

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the First Quarter ended July 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 September 11, 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 \$111.6 million for the first quarter ended July 31, 2024; a decrease of \$14.2 million, when compared to \$125.8 million for the same period ended July 31, 2023.

For the first quarter ended July 31, 2024, net earnings were \$9.7 million, a decrease from \$15.9 million for the first quarter ended July 31, 2023. Fully diluted earnings per share were \$0.13 a decrease from \$0.20 in the first quarter ended July 31, 2023.

For the first quarter ended July 31, 2024, foreign exchange gain during the quarter was less than \$0.1 million, compared to a foreign exchange loss of \$2.1 million for the first quarter July 31, 2023.

Gross margin during the first quarter ended July 31, 2024, was 59.4%, compared to 57.3% in the first quarter ended July 31, 2023.

Selling and administrative expenses for the first quarter ended July 31, 2024 was \$17.6 million as compared to the first quarter ended July 31, 2023 of \$16.4 million. As a percentage of revenue, selling and administrative expenses totaled 15.8% for the first quarter ended July 31, 2024 compared to 13.0% for the first quarter ended July 31, 2023.

Research and development expenses were \$37.3 million for the first quarter ended July 31, 2024 as compared to \$31.9 million for the first quarter ended July 31, 2023.

Selected Consolidated Financial Information

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

	Three months ended		Three months ended	
	July 31, 2024		July 31, 2023	
Revenue	\$	111,643	\$	125,819
Cost of goods sold		45,381		53,783
Gross margin		66,262		72,036
Expenses				
Selling and administrative		17,604		16,398
General		1,281		1,158
Research and development		37,374		31,990
Investment tax credits		(3,760)		(3,395)
Share based compensation		1,175		1,525
Foreign exchange (gain) loss		(21)		2,052
		53,653		49,729
Earnings before undemoted		12,609		22,307
Finance income		705		124
Finance costs		(309)		(244)
Net loss on investments through profit and loss		-		(212)
Other income and expenses		210		(94)
Earnings before income taxes		13,215		21,881
Provision for (recovery of) income taxes				
Current		5,563		7,761
Deferred		(2,059)		(1,772)
		3,504		5,989
Net earnings for the period	\$	9,711	\$	15,892
Net earnings attributable to non-controlling interest	\$	42	\$	299
Net earnings attributable to shareholders		9,669		15,593
Net earnings for the period	\$	9,711	\$	15,892
Earnings per share				
Basic	\$	0.13	\$	0.21
Diluted	\$	0.13	\$	0.20
Consolidated Balance Sheet Data				
	As At		As At	
	July 31, 2024		April 30, 2024	
Cash and Cash Equivalents	\$	91,020	\$	86,325
Inventory	\$	212,238	\$	206,154
Working capital	\$	197,711	\$	201,437
Total assets	\$	481,025	\$	484,722
Shareholders' equity	\$	261,682	\$	263,267
Number of common shares outstanding:				
Basic		76,114,100		76,164,322
Fully-diluted		81,693,075		81,614,447
Weighted average number of shares outstanding:				
Basic		76,152,101		76,088,691
Fully-diluted		77,278,156		77,044,858

Consolidated Statement of Operations Data(in thousands of dollars except earnings per share and share data)

	Three months ended July 31, 2024	Three months ended July 31, 2023
Revenue	100.0%	100.0%
Cost of goods sold	40.6%	42.8%
Gross margin	59.4%	57.3%
Expenses		
Selling and administrative	15.8%	13.0%
General	1.1%	0.9%
Research and development	33.5%	25.4%
Investment tax credits	(3.4%)	(2.7%)
Share based compensation	1.1%	1.2%
Foreign exchange (gain) loss	0.0%	1.6%
	48.1%	39.3%
Earnings before undernoted	11.3%	18.0%
Finance income	0.6%	0.1%
Finance costs	(0.3%)	(0.2%)
Net loss on investments through profit and loss	0.0%	(0.2%)
Other income and expenses	0.2%	(0.1%)
Earnings before income taxes	11.9%	17.4%
Provision for (recovery of) income taxes		
Current	5.1%	6.2%
Deferred	(1.8%)	(1.4%)
	3.2%	4.8%
Net earnings for the period	8.6%	12.7%
Net earnings attributable to non-controlling interest	0.0%	0.2%
Net earnings attributable to shareholders	8.6%	12.4%
Net earnings for the period	8.6%	12.7%
Earnings per share:		
Basic	\$ 0.13	\$ 0.21
Diluted	\$ 0.13	\$ 0.20

REVENUE AND EXPENSES***Revenue***

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

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 65% to 75% 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 90% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars)	Three months ended		% Increase
	July 31, 2024	July 31, 2023	(Decrease)
United States/Canada	\$ 73,964	\$ 87,021	(15.0%)
International	37,679	38,798	(3.0%)
	\$ 111,643	\$ 125,819	(11.3%)

Total revenue for the for the first quarter ended July 31, 2024 was \$111.6 million, a decrease of \$14.2 million or 11.3% as compared to revenue of \$125.8 million for the first quarter ended July 31, 2023.

Revenue in the United States/Canada region was \$73.9 million for the period ended July 31, 2024, a decrease of \$13.1 million or 15.0% when compared to revenue of \$87.0 million for the period ended July 31, 2023.

Revenue in the International region was \$37.7 million for the period ended July 31, 2024, a decrease of \$1.1 million or 3.0% as compared to revenue of \$38.8 million for the period ended July 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 months ended		% Increase
	July 31, 2024	July 31, 2023	(Decrease)
Gross margin	\$ 66,262	\$ 72,036	(8.0%)
Gross margin % of sales	59.4%	57.3%	

Gross margin for the first quarter ended July 31, 2024 was \$66.5 million, compared to \$72.0 million for the first quarter ended July 31, 2023. As a percentage of revenue, the gross margin was 59.4% for the first quarter ended July 31, 2024 compared to 57.3% for the first quarter ended July 31, 2023.

Gross margins vary depending on the product mix, manufacturing volumes, geographic distribution, competitive pricing pressures and currency fluctuations.

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, 2024	Three months ended July 31, 2023	% Increase (Decrease)
Selling and administrative	\$ 17,604	\$ 16,398	7.4%
Selling and administrative % of sales	15.8%	13.0%	

Selling and administrative expenses exclude stock-based compensation, depreciation, and amortization of intangibles. Selling and administrative expenses for the first quarter ended July 31, 2024, were \$17.6 million or 15.8% of revenue, as compared to selling and administrative expenses of \$16.4 million or 13.0% of revenue for the first quarter ended July 31, 2023. The increase of selling and administration expenses of \$1.2 million includes an increase in general sales activities.

Share Based Compensation

In March 2016, the Company adopted a cash based 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, 2024, share based compensation expense associated with the plan was less than \$0.1 million, as compared to \$0.1 million for the first quarter ended July 31, 2023. In June 2022, the Company adopted an equity based restricted share unit plan, subject to shareholder approval. During the first quarter ended July 31, 2024, share based compensation expense associated with the plan was \$1.2 million, compared to \$1.2 million in first quarter ended July 31, 2023.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Three months ended July 31, 2024	Three months ended July 31, 2023	% Increase (Decrease)
Research and development expenses	\$ 37,374	\$ 31,990	16.8%
Research and development % of sales	33.5%	25.4%	

Research and development expenses excluded stock based compensation but includes depreciation. For the first quarter ended July 31, 2024, gross R&D expenses were \$37.4 million, an increase of \$5.4 million as compared to an expense of \$32.0 million for the first quarter ended July 31, 2023. The increase of \$5.4 million includes a \$3.2 million increase in North American salary costs due to increased headcount, \$0.8 million in overseas salary costs and a \$1.3 million increase in software, materials, prototypes and specialized services.

Investment Tax Credits

For the first quarter ended July 31, 2024, investment tax credits were \$3.8 million compared to \$3.4 million for the first quarter ended July 31, 2023.

Foreign Exchange

For the first quarter ended July 31, 2024, the foreign exchange gain was less than \$0.1 million, as compared to a foreign exchange loss for the first quarter ended July 31, 2023 of \$2.1 million.

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

For the first quarter ended July 31, 2024, finance income, investment losses, finance costs, other income and expenses netted to a loss of gain of \$0.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources			
(in thousands of dollars except ratios)	As at		As at
Key Balance Sheet Amounts and Ratios:	July 31, 2024		April 30, 2024
Cash and Cash Equivalents	\$	91,020	\$ 86,325
Working capital	\$	197,711	\$ 201,437
Long-term assets	\$	76,423	\$ 77,266
Days sales outstanding in accounts receivable		49	\$ 60

Statement of Cash Flow Summary	Three months ended		Three months ended	
	July 31, 2024		July 31, 2023	
Operating activities	\$	22,267	\$	59,989
Investing activities	\$	(2,000)	\$	(2,411)
Financing activities	\$	(16,822)	\$	(22,084)
Net increase in cash	\$	4,695	\$	36,466

Operating Activities

For the first quarter ended July 31, 2024, the Company generated cash from operations of \$22.3 million, compared to \$60.0 million for the first quarter ended July 31, 2023. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$13.3 million for the first quarter ended July 31, 2024 compared to \$19.9 million for the first quarter ended July 31, 2023.

Investing Activities

The Company used cash for investing activities of \$2.0 million for the first quarter ended July 31, 2024 which was principally driven by the acquisition of capital assets of \$2.0 million.

Financing Activities

For the first quarter ended July 31, 2024, the Company used cash from financing activities of \$16.8 million, which was principally driven by dividends paid of \$14.9 million and the lease payments of \$1.1 million.

WORKING CAPITAL

As at July 31, 2024, the Company had cash and cash equivalents of \$91.0 million, compared to \$86.3 million as at April 30, 2023.

The Company had working capital of \$197.7 million as at July 31, 2024 compared to \$201.4 million as at April 30, 2024.

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 49 days at July 31, 2024 as compared to 60 as at April 30, 2024.

SHARE CAPITAL STRUCTURE

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

	As at July 31, 2024	As at April 30, 2024
Common shares	76,114,100	76,164,322
Stock options granted and outstanding	3,932,725	3,955,625
Restricted stock options granted and outstanding	1,646,250	1,494,500

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, 2024:

(In thousands)	Total	Payments Due by Period			
		Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 22,369	\$ 4,178	\$ 9,756	\$ 6,798	\$ 1,637
Redemption liabilities	3,811	3,811			
	\$ 26,180	\$ 7,989	\$ 9,756	\$ 6,798	\$ 1,637

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 second 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, 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
	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31
Hardware Revenue	\$ 55,711	\$ 75,057	\$ 82,840	\$ 86,470	\$ 81,378	\$ 78,365	\$ 70,685	\$ 66,343
Reoccurring Software, Services and Other Software Revenue	55,932	47,713	52,438	44,279	44,441	50,554	40,188	46,905
Revenue	\$ 111,643	\$ 122,770	\$ 135,278	\$ 130,749	\$ 125,819	\$ 128,920	\$ 110,873	\$ 113,249
Cost of goods sold	45,381	50,115	55,545	52,730	53,783	52,274	45,262	45,771
Gross margin	\$ 66,262	\$ 72,655	\$ 79,733	\$ 78,019	\$ 72,036	\$ 76,646	\$ 65,611	\$ 67,477
Operating expenses	53,653	53,114	53,335	45,869	49,729	46,179	48,146	39,085
Earnings from operations	\$ 12,609	\$ 19,541	\$ 26,398	\$ 32,150	\$ 22,307	\$ 30,467	\$ 17,465	\$ 28,392
Non-operating income	606	28	(436)	(2,204)	(426)	4,547	(1,243)	(1,644)
Earnings before taxes	\$ 13,215	\$ 19,569	\$ 25,962	\$ 29,946	\$ 21,881	\$ 25,921	\$ 16,222	\$ 26,748
Net earnings	\$ 9,669	\$ 13,764	\$ 18,722	\$ 22,093	\$ 15,593	\$ 18,423	\$ 11,951	\$ 19,817
Net earnings per share:								
Basic	\$ 0.13	\$ 0.18	\$ 0.25	\$ 0.29	\$ 0.20	\$ 0.24	\$ 0.16	\$ 0.26
Diluted	\$ 0.13	\$ 0.18	\$ 0.24	\$ 0.29	\$ 0.20	\$ 0.24	\$ 0.16	\$ 0.26
Dividends per share:	\$ 0.195	\$ 0.195	\$ 0.195	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 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, 2024.

Management has concluded that, as of July 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 July 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 July 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.