THIRD QUARTER RESULTS

Management's Discussion and Analysis and

Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and nine months ended March 31, 2023 and 2022

(unaudited)

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 9, 2023

This Management's Discussion and Analysis ("MD&A") provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three and nine months ended March 31, 2023.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and nine months ended March 31, 2023 and 2022. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

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

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

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1. Company Overview

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

Vecima's business is organized into three segments:

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

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

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

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

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

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

   MediaScale

   - Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
   - Origin: packages and secures video for streaming over-the-top ("OTT") or through a service provider managed network, regardless of network technology;
   - Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause; and
   - Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands. Vecima's Telematics solutions allow fleets and high-value assets to be tracked, managed, reported on and optimized over a subscription-based cloud portal serving commercial and municipal government customers.

2. Industry Developments

Video and Broadband Solutions

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

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

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

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

Content Delivery and Storage

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

Content owners and broadcasters are also leveraging IPTV technologies to deliver services directly to subscribers using OTT business models. Open cache technology, such as that being standardized by the streaming video alliance is aimed at consolidating IPTV traffic utilizing strategically placed cache capacity that reduces cost and network latency.

Telematics

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

Our Strategy

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

3. Third Quarter Fiscal 2023 Highlights

Financial and Corporate Highlights

- Achieved a new quarterly revenue record with third quarter sales climbing 54% to $78.3 million, from $50.9 million in Q3 fiscal 2022
- Gross profit climbed 42% to $34.1 million, up from $24.0 million in Q3 fiscal 2022
- Grew EPS and Adjusted EPS to $0.18 per share, from $0.13 per share in Q3 fiscal 2022
- Adjusted EBITDA climbed 44% to $11.7 million, from $8.1 million in the prior-year period
- Ended the third quarter in strong financial position with working capital of $91.1 million at March 31, 2023, compared to $58.6 million at June 30, 2022

Video and Broadband Solutions (VBS)

- The VBS segment delivered record performance of $64.8 million, up 75% year-over-year and 4% higher than the exceptionally strong performance achieved in Q2 fiscal 2023

  DAA (Entra Family)

  - Deployments of next-generation Entra DAA products rose to a record $62.7 million, up 104% year-over-year and 13% quarter-over-quarter as customers continued to increase their rollout of next-generation distributed access architecture
  - Key DAA achievements in Q3 fiscal 2023 included:
    - An increase in total customer engagements to 106 MSOs worldwide, from 83 a year earlier. To date, 50 of these customers have ordered Entra products
      - Customers engaged for cable access now number 60
      - Customers engaged for fiber access or both access technologies now number 46
    - Achieved another exceptional quarter for Vecima's fiber-access DAA solutions, leveraging supply chain strengths to support scale rollouts of EntraOptical Fiber Access solutions, particularly for broadly-funded rural broadband expansions
    - Selected by Charter Communications to provide Entra ERM3 next-generation Remote PHY devices for this customer's enterprise-wide hybrid fiber coax (HFC) network evolution. The Entra ERM3 RPD is expected to be used for a substantial portion of Charter's network upgrade
    - Grew Vecima's presence in Asia with a strategic Remote PHY win with Kbro, the largest cable operator in Taiwan. Kbro selected Vecima's Entra EN2112 Compact Remote PHY (R-PHY) nodes as part of its DAA solution to enable high-speed DOCSIS 3.1 services for subscribers
    - Recognized by Dell'Oro Group as the 2022 market share leader in two key DAA categories: Remote Optical Line Terminals and Remote MACPHY
    - VBS services revenues increased 38% year-over-year and 7% quarter-over-quarter

Commercial Video (Terrace Family)

- Generated Commercial Video sales of $2.1 million, as compared to $6.2 million in Q3 fiscal 2022 and $6.5 million in Q2 fiscal 2023, as customers prepare to transition to next-generation platforms and as our newer DAA-driven commercial video solutions are accounted for as part of Entra family sales
- Achieved a new milestone with Terrace and TerraceQAM bulk video delivery reaching an estimated 25,000 hotels, enterprises and commercial sites

Content Delivery and Storage (CDS)

- Achieved solid Q3 CDS sales of $11.8 million, as compared to $12.5 million in Q3 fiscal 2022 and $12.4 million in Q2 fiscal 2023
  - Undertook a major IPTV expansion with a top 10 U.S. cable operator, growing the network footprint to give a larger subscriber base access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric
  - Completed expansions with five additional IPTV customers, as well as a special engineering project with a sixth customer
  - Supported the record traffic experienced by operators using our MediaScale streaming platform during Super Bowl LVII, delivering 100% uptime performance
  - Announced a new compact, affordable legacy QAM video solution suitable for smaller operators
  - Subsequent to the quarter-end, established a partnership with Cadent, the largest independent platform for advanced TV advertising, to integrate Vecima's MediaScale™ streaming solution with the Cadent Aperture platform. This integrated solution will enable service providers to protect existing linear ad revenue as they migrate to new IPTV platforms, while creating opportunities for incremental revenue
  - CDS service revenue increased to a record $5.6 million in the quarter, a 31% increase year-over-year and a 9% increase quarter-over-quarter

Telematics

- Continued penetration into target industry verticals for our moveable asset solution, which monitors the location of valuable assets in warehouses, on vehicles and customer work sites
- Achieved best quarter to date for additions of new moveable asset customers, including adding 16 new customers for the NERO asset tracking platform, over 300 additional subscriptions booked, and asset tracking-related telematics subscriptions now representing approximately 13% of total subscriptions
- Significantly increased the number of moveable assets being monitored to over 40,000 units, an over 266% increase in the last eight quarters
- In the municipal government market for vehicle monitoring systems, continued roll out with a Canadian municipality for approximately 100 vehicle subscriptions, including winter operations vehicles
- Achieved year-to-date Telematics gross margin percentage of 66.2%

4. Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers’ expectations for faster speeds and enhanced services. With an industry-leading portfolio of DAA, commercial video and IPTV solutions, Vecima is providing our rapidly growing base of customers with the tools and solutions to expand their capacity and network offerings.

In our Video and Broadband Solutions segment, we continue to expect our next-generation DAA cable and fiber access products to be a major driver of further long-term growth for Vecima. We also anticipate full-year fiscal 2023 revenue will well exceed the 50% growth we achieved in fiscal 2022. With an industry leading portfolio of DAA Cable and Fiber Access solutions and expanding relationships with a large number of cable operators worldwide, we anticipate significant year-over-year sales growth from our Entra family products in fiscal 2023, 2024 and beyond. However, we note that the macro environment is in transition, from the very recent major constraints in the supply chain, to the current landscape, where vendors that have managed the supply chain highly effectively, like Vecima, have fulfilled strong deliveries of products to fuel customers’ ongoing major network upgrade projects. Over the coming quarters we anticipate that customers’ focus will temporarily shift from building up their product pipelines, to managing their DAA rollout logistics and working through existing inventories. This is likely to lead to short-term softness in product deliveries to customers prior to an expected return to growth driven by new programs and deployments, as well as a normalization of customer demand, in calendar 2024. We continue to be focused on navigating the current supply and inventory dynamics, while leveraging our unparalleled portfolio of cable and fiber access solutions, our strong working capital position to support customer deployments, and our growing global reach to capture additional market share and expand our lead in the vast new DAA market. We are still in the early stages of broad industry DAA adoption and continue to see a significant long-term growth runway ahead for Vecima. We are revising our targeted gross margin percentage to 45% to 49% to reflect the expected product mix profile in our Entra cable and fiber access product lines as the DAA market further scales. We expect that in the next several quarters that gross margin will trend slightly below or in the lower end of this range while elevated expedite costs from past supply chain constraints remain within our cost of goods sold as materials transition from the balance sheet to product deliveries. In the same timeframe, the market and product mix continues to shift to higher volume, lower margin cable access products as expected and Vecima’s planned transition to the correspondingly lower gross margin profile and resultant modelling of operating expenses for targeted bottom line performance is under way.

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

In our Content Delivery and Storage segment, demand for our IPTV and open caching solutions continues to increase as IPTV customers initiate network expansions. We anticipate a strong finish to fiscal 2023, culminating in low double-digit year-over-year sales growth for our CDS segment this year. We continue to see robust future growth potential as IPTV gains momentum and our newer open caching solutions become an important driver of CDS performance.

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

Overall, we remain highly confident in Vecima’s ability to capture the major and multi-year opportunities we see in the compelling DAA and IPTV markets.

5. Consolidated Results of Operations

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

Consolidated Statements of Comprehensive Income Data	Three months ended March 31, 2023		2022		Nine months ended March 31, 2023		2022	
Sales	**$ 78,256**	**100 %**	$ 50,872	100 %	**$ 227,915**	**100 %**	$ 126,854	100 %
Cost of sales	**44,183**	**56 %**	26,914	53 %	**124,056**	**54 %**	65,374	52 %
Gross profit	**34,073**	**44 %**	23,958	47 %	**103,859**	**46 %**	61,480	48 %
Operating expenses								
Research and development[1]	**12,053**	**16 %**	8,796	17 %	**33,099**	**14 %**	25,156	20 %
Sales and marketing	**6,929**	**9 %**	4,682	9 %	**19,852**	**9 %**	13,337	10 %
General and administrative	**8,389**	**11 %**	6,083	12 %	**21,505**	**9 %**	16,267	13 %
Share-based compensation	**289**	**- %**	64	- %	**1,202**	**1 %**	817	1 %
Other expense	**275**	**- %**	215	1 %	**318**	**- %**	234	- %
Total operating expenses	**27,935**	**36 %**	19,840	39 %	**75,976**	**33 %**	55,811	44 %
Operating income	**6,138**	**8 %**	4,118	8 %	**27,883**	**13 %**	5,669	4 %
Finance expense	**(738)**	**(1)%**	(82)	- %	**(1,493)**	**(1) %**	(170)	- %
Foreign exchange gain (loss)	**198**	**- %**	(541)	(1)%	**1,362**	**- %**	(455)	- %
Income before taxes	**5,598**	**7 %**	3,495	7 %	**27,752**	**12 %**	5,954	4 %
Income tax expense	**1,147**	**1 %**	505	1 %	**5,650**	**2 %**	749	- %
Net income	**4,451**	**6 %**	2,990	6 %	**22,102**	**10 %**	5,205	4 %
Other comprehensive income (loss)	**(105)**	**- %**	(750)	(2)%	**1,782**	**- %**	57	- %
Comprehensive income	**$ 4,346**	**6 %**	$ 2,240	4 %	**$ 23,884**	**10 %**	$ 5,262	4 %
Net income per share[2]								
Basic – total	**$ 0.18**		$ 0.13		**$ 0.94**		$ 0.23	
Diluted – total	**$ 0.18**		$ 0.13		**$ 0.94**		$ 0.23	
Other Data								
Total research and development expenditures[3]	**$ 15,401**		$ 11,454		**$ 42,108**		$ 30,734	
Adjusted EBITDA[4]	**$ 11,700**		$ 8,125		**$ 44,729**		$ 19,911	
Adjusted Earnings per share[5]	**$ 0.18**		$ 0.13		**$ 0.94**		$ 0.23	
Number of employees[6]	**642**		548		**642**		548	

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

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

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

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

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

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

Consolidated Statements of Financial Position *(in thousands of dollars except common share data)*		**March 31, 2023**		June 30, 2022
Cash and cash equivalents [1]	$	(12,345)	$	12,902
Working capital	$	91,083	$	58,571
Total assets	$	330,490	$	262,608
Long-term debt[2]	$	14,314	$	15,115
Shareholders' equity	$	215,761	$	179,732
Number of common shares outstanding[3]		23,545,483		23,079,181

[1] *Cash and cash equivalents is net of the revolving line of credit balance reflected in the Company's Consolidated Statements of Financial Position.*
[2] *Since fiscal 2020 long-term debt now includes lease liabilities per IFRS 16.*
[3] *Based on the weighted average number of common shares outstanding during the first nine months of fiscal 2023.*

Adjusted Net Income and Adjusted Earnings per Share

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

Calculation of Adjusted Earnings per Share	**Three months ended March 31,**				**Nine months ended March 31,**			
(unaudited – in thousands of dollars except per share amounts)		**2023**		2022		**2023**		2022
Net income	**$**	**4,451**	$	2,990	**$**	**22,102**	$	5,205
Loss on sale of non-core PP&E, net of tax		**11**		-		**32**		-
Adjusted net income	**$**	**4,462**	$	2,990	**$**	**22,134**	$	5,205
Net income per share	**$**	**0.18**	$	0.13	**$**	**0.94**	$	0.23
Adjusted earnings per share[1][2]	**$**	**0.18**	$	0.13	**$**	**0.94**	$	0.23

[1] *Adjusted earnings per share includes non-cash share-based compensation of $0.3 million or $0.01 per share for the three months ended March 31, 2023, and $0.1 million or $nil per share for the three months ended March 31, 2022. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.*
[2] *Adjusted earnings per share includes foreign exchange gain (loss) of $0.2 million or $nil per share for the three months ended March 31, 2023 and $(0.5) million or $(0.02) per share for the three months ended March 31, 2022.*

EBITDA and Adjusted EBITDA

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

Calculation of Adjusted EBITDA (in $ thousands of dollars)	**Three months ended March 31,**		**Nine months ended March 31,**	
	2023	2022	**2023**	2022
Net income	**$ 4,451**	$ 2,990	**$ 22,102**	$ 5,205
Income tax expense	**1,147**	505	**5,650**	749
Interest expense	**740**	89	**1,509**	185
Depreciation of property, plant and equipment	**869**	734	**2,527**	2,015
Depreciation of right-of-use assets	**305**	270	**965**	1,009
Amortization of deferred development costs	**3,062**	2,516	**8,282**	7,406
Amortization of intangible assets	**824**	783	**2,452**	2,333
EBITDA	**11,398**	7,887	**43,487**	18,902
Loss on sale of property, plant and equipment	**13**	174	**40**	192
Share-based compensation	**289**	64	**1,202**	817
Adjusted EBITDA	**$ 11,700**	$ 8,125	**$ 44,729**	$ 19,911
Percentage of sales	**15%**	16%	**20%**	16%

Total Research and Development Expenditures

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

Calculation of Research and Development Expenditures (in $ thousands of dollars, unless otherwise stated)	**Three months ended March 31,**		**Nine months ended March 31,**	
	2023	2022	**2023**	2022
R&D expense per statement of comprehensive income	**$ 12,053**	$ 8,796	**$ 33,099**	$ 25,156
Deferred development costs	**6,399**	5,128	**17,206**	12,908
Investment tax credits	**24**	46	**97**	106
Amortization of deferred development costs	**(3,062)**	(2,516)	**(8,282)**	(7,406)
Government grants	**(12)**	-	**(12)**	(15)
Total research and development expenditures	**$ 15,402**	$ 11,454	**$ 42,108**	$ 30,749
Percentage of sales	**20%**	23%	**18%**	24%

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three and nine months ended March 31, 2023 and 2022 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

(in thousands of dollars except per share amounts)		Fiscal 2023			Fiscal 2022			Fiscal 2021
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Sales	$ **78,256**	$ **76,212**	$ **73,447**	$ 59,960	$ 50,872	$ 43,587	$ 32,395	$ 35,320
Cost of Sales	**44,183**	**40,167**	**39,706**	31,478	26,914	21,767	16,693	20,348
Gross profit	**34,073**	**36,045**	**33,741**	28,482	23,958	21,820	15,702	14,972
Operating expenses								
Research and development	**12,053**	**10,341**	**10,705**	11,396	8,796	8,352	8,008	5,418
Sales and marketing	**6,929**	**6,619**	**6,304**	5,993	4,682	4,554	4,101	3,625
General and administrative	**8,389**	**7,522**	**5,594**	6,494	6,083	5,498	4,686	4,327
Share-based compensation	**289**	**815**	**98**	64	64	65	688	(296)
Other expense (income)	**275**	**22**	**21**	767	215	13	6	(1,462)
Total operating expenses	**27,935**	**25,319**	**22,722**	24,714	19,840	18,482	17,489	11,612
Operating income (loss)	**6,138**	**10,726**	**11,019**	3,768	4,118	3,338	(1,787)	3,360
Finance expense	**(738)**	**(554)**	**(201)**	(102)	(82)	(46)	(42)	(51)
Foreign exchange gain (loss)	**198**	**(138)**	**1,302**	1,427	(541)	(111)	1,107	(704)
Income (loss) before income taxes	**5,598**	**10,034**	**12,120**	5,093	3,495	3,181	(722)	2,605
Income tax expense (recovery)	**1,147**	**1,895**	**2,608**	1,609	505	1,708	(1,464)	1,170
Net income	**4,451**	**8,139**	**9,512**	3,484	2,990	1,473	742	1,435
Other comprehensive income (loss)	**(105)**	**(482)**	**2,369**	775	(750)	(110)	916	(396)
Comprehensive income	**$ 4,346**	**$ 7,657**	**$ 11,881**	**$** 4,259	$ 2,240	$ 1,363	$ 1,658	$ 1,039
Net income per share								
Basic	$ **0.18**	$ **0.35**	$ **0.41**	$ 0.16	$ 0.13	$ 0.06	$ 0.03	$ 0.06
Diluted – total	**0.18**	**0.35**	**0.41**	0.16	0.13	0.06	0.03	0.06
Adjusted EBITDA as reported	$ **11,700**	$ **15,840**	$ **17,189**	$ 11,121	$ 8,125	$ 7,447	$ 4,339	$ 5,677

Quarter-to-Quarter Sales Variances

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

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

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

7. Segmented Information

Sales

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2023**	2022	**2023**	2022
Video and Broadband Solutions	**$ 64,827**	$ 36,982	**$ 188,095**	$ 88,492
Content Delivery and Storage	**11,778**	12,518	**35,194**	34,248
Telematics	**1,651**	1,372	**4,626**	4,114
Total sales	**$ 78,256**	$ 50,872	**$ 227,915**	$ 126,854

Three-Month Results

Total sales grew to a record $78.3 million in Q3 fiscal 2023, up 54% from $50.9 million in Q3 fiscal 2022 and 3% higher than the $76.2 million generated in Q2 fiscal 2023. The significant year-over-year sales growth reflects a sharp increase in Video and Broadband product sales, together with the positive foreign exchange impact of a weaker Canadian dollar, partially offset by lower Content Delivery and Storage sales year-over-year.

The Video and Broadband Solutions segment delivered significant revenue growth in the third quarter, with sales climbing to $64.8 million, an increase of 75% from $37.0 million in Q3 fiscal 2022 and 4% higher than the record $62.3 million generated in Q2 fiscal 2023. These increases reflect customers continuing their transition to next-generation networks using Vecima's solutions and our success in supporting our customers' larger-scale DAA fiber access deployments during the quarter.

- Next-generation Entra products led the VBS segment growth with sales climbing 104% year-over-year to $62.7 million, from $30.8 million in Q3 fiscal 2022. As compared to Q2 fiscal 2023, Entra sales were up 13% from $55.7 million.
- Commercial Video products sales, which include TerraceQAM and Terrace Family products, were $2.1 million in Q3 fiscal 2023, a decrease of 66% from $6.2 million in Q3 fiscal 2022 and 68% from $6.5 million in Q2 fiscal 2023. These changes reflect the anticipated transition to next-generation platforms and the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales. The timing of sales as compared to Q3 fiscal 2022 was also a contributing factor.

In the Content Delivery and Storage segment, we achieved solid third quarter sales of $11.8 million, as compared to $12.5 million in Q3 fiscal 2022 and $12.4 million in Q2 fiscal 2023. The moderate changes in year-over-year and quarter-over-quarter CDS sales primarily reflects a different product mix between the periods, together with the timing of sales. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q3 fiscal 2023 period included $6.2 million of product sales (Q3 fiscal 2022 - $8.2 million) and $5.6 million of services revenue (Q3 fiscal 2022 - $4.3 million).

Third quarter Telematics sales of $1.7 million were 20% higher than the $1.4 million achieved in Q3 fiscal 2022 and 8% higher than $1.5 million in Q2 fiscal 2023. Results for the quarter reflect the growing customer base and the increased number of assets and tags being monitored in our Telematics segment.

Nine-Month Results

For the nine months ended March 31, 2023 total sales increased 80% to $227.9 million, from $126.9 million in the same period of fiscal 2022. The significant year-over-year growth reflects a sharp increase in Video and Broadband product sales, combined with stronger year-to-date Content Delivery and Storage sales and the positive foreign exchange impact of a weaker Canadian dollar.

Nine-month Video and Broadband Solutions sales increased to $188.1 million, up 113% from $88.5 million in the same period in fiscal 2022.

- Next-generation Entra products led the VBS segment growth with sales climbing 155% year-over-year to $171.4 million, from $67.3 million in the first nine months of fiscal 2022.
- Commercial Video sales, which include TerraceQAM and Terrace Family products, were $15.9 million in the first nine months of fiscal 2023, a decrease of 24% from $21.0 million in the same period in fiscal 2022. These changes reflect the anticipated transition to next-generation platforms, as well as the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales. The timing of sales as compared to the first nine months of fiscal 2022 was also a contributing factor.

In the Content Delivery and Storage segment, nine-month sales increased 3% to $35.2 million, from $34.2 million in same period of fiscal 2022. This increase reflects the addition of a new Tier 1 customer and IPTV expansions with existing customers. Segment sales for the first nine months of fiscal 2023 included $19.8 million of product sales (Fiscal 2022 - $21.7 million) and $15.4 million of services revenue (Fiscal 2022 - $12.5 million).

Telematics sales in the first nine months were $4.6 million or 12% higher than the $4.1 million achieved in the same period of fiscal 2022. The stronger results reflect a growing customer base and the increased number of assets and tags being monitored in our Telematics segment.

Cost of Sales

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

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2023**	2022	**2023**	2022
Video and Broadband Solutions	**$ 38,101**	$ 20,759	**$ 105,842**	$ 48,065
Content Delivery and Storage	**5,505**	5,652	**16,652**	15,881
Telematics	**577**	503	**1,562**	1,428
Total cost of sales	**$ 44,183**	$ 26,914	**$ 124,056**	$ 65,374

Three-Month Results

For the three months ended March 31, 2023, total cost of sales increased 64% to $44.2 million, from $26.9 million in Q3 fiscal 2022 and were up 10% from $40.2 million in Q2 fiscal 2023. The year-over-year increase primarily reflects the significant growth in sales. A different product mix and supply chain constraints resulting in increased expedite costs were also factors in the higher cost of sales.

Third quarter cost of sales in the Video and Broadband Solutions segment increased 84% to $38.1 million, from $20.8 million in Q3 fiscal 2022 and were 14% higher than the $33.5 million reported in Q2 fiscal 2023. The year-over-year increase reflects significantly higher sales, a different product mix, and supply chain constraints which resulted in increased expedite costs.

In the Content Delivery and Storage segment, third quarter cost of sales decreased by 3% to $5.5 million, from $5.7 million in Q3 fiscal 2022 and decreased 10% from $6.1 million in Q2 fiscal 2023. Lower CDS sales and a different product mix were the primary drivers of the year-over-year reduction in CDS cost of sales.

Third quarter cost of sales in the Telematics segment increased to $0.6 million, slightly higher than the $0.5 million in both Q3 fiscal 2022 and Q2 fiscal 2023 results.

Nine-Month Results

For the nine months ended March 31, 2023, total cost of sales increased 90% to $124.1 million, from $65.4 million in the same period in fiscal 2022. The year-over-year increase primarily reflects the significant growth in sales. Supply chain constraints and associated expedite costs were also factors in the higher cost of sales.

Cost of sales in the Video and Broadband Solutions segment increased 120% to $105.8 million in the first nine months of fiscal 2023, from $48.1 million in same period in fiscal 2022. The year-over-year increase reflects significantly higher sales, a different product mix, and supply chain constraints which resulted in increased expedite costs. The one-time Q1 fiscal 2023 inventory allowances related to legacy product inventory were also a factor in the higher cost of sales.

Cost of sales in the Content Delivery and Storage segment increased 5% to $16.6 million in the first nine months of fiscal 2023, from $15.9 million in the same period in fiscal 2022. The increase in CDS sales was the primary driver of the period-over-period increase in CDS cost of sales.

Cost of sales in the Telematics segment was $1.6 million in the first nine months of fiscal 2023, slightly higher than the $1.4 million in the same period of fiscal 2022. Higher telematics sales accounted for most of this increase.

Gross Profit and Gross Margin

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2023**	2022	**2023**	2022
Video and Broadband Solutions	**$ 26,726**	$ 16,223	**$ 82,253**	$ 40,427
Content Delivery and Storage	**6,273**	6,866	**18,542**	18,367
Telematics	**1,074**	869	**3,064**	2,686
Total gross profit	**$ 34,073**	$ 23,958	**$ 103,859**	$ 61,480
Video and Broadband Solutions	**41.2%**	43.9%	**43.7%**	45.7%
Content Delivery and Storage	**53.3%**	54.8%	**52.7%**	53.6%
Telematics	**65.1%**	63.3%	**66.2%**	65.3%
Total gross margin	**43.5%**	47.1%	**45.6%**	48.5%

Three-Month Results

For the three months ended March 31, 2023, total gross profit increased to $34.1 million, up 42% from $24.0 million in Q3 fiscal 2022 and 5% below the record $36.0 million achieved in Q2 fiscal 2023. The year-over-year increase in gross profit reflects significantly higher sales in the Video and Broadband Solutions segment and the positive foreign exchange impact of a weaker Canadian dollar, partially offset by a lower gross margin percentage. Gross margin for the third quarter was 44%, as compared to 47% in Q3 fiscal 2022 and Q2 fiscal 2023. The change in gross margin percentage primarily reflects a different product mix between the periods, supply chain constraints, including elevated freight and logistics costs, as well as a more volume-oriented margin profile on certain products as we begin to fulfil larger orders. We have revised our target gross margin percentage to a range of 45% to 49% - see the Outlook section in this MD&A for further information.

Third quarter gross profit from the Video and Broadband Solutions segment grew 65% to $26.7 million (gross profit margin of 41%), from $16.2 million (gross profit margin of 44%) in Q3 fiscal 2022. The year-over-year increase in gross profit dollars reflects significantly stronger sales, partially offset by higher expedite costs and a different product mix between the two periods. On a sequential quarterly basis, VBS gross profit was 7% lower than the $28.7 million achieved in Q2 fiscal 2023 (gross profit margin of 46%), primarily reflecting a different product mix.

In the Content Delivery and Storage segment, third quarter gross profit decreased by 9% to $6.3 million (gross profit margin of 53%), from $6.9 million (gross profit margin of 55%) in the same period last year. The year-over-year change reflects slightly lower sales and a different product mix. On a sequential quarterly basis, CDS gross profit was consistent with the $6.3 million (gross profit margin of 51%) generated in Q2 fiscal 2023.

Third quarter gross profit from the Telematics segment increased to $1.1 million (gross profit margin of 65%), from $0.9 million (gross margin of 63%) in Q3 fiscal 2022 and $1.0 million (gross margin of 68%) in Q2 fiscal 2023.

Nine-Month Results

For the nine months ended March 31, 2023, total gross profit grew to $103.9 million, up 69% from $61.5 million in the same period of fiscal 2022. This improvement reflects significantly higher sales in the Video and Broadband Solutions segment and the positive foreign exchange impact of a weaker Canadian dollar, partially offset by a lower gross margin percentage. Gross margin in the first nine months of fiscal 2023 was 46%, as compared to 48% in the same period of fiscal 2022. This primarily reflects a different product mix and supply chain constraints which resulted in higher expedite costs. We have revised our target gross margin percentage to a range of 45% to 49% - see the Outlook section in this MD&A for further information.

Video and Broadband Solutions segment gross profit grew 103% to $80.6 million (gross profit margin of 44%) in the first nine months of fiscal 2023, from $40.4 million (gross profit margin of 46%) in the same period of fiscal 2022. The year-over-year increase in gross profit reflects significantly stronger sales, partially offset by a different product mix combined with higher expedite costs and the impact of one-time inventory allowances recorded in Q1 fiscal 2023 related to legacy product inventory.

Content Delivery and Storage segment gross profit increased slightly to $18.5 million (gross profit margin of 53%) in the first nine months of fiscal 2023, from $18.4 million (gross profit margin of 54%) in the same period of fiscal 2022. The year-over-year increase in CDS gross profit reflects slightly higher sales.

Nine-month Telematics segment gross profit increased 14% to $3.1 million (gross profit margin of 66%), from $2.7 million (gross margin of 65%) in the same period of fiscal 2022. The year-over-year increase in gross margin mainly reflects the addition of new customers and higher sales.

Operating Expenses

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2023**	2022	**2023**	2022
Video and Broadband Solutions	**$ 19,625**	$ 12,565	**$ 52,008**	$ 34,578
Content Delivery and Storage	**7,389**	6,484	**21,467**	19,072
Telematics	**921**	791	**2,501**	2,161
Total operating expense	**$ 27,935**	$ 19,840	**$ 75,976**	$ 55,811

Three-Month Results

For the three months ended March 31, 2023, total operating expenses were $27.9 million, as compared to $19.8 million in Q3 fiscal 2022 and $25.3 million in Q2 fiscal 2023. The year-over-year increase primarily reflects additional operating expenses related to higher sales in the Video and Broadband Solutions segment. As a percentage of sales, Q3 operating expenses remained well controlled at 36% as compared to 39% in the same period last year.

Video and Broadband Solutions operating expenses increased to $19.6 million, from $12.6 million in Q3 fiscal 2022 and $17.1 million in Q2 fiscal 2023. The $7.0 million year-over-year increase primarily reflects additional expenses for research and development, sales and marketing, and general and administrative activities and staffing, all related to sales growth. The quarter-over-quarter increase in operating expenses primarily reflects higher research and development costs as we invest for future growth.

Content Delivery and Storage operating expenses were $7.4 million in Q3 fiscal 2023, as compared to $6.5 million in Q3 fiscal 2022 and $7.5 million in Q2 fiscal 2023. The $0.9 million increase year-over-year reflects the impact of a weaker Canadian dollar combined with higher expenditures on research and development, sales and marketing, general and administrative activities and staffing related to planned sales growth. The quarter-over-quarter decrease in operating expenses primarily reflects lower stock-based compensation expense.

Telematics operating expenses were slightly higher at $0.9 million in Q3 fiscal 2023, as compared to $0.8 million in both Q3 fiscal 2022 and Q2 fiscal 2023. The year-over-year increase reflects higher research and development expense and general and administrative expense.

Research and development expenses for Q3 fiscal 2023 increased to $12.1 million, or 16% of sales, from $8.8 million, or 17% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees and higher licensing and prototyping costs, partially offset by an increase in capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q3 fiscal 2023 increased to $15.4 million, or 20% of sales, from $11.5 million, or 23% of sales in Q3 fiscal 2022. The increase reflects higher staffing costs, as well as increased costs for software licensing and prototyping in the current-year quarter as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were $6.9 million, or 9% of sales in Q3 fiscal 2023, as compared to $4.7 million, or 9% of sales in the same period last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in trade show and travel and entertainment expenses.

General and administrative expenses increased to $8.4 million, or 11% of sales in Q3 fiscal 2023, as compared to $6.1 million or 12% of sales in Q3 fiscal 2022. The year-over-year increase reflects increased staffing to support revenue growth, combined with higher insurance and professional fee expenses.

Stock-based compensation expense was $0.3 million in Q3 fiscal 2023, compared to $0.1 million in Q3 fiscal 2022. The increase reflects an increase in performance share units outstanding and associated fair value compared to the same period in fiscal 2022.

Other expense was $0.3 million in Q3 fiscal 2023, compared to $0.2 million in Q3 fiscal 2022.

Nine-Month Results

For the nine months ended March 31, 2023, total operating expenses were $76.0 million, as compared to $55.8 million in the same period in fiscal 2022. The year-over-year increase primarily reflects additional operating expenses related to higher sales in both the Video and Broadband Solutions and Content Delivery and Storage segments. As a percentage of sales, first nine month operating expenses remained well controlled at 33% as compared to 44% in the same period in fiscal 2022.

Video and Broadband Solutions operating expenses increased to $52.0 million in the first nine months of 2023, compared to $34.6 million in the same period of fiscal 2022. The $17.4 million change primarily reflects additional expenses in support of sales growth, including increased investment in research and development, sales and marketing, general and administrative and staffing.

Content Delivery and Storage operating expenses increased to $21.5 million in the first nine months of 2023, from $19.1 million in the same period of 2022. The $2.4 million change reflects higher expenditures in support of planned sales growth, including increased investment in research and development, sales and marketing, general and administrative, and staffing.

Telematics operating expenses increased to $2.5 million in the first nine months of 2023, compared to $2.2 million in the same period of 2022.

Research and development expenses for the first nine months of 2022 increased to $33.4 million, or 14% of sales, from $25.2 million, or 20% of sales in the same period of fiscal 2022. This primarily reflects the hiring of additional R&D employees and higher licensing and prototyping costs, partially offset by an increase in capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the first nine months of fiscal 2023 increased to $42.1 million, or 18% of sales, from $30.7 million, or 24% of sales in the same period of fiscal 2022. The increase reflects higher staffing costs, together with increased costs for software licensing and prototyping in the current year as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were $19.9 million, or 9% of sales in the first nine months of fiscal 2023, as compared to $13.3 million, or 10% of sales in the same period of fiscal 2022. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel, entertainment, and trade show expenses as COVID-19 travel restrictions have lifted.

General and administrative expenses increased to $21.6 million, or 9% of sales in the first nine months of fiscal 2023, as compared to $16.3 million, or 13% of sales in the first nine months of fiscal 2022. The year-over-year increase primarily reflects additional staffing, ERP implementation costs, software licenses, and travel and entertainment costs.

Stock-based compensation expense was $1.2 million in the first nine months of fiscal 2023, compared to $0.8 million in the same period in fiscal 2022. The increase reflects higher associated expense on vested performance share units as compared to the same period in fiscal 2022.

Other expense was $0.3 million in Q3 fiscal 2023, compared to $0.2 million Q3 fiscal 2022.

Operating Income (Loss)

Segment Operating Income (Loss)	Three months ended March 31, 2023	Three months ended March 31, 2022	Nine months ended March 31, 2023	Nine months ended March 31, 2022
Video and Broadband Solutions	**$ 7,101**	$ 3,658	**$ 30,245**	$ 5,849
Content Delivery and Storage	**(1,116)**	382	**(2,925)**	(705)
Telematics	**153**	78	**563**	525
Total operating income	**$ 6,138**	$ 4,118	**$ 27,883**	$ 5,669

Three-Month Results

Operating income grew to $6.1 million in Q3 fiscal 2023, from $4.1 million in Q3 fiscal 2022. The 49% increase was primarily due to higher VBS segment sales, partially offset by lower margins associated with a different product mix, supply chain constraints and increased operating costs.

The Video and Broadband Solutions segment grew third quarter operating income to $7.1 million, from $3.7 million in Q3 fiscal 2022. The 94% year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment, partially offset by lower margins associated with a different product mix and higher operating expenses.

Content Delivery and Storage recorded an operating loss of $1.1 million in the third quarter, as compared to operating income of $0.4 million in the same period of fiscal 2022. The year-over-year decrease primarily reflects higher R&D and staffing costs aimed at supporting future growth.

Telematics operating income grew to $0.2 million in Q3 fiscal 2023, slightly higher than the $0.1 million achieved in Q3 fiscal 2022.

Finance expense increased to $0.7 million in Q3 fiscal 2023, from $0.1 million in Q3 fiscal 2022, reflecting increased interest costs associated with our term loan drawn in mid Q3 fiscal 2022 and our revolving line of credit.

Foreign exchange gain for the third quarter was $0.2 million, compared to a foreign exchange loss of $0.5 million in the same period of fiscal 2022.

Income tax expense was $1.1 million in Q3 fiscal 2023, as compared to $0.5 million in Q3 fiscal 2022 and reflects higher net income before taxes.

Net income for Q3 fiscal 2023 increased to $4.5 million or $0.18 per share, from $3.0 million or $0.13 per share in Q3 fiscal 2022.

Other comprehensive income (loss) increased to $(0.1) million in Q3 fiscal 2023, from other comprehensive income of $0.8 million in the same period in fiscal 2022.

Comprehensive income for Q3 fiscal 2023 increased to $4.3 million, from $2.2 million in Q3 fiscal 2022. The improvement year-over-year reflects the changes described above.

Nine-Month Results

For the nine months ended March 31, 2023, operating income climbed to $27.9 million, from $5.7 million in the same period of fiscal 2022. The 392% increase was primarily due to higher VBS segment sales, partially offset by higher expedite costs resulting from supply chain constraints and higher operating costs.

The Video and Broadband Solutions segment generated operating income of $30.2 million in the first nine months of fiscal 2023, significantly higher than the $5.8 million generated in the same period of fiscal 2022. The 417% year-over-year increase reflects higher sales of next-generation Entra DAA products in the VBS segment, partially offset by higher operating expenses.

Content Delivery and Storage recorded an operating loss of $2.9 million in the first nine months of fiscal 2023, as compared to an operating loss of $0.7 million in the same period of fiscal 2022. The year-over-year change primarily reflects higher R&D and staffing costs aimed at supporting future growth.

Telematics operating income was $0.6 million in the first nine months of fiscal 2023, in line with results from the same period of fiscal 2022.

Finance expense increased to $1.5 million in the first nine months of fiscal 2023, from $0.2 million in the same period of fiscal 2022, reflecting increased interest costs associated with our term loan drawn in Q3 fiscal 2022 and our revolving line of credit.

Foreign exchange gain was $1.4 million in the first nine months of fiscal 2023, compared to a loss of $0.5 million in the same period of fiscal 2022. The increase was primarily attributed to gains on FX forward contracts and the positive impact of a weaker Canadian dollar.

Income tax expense was $5.7 million in the first nine months of fiscal 2023, compared to a $0.7 million income tax expense in the same period of fiscal 2022, reflecting higher net income before taxes.

Net income for the first nine months of 2023 increased to $22.1 million or $0.94 per share, from $5.2 million or $0.23 per share in the same period in fiscal 2022.

Other comprehensive income increased to $1.8 million in the first nine months of fiscal 2023, from other comprehensive income of $0.1 million in the same period last year. The year-over-year increase in comprehensive income reflects the positive impact of a weakening Canadian dollar on the translation of the foreign operations of our VBS and CDS segments to Canadian dollars.

Comprehensive income for the first nine months of fiscal 2023 increased to $23.9 million, from $5.3 million in the same period of fiscal 2022. The improvement is a result of the changes described above.

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

Operating Activities

For the three months ended March 31, 2023, cash flow from (used) in operating activities was $3.8 million, compared to cash flow from (used) in operations of $(3.9) million in the same period last year. The $7.7 million increase reflects a $4.4 million increase in cash flow from non-cash working capital, combined with a $3.3 million increase in operating cash flow.

For the nine months ended March 31, 2023, cash flow from (used) in operating activities was $(15.6) million compared to $(7.0) million for the nine months ended March 31, 2022. The $8.6 million increase in cash used in operations reflects a $32.9 million decrease in cash flow from non-cash working capital driven primarily by the building of inventory to support growth and minimize the impact of supply chain constraints, partially offset by a $24.3 million increase in operating cash flow.

Investing Activities

For the three months ended March 31, 2023, cash flow used in investing activities increased to $7.4 million from $6.7 million in the same period last year. This increase reflects deferred development expenditures of $6.4 million (Q3 fiscal 2022 - $5.1 million), the purchase of property, plant and equipment of $1.0 million (Q3 fiscal 2022 - $1.5 million), and the purchase of intangibles of less than $0.1 million (Q3 fiscal 2022 - $0.1 million).

For the nine months ended March 31, 2023, cash flow used in investing activities increased to $19.5 million from $17.4 million in the same period last year. This increase reflects deferred development expenditures of $17.2 million (fiscal 2023 - $12.9 million), the purchase of property, plant and equipment of $2.3 million (fiscal 2022 - $4.4 million) and the purchase of intangibles of less than $0.1 (fiscal 2022 - $0.1 million).

Financing Activities

For the three months ended March 31, 2023, we repaid $0.3 million of our long-term debt (Q3 fiscal 2022 - $0.1 million repaid), paid withholding taxes on PSUs of $0.1 million (Q3 fiscal 2022 – nil), repaid lease liabilities of $0.5 million (Q3 fiscal 2022 - $0.4 million), paid dividends of $1.3 million (Q3 fiscal 2022 – $1.3 million), received proceeds of $0.5 million on shares issued on options exercised (Q3 fiscal 2022 – $0.1 million) and received proceeds of $0.6 million for an insurance financing loan (Q3 fiscal 2022 – nil).

For the nine months ended March 31, 2023, we raised $15.9 million through share offerings (fiscal 2022 – nil), we repaid $0.4 million of our long-term debt (fiscal 2022 - $0.2 million repaid), received proceeds from exercised options of $0.5 million (fiscal 2022 - $0.4 million), paid withholding taxes on PSUs of $1.5 million (fiscal 2022 - $1.1 million), repaid lease liabilities of $1.3 million (fiscal 2022 - $1.2 million), paid dividends of $3.9 million (fiscal 2022 – $3.8 million) and received proceeds of $0.6 million for an insurance financing loan (fiscal 2022 – nil).

8. Liquidity and Capital Resources

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

During the three months ended March 31, 2023, we had access to our revolving loan facility of $55.0 million, of which $16.4 million was drawn (June 30, 2022 - $nil) as a revolving line of credit and $16.3 million (June 30, 2022 - $nil) was utilized for letters of credit which are anticipated to be cancelled in Q4 fiscal 2023. Additionally, we had a term loan of $12.2 million (June 30, 2022 - $12.2 million), a server equipment loan of $0.2 million (June 30, 2022 - $0.2 million), an insurance financing loan of $0.6 million (June 30 - $nil) and a term credit loan of $0.9 million (June 30, 2022 - $1.2 million) as at March 31, 2023.

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

Capital expenditures for the third quarter of fiscal 2023 were $1.1 million, as compared to $1.6 million in the same period of fiscal 2022.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to $91.1 million at March 31, 2023, from $58.6 million at June 30, 2022. The increase in working capital primarily reflects our investment in inventory to respond to growing sales and customer demand. We also note that our working capital balances can be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 to $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $68.4 million at March 31, 2023, from $49.7 million at June 30, 2022. This increase reflects the higher sales in Q3 fiscal 2023 compared to Q4 fiscal 2022.

Inventories increased by $43.4 million to $93.0 million at March 31, 2023, from $49.6 million as at June 30, 2022. The increase represents the buildup of inventory related to the ramp up of sales and demand for new product inventory, as well as our strategy for managing supply chain challenges. Finished goods inventories were $44.4 million at March 31, 2023, compared to $25.1 million at June 30, 2022. Raw material inventory increased to $44.1 million at March 31, 2023, from $22.1 million at June 30, 2022. Work-in-progress inventories increased to $4.5 million as at March 31, 2023, from $2.4 million at June 30, 2022. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Prepaid expenses and other current assets balance increased to $17.0 million at March 31, 2023 (June 30, 2022 - $7.3 million). This increase primarily reflects payments made to contract manufacturing suppliers for raw material inventories purchased and received related to forecast commitments.

Investment tax credits were $24.7 million at March 31, 2023, as compared to $23.0 million at June 30, 2022. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to $53.0 million at March 31, 2023, from $48.2 million at June 30, 2022. This increase was primarily due to the buildup of inventory related to higher sales and our management of supply chain challenges.

Income tax payable balance increased to $2.0 million at March 31, 2023 (June 30, 2022 - $0.2 million) reflecting higher income in the Company's US entities compared to the Company's Canadian operations which benefit from investment tax credit pools.

Long-term debt, including the current portion and lease liabilities, was $16.9 million at March 31, 2023, consistent with $16.9 million at June 30, 2022.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 20, 2022	$0.055	October 7, 2022	November 7, 2022
November 8, 2022	$0.055	November 25, 2022	March 19, 2022
February 7, 2023	$0.055	February 24, 2023	March 27, 2023
May 9, 2023	$0.055	May 26, 2023	June 19, 2023

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at March 31, 2023 were $2.9 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at March 31, 2023, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.6 million; due between two-to-five years is $1.2 million; and thereafter is $0.3 million.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at March 31, 2023, the contractual obligation, based on forecasted commitments, is estimated to be $32.9 million (June 30, 2022 - $49.4 million); of which, $nil is deemed to be onerous (June 30, 2022 - $0.026 million).

Contingencies

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

Foreign Exchange

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

As at March 31, 2023, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.355 from $1.290 as at June 30, 2022. This $0.065 exchange rate difference increased the value of our $51.5 million U.S. dollar net assets by approximately $3.3 million Canadian.

Financial Instruments

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

As at March 31, 2023, we had forward FX contracts with a fair value of $0.6 million included in accounts receivable (March 31, 2022 - nil).

9. Off-Balance Sheet Arrangements

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

10. Transactions Between Related Parties

On August 1st, 2022, Vecima entered into a building lease with one of our principal shareholders. The lease terms are at fair market value. Total lease payments, including interest, in the third quarter of 2023 were $0.03 million. There were no other related-party transactions in Q3 fiscal 2023.

11. Proposed Transactions

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

12. Critical Accounting Estimates

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

13. Accounting Pronouncements and Standards

Adoption of new accounting standards and amendments to accounting standards

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

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

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

Amendments to IAS 37 – Provisions (IAS 37)

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

Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after our March 31, 2023 quarter-end date and have not yet been adopted by us:

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

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

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

On May 7, 2022 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

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

14. Disclosure Controls and Procedures

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at March 31, 2023.

15. Internal Control over Financial Reporting

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

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at March 31, 2023 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at March 31, 2023. There has been no change in the internal controls over financial reporting that occurred during the period beginning on January 1, 2023 and ended on March 31, 2023 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. Legal Proceedings

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

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

17. Risks and Uncertainties

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

Third-party Component Supply

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

18. Outstanding Share Data

As at May 9, 2023, we had 24,301,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 37,312 common shares, and performance share units outstanding that are exercisable for an additional 242,235 common shares.

On February 7, 2023, 7,956 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.02 million. We withheld 2,405 common shares at a market value of $0.1 million to settle withholding tax obligations on the issuance of the common share awards.

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

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

On September 9, 2022, 7,955 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.05 million. We withheld 2,404 common shares at a market value of $0.04 million to settle withholding tax obligations on the issuance of the common share awards.

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

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

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the "Principal Shareholder") which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at March 31, 2023, the Principal Shareholder collectively owned approximately 59% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities. Each common share carries the right to one vote. We have no other classes of voting securities.

19. Additional Information

Financial Governance

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

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

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

Forward-Looking Information

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

Forward-looking information in this MD&A includes, but is not limited to, statements that: we target a gross margin percentage of 45% to 49%; we believe that our current working capital position, access to loan facilities and anticipated cash flow from operations, will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future and we anticipate letters of credit of $16.3 million to be cancelled in Q4 fiscal 2023. Forward-looking information also includes our Strategy, our Industry Developments, and our Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Vecima Networks Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim condensed consolidated financial statements by an entity’s auditor.

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Financial Position
(unaudited - in thousands of Canadian dollars)

As at	Note		**March 31, 2023**		June 30, 2022
Assets					
Current assets					
Cash and cash equivalents		$	3,919	$	12,902
Accounts receivable	3		68,393		49,655
Income tax receivable			162		693
Inventories	4		92,960		49,608
Prepaid expenses and other current assets	5		17,002		7,302
Contract assets			1,392		1,335
Total current assets			**183,828**		**121,495**
Non-current assets					
Property, plant and equipment	6		16,424		16,483
Right-of-use assets			2,416		2,626
Goodwill			15,254		14,813
Intangible assets	7		82,757		75,917
Other long-term assets			1,217		1,440
Investment tax credits			24,697		23,041
Deferred tax assets			3,897		6,793
Total assets		**$**	**330,490**	**$**	**262,608**
Liabilities and shareholders' equity					
Current liabilities					
Revolving line of credit	8	$	16,264	$	-
Accounts payable and accrued liabilities			53,032		48,172
Provisions			801		659
Income tax payable			2,011		182
Deferred revenue			18,074		12,129
Current portion of long-term debt	9		2,563		1,782
Total current liabilities			**92,745**		**62,924**
Non-current liabilities					
Provisions			434		366
Deferred revenue			7,230		4,465
Deferred tax liability			6		6
Long-term debt	9		14,314		15,115
Total liabilities			**114,729**		**82,876**
Shareholders' equity					
Share capital	10		23,896		7,935
Reserves			3,198		3,141
Retained earnings			187,152		168,923
Accumulated other comprehensive income (loss)			1,515		(267)
Total shareholders' equity			**215,761**		**179,732**
Total liabilities and shareholders' equity		**$**	**330,490**	**$**	**262,608**

Contractual obligation – Note 19; Subsequent events – Note 21

The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Comprehensive Income
(unaudited - in thousands of Canadian dollars, except per share amounts)

Periods ended March 31,	Note	Three months **2023**	Three months 2022	Nine months **2023**	Nine months 2022
Sales	11,15	$ 78,256	$ 50,872	$ 227,915	$ 126,854
Cost of sales		44,183	26,914	124,056	65,374
Gross profit		**34,073**	**23,958**	**103,859**	**61,480**
Operating expenses					
Research and development		12,053	8,796	33,099	25,156
Sales and marketing		6,929	4,682	19,852	13,337
General and administrative		8,389	6,083	21,505	16,267
Share-based compensation	12	289	64	1,202	817
Other expense	13	275	215	318	234
Total operating expenses		**27,935**	**19,840**	**75,976**	**55,811**
Operating income		**6,138**	**4,118**	**27,883**	**5,669**
Finance expense		(738)	(82)	(1,493)	(170)
Foreign exchange gain (loss)		198	(541)	1,362	455
Income before income taxes		**5,598**	**3,495**	**27,752**	**5,954**
Income tax expense		1,147	505	5,650	749
Net income		**$ 4,451**	**$ 2,990**	**$ 22,102**	**$ 5,205**
Other comprehensive income (loss)					
Item that may be subsequently reclassed to net income					
Exchange differences on translating foreign operations		$ (105)	$ (750)	$ 1,782	$ 57
Comprehensive income		**$ 4,346**	**$ 2,240**	**$ 23,884**	**$ 5,262**
Net income per share					
Basic	14	$ 0.18	$ 0.13	$ 0.94	$ 0.23
Diluted	14	$ 0.18	$ 0.13	$ 0.94	$ 0.23
Weighted average number of common shares					
Shares outstanding – basic	14	24,201,616	23,080,725	23,545,483	23,070,328
Shares outstanding – diluted	14	24,226,939	23,116,959	23,573,305	23,107,218

The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Changes in Equity
(unaudited - in thousands of Canadian dollars)

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance as at June 30, 2021		**$ 7,299**	**$ 3,407**	**$ 165,312**	**$ (1,098)**	**$ 174,920**
Net income		-	-	5,205	-	**5,205**
Other comprehensive income		-	-	-	57	**57**
Dividends		-	-	(3,808)	-	**(3,808)**
Shares issued by exercising options		563	(137)	-	-	**426**
PSUs settled in common shares		976	(976)	-	-	**-**
Withholding taxes on PSUs		(1,073)	-	-	-	**(1,073)**
Share-based payment expense	12	-	817	-	-	**817**
Balance as at March 31, 2022		**$ 7,765**	**$ 3,111**	**$ 166,709**	**$ (1,041)**	**$ 176,544**
Balance as at June 30, 2022		**$ 7,935**	**$ 3,141**	**$ 168,923**	**$ (267)**	**$ 179,732**
Net income		-	-	22,102	-	**22,102**
Other comprehensive income		-	-	-	1,782	**1,782**
Dividends		-	-	(3,873)	-	**(3,873)**
Common share issuance	10	15,926	-	-	-	**15,926**
Shares issued by exercising options	10	502	(106)	-	-	**396**
PSUs settled in common shares	10	1,039	(1,039)	-	-	**-**
Withholding taxes on PSUs	10	(1,506)	-	-	-	**(1,506)**
Share-based payment expense	12	-	1,202	-	-	**1,202**
Balance as at March 31, 2023		**$ 23,896**	**$ 3,198**	**$ 187,152**	**$ 1,515**	**$ 215,761**

The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands of Canadian dollars)

		Three months		Nine months	
Periods ended March 31,	Note	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES					
Net income		$ 4,451	$ 2,990	$ 22,102	$ 5,205
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment	13	13	174	40	192
Depreciation and amortization	18	5,060	4,303	14,226	12,763
Share-based compensation	12	289	64	1,202	817
Income tax expense		53	497	2,701	978
Deferred income tax expense (recovery)		1,094	8	2,949	(229)
Interest expense		740	89	1,509	185
Interest income		(5)	-	(17)	(8)
Net change in working capital	18	(6,980)	(11,349)	(57,981)	(25,059)
Decrease (Increase) in other long-term assets		123	3	269	(80)
Decrease in provisions		(121)	(124)	(181)	(780)
Increase in investment tax credits		(25)	(46)	(97)	(106)
Income tax received		-	-	-	164
Income tax paid		(152)	(248)	(928)	(827)
Interest received		3	-	18	10
Interest paid		(707)	(55)	(1,406)	(74)
Cash provided by discontinued operations		-	(190)	-	(190)
Cash provided by (used in) operating activities		**3,836**	**(3,884)**	**(15,594)**	**(7,039)**
INVESTING ACTIVITIES					
Capital expenditures, net	18	(1,060)	(1,584)	(2,311)	(4,540)
Deferred development costs	7	(6,387)	(5,129)	(17,194)	(12,894)
Cash used in investing activities		**(7,447)**	**(6,713)**	**(19,505)**	**(17,434)**
FINANCING ACTIVITIES					
Principal repayments of lease liabilities	9	(489)	(421)	(1,311)	(1,208)
Repayment of short and long-term debt	9	(281)	(63)	(448)	(188)
Proceeds from long-term debt	9	-	12,191	-	12,191
Proceeds from short-term debt	9	585	-	585	-
Dividends paid		(1,331)	(1,270)	(3,873)	(3,808)
Proceeds from common share issuance	10	-	-	15,926	-
Issuance of shares through exercised options	10	453	97	502	426
Withholding taxes on PSUs	10	(53)	-	(1,506)	(1,073)
Cash provided by (used in) financing activities		**(1,116)**	**10,534**	**9,875**	**6,340**
Net decrease in cash and cash equivalents		**(4,727)**	**(63)**	**(25,224)**	**(18,133)**
Effect of change in exchange rates on cash		506	350	(23)	(148)
Cash and cash equivalents, beginning of period		(8,124)	10,341	12,902	28,909
Cash and cash equivalents, end of period (1)		**$ (12,345)**	**$ 10,628**	**$ (12,345)**	**$ 10,628**

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

The accompanying notes are an integral part of these consolidated financial statements.

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1. NATURE OF THE BUSINESS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 771 Vanalman Avenue, Victoria, B.C., V8Z 3B8. The Company's common shares are traded on the Toronto Stock Exchange under the trading symbol "VCM".

The Company's Video and Broadband Solutions business designs, manufactures and sells products for the cable industry that allow service providers a cost-effective "last mile" solution for both video and broadband access, especially in the business services market segment. The Company’s Content Delivery and Storage business includes solutions and software for industries and customers that focus on storing, protecting, transforming, and delivering high-value media assets. The Company's Telematics business provides fleet managers key information and analytics they require to optimally manage their business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) under International Accounting Standard 34 – Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financials statements of the Company for the year ended June 30, 2022.

(b) Basis of presentation

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, Summary of Significant Accounting Policies in our consolidated financial statements for the year ended June 30, 2022, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on May 9, 2023.

(c) Adoption of new accounting standards and amendments to accounting standards

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

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

On May 14, 2020, the IASB issued amendments to IAS 16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Amendments to IAS 37 – Provisions (IAS 37)

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

(in thousands of Canadian dollars except as otherwise noted)

(d) Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after the Company's March 31, 2023 quarter-end date and have not yet been adopted by the Company:

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

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

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

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

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

3. ACCOUNTS RECEIVABLE

		March 31, 2023		June 30, 2022
Trade receivables	$	66,460	$	48,049
Less: allowance for doubtful accounts		(5)		(4)
Total trade receivables		**66,455**		**48,045**
Goods and services tax		798		654
Foreign exchange contracts		566		-
Government grants receivable		185		793
Other receivables		389		163
Total accounts receivable	**$**	**68,393**	**$**	**49,655**

All trade receivables are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the receivables.

4. INVENTORIES

		March 31, 2023		June 30, 2022
Raw materials	$	44,069	$	22,145
Work-in-progress		4,528		2,402
Finished goods		44,363		25,061
Total inventory	**$**	**92,960**	**$**	**49,608**

(in thousands of Canadian dollars except as otherwise noted)

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

		March 31, 2023		June 30, 2022
Payments for contract manufacturer inventory purchases and expedite fees	$	11,129	$	3,768
Software licenses		2,048		1,441
Other		3,825		2,093
Total prepaid expenses and other current assets	**$**	**17,002**	**$**	**7,302**

6. PROPERTY, PLANT AND EQUIPMENT

		Land		**Land improvements & building**		**Lab, operating & production equipment**		**Other equipment**		**Total**
At cost										
At July 1, 2022	$	321	$	10,092	$	25,259	$	13,480	**$**	**49,152**
Additions		-		65		1,620		580		**2,265**
Disposals		-		-		(249)		(11)		**(260)**
Effect of foreign exchange		-		45		438		51		**534**
At March 31, 2023	**$**	**321**	**$**	**10,202**	**$**	**27,068**	**$**	**14,100**	**$**	**51,691**
Accumulated depreciation and amortization										
At July 1, 2022	$	-	$	3,463	$	17,681	$	11,525	**$**	**32,669**
Depreciation		-		262		1,699		566		**2,527**
Disposals		-		-		(191)		(10)		**(201)**
Effect of foreign exchange		-		30		211		31		**272**
At March 31, 2023	**$**	**-**	**$**	**3,755**	**$**	**19,400**	**$**	**12,112**	**$**	**35,267**
Net book value										
At June 30, 2022	$	321	$	6,629	$	7,578	$	1,955	**$**	**16,483**
At March 31, 2023	**$**	**321**	**$**	**6,447**	**$**	**7,668**	**$**	**1,988**	**$**	**16,424**

(in thousands of Canadian dollars except as otherwise noted)

7. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and other licenses	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost						
At July 1, 2022	$ 104	$ 20,179	$ 945	$ 10,910	$ 77,439	**$ 109,577**
Additions	-	-	46	-	17,194	**17,240**
Investment tax credits	-	-	-	-	(787)	**(787)**
Effect of foreign exchange	3	778	21	355	904	**2,061**
At March 31, 2023	**$ 107**	**$ 20,957**	**$ 1,012**	**$ 11,265**	**$ 94,750**	**$ 128,091**
Accumulated amortization						
At July 1, 2022	$ -	$ 10,578	$ 536	$ 6,582	$ 15,964	**$ 33,660**
Amortization	-	1,471	90	891	8,282	**10,734**
Effect of foreign exchange	-	392	9	227	312	**940**
At March 31, 2023	**$ -**	**$ 12,441**	**$ 635**	**$ 7,700**	**$ 24,558**	**$ 45,334**
Net book value						
At June 30, 2022	$ 104	$ 9,601	$ 409	$ 4,328	$ 61,475	**$ 75,917**
At March 31, 2023	**$ 107**	**$ 8,516**	**$ 377**	**$ 3,565**	**$ 70,192**	**$ 82,757**

8. REVOLVING LINE OF CREDIT

During the third quarter of fiscal 2023, the Company's access to its revolving loan facility was $55.0 million (June 30, 2022 - $25.0 million), of which $16.3 million (June 30, 2022 - $nil) was drawn as a revolving line of credit and $16.3 million was utilized for letters of credit. The company's revolving line of credit bears interest at Prime of 6.7% plus 0.5% (June 30, 2022 – Prime of 3.70% plus 0.5%) and is repayable on demand.

9. LONG-TERM DEBT

	March 31, 2023	June 30, 2022
Term credit facility	$ 1,151	$ 1,405
Term loan facility	12,200	12,200
Insurance financing loan	585	-
Lease liabilities	2,941	3,292
	$ 16,877	**$ 16,897**
Comprised of:		
Current portion of term facilities and lease liabilities	$ 2,563	$ 1,782
Long-term portion of term facilities and lease liabilities	14,314	15,115
	$ 16,877	**$ 16,897**

<u>Term credit facility</u>

The term credit facility is with a Canadian chartered bank. As at March 31, 2023, the facility is repayable in monthly installments of $21 principal and interest at Prime of 6.7% (June 30, 2022 - $21, and 3.70%, respectively), expires in October 2023 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and annually renews this facility with the bank.

(in thousands of Canadian dollars except as otherwise noted)

Term loan facility

The Company obtained a term loan facility with a Canadian chartered bank in the third quarter of fiscal 2022. The term facility requires accrued interest payments only and has no set principal repayments. It carries an interest rate at Prime of 6.7% (June 30, 2022 - 3.70%), expires in October 2023 and is collateralized by a general security agreement. The Company has an authorized loan amount of $12,200 and annually renews this facility with the bank.

Insurance financing loan

The Company obtained a short-term loan with its insurance provider to finance its insurance requirements. The financing carries an interest rate of 3.6% and is repayable in 11 monthly installments of $63.

The term credit, loan facilities and insurance financing are recorded at amortized cost. The Company's term credit and loan facilities are at an interest rate that floats based on Prime and the carrying value of the principal is considered to be fair value. The insurance financing loan is short-term in nature and approximates fair value.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit, loan facilities and insurance financing loan as at March 31, 2023:

2023	$ 1,016
2024	250
2025	250
2026	250
2027	250
Thereafter	11,920
	$ 13,936

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at March 31, 2023:

At July 1, 2022	$ 3,292
Net additions during the period	744
Interest on lease liabilities	103
Principal repayments of lease liabilities	(1,311)
Effect of foreign exchange	113
At March 31, 2023	**2,941**
Less: current portion	1,547
Long-term portion	**$ 1,394**

The contractual lease payments related to the lease liabilities are as follows:

	March 31, 2023	June 30, 2022
Within one year	$ 1,645	$ 1,515
After one year but not more than five years	1,166	1,594
More than five years	295	469
Total contractual lease payments	**$ 3,106**	**$ 3,578**

(in thousands of Canadian dollars except as otherwise noted)

10. SHARE CAPITAL

Changes in the number of shares and carrying value of the Company's share capital for the nine months ended March 31, 2023 are as follows:

	Note	Number of shares		Carrying value
Balance, July 1, 2022		23,101,002	$	7,935
Common shares issued		957,880		15,926
Shares issued by exercising options	12	41,375		502
Performance Share Units settled in common shares	12	201,180		1,039
Shares withheld for taxes to settle performance share units	12	(75,846)		(1,506)
Balance, March 31, 2023		**24,225,591**	**$**	**23,896**

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17,002. Share issuance costs in connection with this share offering amounted to $1,076. The Company used the net proceeds of the offerings for the repayment of a portion of the revolving loan of credit which supports its working capital requirements.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 15 for additional segmented financial information.

		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
For the three months ended March 31, 2023								
Product sales	$	60,759	$	6,165	$	322	**$**	**67,246**
Provision of services		4,068		5,613		1,329		**11,010**
Total sales	**$**	**64,827**	**$**	**11,778**	**$**	**1,651**	**$**	**78,256**
For the three months ended March 31, 2022								
Product sales	$	34,039	$	8,242	$	155	**$**	**42,436**
Provision of services		2,943		4,276		1,217		**8,436**
Total sales	**$**	**36,982**	**$**	**12,518**	**$**	**1,372**	**$**	**50,872**

		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
For the nine months ended March 31, 2023								
Product sales	$	176,660	$	19,828	$	768	**$**	**197,256**
Provision of services		11,435		15,366		3,858		**30,659**
Total sales	**$**	**188,095**	**$**	**35,194**	**$**	**4,626**	**$**	**227,915**
For the nine months ended March 31, 2022								
Product sales	$	80,988	$	21,766	$	460	**$**	**103,214**
Provision of services		7,504		12,482		3,654		**23,640**
Total sales	**$**	**88,492**	**$**	**34,248**	**$**	**4,114**	**$**	**126,854**

(in thousands of Canadian dollars except as otherwise noted)

12. SHARE-BASED COMPENSATION

The following table summarizes the share-based compensation expense included in the consolidated statements of comprehensive income (loss):

	Three months		Nine months	
Periods ended March 31,	**2023**	2022	**2023**	2022
Stock options	$ 4	$ 5	$ 10	$ 21
Performance share units	285	59	1,192	796
Total share-based compensation	**$ 289**	**$ 64**	**$ 1,202**	**$ 817**

Stock options

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes option-pricing model. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options.

Changes in the stock option plan for the nine months ending March 31, 2023 are as follows:

(in number of units, except prices)	**Number of Options**	**Weighted average exercise price per option**
Outstanding, July 1, 2022	71,687	$ 10.15
Granted	13,000	18.94
Exercised	(41,375)	9.57
Cancelled	(6,000)	13.10
Outstanding, March 31, 2023	**37,312**	**$ 13.39**
Vested and exercisable, March 31, 2023	**20,750**	**$ 10.08**

Performance share units (“PSUs”)

The Company’s PSU plan sets the maximum number of PSUs that can be issued at 6% of the outstanding common shares of the Company. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the three and nine months ended March 31, 2023, the Company issued 78,500 and 373,600 PSUs, respectively, to eligible persons under the PSU plan (March 31, 2022 - nil and nil PSUs, respectively). These PSUs have five-year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company’s common shares for a period of twenty consecutive business days. During the three and nine months ended March 31, 2023, 7,956 and 201,180 PSUs vested, respectively (March 31, 2022 - nil and 187,487 PSUs, respectively), which had a fair value of $25 and $1,039, respectively (March 31, 2022 - $nil and $976, respectively). Each vested PSU is settled for one common share of the Company. During the three and nine months ended March 31, 2023, the Company withheld 2,405 and 75,846 common shares, respectively (March 31, 2022 - nil and 63,478 common shares, respectively), at an aggregate market value of $53 and $1,506, respectively (March 31, 2022 - $nil and $1,073, respectively), to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity. These PSUs have five year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company’s common shares for a period of twenty consecutive business days.

(in thousands of Canadian dollars except as otherwise noted)

A summary of PSU activity during the nine months ended March 31, 2023 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2022	210,283
Granted	373,600
Cancelled	(8,250)
Settled	(201,180)
PSUs outstanding as at March 31, 2023	**374,453**

The fair value of the PSUs were determined using a Monte Carlo simulation. On grant, the Company estimated the achievement dates of each performance condition, and the cost of the PSUs is expensed on a straight-line basis over the period from the grant date to the expected market condition achievement date. The Company estimated forfeitures of PSUs at 10% on grant, and adjusts the amount recognized in expense upon vesting.

13. OTHER EXPENSE

	Three months		**Nine months**	
Periods ended December 31,	**2023**	2022	**2023**	2022
Loss on sale of property, plant and equipment	$ 13	$ 174	$ 40	$ 192
Contract cancellation fee	260	-	260	-
Other	2	41	18	42
Total other expense	**$ 275**	**$ 215**	**$ 318**	**$ 234**

14. NET INCOME PER SHARE

The following table sets forth the calculation of basic and diluted net income per share:

	Three months		**Nine months**	
Periods ended December 31,	**2023**	2022	**2023**	2022
Net income: basic and diluted	$ 4,451	$ 2,990	$ 22,102	$ 5,205
Weighed average number of shares outstanding:				
Basic	24,201,616	23,080,725	23,545,483	23,070,328
Dilution adjustment for stock options	25,323	36,234	27,822	36,890
Diluted	**24,226,939**	**23,116,959**	**23,573,305**	**23,107,218**
Net income per share: basic	$ 0.18	$ 0.13	$ 0.94	$ 0.23
Net income per share: diluted	$ 0.18	$ 0.13	$ 0.94	$ 0.23

Stock options could potentially dilute basic net income per share in the future. Dilutive stock options are calculated using the treasury stock method. For the three months ended March 31, 2023, there were 55,611 weighted average dilutive stock options outstanding (March 31, 2022 - 85,312) which resulted in a dilution of adjustment of 25,323 (March 31, 2022 - 36,234); with the remaining 2,556 outstanding options (March 31, 2022 - 5,000) being anti-dilutive. For the nine months ended March 31, 2023, there were 67,300 weighted average dilutive stock options outstanding (March 31, 2022 - 85,312) which resulted in a dilution of adjustment of 27,822 (March 31, 2022 - 36,890), with the remaining 5,869 weighted average outstanding options (March 31, 2022 - 5,000) being anti-dilutive.

(in thousands of Canadian dollars except as otherwise noted)

15. SEGMENTED FINANCIAL INFORMATION

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunications markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, and transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. Inter-segment transactions take place at terms that approximate fair value. The majority of the Company's operations, employees and assets reside in Canada and the United States. The following tables highlight key financial information by segment and geographical region:

Segments

For the three months ended March 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 64,827	$ 11,778	$ 1,651	**$ 78,256**
Cost of sales	38,101	5,505	577	**44,183**
Gross profit	**26,726**	**6,273**	**1,074**	**34,073**
Operating expenses	16,370	5,839	542	**22,751**
Depreciation and amortization	3,255	1,550	379	**5,184**
Operating income (loss)	**7,101**	**(1,116)**	**153**	**6,138**
Finance expense				**(738)**
Foreign exchange gain				**198**
Income tax expense				**(1,147)**
Net income				**$ 4,451**
Total assets	$ 270,443	$ 46,370	$ 13,677	**$ 330,490**
Total liabilities	$ 94,433	$ 18,894	$ 1,402	**$ 114,729**

For the three months ended March 31, 2022	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 36,982	$ 12,518	$ 1,372	**$ 50,872**
Cost of sales	20,759	5,652	503	**26,914**
Gross profit	**16,223**	**6,866**	**869**	**23,958**
Operating expenses	10,039	4,997	551	**15,587**
Depreciation and amortization	2,526	1,487	240	**4,253**
Operating income	**3,658**	**382**	**78**	**4,118**
Finance expense				**(82)**
Foreign exchange loss				**(541)**
Income tax expense				**(505)**
Net income				**$ 2,990**
Total assets	$ 185,954	$ 52,348	$ 12,762	**$ 251,064**
Total liabilities	$ 51,827	$ 21,384	$ 1,309	**$ 74,520**

(in thousands of Canadian dollars except as otherwise noted)

For the nine months ended March 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 188,095	$ 35,194	$ 4,626	**$ 227,915**
Cost of sales	105,842	16,652	1,562	**124,056**
Gross profit	**82,253**	**18,542**	**3,064**	**103,859**
Operating expenses	43,316	16,838	1,604	**61,758**
Depreciation and amortization	8,692	4,629	897	**14,218**
Operating income (loss)	**30,245**	**(2,925)**	**563**	**27,883**
Finance expense				**(1,493)**
Foreign exchange gain				**1,362**
Income tax expense				**(5,650)**
Net income				**$ 22,102**
Total assets	$ 270,443	$ 46,370	$ 13,677	**$ 330,490**
Total liabilities	$ 94,433	$ 18,894	$ 1,402	**$ 114,729**

For the nine months ended March 31, 2022	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 88,492	$ 34,248	$ 4,114	**$ 126,854**
Cost of sales	48,065	15,881	1,428	**65,374**
Gross profit	**40,427**	**18,367**	**2,686**	**61,480**
Operating expenses	27,170	14,472	1,552	**43,194**
Depreciation and amortization	7,408	4,600	609	**12,617**
Operating income (loss)	**5,849**	**(705)**	**525**	**5,669**
Finance expense				**(170)**
Foreign exchange gain				**455**
Income tax expense				**(749)**
Net income				**$ 5,205**
Total assets	$ 185,954	$ 52,348	$ 12,762	**$ 251,064**
Total liabilities	$ 51,827	$ 21,384	$ 1,309	**$ 74,520**

Geographical region

	Three months		**Nine months**	
Periods ended March 31,	**2023**	2022	**2023**	2022
Sales to external customers:				
United States	$ 69,557	$ 38,199	$ 195,554	$ 96,996
Canada	3,158	5,728	12,218	15,548
Japan	2,719	5,045	10,842	8,863
Europe	1,310	482	4,882	2,120
Other	1,512	1,418	4,419	3,327
Total sales	**$ 78,256**	**$ 50,872**	**$ 227,915**	**$ 126,854**

(in thousands of Canadian dollars except as otherwise noted)

	March 31, 2023	June 30, 2022
Non-current assets:		
United States	$ 39,613	$ 38,238
Canada	103,448	99,889
Japan	848	1,088
Europe	21	19
Mexico	1,154	1,141
China	1,578	738
Total non-current assets	**$ 146,662**	**$ 141,113**

Sales to major customers

Sales to major customers accounting for more than 10% of total sales are as follows:

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Customer A	$ 46,464	$ 8,647	$ 117,892	$ 22,405
Customer B	11,681	9,218	32,568	19,423
Total sales	**$ 58,145**	**$ 17,865**	**$ 150,460**	**$ 41,828**

Sales to these customers are with the Video and Broadband Solutions and Content Delivery and Storage segments.

16. FAIR VALUE HIERARCHY

Assets and liabilities measured at fair value in the consolidated statements of financial position, or where fair value disclosures are required, are classified based on a three-level hierarchy as follows:

Level 1: determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2: determined by using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: determined using inputs that are not based on observable market data.

During the nine months ended March 31, 2023, there were no assets or liabilities measured at fair value according to the three-level hierarchy.

17. FINANCIAL INSTRUMENTS

Accounts receivable

As at March 31, 2023, the weighted average age of customer accounts receivable was 33 days (June 30, 2022 - 34 days), and the weighted average age of past-due accounts receivable approximated 63 days (June 30, 2022 - 66 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

	March 31, 2023	June 30, 2022
Current	$ 60,733	$ 43,555
31 to 60 days	3,542	1,822
61 to 90 days	1,634	1,174
Over 90 days	546	1,494
Total accounts receivable	**$ 66,455**	**$ 48,045**

(in thousands of Canadian dollars except as otherwise noted)

The Company maintains allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The Company has an allowance for doubtful accounts at March 31, 2023 of $5 (June 30, 2022 - $4).

Currency exposure

The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. As at March 31, 2023, the Company had forwards contracts outstanding with a fair value of $0.6 million included in accounts receivable (March 31, 2022 - nil).

18. SUPPLEMENTAL INFORMATION

The following tables provide details of the Company's supplemental cash flow information:

Depreciation and amortization – operating activities

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Depreciation of property, plant and equipment	$ 869	$ 734	$ 2,527	$ 2,015
Depreciation of right-of-use assets	305	270	965	1,009
Amortization of deferred development costs	3,062	2,516	8,282	7,406
Amortization of finite-life intangible assets	824	783	2,452	2,333
Total depreciation and amortization	**$ 5,060**	**$ 4,303**	**$ 14,226**	**$ 12,763**

Net change in working capital – operating activities

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Accounts receivable	$ (6,507)	$ (14,462)	$ (18,285)	$ (26,165)
Inventories	(555)	(11,101)	(42,468)	(20,301)
Prepaid expenses	(1,046)	1124	(9,373)	(3,427)
Income tax receivable	569	(21)	534	(22)
Contract assets	(11)	(223)	(57)	(274)
Accounts payable and accrued liabilities	(7,759)	6,758	4,069	17,245
Income tax payable	1,793	-	1,793	-
Deferred revenue	6,536	6,576	5,806	7,885
Total change in net working capital	**$ (6,980)**	**$ (11,349)**	**$ (57,981)**	**$ (25,059)**

(in thousands of Canadian dollars except as otherwise noted)

Capital expenditures, net – investing activities

	Three months		Nine months	
Periods ended March 31,	**2023**	2022	**2023**	2022
Capital expenditures before proceeds of disposition:				
Property, plant and equipment	$ (1,026)	$ (1,466)	$ (2,265)	$ (4,395)
Intangible assets	(34)	(118)	(46)	(146)
Proceeds of disposition:				
Property, plant and equipment	-	-	-	1
Total capital expenditures, net	**$ (1,060)**	**$ (1,584)**	**$ (2,311)**	**$ (4,540)**

19. CONTRACTUAL OBLIGATION

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. At March 31, 2023, the contractual obligation, based on forecasted commitments, is estimated to be $32,908 (June 30, 2022 - $49,355), of which $nil is deemed to be onerous (June 30, 2022 - $26).

20. RELATED PARTY TRANSACTIONS

The Company entered into a building lease on August 1, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the three and nine months ended March 31, 2023, total lease payments, including interest, were $31 and $83, respectively. There were no other related party transactions in the first nine months of fiscal 2023.

21. SUBSEQUENT EVENTS

On May 9, 2023, the Board of Directors declared a dividend of $0.055 per common share, payable on June 19, 2023 to shareholders of record as at May 26, 2023, consistent with its previously announced dividend policy.