



**Management Discussion & Analysis**  
**For the three and nine months ended September 30, 2024 and 2023**

## **Introduction**

This management's discussion and analysis of the financial condition and results of operations ("MD&A") should be read together with EMERGE Commerce Ltd. (the "Company", "our", "we", "EMERGE Commerce" or "EMERGE") unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and accompanying notes, as well as the Company's annual financial statements and MD&A for the year ended December 31, 2023.

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including its financial statements, can be obtained from documents filed on the System for Electronic Document Analysis ("SEDAR") at [www.sedar.com](http://www.sedar.com) under EMERGE Commerce Ltd.

This MD&A is presented as of November 28, 2024. All financial information contained herein is expressed in Canadian dollars, the Company's reporting currency, unless otherwise indicated.

This MD&A contains forward-looking statements. See Forward-Looking Statements below for further information.

## **Non-GAAP Measures**

Certain financial measures used in this MD&A make reference to certain non-GAAP measures. These non-GAAP measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of the Company reported under IFRS. Gross Merchandise Sales ("GMS"), Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. GMS, EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

For the definition and reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Non-GAAP Financial Measures" section of this MD&A.

## **Company Overview**

EMERGE Commerce (TSX-V: ECOM) is a premium e-commerce brand portfolio. Our network of subscription and marketplace e-commerce sites provide our members with access to meat & groceries, discounted golf experiences and products.

EMERGE leverages its seasoned management team, technology, merchant relationships, and data partnerships to offer its portfolio of e-commerce companies improved economics and support.

EMERGE brands connect consumers shopping online with merchants seeking new and repeat customers. Consumers are looking to explore, shop and save online, while merchant partners seek to acquire new customers, clear excess inventory, improve cash flow and generate buzz.

EMERGE is managed on the belief that by providing shared resources, technology, and cross-selling opportunities coupled with exceptional customer service, it will enable portfolio companies to offer customers a better shopping experience across a variety of products and experiences.

## **Q3 2024 Highlights**

### ***Revenue and Adjusted EBITDA<sup>1</sup>***

Revenue from continuing operations was \$4.6 million for the three months ended September 30, 2024, an increase of \$0.2 million, or 5% year-over-year. For the nine months ended September 30, 2024 and 2023, revenue was \$14.8 and \$14.4 million, respectively, an increase of \$0.4 million or 2%.

EMERGE also reported Adjusted EBITDA<sup>1</sup> loss of \$0.28 million for the three months ended September 30, 2024 compared to \$0.56 million in the prior year. For the nine months ended September 30, 2024 and 2023, Adjusted EBITDA<sup>1</sup> loss was \$0.45 million and \$1.43 million, respectively.

<sup>1</sup> Non-GAAP Financial Measure. Refer to section "Non-GAAP Financial Measures" for additional information

### ***Voluntary Option Cancellations***

In August 2024, a total of 2,334,390 Options were voluntarily cancelled by certain directors and officers of the Company, pursuant to the Company's omnibus equity incentive plan. The Options were issued with an effective price of between \$0.11 and \$0.79 per share. Each vested Option entitled the holder to receive one common share of the Company.

## Overall Performance

### Selected Financial Information

The following financial information has been summarized from the Company's unaudited condensed consolidated interim financial statements (excluding GMS and Adjusted EBITDA):

|                                                                 | Three months<br>ended<br>September 30,<br>2024<br>\$ | Three months<br>ended<br>September 30,<br>2023<br>\$ | Nine months<br>ended<br>September 30,<br>2024<br>\$ | Nine months<br>ended<br>September 30,<br>2023<br>\$ |
|-----------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Gross Merchandise Sales <sup>1</sup>                            | 7,417,799                                            | 6,762,633                                            | 23,492,832                                          | 22,379,499                                          |
| Total revenue                                                   | 4,596,215                                            | 4,371,920                                            | 14,799,166                                          | 14,443,430                                          |
| Adjusted EBITDA <sup>1</sup>                                    | (280,639)                                            | (557,915)                                            | (453,155)                                           | (1,429,638)                                         |
| Net (loss) income from continuing operations                    | (738,887)                                            | (777,173)                                            | (1,392,808)                                         | (4,945,075)                                         |
| Net (loss) income                                               | (730,186)                                            | 349,497                                              | (793,568)                                           | (3,735,037)                                         |
| Basic and diluted (loss) per share from continuing operations   | (0.01)                                               | (0.01)                                               | (0.01)                                              | (0.05)                                              |
| Basic and diluted (loss) per share from discontinued operations | 0.00                                                 | 0.01                                                 | 0.00                                                | 0.01                                                |
| Total assets                                                    | 6,597,552                                            | 40,089,686                                           | 6,597,552                                           | 40,089,686                                          |
| Long-term liabilities                                           | 1,178,431                                            | 6,107,699                                            | 1,178,431                                           | 6,107,699                                           |
| Dividends                                                       | -                                                    | -                                                    | -                                                   | -                                                   |

<sup>1</sup> Non-GAAP Financial Measure. Refer to section "Non-GAAP Financial Measures" for additional information.

Results from WholesalePet, BattlBox, and WagJag have been reclassified to discontinued operations.

### Non-GAAP Financial Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net loss and comprehensive loss for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. The Company's method of calculating these measures may differ from the method used by other entities and accordingly these measures may not be comparable to similarly named measures used by other entities or in other jurisdictions.

A reconciliation of the adjusted measures is included below.

### Gross Merchandise Sales

GMS as defined by management is the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of discounts and refunds. Management believes GMS provides a useful measure for the dollar volume of e-commerce transactions made through our platforms and an indicator for our business performance.

GMS was \$7,417,799 and \$23,492,832 for the three and nine months ended September 30, 2024, an increase of 10% and 5% compared to the same periods in 2023.

The following table highlights GMS for the three and nine months ended September 30, 2024 and 2023, and a reconciliation of the Company's reported results to its adjusted measures.

|                                                                                       | Three months ended<br>September 30,<br>2024<br>\$ | Three months ended<br>September 30,<br>2023<br>\$ | Nine months ended<br>September 30,<br>2024<br>\$ | Nine months ended<br>September 30,<br>2023<br>\$ |
|---------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Revenue</b>                                                                        | <b>4,596,215</b>                                  | 4,371,920                                         | <b>14,799,166</b>                                | 14,443,430                                       |
| <i>Adjusted for:</i>                                                                  |                                                   |                                                   |                                                  |                                                  |
| Merchant costs deducted from net revenue                                              | <b>3,047,845</b>                                  | 2,478,336                                         | <b>9,412,272</b>                                 | 8,475,791                                        |
| Sales added to deferred revenue and value of orders fulfilled not included in revenue | <b>1,731,705</b>                                  | 1,339,824                                         | <b>5,524,555</b>                                 | 4,654,201                                        |
| Deferred and other adjustments to revenue recognized                                  | <b>(1,863,899)</b>                                | (1,356,220)                                       | <b>(5,899,238)</b>                               | (5,105,459)                                      |
| Advertising revenue                                                                   | <b>(94,067)</b>                                   | (71,227)                                          | <b>(343,923)</b>                                 | (88,464)                                         |
| <b>GMS</b>                                                                            | <b>7,417,799</b>                                  | 6,762,633                                         | <b>23,492,832</b>                                | 22,379,499                                       |

### **Adjusted EBITDA**

Adjusted EBITDA as defined by management means earnings before interest and financing costs, income taxes, depreciation and amortization, transaction costs, foreign exchange and other gains/losses, discontinued operations, unrealized gains/losses on contingent consideration and share-based compensation. Management believes that Adjusted EBITDA is a useful measure because it provides information about the operating and financial performance of EMERGE and its ability to generate ongoing operating cash flow to fund future working capital needs and fund future capital expenditures or acquisitions.

The following table highlights Adjusted EBITDA for the three and nine months ended September 30, 2024, and 2023, and a reconciliation of the Company's reported results to its adjusted measures.

|                                                | Three months ended<br>September 30,<br>2024<br>\$ | Three months ended<br>September 30,<br>2023<br>\$ | Nine months ended<br>September 30,<br>2024<br>\$ | Nine months ended<br>September 30,<br>2023<br>\$ |
|------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Net (loss) income</b>                       | <b>(730,186)</b>                                  | 349,497                                           | <b>(793,568)</b>                                 | (3,735,037)                                      |
| <i>Add back:</i>                               |                                                   |                                                   |                                                  |                                                  |
| Finance costs                                  | <b>267,209</b>                                    | 860,946                                           | <b>1,066,372</b>                                 | 2,778,346                                        |
| Income taxes                                   | <b>(184,585)</b>                                  | (672,531)                                         | <b>(318,963)</b>                                 | (1,439,578)                                      |
| Amortization                                   | <b>48,809</b>                                     | 478,941                                           | <b>167,999</b>                                   | 2,066,115                                        |
| <b>EBITDA</b>                                  | <b>(598,753)</b>                                  | 1,016,853                                         | <b>121,840</b>                                   | (330,154)                                        |
| Share-based compensation                       | <b>71,357</b>                                     | 28,167                                            | <b>125,992</b>                                   | 143,731                                          |
| Transaction cost                               | <b>42</b>                                         | 63,487                                            | <b>101,631</b>                                   | 267,544                                          |
| Foreign exchange and other losses (gains)      | <b>255,416</b>                                    | (539,752)                                         | <b>(203,378)</b>                                 | 2,512                                            |
| Fair value change in contingent consideration  | -                                                 | -                                                 | -                                                | (303,233)                                        |
| Net loss (income) from discontinued operations | <b>(8,701)</b>                                    | (1,126,670)                                       | <b>(599,240)</b>                                 | (1,210,038)                                      |
| <b>Adjusted EBITDA</b>                         | <b>(280,639)</b>                                  | (557,915)                                         | <b>(453,155)</b>                                 | (1,429,638)                                      |

## Revenue

|                 | Three months ended September 30, |           | Nine months ended September 30, |            |
|-----------------|----------------------------------|-----------|---------------------------------|------------|
|                 | 2024                             | 2023      | 2024                            | 2023       |
|                 | \$                               | \$        | \$                              | \$         |
| <b>Revenues</b> | <b>4,596,215</b>                 | 4,371,920 | <b>14,799,166</b>               | 14,443,430 |

Revenue for the three and nine months ended September 30, 2024 was \$4,596,215 and \$14,799,166, an increase of 5% and 2% compared to the same periods in 2023. This increase in revenue is primarily attributable to organic growth, as management continues to focus on delivering its “return-to-revenue-growth” plan that was articulated earlier in the year.

Carnivore Club, EMERGE’s smallest business, continues to be optimized for profitability, which includes the elimination of loss-making revenue. Excluding Carnivore Club, EMERGE’s Q3 2024 revenue increased by approximately 8%.

## Cost of sales and gross profit

|                                              | Three months ended September 30, |           | Nine months ended September 30, |           |
|----------------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                              | 2024                             | 2023      | 2024                            | 2023      |
|                                              | \$                               | \$        | \$                              | \$        |
| Cost of products sold and other direct costs | <b>2,790,800</b>                 | 2,669,477 | <b>8,728,810</b>                | 8,862,733 |
| Gross profit                                 | <b>1,805,415</b>                 | 1,702,443 | <b>6,070,356</b>                | 5,580,697 |
|                                              | <b>39.3%</b>                     | 38.9%     | <b>41.0%</b>                    | 38.6%     |

Gross profit increased by 6% and 9% for the three and nine months ended September 30, 2024 compared to their respective periods in 2023. Gross margin % increased to 39.3% from 38.9%, and 41% from 38.6%, for the three and nine month periods ended September 30, 2024 compared to the same periods in 2023. This change is driven primarily due to management’s efforts to improve gross margins through a variety of initiatives across multiple brands.

## Marketing

Marketing expenses decreased from \$577,993 to \$517,463 for the three months ended September 30, 2024 compared to the equivalent period in the prior year and decreased from \$1,698,479 to \$1,579,322 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year.

## Selling, general and administrative

Selling, general and administrative expenses of \$1,568,591 were incurred for the three months ended September 30, 2024, versus \$1,682,365 in 2023. For the nine months ended September 30, 2024, selling, general and administrative expenses decreased to \$4,944,189 from \$5,311,856 in the equivalent period in the prior year. The decrease in SG&A partly reflect the results of the Company’s cost reduction efforts.

## Amortization and depreciation

For the three and nine months ended September 30, 2024, the Company recognized \$48,809 and \$167,999 in amortization and depreciation versus \$478,941 and \$2,066,115 for the same periods in the prior year. Intangible assets have decreased significantly year over year, resulting in lower amortization charges.

**Share-based compensation**

The company recognized share-based compensation expenses of \$71,357 and \$125,992 for the three and nine months ended September 30, 2024 (2023 - \$28,167 and \$143,731).

**Transaction costs**

The Company expensed transaction costs of \$42 and \$101,631 for the three and nine months ended September 30, 2024 compared to \$63,487 and \$267,544 in 2023. While these specific transaction costs are not expected to recur, the Company plans to continue pursuing M&A activities in the future which would result in future additional transaction costs.

**Finance costs**

Finance costs in the three and nine months ended September 30, 2024, were \$267,209 and \$1,066,372 compared to \$860,946 and \$2,778,346 in 2023. Finance costs include interest expense paid as well as non-cash accretion of financing costs.

**Fair value change in contingent consideration**

Contingent consideration in connection with the acquisition of truLOCAL and WholesalePet consists of an earn-out, which is valued at FVTPL. A gain of \$nil was recognized for the three and nine months ended September 30, 2024 (2023 – gain of \$nil and \$303,233).

**Net loss from continuing operations**

Net loss from continuing operations for the three and nine months ended September 30, 2024 was \$738,887 and \$1,392,808 compared to a net loss of \$777,173 and \$4,945,075 for the same periods in 2023. The decrease in net loss this year over last year is mainly due to lower amortization and depreciation, lower finance costs, and favourable foreign exchange and other gains.

## Discontinued Operations

### *Battlbox*

In April 2023, the Company closed the sale of BattlBox (the “Transaction”). Pursuant to the Transaction, the Company received cash consideration of US\$6,008,666 on closing, with the buyer also assuming an aggregate of US\$1,161,537 in outstanding deferred consideration liabilities. The effects of the disposal on the financial position of the Company are as follows:

|                                          | <b>\$</b>         |
|------------------------------------------|-------------------|
| Cash                                     | 1,939,002         |
| Trade and other receivables              | 258,014           |
| Inventory                                | 3,240,133         |
| Prepaid expenses and deposits            | 877,441           |
| Property and equipment                   | 608,740           |
| Intangible assets                        | 2,313,691         |
| Goodwill                                 | 2,373,302         |
| <b>Net assets disposed</b>               | <b>11,610,323</b> |
| Accounts payable and accrued liabilities | 1,345,056         |
| Deferred revenue                         | 1,643,164         |
| Deferred consideration                   | 1,453,367         |
| Deferred tax                             | (1,204,297)       |
| <b>Net liabilities disposed</b>          | <b>3,237,290</b>  |

The summarized results of discontinued operations is as follows for the three and nine months ended:

|                                                 | <b>Three months ended September 30,</b> |             | <b>Nine months ended September 30,</b> |                  |
|-------------------------------------------------|-----------------------------------------|-------------|----------------------------------------|------------------|
|                                                 | <b>2024</b>                             | <b>2023</b> | <b>2024</b>                            | <b>2023</b>      |
|                                                 | <b>\$</b>                               | <b>\$</b>   | <b>\$</b>                              | <b>\$</b>        |
| Operating activities                            |                                         |             |                                        |                  |
| Net revenue                                     | -                                       | -           | -                                      | 7,966,108        |
| Expenses                                        | -                                       | -           | -                                      | 7,984,002        |
| Income tax expense (recovery)                   | -                                       | -           | -                                      | (120,136)        |
|                                                 | -                                       | -           | -                                      | 102,242          |
| Loss on disposition                             | -                                       | -           | -                                      | (423,630)        |
| <b>Net income (loss) from discontinued oper</b> | <b>-</b>                                | <b>-</b>    | <b>-</b>                               | <b>(321,388)</b> |

The summarized cash flows for discontinued operations included in the Condensed Consolidated Statements of Cash Flows for the nine months ended:

|                         | <b>Nine months ended September 30,</b> |             |
|-------------------------|----------------------------------------|-------------|
|                         | <b>2024</b>                            | <b>2023</b> |
|                         | <b>\$</b>                              | <b>\$</b>   |
| Net cash from (used in) |                                        |             |
| Operating activities    | -                                      | 747,477     |
| Investing activities    | -                                      | -           |
| Financing activities    | -                                      | 241         |
|                         | -                                      | 747,718     |

### WagJag

In August 2023, the Company completed the sale of WagJag and BeRightBack. The Company received cash consideration of \$1,000,000 on closing of the Transaction, less cash transaction costs. The disposal on the financial position of the Company include \$83,805 related to the unamortized portion of intangible assets associated with the transaction.

The summarized results of discontinued operations is as follows for the three and nine months ended:

|                                          | Three months ended September 30, |          | Nine months ended September 30, |           |
|------------------------------------------|----------------------------------|----------|---------------------------------|-----------|
|                                          | 2024                             | 2023     | 2024                            | 2023      |
|                                          |                                  |          | \$                              | \$        |
| Operating activities                     |                                  |          |                                 |           |
| Net revenue                              | -                                | 209,345  | -                               | 1,234,693 |
| Expenses                                 | -                                | 253,834  | -                               | 1,388,964 |
| Income tax expense (recovery)            | -                                | -        | -                               | -         |
|                                          | -                                | (44,489) | -                               | (154,271) |
| Gain on disposition                      | -                                | 916,195  | -                               | 916,195   |
| Net income (loss) from discontinued oper | -                                | 871,706  | -                               | 761,924   |

The summarized cash flows for discontinued operations included in the Condensed Consolidated Statements of Cash Flows for the nine months ended:

|                         | Nine months ended September 30, |          |
|-------------------------|---------------------------------|----------|
|                         | 2024                            | 2023     |
|                         | \$                              | \$       |
| Net cash from (used in) |                                 |          |
| Operating activities    | -                               | (80,942) |
| Investing activities    | -                               | -        |
| Financing activities    | -                               | -        |
|                         | -                               | (80,942) |

### WholesalePet

In January 2024, the Company completed the sale of its indirect subsidiary corporation, Retails Store Networks, Inc. (dba "WholesalePet.com") The company received cash consideration of US\$9,250,000, subject to certain closing and post-closing adjustments, payments and obligations. The effects of the disposal on the financial position of the Company are as follows:

|                                          | \$                |
|------------------------------------------|-------------------|
| Cash                                     | 182,015           |
| Trade and other receivables              | 563,852           |
| Prepaid expenses and deposits            | 7,196             |
| Intangible assets                        | 11,108,437        |
| Right-of-use assets                      | 20,829            |
| Goodwill                                 | 3,959,686         |
| Net assets disposed                      | <b>15,842,015</b> |
| Accounts payable and accrued liabilities | 189,074           |
| Deferred consideration                   | 1,691,253         |
| Lease liability                          | 19,501            |
| Income tax payable                       | 186,973           |
| Deferred tax                             | 2,880,026         |
| Net liabilities disposed                 | <b>4,966,827</b>  |

The summarized results of discontinued operations is as follows for the three and nine months ended:

|                                         | Three months ended September 30, |           | Nine months ended September 30, |           |
|-----------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                         | 2024                             | 2023      | 2024                            | 2023      |
|                                         |                                  |           | \$                              | \$        |
| Operating activities                    |                                  |           |                                 |           |
| Net revenue                             | -                                | 1,077,873 | 308,927                         | 3,171,189 |
| Expenses                                | -                                | 739,840   | 224,211                         | 2,282,573 |
| Income tax expense (recovery)           | -                                | 83,069    | 13,028                          | 119,114   |
|                                         | -                                | 254,964   | 71,688                          | 769,502   |
| Gain on disposition                     | 8,701                            | -         | 527,552                         | -         |
| Net income from discontinued operations | 8,701                            | 254,964   | 599,240                         | 769,502   |

The summarized cash flows for discontinued operations included in the Condensed Consolidated Statements of Cash Flows for the nine months ended:

|                         | Nine months ended September 30, |           |
|-------------------------|---------------------------------|-----------|
|                         | 2024                            | 2023      |
|                         | \$                              | \$        |
| Net cash from (used in) |                                 |           |
| Operating activities    | 111,525                         | 2,265,171 |
| Investing activities    | -                               | -         |
| Financing activities    | (3,781)                         | (36,331)  |
|                         | 107,744                         | 2,228,840 |

The cumulative net income from discontinued operations as a result of the sale of WholesalePet, BattlBox LLC and WagJag for the three and nine months ended September 30, 2024 are \$8,701 and \$599,240 (2023 – \$1,126,670 and \$1,210,038).

### Summary of Quarterly Results

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company prepared in accordance with IFRS:

|                                                                                  | Sep 30/24 | Jun 30/24 | Mar 31/24 | Dec 31/23    | Sep 30/23 | Jun 30/23   | Mar 31/23   | Dec 31/22    |
|----------------------------------------------------------------------------------|-----------|-----------|-----------|--------------|-----------|-------------|-------------|--------------|
|                                                                                  | \$        | \$        | \$        | \$           | \$        | \$          | \$          | \$           |
| Revenue                                                                          | 4,596,215 | 5,193,900 | 5,009,051 | 5,139,828    | 4,371,921 | 4,745,815   | 5,325,695   | 6,685,795    |
| Net (loss) income from continuing operations                                     | (738,887) | (663,363) | 9,442     | (10,637,104) | (777,174) | (1,758,824) | (2,409,078) | (12,887,653) |
| Net (loss) income                                                                | (730,186) | (549,190) | 485,808   | (17,521,847) | 349,497   | (1,954,819) | (2,129,713) | (15,503,569) |
| Income (loss) per share from continuing operations and total – basic and diluted | (0.01)    | (0.01)    | 0.00      | (0.09)       | (0.01)    | (0.02)      | (0.02)      | (0.12)       |

## Liquidity and Capital Resources

The Company manages its capital to ensure that it, and its subsidiary entities, will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. In the management of capital, the Company includes the components of shareholders' equity, short-term liabilities, debt, as well as cash. To maintain or adjust its capital structure, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company is required to obtain consent from the Company's lender prior to paying any dividends or distributions, incurring additional indebtedness, or selling or transferring assets other than in the course of ordinary business.

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by maintaining adequate cash balances and borrowings, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### Cash and cash equivalents

As at September 30, 2024 the Company had \$1,644,638 of cash.

#### *Operating activities*

During the nine months ended September 30, 2024, and 2023, the Company used \$941,507 and generated \$1,014,107 of cash on operating activities (Q3 2023 Cash flow from continuing operations – used \$1,917,599)

#### *Investing activities*

During the nine months ended September 30, 2024, the Company received \$11,116,718 of cash from investing activities, as compared to \$7,075,909 for the nine months ended September 30, 2023. This was due to net proceeds from the sale of WholesalePet in 2024 compared to BattlBox and WagJag in 2023.

#### *Financing activities*

During the nine months ended September 30, 2024, the Company used \$11,126,341 (2023 – used \$11,668,799) in financing activities. The cash outflows during the period were from principal payments principle and interest payments on the Company's debt facility.

Based on the current cash position, the Company believes that it is capable of meeting its working capital needs through available cash and cash flow generated from financing activities.

The following table provides details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows which the Company can be required to pay:

|                                          | Less than one<br>year | Years two and<br>three | Later than three<br>years | Total     |
|------------------------------------------|-----------------------|------------------------|---------------------------|-----------|
|                                          | \$                    | \$                     | \$                        | \$        |
| Accounts payable and accrued liabilities | 7,872,806             | -                      | -                         | 7,872,806 |
| Deferred consideration                   | 252,370               | -                      | -                         | 252,370   |
| Convertible debentures                   | -                     | 1,390,000              | -                         | 1,390,000 |
| Debt                                     | 5,850,000             | 80,000                 | -                         | 5,930,000 |

## **Off-Balance Sheet Arrangements**

As of the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

## **Financial Instruments**

### *Risk Management*

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are described below.

### *Fair value*

The carrying value of financial instruments classified at amortized cost approximate fair value due to their short-term nature.

Contingent consideration is accounted for at FVTPL as a Level 3 fair value measurement, and is revalued at each reporting period. The fair value is determined by estimating the expected earnout and redemption amount that will ultimately be payable.

### *Credit and concentration risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not provide any third party guarantees which would expose it to credit risk.

The maximum credit exposure as at September 30, 2024 is the carrying amount of cash, trade and other receivables and restricted cash. The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of performance.

### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company's debt bears interest at a rate equal to the greater of 9% or the prime rate plus 6.55% per annum. Accordingly, an increase in market interest rates could increase the amount of interest the Company must pay to the lender, thereby exposing the Company to cash flow risk.

### *Foreign currency risk*

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company is exposed to currency risk through its net assets denominated in U.S. dollars. The Company currently does not have any derivative instruments in place to reduce its exposure to foreign currency risk.

## Related Party Transactions

### *Compensation of key management personnel*

The remuneration of key management personnel, including directors and officers, during the period was as follows:

|                      | Three months ended September 30, |         | Nine months ended September 30, |         |
|----------------------|----------------------------------|---------|---------------------------------|---------|
|                      | 2024                             | 2023    | 2024                            | 2023    |
|                      | \$                               | \$      | \$                              | \$      |
| Short-term benefits  | 145,000                          | 171,250 | 435,000                         | 578,000 |
| Termination benefits | -                                | -       | 50,000                          | -       |
| Share-based payments | 78,059                           | 13,650  | 144,742                         | 19,098  |
|                      | 223,059                          | 184,900 | 629,742                         | 597,098 |

## Changes in Accounting Policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Refer to Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2023 for further details.

## Outlook

Q4 and the peak holiday shopping season is generally EMERGE's strongest quarter of the year overall. EMERGE is seeing positive sales trends through Q4 to date, and continues to execute towards a return-to-growth plan in 2024, with a substantially improved profitability profile and reduced overall debt levels.

EMERGE has actioned certain cost reductions that amount to approximately \$500,000 annually. These savings will partially be reflected in Q4, and fully be reflected in Q1 2025.

In addition, the recent interest rate cuts, as well as the highly anticipated upcoming rate reductions, are expected to result in meaningful cash savings for the business.

The Company's top priorities in the near-term are to i) continue to pay down debt and reduce interest expense, ii) drive organic growth, iii) extract further operational efficiencies, and iv) enhance EBITDA to cash flow conversion.

## Outstanding Share Data

As at the date of this MD&A, the Company had the following securities issued and outstanding:

| Description of security     | Number of securities |
|-----------------------------|----------------------|
| Common shares               | 139,171,747          |
| Stock options               | 1,033,850            |
| Restricted share units      | 5,232,692            |
| Warrants                    | 29,806,400           |
| Convertible debentures      | 10,296,296           |
| <b>Total, Fully Diluted</b> | <b>185,540,985</b>   |

## **Risk Factors**

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. The risks and uncertainties described below are those that the Company's management believes are material, but these risks and uncertainties may not be the only ones that the Company may face. Additional risks and uncertainties, including those that the Company's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Company.

Some of the key risks are highlighted as follows:

### ***Additional Financing***

The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

### ***Competition***

The Company operates in areas where it may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

### ***COVID-19 Risks***

In December 2019, a novel strain of coronavirus ("COVID-19") emerged and has since spread to several countries, with infections reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The situation continues to be dynamic with various cities and countries around the world responding in different ways to address the outbreak. These impacts included business interruption as well as the triggering of a significant volatility in the financial markets.

The COVID-19 pandemic has accelerated the rate of digital transformation globally, with retailers increasingly seeing the need for an online presence. The rise of Shopify and other affordable e-commerce enablement technologies have increased the number of small-medium sized, profitable, growing e-commerce brands. Any decline in ecommerce utilization could adversely affect the business. There are a variety of factors that could lead to a decrease in e-commerce utilization, including general macroeconomic trends, changes in government regulation, users' access to the internet, user preference, actual or perceived online security concerns or the effects of widespread health epidemics.

For example, as a result of restrictions on brick-and-mortar businesses related to the outbreak of the COVID-19 pandemic, ecommerce sales increased significantly in 2020. As these COVID-19 restrictions are lifted and brick-and-mortar sales recover, ecommerce utilization may decline, which could have a material adverse effect on its business, financial condition and results of operations. The Company continues to assess the impacts of the changing environment.

### *Credit Facility Covenants*

The Company has credit facilities which require the Company to make certain interest payments, provide a first ranking security interest over all of its assets and contain a number of covenants that impose operating and financial restrictions, which may limit the Company's ability to engage in acts that may be in its long-term best interest. If the Company's cash flows and cash and cash equivalents are insufficient to fund its debt service obligations, including repayment or renewal of the credit facilities at the end of each of their term, the Company could face liquidity problems and could be forced to seek amendments to the credit facilities, or reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance the Company's indebtedness, including the credit facilities. The Company may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations. There can be no certainty that the Company will be able to repay or renew the credit facilities at maturity and the failure to do so would have a material adverse effect on the Company.

In addition, a breach of the covenants under the credit facilities could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross acceleration or cross default provision applies. In the event the lender accelerates the repayment of the Company's borrowings, the Company may not have sufficient assets to repay its indebtedness.

### *Fluctuation in market value*

The market price of publicly traded securities is affected by many variables not directly related to the corporate performance of the Company, including the market in which it is traded, the strength of the economy generally, the global economic situation and outlook, the availability and attractiveness of alternative investments, and the breadth of the public market for the securities. The effect of these and other factors on the market price of the common shares of the Company in the future cannot be predicted.

### *Foreign currency rate risk*

A portion of the Company's revenue will be earned in United States dollars. Fluctuations in the exchange rate between the Canadian dollar and the United States Dollar may have an adverse effect on the Company's business, financial condition and operating results.

### *Integration of the Company's acquisitions*

The ability to realize the anticipated benefits of each of the acquisitions will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth and potential synergies from integrating the assets and businesses of the acquired companies. This integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process.

### *Macroeconomic Conditions*

Certain macroeconomic conditions such as inflation and changes in interest rates, including the resulting effect on the operations of and spending by small and medium businesses and on consumer spending, may adversely affect our business, operating results and financial condition.

Our performance is subject to macroeconomic conditions and global events, including political, economic, social and environmental risks that may impact our operations or our customers. Such conditions and events may adversely affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. The current deterioration in general economic conditions, including the rise in unemployment rates, inflation and increases in interest rates, may adversely affect

consumer spending, consumer debt levels and credit and debit card usage, and as a result, adversely affect our financial performance. Economic and geopolitical uncertainties, including those related to the COVID-19 pandemic, variants of the COVID-19 virus, and the conflict between Russia and Ukraine may further amplify such risks. Weakening economic conditions may also adversely affect third parties, including suppliers and partners, with whom we have entered into relationships and upon whom we depend in order to operate and grow our business.

If the Company's costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations. While the Company does not have any material exposure to Russia or Ukraine, there are other geopolitical and macroeconomic risks that are outside of our control that could impact our business, financial condition, or results of operations.

#### *Reliance on Data Centers*

The Company serves customers using third-party cloud-based and traditional data center facilities. The continuous availability of the Company's products and services depends on the operations of these facilities, on a variety of network service providers, on third-party vendors and on data center and cloud operations staff. In addition, the Company depends on the ability of third-party facility provider to protect the facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. If there are any lapses of service or damage to the facilities, the Resulting Issuer could experience lengthy interruptions in its services as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, the business of the Company could be harmed.

#### *Reliance on key personnel*

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management could have a material adverse effect on the Company's business, operating results or financial condition.

#### *Security breaches, computer viruses and hacking*

Security breaches, computer malware and computer hacking attacks are prevalent in the technology industry. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems or cause malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm the Company's business, financial condition and operating results.

#### *User Data*

The Company may require the registration of its users prior to accessing its products or services or certain features of its products or services and it may be subject to increased legislation and regulations on the collection, storage, retention, transmission and use of user-data that is collected. The Company's efforts to protect the personal information of its users may be unsuccessful due to the actions of third parties, software bugs or technical malfunctions, employee error or malfeasance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to the Company's data or its user's data. If any of these events occur, users' information could be accessed or disclosed improperly. Any incidents involving the unauthorized access to or improper use of the information of users or incidents involving violation of the Company's terms of service or policies could damage the Company's reputation and the Company's brand and diminish its competitive position. In addition, the affected users or governmental authorities could initiate legal or regulatory action against the Company in connection with such incidents, which could cause the Company to incur significant expense and liability or result in orders or consent decrees forcing the Company to modify its business practices and

remediate the effects of any such incidents of unauthorized access or use. Any of these events could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

### **Forward-Looking Statements**

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Company believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These forward-looking statements are made as of the date of this MD&A. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: the ability to obtain sufficient and suitable financing to support acquisitions, material adverse consequences of the COVID-19 pandemic, ability to successfully consolidate acquired businesses with the Company's existing operations, and the retention of customers of any acquired businesses following the completion of an acquisition. See also "Risks Factors" above and in the Company's most recent Prospectus supplement and Annual Information Form. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.