

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Second Quarter ended October 31, 2022

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 December 6, 2022.

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 \$113.2 million for the second quarter ended October 31, 2022; an increase of \$6.0 million, when compared to \$107.2 million for the same period ended October 31, 2021.

For the second quarter ended October 31, 2022, net earnings were \$20.0 million, an increase from \$17.2 million for the second quarter ended October 31, 2021. Fully diluted earnings per share were \$0.26 an increase from \$0.22 in the second quarter ended October 31, 2021.

For the second quarter ended October 31, 2022, net earnings from operations were \$28.4 million, an increase from \$23.7 million for the second quarter ended October 31, 2021. For the second quarter ended October 31, 2022, foreign exchange gain during the quarter was \$3.0 million, compared to a foreign exchange gain of \$2.2 million for the second quarter October 31, 2021.

Gross margin during the second quarter ended October 31, 2022 was 59.6% compared to 57.0% in the second quarter ended October 31, 2021.

Selling and administrative expenses for the second quarter ended October 31, 2022 was \$14.7 million as compared to the second quarter ended October 31, 2021 of \$14.8 million. As a percentage of revenue, selling and administrative expenses totaled 13.0% for the second quarter ended October 31, 2022 compared to 13.8% in the second quarter ended October 31, 2021.

Research and development expenses were \$29.6 million for the second quarter ended October 31, 2022 as compared to \$24.4 million for the second quarter ended October 31, 2021.

Selected Consolidated Financial Information

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

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Revenue	\$ 113,248	\$ 107,199	\$ 214,786	\$ 204,364
Cost of goods sold	45,771	46,122	88,785	86,601
Gross margin	67,477	61,077	126,001	117,763
Expenses				
Selling and administrative	14,681	14,773	27,655	28,730
General	1,128	1,259	2,224	2,370
Research and development	29,642	24,441	57,035	49,121
Investment tax credits	(3,173)	(2,862)	(6,362)	(5,806)
Share based compensation	(185)	1,970	1,792	2,968
Foreign exchange gain	(3,008)	(2,204)	(4,039)	(3,633)
	39,085	37,377	78,305	73,750
Earnings before undemoted	28,392	23,700	47,696	44,013
Finance income	216	137	369	220
Finance costs	(508)	(322)	(826)	(640)
Share of net loss from investment in Associate	(1,064)	(268)	(1,412)	(598)
Other (expenses) income	(288)	174	(160)	186
Earnings before income taxes	26,748	23,421	45,667	43,181
Provision for (recovery of) income taxes				
Current	6,530	5,841	13,169	13,642
Deferred	241	396	(1,409)	(2,333)
	6,771	6,237	11,760	11,309
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Net earnings attributable to non-controlling interest	160	193	249	334
Net earnings attributable to shareholders	19,817	16,991	33,658	31,538
Net earnings for the period	\$ 19,977	\$ 17,184	\$ 33,907	\$ 31,872
Earnings per share				
Basic	\$ 0.26	\$ 0.22	\$ 0.44	\$ 0.41
Diluted	\$ 0.26	\$ 0.22	\$ 0.44	\$ 0.41

Consolidated Balance Sheet Data	As at	
	October 31, 2022	April 30, 2022
(Bank indebtedness) Cash and cash equivalents	\$ (4,193)	\$ 33,902
Inventory	\$ 199,892	\$ 177,268
Working capital	\$ 154,145	\$ 158,947
Total assets	\$ 421,807	\$ 420,979
Shareholders' equity	\$ 232,546	\$ 230,938
Number of common shares outstanding:		
Basic	76,223,768	76,229,696
Fully-diluted	81,124,768	81,285,196
Weighted average number of shares outstanding:		
Basic	76,223,768	76,266,341
Fully-diluted	76,384,699	76,570,564

Consolidated Statement of Operations Data

(in percentage except earnings per share and share data)

	Three month period ended October 31,		Six month period ended October 31,	
	2022	2021	2022	2021
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	40.4%	43.0%	41.3%	42.4%
Gross margin	59.6%	57.0%	58.7%	57.6%
Expenses				
Selling and administrative	13.0%	13.8%	12.9%	14.1%
General	1.0%	1.2%	1.0%	1.2%
Research and development	26.2%	22.8%	26.6%	24.0%
Investment tax credits	(2.8%)	(2.7%)	(3.0%)	(2.8%)
Share based compensation	(0.2%)	1.9%	(0.8%)	1.4%
Foreign exchange gain	(2.7%)	(2.1%)	(1.9%)	(1.8%)
	34.5%	34.9%	36.4%	36.1%
Earnings before undernoted	25.1%	22.1%	22.3%	21.5%
Finance income	0.2%	0.1%	0.2%	0.1%
Finance costs	(0.4%)	(0.3%)	(0.4%)	(0.3%)
Share or net less from Investment in Associate, net of taxes	(0.9%)	(0.2%)	(0.7%)	(0.2%)
Other (expenses) income	(0.3%)	0.2%	(0.1%)	0.1%
Earnings before income taxes	23.6%	21.9%	21.3%	21.2%
Provision for (recovery) of income taxes				
Current	5.8%	5.5%	6.1%	6.7%
Deferred	0.2%	0.4%	(0.7%)	(1.1%)
	6.0%	5.9%	5.5%	5.6%
Net earnings for the period	17.6%	16.0%	15.8%	15.6%
Net earnings attributable to non-controlling interest	0.1%	0.2%	0.1%	0.2%
Net earnings attributable to shareholders	17.5%	15.8%	15.7%	15.4%
Net earnings for the period	17.6%	16.0%	15.8%	15.6%
Earnings per share:				
Basic	\$0.26	\$0.22	\$0.44	\$0.41
Diluted	\$0.26	\$0.22	\$0.44	\$0.41

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 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 70% to 80% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars, except for percentages)	Three month period ended			Six month period ended		
	October 31,		% increase	October 31,		% increase
	2022	2021	(decrease)	2022	2021	(decrease)
United States/Canada	\$ 88,308	\$ 78,234	13%	\$ 166,515	\$ 142,646	17%
International	24,940	28,965	(14%)	48,271	61,718	(22%)
	\$ 113,248	\$ 107,199	6%	\$ 214,786	\$ 204,364	5%

Total revenue for the second quarter ended October 31, 2022 was \$113.2 million, an increase of \$6.0 million or 6% as compared to revenue of \$107.2 million for the second quarter ended October 31, 2021.

Total revenue for the six month period ended October 31, 2022 was \$214.8 million, an increase of \$10.4 million or 5% as compared to revenue of \$204.4 million for the six month period ended October 31, 2021. The increase in revenue is due to projects coming online and a general increase in activity compared to the prior year.

Revenue in the United States/Canada region was \$88.3 million for the second quarter ended October 31, 2022, an increase of \$10.1 million or 13% when compared to revenue of \$78.2 million for the second quarter ended October 31, 2021.

Revenue in the United States/Canada region was \$166.5 million for the six month period ended October 31, 2022, an increase of \$23.9 million or 17% when compared to revenue of \$142.6 million for the six month period ended October 31, 2021.

Revenue in the International region was \$24.9 million for the second quarter ended October 31, 2022, a decrease of \$4.1 million or 14% as compared to revenue of \$29.0 million for the second quarter ended October 31, 2021.

Revenue in the International region was \$48.3 million for the six month period ended October 31, 2022, a decrease of \$13.4 million or 22% as compared to revenue of \$61.7 million for the six month period ended October 31, 2021.

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			Six month period ended		
	October 31,		% increase	October 31,		% increase
	2022	2021		2022	2021	
Gross margin	\$ 67,477	\$ 61,077	10%	\$ 126,001	\$ 117,763	7%
Gross margin % of sales	59.6%	57.0%		58.7%	57.6%	

Gross margin for the second quarter ended October 31, 2022 was \$67.5 million, compared to \$61.1 million for the second quarter ended October 31, 2021. As a percentage of revenue, the gross margin was 59.6% for the second quarter ended October 31, 2022 compared to 57.0% for the second quarter ended October 31, 2021.

Gross margin for the six month period ended October 31, 2022 was \$126.0 million, compared to \$117.8 million for the six month period ended October 31, 2021. As a percentage of revenue, the gross margin was 58.7% for the six month period ended October 31, 2022 compared to 57.6% for the six month period ended October 31, 2021.

Gross margins vary depending on the product mix, manufacturing volumes, geographic distribution, competitive pricing pressures and currency fluctuations. During 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 \$23.4 million increase in raw materials since April 30, 2022. 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			Six month period ended		
	October 31,		% increase	October 31,		% increase
	2022	2021	(decrease)	2022	2021	(decrease)
Selling and administrative	\$ 14,681	\$ 14,773	(1%)	\$ 27,655	\$ 28,730	(4%)
Selling and administrative % of sales	13.0%	13.8%		12.9%	14.1%	

Selling and administrative expenses excludes stock based compensation, depreciation and amortization of intangibles. Selling and administrative expenses for the second quarter ended October 31, 2022 were \$14.7 million or 13.0% of revenue, as compared to selling and administrative expenses of \$14.8 million or 13.8% of revenue for second quarter ended October 31, 2021.

Selling and administrative expenses for the six month period ended October 31, 2022 were \$27.7 million or 12.9% of revenue, as compared to selling and administrative expenses of \$28.7 million or 14.1% of revenue for the six month period ended October 31, 2021.

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 six month period ended October 31, 2022, share based compensation expense associated with the plan was \$0.3 million, while during the three month period ended October 31, 2022, share based compensation expense associated with the plan was a credit of \$0.4 million resulting from a decrease in the Company's share price since July 31, 2022. This is compared to \$2.1 million and \$1.6 million for the six month and three month periods ended October 31, 2021. In June 2022, the Company adopted an equity based restricted share unit plan, which was approved by shareholders on October 6, 2022. During the six and three months periods ended October 31, 2022, share based compensation expense associated with the 2022 plan was \$0.8 million and \$0.7 million respectively

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Three month period ended			Six month period ended		
	October 31,		% increase (decrease)	October 31,		% increase (decrease)
	2022	2021		2022	2021	
Research and development expenses	\$ 29,642	\$ 24,441	21%	\$ 57,035	\$ 49,121	16%
Research and development % of sales	26.2%	22.8%		26.6%	24.0%	

Research and development expenses exclude stock based compensation but includes depreciation. For the second quarter ended October 31, 2022, gross R&D expenses were \$29.6 million, an increase of \$5.2 million as compared to an expense of \$24.4 million for the second quarter ended October 31, 2021. The increase of \$5.2 million includes a \$3.1 million increase in salary costs, partially driven by a 6% increase in head count, and a \$1.0 million increase in total software, materials, and support services costs.

For the six month period ended October 31, 2022, gross R&D expenses were \$57.0 million, an increase of 16% or \$7.9 million as compared to an expense of \$49.1 million for the six month period ended October 31, 2021. The increase of \$7.9 million includes a \$7.8 million increase in net salary costs.

Investment Tax Credits

For the second quarter ended October 31, 2022, investment tax credits were \$3.2 million compared to \$2.9 million for the second quarter ended October 31, 2021.

Foreign Exchange

For the second quarter ended October 31, 2022, the foreign exchange gain was \$3.0 million, as compared to a foreign exchange gain for the second quarter ended October 31, 2021 of \$2.2 million. The current period gain was predominantly driven by the translation of US dollar assets into Canadian dollars at a foreign exchange rate higher than the value of the US dollar against the Canadian dollar as at July 31, 2022.

For the six month period ended October 31, 2022, the foreign exchange gain was \$4.0 million, as compared to a foreign exchange gain for the six month period ended October 31, 2021 of \$3.6 million. The current period gain was predominantly driven by the translation of US dollar assets into Canadian dollars at a foreign exchange rate higher than the value of the US dollar against the Canadian dollar as at April 30, 2022.

Investment in Associate, Finance Income, Finance Costs, Other Income and Expenses

For the second quarter ended October 31, 2022, a loss of \$1.1 million was incurred in relation to the Company's share of losses in DDSports, Inc. an investment in an associate. For the second quarter ended October 31, 2022, finance income, finance costs, other income and expenses netted to a loss of \$0.6 million.

For the six month period ended October 31, 2022, a loss of \$1.4 million was incurred in relation to the investment in an associate. For the six month period end October 31, 2022, finance income, finance costs, other invoice and expenses netted to a loss of \$0.6 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
	October 31, 2022		April 30, 2022
(Bank Indebtedness) Cash and cash equivalents	\$	(4,193)	\$ 33,902
Working capital	\$	154,145	\$ 158,947
Long-term assets	\$	94,030	\$ 92,338
Days sales outstanding in accounts receivable		81	83

Statement of Cash Flow Summary	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Operating activities	\$ (7,657)	\$ 928	\$ 11,671	\$ 38,924
Investing activities	\$ (5,573)	\$ (1,847)	\$ (18,560)	\$ (2,959)
Financing activities	\$ (16,027)	\$ (91,716)	\$ (31,088)	\$ (106,823)
Net (decrease) increase in cash	\$ (29,777)	\$ (93,953)	\$ (38,095)	\$ (71,105)

Operating Activities

For the second quarter ended October 31, 2022, the Company used cash from operations of \$7.7 million, compared to \$0.9 million cash generated for the second quarter ended October 31, 2021. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$27.5 million for the second quarter ended October 31, 2022 compared to \$23.1 million for the second quarter ended October 31, 2021.

For the six month period ended October 31, 2022, the Company generated cash for operations of \$11.7 million, compared to \$38.9 million cash used for the six month period ended October 31, 2021. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$45.3 million for the six month period ended October 31, 2022 compared to \$40.4 million for the six month period ended October 31, 2021.

Investing Activities

The Company used cash from investing activities of \$5.6 million for the second quarter ended October 31, 2022 which was principally driven by the acquisition of capital assets of \$2.4 million and acquisition of investments of \$3.2 million.

The Company used cash from investing activities of \$18.6 million for the six month period ended October 31, 2022 which was principally driven by the acquisition of capital assets of \$4.3 million and the acquisition of investments of \$14.3 million.

Financing Activities

For the second quarter ended October 31, 2022, the Company used cash from financing activities of \$16.0 million, which was principally driven by dividends paid of \$13.7 million.

For the six month period ended October 31, 2022, the Company used cash from financing activities of \$31.1 million, which was principally driven by dividends paid of \$27.4 million.

WORKING CAPITAL

As at October 31, 2022, the Company had a bank indebtedness balance of \$4.2 million, compared to cash and cash equivalents of \$33.9 million at April 30, 2022. The decrease in cash and cash equivalents is predominately a result of the increase in inventory from April 30, 2022 of \$22.6 million and the acquisition of investments of \$14.3 million.

The Company had working capital of \$154.1 million as at October 31, 2022 compared to \$158.9 million as at April 30, 2022.

Notwithstanding the uncertainty surrounding the impact of the pandemic, 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 81 days at October 31, 2022 as compared to 83 for April 30, 2022.

SHARE CAPITAL STRUCTURE

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

	As at October 31, 2022	As at April 30, 2022
Common shares	76,223,768	76,229,696
Stock options granted and outstanding	4,901,000	5,055,500

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 October 31, 2022:

(In thousands)	Total	Payments Due by Period			
		Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 29,096	\$ 5,478	\$ 9,909	\$ 7,849	\$ 5,860
Redemption Liabilities	3,711	3,711	-	-	-
	\$ 32,807	\$ 9,189	\$ 9,909	\$ 7,849	\$ 5,860

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 October 31, 2022. 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)	2022				Quarter Ending				2020
	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	
(Unaudited)									
Revenue	\$ 113,248	\$ 101,538	\$ 116,089	\$ 120,563	\$ 107,199	\$ 97,165	\$ 93,293	\$ 92,776	\$ 100,482
Cost of goods sold	45,771	43,014	47,749	51,351	46,122	40,479	37,735	40,793	40,823
Gross margin	\$ 67,477	\$ 58,524	\$ 68,340	\$ 69,212	\$ 61,077	\$ 56,686	\$ 55,558	\$ 51,983	\$ 59,659
Operating expenses	39,085	39,220	41,477	38,885	37,377	36,373	41,503	37,659	30,986
Earnings from operations	\$ 28,392	\$ 19,304	\$ 26,863	\$ 30,327	\$ 23,700	\$ 20,313	\$ 14,055	\$ 14,324	\$ 28,673
Non-operating income	(1,644)	(385)	(1,030)	(1,429)	(279)	(553)	1,138	(298)	(555)
Earnings before taxes	\$ 26,748	\$ 18,919	\$ 25,833	\$ 28,898	\$ 23,421	\$ 19,760	\$ 12,917	\$ 14,026	\$ 28,118
Net earnings	\$ 19,817	\$ 13,841	18,957	21,250	\$ 16,991	\$ 14,547	9,954	10,272	\$ 21,048
Net earnings per share:									
Basic	\$ 0.26	\$ 0.18	\$ 0.25	\$ 0.28	\$ 0.22	\$ 0.19	\$ 0.13	\$ 0.13	\$ 0.28
Diluted	\$ 0.26	\$ 0.18	\$ 0.25	\$ 0.28	\$ 0.22	\$ 0.19	\$ 0.13	\$ 0.13	\$ 0.28
Dividends per share:	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 1.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.09

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 October 31, 2022.

Management has concluded that, as of October 31, 2022, 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 October 31, 2022, 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 October 31, 2022 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 has shown improvement since the first quarter of fiscal 2022, the situation associated with the pandemic 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 delays, travel restrictions and the postponement or cancellation of sporting as well as other live events and various other related projects could have an adverse effect on the Company's revenues and financial results in future quarters. Furthermore, supply chain disruptions, including a global semiconductor chip shortage have increased the lead time and costs of some raw materials. Although the Company has taken proactive steps to minimize its impact, the length and severity of the shortage could have an adverse effect on the Company's revenue, costs and financial results in future quarters. Given the uncertainty regarding these situations, it cannot reasonably estimate the severity of any such impact at this time. 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, 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.