

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year ended April 30, 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 June 23, 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.

SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's group functional currency. Each subsidiary of the Company determines its own functional currency based on the primary economic environment in which the subsidiary operates. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

Basis of Consolidation

These financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor's returns.

The results of subsidiaries acquired or disposed of are included in the consolidated statements of earnings and comprehensive earnings from the effective date of acquisition of control and up to the effective date of disposal of control, as appropriate. Total comprehensive earnings of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

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. Where the non-controlling interest holds a put option that can be settled by a fixed amount of cash, in connection with their remaining shares, the fair value of the put option is recognized as a financial redemption liability. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and a financial redemption liability is recorded instead of a non-controlling interest. Options that are not exercisable for at least one year are presented as non-current liabilities. Subsequent measurement of the redemption liability is recorded using the effective interest rate method and recognized in the statement of earnings while no earnings are attributed to the non-controlling interest.

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.

Revenue Recognition

Revenue is measured using a five-step recognition model which includes; 1) identifying the contract(s) with the customer; 2) identifying the separate performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to separate performance obligations; and 5) recognizing revenue when (or as) each performance obligation is satisfied.

Step 1: Identifying the contract

Before recognizing revenue, the Company reviews customer contracts to ensure each party's rights and payment terms are identified, there is commercial substance, and that it is probable that the Company will collect the consideration in exchange for the goods or services as stated in the contract.

Step 2: Identifying performance obligations

The Company regularly sells hardware and software solutions including related services, training and commissioning on a stand-alone basis. A customer contract typically lists items separately with distinct item descriptions, quantities, and prices. If a contract contains a bundle of items priced together at a single price, the Company analyzes the contract to identify distinct performance obligations within the bundle.

Step 3: Determining the transaction price

Transaction prices are typically the prices stated on the purchase orders or contracts, net of discounts. The Company reviews customer contracts for any variable considerations, existence of significant financing components and payables to customers, and adjusts transaction prices accordingly.

Step 4: Allocating the transaction price to performance obligations

If a customer contract includes multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative stand-alone selling price. If a stand-alone selling price is not directly observable, the Company estimates the stand-alone selling price of individual elements, based on prices at which the deliverable is regularly sold on a stand-alone basis after considering specific discounts where appropriate.

Step 5: Recognizing revenue upon satisfaction of performance obligations

The timing of revenue recognition is based on when a customer obtains control of the asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The Company reviews customer contracts and the nature of the performance obligations to determine if a performance obligation is satisfied over time or at a point in time, and recognizes revenue accordingly.

Revenue from sales of hardware are recognized upon shipment, provided that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and its probable that the economic benefits will flow to the Company.

Revenue from software solutions are recognized either over a period of time or at a point in time depending on the contractual terms of the contract identified and the specific performance obligations identified therein. For performance obligations satisfied over time, the Company measures the progress using either an input or output method, depending on which yields the most reliable estimate.

Revenue from services is recognized as services are performed and warranty revenue is recognized ratably over the warranty period.

Certain of the Company's contracts are long-term in nature. When the outcome of the contract can be assessed reliably, the Company recognizes revenue on long-term contracts over time, based on costs incurred relative to the estimated total contract costs. When the outcome of the contract cannot be assessed reliably contract costs incurred are immediately expensed and revenue is recognized only to the extent that costs are considered likely to be recovered. Revenue recognized in excess of billings are recorded as contract assets.

Contract assets are recognized when revenue is recognized in excess of billings or when the Company has a right to consideration and that right is conditional to something other than the passage of time. Contract assets are subsequently transferred to accounts receivable when the right to payment becomes unconditional.

Finance Income

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank, net of outstanding bank overdrafts.

Inventories

Inventories consist of raw materials and supplies, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes raw materials, the cost of direct labour applied to the product and the overhead expense.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Where the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is calculated based on depreciable amounts which is the cost of an asset less residual value and is recognized in earnings on a straight-line basis over the estimated useful life of the related asset. Borrowing costs are capitalized to the cost of qualifying assets that take a substantial period of time to be ready for their intended use.

The estimated useful lives are as follows:

Asset	Basis	Rate
Office furniture and equipment	Straight-line	10 years
Research and development equipment	Straight-line	5 years
Machinery and equipment	Straight-line	5 - 15 years
Leaseholds	Straight-line	5 years
Building	Straight-line	10 - 40 years
Airplanes	Straight-line	10 - 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in earnings.

The Company reviews the residual value, estimated useful life and the depreciation method at least annually.

Impairment of Non-Financial Assets

Goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may be more than its recoverable amount. At each reporting period, the Company reviews the carrying amounts of its other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Goodwill is allocated to a group of CGU’s based on the level at which it is monitored for internal reporting purposes.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss relating to a CGU to which goodwill has been allocated, is allocated to the carrying amount of the goodwill first. An impairment loss is recognized immediately in earnings.

An impairment loss in respect of goodwill is not reversed. Where an impairment loss subsequently reverses for other non-financial assets, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

Intangible Assets

Intangible Assets

Intangible assets represent intellectual property acquired through business acquisitions and are recorded at cost less any impairment loss and are amortized using the straight-line method over a five-year period. The estimated useful life and amortization method are reviewed at the end of each reporting period. Prior to the current year, intangible assets were amortized over a four-year period. Amortization period was determined as more reflective of the period of expected benefits.

Research and Development

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

Research and development expenditures are recorded gross of investment tax credits and related government grants. Investment tax credits for scientific research and experimental development are recognized in the period the qualifying expenditures are incurred if there is reasonable assurance that they will be realized.

Investment in an Associate

Investments in an Associate are entities in which the Company has significant influence over, but not have control or joint control over the financial and operating policies. Investments in an Associate are accounted for using the equity method. Under the equity method, the initial investment is recognized at cost, which includes transaction costs. Subsequent to initial recognition, the carrying amount is increased or decreased in recognition of the Company's share of the profit or loss after the date of acquisition, until the date on which significant influence ceases.

At the end of each reporting period, the Company also reviews the carrying amounts of Investments in an Associate to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal and value-in-use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized immediately. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leasing

At inception of a contract, the Company assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company generally use their incremental borrowing rate as the interest rate implicit in our leases cannot be readily determined. The lease liability is subsequently measured at amortized cost using the effective interest rate method. Certain leases require us to make payments that relate to property taxes, insurance, and other non-rental costs. These non-rental costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability.

Foreign Currency Translation

The individual financial statements of each subsidiary entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are presented in Canadian dollars ("CDN"), which is the functional currency of the parent Company and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in earnings in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Foreign currency gains and losses are recognized in other comprehensive earnings. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition or partial disposition of a foreign operation and attributed to non-controlling interests as appropriate.

Income Taxes

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net earnings as reported in the statement of earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on unused tax losses and credits, as well as differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which unused tax losses, credits and other deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to other comprehensive earnings or equity, in which case the deferred tax is also dealt with in other comprehensive earnings or equity.

Share Based Compensation

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 19 of the consolidated financial statements.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period of the option based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share based payment reserve.

Cash settled share based earnings to employees, including restricted share units, or others providing similar services are measured at the fair value of the instruments at the grant date. The fair value is recognized as an expense with a corresponding increase in liabilities over the vesting period of the option grant. At each reporting period, the Company revises its estimate of fair value and the number of instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to liabilities.

Earnings Per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which is comprised of share options granted to employees with an exercise price below the average market price.

Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognized in earnings in the period in which they are incurred.

Investment Tax Credits

The Company is entitled to investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits relate entirely to the Company’s research and development expenses in the consolidated statements of earnings but are presented separately in the consolidated statements of earnings for information purposes. Investment tax credits are recognized and recorded within income tax receivable or as a reduction of income tax payable, when there is reasonable assurance they will be received.

Government Assistance

The Company applied and received assistance from multiple assistance programs within various countries worldwide. The assistance has been recognized as an offsetting reduction to expenses and the cost of labour applied to manufactured inventory. During the year, \$3,259 (2021 - \$31,096) in assistance was deducted from expenses and \$904 (2021 - \$2,303) from the cost of inventory.

Financial Instruments

The Company’s financial assets and liabilities which are initially recorded at fair value and subsequently measured based on their assigned classifications as follows:

Asset/Liability

Classification

Cash and cash equivalents	Amortized cost
Marketable securities	Fair value through profit or loss
Trade and other receivables	Amortized cost
Trade and other payables, excluding RSUs	Amortized cost
RSUs	Fair value through profit or loss
Long-term debt	Amortized cost
Long-term redemption liability	Amortized cost

Financial Assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. Transaction costs in respect of financial instruments that are classified as fair value through profit or loss are recognized in earnings immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

Financial assets are classified into the following specific categories: financial assets “at fair value through profit or loss” (“FVTPL”), “fair value through other comprehensive income (“FVOCI”)” and “amortized cost”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the time of initial recognition and at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a financial asset can include a significant or prolonged decline in the fair value of an asset, default or delinquency by a debtor, indication that a debtor will enter bankruptcy or financial re-organization or the disappearance of an active market for a security.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. A trade receivable is considered impaired if it is probable that a customer will not pay all amounts due. When a trade receivable is considered impaired, it is recorded in the allowance account. Subsequent recoveries of amounts are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings. When there is no reasonable expectation of recovery, the trade receivable balance is written off against the allowance account.

Financial Liabilities and Equity Instruments Issued by the Company

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in earnings. The net gain or loss recognized in earnings incorporates any interest paid on the financial liability and is included in the “other income and expenses” line item in the consolidated statements of earnings.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities, including long term debt and redemption liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Critical Accounting 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 year. 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. 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.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. 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 revenue from the sale of hardware and software solutions including related services, training and commissioning.

YEAR END HIGHLIGHTS

Revenue was \$441.0 million for the year ended April 30, 2022 an increase of \$98.1 million, compared to \$342.9 million for the year ended April 30, 2021.

For the year ended April 30, 2022, net earnings were \$72.7 million, an increase from \$42.0 million for the year ended April 30, 2021 and fully diluted earnings per share were \$0.94, an increase from \$0.55 for the year ended April 30, 2021.

Gross margin during the year ended April 30, 2022 was 57.9% as compared to 58.2% for the year ended April 30, 2021.

Foreign exchange gain during the year was \$6.5 million, predominantly driven by the increase in value of the US dollar against the Canadian dollar since April 30, 2021.

Selling and administrative expenses for the year ended April 30, 2022 was \$60.9 million as compared to the year ended April 30, 2021 of \$49.4 million. As a percentage of revenue, selling and administrative expenses totaled 13.8% for the year ended April 30, 2022 as opposed to 14.4% for the year ended April 30, 2021.

Research and development (“R&D”) expenses were \$102.4 million for the year ended April 30, 2022 as compared to \$80.2 million for the year ended April 30, 2021.

Cash and cash equivalents were \$33.9 million and working capital was \$158.9 million as at April 30, 2022, compared to cash and cash equivalents of \$108.8 million and working capital of \$214.5 million as at April 30, 2021.

HIGHLIGHTS FROM THE FOURTH QUARTER

Revenue was \$116.1 million for the fourth quarter ended April 30, 2022; an increase of \$22.8 million, when compared to \$93.3 million for the same period ended April 30, 2021.

For the fourth quarter ended April 30, 2022, net earnings were \$19.2 million, an increase from \$9.8 million for the fourth quarter ended April 30, 2021. Fully diluted earnings per share were \$0.25 an increase from \$0.13 in the fourth quarter ended April 30, 2021.

For the fourth quarter ended April 30, 2022, foreign exchange gain during the quarter was \$1.1 million, compared to a foreign exchange loss of \$5.1 million for the fourth quarter April 30, 2021.

Gross margin during the fourth quarter ended April 30, 2022 was 58.9% compared to 59.6% in the fourth quarter ended April 30, 2021.

Selling and administrative expenses for the fourth quarter ended April 30, 2022 was \$16.1 million as compared to the fourth quarter ended April 30, 2021 of \$13.0 million. As a percentage of revenue, selling and administrative expenses totaled 13.9% for the fourth quarter ended April 30, 2022 compared to 13.9% in the fourth quarter ended April 30, 2021.

Research and development expenses were \$27.3 million for the fourth quarter ended April 30, 2022 as compared to \$22.5 million for the fourth quarter ended April 30, 2021.

Selected Consolidated Financial Information

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

	Year Ended		
	April 30,		
	2022	2021	2020
Revenue	\$ 441,016	\$ 342,888	\$ 436,592
Cost of goods sold	185,701	143,464	188,216
Gross margin	255,315	199,424	248,376
Expenses			
Selling and administrative	60,884	49,413	67,597
General	4,563	3,896	3,509
Research and development	102,438	80,187	90,827
Investment tax credits	(12,336)	(13,042)	(7,595)
Share based compensation	5,028	6,123	4,964
Foreign exchange (gain) loss	(6,465)	14,861	(3,484)
	154,112	141,438	155,818
Earnings before undemoted	101,203	57,986	92,558
Finance income	309	687	1,077
Finance costs	(2,445)	(1,709)	(1,845)
Share of net loss from Investment in Associate	(1,493)	(531)	-
Other income and expenses	338	(588)	169
Earnings before income taxes	97,912	55,845	91,959
Provision for (recovery of) income taxes			
Current	26,909	17,369	22,304
Deferred	(1,724)	(3,484)	483
	25,185	13,885	22,787
Net earnings for the year	\$ 72,727	\$ 41,960	\$ 69,172
Net earnings attributable to non-controlling interest	\$ 932	\$ 202	\$ 565
Net earnings attributable to shareholders	71,745	41,758	68,607
Net earnings for the year	\$ 72,677	\$ 41,960	\$ 69,172
Earnings per share			
Basic	\$ 0.94	\$ 0.55	\$ 0.90
Diluted	\$ 0.94	\$ 0.55	\$ 0.90

	As at		
	April 30,		
	2022	2021	2020
Cash and cash equivalents	\$ 33,902	\$ 108,771	\$ 75,025
Inventory	\$ 177,268	\$ 152,669	\$ 161,985
Working capital	\$ 158,947	\$ 214,515	\$ 223,720
Total assets	\$ 420,979	\$ 451,793	\$ 443,673
Shareholders' equity	\$ 230,938	\$ 292,734	\$ 295,012
Number of common shares outstanding:			
Basic	76,229,696	76,284,366	76,449,446
Fully-diluted	81,285,196	82,169,366	78,077,946
Weighted average number of shares outstanding:			
Basic	76,266,341	76,357,895	76,624,706
Fully-diluted	76,570,564	76,403,894	76,642,787

Consolidated Statement of Operations Data

	2022	2021	2020
Revenue	100.0%	100.0%	100.0%
Cost of goods sold	42.1%	41.8%	43.1%
Gross margin	57.9%	58.2%	56.9%
Expenses			
Selling and administrative	13.8%	14.4%	15.5%
General	1.0%	1.2%	0.8%
Research and development	23.2%	23.4%	20.8%
Investment tax credits	(2.8%)	(3.8%)	(1.7%)
Share based compensation	1.2%	1.8%	1.1%
Foreign exchange (gain) loss	(1.5%)	4.3%	(0.8%)
	34.9%	41.3%	35.7%
Earnings before undernoted	23.0%	16.9%	21.2%
Finance income	0.1%	0.2%	0.2%
Finance costs	(0.6%)	(0.5%)	(0.4%)
Share of net loss from Investment in Associate	(0.4%)	(0.1%)	0.0%
Other income and expenses	0.1%	(0.2%)	0.0%
Earnings before income taxes	22.2%	16.3%	21.0%
Provision for (recovery of) income taxes			
Current	6.1%	5.1%	5.1%
Deferred	(0.4%)	(1.0%)	0.1%
	5.7%	4.1%	5.2%
Net earnings for the year	16.5%	12.2%	15.8%
Net earnings attributable to non-controlling interest	0.2%	0.1%	0.1%
Net earnings attributable to shareholders	16.3%	12.1%	15.7%
Net earnings for the year	16.5%	12.2%	15.8%
Earnings per share:			
Basic	\$ 0.94	\$ 0.55	\$ 0.90
Diluted	\$ 0.94	\$ 0.55	\$ 0.90

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 60% to 70% 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 a significant amount 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 75% to 80% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars)		Year Ended April 30,		
		2022	2021	2020
United States/Canada	\$	299,359	\$ 222,680	\$ 289,003
International		141,657	120,208	147,589
	\$	441,016	\$ 342,888	\$ 436,592

Total revenue for the year ended April 30, 2022 was \$441.0 million, an increase of \$98.1 million as compared to revenue of \$342.9 million for the year ended April 30, 2021. The increase in revenue is due to projects coming online and general increase in activity compared to the prior year.

Revenue in the United States/Canada region was \$299.4 million for the year ended April 30, 2022, an increase of \$76.7 million or 34% when compared to revenue of \$222.7 million for the year ended April 30, 2021.

Revenue in the International region was \$141.7 million for the year ended April 30, 2022, an increase of \$21.5 million or 18% as compared to revenue of \$120.2 million for the year ended April 30, 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)		Year Ended April 30,		
		2022	2021	2020
Gross margin	\$	255,315	\$ 199,424	\$ 248,376
Gross margin % of sales		57.9%	58.2%	56.9%

Gross margin for the year ended April 30, 2022 was \$255.3 million, compared to \$199.4 million for the year ended April 30, 2021. As a percentage of revenue, the gross margin was 57.9% for the year ended April 30, 2022 compared to 58.2% for the year ended April 30, 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 \$22.9 million increase in raw materials since April 30, 2021. 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)	Year Ended April 30,		
	2022	2021	2020
Selling and administrative	\$ 60,884	\$ 49,413	\$ 67,597
Selling and administrative % of sales	13.8%	14.4%	15.5%

Selling and administrative expenses excludes stock based compensation, depreciation and amortization of intangibles. Selling and administrative expenses for the year ended April 30, 2022 were \$60.9 million or 13.8% of revenue, as compared to selling and administrative expenses of \$49.4 million or 14.4% of revenue for the year ended April 30, 2021. The increase of \$11.5 million includes increases of \$4.9 million in both travel and promotion costs associated with increased selling activities and in net salary. Selling and administrative expenses decreased \$6.7 million when compared to \$67.6 million in year ended April 30, 2020. The decrease of \$6.7 million includes a \$3.1 million decrease in travel and promotion costs and a \$2.4 million decrease in net salary costs compared to the year ended April 30, 2020.

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 year ended April 30, 2022, share based compensation expense associated with the plan was \$3.7 million, as compared to \$4.9 million for the year ended April 30, 2021.

Research and Development (R&D)

(In thousands of Canadian dollars, except for percentages)	Year Ended		
	April 30,		
	2022	2021	2020
Research and development expenses	\$ 102,438	\$ 80,187	\$ 90,827
Research and development % of sales	23.2%	23.4%	20.8%

Research and development expenses excluded stock based compensation but includes depreciation. For the year ended April 30, 2022, gross R&D expenses were \$102.4 million, an increase of \$22.2 million as compared to an expense of \$80.2 million for the year ended April 30, 2021. The increase of \$22.2 million includes a \$19.9 million increase in net salary costs. R&D expenses increased \$11.6 million when compared to the \$90.8 million in year ended April 30, 2020. The increase of \$11.6 million includes a \$9.1 million increase in net salary costs compared to the year ended April 30, 2020.

Investment Tax Credits

For the year ended April 30, 2022, investment tax credits were \$12.3 million compared to \$13.0 million for the year ended April 30, 2021. The decrease in investment tax credits is predominantly a result of a successful appeal in the prior year.

Foreign Exchange

For the year ended April 30, 2022, the foreign exchange gain was \$6.5 million, as compared to a foreign exchange loss for the year ended April 30, 2021 of \$14.9 million. The loss was predominantly driven by the increase in value of the US dollar against the Canadian dollar since April 30, 2021.

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

For the year ended April 30, 2022, a loss of \$1.5 million was incurred in relation to the Company's share of losses in DDSports, Inc. an investment in an associate. For the year ended April 30, 2022, finance income, finance costs, other income and expenses netted to a loss of \$1.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources	Year Ended	
	April 30,	
(in thousands of dollars except ratios)	2022	2021
Key Balance Sheet Amounts and Ratios:		
Cash and cash equivalents	\$ 33,902	\$ 108,771
Working capital	\$ 158,947	\$ 214,515
Long-term assets	\$ 92,338	\$ 100,854
Days sales outstanding in accounts receivable	83	82

Statement of Cash Flow Summary	Year Ended	
	April 30,	
	2022	2021
Operating activities	\$ 68,673	\$ 100,996
Investing activities	\$ (4,963)	\$ (18,638)
Financing activities	\$ (137,516)	\$ (49,381)
Net (decrease) increase in cash	\$ (74,869)	\$ 33,746

Operating Activities

For the year ended April 30, 2022, the Company generated cash from operations of \$68.7 million, compared to \$101.0 million for the year ended April 30, 2021. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$93.0 million for the year ended April 30, 2022 compared to \$59.0 million for the year ended April 30, 2021.

Investing Activities

The Company used cash for investing activities of \$5.0 million for the year ended April 30, 2022 which was principally driven by the acquisition of capital assets of \$5.5 million.

Financing Activities

For the year ended April 30, 2022, the Company used cash from financing activities of \$137.5 million, which was principally driven by dividends paid of \$131.4 million including a special dividend of \$76.3 million and capital stock repurchased for \$0.7 million.

WORKING CAPITAL

As at April 30, 2022, the Company had cash and cash equivalents of \$33.9 million, compared to \$108.8 million at April 30, 2021.

The Company had working capital of \$158.9 million as at April 30, 2022 compared to \$214.5 million as at April 30, 2021.

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 83 days at April 30, 2022 as compared to 82 for April 30, 2021.

SHARE CAPITAL STRUCTURE

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

	Year Ended	
	April 30,	
	2022	2021
Common shares	76,229,696	76,284,366
Stock options granted and outstanding	5,055,500	5,885,000

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 April 30, 2022:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Lease commitments	\$ 34,530	\$ 5,436	\$ 9,620	\$ 8,476	\$ 7,575
Redemption liabilities	3,423	3,423	-	-	-
	\$ 37,953	\$ 8,859	\$ 9,620	\$ 8,476	\$ 7,575

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 April 30, 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)	Quarter Ending							
	2022		2021				2020	
	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31
Revenue	\$ 116,089	\$ 120,563	\$ 107,199	\$ 97,165	\$ 93,293	\$ 92,776	\$ 100,482	\$ 56,337
Cost of goods sold	47,749	51,351	46,122	40,479	37,735	40,793	40,823	24,113
Gross margin	\$ 68,340	\$ 69,212	\$ 61,077	\$ 56,686	\$ 55,558	\$ 51,983	\$ 59,659	\$ 32,224
Operating expenses	41,477	38,885	37,377	36,373	41,503	37,659	30,986	31,289
Earnings from operations	\$ 26,863	\$ 30,327	\$ 23,700	\$ 20,313	\$ 14,055	\$ 14,324	\$ 28,673	\$ 935
Other income and expenses	(1,030)	(1,429)	(279)	(553)	1,138	(298)	(555)	(150)
Earnings before taxes	\$ 25,833	\$ 28,898	\$ 23,421	\$ 19,760	\$ 12,917	\$ 14,026	\$ 28,118	\$ 785
Net earnings	18,957	21,250	\$ 16,991	\$ 14,547	\$ 9,954	\$ 10,272	\$ 21,048	\$ 485
Net earnings per share:								
Basic	\$ 0.25	\$ 0.28	\$ 0.22	\$ 0.19	\$ 0.13	\$ 0.13	\$ 0.28	\$ 0.01
Diluted	\$ 0.25	\$ 0.28	\$ 0.22	\$ 0.19	\$ 0.13	\$ 0.13	\$ 0.28	\$ 0.01
Dividends per share:	\$ 0.18	\$ 0.18	\$ 1.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.09	\$ 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 April 30, 2022.

Management has concluded that, as of April 30, 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 April 30, 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 April 30, 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 believes the pandemic to be temporary, and the Company has shown improvement since the first quarter of fiscal 2022, 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 may have an adverse effect on the Company's revenues and future financial results. 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.