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**Results of Operations:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *($000's except per share amounts)* |  |  |  |  |  |  |
| **Results of Operations** | **nine months ended September 30, 2019** | **nine months ended September 30, 2018** | **Three months ended September 30, 2019** | **Three months ended September 30, 2018** | **Three months ended June 30, 2019** | **Three months ended June 30, 2018** |
| **SaaS revenue** | **-** | - | **-** | - | **-** | - |
| **BDC revenue** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |
| **Services and one-time revenue** | **-** | - | **-** | - | **-** | - |
| **Gross revenue** | **-** | - | **-** | - | **-** | - |
| **Gross margin** | **-** | - | **-** | - | **-** | - |
| **SaaS revenue gross margin percentage** | **100%** | 100% | **100%** | 100% | **100%** | 100% |
| **BDC revenue gross margin percentage** | **100%** | 100% | **100%** | 100% | **100%** | 100% |
| **Gross margin percentage** | **100%** | 100% | **100%** | 100% | **100%** | 100% |
| **EBITDA expenses (1)** | **-** | - | **-** | - | **-** | - |
| **Operating income (loss) before interest, taxes, depreciation and amortization (EBITDA)** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |
| **EBITDA as percentage of revenue** | **100%** | 100% | **100%** | 100% | **100%** | 100% |
| **Adjusted cash income (loss)** | **-** | - | **-** | - | **-** | - |
| **Earnings (loss) before deferred income tax expense** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |
| **Net income (loss)** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |
| **Comprehensive income (loss)** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |
| **Earnings (loss) per share** | **(blank)** | (blank) | **(blank)** | (blank) | **(blank)** | (blank) |

1 EBITDA Expenses include salaries and benefits, general and administrative, and sales and marketing.

CURRENTQGENERALREF **Financial and Operational Highlights**

Highlights for the CURRENTQ, in comparison to the PRIORQ are as follows:

CURRENTQGENERALREF was the highest SaaS revenue and total revenue quarter in the Corporation’s history. Gross revenue increased by $ GROSSREVQYYABS K to $ GROSSREVCURRENTQ K in CURRENTQGENERALREF from $ GROSSREVPRIORQ K in PRIORQGENERALREF. The increase in revenue is due to:

o An increase of $ SAASREVQYYABS K during CURRENTQGENERALREF in SaaS revenue as a result of the BUSINESS1 and BUSINESS2 acquisitions and as a result of organic growth of both XSELLERATOR and Autovance; and

o An increase of $ SERVICEREVQYYABS K during CURRENTQGENERALREF in services revenue primarily attributable to the BUSINESS1 acquisition.

SaaS revenue increased to $ SAASREVCURRENTQ K in CURRENTQGENERALREF compared to $ SAASREVPRIORQ K in PRIORQGENERALREF, an increase of $ SAASREVQYYABS K or SAASREVQYYREL. Corporation’s CURRENTQGENERALREF SaaS revenue of $ SAASREVCURRENTQ K translates into a yearly run rate of $ SAASREVRUNRATECURRENTQ K. Corporation’s CURRENTMONTH SaaS revenue was $ SAASREVCURRENTM K which translates into a yearly run rate of $ SAASREVRUNRATECURRENTM K. SaaS revenue was SAASREVPERCCURRENTQ of total revenue for CURRENTQGENERALREF as compared to SAASREVPERCPRIORQ for PRIORQGENERALREF. The decrease is in SaaS revenue as a percentage of total revenue is due to significant BDC revenue in CURRENTQGENERALREF for which there was no comparable revenue in PRIORQGENERALREF. At the end of CURRENTQGENERALREF, Corporation had CUSTNUMCURRENTQ customers compared to CUSTNUMPRIORQ customers at the end of PRIORQGENERALREF.

As noted above, as part of the BUSINESS1 acquisition, Corporation acquired a Business Development Centre (“BDC”). BDC revenue was $ BDCREVCURRENTQ K in CURRENTQGENERALREF for which there was no comparable revenue in PRIORQGENERALREF as the BUSINESS1 acquisition was completed in Q4 2018. This translates into a yearly run rate of $ BDCREVRUNRATECURRENTQ K. BDC revenue for CURRENTMONTH was $ BDCREVCURRENTM K which translates into a yearly run rate of $ BDCREVRUNRATECURRENTM K. BDC revenue was BDCREVPERCCURRENTQ of total revenue for CURRENTQGENERALREF.

CONTRACTEDREVCURRENTQ of the Corporation’s revenue is contracted revenue. Contracted revenue is calculated by combining SaaS and BDC revenue.

* 1. Gross margin increased to $ GMCURRENTQ K or GMPERCCURRENTQ in CURRENTQGENERALREF compared to $ GMPRIORQ K or GMPERCPRIORQ for PRIORQGENERALREF. While gross margin increased by $ GMQYYABS K during CURRENTQGENERALREF, gross margin percentage decreased by GMQYYREL during CURRENTQGENERALREF. The increase in gross margin is primarily due to additional revenue of $XXXXK associated with BUSINESS1 and BUSINESS2 offset by the additional third party costs and salaries and benefits for the two divisions during CURRENTQGENERALREF.

Lower gross margin percentage is a result of two reasons related to the BUSINESS1 acquisition as follows:

o First, CURRENTQGENERALREF SaaS revenue, which is SAASREVPERCCURRENTQ of total revenue, had a weighted-average gross margin before labour of GMSAASBLPERCCURRENTQ and after labour of GMSAASPERCCURRENTQ.

It should be noted that going forward, BUSINESS1 SaaS revenue generated from XSELLERATOR customers will have significantly less direct third party costs which should contribute to higher margins.

o Second, BUSINESS1’s BDC revenue, which is BDCREVPERCCURRENTQ of total revenue, has a GMBDCPERCCURRENTQ margin. In Q4 2018, BUSINESS1 implemented new technology to improve the efficiency of their BDC and executed a team model, whereby a team of BDC employees would look after a group of customers. These changes improved customer service levels and gross margins.

CURRENTQGENERALREF was the highest EBITDA quarter in the Corporation’s history. EBITDA was $ EBITDACURRENTQ K in CURRENTQGENERALREF as compared to $ EBITDAPRIORQ K in PRIORQGENERALREF, an increase of $ EBITDAQYYABS K. An increase in gross margin was offset by an increase in salaries and benefits, general and administrative and sales and marketing expense primarily due to the BUSINESS1 and BUSINESS2 acquisitions.

**Adjusted Cash Income**

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