

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Nine month periods ended January 31, 2021 and 2020
(Unaudited)

MANAGEMENT REPORT

The management of Evertz Technologies Limited (“Evertz” or the “Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the auditor. These interim condensed consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for the fair presentation of the consolidated financial position, results of operations and cash flows.

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at January 31, 2021 and April 30, 2020
(In thousands of Canadian dollars)

| | January 31, 2021 | April 30, 2020 |
|---|---------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 94,063 | \$ 75,025 |
| Trade and other receivables (note 3) | 89,407 | 90,631 |
| Contract assets | 6,451 | 7,864 |
| Prepaid expenses | 5,831 | 9,003 |
| Inventories | 156,811 | 161,985 |
| | 352,563 | 344,508 |
| Property, plant and equipment (note 4) | 44,895 | 47,794 |
| Right-of-use assets (note 5) | 24,898 | 28,823 |
| Goodwill (note 6) | 23,054 | 20,771 |
| Intangibles (note 7) | 1,136 | 1,573 |
| Investment in an Associate (note 19) | 8,015 | - |
| Deferred income taxes | 859 | 204 |
| | \$ 455,420 | \$ 443,673 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | \$ 61,601 | \$ 62,231 |
| Provisions (note 8) | 4,155 | 5,031 |
| Deferred revenue | 60,913 | 45,076 |
| Current portion of long term debt | 56 | 238 |
| Current portion of lease obligations | 4,221 | 4,400 |
| Income tax payable | 30 | 3,812 |
| | 130,976 | 120,788 |
| Long-term lease obligations | 22,334 | 25,465 |
| | 153,310 | 146,253 |
| Equity | | |
| Capital stock (note 9) | 143,605 | 143,915 |
| Share based payment reserve | 9,202 | 8,279 |
| Accumulated other comprehensive earnings | 1,465 | 1,032 |
| Retained earnings | 144,455 | 141,786 |
| | 145,920 | 142,818 |
| Total equity attributable to shareholders | 298,727 | 295,012 |
| Non-controlling interest | 3,383 | 2,408 |
| | 302,110 | 297,420 |
| | \$ 455,420 | \$ 443,673 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three month periods ended January 31, 2021 and 2020
(In thousands of Canadian dollars)

| | Capital stock | Share-based payment reserve | Accumulated other comprehensive earnings | Retained earnings | Total equity attributable to shareholders | Non- controlling interest | Total Equity |
|--|-------------------|-----------------------------------|---|----------------------|--|---------------------------------|-------------------|
| Balance at April 30, 2019 | \$ 139,865 | \$ 8,245 | \$ 1,729 | \$ 203,284 | \$ 353,123 | \$ 2,280 | \$ 355,403 |
| Net earnings for the period | - | - | - | 52,707 | 52,707 | 427 | 53,134 |
| Foreign currency translation adjustment | - | - | 344 | - | 344 | (32) | 312 |
| Total comprehensive earnings for the period | \$ - | \$ - | \$ 344 | \$ 52,707 | \$ 53,051 | \$ 395 | \$ 53,446 |
| Dividends declared | - | - | - | (110,564) | (110,564) | (450) | (111,014) |
| Share based compensation expense | - | 314 | - | - | 314 | - | 314 |
| Exercise of employee stock options | 4,372 | - | - | - | 4,372 | - | 4,372 |
| Transfer on stock option exercise | 391 | (391) | - | - | - | - | - |
| Repurchase of common shares | (427) | - | - | (3,641) | (4,068) | - | (4,068) |
| Balance at January 31, 2020 | \$ 144,201 | \$ 8,168 | \$ 2,073 | \$ 141,786 | \$ 296,228 | \$ 2,225 | \$ 298,453 |
| Balance at April 30, 2020 | \$ 143,915 | \$ 8,279 | \$ 1,032 | \$ 141,786 | \$ 295,012 | \$ 2,408 | \$ 297,420 |
| Net earnings for the period | - | - | - | 31,805 | 31,805 | 346 | 32,151 |
| Foreign currency translation adjustment | - | - | 433 | - | 433 | (13) | 420 |
| Total comprehensive earnings for the period | \$ - | \$ - | \$ 433 | \$ 31,805 | \$ 32,238 | \$ 333 | \$ 32,571 |
| Dividends declared | - | - | - | (27,491) | (27,491) | (400) | (27,891) |
| Business Acquisitions (note 18) | - | - | - | - | - | 1,042 | 1,042 |
| Share based compensation expense | - | 923 | - | - | 923 | - | 923 |
| Repurchase of common shares (note 9) | (310) | - | - | (1,645) | (1,955) | - | (1,955) |
| Balance at January 31, 2021 | \$ 143,605 | \$ 9,202 | \$ 1,465 | \$ 144,455 | \$ 298,727 | \$ 3,383 | \$ 302,110 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2021 and 2020
(In thousands of Canadian dollars, except per share amounts)

| | Three month period ended | | Nine month period ended | |
|---|--------------------------|------------|-------------------------|------------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Revenue (notes 14 & 15) | \$ 92,776 | \$ 121,226 | \$ 249,595 | \$ 344,425 |
| Cost of goods sold | 40,793 | 53,377 | 105,729 | 148,102 |
| Gross margin | 51,983 | 67,849 | 143,866 | 196,323 |
| Expenses | | | | |
| Selling, administrative and general (note 10) | 13,011 | 19,009 | 39,711 | 55,737 |
| Research and development (note 11) | 23,235 | 24,960 | 60,573 | 72,828 |
| Investment tax credits | (3,931) | (2,056) | (10,100) | (6,037) |
| Foreign exchange loss (gain) | 5,344 | (270) | 9,750 | 2,637 |
| | 37,659 | 41,643 | 99,934 | 125,165 |
| | 14,324 | 26,206 | 43,932 | 71,158 |
| Finance income | 77 | 84 | 621 | 896 |
| Finance costs | (471) | (511) | (1,193) | (1,375) |
| Other income (expenses) | 96 | 162 | (431) | 303 |
| Earnings before income taxes | 14,026 | 25,941 | 42,929 | 70,982 |
| Provision for (recovery of) income taxes | | | | |
| Current | 2,423 | 6,798 | 10,910 | 18,072 |
| Deferred | 1,215 | (258) | (132) | (224) |
| | 3,638 | 6,540 | 10,778 | 17,848 |
| Net earnings for the period | \$ 10,388 | \$ 19,401 | \$ 32,151 | \$ 53,134 |
| Net earnings attributable to non-controlling interest | 116 | 143 | 346 | 427 |
| Net earnings attributable to shareholders | 10,272 | 19,258 | 31,805 | 52,707 |
| Net earnings for the period | \$ 10,388 | \$ 19,401 | \$ 32,151 | \$ 53,134 |
| Earnings per share (note 17) | | | | |
| Basic | \$ 0.13 | \$ 0.25 | \$ 0.42 | \$ 0.69 |
| Diluted | \$ 0.13 | \$ 0.25 | \$ 0.42 | \$ 0.69 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2021 and 2020
(In thousands of Canadian dollars)

| | Three month period ended | | Nine month period ended | |
|---|---------------------------------|-------------|--------------------------------|-------------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Net earnings for the period | \$ 10,388 | \$ 19,401 | \$ 32,151 | \$ 53,134 |
| Items that may be reclassified to net earnings: | | | | |
| Foreign currency translation adjustment | (410) | 598 | 420 | 312 |
| Comprehensive earnings | \$ 9,978 | \$ 19,999 | \$ 32,571 | \$ 53,446 |
| Comprehensive earnings attributable to non-controlling interest | \$ 72 | \$ 141 | \$ 333 | \$ 395 |
| Comprehensive earnings attributable to shareholders | \$ 9,906 | \$ 19,858 | \$ 32,238 | \$ 53,051 |
| Comprehensive earnings | \$ 9,978 | \$ 19,999 | \$ 32,571 | \$ 53,446 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and nine month periods ended January 31, 2021 and 2020
(In thousands of Canadian dollars)

| | Three month period ended | | Nine month period ended | |
|---|--------------------------|-----------|-------------------------|-----------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Operating activities | | | | |
| Net earnings for the period | \$ 10,388 | \$ 19,401 | \$ 32,151 | \$ 53,134 |
| Add: Items not involving cash | | | | |
| Depreciation of property, plant and equipment | 2,824 | 2,768 | 8,634 | 7,896 |
| Amortization of right-of-use assets (note 5) | 1,281 | 1,267 | 3,844 | 3,875 |
| Amortization of intangibles (note 7) | 104 | 110 | 321 | 318 |
| Gain on disposal of property, plant and equipment | (12) | (104) | (8) | (165) |
| Realized gain on marketable securities | - | - | - | (33) |
| Share based compensation (note 13) | 319 | 162 | 923 | 314 |
| Interest expense | 275 | 322 | 852 | 985 |
| Deferred income tax expense (recovery) | 1,215 | (258) | (132) | (224) |
| | 16,394 | 23,668 | 46,585 | 66,100 |
| Current tax expenses, net of investment tax credits | (968) | 4,741 | 1,360 | 12,034 |
| Income taxes paid | (1,479) | (3,464) | (4,194) | (9,402) |
| Changes in non-cash working capital items (note 12) | (3,650) | 42,340 | 23,675 | (6,494) |
| Cash provided by operating activities | 10,297 | 67,285 | 67,426 | 62,238 |
| Investing activities | | | | |
| Acquisition of property, plant and equipment | (2,049) | (3,015) | (5,930) | (6,921) |
| Proceeds from disposal of property, plant and equipment | 21 | 172 | 21 | 254 |
| Proceeds from disposal of marketable securities | - | - | - | 4,056 |
| Investment in an Associate (note 19) | (8,015) | - | (8,015) | - |
| Business acquisitions (note 18) | - | - | (795) | - |
| Cash used in investing activities | (10,043) | (2,843) | (14,719) | (2,611) |
| Financing activities | | | | |
| Repayment of long term debt | (62) | (113) | (186) | (232) |
| Principle payments of lease liabilities | (1,101) | (994) | (3,255) | (3,047) |
| Interest paid | (275) | (322) | (852) | (985) |
| Dividends paid | (13,732) | (13,807) | (27,491) | (110,564) |
| Dividends paid by subsidiaries to non-controlling interests | - | - | (400) | (450) |
| Capital stock repurchased (note 9) | (309) | (3,578) | (1,954) | (4,068) |
| Capital stock issued | - | - | - | 4,372 |
| Cash used in financing activities | (15,479) | (18,814) | (34,138) | (114,974) |
| Effect of exchange rates on cash and cash equivalents | (754) | 576 | 469 | 2,417 |
| (Decrease) increase in cash and cash equivalents | (15,979) | 46,204 | 19,038 | (52,930) |
| Cash and cash equivalents beginning of period | 110,042 | 5,449 | 75,025 | 104,583 |
| Cash and cash equivalents end of period | \$ 94,063 | \$ 51,653 | \$ 94,063 | \$ 51,653 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three month and nine month ended January 31, 2021 and 2020
(in thousands of Canadian dollars, except for “number of common shares”, “number of options” and “per share”
information)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. The Company designs, manufactures and distributes video and audio infrastructure solutions for the production, post-production, broadcast and telecommunications markets.

1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2020.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2020 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 3, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

Effects and Response to Pandemic

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 have had an adverse effect on the Company’s revenues and financial results.

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.

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

Note #2 continued ...

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.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in earnings as incurred. Any contingent consideration is measured at fair value on date of the acquisition and is included as part of the consideration transferred. The fair value of the contingent consideration liability is re-measured at each reporting date with corresponding gain/loss recognized in earnings. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill.

On an acquisition by acquisition basis, any non-controlling interest is measured either at the fair value of the non-controlling interest or at the fair value of the proportionate share of the net identifiable assets acquired. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

3. TRADE AND OTHER RECEIVABLES

| | January 31, 2021 | April 30, 2020 |
|-------------------|-----------------------------|---------------------------|
| Trade receivables | \$ 84,513 | \$ 83,422 |
| Other receivables | 4,894 | 7,209 |
| | \$ 89,407 | \$ 90,631 |

4. PROPERTY, PLANT AND EQUIPMENT

| | January 31, 2021 | | | April 30, 2020 | | |
|------------------------------------|--------------------------------|-----------------------------|--------------------|----------------|-----------------------------|--------------------|
| | Cost | Accumulated Depreciation | Carrying Amount | Cost | Accumulated Depreciation | Carrying Amount |
| | Office furniture and equipment | \$ 5,062 | \$ 3,467 | \$ 1,595 | \$ 4,819 | \$ 3,252 |
| Research and development equipment | 40,577 | 27,086 | 13,491 | 38,735 | 25,072 | 13,663 |
| Airplanes | 11,535 | 9,013 | 2,522 | 11,535 | 8,579 | 2,956 |
| Machinery and equipment | 67,442 | 53,913 | 13,529 | 67,698 | 52,407 | 15,291 |
| Leaseholds | 9,195 | 5,914 | 3,281 | 9,206 | 5,546 | 3,660 |
| Land | 2,332 | - | 2,332 | 2,332 | - | 2,332 |
| Buildings | 11,321 | 3,176 | 8,145 | 11,293 | 2,968 | 8,325 |
| | \$ 147,464 | \$ 102,569 | \$ 44,895 | \$ 145,618 | \$ 97,824 | \$ 47,794 |

5. RIGHT-OF-USE ASSETS

| | Land & Building |
|---------------------------------------|------------------|
| Balance as at April 30, 2020 | \$ 28,823 |
| Amortization for the year | (3,844) |
| Foreign exchange adjustments | (81) |
| Balance as at January 31, 2021 | \$ 24,898 |

6. GOODWILL

| | Cost |
|---------------------------------------|------------------|
| Balance as at April 30, 2020 | \$ 20,771 |
| Foreign exchange differences | (227) |
| Business acquisitions (note 18) | 2,510 |
| Balance as at January 31, 2021 | \$ 23,054 |

7. INTANGIBLES

| | Cost |
|---------------------------------------|-----------------|
| Balance as at April 30, 2020 | \$ 1,573 |
| Amortization | (321) |
| Foreign exchange differences | (116) |
| Balance as at January 31, 2021 | \$ 1,136 |

8. PROVISIONS

| | Warranty and Returns | Lease/Retirement Obligations | Total |
|---------------------------------------|-------------------------|---------------------------------|-----------------|
| Balance as at April 30, 2020 | \$ 4,381 | \$ 650 | \$ 5,031 |
| Net additions | (744) | 80 | (664) |
| Foreign exchange differences | (216) | 4 | (212) |
| Balance as at January 31, 2021 | \$ 3,421 | \$ 734 | \$ 4,155 |

Warranty and Returns

The provision relates to estimated future costs associated with standard warranty repairs and returns on hardware solutions. The provision is based on historical data associated with similar products. The warranty and returns are expected to be incurred within the next twelve months.

Lease/Retirement Obligations

The provision relates to estimated restoration costs expected to be incurred upon the conclusion of Company leases.

9. CAPITAL STOCK

Authorized capital stock consists of:
Unlimited number of preferred shares
Unlimited number of common shares

| | Number of Common Shares | Amount |
|---------------------------------------|----------------------------|-------------------|
| Balance as at April 30, 2020 | 76,449,446 | \$ 143,915 |
| Cancelled pursuant to NCIB | (165,080) | (310) |
| Balance as at January 31, 2021 | 76,284,366 | \$ 143,605 |

Dividends Per Share

During the quarter, \$0.18 in dividends per share were declared (2020 - \$0.18).

Normal Course Issuer Bid

In October 2019, the Company filed a Normal Course Issuer Bid (“NCIB”) with the TSX to repurchase, at the Company’s discretion, until October 23, 2020 up to 3,830,252 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the quarter, the Company did not purchase and cancel any common shares under this NCIB (2020 – 200,000 common shares at a weighted average price of \$17.88). During the nine month period ended, the Company purchased and cancelled 123,700 common shares at a weighted average price of \$11.86 (2020 – 227,600 common shares at a weighted average price of \$17.89).

In October 2020, the Company renewed the Normal Course Issuer Bid (“NCIB”) with the TSX to repurchase, at the Company’s discretion, until October 25, 2021 up to 3,819,487 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the quarter, the Company purchased and cancelled 26,080 common shares at a weighted average price of \$11.86. During the nine month period ended, the Company purchased and cancelled 41,380 common shares at a weighted average price of \$11.78.

10. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

| | Three month period ended | | Nine month period ended | |
|---|--------------------------|-----------|-------------------------|-----------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Selling and administrative | \$ 11,734 | \$ 17,863 | \$ 36,426 | \$ 52,197 |
| Depreciation - selling and administration | 713 | 817 | 2,288 | 2,367 |
| General: | | | | |
| Share based compensation (note 13) | 460 | 219 | 676 | 855 |
| Amortization of intangibles | 104 | 110 | 321 | 318 |
| | \$ 13,011 | \$ 19,009 | \$ 39,711 | \$ 55,737 |

During the three and nine month periods, there was a \$2,020 and a \$7,281 respective reduction in travel and promotion costs associated with reduced selling activities and travel restrictions, and a \$2,710 and a \$6,543 respective reduction in net wage expenses due to the pandemic.

11. RESEARCH AND DEVELOPMENT

| | Three month period ended | | Nine month period ended | |
|---|--------------------------|-----------|-------------------------|-----------|
| | January, | | January, | |
| | 2021 | 2020 | 2021 | 2020 |
| Research and development | \$ 20,112 | \$ 22,506 | \$ 53,843 | \$ 65,722 |
| Depreciation - research and development | 1,315 | 1,487 | 3,828 | 3,903 |
| General: | | | | |
| Share based compensation (note 13) | 1,808 | 967 | 2,902 | 3,203 |
| | \$ 23,235 | \$ 24,960 | \$ 60,573 | \$ 72,828 |

12. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

| | Three month period ended | | Nine month period ended | |
|-----------------------------|--------------------------|-----------|-------------------------|-------------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Trade and other receivables | \$ (19,449) | \$ 29,645 | \$ 979 | \$ (19,171) |
| Contract assets | 881 | 2,787 | 1,413 | 10,464 |
| Inventories | 820 | 4,462 | 5,313 | 2,238 |
| Prepaid expenses | 3,513 | (1,033) | 3,195 | (1,051) |
| Trade and other payables | 3,324 | 5,713 | (2,186) | (2,333) |
| Deferred revenue | 7,333 | 924 | 15,837 | 2,878 |
| Provisions | (72) | (158) | (876) | 481 |
| | \$ (3,650) | \$ 42,340 | \$ 23,675 | \$ (6,494) |

13. SHARE BASED PAYMENTS

Stock Option Plan

The Company established, in June 2006, a stock option plan to attract, retain, motivate and compensate employees, officers and eligible directors who are integral to the growth and success of the Company. A number of shares equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the stock option plan.

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year.

The changes in the number of outstanding share options are as follows:

| | Number of Options | Weighted Average Exercise Price |
|---------------------------------------|----------------------|---------------------------------------|
| Balance as at April 30, 2020 | 1,628,500 | \$ 16.75 |
| Granted | 4,572,000 | 12.35 |
| Forfeited | (184,500) | 12.38 |
| Expired | (99,000) | 15.36 |
| Balance as at January 31, 2021 | 5,917,000 | \$ 13.51 |

Stock options outstanding as at January 31, 2021 are:

| Exercise Price | Weighted Average Exercise Price | Number of Outstanding Options | Weighted Average Remaining Contractual Life | Number of Options Exercisable | Weighted Average Exercise Price of Exercisable Options |
|-------------------|------------------------------------|-------------------------------------|---|-------------------------------------|--|
| \$12.28 - \$12.86 | \$ 12.35 | 4,392,500 | 4.6 | - | \$ - |
| \$15.61 - \$15.80 | \$ 15.69 | 447,000 | 2.8 | - | \$ - |
| \$16.08 - \$16.87 | \$ 16.40 | 375,000 | 2.9 | 82,000 | \$ 16.81 |
| \$17.39 - \$18.63 | \$ 17.82 | 702,500 | 3.4 | 40,000 | \$ 17.38 |
| Totals | \$ 13.51 | 5,917,000 | 4.2 | 122,000 | \$ 17.00 |

Restricted Share Unit Plan

The Company established, in March 2016, a restricted share unit ("RSU") plan to provide an incentive to participants; including key executives of the Company, by rewarding such participants with equity-based compensation. Under the terms of the plan, RSU's are issued to the participant with a vesting period of three years. On the vesting date, all RSU's will be redeemed in cash at the fair market value at the date of vest plus any accrued dividends. The changes in the number of outstanding RSUs are as follows:

| | Number of RSUs |
|---------------------------------------|-------------------|
| Balance as at April 30, 2020 | 921,000 |
| Granted | 77,000 |
| Forfeited | (33,500) |
| Exercised | (30,000) |
| Balance as at January 31, 2021 | 934,500 |

As at January 31, 2021, the average remaining contractual life for outstanding RSUs is 1.43 years (2020 – 2.0 years).

Note #13 continued ...

Compensation expense

Stock Option Plan

The share based compensation expense that has been charged against earnings over the nine month and three month periods is \$923 (2020 - \$314) and \$319 (2020 - \$162). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Nine month period ended January 31, 2021 | Nine month period ended January 31, 2020 |
|--|---|---|
| Risk-free interest rate | 0.37% | 1.62% |
| Dividend yield | 5.67% | 4.01% |
| Expected life | 5 years | 5 years |
| Expected volatility | 23% | 15% |
| Weighted average grant-date fair value | \$1.08 | \$1.28 |

Expected volatility is based on historical share price volatility over the past five years of the Company. Share based compensation expense was calculated using a weighted average forfeiture rate of 12% (2020 – 8%).

Restricted Share Unit Plan

The share based compensation expense that has been charged against earnings over the nine month and three month periods is \$2,655 (2020 - \$3,744) and \$1,949 (2020 - \$1,023). Share based compensation expense was calculated using a weighted average forfeiture rate of 5% (2020 - 7%). As at January 31, 2021, the total liability included within trade and other payables is \$7,512 (2020 - \$4,610).

14. SEGMENTED INFORMATION

The Company reviewed its operations and determined that it operates a single reportable segment, the television broadcast equipment market. The single reportable operating segment derives its revenues from the sale of hardware and software solutions including related services, training and commissioning.

| Revenue | Three month period ended January 31, | | Nine month period ended January 31, | |
|---------------|---|------------|--|------------|
| | 2021 | 2020 | 2021 | 2020 |
| United States | \$ 52,277 | \$ 68,361 | \$ 150,330 | \$ 224,140 |
| International | 36,514 | 51,679 | 90,490 | 114,097 |
| Canada | 3,984 | 1,186 | 8,774 | 6,188 |
| | \$ 92,775 | \$ 121,226 | \$ 249,594 | \$ 344,425 |

| | January 31, 2021 | | | April 30, 2020 | | |
|---------------|-------------------------------------|-----------|----------------------|-------------------------------------|-----------|----------------------|
| | Property, Plant and Equipment | Goodwill | Intangible Assets | Property, Plant and Equipment | Goodwill | Intangible Assets |
| United States | \$ 4,398 | \$ 1,284 | \$ 1,136 | \$ 5,185 | \$ 1,420 | \$ 1,573 |
| International | 11,687 | 20,187 | - | 11,049 | 17,768 | - |
| Canada | 28,810 | 1,583 | - | 31,560 | 1,583 | - |
| | \$ 44,895 | \$ 23,054 | \$ 1,136 | \$ 47,794 | \$ 20,771 | \$ 1,573 |

15. REVENUE

| | Three month period ended | | Nine month period ended | |
|--|--------------------------|------------|-------------------------|------------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Hardware, including related software | \$ 65,716 | \$ 96,190 | \$ 194,441 | \$ 290,800 |
| Services, including warranty, training and commissioning | 9,325 | 9,197 | 20,802 | 12,746 |
| Long term contract revenue | 17,734 | 15,839 | 34,351 | 40,879 |
| | \$ 92,775 | \$ 121,226 | \$ 249,594 | \$ 344,425 |

The decrease in revenue is due to widespread customer shutdowns, travel restrictions and projects on hold as a result of the pandemic.

16. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related Party Transactions

Two shareholders each indirectly hold a 16% interest in the Company's leased premises in Ontario. This lease expires in 2029 with a total of \$8,853 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$764 (2020 - \$764) and \$255 (2020 - \$255) with no outstanding amounts due as at January 31, 2021.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2021 with a total of \$175 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$189 (2020 - \$189) and \$63 (2020 - \$63) with no outstanding amounts due as at January 31, 2021.

On December 1, 2008 the Company entered into a property lease agreement where two shareholders each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2028 with a total of \$7,389 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$635 (2020 - \$631) and \$214 (2020 - \$210) with no outstanding amounts due as at January 31, 2021.

On May 1, 2009 the Company entered into a property lease agreement where two shareholders each indirectly hold a 35% interest. This lease expires in 2029 with a total of \$4,547 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$380 (2020 - \$380) and \$127 (2020 - \$127) with no outstanding amounts due as at January 31, 2021.

The Company also leases a property where two shareholders indirectly own 100% interest. The lease expires in 2023 with a total of \$292 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$114 (2020 - \$114) and \$38 (2020 - \$38) with no outstanding amounts due as at January 31, 2021.

On May 1, 2016 the Company entered into a property lease agreement where two shareholders each hold a 46.6% interest. This lease expires in 2026 with a total of \$5,402 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$747 (2020 - \$736) and \$249 (2020 - \$245) with no outstanding amounts due as at January 31, 2021.

On August 1, 2016 the Company entered into a property lease agreement. Currently two shareholders indirectly own 100% interest. This lease expires in 2026 with a total of \$1,509 committed over the remaining term. During the nine month and three month periods, rent paid for the leased principal premises amounted to \$195 (2020 - \$190) and \$66 (2020 - \$63) with no outstanding amounts due as at January 31, 2021.

These transactions were in the normal course of business and recorded at their respective fair values.

17. EARNINGS PER SHARE

| | Three month period ended | | Nine month period ended | |
|--|--------------------------|------------|-------------------------|------------|
| | January 31, | | January 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average common shares outstanding | 76,285,488 | 76,714,745 | 76,381,605 | 76,666,791 |
| Dilutive effect of stock options | 120,901 | 66,051 | 49,703 | 79,138 |
| Diluted weighted average common shares outstanding | 76,406,389 | 76,780,796 | 76,431,308 | 76,745,929 |

The weighted average number of diluted common shares excludes 1,524,500 options because they were anti-dilutive during the nine month period (2020 – 537,500).

18. BUSINESS ACQUISITIONS

On October 27, 2020, the Company completed the investment of 73% in the share capital of Ease Live AS (“Ease Live”), who are based in Bergen, Norway. Ease Live, which was formerly part of Sixty AS, is a direct to consumer interactive graphics company. The fair value of total consideration transferred upon acquisition included cash considerations of \$5,327, which was transferred into Ease Live for future use. The acquisition was accounted for under the acquisition method and its operating results have been included in these financial statements since the date of acquisition. During fiscal 2021 the Company recognized \$66 of transaction costs in selling, administrative and general expenses relating to the transaction.

The preliminary allocation of the purchase price was based on management’s estimate of the fair value of assets acquired and liabilities assumed. The total purchase price of \$795 is net of \$4,532 cash left in the company for future operations. The allocation of the purchase price was as follows and is subject to adjustments as additional information is evaluated by the company:

| | |
|-------------------------------|---------------|
| Trade and other payables | (673) |
| Goodwill (not tax deductible) | 2,510 |
| Non-controlling interest | (1,042) |
| | <u>\$ 795</u> |

The Goodwill of \$2,510 arising from the acquisition consists largely of the expansion of the Company’s product lines and potential customer base.

19. INVESTMENT IN AN ASSOCIATE

In December, 2020 the Company invested \$8,015 in the share capital of DDSports Inc. (Shot Tracker), a revolutionary sports technology company. The Company has a significant influence on DDSports Inc., due to its percentage ownership and the holding of a board seat. As such, the investment is treated under the equity method. Under the equity method, the initial investment is recognized at cost, and the carrying amount is increased or decreased in recognition of the Company’s share of the profit or loss of DDSports after the date of acquisition.

20. SUBSEQUENT EVENT

On March 3, 2021 the Company declared a quarterly dividend of \$0.18 with a record date of March 19, 2021 and a payment date of March 25, 2021.