



SECOND QUARTER RESULTS

Management's Discussion and Analysis and

VECIMA NETWORKS INC.

For the three and six months ended December 31, 2022 and 2021

(unaudited)

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
February 7, 2022

This Management's Discussion and Analysis ("MD&A") provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three months and six months ended December 31, 2022.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and six months ended December 31, 2022 and 2021. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three and six months ended December 31, 2022 and 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to, our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, our expectations related to customer demand and the impacts of the novel coronavirus pandemic ("COVID-19"). For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information - Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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1. Company Overview

Vecima Networks Inc. ("TSX: VCM") is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Victoria, Burnaby, Duluth, Raleigh, San Jose, Qingdao, Shanghai, Tokyo, Amsterdam, and manufacturing and research and development ("R&D") facilities in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia. Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions ("VBS")** includes platforms that process data from the cable network and deliver high-speed internet connectivity to homes over cable and fiber as well as adapt video services to formats suitable to be consumed on televisions in commercial properties.

a. Our next-generation Entra™ family of products and platforms addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Architecture platform is Vecima's realization of the next generation of hybrid fiber coaxial ("HFC") and fiber to the home ("FTTH") nodes as optical transport moves away from analog distribution to fully digital distribution. Our goal is to provide the market's most flexible and complete portfolio of broadband access infrastructure products driving the future of ultra-high speed networks to multi-gigabit per second symmetrical access.

The Entra Distributed Access Architecture ("DAA") family of products is divided into five core categories:

- EntraPHY - Multiple variants of the Entra Access Node that can operate as Remote PHY, providing a modular highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable;
- EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC-PHY, providing the full next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable;
- EntraOptical - Consists of both chassis and node based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
- EntraControl – a virtual cloud-based platform with centralized orchestration and control across all Entra products:
 - The Entra Remote PHY Monitor ("RPM"), which offers unified control software for management, service assurance and monitoring of access nodes;
 - The Entra Video QAM Manager ("VQM"), which allows for the integration of video in a DAA environment, leveraging existing video generation infrastructure by providing a direct pathway for video through to the Entra node; and
 - The Entra Access Controller ("EAC") virtualizes all of the control components allowing for the distribution of the data processing to the edge and into the Entra MAC and Entra Optical nodes; and
- EntraVideo – a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures:
 - The Entra Legacy QAM Adapter ("LQA") and DV-12, which provide a simple solution to adapt existing video QAM infrastructure for distributed access; and
 - The Entra Interactive Video Controller ("IVC"), which supports essential two-way network connectivity for legacy set-top boxes that are heavily deployed and in service today.

b. Our Commercial Video portfolio, which includes the Terrace and TerraceQAM product families, meet the unique needs of the business services vertical, including MDU ("multi-dwelling units") and hospitality (including hotels, motels and resorts) by adapting video services to the individual business requirements and leveraging existing televisions in rooms.

- 2) **Content Delivery and Storage** (“CDS”) includes solutions and software, under the MediaScale brand, for service providers and content owners that focus on ingesting, producing, storing, delivering and streaming video for live linear, Video on Demand (“VOD”), network Digital Video Recorder (“nDVR”) and time-shifted services over the internet.

MediaScale

- **Transcode:** transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
 - **Origin:** packages and secures video for streaming over-the-top (“OTT”) or through a service provider managed network, regardless of network technology;
 - **Storage:** captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause; and
 - **Cache:** highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience.
- 3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands. Vecima’s Telematics solutions allow fleets and high value assets to be tracked, managed, reported on and optimized over a subscription-based cloud portal serving commercial and municipal government customers.

2. Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards DAA under the latest data over cable system interface specification (“DOCSIS”) standards. Multiple top-tier and mid-tier players have initiated a roll-out of this new platform with further large-scale deployments anticipated over the next several years. DAA is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (“Gbps”) for download speed and 3 Gbps for upload speed today and growing to 6 Gbps upload in the future. The speed provided by DAA using coaxial cable is comparable to that of fiber optic connections, thereby allowing cable operators to leverage their systems without the significant added infrastructure costs of building fiber to the home. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DAA technology also enables significant cost-per-bit reductions relative to legacy DOCSIS network solutions.

Starting in calendar 2020, the cable market began a broad shift towards DAA, as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impacts of the COVID-19 pandemic have further increased demands on network bandwidth, accelerating the push towards distributed access solutions.

In 2020, Cable Television Laboratories or CableLabs, a not-for-profit innovation and research and development lab that works in cooperation with cable companies and cable equipment manufacturers, released the DOCSIS 4.0 specifications which includes full duplex DOCSIS (“FDX”) and extended spectrum DOCSIS (“ESD”), allowing multi-system operators (“MSO”) to significantly increase their total capacity while leveraging their past coaxial infrastructure investment.

Increasingly, service providers are strategically extending their networks with an all-fiber architecture using cable specific fiber to the home (“10G EPON”) technology. Further, government funding is being made available to subsidize widescale fiber network buildouts with an emphasis on rural areas that are currently underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial and fiber access networks over a common cloud management platform.

Content Delivery and Storage

Global demand for Internet Protocol (“IP”) video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services, and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud-based models.

According to the latest industry analysis in the Cisco Visual Networking Index™, consumer Video on Demand traffic is expected to double by the end of 2022 with IP video comprising 82% of all IP traffic. Content owners and broadcasters are also leveraging IPTV technologies to deliver services directly to subscribers using OTT business models. Open cache technology, such as that being standardized by the streaming video alliance is aimed at consolidating IPTV traffic utilizing strategically placed cache capacity that reduces cost and network latency.

Telematics

Traditional vehicle telematics is widely available for commercial fleets, but operations managers increasingly demand additional value to improve productivity of personnel and investment in the entire asset base. This has created additional opportunities to leverage asset tracking technology used in the Internet of Things to cost-effectively monitor mobile or fixed assets in the field, particularly in service-based industries where asset utilization can drive a stronger profit margin. Managers in these asset-intensive industries can use key information and analytics to optimally manage their mobile and fixed assets using subscription-based cloud portals.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the MediaScale brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

3. Second Quarter Fiscal 2023 Highlights

Financial and Corporate Highlights

- Achieved a new quarterly revenue record with second quarter sales climbing 75% to \$76.2 million, from \$43.6 million in Q2 fiscal 2022
- Gross profit climbed 65% to a record \$36.0 million, up from \$21.8 million last year
- EPS and Adjusted EPS increased six times to \$0.35 per share, from \$0.06 per share in Q2 fiscal 2022
- Adjusted EBITDA grew 113% to \$15.8 million, from \$7.4 million in the prior-year period
- In December, successfully completed two common share offerings, raising gross proceeds of approximately \$17.0 million with net proceeds of \$15.9 million. Proceeds of the offering were used to support working capital requirements as Vecima responds to high demand for our next-generation solutions
- Ended the second quarter in strong financial position with working capital of \$89.1 million at December 31, 2022, compared to \$58.6 million at June 30, 2022

Video and Broadband Solutions (VBS)

- The VBS segment delivered record performance of \$62.3 million, up 129% year-over-year and 2% higher than the exceptionally strong performance achieved in Q1 fiscal 2023.

DAA (Entra Family)

- Deployments of next-generation Entra DAA products rose to a record \$55.7 million, up 202% year-over-year and 5% quarter-over-quarter as customers continued to increase rollout of next-generation distributed access architecture
- Key DAA achievements in Q2 fiscal 2023 included:
 - An increase in total customer engagements to 101 MSOs worldwide, from 80 a year earlier. Fifty of these customers are ordering Entra products, with order sizes increasing as broader DAA deployment continues
 - Customers engaged for cable access now number 57
 - Customers engaged for fiber access or both access technologies now number 44
 - Achieved an exceptional quarter for Vecima’s fiber-access DAA solutions, leveraging supply chain strengths to support scale rollouts of EntraOptical Fiber Access solutions, particularly for broadly-funded rural broadband expansions
 - Reached a major fiber milestone with a Tier 1 operator in the US, deploying more than 20,000 10G PON (Passive Optical Network) ports of Vecima’s Entra Fiber Access portfolio

- VBS services revenues increased 62% YoY and 6% quarter-over-quarter

Commercial Video (Terrace Family)

- Generated Commercial Video sales of \$6.5 million, as compared to \$8.7 million in Q2 fiscal 2022 and \$7.3 million in Q1 fiscal 2023, as customers prepare to transition to next-generation platforms
- Reached the 25,000-property milestone for Terrace family of products, which services hotels, enterprises and commercial sites throughout the Americas

Content Delivery and Storage (CDS)

- Achieved Q2 CDS sales of \$12.4 million, a decrease of 17% from \$15.0 million in Q2 fiscal 2022 and an increase of 13% from \$11.0 million generated in Q1 fiscal 2023
- Undertook major IPTV expansions with existing customers:
 - Grew IPTV deployment with a Tier 2 cable operator in the Midwestern U.S., broadening the network's footprint to give a larger subscriber base access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric, while further migrating from legacy QAM-based video services
 - Expanded capacity of IPTV services with a fiber service provider in the Southeastern U.S. where Vecima's full MediaScale portfolio is used as the operator's flagship video offering to households and multiple dwelling units
 - Undertook major network capacity expansion at a leading fiber service provider that covers several markets across the United States with a full suite of IPTV services in multi-tenant and multi-dwelling communities
- Initiated digital ad insertion (DAI) sales with multiple customers, paving the way for operators to improve monetization of IP Linear Services
- Supported the record traffic experienced by operators during the FIFA World Cup Qatar 2022™
 - A major Tier 1 service provider in Latin America achieved record video streaming viewership and performance during the World Cup using Vecima's MediaScale unified streaming video solution
 - Introduced a new proactive monitoring system and associated service, which successfully achieved 100% uptime for all participating operators during the World Cup
- In collaboration with the Streaming Video Technology Alliance (SVTA) and the Open Caching Testbed Initiative, completed the world's first successful multi-tenant test of an SVTA Open Caching standards-compliant system using our MediaScale Open CDN system

Telematics

- Awarded new municipal contract with a British Columbia-based municipality, resulting in an award of approximately 100 vehicle subscriptions, including winter operations vehicles
- Achieved best quarter to date for additions of new moveable asset customers, including adding 12 customers for the NERO asset tracking platform, over 200 additional subscriptions booked, and asset tracking-related telematics subscriptions now representing approximately 7.5% of total subscriptions
- Significantly increased the number of moveable assets being monitored to over 35,000 units, an over 200% increase in the last seven quarters
- Achieved gross margin percentage of 67.6%

4. Outlook

Around the globe, high levels of utilization across our customers' cable, fiber, and IPTV networks, and increasing competition and investment amongst all broadband service providers, is requiring MSOs to expand capacity and increase speeds across their networks. Vecima is responding to this intensification of demand with an industry-leading portfolio of DAA, commercial video and IPTV solutions that enable our customers to expand their capacity and network offerings.

In our Video and Broadband Solutions segment, heavy demand for our next-generation DAA cable and fiber access products continues to escalate. With the industry's strongest and most relevant portfolio of DAA Remote PHY, Remote MACPHY, access controller and 10G-EPON FTTH solutions; expanding relationships with a large number of cable operators worldwide, and a growing backlog of customer purchase orders and binding forecasts providing excellent demand visibility, we anticipate continued acceleration in Entra family product sales through the balance of fiscal 2023 and beyond. We emphasize that we are still in the early stages of broad industry DAA adoption. We see an extraordinary and lengthy growth runway for Entra and are focused on leveraging our industry-leading product portfolio, strong customer relationships, and growing global reach to continue capturing market share in this large and rapidly growing market.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to be moderately lower year-over-year as customers transition to next-generation solutions and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales.

In our Content Delivery and Storage segment, demand for our IPTV and open caching solutions continues to increase as IPTV customers initiate network expansions. We anticipate moderate sales growth for this segment in fiscal 2023. Over the medium-to-longer term, we see significantly higher growth potential as IPTV gains momentum and our newer open caching solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2023, along with continued gradual growth in demand for our asset tracking services.

We note that global supply chain challenges persist and have the potential to constrain or impact our revenue growth and put pressure on gross margins. We have significantly increased our inventories of finished goods and raw materials and boosted our investments in expediting working capital to help us respond to our growing order backlog, leveraging our strong financial position and excellent supplier relationships as we address the fast-growing demand for our next-generation solutions. As a preeminent builder of the broadband and IPTV networks of tomorrow, Vecima is fueling the needs of customers today, investments that we expect to pay dividends for years to come.

5. COVID-19 Business Update

Despite lessening severity of the COVID-19 pandemic, supply chain recovery and stability continues to evolve and it remains difficult to predict what economic, supply chain, network development or other impacts it may have on our business going forward. We remain focused on protecting the health of our employees, partners and customers, while maintaining the continuity of our business operations. We continue to operate remotely across much of our business operations, with more than 80% of our employees able to perform their job function outside of a Vecima facility. We will continue to closely monitor the effects of the pandemic on our business in all regions that we serve and make adjustments to our business as necessary.

Supply Chain Challenges: Among the challenges arising from the pandemic is ongoing global supply chain tightness from key component suppliers. While we have responded to these challenges effectively as described in our "Outlook" above, we caution that supply chain tightness has the potential to constrain our ability to fully deliver and meet demand for our products, while also negatively impacting our gross margins.

Please see "Risks and Uncertainties and COVID-19" and "Forward Looking Information" for more information on COVID-19 as it pertains to our business.

6. Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income Data	Three months ended December 31,				Six months ended December 31,			
	2022		2021		2022		2021	
Sales	\$ 76,212	100 %	\$ 43,587	100 %	\$ 149,659	100 %	\$ 75,982	100 %
Cost of sales	40,167	53 %	21,767	50 %	79,873	53 %	38,460	51 %
Gross profit	36,045	47 %	21,820	50 %	69,786	47 %	37,522	49 %
Operating expenses								
Research and development ⁽¹⁾	10,341	13 %	8,352	19 %	21,046	14 %	16,360	22 %
Sales and marketing	6,619	9 %	4,554	10 %	12,923	9 %	8,655	11 %
General and administrative	7,522	10 %	5,498	13 %	13,116	9 %	10,184	13 %
Share-based compensation	815	1 %	65	- %	913	1 %	753	1 %
Other expense	22	- %	13	- %	43	- %	19	- %
	25,319	33 %	18,482	42 %	48,041	33 %	35,971	47 %
Operating income	10,726	14 %	3,338	8 %	21,745	14 %	1,551	2 %
Finance expense	(554)	(1) %	(46)	- %	(755)	- %	(88)	- %
Foreign exchange (loss) gain	(138)	- %	(111)	- %	1,164	1 %	996	2 %
Income before taxes	10,034	13 %	3,181	7 %	22,154	15 %	2,459	4 %
Income tax expense	1,895	2 %	1,708	4 %	4,503	3 %	244	1 %
Net income	8,139	11 %	1,473	3 %	17,651	12 %	2,215	3 %
Other comprehensive (loss) income	(482)	(1) %	(110)	- %	1,887	1 %	807	1 %
Comprehensive income	\$ 7,657	10 %	\$ 1,363	3 %	\$ 19,538	13 %	\$ 3,022	4 %
Net income per share⁽²⁾								
Basic – total	\$ 0.35		\$ 0.06		\$ 0.76		\$ 0.10	
Diluted – total	\$ 0.35		\$ 0.06		\$ 0.76		\$ 0.10	
Other Data								
Total research and development expenditures ⁽³⁾	\$ 13,199		\$ 9,690		\$ 26,706		\$ 19,280	
Adjusted EBITDA ⁽⁴⁾	\$ 15,840		\$ 7,447		\$ 33,029		\$ 11,786	
Adjusted earnings per share ⁽⁵⁾	\$ 0.35		\$ 0.06		\$ 0.76		\$ 0.10	
Number of employees ⁽⁶⁾	627		497		627		497	

⁽¹⁾ Net of investment tax credits and capitalized development costs.

⁽²⁾ Based on weighted average number of common shares outstanding.

⁽³⁾ Amounts are from continuing operations. See "Total Research and Development Expenditures".

⁽⁴⁾ Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".

⁽⁵⁾ Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".

⁽⁶⁾ The number of employees is determined as of the end of the period.

Consolidated Statements of Financial Position (in thousands of dollars except common share data)	December 31, 2022		June 30, 2022
Cash and cash equivalents ⁽¹⁾	\$	(8,124)	\$ 12,902
Working capital	\$	89,132	\$ 58,571
Total assets	\$	318,850	\$ 262,608
Long-term debt ⁽²⁾	\$	14,670	\$ 15,115
Shareholders' equity	\$	212,162	\$ 179,732
Number of common shares outstanding ⁽³⁾		23,237,020	23,079,181

⁽¹⁾ Cash and cash equivalents is net of the revolving line of credit balance reflected in the Company's Consolidated Statements of Financial Position.

⁽²⁾ Since fiscal 2020 long-term debt now includes lease liabilities per IFRS 16.

⁽³⁾ Based on the weighted average number of common shares outstanding during the first six months of fiscal 2023.

Adjusted Net Income and Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for sale, impairments of intangible assets, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted net income and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share (unaudited – in thousands of dollars except per share amounts)	Three months ended December 31, 2022		Six months ended December 31, 2022	
		2021		2021
Net income	\$ 8,139	\$ 1,473	\$ 17,651	\$ 2,215
Loss on sale of non-core PP&E, net of tax	12	-	21	-
Adjusted net income	\$ 8,151	\$ 1,473	\$ 17,672	\$ 2,215
Net income per share	\$ 0.35	\$ 0.06	\$ 0.76	\$ 0.10
Adjusted earnings per share⁽¹⁾⁽²⁾	\$ 0.35	\$ 0.06	\$ 0.76	\$ 0.10

⁽¹⁾ Adjusted earnings per share includes non-cash share-based compensation of \$0.8 million or \$0.03 per share for the three months ended December 31, 2022, and \$0.1 million or \$nil per share for the three months ended December 31, 2021. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.

⁽²⁾ Adjusted earnings per share includes foreign exchange loss of \$(0.01) million or \$nil per share for the three months ended December 31, 2022 and \$(0.1) million or \$nil per share for the three months ended December 31, 2021.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term “EBITDA” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term “Adjusted EBITDA” refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA (in \$ thousands of dollars)	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Net income	\$ 8,139	\$ 1,473	\$ 17,651	\$ 2,215
Income tax expense	1,895	1,708	4,503	244
Interest expense	557	46	769	96
Depreciation of property, plant and equipment	864	669	1,658	1,281
Depreciation of right-of-use assets	327	327	660	739
Amortization of deferred development costs	2,401	2,373	5,220	4,890
Amortization of intangible assets	824	773	1,628	1,550
EBITDA	15,007	7,369	32,089	11,015
Loss on sale of property, plant and equipment	18	13	27	18
Share-based compensation	815	65	913	753
Adjusted EBITDA	\$ 15,840	\$ 7,447	\$ 33,029	\$ 11,786
Percentage of sales	21%	17%	22%	16%

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development) to our actual cash research and development expenditures (total research and development expenditures) below:

Calculation of Research and Development Expenditures (in \$ thousands of dollars, unless otherwise stated)	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
R&D expense per statement of comprehensive income	\$ 10,341	\$ 8,352	\$ 21,046	\$ 16,360
Deferred development costs	5,226	3,692	10,807	7,765
Investment tax credits	33	34	73	60
Amortization of deferred development costs	(2,401)	(2,373)	(5,220)	(4,890)
Government grants	-	(15)	-	(15)
Total research and development expenditures	\$ 13,199	\$ 9,690	\$ 26,706	\$ 19,280
Percentage of sales	17%	22%	18%	25%

7. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three and six months ended December 31, 2022 and 2021 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

(in thousands of dollars except per share amounts)	Fiscal 2023			Fiscal 2022			Fiscal 2021		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Sales	\$ 76,212	\$ 73,447	\$ 59,960	\$ 50,872	\$ 43,587	\$ 32,395	\$ 35,320	\$ 31,861	
Cost of Sales	40,167	39,706	31,478	26,914	21,767	16,693	20,348	17,535	
Gross profit	36,045	33,741	28,482	23,958	21,820	15,702	14,972	14,326	
Operating expenses									
Research and development	10,341	10,705	11,396	8,796	8,352	8,008	5,418	7,520	
Sales and marketing	6,619	6,304	5,993	4,682	4,554	4,101	3,625	3,644	
General and administrative	7,522	5,594	6,494	6,083	5,498	4,686	4,327	4,357	
Share-based compensation	815	98	64	64	65	688	(296)	267	
Other expense (income)	22	21	767	215	13	6	(1,462)	(50)	
	25,319	22,722	24,714	19,840	18,482	17,489	11,612	15,738	
Operating income (loss)	10,726	11,019	3,768	4,118	3,338	(1,787)	3,360	(1,412)	
Finance expense	(554)	(201)	(102)	(82)	(46)	(42)	(51)	(45)	
Foreign exchange gain (loss)	(138)	1,302	1,427	(541)	(111)	1,107	(704)	(830)	
Income (loss) before income taxes	10,034	12,120	5,093	3,495	3,181	(722)	2,605	(2,287)	
Income tax expense (recovery)	1,895	2,608	1,609	505	1,708	(1,464)	1,170	(2,692)	
Net income from:									
Continuing operations	8,139	9,512	3,484	2,990	1,473	742	1,435	405	
Discontinued operations	-	-	-	-	-	-	-	1,784	
Net income	8,139	9,512	3,484	2,990	1,473	742	1,435	2,189	
Other comprehensive income (loss)	(482)	2,369	775	(750)	(110)	916	(396)	(650)	
Comprehensive income	\$ 7,657	\$ 11,881	\$ 4,259	\$ 2,240	\$ 1,363	\$ 1,658	\$ 1,039	\$ 1,539	
Net income per share									
Basic – continuing operations	\$ 0.35	\$ 0.41	\$ 0.16	\$ 0.13	\$ 0.06	\$ 0.03	\$ 0.06	\$ 0.02	
Basic – total	0.35	0.41	0.16	0.13	0.06	0.03	0.06	0.10	
Diluted – continuing operations	0.35	0.41	0.16	0.13	0.06	0.03	0.06	0.02	
Diluted – total	0.35	0.41	0.16	0.13	0.06	0.03	0.06	0.10	
Adjusted EBITDA as reported	\$ 15,840	\$ 17,189	\$ 11,121	\$ 8,125	\$ 7,447	\$ 4,339	\$ 5,677	\$ 1,963	

Quarter-to-Quarter Sales Variances

There are many factors that may contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by major new technology adoption such as the industry-wide migration to distributed access architecture. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules and any adjustments thereof. We are currently experiencing a transition in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate their focus to distributed access architecture and next-generation commercial video platforms.

Our Content Delivery and Storage segment also influences potential variations of our quarterly sales. Pronounced quarterly sales fluctuations are typical of this business due to the typically large size of customer orders and associated IPTV projects that are subject to customer timing adjustments. Demand for CDS solutions is also prone to seasonal demand fluctuations with the first and third quarters typically carrying slower customer activity.

8. Segmented Information

Sales

Segment	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Video and Broadband Solutions	\$ 62,263	\$ 27,215	\$ 123,268	\$ 51,509
Content Delivery and Storage	12,419	14,964	23,416	21,731
Telematics	1,530	1,408	2,975	2,742
Total sales	\$ 76,212	\$ 43,587	\$ 149,659	\$ 75,982

Three-Month Results

Total sales grew to a record \$76.2 million in the second quarter of fiscal 2023, up 75% from \$43.6 million in Q2 fiscal 2022 and 4% higher than the \$73.4 million generated in Q1 fiscal 2023. The significant year-over-year sales growth reflects a sharp increase in Video and Broadband product sales, together with the positive foreign exchange impact of a weaker Canadian dollar, partially offset by lower Content Delivery and Storage sales year-over-year.

The Video and Broadband Solutions segment delivered significant revenue growth in the second quarter, with sales climbing to \$62.3 million, an increase of 129% from \$27.2 million in Q2 fiscal 2022 and 2% higher than the record \$61.0 million generated in Q1 fiscal 2023. These increases reflect customers continuing their transition to next-generation networks using Vecima's solutions and our success in supporting our customers' larger-scale DAA fiber access deployments during the quarter.

- Next-generation Entra products led the VBS segment growth with sales climbing 202% year-over-year to \$55.7 million, from \$18.5 million in Q2 fiscal 2022. As compared to Q1 fiscal 2023, Entra sales were up 5% from \$53.0 million.
- Commercial Video products sales, which include TerraceQAM and Terrace Family products, were \$6.5 million in Q2 fiscal 2023, a decrease of 25% from \$8.7 million in Q2 fiscal 2022 and 10% from \$7.3 million in Q1 fiscal 2023. These changes reflect the anticipated transition to next-generation platforms in addition to a portion of Commercial Video solutions which are DAA-driven and accounted for as part of Entra family sales. The timing of sales as compared to Q2 fiscal 2022 was also a contributing factor.

In the Content Delivery and Storage segment, second quarter sales of \$12.4 million compared to \$15.0 million in Q2 fiscal 2022 and \$11.0 million in Q1 fiscal 2023. The 17% decrease in year-over-year CDS sales primarily reflects an exceptionally strong quarter for CDS sales in the prior-year period, when customers moved forward on a number of projects following Covid-related delays. The 13% increase in quarter-over-quarter CDS sales reflects IPTV expansions with three existing customers during the period. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q2 fiscal 2023 period included \$7.3 million of product sales (Q2 fiscal 2022 - \$11.3 million) and \$5.1 million of services revenue (Q2 fiscal 2022 - \$3.7 million).

Second quarter Telematics sales of \$1.5 million were slightly higher than the \$1.4 million achieved in both Q2 fiscal 2022 and Q1 fiscal 2023. Results for the quarter were consistent with our expectations.

Six-Month Results

For the six months ended December 31, 2022 total sales increased 97% to \$149.7 million, from \$76.0 million in the same period of fiscal 2022. The significant year-over-year growth reflects a sharp increase in Video and Broadband product sales, combined with stronger year-to-date Content Delivery and Storage sales and the positive foreign exchange impact of a weaker Canadian dollar.

Six-month Video and Broadband Solutions sales increased to \$123.3 million, up 139% from \$51.5 million in the same period in fiscal 2022.

- Next-generation Entra products led the VBS segment growth with sales climbing 197% year-over-year to \$108.7 million, from \$36.6 million in the first half of fiscal 2022.

- Commercial Video sales, which include TerraceQAM and Terrace Family products, were \$13.8 million in the first six months of fiscal 2023, a decrease of 7% from \$14.8 million in the same period in fiscal 2022. These changes reflect the anticipated transition to next-generation platforms in addition to a portion of Commercial Video solutions which are DAA-driven and accounted for as part of Entra family sales. The timing of sales as compared to the first half of fiscal 2022 was also a contributing factor.

In the Content Delivery and Storage segment, six-month sales increased 8% to \$23.4 million, from \$21.7 million in Q2 fiscal 2022. This increase reflects the addition of a new Tier 1 customer during the first quarter and IPTV expansions with existing customers in both the first and second quarters. Segment sales for the first six months of fiscal 2023 included \$13.7 million of product sales (Fiscal 2022 - \$13.5 million) and \$9.7 million of services revenue (Fiscal 2022 - \$8.2 million).

First half Telematics sales of \$3.0 million were 8% higher than the \$2.7 million achieved in the same period of fiscal 2022. Results for the quarter were consistent with our expectations and reflect the increase in assets and tags monitored in our Telematics segment.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, inventory management costs, and sales commissions, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Segment	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Video and Broadband Solutions	\$ 33,527	\$ 14,468	\$ 67,741	\$ 27,306
Content Delivery and Storage	6,145	6,862	11,147	10,229
Telematics	495	437	985	925
Total cost of sales	\$ 40,167	\$ 21,767	\$ 79,873	\$ 38,460

Three-Month Results

For the three months ended December 31, 2022, total cost of sales increased 85% to \$40.2 million, from \$21.8 million in Q2 fiscal 2022 and 1% from \$39.7 million in Q1 fiscal 2023. The year-over-year increase primarily reflects the significant increase in sales. A different product mix and supply chain constraints resulting in increased expedite costs were also factors in the higher cost of sales.

Second quarter cost of sales in the Video and Broadband Solutions segment increased 132% to \$33.5 million, from \$14.5 million in Q2 fiscal 2022 and decreased 2% from \$34.2 million in Q1 fiscal 2023. The year-over-year increase reflects the significant increase in sales, a different product mix, and supply chain constraints which resulted in increased expedite costs.

In the Content Delivery and Storage segment, second quarter cost of sales decreased by 10% to \$6.1 million, from \$6.9 million in Q2 fiscal 2022 and increased 23% from \$5.0 million in Q1 fiscal 2023. Lower CDS sales and different product mix were the primary drivers of the year-over-year decrease in CDS cost of sales.

Second quarter cost of sales from the Telematics segment of \$0.5 million was slightly higher than the \$0.4 million in Q2 fiscal 2022 and consistent with the \$0.5 million in Q1 fiscal 2023. Higher telematics sales year-over-year was the primary driver for the increase.

Six-Month Results

For the six months ended December 31, 2022, total cost of sales increased 108% to \$79.9 million, from \$38.5 million in the same period in fiscal 2022. The year-over-year increase primarily reflects the significant increase in sales. Supply chain constraints and associated expedite costs were also factors in the higher cost of sales.

Cost of sales in the Video and Broadband Solutions segment increased 148% to \$67.7 million in the first six months of fiscal 2023, from \$27.3 million in same period in fiscal 2022. The year-over-year increase reflects the significant increase in sales, a different product mix, and supply chain constraints which resulted in increased expedite costs. One-time inventory allowances related to legacy product inventory in Q1 fiscal 2023 was also a factor in the higher cost of sales.

Cost of sales in the Content Delivery and Storage segment increased 9% to \$11.1 million in the first six months of fiscal 2023, from \$10.2 million in the same period in fiscal 2022. The increase in CDS sales was the primary driver of the period-over-period increase in CDS cost of sales.

Cost of sales in the Telematics segment was \$1.0 million in the first six months of fiscal 2023, slightly higher than the \$0.9 million in the first half of fiscal 2022. Higher telematics sales accounted for most of this increase.

Gross Profit and Gross Margin

Segment	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Video and Broadband Solutions	\$ 28,736	\$ 12,747	\$ 55,527	\$ 24,203
Content Delivery and Storage	6,274	8,102	12,269	11,502
Telematics	1,035	971	1,990	1,817
Total gross profit	\$ 36,045	\$ 21,820	\$ 69,786	\$ 37,522
Video and Broadband Solutions	46.2%	46.8%	45.0%	47.0%
Content Delivery and Storage	50.5%	54.1%	52.4%	52.9%
Telematics	67.6%	69.0%	66.9%	66.3%
Total gross margin	47.3%	50.1%	46.6%	49.4%

Three-Month Results

For the three months ended December 31, 2022, total gross profit grew to a record \$36.0 million, up 65% from \$21.8 million in Q2 fiscal 2022 and 7% above the \$33.7 million achieved in Q1 fiscal 2023. Our record gross profit result reflects significantly higher sales in the Video and Broadband Solutions segment and the positive foreign exchange impact of a weaker Canadian dollar, partially offset by a lower gross margin percentage. Gross margin for the second quarter was 47%, as compared to 50% in Q2 fiscal 2022 and 46% in Q1 fiscal 2023. The year-over-year decrease primarily reflects the impact of supply chain constraints and associated expedite costs. We target a gross margin percentage of 48% to 52%.

Second quarter gross profit from the Video and Broadband Solutions segment grew 125% to \$28.7 million (gross profit margin of 46%), from \$12.8 million (gross profit margin of 47%) in Q2 fiscal 2022. The year-over-year increase in gross profit reflects significantly stronger sales, partially offset by higher expedite costs. On a sequential quarterly basis, VBS gross profit was 7% higher than the \$26.8 million achieved in Q1 fiscal 2023 (gross profit margin of 44%).

In the Content Delivery and Storage segment, second quarter gross profit decreased by 23% to \$6.3 million (gross profit margin of 51%), from \$8.1 million (gross profit margin of 54%) in the same period last year. The year-over-year change in CDS gross profit reflects a return to more typical CDS sales in the current period, following exceptionally strong sales in Q2 fiscal 2022, and a different product mix. On a sequential quarterly basis, CDS gross profit was 5% higher than the \$6.0 million (gross profit margin of 55%) generated in Q1 fiscal 2023, reflecting higher sales.

Second quarter gross profit from the Telematics segment was \$1.0 million (gross profit margin of 68%), consistent with the \$1.0 million (gross margin of 69%) generated in Q2 fiscal 2022 and \$1.0 million (gross margin of 66%) in Q1 fiscal 2023.

Six-Month Results

For the six months ended December 31, 2022, total gross profit grew to a record \$69.7 million, up 86% from \$37.5 million in the same period of fiscal 2022. This improvement reflects significantly higher sales in the Video and Broadband Solutions segment and the positive foreign exchange impact of a weaker Canadian dollar, partially offset by a lower gross margin percentage. Gross margin in the first six months of fiscal 2023 was 47%, as compared to 49% in the same period of fiscal 2022. This primarily reflects supply chain constraints which resulted in higher expedite costs. We target a gross margin percentage of 48% to 52%.

Video and Broadband Solutions segment gross profit grew 129% to \$55.5 million (gross profit margin of 45%) in the first six months of fiscal 2023, from \$24.2 million (gross profit margin of 47%) in the same period of fiscal 2022. The year-over-year increase in gross profit reflects significantly stronger sales, partially offset by higher expedite costs and one-time inventory allowances related to legacy product inventory in Q1 fiscal 2023.

Content Delivery and Storage segment gross profit grew 7% to \$12.3 million (gross profit margin of 52%) in the first six months of fiscal 2023, from \$11.5 million (gross profit margin of 53%) in the same period of fiscal 2022. The year-over-year increase in CDS gross profit reflects higher sales.

Telematics segment gross profit was \$2.0 million (gross profit margin of 67%), slightly higher than the \$1.8 million (gross margin of 66%) generated in the same period of fiscal 2022. The year-over-year increase in gross margin is mainly the result of increased customer acquisitions and sales.

Operating Expenses

Segment	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Video and Broadband Solutions	\$ 17,067	\$ 11,287	\$ 32,383	\$ 22,013
Content Delivery and Storage	7,495	6,515	14,078	12,588
Telematics	757	680	1,580	1,370
Total operating expense	\$ 25,319	\$ 18,482	\$ 48,041	\$ 35,971

Three-Month Results

For the three months ended December 31, 2022, total operating expenses were higher at \$25.3 million, as compared to \$18.5 million in Q2 fiscal 2022 and \$22.7 million in Q1 fiscal 2023. The year-over-year increase primarily reflects additional operating expenses related to higher sales in the Video and Broadband Solutions segment combined with a \$0.7 million increase in stock based compensation and \$0.6 million in general and administrative one-time items. As a percentage of sales, Q2 operating expenses remained well controlled at 33% as compared to 42% in Q2 fiscal 2022.

Video and Broadband Solutions operating expenses increased to \$17.1 million, from \$11.3 million in Q2 fiscal 2022 and \$15.3 million in Q1 fiscal 2023. The \$5.8 million year-over-year increase primarily reflects additional expenses for research and development, sales and marketing, and general and administrative activities and staffing, all related to sales growth. The quarter-over-quarter increase in operating expenses primarily reflects higher software costs related to ERP implementation combined with increased stock-based compensation and wage increases in response to a high inflationary environment.

Content Delivery and Storage operating expenses were higher at \$7.5 million in Q2 fiscal 2023, as compared to \$6.5 million in Q2 fiscal 2022 and \$6.6 million recorded in Q1 fiscal 2023. The \$1.0 million increase year-over-year reflects the impact of a weaker Canadian dollar combined with higher expenditures on research and development, sales and marketing, stock-based compensation and general and administrative activities and staffing related to planned sales growth. The quarter-over-quarter increase in operating expenses primarily reflects the impact of a weaker Canadian dollar and higher stock-based compensation expense combined with wage increases in response to a high inflationary environment.

Telematics operating expenses were slightly higher at \$0.8 million in Q2 fiscal 2023, as compared to \$0.7 million in Q2 fiscal 2022 and \$0.8 million recorded in Q1 fiscal 2023. The year-over-year increase reflects higher research and development expense and general and administrative expense.

Research and development expenses for Q2 fiscal 2023 increased to \$10.3 million, or 13% of sales, from \$8.4 million, or 19% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees and higher licensing and prototyping costs, partially offset by an increase in capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q2 fiscal 2023 increased to \$13.2 million, or 17% of sales, from \$9.7 million, or 22% of sales in Q2 fiscal 2022. The increase reflects higher staffing costs, and increased costs for software licensing and prototyping in the current-year quarter as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were \$6.6 million, or 9% of sales in Q2 fiscal 2023, as compared to \$4.6 million, or 10% of sales in the same period last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel and entertainment expenses as COVID-19 travel restrictions have lifted.

General and administrative expenses increased to \$7.5 million, from \$5.5 million in Q2 fiscal 2022. The year-over-year increase reflects approximately \$0.6 million of one-time items not expected to reoccur and higher staff costs, ERP implementation and software licensing costs and professional fees.

Stock-based compensation expense was \$0.8 million in Q2 fiscal 2023, compared to \$0.1 million in Q2 fiscal 2022. The increase is a result of vesting of our performance share units in Q2 fiscal 2023.

Other expense was less than \$0.1 million in Q2 fiscal 2023 consistent with Q2 fiscal 2022.

Six-Month Results

For the six months ended December 31, 2022, total operating expenses were higher at \$48.0 million, as compared to \$36.0 million in the same period in fiscal 2022. The year-over-year increase primarily reflects additional operating expenses related to higher sales in both the Video and Broadband Solutions and Content Delivery and Storage segments. As a percentage of sales, first half operating expenses remained well controlled at 33% as compared to 47% in the same period in fiscal 2022.

Video and Broadband Solutions operating expenses increased to \$32.4 million in the first six months of 2023, compared to \$22.0 million in the same period of fiscal 2022. The \$10.5 million increase primarily reflects additional expenses in support of sales growth, including increased investment in research and development, sales and marketing, general and administrative and staffing.

Content Delivery and Storage operating expenses increased to \$14.1 million in the first six months of 2023, from \$12.6 million in the same period of 2022. The \$1.5 million increase reflects higher expenditures in support of planned sales growth, including increased investment in research and development, sales and marketing, general and administrative, and staffing.

Telematics operating expenses increased to \$1.6 million in the first six months of 2023, compared to \$1.4 million in the same period of 2022.

Research and development expenses for the first six months of 2022 increased to \$21.0 million, or 14% of sales, from \$16.4 million, or 22% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees and higher licensing and prototyping costs, partially offset by an increase in capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the first six months of fiscal 2023 increased to \$26.7 million, or 18% of sales, from \$19.3 million, or 25% of sales in the same period of fiscal 2022. The increase reflects higher staffing costs, and increased costs for software licensing and prototyping in the current year as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were \$12.9 million, or 9% of sales in the first six months of fiscal 2023, as compared to \$8.7 million, or 11% of sales in the same period of fiscal 2022. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel, entertainment, and trade show expenses as COVID-19 travel restrictions have lifted.

General and administrative expenses increased to \$13.1 million, or 9% of sales in the first six months of fiscal 2023, as compared to \$10.2 million, or 13% of sales in the first six months of fiscal 2022. The year-over-year increase primarily reflects additional staffing, ERP implementation costs, software licenses, and travel and entertainment costs.

Stock-based compensation expense was \$0.9 million in the first six months of fiscal 2023, compared to \$0.8 million in the first half of fiscal 2022.

Other expense was less than \$0.1 million in Q2 fiscal 2023 consistent with Q2 fiscal 2022.

Operating Income

Segment Operating Income	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Video and Broadband Solutions	\$ 11,669	\$ 1,460	\$ 23,144	\$ 2,190
Content Delivery and Storage	(1,221)	1,587	(1,809)	(1,086)
Telematics	278	291	410	447
Total operating income	\$ 10,726	\$ 3,338	\$ 21,745	\$ 1,551

Three-Month Results

Operating income increased to \$10.7 million in Q2 fiscal 2023, from \$3.3 million in Q2 fiscal 2022. The significant increase was primarily due to higher VBS segment sales, partially offset by higher expedite costs resulting from supply chain constraints and increased operating costs.

The Video and Broadband Solutions segment generated second quarter operating income of \$11.7 million, significantly higher than the \$1.5 million generated in Q2 fiscal 2022. The year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment partially offset by higher operating expenses.

Content Delivery and Storage recorded an operating loss of \$1.2 million in the second quarter, as compared to operating income of \$1.6 million in the same period of fiscal 2022. The year-over-year decrease primarily reflects decreased sales combined with higher R&D and staffing costs aimed at supporting future growth.

Telematics operating income was \$0.3 million in Q2 fiscal 2023, consistent with Q2 fiscal 2022.

Finance expense increased to \$0.6 million in Q2 fiscal 2023, from less than \$0.1 million in Q2 fiscal 2022, reflecting increased interest costs associated with our term loan drawn in Q3 fiscal 2022 and the revolving line of credit.

Foreign exchange loss for the second quarter was \$0.1 million and consistent with the prior-year period. Foreign exchange losses from a weakening Canadian dollar were offset with gains on FX forwards.

Income tax expense was \$1.9 million in Q2 fiscal 2023, compared to \$1.7 million in Q2 fiscal 2022 reflecting higher net income before taxes.

Net income for Q2 fiscal 2023 increased to \$8.1 million or \$0.35 per share, from \$1.5 million or \$0.06 per share in Q2 fiscal 2022.

Other comprehensive loss increased to \$(0.5) million in Q2 fiscal 2023, from other comprehensive loss of \$(0.1) million in the same period in fiscal 2022.

Comprehensive income for Q2 fiscal 2023 grew to \$7.6 million, from \$1.4 million in Q2 fiscal 2022. The improvement year-over-year is a result of the changes described above.

Six-Month Results

Operating income increased to \$21.7 million in the first six months of fiscal 2023, from an operating income of \$1.6 million in the same period of fiscal 2022. The significant increase was primarily due to higher VBS segment sales, partially offset by higher expedite costs resulting from supply chain constraints and higher operating costs.

The Video and Broadband Solutions segment generated operating income of \$23.1 million in the first six months of fiscal 2023, significantly higher than the \$2.2 million generated in the same period of fiscal 2022. The year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment partially offset by higher operating expenses.

Content Delivery and Storage recorded an operating loss of \$1.8 million in the first six months of fiscal 2023, as compared to an operating loss of \$1.1 million in the same period of fiscal 2022. The year-over-year decrease primarily reflects decreased sales combined with higher R&D and staffing costs aimed at supporting future growth.

Telematics operating income decreased to \$0.4 million in the first six months of fiscal 2023, consistent with the same period of fiscal 2022. This reflects increased operating expenses.

Finance expense increased to \$0.8 million in the first six months of fiscal 2023, from \$0.1 million in the same period of fiscal 2022, reflecting increased interest costs associated with our term loan drawn in Q3 fiscal 2022 and the revolving line of credit.

Foreign exchange gain was \$1.1 million in the first six months of fiscal 2023 compared to a gain of \$1.0 million in the same period of fiscal 2022. The increase was primarily attributed to gains on FX forward contracts, partially offset by the impact of a weakening Canadian dollar.

Income tax expense was \$4.5 million in the first six months of fiscal 2023, compared to a \$0.2 million income tax expense in the same period of fiscal 2022.

Net income for Q2 fiscal 2023 increased to \$17.7 million or \$0.76 per share, from \$2.2 million or \$0.10 per share in the first six months of fiscal 2022.

Other comprehensive income increased to \$1.9 million in the first six months of fiscal 2023, from other comprehensive income of \$0.8 million in the same period of fiscal 2022. The year-over-year increase reflects the positive impact of a weakening Canadian dollar on the translation of the foreign operations of our VBS and CDS segments to Canadian dollars.

Comprehensive income for the first six months of fiscal 2023 grew to \$19.5 million, from \$3.0 million in the same period of fiscal 2022. The improvement year-over-year is a result of the changes described above.

Cash Flow From (Used) in Operating, Investing and Financing Activities

Operating Activities

For the three months ended December 31, 2022, cash flow used in operating activities was \$(12.2) million compared to cash flow from operations of \$1.4 million in the three months ended December 31, 2022. The \$13.6 million increase in cash used in operations reflects a \$21.5 million decrease in cash flow from non-cash working capital driven primarily by the building of inventory to support growth and minimize the impact of supply chain constraints, partially offset by a \$7.9 million increase in operating cash flow.

For the six months ended December 31, 2022, cash flow used in operating activities was \$(19.4) million compared to \$(3.2) million for the six months ended December 31, 2022. The \$16.3 million increase in cash used in operations reflects a \$37.3 million decrease in cash flow from non-cash working capital driven primarily by the building of inventory to support growth and minimize the impact of supply chain constraints, partially offset by a \$21.0 million increase in operating cash flow.

Investing Activities

For the three months ended December 31, 2022, cash flow used in investing activities increased to \$(5.6) million from \$(5.7) million in the same period last year. This increase reflects deferred development expenditures of \$5.2 million (Q2 fiscal 2022 - \$3.7 million) and the purchase of property, plant and equipment of \$0.4 million (Q2 fiscal 2022 - \$2.2 million).

For the six months ended December 31, 2022, cash flow used in investing activities increased to \$(12.1) million from \$(10.8) million in the same period last year. This increase reflects deferred development expenditures of \$10.8 million (fiscal 2022 - \$7.8 million) and the purchase of property, plant and equipment of \$1.3 million (fiscal 2022 - \$3.0 million).

Financing Activities

For the three months ended December 31, 2022, we raised \$15.9 million through a share offering (Q2 fiscal 2022 – nil), we repaid \$0.1 million of our long-term debt (Q2 fiscal 2022 - \$0.1 million repaid), paid withholding taxes on PSUs of \$1.4 million (Q2 fiscal 2022 - nil), repaid lease liabilities of \$0.8 million (Q2 fiscal 2022 - \$0.4 million) and paid dividends of \$2.5 million (Q2 fiscal 2022 – \$2.5 million).

For the six months ended December 31, 2022, we raised \$15.9 million through share offerings (fiscal 2022 – nil), we repaid \$0.2 million of our long-term debt (fiscal 2022 - \$0.1 million repaid), received proceeds from exercised options of \$0.05 million (fiscal 2022 - \$0.3 million), paid withholding taxes on PSUs of \$1.5 million (fiscal 2022 - \$1.1 million), repaid lease liabilities of \$0.9 million (Q2 fiscal 2022 - \$0.8 million) and paid dividends of \$2.5 million (fiscal 2022 – \$2.5 million).

9. Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current working capital position, access to loan facilities and anticipated cash flow from operations, will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

During the three months ended December 31, 2022, we increased our access to our revolving loan facility to \$55.0 million from \$25.0 million as at June 30, 2022, of which \$11.4 million was drawn (June 30, 2022 - \$nil was drawn) and is included in the revolving line of credit balance in our consolidated statements of financial position. Additionally, we had a term loan of \$12.2 million (June 30, 2022 - \$12.2 million), a server equipment loan of \$0.2 million (June 30, 2022 - \$0.2 million) and a term credit loan of \$1.0 million (June 30, 2022 - \$1.2 million) as at December 31, 2022.

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of \$17.75 per share with total aggregate gross proceeds of \$17.0 million. Share issuance costs in connection with the share offerings amounted to \$1.1 million. Net proceeds from the common share offerings of \$15.9 million was used to support working capital requirements whereby Vecima has significantly increased its inventory to \$92.7 million in response to high demand for our next-generation solutions and continued supply chain constraints. The common share offerings were completed in order to support this anticipated growth while minimizing debt servicing costs.

Capital expenditures for second quarters of fiscal 2023 were \$0.4 million compared to \$2.0 million in the same period of fiscal 2022.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to \$89.1 million at December 31, 2022, from \$58.6 million at June 30, 2022. The increase in working capital primarily reflects our investment in inventory to respond to growing sales and customer demand. We also note that our working capital balances can be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship \$5 to \$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to \$62.2 million at December 31, 2022, from \$49.7 million at June 30, 2022. This increase reflects the higher sales in Q2 fiscal 2023 compared to Q4 fiscal 2022.

Income tax receivable balance was slightly lower at \$0.2 million at December 31, 2022 (June 30, 2022 - \$0.7 million). This balance represents income tax receivable in the Content Delivery and Storage segment.

Inventories increased by \$43.1 million to \$92.7 million at December 31, 2022, from \$49.6 million as at June 30, 2022. The increase represents the buildup of inventory related to the ramp up of sales and demand for new product inventory, as well as our strategy for managing supply chain challenges. Finished goods inventories were \$41.0 million at December 31, 2022, compared to \$25.1 million at June 30, 2022. Raw material inventory increased to \$49.0 million at December 31, 2022, from \$22.1 million at June 30, 2022. Work-in-progress inventories increased to \$2.7 million as at December 31, 2022, from \$2.4 million at June 30, 2022. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Prepaid expenses and other current assets balance increased to \$16.2 million at December 31, 2022 (June 30, 2022 - \$7.3 million). This increase primarily reflects payments made to contract manufacturing suppliers for raw material inventories purchased and received related to forecast commitments.

Investment tax credits were \$22.2 million at December 31, 2022 compared to \$23.0 million at June 30, 2022. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to \$61.2 million at December 31, 2022, from \$48.2 million at June 30, 2022. The increase is primarily due to the buildup of inventory related to higher sales and our management of supply chain challenges.

Long-term debt, including the current portion and lease liabilities, was \$16.8 million at December 31, 2022, from \$16.9 million at June 30, 2022.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
May 10, 2022	\$0.055	May 20, 2022	June 13, 2022
September 20, 2022	\$0.055	October 7, 2022	November 7, 2022
November 8, 2022	\$0.055	November 25, 2022	December 19, 2022
February 7, 2023	\$0.055	February 24, 2023	March 27, 2023

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at December 31, 2022 were \$3.3 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at December 31, 2022, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is \$1.8 million; due between two-to-five years is \$1.5 million; and thereafter is \$0.3 million.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at December 31, 2022, the contractual obligation, based on forecasted commitments, is estimated to be \$80.1 million (June 30, 2022 - \$49.4 million); of which, \$0.003 million is deemed to be onerous (June 30, 2022 - \$0.026 million).

Contingencies

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of \$1.3 million. We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regard to this matter in June 2017. We received a Notice of Confirmation in February 2020 that our Notice of Objection was denied. We have recorded the adjustment in our fiscal Q3 and Q4 2020 financial statements. The impact of this adjustment was a \$1.3 million increase in deferred development amortization expense. We have filed a Notice of Appeal in April 2020 to defend our original tax treatment of these SR&ED claims.

Foreign Exchange

Approximately 97% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchased are in U.S. dollars.

As at December 31, 2022, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.354 from \$1.290 as at June 30, 2022. This \$0.064 exchange difference increased the value of our \$62.7 million U.S. dollar net assets by approximately \$4.0 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at December 31, 2022, we had forward FX contracts with a fair value of \$0.7 million included in accounts receivable (December 31, 2021 - nil).

10. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial condition.

11. Transactions Between Related Parties

The Company entered into a building lease on August 1st, 2022 with one of the principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in the second quarter of 2023 were \$0.02 million. There were no other related party transactions in Q2 fiscal 2023.

12. Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

13. Critical Accounting Estimates

See our 2022 annual MD&A and our 2022 annual audited consolidated financial statements and notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and results of our operations.

14. Accounting Pronouncements and Standards

Adoption of new accounting standards and amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the second quarter of fiscal 2023:

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use

On May 14, 2020, the IASB issued amendments to IAS16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 37 – Provisions (IAS 37)

On May 14, 2020 the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after the Company's December 31, 2022 quarter-end date and have not yet been adopted by the Company:

Amendments to IAS 1 – Presentation of financial statements (IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

We are assessing the impacts, if any, of standards or amendments, which are not yet effective, will have on our condensed consolidated interim financial statements.

15. Disclosure Controls and Procedures

Disclosure controls and procedures were designed to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at December 31, 2022.

16. Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at December 31, 2022 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at December 31, 2022. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2022 and ended on December 31, 2022 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

17. Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss, and when the amount of the loss is quantifiable, a provision for the loss is made based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against the Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of comprehensive income or consolidated statements of financial position.

18. Risks and Uncertainties and COVID-19

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading "Forward-Looking Information" below) and the risk factors set forth in our Annual Information Form for our most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of these risks occurs, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Third-party Component Supply

We maintain a global sourcing strategy and depend on third-party suppliers for certain components, subcomponents and raw materials used in our products. As an example, several of our products require specific components including silicon chips, for which reliable, high-volume supply is often available only from limited sources and for which we do not have guarantees of supply. A combination of significant technology trends and COVID-19 related challenges has resulted in the supply of some of these components becoming constrained on a global basis. While we have not experienced significant supply disruptions to date, the potential for such components to be in short supply or delayed in reaching us, could potentially result in product shipping delays and increased costs, which in turn, could adversely impact our gross margin and results of operations.

COVID-19

We have been closely monitoring the impact of COVID-19. At this time, our industry is recognized as an essential service in the areas where we operate. We have taken steps to allow most of our workforce to work remotely.

It is too soon to gauge the overall impact of the pandemic, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. COVID-19 is altering business and consumer activity in affected areas and beyond. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, travel restrictions, the temporary shut-down of non-essential services and fluctuations in financial and commodity markets. While measures have begun to ease in many jurisdictions where we operate, additional measures may be implemented by one or more governments going forward. Labour shortages due to illness, Company or government-imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of our operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts our business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of subsequent variations of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the economies in which we operate and could continue to negatively impact stock markets, including the trading price of our shares. Potential impacts include, but are not limited to, an impairment of long-lived assets, an impairment of short-term investments and a change in the estimated credit loss on accounts receivable.

Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in our financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, impairments of short-term investments and a change in the estimated credit losses on accounts receivable.

Our financial priorities remain unchanged. Importantly we continue to have a very strong balance sheet. We are continuing with the payment of our quarterly dividend.

19. Outstanding Share Data

As at February 7, 2023, we had 24,199,040 common shares outstanding as well as stock options outstanding that are exercisable for an additional 56,062 common shares, and performance share units outstanding that are exercisable for an additional 312,159 common shares.

On December 19, 2022, 185,269 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.0 million. We withheld 71,037 common shares at a market value of \$1.4 million to settle withholding tax obligations on the issuance of the common share awards.

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of \$17.75 per share with total aggregate gross proceeds of \$17.0 million. Share issuance costs in connection with the share offerings amounted to \$1.1 million.

On September 9, 2022, 7,955 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$0.04 million. We withheld 2,404 common shares at a market value of \$0.04 million to settle withholding tax obligations on the issuance of the common share awards.

On January 12, 2022, Vecima announced that it filed a final short form base shelf prospectus with the securities commissions or similar regulatory authorities in each of the provinces of Canada, except for Quebec. The base shelf prospectus will allow Vecima to offer up to \$150 million of common shares, warrants, subscription receipts, units, debt securities and share purchase contracts from time to time over the 25-month period after the applicable Canadian securities regulatory authorities have issued a receipt for the final short form base shelf prospectus.

On July 8, 2021, 187,487 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.0 million. We withheld 63,478 common shares at a market value of \$1.1 million to settle withholding tax obligations on the issuance of the common share awards.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the "Principal Shareholder") which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at December 31, 2022, the Principal Shareholder collectively owned approximately 59% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities. Each common share carries the right to one vote. We have no other classes of voting securities.

20. Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the consolidated financial statements and notes thereto and the MD&A. Additionally, it is management's responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent.

External auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes, but is not limited to, statements that: the change in Commercial Video sales reflects the anticipated tapering of demand for legacy products including the TC600E, partially offset by continued strong demand for our TerraceQAM platform as operators continued their commercial rollout for the current generation, while preparing for the next-generation TerracelQ platform; we target a gross margin percentage of 48% to 52%; and we believe that our current working capital position, access to loan facilities and anticipated cash flow from operations, will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward-looking information also includes our Strategy, our Industry Developments, our COVID-19 Business Update and our Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our

business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few large customers; a small number of our shareholders control us; sale of common shares by our controlling shareholders could cause the share price to fall; volatility in our common share price; dilution from the exercise of stock options or settlement of performance share units; liquidity of common shares; our share price shall fluctuate; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we continue to adapt content delivery products to add features allowing deployments to cable, IPTV, and Internet CDN providers to enable multi-screen video delivery; the failure to execute on this transition or execute quickly enough, may adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our operations depend on information technology systems, which may be disrupted or may not operate as desired; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima's profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima's business; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises, including the current outbreak of COVID-19. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties and COVID-19" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.