SECOND QUARTER RESULTS

Management's Discussion and Analysis and

Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and six months ended December 31, 2024 and 2023

(unaudited)

Classification - Internal

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
February 10, 2025

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 six months ended December 31, 2024.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and six months ended December 31, 2024 and 2023. 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 six months ended December 31, 2024 and 2023 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 and our expectations related to customer demand. 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.sedarplus.ca.

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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, Gdynia, and 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 products incorporate sophisticated hardware and software developed within our R&D facilities. Examples of the types of technologies incorporated within our solutions include content workflow processing, content delivery networks, video storage, video transcoding, edge caching, high-speed digital signal processing, control, and digital modulation. In addition to these technologies, Vecima’s embedded software also facilitates the implementation of other network functions, such as media access control, traffic management and embedded system management.

Vecima’s diverse array of products across its business segments allows for strategic alignment with a broad array of global customers.

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 the following 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;
      - EntraCloud – An open, interoperable set of software applications to centralize orchestration, management, control, and virtualized data plane across all Entra products which include:
      - The cloud-native Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and designed to maximize performance while minimizing space, power, and cost through virtualization. Includes the Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and is designed to maximize performance while minimizing space, power, and cost through virtualization;
        - 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”) 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.

- 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 Terrace, Terrace QAM and Terrace IQ 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;
   - 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;
   - Dynamic Content: provides dynamic ad insertion, content replacement, blackout, simultaneous substitution, official alert insertion, and other content personalization on a stream-by-stream basis at the edge of the customer network; and
   - Open CDN: Streaming Video Technology Alliance standards-compliant Open Caching solution aimed at operator monetization of OTT content via partnerships with OTT content owners.

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 second ("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 and 4.0 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 and network resiliency enhancements 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, and accelerated 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 wide-scale fiber network build-outs with an emphasis on rural areas that are currently unserved or underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial cable 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. Second Quarter Fiscal 2025 Highlights

Financial and Corporate

- Second quarter revenue increased by 15% year-over-year to $71.2 million, from $62.0 million in Q2 fiscal 2024 and $81.9 million in Q1 fiscal 2025.
- Gross profit of $25.9 million, compared to $30.8 million in Q2 fiscal 2024 and $34.2 million in Q1 fiscal 2025.
- Gross margin of 36.4%, compared to 50.1% in Q2 fiscal 2024 and 41.7% in Q1 fiscal 2025.
- Adjusted EBITDA of $1.1 million, compared to $12.5 million in Q2 fiscal 2024 and $11.6 million in Q1 fiscal 2025.
- Loss per share of $0.32 and Adjusted loss per share of $0.25, compared to earnings per share and Adjusted earnings per share of $0.15 and $0.22, respectively, in Q2 fiscal 2024, and $0.09 and $0.10, respectively, in Q1 fiscal 2025.
- Completed a cost restructuring in December 2024, including a workforce reduction of approximately 12%, to better align teams and investments with customers' needs and to enhance operating efficiency. The restructuring is expected to result in annualized cash cost savings of approximately $17.5 million, with initial benefits anticipated in the second half of fiscal 2025. Second quarter fiscal 2025 results include a one-time restructuring expense of $2.8 million related to this initiative.
- Ended the second quarter with working capital of $63.8 million at December 31, 2024, compared to $84.9 million at June 30, 2024.

Video and Broadband Solutions (VBS)

- Video and Broadband Solutions segment sales increased 21% year-over-year to $59.3 million (Q2 fiscal 2024 - $49.1 million; Q1 fiscal 2025 - $72.9 million).

<u>**DAA (Entra Family)**</u>

- Achieved next-generation Entra product sales of $56.2 million, a year-over-year increase of 29% (Q2 fiscal 2024 - $43.8 million; Q1 fiscal 2025 - $68.3 million).
- Increased total customer engagements to 123 MSOs worldwide, from 110 a year earlier. Sixty-three of these customers are ordering Entra products as broader DAA deployment progresses.
- Expanded volume shipments of our flagship EN9000 GAP Node, with over 10,000 nodes delivered in Q2 and significant interest from an expanding group of customers.The modular EN9000 provides customers with a future-proof path to 10G, protecting today's network investment by ensuring operators can easily transition to future technologies, including DOCSIS 4.0 and 10G FTTH. In addition to strong uptake from our lead customer, we continued to see growth in interest from additional customers.
- Completed first deliveries of the 1.8GHz-ready EN8400 'Forever Node' to a lead customer and secured and delivered an additional order with a second customer. The EN8400 provides a clear and cost-effective path to 10G by supporting DAA today while also supporting future technologies, including DOCSIS 4.0 and Remote Optical Line Terminal (OLT) applications.
- Customer engagement for our new vCMTS platform increased with lab trials underway with four North American MSOs during the quarter, including the lead Tier 1 customer. Secured new lab trial commitments with additional Tier 2 and Tier 3 operators, which are expected to commence this year.
- On October 11, 2024, acquired Falcon V Systems, a provider of innovative software orchestration products that help operators manage, test and deliver services across converged cable, fiber and mobile networks.
  - Secured licenses for the Falcon Principal Core platform with a lead Tier 1 customer in North America
  - Secured first order for the Falcon Test Suite with a customer outside of North America

<u>**Commercial Video (Terrace Family)**</u>

- Generated Commercial Video product sales of $3.0 million (Q2 fiscal 2024 - $5.3 million, Q1 fiscal 2025 $4.5 million). The year-over-year change in sales was anticipated and reflects the transition to next-generation platforms and the impact of some of Vecima’s newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

Content Delivery and Storage (CDS)

- The Content Delivery and Storage segment generated sales of $10.2 million (Q2 fiscal 2024 - $11.3 million; Q1 fiscal 2025 - $7.2 million).
  - Achieved CDS gross margin of 56.5% (Q2 fiscal 2024 - 57.0%; Q1 fiscal 2025 - 60.2%).
  - Positioned MediaScale Dynamic Ad Insertion platform with several new customers, building on our initial deployments with three customers.
  - Continued progress in development of the standards-compliant MediaScale Open CDN platform.
  - On November 13, 2024 announced global agreement with Digital Harmonic to exclusively resell its innovative dh/KeyFrame™ technology, which significantly elevates video quality while reducing content bitrates, providing material cost savings and network capacity increases. Secured initial lab equipment order for dh/KeyFrame during the quarter.

Telematics

- Telematics segment sales grew 7.1% year-over-year to $1.7 million (Q2 fiscal 2024 - $1.6 million; Q1 fiscal 2025 - $1.7 million).
  - Generated additional deployments in high-value verticals, including municipal government and moveable asset customers in areas such as restoration and emergency medical services.
  - Added nine new customers for the NERO asset tracking platform. The Telematics business as a whole is now tracking over 100,000 assets, including over 20,000 vehicles and 80,000 asset tags.
  - Achieved strong gross margin percentage of 66.5%.

4. Outlook

Our outlook recognizes that demand volatility could continue into the second half of fiscal 2025 depending on customer project timing. Delays to date have primarily reflected ongoing system level field qualifications, which are typically challenging for customers undertaking very large system upgrades. Vecima's technology has performed exceptionally well through these qualification processes, and we anticipate increased product rollouts once qualifications are completed.

The prospect of trade actions between the U.S. and Canada has added further uncertainty to our outlook. With about 90% of our sales in the U.S., an estimated half of which we believe could potentially be exposed to tariff actions, we are underway with plans to mitigate potential risks, regardless of the outcome of current trade discussions. Vecima is a strong, proven company with a long history of responding quickly and successfully to changing business conditions. We are confident in our ability to adapt effectively to changes in the macroeconomic environment.

While the combination of current trade and customer timing uncertainties make accurate forecasting more difficult in the near and medium term, Vecima's global market leadership in the high-growth DAA and IPTV markets and long track record of providing innovative technology solutions to world's most sophisticated cable and broadcast providers continue to position us for sustained long-term growth.

MSOs worldwide have a compelling need to upgrade their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services. In fiscal 2025, a number of Tier 1 customers are implementing major DAA network rollouts supported by Vecima's next-generation solutions. At the same time, the industry is beginning to coalesce around Unified DOCSIS 4.0 solutions, leading to upcoming opportunities for Vecima's highly interoperable platforms.

In our Video and Broadband Solutions segment, volume deployments of our new EN9000 Generic Access Platforms are expected to provide significant revenue contribution as we move into the second half of fiscal 2025. As previously noted, the EN9000 is a pivotal platform technology that carries a lower margin when fulfilled on a standalone basis but ultimately helps to drive higher margins as software driven access modules are populated within the node. Continued rollout of our ERM3 Remote-PHY devices and initial deliveries of our new EXS1610 All-PON Shelf are expected to provide additional contribution in the second half.

While the transition to the US$42.5 billion BEAD program as a source of funding for network expansion into underserved rural areas has been slower than expected, we continue to anticipate solid support for our fiber access products from operators accessing the existing Rural Digital Opportunity Fund (RDOF). Longer term, our entry into the vCMTS market provides an additional significant growth driver for Vecima. As these and other opportunities begin to converge, and as a broader range of MSOs worldwide begin to undertake their own DAA rollouts, we are well positioned to realize the rewards of our multi-year investment into the world's most comprehensive DAA portfolio.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to remain lower year-over-year as customers continue to transition to our next-generation TerraceIQ solution 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, we anticipate a strengthening of performance in the second half, supported by an increase in existing and new customers' IPTV upgrades and expansions, the roll out of our new Dynamic Ad Insertion products with more customers, and new opportunities created by our new dh/KeyFrame reselling agreement with Digital Harmonic. We continue to see excellent long-term opportunities for this segment as IPTV gains further momentum and our newer open caching and Dynamic Ad Insertion solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate continued profitable growth as demand for our asset tracking services grows and as we add additional subscriptions from the fleet tracking market.

Moving forward, we remain confident in our future growth prospects and our ability to continue creating strong value for our customers and shareholders.

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 (Loss) Data *(in thousands of dollars except common share data)*	**Three months ended December 31, 2024**		2023		**Six months ended December 31, 2024**		2023	
Sales	$ 71,223	100%	$ 61,954	100%	$ 153,128	100%	$ 123,432	100%
Cost of sales[7]	45,307	64%	31,109	50%	93,041	61%	62,569	51%
Gross profit	**25,916**	**36%**	**30,845**	**50%**	**60,087**	**39%**	**60,863**	**49%**
Operating expenses								
Research and development[1]	11,679	16%	11,551	19%	23,562	15%	21,847	18%
Sales and marketing[7]	7,257	10%	7,673	12%	16,699	11%	16,107	13%
General and administrative[7]	6,929	10%	6,608	11%	14,390	9%	14,781	12%
Restructuring costs	2,798	4%	–	–%	2,798	2%	–	–%
Share-based compensation	462	1%	257	–%	1,008	1%	513	–%
Other expense	194	–%	97	–%	487	–%	267	–%
	29,319	**41%**	**26,186**	**42%**	**58,944**	**38%**	**53,515**	**43%**
Operating income (loss)	**(3,403)**	**(5)%**	**4,659**	**8%**	**1,143**	**1%**	**7,348**	**6%**
Finance expense	(2,345)	(3)%	(1,660)	(3)%	(4,718)	(3)%	(2,360)	(2)%
Foreign exchange gain (loss)	(4,272)	(6)%	1,837	3%	(3,764)	(3)%	1,253	1%
Income (loss) before taxes	**(10,020)**	**(14)%**	**4,836**	**8%**	**(7,339)**	**(5)%**	**6,241**	**5%**
Income tax expense (recovery)	(2,135)	(3)%	1,247	2%	(1,599)	(1)%	907	1%
Net Income (loss)	**(7,885)**	**(11)%**	**3,589**	**6%**	**(5,740)**	**(4)%**	**5,334**	**4%**
Other comprehensive income (loss)	6,001	8%	(1,157)	(2)%	5,089	4%	(184)	–%
Comprehensive income (loss)	**$ (1,884)**	**(3)%**	**$ 2,432**	**4%**	**$ (651)**	**–%**	**$ 5,150**	**4%**
Net income (loss) per share[2]**:**								
Basic – total	$ (0.32)		$ 0.15		$ (0.24)		$ 0.22	
Diluted – total	$ (0.32)		$ 0.15		$ (0.24)		$ 0.22	
Other Data:								
Research and Development Expenditures[3]	$ 16,302		$ 15,179		$ 31,376		$ 28,589	
Adjusted EBITDA[4]	$ 1,082		$ 12,470		$ 12,662		$ 20,593	
Adjusted earnings per share[5]	$ (0.25)		$ 0.15		$ (0.15)		$ 0.24	
Number of employees[6]	590		627		590		627	

(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.*

(7) *The Company has restated the comparative period for a change in commission expense presentation. Refer to Note 22 of the Interim Condensed Financial Statements for the three and six month periods ended December 31, 2024.*

Consolidated Statements of Financial Position *(in thousands of dollars except common share data)*	**December 31, 2024**	June 30, 2024
Cash and cash equivalents	$ 2,356	$ 2,136
Working capital	63,781	84,857
Total assets	365,926	387,823
Long-term debt[1]	15,221	15,399
Shareholders' equity	$ 232,660	$ 234,960
Number of common shares outstanding[2]	24,313,744	23,712,384

(1) *Long-term debt includes lease liabilities per IFRS 16.*

(2) *Based on the weighted average number of common shares outstanding during the first six months of fiscal 2025.*

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") and intangible assets, warrants expense and recovery, acquisition-related costs, 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 telematics 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 *(in thousands of dollars except per share amounts)*	**Three months ended December 31, 2024**	**Three months ended December 31, 2023**	**Six months ended December 31, 2024**	**Six months ended December 31, 2023**
Net income	$ (7,885)	$ 3,589	$ (5,740)	$ 5,334
Loss on sale of non-core PP&E, net of tax	62	–	78	–
Warrants expense (recovery), net of tax	(689)	175	(604)	684
Acquisition-related costs, net of tax	100	–	306	–
Restructuring costs, net of tax	2,210	–	2,210	–
Adjusted net income (loss)	**$ (6,201)**	**$ 3,764**	**$ (3,750)**	**$ 6,018**
Net income (loss) per share	$ (0.32)	$ 0.15	$ (0.24)	$ 0.22
Warrants recovery net of tax	(0.02)	–	(0.02)	0.02
Acquisition-related costs, net of tax	0.01	–	0.02	–
Restructuring costs, net of tax	0.09	–	0.09	–
Adjusted earnings per share[(1)(2)]	**$ (0.25)**	**$ 0.15**	**$ (0.15)**	**$ 0.24**

(1) *Adjusted earnings per share includes non-cash share-based compensation of $0.5 million or $0.02 per share for the three months ended December 31, 2024, and $0.3 million or $0.01 per share for the three months ended December 31, 2023. 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 $(4.3) million or $(0.18) per share for the three months ended December 31, 2024, and a foreign exchange gain of $1.8 million or $0.08 per share for the three months ended December 31, 2023.*

Adjusted Gross Margin

The following table reconciles Gross Margin for the period to Adjusted Gross Margin. The term "Gross Margin" refers to sales less cost of sales as reported in the IFRS financial statements. The term "Adjusted Gross Margin" refers to gross margin adjusted for warrants expense and recovery. We believe that Adjusted Gross Margin 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 telematics services. Adjusted Gross Margin is not a recognized measure under IFRS and, accordingly, investors are cautioned that adjusted margin should not be construed as alternatives to gross margin, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted Gross Margin *(in thousands of dollars)*	**Three months ended December 31, 2024**	**Three months ended December 31, 2023**	**Six months ended December 31, 2024**	**Six months ended December 31, 2023**
Sales	$ 71,223	$ 61,954	$ 153,128	$ 123,432
Cost of Sales	45,307	31,109	93,041	62,569
Gross Margin	**25,916**	**30,845**	**60,087**	**60,863**
Warrants expense (recovery)[(1)]	(871)	217	(765)	855
Adjusted Gross Margin	**$ 25,045**	**$ 31,062**	**$ 59,322**	**$ 61,718**
Adjusted Gross Margin %	**35.2 %**	**50.1 %**	**38.7 %**	**50.0 %**

(1) *Reflects non-cash expense associated with warrants issued to a customer which are recorded as sales incentives under IFRS.*

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 and intangible assets; share-based compensation; warrants expense and recovery; acquisition-related costs; and restructuring costs. 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	**Three months ended December 31,**		**Six months ended December 31,**	
(in thousands of dollars)	**2024**	2023	**2024**	2023
Net income (loss)	$ (7,885)	$ 3,589	$ (5,740)	$ 5,334
Income tax expense (recovery)	(2,135)	1,247	(1,599)	907
Interest expense	2,346	1,662	4,746	2,362
Depreciation of property, plant and equipment	1,101	844	1,960	1,676
Depreciation of right-of-use assets	373	334	735	659
Amortization of deferred development costs	3,848	3,486	7,382	6,636
Amortization of intangible assets	836	816	1,651	1,632
EBITDA	**(1,516)**	**11,978**	**9,135**	**19,206**
Loss on sale of property, plant and equipment	79	18	99	19
Share-based compensation	462	257	1,008	513
Warrants expense (recovery)	(871)	217	(765)	855
Acquisition-related costs	130	–	387	–
Restructuring costs	2,798	–	2,798	–
Adjusted EBITDA	**$ 1,082**	**$ 12,470**	**$ 12,662**	**$ 20,593**
Percentage of sales	**2%**	**20%**	**8%**	**17%**

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	**Three months ended December 31,**		**Six months ended December 31,**	
(in thousands of dollars)	**2024**	2023	**2024**	2023
R&D expense per statement of comprehensive income	$ 11,679	$ 11,551	$ 23,562	$ 21,847
Deferred development costs	8,426	7,079	15,102	13,310
Investment tax credits	45	35	94	68
Amortization of deferred development costs	(3,848)	(3,486)	(7,382)	(6,636)
Total research and development expenditures	**$ 16,302**	**$ 15,179**	**$ 31,376**	**$ 28,589**
Percentage of sales	**23%**	**25%**	**20%**	**23%**

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three and six months ended December 31, 2024 and 2023 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 2025**		**Fiscal 2024**				**Fiscal 2023**	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Sales	$ 71,223	$ 81,905	$ 87,476	$ 80,139	$ 61,954	$ 61,478	$ 75,522	$ 78,256
Cost of Sales[1]	45,307	47,734	45,548	41,312	31,109	31,460	36,127	42,964
Gross profit[1]	**25,916**	**34,171**	**41,928**	**38,827**	**30,845**	**30,018**	**39,395**	**35,292**
Operating expenses								
Research and development	11,679	11,883	11,041	11,281	11,551	10,296	12,851	12,053
Sales and marketing[1]	7,257	9,442	9,529	7,721	7,674	8,434	8,897	7,932
General and administrative[1]	6,929	7,461	8,757	8,123	6,607	8,173	8,151	8,605
Restructuring costs	2,798	–	–	–	–	–	1,236	–
Share-based compensation	462	546	248	272	257	256	1,300	289
Other expense	194	293	189	1,349	97	170	1,553	275
	29,319	**29,625**	**29,764**	**28,746**	**26,186**	**27,329**	**33,988**	**29,154**
Operating income (loss)	**(3,403)**	**4,546**	**12,164**	**10,081**	**4,659**	**2,689**	**5,407**	**6,138**
Finance expense	(2,345)	(2,373)	(3,184)	(1,580)	(1,660)	(700)	(877)	(738)
Foreign exchange gain (loss)	(4,272)	508	(2,029)	(1,159)	1,837	(584)	1,319	198
Income (loss) before income taxes	**(10,020)**	**2,681**	**6,951**	**7,342**	**4,836**	**1,405**	**5,849**	**5,598**
Income tax expense (recovery)	(2,135)	536	(1,306)	1,542	1,247	(340)	739	1,147
Net income (loss)	**(7,885)**	**2,145**	**8,257**	**5,800**	**3,589**	**1,745**	**5,110**	**4,451**
Other comprehensive income (loss)	6,001	(912)	959	1,361	(1,157)	973	(1,896)	(105)
Comprehensive income (loss)	**$ (1,884)**	**$ 1,233**	**$ 9,216**	**$ 7,161**	**$ 2,432**	**$ 2,718**	**$ 3,214**	**$ 4,346**
Net income (loss) per share								
Basic – total	$ (0.32)	$ 0.09	$ 0.34	$ 0.24	$ 0.15	$ 0.07	$ 0.21	$ 0.18
Diluted – total	(0.32)	0.09	0.34	0.24	0.15	0.07	0.21	0.18
Adjusted EBITDA as reported	$ 1,082	$ 11,580	$ 15,969	$ 17,221	$ 12,470	$ 8,123	$ 15,088	$ 11,700

[1] *The Company has restated the comparative period for a change in commission expense presentation. Refer to Note 22 of the Interim Condensed Financial Statements for the three and six month periods ended December 31, 2024.*

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

Segment	Three months ended December 31,		Six months ended December 31,	
	2024	2023	**2024**	2023
Video and Broadband Solutions	$ 59,271	$ 49,054	$ 132,208	$ 93,197
Content Delivery and Storage	10,205	11,269	17,441	26,958
Telematics	1,747	1,631	3,479	3,277
Total sales	**$ 71,223**	**$ 61,954**	**$ 153,128**	**$ 123,432**

Three-Month Results

We achieved total sales of $71.2 million in the second quarter of fiscal 2025, an increase of 15% from $62.0 million in Q2 fiscal 2024 and 13% lower than the $81.9 million generated in Q1 fiscal 2025. The year-over-year increase primarily reflects higher Video and Broadband Entra sales, partially offset by lower sales in the Content Delivery and Storage segment.

The Video and Broadband Solutions segment generated second quarter revenue of $59.3 million, an increase of 21% from $49.1 million in Q2 fiscal 2024 but 19% lower than the $72.9 million generated in Q1 fiscal 2025.

- Next-generation Entra products sales of $56.2 million were 29% higher than the $43.8 million generated in Q2 fiscal 2024 but 18% lower than the $68.3 million in Q1 fiscal 2025.
- Commercial Video products contributed sales of $3.0 million as compared to $5.3 million in Q2 fiscal 2024 and $4.5 million in Q1 fiscal 2025. The year-over-year change was anticipated and reflects the 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.

In the Content Delivery and Storage segment, we generated second quarter sales of $10.2 million as compared to $11.3 million in Q2 fiscal 2024, a decrease of 9%. On a sequential quarterly basis, Q2 fiscal 2025 sales were 41% higher than the $7.2 million achieved in Q1. The variance between quarters reflects the timing of sales. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q2 fiscal 2025 period included $4.3 million of product sales (Q2 fiscal 2024 - $5.2 million) and $5.9 million of services revenue (Q2 fiscal 2024 - $6.0 million).

Second quarter Telematics sales of $1.7 million were approximately 7% higher than the $1.6 million achieved in Q2 fiscal 2024 and 1% lower than the $1.7 million in Q1 fiscal 2025. Results for the quarter were consistent with our expectations.

Six-Month Results

For the six months ended December 31, 2024, total sales grew 24% to $153.1 million, from $123.4 million in the same period of fiscal 2024. The year-over-year increase primarily reflects higher Video and Broadband Entra sales, partially offset by lower sales in the Content Delivery and Storage segment.

Six-month Video and Broadband Solutions sales increased 42% to $132.2 million, from $93.2 million in the same period in fiscal 2024.

- Next-generation Entra products sales grew 51% to $124.6 million in the first half of fiscal 2025, from $82.6 million in the same period last year. The increase in sales reflects steady growth in next-generation VBS Entra product sales.
- Commercial Video products sales were $7.5 million in the first half of fiscal 2025, compared to $10.6 million in the same period last year. The year-over-year change reflects the 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.

In the Content Delivery and Storage segment, we generated six-month sales of $17.4 million, as compared to $27.0 million in the same period last year, a decrease of 35%. The year-over-year change primarily reflects customer project delays, particularly in the first quarter of fiscal 2025. CDS segment sales for the first six months of fiscal 2025 included $5.7 million of product sales (Fiscal 2024 - $15.2 million) and $11.7 million of services revenue (Fiscal 2024 - $11.8 million).

First-half Telematics sales increased 6% to $3.5 million, from $3.3 million in the same period of fiscal 2024. Results for the period were consistent with our expectations and reflect the increase in assets and tags 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 December 31,		Six months ended December 31,	
Segment	**2024**	2023	**2024**	2023
Video and Broadband Solutions	$ 40,283	$ 25,722	$ 84,659	$ 50,680
Content Delivery and Storage	4,439	4,846	7,317	10,783
Telematics	585	541	1,065	1,106
Total cost of sales	**$ 45,307**	**$ 31,109**	**$ 93,041**	**$ 62,569**

Three-Month Results

For the three months ended December 31, 2024, total cost of sales increased 46% to $45.3 million, from $31.1 million in Q2 fiscal 2024 and increased 5% from $47.7 million in Q1 fiscal 2025. The year-over-year increase primarily reflects higher VBS segment sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

Second quarter cost of sales in the Video and Broadband Solutions segment increased 57% to $40.3 million, from $25.7 million in Q2 fiscal 2024 and was up 9% from $44.4 million in Q1 fiscal 2025. The year-over-year increase primarily reflects higher VBS segment sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

In the Content Delivery and Storage segment, second quarter cost of sales decreased by 8% to $4.4 million, from $4.8 million in Q2 fiscal 2024, but was 54% higher than the $2.9 million cost of sales recorded in Q1 fiscal 2025. The year-over-year decrease primarily reflects lower CDS sales and a different product mix, while the quarter-over-quarter increase reflects higher segment sales and a different product mix.

Second quarter cost of sales from the Telematics segment was $0.6 million, which was slightly higher than the $0.5 million recorded in the same period of fiscal 2024 and Q1 fiscal 2025.

Six-Month Results

For the six months ended December 31, 2024, total cost of sales increased by 49% to $93.0 million, from $62.6 million in the same period in fiscal 2024. The year-over-year increase primarily reflects higher VBS segment sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

Cost of sales in the Video and Broadband Solutions segment increased 67% to $84.7 million in the first six months of fiscal 2025, from $50.7 million in same period in fiscal 2024. The year-over-year increase primarily reflects higher VBS segment sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

Cost of sales in the Content Delivery and Storage segment decreased by 32% to $7.3 million in the first six months of fiscal 2025, from $10.8 million in the same period in fiscal 2024. The year-over-year change was primarily driven by lower CDS sales.

Cost of sales in the Telematics segment was consistent at $1.1 million in the first six months of both fiscal 2025 and fiscal 2024.

Gross Profit and Gross Margin

Segment		Three months ended December 31, 2024		2023		Six months ended December 31, 2024		2023
Video and Broadband Solutions	$	18,988	$	23,332	$	47,549	$	42,517
Content Delivery and Storage		5,766		6,423		10,124		16,175
Telematics		1,162		1,090		2,414		2,171
Total gross profit	**$**	**25,916**	**$**	**30,845**	**$**	**60,087**	**$**	**60,863**
Video and Broadband Solutions		32.0 %		47.6 %		36.0 %		45.6 %
Content Delivery and Storage		56.5 %		57.0 %		58.0 %		60.0 %
Telematics		66.5 %		66.8 %		69.4 %		66.2 %
Total gross margin		**36.4 %**		**49.8 %**		**39.2 %**		**49.3 %**

Three-Month Results

For the three months ended December 31, 2024, we generated total gross profit of $25.9 million, as compared to $30.8 million in Q2 fiscal 2024 and $34.2 million in Q1 fiscal 2025, a decrease of 16% and 24%, respectively. Both the year-over-year and quarter-over-quarter change in gross profit reflects a lower VBS segment margin of 36.4%, as compared to 49.8% in Q2 fiscal 2024 and 41.7% in Q1 fiscal 2025. Our Q2 fiscal 2025 gross margin reflects the ramp up of deliveries of our new VBS segment EN9000 platform, which carries a lower gross margin as a standalone product, but is designed to be supplemented with higher-margin software revenue in later stage customer deployments.

We generated second quarter gross profit from the Video and Broadband Solutions segment of $19.0 million (gross profit margin of 32.0%), 19% lower than the $23.3 million (gross profit margin of 47.6%) achieved in Q2 fiscal 2024. On a sequential quarterly basis, VBS gross profit was 34% lower than the $28.6 million achieved in Q1 fiscal 2025 (gross profit margin of 39.2%), reflecting the temporarily higher proportion of a lower-margin product in our sales mix.

In the Content Delivery and Storage segment, second quarter gross profit was $5.8 million as compared to $6.4 in the same period last year. The year-over-year change reflects lower sales. CDS gross margin for the second quarter was 56.5%, just slightly lower than the 57.0% achieved in the same period last year. On a sequential quarterly basis, Q2 CDS gross profit was 32% higher than the $4.4 million generated in Q1 fiscal 2025, reflecting the improvement in sales.

Second quarter gross profit from the Telematics segment was $1.2 million (gross profit margin of 66.5%), in line with $1.1 million (gross margin of 66.8%) in Q2 fiscal 2024. On a sequential quarterly basis, Telematics gross profit was lower than the $1.3 million (gross margin of 72.3%) achieved in Q1 fiscal 2025.

Six-Month Results

For the six months ended December 31, 2024, we generated gross profit of $60.1 million, a decrease of 1% from $60.9 million in the same period of fiscal 2024. The modest change in first half gross profit reflects lower VBS margins, partially offset by higher sales. Gross margin in the first six months of fiscal 2025 decreased to 39.2%, from 49.3% year-over-year, primarily reflecting higher sales of the lower-margin VBS product, combined with lower CDS segment sales. While we normally target a gross margin percentage of 45% to 49%, we expect our gross margin performance to be lower in fiscal 2025 as we complete the initial roll out of our EN9000 platform.

The Video and Broadband Solutions segment generated gross profit of $47.5 million (gross profit margin of 36.0%) in the first six months of fiscal 2025, compared to $42.5 million (gross profit margin of 45.6%) in the first half of fiscal 2024. The 12% year-over-year increase in gross profit is mainly attributed to higher sales, partially offset by a lower gross margin on overall sales.

Content Delivery and Storage segment gross profit decreased 37% to $10.1 million (gross profit margin of 58.0%) in the first six months of fiscal 2025, from $16.2 million (gross profit margin of 60.0%) in the same period of fiscal 2024. The year-over-year decrease primarily reflects lower segment sales.

Telematics segment gross profit for the first half increased slightly to $2.4 million (gross profit margin of 69.4%), from $2.2 million (gross margin of 66.2%) in the same period of fiscal 2024. The year-over-year increase in gross profit was primarily driven by new customer wins and increased sales.

Operating Expenses

Segment	Three months ended December 31, 2024	2023	Six months ended December 31, 2024	2023
Video and Broadband Solutions	$ 20,813	$ 17,510	$ 42,513	$ 36,398
Content Delivery and Storage	7,474	7,686	14,476	15,272
Telematics	1,032	990	1,955	1,845
Total operating expense	**$ 29,319**	**$ 26,186**	**$ 58,944**	**$ 53,515**

Three-Month Results

For the three months ended December 31, 2024, total operating expenses were $29.3 million, as compared to $26.2 million in Q2 fiscal 2024 and $29.6 million in Q1 fiscal 2025. As a percentage of sales, Q2 operating expenses were 41% as compared to 42% in Q2 fiscal 2024.

Video and Broadband Solutions operating expenses increased to $20.8 million, from $17.5 million in Q2 fiscal 2024 and were $1.0 million lower than the $21.7 million in Q1 fiscal 2025. The $3.3 million year-over-year increase primarily reflects restructuring costs of $2.2 million combined with the impact of a weaker Canadian dollar on US denominated operating expenses.

Content Delivery and Storage operating expenses decreased to $7.5 million in Q2 fiscal 2025, from $7.7 million in the same period of fiscal 2024, but were higher than the $7.0 million recorded in Q1 fiscal 2025. The year-over-year decrease is primarily due to lower shared service allocations. The quarter-over-quarter increase mainly reflects restructuring costs of $0.5 million, combined with the negative impact of a weaker Canadian dollar on US denominated operating expenses.

Telematics operating expenses were $1.0 million in both Q2 fiscal 2025 and 2024, which was slightly higher than the $0.9 million recorded in Q1 fiscal 2025.

Research and development expenses for Q2 fiscal 2025 increased to $11.7 million, or 16% of sales, from $11.6 million, or 19% of sales in the same period of fiscal 2024. This primarily reflects higher deferred development cost amortization combined with increased salary and wages, partially offset by lower bonus expense and 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 Q2 fiscal 2025 increased to $16.3 million, or 23% of sales, from $15.2 million, or 25% of sales in Q2 fiscal 2024. The increase reflects the impact of the Falcon V acquisition, combined with increased prototyping, and software and licensing costs as our next-generation products move closer to commercial deployment.

Sales and marketing expenses decreased to $7.3 million, or 10% of sales in Q2 fiscal 2025, from $7.7 million, or 12% of sales in the same period last year. The year-over-year decrease primarily reflects lower non-cash finished product allowances, partially offset by higher conference, travel and business development costs.

General and administrative expenses increased to $6.9 million, or 10% of sales, from $6.6 million or 11% of sales in Q2 fiscal 2024. The year-over-year increase reflects higher salary and wages and costs related to the Falcon acquisition, partially offset by lower banking administration charges.

Restructuring costs were $2.8 million in Q2 fiscal 2025 compared to nil in the same period of fiscal 2024 reflecting a workforce reduction initiated in response to market conditions.

Stock-based compensation expense increased to $0.5 million in Q2 fiscal 2025, from $0.3 million in Q2 fiscal 2024. The year-over-year change reflects an increase in PSUs outstanding and grant date fair value vesting in Q2 fiscal 2025 compared to the prior year period.

Other expense was $0.2 million, compared to $0.1 million in Q2 fiscal 2024 and include Falcon acquisition costs in the period.

Six-Month Results

For the six months ended December 31, 2024, total operating expenses increased to $58.9 million, from $53.5 million in the same period of fiscal 2024. The year-over-year increase primarily reflects a combination of restructuring costs and higher VBS research and development costs in the current period, together with the negative impact of a weaker Canadian dollar on operating costs. As a percentage of sales, first half operating expenses decreased to 38%, from 43% in the same period last year, reflecting higher VBS segment sales, partially offset by higher operating costs related to the factors outlined above.

Video and Broadband Solutions operating expenses increased to $42.5 million in the first six months of fiscal 2025, compared to $36.4 million in the same period of fiscal 2024. The $6.1 million increase primarily reflects restructuring costs and higher research and development costs in the current period, combined with the negative impact of weaker Canadian dollar on operating expenses.

Content Delivery and Storage operating expenses decreased to $14.5 million in the first six months of fiscal 2025, from $15.3 million in the same period last year. The decrease is mainly attributed to lower shared service allocations driven by lower sales and support.

Telematics operating expenses increased to $2.0 million in the first six months of fiscal 2025, from $1.8 million in the same period of fiscal 2024, reflecting growth in sales.

Research and development expenses for the first six months of fiscal 2025 increased to $23.6 million, or 15% of sales, from $21.8 million, or 18% of sales in the same period of fiscal 2024. The increase primarily reflects higher deferred development cost amortization, combined with increased costs for prototyping, and software and licensing, partially offset by higher 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 six months of fiscal 2025 increased to $31.4 million, or 20% of sales, from $28.6 million, or 23% of sales in the same period of fiscal 2024. The increase reflects the impact of the Falcon V acquisition, combined with increased prototyping, and software and licensing costs as our next-generation products move closer to commercial deployment.

Sales and marketing expenses increased to $16.7 million, or 11% of sales in the first six months of fiscal 2025, from $16.1 million, or 13% of sales in the same period of fiscal 2024. The year-over-year change primarily reflects increased travel and business development costs, combined with higher trade show and promotion expenses, partially offset by lower non-cash finished product allowances.

General and administrative expenses increased to $14.4 million, or 9% of sales in the first six months of fiscal 2024, from $14.8 million, or 12% of sales in the first six months of fiscal 2024. The year-over-year decrease primarily reflects lower depreciation and banking administration costs, partially offset by higher salary and wages.

Restructuring costs were $2.8 million in the first six months of fiscal 2025 compared to nil in the same period of fiscal 2024 reflecting a workforce reduction initiated in the second quarter in response to market conditions.

Stock-based compensation expense was $1.0 million in the first six months of fiscal 2025, compared to $0.5 million in the first half of fiscal 2024. The year-over-year change reflects an increase in PSUs outstanding and grant date fair value vesting in Q2 fiscal 2025 compared to the prior year period.

Other expense was $0.5 million in the first six months of fiscal 2025, compared to $0.3 million in the same period of fiscal 2024 and include Falcon acquisition costs in the period.

Operating Income (Loss)

Segment	Three months ended December 31, 2024	Three months ended December 31, 2023	Six months ended December 31, 2024	Six months ended December 31, 2023
Video and Broadband Solutions	$ (1,825)	$ 5,822	$ 5,036	$ 6,119
Content Delivery and Storage	(1,708)	(1,263)	(4,352)	903
Telematics	130	100	459	326
Total operating income (loss)	**$ (3,403)**	**$ 4,659**	**$ 1,143**	**$ 7,348**

Three-Month Results

We incurred a total operating loss of $3.4 million in Q2 fiscal 2025, compared to operating income of $4.7 million in Q2 fiscal 2024. The decrease primarily reflects the temporary decrease in VBS segment product margins and the impact of one-time restructuring costs, partially offset by higher VBS sales.

The Video and Broadband Solutions segment generated a second quarter operating loss of $1.8 million, as compared to operating income of $5.8 million in Q2 fiscal 2024. The year-over-year decrease was primarily due to the lower-margin product mix and the impact of one-time restructuring costs.

Content Delivery and Storage recorded an operating loss of $1.7 million in the second quarter, as compared to an operating loss of $1.3 million in the same period of fiscal 2024. The year-over-year change primarily reflects decreased sales, partially offset by lower operating costs.

Telematics operating income was $0.1 million in both Q2 fiscal 2025 and 2024.

Finance expense increased to $2.3 million in Q2 fiscal 2025, from $1.7 million in Q2 fiscal 2024, reflecting increased interest costs associated with the revolving line of credit and accounts receivable factoring costs.

Foreign exchange loss for the second quarter was $4.3 million compared to a foreign exchange gain of $1.8 million in the same period of fiscal 2024. Foreign exchange losses from a weakening Canadian dollar negatively impacted our net U.S. dollar monetary liability position as at the end of the period.

Income tax recovery was $2.1 million in Q2 fiscal 2025, compared to an income tax expense of $1.2 million in Q2 fiscal 2024 reflecting lower net income before taxes.

Net loss for Q2 fiscal 2025 was $7.9 million or $0.32 per share, compared to net income of $3.6 million or $0.15 per share in Q2 fiscal 2024.

Other comprehensive income increased to $6.0 million in Q2 fiscal 2025, from an other comprehensive loss of $1.2 million in the same period in fiscal 2024. The increase reflects the positive impact of a weakening Canadian dollar on translation of foreign operations to our functional currency.

Comprehensive loss for Q2 fiscal 2025 was $1.9 million, compared to comprehensive income of $2.4 million in Q2 fiscal 2024, reflecting the changes described above.

Six-Month Results

We generated a total operating income of $1.1 million in the first six months of fiscal 2025, compared to $7.3 million in the same period of fiscal 2024. The year-over-year change primarily reflects a combination of the decrease in CDS segment sales, temporarily lower product margins in the VBS segment, and the impact of one-time restructuring costs, partially offset by higher VBS segment sales.

The Video and Broadband Solutions segment generated operating income of $5.0 million in the first six months of fiscal 2025, compared to $6.1 million in the same period of fiscal 2024. The $0.9 million decrease primarily reflects lower product margins and the impact of restructuring costs, partially offset by higher segment sales.

Content Delivery and Storage recorded an operating loss of $4.4 million in the first six months of fiscal 2025, as compared to operating income of $0.9 million in the same period of fiscal 2024. Lower segment sales and the impact of restructuring costs were the key factors in this change.

Telematics operating income increased to $0.5 million in the first six months of fiscal 2025, from $0.3 million in the same period of fiscal 2024.

Finance expense increased to $4.7 million in the first half of fiscal 2025, from $2.4 million in the same period of fiscal 2024, reflecting increased interest costs associated with the revolving line of credit and accounts receivable factoring costs.

Foreign exchange loss was $3.8 million in the first six months of fiscal 2025, compared to a foreign exchange gain of $1.3 million in the same period of fiscal 2024. Foreign exchange losses from a weakening Canadian dollar negatively impacted our net U.S. dollar monetary liability position as at the end of the period.

Income tax recovery was $1.6 million in the first six months of fiscal 2025, compared to an income tax expense of $0.9 million in the same period of fiscal 2024.

Net loss for the first half of fiscal 2025 was $0.7 million or $0.24 per share, compared to net income of $5.3 million or $0.22 per share in the first six months of fiscal 2024.

Other comprehensive income increased to $5.1 million in the first six months of fiscal 2025, from an other comprehensive loss of $0.2 million in the prior-year period reflecting the positive impact of a weakening Canadian dollar on translation of foreign operations.

Comprehensive loss for the first half of fiscal 2025 declined to $0.7 million, from comprehensive income of $5.2 million in the same period of fiscal 2024. The decline year-over-year is a result of the changes described above.

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

Operating Activities

For the three months ended December 31, 2024, cash flow provided by operating activities was $15.2 million, compared to cash flow used in operations of $13.2 million in the three months ended December 31, 2023. The $28.4 million improvement reflects a $33.8 million increase in cash flow from non-cash working capital, partially offset by a $5.4 million decrease in operating cash flow.

For the six months ended December 31, 2024, cash flow provided by operating activities was $39.7 million compared to cash flow used in operating activities of $4.8 million for the six months ended December 31, 2023. The $44.4 million improvement reflects a $45.7 million increase in cash flow from non-cash working capital, partially offset by a $1.3 million decrease in operating cash flow.

Investing Activities

For the three months ended December 31, 2024, cash flow used in investing activities increased to $12.6 million from $7.7 million in the same period last year. This increase reflects deferred development expenditures of $8.4 million (Q2 fiscal 2024 - $7.1 million), the purchase of property, plant and equipment of $0.3 million (Q2 fiscal 2023 - $0.6 million) and our acquisition of Falcon V Systems, of $3.9 million (Q2 fiscal 2023 - $nil).

For the six months ended December 31, 2024, cash flow used in investing activities increased to $20.3 million from $14.7 million in the same period last year. This increase reflects deferred development expenditures of $15.1 million (fiscal 2024 - $13.3 million), the purchase of property, plant and equipment of $1.3 million (fiscal 2024 - $1.4 million) and our acquisition of Falcon V Systems, of $3.9 million (Q2 fiscal 2023 - $nil).

Financing Activities

For the three months ended December 31, 2024, we repaid $0.4 million of our long-term debt (Q2 fiscal 2024 - $0.3 million repaid), repaid lease liabilities of $0.4 million (Q2 fiscal 2024 - $0.5 million), paid dividends of $2.7 million (Q2 fiscal 2024 - $2.7 million), received proceeds of $0.01 million from the exercise of stock options (Q2 fiscal 2024 - $0.1 million) and made repayments of $3.9 million on our revolving line of credit (Q2 fiscal 2024 - $24.4 million drawn).

For the six months ended December 31, 2024, we repaid $0.9 million of our long-term debt (fiscal 2024 - $0.7 million repaid), received proceeds from exercised options of $0.02 million (fiscal 2024 - $0.09 million), repaid lease liabilities of $0.7 million (fiscal 2023 - $0.9 million), paid dividends of $2.7 million (fiscal 2024 - $2.7 million) and had repayment of our revolving line of credit of $19.6 million (fiscal 2024 - $23.6 million drawn).

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.

We maintain an authorized line of credit of $85.0 million (June 30, 2024 - $85.0 million) of which $55.4 million was available and $32.1 million was drawn as of December 31, 2024 (June 30, 2024 - $56.6 million - available and $51.7 million - drawn). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable plus 40% of the value, up to $42,500 of certain inventory. Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at December 31, 2024 was 6.45% (June 30, 2024 - 6.70%).

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at December 31, 2024, we were in compliance with all covenants related to the line of credit.

Capital expenditures during the three and six months ended December 31, 2024 were $0.3 million and $1.3 million, respectively, compared to $0.6 million and $1.4 million, respectively, in the same period last year.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $63.8 million at December 31, 2024, from $84.9 million at June 30, 2024. We 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 decreased to $36.2 million at December 31, 2024, from $70.1 million at June 30, 2024. The change reflects the timing impact of factoring certain customer receivables to manage working capital requirements.

Inventories decreased by $1.8 million to $134.2 million at December 31, 2024, from $136.0 million as at June 30, 2024. Finished goods inventories increased to $37.4 million at December 31, 2024, from $35.0 million at June 30, 2024. Raw material inventory decreased to $83.4 million at December 31, 2024, from $86.4 million at June 30, 2024. Work-in-progress inventories decreased to $13.5 million as at December 31, 2024, from $14.6 million at June 30, 2024. 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 decreased to $4.3 million at December 31, 2024 (June 30, 2024 - $6.6 million). This primarily reflects lower prepaid software licenses due to the timing of renewals.

Investment tax credits were $20.1 million at December 31, 2024, compared to $21.8 million at June 30, 2024. 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 decreased to $53.4 million at December 31, 2024, from $57.6 million at June 30, 2024.

Financial liabilities, including the current portion, was $1.7 million at December 31, 2024, as compared to $2.6 as at June 30, 2024, reflecting a decrease in share price which impacted the valuation of customer-based warrants.

Long-term debt, including the current portion and lease liabilities, increased to $22.6 million at December 31, 2024, from $17.8 million at June 30, 2024, reflecting a $5.0 million shareholder loan in the second quarter of fiscal 2025.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
February 12, 2024	$0.055	February 23, 2024	March 18, 2024
May 13, 2024	$0.055	May 24, 2024	June 17, 2024
September 17, 2024	$0.055	October 11, 2024	November 4, 2024
November 12, 2024	$0.055	November 22, 2024	December 16, 2024
February 11, 2025	$0.055	February 28, 2025	March 24, 2025

Contractual Obligations

As at December 31, 2024, lease liabilities reported in our consolidated statements of financial position were $5.3 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 December 31, 2024, our undiscounted future cash payments in respect of our lease liabilities were as follows: due within one year is $1.5 million; due between two-to-five years is $4.1 million; and thereafter is $0.2 million.

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 December 31, 2024, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.435 from $1.368 as at June 30, 2024. This $0.08 exchange difference increased the value of our $43.0 million U.S. dollar net assets by approximately $2.9 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. We had no forward contracts outstanding at December 31, 2024.

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

Key management personnel consist of the Board of Directors and certain executives who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The company had the following related party transactions in the second quarter and first six months of fiscal 2025:

Building Lease

The Company entered into a building lease on August 1st, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the three and six months ended December 31, 2024, total lease payments, including interest, were $0.05 million and $0.1 million respectively (December 31, 2023 - $0.05 million and $0.1 million, respectively). The building is being used for additional inventory storage.

Shareholder Loan

The Company received a shareholder loan in the quarter of $5.0 million from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 5.45% plus 4.30% and is collateralized by a general security agreement. The loan agreement was executed at arms length and approximates fair value and will be used by the Company to fund short-term working capital requirements.

There were no other related party transactions in the first six months of fiscal 2025.

11. Proposed and Completed Transactions

We continually review potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value.

On October 11, 2024, we acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of $5.2 million, plus an additional $0.6 million paid for excess cash as defined in the agreement. Falcon is a Poland-based provider of vendor-agnostic, virtualized software solutions and services for Broadband Services Providers worldwide, and their key products will be integrated into our Entra Cloud portfolio of open, interoperable, cloud-native applications. In accordance with the acquisition, we incurred $0.4 million of acquisition-related costs which is included in other expense.

At the current time, there are no other reportable proposed transactions.

12. Critical Accounting Estimates

See our 2024 annual MD&A and our 2024 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 amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2025:

Amendments to IAS 1 – Presentation of financial statements (IAS1)

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 adoption of this amendment did not have a material impact on our financial statements.

Recent accounting pronouncements

The following new and amended standards and interpretations issued by the IASB is effective after our December 31, 2024 quarter-end date and have not yet been adopted by us:

IFRS 18, “Presentation and Disclosure in Financial Statements"

On April 9, 2024, the IASB issued IFRS 18, “Presentation and Disclosure in Financial Statements” (“IFRS 18”), which will replace International Accounting Standard 1, “Presentation of Financial Statements”. IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the Consolidated Financial Statements.

Amendment to IFRS 9, "Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The Company is currently evaluating the impact of the amendments on the Consolidated 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 December 31, 2024.

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 December 31, 2024 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 December 31, 2024. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2024 and ended on December 31, 2024 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.

Cybersecurity incidents and other issues related to our information systems, technology and data may materially and adversely affect us.

Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The technology industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to our systems or our clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by us and our service providers, and other third parties, are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages and terrorism.

We have experienced cybersecurity incidents in the past, and expect to experience cybersecurity incidents in the future. While we take efforts to protect our systems and data, including establishing internal processes and implementing technological measures designed to provide multiple layers of security, and contract with third-party service providers to take similar steps, we have experienced cybersecurity breaches in the past, and there can be no assurance that our safety and security measures (and those of our third-party service providers) will prevent damage to, or interruption or breach of, our information systems, data (including personal data) and operations. We have recently taken steps to expand and enhance our cybersecurity controls and practices and, as cybersecurity-related threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Nevertheless, it is possible we could suffer an impact or disruption that could materially and adversely affect us. Our operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of our employee, or otherwise, and, as a result, an unauthorized party may obtain access to our accounts, data, or digital assets. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. Controls employed by our information technology department and our customers and third-party service providers, could prove inadequate. If an actual or perceived breach occurs, the market perception of our effectiveness could be harmed.

Moreover, there could be public announcements regarding any cybersecurity-related incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of our common shares. Further, any publicized security problems affecting our businesses or those of third parties with whom we are affiliated or otherwise conduct business may discourage consumers from doing business with us, which could have a material and adverse effect on our business, financial condition and results of operations.

It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminals' intent to commit cybercrime, and these efforts may not be successful in anticipating, preventing, detecting or stopping attacks, or reacting in a timely manner. The increasing sophistication and resources of cybercriminals and other non-state threat actors and increased actions by nation-state actors make it difficult to keep up with new threats and could result in a breach of security. Additionally, we cannot guarantee that our insurance coverage would be sufficient to cover any such losses.

To the extent the operation of our business relies on our third-party service providers, through either a connection to, or an integration with, third parties' systems, the risk of cybersecurity attacks and loss, corruption, or unauthorized access to or publication of our information or the confidential information and personal data of customers and employees may increase. Third-party risks may include insufficient security measures, where laws, security measures or other controls may be inadequate or in which there are uncertainties regarding governmental intervention and use of such information, and our ability to monitor our third-party service providers' cybersecurity practices are limited. Although we generally have agreements relating to cybersecurity and data privacy in place with our third-party service providers, they are limited in nature and we cannot guarantee that such agreements will prevent the accidental or unauthorized access to or disclosure, loss, destruction, disablement or encryption of, use or misuse of or modification of data (including personal data) or enable us to obtain adequate or any reimbursement from our third-party service providers in the event we should suffer any such incidents**.** Due to applicable laws and regulations or contractual obligations, we may be held responsible for any information security failure or cybersecurity attack attributed to our vendors as they relate to the information we share with them. A vulnerability in or related to a third-party service provider's software or systems, a failure of our third-party service providers' safeguards, policies or procedures, or a breach of a third-party service provider's software or systems could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions.

The security of the information and technology systems used by us and our service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in our business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders (and the beneficial owners of stockholders). Such a failure could harm our reputation, subject us to legal claims and otherwise materially and adversely affect our investment and trading strategies and our value.

Changes in trade policies and the potential imposition of new tariffs by the United States may materially and adversely affect us.

Changes in trade policies and the potential imposition of new tariffs by the United States could materially and adversely affect our business, financial condition and results of operations. On February 1, 2025, the President of the United States issued three executive orders mandating the imposition of new tariffs on imports originating from Canada, Mexico, and China. Further executive orders were issued February 3, 2025 pausing the implementation of these tariffs on Canada and Mexico until March 4, 2025. The current situation is dynamic, and it is unknown if the United States will reach agreements with Canada and Mexico to further pause or eliminate the pending tariffs. The implementation of such tariffs, or any future escalation in trade barriers, could significantly increase the cost of components and raw materials that we source for our U.S.-based manufacturing and procurement framework. These increased costs could reduce profit margins, necessitate price adjustments that may dampen U.S. customer demand, or disrupt supply chain continuity, all of which could have a material adverse effect on our business, financial condition and results of operations.

Given our reliance on global supply chains to develop and deliver integrated hardware and software as part of our VBS, CDS, and Telematics solutions, the imposition of tariffs could also create significant operational challenges. Supply chain disruptions, increased procurement costs, and the potential need to identify alternative suppliers or manufacturing locations could result in delays, increased capital expenditures, and additional logistical complexities. Moreover, trade restrictions could impact the competitive landscape, as companies operating solely within the United States or those with domestic sourcing strategies may benefit from protectionist measures, placing us at a relative disadvantage in key market segments. Uncertainty surrounding future trade policies may also result in volatility in foreign exchange rates and input costs, further complicating our ability to strategically plan and allocate resources efficiently.

Finally, any retaliatory measures from Canada, Mexico, China, or other trading partners in response to U.S. tariff increases could exacerbate these risks. Retaliatory tariffs or restrictions on exports could impact our ability to market and sell our solutions internationally, restricting growth opportunities and potentially limiting market access in key regions. Such continued policy uncertainty and geopolitical tensions could lead to reduced capital expenditures by service providers and content owners, negatively affecting demand for our products in the United States. While the full scope and impact of these trade policies remain uncertain, we continue to monitor developments closely and assess potential mitigating strategies to address the evolving trade landscape.

Our financial priorities remain unchanged. Importantly we continue to have a very strong balance sheet. We are continuing with the payment of our quarterly dividend.

18. Outstanding Share Data

As at February 10, 2025, we had 24,313,744 common shares outstanding as well as stock options outstanding that are exercisable for an additional 28,788 common shares, and performance share units outstanding that are exercisable for an additional 557,959 common shares.

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 December 31, 2024, the Principal Shareholder collectively owned approximately 56% of our common shares outstanding. 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 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; with respect to the Company's restructuring in the second quarter of fiscal 2025 which included a workforce reduction of approximately 12%, the restructuring is expected to result in annualized cash cost savings of $17.5 million, with initial benefits anticipated in the second half of fiscal 2025; with respect the Company's VBS segment, customer engagement for our new vCMTS platform increased with lab trials underway with four North American MSOs during the quarter, including the lead Tier 1 customer. Secured new lab trial commitments with additional Tier 2 and Tier 3 operators, which are expected to commence in Q3 and with respect to the Company's gross margin profile, while we normally target a gross margin percentage of 45% to 49%, we expect our gross margin performance to be lower in fiscal 2025 as we complete the initial roll out of our EN9000 platform.. 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: stability in global supply chains and trade agreements; the scope and impact of recently announced tariffs between the United States, Canada, China, and Mexico including any potential retaliatory measures, remains within projected cost assumptions; our ability to mitigate tariff-related cost increases through pricing strategies, supplier negotiations, or operational efficiencies; 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: higher import duties on key raw materials and finished goods may raise production and procurement costs; disruptions in supply chains may lead to significant operational challenges; our statement of financial position, as well as the value of our core technologies, changes in trade policies could lead to delays, higher costs, and potential shortages of critical components; potential countermeasures between United States, Canada, China, and Mexico could impact our ability to export goods or maintain competitive pricing in those markets; 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. 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.sedarplus.ca.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and, other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

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	December 31, 2024	June 30, 2024
Assets			
Current assets			
Cash and cash equivalents		$ 2,356	$ 2,136
Accounts receivable	4	36,230	70,139
Income tax receivable		371	359
Inventories	5	134,221	136,040
Prepaid expenses and other current assets	6	4,252	6,632
Contract assets		1,662	2,276
Total current assets		**179,092**	**217,582**
Non-current assets			
Property, plant and equipment	7	11,344	11,908
Right-of-use assets		4,914	4,670
Goodwill		16,627	15,308
Intangible assets	8	104,608	93,893
Investment tax credits		20,967	21,760
Deferred tax assets		27,736	21,420
Other long-term assets		638	1,282
Total assets		**$ 365,926**	**$ 387,823**
Liabilities and shareholders' equity			
Current liabilities			
Revolving line of credit	9	$ 32,112	$ 51,732
Accounts payable and accrued liabilities		53,400	57,583
Provisions		1,358	591
Income tax payable		3,172	2,757
Deferred revenue		16,188	15,856
Current portion of financial liability		1,676	1,773
Current portion of long-term debt	10	7,405	2,433
Total current liabilities		**115,311**	**132,725**
Non-current liabilities			
Provisions		423	375
Deferred revenue		2,311	3,511
Long-term portion of financial liability		–	853
Long-term debt	10	15,221	15,399
Total liabilities		**133,266**	**152,863**
Shareholders' equity			
Share capital	11	24,140	24,117
Reserves		5,122	4,120
Retained earnings		196,554	204,968
Accumulated other comprehensive income		6,844	1,755
Total shareholders' equity		**232,660**	**234,960**
Total liabilities and shareholders' equity		**$ 365,926**	**$ 387,823**

Subsequent events - Note 23
The accompanying notes are an integral part of these consolidated financial statements.

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

		Three months		Six months	
Periods ended December 31,	Note	**2024**	2023	**2024**	2023
Sales	12,16	$ 71,223	$ 61,954	$ 153,128	$ 123,432
Cost of sales [1]		45,307	31,109	93,041	62,569
Gross profit		**25,916**	**30,845**	**60,087**	**60,863**
Operating expenses					
Research and development		11,679	11,551	23,562	21,847
Sales and marketing [1]		7,257	7,673	16,699	16,107
General and administrative [1]		6,929	6,608	14,390	14,781
Restructuring costs		2,798	–	2,798	–
Share-based compensation	11	462	257	1,008	513
Other expense	13	194	97	487	267
Total operating expenses		**29,319**	**26,186**	**58,944**	**53,515**
Operating income (loss)		**(3,403)**	**4,659**	**1,143**	**7,348**
Finance expense	14	(2,345)	(1,660)	(4,718)	(2,360)
Foreign exchange gain (loss)		(4,272)	1,837	(3,764)	1,253
Income (loss) before income taxes		**(10,020)**	**4,836**	**(7,339)**	**6,241**
Income tax expense (recovery)		(2,135)	1,247	(1,599)	907
Net income (loss)		**$ (7,885)**	**$ 3,589**	**$ (5,740)**	**$ 5,334**
Other comprehensive income (loss):					
Item that may be subsequently reclassified to net income:					
Exchange differences on translation of foreign operations		$ 6,001	$ (1,157)	$ 5,089	$ (184)
Comprehensive income (loss)		**$ (1,884)**	**$ 2,432**	**$ (651)**	**$ 5,150**
Net income (loss) per share					
Basic	15	$ (0.32)	$ 0.15	$ (0.24)	$ 0.22
Diluted	15	$ (0.32)	$ 0.15	$ (0.24)	$ 0.22
Weighted average number of common shares					
Shares outstanding – basic	15	24,311,812	24,310,794	24,312,185	24,303,312
Shares outstanding – diluted	15	24,311,812	24,318,211	24,312,185	24,311,772

[1] The Company has restated the comparative period for a change in commissions expense presentation. Refer to Note 22.
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 income (loss)	Total
Balance as at June 30, 2023		**$ 23,997**	**$ 3,111**	**$ 190,926**	**$ (381)**	**$ 217,653**
Net income		–	–	5,334	–	**5,334**
Other comprehensive loss		–	–	–	(184)	**(184)**
Dividends		–	–	(2,673)	–	**(2,673)**
Shares issued by exercising options	11	110	(23)	–	–	**87**
Share-based payment expense	11	–	513	–	–	**513**
Balance as at December 31, 2023		**$ 24,107**	**$ 3,601**	**$ 193,587**	**$ (565)**	**$ 220,730**
Balance as at June 30, 2024		**$ 24,117**	**$ 4,120**	**$ 204,968**	**$ 1,755**	**$ 234,960**
Net loss		–	–	(5,740)	–	**(5,740)**
Other comprehensive income		–	–	–	5,089	**5,089**
Dividends		–	–	(2,674)	–	**(2,674)**
Shares issued by exercising options	11	23	(6)	–	–	**17**
Share-based payment expense	11	–	1,008	–	–	**1,008**
Balance as at December 31, 2024		**$ 24,140**	**$ 5,122**	**$ 196,554**	**$ 6,844**	**$ 232,660**

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		Six months	
Periods ended December 31,	Note	**2024**	2023	**2024**	2023
OPERATING ACTIVITIES					
Net income (loss)		$ (7,885)	$ 3,589	$ (5,740)	$ 5,334
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment	13	79	18	99	19
Depreciation and amortization	19	6,158	5,480	11,728	10,603
Share-based compensation	11	462	257	1,008	513
Warrant expense (recovery)	18	(871)	217	(765)	855
Income tax expense		983	1,270	2,923	3,981
Deferred income tax recovery		(3,118)	(23)	(4,522)	(3,074)
Interest expense		2,105	1,662	4,505	2,362
Interest income		–	(2)	(27)	(4)
Net change in working capital	19	19,219	(14,603)	35,384	(10,369)
Decrease in other long-term assets		106	299	182	311
Increase (decrease) in provisions		707	(47)	814	(1,265)
Increase in investment tax credits		(45)	(35)	(94)	(68)
Income tax paid		(526)	(9,647)	(1,113)	(11,597)
Interest received		–	2	27	4
Interest paid		(2,164)	(1,633)	(4,751)	(2,360)
Cash provided by (used in) operating activities		**15,210**	**(13,196)**	**39,658**	**(4,755)**
INVESTING ACTIVITIES					
Capital expenditures, net	19	(339)	(631)	(1,327)	(1,394)
Deferred development costs	8	(8,426)	(7,079)	(15,102)	(13,310)
Business acquisition, net of cash acquired	3	(3,881)	–	(3,881)	–
Cash used in investing activities		**(12,646)**	**(7,710)**	**(20,310)**	**(14,704)**
FINANCING ACTIVITIES					
Net draws (repayments) of the revolving line of credit		(3,853)	24,389	(19,620)	23,553
Principal repayments of lease liabilities	10	(418)	(503)	(655)	(908)
Principal repayments of long-term debt	10	(406)	(320)	(860)	(600)
Proceeds from shareholder loan	20	5,000	–	5,000	–
Dividends paid		(2,674)	(2,673)	(2,674)	(2,673)
Issuance of shares through exercised options		14	87	23	87
Cash provided by (used in) financing activities		**(2,337)**	**20,980**	**(18,786)**	**19,459**
Net increase in cash and cash equivalents		**227**	**74**	**562**	**–**
Effect of change in exchange rates on cash		(91)	220	(342)	308
Cash and cash equivalents, beginning of period		2,220	2,292	2,136	2,278
Cash and cash equivalents, end of period		**$ 2,356**	**$ 2,586**	**$ 2,356**	**$ 2,586**

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 201-771 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, 2024.

(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, 2024, 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 February 10, 2025.

(c) Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2025:

Amendments to IAS 1 – Presentation of financial statements (IAS1)

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 adoption of this amendment did not have a material impact on the Company’s financial statements.

(d) Recent Accounting Pronouncements

IFRS 18, “Presentation and Disclosure in Financial Statements"

On April 9, 2024, the IASB issued IFRS 18, “Presentation and Disclosure in Financial Statements” (“IFRS 18”), which will replace International Accounting Standard 1, “Presentation of Financial Statements”. IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the Consolidated Financial Statements.

Amendment to IFRS 9, "Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures”

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The Company is currently evaluating the impact of the amendments on the Consolidated Financial Statements.

(in thousands of dollars unless otherwise noted)

3. Business Combinations

In accordance with IFRS 3, Business Combinations, the below transaction meets the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

Acquisitions completed during the three months ended December 31, 2024		**Falcon**
Total consideration		
Cash paid	$	5,229
Working capital adjustment		628
	$	**5,857**
Net identifiable assets acquired (liabilities assumed)		
Cash	$	1,970
Accounts receivable		524
Prepaid expenses		18
Property, plant and equipment		52
Intangible assets		3,171
Deferred tax asset		974
Accounts payable		(1,651)
	$	**5,058**
Purchase price allocation		
Net identifiable assets acquired	$	5,058
Goodwill		799
	$	**5,857**
Net cash inflows (outflows)		
Cash consideration paid	$	(5,857)
Cash acquired		1,970
	$	**(3,887)**

On October 11, 2024, the Company acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of $5,229, plus an additional $628 paid for excess cash as defined in the share purchase agreement. Falcon is a Poland-based provider of vendor-agnostic, virtualized software solutions and services for Broadband Services Providers worldwide, and their key products will be integrated into the Company's Entra Cloud portfolio of open, interoperable, cloud-native applications. In accordance with the acquisition, the Company incurred $387 of acquisition-related costs included in other expense (refer to Note 13 - Other Expense).

In accordance with IFRS 3, Business Combinations (“IFRS 3”), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was allocated based on the Company’s estimated fair value of the identifiable assets acquired on the acquisition date. For the period ended December 31, 2024, Falcon accounted for $2,145 in revenues and $1,368 in net income.

(in thousands of dollars unless otherwise noted)

4. ACCOUNTS RECEIVABLE

As at		December 31, 2024		June 30, 2024
Trade receivables	$	34,684	$	69,192
Allowance for doubtful accounts		(67)		(3)
Total trade receivables		**34,617**		**69,189**
Goods and services tax		753		834
Government grants receivable		751		–
Other receivables		109		116
Total accounts receivable	**$**	**36,230**	**$**	**70,139**

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.

5. INVENTORIES

As at		December 31, 2024		June 30, 2024
Raw materials	$	83,353	$	86,401
Work-in-progress		13,487		14,594
Finished goods		37,381		35,045
Total inventory	**$**	**134,221**	**$**	**136,040**

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at		December 31, 2024		June 30, 2024
Payments for contract manufacturer inventory purchases	$	1,689	$	2,250
Software licenses		1,341		2,069
Insurance		185		482
Other		1,037		1,831
Total prepaid expenses and other current assets	**$**	**4,252**	**$**	**6,632**

(in thousands of dollars unless otherwise noted)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment	Total
At cost					
At July 1, 2024	$ 321	$ 8,173	$ 28,554	$ 14,889	**$ 51,937**
Additions	–	73	1,073	248	**1,394**
Acquired	–	–	18	34	**52**
Disposals	–	–	(407)	(30)	**(437)**
Effect of foreign exchange	–	45	510	100	**655**
At December 31, 2024	**$ 321**	**$ 8,291**	**$ 29,748**	**$ 15,241**	**$ 53,601**
Accumulated depreciation					
At July 1, 2024	$ –	$ 3,570	$ 22,752	$ 13,707	**$ 40,029**
Depreciation	–	123	1,278	560	**1,961**
Disposals	–	(1)	(215)	(22)	**(238)**
Effect of foreign exchange	–	41	387	77	**505**
At December 31, 2024	**$ –**	**$ 3,733**	**$ 24,202**	**$ 14,322**	**$ 42,257**
Net book value					
At June 30, 2024	$ 321	$ 4,603	$ 5,802	$ 1,182	**$ 11,908**
At December 31, 2024	**$ 321**	**$ 4,558**	**$ 5,546**	**$ 919**	**$ 11,344**

(in thousands of dollars unless otherwise noted)

8. 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, 2024	$ 107	$ 21,062	$ 1,386	$ 10,867	$ 118,472	**$ 151,894**
Additions	–	–	86	–	15,102	**15,188**
Acquired	–	2,089	–	1,082	–	**3,171**
Investment tax credits	–	–	–	–	(492)	**(492)**
Disposals	(49)	–	–	–	–	**(49)**
Effect of foreign exchange	1	807	22	370	2,180	**3,380**
At December 31, 2024	**$ 59**	**$ 23,958**	**$ 1,494**	**$ 12,319**	**$ 135,262**	**$ 173,092**
Accumulated amortization						
At July 1, 2024	$ –	$ 15,016	$ 940	$ 9,235	$ 32,810	**$ 58,001**
Amortization	–	1,002	50	600	7,382	**9,034**
Effect of foreign exchange	–	564	12	343	530	**1,449**
At December 31, 2024	**$ –**	**$ 16,582**	**$ 1,002**	**$ 10,178**	**$ 40,722**	**$ 68,484**
Net book value						
At June 30, 2024	$ 107	$ 6,046	$ 446	$ 1,632	$ 85,662	**$ 93,893**
At December 31, 2024	**$ 59**	**$ 7,376**	**$ 492**	**$ 2,141**	**$ 94,540**	**$ 104,608**

9. REVOLVING LINE OF CREDIT

The Company maintains an authorized line of credit of $85,000 (June 30, 2024 - $85,000) of which $32,112 was drawn on as of December 31, 2024 (June 30, 2024 - $51,732). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $42,500). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at December 31, 2024 was 5.45% (June 30, 2024 - 6.70%). As at December 31, 2024, the Company had no outstanding letters of credit with its suppliers.

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at December 31, 2024, the Company was in compliance with all covenants related to the line of credit.

(in thousands of dollars unless otherwise noted)

10. LONG-TERM DEBT

As at	Note		December 31, 2024		June 30, 2024
Term credit facility		$	644	$	831
Term loan facility			11,539		11,845
Shareholder loan	20		5,000		–
Insurance financing			151		367
Lease liabilities			5,254		4,789
		$	**22,588**	**$**	**17,832**
Comprised of:					
Current portion		$	7,405	$	2,433
Long-term portion			15,221		15,399
		$	**22,626**	**$**	**17,832**

Term credit facility

The term credit facility is with a Canadian chartered bank. The facility is repayable in monthly installments of $21 principal plus interest at Prime of 5.45% (June 30, 2024 - $21, and 6.70%, respectively), expires in October 2025 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.

Term loan facility

The term loan facility is with a Canadian chartered bank, and was amended from interest only payments to a Canadian Overnight Repo Rate Average ("CORRA") loan in fiscal 2024. The facility is repayable in monthly installments of $51 principal plus interest at the CORRA rate of 3.32% plus 0.3% (June 30, 2024 - 4.80% plus 0.3%), expires in October 2025 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.

The term credit and loan facilities 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.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit and loan facilities as at December 31, 2024:

Calendar year		Principal repayments
2025	$	1,013
2026		1,002
2027		610
2028		610
2029		610
Thereafter		8,489
	$	**12,334**

(in thousands of dollars unless otherwise noted)

Lease liabilities:

The following is a reconciliation of the Company's lease liabilities as at December 31, 2024:

At July 1, 2024	$	4,789
Net additions during the period		855
Interest on lease liabilities		124
Principal repayments of lease liabilities		(655)
Effect of foreign exchange		141
At December 31, 2024	**$**	**5,254**
Comprised of:		
Current portion	$	1,294
Long-term portion		3,960
	$	**5,254**

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

As at		**December 31, 2024**
Within one year	$	1,508
After one year but not more than five years		4,099
More than five years		230
Total contractual lease payments	**$**	**5,837**

11. SHARE CAPITAL

(a) Share capital

Changes in the number of shares and carrying value of the Company's share capital for the six months ended December 31, 2024 are as follows:

	Number of Shares		**Carrying Value**
Balance, July 1, 2023	24,301,594	$	23,997
Shares issued by exercising options	10,000		120
Balance, June 30, 2024	**24,311,594**		**24,117**
Shares issued by exercising options	2,150		23
Balance, December 31, 2024	**24,313,744**	**$**	**24,140**

(b) Reserves

Reserves within shareholders' equity represent equity-settled employee benefits reserve.

(in thousands of dollars unless otherwise noted)

(c) Share-based compensation

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

	Three Months		Six Months	
Periods ended December 31,	**2024**	**2023**	**2024**	**2023**
Stock options	$ 8	$ 10	$ 18	$ 25
Performance share units	454	247	990	488
Total share-based compensation	**$ 462**	**$ 257**	**$ 1,008**	**$ 513**

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 six months ended December 31, 2024 are as follows:

(in number of units, except prices)	**Number of Options**	**Weighted average exercise price per option**
Balance, July 1, 2024	36,000	$ 15.44
Exercised	(2,150)	8.93
Cancelled	(5,062)	20.06
Balance, December 31, 2024	**28,788**	**$ 15.11**
Vested and exercisable, December 31, 2024	**19,603**	**$ 14.31**

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 six months ended December 31, 2024, the Company issued 10,566 and 205,566 PSUs, respectively, to eligible persons under the PSU plan (December 31, 2023 - nil and 35,700 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.

A summary of PSU activity during the six months ended December 31, 2024 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2024	368,794
Granted	205,566
Forfeited	(16,401)
PSUs outstanding as at December 31, 2024	**557,959**

(in thousands of dollars unless otherwise noted)

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.

12. 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 16 for additional segmented financial information.

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the three months ended December 31, 2024				
Product sales	$ 54,904	$ 4,335	$ 227	**$ 59,466**
Provision of services	4,367	5,870	1,520	**11,757**
Total sales	**$ 59,271**	**$ 10,205**	**$ 1,747**	**$ 71,223**
For the three months ended December 31, 2023				
Product sales	$ 68,949	$ 1,365	$ 235	**$ 70,549**
Provision of services	3,988	5,871	1,497	**11,356**
Total sales	**$ 72,937**	**$ 7,236**	**$ 1,732**	**$ 81,905**

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the six months ended December 31, 2024				
Product sales	$ 123,853	$ 5,700	$ 462	**$ 130,015**
Provision of services	8,355	11,741	3,017	**23,113**
Total sales	**$ 132,208**	**$ 17,441**	**$ 3,479**	**$ 153,128**
For the six months ended December 31, 2023				
Product sales	$ 85,960	$ 15,183	$ 504	**$ 101,647**
Provision of services	7,237	11,775	2,773	**21,785**
Total sales	**$ 93,197**	**$ 26,958**	**$ 3,277**	**$ 123,432**

13. OTHER EXPENSE

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Acquisition-related costs	$ 131	$ –	$ 387	$ –
Loss on sale of property, plant and equipment	79	18	99	19
Contract cancellation fees	10	57	27	267
Other expense (income)	(26)	22	(26)	(19)
Total other expense	**$ 194**	**$ 97**	**$ 487**	**$ 267**

(in thousands of dollars unless otherwise noted)

14. FINANCE EXPENSE

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Interest income	$ –	$ (4)	$ (27)	$ (2)
Revolving line of credit interest expense	1,009	1,420	1,773	1,915
Term credit facility interest expense	191	213	403	394
Shareholder loan interest expense	39	–	39	–
Accounts receivable factoring costs	944	–	2,166	–
Other expense	98	6	240	–
Finance expense before interest on lease liabilities	**2,281**	**1,635**	**4,594**	**2,307**
Interest expense on lease liabilities	64	25	124	53
Total finance expense	**$ 2,345**	**$ 1,660**	**$ 4,718**	**$ 2,360**

15. NET INCOME (LOSS) PER SHARE

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

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Net income (loss): basic and diluted	$ (7,885)	$ 3,589	$ (5,740)	$ 5,334
Weighed average number of shares outstanding:				
Basic	24,311,812	24,310,794	24,312,185	24,303,312
Dilution adjustment for stock options	–	7,417	–	8,460
Diluted	**24,311,812**	**24,318,211**	**24,312,185**	**24,311,772**
Net income (loss) per share: basic	$ (0.32)	$ 0.15	$ (0.24)	$ 0.22
Net income (loss) per share: diluted	$ (0.32)	$ 0.15	$ (0.24)	$ 0.22

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 December 31, 2024, there were nil dilutive stock options (December 31, 2023 - 16,112 dilutive and 16,000 anti-dilutive) which resulted in a dilution adjustment of nil (December 31, 2023 - 7,417. For the six months ended December 31, 2024, there were nil dilutive stock options (December 31, 2023 - 16,112 dilutive and 16,000 anti-dilutive) which resulted in a dilution of adjustment of nil (December 31, 2023 - 8,460). There were 23,562 and 49,149 shares excluded from the three and six month calculations due to their impact being anti-dilutive.

(in thousands of dollars unless otherwise noted)

16. 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 December 31, 2024	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 59,271	$ 10,205	$ 1,747	**$ 71,223**
Cost of sales	40,283	4,439	585	**45,307**
Gross profit	**18,988**	**5,766**	**1,162**	**25,916**
Operating expenses	16,283	6,096	616	**22,995**
Depreciation and amortization	4,530	1,378	416	**6,324**
Operating income (loss)	**(1,825)**	**(1,708)**	**130**	**(3,403)**
Finance expense				**(2,345)**
Foreign exchange loss				**(4,272)**
Income tax recovery				**2,135**
Net loss				**$ (7,885)**

For the three months ended December 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 49,054	$ 11,269	$ 1,631	**$ 61,954**
Cost of sales (1)	25,722	4,846	541	**31,109**
Gross profit	**23,332**	**6,423**	**1,090**	**30,845**
Operating expenses (1)	13,925	6,162	619	**20,706**
Depreciation and amortization	3,585	1,524	371	**5,480**
Operating income (loss)	**5,822**	**(1,263)**	**100**	**4,659**
Finance expense				**(1,660)**
Foreign exchange gain				**1,837**
Income tax expense				**(1,247)**
Net income				**$ 3,589**

(1) *The company has restated the comparative period for a change in commission expense presentation (refer to Note 22).*

(in thousands of dollars unless otherwise noted)

For the six months ended December 31, 2024	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 132,208	$ 17,441	$ 3,479	**$ 153,128**
Cost of sales	84,659	7,317	1,065	**93,041**
Gross profit	**47,549**	**10,124**	**2,414**	**60,087**
Operating expenses	33,933	12,035	1,248	**47,216**
Depreciation and amortization	8,580	2,441	707	**11,728**
Operating income (loss)	**5,036**	**(4,352)**	**459**	**1,143**
Finance expense				**(4,718)**
Foreign exchange loss				**(3,764)**
Income tax recovery				**1,599**
Net loss				**$ (5,740)**

For the six months ended December 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 93,197	$ 26,958	$ 3,277	**$ 123,432**
Cost of sales (1)	50,680	10,783	1,106	**62,569**
Gross profit	**42,517**	**16,175**	**2,171**	**60,863**
Operating expenses (1)	29,312	12,403	1,197	**42,912**
Depreciation and amortization	7,086	2,869	648	**10,603**
Operating income	**6,119**	**903**	**326**	**7,348**
Finance expense				**(2,360)**
Foreign exchange gain				**1,253**
Income tax expense				**(907)**
Net income				**$ 5,334**

(1) *The company has restated the comparative period for a change in commission expense presentation (refer to Note 22).*

Geographical region

	Three months		**Six months**	
Periods ended December 31,	**2024**	2023	**2024**	2023
Sales to external customers:				
United States	$ 64,812	$ 56,764	$ 139,854	$ 110,619
Canada	3,053	2,826	5,450	7,452
Japan	869	1,184	4,222	2,382
Europe	1,858	516	2,527	1,973
Other	631	664	1,075	1,006
Total sales	**$ 71,223**	**$ 61,954**	**$ 153,128**	**$ 123,432**

(in thousands of dollars unless otherwise noted)

As at		**December 31, 2024**		June 30, 2024
Non-current assets:				
United States	$	73,070	$	65,344
Canada		106,534		103,301
Japan		1,297		534
Europe		5,381		296
China		552		766
Total non-current assets	**$**	**186,834**	**$**	**170,241**

Sales to major customers

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

	Three months				**Six months**			
Periods ended December 31,		**2024**		2023		**2024**		2023
Customer A	$	43,998	$	37,133	$	103,743	$	55,550
Customer B		8,012		2,975		11,833		25,080
Total sales	**$**	**52,010**	**$**	**40,108**	**$**	**115,576**	**$**	**80,630**

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

17. 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 six months ended December 31, 2024, there were no transfers between Level 1 and Level 2 fair value classifications. As at December 31, 2024, the Company had customer based warrants outstanding which were classified as Level 2. Refer to Note 18 - Financial Instruments for further information.

(in thousands of dollars unless otherwise noted)

18. FINANCIAL INSTRUMENTS

Accounts receivable

As at December 31, 2024, the weighted average age of customer accounts receivable was 32 days (June 30, 2024 - 33 days), and the weighted average age of past-due accounts receivable approximated 79 days (June 30, 2024 - 55 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:

As at	**December 31, 2024**	June 30, 2024
Current	$ 32,772	$ 67,423
31 to 60 days	212	622
61 to 90 days	80	63
Over 90 days	1,553	1,081
Total accounts receivable	**$ 34,617**	**$ 69,189**

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 December 31, 2024 of $67 (June 30, 2024 - $3).

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 December 31, 2024 and June 30, 2024, the Company did not have any forward contracts.

Customer based warrants

The Company executed a warrant agreement with one of its key customers in the first quarter of fiscal 2024 to purchase up to 361,050 common shares at an exercise price of $17.09 with vesting conditions based on the achievement of certain multi-year spending targets. The first tranche and second tranches have vested as the spending targets were met. The warrants are accounted for as financial liabilities due to their conversion features and will be remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer based warrants. The fair value of warrants as at December 31, 2024 was $1,676 (June 30, 2024 - $2,626). Warrant vesting expense (recovery) during the three and six months ended December 31, 2024 of $(871) and $(765), respectively (December 31, 2023 - $217 and $855, respectively), was reflected as a sales incentive (recovery) and reduction (increase) of revenue in the Company's consolidated statements of comprehensive income.

(in thousands of dollars unless otherwise noted)

19. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Depreciation of property, plant and equipment	$ 1,101	$ 844	$ 1,960	$ 1,676
Depreciation of right-of-use assets	373	334	735	659
Amortization of deferred development costs	3,848	3,486	7,382	6,636
Amortization of finite-life intangible assets	836	816	1,651	1,632
Total depreciation and amortization	**$ 6,158**	**$ 5,480**	**$ 11,728**	**$ 10,603**

Net change in working capital – operating activities

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Accounts receivable	$ 15,100	$ (12,685)	$ 35,472	$ (4,932)
Inventories	4,803	(8,539)	2,631	(43,413)
Prepaid expenses	1,478	2,777	2,434	10,669
Contract assets	427	340	694	1,276
Accounts payable and accrued liabilities	(5,686)	3,175	(4,372)	29,602
Deferred revenue	3,097	329	(1,475)	(3,571)
Total change in net working capital	**$ 19,219**	**$ (14,603)**	**$ 35,384**	**$ (10,369)**

Capital expenditures, net – investing activities

	Three months		Six months	
Periods ended December 31,	**2024**	2023	**2024**	2023
Capital expenditures:				
Property, plant and equipment	$ (338)	$ (573)	$ (1,394)	$ (1,336)
Intangible assets	(57)	(58)	(86)	(58)
Proceeds of disposition:				
Property, plant and equipment	–	–	97	–
Intangible assets	56	–	56	–
Total capital expenditures	**$ (339)**	**$ (631)**	**$ (1,327)**	**$ (1,394)**

20. RELATED PARTY TRANSACTIONS

The company had the following related party transactions during the three and six months ended December 31, 2024:

Building lease

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 six months ended December 31, 2024, total lease payments, including interest, were $47 and $94, respectively (December 31, 2023 - $47 and $94, respectively). The building is being used for additional inventory storage.

Shareholder loan

The Company received a shareholder loan in the second quarter fiscal 2025 of $5,000 from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 5.45% plus 4.30% and is collateralized by a general security agreement. The loan agreement was executed at arms length and approximates fair value and will be used by the Company to fund short-term working capital requirements.

There were no other related party transactions in the first six months of fiscal 2025.

21. RESTRUCTURING COSTS

During the three months ended December 31, 2024, the Company incurred $2,798 of restructuring costs pursuant to its workforce reorganization announced on December 9, 2024. As at December 31, 2024, the Company reflected a $922 severance provision for employees who had not signed an agreement at the reporting date with the remaining $1,876 included in accrued liabilities.

(in thousands of dollars unless otherwise noted)

22. CHANGE IN PRESENTATION

In the first quarter of fiscal 2025, the Company has adopted a change in presentation of commissions expense to reflect these costs in sales and marketing and general and administrative expenses where the costs originate. The Company will no longer reclassify these expenses to costs of sales. This change in presentation aligns our results with our peers which management believes enhances comparability and better reflects our results.

The below table summarizes the impact on the second quarter and first six months of fiscal 2024:

For the three months ended December 31, 2023	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Previously Reported				
Cost of sales	$ 26,666	$ 5,131	$ 557	**$ 32,354**
Gross profit	22,388	6,138	1,074	**29,600**
Sales and marketing	4,603	1,762	240	**6,605**
General and administrative	3,712	2,362	357	**6,431**
Total operating expenses	16,566	7,401	974	**24,941**
Operating income (loss)	$ 5,822	$ (1,263)	$ 100	**$ 4,659**
Reclassification				
Cost of sales	$ (944)	$ (285)	$ (16)	**$ (1,245)**
Gross profit	944	285	16	**1,245**
Sales and marketing	837	215	16	**1,068**
General and administrative	107	70	–	**177**
Total operating expenses	944	285	16	**1,245**
Operating income	$ –	$ –	$ –	**$ –**
Restated				
Cost of sales	$ 25,722	$ 4,846	$ 541	**$ 31,109**
Gross profit	23,332	6,423	1,090	**30,845**
Sales and marketing	5,440	1,977	256	**7,673**
General and administrative	3,819	2,432	357	**6,608**
Total operating expenses	17,510	7,686	990	**26,186**
Operating income (loss)	$ 5,822	$ (1,263)	$ 100	**$ 4,659**

(in thousands of dollars unless otherwise noted)

For the six months ended December 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Previously Reported				
Cost of sales	$ 52,241	$ 11,643	$ 1,135	**$ 65,019**
Gross profit	40,956	15,315	2,142	**58,413**
Sales and marketing	10,116	3,449	469	**14,034**
General and administrative	9,173	4,541	690	**14,404**
Total operating expenses	34,837	14,412	1,816	**51,065**
Operating income	$ 6,119	$ 903	$ 326	**$ 7,348**
Reclassification				
Cost of sales	$ (1,561)	$ (860)	$ (29)	**$ (2,450)**
Gross profit	1,561	860	29	**2,450**
Sales and marketing	1,368	676	29	**2,073**
General and administrative	193	184	–	**377**
Total operating expenses	1,561	860	29	**2,450**
Operating income	$ –	$ –	$ –	**$ –**
Restated				
Cost of sales	$ 50,680	$ 10,783	$ 1,106	**$ 62,569**
Gross profit	42,517	16,175	2,171	**60,863**
Sales and marketing	11,484	4,125	498	**16,107**
General and administrative	9,366	4,725	690	**14,781**
Total operating expenses	36,398	15,272	1,845	**53,515**
Operating income	$ 6,119	$ 903	$ 326	**$ 7,348**

23. SUBSEQUENT EVENTS

On February 11, 2025, the Board of Directors declared a dividend of $0.055 per common share, payable on March 24, 2025 to shareholders of record as at February 28, 2025 consistent with its previously announced dividend policy.