

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the First Quarter ended July 31, 2020

The following Management's Discussion and Analysis is a review of results of the operations and the liquidity and capital resources of the Company. It should be read in conjunction with the selected consolidated financial information and other data and the Company's consolidated financial statements and the accompanying notes contained on SEDAR. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. The fiscal year of the Company ends on April 30 of each year. Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

FORWARD-LOOKING STATEMENTS

The report contains forward-looking statements reflecting Evertz's objectives, estimates and expectations. Such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms.

Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors. Accordingly, there are or will be a number of significant factors which could cause the Company's actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The report is based on information available to management on September 9, 2020.

OVERVIEW

Evertz is a leading solutions provider to the television broadcast, telecommunications and new-media industries. Founded in 1966, Evertz is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. Evertz designs, manufactures and markets video and audio infrastructure solutions for the production, post-production and transmission of television content. The Company's solutions are purchased by content creators, broadcasters, specialty channels and television service providers to support their increasingly complex multi-channel digital and high definition television ("HDTV/Ultra HD") and next generation high bandwidth low latency IP network environments and by telecommunications and new-media companies. The Company's products allow its customers to generate additional revenue while reducing costs through efficient signal routing, distribution, monitoring and management of content as well as the automation and orchestration of more streamlined and agile workflow processes on premise and in the "Cloud".

The Company made early research and development investments to establish itself as the leading supplier to the broadcast industry addressing the ongoing technical transition to IP and IT based production, workflow and distribution systems helping to create more efficient and agile workflows enabling the proliferation of high quality video emerging Ultra HD, High Dynamic range initiatives. The Company has maintained its track record of rapid innovation; is a leader in the expanding Internet Protocol Television ("IPTV") market and a leader in Software Defined Video Network ("SDVN") technology. The Company is committed to maintaining its leadership position, and as such, a significant portion of the Company's

staff is focused on research and development to ensure that the Company's products are at the forefront of the industry. This commitment contributes to the Company being consistently recognized as a leading broadcast and video networking industry innovator by its customers.

SIGNIFICANT ACCOUNTING POLICIES

Government Assistance

The Company applied for assistance from multiple assistance programs, including the Canadian Emergency Wage Subsidy ("CEWS") program as a result of the impact the pandemic had on Company operations. The assistance has been recognized as an offsetting reduction to the salary expenses and the cost of labour applied to manufactured inventory. During the quarter, \$11,653 (2019 - nil) in assistance was deducted from cost of sales, selling and administrative and research and development expenses and \$773 (2019 - nil) from the cost of inventory.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Consequently, actual results could differ from those estimates. Those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of expected credit losses which are based on the amount and timing of cash flows expected to be received, provision for inventory obsolescence which is recorded to adjust to the net realizable value of inventory and based on current market prices and past experiences, the useful life of property, plant and equipment and intangibles for depreciation which are based on past experiences, expected use and industry trends, amortization and valuation of net recoverable amount of property, plant and equipment and intangibles, determination of fair value for share based compensation, evaluating deferred income tax assets and liabilities, the determination of fair value of financial instruments and the likelihood of recoverability, and the determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment assessment purposes.

Significant items requiring the use of judgment in application of accounting policies and assumptions include the determination of functional currencies, classification of financial instruments, classification of leases, determination if revenues should be recognized at a point in time or over time, application of the percentage of completion method on long-term contracts, degree of componentization applied when calculating amortization of property, plant and equipment, and identification of cash generating units for impairment testing purposes.

The Company has also assessed the impact of the pandemic on the estimates and judgements described above. Although the Company expects pandemic related disruptions to continue during future quarters, the Company believes that the long-term estimates and assumptions do not require significant revisions. Although the Company determined that no significant revisions to such estimates, judgement or assumptions were required, the pandemic is fluid and given the inherent uncertainty at this time, revisions may be required in future periods to the extent that the negative impacts on the Company business operations arising from the pandemic continue or worsen. Any such revisions could result in a material impact on our results of operations and financial condition.

QUARTER END HIGHLIGHTS

Revenue was \$56.3 million for the first quarter ended July 31, 2020; a decrease of \$47.1 million, when compared to \$103.4 million for the same period ended July 31, 2019.

For the first quarter ended July 31, 2020, net earnings were \$0.6 million, a decrease from \$13.2 million for the first quarter ended July 31, 2019. Fully diluted earnings per share were \$0.01 a decrease from \$0.17 in the first quarter ended July 31, 2019.

For the first quarter ended July 31, 2020, foreign exchange loss during the quarter was \$3.1 million, compared to a foreign exchange loss of \$1.8 million for the first quarter July 31, 2019.

Gross margin during the first quarter ended July 31, 2020 was 57.2% consistent with the first quarter ended July 31, 2019.

Selling and administrative expenses for the first quarter ended July 31, 2020 was \$11.9 million as compared to the first quarter ended July 31, 2019 of \$16.3 million. As a percentage of revenue, selling and administrative expenses totaled 21.2% for the first quarter ended July 31, 2020 compared to 15.8% for the first quarter ended July 31, 2019.

Research and development expenses were \$16.6 million for the first quarter ended July 31, 2020 as compared to \$22.7 million for the first quarter ended July 31, 2019.

Selected Consolidated Financial Information

(in thousands of dollars except earnings per share and share data)

	Three months ended July 31, 2020	Three months ended July 31, 2019
Revenue	\$ 56,337	\$ 103,411
Cost of goods sold	24,113	44,259
Gross margin	\$ 32,224	\$ 59,152
Expenses		
Selling and administrative	11,920	16,330
General	895	894
Research and development	16,576	22,694
Investment tax credits	(1,485)	(2,003)
Share based compensation	274	1,731
Foreign exchange loss	3,109	1,777
	31,289	41,423
Earnings before undernoted	\$ 935	\$ 17,729
Finance income	93	451
Finance costs	(351)	(463)
Other income and expenses	108	41
Earnings before income taxes	\$ 785	\$ 17,758
Provision for (recovery of) income taxes		
Current	1,407	3,567
Deferred	(1,197)	984
	\$ 210	\$ 4,551
Net earnings for the period	\$ 575	\$ 13,207
Net earnings attributable to non-controlling interest	90	130
Net earnings attributable to shareholders	485	13,077
Net earnings for the period	\$ 575	\$ 13,207
Earnings per share:		
Basic	\$ 0.01	\$ 0.17
Diluted	\$ 0.01	\$ 0.17
Consolidated Balance Sheet Data	As at July 31, 2020	As at April 30, 2020
Cash and marketable securities	\$ 102,035	\$ 75,025
Inventory	\$ 163,059	\$ 161,985
Working capital	\$ 218,807	\$ 223,720
Total assets	\$ 443,668	\$ 443,673
Shareholders' equity	\$ 290,365	\$ 295,012
Number of common shares outstanding:		
Basic	76,449,446	76,449,446
Fully-diluted	82,015,946	78,077,946
Weighted average number of shares outstanding:		
Basic	76,449,446	76,624,706
Fully-diluted	76,449,446	76,642,787

Consolidated Statement of Operations Data

(in thousands of dollars except earnings per share and share data)

	Three months ended July 31, 2020	Three months ended July 31, 2019
Revenue	100.0%	100.0%
Cost of goods sold	42.8%	42.8%
Gross margin	57.2%	57.2%
Expenses		
Selling and administrative	21.2%	15.8%
General	1.6%	0.9%
Research and development	29.4%	21.9%
Investment tax credits	(2.6%)	(1.9%)
Share based compensation	0.5%	1.7%
Foreign exchange (gain) loss	5.5%	1.7%
	55.6%	40.1%
Earnings before undernoted	1.6%	17.1%
Finance income	0.2%	0.4%
Finance costs	(0.6%)	(0.4%)
Other income and expenses	0.2%	0.1%
Earnings before income taxes	1.4%	17.2%
Provision for (recovery of) income taxes		
Current	2.5%	3.4%
Deferred	(2.1%)	1.0%
	0.4%	4.4%
Net earnings for the period	1.0%	12.8%
Net earnings attributable to non-controlling interest	0.2%	0.1%
Net earnings attributable to shareholders	0.8%	12.7%
Net earnings for the period	1.0%	12.8%
Earnings per share:		
Basic	\$ 0.01	\$ 0.17
Diluted	\$ 0.01	\$ 0.17

REVENUE AND EXPENSES**Revenue**

The Company generates revenue principally from the sale of software, equipment, and technology solutions to content creators, broadcasters, specialty channels and television service providers.

The Company markets and sells its products and services through both direct and indirect sales strategies. The Company's direct sales efforts focus on large and complex end-user customers. These customers have long sales cycles typically ranging from four to eight months before an order may be received by the Company for fulfillment.

The Company monitors revenue performance in two main geographic regions: (i) United States/Canada and (ii) International.

The Company currently generates approximately 60% to 70% of its revenue in the United States/Canada. The Company recognizes the opportunity to more aggressively target markets in other geographic regions and intends to invest in personnel and infrastructure in those markets.

While a significant portion of the Company's expenses are denominated in Canadian dollars, the Company collects substantially all of its revenues in currencies other than the Canadian dollar and therefore has significant exposure to fluctuations in foreign currencies, in particular the US dollar. Approximately 70% to 80% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars)	Three months ended		Three months ended		% Increase
	July 31, 2020		July 31, 2019		(Decrease)
United States/Canada	\$	35,928	\$	74,044	(51%)
International		20,409		29,367	(31%)
	\$	56,337	\$	103,411	(46%)

Total revenue for the first quarter ended July 31, 2020 was \$56.3 million, a decrease of \$47.1 million as compared to revenue of \$103.4 million for the first quarter ended July 31, 2019. The decrease in revenue is due to widespread customer shutdowns, travel restrictions and projects on hold or cancelled as a result of the Covid-19 pandemic.

Revenue in the United States/Canada region was \$35.9 million for the first quarter ended July 31, 2020, a decrease of \$38.1 million or 51% when compared to revenue of \$74.0 million for the first quarter ended July 31, 2019.

Revenue in the International region was \$20.4 million for the first quarter ended July 31, 2020, a decrease of \$9.0 million or 31% as compared to revenue of \$29.4 million for the first quarter ended July 31, 2019.

Cost of Sales

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is represented by components and compensation costs for the manufacture and assembly of products as well as inventory obsolescence and write-offs. Cost of sales also includes related overhead, certain depreciation, final assembly, quality assurance, inventory management and support costs. Cost of sales also includes the costs of providing services to clients, primarily the cost of service-related personnel. During the quarter, cost of sales included \$3.6 million of wage related assistance, which was recorded as a reduction of salary costs.

Gross Margin

(In thousands of Canadian dollars, except for percentages)	Three months ended July 31, 2020	Three months ended July 31, 2019	% Increase (Decrease)
Gross margin	\$ 32,224	\$ 59,152	(46%)
Gross margin % of sales	57.2%	57.2%	

Gross margin for the first quarter ended July 31, 2020 was \$32.2 million, compared to \$59.2 million for the first quarter ended July 31, 2019. As a percentage of revenue, the gross margin was 57.2% for the first quarter ended July 31, 2020 compared to 57.2% for the first quarter ended July 31, 2019.

Gross margins vary depending on the product mix, manufacturing volumes, geographic distribution, competitive pricing pressures and currency fluctuations. For the first quarter ended July 31, 2020 the gross margin was adversely impacted by lower manufacturing volumes. The pricing environment continues to be very competitive with substantial discounting by our competition.

The Company expects that it will continue to experience competitive pricing pressures. The Company continually seeks to build its products more efficiently and enhance the value of its product and service offerings in order to reduce the risk of declining gross margin associated with the competitive environment.

Operating Expenses

The Company's operating expenses consist of: (i) selling, administrative and general; (ii) research and development and (iii) foreign exchange.

Selling expenses primarily relate to remuneration of sales and technical personnel. Other significant cost components include trade show costs, advertising and promotional activities, demonstration material and sales support. Selling and administrative expenses relate primarily to remuneration costs of related personnel, legal and professional fees, occupancy and other corporate and overhead costs. The Company also records certain depreciation and amortization charges as general expenses. For the most part, selling, and administrative expenses are fixed in nature and do not fluctuate directly with revenue. The Company has certain selling expenses that tend to fluctuate in regards to the timing of trade shows.

The Company invests in research and development to maintain its position in the markets it currently serves and to enhance its product portfolio with new functionality and efficiencies. Although the Company's research and development expenditures do not fluctuate directly with revenues, it monitors this spending in relation to revenues and adjusts expenditures when appropriate. Research and development expenditures consist primarily of personnel costs and material costs. Research and development expenses are presented on a gross basis (without deduction of research and development tax credits). Research and development tax credits associated with research and development expenditures are shown separately under research and development tax credits.

Selling and Administrative

(In thousands of Canadian dollars, except for percentages)	Three months ended July 31, 2020	Three months ended July 31, 2019	% Increase (Decrease)
Selling and administrative	\$ 11,920	\$ 16,330	(27%)
Selling and administrative % of sales	21.2%	15.8%	

Selling and administrative expenses excludes stock based compensation, depreciation and amortization of intangibles. Selling and administrative expenses for the first quarter ended July 31, 2020 were \$11.9 million

or 21.2% of revenue, as compared to selling and administrative expenses of \$16.3 million or 15.8% of revenue for the year ended July 31, 2019. The decrease of \$4.4 million includes a \$1.9 million reduction in travel and promotion costs associated with reduced selling activities and travel restrictions due to the Covid-19 pandemic and a \$1.5 million reduction in salary. Selling and administrative expenses also included \$1.3 million in government assistance recorded as a reduction in costs in the quarter.

Share Based Compensation

In March 2016, the Company adopted a restricted share unit (RSU) plan to attract, motivate and compensate persons who are integral to the growth and success of the Company. During the first quarter ended July 31, 2020, share based compensation expense associated with the plan was \$0.1 million, as compared to \$1.7 million for the first quarter ended July 31, 2019. The decrease is driven by a 17% decrease in the Company's closing share price from April 30, 2020 to July 31, 2020.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Three months ended July 31, 2020	Three months ended July 31, 2019	% Increase (Decrease)
Research and development expenses	\$ 16,576	\$ 22,694	(27%)
Research and development % of sales	29.4%	21.9%	

Research and development expenses excluded stock based compensation but includes depreciation. For the first quarter ended July 31, 2020, gross R&D expenses were \$16.6 million, a decrease of \$6.1 million as compared to an expense of \$22.7 million for the first quarter ended July 31, 2019. The decrease of \$6.1 million was predominantly a result of \$6.7 million of wage subsidies, recorded as a reduction in costs. Partially offsetting the decrease is an increase in head count. The majority of the head count increase was to address recent growth in the cloud-based business and support anticipated increases in cloud-based opportunities.

Investment Tax Credits

For the first quarter ended July 31, 2020, investment tax credits were \$1.5 million compared to \$2.0 million for the year ended July 31, 2019. The decrease in investment tax credits is predominately a result of a reduction in net salary costs as a result of wage subsidies.

Foreign Exchange

For the first quarter ended July 31, 2020, the foreign exchange loss was \$3.1 million, as compared to a foreign exchange loss for the first quarter ended July 31, 2019 of \$1.8 million. The current period loss was predominantly driven by the decrease in value of the US dollar against the Canadian dollar since April 30, 2020.

Finance Income, Finance Costs, Other Income and Expenses

For the first quarter ended July 31, 2020, finance income, finance costs, other income and expenses netted to a loss of \$0.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources			
(in thousands of dollars except ratios)			
Key Balance Sheet Amounts and Ratios:	As at		As at
	July 31, 2020		April 30, 2020
Cash and cash equivalents	\$	102,035	\$ 75,025
Working capital	\$	218,807	\$ 223,720
Long-term assets	\$	96,710	\$ 98,961
Days sales outstanding in accounts receivable		60	76

Statement of Cash Flow Summary	Three months ended		Three months ended
	July 31, 2020		July 31, 2019
Operating activities	\$	36,329	\$ 7,896
Investing activities	\$	(1,754)	\$ (1,600)
Financing activities	\$	(8,306)	\$ (14,287)
Net increase (decrease) in cash	\$	27,010	\$ (8,262)

Operating Activities

For the first quarter ended July 31, 2020, the Company generated cash from operations of \$36.3 million, compared to \$7.9 million for the first quarter ended July 31, 2019. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$4.1 million for the first quarter ended July 31, 2020 compared to \$18.5 million for the first quarter ended July 31, 2019.

Investing Activities

The Company used cash for investing activities of \$1.8 million for the first quarter ended July 31, 2020 which was principally driven by the acquisition of capital assets.

Financing Activities

For the first quarter ended July 31, 2020, the Company used cash from financing activities of \$8.3 million, which was principally driven by dividends paid of \$6.9 million and \$1.1 million in principle payments on capitalized leases.

WORKING CAPITAL

As at July 31, 2020, the Company had cash and cash equivalents of \$102.0 million, compared to \$75.0 million at April 30, 2020.

The Company had working capital of \$218.8 million as at July 31, 2020 compared to \$223.7 million as at April 30, 2020.

Notwithstanding the uncertainty surrounding the impact of Covid-19, the Company believes that the current balance in cash plus future cash flow from operations will be sufficient to finance growth and related investment and financing activities in the foreseeable future.

Day sales outstanding in accounts receivable were 60 days at July 31, 2020 as compared to 76 for April 30, 2020.

SHARE CAPITAL STRUCTURE

Authorized capital stock consists of an unlimited number of common and preferred shares.

	As at July 31, 2020	As at April 30, 2020
Common shares	76,449,446	76,449,446
Stock options granted and outstanding	5,566,500	1,628,500

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates the fair value of these instruments approximates the carrying values as listed below.

Fair Values and Classification of Financial Instruments:

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments:

- I. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- II. Inputs other than quoted prices included in level I that are observable for the asset or liability, either directly or indirectly. Cash and cash equivalents, trade and other receivables, trade and other payables and long-term debt fair value measurements have been measured within level II.
- III. Inputs for the asset or liability that are not based on observable market data.

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at July 31, 2020:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 33,199	\$ 5,671	\$ 9,135	\$ 7,955	\$ 10,438
Other long-term debt	186	186	-	-	-
	\$ 33,385	\$ 5,857	\$ 9,135	\$ 7,955	\$ 10,438

OFF-BALANCE SHEET FINANCING

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In the normal course of business, we may enter into transactions with related parties. These transactions occur under market terms consistent with the terms of transactions with unrelated arms-length first parties. The Company continues to lease a premise from a company in which two shareholders' each indirectly hold a 16% interest, continues to lease a facility from a company in which two shareholders each indirectly hold a 20% interest, continues to lease three facilities for manufacturing where two shareholders indirectly own 100% interest, continues to lease a facility from a company in which two shareholders each indirectly own a 35% interest, and continues to lease a facility where two shareholders each indirectly own 46.6%.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight quarters ended July 31, 2020. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

(In thousands)	Quarter Ending								
	2020			2019				2018	
(Unaudited)	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31
Revenue	\$ 56,337	\$ 92,167	\$ 121,226	\$ 119,788	\$ 103,411	\$ 107,245	\$ 120,942	\$ 112,280	\$ 103,089
Cost of goods sold	24,113	40,114	53,377	50,466	44,259	44,520	53,245	48,122	44,311
Gross margin	\$ 32,224	\$ 52,053	\$ 67,849	\$ 69,322	\$ 59,152	\$ 62,725	\$ 67,697	\$ 64,158	\$ 58,778
Operating expenses	31,289	30,653	41,643	42,099	41,423	38,205	39,529	36,770	35,489
Earnings from operations	\$ 935	\$ 21,400	\$ 26,206	\$ 27,223	\$ 17,729	\$ 24,520	\$ 28,168	\$ 27,388	\$ 23,289
Non-operating income	(150)	(423)	(265)	60	29	198	1,224	232	68
Earnings before taxes	\$ 785	\$ 20,977	\$ 25,941	\$ 27,283	\$ 17,758	\$ 24,718	\$ 29,392	\$ 27,620	\$ 23,357
Net earnings	\$ 485	\$ 15,900	\$ 19,258	\$ 20,372	\$ 13,077	\$ 18,562	\$ 21,694	\$ 20,346	\$ 17,273
Net earnings per share:									
Basic	\$ 0.01	\$ 0.21	\$ 0.25	\$ 0.27	\$ 0.17	\$ 0.24	\$ 0.28	\$ 0.27	\$ 0.23
Diluted	\$ 0.01	\$ 0.21	\$ 0.25	\$ 0.27	\$ 0.17	\$ 0.24	\$ 0.28	\$ 0.27	\$ 0.23
Dividends per share:	\$ 0.09	\$ 0.18	\$ 0.18	\$ 1.08	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18

The Company's revenue and corresponding earnings can vary from quarter to quarter depending on the delivery requirements of our customers. Our customers can be influenced by a variety of factors including upcoming sports or entertainment events as well as their access to capital. Net earnings represent net earnings attributable to shareholders.

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of July 31, 2020.

Management has concluded that, as of July 31, 2020, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this report was being prepared.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for and has designed internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has concluded that, as of July 31, 2020, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's internal controls over financial reporting during the period ended July 31, 2020 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

On May 15, 2013 the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released *Internal Control-Integrated Framework: 2013*, which is an update to the internal control framework previously issued in 1992. Management is currently operating under the 1992 Framework and is transitioning to the updated Framework. While no significant changes to the Company's internal control system are expected to result from the transition, any modifications to such expectation will be reported by the Company within the following MD&A.

OUTLOOK

While the Company believes the Covid-19 pandemic to be temporary, the situation is fluid and the impact of the pandemic on future operations and results, including the impact on overall customer demands is inherently uncertain at this time. Although the Company is an essential service provider and has increased health and safety protocols to continue operations, widespread customer shutdowns, travel restrictions and the postponement or cancellation of sporting as well as other live events and various other related projects will have an adverse effect on the Company's revenues and financial results in future quarters. Given the uncertainty regarding the situation, it cannot reasonably estimate the severity of any such impact at this time. Notwithstanding the uncertainty, the Company believes the situation is temporary and is well positioned to benefit from an economic revival and the industry transition to IP and Cloud based solutions. The Company will continue to maintain the financial flexibility needed to fund working capital needs and investment opportunities in the foreseeable future. Gross margin percentages may vary depending on the impact of the pandemic on operations, future assistance, mix of products sold, the Company's success in winning more complete projects, utilization of manufacturing capacity and the competitiveness of the pricing environment. R&D will continue to be a key focus as the Company continues to invest in new product developments despite the uncertainty surrounding the pandemic.

RISKS AND UNCERTAINTIES

The Company risk factors are outlined in our AIF filed on SEDAR.