Haivision

HAIVISION SYSTEMS INC.

Management's Discussion and Analysis

For the Three Months and Six Months Ended April 30, 2022

Dated: June 15, 2022

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (this "**MD&A**") provides a review of the financial condition and results of operations of Haivision Systems Inc. ("**Haivision**") on a consolidated basis for the three months and six months ended April 30, 2022. In this MD&A, where the context so requires, references to the "Company", "Haivision", "we", "us", "our" or similar expressions refer to Haivision Systems Inc. together with our subsidiaries, on a consolidated basis, and references to "Fiscal 2021", "Fiscal 2020" and "Fiscal 2019" are respectively to the fiscal years ended October 31, 2021, October 31, 2020 and October 31, 2019.

This MD&A should be read in conjunction with the information contained in the Company's consolidated interim financial statements and related notes for the three months and six months ended April 30, 2022 (the "**Q2 Financial Statements**"), the Company's annual information form for Fiscal 2021 (the "**2021 Annual Information Form**") and together with the annual MD&A and the 2021 Annual Financial Statements, (the "**2021 Annual Reports**"). These documents and additional information regarding the business of the Company are available under our profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. This MD&A reflects information available to the Company as at June 15, 2022.

BASIS OF PRESENTATION

For reporting purposes, we prepared our Q2 Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The financial information contained in the MD&A was derived from the Q2 Financial Statements. Unless otherwise indicated, all references to "$" are to Canadian dollars and all references to "US$" are to U.S. dollars. Figures in tables are presented in thousands of Canadian dollars, except share and per share amounts or as otherwise indicated. Unless otherwise indicated, all references to a specific "note" refer to the notes to the Q2 Financial Statements. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding.

Given that our headquarters is in Canada, we have a large Canadian workforce. We have a long operating history in Canada. We have decided to report our consolidated financial results in Canadian dollars notwithstanding that our functional currency is the U.S. dollar. We do not currently hedge our exposure to fluctuations in U.S. dollar or other European currency denominated revenue and expenses.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "**forward-looking statements**") within the meaning of applicable securities legislation. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and assumptions about future events and financial trends that we believe might affect our financial condition, results of operations, business strategy and financial needs, including expectations and assumptions concerning: our ability to source components for or manufacture of products; our ability to capitalize on growth opportunities and implement our growth strategy;

our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers' use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of our recent and future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under "Risk Factors" will not materialize.

Forward-looking statements in this MD&A include, among other things, statements relating to our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, statements regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate are forward-looking statements.

Forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe to be appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risks Factors" in this MD&A and in the 2021 Annual Information Form, as well as those risk factors presented elsewhere in the 2021 Annual Reports and in other filings that we have made and may make in the future with applicable securities authorities, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution readers that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Gross Margin. These measures are not recognized measures under IFRS and 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 further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Gross Margin to provide investors with supplemental measures of operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties in the technology industry frequently use non-IFRS measures in the evaluation of issuers. Our management also uses these non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Adjusted EBITDA

We define Adjusted EBITDA as EBITDA adjusted for share-based payment and non-recurring expense items as set out in the table under "Selected Information and Reconciliation of Non-IFRS Measures". Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future. Adjusted EBITDA is a non-IFRS ratio. We believe Adjusted EBITDA is a useful measure for investors and our management to understand our ability to generate operating cash flow by excluding from the calculation these non-cash amounts and cash amounts that are not indicative of the recurring performance of our underlying operations.

Adjusted EBITDA Margin

We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue. Adjusted EBITDA Margin is a non-IFRS ratio. We believe Adjusted EBITDA Margin is a useful measure for investors and our management to assess our progress in deriving synergies operational efficiency and operating leverage as we scale our operations.

EBITDA

We define EBITDA as earnings (loss) before income taxes, depreciation, amortization and financial expenses. EBITDA is a non-IFRS ratio. See the table under "Selected Information and Reconciliation of Non-IFRS Measures" for a reconciliation of EBITDA to net income (loss). We believe EBITDA is a useful measure for investors and our management to understand our ability to generate operating cash flow by excluding from the calculation the effects of expenses that are not indicative of the performance of our underlying operations.

Gross Margin

We define Gross Margin as gross profit divided by revenue. Gross Margin is a non-IFRS ratio. We believe Gross Margin is a useful measure for investors and our management to assess the impact of customer pricing, the impact of supply chain constraints and production costs, and the impact that a changing mix of products or services might have on our overall profitability.

BUSINESS OVERVIEW

We are a leading provider of infrastructure solutions for the video streaming market, servicing enterprises and governments globally. The world's top organizations use our solutions to communicate, collaborate and educate their customers and stakeholders. We deliver high quality, low latency, secure and reliable video through the entire IP video lifecycle (contribution, distribution, and delivery), using a broad range of hardware, software and cloud services in order to deliver a full end-to-end premium level experience. Our solutions give organizations control over mission-critical remote video production capabilities amid the growing needs of decentralized, remote workforces while engaging audiences worldwide with real-time video.

We generate revenue primarily from the sale of our solutions, which are sold separately or part of integrated systems, consisting of hardware, software and services. Our hardware is sold largely as a one-time sale, supplemented by a stream of maintenance and support revenue. Our software solutions are sold as perpetual licenses or on a subscription basis, consisting of one-time and recurring monthly subscription fees. Given the nature of our implementations, much of our revenue include a combination of recurring revenue, multi-year deployment programs and maintenance and support contracts, providing us with strong revenue visibility. This results in a relatively smooth revenue curve with good visibility into near-term revenue growth. We typically enter into purchase agreements with our customers, with pricing based on list prices less a discount. Our goal is to continue to grow revenue arising from our existing customer base as well as adding new customers and end clients.

To continue to grow our business and to achieve our goals, we have identified the following key strategic priorities: (i) Drive strategic alliances; (ii) Increase share of customer's network footprint; (iii) Identify new solution opportunities in core markets; (iv) Leverage SaaS cloud-native video workflows to drive recurring revenue; and (v) Selectively pursue acquisitions.

We delivered against these growth initiatives, and for Fiscal 2021 revenue increased by $9.5 million or 11% when compared to Fiscal 2020. Further, Fiscal 2020 revenue increased by $9.2 million or 12% relative to Fiscal 2019.

IMPACT OF COVID-19 ON OUR OPERATIONS

The spread of COVID-19 has caused us to modify our business practices to help minimize the risk of the virus to our employees, our partners, our customers, and the communities in which we participate. In response to the COVID-19 pandemic, we have enabled our employees to work remotely, implemented travel restrictions for all non-essential business, divided certain functional departments into shifts, and shifted company events to virtual-only experiences, and we may deem it advisable to similarly alter, postpone or cancel additional events in the future. There is no certainty that the measures we have taken will be sufficient to mitigate the risks posed by the virus. If the COVID-19 pandemic worsens, especially in regions where we have offices, our business activities originating from affected areas could be adversely affected.

Although we believe that, at this time, the disruptions resulting from the spread of COVID-19 will not have a long-term impact on our results from operations, we cannot estimate the duration and severity of this outbreak and its financial impact. We cannot predict with any certainty whether and to what degree the disruption caused by the COVID-19 pandemic and reactions thereto will continue and expect to face difficulty accurately predicting our internal financial forecasts. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or financial condition at this time.

For additional detail on how COVID-19 may impact us and our future results, see "Risk Factors – Risks Related to our Business - The ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, could materially impact our business and future results of operations and financial condition." in the 2021 Annual Information Form.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlights for the Three Months and Six Months Ended April 30, 2022

- Revenue for the three months ended April 30, 2022 was $29.9 million, an increase of $8.0 million or 37% when compared to the three months ended April 30, 2021. Revenue for the six months ended April 30, 2022 was $58.2 million, an increase of $13.4 million or 30% when compared to the six months ended April 30, 2021.

- Gross Margins for the three months ended April 30, 2022 were 71.4% whereas Gross Margins for the six months ended April 30, 2022 were 70.41%. Gross Margins in the three-month and six month period ended April 30, 2022 were largely affected by revenues generated by Haivision MCS which operates at a lower gross margin than Haivision's traditional business. See "Non-IFRS Measures".

- Total expenses for the three months ended April 30, 2022 increased by $6.6 million largely related to the acquisition of Haivision MCS and Aviwest – and included $1.3 million in additional depreciation and amortization expenses and $0.6 million in transaction expenses related to recent acquisitions.

- For the six months ended April 30, 2022, total expenses decreased by $2.5 million. Additional expenses largely related to the acquisition of Haivision MCS – including $2.4 million in additional depreciation and amortization expenses and $0.7 million in transaction expenses related to recent acquisitions - were offset by last year's non-recurring share-based payments of $14.1 million related to the legacy Employee Stock Option Plan ("ESOP"). Options governed by the legacy ESOP were only exercisable upon the occurrence of a liquidity event (such as our IPO in December 2020).

- For the three months ended April 30, 2022 operating profit was $0.1 million, a decrease of $2.3 million from the prior year period, but was primarily caused by the $1.3 million increase in depreciation and amortization expenses and $0.6 million in transaction expenses related to recent acquisitions. For the six months ended April 30, 2022, Operating profit was $0.0 million, was an $8.9 million improvement from the prior year, The $2.4 million increase in depreciation and amortization expenses and $0.7 million in transaction expenses related to recent acquisitions was offset by last year's non-recurring share-based payments of $14.1 million related to the legacy Employee Stock Option Plan ("ESOP").

- For the three months ended April 30, 2022, the net loss was $0.4 million, a decrease of $1.6 million when compared to the three months ended April 30, 2021. For the six months ended April 30, 2022, the net loss was $0.8 million, an improvement of $10.0 million when compared to the six months ended April 30, 2021. The increase in net income in the six-month period ended April 30, 2022 is largely related to the $13.4 million increase in revenue contributing to a $6.4 million increase in gross profit; a decrease in total expenses by $2.5 million (largely attributable to non-recurring share-based payments related to our legacy employee stock option plan (the "**ESOP**"), and a decrease in income taxes of $1.3 million.

- Adjusted EBITDA for the three months ended April 30, 2022 was $2.6 million a decrease of $1.0 million when compared to the three months ended April 30, 2021. Adjusted EBITDA Margin for the three months ended April 30, 2022 was 8.7% compared to 16.5% for the three months ended April 30, 2021. See "Non-IFRS Measures".

Other Operational Highlights

- On April 1, 2022, we completed the acquisition of AVIWEST S.A.S. ("**Aviwest**"). Aviwest isa French based, award winning, premier vendor for low-latency wireless broadcast video transmission, through mobile networking (5G/4G cellular) and patented network bonding capabilities. With the addition of Aviwest we will have a comprehensive video contribution solution portfolio to address the growing demand for live, high quality video content in broadcast, sports, and live event production.

- CineMassive Displays, LLC renamed as Haivision MCS, LLC ("**Haivision MCS**"), highlighting the subsidiaries focus on "Mission-Critical Systems" for the enterprise, government and defense verticals.

- Haivision wins second Emmy® Award for Technology & Engineering for the "Management of IP Multicast Video Distribution to Desktops and TVs in News and Media Production Facilities" for our flagship multisite live video distribution and IPTV solutions, Haivision Media Platform. With the recent acquisition of Aviwest, we now have four Emmy Awards for Technology & Engineering.

- Haivision awarded "Best Corporate Video and Enterprise Video Content Management Platform" at the 2021 Streaming Media Readers' Choice Awards.

- Haivision partnered with Grass Valley to enable live low latency cloud media production.

- Released the results of our third annual broadcast survey in our Broadcast IP Transformation Report.

- SRT Alliance surpassed 550 members.

FACTORS AFFECTING THE COMPANY'S PERFORMANCE

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below. See "Risk Factors".

Market Adoption of our Products

We believe that video workflows will become an increasingly important part of our customers infrastructure. We believe that there is significant potential to increase the penetration of our total addressable market and attract new customers. We plan to further develop our products and services as well as continue to invest in marketing strategies tailored to attract new businesses to our solutions, both in our existing geographies and in new markets around the world. We plan to continue to invest in our products to expand our customer base and drive market adoption and our operations may fluctuate as we make these investments.

Upselling Existing Customers

Our existing customers represent a significant opportunity to cross-sell and up-sell products and services with little incremental marketing expense. Our customer may initially deploy our solutions for a specific use case. Once they realize the functionality and benefits of our products, they may expand the number of use cases for our products. We plan to continue to invest in products development and in sales and marketing to add more solution to our portfolio of products and to increase the usage and awareness of our solutions.

Scaling our Sales and Marketing Team

We believe the global demand for our products and services will continue to increase. Accordingly, we believe there is significant opportunity to grow our business in North America and internationally. We have invested and intend to continue to invest meaningfully in expanding our sales force and consequently, we anticipate that our headcount will continue to increase from these investments.

Seasonality

Our revenue is expected to experience moderate seasonality due to the buying patterns of certain customers. Typically, our fourth quarter generates the highest level of revenue within a given fiscal year, whereas our first quarter generates the lowest level of revenue within a given fiscal year.

Ability to Integrate Acquired Companies

We have successfully acquired and integrated several companies in our history, and we intend to augment our organic growth with strategic and tactical acquisitions. We are of the view that the ability to realize synergies and integrate management teams, technologies, and employees is critical to our future growth.

Foreign Currency

Currency exchange rate fluctuations affect our results of operations because our functional currency is the U.S. dollar and our presentation currency is the Canadian dollar.

We receive a significant amount of our revenue and a significant portion of our product costs and operating costs are in U.S. dollars. Our results of operations are converted from each entities' local functional currency to Canadian dollars using the average foreign exchange rates for each period. As a result, our results of operations are particularly impacted by fluctuations in the value of the Canadian dollar relative to the U.S. dollar.

Our financial results may be adversely affected by fluctuations in exchange rates, principally in the value of the Canadian dollar versus the U.S. dollar. For a discussion on exchange rate fluctuations and their potential negative effect on our results of operations see "Risk Factors – Risks Related to our Business – Our financial results may be adversely affected by fluctuations in exchange rates, principally in the value of the Canadian dollar versus the U.S. dollar" in the 2021 Annual Information Form.

Scientific Research and Experimental Development Credits

We claim Canadian federal and Quebec refundable investment tax credits based upon qualifying scientific research and experimental development expenditures ("**SR&ED**"). As a public issuer, we are no longer eligible for refundable Canadian federal SR&ED credits. However, as a public issuer, we are still eligible for non-refundable Canadian federal SR&ED credits which may be applied to reduce future income taxes payable, and we will also remain eligible to claim refundable SR&ED credits for Quebec income tax purposes, albeit at a lower rate than before becoming public.

KEY COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We deliver solutions for encoding, streaming, recording, managing, distributing and displaying secure IP video and interactive media within enterprises and government. We offer an extensive product range as part of our end-to-end solution offerings. We offer these solutions to our end-clients through a combination of our direct sales force, supplemented by intermediary channel partners (fulfillment partners, resellers, systems integrators, and original equipment manufacturers).

For the sale of products, we recognize revenue when the goods have been shipped to the customer's specified delivery location. We also provide managed services and cloud-based solutions which are recognized over the term of their respective agreements. We also sell installation, maintenance and support programs as an after-sales service. Revenue related to installation is recognized when systems are installed, and revenue related to maintenance and support programs is recognized over the term of the program. Since managed services, cloud-based services and maintenance and support programs are contracted with provisions for renewal, we often refer to them as recurring revenue.

Cost of Sales

Our cost of sales consists of the following:

- Direct product costs include the costs of hardware for proprietary hardware products sold, the costs of server hardware when sold with software, and the direct services costs of providing managed services (i.e., bandwidth).

- Production costs include compensation related expenses for employees that work in our production departments.
- Other costs of sales includes certain technology licenses, fulfillment supplies, scrap, reserves for obsolescence, return merchandise authorization costs and depreciation of production related assets.

Expenses

Our expenses consist of the following:

- Sales and marketing expenses include the compensation expenses for employees that work in sales and marketing. Compensation expenses include salaries, bonuses and commissions, and related benefits. Sales and marketing expenses also include costs of marketing and promotional expenses, travel expenses, depreciation and amortization of intangible assets related to trademarks and customer relationships. A significant percentage of our sales force's compensation is variable and based on sales performance.
- Operations and support expenses consist of the compensation related expenses for information services, technical support and professional services personnel. Compensation expenses include salaries, bonuses, and related benefits. Operations and support expenses also include the license costs of technologies deployed internally and travel expenses for the professional services personnel.
- Research and development expenses include the compensation expenses for employees in product management, product development and quality assurance. Compensation expenses include salaries, bonuses, and related benefits. In addition, research and development expenses include the cost of subcontractors used to supplement our in-house development staffs, prototypes and equipment rentals, depreciation and amortization of intangible assets related to technology; and other related expenses. SR&ED credits and research and development credits are recorded as a reduction of research and development expenses.
- General and administrative expenses consist of compensation related expenses for certain senior executives and finance and human resources functions. General and administrative expenses also include rent and utilities, professional services (i.e., legal and accounting), insurance, other office and general expenses, losses/gain related to realized and unrealized foreign exchange translation, and depreciation of assets including right of use assets.
- Share-based payments consists of compensation expense for grants of stock options, restricted share units ("**RSUs**") and deferred share units ("**DSUs**") issued under our long-term incentive plan ("**LTIP**"). Compensation expense is based on the fair value of each tranche of stock options, RSUs or DSUs at their respective grant date. In addition, stock options granted to our directors, officers and employees under our legacy ESOP were settled by the issuance of shares in connection with our initial public offering. As these options only became exercisable upon the occurrence of a liquidity event like our initial public offering, share-based payments was recorded at the time of the initial public offering.

In aggregate, approximately three-quarters of our expenses are attributed to compensation related expenses. Furthermore, staff members have bonuses based on quarterly revenue, annual Adjusted EBITDA performance, or key performance indices. Overall positive performance may increase the level of these expenses.

Financial Expenses

Interest expenses include interest on term loans, interest on credit facilities (including non-use fees on credit facilities) and interest on lease liabilities offset by interest income. Interest on short- and long-term financings are recorded at the relevant rates on the various borrowing agreements.

Foreign Currency Translation Adjustments

Transactions in currencies other than the Canadian dollar, which is our reporting currency, are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary and non-monetary items denominated in foreign currencies, are retranslated at the rates prevailing at that date. The exchange differences arising on the translation are recognized as a foreign currency translation adjustments.

SELECTED INFORMATION AND RECONCILIATION OF NON-IFRS MEASURES

The following table summarizes our recent results of operations as of the dates and for the periods indicated below. The information should be read together with the Q2 Financial Statements and the 2021 Financial Statements, which were prepared in accordance with IFRS.

Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that we believe are important in evaluating the operating performance of our business and making results more comparable from period to period. See "Non-IFRS Measures".

	Three months ended April 30,		**Six months ended April 30,**	
	2022	**2021**	**2022**	**2021**
	($)	**($)**	**($)**	**($)**
Revenue	29,885	21,851	58,219	44,836
Cost of sales	8,556	4,788	17,220	10,221
Gross profit	21,329	17,062	40,999	34,615
Expenses	21,184	14,629	40,968	43,494
Operating profit (loss)	145	2,433	31	(8,879)
Financial expenses	192	79	346	188
Income before income taxes	(47)	2,354	(315)	(9,067)
Income taxes	322	1,117	528	1,781
Net (loss) income	(369)	1,237	(843)	(10,848)
Foreign currency translation adjustment	(960)	(450)	1,084	(940)

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
	($)	($)	($)	($)
Comprehensive income	(1,329)	787	241	(11,788)
Net income per share				
Net income per share (basic and diluted)	(0.01)	0.05	(0.03)	(0.46)
Weighted average number of common shares outstanding				
Basic	28,878,054	26,632,340	28,818,137	21,809,782
Diluted	28,878,054	27,344,467	28,818,137	21,809,782

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
	($)	($)	($)	($)
Net (loss) income	(369)	1,237	(843)	(10,848)
Income taxes	322	1,117	528	1,781
Income before income taxes	(47)	2,354	(315)	(9,067)
Depreciation	595	298	1,110	587
Amortization	1,162	138	2,141	276
Financial expenses	192	79	346	188
EBITDA(1)	1,902	2,869	3,282	(8,016)
Share-based payment	687	745	1,449	1,069
Non-recurring expenses:				
Share-based payment (ESOP)	—	—	—	14,125
Adjusted EBITDA(1)	2,589	3,614	4,731	7,178
Adjusted EBITDA Margin	8.7%	16.5%	8.1%	16.0%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Non-IFRS Measures".

	April 30, 2022	October 31, 2021
	($)	($)
Total assets	146,149	122,480
Non-current liabilities	14,721	9,179
Total liabilities	55,963	33,559

DISCUSSION OF OPERATIONS

Three Months and Six Months ended April 30, 2022

Revenue

Revenue for the three months and six months ended April 30, 2022 was $29.9 million and $58.2 million, respectively, an increase of $8.0 million or 37% and $13.4 million or 30% respectively, compared to the three months and six months ended April 30, 2021. Recurring revenue, defined as revenue from Cloud solutions and Maintenance and support for both the three months and six months ended January 31, 2022 was approximately 22% of total Revenue, The principal factor contributing to revenue growth is the recent acquisition of Haivision MCS in August 2021 and the acquisition of Aviwest in April 2022.

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
	($)	($)	($)	($)
Product	23,415	16,603	45,163	34,364
Cloud solutions	1,989	2,132	4,054	4,106
Maintenance and support	4,481	3,116	9,002	6,366
Revenue	29,885	21,851	58,219	44,836

Cost of Sales

Cost of sales for the three months ended April 30, 2022, was $8.6 million, an increase of $3.8 million when compared to the three months ended April 30, 2021. The increase in cost of sales in the three-month period ended April 30, 2022 is largely related to the $2.7 million in direct product costs related to the $8.0 million increase in year-over-year revenue, and the higher direct product costs generated by Haivision MCS sales which operated at a lower gross margin than Haivision's traditional business; and to $0.8 million in higher other cost of sales related to Haivision MCS and Aviwest operations which were not part of our cost structure in the prior year.

Cost of sales for the six months ended April 30, 2022, was $17.2 million, an increase of $7.0 million when compared to the six months ended April 30, 2021. The increase in cost of sales in the six-month period ended April 30, 2022 is largely related to the $5.5 million in direct product costs related to the $13.4 million increase in year-over-year revenue, and the higher direct product costs generated by Haivision MCS sales which operated at a lower gross margin than Haivision's traditional business; and to $1.3 million in higher other cost of sales related to Haivision MCS and Aviwest operations which were not part of our cost structure in the prior year.

	Three months ended April 30,		Six months ended April 30,	
	2022	**2021**	**2022**	**2021**
	($)	**($)**	**($)**	**($)**
Direct product costs..........	6,934	4,236	14,306	8,842
Production costs...............	625	337	1,067	812
Other cost of sales	996	213	1,847	567
Total cost of sales	8,556	4,788	17,220	10,221
Gross margin...................	71.4%	78.1%	70.4%	77.2%

Note:

(1) Gross Margin is not a recognized measure under IFRS. See "Non-IFRS Measures".

Expenses

For the three months and six months ended April 30, 2022 and 2021 expenses were:

	Three-months ended April 30,		Six-months ended April 30,	
	2022	**2021**	**2022**	**2021**
	($)	**($)**	**($)**	**($)**
Sales and marketing	6,673	4,841	12,617	9,952
Operations and support..........	2,862	1,170	5,426	2,488
Research and development.....	7,535	4,359	13,736	9,239
General and administrative.....	3,427	3,514	7,740	6,621
Share-based payments	687	745	1,449	15,194
Total expenses	21,184	14,629	40,968	43,494
Expenses as % of revenue ..	70.9%	67.0%	70.4%	97.0%
Total expenses	21,184	14,629	40,968	43,494
Less:				
Share-based payments	687	745	1,449	15,194
Total expenses less Share-based payment................	20,497	13,884	39,519	28,300
Expenses as % of revenue ..	68.6%	63.5%	67.9%	63.1%

Total expenses for the three months ended April 30, 2022 increased by $6.6 million. largely related to the acquisition of Haivision MCS and Aviwest, and included $1.3 million in additional depreciation and amortization expenses and $0.6 million in transactional expenses related to recent acquisitions. For the six months ended April 30, 2022, total expenses decreased by $2.5 million. Additional expenses related to the acquisition of Haivision MCS - including $2.4 million of additional depreciation and amortization expenses and $0.7 million in transactional expenses related to recent acquisitions was offset by the reduction in last-year's non-recurring share-based payments of $14.1 million related to the legacy Employee Stock Option Plan ("ESOP"). Options governed by the legacy ESOP were only exercisable upon the occurrence of a liquidity event (such as our IPO in December 2020).

The changes in expenses were due to a combination of the following:

- Sales and marketing expenses increased by $1.8 million for the three months ended April 30, 2022 when compared to the three months ended April 30, 2021. The increase in the three-month period ended April 30, 2022 is largely related to increases in compensation related expenses of $0.9 million related to the addition of sales and marketing people; increases in marketing activities – including travel and trade shows of $0.5 million; and increases in amortization expenses related to acquired intangibles of $0.3 million. Sales and marketing expenses increased by $2.7 million for the six months ended April 30, 2022 when compared to the six months ended April 30, 2021. The increase in the six-month period ended April 30, 2022 is largely related to increases in compensation related expenses of $1.1 million related to the addition of sales and marketing people; increases in marketing activities – including travel and trade shows of $0.7 million; and increases in amortization expenses related to acquired intangibles of $0.7 million. The number of people in the sales and marketing organizations increased from 92 people at April 30, 2021 to 121 people at April 30, 2022, largely the result of recent acquisitions.

- Operations and support expenses increased by $1.7 million for the three months ended April 30, 2022 when compared to the three months ended April 30, 2021. The increase in the three-month period ended April 30, 2022 is largely related to increases in compensation expenses of $0.9 million, and increases in travel expenses of $0.7 million related to professional services activities. Operations and support expenses increased by $2.9 million for the six months ended April 30, 2022 when compared to the six months ended April 30, 2021. The increase in the six-month period ended April 30, 2022 is largely related to increases in compensation expenses of $1.7 million, and increases in travel expenses of $1.0 million related to professional services activities. The number of people in the operations and support function increased from 38 people at April 30, 2021 to 66 people at April 30, 2022, largely the result of recent acquisitions.

- Research and development expenses increased by $3.1 million for the three months ended April 30, 2022 when compared to the three months ended April 30, 2021. The increase in the three-month period ended April 30, 2022 is largely related to increases in compensation expenses of $2.2 million; amortization expenses of $0.7 million related to acquired intangibles; and subcontractor expenses of $0.4 million. These increases were offset by an increase in expected reimbursements for research and development credits of $0.5 million. Research and development expenses increased by $4.5 million for the six months ended April 30, 2022 when compared to the six months ended April 30, 2021. The increase in the six-month period ended April 30, 2022 is largely related to increases in compensation expenses of $3.2 million; amortization expenses of $1.3 million related to the acquired intangibles, and subcontractor expenses of $0.4 million. These increases were offset by an increase in expected reimbursements for research and development credits of $0.9 million. The number of people in the product realization organization increased from 101 people at April 30, 2021 to 170 people at April 30, 2022, largely the result of recent acquisitions.

- General and administrative expenses decreased by $0.1 million for the three months ended April 30, 2022 when compared to the three months ended April 30, 2021. The decrease in the three-month period ended April 30, 2022 is largely related to a increases in compensation related expenses of $0.5 million, professional services expenses of $0.3 million, depreciation expenses of $0.2 million. These increases were offset by the Canadian dollar's impact on US dollar denominated assets and liabilities of $1.3 million. General and administrative expenses increased by $1.1 million for the six months ended April 30, 2022 when compared to the six months ended April 30, 2021. The increase in the six-month period ended April 30, 2022 is largely related to a increases in compensation related expenses of $0.9 million, professional services expenses of $0.6 million, depreciation expenses of $0.4 million. These increases were offset the Canadian dollar's impact on US dollar denominated assets and liabilities of $1.3 million. The number of people in the General and administrative function increased from 16 people at April 30, 2021 to 29 people at April 30, 2022, primarily the result of recent acquisitions.

- Share-based payments decreased by $0.1 million for the three months ended April 30, 2022, when compared to the three months ended April 30, 2021. The decrease in the three-month period ended April 30, 2022 is largely related to the timing of option issuances and the magnitude of option issuances under the LTIP. Share-based payments decreased by $13.7 million for the six months ended April 30, 2022, when compared to the six months ended April 30, 2021. The decrease in the six-month period ended April 30, 2022 is largely related to $14.1 million in expenses incurred in the six month period ended April 30, 2021 related to the legacy ESOP. The ESOP included a provision that options would only become exercisable upon the occurrence of a liquidity event (such as an initial public offering). All options outstanding under the ESOP were exercised immediately prior to the closing of our initial public offering. The remaining decrease is related to the timing of option issuances and the magnitude of option issuances under the LTIP.

Net Income

For the three months ended April 30, 2022, the net loss was $0.4 million, a decrease of $1.6 million when compared to the three months ended April 30, 2021. The decrease in net income in the three-month period ended April 30, 2022 is largely related to the $8.0 million increase in revenue contributing to a $4.3 million increase in gross profit; an increase in total expenses by $6.6 million, and a decrease in income taxes of $0.8 million. Total expenses were impacted by increases in depreciation and amortization of $1.3 million and transaction costs of $0.6 million related to the recent acquisitions.

For the six months ended April 30, 2022, the net loss was $0.8 million, an improvement of $10.0 million when compared to the six months ended April 30, 2021. The increase in net income in the six-month period ended April 30, 2022 is largely related to the $13.4 million increase in revenue contributing to a $6.4 million increase in gross profit; a decrease in total expenses by $2.5 million despite increases in depreciation and amortization of $2.4 million and transactional expenses $0.7 related to acquisitions, and a decrease in income taxes of $1.3 million.

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	Three months ended April 30,		Six months ended April 30,	
	2022	**2021**	**2022**	**2021**
	($)	**($)**	**($)**	**($)**
Operating profit (loss) ...	145	2,433	31	(8,879)
Financial expenses	192	192	346	188
Income before income taxes..........................	(47)	2,354	(315)	(9,067)
Income taxes..................	322	1,117	528	1,781
Net (loss) income..........	(369)	1,237	(843)	(10,848)
Net margin	(1.2)%	5.6%	(1.4)%	(24.2)%

Adjusted EBITDA

Adjusted EBITDA for the three months ended April 30, 2022 was $2.6 million, a decrease of $1.0 million compared to the three months ended April 30, 2021. The decrease in the Adjusted EBITDA in the three-month period ended April 30, 2022 is the $8.0 million increase in revenue contributing to a $4.3 million increase in gross profit; offset by an increase in total expenses (excluding share-based payments) of $6.6 million. Total expenses included $0.6 million in transaction expenses related to recent acquisitions.

Adjusted EBITDA for the six months ended April 30, 2022 was $4.7 million, a decrease of $2.4 million compared to the six months ended April 30, 2021. The decrease in the Adjusted EBITDA in the six-month period ended April 30, 2022 is the $13.4 million increase in revenue contributing to a $6.4 million increase in gross profit; offset by an increase in total expenses (excluding share-based payments) of $11.2 million. Total expenses in the six-month period included $0.7 million in transaction expenses related to recent acquisitions.

	Three months ended April 30,		Six months ended April 30,	
	2022	**2021**	**2022**	**2021**
	($)	**($)**	**($)**	**($)**
Operating profit (loss)............	145	2,433	31	(8,879)
Depreciation	595	298	1,110	587
Amortization......................	1,162	138	2,141	276
EBITDA[1]	1,902	2,869	3,282	(8,016)
Share-based payments (LTIP)...............................	687	745	1,449	1,069

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
	($)	($)	($)	($)
Non-recurring expenses				
Share-based payments (ESOP)	—	—	—	14,125
Adjusted EBITDA[(1)]	2,589	3,614	4,731	7,178
Adjusted EBITDA Margin[(1)] ..	8.7%	16.5%	8.1%	16.0%

Note:
(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Non-IFRS Measures".

For the six months ended April 30, 2021, Share-based payments consists of $14.1 million in expense related to the legacy ESOP. The ESOP included a provision that options would only become exercisable upon the occurrence of a liquidity event (such as an initial public offering); thus, no share-based expenses were previously recorded since the ESOP's inception. The ESOP has been replaced in its entirety by the LTIP upon the closing of our initial public offering, and all options outstanding under the ESOP were exercised immediately prior to the closing of our initial public offering.

SUMMARY OF QUARTERLY RESULTS

The following table sets out select quarterly results for our past eight quarters. Our government business experiences moderate seasonality, primarily because the U.S. government year-end is commensurate with our fourth quarter. Typically, our fourth quarter generates higher revenue. Expenses are generally consistent from quarter-to-quarter, but may fluctuate based on the timing of marketing programs and other periodic expenditures.

	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue	$ 29,885	$ 28,334	$ 27,060	$ 20,695
Cost of sales	$ 8,556	$ 8,665	$ 7,892	$ 5,152
Gross profit	$ 21,329	$ 19,669	$ 19,168	$ 15,543
Expenses	$ 21,184	$ 19,783	$ 19,664	$ 11,654
Operating profit	$ 145	$ (114)	$ (496)	$ 3,889
Net income (loss)	$ (369)	$ (474)	$ 171	$ 1,895
Net income per share (basic and diluted)	$ (0.01)	$ (0.02)	$ 0.02	$ 0.07
Weighted avg. number of shares outstanding				
Basic	28,878,054	28,785,252	28,761,365	26,634,916
Diluted	28,878,054	28,785,252	29,363,158	27,316,136
Net income (loss)	$ (369)	$ (474)	$ 171	$ 1,895
Income taxes	$ 322	$ 206	$ (812)	$ 1,934
Depreciation	$ 595	$ 515	$ 545	$ 298
Amortization	$ 1,162	$ 980	$ 896	$ 138

	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Financial expense	$ 192	$ 154	$ 145	$ 60
EBITDA(1)	$ 1,902	$ 1,381	$ 945	$ 4,325
Share-based payment (LTIP)	$ 687	$ 762	$ 815	$ 821
Non-recurring expenses:				
Share-based payments (ESOP)	$ —	$ —	$ —	$ —
PPP loan forgiveness	$ —	$ —	$ —	$ (1,772)
Adjusted EBITDA(1)	$ 2,589	$ 2,142	$ 1,761	$ 3,374
Gross margin	71.3%	69.4%	70.8%	78.1%
Adjusted EBITDA Margin(1)	8.7%	7.6%	6.5%	16.3%

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	$ 21,851	$ 22,985	$ 22,124	$ 20,346
Cost of sales	$ 4,788	$ 5,433	$ 5,212	$ 4,710
Gross profit	$ 17,063	$ 17,552	$ 16,913	$ 15,636
Operating expense	$ 14,629	$ 28,865	$ 15,498	$ 12,505
Operating profit	$ 2,433	$ (11,313)	$ 1,415	$ 3,131
Net income (loss)	$ 1,237	$ (12,086)	$ 1,487	$ 2,059
Net income per share (basic and diluted)	$ 0.05	$ (0.60)	$ 0.10	$ 0.13
Weighted avg. number of shares outstanding				
Basic	26,632,340	21,098,923	15,340,715	15,340,715
Diluted	27,344,467	21,098,923	15,340,715	15,340,715
Net income (loss)	$ 1,237	$ (12,086)	$ 1,487	$ 2,059
Income taxes	$ 1,117	$ 664	$ (150)	$ 996
Depreciation	$ 298	$ 289	$ 116	$ 140
Amortization	$ 138	$ 138	$ 321	$ 288
Financial expense	$ 79	$ 109	$ 78	$ 77
EBITDA(1)	$ 2,869	$ (10,886)	$ 1,852	$ 3,560
Share-based payment (LTIP)	$ 745	$ 324	$ —	$ —
Non-recurring expenses:				
Share-based payments (ESOP)		$ 14,125	$ —	$ —
Adjusted EBITDA(1)	$ 3,614	$ 3,563	$ 1,852	$ 3,560
		$ —		
Gross margin (1)	78.1%	76.4%	76.4%	76.9%
Adjusted EBITDA Margin(1)	16.5%	15.5%	8.4%	17.5%

Note:
(1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Gross Margin are not recognized measures under IFRS. See "Non-IFRS Measures".

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

Our financial condition and liquidity are and will continue to be influenced by a variety of factors, including: our ability to generate cash flows from operations; our capital expenditure requirements; the level off outstanding indebtedness and the interest obligations on this indebtedness; and our ability to raise capital.

The general objectives of our capital management strategy are to ensure sufficient liquidity to pursue our organic growth strategy and undertake selective acquisitions, while maintaining a strong credit profile and a capital structure that maintains total leverage ratio within the limits set in our credit facilities.

Financial Condition

	April 30, 2022	October 31, 2021
	($)	($)
Total cash	12,760	26,838
Total assets	146,149	122,480
Total liabilities	55,963	33,559

Cash at April 30, 2022 decreased $14.1 million from the year ended October 31, 2021 largely as a results of the $2.7 million in net cash used by operating activities including increases in trade receivables, prepaid expenses and inventory, and decreases in trade and other payables.

Total assets at April 30, 2022 increased $23.7 million from the year ended October 31, 2021. Assets acquired as part of the Aviwest transaction was $40.0 million and included $24.4 million in intangibles; $8.2 million in working capital assets; $1.8 million in property and equipment, and $1.7 million in right-to-use assets; offset by $14.0 million decrease in cash.

Total liabilities at April 30, 2022 increased by $22.4 million from the year ended October 31, 2021 and was largely related to advances from the Revolving Facility of $13.0 million; and liabilities assumed related to the Aviwest transaction of $11.4 million including $6.0 million related to trade and other payables, lease liabilities and deferred income taxes; and $5.4 million related to term loans assumed.

Cash Flows

Our primary source of liquidity is from operations. Our principal liquidity needs include investment in our products and technology, as well as sales and marketing expenses, general and administrative expenses, other operational expenses, and for selective acquisitions. In addition to our cash balances, we have a $35 million revolving line of credit available to be drawn to meet ongoing operating and working capital requirements, capital expenditures, as well as permitted acquisitions.

We continuously monitor cash flows by reviewing actual operating expenditures and revenue compared to budget. We believe that our available cash, cash flows generated from operations and borrowings available to us will be sufficient to meet our projected operating and capital expenditures requirements for the foreseeable future.

	April 30, 2022	April 30, 2021
	($)	($)
Net cash provided by operating activities	(4,243)	332
Net cash used by investing activities	(22,223)	(209)
Net cash provided/(used) by financing activities	11,990	32,903
Change in cash during the period	(14,476)	33,026
Cash, beginning of period	26,838	15,715
Effect of foreign exchange in cash	397	(1,102)
Cash, end of period	12,760	47,639

For the six months ended April 30, 2022, the change in cash during the period was $14.1 million. Net cash used in operating activities for the six months ended April 30, 2022 was $4.2 million largely related to increases in trade and other receivables, inventories and prepaid expenses, and decreases in trade and other payables. Cash used in investing activities was $22.2 million of which $21.9 million related to the Aviwest acquisition and an additional $0.3 million related to capital expenditures. Cash provided by financing activities was $12.0 million. Advances on the Revolving Facility of $13.0 million was offset by lease payment of $0.9 million and repayments on term loans assumed with the Aviwest acquisition of $0.2 million. Cash at April 30, 2022 was $12.8 million.

For the six months ended April 30, 2021, the change in cash during the period was $31.9 million. Net cash used in operation activities for the six months ended April 30, 2021 was $0.3 million whereas net cash used by investing activities was $0.2 million related to capital expenditures. Net cash provided by financing activities was $32.9 million, largely the result of $30.0 million in net proceeds from the issuance of common shares from our initial public offering, $4.9 million from the exercise of stock options and a payment of $1.5 million related to shareholders distribution. Cash at April 30, 2021 weas $47.6 million.

Capital Expenditures

Our capital expenditures for the three months ended January 31, 2022 were nominal compared to $0.1 million for the three months ended January 31, 2021. Capital expenditures are primarily related to computer equipment and to a lesser extent leasehold improvements. Capital expenditures have been modest as of late primarily attributed to reduced spending during the COVID-19 pandemic. We expect capital expenditures to revert to normal levels sometime in Fiscal 2022.

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

Credit Facilities

On May 2, 2020, we entered into an agreement with Silicon Valley Bank ("**SVB**") whereby SVB provided a loan facility to the Company pursuant to a promissory note. The loan was made under the Small Business Administration's ("**SBA**") Paycheck Protection Program ("**PPP**") (Section 1102 of the CARES Act). The face amount of the loan was US$1.5 million and the interest rate on the loan was 1% per annum and has a term of twenty-four (24) months. The loan and accrued interest was forgiven in its entirety on June 10, 2021.

On October 5, 2020, we entered into an amended and restated loan and security agreement (the "**SVB Loan Agreement**") which provided for (i) a US$5 million term loan (the "**Term Loan**") bearing interest at the greater of (x) the U.S. prime rate, as published by the Wall Street Journal, plus 2.25% and (y) 5.00% and (ii) a US$10 million working capital line of credit (the "**Revolving Line**", and together with the Term Loan, the "**SVB Loan**") bearing interest at the greater of (x) the U.S. prime rate, as published by the Wall Street Journal, plus 1.65% and (y) 4.25%.

On August 20, 2021, we replaced the SVB Loan Agreement with a credit agreement with Bank of Montreal (the "**BMO Credit Agreement**") with our U.S. subsidiaries Haivision Network Video Inc. and CineMassive Displays LLC, as co-borrowers, which provides for a $35 million revolving credit facility (the "**Revolving Facility**"), to be used to finance ongoing operating and working capital requirements, capital expenditures, as well as permitted acquisitions. The Revolving Facility bears interest at Canadian prime rate plus between 0% - 1.50% depending on level of leverage. The current rate based on current level of leverage is 2.45%. The Revolving Facility may be increased, at the sole discretion of Bank of Montreal by an aggregate amount not to exceed $25 million. As at April 30, 2022 $13.0 million was advanced under the Revolving Facility and we are in compliance with all covenants under the BMO Credit Agreement.

Use of Proceeds from the TSX IPO

As a result of the completed TSX IPO on December 16, 2020, the Company closed its Initial Public Offering pursuant to which it raised net proceeds of $30.0 million and issued 5,750,000 shares at a price of $6.00 per share. The intended use of proceeds was to: (i) fund selective acquisitions; (ii) accelerate the introduction of new products, featured and services; (iii) fund the expansion and increase the scope of sales, marketing and global support activities; and (iv) for general working capital and other general corporate purpose.

On August 2, 2021, the Company acquired 100% of the outstanding partnership units of CineMassive Displays, LLC in exchange for cash consideration of $21.5 million and shares valued at $18.7 million. On April 1, 2022, the Company acquired 10% of the outstanding shares of Aviwest in exchange for cash consideration of $29.9 million.

Additionally, we estimate that an additional $1.4 million was used to accelerate the introduction of new products, features and services and $0.6 million was used to fund the expansion and increase the scope of sales, marketing and global support activities. Differences in the use of proceeds from the original intention as: (i) the availability of skilled talent has impacted our ability to hire and assimilate new employees; (ii) the impact of the Covid-19 pandemic (including the duration of the pandemic) has forced us to modify our sales and marketing initiative; and (iii) remining proceeds were reallocated to partially fund the acquisition of Aviwest.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. Our operating lease obligations include commitments until 2030. The tables below outline our contractual obligations, by fiscal year, as of April 30, 2022.

	April 30, 2022					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5+**	**Total**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**
Credit facility	13,046	—	—	—	—	13,046
Accounts Payable and Accrued Liabilities	13,359	—	—	—	—	13,359
Term loans	1,492	1,615	1,106	1,009	130	5,352
Lease obligations	1,901	1,927	1,880	1,892	4,232	11,832
	29,798	3,542	2,986	2,901	4,362	43,589

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in foreign exchange rates and interest rates, that may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate these market risks. If deemed necessary, we may enter into foreign currency derivative contracts to reduce our exposure to foreign currency risks. No foreign currency derivative contracts were entered into in Fiscal 2021 or Fiscal 2020.

Credit and Concentration Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. We are exposed to credit risk in the event of non-performance by customers, but do not anticipate any such non-performance would be material. We do not require guarantees from our customers nor hold any collateral as security. To the extent necessary, we take steps to monitor the credit risk of customers.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade receivables. Moreover, balances for trade receivables are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount. We have also insured the majority of our non-U.S. receivables through Export Development Canada as a further mitigation to bankruptcies and client default on payment.

We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible.

The maximum exposure to credit risk at the date of this MD&A is the carrying value of each class of receivables mentioned above.

Market Risk

We are exposed to market risk primarily in terms of revenue generation. Our revenue is based on transaction volumes which have increased with the growth of the worldwide market for video streaming infrastructure products. We monitor the market conditions in an effort to capture fluctuations in market demand that may affect ongoing revenue. Historically, our business model has proven to be resilient to market downturns.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We were exposed to interest rate risk under the Revolving Facility which is denominated in Canadian currency. Interest on advances under the Revolving Facility as at April 30, 2022 Canadian prime rate plus 0.25%. The referenced Canadian prime rate at April 30, 2022 was 3.20%, and as of April 30, 2022, $13.0 million was outstanding on the Revolving Facility

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. Our primary exposure with respect to foreign currencies is from Canadian dollar denominated investment tax credit receivables, trade and other payables, cash, purchase price payables, and trade and other receivables in transactional currency that is other than U.S. dollars. The net carrying value of these Canadian denominated balances as at April 30, 2022 and October 31, 2021 presented in Canadian dollars is as follows:

Amounts denominated in foreign currencies

	April 30, 2022	**October 31, 2021**
	($)	**($)**
Cash	5,970	14,768
Trade and other receivables	4,488	1,165
Investment tax credit	4,815	4,057
Trade and other payables	3,797	5,078
Income taxes payables	2,485	2,378

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as the come due. Our cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as debt, trade and other payables, and accrued liabilities are exposed to liquidity risk.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements. From time to time, we may be contingently liable for componentry inventories held at our contract manufacturer.

RELATED PARTY TRANSACTION

We define senior managers as the Chief Executive Officer of the Company and other executive officer of the Company – all of whom participate in our executive bonus plan. The remuneration of senior management personnel for the three months ended April 30, 2022 and April 30, 2021 was as follows:

	April 30, 2022	April 30, 2021
Salaries and Bonuses	$ 1,386	$ 1,490
Number of Senior Managers	4	4

In addition to a base salary, the executive bonus plan included quarterly revenue bonus based on performance compared to budget (and assuming EBITDA targets are achieved); and annual EBITDA bonus based on Adjusted EBITDA performance compared to budget. The quarterly revenue bonus and annual EBITDA bonus include provisions for extra bonus amounts for extraordinary performance.

Other than in respect of executive management compensation, we have no related party transactions.

RISK FACTORS

Certain factors may have a material adverse effect on our business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the Q2 Financial Statements, the 2021 Financial Statements, and the 2021 Annual Information Form, particularly under the heading “Risk Factors” in the 2021 Annual Information Form, and in other filings that we have made and may make in the future with applicable securities authorities, including those available under the Company’s profile on SEDAR at www.sedar.com. The risks and uncertainties described herein and therein are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations. If any of such risks actually occur, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our common shares (or the value of any other securities of the Company) could decline, and our securityholders could lose part or all of their investment.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to note 2 of the Q2 Financial Statements for a description of our critical accounting estimates and judgements.

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and assumption that affect the amounts reported in the consolidated financial statements and accompanying notes. We review those estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgements are outlined below.

Business Combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Revenue Recognition

For the sale of products, we recognize revenue when the goods have been shipped to the customer's specified delivery location. We also provide managed services and cloud-based solutions which are recognized over the term of their respective agreements. We also sell installation, maintenance, and support programs as an after-sales service. Revenue related to installation is recognized when systems are installed, and revenue related to maintenance and support programs is recognized over the term of the program.

Research and Development Costs

Research and development costs are recognized as an expense in the period in which they are incurred.

Government Assistance and Investment Tax Credits

Government assistance is recorded as a reduction of the related expense. Government assistance is recorded in the accounts when reasonable assurance exists that we have complied with the terms and conditions of the approved grant program. Investment tax credits are accounted for under the cost reduction method, whereby the investment tax credits are applied against the carrying value of the related expense. Investment tax credits are recorded when the qualifying expenditures have been incurred and if there is a reasonable assurance that the tax credits will be realized.

Share-Based Payments

Share-based payments consists of compensation expense for grants of stock options, RSUs and DSUs issued in accordance with the Company's LTIP. Compensation expense is based on the fair value of each tranche of stock option, RSUs or DSUs at their respective grant date.

Changes in Accounting Policies (including initial adoption)

We applied IFRS 16, Leases for the first time effective November 1, 2019. The nature and effect of the changes as a result of the adoption of new accounting standards are described in note 6 to the Q2 Financial Statements.

OUTSTANDING SHARE DATA

Our common shares are publicly traded on the Toronto Stock Exchange (TSX: HAI) since the completion of our initial public offering on December 16, 2020. Our authorized share capital consists of (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares, issuable in series, of which 28,829,609 common shares and no preferred shares were issued and outstanding as of June 15, 2022.

As of June 15, 2022, there were 2,018,500 options, 263,519 RSUs and 48,445 DSUs outstanding under our LTIP. Each such option is or will become exercisable for one common share, and each such RSU and DSU will be settled into one common share, in each case in accordance with and subject to the terms of our LTIP and the applicable award agreements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The applicable rules of the Canadian Security Administrators require our certifying officers, our Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), to establish and maintain disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**"), as these terms are defined in such rules. In compliance with these rules, we have filed applicable certifications signed by our CEO and CFO that, among other things, report on the design of each of DC&P and ICFR.

Disclosure Controls and Procedures

Our CFO and CEO have designed, or caused to be designed under their supervision, DC&P to provide reasonable assurance that (i) material information regarding the Company is accumulated and communicated to our management, including our CEO and CFO, in a timely manner so that appropriate decisions can be made regarding public disclosure and information, and (ii) information required to be disclosed in our annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in appliable securities legislation.

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of our DC&P at April 30, 2022. Based on that evaluation, our CEO and CFO concluded that our DC&P were effective at April 30, 2022.

Management's Annual Report on Internal Controls Over Financial Reporting

In addition, our CEO and CFO have designed, or caused to be designed under their supervision, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with our accounting and reporting standards.

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of our ICFR at April 30, 2022, based on the criteria set forth in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our CEO and CFO have concluded that our ICFR was effective at April 30, 2022.

Changes to Internal Control Over Financial Reporting

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to our ICFR during the period ended April 30, 2022 that have materially affected or are reasonably likely to materially affect our ICFR. No such changes were identified through their evaluation.

Limitation on Scope of Design

The scope of design of ICFR and DC&P excluded the controls, policies, and procedures of Haivision MCS, which was acquired on August 2, 2021 and Aviwest which was acquired on April 1, 2022.

Haivision MCS's contribution to our Consolidated Statements of Loss and Comprehensive Income Loss for the three months ended April 30, 2022, was less than 30% of total revenues. The amounts recognized for the assets acquired and liabilities assumed at the date of acquisition are described in note 6 of the 2021 Annual Financial Statements.

Aviwest's contribution to our Consolidated Statements of Loss and Comprehensive Income Loss for the three months ended April 30, 2022, was less than 5% of total revenues and less than 10% of total net loss. The amounts recognized for the assets acquired and liabilities assumed at the date of acquisition are described in note 19 of the 2022 Q2 Financial Statements.

Inherent Limitations on Effectiveness of DC&P and ICFR

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our DC&P and our ICFR are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

For information regarding our material legal proceedings and regulatory actions, if any, and material changes or updates thereto, see the 2021 Annual Information Form, particularly under the heading "Legal Proceedings" and note 23 to the 2021 Annual Financial Statements.

FURTHER INFORMATION

Additional information relating to us and our business, including the Q2 Financial Statement, the 2021 Annual Reports and other filings that we have made and may make in the future with applicable securities authorities, may be found under our corporate profile on SEDAR at www.sedar.com. Additional information, including with respect to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, will be contained in our management information circular for our next annual meeting of shareholders that involves the election of directors, available under the Company's SEDAR profile at www.sedar.com.