TSXV:SBIO · OTCQX:SABOF

Sabio Holdings Inc.

Management's Discussion & Analysis

For the three months ended March 31, 2024

Expressed in U.S. Dollars

All amounts herein are expressed in U.S. Dollars unless otherwise stated.

The Management's Discussion and Analysis ("MD&A") explains the variations in the consolidated operating results and financial position and cash flows of Sabio Holdings Inc. ("Sabio" or the "Company") (formerly Spirit Banner II Capital Corp., hereafter referred to as "Spirit") as at and for the three months ended March 31, 2024. References in this MD&A to "us", "we" and "our" mean Sabio unless otherwise stated.

This analysis should be read in conjunction with Sabio's Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2024, and related notes (the "Condensed Interim Consolidated Financial Statements"). The Condensed Interim Consolidated Financial Statements and extracts of those Condensed Interim Consolidated Financial Statements provided in this MD&A, were prepared in U.S. dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, using the accounting policies described therein. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. All amounts are presented in U.S. dollars unless otherwise indicated. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information. (Please see the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A).

Management of the Company is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made herein. The Board of Directors provides an oversight role with respect to all public financial disclosures by the Company and has reviewed this MD&A and the accompanying consolidated financial statements.

Investors should be aware of the inherent limitations of certifying officers of a venture issuer to design and implement, on a cost-effective basis, appropriate Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109. Such limitations may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

This MD&A is dated and approved by the Board of Directors as of May 29, 2024.

Forward-Looking Statements

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as "may", "will", "intend", "anticipate", "believe", "expect", "foresee", "intend", "plan", or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future events. Forward-looking statements in this MD&A include but are not limited to statements regarding subscriber additions, the variability of the revenues going forward, anticipated market trends and technology adoption by customers and industry peers, anticipated growth in revenue and expenses, the potential impacts of additional expenditures on revenue growth rates, the sufficiency of cash on hand, the benefits of the App Science platform, the realization of the synergies arising from the Acquisition of Vidillion Inc., and the Company's ability to obtain the financing necessary to continue operations. There can be no assurance that such statements will prove to be accurate, and actual results and future events may differ materially from those anticipated in such statements.

By its nature, forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. These risks and uncertainties include, but are not limited to, the factors discussed in the "Risk Factors" section of this MD&A. Readers are cautioned not to place undue reliance on forward-looking information.

Non-IFRS Measures

The Company prepares its Condensed Interim Consolidated Financial Statements in accordance with IFRS. Non-IFRS measures are used by management to provide additional insight into our performance and financial condition. We believe non-IFRS measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the Condensed Interim Consolidated Financial Statements. This MD&A also includes certain measures which have not been prepared in accordance with IFRS such as, Adjusted EBITDA. To evaluate the Company's operating performance as a complement to results provided in accordance with IFRS, the term "Adjusted EBITDA", as defined by management, refers to net income (loss) before adjusting earnings for finance costs, interest earned, transaction costs, gain on loan forgiveness, income taxes, state and local taxes (recovery), stock-based compensation, amortization, settlement fees, foreign exchange differences, severance costs, and gain (loss) on disposal of intangibles. We believe that the items excluded from Adjusted EBITDA are not connected to and do not represent the operating performance of the Company.

We believe that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed as well as expenses related to stock-based compensation, depreciation, amortization, restructuring costs, other expense (income), and foreign exchange (gain) loss. Accordingly, we believe that this measure may also be useful to investors in enhancing their understanding of the Company's operating performance. It is a key measure used by the Company's management and board of directors to understand and evaluate the Company's operating performance, to prepare annual budgets and to help develop operating plans.

Company Overview

Sabio Holdings Inc. (the "Company" or "Sabio") (formerly Spirit Banner II Capital Corp. and hereafter referred to as "Spirit"), was incorporated under the Business Corporation Act of Ontario, Canada on September 29, 2017. The registered corporate office is located at 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3. The corporate head office of the Company is located at 315 Culver Boulevard, Playa Del Rey, California, 90293.

Sabio Holdings Inc. is a diverse-owned provider of connected TV ("CTV") and over-the-top ("OTT") technology and service, targeting the rapidly expanding markets of ad-supported video-on-demand ("AVOD") and free ad supported streaming ("FAST") channels. The company plays a pivotal role in enabling brands to connect, engage and validate their consumers base through advanced technology. In 2023, the U.S. CTV market boasted more than 110 million Gen Z and Millennial users, with projections indicating that Gen Z users will reach 56.1 million in 2025, marking them as the youngest, largest and most ethnically diverse generation in U.S. history. Sabio offers a comprehensive suite of CTV/OTT technologies and services that support global distribution, monetization, and analytics for app publishers, content creators, brands and agencies. Sabio's subsidiaries include FWD Tech Inc. (previously known as Vidillion Corp.), a technology pioneer specializing in distributing and managing ad-supported CTV/OTT applications on various platforms such as Roku, Vizio, Amazon Fire, and Disney +. Sabio, Inc., a wholly owned subsidiary, works with leading brands and agencies to deliver targeted advertising campaigns through its propriety Demand Side Platform ("DSP") and ad server. Furthermore, Sabio champions original content with SabioTV, a free streaming platform dedicated to promoting diversity and enhancing representation within the broader streaming landscape. Additionally, App Science, Inc., through its AppScience Data Management Platform ("DMP"), offers a pioneering, privacy-compliant cross-screen household graph of 55 million homes, providing valuable insights into consumer behaviors and supporting advanced analytics for agencies and brands' CTV, OTT, and mobile advertising efforts.

Sabio and its subsidiaries are renowned for delivering targeted, effective advertising solutions, analytics, and insights to some of the most significant agencies and brands in the United States. The company is backed by a team of experienced ad-tech and media professionals, supported by a robust management team with over 170 years of collective experience in television and ad-tech. Sabio employs more than 100 individuals across the United States, Canada, and India.

On November 19, 2021, Sabio successfully completed a reverse takeover transaction with Spirit, resulting in the acquisition of all securities of Spirit by Sabio's U.S.-based subsidiary, Sabio, Inc. This strategic move led to the integration of Spirit as a wholly owned subsidiary, continuing its operations under the Sabio banner. Following this transaction, the company was renamed to "Sabio Holdings Inc." and began trading on the TSX Venture Exchange under the ticker "SBIO" as a Tier 2 technology issuer on November 26, 2021, marking a significant milestone in the Company's journey as a CTV and OTT technology provider.

Significant developments during the three months ended March 31, 2024, and to the date of this report include the following:

- On May 17, 2024, the Company signed a term sheet on a new, multi-year asset-based lending credit facility with an alternative lender to replace its existing credit facility with Avidbank. The material terms wherein, including the total credit available, are comparable to the Company's existing facility, and is secured against assets of the Company including, but not limited to, its Accounts Receivable. The new lender will receive a first priority lien and security position in all assets of the Company. The facility, pending final credit approval and loan documentation, is expected to close during the second quarter of 2024, with the Company's current facility with Avidbank continuing through the transition period. On April 23, 2024, the Company and Avidbank had agreed on terms for a 90-day extension until August 21, 2024, for the bank's credit facility, with $6,500,000 maximum loans outstanding.

- On April 24, 2024, the Company announced annual commitments and orders exceeding $27 million for the 2024, representing close to 75% of 2023's consolidated revenues. The Company anticipates record top-line and bottom-line numbers in 2024, underpinned by strong second-half revenue pipeline visibility and fiscal discipline.

- On April 22, 2024, Sabio's App Science™ subsidiary announced a multi-year renewal with Pivot Marketing Group to support their clients including Toyota Motor North America. App Science's cross-platform measurement solutions will empower Pivot to reach, engage, and validate their audiences and their behaviors at a deeper level, and will leverage the platform's AI capabilities.

- On March 26, 2024, the TSX Venture Exchange accepted a notice filed by the Company to implement a Normal Course Issuer Bid, whereupon the Company may, during the 12-month period commencing April 2, 2024 and ending April 1, 2025, purchase up to 852,184 shares in total, being 5% of the total number of 17,043,687 shares outstanding as at March 19, 2024.

- On February 29, 2024, the Company announced a strategic collaboration with McDonald's USA, through a partnership with Publicis Groupe. McDonald's will leverage Sabio's CTV/ITT inventory, customized audience segments and App Science's proprietary, 55 million household graph data, to effectively connect with and reach the growing U.S. multicultural audience.

- On February 6, 2024, the Company appointed President of GroupM Multicultural Gonzalo Del Fa as an independent member of the Board of Directors. As President of GroupM Multicultural, Mr. Gonzalo Del Fa plays a key role in all aspects of multicultural marketing, diverse media, and inclusive investment efforts across GroupM, WPP's media investment group. In addition to his role at GroupM, he is the Past-Chairman of the Hispanic Marketing Council. Prior to joining GroupM, Mr. Gonzalo Del Fa worked at American Express Argentina, BBVA, Hachette Filipacchi, and Editorial Televisa.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

The following table provides selected financial information from the Company's recent operations for the three months ended March 31, 2024, and 2023. This information should be read together with the Consolidated Financial Statements.

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Revenues	**6,351,533**	6,481,572
By source:		
Mobile	**1,257,365**	2,501,721
Connected TV/OTT Streaming	**4,878,119**	3,792,144
Other	**216,049**	187,707
Gross Profit	**3,762,004**	4,011,050
Adjusted EBITDA (1)	**(1,308,784)**	(2,221,004)
Gain (loss) from Operations	**(1,685,812)**	(2,601,864)
Net gain (loss)	**(2,012,107)**	(2,779,648)

(1) As defined in "Non-IFRS Measures"

Revenue:

Sabio Holdings Inc. generates revenue from the monetization of streaming on TV and mobile devices, along with analytics and insights via its App Science subsidiary and content enablement through its FWD Tech Inc. (formerly, Vidillion Corp.) subsidiary. Sabio's platform reaches 110M connected TV devices and 55M validated TV and mobile households on platforms such as Roku, Amazon Fire, Apple TV+, Samsung TV, Vizio, and LG, amongst others. The Company's clients include the top 100 advertising brands in the United States, who Sabio sells to through their respective advertising agencies. Revenue from advertising is mostly generated through video and display advertising delivered through advertising impressions. Advertising is typically sold on a cost-per-thousand ("CPM") basis and is evidenced by an Insertion Order, ("IO"). Revenue is recognized as the number of impressions are delivered. Revenue for App Science is generated via the sales of insights reports and brand study reports and licenses to subscribe to the App Science™ platform, while revenue for FWD Tech Inc. (formerly, Vidillion Corp.) is generated via sales connected to its proprietary CTV and OTT streaming supply side platform.

Consolidated revenues for the three months ended March 31, 2024, composed primarily of Connected TV and OTT streaming and mobile display sales, was $6,351,533, a decrease of $130,039 from $6,481,572 for the three months ended March 31, 2023. The 2% decrease in sales was primarily driven by declines in mobile display advertising, offset by a return to double-digit growth within a growing Connected TV and OTT business that continues to take market share. Connected TV and OTT streaming remains one of the fastest growing categories in advertising, and whose sales model carries inherent cost efficiencies versus one dependent on mobile display (where campaign parameters often require more customization). The rapid growth of ad-supported (Connected TV and OTT) streaming into Sabio's dominant sales category - representing 77% of our sales mix for the quarter, compared to 59% in the prior year's period - evidences Sabio's ability to segment ourselves in the market by leveraging proprietary data to generate valuable marketable insights through a non-cookie based platform. These insights drive a more powerful connection to target audiences, helping brands and political advertisers effectively reach, engage and validate ("REV") audiences in a fragmented media ecosystem. In Management's view, Sabio's ability to reach increasingly diverse cord-cutters with authenticity, wherever they stream content, positions the Company well in the quarters to come as our ad-supported streaming business continues to outpace industry trends.

By segment, Connected TV/OTT streaming sales for the three months ended March 31, 2024, increased by 29% to $4,878,119, an increase of $1,085,975 from $3,792,144 for the three months ended March 31, 2023. The increase was primarily driven by increased Connected TV/OTT streaming sales across several verticals, including retail, entertainment, quick-service restaurants and political and advocacy compared to the prior year's period. FWD Tech Inc. (formerly, Vidillion Corp.) continues to add new partnerships, increasing on a sequential basis, its demand-side integrations by 11%.

Connected TV advertising remains one of digital advertising's fastest-growing channels, and in the first quarter, the Company continued to gain market share through its end-to-end REV ecosystem. Sabio, through its DSP and ad server, is able to provide targeted campaigns solutions to top agencies and brands by monetizing the ad slots enabled in FWD Tech Inc. (formerly, Vidillion Corp.), as well as through other third-party Connected TV/OTT apps. With its expertise in implementing mobile data for precise audience targeting, the Company is uniquely positioned to provide the next level consumer behavior analytics. To this end, it has established a subsidiary to commercialize its App Science™ analytics and validation capabilities. The Company will continue targeting the traditional Connected TV/OTT advertisement/media business while its App Science subsidiary has been tasked with commercializing App Science as a stand-alone Connected TV/OTT analytics solution. For the three-months ended March 31, 2024, App Science generated $267,957 in sales, of which $60,000 in sales were to Sabio, and eliminated on consolidation, a 43% increase compared to $186,986 in sales in the prior year's quarter (or 11% excluding intercompany sales to Sabio).

For the three months ended March 31, 2024, mobile display sales were $1,257,365, a decrease of $1,244,356, or 50%, from $2,501,721 for the three months ended March 31, 2023 as more legacy mobile display campaigns continued to shift their spend with Sabio from mobile display to mobile OTT streaming, recognized under our Connected TV/OTT revenue category.

Cost of Sales and Gross Margins:

The following table sets out a reconciliation of Gross Profit to Revenue for each of the periods indicated:

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Revenues	**6,351,533**	6,481,572
Cost of sales	**2,589,529**	2,470,522
Gross profit	**3,762,004**	4,011,050

Cost of sales consist of purchased publisher media inventory, production, and technical service costs and fees, in addition to data center, bandwidth, and cloud hosting costs connected to our revenue-producing platform. For the three months ended March 31, 2024, cost of sales was $2,589,529 compared to $2,470,522 for the three months ended March 31, 2023. The increase of $119,007 or 5% was attributable to the increase in CPM rate for the supply side during the period. Gross profit margin was 59% for the three months ended March 31, 2024, compared to 62% for the three months ended March 31, 2023. The decline was primarily due to marginal rate concessions to secure larger upfront deals, which management believes will add more consistency and predictability to our sales model, while reducing operational costs through strong customer renewal rates.

Reconciliation of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2024, and 2023:

The following table presents a reconciliation of Net income (loss) to Adjusted EBITDA for the periods indicated:

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Net income (loss) for the period	**(2,012,107)**	(2,779,648)
Adjustments		
Finance costs	**314,346**	170,481
Interest earned	**(8,092)**	-
Amortization of intangible assets	**51,147**	37,140
Stock-based compensation	**46,177**	145,888
Amortization of lease	**179,552**	120,845
Income taxes	**11,949**	7,303
Foreign exchange differences	**2,043**	-
State and local taxes	**19,868**	32,001
Severance expenses	**86,333**	44,986
Total adjustments	**703,323**	558,644
Adjusted EBITDA (1)	**(1,308,784)**	(2,221,004)

(1) As defined in "Non-IFRS Measures"

Adjusted EBITDA for the three-month period ended March 31, 2024, was a loss of $1,308,784, compared to a loss of $2,221,004 for the three months ended March 31, 2023. The quarter-over-quarter decrease in loss of $912,220 or 41% was primarily driven by several cost and operational efficiency initiatives implemented during the second and third quarters of 2023. Normalized for commissions and bonuses, these initiatives resulted in a 21% reduction in the first quarter operating expenses compared to the prior year's period, and on a sequential basis, decreased by 8% in comparison to the fourth quarter of 2023.

For the quarter ended March 31, 2024, non-recurring adjustments included severance expenses of $86,333 that resulted from cost reduction and operational efficiency initiatives undertaken by management in the third quarter of 2023.

Operating Expenses:

The following table summarizes various expenses for the three months ended March 31, 2024, and 2023:

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Sales and marketing	**2,838,658**	3,478,150
General and administrative	**1,139,307**	1,194,637
Occupancy cost	**175,120**	206,282
Finance costs	**314,346**	170,481
Research and technology costs	**1,017,855**	1,429,972
Stock-based compensation	**46,177**	145,888
Amortization of intangible assets	**51,147**	37,140

Sales and marketing

Sales and marketing consist of all costs associated with selling and marketing the Company's products and services. These costs include all salaries and wages, benefits, commissions, travel, marketing and payroll taxes for our sales, marketing, and account management teams. Sales and marketing expenses for the three months ended March 31, 2024, were $2,838,658, a decrease of $639,492 or 18% from $3,478,150 for the three months ended March 31, 2023. Normalized for sales commissions and bonus accruals, the decrease was 26%. Management's cost and operational efficiency initiatives resulted in reduced contractor, advertising and other marketing-related expenditures. On a sequential basis, sales and marketing expenses, normalized for sales commissions and bonus accruals, decreased by 11% in comparison to the fourth quarter 2023. While our operating infrastructure continues to become more efficient, the Company is benefiting from a strategic reallocation of internal resources aimed at increasing ROI within its sales and marketing apparatus. Targeted investments within the business helped successfully secure more than $27 million in upfront commitments and political and advocacy orders for the 2024 fiscal year.

General and administrative

General and Administrative costs include legal and professional fees, employee training, bank charges, contractors, administrative salaries and wages, employee meetings and office supplies. General and administrative costs for the three months ended March 31, 2024, were $1,139,307, a decrease of $55,330 from $1,194,637 in the same quarter of the prior year. The 5% decrease was, driven through Management's cost-efficiency initiatives, which included reduced labor costs.

Occupancy

Occupancy costs include short-term leases, utilities and incidental costs incurred throughout the Company's operating footprint. Occupancy costs for the three months ended March 31, 2024, were $175,120, a decrease of $31,162 or 15% from $206,282 in the same quarter of the prior year.

Finance costs

Finance costs for the three months ended March 31, 2024, were $314,346, an increase of $143,865 or 84% from $170,481 in the comparable period of fiscal 2023. The increase was primarily attributable to increases in the Wall Street Journal prime rate and the closure of the Company's convertible note offering in August 2023. As at March 31, 2024, the company had an outstanding loan balance of $4,762,271 under an accounts receivable line of credit with Avidbank, a decrease of $2,308,373 or 33% from $7,070,644 as at December 31, 2023.

On August 16, 2023, the Company closed a non-brokered private placement financing of secured notes in the aggregate principal of $890,328 (CAD$1,200,000) and unsecured notes for aggregate gross proceeds of $399,052 (CAD$537,850) for total gross proceeds of $1,289,380 (CAD$1,737,850). Both secured and unsecured notes bear interest at the rate of 14% per annum.

Research and technology costs

Research and technology costs consist of all costs associated with studies and uncapitalized development processes in connection to maintaining and increasing the effectiveness and efficiency of our technological platforms and proprietary technologies. The majority of such costs are comprised of salaries and wages, costs associated with housing the required computer equipment and technologies and data and analytics costs. Research and technology costs for the three months ended March 31, 2024, were $1,017,855, a decrease of $412,117, or 29%, from $1,429,972 compared to the same period of the prior year. Since its acquisition of Vidillion Inc., Management has implemented several operational synergies and economies of scale that have resulted in cost reductions, including within our cloud storage and data analytics processes, which contributed to the decline.

Stock-based compensation

The Company uses an omnibus incentive plan as a means for employee compensation, retention, and incentives. Stock-based compensation for the three months ended March 31, 2024, was $46,177, a decrease of $99,711 or 68% from $145,888 in the same period of the prior year. Stock-based compensation granted in fiscal 2024 was related to executive and non-executive and consultant compensation in the ordinary course of business.

Research and Development Expenditures:

Research and development expenses consist of certain remunerations paid to engineer personnel. Development costs that meet the criteria under IAS 38 Intangible Assets are capitalized as an Intangible Asset. Deferred development costs have finite lives and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

During the three months ended March 31, 2024, the Company capitalized $35,274 to Intangible Assets, compared to $24,452 in the comparable period in fiscal 2023.

During the three months ended March 31, 2024, the Company amortized a total of $37,868 in development expenses, compared to $37,140 in the comparable period in fiscal 2023.

OUTLOOK

As Connected TV/OTT streaming continues to be one of the fastest growing categories in advertising, Sabio's 29% revenue growth in this category during the first quarter of 2024 demonstrates we are gaining market share, and our growth in this space continues to outpace growth in the market.

Building on the material improvements in operating leverage that drove over $2 million in Adjusted EBITDA and an expansion of Adjusted EBITDA margins in fourth quarter 2023, the inherent cost efficiencies in transitioning to this growing Connected TV/OTT streaming sales model away from one more dependent on mobile display has resulted in continued gains in operating leverage in the first quarter of 2024. As our operating infrastructure continues to become more efficient, our sales model continues to become more predictable.

This creates great opportunity for our continued growth as we are armed with:

- High rates of reoccurring revenue as 85% of consolidated first quarter 2024 revenues were from repeat customers (up from 79% in the same quarter in 2023);
- The continued addition of top name plates as new logos made up ~20% of first quarter 2024 spend;
- Material upfront commitments including $15+ million in signed political & advocacy insertion orders for campaigns to run during the last three quarters of 2024; and
- The most diversified vertical mix in Sabio's history.

Management continues to expect a return to double digit consolidated revenue growth in 2024 over both 2023 and our record 2022 mid-term election year. Complemented by a reduced operating infrastructure, Sabio expects improvements in operating leverage with a return to Adjusted EBITDA profitability for the year. Management also expects to allocate material improvements in cash flows to bolster its working capital, through both debt repayment and improved cash reserves, which in combination with the continuation of our credit line, will provide greater balance sheet flexibility as we drive towards continued growth on both the top and bottom-lines.

See "Forward Looking Statements"

Summary of Quarterly Results

The following unaudited table sets out selected financial information for the Company on a consolidated basis for the last eight most recently completed quarters.

	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	June 30, 2023	March 31, 2023	Dec 31, 2022	Sep 30, 2022	June 30, 2022
Revenue	6,351,533	12,671,038	8,814,642	7,987,682	6,481,572	17,606,761	11,919,696	7,200,957
Net Income (Loss)	(2,012,107)	1,132,414	(738,411)	(2,378,891)	(2,779,648)	2,016,200	657,774	(1,877,069)
Assets	14,861,763	20,181,393	16,374,906	15,180,650	14,756,666	21,790,734	16,375,042	12,476,313
Liabilities	17,892,887	21,262,110	19,223,875	17,584,489	14,971,383	19,442,680	16,337,049	13,288,109
Basic EPS	(0.04)	0.02	(0.02)	(0.05)	(0.06)	0.04	0.01	(0.04)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, by continuously monitoring actual and forecasted cash flows.

We intend to use our operating income and funds on hand to meet funding requirements for the development and commercialization of our technology products and services based on anticipated market demand and working capital purposes. Our actual funding requirements will vary depending on a variety of factors, including our success in executing our business plan, the progress of our research and development efforts, our commercial sales, and our ability to manage our working capital requirements.

While the Company currently has sufficient operating capital to meet its day-to-day operating expenses, it is possible that the Company could experience a working capital deficiency in the future, which would have a materially adverse effect on the Company's liquidity. In the event future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional debt. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. Furthermore, there is no certainty that additional financing, whether debt or equity, will be available or that it will be available on attractive terms.

As of March 31, 2024, the Company had cash of $2,319,996 as compared to $2,612,112 as at December 31, 2023, to settle current liabilities of $14,613,652 (December 31, 2023 - $17,744,528). We ended the first quarter with a net working capital deficit of $5,087,139, compared to a net working capital deficit of $3,095,365 at December 31, 2023, as Management managed its balance sheet to fund the operating loss incurred during the first quarter of 2024. Management expects a material improvement in working capital in the quarters ahead. Our expectations on a return to full-year, Adjusted EBITDA profitability includes over $15 million in political and advocacy orders secured between the second and fourth quarters of 2024, of which a material component will be received in advance before the run dates of the respective campaigns.

On August 16, 2023, the Company entered into agreement for issue of secured convertible notes (the "secured notes") and unsecured convertible notes (the "unsecured notes" and together with the "secured notes", the "notes") to raise aggregate gross proceeds of $1,289,380 (CAD $1,737,850) which comprises of the issuance of secured notes in the aggregate principal amount of $890,328 (CAD $1,200,000) and unsecured notes in the aggregate principal amount of $399,052 (CAD $537,850). The notes issued have a maturity date of August 16, 2025. The notes will be convertible in whole or in part, at the option of the holder, into common shares of the Company at a price of CAD $1.00 per common share at any time before or on the maturity date. The secured notes bear interest at the rate of 14% per annum payable semi-annually in arrears in cash or common shares at the option of the Company and are secured against accounts receivable, deposit account, intellectual property including general intangibles, notes receivable and other assets of the Company, as more particularly described in the security agreement between the Company and Pathfinder Asset Management Ltd., the lead investor acting as collateral agent for the benefit of itself and for the other secured note holders. The security interests are structurally subordinated to the first lien security interest of Avidbank. The Company may, at any time, prepay all or part of the principal amount of the secured notes plus accrued and unpaid interest without penalty or bonus, except for the case of repayment within the twelve months following the issue date, the holder will be entitled to receive a repayment amount that is equal to the principal amount and interest calculated for a period of twelve months from the issue date. The unsecured notes bear interest at the rate of 14% per annum payable monthly in cash. The Company may prepay the unsecured notes issued at any time after twelve months from the issuance date.

On April 23, 2024, the Company and Avidbank agreed on terms for a 90-day extension until August 21, 2024, for the bank's credit facility where it continued to provides for an Accounts Receivable Line of Credit, with $6,500,000 maximum loans outstanding, at an interest rate of the greater of the Wall Street Journal prime rate plus 1.00% to 4%, with a floor between 9.5% to 12.5%. On May 17, 2024, the Company signed a term sheet on a new, multi-year asset-based lending credit facility with an alternative lender to replace its existing credit facility with Avidbank. The material terms wherein, including the total credit available, are comparable to the Company's existing facility, and is secured against assets of the Company including, but not limited to, its Accounts Receivable. The new lender will receive a first priority lien and security position in all assets of the Company. The facility, pending final credit approval and loan documentation, is expected to close during the second quarter of 2024, with the Company's current facility with Avidbank continuing through the transition period.

Below is a summary of our cash provided by (used in) operating, investing, and financing activities for the periods indicated:

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Cash flows from (used in) operating activities	**2,323,724**	(1,586,103)
Cash flows used in investing activities	**(35,274)**	(24,452)
Cash flows (used in) from financing activities	**(2,580,566)**	903,584
Net (decrease) increase in cash	**(292,116)**	(706,971)
Cash, beginning of period	**2,612,112**	3,999,402
Cash, end of period	**2,319,996**	3,292,431

Cash provided by (used in) operating activities:

Our operating activities generated $2,323,724 in cash for the three months ended March 31, 2024, which primarily resulted from $2,012,107 in net losses which were offset by $3,962,628 attributable to movements in non-cash working capital and $373,203 of non-cash adjustments. Decreases in accounts receivable and in accounts payable and accrued liabilities were the primary contributors to the movements in non-cash working capital.

Cash provided by (used in) investing activities:

For the three months ended March 31, 2024, cash used in investing activities was $35,274, which consisted of development costs related to internally generated intangible assets, compared to cash used for development costs of $24,452 for the three months ended March 31, 2023.

Cash provided by (used in) financing activities:

Cash used by financing activities for the three months ended March 31, 2024, was $2,580,566 which was primarily due to:

- The Company paid a net amount of $2,308,373 on its credit facility with Avidbank.
- The Company further made payments of $222,024 towards its lease liabilities.

Security-based Compensation:

On June 29, 2022, shareholders of the Company approved a replacement omnibus equity incentive plan. Under the plan, the Company issues security-based compensation, including options and restricted stock units.

Stock Options

As at March 31, 2024, the Company was entitled to issue a maximum of 5,009,241 share options outstanding under the omnibus equity incentive plan, compared to 5,007,058 as at December 31, 2023.

The following table summarizes the continuity of stock options issued by the Company under the omnibus incentive plan:

Measurement date	Number of Options	Weighted average exercise price
	#	$
Balance, December 31, 2022	3,144,081	0.55
Granted	417,500	0.64
Exercised	(466,408)	0.12
Forfeited	(253,442)	0.61
Balance, December 31, 2023	2,841,731	0.63
Forfeited	(80,426)	0.75
Balance, March 31, 2024	**2,761,305**	**0.62**

Restricted Stock Units

As at March 31, 2024, the Company was entitled to issue a maximum of 4,550,993 other security-based awards (including RSUs) outstanding under the omnibus equity incentive plan. The following table summarizes the continuity of restricted stock units issued by the Company under the omnibus equity incentive plan:

Measurement date	Number of RSUs	Weighted average grant price
	#	$
Balance, December 31, 2022	657,313	0.65
Granted	625,793	0.54
Forfeited	(128,907)	0.58
Vested and redeemed	(375,572)	0.63
Balance, December 31, 2023	778,627	0.59
Forfeited	(100,000)	0.74
Vested and redeemed	(21,833)	0.76
Balance, March 31, 2024	**656,794**	**0.56**

Warrants

There were no warrants issued during the three months ended March 31, 2024. A summary of changes in warrants during the three months ended March 31, 2024, and for the year ended December 31, 2023, is as follows:

Measurement date	Number of Warrants	Weighted average exercise price
	#	$
Balance, December 31, 2022	4,178,188	0.57
Exercised	(2,804,702)	0.17
Expired	(1,373,486)	1.39
Balance, December 31, 2023 and March 31, 2024	**-**	**-**

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities for the financial liabilities as at March 31, 2024:

March 31, 2024	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	**9,098,802**	9,098,802	-	-	-
Lease liability	**2,993,788**	959,689	1,157,348	876,751	-
Loans payable	**6,422,662**	4,767,019	1,194,244	25,707	435,692
	18,515,252	14,825,510	2,351,592	902,458	435,692

The following are the contractual maturities for the financial liabilities as at December 31, 2023:

December 31, 2023	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	**9,981,464**	9,981,464	-	-	-
Lease liability	**3,215,993**	918,539	1,277,365	1,020,089	-
Loans payable	**8,763,493**	7,075,392	1,226,702	25,707	435,692
	21,960,950	17,975,395	2,504,067	1,045,796	435,692

The loans payable balance as at March 31, 2024 includes:

(i) $4,762,271 outstanding under an accounts receivable line of credit with Avidbank. The facility is secured against assets of the Company including, but not limited to, its Accounts Receivable and provides for an Accounts Receivable Line of Credit, with $7,500,000 maximum loans outstanding, at an interest rate of the greater of the Wall Street Journal prime rate plus 1.00% to 4%, with a floor between 9.5% to 12.5%. Under the facility, the Company can pledge its accounts receivable to Avidbank in order to receive funds up front to improve its cash flows. If a pledged invoice is uncollectible within 120 days to 150 days from the invoice date, the Company would be liable to repay the unpaid amounts along with fees relating to invoice processing stemming from customer disputes, breach of representation or warranty, customer insolvency or unwillingness to pay, or default.

On April 23, 2024, the Company and Avidbank agreed on terms for a 90-day extension until August 21, 2024, for the bank's credit facility. The facility carries a maximum of $6,500,000 loans outstanding and is based on certain factors including adequate cash reserves. On May 17, 2024, the Company signed a term sheet on a new, multi-year asset-based lending credit facility with an alternative lender to replace its existing credit facility with Avidbank. The material terms wherein, including the total credit available, are comparable to the Company's existing facility, and is secured against assets of the Company including, but not limited to, its Accounts Receivable. The new lender will receive a first priority lien and security position in all assets of the Company. The facility, pending final credit approval and loan documentation, is expected to close during the second quarter of 2024, with the Company's current facility with Avidbank continuing through the expected transition period.

(ii) Secured convertible notes (the "secured notes") in the aggregate principal of CAD$1,200,000 and unsecured convertible notes (the "unsecured notes" and together with the "secured notes", the "notes") for aggregate gross proceeds of CAD$537,850 for total gross proceeds of CAD$1,737,850 that the Company closed on August 16, 2023, through a non-brokered private placement financing. The notes will mature on August 16, 2025. The notes will be convertible in whole or in part, at the option of the holder, into common shares in the capital of the Company ("common shares") at a price of CAD$1.00 ("conversion price") per common share at any time before or on the maturity date. The unsecured notes bear interest at the rate of fourteen percent (14%) per annum payable as of the maturity date, except that: (i) the interest on the unsecured note issued to Mr. Aziz Rahimtoola – the Company's Chief Executive Officer - will be payable monthly; and (ii) the Company may prepay the unsecured note issued to Mr. Aziz Rahimtoola any time after twelve months from the issuance. The secured notes bear interest at the rate of fourteen percent (14%) per annum payable semi-annually in arrears in cash or common shares at the option of the Company and are secured against all personal property and assets of the Company. The security interests are structurally subordinated to the first lien security interest of Avidbank. The secured notes can be prepaid in all or a part of the principal plus accrued and unpaid interest without penalty or bonus, except for the case of repayment within the twelve months following the issue date, the holder will be entitled to receive a repayment amount that is equal to the principal amount and interest calculated for a period of twelve months from the issue date. The carrying amount of the convertible notes as of March 31, 2024 was $1,170,391.

COMMITMENTS

On August 8, 2022, the Company entered a lease for an office in Hyderabad, India with Gowra Ventures (P) Ltd with the assured period of five years from the rent commencement date. The lease contains non-lease components for maintenance charges and usage charges amounting to $273,253 (INR 334,123) for the assured period.

On March 17, 2023, the Company entered a lease for a new office in Playa del Rey, California for 67 months with Culver Studio Partners LLC. The lease contains non-lease components for maintenance charges and usage charges amounting to $548,097 for the 67-month term.

The future minimum commitment for these contracts as at March 31, 2024 is as follows:

Within one year	$	50,833
Less than one year and not longer than five years		696,466
Thereafter		-
	$	**747,299**

RELATED PARTY TRANSACTIONS

At March 31, 2024, the Company's related party loan balances included a non-interest-bearing advance, receivable on demand from Aziz Rahimtoola, Chief Executive Officer of the Company in the aggregate amount of $804,668 ($787,107 as at December 31, 2023). The loan balance was substantially incurred before the Company went public during periods where Mr. Rahimtoola did not receive regular compensation. Mr. Rahimtoola is now compensated through the Company's regular payroll and further increases in the loan balance are not expected. The related party loan balances also include a loan principal plus interest of $61,706 ($61,556 as at December 31, 2023), with the interest rate of 1% per annum receivable from Simon Wong, an Officer of the Company. During the second quarter of 2023, the loan was extended for two (2) additional years and is due on July 15, 2025.

On August 16, 2023, the Company entered into an agreement for the issuance of secured convertible notes and unsecured convertible notes. As a part of this offering, Aziz Rahimtoola, Chief Executive Officer of the Company, subscribed for an unsecured note in the aggregate principal amount of $399,052 (CAD $537,850). The unsecured Notes will be convertible in whole or in part, at the option of the holder, into common shares of the Company at a price of CAD$1.00 per common share at any time before or on the maturity date. The unsecured notes bear interest at the rate of 14% per annum payable monthly in cash. The Company may prepay the unsecured notes issued at any time after twelve months from the issuance. At the date of issue, $314,767 (net of transaction costs of $12,757) were classified as a liability component and $71,528 was classified as equity component. The balance of the unsecured convertible note due to Aziz Rahimtoola as at March 31, 2024 classified as a liability component was $321,506 and the amount classified as equity component was $71,528.

On November 20, 2023, several arrangements were agreed to between the Company and certain Canadian parties, including Liam Farrell – a related party - for exercising an aggregate of 2,804,702 share purchase warrants (including 182,136 share purchase warrants held by Liam Farrell) at an exercise price of CAD$0.21 ($0.17). The share purchase warrants were originally issued by the Company on January 11, 2021. These arrangements include the provision of promissory notes between the Company and warrant holders. The balance of promissory note due from Liam Farrell, including accrued interest, as at March 31, 2024 was $28,972.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not aware of any material off-balance sheet arrangements.

ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Condensed Interim Consolidated Financial Statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. Significant assumptions and estimates used in preparing the financial statements include those related to credit quality of accounts receivable, income tax credits receivable, share-based payment transactions, capitalization and amortization of internally generated development costs, impairment tests for non-financial assets, as well as revenue and cost recognition. Sabio bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Material accounting policies and estimates under IFRS are found in Note 3 and Note 4 of the Company's Condensed Interim Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

For the three months ended March 31, 2024, the Company has adopted several amendments for the first time, but the adopted amendments do not have a material impact on the condensed interim consolidated financial statements of the Company. Our material accounting policies are found in Note 3 of the Company's Condensed Interim Consolidated Financial Statements.

INTERNAL CONTROLS

Effective internal controls are necessary for Sabio to provide reliable financial reports and to help prevent fraud. Management of Sabio is responsible for establishing and maintaining disclosure controls and procedures for the Company. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer ("CEO") and by others within those entities on a timely basis, particularly during the period in which the annual filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

An evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO, as at December 31, 2023. Based on that evaluation, the CEO has concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2023.

There have been no changes to Sabio's internal controls over financial reporting during the three months ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, Sabio's internal control over financial reporting.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value.

As at March 31, 2024, there were (i) 50,092,411 common shares issued and outstanding, (ii) 2,761,305 stock options outstanding with a weighted average exercise price per common share of $0.62 and a weighted average contractual life of 7.46 years, (iii) 656,794 RSUs outstanding with a weighted average grant price of $0.56 and a weighted average contractual life of 1.29 years. As at December 31, 2023, there were (i) 50,070,578 common shares issued and outstanding, (ii) 2,841,731 stock options outstanding with a weighted average exercise price per common share of $0.63 and a weighted average contractual life of 7.78 years and (iii) 778,627 RSUs outstanding with a weighted average grant price of $0.59 and a weighted average contractual life of 1.64 years.

RISK FACTORS

Sabio is exposed to a variety of business, financial and industry risks in the normal course of operations. A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the Annual Information Form for the year ended December 31, 2023, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca

SUBSEQUENT EVENTS

On May 17, 2024, the Company signed a term sheet on a new, multi-year asset-based lending credit facility with an alternative lender to replace its existing credit facility with Avidbank. The material terms wherein, including the total credit available, are comparable to the Company's existing facility. The facility, pending final credit approval and loan documentation, is expected to close during the second quarter of 2024, with the Company's current facility with Avidbank continuing through the transition period. On April 24, 2024, the current Avidbank credit facility was extended for a 90-day period until August 21, 2024, based on certain conditions, and provides for an Accounts Receivable Line of Credit, with $6,500,000 maximum loans outstanding, during the extended period.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF, is posted on SEDAR+ at www.sedarplus.ca.