

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

November 4, 2020

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

## OVERVIEW

The following "Summary Financial Information and Management's Discussion and Analysis of Results of Operations and Financial Condition" ("MD&A") was prepared by Management of ProntoForms Corporation ("ProntoForms" or the "Company") and approved by the Board of Directors of the Company (the "Board of Directors"). Throughout this MD&A, unless otherwise specified, "ProntoForms", "Company", "we", "us" and "our" refer to ProntoForms Corporation and its subsidiaries.

This interim MD&A is an update of management's discussion and analysis provided in the Company's annual filings dated March 11, 2020 and filed on [www.SEDAR.com](http://www.SEDAR.com) and includes a discussion of the results of operations and cash flows for the three and nine months ended September 30, 2020. Such discussion and comments on liquidity and capital resources of the Company should be read in conjunction with the unaudited interim financial report for the three and nine months ended September 30, 2020. The interim financial report has been prepared in U.S. Dollars and using International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

Management is responsible for ensuring that processes are in place to provide enough knowledge to support the representations made in the interim filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying financial statements.

Alvaro Pombo, Chief Executive Officer, and David Croucher, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the interim financial report and this MD&A (the "Interim Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the interim filings; and (b) the interim financial report together with the other financial information included in the interim Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the interim Filings.

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

## FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as “anticipate”, “believe”, “estimate”, “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 our revenues going forward, anticipated market trends and technology adoption by our 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 and the Company’s ability to obtain financing necessary to continue operations and the potential impacts of the COVID-19 pandemic on the Company’s business and 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. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions, including but not limited to the following: (i) there can be no assurance that the Company will earn any profits in the future or that profitability, if achieved, will be sustained; (ii) if the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all; (iii) the Company’s quarterly revenues and operating results may fluctuate, which may harm its results of operations; (iv) the loss of business from a major customer, operator or other reseller could reduce the Company’s sales and harm its business and prospects; (v) a portion of the Company’s sales are through operators and other resellers, and an adverse change in the Company’s relationship with any of such operators or other resellers may result in decreased sales; (vi) the market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than expected, the Company’s business will be harmed; (vii) the Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions; (viii) a global economic downturn or market volatility may adversely affect our business and/or our ability to complete new financings; (ix) the business of the Company may be harmed if it does not continue to penetrate markets; (x) the success of the business depends on the Company’s ability to develop new products and enhance its existing products; (xi) the Company’s growth depends in part on the success of its strategic relationships with third parties; (xii) the financial condition of third parties may adversely affect the Company; (xiii) the US dollar may fluctuate significantly compared to the Canadian dollar, causing fluctuations in earnings and cash flow as most of our revenues are received in US dollars while most of our expenses are payable in Canadian dollars; (xiv) subscription services which produce the majority of the Company’s revenue are hosted by a third party service for the Company and any interruption in service could harm its results of operations; (xv) the Company may be liable to its customers or third parties if it is unable to collect data or it otherwise loses data; (xvi) the Company may be liable for the handling of personal information; (xvii) intellectual property claims against the Company may be time consuming, costly to defend, and disruptive to the business; (xviii) the Company uses open source software in connection with its products which exposes it to uncertainty and potential liability; (xix) economic uncertainty and downturns in the software market may lead to decreases in the Company’s revenue and margins; (xx) any significant changes in the technological paradigm utilized for building or delivering applications in Smartphone devices could harm the Company’s business and prospects; and (xxi) if the Company loses any of its key personnel, its operations and business may suffer.

On March 12, 2020, Prontoforms took the decision to temporarily close our physical offices and require all staff to work from home. Our staff have responded with enthusiasm and have adapted well to working remotely. Most of our tools are in the cloud and have been operating there for some time and as such, the disruption to sales by COVID-19 was not as significant for us as for some other businesses. Bookings rebounded and continued to grow during the third quarter and we have reaffirmed our strategy of carefully investing in Enterprise growth. We will continue with our staff working in this remote fashion until such time as we believe, based on the stages of the virus and the advice of government health authorities, that the risk to our staff and customers is reduced sufficiently. At such time, all recommended safety precautions, including physical distancing measures, will be implemented.

We are conducting business with substantial modifications to employee travel, employee work locations and virtualization or cancellations of all sales and marketing events. We have substantially modified interactions with customers and suppliers, among other modifications, including customer purchasing decisions. We have also accessed government assistance in the form of the Innovative Assistance Program (IAP) during the second quarter of 2020 and the Industrial Research Assistance Program (IRAP) which was completed at the end of the second quarter of 2020. . We may take further actions that alter our business operations as may be required by governments, or that we determine are in the best interest of our employees, customers, partners, suppliers, and shareholders. However, there is no certainty that such measures will be sufficient to mitigate the direct and indirect effects of the virus and our business, financial condition and results of operations could be affected. The degree to which COVID-19 will affect our results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the virus, the impact of the pandemic and related restrictions on economic activity and the extent of the impact of these and other factors on our employees, partners, suppliers and customers. COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops, customers may not have the financial means to subscribe for our software and services, negatively impacting our results of operations. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreak and the related impact on the global economy may not be fully reflected in our results of operations until future periods. Further, volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of our shares.

Please see the Company's MD&A for the year ended December 31, 2019 filed on [www.SEDAR.com](http://www.SEDAR.com) and dated March 11, 2020 for a more complete discussion of these and other risks. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **BUSINESS OVERVIEW AND OUTLOOK**

ProntoForms is the global leader in field-focused low-code application platforms ("LCAP") for enterprise. Its solution is used to create apps and forms to collect and analyze field data with smartphones and tablets – either as a standalone solution or a mobile front-end to enterprise systems of record. ProntoForms' 100,000+ subscribers harness the intuitive, secure, and scalable solution to increase productivity, improve quality of service, and mitigate risks.

ProntoForms was one of just 19 companies featured in Gartner's 2020 LCAP Magic Quadrant report. Additionally, it was the only field-focused solution included. Gartner – the world's leading IT research and advisory firm – predicts that by 2024, 75% of large enterprises will use at least four low-code development tools for both IT application development and citizen development initiatives. ProntoForms was also

named G2's leader in Mobile Forms Automation Software for Fall 2020, retaining this ranking for the 9th time. ProntoForms was rated a 92 through real-time user satisfaction ratings, 33 points above the nearest competitor in the Enterprise segment. G2 also awarded ProntoForms the High Performer badge for Low-Code Development Platforms and the highest relationship rating available for products included in the Mobile Forms Automation Software category.

We have a broad cross section of customers in diverse industries; however, our prime focus is in heavy manufacturing, energy resources, and utilities. Typically, our initial sale is to the leaders of field or sales operations. In enterprise, we often obtain broader adoption through internal IT channels as they value the platform's security, scalability, and reliability. We are focusing on a replicable expansion approach for medium and large enterprise customers to achieve broader adoption in other regions and across other business processes.

We sell directly and co-market our solution with multiple partners that include independent software vendors, implementation partners, and other industry specific resellers in multiple geographies. While our direct sales resources provide us access to decision makers in a wide range of companies, we are also targeting new enterprise sales through partners and resellers. We believe that these partners and resellers often provide easier access to the decision makers in large enterprises, so we have shifted resources and investment to pursue sales through partners and resellers that have existing large enterprise relationships.

We compete in a mobile business application market that remains highly fragmented. Recent developments have seen early consolidation among niche providers focused on a narrow set of technology or targeted to a very specific vertical industry segment. While we do not consider these patterns to be unusual for an emerging industry, market dynamics, combined with our company size, suggest that the abundance of applications, devices, and software vendors will continue to impact decision-making and implementation cycles by our customers.

The threat of technology disrupting business, the increased demand for mobile apps, and the shortage of resources to build them, is influencing field service executives and IT teams to investigate LCAP solutions to complement field force automation initiatives. In addition, the rapid evolution of other infrastructure enablers, including smartphones and tablets, cloud services for back office systems, data storage, and demand for data and analytics to measure and improve business processes is another favorable trend supporting our growth.

The conditions outlined above could add significant variability, and we caution readers that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as the only indication of likely future performance or quarterly operating results.

See "Forward Looking Statements" above.

## **RECENT DEVELOPMENTS**

### **2020**

On October 30, 2020, the Company entered a revolving credit facility with Toronto-Dominion Bank ("TD Bank") for an amount of up to CAD \$6 million. The new credit facility bears interest at a rate of prime plus 1% per annum with a 2-year commitment renewable annually. A portion of the new credit facility was used to settle the Company's obligations to BDC Capital Inc. ("BDCC")

On October 29, 2020, warrants to purchase 4,350,000 common shares of the company were exercised and the common shares were issued upon payment of the aggregate purchase price of CAD \$1,957,500. (USD \$1,471,649).

During the nine months ended September 30, 2020, 1,129,750 common shares were issued upon the exercise of options, for proceeds of \$249,240.

## 2019

During the year ended December 31, 2019, 6,758,399 common shares were issued upon the exercise of warrants for proceeds of \$2,433,948 and 2,286,636 common shares were issued upon the exercise of options for proceeds of \$675,741.

## KEY PERFORMANCE INDICATORS

We use certain key performance indicators to assess performance and evaluate our business. Such key performance indicators do not have a definition in IFRS and may be calculated in a manner different from similar key performance indicators used by other companies. We do not consider such key performance indicators to be “non-GAAP financial measures” as such term is commonly used because they are not derived from our financial statements.

### Annual Recurring Revenue (ARR)

Annual Recurring Revenue (“ARR”) is an element we use to estimate our recurring revenue for future reporting periods and is a measure we use to assess the performance of the business over time. We caution that recurring revenue will fluctuate by the amount and timing of additions and deletions in the following periods and by the foreign exchange impact on non-US Dollar ARR.

ARR is calculated as the annual equivalent of the recurring elements of our contracts with customers that are in effect at the end of the period. Non-US Dollar ARR is converted at the period end exchange rate. As at September 30, 2020, 94% of ARR was denominated in US Dollars.

	2020			2019			2018	
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
ARR	16,992,076	16,137,336	15,741,756	15,736,428	15,026,100	13,713,778	13,069,975	12,397,120
ARR Growth								
- sequential (QoQ)	5.3%	2.5%	0%	4.7%	9.6%	4.9%	5.4%	7.4%
- comparable (YoY)	13.1%	17.7%	20.4%	26.9%	30.1%	25.7%	26.4%	27.0%
Proportion of Base from								
Customers with > \$100k ARR	39%	38%	37%	36%	35%	30%	28%	26%

We have focused our efforts on Enterprise sales and we use the metric “Proportion of Base from Customers with > \$100k ARR” as an indicator of sales to larger customers and higher penetration within those accounts. Over time, larger customers have constituted a greater share of our revenue and we expect this trend to continue as larger enterprises recognize the value of our product. We caution that this indicator may fluctuate depending on the size of customers added or deleted in the following periods.

An ARR customer is defined as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract with us or one of our partners to access our platform.

**PRESENTATION OF FINANCIAL STATEMENTS**  
(in U.S. Dollars)

**Selected Quarterly Financial Information**

**Statement of Operations Data**

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue	\$ 4,550,437	\$ 3,840,001	\$ 12,955,495	\$ 11,033,453
Loss from operations	(492,490)	(459,490)	(382,725)	(1,275,063)
Net loss	(609,711)	(421,111)	(569,935)	(1,484,087)
Non-GAAP (loss) income from operations [1]	(344,475)	(378,248)	11,559	(999,989)
Non-GAAP net loss [1]	(409,825)	(398,026)	(31,329)	(1,177,431)
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)

[1] See Non-GAAP measures below

**DISCUSSION OF OPERATIONS**

**Three months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019**

	Three months ended		Change from Q3 2020 to Q3 2019		Three months ended		Change from Q2 2020 to Q3 2020
	September 30, 2020	September 30, 2019			June 30, 2020		
<b>Revenue</b>							
Recurring revenue	\$ 4,056,073	\$ 3,502,035	554,038	16%	\$ 3,890,920	165,153	4%
Professional and other services	494,364	337,966	156,398	46%	271,424	222,940	82%
	<u>4,550,437</u>	<u>3,840,001</u>	<u>710,436</u>	19%	<u>4,162,344</u>	<u>388,093</u>	9%
<b>Cost of revenue</b>							
Recurring revenue	370,730	336,224	34,506	10%	275,865	94,865	34%
Professional and other services	450,433	294,584	155,849	53%	216,129	234,304	108%
	<u>821,163</u>	<u>630,808</u>	<u>190,355</u>	30%	<u>491,994</u>	<u>329,169</u>	67%
Gross margin	3,729,274 82%	3,209,193 84%	520,081	16%	3,670,350 88%	58,924	2%
<b>Expenses</b>							
Research and development	1,480,276	1,229,575	250,701	20%	1,161,873	318,403	27%
Selling and marketing	1,991,105	1,790,166	200,939	11%	1,545,168	445,937	29%
General and administrative	750,383	648,942	101,441	16%	615,590	134,793	22%
	<u>4,221,764</u>	<u>3,668,683</u>	<u>553,081</u>	15%	<u>3,322,631</u>	<u>899,133</u>	27%
(Loss) income from operations	(492,490)	(459,490)	(33,000)	7%	347,719	(840,209)	-242%
Foreign exchange (loss) gain	(14,221)	33,839	(48,060)	nm	(43,813)	29,592	nm
Interest and accretion	(101,743)	(97,163)	(4,580)	nm	(95,232)	(6,511)	nm
Change in fair value of derivative liability	(1,257)	101,703	(102,960)	nm	(954)	(303)	nm
Net (loss) income	\$ (609,711)	\$ (421,111)	(188,601)	45%	\$ 207,720	(817,432)	-394%

Loss from operations (see additional GAAP measures) for the three months ended September 30, 2020 was \$492,490 compared to income from operations of \$347,719 in the second quarter of 2020 and a loss from operations of \$459,490 for the comparable third quarter of 2019. Non-GAAP loss from operations (see non-GAAP measures) for the three months ended September 30, 2020 was \$344,475 compared to non-GAAP income from operations of \$445,789 in the second quarter of 2020 and non-GAAP loss from operations of \$378,248 for the comparable third quarter of 2019. The fluctuation from income from operations and non-GAAP income from operations to a loss from operations and a non-GAAP loss from operations compared to the second quarter of 2020 is primarily due to the COVID-19 government assistance and IRAP assistance received in the second quarter compared to Nil in the third quarter.

The Company had a net loss of \$609,711 for the three months ended September 30, 2020 compared to a net loss of \$421,111 in the third quarter of 2019 and net income of \$207,720 for the second quarter of 2020. Non-GAAP net loss (see Non-GAAP measures) for the three months ended September 30, 2020 was \$409,825 compared to non-GAAP net income of \$353,037 in the second quarter of 2020 and Non-GAAP net loss of \$398,026 for the comparable third quarter of 2019. The increase in net loss compared to the three months ended September 30, 2019 relates to a revaluation of the derivative a year ago in addition to a foreign exchange loss due to the strengthening of the Canadian Dollar on net monetary liabilities. The change from a net income in the second quarter of 2020 compared to the loss in the third quarter of 2020 is mainly due to the COVID-19 government assistance and IRAP assistance received in the second quarter of 2020.

**Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019  
(in U.S. Dollars)**

	Nine months ended		Change from 2019 to 2020	
	September 30, 2020	September 30, 2019		
<b>Revenue</b>				
Recurring revenue	\$ 11,888,948	\$ 9,965,565	1,923,383	19%
Professional and other services	1,066,547	1,067,888	(1,341)	0%
	<u>12,955,495</u>	<u>11,033,453</u>	<u>1,922,042</u>	<u>17%</u>
<b>Cost of revenue</b>				
Recurring revenue	968,395	1,037,298	(68,903)	-7%
Professional and other services	964,533	849,376	115,157	14%
	<u>1,932,928</u>	<u>1,886,674</u>	<u>46,254</u>	<u>2%</u>
Gross margin	11,022,567	9,146,779	1,875,788	21%
	85%	83%		
<b>Expenses</b>				
Research and development	3,823,516	3,514,823	308,693	9%
Selling and marketing	5,402,342	4,893,993	508,349	10%
General and administrative	2,179,434	2,013,026	166,408	8%
	<u>11,405,292</u>	<u>10,421,842</u>	<u>983,450</u>	<u>9%</u>
Loss from operations	(382,725)	(1,275,063)	892,338	-70%
Foreign exchange gain (loss)	108,884	(19,306)	128,190	nm
Interest and accretion	(293,300)	(281,014)	(12,286)	nm
Change in fair value of derivative liability	(2,794)	91,296	(94,090)	nm
Net loss	\$ (569,935)	\$ (1,484,087)	914,152	-62%

nm - not considered meaningful

Loss from operations (see Additional GAAP Measures below) for the nine months ended September 30, 2020 was \$382,725 compared to loss from operations of \$1,237,063 for the comparable nine months ended September 30, 2019. Non-GAAP income from operations (see Non-GAAP Measures below) for the nine months ended September 30, 2020 was \$11,559 compared to a Non-GAAP loss from operations \$999,989 for the comparable nine months ended September 30, 2019. The decrease in net loss from operations and Non-GAAP net loss from operations is due mainly to the government assistance and a more cautious spending approach in operating the Company earlier in the year.

The Company had a net loss of \$569,935 for the nine months ended September 30, 2020 compared to a net loss of \$1,484,087 for the nine months ended September 30, 2019. Non-GAAP net loss for the nine months ended September 30, 2020 was \$31,329 down from a loss of \$1,177,431 for the comparable nine months ended September 30, 2019.

## Revenue

We earn recurring revenue primarily from our ProntoForms and related services provided on a subscription basis.

We also generate other services revenue by offering professional services such as consultancy, form customization, software integration and installation. After the initial subscription sale, customers may purchase additional professional services for the development of incremental forms, or integration to other back-office applications.

Our revenue is generated through a combination of direct and indirect sales. We have entered into distribution agreements with several resellers across North America, South America, and Western Europe, as well as certain system integrators, mobile device manufacturers, and mobile operators. Our current focus is on building sales through direct and select partner and reseller channels as we believe this will provide us with the best opportunity for broad based subscription revenue growth. We expect that this increasingly global distribution network will provide us with broad worldwide reach to capitalize on the expected growth in the mobile business application software market.

## Revenue detail

	Three months ended			Change from	
	September 30, 2020	June 30, 2020	September 30, 2019	Previous 2020 Q2	Comparable 2019 Q3
Revenue					
Recurring	\$ 4,056,073	\$ 3,890,920	\$ 3,502,035	4%	16%
Professional services	494,364	271,424	\$ 337,966	82%	46%
	<u>\$ 4,550,437</u>	<u>\$ 4,162,344</u>	<u>\$ 3,840,001</u>	<u>9%</u>	<u>19%</u>

	Nine months ended		Change from comparable 2019
	September 30, 2020	September 30, 2019	
Revenue			
Recurring revenue	\$ 11,888,948	\$ 9,965,565	19%
Professional services	1,066,547	1,067,888	0%
	<u>\$ 12,955,495</u>	<u>\$ 11,033,453</u>	<u>17%</u>

Total revenue for the three months ended September 30, 2020 was \$4,550,437 representing a 9% increase over the second quarter of 2020 revenue of \$4,162,344 and a 19% increase over the comparable third quarter of 2019 revenue of \$3,840,001. Total revenue for the nine months ended September 30, 2020 was \$12,955,495 representing an increase of 17% over the comparable nine months in 2019.

Recurring revenue for the three months ended September 30, 2020 was \$4,056,073 compared to \$3,890,920 in the second quarter of 2020 and compared to \$3,502,035 in the comparable third quarter of 2019 representing an increase of 4% and 16% respectively. Recurring revenue for the nine months ended September 30, 2020 was \$11,888,948 representing an increase of 19% over the comparable nine months in 2019. We have continued



to invest in sales and marketing activities with the intention of driving larger revenue from the customer base.

Professional services revenue increased to \$494,364 for the three months ended September 30, 2020 compared to \$271,424 in the second quarter of 2020 and \$337,966 in the comparable third quarter of 2019. Professional service revenue mainly relates to the deployment services for new implementations or expansions for new use cases or in new geographies. The increase in professional services revenue in the quarter was mainly due to an engagement to develop additional features for an Enterprise customer. See "Forward Looking Statements" above.

### Cost of Revenue and Gross Margin

Cost of recurring revenue consists of hosting, software and support department costs. Cost of professional and other services revenue includes personnel and other costs for deployment and analytics services and other marketing and development costs as needed.

	<b>Three months ended</b>		
	September 30, 2020	June 30, 2020	September 30, 2019
Gross Margin on:			
Total revenue	82%	88%	84%
Recurring revenue	91%	93%	90%
Professional services revenue	9%	20%	13%

  

	<b>Nine months ended</b>	
	September 30, 2020	September 30, 2019
Gross Margin on:		
Total revenue	85%	83%
Recurring revenue	92%	90%
Professional services	10%	20%

Total revenue gross margin for the three months ended September 30, 2020 was \$3,729,274 representing 82% of revenue compared to gross margin of \$3,209,193 representing 84% for the comparable period in 2019 and \$3,670,350 representing 88% of revenue in the second quarter of 2020. Total revenue gross margin for the nine months ended September 30, 2020 was 85% compared to 83% for the comparable nine months in 2019. The decrease in gross margin % during the current quarter was mostly due to government assistance relating to the Innovative Assistance program (IAP) in the previous quarter of 2020 which provided assistance to small and medium-size business in the form of a salary subsidy for up to 12 weeks from April 1, 2020 to June 23, 2020. IAP received in the second quarter of 2020 was as follows: \$61,976 relating to cost of revenue – recurring revenue and \$92,238 relating to cost of revenue – professional and other services. No IAP was received in the current quarter.

Recurring revenue gross margin was \$3,685,343 representing 91% of recurring revenue for the three months ended September 30, 2020, compared \$3,165,811 representing 90% in the comparable third quarter 2019 and \$3,617,055 or 93% in the second quarter of 2020. Recurring revenue gross margin as a percent of recurring revenue for the last 3 years have remained in the range of 88% to 93%. These gross margins may fluctuate as we add new functionality offset by economies of scale. The gross margin for the quarter ended June 30, 2020 of 93% is at the higher end of this range mainly due to the government assistance we received and would have been 91% without the IAP funding. Recurring revenue gross margin for the nine months ended September 30, 2020 was 92% compared to 90% for the comparable nine months in 2019.

Professional services gross margin was \$43,931, representing 9% of professional services revenue for the three months ended September 30, 2020 compared to a gross margin of \$43,382, representing 13% of professional services revenue for the three months ended September 30, 2019 and \$55,295 or 20% in the second quarter of 2020. Professional services gross margin for the nine months ended September 30, 2020 was 10% compared to 20% for the comparable nine months in 2019.

## Research and Development Expenses

Research and development expenses consist primarily of remuneration paid to engineering personnel and independent contractors whom we occasionally use to provide additional technical capacity on a short-term basis. Other research and development expenses include travel, rent and other occupancy costs for our engineering and technical support personnel.

For the nine months ended September 30, 2020, research and development expense increased to \$3,823,516 from \$3,514,823 for the comparable period of 2019. Research and development expenses are shown net of Government Investment tax credits (“ITC’s”) and other government assistance as follows:

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Gross Research and Development expense	\$ 1,509,070	\$ 1,490,820	\$ 1,244,677
Less:			
Investment tax credits	(28,794)	(7,336)	(15,102)
Industrial Research Assistance Program	-	(272,090)	-
Innovative Assistance Program	-	(49,521)	-
	<u>\$ 1,480,276</u>	<u>\$ 1,161,873</u>	<u>\$ 1,229,575</u>

We expect that the ITC’s will accrue at approximately \$7,500 per quarter in the short term and we will continue to pursue additional funding under Government funding programs. The National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) approved funding up to CAD \$750,000 to further innovate and advance our product. As of September 30, 2020, the total amount of funding has been received.

During the quarter ended September 30, 2020, the Company recorded government assistance related to IAP of \$Nil.

Gross research and development costs increased over the first three quarters of 2019 as we continue to expand our product capabilities. We expect R&D expense to remain flat or increase slightly for 2020 as we hold steady in the current environment but expect reduced benefit as the IRAP funding under the current program is complete but we may pursue government funding in future. See “Forward Looking Statements” above.

## Selling and Marketing Expenses

Our sales and marketing expenses consist primarily of compensation, including sales commissions paid to our sales and marketing personnel. Other significant sales and marketing expenses include rent and other occupancy costs, and living costs for the sales and marketing staff, advertising, promotion, virtual trade and customer events and travel although reduced to the COVID-19 pandemic.

Our sales and marketing expenses increased in the nine months ended September 30, 2020 to \$5,402,342 from \$4,893,993 for the nine months ended September 30, 2019. The increase was mainly due to additional resources, higher variable compensation on new sales and channel development. Sales and marketing expense increased to \$1,991,105 from \$1,790,166 for the three months ended September 30, 2020 mainly due to funding received from the IAP program received in the second quarter of 2019. We expect that sales and marketing expense will increase moderately as we re-invest our growth proceeds into resources to pursue additional growth. See “Forward Looking Statements” above.

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Gross Selling and marketing expense	\$ 1,991,105	\$ 1,879,720	\$ 1,790,166
Less:			
Innovative Assistance Program	-	(334,552)	-
	<u>\$ 1,991,105</u>	<u>\$ 1,545,168</u>	<u>\$ 1,790,166</u>

### General and Administrative Expenses

Our general and administrative expenses consist primarily of remuneration paid to executive, finance, legal and corporate administrative staff. Other significant general and administrative expenses include legal and accounting professional fees, travel and insurance, rent and other occupancy costs.

Our general and administrative expenses increased to \$2,179,434 for the nine months ended September 30, 2020 compared to \$2,013,026 for the nine months ended September 30, 2019 as we continue to add infrastructure to support the growth in the organization and an increase in allowance for credit losses. We expect that general and administrative expenses will hold steady in the current environment before we return to moderately adding infrastructure for operations. See "Forward Looking Statements" above.

	September 30,	June 30,	September 30,
	2020	2020	2019
Gross general and administrative expenses	\$ 750,383	\$ 712,385	\$ 648,942
Less:			
Innovative Assistance Program	-	(96,795)	-
	<u>\$ 750,383</u>	<u>\$ 615,590</u>	<u>\$ 648,942</u>

### Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) relates primarily to the impact of the relative weakness of the Canadian dollar against the US dollar on the Company's CAD denominated monetary assets and liabilities. The Company had a foreign exchange gain of approximately \$108,884 for the nine months ended September 30, 2020 due to the effect on net Canadian monetary liabilities from the US dollar decreasing in value compared to the Canadian dollar.

### Interest and accretion

Interest and accretion relates primarily to the interest on the CAD \$4 million five-year secured term credit facility entered into in August 2016 (the "2016 BDCC loan") between the Company and BDC Capital Inc. ("BDCC"), a wholly-owned subsidiary of Business Development Bank of Canada. The 2016 BDCC loan includes interest of 7% per annum, that is accrued and paid monthly. Accretion relates to discounts applied at the inception of the loan from 1) loan costs, 2) the bifurcation of the derivative liability and 3) warrants issued to the debt holder from the loan amount.

### **Change in fair value of derivative liability**

The derivative liability relates to the interest ratchet increase of up to 1.25% per year if annual recurring revenue growth is less than 30% calculated based on the audited year-end financial statements beginning with the year ended December 31, 2016. The interest rate has increased to 8.25% in 2018 and to 9% effective October 16, 2019. The derivative liability is revalued by management at the end of each reporting period.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2020, cash was \$5,684,821 and working capital was \$701,257. Subsequent to quarter end the Company received proceeds of CAD \$1,957,500 (USD \$1,471,649) from the exercise of warrants (see Business Development) and the Company entered a revolving credit facility with TD Bank for an amount of up to CAD \$6,000,000 with a term of two years. A portion of the facility will be used to settle the Company's obligations to BDCC.

Given reduced cash outflow from operations, our existing cash and cash equivalents and the new revolving credit facility, we believe there is sufficient liquidity to meet our current and planned financial obligations in the foreseeable future. Our future financing requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform, and the expansion of sales and marketing activities. While we currently expect that we will have sufficient cash flow for us to continue operations in our present form, there is a risk that we may not be able to obtain sufficient other additional financing or that such arrangements may result in dilution to existing shareholders. Turmoil and uncertainty in the financial and business markets may impact our ability to raise additional financing proceeds and the terms related to the financing. The Board of Directors has not established capital benchmarks or other targets.

#### *Operations*

Cash used by operating activities for the nine months ended September 30, 2020 totaled \$23,950 compared to \$461,039 for the nine months ended September 30, 2019. The decrease in cash used in operating activities is driven primarily by reduction in the net loss.

#### *Financing Activities*

During the nine months ended September 30, 2020, 1,129,750 common shares were issued upon the exercise of options for proceeds of \$249,240.

During the nine months ended September 30, 2019, 6,758,399 common shares were issued upon the exercise of warrants and 2,105,385 common shares were issued upon the exercise of options, for proceeds of \$2,433,948 and \$631,199 respectively. 839,491 warrants expired during the nine months ended September 30, 2019.

#### *Investing Activities*

Purchases of property and equipment was \$59,184 for the nine months ended September 30, 2020 compared to \$158,911 for the nine months ended September 30, 2019 and relate primarily for computers and office equipment for the day to day activities of employees. We currently have no material commitments for capital expenditures.

## ADOPTION OF NEW ACCOUNTING POLICIES

There were no new accounting policies adopted in the three months ended September 30, 2020.

## OTHER OBLIGATIONS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The Company leases office premises from a company controlled by the Chairman of the Board, Sir Terrence Matthews. This office premise is included as part of the right-of-use assets of \$721,428 and as part of lease obligations of \$787,262.

	<b>Related party commitments</b>	<b>Other commitments</b>	<b>Total</b>
2020 (October through December)	\$ 69,875	\$ 158	\$ 70,033
2021	279,500	-	279,500
2022	279,500	-	279,500
2023	163,041	-	163,041
	<u>\$ 791,916</u>	<u>\$ 158</u>	<u>\$ 792,074</u>

Loans totalling \$402,894 (\$537,407 CAD) have been issued to the CEO to purchase common shares. The loans are non-interest bearing and repayable on demand.

The 2,668,488 common shares acquired under the CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at June 30, 2020 was \$1,600,452 (\$2,134,790 CAD).

Despite their legal form, the CEO Share Purchase Loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The \$80,556 (\$107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

The following table provides a summary of the variable lease payments and the Company's other contractual obligations outstanding as at September 30, 2020:

	<b>Payments due by Period</b>			
	<b>Total</b>	<b>Year 1</b>	<b>Years 2-3</b>	<b>Greater than 3 Years</b>
Office variable lease obligations	\$ 791,916	\$ 69,875	\$ 559,000	\$ 163,041
Derivative liability - BDCC Loan	75,235	75,235	-	-
Short-term debt - BDCC Loan	3,199,970	3,199,970	-	-
	<u>\$ 4,067,121</u>	<u>\$ 3,345,080</u>	<u>\$ 559,000</u>	<u>\$ 163,041</u>

## SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which 121,204,748 common shares were issued and outstanding as of the date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 4,350,000 common shares at an exercise price of CAD \$0.45.

The stock option plan (the "Option Plan") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX Venture Exchange) and the vesting and expiry provisions. The maximum number of common shares reserved for issuance for options that may be granted under the Option Plan is 19,679,583. Options granted under the Option Plan to purchase up to an aggregate of 16,075,875 (average exercise price of CAD \$0.48) common shares are issued and outstanding.

Assuming that all of the outstanding options and warrants are vested and exercised, 141,630,623 common shares would be issued and outstanding on a fully diluted basis.

## QUARTERLY INFORMATION

	<b>Three months ended</b>			
	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Revenue	\$ 4,550,437	\$ 4,162,344	\$ 4,242,714	\$ 4,070,466
(Loss) income from operations	(492,490)	347,719	(237,954)	(582,571)
Net (loss) income	\$ (609,711)	\$ 207,720	\$ (167,945)	\$ (781,391)
Weighted average number of shares outstanding basic and diluted	117,666,390	117,455,093	117,427,901	117,259,797
Net loss per common share, basic and diluted	\$ (0.01)	0.00	\$ (0.00)	\$ (0.01)

	<b>Three months ended</b>			
	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Revenue	\$ 3,840,001	\$ 3,676,267	\$ 3,517,185	\$ 3,299,947
Loss from operations	(459,490)	(417,236)	(398,337)	(467,236)
Net loss	\$ (421,111)	\$ (530,042)	\$ (532,934)	\$ (409,571)
Weighted average number of shares outstanding basic and diluted	115,545,497	109,926,030	107,961,594	108,361,475
Net loss per common share, basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

## ADDITIONAL GAAP AND NON-GAAP MEASURES

This MD&A makes reference to certain Additional GAAP and Non-GAAP financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use Income (Loss) from Operations as an Additional GAAP Measure and we use Non-GAAP financial measures, including Non-GAAP Income (Loss) from Operations and Non-GAAP Net Income (Loss), to provide investors with supplemental measures of our operating performance and to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

### Income (Loss) from Operations

The Company uses "Income (Loss) from Operations" as an additional GAAP financial measure within the financial statements and MD&A but it is not a defined term under IFRS to assess performance. Management believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Income (Loss) from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance, but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

### Non-GAAP Income (Loss) from Operations

The Company uses "Non-GAAP Income (Loss) from Operations" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Income (Loss) from Operations is calculated as follows:

#### Non-GAAP (loss) income from Operations

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
GAAP (loss) income from Operations	\$ (492,490)	347,719	\$ (459,490)
Add back:			
Share based compensation	148,015	98,070	81,242
	<u>\$ (344,475)</u>	<u>445,789</u>	<u>\$ (378,248)</u>

#### Non-GAAP income (loss) from Operations

	Nine months ended	
	September 30, 2020	September 30, 2019
GAAP income (loss) from Operations	\$ (382,725)	\$ (1,275,063)
Add back:		
Share based compensation	394,284	275,074
	<u>\$ 11,559</u>	<u>\$ (999,989)</u>



Management use this information to measure operating results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

### Non-GAAP Net Income (Loss)

The Company uses “Non-GAAP Net Income (Loss)” as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Income (Loss) from Operations is calculated as follows:

Non-GAAP Net (loss) income	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
GAAP Net (loss) income	\$ (609,711)	\$ 207,720	\$ (421,111)
Add back:			
Share based compensation	148,015	98,070	81,242
Accretion on long-term debt	50,614	46,293	43,546
Change in fair value of derivative	1,257	954	(101,703)
	<u>\$ (409,825)</u>	<u>\$ 353,037</u>	<u>\$ (398,026)</u>

  

Non-GAAP Net loss	Nine months ended	
	September 30, 2020	September 30, 2019
GAAP Net loss	\$ (569,935)	\$ (1,484,087)
Add back:		
Share based compensation	394,284	275,074
Accretion on long-term debt	141,527	122,878
Change in fair value of derivative	2,794	(91,296)
	<u>\$ (31,330)</u>	<u>\$ (1,177,431)</u>

Management use this information to measure financial results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

Additional information relating to the Company may be found at [www.SEDAR.com](http://www.SEDAR.com).