

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Third Quarter ended January 31, 2021

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

FORWARD-LOOKING STATEMENTS

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

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

The report is based on information available to management on March 3, 2021.

OVERVIEW

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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 likelihood of recoverability, and the determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment assessment purposes.

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

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

QUARTER END HIGHLIGHTS

Revenue was \$92.8 million for the third quarter ended January 31, 2021; a decrease of \$28.4 million, when compared to \$121.2 million for the same period ended January 31, 2020.

For the third quarter ended January 31, 2021, net earnings were \$10.4 million, a decrease from \$19.4 million for the third quarter ended January 31, 2020. Fully diluted earnings per share were \$0.13 a decrease from \$0.25 in the third quarter ended January 31, 2020.

For the third quarter ended January 31, 2021, foreign exchange loss during the quarter was \$5.3 million, compared to a foreign exchange gain of \$0.3 million for the third quarter January 31, 2020.

Gross margin during the third quarter ended January 31, 2021 was 56.0% compared to 56.0% in the third quarter ended January 31, 2020.

Selling and administrative expenses for the third quarter ended January 31, 2021 was \$11.7 million as compared to the third quarter ended January 31, 2020 of \$17.9 million. As a percentage of revenue, selling and administrative expenses totaled 12.6% for the third quarter ended January 31, 2021 compared to 14.7% in the third quarter ended January 31, 2020.

Research and development expenses were \$21.4 million for the third quarter ended January 31, 2021 as compared to \$24.0 million for the third quarter ended January 31, 2020.

Selected Consolidated Financial Information

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

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2021	2020	2021	2020
Revenue	\$ 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 and administrative	11,734	17,863	36,426	52,197
General	817	927	2,609	2,685
Research and development	21,427	23,993	57,671	69,625
Investment tax credits	(3,931)	(2,056)	(10,100)	(6,037)
Share based compensation	2,268	1,186	3,578	4,058
Foreign exchange loss (gain)	5,344	(270)	9,750	2,637
	37,659	41,643	99,934	125,165
Earnings before undernoted	14,324	26,206	43,932	71,158
Finance income	77	84	621	896
Finance costs	(471)	(511)	(1,193)	(1,375)
Other income and 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				
Basic	\$ 0.13	\$ 0.25	\$ 0.42	\$ 0.69
Diluted	\$ 0.13	\$ 0.25	\$ 0.42	\$ 0.69
Consolidated Balance Sheet Data		As at		As at
		January 31, 2021		April 30, 2020
Cash and cash equivalents	\$	94,063	\$	75,025
Inventory	\$	156,811	\$	161,985
Working capital	\$	221,587	\$	223,720
Total assets	\$	455,420	\$	443,673
Shareholders' equity	\$	298,727	\$	295,012
Number of common shares outstanding:				
Basic		76,284,366		76,449,446
Fully-diluted		82,201,366		78,077,946
Weighted average number of shares outstanding:				
Basic		76,381,605		76,624,706
Fully-diluted		76,431,308		76,642,787

Consolidated Statement of Operations Data

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

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2021	2020	2021	2020
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	44.0%	44.0%	42.4%	43.0%
Gross margin	56.0%	56.0%	57.6%	57.0%
Expenses				
Selling and administrative	12.6%	14.7%	14.6%	15.1%
General	0.9%	0.8%	1.0%	0.8%
Research and development	23.1%	19.8%	23.1%	20.2%
Investment tax credits	(4.2%)	(1.7%)	(4.0%)	(1.8%)
Share based compensation	2.4%	1.0%	1.4%	1.2%
Foreign exchange loss	5.8%	(0.2%)	3.9%	0.8%
	40.6%	34.6%	40.0%	36.3%
Earnings before undernoted	15.4%	21.6%	17.6%	20.7%
Finance income	0.1%	0.1%	0.3%	0.2%
Finance costs	(0.5%)	(0.4%)	(0.5%)	(0.4%)
Other income and expenses	0.1%	0.1%	(0.2%)	0.1%
Earnings before income taxes	15.1%	21.4%	17.2%	20.6%
Provision for (recovery) of income taxes				
Current	2.6%	5.6%	4.4%	5.3%
Deferred	1.3%	(0.2%)	(0.1%)	(0.1%)
	3.9%	5.4%	4.3%	5.2%
Net earnings for the period	11.2%	16.0%	12.9%	15.4%
Net earnings attributable to non-controlling interest	0.1%	0.1%	0.1%	0.1%
Net earnings attributable to shareholders	11.1%	15.9%	12.8%	15.3%
Net earnings for the period	11.2%	16.0%	12.9%	15.4%
Earnings per share:				
Basic	\$ 0.13	\$ 0.25	\$ 0.42	\$ 0.69
Diluted	\$ 0.13	\$ 0.25	\$ 0.42	\$ 0.69

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 55% to 65% of its revenue in the United States/Canada. The Company recognizes the opportunity to more aggressively target markets in other geographic regions and intends to invest in personnel and infrastructure in those markets.

While a significant portion of the Company's expenses are denominated in Canadian dollars, the Company collects substantially all of its revenues in currencies other than the Canadian dollar and therefore has significant exposure to fluctuations in foreign currencies, in particular the US dollar. Approximately 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			Nine month period ended		
	January 31,		% increase	January 31,		% increase
	2021	2020	(decrease)	2021	2020	(decrease)
United States/Canada	\$ 56,261	\$ 69,547	(19%)	\$ 159,104	\$ 230,328	(31%)
International	36,514	51,679	(29%)	90,490	114,097	(21%)
	\$ 92,775	\$ 121,226	(23%)	\$ 249,594	\$ 344,425	(28%)

Total revenue for the third quarter ended January 31, 2021 was \$92.8 million, a decrease of \$28.4 million as compared to revenue of \$121.2 million for the third quarter ended January 31, 2020.

Total revenue for the nine month period ended January 31, 2021 was \$249.6 million, a decrease of \$94.8 million or 28% as compared to revenue of \$344.4 million for the nine month period ended January 31, 2020. The decrease in revenue is due to travel restrictions and projects on hold as a result of the pandemic.

Revenue in the United States/Canada region was \$56.3 million for the third quarter ended January 31, 2021, a decrease of \$13.2 million or 19% when compared to revenue of \$69.5 million for the third quarter ended January 31, 2020.

Revenue in the United States/Canada region was \$159.1 million for the nine month period ended January 31, 2021, a decrease of \$71.2 million or 31% when compared to revenue of \$230.3 million for the nine month period ended January 31, 2020.

Revenue in the International region was \$36.5 million for the third quarter ended January 31, 2021, an decrease of \$15.2 million or 29% as compared to revenue of \$51.7 million for the third quarter ended January 31, 2020.

Revenue in the International region was \$90.5 million for the nine month period ended January 31, 2021, a decrease of \$23.6 million or 21% as compared to revenue of \$114.1 million for the nine month period ended January 31, 2020.

Cost of Sales

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is represented by components and compensation costs for the manufacture and assembly of products as well as inventory obsolescence and write-offs. Cost of sales also includes related overhead, certain depreciation, final assembly, quality assurance, inventory management and support costs. Cost of sales also includes the costs of providing services to clients, primarily the cost of service-related personnel. During the nine month period, cost of sales included \$7.7 million of wage related assistance, which was recorded as a reduction of salary costs.

Gross Margin

(In thousands of Canadian dollars, except for percentages)	Three month period ended		% increase (decrease)	Nine month period ended		% increase (decrease)
	January 31,			January 31,		
	2021	2020	2021	2020		
Gross margin	\$ 51,793	\$ 67,849	(23%)	\$ 143,866	\$ 196,323	(27%)
Gross margin % of sales	56.0%	56.0%		57.6%	57.0%	

Gross margin for the third quarter ended January 31, 2021 was \$52 million, compared to \$67.8 million for the third quarter ended January 31, 2020. As a percentage of revenue, the gross margin was 56.0% for the third quarter ended January 31, 2021 compared to 56.0% for the third quarter ended January 31, 2020.

Gross margin for the nine month period ended January 31, 2021 was \$143.9 million, compared to \$196.3 million for the nine month period ended January 31, 2020. As a percentage of revenue, the gross margin was 57.6% for the nine month period ended January 31, 2021 compared to 57.0% for the nine month period ended January 31, 2020.

Gross margins vary depending on the product mix, manufacturing volumes, geographic distribution, competitive pricing pressures and currency fluctuations. During fiscal 2021, the gross margin was adversely impacted by lower manufacturing volumes that occurred in the first quarter. The pricing environment continues to be very competitive with substantial discounting by our competition.

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

Operating Expenses

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

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

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

Selling and Administrative

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Nine month period ended			% increase (decrease)		
	January 31,				January 31,					
	2021	2020			2021	2020				
Selling and administrative	\$	11,734	\$	17,863	(34%)	\$	36,426	\$	52,197	(30%)
Selling and administrative % of sales		12.6%		14.7%			14.6%		15.1%	

Selling and administrative expenses excludes stock based compensation, depreciation and amortization of intangibles. Selling and administrative expenses for the third quarter ended January 31, 2021 were \$11.7 million or 12.6% of revenue, as compared to selling and administrative expenses of \$17.9 million or 14.7% of revenue for third quarter ended January 31, 2020. The decrease of \$6.2 million includes a \$2.0 million reduction in travel and promotion costs associated with reduced selling activities and travel restrictions due to the pandemic, and a \$2.7 million reduction in net salary expenses.

Selling and administrative expenses for the nine month period ended January 31, 2021 were \$36.4 million or 14.6% of revenue, as compared to selling and administrative expenses of \$52.2 million or 15.1% of revenue for the nine month period ended January 31, 2020. The decrease of \$15.8 million includes a \$7.3 million reduction in travel and promotion costs associated with reduced selling activities and travel restrictions due to the pandemic and a \$6.5 million reduction in net salary expenses.

Share Based Compensation

In March 2016, the Company adopted a restricted share unit (RSU) plan to attract, motivate and compensate persons who are integral to the growth and success of the Company. During the nine month and three month periods ended January 31, 2021, share based compensation expense associated with the plan was \$2.7 million and \$1.9 million respectively, as compared to \$3.7 million and \$1.0 million for the nine month and three month periods ended January 31, 2020. The decrease during the nine month period is driven by a 15% decrease in the Company's closing share price from April 30, 2020 to January 31, 2021.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Nine month period ended			% increase (decrease)		
	January 31,				January 31,					
	2021	2020			2021	2020				
Research and development expenses	\$	21,427	\$	23,993	(11%)	\$	57,671	\$	69,625	(17%)
Research and development % of sales		23.1%		19.9%			23.1%		20.2%	

Research and development expenses excluded stock based compensation but includes depreciation. For the third quarter ended January 31, 2021, gross R&D expenses were \$21.4 million, a decrease of \$2.6 million as compared to an expense of \$24.0 million for the third quarter ended January 31, 2020. The decrease of \$2.6 million was predominantly a result of a decrease in net salary expenses due to the pandemic.

For the nine month period ended January 31, 2021, gross R&D expenses were \$57.7 million, a decrease of 17% or \$11.9 million as compared to an expense of \$69.6 million for the nine month period ended January 31, 2020. The decrease of \$11.9 million was predominantly a result of a decrease in net salary expenses due to the pandemic.

Investment Tax Credits

For the third quarter ended January 31, 2021, investment tax credits were \$3.9 million compared to \$2.1 million in the third quarter ended January 31, 2020.

For the nine month period ended January 31, 2021, investment tax credits were \$10.1 million compared to \$6.0 million for the nine month period ended January 31, 2020. The increase in investment tax credits during the nine month period is predominately a result of a successful appeal for a prior year.

Foreign Exchange

For the third quarter ended January 31, 2021, the foreign exchange loss was \$5.3 million, as compared to a foreign exchange gain for the third quarter ended January 31, 2020 of \$0.3 million. The current period loss was predominantly driven by the decrease in value of the US dollar against the Canadian dollar since October 31, 2020.

For the nine month period ended January 31, 2021, the foreign exchange loss was \$9.8 million, as compared to a foreign exchange loss for the nine month period ended January 31, 2020 of \$2.6 million. The current period loss was predominantly driven by the decrease in value of the US dollar against the Canadian dollar since April 30, 2020.

Finance Income, Finance Costs, Other Income and Expenses

For the third quarter ended January 31, 2021, finance income, finance costs, other income and expenses netted to a loss of \$0.3 million.

For the nine month period ended January 31, 2021, finance income, finance costs, other income and expenses netted to a loss of \$1.0 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:	January 31, 2021		April 30, 2020
Cash and cash equivalents	\$	94,063	\$ 75,025
Working capital	\$	221,587	\$ 223,720
Long-term assets	\$	101,998	\$ 98,961
Days sales outstanding in accounts receivable		95	76

Statement of Cash Flow Summary	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2021	2020	2021	2020
Operating activities	\$ 10,297	\$ 67,285	\$ 67,426	\$ 62,238
Investing activities	\$ (10,043)	\$ (2,843)	\$ (14,719)	\$ (2,611)
Financing activities	\$ (15,479)	\$ (18,814)	\$ (34,138)	\$ (114,974)
Net (decrease) increase in cash	\$ (15,979)	\$ 46,204	\$ 19,038	\$ (52,930)

Operating Activities

For the third quarter ended January 31, 2021, the Company generated cash for operations of \$10.3 million, compared to \$67.3 million cash generated for the third quarter ended January 31, 2020. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$16.4 million for the third quarter ended January 31, 2021 compared to \$23.7 million for the third quarter ended January 31, 2020.

For the nine month period ended January 31, 2021, the Company generated cash for operations of \$67.4 million, compared to \$62.2 million cash generated for the nine month period ended January 31, 2020. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$46.6 million for the nine month period ended January 31, 2021 compared to \$66.1 million for the nine month period ended January 31, 2020.

Investing Activities

The Company used cash from investing activities of \$10.0 million for the third quarter ended January 31, 2021 which was principally driven by the acquisition of capital assets of \$2.0 million and \$8.0 million in the investment into DD Sports Inc. (ShotTracker).

The Company used cash from investing activities of \$14.7 million for the nine month period ended January 31, 2021 which was principally driven by the acquisition of capital assets of \$5.9 million and \$8.0 million in the investment into DD Sports Inc. (ShotTracker).

Financing Activities

For the third quarter ended January 31, 2021, the Company used cash from financing activities of \$15.5 million, which was principally driven by dividends paid of \$13.7 million, \$1.1 million in principle payments on capitalized leases and \$0.3 million in the purchase of capital stock.

For the nine month period ended January 31, 2021, the Company used cash from financing activities of \$34.1 million, which was principally driven by dividends paid of \$27.9 million, \$3.3 million in principle payments on capitalized leases and \$2.0 million in the purchase of capital stock.

WORKING CAPITAL

As at January 31, 2021, the Company had cash and cash equivalents of \$94.1 million, compared to \$75.0 million at April 30, 2020.

The Company had working capital of \$221.6 million as at January 31, 2021 compared to \$223.7 million as at April 30, 2020.

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 95 days at January 31, 2021 as compared to 76 for April 30, 2020.

SHARE CAPITAL STRUCTURE

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

	As at January 31, 2021	As at April 30, 2020
Common shares	76,284,366	76,449,446
Stock options granted and outstanding	5,917,000	1,628,500

FINANCIAL INSTRUMENTS

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

Fair Values and Classification of Financial Instruments:

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

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

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at January 31, 2021:

(In thousands)	Total	Payments Due by Period			
		Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 30,598	\$ 5,368	\$ 8,823	\$ 7,778	\$ 8,629
Other long-term debt	56	56	-	-	-
	\$ 30,654	\$ 5,424	\$ 8,823	\$ 7,778	\$ 8,629

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 January 31, 2021. 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) (Unaudited)	Quarter Ending							
	2021 Jan 31	2020			2019			
		Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30
Revenue	\$ 92,776	\$ 100,482	\$ 56,337	\$ 92,167	\$ 121,226	\$ 119,788	\$103,411	\$ 107,245
Cost of goods sold	40,793	40,823	24,113	40,114	53,377	50,466	44,259	44,520
Gross margin	\$ 51,983	\$ 59,659	\$ 32,224	\$ 52,053	\$ 67,849	\$ 69,322	\$ 59,152	\$ 62,725
Operating expenses	37,659	30,986	31,289	30,653	41,643	42,099	41,423	38,205
Earnings from operations	\$ 14,324	\$ 28,673	\$ 935	\$ 21,400	\$ 26,206	\$ 27,223	\$ 17,729	\$ 24,520
Non-operating income	(298)	(555)	(150)	(423)	(265)	60	29	198
Earnings before taxes	\$ 14,026	\$ 28,118	\$ 785	\$ 20,977	\$ 25,941	\$ 27,283	\$ 17,758	\$ 24,718
Net earnings	10,272	\$ 21,048	\$ 485	\$ 15,900	\$ 19,258	\$ 20,372	\$ 13,077	\$ 18,562
Net earnings per share:								
Basic	\$ 0.13	\$ 0.28	\$ 0.01	\$ 0.21	\$ 0.25	\$ 0.27	\$ 0.17	\$ 0.24
Diluted	\$ 0.13	\$ 0.28	\$ 0.01	\$ 0.21	\$ 0.25	\$ 0.27	\$ 0.17	\$ 0.24
Dividends per share:	\$ 0.18	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.18	\$ 1.08	\$ 0.18	\$ 0.18

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

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of January 31, 2021.

Management has concluded that, as of January 31, 2021, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this report was being prepared.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for and has designed internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has concluded that, as of January 31, 2021, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's internal controls over financial reporting during the period ended January 31, 2021 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

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

OUTLOOK

While the Company believes the pandemic to be temporary, and the Company has shown improvement in the past two quarters, the situation is fluid and the impact of the pandemic on future operations and results, including the impact on overall customer demands is inherently uncertain at this time. Although the Company is an essential service provider and has increased health and safety protocols to continue operations, widespread customer delays, travel restrictions and the postponement or cancellation of sporting as well as other live events and various other related projects will have an adverse effect on the Company's revenues and financial results in future quarters. Given the uncertainty regarding the situation, it cannot reasonably estimate the severity of any such impact at this time. 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.