended December 31, 2024, expenses increased 29%, or $103.0 million to $458.0 million, compared to $355.0 million during the same period in 2023. As a percentage of total revenue, expenses equalled 63% and 69% for the three and twelve months ended December 31, 2024, respectively, and 71% and 71% for the same period in 2023, respectively.

Staff expense – Staff expenses increased 16% or $11.4 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, staff expenses increased 32% or $80.4 million 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.

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	14.5	12.2	2.3	19%	58.0	43.0	15.0	35%
Maintenance	17.0	12.1	4.9	41%	68.5	45.0	23.5	52%
Research and development	25.9	18.7	7.1	38%	91.7	70.4	21.3	30%
Sales and marketing	13.5	12.3	1.2	10%	46.7	39.9	6.8	17%
General and administrative	11.7	15.8	(4.1)	-26%	68.3	54.6	13.7	25%
	82.6	71.2	11.4	16%	333.3	252.9	80.4	32%

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

The increase in staff expenses for the three and twelve months ended December 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. Staff costs in the General and Administrative department decreased in the three months ended December 31, 2024 due to lower bonus expense accruals in the period compared to the three months ended December 31, 2023.

Hardware expenses – Hardware expenses increased 33% or $1.1 million for the three months ended December 31, 2024 over the same period in 2023 as compared with the 41% increase in hardware and other revenue for the three months ended December 31, 2024 over the comparable period in 2023. For the twelve months ended December 31, 2024, hardware expenses decreased 17% or $2.2 million over the same period in 2023 as compared with the 8% decrease in hardware and other revenue for the twelve months ended December 31, 2024 over the comparable period in 2023. Hardware margins for the three and twelve months ended December 31, 2024 were 38% and 40%, respectively, as compared to 34% and 34% 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 38% or $3.3 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, third party license, maintenance and professional services expenses increased 40% or $11.7 million 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 103% or $1.1 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, occupancy expenses increased 70% or $2.6 million over the same period in 2023. The increase for the three and twelve months is due to increased occupancy expenses associated with acquisitions in the preceding quarters.

Travel, telecommunications, supplies & software and equipment expenses – Travel, telecommunications, supplies & software and equipment expenses increased 38% or $2.4 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, travel, telecommunications, supplies & software and equipment expenses increased 51% or $11.0 million over the same period in 2023. The increase in these expenses is primarily due to increases from new acquisitions made in the preceding quarters.

Professional fees – Professional fees increased by 5% or $0.2 million for the three months ended December 31, 2024 over the same period in 2023. The increase for the three months ended December 31, 2024 is due to professional fees incurred by new acquisitions made in the preceding quarters. For the twelve months ended December 31, 2024, professional fees decreased 6% or $0.9 million over the same period in 2023. The decrease in professional fees for the twelve months

ended December 31, 2024 is primarily due to non-recurring professional fees incurred related to Lumine's public listing and acquisitions in 2023.

Other, net – Other expenses decreased by 63% or $2.8 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, other expenses decreased by 7% or $0.7 million over the same period in 2023. The following table provides a further breakdown of expenses within this category.

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	0.8	1.0	(0.2)	-23%	4.0	4.1	(0.1)	-3%
Recruiting and training	0.7	0.2	0.5	219%	2.3	1.5	0.8	52%
R&D tax credits	(5.0)	(0.9)	(4.1)	475%	(10.1)	(2.5)	(7.6)	299%
Contingent consideration	(0.3)	1.7	(2.0)	NM	(0.7)	(0.7)	-	-
Other expense, net	5.5	2.4	3.0	126%	13.8	7.6	6.2	81%
	1.7	4.5	(2.8)	-63%	9.2	9.9	(0.7)	-7%

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

Recruiting and training increased by 219% or $0.5 million for the three months ended December 31, 2024 over the same period in 2023 and increased by 52% or $0.8 million for the twelve months ended December 31, 2024 over the same period in 2023. The increase is mainly due to the hiring and onboarding of new employees.

R&D tax credits increased by 475% or $4.1 million for the three months ended December 31, 2024 over the same period in 2023 and increased by 299% or $7.6 million for the twelve months ended December 31, 2024 over the same period in 2023. The increase is mainly due to changes in US SR&ED tax credits and book to return adjustments related to UK and EU SR&ED tax credits.

Contingent consideration expense decreased $2.0 million for the three months ended December 31, 2024 over the same period in 2023. The decrease is related to a decrease in anticipated acquisition earnout payment accruals from the prior year primarily as a result of adjustments 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 126% or $3.0 million for the three months ended December 31, 2024 over the same period in 2023, and increased 81% or $6.2 million for the twelve months ended December 31, 2024 over the same period in 2023. This includes bad debt expense, bank fees, withholding taxes, subscription and membership fees, as well as 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). The increase in other expense is mainly due to higher business tax, bad debt expense and subscription and membership fees partly offset by lower finance charges.

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

Depreciation – Depreciation of property and equipment increased 5% or $0.1 million for the three months ended December 31, 2024 as compared to the same period in 2023, and increased 15% or $1.2 million for the twelve months ended December 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 and twelve-month period ended December 31, 2024.

Operating Income

Operating income for the three months ended December 31, 2024 was $68.7 million compared to $41.6 million for the same period in 2023. For the twelve months ended December 31, 2024, operating income was $210.4 million compared to $144.7 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:

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net income (loss)	29.4	(1,506.3)	1,535.7	NM	(258.9)	(2,825.6)	2,566.7	-91%
Adjusted for:								
Amortization of intangible assets	26.4	22.7	3.8	17%	108.1	80.3	27.7	35%
Redeemable preferred and special securities expense	-	1,525.0	(1,525.0)	-100%	317.4	2,871.0	(2,553.6)	-89%
Finance and other expense	5.3	1.1	4.2	373%	24.2	11.1	13.1	118%
Income tax expense (recovery)	7.5	(0.9)	8.4	NM	19.7	7.9	11.8	150%
Operating income[1]	68.7	41.6	27.1	65%	210.4	144.7	65.7	45%

[1] See "Non-IFRS Measures".

Other Income and Expenses

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

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	26.4	22.7	3.8	17%	108.1	80.3	27.7	35%
Foreign exchange (gain) loss	0.5	(2.0)	2.5	NM	5.9	(1.0)	6.9	NM
Redeemable Preferred and Special Securities expense	-	1,525.0	(1,525.0)	-100%	317.4	2,871.0	(2,553.6)	-89%
Finance and other expense	4.8	3.1	1.7	54%	18.3	12.1	6.2	51%
Income tax expense (recovery)	7.5	(0.9)	8.4	NM	19.7	7.9	11.8	150%
	39.3	1,547.9	(1,508.6)	-97%	469.3	2,970.3	(2,501.0)	-84%

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 17% or 3.8 million for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, amortization of intangible assets increased 35% or $27.7 million over the same period in 2023. The increase in amortization for the three months and twelve months ended December 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 and twelve months ended December 31, 2024, we recorded a foreign exchange loss of $0.5 million and $5.9 million, respectively, compared to a gain of $2.0 million and $1.0 million for the same respective periods 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, 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 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, $1,200.8 million in contributed surplus and $3,096.0 million in retained earnings on the consolidated statement of changes in equity for the year ended December 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 twelve months ended December 31, 2024, up to the Mandatory Conversion Date, the Company recorded $298.7 million related to mark-to-market adjustments on the fair value of the Preferred and Special Securities (December 31, 2023 – $2,802.5 million), and $18.7 million related to accrued dividends on the Preferred and Special Securities (December 31, 2023 – $68.5 million).

Finance and other expense – Finance and other expense increased $1.7 million or 54% for the three months ended December 31, 2024 over the same period in 2023. For the twelve months ended December 31, 2024, finance and other expense increased $6.2 million or 51% over the same period in 2023. The increase is largely driven by interest on new debt facilities entered into in 2024 (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 December 31, 2024, income tax expense increased $8.4 million to $7.5 million compared to a recovery of $0.9 million for the same period in 2023. For the twelve months ended December 31, 2024, income tax expense increased $11.8 million to $19.7 million compared to $7.9 million for the same period in 2023. Current tax expense has historically approximated our cash tax rate. The increase in the income tax expense for the three and twelve months ended December 31, 2024 relative to comparative periods is reflective of increased earnings, coupled by other permanent adjustments in the current quarter.

The Base Erosion and Profit Shifting (BEPS) 2.0 initiative is a significant reform of the international tax system led by the Inclusive Framework and the Organisation for Economic Co-operation and Development (OECD). This initiative includes a substantial change for large multinational groups with the "Pillar Two" proposal of a global minimum tax of 15%. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The legislation is effective for the Company's financial year beginning January 1, 2024. Based on the assessment, the Company does not expect a material exposure to the Pillar Two legislation as the tax rates in most of the jurisdictions in which the Company operates is above 15%.

Net Income (Loss) per Share

Net income for the three months ended December 31, 2024 was $29.4 million compared to net loss of $1,506.3 million for the same period in 2023. Net loss for the twelve months ended December 31, 2024 was $258.9 million compared to net loss of $2,825.6 million for the same period in 2023. On a per share basis, this translated into net income per basic and diluted share of $0.11 in the three months ended December 31, 2024 compared to net loss per basic and diluted share of

$20.34 in the three months ended December 31, 2023, and net loss per basic and diluted share of $1.21 in the twelve months ended December 31, 2024 compared to net loss per basic and diluted share of $38.97 in the twelve months ended December 31, 2023.

Net cash flows from operating activities ("CFO")

For the three months ended December 31, 2024, CFO increased $25.9 million to $52.3 million compared to $26.4 million for the same period in 2023 representing an increase of 98%. For the twelve months ended December 31, 2024, CFO increased $7.9 million to $116.2 million compared to $108.2 million for the same period in 2023 representing an increase of 7%. The increase for the three months is mainly driven by higher operating income of $27.1 million. The increase for the twelve months is mainly driven by higher operating income of $65.7 million and $4.0 million lower income taxes paid partly offset by higher non-cash operating working capital of $63.1 million.

Free cash flows available to shareholders ("FCFA2S")

For the three months ended December 31, 2024, FCFA2S increased $23.4 million to $43.7 million compared to $20.3 million for the same period in 2023. For the twelve months ended December 31, 2024, FCFA2S decreased $3.2 million to $85.7 million compared to $88.8 million for the same period in 2023. The increase in the three months ended December 31, 2024 is driven by higher CFO compared to the same periods in 2023 and partly offset by higher interest paid on bank debt. The decrease in the twelve months ended December 31, 2024 is driven by higher interest paid on bank debt partly offset by higher CFO compared to the same period in 2023. FCFA2S is a non-IFRS Measure. See "Non-IFRS Measures".

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

(unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net cash flows from operating activities:	52.3	26.4	25.9	98%	116.2	108.2	7.9	7%
Adjusted for:								
Interest paid on lease obligations	(0.1)	(0.2)	0.0	-28%	(0.5)	(0.6)	0.1	-19%
Interest paid on other facilities	(5.4)	(4.0)	(1.5)	37%	(18.7)	(10.4)	(8.3)	80%
Credit facility transaction costs	(0.3)	(0.2)	(0.2)	103%	(2.2)	(1.9)	(0.3)	14%
Payment of lease obligations	(1.5)	(1.5)	(0.0)	1%	(6.1)	(5.3)	(0.8)	16%
Property and equipment purchased	(1.2)	(0.3)	(0.9)	299%	(2.9)	(1.1)	(1.8)	157%
Free cash flow available to shareholders	43.7	20.3	23.4	115%	85.7	88.8	(3.2)	-4%

Quarterly Results

(unaudited)	Quarter ended							
	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024
Revenue	95.4	129.9	131.3	143.1	141.1	162.8	177.3	187.1
Operating income[1]	21.7	36.4	45.1	41.6	44.5	36.6	60.7	68.7
Net income (loss)	(651.6)	(489.1)	(178.6)	(1,506.3)	(304.3)	(2.2)	18.3	29.4
CFO	15.0	22.4	44.5	26.4	35.0	10.0	18.8	52.3
FCFA2S[1]	11.7	17.3	39.6	20.3	28.8	2.8	10.4	43.7
Weighted average shares (in millions)								
Basic	67.8	74.0	74.0	74.0	86.1	256.6	256.6	256.6
Diluted	236.7	253.1	253.1	253.1	253.3	256.6	256.6	256.6
Net income (loss) per share								
Basic and diluted	(9.61)	(6.61)	(2.41)	(20.34)	(3.53)	(0.01)	0.07	0.11
CFO per share								
Basic	0.22	0.30	0.60	0.36	0.41	0.04	0.07	0.20
Diluted	0.06	0.09	0.18	0.10	0.14	0.04	0.07	0.20
FCFA2S per share[1]								
Basic	0.17	0.23	0.54	0.27	0.33	0.01	0.04	0.17
Diluted	0.05	0.07	0.16	0.08	0.11	0.01	0.04	0.17

[1] See “Non-IFRS Measures”.

In millions of dollars, except per share amounts.

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 $64.5 million to $211.0 million at December 31, 2024 from December 31, 2023. The increase in cash was predominantly driven by borrowings of $136.0 million from the Lumine revolving credit facility (the “Lumine Facility”) entered into in March 2024 to fund acquisitions in April 2024 as well as cash generated from operations, offset by acquisitions, net repayments of bank debts and due to related parties, net. Bank indebtedness increased by $125.9 million to $278.6 million at December 31, 2024 compared to $152.7 million at December 31, 2023, due to the borrowings on the Lumine Facility and Telarix Loan (defined below). Due to related parties, net (see “Related Parties” below) increased by $0.6 million to $3.0 million compared to $2.4 million at December 31, 2023.

Total assets increased $152.6 million, from $1,135.9 million at December 31, 2023 to $1,288.4 million at December 31, 2024. The increase is primarily due to a $64.5 million increase in cash, $53.5 million increase in accounts receivable and $34.8 million increase in intangible assets. The increases in intangible assets and accounts receivable are mainly driven by the acquisitions completed in 2024. As at December 31, 2024, the carrying amount of accounts receivable from the Company’s most significant customer was $44.3 million ($nil – as at December 31, 2023).

Current liabilities decreased $4,465.2 million, from $4,683.5 million at December 31, 2023 to $218.3 million at December 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 $96.6 million, from $294.8 million at December 31, 2023 to $391.4 million at December 31, 2024. The increase is primarily due to an increase of $125.8 million in bank debt partly offset by a decrease in deferred income taxes of $18.0 million.

Net Changes in Cash Flows
($ in millions)

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net cash provided by operating activities	52.3	26.4	25.9	98%	116.2	108.2	7.9	7%
Net cash from (used in) financing activities	(15.2)	7.9	(23.1)	NM	100.0	287.1	(187.1)	-65%
Cash used in the acquisition of businesses	(0.9)	(40.6)	39.6	-98%	(140.6)	(358.3)	217.7	-61%
Cash obtained with acquired businesses	-	7.3	(7.3)	-100%	-	41.3	(41.3)	-100%
Net cash from (used in) other investing activities	(5.4)	-	(5.4)	-100%	(8.1)	(1.4)	(6.7)	489%
Net cash from (used in) investing activities	(6.4)	(33.2)	26.8	-81%	(148.7)	(318.4)	169.7	-53%
Effect of foreign currency	(0.1)	4.3	(4.4)	NM	(3.0)	2.5	(5.5)	NM
Net increase (decrease) in cash and cash equivalents	**30.6**	**5.4**	**25.3**	471%	**64.5**	**79.4**	(14.9)	-19%

The net cash flows from operating activities were $116.2 million for the year ended December 31, 2024, which is mainly as a result of $258.9 million in net loss generated during the period offset by $477.8 million of non-cash adjustment which mainly includes $317.4 million in redeemable Preferred and Special Share expense. This is further reduced by $75.6 million of cash used in non-cash operating working capital and $27.2 million in taxes paid.

The net cash flows from financing activities for the year ended December 31, 2024 was $100.0 million, which is mainly a result of the proceeds from issuance of bank debt for $155.5 million partly offset by debt repayments of $27.8 million and interest paid on debt facilities of $18.7 million.

The net cash flows used in investing activities for the year ended December 31, 2024 was $148.7 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $140.6 million (including payments for holdbacks relating to prior acquisitions and 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), and reimburses the Parent for certain expenses paid on behalf of the Company. During the three and twelve months ended December 31, 2024, the Company expensed management fees of $0.8 million and $2.8 million, respectively (December 31, 2023 – $0.7 million and $2.3 million, respectively). At December 31, 2024, the Company had outstanding amounts due to related parties of $3.0 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.

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 10 to the Company's Consolidated Financial Statements for the year ended December 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. For the year ended December 31, 2024, repayment of $17.0 million was made on the revolving facility (December 31, 2023 - $50.0 million) and no additional borrowings were drawn. As of December 31, 2024, a balance of $108.0 million remains outstanding (December 31, 2023 - $125.0 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. 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 $19.5 million was drawn to provide long-term financing in connection with an acquired business and incurred transaction cost of $0.5 million. The financing also comes with a revolving credit facility of $2.5 million (collectively, the "Telarix Loans"). For the year ended December 31, 2024, additional borrowings of $19.5 million were drawn, and normal course repayments of $1.7 million made on the term loan (December 31, 2023 - repayments of $0.9 million). As of December 31, 2024, a balance of $36.3 million remains outstanding (December 31, 2023 - $18.5 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 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 a European bank 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. For the year ended December 31, 2024, normal course repayments of $2.1 million were made on the term loan (December 31, 2023 - $Nil). As of December 31, 2024, a balance of $8.3 million remains outstanding (December 31, 2023 - $11.0 million).

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. The WizTivi Loan has a maturity date of November 24, 2028. 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 and incurred transaction costs of $2.2 million. For the year ended December 31, 2024, additional borrowings of $136.0 million were drawn on the facility, of which $7.0 million was repaid. As of December 31, 2024, a balance of $129.0 million remains outstanding.

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

($ in thousands)	Maturity	Principal Amount	Interest Rate	December 31, 2024	December 31, 2023
Telarix Loan – Term loan	2026	39,000	SOFR+1.85%	36,319	$ 18,525
Telarix Loan – Revolving facility	2026	2,500	Prime+0.50%	-	-
WO Loan	2028	185,000	SOFR+2.5%	108,000	125,000
Wiztivi Loan	2028	€10,000	EURIBOR+2.5%	8,309	11,036
Lumine Facility	2027	310,000	SOFR+1.25%	129,000	-
				281,628	154,561
Deferred transaction costs				(2,995)	(1,854)
Less current portion				$ (3,190)	$ (3,071)
Total long-term debt				$ 275,443	$ 149,636

The annual minimum repayment requirements are as follows:

($ in thousands)	
2025	4,271
2026	36,202
2027	131,078
2028	110,078
	$ 281,628

Guarantees

In the ordinary course of business, the Company and its subsidiaries have provided performance bonds, letters of credit, and other guarantees for the completion of certain customer contracts and other contracts in the normal course of operations. As at December 31, 2024 and 2023, the total obligations of the Company pursuant to such bonds and related contingencies are not material. No liability has been recorded in the consolidated financial statements.

In the normal course of business, some of the Company's subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company's product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

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 $1.5 million at December 31, 2024 (December 31, 2023 - $3.2 million).

($ in millions)	Total	<1 yr	1-5 yrs	> 5 yrs
Lease obligations	8.2	4.5	3.7	-
Bank debt	281.7	4.3	277.4	-
Total outstanding commitments	289.9	8.8	281.1	-

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.

Changes in Accounting Policies

Our accounting policies are fully described in Note 3 to our consolidated financial statements. There were no significant changes in our accounting policies.

Share Capital

As at December 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.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR+ (www.sedarplus.ca). Certain accounting policies are particularly important to the reporting of our financial position and results of operations and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

Revenue Recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Professional service revenue consists of fees charged for implementation services, custom programming, product training, certain managed services, and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with CSI software that has been sold to the customer, and hosted software-as-a-service products.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price.

Nature of products and services

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, term licenses, subscriptions, managed services, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. Professional services revenue also includes managed services not associated with Lumine software. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow (“DCF”) methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets’ projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method (“MEEM”) to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly, the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied

by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Redeemable Preferred and Special Securities

<u>Preferred Shares</u>

During 2023, the Company issued 55,233,745 Preferred Shares to CSI as non-cash consideration for the acquisition of Lumine Holdings. Additionally, the Company issued 8,348,967 Preferred Shares to CSI for cash proceeds of $181.5 million. The Preferred Shares were non-voting, and under certain conditions, were redeemable at the option of the holder for a redemption price of $21.74 per share. The Preferred Shares were also convertible into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share. The Preferred Share holders were also entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Share value of $21.74 per share (the “Initial Face Value”).

The fair value of the Preferred Shares on February 22, 2023, the date of issuance, was $1,382.3 million and was recorded as a liability. The Company has determined that the rights associated with the redeemable preferred shares do not result in a fixed amount of cash being exchanged for a fixed amount of shares (i.e. does not meet the “fixed for fixed” requirement). As a result, the Preferred Shares were recorded at fair value at the end of each reporting period. Prior to the conversion described below, the change in fair value of the Preferred Shares was recorded as Redeemable Preferred and Special Securities expense in the consolidated statements of income.

The terms and conditions of the Preferred Shares should be read in conjunction with the terms and conditions of the Special Shares as outlined below.

Conversion

Holders of the Preferred Shares were entitled to convert some or all of their Preferred Shares into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share at any time prior to the Mandatory Conversion (as defined below) (the “Preferred Share Conversion Right”).

Upon the exercise of the Preferred Share Conversion Right, the holders of the Preferred Shares were entitled to receive all accrued but unpaid dividends accruing on the Preferred Shares to the day before the conversion date. Pursuant to the terms of the Shareholders Agreement entered into by CSI, Trapeze, and the holders of Special Shares (the “Shareholders Agreement”), the Board of Directors of the Company made a determination to settle the accrued and unpaid dividends on the Preferred Shares by the issuance of Subordinate Voting Shares.

Redemption at the Option of the Holder: Preferred Share Retraction Right

At any time prior to the Mandatory Conversion Date, upon thirty (30) days notice to the Company, the holders of the Preferred Shares had the right (but not the obligation) to sell some or all of their Preferred Shares to the Company (the “Preferred Share Retraction Right”). Upon exercise of the Preferred Share Retraction Right, the holders of the Preferred Shares were entitled to receive an amount of cash equal to the Initial Face Value for each Preferred Share in respect of which the Preferred Share Retraction Right had been exercised, or Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Preferred Shares. Notwithstanding the foregoing, if the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the payment in cash, the holders of Preferred Shares would, subject to TSXV approval, receive Subordinate Voting Shares on the terms described.

Upon the exercise of the Preferred Share Retraction Right, the holders of the Preferred Shares were also entitled to receive all accrued but unpaid dividends accruing on the Preferred Shares in respect of which the Preferred Share Retraction Right had been exercised, to the day before the redemption date. The Board of Directors of the Company would make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Preferred Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends would, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Special Shares

During 2023, in connection with the acquisition of WideOrbit, the Company issued 10,204,294 Special Shares. Holders of Special Shares were entitled to attend and vote at meetings of the Company’s shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Special Shares were entitled to one vote per share. The Special Shares were, under certain conditions, redeemable at the option of the holder for a redemption price of $21.74 per share, plus one Subordinate Voting Share for each Special Share redeemed. The Special Shares were also convertible into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share. The Special Share holders were also entitled to a fixed annual cumulative dividend of 5% per annum on the Initial Face Value of $21.74 per share.

The fair value of the Special Shares on February 22, 2023, the date of issuance, was $221.8 million and was recorded as a liability. The Company has determined that the rights associated with Special Shares do not result in a fixed amount of cash being exchanged for a fixed amount of shares (i.e. does not meet the “fixed for fixed” requirement). As a result, the Special Shares are recorded at fair value at the end of each reporting period. Prior to the conversion described below, the change in fair value of the Special Shares was recorded as Redeemable Preferred and Special Securities expense in the consolidated statements of income.

The terms and conditions of the Special Shares should be read in conjunction with the terms and conditions of the Preferred Shares as outlined above.

Conversion

Holders of the Special Shares were entitled to convert some or all of their Special Shares into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share at any time prior to the Mandatory Conversion (the “Special Share Conversion Right”).

Upon the exercise of the Special Share Conversion Right, the holders of the Special Shares were entitled to receive all accrued but unpaid dividends accruing on the Special Shares to the day before the conversion date. Pursuant to the terms of the Shareholders Agreement, the Board of Directors of the Company made a determination to settle the accrued and unpaid dividends on the Preferred Shares by the issuance of Subordinate Voting Shares.

Redemption at the Option of the Holder: Special Share Retraction Right

At any time prior to the Mandatory Conversion Date, upon thirty (30) days notice to the Company, the holders of the Special Shares had the right (but not the obligation) to sell some or all of their Special Shares to the Company (the “Special Share Retraction Right”), provided that the exercise of the Special Share Retraction Right (including the manner of exercise) must first be approved by the holders of a majority of the Special Shares, in their sole discretion. Upon exercise of the Special Share Retraction Right, the holders of the Special Shares were entitled to receive (i) one Subordinate Voting Share for each Special Share in respect of which the Special Share Retraction Right had been exercised, and (ii) an amount of cash equal to the Initial Face Value for each Special Share in respect of which the Special Share Retraction Right has been exercised, or Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Special Shares. Notwithstanding the foregoing, if the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the payment in cash, the holders of Special Shares would, subject to TSXV approval, receive Subordinate Voting Shares on the terms described above.

Upon the exercise of the Special Share Retraction Right, the holders of the Special Shares were also be entitled to receive all accrued but unpaid dividends accruing on the Special Shares in respect of which the Special Share Retraction Right had been exercised, to the day before the redemption date. The Board of Directors of the Company would make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Special Shares in cash. If the Board of Directors of the Company determined that the Company did not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends would, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Redemption of Preferred Shares and Special Shares at the Option of the Company

Subject to the terms of the Shareholders Agreement, upon the later of (the “Mandatory Conversion Date”) the date which occurs 12-months after the date the trading of the Subordinate Voting Shares commences on the TSXV, and 10 business days after the first date on which the closing trading price of the Subordinate Voting Shares is equal to or greater than C$13.243656, the Company would redeem the Preferred Shares and the Special Shares in exchange for the issuance of 2.4302106 Subordinate Voting Shares for each Preferred Share redeemed or 3.4302106 Subordinate Voting Shares for each Special Share redeemed (the “Mandatory Conversion”).

Upon the Mandatory Conversion, the holders of the Preferred Shares and the Special Shares were also entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date.

On March 24, 2024, the closing trading price of the Subordinate Voting Shares was greater than C$13.243656. Pursuant to the terms of the Shareholders Agreement, on March 25, 2024, following the approvals by the holders of the Preferred Shares and Special Shares as well as the Board of Directors, the Preferred Shares and Special Shares were converted to 189,114,307 Subordinate Voting Shares based on the 60-day volume weighted average trading price of the Subordinate Voting Shares. Upon the issuance of shares, the Company recorded the settlement of $4,700.0 million of Preferred and Special Securities and corresponding increases of $403.3 million in capital stock, $1,200.8 in contributed surplus and $3,095.9 million in retained earnings on the consolidated statement of changes in equity. Prior to the Mandatory Conversion Date, the Company recorded $298.7 million (December 31, 2023 - $2,802.5 million) related to mark-to-market adjustments on the fair value of the Preferred and Special Securities.

Risk Factors

The Company's business is subject to a number of risk factors, including those risk factors set forth below. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the price of our securities to decline.

Risks Related to the Company and the Industry

We cannot assure you that we will sustain profitability in the future. If we do not maintain profits our share price may decline.

As we continue to grow our business, our operating expenses and capital expenditures may increase, and as a result, we will need to generate additional revenue to maintain profitability. If our revenues decline, we may not be able to sustain profitability because many of our expenses are fixed in the short term and cannot be easily or quickly reduced. A failure to maintain profitability could materially and adversely affect our business.

We periodically review the estimated value of acquired intangibles and goodwill to determine whether any impairment exists and we could write-down a portion of our intangible assets and goodwill as part of any such future review, which occurs when impairment indicators exist or, in the case of goodwill, at least once annually. We occasionally review opportunities to reorganize operations and may record restructuring charges in connection with any such reorganization. Any write-down of intangible assets or goodwill or restructuring charges in the future could affect our results of operations materially and adversely and as a result our share price may decline.

Our quarterly revenues and operating results may fluctuate.

Factors which may cause our revenues and operating results to fluctuate include:

- the demand for our software products and the market conditions for technology spending;
- patterns of capital spending and changes in budgeting cycles by our customers;
- the timing of acquisitions and related costs;
- our ability to acquire or develop (independently or through strategic relationships with third parties), to introduce and to market new and enhanced versions of our software products on a timely basis;
- the number, timing and significance of new software product announcements and releases by us or our competitors;
- the level of software product and price competition;
- the geographical mix of our sales, together with fluctuations in foreign currency exchange rates;
- market acceptance of new and enhanced versions of our software products;
- changes in personnel and related costs;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business;
- changes in the pricing and the mix of software solutions that we sell and that our customers demand;
- seasonal variations in our sales cycles; and
- order cancellations and shipment delays.

In addition, we expect that a substantial portion of our revenue will continue to be derived from renewals of maintenance arrangements with our customers. These maintenance arrangements typically last from three months to multiple years, and the timing of cash collections of related revenues varies from quarter to quarter and customer to customer.

In addition, our new license revenue may fluctuate significantly on a quarterly and annual basis in the future, as a result of a number of factors, many of which are outside of our control. The sale of a new license generally requires a customer to make a purchase decision that involves a significant commitment of capital, which may also be driven by the seasonality of technology spend.

We may be unable to identify and complete suitable acquisitions in our existing vertical markets.

We cannot be certain that we will be able to identify suitable new acquisition candidates that are available for purchase at reasonable prices. Even if we are able to identify such candidates, we may be unable to consummate an acquisition on suitable commercial terms. When evaluating an acquisition opportunity, we cannot assure you that we will correctly identify the risks and costs inherent in the business that we are acquiring. If we were to proceed with one or more significant future acquisitions in which the consideration consisted of cash, a substantial portion of our available cash resources may be used or we may have to seek additional financing to complete such acquisitions.

Any failure to manage our growth through acquisitions effectively or manage other businesses we acquire may lead to a disruption in our operations and adversely affect our operating results.

Since our inception we have made numerous acquisitions and we plan to continue to make acquisitions in the future. Growth and expansion resulting from future acquisitions may place a significant demand on our management resources. Recently completed acquisitions and any future acquisitions involve special risks, including the following:

- failure to successfully manage the information systems of the acquired business;
- failure to maximize any anticipated financial and strategic benefits of the transaction;
- possible impairment of relationships with employees and customers as a result of the acquisition of new businesses;
- possible losses from liabilities assumed in customer contracts; and
- impairment of goodwill.

Future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of such company and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with our assumptions or approach to accounting policies. We may not be able to manage such expansion effectively and any failure to do so could lead to a disruption in our business, a loss of customers and revenue, and increased expenses.

The Company is and will remain a holding company and its material assets consist solely of interests in the Company's operating subsidiaries.

The Company has no independent means of generating revenue. The Company depends on distributions and other payments from its operating businesses to provide it with the funds necessary to meet its financial obligations. The Company's operating businesses are legally distinct from it and some of them are or may become restricted in their ability to pay dividends and distributions or otherwise make funds available to it pursuant to local law, regulatory requirements or their contractual agreements.

We may acquire contingent liabilities through acquisitions that could adversely affect our operating results.

We may acquire contingent liabilities in connection with acquisitions we have completed, which may be material. Although management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred.

Demand for our software solutions may fluctuate with market conditions which may reduce our profitability in the future.

We depend upon the capital spending and information technology budgets of our customers. World and regional economic conditions have, in the past, adversely affected our licensing and support revenue. If economic or other conditions reduce our customers' capital spending levels, our business, results of operations and financial condition may be adversely affected. In addition, the purchase and implementation of our software solutions can constitute a major portion of our customers' overall IT budget, and the amount customers are willing to invest in acquiring and implementing such software solutions has tended to vary in response to economic, financial or other business conditions. Challenging economic conditions may also impair the ability of our customers to pay for software solutions they have purchased. As a result, reserves for doubtful accounts may increase.

If our customers demand performance guarantees, the costs and risks associated with offering our software solutions may increase.

We and our competitors are sometimes requested to provide specific performance guarantees with respect to the functionality of certain aspects of our software solutions and associated services. Similarly, we have been requested to quote fixed-price bids for our software solutions. These requests present risks, because implementations of our software solutions are rarely identical, and therefore we cannot accurately predict precisely what will be required to meet these performance standards. If these guarantees and fixed price bids become more common, our profitability may be affected.

We face competition from other software solutions providers, which may reduce our market share or limit the prices we can charge for our software solutions.

Given that we serve numerous sub-markets within the communications and media vertical markets, we face competition from a large number of competitors ranging in size from small private companies with annual revenues of less than $1 million per year to larger enterprise software vendors. As a result, in certain market segments, competition can be intense, and significant pricing pressure may exist. To maintain and improve our competitive position, we must continue to develop and to introduce, in a timely and cost-effective manner, new software modules to differentiate our solutions. In addition, we expect that a substantial portion of our revenue will continue to be derived from renewals of maintenance arrangements with our customers. Although we have experienced relatively stable and predictable attrition relating to these arrangements, increased competition could reduce the need for our maintenance services, as customers could decide to replace our software applications with a competitor's applications or arrange for a third party to provide maintenance services.

Additional competition could emerge as other established and emerging companies enter the market for our software products and as new products and technologies are introduced. For example, companies that historically have not competed in one of our market segments could introduce new applications based on newer product architectures that could provide for functionality similar to or better than our software products. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing the ability of their products to better address the needs of our prospective customers. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share. This competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share for our software products.

Some of our competitors and potential competitors have greater financial, technical, marketing, and other resources, greater name recognition, and a larger installed base of customers than our individual businesses. The products of some of our competitors are based on more advanced product architectures or offer performance advantages compared with some of our more mature products. Our competitors may be able to bundle numerous products and also respond more quickly to new or emerging technologies and changes in customer requirements or may devote greater resources to the development, promotion, and sale of their products than we do. Many competitive factors affect the market for our products and our ability to earn maintenance revenue, professional services and new license revenue. Some of these factors are: vendor and product reputation; industry-specific expertise; cost of ownership; ease and speed of implementation; customer support; product architecture, quality, price and performance; product performance attributes, such as flexibility, scalability, compatibility, functionality and ease of use; and vendor financial stability.

If we cannot attract and retain qualified sales personnel, customer service personnel, and software developers, we may not be able to sell and to support our existing products or to develop new products.

We depend on key technical, sales, and senior management personnel. Many of these individuals would be difficult to replace if they were to leave our employment. In addition, our success is highly dependent on our continuing ability to identify, hire, train, assimilate, motivate, and retain highly qualified personnel, including recently hired officers and other employees. Any such new hire may require a significant transition period prior to making a meaningful contribution to the Company. Periodically, competition for qualified employees is intense in the technology industry, and we have in the past experienced difficulty recruiting qualified employees. Our failure to attract and to retain the necessary qualified personnel could seriously harm our operating results and financial condition.

Our future growth depends, in part, upon our ability to develop new products and to improve existing software products. Our ability to develop new software solutions and to enhance our existing software solutions will depend, in part, on our ability

to recruit and to retain top quality software programmers. If we are unable to hire and to retain sufficient numbers of qualified programming personnel, we may not be able to develop new software solutions or to improve our existing software solutions in the time frame necessary to execute our business plan.

<u>The loss of our rights to use software currently licensed to us by third parties could increase our operating expenses by forcing us to seek alternative technology and adversely affect our ability to compete.</u>

We license certain technologies used in our products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay our ability to ship our products while we seek to implement alternative technology offered by other sources and require significant unplanned investments on our part. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of our products or relating to current or future technologies to enhance our product offerings. There is a risk that we will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

<u>Dependence on our relationship with CSI.</u>

CSI, through Trapeze, its indirect wholly-owned subsidiary, has certain rights and influence over us under a shareholders agreement and as the indirect holder of the Super Voting Share. CSI has a historical involvement as an investor and CSI will provide certain services to the Company pursuant to a services agreement. There is no guarantee that we will continue to benefit from this relationship with CSI in the future. There can also be no assurance that CSI will continue to indirectly hold the Super Voting Share. We have established a conflicts protocol with CSI to address potential conflicts and to provide guidelines for the allocation of certain transaction opportunities, which may limit the ability of the Company to compete with CSI and CSI's other subsidiaries for such transaction opportunities.

<u>Several members of our senior management team are important to our business and if these individuals do not remain with us in the future it may have a negative impact on our financial condition and results of operations.</u>

Our future success depends on the continued efforts and abilities of our senior management team. Their skills, experience and industry contacts significantly benefit us. Although we have employment and non-competition agreements (where lawful) with members of our senior management team, we cannot assure you that they or our other key employees will all choose to remain employed by us. If we lose the services of one or more of these individuals, or if one or more of them decide to join a competitor or otherwise compete directly or indirectly with us, our business, operating results, and financial condition could be harmed.

<u>We may experience customer attrition, which could affect our revenues more adversely than we expect, and we may be unable to adapt quickly to such attrition. Any significant reduction in revenues as a result of such attrition may have a material adverse effect on our business, results of operations or financial condition.</u>

We expect that a substantial portion of our revenue will continue to be derived from renewals of quarterly and annual maintenance arrangements with our customers, and, to a lesser extent, from professional services engagements for these customers. Although we believe we have strong customer retention rates, attrition in our customer base does occur when existing customers elect not to renew their maintenance arrangements and cease purchasing professional services from us. Customer attrition occurs for a variety of reasons, including a customer's decision to replace our software product with that of a competing vendor, to purchase maintenance or consulting services from a third-party service provider, or to forego maintenance services altogether. It can also occur when a customer is acquired or ceases operations.

Historically, we have been able to replace more than the revenue lost through attrition with new revenue from maintenance services as well as from price increases for maintenance services. However, any factors that adversely affect the ability of our software products to compete with those available from others, such as availability of competitors' products offering more advanced product architecture, superior functionality or performance or lower prices, or factors that reduce demand for our maintenance services, such as intensifying price competition, could lead to increased rates of customer attrition.

Currency exchange rate fluctuations and other risks associated with our international operations may adversely affect our operating results.

We are subject to risks of doing business internationally, including fluctuations in currency exchange rates, increases in duty rates and tariffs, difficulties in obtaining export licenses, difficulties in the enforcement of intellectual property rights and political uncertainties. We currently do not typically use derivative instruments to mitigate our exposure to those risks. Although most of our businesses are organized geographically so that many of our expenses are incurred in the same currency as our revenues thus mitigating some of our exposure to currency fluctuations, we are still subject to some foreign currency risk. We may choose to enter into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss but there is no assurance that these hedging strategies will be effective.

Revenues and expenses generated in foreign currencies are translated at exchange rates during the month in which the transaction occurs. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. In addition, fluctuations in exchange rates could affect the pricing of our products and negatively influence customer demand.

Additional risks we face in conducting business internationally include longer payment cycles and difficulties in managing international operations. These include constraints associated with local laws regarding employment, difficulty in enforcing our agreements through foreign legal systems, complex international tax and financial reporting compliance requirements, and the adverse effects of tariffs, duties, price controls or other restrictions that impair trade.

We may have exposure to unforeseen tax liabilities.

We are subject to income taxes as well as non-income based taxes in Canada and various foreign jurisdictions and our tax structure is subject to review by numerous taxation authorities. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many inter-company transactions and calculations where the ultimate tax determination is uncertain. Although we strive to ensure that our tax estimates and filing positions are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be different from what is reflected in our historical income tax provisions and accruals, and any such differences may materially affect our operating results for the affected period or periods.

The Company is subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company Group's financial position.

We also have exposure to additional non-income tax liabilities. We are subject to non-income taxes, such as payroll, sales, use, value added, net worth, property and goods and services taxes in Canada and various foreign jurisdictions.

We benefit from subsidies, tax exemptions or deductions that may cease to be available.

We benefit from subsidies, tax exemptions or deductions related to research and development in Canada and various foreign jurisdictions. Current support schemes and other financial benefits may expire, be suspended or be phased out over time, cease upon the exhaustion of allocated funding or be subject to cancellation, non-renewal or change. Subsidies could also be ultimately altered based on investigation by the provider. If the Canadian or foreign government agencies were to decrease or abandon their financial support for research and development, that may lead us to modify or reduce our development plans and consequently may adversely affect our business, financial condition, results of operations and prospects.

Impact of geopolitical and other global or local events may have a significant effect on our operations.

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war and political instability, terrorism, contagious illness outbreaks, and environmental disasters or the perceived threat or fear of these events, may cause a disruption of our normal operations, including staff shortages, mobility restrictions and other quarantine measures (including as a result of government regulation and prevention measures) and may disrupt the domestic and

international travel of our sales and other personnel. The sales cycle for our products includes a period of education for potential customers on the use and benefits of our software solutions, as well as the integration of our software solutions with additional applications utilized by individual customers. Any disruption in the ability of our personnel to travel could have an adverse impact on our ability to complete this process and to service these customers or to negotiate new merger and acquisition transactions, which could, in turn, have a material adverse effect on our business, results of operations and financial condition. In addition, these events or the perceived threat or fear of these events may require us to reorganize our day-to-day operations to minimize the associated risks. Any expense related to the reorganization of our day-to-day operations, even on a short-term basis, could also have a material adverse effect on our business, results of operations and financial condition.

<u>Potential divestitures may reduce revenues in the short term and create uncertainty among our employees, customers and potential customers, which could harm our business</u>

Although we have not divested any businesses, any divestitures could result in a short-term reduction in revenue and could harm our results of operations if we were not able to reduce expenses accordingly or to generate offsetting sources of revenue. To the extent that our consideration of these potential divestitures became known prior to their completion, we could face the risk, among others, that customers and potential customers of the VMS business in question might be reluctant to purchase our software solutions during this period. In addition, we face the risk that we may be unable to retain qualified personnel within the applicable VMS business during this period. Poor economic conditions and a lack of access to the credit markets may lead to difficulty in finding interested buyers for any proposed divestitures. These risks could prevent us from successfully completing on favourable terms, or at all, divestitures that would otherwise be beneficial to us, and may in the process weaken business divisions that we are considering for divestiture. Any of these events could result in a loss of customers, revenues, and employees and could harm our results of operations.

<u>Some of the markets for our software products are characterized by periodic technological advances, and we must improve our software products to remain competitive.</u>

Periodic technological change and associated new product introductions and enhancements characterize the software industry in general. Our current and potential customers increasingly require greater levels of functionality and more sophisticated product offerings. In addition, the life cycles of many of our software products are difficult to estimate. While we believe some of our software products may be nearing the end of their product life cycles, we cannot estimate the decline in demand from our customers for maintenance related to these software products. Accordingly, we believe that our future success depends upon our ability to enhance current software products and to develop and to introduce new products offering enhanced performance and functionality at competitive prices in a timely manner, and on our ability to enable our software products to work in conjunction with other products from other suppliers that our customers may utilize. Our failure to develop and to introduce or to enhance products in a timely manner could have a material adverse effect on our business, results of operations, and financial condition.

We may be unable to respond on a timely basis to the changing needs of our customer base and the new applications we design for our customers may prove to be ineffective. Our ability to compete successfully will depend in large measure on our ability to bring to market effective new products or services, to maintain a technically competent research and development staff, and to adapt to technological changes and advances in the industry. Our software products must remain compatible with evolving computer hardware and software platforms and operating environments. We cannot assure you that we will be successful in these efforts. In addition, competitive or technological developments and new regulatory requirements may require us to make substantial, unanticipated investments in new products and technologies, and we may not have sufficient resources to make these investments. If we were required to expend substantial resources to respond to specific technological or product changes, our operating results would be adversely affected.

<u>If we are unable to protect our proprietary technology and that of the VMS businesses that we acquire, our competitive position could be adversely affected.</u>

We have relied, and expect to continue to rely, on a combination of copyright, trademark and trade-secret laws, confidentiality procedures, and contractual provisions to establish, maintain, and protect our proprietary rights. Although patents generally provide greater protection of software products than do trade secrets or copyrights, we currently possess only a limited number of patents. We typically enter into agreements with our employees, consultants, customers, partners and vendors in an effort to control ownership of our intellectual property and access to and distribution of our software,

documentation and other proprietary information. Despite these precautions, there may be authors of some of the intellectual property that form parts of our software products who have not assigned their intellectual property rights to us and who have not waived their moral rights with respect thereto. The steps we take may not prevent misappropriation of our intellectual property, and the agreements we enter into may not be enforceable. Despite our efforts to protect our proprietary rights in our intellectual property and that of other businesses we may acquire, unauthorized parties may copy or otherwise obtain and use our proprietary technology or obtain information we regard as proprietary. Policing unauthorized use of our technology, if required, may be difficult, time-consuming, and costly. Our means of protecting our technology may be inadequate.

Third parties may apply for and obtain patent protection for products and services that are similar to our software solutions. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or services or to obtain and to use information that we regard as proprietary. Third parties may also independently develop similar or superior technology without violating our proprietary rights.

Trademark protection is an important factor in establishing brand recognition. Failure to protect our trademarks from infringement could result in damage to any goodwill which may be developed in our trademarks. Moreover, we may be unable to use one or more of our trademarks because of successful third-party claims.

Although we believe that our software products and technology do not infringe the intellectual property rights of others, litigation may be necessary to protect our proprietary technology and third parties may assert infringement claims against us with respect to their intellectual property rights.

Any claims or litigation can be time consuming and expensive regardless of their merit. Successful infringement claims against us could cause product release delays, require us to redesign our products or to enter into royalty or license agreements that may not be available on terms acceptable to us, or at all.

<u>Software product development delays could harm our competitive position and reduce our revenues.</u>

If we experience significant delays in releasing new or enhanced software products, our position in the market could be harmed and our revenue could be substantially reduced, which would adversely affect our operating results. We have experienced software product development delays in the past and may experience delays in the future. In particular, we may experience software product development delays associated with the integration of recently acquired software products and technologies. Delays may occur for many reasons, including the inability to hire a sufficient number of developers, discovery of bugs and errors, or the inability of our current or future software products to conform to customer and industry requirements.

<u>Our software products may contain errors or defects that could result in lost revenue, delayed or limited market acceptance, or product liability claims with substantial litigation costs.</u>

As a result of their complexity, software products may contain undetected errors or failures when entering the market. Despite testing performed by us and testing and use by current and potential customers, defects and errors may be found in new software products after commencement of commercial shipments or the offering of a network service using these software products. In these circumstances, we may be unable to successfully correct the errors in a timely manner or at all. The occurrence of errors and failures in our software products could result in negative publicity and a loss of, or delay in, market acceptance of those software products. Such publicity could reduce revenue from new licenses and lead to increased customer attrition. Alleviating these errors and failures could require significant expenditure of capital and other resources by us. The consequences of these errors and failures could have a material adverse effect on our business, results of operations, and financial condition.

Because many of our customers use our software products for business-critical applications, any errors, defects, or other performance problems could result in financial or other damage to our customers. Our customers or other third parties could seek to recover damages from us in the event of actual or alleged failures of our software solutions. We have in the past been, and may from time to time continue to be, subject to these kinds of claims. Although our license agreements with customers typically contain provisions designed to limit our exposure to potential claims, as well as any liabilities arising from these claims, the provisions may not effectively protect against these claims and the liability and associated costs.

Accordingly, any such claim could have a material adverse effect upon our business, results of operations, and financial condition. In addition, defending this kind of claim, regardless of its merits, or otherwise satisfying affected customers, could entail substantial expense and require the devotion of significant time and attention by key management personnel.

The hosting services of some of our products are dependent on the uninterrupted operation of data centers. Any unexpected interruption in the operation of data centers used could result in customer dissatisfaction and a loss of revenues.

Some of our VMS businesses provide hosting services in respect of some of our software products. These hosting services depend upon the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or internet failure, unauthorized intrusion, computer viruses and other similar damaging events. If any of the data centers we use were to become inoperable for an extended period, we might be unable to provide our customers with contracted services. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in customer dissatisfaction, loss of revenue and damage to our business.

As a provider of hosted services, we receive confidential information, including credit card and other financial and accounting data. There can be no assurance that this information will not be subject to loss, destruction, computer break-ins, theft, or other improper activity that could jeopardize the security of information for which we are responsible. Any such lapse in security could expose us to litigation, loss of customers, or otherwise harm our business. In addition, any person who is able to circumvent our security measures could misappropriate proprietary or confidential customer information or cause interruptions in our operations.

We are required to comply with numerous, complex, constantly evolving and sometimes conflicting legal and regulatory requirements in multiple jurisdictions, and could suffer financial, operational or reputational loss due to non-compliance.

Due to the international nature and scale of our operations, we are impacted by the laws and regulations of the various jurisdictions within these markets, including competition and anti-trust, foreign investment, labour, data protection and privacy, telecommunications, online content, intellectual property, corporate, tax, financial services, anti-money laundering, anti-bribery and anti-corruption and sanctions and export controls. These laws and regulations are often complex, constantly evolving and in some cases conflict with one another. Furthermore, operating in foreign jurisdictions entails an inherent risk of misinterpreting, or wrongly implementing, foreign laws and regulations. Incidents of non-compliance with applicable laws and regulations could result in damage to our reputation and repeated compliance failures could call into question the integrity of our operations.

Any violation of or non-compliance with applicable anti-money laundering, anti-corruption or anti-bribery laws could expose us to investigations, criminal and/or civil liability and substantial fines in any of the jurisdictions in which we operate, the occurrence of any of which would have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

We are currently, and may in the future become, subject to civil litigation, which if decided against us, could require us to pay judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, we may become subject to class actions, securities litigation or other actions, including anti-trust and anti-competitive actions.

Any litigation may be time consuming, expensive and distracting from the conduct of our daily business. The adverse resolution of any specific lawsuit could have a material adverse effect on our financial condition and liquidity.

No limit on indebtedness.

In order to finance acquisitions from time-to-time, the Company may obtain a credit facility and incur indebtedness under such credit facility. Any additional indebtedness will increase the interest payable by the Company from time-to-time until such amounts are repaid, which will represent an increase in the Company's cost and a potential reduction in the Company's

income. In addition, the Company may need to find additional sources of financing to repay these amounts when they become due. There can be no guarantee that the Company will be able to obtain financing on terms acceptable to it or at all at any such time.

<u>If our security measures for our products and services are compromised and as a result, our data, our customers' data or our IT systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable, our brand and reputation could be damaged, the IT services we provide to our customers could be disrupted, and customers may stop using our products and services, all of which could reduce our revenue and earnings, increase our expenses and expose us to legal claims and regulatory actions.</u>

We are in the IT business, and certain of our products and services store, retrieve, manipulate and manage our customers' information and data, external data, as well as our own data.

At times, we encounter attempts by third parties (which may include nation states and individuals sponsored by them) to identify and exploit product and service vulnerabilities, penetrate or bypass our security measures, and gain unauthorized access to our or our customers', partners' and suppliers' software, hardware and cloud offerings, networks and systems, any of which could lead to the compromise of personal information or the confidential information or data of the Company or our customers. Computer hackers and others may be able to develop and deploy IT related viruses, worms, and other malicious software programs that could attack our networks, systems, products and services, exploit potential security vulnerabilities of our networks, systems, products and services, create system disruptions and cause shutdowns or denials of service. This is also true for third-party data, products or services incorporated into our own products and services. Data may also be accessed or modified improperly as a result of customer, partner, employee or supplier error or malfeasance and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data, our customers', suppliers' or partners' data or the IT systems of the Company, its customers, suppliers or partners.

In Europe, the General Data Protection Regulation, which came into force on May 25, 2018, provides for new obligations that apply internationally to entities that control or process the personal data of citizens in the territory of the European Union. This legislation also includes mandatory breach notification provisions as part of a comprehensive regime that governs the processing of personal information. Penalties for violations can be up to 4% of a company's total annual revenue.

The consequences of security breaches, compliance with privacy and data protection laws and regulations and the potential liability associated with the failure to comply with these laws could have a material adverse effect on our business, results of operations, and financial condition.

<u>Our international activities increase the compliance risk associated with economic and trade sanctions imposed by the European Union and other jurisdictions.</u>

We may be subject to laws and regulations relating to economic and trade sanctions in the jurisdictions where we operate. Economic and trade sanctions prohibit most dealings with listed persons, entities or bodies designated under the applicable sanctions regime, and restrict or prohibit certain business activities in certain sanctioned territories.

<u>Limitations on enforcement of judgments against foreign subsidiaries.</u>

We operate in multiple jurisdictions globally which means certain assets of the Company are located outside Canada. Accordingly, there can be no assurance that judgments obtained in Canadian courts will be enforceable in any jurisdictions outside Canada.

Risks Related to the Subordinate Voting Shares

<u>The market price of the Subordinate Voting Shares will fluctuate.</u>

The market price of the Subordinate Voting Shares will fluctuate due to a number of factors, including: actual or anticipated changes in our results of operations; changes in estimates of our future results of operations by management or securities

analysts; announcements of technological innovations or new software products by us or our competitors; or general industry changes.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many software companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the software industry specifically, may adversely affect the market price of the Subordinate Voting Shares.

Holders of the Subordinate Voting Shares may never receive a return on their investment.

We do not anticipate paying any cash dividends on the Subordinate Voting Shares in the foreseeable future. The declaration and payment of any dividends on the Subordinate Voting Shares in the future will be determined by the Company's board of directors, in its discretion, and will depend on a number of factors, including our earnings, financial condition and other relevant factors, including the availability of acquisition opportunities and other sources of capital, as well as any contractual restrictions or obligations.

The dual class structure that will be contained in the Company's articles has the effect of concentrating voting control and the ability to influence corporate matters with CSI.

The Super Voting Share has the right to such number of votes per share at any particular time as equals 50.1% of the aggregate number of votes attached to all of the outstanding Subordinate Voting Shares and the Super Voting Share at such time. The Subordinate Voting Shares have one vote per share. CSI indirectly holds the Super Voting Share and as a result holds approximately 50.1% of the voting power of our outstanding voting shares. Therefore, CSI will have significant influence over our management and affairs and over all matters requiring shareholder approval.

The rights of certain current shareholders may restrict the manner in which the Company operates its business.

Pursuant to a shareholders agreement, CSI, through Trapeze, and a certain group of WideOrbit rollover shareholders, the "Majority Rollover Shareholders" are afforded certain approval rights with respect to the Company. These rights include, but are not limited to, for so long as Trapeze holds the Super Voting Share, the approval of the board of directors of CSI is required for any acquisitions by the Company exceeding $100 million, other than in ordinary course commercial arrangements. Such approval, if not granted, may limit the Company's ability to complete a change of control transaction or an acquisition that may otherwise be beneficial to shareholders.

In addition, pursuant to the shareholders agreement, CSI, through Trapeze, and the Majority Rollover Shareholders will each have the right, in certain circumstances, to nominate directors for election to the board of directors of the Company. As a result, CSI and the Majority Rollover Shareholders will, by majority vote, maintain governance over certain management, administration, and growth of the Company.

Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk.

The Company would face interest rate risk when interest rates change on any credit facilities. If we have borrowings under any such credit facility and interest rates rise, our cash flow will be negatively impacted because we will be required to pay more interest on such credit facility. The uncertainty of outgoing cash flow from interest payments will increase our exposure to interest rate risk.

Inflation risk.

If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.