



## **THIRD QUARTER RESULTS**

*Management's Discussion and Analysis and  
Interim Condensed Consolidated Financial Statements of*  
**VECIMA NETWORKS INC.**

*For the three and nine months ended March 31, 2024 and 2023*

*(unaudited)*

**Vecima Networks Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**May 13, 2024**

This Management's Discussion and Analysis ("MD&A") provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three and nine months ended March 31, 2024.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and nine months ended March 31, 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 nine months ended March 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](http://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, Amsterdam, and manufacturing and research and development (“R&D”) facilities in Saskatoon. Vecima’s corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world’s leading innovators to advance, connect, entertain, and analyze. We build technologies that provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima’s business is organized into three segments:

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

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

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

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

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

MediaScale

- **Transcode:** transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
  - **Origin:** packages and secures video for streaming over-the-top (“OTT”) or through a service provider managed network, regardless of network technology;
  - **Storage:** captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause;
  - **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; and
  - **Digital Ad Insertion:** Vecima’s MediaScale™ Dynamic Content solution helps service providers gain control over content by supporting content rights, blackouts, and advertising. By manipulating content at the edge of the network, operators can deliver more efficient, personalized video content and more opportunities to monetize that content with targeted, higher-value ads.
- 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 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DAA technology also enables significant cost-per-bit reductions relative to legacy DOCSIS network solutions.

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

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

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

### Content Delivery and Storage

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

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

### Telematics

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

### Our Strategy

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

### 3. Third Quarter Fiscal 2024 Highlights

#### Financial and Corporate Highlights

- Generated record quarterly revenue of \$80.1 million, up 2% from \$78.3 million in Q3 fiscal 2023 and 29% from \$62.0 million in Q2 fiscal 2024.
- Gross profit increased by 10% to \$37.6 million, from \$34.1 million in Q3 fiscal 2023, and was up 27% from \$29.6 million in Q2 fiscal 2024.
- Gross margin of 46.9% increased 340 basis points from 43.5% in Q3 fiscal 2023, and decreased 90 basis points from 47.8% in Q2 fiscal 2024.
- Adjusted EBITDA climbed 47.2% to a record \$17.2 million, from \$11.7 million in Q3 fiscal 2023, and was up 38.1% from \$12.5 million in Q2 fiscal 2024.
- Earnings per share increased to \$0.24, from \$0.18 in Q3 fiscal 2023 and \$0.15 in Q2 fiscal 2024. Adjusted EPS increased to \$0.31, from \$0.18 and \$0.15, respectively, in Q3 fiscal 2023 and Q2 fiscal 2024.
- Ended the third quarter in a solid financial position with working capital of \$82.1 million at March 31, 2024, compared to \$83.7 million at June 30, 2023.

#### Video and Broadband Solutions (VBS)

- The Video and Broadband Solutions segment achieved third quarter sales of \$68.2 million, an increase of 5% from \$64.8 million in Q3 fiscal 2023 and 39% higher than the \$49.1 million generated in Q2 fiscal 2024.

#### DAA (Entra Family)

- Achieved robust next-generation Entra product sales of \$60.9 million, including 39% quarter-over-quarter growth (Q3 fiscal 2023: \$62.7 million; Q2 fiscal 2024: \$43.8 million).
  - Increased total customer engagements to 113 MSOs worldwide, from 106 a year earlier. Fifty-eight of these customers are ordering Entra products, with order sizes increasing as broader DAA deployment continues.
    - Customers engaged for cable access now number 66
    - Customers engaged for fiber access or both access technologies number 47
  - Secured three new regional customer wins during the quarter, including Elsat and two additional customers.
  - Ramped up volume deliveries of the new Entra ERM3 Remote PHY device (RPD). The award-winning ERM3 RPD helps operators upgrade legacy HFC nodes to DAA quickly and cost-effectively, while dramatically increasing broadband capacity.
  - Achieved certification of the EN9000 GAP (Generic Access Platform) node with a leading Tier 1 customer. The modular EN9000 GAP Node provides customers with a future-proof path to 10G, protecting today's network investments by ensuring operators can easily transition to future technologies, including DOCSIS 4.0 and 10G FTTH.
  - Unveiled the Entra Virtualized Cable Modem Termination System (vCMTS), part of the Entra Cloud platform of open interoperable, cloud-native applications that help cable operators transform their networks for next-generation broadband access. Lab trials of the Entra vCMTS were initiated with a leading Tier 1 operator in North America in Q3FY24, with field trials expected to begin in the fourth quarter of calendar 2024.
  - Announced intent to acquire the assets of Casa System's cable business, via an asset purchase agreement, as a "stalking horse" bidder in a voluntary bankruptcy case filed by Casa and its affiliates in the U.S. Bankruptcy Court for the District of Delaware (Bankruptcy Court). The transaction is subject to Bankruptcy Court approval and other bids, if any, for these assets at an auction coordinated through the Bankruptcy Court. If successful, closing of the transaction is expected to occur at the beginning of June 2024.
  - Completed lab trials and initiated field trials with a Tier 1 North American operator for the Entra EXS1610 All-PON shelf. A key component of Vecima's industry-leading fiber access product portfolio, the EXS1610 All-PON shelf enables customers to cost effectively deploy fiber to the premises (FTTP) services in any market or hub deployment, providing maximum flexibility for customers.
  - Entered an agreement for U.S. manufacturing for certain Entra fiber access equipment to meet Buy America requirements under the U.S. Broadband Equity, Access, and Deployment (BEAD) program.

- For the third consecutive year, Dell'Oro Group, a respected industry market research firm, named Vecima the global market share leader in two DAA segments: Remote Optical Line Terminal (R-OLT) fiber access and Remote MACPHY cable access.

#### **Commercial Video (Terrace Family)**

- Commercial Video product sales increased to \$7.2 million, up 244% from \$2.1 million in Q3 fiscal 2023 and 37% from \$5.3 million in Q2 fiscal 2024.

#### **Content Delivery and Storage (CDS)**

- The Content Delivery and Storage segment generated sales of \$10.2 million (Q3 fiscal 2023: \$11.8 million; Q2 fiscal 2024: \$11.3 million).
  - Achieved a strong CDS gross margin of 59.8% (Q3 fiscal 2023: 53.3%; Q2 fiscal 2024: 54.5%).
  - Increased service revenue by 10% year-over-year as the base of deployed MediaScale platforms continues to grow.
  - Continued IPTV expansion at multiple customers throughout North America.
  - Continued to grow live linear IPTV traffic with customers regularly exceeding prior all-time high throughputs.

#### **Telematics**

- Telematics segment sales grew approximately 3% year-over-year to a record \$1.7 million (Q3 fiscal 2023: \$1.65 million; Q2 fiscal 2024: \$1.63 million).
  - Generated additional deployments in high-value verticals, including municipal government and moveable asset customers in restoration and emergency medical services.
  - Added 10 new customers for the NERO asset tracking platform and significantly increased the number of moveable assets being monitored to over 64,000 units.
  - Received an order for approximately 300 additional subscriptions from an existing customer in the municipal government market.
  - Achieved strong gross margin percentage of 67.8%.



## 4. Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services.

In the broadband market, these trends, together with significant government investment into rural broadband initiatives, are fueling a wave of demand for Vecima's world-class Entra DAA cable and fiber access solutions; demand that further amplifies the need to upgrade networks when compounded with the continuous capacity increases that must regularly occur. In recent years this demand has translated into record revenue growth for Vecima, including year-over-year consolidated sales increases of 50.5% in fiscal 2022 and 62.5% in fiscal 2023. With the industry now poised to move to even wider adoption of DAA, demand for our solutions has begun to accelerate in the second half of fiscal 2024, following the anticipated transitional period that materialized during the first half.

Our Video and Broadband Solutions segment is currently underway with a number of major DAA rollouts and we expect sales velocity will continue to build as multiple pathways for growth begin to converge. The continued rollout of our next-generation ERM3 Remote-PHY devices with Charter Communications, certification of our EN9000 Generic Access Platform, completion of lab trials with our new EXS1610 All-PON Shelf, entry into the virtual cable modem termination system (vCMTS) market, and a U.S. manufacturing agreement that better positions Vecima to benefit from the significant new fiber access opportunities that are becoming available as a result of the US\$42.5 billion BEAD program represent just some of the major growth opportunities available for Entra and our VBS segment. While the exact timing of these various rollouts is customer dependent, we expect Entra sales momentum as a whole will build through the balance of fiscal 2024 and into fiscal 2025 and beyond. As we have stated previously, we see a long and remarkable runway of growth for Entra.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to be lower year-over-year as customers continue to transition to our next-generation Terrace IQ 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, demand for our IPTV and open caching solutions remains strong and we expect the CDS segment to achieve fiscal 2024 sales results similar to, or slightly lower than, the strong performance achieved in fiscal 2023. 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 incremental growth in subscriptions from the fleet tracking market, along with increased demand for our asset tracking services, which have been an important driver of segment differentiation and gains in recent quarters.

While we expect consolidated full-year fiscal 2024 revenues will be modestly lower than the all-time record results achieved in fiscal 2023, we expect our quarterly run rate will continue to build in Q4 and beyond. We continue to target a gross margin percentage in the 45%-to-49% range, which combined with our operating expenses model, is expected to support robust full-year Adjusted EBITDA performance.

Overall, we expect fiscal 2024 will continue to demonstrate our ability to capture the major and multi-year opportunities in the compelling DAA and IPTV markets as we continue to build value for our 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 Data <i>(in thousands of dollars except common share data)</i>	Three months ended March 31,				Nine months ended March 31,			
	2024		2023		2024		2023	
<b>Sales</b>	\$ 80,139	100%	\$ 78,256	100%	\$ 203,571	100%	\$ 227,915	100%
<b>Cost of sales</b>	42,543	53%	44,183	56%	107,562	53%	124,056	54%
<b>Gross profit</b>	<b>37,596</b>	<b>47%</b>	<b>34,073</b>	<b>44%</b>	<b>96,009</b>	<b>47%</b>	<b>103,859</b>	<b>46%</b>
<b>Operating expenses</b>								
Research and development <sup>(1)</sup>	11,281	14%	12,053	16%	33,128	16%	33,099	15%
Sales and marketing	6,741	8%	6,929	9%	20,775	10%	19,852	9%
General and administrative	7,872	10%	8,389	11%	22,276	11%	21,505	9%
Share-based compensation	272	–%	289	–%	785	1%	1,202	1%
Other expense	1,349	2%	275	–%	1,616	1%	318	–%
	<b>27,515</b>	<b>34%</b>	<b>27,935</b>	<b>36%</b>	<b>78,580</b>	<b>39%</b>	<b>75,976</b>	<b>34%</b>
<b>Operating income</b>	<b>10,081</b>	<b>13%</b>	<b>6,138</b>	<b>8%</b>	<b>17,429</b>	<b>8%</b>	<b>27,883</b>	<b>12%</b>
Finance expense	(1,580)	(2)%	(738)	(1)%	(3,940)	(2)%	(1,493)	–%
Foreign exchange (loss) gain	(1,159)	(2)%	198	–%	94	–%	1,362	1%
<b>Income before taxes</b>	<b>7,342</b>	<b>9%</b>	<b>5,598</b>	<b>7%</b>	<b>13,583</b>	<b>6%</b>	<b>27,752</b>	<b>13%</b>
Income tax expense	1,542	2%	1,147	1%	2,449	1%	5,650	2%
<b>Net income</b>	<b>5,800</b>	<b>7%</b>	<b>4,451</b>	<b>6%</b>	<b>11,134</b>	<b>5%</b>	<b>22,102</b>	<b>10%</b>
Other comprehensive (loss) income	1,361	2%	(105)	–%	1,177	1%	1,782	1%
<b>Comprehensive income</b>	<b>\$ 7,161</b>	<b>9%</b>	<b>\$ 4,346</b>	<b>6%</b>	<b>\$ 12,311</b>	<b>6%</b>	<b>\$ 23,884</b>	<b>11%</b>
<b>Net income per share<sup>(2)</sup></b>								
Basic – total	\$ 0.24		\$ 0.18		\$ 0.46		\$ 0.94	
Diluted – total	\$ 0.24		\$ 0.18		\$ 0.46		\$ 0.94	
<b>Other Data:</b>								
Research and Development Expenditures <sup>(3)</sup>	\$ 14,550		\$ 15,402		\$ 43,139		\$ 42,108	
Adjusted EBITDA <sup>(4)</sup>	\$ 17,221		\$ 11,700		\$ 37,814		\$ 44,729	
Adjusted earnings per share <sup>(5)</sup>	\$ 0.31		\$ 0.18		\$ 0.55		\$ 0.94	
Number of employees <sup>(6)</sup>	591		642		591		642	

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

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

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

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

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

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

Consolidated Statements of Financial Position <i>(in thousands of dollars except common share data)</i>	March 31, 2024	June 30, 2023
Cash and cash equivalents	\$ 3,281	\$ 2,278
Working capital	\$ 82,089	\$ 83,666
Total assets	\$ 412,355	\$ 331,686
Long-term debt <sup>(1)</sup>	\$ 12,985	\$ 14,123
Shareholders' equity	\$ 226,835	\$ 217,653
Number of common shares outstanding <sup>(2)</sup>	24,306,028	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 nine months of fiscal 2024.

## Adjusted Net Income and Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term “adjusted net income” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment (“PP&E”), intangible assets, and assets held for sale, impairments of intangible assets, restructuring costs, warrant expense, advisory fees 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 March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Net income	\$ 5,800	\$ 4,451	\$ 11,134	\$ 22,102
Loss on sale of non-core PP&E, net of tax	–	11	15	32
Warrants expense, net of tax	568	–	1,252	–
Advisory fees, net of tax	1,088	–	1,088	–
<b>Adjusted net income</b>	<b>\$ 7,456</b>	<b>\$ 4,462</b>	<b>\$ 13,489</b>	<b>\$ 22,134</b>
Net income per share	\$ 0.24	\$ 0.18	\$ 0.46	\$ 0.94
Warrants expense net of tax	0.03	–	0.05	–
Advisory fees, net of tax	0.04	–	0.04	–
<b>Adjusted earnings per share<sup>(1)(2)</sup></b>	<b>\$ 0.31</b>	<b>\$ 0.18</b>	<b>\$ 0.55</b>	<b>\$ 0.94</b>

<sup>(1)</sup> Adjusted earnings per share includes non-cash share-based compensation of \$0.3 million or \$0.01 per share for the three months ended March 31, 2024, and \$0.3 million or \$0.01 per share for the three months ended March 31, 2023. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.

<sup>(2)</sup> Adjusted earnings per share includes foreign exchange gain (loss) of \$(1.2) million or \$(0.05) per share for the three months ended March 31, 2024, and a gain (loss) of \$0.2 million or \$0.01 per share for the three months ended March 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. 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 March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Sales	\$ 80,139	\$ 78,256	\$ 203,571	\$ 227,915
Cost of Sales	42,543	44,183	107,562	124,056
<b>Gross Margin</b>	<b>37,596</b>	<b>34,073</b>	<b>96,009</b>	<b>103,859</b>
Warrants expense <sup>(1)</sup>	710	–	1,565	–
<b>Adjusted Gross Margin</b>	<b>\$ 38,306</b>	<b>\$ 34,073</b>	<b>\$ 97,574</b>	<b>\$ 103,859</b>
<b>Adjusted Gross Margin %</b>	<b>47.8 %</b>	<b>43.5 %</b>	<b>47.9 %</b>	<b>45.6 %</b>

<sup>(1)</sup> 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, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; warrant expense; advisory fees and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA <i>(in thousands of dollars)</i>	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Net income	\$ 5,800	\$ 4,451	\$ 11,134	\$ 22,102
Income tax expense	1,542	1,147	2,449	5,650
Interest expense	1,584	740	3,946	1,509
Depreciation of property, plant and equipment	1,553	869	3,229	2,527
Depreciation of right-of-use assets	308	305	967	965
Amortization of deferred development costs	3,283	3,062	9,919	8,282
Amortization of intangible assets	809	824	2,441	2,452
<b>EBITDA</b>	<b>14,879</b>	<b>11,398</b>	<b>34,085</b>	<b>43,487</b>
Loss on sale of property, plant and equipment	–	13	19	40
Share-based compensation	272	289	785	1,202
Warrants expense	710	–	1,565	–
Advisory fees	1,360	–	1,360	–
<b>Adjusted EBITDA</b>	<b>\$ 17,221</b>	<b>\$ 11,700</b>	<b>\$ 37,814</b>	<b>\$ 44,729</b>
<b>Percentage of sales</b>	<b>21%</b>	<b>15%</b>	<b>19%</b>	<b>20%</b>

## 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 R&D Expenditures <i>(in thousands of dollars)</i>	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
R&D expense per statement of comprehensive income	\$ 11,281	\$ 12,053	\$ 33,128	\$ 33,099
Deferred development costs	6,524	6,399	19,834	17,206
Investment tax credits	28	24	96	97
Amortization of deferred development costs	(3,283)	(3,062)	(9,919)	(8,282)
<b>Total research and development expenditures</b>	<b>\$ 14,550</b>	<b>\$ 15,402</b>	<b>\$ 43,139</b>	<b>\$ 42,108</b>
<b>Percentage of sales</b>	<b>18%</b>	<b>20%</b>	<b>21%</b>	<b>18%</b>

## 6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three months ended March 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.

<i>(in thousands of dollars except per share amounts)</i>	Fiscal 2024				Fiscal 2023		Fiscal 2022	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	\$ 80,139	\$ 61,954	\$ 61,478	\$ 75,522	\$ 78,256	\$ 76,212	\$ 73,447	\$ 59,960
Cost of Sales	42,543	32,354	32,665	37,410	44,183	40,167	39,706	31,478
<b>Gross profit</b>	<b>37,596</b>	<b>29,600</b>	<b>28,813</b>	<b>38,112</b>	<b>34,073</b>	<b>36,045</b>	<b>33,741</b>	<b>28,482</b>
<b>Operating expenses</b>								
Research and development	11,281	11,551	10,296	12,851	12,053	10,341	10,705	11,396
Sales and marketing	6,741	6,605	7,429	7,842	6,929	6,619	6,304	5,993
General and administrative	7,872	6,431	7,973	7,923	8,389	7,522	5,594	6,494
Restructuring costs	–	–	–	1,236	–	–	–	–
Share-based compensation	272	257	256	1,300	289	815	98	64
Other expense	1,349	97	170	1,553	275	22	21	767
	<b>27,515</b>	<b>24,941</b>	<b>26,124</b>	<b>32,705</b>	<b>27,935</b>	<b>25,319</b>	<b>22,722</b>	<b>24,714</b>
<b>Operating income</b>	<b>10,081</b>	<b>4,659</b>	<b>2,689</b>	<b>5,407</b>	<b>6,138</b>	<b>10,726</b>	<b>11,019</b>	<b>3,768</b>
Finance expense	(1,580)	(1,660)	(700)	(877)	(738)	(554)	(201)	(102)
Foreign exchange gain (loss)	(1,159)	1,837	(584)	1,319	198	(138)	1,302	1,427
<b>Income before income taxes</b>	<b>7,342</b>	<b>4,836</b>	<b>1,405</b>	<b>5,849</b>	<b>5,598</b>	<b>10,034</b>	<b>12,120</b>	<b>5,093</b>
Income tax expense (recovery)	1,542	1,247	(340)	739	1,147	1,895	2,608	1,609
<b>Net income</b>	<b>5,800</b>	<b>3,589</b>	<b>1,745</b>	<b>5,110</b>	<b>4,451</b>	<b>8,139</b>	<b>9,512</b>	<b>3,484</b>
Other comprehensive income (loss)	1,361	(1,157)	973	(1,896)	(105)	(482)	2,369	775
<b>Comprehensive income</b>	<b>\$ 7,161</b>	<b>\$ 2,432</b>	<b>\$ 2,718</b>	<b>\$ 3,214</b>	<b>\$ 4,346</b>	<b>\$ 7,657</b>	<b>\$ 11,881</b>	<b>\$ 4,259</b>
<b>Net income per share</b>								
Basic – total	\$ 0.24	\$ 0.15	\$ 0.07	\$ 0.21	\$ 0.18	\$ 0.35	\$ 0.41	\$ 0.16
Diluted – total	0.24	0.15	0.07	0.21	0.18	0.35	0.41	0.16
Adjusted EBITDA as reported	\$ 17,221	\$ 12,470	\$ 8,123	\$ 15,088	\$ 11,700	\$ 15,840	\$ 17,189	\$ 11,121

### 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 March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 68,237	\$ 64,827	\$ 161,434	\$ 188,095
Content Delivery and Storage	10,204	11,778	37,162	35,194
Telematics	1,698	1,651	4,975	4,626
<b>Total sales</b>	<b>\$ 80,139</b>	<b>\$ 78,256</b>	<b>\$ 203,571</b>	<b>\$ 227,915</b>

#### Three-Month Results

We achieved record total sales of \$80.1 million in the third quarter of fiscal 2024, an increase of 2% from \$78.3 million in Q3 fiscal 2023 and 29% higher than the \$62.0 million generated in Q2 fiscal 2024. The strong quarter-over-quarter sales increase was primarily driven by the VBS segment and reflects the anticipated resumption of Entra DAA demand momentum, combined with stronger Commercial Video product sales.

The Video and Broadband Solutions segment grew revenue to \$68.2 million in the third quarter, an increase of 5% from \$64.8 million in Q3 fiscal 2023 and 39% from \$49.1 million in Q2 fiscal 2024.

- Next-generation Entra products sales of \$60.9 million were 3% lower than the \$62.7 million generated in Q3 fiscal 2023 and 39% higher than the \$43.8 million achieved in Q2 fiscal 2024.
- Commercial Video product sales grew to \$7.2 million, an increase of 244% from \$2.1 million in Q3 fiscal 2023 and up 37% from \$5.3 million in Q2 fiscal 2024. The year-over-year increase reflects temporarily strong demand for our TC600E platform from our lead customer, combined with lower-than-normal sales in the prior-year period related to the timing of orders.

The Content Delivery and Storage segment generated third quarter sales of \$10.2 million, a decrease of 13% from \$11.8 million in Q3 fiscal 2023. On a sequential quarterly basis, Q3 fiscal 2024 sales were 9% lower than the \$11.3 million achieved in Q2. The year-over-year and quarter-over-quarter decreases in CDS sales reflect the timing of sales. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q3 fiscal 2024 period included \$4.0 million of product sales (Q3 fiscal 2023 - \$6.2 million) and \$6.2 million of services revenue (Q3 fiscal 2023 - \$5.6 million).

Third quarter Telematics sales of \$1.7 million were 3% higher than the \$1.65 generated in the same period of fiscal 2023 and 4% higher than the \$1.6 million generated in Q2 fiscal 2024. Results for the quarter were consistent with our expectations.

#### Nine-Month Results

For the nine months ended March 31, 2024, total sales of \$203.6 million compared to \$227.9 million in the same period of fiscal 2023, a decrease of 11%. The year-over-year change primarily reflects the anticipated temporary slowdown in VBS product orders in the first half of fiscal 2024, partially offset by higher VBS segment sales in the third quarter and stronger year-to-date CDS segment sales.

Nine-month Video and Broadband Solutions sales were \$161.4 million, as compared to \$188.1 million in the same period in fiscal 2023, a decrease of 14%.

- Year-to-date Entra product sales were \$143.5 million, as compared to \$171.4 million in the first nine months of fiscal 2023, a decrease of 16%. The year-over-year change was anticipated and reflects the temporary delay in large scale network build outs that occurred in the first six months of fiscal 2024 as customers drew down inventory levels accumulated during a period impacted by supply chain constraints. This impact was partially offset by a rebound in Entra sales in the third quarter.
- Commercial Video products sales increased to \$17.9 million in the first nine months of fiscal 2024, up 12% from \$15.9 million in the same period last year. The year-over-year increase reflects a temporary increase in legacy product orders.

In the Content Delivery and Storage segment, nine-month sales grew 6% to \$37.2 million, from \$35.2 million in the same period last year. This increase reflects a broader customer base following the past year's new business wins, as well as expansions with existing customers. Segment sales for the first nine months of fiscal 2024 included \$19.2 million of product sales (fiscal 2023 - \$19.8 million) and \$17.9 million of services revenue (fiscal 2023 - \$15.4 million).

First nine-months Telematics sales of \$5.0 million were 8% higher than the \$4.6 million achieved in the same period of fiscal 2023. Results for the quarter 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.

Segment	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 37,891	\$ 38,101	\$ 90,132	\$ 105,842
Content Delivery and Storage	4,106	5,505	15,749	16,652
Telematics	546	577	1,681	1,562
<b>Total cost of sales</b>	<b>\$ 42,543</b>	<b>\$ 44,183</b>	<b>\$ 107,562</b>	<b>\$ 124,056</b>

### Three-Month Results

For the three months ended March 31, 2024, total cost of sales decreased 4% to \$42.5 million, from \$44.2 million in Q3 fiscal 2023 and decreased 31% from \$32.4 million in Q2 fiscal 2024. The year-over-year reduction primarily reflects a different product mix, combined with reduced expedite costs.

Third quarter cost of sales in the Video and Broadband Solutions segment decreased 0.6% to \$37.9 million, from \$38.1 million in Q3 fiscal 2023, and increased 42% from \$26.7 million in Q2 fiscal 2024. The year-over-year decrease reflects a different product mix combined with decreased expedite costs, partially offset by higher sales. The quarter-over-quarter increase reflects significantly higher sales.

In the Content Delivery and Storage segment, third quarter cost of sales decreased by 25% to \$4.1 million, from \$5.5 million in Q3 fiscal 2023 and was 20% lower than the \$5.1 million recorded in Q2 fiscal 2024. An increased proportion of higher-margin services in the revenue mix was the primary driver of these decreases.

In the Telematics segment, cost of sales was \$0.5 million in the third quarter, slightly lower than the \$0.6 million recorded in the same period of fiscal 2023 and Q2 fiscal 2024.

### Nine-Month Results

For the nine months ended March 31, 2024, total cost of sales decreased by 13% to \$107.6 million, from \$124.1 million in the same period in fiscal 2023. The year-over-year decrease primarily reflects lower sales, together with the easing of supply chain constraints and associated expedite costs.

Cost of sales in the Video and Broadband Solutions segment decreased 15% to \$90.1 million in the first nine months of fiscal 2024, from \$105.8 million in same period in fiscal 2023. The year-over-year decrease reflects lower sales, a different product mix, and the easing of supply chain constraints which reduced expedite costs in the current period.

Cost of sales in the Content Delivery and Storage segment decreased by 5% to \$15.7 million in the first nine months of fiscal 2024, from \$16.7 million in the same period in fiscal 2023. The increased proportion of higher-margin service revenue was the primary driver.

Cost of sales in the Telematics segment increased slightly to \$1.7 million in the first nine months of fiscal 2024, from \$1.6 million in the first nine months of fiscal 2023. Higher Telematics sales accounted for most of this increase.



## Gross Profit and Gross Margin

Segment	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 30,346	\$ 26,726	\$ 71,302	\$ 82,253
Content Delivery and Storage	6,098	6,273	21,413	18,542
Telematics	1,152	1,074	3,294	3,064
<b>Total gross profit</b>	<b>\$ 37,596</b>	<b>\$ 34,073</b>	<b>\$ 96,009</b>	<b>\$ 103,859</b>
Video and Broadband Solutions	44.5 %	41.2 %	44.2 %	43.7 %
Content Delivery and Storage	59.8 %	53.3 %	57.6 %	52.7 %
Telematics	67.8 %	65.1 %	66.2 %	66.2 %
<b>Total gross margin</b>	<b>46.9 %</b>	<b>43.5 %</b>	<b>47.2 %</b>	<b>45.6 %</b>

### Three-Month Results

For the three months ended March 31, 2024, total gross profit grew to \$37.6 million, an increase of 10% from \$34.1 million in Q3 fiscal 2023 and an increase of 27% from \$29.6 million in Q2 fiscal 2024. The year-over-year improvement reflects higher VBS segment sales and lower cost of goods sold. Third quarter gross margin was 46.9%, compared to 43.5% in Q3 fiscal 2023 and 47.8% in Q2 fiscal 2024. The year-over-year increase in Q3 gross margin reflects tight management of our supply chain, particularly a lowering of expedite costs as supply chain constraints have eased, combined with a different product mix.

The Video and Broadband Solutions segment generated gross profit of \$30.3 million (gross profit margin of 44.5%), 14% higher than the \$26.7 million (gross profit margin of 41.2%) achieved in Q3 fiscal 2023. The year-over-year increase reflects higher segment sales combined with tight management of our supply chain. On a sequential quarterly basis, VBS gross profit was 36% higher than the \$22.4 million achieved in Q2 fiscal 2024 (gross profit margin of 45.6%), reflecting higher sales.

In the Content Delivery and Storage segment, third quarter gross profit was \$6.1 million as compared to \$6.3 in the same period last year. The year-over-year change reflects lower CDS sales, partially offset by a stronger gross margin percentage. CDS gross margin increased to 59.8%, from 53.3% in the same period last year, reflecting an increased proportion of higher-margin services sales in the revenue mix. On a sequential quarterly basis, third quarter CDS gross profit was consistent with Q2 fiscal 2024 levels, while gross margin increased from 54.5%.

Third quarter gross profit from the Telematics segment increased to \$1.2 million (gross profit margin of 67.8%), from \$1.1 million (gross margin of 65.1%) in Q3 fiscal 2023, reflecting the addition of new customers and higher sales. On a sequential quarterly basis, Telematics gross profit was slightly higher than the \$1.1 million (gross margin of 65.8%) achieved in Q2 fiscal 2024.

### Nine-Month Results

For the nine months ended March 31, 2024 we generated gross profit of \$96.0 million, as compared to \$103.9 million in the same period of fiscal 2023. The 8% year-over-year decrease reflects lower consolidated sales, partially offset by a higher gross margin percentage. Gross margin in the first nine months of fiscal 2024 increased to 47.2%, from 45.6% in the same period of fiscal 2023, primarily reflecting tight management of our supply chain expenses and a reduction in expedite costs as supply chain constraints have eased. Our stronger gross margin also reflects an increased proportion of CDS segment sales, which carry higher margins. We target a gross margin percentage of 45% to 49%.

The Video and Broadband Solutions segment generated gross profit of \$71.3 million (gross profit margin of 44.2%) in the first nine months of fiscal 2024, as compared to \$82.3 million (gross profit margin of 43.7%) in the first nine of fiscal 2023, a decrease of 36%. The year-over-year change in gross profit reflects lower segment sales, partially offset by the higher gross margin percentage.

Content Delivery and Storage segment gross profit grew 34% to \$21.4 million (gross profit margin of 57.6%) in the first nine months of fiscal 2024, from \$18.5 million (gross profit margin of 52.7%) in the same period of fiscal 2023. The year-over-year improvement in CDS gross profit reflects higher sales, together with a stronger gross margin percentage.

Telematics segment gross profit for the first nine months increased to \$3.3 million (gross profit margin of 66.2%), from \$3.1 million (gross margin of 66.2%) in the same period of fiscal 2023. The year-over-year improvement in gross profit was primarily driven by higher sales.



## Operating Expenses

Segment	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 19,199	\$ 19,625	\$ 54,036	\$ 52,008
Content Delivery and Storage	7,419	7,389	21,831	21,467
Telematics	897	921	2,713	2,501
<b>Total operating expense</b>	<b>\$ 27,515</b>	<b>\$ 27,935</b>	<b>\$ 78,580</b>	<b>\$ 75,976</b>

### Three-Month Results

For the three months ended March 31, 2024, total operating expenses were \$27.5 million, as compared to \$27.9 million in Q3 fiscal 2023 and \$24.9 million in Q2 fiscal 2024. As a percentage of sales, Q3 operating expenses were 34%, as compared to 36% in Q3 fiscal 2023.

Video and Broadband Solutions operating expenses decreased to \$19.2 million, from \$19.6 million in Q3 fiscal 2023, but increased from \$16.6 million in Q2 fiscal 2024. The \$0.4 million year-over-year decrease reflects lower research and development and general and administrative expenses, partially offset by advisory fees related to merger and acquisition ("M&A") activity in the quarter.

Content Delivery and Storage operating expenses were \$7.4 million in Q3 fiscal 2024, consistent with Q3 fiscal 2023 and Q2 fiscal 2024. Lower research and development expenses were offset by higher sales and marketing expenses when compared to the same period in fiscal 2023.

Telematics operating expenses were \$0.9 million in Q3 fiscal 2024, consistent with Q3 fiscal 2023 and slightly lower than \$1.0 million in Q2 fiscal 2024. The quarter-over-quarter change reflects lower sales and marketing and general administrative costs, partially offset by higher research and development costs.

Research and development expenses decreased to \$11.3 million, or 14% of sales in Q3 2024, from \$12.1 million, or 16% of sales in the same period of fiscal 2023. This primarily reflects lower expense for salary and wages and higher capitalized development costs, partially offset by higher software and licensing. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q3 fiscal 2024 were \$14.6 million, or 18% of sales, as compared to \$15.4 million, or 20% of sales in Q3 fiscal 2023.

Sales and marketing expenses were \$6.7 million, or 8% of sales in Q3 fiscal 2024, as compared to \$6.9 million, or 9% of sales in the same period last year. The year-over-year decrease was primarily due to lower trade show and promotion expenses.

General and administrative expenses decreased to \$7.9 million, or 10% of sales in Q3 fiscal 2024, from \$8.4 million or 11% of sales in Q3 fiscal 2023. The year-over-year decrease reflects lower software and licensing costs related to ERP implementation, together with lower staffing costs.

Stock-based compensation expense was \$0.3 million in Q3 fiscal 2024, consistent with Q3 fiscal 2023.

Other expense was \$1.3 million in Q3 fiscal 2024, compared to \$0.3 million in the same period last year. Other expenses included \$1.3 million of advisory fees related to M&A activity in the quarter.

### Nine-Month Results

For the nine months ended March 31, 2024, total operating expenses were \$78.6 million, as compared to \$76.0 million in the same period in fiscal 2023. The year-over-year increase primarily reflects the one-time charge of \$1.3 million for advisory fees related to the bid on Casa Systems' cable business assets. As a percentage of sales, year-to-date operating expenses were 39% as compared to 34% in the same period in fiscal 2023, reflecting the temporary slowdown in VBS segment sales in the first half of fiscal 2024.

Video and Broadband Solutions operating expenses increased to \$54.0 million in the first nine months of fiscal 2024, compared to \$52.0 million in the same period of fiscal 2023. The \$2.0 million increase primarily reflects advisory fees related to M&A activity in the quarter and higher depreciation expense, partially offset by cost reduction initiatives implemented in the fourth quarter of fiscal 2023 in response to the temporary slowdown in sales as customers accelerated programs and concluded inventory work down.

Content Delivery and Storage operating expenses increased slightly to \$21.8 million in the first nine months of 2024, from \$21.5 million in the same period of 2023. The \$0.4 million increase reflects higher sales and increased marketing and general administrative costs, partially offset by lower research and development expenditures.

Telematics operating expenses increased to \$2.7 million in the first nine months of 2024, compared to \$2.5 million in the same period of 2023, primarily reflecting higher research and development expenditures.

Research and development expenses for the first nine months of fiscal 2024 were \$33.1 million, or 16% of sales, compared to \$33.1 million, or 15% of sales in the same period of fiscal 2023. This decrease primarily reflects an increase in capitalized development costs and lower salary and wages, partially offset by increased software and licensing and prototyping costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the first nine months of fiscal 2024 increased to \$43.1 million, or 21% of sales, from \$42.1 million, or 18% of sales in the same period of fiscal 2023. This increase reflects higher costs for prototyping and software and licensing, partially offset by lower expense for salary and wages as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were \$20.8 million, or 10% of sales in the first nine months of fiscal 2024, as compared to \$19.9 million, or 9% of sales in the same period of fiscal 2023. This change primarily reflects increased travel and entertainment costs combined with higher trade show and promotion expenses, partially offset by lower product demo costs, as compared to the same period in fiscal 2023.

General and administrative expenses increased to \$22.3 million, or 11% of sales in the first nine months of fiscal 2024, as compared to \$21.5 million, or 9% of sales in the first nine months of fiscal 2023.

Stock-based compensation expense was \$0.8 million in the first nine months of fiscal 2024, compared to \$1.2 million in the same period of fiscal 2023.

Other expense was \$1.6 million in the first nine months of fiscal 2024, compared to \$0.3 million in the same period of fiscal 2023. Other expenses included \$1.3 million of advisory fees related to M&A activity in the quarter.

## Operating Income (Loss)

Segment	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Video and Broadband Solutions	\$ 11,147	\$ 7,101	\$ 17,266	\$ 30,245
Content Delivery and Storage	(1,321)	(1,116)	(418)	(2,925)
Telematics	255	153	581	563
<b>Total operating income</b>	<b>\$ 10,081</b>	<b>\$ 6,138</b>	<b>\$ 17,429</b>	<b>\$ 27,883</b>

### Three-Month Results

Operating income increased 64% to \$10.1 million in Q3 fiscal 2024, from \$6.1 million in the prior-year period. The \$4.0 million increase was primarily due to higher VBS sales and an overall stronger gross margin percentage, as compared to the same period in fiscal 2023.

The Video and Broadband Solutions segment grew third quarter operating income to \$11.1 million, a 57% increase from \$7.1 million in Q3 fiscal 2023. The improved result primarily reflects higher VBS sales and a stronger gross margin percentage as compared to the same period in fiscal 2023.

Content Delivery and Storage recorded an operating loss of \$1.3 million in the third quarter, as compared to an operating loss of \$1.1 million in the same period of fiscal 2023. The year-over-year change primarily reflects lower segment sales, partially offset by higher-margin service revenue.

Telematics operating income increased to \$0.3 million in Q3 fiscal 2024, from \$0.2 million in the same period of fiscal 2023, primarily due to higher sales.

Finance expense increased to \$1.6 million in Q3 fiscal 2024, from \$0.7 million in Q3 fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange loss for the third quarter was \$1.2 million, compared to a foreign exchange gain of \$0.2 million in the same period of fiscal 2023. Foreign exchange losses resulted from the impact of a weakening Canadian dollar on translation of monetary liabilities.

Income tax expense was \$1.5 million in Q3 fiscal 2024, compared to \$1.1 million in Q3 fiscal 2023, reflecting higher net income before taxes.

Net income for Q3 fiscal 2024 increased to \$5.8 million or \$0.24 per share, from \$4.5 million or \$0.18 per share in Q3 fiscal 2023.

Other comprehensive income increased to \$1.4 million in Q3 fiscal 2024, from other comprehensive income of \$0.1 million in the same period in fiscal 2023.

Comprehensive income increased to \$7.2 million, from \$4.3 million in Q3 fiscal 2023. The year-over-year increase was a result of the changes described above.

#### *Nine-Month Results*

Operating income decreased to \$17.4 million in the first nine months of fiscal 2024, from operating income of \$27.9 million in the same period of fiscal 2023. This was primarily due to lower year-to-date VBS segment sales, partially offset by higher year-to-date CDS sales, together with improved gross margin percentages across all segments.

The Video and Broadband Solutions segment generated operating income of \$17.3 million in the first nine months of fiscal 2024, lower than the \$30.2 million generated in the same period of fiscal 2023. The \$12.9 million decrease primarily reflects the temporary slowdown in Entra product orders during the first half of fiscal 2024 as customers worked through existing inventories built up during the supply chain challenges of the previous year.

Content Delivery and Storage recorded an operating loss of \$0.4 million in the first nine months of fiscal 2024, as compared to an operating loss of \$2.9 million in the same period of fiscal 2023. The \$2.5 million year-over-year improvement primarily reflects increased sales and margins.

Telematics operating income was \$0.6 million in the first nine months of fiscal 2024, consistent with the same period of fiscal 2023.

Finance expense increased to \$3.9 million in the first nine months of fiscal 2024, from \$1.5 million in the same period of fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange gain was \$0.1 million in the first nine months of fiscal 2024, compared to a gain of \$1.4 million in the same period of fiscal 2023. Foreign exchange gains were lower year-over-year due to a weakening Canadian dollar negatively impacting monetary liabilities.

Income tax expense was \$2.4 million in the first nine months of fiscal 2024, compared to \$5.7 million in the same period of fiscal 2023.

Net income for the first nine months of fiscal 2024 decreased to \$12.3 million or \$0.46 per share, from \$22.1 million or \$0.94 per share in the first nine months of fiscal 2023.

Other comprehensive income was \$1.2 million in the first nine months of fiscal 2024, compared to \$1.8 million in the prior-year period.

Comprehensive income for the first nine months of fiscal 2024 declined to \$12.3 million, from \$23.9 million in the same period of fiscal 2023. The year-over-year decrease was the result of the changes described above.

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

#### ***Operating Activities***

For the three months ended March 31, 2024, cash flow used in operating activities was \$28.6 million, compared to cash flow provided by operations of \$3.8 million in the prior-year period. The \$32.5 million increase in cash used in operations reflects a \$35.6 million decrease in cash flow from non-cash working capital, partially offset by a \$3.1 million increase in operating cash flow.

For the nine months ended March 31, 2024, cash flow used in operating activities was \$33.4 million, compared to \$15.6 million for the same period in fiscal 2023. The \$17.8 million increase in cash used in operations reflects a \$22.8 million decrease in operating cash flow resulting from lower sales and higher income taxes paid, partially offset by a \$5.0 million increase in cash flow from non-cash working capital.

### **Investing Activities**

For the three months ended March 31, 2024, cash flow used in investing activities increased to \$7.2 million, from \$7.4 million in the same period last year. This increase reflects deferred development expenditures of \$6.5 million (Q3 fiscal 2023 - \$6.4 million) and the purchase of property, plant and equipment of \$0.7 million (Q3 fiscal 2022 - \$1.1 million).

For the nine months ended March 31, 2024, cash flow used in investing activities increased to \$22.0 million, from \$19.5 million in the same period last year. This increase reflects deferred development expenditures of \$19.8 million (fiscal 2023 - \$17.2 million) and the purchase of property, plant and equipment of \$2.1 million (fiscal 2024 - \$2.3 million).

### **Financing Activities**

For the three months ended March 31, 2024, we repaid \$0.5 million of our long-term debt (Q3 fiscal 2023 - \$0.3 million repaid), paid withholding taxes on PSUs of \$nil (Q3 fiscal 2023 - \$0.1 million), repaid lease liabilities of \$0.4 million (Q3 fiscal 2023 - \$0.5 million), paid dividends of \$1.3 million (Q3 fiscal 2023 - \$1.3 million), received proceeds of \$0.01 million from the exercise of stock options (Q3 fiscal 2023 - \$0.5 million) and had net draws from our revolving line of credit of \$37.6 million (Q3 fiscal 2023 - \$4.9 million drawn).

For the nine months ended March 31, 2024, we had no share offerings (fiscal 2023 - \$15.9 million), we repaid \$1.1 million of our long-term debt (fiscal 2023 - \$0.4 million repaid), received proceeds from exercised options of \$0.1 million (fiscal 2023 - \$0.50 million), paid withholding taxes on PSUs of \$nil (fiscal 2023 - \$1.5 million), repaid lease liabilities of \$1.3 million (fiscal 2023 - \$1.3 million), paid dividends of \$4.0 million (fiscal 2023 - \$3.9 million) and had draws from our revolving line of credit of \$61.2 million (fiscal 2023 - \$16.3 million).

## **8. Liquidity and Capital Resources**

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

During the three months ended March 31, 2024, the Company increased its authorized line of credit to \$95,000 from \$85,000 (June 30, 2023 - \$55,000) in the second quarter of fiscal 2024 of which \$81,712 was drawn on as of March 31, 2024 (June 30, 2023 - \$20,513). The increase is temporary with the limit returning to \$85,000 as at June 30, 2024. 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 \$55,000). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at March 31, 2024 was 7.20% (June 30, 2023 - 6.95%). As at March 31, 2024, the Company had no outstanding letters of credit (June 30, 2023 - \$15,907) with its suppliers. As at March 31, 2024, we also had a term loan of \$12.0 million (June 30, 2023 - \$12.2 million), an insurance financing loan of \$0.6 million (June 30, 2023 - \$0.4 million), and an outstanding credit line of \$0.9 million (June 30, 2023 - \$1.1 million).

Capital expenditures in the first nine months of fiscal 2024 were \$2.1 million, compared to \$2.3 million in the same period last year.

### **Working Capital**

Working capital represents current assets less current liabilities. Our working capital increased to \$82.1 million at March 31, 2024, from \$83.7 million at June 30, 2023. 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 increased to \$88.7 million at March 31, 2024, from \$57.7 million at June 30, 2023. The increase reflects higher VBS segment sales and the timing of customer payments.

Inventories increased by \$42.6 million to \$144.2 million at March 31, 2024, from \$101.6 million as at June 30, 2023. The increase represents the buildup of inventory related to the anticipated ramp-up of sales and demand for new product inventory through the balance of fiscal 2024. Finished goods inventories were \$37.2 million at March 31, 2024, compared to \$55.3 million at June 30, 2023. Raw material inventory increased to \$94.9 million at March 31, 2024, from \$41.2 million at June 30, 2023. Work-in-progress inventories increased to \$12.0 million as at March 31, 2024, from \$5.1 million at June 30, 2023. 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 \$7.9 million at March 31, 2024 (June 30, 2023 - \$13.7 million). This primarily reflects the return of payments made to contract manufacturing suppliers for raw material inventories purchased and received related to forecast commitments.

Investment tax credits were \$25.3 million at March 31, 2024, compared to \$24.3 million at June 30, 2023. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to \$58.8 million at March 31, 2024, from \$47.2 million at June 30, 2023. The increase is primarily due to the purchase of inventory to fulfill orders in the second half of fiscal 2024.

Financial liabilities, including the current portion, was \$2.4 million at March 31, 2024, as compared to \$nil as at June 30, 2023, reflecting the warrant agreement executed with a customer in the first quarter.

Long-term debt, including the current portion and lease liabilities, was \$15.5 million at March 31, 2024, as compared to \$16.4 million at June 30, 2023.

## Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 19, 2023	\$0.055	October 13, 2023	November 6, 2023
November 7, 2023	\$0.055	November 24, 2023	December 18, 2023
February 12, 2024	\$0.055	February 23, 2024	March 18, 2024
May 13, 2024	\$0.055	May 24, 2024	June 17, 2024

## Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at March 31, 2024 were \$2.0 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at March 31, 2024, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is \$1.2 million; due between two-to-five years is \$1.0 million; and thereafter is \$0.2 million.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at March 31, 2024, the contractual obligation, based on forecasted commitments, is estimated to be \$nil (June 30, 2023 - \$6.9 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 March 31, 2024, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.354 from \$1.326 as at June 30, 2023. This \$0.03 exchange difference increased the value of our \$9.5 million U.S. dollar net assets by approximately \$0.3 million Canadian.



## Financial Instruments

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

As at March 31, 2024, the Company did not have any forward contracts (June 30, 2023 - \$581 - asset position).

## 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

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. Total lease payments, including interest, in the third quarter of fiscal 2024 were \$0.05 million. There were no other related party transactions in Q2 fiscal 2024.

## 11. Proposed Transactions

We have accepted an offer for the sale of our office building located at 771 Vanalman Avenue, Victoria, BC for \$3.95 million. The offer is subject to standard closing conditions and a condition that the parties are able to negotiate a lease agreement permitting Vecima to lease one floor of the building upon sale closing. If the closing conditions are satisfied, the sale is expected to close in June 2024.

On April 3, 2024, the Company announced it has placed a “stalking horse” bid to acquire certain Cable Business assets of Casa Systems, Inc. (“Casa”) and certain of Casa’s subsidiaries for a purchase price of USD \$20 million. Casa and certain US subsidiaries are debtors in chapter 11 cases pending in the US Bankruptcy Court for the District of Delaware. For the three and nine months ended March 31, 2024, the Company incurred \$1,360 in advisory fees related to this potential acquisition. On May 2, 2024, the Bankruptcy Court approved the Company as the “stalking horse” bidder. The transaction is subject to other bids, if any, for the Cable Business assets at an auction subject to the final approval of the Bankruptcy Court, and other customary closing conditions. If Vecima is the final successful bidder (which may be at a price above the initial USD \$20 million bid), closing is expected to take place in June 2024.

The Company continually reviews potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value. At the current time, there are no reportable proposed transactions except as disclosed elsewhere in this MD&A.

## 12. Critical Accounting Estimates

See our 2023 annual MD&A and our 2023 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 2024:

#### Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)

On February 12 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The adoption of this amendment did not have a material impact on our financial statements.

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

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The adoption of this amendment did not have a material impact on our financial statements.

#### ***Accounting standard amendments issued but not yet applied***

The following amended standard and interpretation issued by the IASB is effective after our December 31, 2023 quarter-end date and have not yet been adopted by us:

#### 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 amendments become effective for annual reporting periods beginning on or after January 1, 2024.

We are assessing the impact, if any, of this amendment, which is not yet effective, will have on our condensed consolidated interim financial statements.

## **14. Disclosure Controls and Procedures**

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at March 31, 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, 2023 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at December 31, 2023. There has been no change in the internal controls over financial reporting that occurred during the period beginning on January 1, 2024 and ended on March 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.

### Third-party Component Supply

We maintain a global sourcing strategy and depend on third-party suppliers for certain components, subcomponents and raw materials used in our products. As an example, several of our products require specific components including silicon chips, for which reliable, high-volume supply is often available only from limited sources and for which we do not have guarantees of supply. While supply chain constraints have eased from the highs of the COVID-19 pandemic, the potential for such components to be in short supply or delayed in reaching us, could potentially result in product shipping delays and increased costs, which in turn, could adversely impact our gross margin and results of operations.

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 May 13, 2024, we had 24,311,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 36,000 common shares, and performance share units outstanding that are exercisable for an additional 380,794 common shares.

On April 25, 2023, 132,218 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was \$1.4 million. We withheld 56,215 common shares at a market value of \$1.3 million to settle withholding tax obligations on the issuance of the common share awards.

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

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

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

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

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 September 30, 2023, 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 cash together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future; lab trials of the Entra vCMTS were initiated with a leading Tier 1 operator in North America in Q3, with field trials expected to begin in the fourth quarter of calendar 2024; with respect to the proposed Casa asset acquisition, if Vecima is the final successful bidder (which may be at a price above the initial USD \$20 million bid), closing is expected to take place in June 2024; our U.S. manufacturing agreement positions us to benefit from the US\$42.5 billion BEAD broadband infrastructure funding program and to meet its Buy America requirements; and with respect to the proposed sale of the office building located at 771 Vanalman Avenue, Victoria, BC, if the closing conditions are satisfied, the sale is expected to close in June 2024. Forward-looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

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





















## 6. ASSETS HELD FOR SALE

The Company classified property, plant and equipment with a carrying value of \$1,405 attributed to its office building located at 771 Vanalman Avenue, Victoria, BC as assets held for sale as at December 31, 2023. In January 2024, the Company accepted an offer to sell the office building for gross proceeds of \$3,950. The offer is subject to standard closing conditions and a condition that the parties are able to negotiate a lease agreement permitting Vecima to lease one floor of the building upon sale closing. If the closing conditions are satisfied, the sale is expected to close in June 2024 and result in an estimated pre-tax gain on disposal of \$2,400.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment	Total
<b>At cost</b>					
At July 1, 2023	\$ 321	\$ 10,257	\$ 26,466	\$ 14,162	\$ 51,206
Additions	–	43	1,810	170	2,023
Disposals	–	–	(293)	(8)	(301)
Reclassification to assets held for sale (Note 6)	–	(2,156)	–	–	(2,156)
Effect of foreign exchange	–	17	190	39	246
<b>At March 31, 2024</b>	<b>\$ 321</b>	<b>\$ 8,161</b>	<b>\$ 28,173</b>	<b>\$ 14,363</b>	<b>\$ 51,018</b>
<b>Accumulated depreciation and amortization</b>					
At July 1, 2023	\$ –	\$ 3,832	\$ 19,433	\$ 12,258	\$ 35,523
Depreciation	–	327	2,182	720	3,229
Disposals	–	–	(142)	(8)	(150)
Reclassification to assets held for sale (Note 6)	–	(751)	–	–	(751)
Effect of foreign exchange	–	13	106	23	142
<b>At March 31, 2024</b>	<b>\$ –</b>	<b>\$ 3,421</b>	<b>\$ 21,579</b>	<b>\$ 12,993</b>	<b>\$ 37,993</b>
<b>Net book value</b>					
June 30, 2023	\$ 321	\$ 6,425	\$ 7,033	\$ 1,904	\$ 15,683
<b>At March 31, 2024</b>	<b>\$ 321</b>	<b>\$ 4,740</b>	<b>\$ 6,594</b>	<b>\$ 1,370</b>	<b>\$ 13,025</b>

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**8. INTANGIBLE ASSETS**

	Indefinite-life intangible assets		Finite-life intangible assets			Total
	Spectrum and other licenses	Customer contracts	Patents	Intellectual property	Deferred development costs	
<b>At cost</b>						
At July 1, 2023	\$ 106	\$ 20,586	\$ 1,070	\$ 11,106	\$ 97,521	\$ 130,389
Additions	–	–	95	–	19,834	19,929
Investment tax credits	–	–	–	–	(1,105)	(1,105)
Writedown, fully amortized	–	–	–	–	(6,727)	(6,727)
Transfer to deferred development costs	–	–	–	(445)	445	–
Effect of foreign exchange	1	285	8	126	537	957
<b>At March 31, 2024</b>	<b>\$ 107</b>	<b>\$ 20,871</b>	<b>\$ 1,173</b>	<b>\$ 10,787</b>	<b>\$ 110,505</b>	<b>\$ 143,443</b>
<b>Accumulated amortization</b>						
At July 1, 2023	\$ –	\$ 12,721	\$ 660	\$ 7,877	\$ 26,140	\$ 47,398
Amortization	–	1,473	89	879	9,919	12,360
Writedown, fully amortized	–	–	–	–	(6,727)	(6,727)
Effect of foreign exchange	–	185	6	111	163	465
<b>At March 31, 2024</b>	<b>\$ –</b>	<b>\$ 14,379</b>	<b>\$ 755</b>	<b>\$ 8,867</b>	<b>\$ 29,495</b>	<b>\$ 53,496</b>
<b>Net book value</b>						
June 30, 2023	\$ 106	\$ 7,865	\$ 410	\$ 3,229	\$ 71,381	\$ 82,991
<b>At March 31, 2024</b>	<b>\$ 107</b>	<b>\$ 6,492</b>	<b>\$ 418</b>	<b>\$ 1,920</b>	<b>\$ 81,010</b>	<b>\$ 89,947</b>

**9. REVOLVING LINE OF CREDIT**

The Company increased its authorized line of credit to \$95,000 from \$85,000 (June 30, 2023 - \$55,000) in the second quarter of fiscal 2024 of which \$81,712 was drawn on as of March 31, 2024 (June 30, 2023 - \$20,513). The increase is temporary with the limit returning to \$85,000 as at June 30, 2024. 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 \$55,000). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at March 31, 2024 was 7.20% (June 30, 2023 - 6.95%). As at March 31, 2024, the Company had no outstanding letters of credit (June 30, 2023 - \$15,907) 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 March 31, 2024, the Company was in compliance with all covenants related to the line of credit.



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**10. LONG-TERM DEBT**

	March 31, 2024	June 30, 2023
Term credit facility	\$ 910	\$ 1,071
Term loan facility	11,997	12,200
Insurance financing	627	364
Lease liabilities	1,955	2,748
	<b>\$ 15,489</b>	<b>\$ 16,383</b>
<b>Comprised of:</b>		
Current portion of term facilities and lease liabilities	\$ 2,504	\$ 2,260
Long-term portion of term facilities and lease liabilities	12,985	14,123
	<b>\$ 15,489</b>	<b>\$ 16,383</b>

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 7.20% (June 30, 2023 - \$21, and 6.95%, respectively), expires in October 2024 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. The facility is repayable in monthly installments of \$51 principal plus interest at Prime of 7.20% (June 30, 2023 – 6.95%), expires in October 2024 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 March 31, 2024:

2024	\$ 1,606
2025	1,151
2026	610
2027	610
2028	610
Thereafter	8,947
	<b>\$ 13,534</b>

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Lease liabilities:

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

At July 1, 2023	\$	2,748
Net additions during the period		400
Interest on lease liabilities		61
Principal repayments of lease liabilities		(1,275)
Effect of foreign exchange		21
<b>At March 31, 2024</b>		<b>1,955</b>
Less: current portion		897
<b>Long-term portion</b>	<b>\$</b>	<b>1,058</b>

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

	March 31, 2024	June 30, 2023
Within one year	\$ 1,202	\$ 1,577
After one year but not more than five years	1,045	1,092
More than five years	227	272
<b>Total contractual lease payments</b>	<b>\$ 2,474</b>	<b>\$ 2,941</b>

## 11. SHARE CAPITAL

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

	Note	Number of Shares	Carrying Value
Balance July 1, 2022		23,101,002	\$ 7,935
Common shares issued		957,880	15,926
Shares issued by exercising options		41,375	502
Performance Share Units settled in common shares		333,398	2,426
Shares withheld for taxes to settle performance share units		(132,061)	(2,792)
<b>Balance, June 30, 2023</b>		<b>24,301,594</b>	<b>23,997</b>
Shares issued by exercising options	13	10,000	120
<b>Balance, March 31, 2024</b>		<b>24,311,594</b>	<b>\$ 24,117</b>

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of \$17.75 per share with total aggregate gross proceeds of \$17,002. Share issuance costs in connection with this share offering amounted to \$1,076, resulting in net proceeds of \$15,926.

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**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
<b>For the three months ended March 31, 2024</b>				
Product sales	\$ 64,305	\$ 4,029	\$ 230	\$ 68,564
Provision of services	3,933	6,174	1,468	11,575
<b>Total sales</b>	<b>\$ 68,238</b>	<b>\$ 10,203</b>	<b>\$ 1,698</b>	<b>\$ 80,139</b>
<b>For the three months ended March 31, 2023</b>				
Product sales	\$ 60,759	\$ 6,165	\$ 322	\$ 67,246
Provision of services	4,068	5,613	1,329	11,010
<b>Total sales</b>	<b>\$ 64,827</b>	<b>\$ 11,778</b>	<b>\$ 1,651</b>	<b>\$ 78,256</b>
<b>For the nine months ended March 31, 2024</b>				
Product sales	\$ 150,265	\$ 19,212	\$ 734	\$ 170,211
Provision of services	11,170	17,949	4,241	33,360
<b>Total sales</b>	<b>\$ 161,435</b>	<b>\$ 37,161</b>	<b>\$ 4,975</b>	<b>\$ 203,571</b>
<b>For the nine months ended March 31, 2023</b>				
Product sales	\$ 176,660	\$ 19,828	\$ 768	\$ 197,256
Provision of services	11,435	15,366	3,858	30,659
<b>Total sales</b>	<b>\$ 188,095</b>	<b>\$ 35,194</b>	<b>\$ 4,626</b>	<b>\$ 227,915</b>

**13. SHARE-BASED COMPENSATION**

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

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
Stock options	\$ 10	\$ 4	\$ 35	\$ 10
Performance share units	262	285	750	1,192
<b>Total share-based compensation</b>	<b>\$ 272</b>	<b>\$ 289</b>	<b>\$ 785</b>	<b>\$ 1,202</b>

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.

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Changes in the stock option plan for the nine months ending are as follows:

<i>(in number of units, except prices)</i>	<b>Number of Options</b>	<b>Weighted average exercise price per option</b>
Outstanding, July 1, 2023	37,312	\$ 13.39
Granted	9,000	17.14
Exercised	(10,000)	9.50
Cancelled	(312)	9.50
<b>Outstanding, March 31, 2024</b>	<b>36,000</b>	<b>\$ 15.44</b>
<b>Vested and exercisable, March 31, 2024</b>	<b>17,063</b>	<b>\$ 12.77</b>

**Performance share units ("PSUs")**

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

During the three and nine months ended March 31, 2024, the Company issued 102,809 and 35,750 PSUs, respectively, to eligible persons under the PSU plan (March 31, 2023 - 78,500 and 373,600 PSUs, respectively). These PSUs have five-year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days. During the three and nine months ended March 31, 2024, there no PSUs which vested (March 31, 2023 - 7,956 and 201,180 PSUs, respectively), which had a fair value of \$nil (March 31, 2023 - \$25 and \$1,039, respectively). Each vested PSU is settled for one common share of the Company. During the three and nine months ended March 31, 2024, the Company withheld nil common shares (March 31, 2023 - 2,405 and 75,846 common shares, respectively), at an aggregate market value of \$nil (March 31, 2023 - \$53 and \$1,506, respectively), to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity. These PSUs have five year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days.

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

	<b>Number of PSUs</b>
PSUs outstanding as at July 1, 2023	242,235
Granted	138,559
<b>PSUs outstanding as at March 31, 2024</b>	<b>380,794</b>

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.

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**14. OTHER EXPENSE**

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
Advisory fees (Note 22)	\$ 1,360	\$ –	\$ 1,360	\$ –
Loss on sale of property, plant and equipment	–	13	19	40
Contract cancellation fees	–	260	267	260
Other expense (income)	(11)	2	(30)	18
<b>Total other expense</b>	<b>\$ 1,349</b>	<b>\$ 275</b>	<b>\$ 1,616</b>	<b>\$ 318</b>

**15. NET INCOME PER SHARE**

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

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
Net income: basic and diluted	\$ 5,800	\$ 4,451	\$ 11,134	\$ 22,102
<b>Weighted average number of shares outstanding:</b>				
Basic	24,311,594	24,201,616	24,306,028	23,545,483
Dilution adjustment for stock options	12,922	25,323	8,802	27,822
<b>Diluted</b>	<b>24,324,516</b>	<b>24,226,939</b>	<b>24,314,830</b>	<b>23,573,305</b>
Net income per share: basic	\$ 0.24	\$ 0.18	\$ 0.46	\$ 0.94
Net income per share: diluted	\$ 0.24	\$ 0.18	\$ 0.46	\$ 0.94

Stock options and warrants could potentially dilute basic net income per share in the future. Dilutive stock options and warrants are calculated using the treasury stock method. For the three months ended March 31, 2024, there were 15,000 dilutive stock options (March 31, 2023 - 55,611) which resulted in a dilution of adjustment of 5,130 (March 31, 2023 - 25,323), with the remaining 21,000 outstanding options (March 31, 2023 - 2,556) being anti-dilutive. For the nine months ended March 31, 2024, there were 15,000 dilutive stock options (March 31, 2023 - 67,300) which resulted in a dilution of adjustment of 7,398 (March 31, 2023 - 27,822), with the remaining 21,000 outstanding options (March 31, 2023 - 5,869) being anti-dilutive. For the three months ended March 31, 2024, there were 361,050 warrants which resulted in a dilution adjustment of 7,792 shares (March 31, 2023 - nil). For the nine months ended March 31, 2024, there were 361,050 warrants which resulted in a dilution adjustment of 341 shares.

**VECIMA NETWORKS INC.****Notes to the Interim Condensed Consolidated Financial Statements****Three and nine months ended March 31, 2024 and 2023***(in thousands of dollars except 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**

<b>For the three months ended March 31, 2024</b>	<b>Video and Broadband Solutions</b>	<b>Content Delivery and Storage</b>	<b>Telematics</b>	<b>Total</b>
Sales	\$ 68,237	\$ 10,204	\$ 1,698	<b>\$ 80,139</b>
Cost of sales	37,891	4,106	546	<b>42,543</b>
<b>Gross profit</b>	<b>30,346</b>	<b>6,098</b>	<b>1,152</b>	<b>37,596</b>
Operating expenses	14,641	6,360	561	<b>21,562</b>
Depreciation and amortization	4,558	1,059	336	<b>5,953</b>
<b>Operating income (loss)</b>	<b>11,147</b>	<b>(1,321)</b>	<b>255</b>	<b>10,081</b>
Finance expense				<b>(1,580)</b>
Foreign exchange loss				<b>(1,159)</b>
Income tax expense				<b>(1,542)</b>
<b>Net income</b>			<b>\$</b>	<b>5,800</b>

<b>For the three months ended March 31, 2023</b>	<b>Video and Broadband Solutions</b>	<b>Content Delivery and Storage</b>	<b>Telematics</b>	<b>Total</b>
Sales	\$ 64,827	\$ 11,778	\$ 1,651	<b>\$ 78,256</b>
Cost of sales	38,101	5,505	577	<b>44,183</b>
<b>Gross profit</b>	<b>26,726</b>	<b>6,273</b>	<b>1,074</b>	<b>34,073</b>
Operating expenses	16,370	5,839	542	<b>22,751</b>
Depreciation and amortization	3,255	1,550	379	<b>5,184</b>
<b>Operating income (loss)</b>	<b>7,101</b>	<b>(1,116)</b>	<b>153</b>	<b>6,138</b>
Finance expense				<b>(738)</b>
Foreign exchange gain				<b>198</b>
Income tax expense				<b>(1,147)</b>
<b>Net income</b>			<b>\$</b>	<b>4,451</b>

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For the nine months ended March 31, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 161,434	\$ 37,162	\$ 4,975	\$ 203,571
Cost of sales	90,132	15,749	1,681	107,562
<b>Gross profit</b>	<b>71,302</b>	<b>21,413</b>	<b>3,294</b>	<b>96,009</b>
Operating expenses	42,392	17,903	1,729	62,024
Depreciation and amortization	11,644	3,928	984	16,556
<b>Operating income (loss)</b>	<b>17,266</b>	<b>(418)</b>	<b>581</b>	<b>17,429</b>
Finance expense				(3,940)
Foreign exchange gain				94
Income tax expense				(2,449)
<b>Net income</b>				<b>\$ 11,134</b>

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

**Geographical region**

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
<b>Sales to external customers:</b>				
United States	\$ 70,570	\$ 69,557	\$ 181,189	\$ 195,554
Canada	5,578	3,158	13,030	12,218
Japan	2,882	2,719	5,264	10,842
Europe	890	1,310	2,862	4,882
Other	219	1,512	1,226	4,419
<b>Total sales</b>	<b>\$ 80,139</b>	<b>\$ 78,256</b>	<b>\$ 203,571</b>	<b>\$ 227,915</b>

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	<b>March 31,</b>	June 30,
	<b>2024</b>	2023
<b>Non-current assets:</b>		
United States	\$ 56,536	\$ 46,938
Canada	104,041	102,954
Japan	613	697
Europe	38	21
Mexico	–	1,154
China	1,169	1,449
<b>Total non-current assets</b>	<b>\$ 162,397</b>	<b>\$ 153,213</b>

**Sales to major customers**

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

Periods ended March 31,	<b>Three months</b>		<b>Nine months</b>	
	<b>2024</b>	2023	<b>2024</b>	2023
Customer A	\$ 47,973	\$ 46,464	\$ 103,522	\$ 117,892
Customer B	5,745	11,681	30,824	32,568
<b>Total sales to major customers</b>	<b>\$ 53,718</b>	<b>\$ 58,145</b>	<b>\$ 134,346</b>	<b>\$ 150,460</b>

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



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**18. FINANCIAL INSTRUMENTS**

Accounts receivable

As at March 31, 2024, the weighted average age of customer accounts receivable was 33 days (June 30, 2023 - 34 days), and the weighted average age of past-due accounts receivable approximated 57 days (June 30, 2023 - 57 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:

	<b>March 31, 2024</b>	June 30, 2023
Current	\$ 81,597	\$ 44,835
31 to 60 days	2,896	9,363
61 to 90 days	1,085	714
Over 90 days	1,943	1,117
<b>Total accounts receivable</b>	<b>\$ 87,521</b>	<b>\$ 56,029</b>

The Company maintains allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The Company has an allowance for doubtful accounts at March 31, 2024 of \$56 (June 30, 2023 - \$10).

Currency exposure

The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. As at March 31, 2024, the Company did not have any forward contracts (June 30, 2023 - \$581 - asset position).

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 of 100,000 vested in the third quarter of fiscal 2024 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 March 31, 2024 was \$2,350 (June 30, 2023 - \$nil). Warrant vesting expense during the three and nine months ended March 31, 2024 of \$710 and \$1,565, respectively, was reflected as a sales incentive and reduction of revenue in the Company's consolidated statements of comprehensive income.

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**19. SUPPLEMENTAL INFORMATION**

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

Depreciation and amortization – operating activities

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
Depreciation of property, plant and equipment	\$ 1,553	\$ 869	\$ 3,229	\$ 2,527
Depreciation of right-of-use assets	308	305	967	965
Amortization of deferred development costs	3,283	3,062	9,919	8,282
Amortization of finite-life intangible assets	809	824	2,441	2,452
<b>Total depreciation and amortization</b>	<b>\$ 5,953</b>	<b>\$ 5,060</b>	<b>\$ 16,556</b>	<b>\$ 14,226</b>

Net change in working capital – operating activities

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
Accounts receivable	\$ (25,526)	\$ (6,507)	\$ (30,458)	\$ (18,285)
Inventories	1,425	(555)	(41,988)	(42,468)
Prepaid expenses	(4,662)	(1,046)	6,007	(9,373)
Income tax receivable	–	569	–	534
Contract assets	(1,124)	(11)	152	(57)
Accounts payable and accrued liabilities	(18,540)	(5,966)	11,062	5,862
Deferred revenue	5,839	6,536	2,268	5,806
<b>Total change in net working capital</b>	<b>\$ (42,588)</b>	<b>\$ (6,980)</b>	<b>\$ (52,957)</b>	<b>\$ (57,981)</b>

Capital expenditures, net – investing activities

Periods ended March 31,	Three months		Nine months	
	2024	2023	2024	2023
<b>Capital expenditures:</b>				
Property, plant and equipment	\$ 687	\$ 1,026	\$ 2,023	\$ 2,265
Intangible assets	37	34	95	46
<b>Total capital expenditures</b>	<b>\$ 724</b>	<b>\$ 1,060</b>	<b>\$ 2,118</b>	<b>\$ 2,311</b>

**20. CONTRACTUAL OBLIGATION**

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. At March 31, 2024, the contractual obligation was \$nil (June 30, 2023 - \$6,860). The contract was cancelled in the fourth quarter of fiscal 2023.

**21. RELATED PARTY TRANSACTIONS**

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 nine months ended March 31, 2024, total lease payments, including interest, were \$47 and \$141, respectively (March 31, 2023 - \$31 and \$83, respectively). There were no other related party transactions in the first nine months of fiscal 2023.

**22. SUBSEQUENT EVENTS**

On February 12, 2024, the Board of Directors declared a dividend of \$0.055 per common share, payable on March 18, 2024 to shareholders of record as at February 23, 2024 consistent with its previously announced dividend policy.

On April 3, 2024, the Company announced it has placed a “stalking horse” bid to acquire certain Cable Business assets of Casa Systems, Inc. (“Casa”) and certain of Casa’s subsidiaries for a purchase price of USD \$20 million. Casa and certain US subsidiaries are debtors in chapter 11 cases pending in the US Bankruptcy Court for the District of Delaware. For the three and nine months ended March 31, 2024, the Company incurred \$1,360 in advisory fees related to this potential acquisition (see Note 14 - Other expense). On May 2, 2024, the Bankruptcy Court approved the Company as the “stalking horse” bidder. The transaction is subject to other bids, if any, for the Cable Business assets at an auction subject to the final approval of the Bankruptcy Court, and other customary closing conditions. If Vecima is the final successful bidder (which may be at a price above the initial USD \$20 million bid), closing is expected to take place in June 2024.