

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Third Quarter ended January 31, 2024

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 March 14, 2024.

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.

QUARTER END HIGHLIGHTS

Revenue was \$ 135.3 million for the third quarter ended January 31, 2024; an increase of \$24.4 million, when compared to \$110.9 million for the same period ended January 31, 2023.

For the third quarter ended January 31, 2024, net earnings were \$19.0 million, an increase of 57% compared to \$12.1 million for the third quarter ended January 31, 2023. Fully diluted earnings per share were \$0.24 an increase from \$0.16 in the third quarter ended January 31, 2023.

For the third quarter ended January 31, 2024, net earnings from operations were \$26.4 million, compared to \$17.5 million for the third quarter ended January 31, 2023. For the third quarter ended January 31, 2024, foreign exchange loss was \$2.8 million, compared to a foreign exchange loss of \$2.3 million for the third quarter January 31, 2023.

Gross margin during the third quarter ended January 31, 2024 was 58.9% compared to 59.2% in the third quarter ended January 31, 2023.

Selling and administrative expenses for the third quarter ended January 31, 2024 were \$18.3 million as compared to the third quarter ended January 31, 2023 of \$16.3 million. As a percentage of revenue, selling and administrative expenses totaled 13.5% for the third quarter ended January 31, 2024 compared to 14.7% in the third quarter ended January 31, 2023.

Research and development expenses were \$34.0 million for the third quarter ended January 31, 2024 as compared to \$30.2 million for the third quarter ended January 31, 2023.

Selected Consolidated Financial Information

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

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2024	2023	2024	2023
Revenue	\$ 135,278	\$ 110,873	\$ 391,846	\$ 325,659
Cost of goods sold	55,545	45,262	162,058	134,047
Gross margin	79,733	65,611	229,788	191,612
Expenses				
Selling and administrative	18,262	16,342	52,160	43,997
General	1,056	1,157	3,388	3,381
Research and development	33,967	30,225	98,124	87,260
Investment tax credits	(3,987)	(3,550)	(10,594)	(9,912)
Share based compensation	1,197	1,647	3,876	3,439
Foreign exchange loss (gain)	2,840	2,325	1,979	(1,714)
	53,335	48,146	148,933	126,451
Earnings before undemoted	26,398	17,465	80,855	65,161
Finance income (costs)	90	(686)	42	(1,143)
Net loss on investments through profit and loss	-	(675)	(2,704)	(2,087)
Other (expenses) income	(526)	118	(404)	(42)
Earnings before income taxes	25,962	16,222	77,789	61,889
Provision for (recovery of) income taxes				
Current	6,045	3,376	20,481	16,545
Deferred	893	749	141	(660)
	6,938	4,125	20,622	15,885
Net earnings for the period	\$ 19,024	\$ 12,097	\$ 57,167	\$ 46,004
Net earnings attributable to non-controlling interest	302	146	760	395
Net earnings attributable to shareholders	18,722	11,951	56,407	45,609
Net earnings for the period	\$ 19,024	\$ 12,097	\$ 57,167	\$ 46,004
Earnings per share				
Basic	\$ 0.25	\$ 0.16	\$ 0.74	\$ 0.60
Diluted	\$ 0.24	\$ 0.16	\$ 0.73	\$ 0.60

Consolidated Balance Sheet Data	As at	
	January 31, 2024	April 30, 2023
Cash and cash equivalents	\$ 69,712	\$ 12,468
Inventory	\$ 207,046	\$ 202,479
Working capital	\$ 199,581	\$ 171,428
Total assets	\$ 472,769	\$ 436,652
Shareholders' equity	\$ 260,158	\$ 243,098
Number of common shares outstanding:		
Basic	76,064,535	76,145,758
Fully-diluted	81,739,985	82,446,008
Weighted average number of shares outstanding:		
Basic	76,084,597	76,200,248
Fully-diluted	76,878,395	76,232,462

Consolidated Statement of Operations Data

(in percentage except earnings per share and share data)

	Three month period ended January 31,		Nine month period ended January 31,	
	2024	2023	2024	2023
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	41.1%	40.8%	41.4%	41.2%
Gross margin	58.9%	59.2%	58.6%	58.8%
Expenses				
Selling and administrative	13.5%	14.7%	13.3%	13.5%
General	0.8%	1.0%	0.9%	1.0%
Research and development	25.2%	27.2%	25.1%	26.8%
Investment tax credits	(3.0%)	(3.2%)	(2.7%)	(3.0%)
Share based compensation	0.9%	1.5%	1.0%	1.0%
Foreign exchange loss (gain)	2.1%	2.1%	0.5%	(0.5%)
	39.4%	43.4%	38.0%	38.8%
Earnings before undernoted	19.5%	15.8%	20.6%	20.0%
Finance income (costs)	0.1%	(0.6%)	0.0%	(0.4%)
Net loss on investments through profit and loss	0.0%	(0.6%)	(0.7%)	(0.4%)
Other (expenses) income	(0.4%)	0.1%	(0.1%)	(0.0%)
Earnings before income taxes	19.2%	14.7%	19.8%	19.0%
Provision for (recovery) of income taxes				
Current	4.5%	3.1%	5.2%	5.1%
Deferred	0.6%	0.7%	0.0%	(0.2%)
	5.1%	3.8%	5.2%	4.9%
Net earnings for the period	14.1%	10.9%	14.6%	14.1%
Net earnings attributable to non-controlling interest	0.2%	0.1%	0.2%	0.1%
Net earnings attributable to shareholders	13.9%	10.8%	14.4%	14.0%
Net earnings for the period	14.1%	10.9%	14.6%	14.1%
Earnings per share:				
Basic	\$0.25	\$0.16	\$0.74	\$0.60
Diluted	\$0.24	\$0.16	\$0.73	\$0.60

Revenue and Expenses

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 55% to 65% 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 80% to 85% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars, except for percentages)	Three month period ended		% increase (decrease)	Nine month period ended		% increase (decrease)
	January 31,			January 31,		
	2024	2023	2024	2023		
United States/Canada	\$ 80,501	\$ 71,233	13%	\$ 241,526	\$ 238,190	1%
International	54,777	39,640	38%	150,320	87,469	72%
	\$ 135,278	\$ 110,873	22%	\$ 391,846	\$ 325,659	20%

Total revenue for the third quarter ended January 31, 2024 was \$135.3 million, an increase of \$24.4 million or 22% as compared to revenue of \$110.9 million for the third quarter ended January 31, 2023.

Total revenue for the nine month period ended January 31, 2024 was \$391.8 million, an increase of \$66.2 million as compared to revenue of \$325.7 million for the nine month period ended January 31, 2023. The increase in revenue is due to continued adoption of Evertz solutions, including Evertz cloud native solutions.

Revenue in the United States/Canada region was \$80.5 million for the third quarter ended January 31, 2024, an increase of \$9.3 million or 13% when compared to revenue of \$71.2 million for the third quarter ended January 31, 2023.

Revenue in the United States/Canada region was \$241.5 million for the nine month period ended January 31, 2024, an increase of \$3.3 million or 1% when compared to revenue of \$238.2 million for the nine month period ended January 31, 2023.

Revenue in the International region was \$54.8 million for the third quarter ended January 31, 2024, an increase of \$15.2 million or 38% as compared to revenue of \$39.6 million for the third quarter ended January 31, 2023.

Revenue in the International region was \$150.3 million for the nine month period ended January 31, 2024, an increase of \$62.8 million or 72% as compared to revenue of \$87.5 million for the nine month period ended January 31, 2023.

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.

Gross Margin

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase	Nine month period ended		
	January 31,		January 31,				
	2024	2023	2024		2023		
Gross margin	\$ 79,733	\$ 65,611	22%	\$ 229,788	\$ 191,612	20%	
Gross margin % of sales	58.9%	59.2%		58.6%	58.8%		

Gross margin for the third quarter ended January 31, 2024 was \$79.7 million, compared to \$65.6 million for the third quarter ended January 31, 2023. As a percentage of revenue, the gross margin was 58.9% for the third quarter ended January 31, 2024 compared to 59.2% for the third quarter ended January 31, 2023.

Gross margin for the nine month period ended January 31, 2024 was \$229.8 million, compared to \$191.6 million for the nine month period ended January 31, 2023. As a percentage of revenue, the gross margin was 58.6% for the nine month period ended January 31, 2024 compared to 58.8% for the nine month period ended January 31, 2023.

Gross margins vary depending on the product mix, manufacturing volumes, geographic distribution, competitive pricing pressures and currency fluctuations. Since fiscal 2022, a global supply chain disruption, including a global semi-conductor chip shortage has caused the Company to experience unstable procurement capabilities leading to increased lead times and increased component costs. The Company has taken proactive steps to minimize the impact, resulting in \$25.3 million increase in raw materials since April 30, 2022 and \$48.2 million since April 30, 2021. The pricing environment continues to also be very competitive with substantial discounting by our competition.

The Company expects that it will continue to experience competitive pricing pressures and increased lead time of components. 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 month period ended			% increase (decrease)	Nine month period ended			% increase (decrease)		
	January 31,				January 31,					
	2024	2023			2024	2023				
Selling and administrative	\$	18,262	\$	16,342	12%	\$	52,160	\$	43,997	19%
Selling and administrative % of sales		13.5%		14.7%			13.3%		13.5%	

Selling and administrative expenses excludes stock based compensation, depreciation and amortization of intangibles. Selling and administrative expenses for the third quarter ended January 31, 2024 were \$18.3 million or 13.5% of revenue, as compared to selling and administrative expenses of \$16.3 million or 14.7% of revenue for third quarter ended January 31, 2023. The increase of \$2.0 million includes \$1.2 million in increased salary costs and \$1.1 million in increased selling costs.

Selling and administrative expenses for the nine month period ended January 31, 2024 were \$52.2 million or 13.3% of revenue, as compared to selling and administrative expenses of \$44.0 million or 13.5% of revenue for the nine month period ended January 31, 2023. The increase of \$8.2 million includes \$3.3 million in increased salary costs and \$1.6 million in increased selling costs. The prior year included a recovery that did not reoccur in the current year, of \$3.8 million netted against associated fees.

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 nine month period ended January 31, 2024, share based compensation expense associated with the plan was \$0.3 million, while during the three-month period ended January 31, 2023, share based compensation expense associated with the plan was less than \$0.1 million. This is compared to \$0.8 million and \$0.6 million for the nine month and three-month periods ended January 31, 2023. In June 2022, the Company adopted an equity based restricted share unit plan, which was approved by shareholders on October 6, 2022. During the nine and three months periods ended January 31, 2024, share based compensation expense associated with the 2022 plan was \$3.1 million and \$1.0 million respectively. This is compared to \$1.6 million and \$0.8 million for the nine month and three-month periods ended January 31, 2023.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Three month period ended		% increase (decrease)	Nine month period ended		% increase (decrease)
	January 31,			January 31,		
	2024	2023	2024	2023		
Research and development expenses	\$ 33,967	\$ 30,225	13%	\$ 98,124	\$ 87,260	13%
Research and development % of sales	25.1%	27.3%		25.1%	26.8%	

Research and development expenses exclude stock based compensation but includes depreciation. For the third quarter ended January 31, 2024, gross R&D expenses were \$33.9 million, an increase of \$3.8 million as compared to an expense of \$30.2 million for the third quarter ended January 31, 2023. The increase of \$3.8 million includes a \$2.2 million increase in salary costs, driven by an increase in head count and salary increases and a \$1.2 million increase in corresponding materials and supplies.

For the nine month period ended January 31, 2024, gross R&D expenses were \$98.1 million, an increase of \$10.9 million as compared to an expense of \$87.2 million for the nine month period ended January 31, 2023. The increase of \$10.9 million includes a \$7.8 million increase in net salary costs and \$2.5 million increase in materials.

Investment Tax Credits

For the third quarter ended January 31, 2024, investment tax credits were \$4.0 million compared to \$3.6 million for the third quarter ended January 31, 2023.

For the nine month period ended January 31, 2024, investment tax credits were \$10.6 million compared to \$9.9 million for the nine month period ended January 31, 2023.

Foreign Exchange

For the third quarter ended January 31, 2024, the foreign exchange loss was \$2.8 million, as compared to a foreign exchange loss for the third quarter ended January 31, 2023 of \$2.3million. The current period loss was predominantly driven by the translation of US dollar assets into Canadian dollars at a foreign exchange rate lower than the value of the US dollar against the Canadian dollar as at October 31, 2023.

For the nine month period ended January 31, 2024, the foreign exchange loss was \$2.0 million, as compared to a foreign exchange gain for the nine month period ended January 31, 2023 of \$1.7 million. The current period gain was predominantly driven by the translation of US dollar assets into Canadian dollars at a foreign exchange rate lower than the value of the US dollar against the Canadian dollar as at April 30, 2023.

Investments, Finance Income, Finance Costs, Other Income and Expenses

For the third quarter ended January 31, 2024, finance income, investment losses, finance costs, other income and expenses netted to a gain of \$0.4 million.

For the nine month period ended January 31, 2024, finance income, finance costs, investment losses, other income, and expenses netted to a loss of \$3.1 million, including a loss of \$2.7 million on the disposal of investments in a publicly traded company.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources			
(in thousands of dollars except ratios)			
Key Balance Sheet Amounts and Ratios:	As at		As at
	January 31, 2024		April 30, 2023
Cash and cash equivalents	\$	69,712	\$ 12,468
Working capital	\$	199,581	\$ 171,428
Long-term assets	\$	77,086	\$ 86,744
Days sales outstanding in accounts receivable		65	86

Statement of Cash Flow Summary	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2024	2023	2024	2023
Operating activities	\$ 30,227	\$ 16,245	\$ 110,498	\$ 27,916
Investing activities	\$ (631)	\$ (1,627)	\$ 1,046	\$ (20,187)
Financing activities	\$ (16,133)	\$ (16,315)	\$ (55,184)	\$ (47,403)
Net increase (decrease) in cash	\$ 13,847	\$ (1,071)	\$ 57,244	\$ (39,166)

Operating Activities

For the third quarter ended January 31, 2024, the Company generated cash from operations of \$30.2 million, compared to \$16.2 million cash generated for the third quarter ended January 31, 2023. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$25.0 million for the third quarter ended January 31, 2024 compared to \$19.6 million for the third quarter ended January 31, 2023.

For the nine month period ended January 31, 2024, the Company generated cash for operations of \$110.5 million, compared to \$27.9 million cash generated for the nine month period ended January 31, 2023. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$75.8 million for the nine month period ended January 31, 2024 compared to \$64.8 million for the nine month period ended January 31, 2023.

Investing Activities

The Company used cash from investing activities of \$0.6 million for the third quarter ended January 31, 2024 which was principally driven by the acquisition of capital assets of \$0.6 million.

The Company generated cash from investing activities of \$1.1 million for the nine month period ended January 31, 2024 which was principally driven by the disposal of investments of \$7.2 million, partially offset by the acquisition of capital assets of \$6.2 million.

Financing Activities

For the third quarter ended January 31, 2024, the Company used cash from financing activities of \$16.1 million, which was principally driven by dividends paid of \$14.8 million.

For the nine month period ended January 31, 2024, the Company used cash from financing activities of \$55.2 million, which was principally driven by dividends paid of \$43.7 million and the repayment of credit facilities of \$6.0 million.

WORKING CAPITAL

As at January 31, 2024, the Company had a cash and cash equivalent of \$69.7 million, compared to \$12.5 million at April 30, 2023.

The Company had working capital of \$199.6 million as at January 31, 2024 compared to \$ 171.4 million as at April 30, 2023.

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 65 days at January 31, 2024 as compared to 86 for April 30, 2023.

SHARE CAPITAL STRUCTURE

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

	As at January 31, 2024	As at April 30, 2023
Common shares	76,064,535	76,145,758
Stock options granted and outstanding	4,168,200	4,788,500
Restricted share units granted and outstanding	1,507,250	1,511,750

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 January 31, 2024:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 24,957	\$ 4,201	\$ 10,374	\$ 7,487	\$ 2,895
Redemption Liabilities	3,811	3,811	-	-	-
	\$ 28,768	\$ 8,012	\$ 10,374	\$ 7,487	\$ 2,895

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 third 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 January 31, 2024. 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								
	2024	2023				2022			
(Unaudited)	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	31-Jan
Revenue	\$ 135,278	\$130,749	\$ 125,819	\$ 128,919	\$ 110,873	\$ 113,248	\$101,538	\$ 116,089	\$ 120,563
Cost of goods sold	55,545	52,730	53,783	52,273	45,262	45,771	43,014	47,749	51,351
Gross margin	\$ 79,733	\$ 78,019	\$ 72,036	\$ 76,646	\$ 65,611	\$ 67,477	\$ 58,524	\$ 68,340	\$ 69,212
Operating expenses	53,335	45,869	49,729	46,179	48,146	39,085	39,220	41,477	38,885
Earnings from operations	\$ 26,398	\$ 32,150	\$ 22,307	\$ 30,467	\$ 17,465	\$ 28,392	\$ 19,304	\$ 26,863	\$ 30,327
Non-operating income	(436)	(2,204)	(426)	(4,546)	(1,243)	(1,644)	(385)	(1,030)	(1,429)
Earnings before taxes	\$ 25,962	\$ 29,946	\$ 21,881	\$ 25,921	\$ 16,222	\$ 26,748	\$ 18,919	\$ 25,833	\$ 28,898
Net earnings	\$ 18,722	\$ 22,093	\$ 15,892	\$ 18,957	\$ 11,951	\$ 19,817	\$ 13,841	\$ 18,957	\$ 21,250
Net earnings per share:									
Basic	\$ 0.25	\$ 0.29	\$ 0.20	\$ 0.24	\$ 0.16	\$ 0.26	\$ 0.18	\$ 0.25	\$ 0.28
Diluted	\$ 0.24	\$ 0.29	\$ 0.20	\$ 0.24	\$ 0.16	\$ 0.26	\$ 0.18	\$ 0.25	\$ 0.28
Dividends per share:	\$ 0.195	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 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 January 31, 2024.

Management has concluded that, as of January 31, 2024, 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 January 31, 2024, 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 January 31, 2024 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting. Management is currently operating under the Committee of Sponsoring Organizations of the Treadway Commission Internal Control-Integrated Framework: 2013.

OUTLOOK

Management is encouraged with the Company's revenue outlook, including within the cloud native technology and service business, as evidenced by the receipt of significant orders and increase in the Company's backlog. Gross margin percentages may vary depending on the 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.

RISKS AND UNCERTAINTIES

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