



Quisitive Technology Solutions, Inc.
First Quarter Report March 31, 2023

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarter ended March 31, 2023
(all amounts in thousands of USD unless otherwise stated)

This management discussion and analysis (“MD&A”) of Quisitive Technology Solutions, Inc. (the “Corporation”, “Quisitive”, “we” or “us”) for the quarter ended March 31, 2023, should be read in conjunction with the Corporation’s unaudited condensed consolidated interim financial statements and the notes thereto for the quarter ended March 31, 2022 and the audited consolidated financial statements and the notes thereto for the years ended December 31, 2022 and 2021. We have prepared this MD&A with reference to National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Our consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in thousands of United States dollars unless otherwise indicated.

This MD&A is current as at May 15, 2023, and may include certain “forward-looking statements” and certain “forward-looking information” as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified using forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “plans” or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Corporation to control or predict, that may cause the Corporation’s actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. These statements include, but are not limited to, statements with respect to proposed activities, consolidation strategy and future expenditures. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include, among others the limited history of operations, lack of profitability, availability of financing, the need for additional financing, the timing and amount of expenditures, ability to successfully execute on consolidation strategies, the failure to find economically viable acquisition targets, funding for internally developed technology solutions, client retention and attrition, client demands, reliance on key personnel, economic spending in the IT industry and technological changes in the IT industry. The Corporation undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management’s best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. This MD&A also contains certain industry related non-GAAP and additional GAAP measures that management uses to evaluate performance of the Corporation. These non-GAAP and additional GAAP measures are not standardized, and the Corporation’s calculation may differ from other issuers. See “Definitions — IFRS, Additional GAAP and Non-GAAP Measures”.

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OVERVIEW OF THE CORPORATION AND STRUCTURE

Business Overview General

The Corporation is a premier global Microsoft partner that harnesses Microsoft cloud platforms and complementary technologies, including custom solutions and first-party offerings, to generate transformational impact for midsize and enterprise customers. As Microsoft has entered the public cloud space and expanded their market share, it has transformed the landscape for technology consulting organizations: increasingly, corporations are facing vendor fatigue and require a single technology solutions provider that can address technology needs across all cloud technologies and every segment of their business. The Corporation's Global Cloud Solutions segment has expanded to include services that help enterprises move, operate, and innovate in each of the three Microsoft clouds. Additionally, to accelerate impact for customers, Qusitive has developed first-party IP that applies established methodologies and proprietary solutions to customers' most pressing challenges. The Corporation's Global Payment Solutions segment is centered on its PayiQ product suite and leverages the Microsoft Azure cloud to transform the payment processing industry, unlocking essential 1st party data and making it actionable to enable seamless consumer engagement and customer personalization at scale.

Even before the founding of Qusitive, Qusitive's CEO, Michael Reinhart, and the Qusitive extended leadership and management teams had over 25 years of experience in the Microsoft ecosystem. Qusitive's core foundation is the combination of the deep Microsoft technical expertise and ongoing relationship building with Microsoft as a core partner to build strong joint sales and marketing motions that enable significant lead generation. The Corporation's brand identity together with its senior executive relationships is considered a key pillar to the consolidation and scale partnership development.

To date, Qusitive has acquired five businesses in North America, four in the Global Cloud Solutions segment and one in the Global Payment Solutions segment. This has allowed the Corporation to grow sales capabilities, expand geographic presence, incorporate nearshore and offshore development centers, and facilitate expansion of product and services portfolio for its Global Cloud Solutions segment, and over \$4 billion in annual payment processing for its Global Payment Solutions segment. These acquired businesses provide the Corporation with a complementary suite of products and services capabilities, with the ability to cross-sell and connect its global customer base with a broad set cloud services and solutions.

Global Cloud Solutions Segment

The Corporation's Global Cloud Solutions segment delivers technical cloud and business solutions to help customers achieve their business goals. Through an organic and inorganic growth strategy, Qusitive Cloud Solutions is on a mission to become the leading provider of Microsoft professional services globally. The Corporation harnesses the Microsoft platform and complementary technologies, including custom solutions and first-party offerings, to generate meaningful impact for midsize and enterprise customers. The Corporation's cloud solutions business focuses on helping enterprises move to, operate within, and innovate via modern development in the three Microsoft clouds (Azure, Microsoft 365 and Dynamics 365).

The Global Cloud Solutions segment includes technology services including those addressing infrastructure, data and analytics, security, digital workplace, application development, and business applications services that apply the benefits of technology to solve business needs and help customers meet their goals. As a complement to its cloud solutions services, the Corporation also develops IP and complete first-party business applications to better serve its customers and their business goals. Additionally, the Corporation provides on-going technology service and maintenance through its managed services offerings across security, infrastructure, and Dynamics, that expand on existing customer relationships and create streams of recurring revenue.

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Global Cloud Solutions Segment (Continued)

Aligned to Microsoft's sales and marketing approach for enhanced synergies and increased demand generation, Qusitive goes to market with an industry approach that applies industry acumen with technical expertise to deliver solutions customized to address industry specific challenges.

The consulting organization that supports the Global Cloud Solutions segment is comprised of expert Microsoft technologists, business analysts, and project managers that deliver solutions aligned to business needs. Through acquisition, Qusitive has diversified its delivery model, now providing on-shore, off-shore, and near-shore delivery to combine technical expertise with varied delivery methods that fit customer needs and optimize revenue. With a long history and depth of knowledge in Microsoft products, as well as a commitment to continual learning and achievement of advanced specializations, the Corporation is positioned to provide high quality technical expertise to help achieve its customers' goals.

By committing to its strategic partnership with Microsoft, the Corporation has differentiated itself in the market. The strategic relationship with Microsoft enables aligned sales and marketing motions that drive revenue, but also has established Qusitive as a premier solution provider in the ecosystem, providing enhanced opportunities for acquisition of other Microsoft partners and a reputation as a talent destination for Microsoft technologists. These attributes combine to enable Qusitive to provide full-service technology solutions to meet enterprise customers' diverse needs as a best-in-class technology consulting organization.

Global Payment Solutions Segment

The Corporation's Global Payment Solutions segment is comprised of two key business units: merchant payment processing services and payments intelligence. The payment processing business unit is enabled by the PayiQ platform, which is an innovative cloud-based payment processing and payments intelligence platform that supports solutions that optimize a merchant's payment processing and consumer engagement operations. PayiQ is efficient and scalable, and the only payment processing platform solution leveraging the Microsoft Azure cloud to deliver a full suite of acquiring, issuing, and processing services with unmatched speed, security, and access to customer's data. Qusitive's payments solutions business provides payment processing services to merchants directly and to merchants through integrated software vendors (ISV's) and independent sales organizations (ISOs). The Corporation's flagship product platform, PayiQ, is a cloud-based data insights and payments intelligence suite that enables its second business unit, Payments Intelligence, to turn everyday transaction data into customer loyalty for merchants. As the PayiQ platform progresses towards full commercialization, the platform was recently rebranded from its prior brand identity of LedgerPay.

PayiQ expects to generate revenue through payment processing, consumer data, consumer engagement and consumer activation transaction fees. PayiQ's payments intelligence solution captures and analyzes rich data from every card-based transaction. The capture of first party consumer information during credit and debit transactions enables PayiQ to uniquely share anonymized information about what that card holder purchased. This insight enables the delivery of personalized promotions based on an individual's historic buying behaviors and category preferences to shoppers at the point of purchase in real-time. By seamlessly integrating payments, real time transaction data, AI-based predictive analytics, and targeted push marketing operations in a single cloud-based solution, PayiQ's payments intelligence service will have the potential to increase a merchant's customer engagement, loyalty, and revenue.

BankCard has a seasoned payments industry management team, strong in-house sales team, deep risk management program and attractive recurring revenue model with card-not present volume representing approximately 71%. During the year ended December 31, 2022 BankCard all-in-one merchant payment services segment had volume of \$4.02 billion. The acquisition of BankCard is expected to serve as a growth catalyst for Qusitive's PayiQ payment processing with a focused strategy on migrating BankCard merchants to PayiQ payment processing.

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Structure

As at March 31, 2023, the structure of the Corporation was as follows:

Entity name	Country	Ownership percentage at March 31, 2023	Ownership percentage at December 31, 2022
		%	%
Bankcard USA Merchant Services, Inc	USA	100	100
Corporate Renaissance Group Inc,	Canada	100	100
Ledgerpay, Inc rebranded as PayiQ	USA	80	80
Mazik Global Inc	USA	100	100
Menlo Software India Private Limited	India	100	100
Quisitive Ltd	USA	100	100
Quisitive LLC	USA	100	100
Quisitive Payment Solutions, Inc	USA	100	100

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First quarter results

The following table summarizes condensed results for the three months ending March 31, 2023 and 2022:

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
Revenue	\$ 48,311	\$ 44,928	\$ 3,383	8 %
Cost of Revenue	30,143	27,020	3,123	12 %
Gross Margin	18,168	17,908	260	1 %
Sales and marketing expense	3,849	3,513	336	10 %
General and administrative	7,283	8,013	(730)	(9)%
Development	114	100	14	14 %
Share-based compensation	1,951	422	1,529	362 %
Interest expense	1,639	963	676	70 %
Amortization	4,179	4,270	(91)	(2)%
Earn-out settlement loss	—	72	(72)	(100)%
Acquisition Related Compensation	609	765	(156)	(20)%
Depreciation	469	512	(43)	(8)%
Foreign exchange loss	18	310	(292)	(94)%
Acquisition-related, transaction and other expenses ..	528	362	166	46 %
Other income	(19)	—	(19)	(100)%
Loss Before Income Taxes	(2,452)	(1,394)	(1,058)	76 %
Income tax expense — current	1,360	1,237	123	10 %
Deferred income tax expense (recovery)	(1,225)	(1,181)	(44)	4 %
Net Loss for the Period	<u>\$ (2,587)</u>	<u>\$ (1,450)</u>	<u>\$ (1,137)</u>	<u>78 %</u>

Revenue increased \$3,383 or 8%, to \$48,311 for the three months ended March 31, 2023 from \$44,928 for the three months ended March 31, 2022. This increase was driven by a \$5,320 increase in revenue within the Global Payment Solutions segment offset by a \$(1,937) decrease in the Global Cloud Solutions segment for the quarter ended March 31, 2023 compared to March 31, 2022. The growth in the Global Payment Solution segment was due primarily to increased processing revenue from merchants driven by increased charge volume within the Bankcard portfolio. The decrease in revenue within the Global Cloud Solutions segment was driven by decreased professional services revenue as many customers delayed project start dates out of the quarter ended March 31, 2023.

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The following table summarizes results for the three months ended March 31, 2023 and 2022 on a segmented basis:

	Three months ended					
	March 31, 2023			March 31, 2022		
	Global Cloud Solutions	Global Payment Solutions	Consolidated	Global Cloud Solutions	Global Payment Solutions	Consolidated
Revenue	\$ 31,814	\$16,497	\$ 48,311	\$ 33,751	\$ 11,177	\$ 44,928
Expenses	27,906	13,359	41,265	29,277	9,230	38,507
EBITDA (Adjusted)	3,908	3,138	7,046	4,474	1,947	6,421
All Other Expenses			9,633			7,871
Net loss			<u>\$ (2,587)</u>			<u>\$ (1,450)</u>

Revenue within the Global Cloud Solutions segment decreased \$(1,937) or (6%), to \$31,814 for the quarter months ended March 31, 2023 from \$33,751 for the three months ended March 31, 2022. The decrease was driven by customers pushing start dates out from the first quarter of 2023 to the second quarter of 2023.

Revenue within the Global Payment Solutions segment increased \$5,320 or 48% to \$16,497 for the quarter ended March 31, 2023 from \$11,177 for the quarter ended March 31, 2022. Increased transactions and increased merchant charge volume from organic growth within the Global Payment Segment resulted in increased revenue.

Cost of revenue is comprised of salaries and other personnel related costs, direct subcontractor and other costs associated with delivering the services in the Global Cloud Solutions segment. Cost of revenue in the Global Payment Solutions segment is primarily comprised of residuals payments to sales staff and independent sales agents of the business.

Cost of revenue increased \$3,123, or 12%, to \$30,143 for the quarter ended March 31, 2023 compared to \$27,020 for the quarter ended March 31, 2022. The overall increase was driven by a \$3,798 increase within the Global Payment Solutions segment primarily due to increased residuals expense shared with salespeople associated with increased revenue. The increase within Global Payment Solutions was partially offset by a \$675 decrease in Global Cloud Solutions, consisting of a similar decreases in both personnel related costs and subcontractor costs, offset by an increase in Azure usage costs by the Corporation's customers. Overall gross margin as a percentage of revenue decreased 2% to 38% for the quarter ended March 31, 2023 from 40% for the quarter ended March 31, 2022, due to increased residuals expense within the Global Payment Solutions segment and decreased personnel utilization within the Global Cloud Solutions segment.

Operating expense is comprised of salaries, commissions, other personnel related costs, facilities, bad debt expenses, travel expenses, advertising programs, investor relations and other promotional activities associated with administrating the Corporation and selling and marketing its services.

Sales and marketing expense

The following table summarizes sales and marketing expenses for the quarter ended March 31, 2023 and 2022:

	Quarter Ended March 31,	
	2023	2022
Sales and marketing expense	\$ 3,849	3,513
As a percentage of revenue	8 %	8 %

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Sales and marketing expense consist primarily of salary and personnel related costs including commissions. Additional expenses include digital marketing campaigns, marketing events, travel and efforts on proof of concept. Sales and marketing expense in the first quarter of 2023 versus the first quarter of 2022 remained consistent as a percentage of revenues.

General and administrative expense

The following table summarizes General and administrative expense for the quarter ended March 31, 2023 and 2022:

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
General and administrative expense	\$ 7,283	\$ 8,013
As a percentage of revenue	15 %	18 %

General and administrative expense consist primarily of salary and personnel related costs. Additional expenses include professional fees, insurance, bad debt, occupancy costs and other office related expenses. General and administrative costs were \$7,283 in the first quarter of 2023 compared to \$8,013 in the first quarter of 2022. The decrease in 2023 over the prior year is primarily due to the conversion of various accrued bonuses to share-based compensation during the quarter ended March 31, 2023. Excluding this conversion, general and administrative expense remained relatively consistent between the quarter ended March 31, 2023 and the quarter ended March 31, 2022.

Amortization is attributable to intangible assets, including Microsoft relationship, customer agreements and relationships, brand and software acquired in the Corporation's prior acquisitions as well as website and capitalized software development costs. Intangibles assets with a finite life are amortized to income over their useful life. Amortization decreased \$(91) to \$4,179 for the quarter ended March 31, 2023 compared to \$4,270 for the quarter ended March 31, 2022 as some assets have begun to be fully amortized.

Interest expense on borrowings during the quarter ended March 31, 2023 was \$1,530. Interest expense has increased due to rising interest rates despite a slightly reduced borrowing base. Overall interest expense during the quarter ended March 31, 2023 was \$1,639 (March 31, 2022 - \$963).

Share-based compensation is the value ascribed to the granting of stock incentives to employees and directors of the Corporation. Share-based compensation can encompass stock options, restricted stock units, performance based stock units and stock appreciation rights. Share-based compensation for the quarter ended March 31, 2023 was \$1,951 compared with \$422 for the quarter ended March 31, 2022. Share-based compensation for the quarter ended March 31, 2023 includes the previously mentioned expenses related to the conversion of various accrued bonuses to share-based compensation.

Depreciation expense for the quarter ended March 31, 2023 was \$469 compared to \$512 for the quarter ended March 31, 2022. The decrease in 2023 is primarily due to a reduction in leasehold improvements relating to expiring lease locations.

Acquisition-related, transaction and other expenses include all one-off expenses associated with ongoing transaction and acquisition activity. They are comprised of legal, accounting, valuation, taxation and other consulting expenses incurred directly related to corporate transactions including acquisitions. Transaction related expenses for the quarter ended March 31, 2023 were \$528, an increase from \$362 for the quarter ended March 31, 2022. The Corporation continues to pursue its acquisition strategy and will continue to incur acquisition-related transaction costs.

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The Corporation made no adjustments to acquisition earnout expectations for the quarter ended March 31, 2023. As a result, there were no earnout settlement losses incurred for the quarter ended March 31, 2023 compared with \$72 for the quarter ended March 31, 2022.

Acquisition-related compensation of \$609 was incurred in the three months ended March 31, 2023 (March 31, 2022 - \$765) to reflect the current expectation of earn-out obligations classified as compensation rather than purchase consideration from the Catapult and Mazik acquisitions

Q1 2023 Adjusted EBITDA reconciliation

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (2,587)	\$ (1,450)
Income tax recovery	139	56
Acquisition-related, transaction and other expenses	534	362
Foreign exchange loss (gain)	18	310
Depreciation	469	512
Acquisition-related compensation	609	765
Amortization	4,179	4,270
Interest	1,639	963
Share-based compensation	1,951	422
Development	114	100
Earn-out settlement loss	—	72
Other	(19)	39
Adjusted EBITDA	<u>\$ 7,046</u>	<u>\$ 6,421</u>
Adjusted EBITDA as a percentage of revenue	15 %	14 %

Adjusted EBITDA for the quarter ended March 31, 2023 was \$7,046 or 15% of revenue, compared to \$6,421 or 14% of revenue, for the quarter ended March 31, 2022. The Global Cloud Solutions segment contributed \$3,908 of Adjusted EBITDA for the quarter ended March 31, 2023. The Global Payment Solutions segment delivered \$3,138 of Adjusted EBITDA for the quarter ended March 31, 2023. The Corporation will continue to incur increased selling and general and administrative costs related to the PayiQ entity which is in pre-production. The Corporation expects to begin payment processing activities in 2023.

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Quarterly Operating Results

Selected financial information for each of the most recently completed quarters of Quisitive are as follows:

	Quarter ended	Revenue (\$)	Gross Margin (\$)	Net income (loss) (\$)	Income (Loss) per share (\$)	Income (Loss) per fully diluted share (\$)	Adjusted EBITDA (\$)
Q1 2023	31-Mar-23	48,311	18,168	(2,587)	(0.01)	(0.01)	7,046
Q4 2022	31-Dec-22	45,901	18,998	(5,107)	(0.01)	(0.01)	8,071
Q3 2022	30-Sep-22	48,814	20,238	(2,141)	(0.01)	(0.01)	7,597
Q2 2022	30-Jun-22	47,619	19,322	(580)	(0.00)	(0.00)	6,854
Q1 2022	31-Mar-22	44,928	17,908	(1,450)	(0.00)	(0.00)	6,421
Q4 2021	31-Dec-21	33,295	13,074	(8,889)	(0.03)	(0.03)	4,521
Q3 2021	30-Sep-21	27,761	10,854	(3,032)	(0.01)	(0.01)	5,166
Q2 2021	30-Jun-21	22,994	8,299	(2,933)	(0.01)	(0.01)	3,619
Q1 2021	31-Mar-21	12,628	4,290	(1,949)	(0.01)	(0.01)	1,166
Q4 2020	31-Dec-20	13,073	5,424	1,998	0.01	0.01	2,203
Q3 2020	30-Sep-20	12,680	5,092	(1,843)	(0.01)	(0.01)	2,049
Q2 2020	30-Jun-20	13,125	5,641	(5,753)	(0.05)	(0.05)	2,768
Q1 2020	31-Mar-20	10,886	4,037	(4,310)	(0.04)	(0.04)	1,103

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the condensed unaudited consolidated interim statements of financial position as at March 31, 2023 and December 31, 2022 are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Working capital deficit	\$ (6,906)	\$ (5,208)

The Corporation had a working capital deficit at March 31, 2023 of \$(6,906) compared to \$(5,208) at December 31, 2022, which reflects a decrease in cash on hand, an increase in income taxes payable due to the timing of required tax payments, and an increase in accounts payable offset by an increase in accounts receivable with customers due to greater monthly billing in March 2023 compared to December 2022, a decrease in deferred revenue due to the timing of recurring billing and an increase in prepaid expenses. The Corporation has the contractual right, and in some cases a contractual obligation, to settle approximately half of the earn-out payments with shares of the Corporation rather than cash.

BMO Loan agreement and repayment of previous loan facilities

On August 3, 2022, the Corporation amended and restated its existing 2021 BMO Loan Agreement (defined below) with a new credit agreement (the "BMO Loan Agreement"), with a syndicate led by Bank of Montreal ("BMO"). The Corporation concluded that the amendment of the 2021 BMO Loan Agreement should be accounted for as a debt modification based on the guidance in IFRS 9. The BMO Loan Agreement provides for a term loan of \$75,554 (the "Term Loan"), an additional term loan of \$9,500 (the "Earn-Out Loan") and a revolving loan facility of up to \$5,000 (the "Revolving Facility"). The Corporation ultimately borrowed \$7,500 of the Earn-Out Loan. All debts, liabilities, and obligations of the Corporation and guarantors under the BMO Loan Agreement are collaterally secured by a first ranking security interest in all of the present and future undertaking, property and assets of the Corporation and its material subsidiaries. The proceeds from the

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Revolving Facility are expected to be used by the Corporation to fund working capital requirements in the ordinary course. The Term Loan, Earn-Out Loan and Revolving Facility are available by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, Canadian dollar CDOR loans and SOFR loans in either US or Canadian dollars. The BMO Loan Agreement has an accordion feature by which the Corporation may request increases in principal under the Term Loan up to a maximum amount of \$10,500. The maturity date of the facility is August 27, 2026.

Interest on the Term Loan, the Earn-Out Loan and the Revolving Facility is payable based on a price grid which ranges, depending on the Corporation's total senior debt to EBITDA ratio. The rates range on Canadian prime rate advances or U.S. Base Rate advances from .25% to 2.50%, CDOR advances or SOFR advances from 1.75% to 4.0% and a standby fee ranging from .35% to .60%.

On March 31, 2023, the Corporation amended the BMO Loan Agreement to reduce the minimum fixed charge coverage ratio covenant, as defined therein, from 1.25:1.00 to 1.10:1.00 through December 31, 2023. The minimum fixed charge coverage ratio will return to 1.25:1.00 for the quarter ending March 31, 2024. As part of the amendment, additional financing costs were capitalized and will be expensed over the life of the loan.

The total of capitalized financing costs equals \$1,372 at March 31, 2023, (December 31, 2022 - \$1,287). The Term Loan amortizes over ten years and advances under the Term Loan are repayable currently in equal quarterly installments over the loan term with a final payment of any amounts then outstanding due at maturity. The Earn-Out Loan amortizes over five years and advances under the Earn-Out Loan are repayable currently in equal quarterly installments over the loan term with a final payment of any amounts then outstanding due at maturity.

The BMO Loan Agreement contains standard compliance requirements as well as ongoing debt service and coverage covenants. The Corporation was in compliance with all covenants on March 31, 2023, however there can be no assurances that compliance will be achieved throughout the remaining term of the agreement.

Interest expense on the BMO Loan Agreement during the quarter ended March 31, 2023 was \$1,530 (March 31, 2022 - \$810).

Sources and Uses of Cash

	Quarter ended March 31,	
	2023	2022
Cash provided by operating activities	\$ 2,283	\$ —
Cash used in investing activities	(1,663)	(877)
Cash used by financing activities	(4,101)	(3,155)
Net decrease in cash	<u>\$ (3,481)</u>	<u>\$ (4,032)</u>

The net decrease in cash as of March 31, 2023 is primarily attributable to repayments on the BMO Loan Agreement, interest payments, increased investments in software development (primarily on the PayiQ platform) which were partially offset by cash provided by operating activities.

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TRANSACTIONS WITH RELATED PARTIES

The Corporation's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the quarter ended March 31, 2023 and 2022 were as follows:

	Quarter ended March 31,	
	2023	2022
Salaries and short term benefits	\$ 305	\$ 278
Share Based Compensation	\$ 1,055	\$ 83

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Quisitive has leased several office facilities under separate non-cancelable operating leases which are capitalized under IFRS16.

Future minimum cash payments required under the property leases held by the Corporation are as follows:

2023	\$ 1,080
2024	1,196
2025	652
2026	261
2027+	771
Total	<u>3,960</u>
Discounting	(410)
Total Liability at March 31, 2023	<u>\$ 3,550</u>

In addition, the Corporation has the following contractual obligations with payments set out below:

	under 3 months	3 months-1 year	1-2 years	3-5 years
A/P and accrued liabilities	\$ 16,517	\$ 1,838	\$ —	\$ —
Income taxes payable	—	4,023	—	—
Contingent consideration	—	11,150	—	—
Loan agreement	—	9,628	19,255	45,793
Total	<u>\$ 16,517</u>	<u>\$ 26,639</u>	<u>\$ 19,255</u>	<u>\$ 45,793</u>

OUTSTANDING SHARE CAPITAL

At March 31, 2023, there were 369,959,811 Common Shares issued and outstanding,

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no material undisclosed off balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

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FINANCIAL INSTRUMENTS

The carrying values of the cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and operating line of credit approximate their fair values due to their short term to maturity. The carrying value of the notes payable, Menlo acquisition loan, purchase price notes and bank term loan approximate fair value as they were at market rates of interest.

The Corporation has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major US and Canadian financial institutions and the Corporation's concentration of credit risk for cash and maximum exposure thereto is \$5,927 (December 31, 2022 — \$9,408).

With respect to its accounts receivable, the Corporation assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Corporation's credit risk with respect to trade accounts receivable and maximum exposure thereto is \$27,911 (December 31, 2022 — \$25,609). Accounts receivable are shown net of provision of credit losses of \$(646) (December 31, 2022 — \$1,045).

	<u>under 30</u>	<u>30-60 days</u>	<u>over 60 days</u>	<u>Total</u>
Trade and processing accounts receivable aging	\$ 17,017	\$ 6,681	\$ 4,860	\$ 28,557

The Corporation has no customers that constitute greater than 10% at March 31, 2023 or at December 31, 2022.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At March 31, 2023, the Corporation has \$5,927 (December 31, 2022 — \$9,408) of unrestricted cash and liabilities with the following due dates at their carrying values:

	<u>under 3 months</u>	<u>3 months-1 year</u>	<u>1-2 years</u>	<u>3-5 years</u>
A/P and accrued liabilities	\$ 16,517	1,838	\$ —	\$ —
Income taxes payable		4,023		
Contingent consideration		11,150		
Loan agreement		9,628	19,255	45,793
Total	<u>\$ 16,517</u>	<u>\$ 26,639</u>	<u>\$ 19,255</u>	<u>\$ 45,793</u>

The Corporation manages its liquidity risk by relying upon its revenues.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

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(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Term Loan. Quarterly interest payments are based on a price grid which ranges, depending on the Corporation's total senior debt to EBITDA ratio. The rates range on Canadian prime rate advance or U.S. Base Rate advance from .25% to 2.5%; CDOR advance, SOFR advance from 1.75% to 4.0% and a standby fee ranging from .35% to .60%. A 1% change in the interest rate would lead to +/- \$747 change in interest over 1 year.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Corporation's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Corporation are not denominated in its functional currency. The Corporation does not manage currency risk through hedging or other currency management tools.

As at March 31, 2023 and December 31, 2022, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	CAD\$	CAD\$
Cash	\$ 629	\$ 574
Accounts receivable	2,649	2,251
Accounts payable and accrued liabilities	(512)	(602)
	<u>\$ 2,766</u>	<u>\$ 2,223</u>
United States dollar equivalent	<u>\$ 2,044</u>	<u>\$ 1,641</u>

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Corporation is not exposed to other price risk.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated annual financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Corporation reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Significant accounting policies and estimates under IFRS are found in Note 2 of the Corporation's consolidated annual financial statements and the notes thereto for the years ended December 31, 2022 and 2021.

ACCOUNTING STANDARDS ISSUED ADOPTED DURING THE PERIOD

For the preparation of these condensed consolidated interim financial statements, there were no new standards or amendments to standards adopted in 2023 that had a material impact on the Corporation.

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RISK FACTORS

The following risk factors should not be exhaustive and may not be all the risks that Qusitive may face. Management of the Corporation believes that these factors set out below could cause actual results to be different from expected and historical results. In addition to the risks noted below, risks related to Financial Instruments as set forth in this MD&A, and those risk factors described in Qusitive's annual information form dated June 23, 2022 which is available on SEDAR, special consideration should be given when evaluating trends, risk and uncertainties relating to Qusitive's business.

Profitability

There is no assurance that Qusitive or any of its Subsidiaries will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Qusitive's business development and marketing activities. If Qusitive does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Availability of Financing

The ability of Qusitive to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Qusitive and its Subsidiaries. There can be no assurance that Qusitive will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Qusitive. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Qusitive may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a Qusitive Subsidiary or proposed acquisition target, in a manner similar to the arrangements comprising the Qusitive Employment Incentives or as otherwise may be determined by the Board of the Corporation from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders in one or more operating subsidiaries of Qusitive.

If adequate funds are not available, or are not available on acceptable terms, Qusitive and Qusitive Subsidiaries may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Changes in the IT Industry

The IT industry is characterized by rapid technological innovation, changing client needs, evolving industry standards and frequent introductions of new products, product enhancements, services and distribution methods. The success of Qusitive depends on its ability to develop expertise with these new products, product enhancements, and services and to implement IT consulting and professional services, technology integration and managed services that anticipate and respond to rapid and continuing changes in technology, industry dynamics and client needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products/services or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such services could have a material adverse effect on net sales, if Qusitive fails to adapt to such changes in a timely manner.

As client requirements evolve and competitive pressures increase, Qusitive will likely be required to modify, enhance, reposition or introduce new IT solutions and service offerings.

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Qusitive may experience difficulties that could delay or prevent the successful development, introduction and marketing of services and solutions that respond to technological changes or evolving industry standards or fail to develop services and solutions that adequately meet the requirements of the marketplace or achieve market acceptance. Qusitive may not be successful in doing so in a timely, cost effective and appropriately responsive manner, or at all, which could adversely affect its competitive position and financial condition. All of these factors make it difficult to predict future operating results, which may impair Qusitive's ability to manage its business and its investors' ability to assess Qusitive's prospects.

Client Retention / Attrition

Once Qusitive's solutions and methodologies are deployed within its clients' IT infrastructure environments, the clients rely on Qusitive's support services to resolve any related issues. A high level of client support and service is important for the successful marketing and sale of the services and solutions of Qusitive. If Qusitive does not help its clients quickly resolve post deployment issues and provide effective ongoing support, Qusitive's ability to sell its IT solutions to existing clients would suffer and its reputation with prospective clients could be harmed.

Information Systems

Qusitive's information systems will be internally developed. They will contain external applications that are linked to the proprietary core. There are continued risks when various departments in Qusitive operate on different systems and Qusitive must rely on developed interfaces between these systems. There can be no assurance that these systems will continue to expand to meet the needs of the growth of Qusitive or that the interfaces will be robust enough as Qusitive grows.

Client Demand

Qusitive plans to significantly expand the number of clients it serves and the diversity of its client base thereby increasing revenues. Qusitive continuously strives to identify and provide additional products and services that appeal to existing clients in an effort to increase its revenues. Qusitive's ability to attract new clients, as well as increase revenues from existing clients, is dependent on a number of factors including but not limited to offering high quality products and services at competitive prices, the strength of its competitors and the abilities of its sales and marketing teams. The failure of Qusitive to attract new clients or to obtain new business from existing clients may mean that Qusitive will not increase its revenues as quickly as is anticipated, if at all.

Attracting and Retaining Clients

Once Qusitive's solutions and methodologies are deployed within its client's environments, such clients will be reliant on Qusitive's support services to resolve any issues with such solutions and methodologies. A high level of support and service is important for the successful marketing and sale of Qusitive's services and solutions. Failure to help its clients quickly to resolve post deployment issues and provide effective ongoing support may adversely affect Qusitive's reputation with prospective clients and its ability to sell its solutions to existing clients.

Economic Conditions

Qusitive will be sensitive to the spending patterns of its clients, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. As all components of Qusitive's budgeting and forecasting will be dependent upon estimates of growth in the markets that Qusitive will serve and economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders. Hence, economic factors could have an effect on Qusitive's business.

Qusitive's client base is predominantly in North America, and to the extent that capital investment in IT either declines or increases, Qusitive may be affected.

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Ability to Successfully Execute Strategies

If Qusitive fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Qusitive has identified. Qusitive's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Qusitive must:

(i) continue to attract and retain clients; (ii) hire, train and retain quality employees; and (iii) evolve Qusitive's business to gain advantages in a competitive environment.

Acquisitions

Qusitive intends to acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that Qusitive can complete any acquisition it pursues on favorable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. Furthermore, the potential funding of any such future acquisitions could require diversion of revenue or securing of debt or equity financings by Qusitive which could, in turn, result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of Qusitive to successfully manage this strategy could have a material adverse effect on Qusitive's business, results of operations and financial condition.

Seasonality of the Business

Qusitive's sales are subject to seasonal variations that may cause significant fluctuations in operating results.

Sale Cycle

The timing of Qusitive's revenues may be difficult to predict. Clients typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. Qusitive will spend substantial time, effort and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

Reliance on Key Personnel

Qusitive is, and Qusitive will be, substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the business of Qusitive. If Qusitive cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, Qusitive's ability to develop and manage its business will be impaired.

Management of Growth

Qusitive may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Qusitive to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Qusitive to deal with this growth may have a material adverse effect on Qusitive's consolidated business, financial condition, results of operations and prospects

Regulatory Risks

The activities of Qusitive or any of its Subsidiaries may become subject to regulation by governmental authorities, in jurisdictions where such companies may exist or conduct its business. Qusitive cannot predict the regulations it may be required to comply with, or the time required to secure all appropriate regulatory approvals, or the extent of information and documentation that may be required by governmental authorities.

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Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the consolidated business, results of operations and financial condition of Qusitive.

Qusitive and its Subsidiaries may incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of Qusitive's consolidated operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Qusitive's consolidated operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the consolidated business, results of operations and financial condition of Qusitive.

Changes in Laws, Regulations and Guidelines

While to the knowledge of management, Qusitive and its Subsidiaries are currently in compliance with all laws, any changes to laws, regulations, guidelines and policies due to matters beyond the control of Qusitive may cause adverse effects to its operations.

Reliance on Computer Systems

Qusitive's information technology and internal infrastructure is susceptible to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Significant disruption to the availability of information technology and internal infrastructure could cause delays in research and development work. Qusitive would incur liability and development of product candidates would be delayed if any disruption or security breach were to result in a loss of, or damage to, Qusitive's or any of Qusitive Subsidiaries' data.

Employee Regulations

Qusitive is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Qusitive, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Qusitive's consolidated business, results of operations or financial condition.

Foreign Currency Risk

Qusitive will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its clients and operations are located. While Qusitive will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Competition

Global Cloud Solutions

The IT Services industry in which Qusitive operates is developing rapidly and related technology trends are constantly evolving. In this environment, Qusitive will face significant price competition from its competitors. There is no assurance that Qusitive will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates. Qusitive may be forced to reduce the prices of the products and services it sells in response to offerings made by its competitors. In addition, Qusitive may not be able to maintain the level of bargaining power that it has enjoyed in the past when negotiating the prices of its services.

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Qusitive faces substantial competition from other national, multiregional, regional and local value added resellers and IT service providers, some of which may have greater financial and other resources than that of Qusitive or that may have more fully developed business relationships with clients or prospective clients than Qusitive. Many of Qusitive's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Qusitive may need to reduce its prices.

Qusitive's profitability is dependent on the rates it is able to charge for its products and services. The rates charged for products and services are affected by a number of factors, including but not limited to:

- clients' perceptions of Qusitive's ability to add value through its services;
- introduction of new services or products by Qusitive or its competitors;
- competitors' pricing policies;
- the ability to charge higher prices where market demand or the value of Qusitive's services justifies it;
- the ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over long contract periods;
- procurement practices of Qusitive's clients; and
- general economic and political conditions.

If Qusitive is not able to maintain favorable pricing for its products and services, its profit margin and profitability may suffer.

Global Payment Solutions

In the payment processing arena Qusitive competes with a range of providers, each of whom may provide a component of the Corporation's offering, but may not provide an integrated offering capable of solving complex business challenges for software partners and merchants. For certain services and solutions, including end-to-end payments, we compete with third-party payment processors (such as Chase Paymentech, Elavon, FIS, Fiserv and Global Payments) and integrated payment providers (such as Adyen, Lightspeed POS, Shopify, Square and Toast).

Qusitive faces substantial competition from other national, multiregional, regional payment service providers, some of which may have greater financial and other resources than that of Qusitive or that may have more fully developed business relationships with clients or prospective clients than Qusitive. Many of Qusitive's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Qusitive may need to reduce its prices.

If Qusitive is not able to maintain favorable pricing for its payment products and services, its profit margin and profitability may suffer.

Litigation

Qusitive may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Qusitive becomes involved be determined against Qusitive such a decision could adversely affect Qusitive's ability to continue operating and the market price for the common shares and could use significant resources. Even if Qusitive is involved in litigation and wins, litigation can redirect significant Qusitive resources. Litigation may also create a negative perception of Qusitive's brand.

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Protection of Intellectual Property Rights

The future success of Quisitive's consolidated business is dependent upon the intellectual property rights surrounding certain technology held by LedgerPay and the other Quisitive Subsidiaries from time to time, including trade secrets, know-how and continuing technological innovation. Although Quisitive and Quisitive Subsidiaries seek to protect proprietary rights, their actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other technologies that are similar to the technology of LedgerPay or other Quisitive Subsidiaries from time to time. In addition, effective intellectual property protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the applicable technology. Any of these claims, with or without merit, could subject Quisitive or Quisitive Subsidiaries to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of LedgerPay, other Quisitive Subsidiaries and other intangible assets may be diminished. Any of these events could have an adverse effect on Quisitive's consolidated business and financial results.

Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on Quisitive's ability to fund its working capital and other capital requirements.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of Quisitive's Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the common shares unless they sell their shares of Quisitive for a price greater than that which such investors paid for them. Quisitive has no earnings or dividend record and may not pay any dividends on its common shares in the foreseeable future. Dividends paid by Quisitive could be subject to tax and potentially withholding.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the annual consolidated financial statements; and (ii) the annual consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

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In contrast to the certificate required for non venture issuers under National Instrument 52109 Certification of Disclosure in issuers' Annual and Interim filings ("NI 52109"), the Venture Issuer Basic Certificate filed by the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation: and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Corporation's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.