LUMINE GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). Certain information included herein is forward looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risk Factors".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars and all references to "$" are to U.S. dollars. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information about Lumine Group Inc. (the "Company" or "Lumine"), is available on SEDAR+ at www.sedarplus.ca.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of Lumine or its industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, March 4, 2024. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Several factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this MD&A are based upon what management of Lumine believes are reasonable assumptions, Lumine cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and Lumine assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with Lumine's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as free cash flow available to shareholders and operating income.

Free cash flow available to shareholders ''FCFA2S'' refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on bank debt, transaction costs on bank debt, repayments of lease obligations, dividends paid to redeemable preferred and special securities holders, and property and equipment purchased. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See ''Results of Operations – Free cash flow available to shareholders" for a reconciliation of FCFA2S to net cash flows from operating activities.

Operating income (loss) refers to income (loss) before income taxes, amortization of intangible assets, redeemable Preferred and Special Share expense, and finance and other expenses (income). We believe that operating income is useful supplemental information as it provides an indication of the profitability of the Company related to its core operations. Operating income (loss) is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that operating income (loss) should not be construed as an alternative to net income (loss). See “Results of Operations – Operating Income” for a reconciliation of operating income (loss) to net income.

Capital Reorganization and Acquisitions of Lumine Group (Holdings) Inc. and WideOrbit Inc.

Capital Reorganization

On February 21, 2023, the Company filed articles of amendment and reorganized its share capital. Subsequent to the reorganization, the Company is authorized to issue one super voting share (“Super Voting Share”), an unlimited number of subordinate voting shares (“Subordinate Voting Shares”), an unlimited number of preferred shares (“Preferred Shares”), and an unlimited number of special shares (“Special Shares”). The Preferred Shares are non-voting and are entitled to a cumulative dividend of 5% per annum and are convertible into Subordinate Voting Shares at a pre-determined ratio. The holders of the Preferred Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Preferred Shares. The Special Shares carry voting rights equivalent to Subordinate Voting Shares, with a cumulative dividend entitlement of 5% per annum and can be converted to Subordinate Voting Shares at a pre-determined ratio. The holders of the Special Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Special Shares, plus one Subordinate Voting Share for each Special Share redeemed.

Holders of Subordinate Voting Shares, the Super Voting Share and the Special Shares are entitled to attend and vote at meetings of the Company’s shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Subordinate Voting Shares and Special Shares are entitled to one vote per share, and the holder of the Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding Super Voting Shares, Subordinate Voting Shares and Special Shares at such time. Other than in respect of voting rights, the Subordinate Voting Shares and the Super Voting Share have the same rights, are equal in all respects and are treated as if they were one class of shares.

As a result of the share capital reorganization, the Company exchanged the one common share issued to Trapeze Software ULC (“Trapeze”), a wholly owned subsidiary of Volaris Group Inc. (“Volaris”), and an indirect subsidiary of Constellation Software Inc. (“CSI”, or collectively referred to as the “Parent”), into one Super Voting Share.

Acquisition of Lumine Group (Holdings) Inc.

On February 22, 2023, the Company acquired Lumine Group (Holdings) Inc. (‘Lumine Holdings”), a global portfolio of communications and media software companies and a wholly owned subsidiary of the Parent. As consideration for the acquisition, the Company issued 63,582,712 Subordinate Voting Shares at a nominal value and 55,233,745 Preferred Shares at $21.74 per share to the Parent. The total value of Preferred Shares of $1,200.8 million was recorded as a reduction to the contributed surplus on the consolidated statement of changes in equity for the year ended December 31, 2023.

Immediately following the completion of the acquisition of Lumine Holdings, the Company amalgamated with Lumine Holdings, with the resulting entity being the Company (the “Amalgamation”).

The acquisition of Lumine Holdings is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by CSI, both before and after the acquisition and Amalgamation transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. The Company accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities.

Acquisition of WideOrbit Inc.

On February 22, 2023, immediately following the Amalgamation, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. (“WideOrbit”) for a purchase price of $504.6 million which was funded through a combination of cash, repayment of WideOrbit debt, and the issuance of 10,204,294 Special Shares. The increase in the purchase price from $490.0 million as disclosed in the Company’s annual financial statements for the year ended December 31, 2022 relates to the higher debt balance of WideOrbit as of February 22, 2023. WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. The Company obtained the cash portion of the purchase price from the Parent, in exchange for issuing it a further 8,348,967 Preferred Shares.

Spinout of the Company

On February 23, 2023, Trapeze declared and paid a dividend-in-kind and distributed its 63,582,712 Subordinate Voting Shares of the Company to its parent, Volaris, who further distributed these shares to its ultimate parent CSI. CSI then distributed 63,582,706 Subordinate Voting Shares to its shareholders pursuant to a dividend-in-kind, resulting in the Company’s Subordinate Voting Shares being issued to public shareholders of CSI. The Company’s Subordinate Voting Shares began trading on the TSX Venture Exchange on March 24, 2023 under the symbol “LMN.”

Overview

We acquire, strengthen, and grow vertical market software (“VMS”) businesses in the Communications and Media industry. The Company is headquartered in Toronto, with businesses located worldwide. Generally, our businesses provide mission critical software solutions that address the specific needs of customers in particular segments of the Communications and Media industry. Our focus on acquiring businesses with growth potential, strengthening their core profitability, and then growing them, has allowed us to generate significant cash flow and revenue growth over the past several years. Our software solutions enable our customers to boost productivity and operate more cost effectively, innovate more rapidly to address rapidly changing market needs and opportunities, grow top-line sales, improve customer service, and reduce customer churn. Many of the VMS businesses that we acquire have the potential to be leaders within their particular market niches whether that be geography, tier of customer, type of customer, or other differentiated customer demographic. We target the VMS sector because of the attractive economics that it provides and our belief that our management teams have a deep understanding of those economics.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue consists of fees charged for customer support on our software products post-delivery and also includes, recurring fees derived from software as a service, subscriptions, term licenses, transaction-related revenues, managed services, and hosted products. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third-party hardware that forms part of our customer solutions.

Expenses consist primarily of staff costs, the cost of hardware and 3rd-party licenses and any associated maintenance and professional services used internally and for customers, travel and occupancy costs, other general operating expenses, and legal and advisory fees.

Three and Twelve Months ended December 31, 2023 Compared to 2022

Results of Operations

The following table displays a summary of the results of operations of the Company for the three and twelve months ended December 31, 2023 and 2022.

Results of Operations
(In millions of dollars or shares, except percentages and per share amounts)

(Unaudited)	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
Revenue	143.1	68.3	74.8	110%	499.7	255.7	243.9	95%
Expenses	101.5	57.7	43.8	76%	355.0	188.4	166.5	88%
Operating income[1]	41.6	10.6	31.0	294%	144.7	67.3	77.4	115%
Amortization of intangible assets	22.9	9.3	13.6	146%	81.2	31.8	49.4	155%
Redeemable Preferred and Special Securities expense	1,525.0	-	1,525.0	NM	2,871.0	-	2,871.0	NM
Finance and other expense (income)	1.1	0.8	0.3	35%	11.1	(0.4)	11.5	NM
Income before income taxes	(1,507.4)	0.4	(1,507.8)	NM	(2,818.6)	35.9	(2,854.5)	NM
Income tax expense								
Current income tax expense	(6.0)	2.1	(8.1)	NM	24.8	15.7	9.1	58%
Deferred income tax expense (recovery)	4.7	(0.6)	5.3	NM	(17.1)	(7.3)	(9.9)	136%
Income tax expense	(1.3)	1.5	(2.8)	NM	7.6	8.5	0.8	-10%
Net income (loss)	**(1,506.1)**	**(1.1)**	**(1,505.0)**	**NM**	**(2,826.3)**	**27.4**	**(2,853.7)**	**NM**
Net cash flows from operating activities	**26.4**	**9.6**	**16.7**	**174%**	**108.2**	**34.6**	**73.6**	**213%**
Free cash flow available to shareholders[1]	**20.3**	**7.7**	**12.5**	**161%**	**88.8**	**30.3**	**58.5**	**193%**
Weighted average shares outstanding								
Basic	74.1	63.6	10.49	17%	72.5	63.6	8.92	14%
Diluted	253.1	197.8	55.29	28%	245.1	197.8	47.26	24%
Net loss per share								
Basic	(20.33)	(0.02)	(20.31)	NM	(38.98)	0.43	(39.41)	NM
Diluted	(20.33)	(0.02)	(20.31)	NM	(38.98)	0.14	(39.12)	NM
Net cash flows from operating activities per share								
Basic	0.36	0.15	0.20	135%	1.49	0.54	0.95	174%
Diluted	0.10	0.04	0.07	183%	0.44	0.18	0.27	152%
Free cash flow available to shareholders[1] per share								
Basic	0.27	0.12	0.15	124%	1.23	0.48	0.75	157%
Diluted	0.08	0.03	0.05	170%	0.36	0.15	0.21	136%
Total assets	1,147.8	392.8	755.0	192%	1,147.8	392.8	755.0	192%
Total long-term liabilities	306.4	64.0	242.5	379%	306.4	64.0	242.5	379%

[1] See “Non-IFRS Measures”.

NM – Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparative financial information has been amended to reflect the acquisition of Lumine Holdings, an acquired entity under common control, on January 1, 2022 and thereafter. The number of basic and diluted shares outstanding represents the shares issued as part of the amalgamation completed on February 22, 2023. Prior to December 31, 2022, the results were presented on a combined basis and the predecessor entity included no outstanding share structure.

Comparison of the three and twelve months periods ended December 31, 2023 and 2022

Revenue

Total revenue for the three months ended December 31, 2023 was $143.1 million, an increase of 110%, or $74.8 million, compared to $68.3 million for the comparable period in 2022. For the twelve months ended December 31, 2023, total revenue was $499.7 million, an increase of 95%, or $243.9 million, compared to $255.7 million for the comparable period in 2022. The increase for the three and twelve months ended December 31, 2023 compared to the same periods in the prior year is primarily attributable to revenues from new acquisitions. Organic growth is -3% and 0%, respectively, for the three and twelve months ended December 31, 2023, after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition, compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by the Company. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended December 31,		Period-Over-Period Change		Q4-22 Pro Forma Adj. (Note 1)	Organic Growth	Year ended December 31,		Period-Over-Period Change		Q4-22 Pro Forma Adj. (Note 2)	Organic Growth
	2023	2022	$	%	$	%	2023	2022	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licences	13.2	11.4	1.7	15%	8.5	-34%	46.1	38.7	7.4	19%	20.2	-22%
Professional services	26.0	12.0	13.9	116%	12.8	4%	89.3	49.8	39.5	79%	35.1	5%
Hardware and other	4.9	1.7	3.2	192%	1.9	36%	19.9	7.3	12.6	173%	6.9	40%
Maintenance and other recurring	99.1	43.1	56.0	130%	54.3	2%	344.4	160.0	184.4	115%	179.2	2%
	143.1	68.3	74.8	110%	77.6	-2%	499.7	255.7	243.9	95%	241.4	1%

$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparative financial information amended to reflect the results of Lumine Holdings.

Note 1: Estimated pre-acquisition revenues for the three months ended December 31, 2022 from companies acquired after September 30 2022. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the twelve months ended December 31, 2022 from companies acquired after December 31, 2021. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type for the prior 8 quarters. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by the Company may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023
Licenses	-7%	6%	-26%	23%	-4%	-25%	-14%	-34%
Professional services	2%	-17%	-23%	-25%	-10%	10%	16%	4%
Hardware and other	-23%	-5%	-55%	-12%	25%	31%	70%	36%
Maintenance and other recurring	0%	-4%	-11%	-9%	-2%	1%	5%	2%
Revenue	**-2%**	**-6%**	**-18%**	**-9%**	**-3%**	**0%**	**6%**	**-2%**

The following table shows the same information adjusting for the impact of foreign exchange movements.

	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023
Licenses	-5%	12%	-20%	28%	0%	-26%	-16%	-35%
Professional services	6%	-9%	-16%	-18%	-5%	10%	12%	2%
Hardware and other	-21%	5%	-47%	-1%	33%	31%	64%	32%
Maintenance and other recurring	3%	3%	-4%	-3%	1%	1%	3%	1%
Revenue	**1%**	**1%**	**-11%**	**-2%**	**1%**	**1%**	**4%**	**-3%**

Expenses

The following table displays the breakdown of our expenses:

Expenses	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Staff	71.2	36.4	34.8	96%	252.9	134.3	118.6	88%
Hardware	3.2	1.2	2.0	163%	13.0	4.6	8.4	182%
Third party license, maintenance and professional services	8.9	2.9	6.0	206%	29.4	11.0	18.4	167%
Occupancy	1.1	1.2	(0.2)	-14%	3.7	2.9	0.7	25%
Travel, telecommunications, supplies & software and equipment	6.4	3.4	3.0	87%	21.5	11.6	9.9	85%
Professional fees	4.3	6.3	(2.0)	-32%	16.6	12.3	4.3	35%
Other, net	4.5	5.2	(0.7)	-13%	9.9	6.3	3.6	56%
Depreciation	2.1	1.1	0.9	81%	7.9	5.3	2.6	49%
	101.5	57.7	43.8	76%	355.0	188.4	166.5	88%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the results of Lumine Holdings.

Overall expenses for the three months ended December 31, 2023 increased 76%, or $43.8 million to $101.5 million, compared to $57.7 million during the same period in 2022. During the twelve months ended December 31, 2023, expenses increased 88%, or $166.5 million to $355.0 million, compared to $188.4 million during the same period in 2022. As a percentage of total revenue, expenses equalled 71% and 71% for the three and twelve months ended December 31, 2023, respectively, and 85% and 74% for the same period in 2022, respectively.

Staff expense – Staff expenses increased 96% or $34.8 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, staff expenses increased 88% or $118.6 million over the same period in 2022. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31, 2023	Three months ended December 31, 2022	Period-Over-Period Change $	Period-Over-Period Change %	Year ended December 31, 2023	Year ended December 31, 2022	Period-Over-Period Change $	Period-Over-Period Change %
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	12.2	6.7	5.5	82%	43.0	25.5	17.6	69%
Maintenance	12.1	6.3	5.8	93%	45.0	22.7	22.3	98%
Research and development	18.7	10.0	8.8	88%	70.4	34.2	36.2	106%
Sales and marketing	12.3	6.3	6.0	95%	39.9	23.3	16.7	72%
General and administrative	15.8	7.1	8.7	122%	54.6	28.7	25.9	90%
	71.2	36.4	34.8	96%	252.9	134.3	118.6	88%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the results of Lumine Holdings.

The increase in staff expenses for the three and twelve months ended December 31, 2023 was primarily due to the growth in the number of employees compared to the same periods in 2022 from new acquisitions made in preceding quarters.

Hardware expenses – Hardware expenses increased 163% or $2.0 million for the three months ended December 31, 2023 over the same period in 2022 as compared with the 192% increase in hardware and other revenue for the three months ended December 31, 2023 over the comparable period in 2022. For the twelve months ended December 31, 2023, hardware expenses increased 182% or $8.4 million over the same period in 2022 as compared with the 173% increase in hardware and other revenue for the twelve months ended December 31, 2023 over the comparable period in 2022. Hardware margins for the three and twelve months ended December 31, 2023 were 34% and 34%, respectively, as compared to 27% and 37% for the respective comparable periods in 2022. Hardware sales typically consist of the resale of third party hardware as part of the sale of customized solutions to our customers and margins are affected by macroeconomic environment and vary period to period based on the nature, geographical location, and type of hardware required of solutions provided.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 206% or $6.0 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, third party license, maintenance and professional services expenses increased 167% or $18.4 million over the same period in 2022. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses decreased 14% or $0.2 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, occupancy expenses increased 25% or $0.7 million over the same period in 2022. The decrease for the three months is primarily due to termination of multiple leases causing a reduction in rent and associated costs. The increase for the twelve months is due to increased occupancy expenses associated with business units that had new office leases and acquisitions in the preceding quarters.

Travel, telecommunications, supplies & software and equipment expenses – Travel, telecommunications, supplies & software and equipment expenses increased 87% or $3.0 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, travel, telecommunications, supplies & software and equipment expenses increased 85% or $9.9 million over the same period in 2022. The increase in these expenses is primarily due to expenses incurred by acquired businesses. In addition, employee travel has increased due to the restrictions imposed as a result of COVID-19 being lifted.

Professional fees – Professional fees decreased by 32% or $2.0 million for the three months ended December 31, 2023 over the same period in 2022. The decrease for the three months ended December 31, 2023 is due to non-recurring professional fees incurred in 2022 related to the reorganization of Lumine Holdings which was completed on December 31, 2022, and preparation for Lumine's public listing. For the twelve months ended December 31, 2023, professional fees increased 35% or $4.3 million over the same period in 2022. The increase in professional fees for the twelve months ended December 31, 2023 is primarily due to non-recurring professional fees incurred related to the acquisition of Lumine Holdings, Amalgamation, acquisition of WideOrbit, and spin-out of the Company.

Other, net – Other expenses decreased by $0.7 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, other expenses increased by $3.6 million over the same period in 2022. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	1.0	0.5	0.5	103%	4.1	1.8	2.2	121%
Recruiting and training	0.2	0.2	0.0	22%	1.5	1.0	0.4	42%
R&D tax credits	(0.9)	(1.1)	0.3	-24%	(2.5)	(2.9)	0.3	-12%
Contingent consideration	1.7	1.1	0.6	60%	(0.7)	(2.1)	1.4	-%
Other expense, net	2.4	4.6	(2.2)	-47%	7.6	8.4	(0.8)	-10%
	4.5	5.2	(0.7)	-13%	9.9	6.3	3.6	56%

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the results of Lumine Holdings.

Advertising and promotion expense increased 103% or $0.5 million for the three months ended December 31, 2023 over the same period in 2022, and increased 121% or $2.2 million for the twelve months ended December 31, 2023 over the same period in 2022. The increase is primarily attributable to increased spending across the businesses in order to expand sales pipelines and a return to pre-COVID levels of spending on trade shows and other marketing activities.

Contingent consideration expense increased $0.6 million for the three months ended December 31, 2023 over the same period in 2022, an increased $1.4 million for the twelve months ended December 31, 2023 over the same period in 2022. The increase is related to an increase in anticipated acquisition earnout payment accruals primarily as a result of increases to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly.

Other expense, net decreased $2.2 million for the three months ended December 31, 2023 over the same period in 2022, and decreased $0.8 million for the twelve months ended December 31, 2023 over the same period in 2022. This includes bad debt expense, bank fees, withholding taxes, subscription and membership fees, as well as management fees paid to the Parent, which reimburse the Parent for services and resources they provided to the Company (see "Related Parties" below for a discussion of the nature of these charges). The decrease in other expense is mainly due to lower bank charges and transaction fees as well as lower management fees partly offset by higher subscription and membership fees, business tax and withholding taxes.

There are no individually material reasons contributing to the remaining variances.

Depreciation – Depreciation of property and equipment increased 81% or $0.9 million for the three months ended December 31, 2023 as compared to the same period in 2022, and increased 49% or $2.6 million for the twelve months ended December 31, 2023 as compared to the same period in 2022. The increase in depreciation expense from acquired businesses was partially offset by decreases in depreciation expense at various existing business units as assets reached the end of their useful lives for the three-month and twelve-month period ended December 31, 2023.

Operating Income

Operating income for the three months ended December 31, 2023 was $41.6 million compared to $10.6 million for the same period in 2022. For the twelve months ended December 31, 2023, operating income was $144.7 million compared to $67.3 million for the same period in 2022. Operating income is a non-IFRS Measure. See “Non-IFRS Measures”.

The following table reconciles operating income to net income:

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net income (loss)	(1,506.1)	(1.1)	(1,505.0)	NM	(2,826.3)	27.4	(2,853.7)	NM
Adjusted for:								
Amortization of intangible assets	22.9	9.3	13.6	146%	81.2	31.8	49.4	155%
Redeemable preferred and special securities expense	1,525.0	-	1,525.0	NM	2,871.0	-	2,871.0	NM
Finance and other expense (income)	1.1	0.8	0.3	35%	11.1	(0.4)	11.5	NM
Income tax expense (recovery)	(1.3)	1.5	(2.8)	NM	7.6	8.5	(0.8)	-10%
Operating income (loss)	41.6	10.6	31.0	294%	144.7	67.3	77.4	115%

[1] See “Non-IFRS Measures”.

Other Income and Expenses

The following table displays the breakdown of our other income and expenses:

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	22.9	9.3	13.6	146%	81.2	31.8	49.4	155%
Foreign exchange (gain) loss	(2.0)	0.5	(2.5)	NM	(1.0)	(1.9)	0.9	-47%
Redeemable Preferred and Special Securities expense	1,525.0	-	1,525.0	NM	2,871.0	-	2,871.0	NM
Finance and other expense (income)	3.1	0.4	2.8	779%	12.1	1.5	10.6	695%
Income tax expense (recovery)	(1.3)	1.5	(2.8)	NM	7.6	8.5	(0.8)	-10%
	1,547.7	11.7	1,536.0	NM	2,971.0	39.9	2,931.1	NM

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the results of Lumine Holdings.

Amortization of intangible assets – Amortization of intangible assets increased 146% or $13.6 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, amortization of intangible assets increased 155% or $49.4 million over the same period in 2022. The increase in amortization for the three months and twelve months ended December 31, 2023 is primarily attributable to an increase in the carrying amount of our intangible asset balance as a result of acquisitions.

Foreign exchange (gain) loss – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three and twelve months ended December 31, 2023, we recorded a foreign exchange gain of $2.0 million and $1.0 million, respectively, compared to a loss of $0.5 million and gain of $1.9 million for the same respective periods in 2022. The year-over-year fluctuations in foreign exchange (gain) loss relate to movement in foreign currency exchange rates.

Redeemable Preferred and Special Securities expense – On February 22, 2023, the Company completed the acquisition of Lumine Holdings (see "Capital Reorganization and Acquisitions of Lumine Group (Holdings) Inc. and WideOrbit Inc."). In connection with this acquisition, the Company issued 55,233,745 Preferred Shares to the Parent and, and in connection with the acquisition of WideOrbit, the Company issued 10,204,294 Special Shares to the rollover shareholders of WideOrbit and 8,348,967 Preferred Shares to the Parent, collectively the "Preferred and Special Securities". The Preferred and Special Securities, under certain conditions, are redeemable at the option of the holder for a redemption price of $21.74 per share. The redemption price could either be settled in cash or through the issuance of a variable number of Subordinate Voting Shares of equal value determined by the 60-day volume weighted average trading price of the Subordinate Voting Shares, or any combination thereof. The Preferred Shares are also convertible into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share. The Special Shares are convertible into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share. The Preferred and Special Securities holders are also entitled to a fixed annual cumulative dividend of 5% per annum on the initial face value of $21.74 per share. On February 9, 2024, the Board of Directors of the Company resolved that the accrued dividend would be satisfied with the issuance of additional Subordinate Voting Shares at time of payment in March 2024.

The Preferred and Special Securities are recorded at fair value at the end of each reporting period until the Mandatory Conversion Date of March 25, 2024. The change in fair value of the Preferred and Special Securities was recorded as redeemable preferred and special securities expense in the consolidated statements of income. Based on the Preferred Share and Special Share conversion rights, the value of the Preferred and Special Securities was primarily dependent on the price movement of Lumine Subordinate Voting Shares. For the three and twelve months ended December 31, 2023, the Company recorded $1,504.8 million and $2,802.5 million, respectively, related to mark-to-market adjustments on the fair value of the Preferred and Special Securities, and $20.2 million and $68.5 million, respectively, related to accrued dividends on the Preferred and Special Securities. On February 9, 2024, the Board of Directors of the Company resolved that the accrued dividends would be satisfied with the issuance of additional Subordinate Voting Shares at time of payment in March 2024.

Finance and other expense (income) – Finance and other expense increased $2.8 million for the three months ended December 31, 2023 over the same period in 2022. For the twelve months ended December 31, 2023, finance and other expense increased $10.6 million over the same period in 2022. The increase is largely driven by interest on new debt facilities.

Income taxes – We operate globally, and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a combined basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the three months ended December 31, 2023, income tax expense decreased $2.8 million to a recovery of $1.3 million compared to an expense of $1.5 million for the same period in 2022. For the twelve months ended December 31, 2023, income tax expense decreased $0.8 million to $7.6 million compared to $8.5 million for the same period in 2022. Current tax expense has historically approximated our cash tax rate. The decrease in the income tax expense for the three and twelve months ended December 31, 2023 relative to comparative periods was primarily due to the book to return adjustments recorded in the current quarter after the tax returns were finalized.

The Base Erosion and Profit Shifting (BEPS) 2.0 initiative is a significant reform of the international tax system led by the Inclusive Framework and the Organisation for Economic Co-operation and Development (OECD). This initiative includes a substantial change for large multinational groups with the "Pillar Two" proposal of a global minimum tax of 15%. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The legislation will be effective for the Company's financial year beginning January 1, 2024. The Company is in the process of assessing the potential exposure arising from Pillar Two legislation, however based on a preliminary assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Company operates are above 15%, and as such the Company does not expect a material exposure to the Pillar Two legislation.

Net Income (Loss) per Share

Net loss for the three months ended December 31, 2023 was $1,506.1 million compared to net loss of $1.1 million for the same period in 2022. Net loss for the twelve months ended December 31, 2023 was $2,826.3 million compared to net income of $27.4 million for the same period in 2022. On a per share basis, this translated into net loss per basic and diluted share of $20.33 in the three months ended December 31, 2023 compared to net loss per basic and diluted share of $0.02 in the three months ended December 31, 2022, and $38.98 in the twelve months ended December 31, 2023 compared to net income per basic share of $0.43 and diluted share of $0.14 in the twelve months ended December 31, 2022.

The number of basic and diluted shares outstanding represents the shares issued as part of the amalgamation completed on February 22, 2023. Based on the election described in Note 2(b) to the Company's annual consolidated financial statements, the disclosures have been restated for the three and twelve months ended December 31, 2022, to reflect the amalgamation as if it had occurred as at December 31, 2022, the date at which the consolidated results of Lumine Holdings were first presented. Prior to December 31, 2022 the results were presented on a combined basis and the predecessor entity included no outstanding share structure.

Net cash flows from operating activities ("CFO")

For the three months ended December 31, 2023, CFO increased $16.7 million to $26.4 million compared to $9.6 million for the same period in 2022 representing an increase of 174%. For the twelve months ended December 31, 2023, CFO increased $73.6 million to $108.2 million compared to $34.6 million for the same period in 2022 representing an increase of 213%. The increase for the three months is mainly driven by higher operating income for $32.6 million partly offset by lower non-cash operating working capital for $9.6 million and higher cash taxes paid for $6.3 million. The increase for the twelve months is mainly driven by higher operating income for $81.4 million and higher non-cash operating working capital for $14.3 million partly offset by $22.1 million higher taxes paid, respectively.

Free cash flows available to shareholders ("FCFA2S")

For the three months ended December 31, 2023, FCFA2S increased $12.5 million to $20.3 million compared to $7.7 million for the same period in 2022 representing an increase of 161%. For the twelve months ended December 31, 2023, FCFA2S increased $58.5 million to $88.8 million compared to $30.3 million for the same period in 2022 representing an increase of 193%. The increase in the three and twelve months ended December 31, 2023 is driven by higher CFO compared to the same periods in 2022 partly offset by interest paid on bank debt. FCFA2S is a non-IFRS Measure. See "Non-IFRS Measures".

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net cash flows from operating activities:	26.4	9.6	16.7	174%	108.2	34.6	73.6	213%
Adjusted for:								
Interest paid on lease obligations	(0.2)	(0.1)	(0.1)	94%	(0.6)	(0.2)	(0.4)	206%
Interest paid on other facilities	(4.0)	(0.2)	(3.8)	NM	(10.4)	(0.2)	(10.2)	NM
Credit facility transaction costs	(0.2)	(0.3)	0.2	-48%	(1.9)	(0.3)	(1.6)	512%
Payment of lease obligations	(1.5)	(0.8)	(0.7)	93%	(5.3)	(2.8)	(2.5)	90%
Dividends paid	-	-	-	NM	(0.0)	-	(0.0)	NM
Property and equipment purchased	(0.3)	(0.5)	0.2	-36%	(1.1)	(0.8)	(0.4)	46%
Free cash flow available to shareholders	20.3	7.7	12.5	161%	88.8	30.3	58.5	193%

Quarterly Results

	Quarter ended							
	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023
Revenue	60.2	61.3	66.0	68.3	95.4	129.9	131.3	143.1
Operating income[1]	16.7	18.2	21.8	10.6	21.7	36.4	45.1	41.6
Net income (loss)	7.9	8.8	11.8	(1.1)	(651.6)	(489.6)	(179.0)	(1,506.1)
CFO	4.8	8.1	12.1	9.8	15.0	22.4	44.5	26.4
FCFA2S[1]	4.0	7.3	11.3	8.0	11.7	17.3	39.6	20.3
Weighted average shares (in millions)								
Basic	N/A	N/A	N/A	63.6	67.8	74.0	74.0	74.1
Diluted	N/A	N/A	N/A	197.8	236.7	253.1	253.1	253.1
Net income (loss) per share								
Basic and diluted	N/A	N/A	N/A	(0.02)	(9.61)	(6.62)	(2.42)	(20.33)
CFO per share								
Basic	N/A	N/A	N/A	0.15	0.22	0.30	0.60	0.36
Diluted	N/A	N/A	N/A	0.04	0.06	0.09	0.18	0.10
FCFA2S per share[1]								
Basic	N/A	N/A	N/A	0.12	0.17	0.23	0.54	0.27
Diluted	N/A	N/A	N/A	0.03	0.05	0.07	0.16	0.08

[1] See "Non-IFRS Measures".

In millions of dollars, except per share amounts.
Comparative financial information has been amended to reflect the acquisition of Lumine Holdings, an acquired entity under common control, on January 1, 2022 and thereafter. Since the Company did not legally own Lumine Holdings prior to the common control acquisition, the amalgamated entities have no historical capital structure prior to December 31, 2022. Consequently, earnings per share as required by IAS 33 has not been presented for the quarters ended March 31, June 30, and September 30, 2022.

On a pro forma basis, had the Company completed the common control transaction at January 1, 2022 and issued 63.6 million Subordinate Voting Shares and 55.2 million Preferred Shares on that date, the net income, CFO, and FCFA2S per basic and diluted share for the past eight quarters would have been as follows:

	Quarter ended							
	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023
Weighted average shares (in millions)								
Basic	63.6	63.6	63.6	63.6	67.8	74.0	74.0	74.1
Diluted	197.8	197.8	197.8	197.8	236.7	253.1	253.1	253.1
Net income (loss) per share								
Basic	0.12	0.14	0.19	(0.02)	(9.61)	(6.62)	(2.42)	(20.33)
Diluted	0.04	0.04	0.06	(0.02)	(9.61)	(6.62)	(2.42)	(20.33)
CFO per share								

Basic	0.08	0.13	0.19	0.15	0.22	0.30	0.60	0.36
Diluted	0.02	0.04	0.06	0.04	0.06	0.09	0.18	0.10
FCFA2S per share[1]								
Basic	0.06	0.12	0.18	0.12	0.17	0.23	0.54	0.27
Diluted	0.02	0.04	0.06	0.03	0.05	0.07	0.16	0.08

[1] See "Non-IFRS Measures".

We do not generally experience significant seasonality in our operating results from quarter to quarter. However, our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, and gains or losses on the sale of financial and other assets. The Preferred and Special Securities expense (income) is primarily dependent on the price movement of Subordinate Voting Shares. Material swings in the price will have a material impact on quarterly operating results.

Liquidity

Cash increased by $79.4 million to $146.5 million at December 31, 2023 from December 31, 2022. The increase in cash was predominantly driven by cash generated from operations and borrowings from credit facilities, offset by net capital deployed on acquisitions and net repayments. Bank indebtedness increased by $133.6 million to $152.7 million at December 31, 2023 compared to $19.1 million at December 31, 2022, due to the WideOrbit revolving credit facility (the "WO Loan") entered into in March 2023 and term loan facility secured by the assets of Wiztivi (the "WizTivi Loan"), entered into in November 2023. Due to related parties, net (see "Related Parties" below) decreased by $33.1 million to $2.4 million compared to $35.5 million at December 31, 2022.

Total assets increased $755.0 million, from $392.8 million at December 31, 2022 to $1,147.8 million at December 31, 2023. The increase is primarily due to a $572.1 million increase in intangible assets, a $79.4 million increase in cash, $40.1 million increase in accounts receivable and $30.1 million increase in unbilled revenue. The increases in intangible assets, accounts receivable, and unbilled revenue are mainly driven by the acquisitions completed in 2023.

Current liabilities increased $4,509.4 million, from $175.1 million at December 31, 2022 to $4,684.5 million at December 31, 2023. The increase is primarily due to an increase of $4,470.0 million in Preferred and Special Securities, an increase in accounts payable and accrued liabilities of $32.4 million, an increase in deferred revenue of $30.2 million, partially offset by a decrease in due to related parties, net of $33.1 million.

Non-current liabilities increased $242.5 million, from $64.0 million at December 31, 2022 to $306.4 million at December 31, 2023. The increase is primarily due to an increase of $131.5 million in bank debt and an increase in deferred income taxes of $102.8 million.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Net cash provided by operating activities	26.4	9.6	16.7	174%	108.2	34.6	73.6	213%
Net cash from (used in) financing activities	7.9	56.1	(48.1)	-86%	287.1	120.8	166.3	138%
Cash used in the acquisition of businesses	(40.6)	(36.3)	(4.3)	12%	(358.3)	(119.9)	(238.4)	199%
Cash obtained with acquired businesses	7.3	2.4	4.9	202%	41.3	5.3	36.0	680%
Net cash from (used in) other investing activities	0.0	(0.5)	0.5	NM	(1.4)	(0.8)	(0.6)	76%
Net cash from (used in) investing activities	(33.2)	(34.3)	1.1	-3%	(318.4)	(115.3)	(203.0)	176%

Effect of foreign currency	4.3	1.4	2.9	216%	2.5	(0.1)	2.6	NM
Net increase (decrease) in cash and cash equivalents	**5.4**	**32.7**	**(27.4)**	-84%	**79.4**	**40.0**	39.4	99%

The net cash flows from operating activities were $108.2 million for the year ended December 31, 2023, which is mainly as a result of $2,826.3 million in net loss partly offset by $2,978.1 million of non-cash adjustments, which mainly includes $2,871.0 million in redeemable Preferred and Special Share expense. This is partially offset by $12.5 million of cash used in non-cash operating working capital and $31.2 million in taxes paid.

The net cash flows from financing activities for the year ended December 31, 2023 were $287.1 million, which is mainly a result of the proceeds from issuance of bank debt for $185.9 million and issuance of preferred shares for $181.5 million, partly offset by debt repayments of $50.9 million.

The net cash flows used in investing activities for the year ended December 31, 2023 were $318.4 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $352.3 million (including payments for holdbacks relating to prior acquisitions) offset by $41.3 million of acquired cash.

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally, our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the Company organically without any additional funding. Additional external funding may be utilized depending upon the size and timing of potential future acquisitions.

Related Parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, significant shareholders, directors, key management personnel, certain companies affiliated with key management personnel, and companies that are under common control of the Company's indirect controlling shareholder, CSI. Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged.

The Company pays management fees to the Parent (included within "Other, net" expenses), reimburses the Parent for certain expenses paid on behalf of the Company. During the three and twelve months ended December 31, 2023, the Company expensed management fees of $0.7 million and $2.3 million, respectively (December 31, 2022 – $1.3 million and $3.8 million, respectively). At December 31, 2023, the Company had outstanding amounts due to related parties of $2.4 million (December 31, 2022 – $35.5 million) which reflects the amount owing to the Parent for management fees and the reimbursement of expenses paid on its behalf.

During the year ended December 31, 2023, the Company borrowed $114.5 million from the Parent in relation to the WideOrbit acquisition, which was repaid with the proceeds from the credit facility entered into in March 2023. In relation to the acquisition of WideOrbit, the Company issued 8,348,967 Preferred Shares to the Parent for cash proceeds of $181.5 million and transferred cash of $10.0 million to the Parent to be held in trust for the holdback consideration. In June 2023, the holdback consideration was settled, and the Company received $0.5 million from the Parent related to the holdback consideration.

The Parent makes cash capital contributions for certain acquisitions completed by the Company. During the year ended December 31, 2023, the Parent made capital contributions of $22.5 million in relation to the acquisitions.

On February 22, 2023, the Company acquired a 100% ownership interest in Lumine Holdings for non-cash consideration of $1,200.8 million. The acquisition of Lumine Holdings is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by CSI, both before and after the acquisition and Amalgamation transactions were completed.

Redeemable Preferred and Special Securities

A detailed description of the significant terms and conditions of the Preferred and Special Securities are described in Note 10 to the Company's Consolidated Financial Statements for the year ended December 31, 2023.

Capital Resources and Commitments

Bank Debt

On March 2, 2023, WideOrbit entered into a revolving financing facility with a syndicate of Canadian and US financial institutions amounting to $185.0 million to provide long-term financing in connection with the acquisition of WideOrbit (the "WO Loan"), and incurred transaction costs of $1.8 million during the year ended December 31, 2023. The Company drew $175.0 million and used borrowings of $114.5 million to repay its related party payable balance to the Parent. During the year ended December 31, 2023, the Company repaid $50.0 million of the WO Loan. At December 31, 2023 a balance of $125.0 million remains outstanding.

Covenants associated with this facility are monitored and reported based on the financial position and financial performance of WideOrbit. The covenants include a leverage ratio and a fixed charge coverage ratio. The WO Loan has a maturity date of March 2, 2028 and bears an interest rate of SOFR plus applicable spreads ranging from 1.75% to 3%, based on the leverage ratio. The Company does not guarantee this debt, nor are there any cross-guarantees between other subsidiaries. The credit facility is collateralized by substantially all of the assets of WideOrbit.

On October 31, 2022, Telarix Inc., a subsidiary of Morse Holdings Inc., closed term loan funding with a Canadian chartered bank, amounting to $39.0 million, of which $19.7 million was drawn and $18.5 million remains outstanding as of December 31, 2023, to provide long-term financing in connection with an acquired business. The financing also comes with a revolving credit facility of $2.5 million (collectively, the "Telarix Loans"). During the year ended December 31, 2023, there were no additional borrowings made on the Telarix Loans and normal course repayments of $0.9 million made on the term loan (2022 – repayments of $0.2 million).

Covenants and guarantees associated with this loan are monitored and reported based on the financial position and financial performance of Telarix Inc. The covenants include a leverage ratio and an interest coverage ratio. The Telarix loans have a maturity date of October 31, 2026. The term loan bears an interest rate of SOFR plus applicable spreads ranging from 1.85% to 3.85%, based on the leverage ratio. The revolving facility bears an interest rate of Prime plus applicable spreads ranging from 0.50% to 2.50%. The Company does not guarantee the Telarix loans, nor are there any cross-guarantees between other subsidiaries. The Telarix Loans are collateralized by substantially all of the assets of Telarix Inc. and its subsidiaries.

On November 24, 2023, Lumine Group France SAS ("Lumine France") closed a term loan facility with HSBC Continental Europe amounting to €10.0 million ($10.9 million) to provide long-term financing in connection with its wholly owned subsidiary, WizTivi (the "WizTivi Loan"), of which the full amount was drawn and incurred transaction costs of $0.2 million during the year ended December 31, 2023.

Covenants associated with this facility are monitored and reported based on the financial position and financial performance of WizTivi. The covenants include a leverage ratio and WizTivi cash position. The WizTivi Loan has a maturity date of November 24, 2028 and bears an interest rate of EURIBOR plus applicable spreads ranging from 2% to 3%, based on the leverage ratio. The Company and Lumine France do not guarantee this debt, nor are there any cross-guarantees between other subsidiaries. The credit facility is collateralized by substantially all of the assets of Lumine France and WizTivi.

As of December 31, 2023, the Company and its subsidiaries are in compliance with their respective debt covenants.

($ in thousands)	**Maturity**	**Principal Amount**	**Interest Rate**	**December 31, 2023**	**December 31, 2022**
Telarix Loan – Term loan	2026	$ 39,000	SOFR+1.85%	$ 18,525	$ 19,422
Telarix Loan – Revolving facility	2026	$ 2,500	Prime+0.50%	-	-
WO Loan – Term loan	2028	$ 185,000	SOFR+2.5%	125,000	-
WizTivi Loan – Term loan	2028	€10,914	EURIBOR+2.5%	11,036	-

		154,561	19,422
Deferred transaction costs		(1,854)	(309)
Less current portion	$	(3,071)	(975)
Total long-term debt	$	149,636	18,138

The annual minimum repayment requirements are as follows:

($ in thousands)

2024		3,426
2025		3,182
2026		18,539
2027		2,207
2028		127,207
	$	154,561

Guarantees

In the ordinary course of business, the Company and its subsidiaries have provided performance bonds, letters of credit, and other guarantees for the completion of certain customer contracts and other contracts in the normal course of operations. As at December 31, 2023 and 2022, the total obligations of the Company pursuant to such bonds and related contingencies is not material. No liability has been recorded in the combined financial statements.

In the normal course of business, some of the Company' subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company' product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

Other Commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was $3.2 million at December 31, 2023. The fair value of Preferred and special share liability recorded in our statement of financial position was $4,402 million and these shares will be converted into Subordinate Voting Shares as on March 25, 2024. Aside from the aforementioned and the redeemable Preferred and Special Securities, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-combined entities that would have a significant effect on our assets and liabilities as at December 31, 2023.

($ in millions)	Total	<1 yr	1-5 yrs	> 5 yrs
Lease obligations	15.2	7.9	7.3	-
Holdbacks and contingent consideration	3.5	-	3.5	-
Bank debt	154.6	3.4	151.1	-
Total outstanding commitments	173.2	11.3	161.9	-

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for short term leases, leases of low value assets, and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

<u>Acquisition from Nokia</u>

On December 20, 2023, the Company signed a definitive agreement to acquire the Device Management and Service Management Platform businesses from Nokia (NYSE: NOK) for a total purchase price of up to €185 million euros, subject to customary working capital adjustments, which includes contingent consideration of up to €35 million euros based on the performance of the business during the first year following the acquisition.

This transaction is subject to customary closing conditions which the Company anticipates will be finalized during the first half of 2024.

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Changes in Accounting Policies

Our accounting policies are fully described in Note 3 to our consolidated financial statements. There were no significant changes in our accounting policies, with the exception of earnings per share. Based on the election on basis of measurement described in Note 2(b) to the Company's annual consolidated financial statements, the disclosures have been restated for the three and twelve months ended December 31, 2022, to reflect the amalgamation as if it had occurred as at December 31, 2022, the date at which the consolidated results of Lumine Holdings were first presented. Prior to December 31, 2022 the results were presented on a combined basis and the predecessor entity included no outstanding share structure.

Share Capital

As at December 31, 2023, there were 63,990,663 Subordinate Voting Shares and 1 Super Voting Share outstanding.

As at December 31, 2023, there were 63,582,712 Preferred Shares and 10,085,365 Special Shares outstanding.

The Super Voting Share is convertible into a Subordinate Voting Share on a one-for-one basis. The Preferred Shares and Special Shares are convertible on the basis of 2.4302106 Subordinate Voting Shares per Preferred Share and 3.4302106 Subordinate Voting Shares per Special Share. As a result, an additional 189,114,307 Subordinate Voting Shares would be issuable upon the exercise of these conversion rights. On a fully-diluted basis, there would be 253,104,970 Subordinate Voting Shares issued and outstanding as of December 31, 2023. During the three months ended December 31, 2023, there were no conversions of Special Shares into Subordinate Voting Shares. During the twelve months ended December 31, 2023, 118,929 Special Shares were converted into 407,951 Subordinate Voting Shares.

For more information on the capital structure of Lumine, including additional details regarding the terms and conditions relevant to the Subordinate Voting Shares, the Super Voting Share, the Preferred Shares, and the Special Shares of Lumine, see Lumine’s final long form prospectus dated February 6, 2023, which is available on SEDAR+ at www.sedarplus.ca.

Risk Factors

The Company’s business is subject to a number of risk factors which are described in the final prospectus of Lumine dated February 6, 2023. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Subordinate Voting Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Subordinate Voting Shares could decline, and shareholders may lose all or part of their investment.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR+ (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

Revenue Recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Professional service revenue consists of fees charged for implementation services, custom programming, product training, certain managed services, and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with CSI software that has been sold to the customer, and hosted software-as-a-service products.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price.

Nature of products and services

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require

the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, term licenses, subscriptions, managed services, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. Professional services revenue also includes managed services not associated with Lumine software. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow (“DCF”) methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets’ projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method (“MEEM”) to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly, the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units (“CGU”) and the net asset carrying values (including goodwill). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company’s overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company’s business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Redeemable Preferred Shares

On February 22, 2023, the Company issued 55,233,745 Preferred Shares to CSI as non-cash consideration for the acquisition of Lumine Holdings. Additionally, on February 22, 2023, the Company issued 8,348,967 Preferred Shares to CSI for cash proceeds of $181,485. The Preferred Shares are non-voting, and under certain conditions, are redeemable at the option of the holder for a redemption price of $21.74 per share. The redemption price may either be settled in cash or through the issuance of Subordinate Voting Shares of equal value, or any combination thereof. The Preferred Shares are also convertible into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share. The Preferred Share holders are also entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Share value of $21.74 per share (the "Initial Face Value").

The fair value of the Preferred Shares on February 22, 2023, the date of issuance, was $1,382,288 and was recorded as a liability. The Company has determined that the rights associated with the redeemable preferred shares do not result in a fixed amount of cash being exchanged for a fixed amount of shares (i.e. does not meet the "fixed for fixed" requirement). As a result, the Preferred Shares are recorded at fair value at the end of each reporting period. The change in fair value of the Preferred Shares is recorded as Redeemable Preferred and Special Securities expense in the consolidated statements of income (see note **Error! Reference source not found.**.

Further descriptions of the significant terms and conditions of the Preferred Shares are described below. The terms and conditions of the Preferred Shares should be read in conjunction with the terms and conditions of the Special Shares as outlined below.

Conversion

Holders of the Preferred Shares are entitled to convert some or all of their Preferred Shares into Subordinate Voting Shares at a conversion ratio of 2.4302106 Subordinate Voting Shares per Preferred Share at any time (the "Preferred Share Conversion Right").

Upon the exercise of the Preferred Share Conversion Right, the holders of the Preferred Shares will be entitled to receive all accrued but unpaid dividends accruing on the Preferred Shares to the day before the conversion date. Pursuant to the terms of the Shareholders Agreement entered into by CSI, Trapeze, and the holders of Special Shares (the "Shareholders Agreement"), the Board of Directors of the Company will make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Preferred Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSX Venture Exchange ("TSXV") approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Redemption at the Option of the Holder: Preferred Share Retraction Right

At any time prior to the Mandatory Conversion Date (as defined below), upon thirty (30) days notice to the Company, the holders of the Preferred Shares will have the right (but not the obligation) to sell some or all of their Preferred Shares to the Company (the "Preferred Share Retraction Right"). Upon exercise of the Preferred Share Retraction Right, the holders of the Preferred Shares will be entitled to receive an amount of cash equal to the Initial Face Value for each Preferred Share in respect of which the Preferred Share Retraction Right has been exercised, or Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Preferred Shares. Notwithstanding the foregoing, if the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the payment in cash, the holders of Preferred Shares will, subject to TSXV approval, receive Subordinate Voting Shares on the terms described above.

Upon the exercise of the Preferred Share Retraction Right, the holders of the Preferred Shares will also be entitled to receive all accrued but unpaid dividends accruing on the Preferred Shares in respect of which the Preferred Share Retraction Right has been exercised, to the day before the redemption date. The Board of Directors of the Company will make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Preferred Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Redeemable Special Shares

On February 22, 2023, in connection with the acquisition of WideOrbit, the Company issued 10,204,294 Special Shares (note 4). Holders of Special Shares are entitled to attend and vote at meetings of the Company's shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Special Shares are entitled to one vote per share. The Special Shares are, under certain conditions, redeemable at the option of the holder for a redemption price of $21.74 per share, plus one Subordinate Voting Share for each Special Share redeemed. The redemption price may either be settled in cash or through the issuance of Subordinate Voting Shares of equal value, or any combination thereof. The Special Shares are also convertible into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share. The Special Share holders are also entitled to a fixed annual cumulative dividend of 5% per annum on the Initial Face Value of $21.74 per share.

The fair value of the Special Shares on February 22, 2023, the date of issuance, was $221,841 and was recorded as a liability. The Company has determined that the rights associated with Special Shares do not result in a fixed amount of cash being exchanged for a fixed amount of shares (i.e. does not meet the "fixed for fixed" requirement). As a result, the Special Shares are recorded at fair value at the end of each reporting period. The change in fair value of the Special Shares is recorded as Redeemable Preferred and Special Securities expense in the consolidated statements of income (see note **Error! Reference source not found.Error! Reference source not found.**).

Further descriptions of the significant terms and conditions of the Special Shares are described below. The terms and conditions of the Special Shares should be read in conjunction with the terms and conditions of the Preferred Shares as outlined above.

Conversion

Holders of the Special Shares are entitled to convert some or all of their Special Shares into Subordinate Voting Shares at a conversion ratio of 3.4302106 Subordinate Voting Shares per Special Share at any time (the "Special Share Conversion Right").

Upon the exercise of the Special Share Conversion Right, the holders of the Special Shares will be entitled to receive all accrued but unpaid dividends accruing on the Special Shares to the day before the conversion date. Pursuant to the terms of the Shareholders Agreement, the Board of Directors of the Company will make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Special Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Redemption at the Option of the Holder: Special Share Retraction Right

At any time prior to the Mandatory Conversion Date, upon thirty (30) days notice to the Company, the holders of the Special Shares will have the right (but not the obligation) to sell some or all of their Special Shares to the Company (the "Special Share Retraction Right"), provided that the exercise of the Special Share Retraction Right (including the manner of exercise) must first be approved by the holders of a majority of the Special Shares, in their sole discretion. Upon exercise of the Special Share Retraction Right, the holders of the Special Shares will be entitled to receive (i) one Subordinate Voting Share for each Special Share in respect of which the Special Share Retraction Right has been exercised, and (ii) an amount of cash equal to the Initial Face Value for each Special Share in respect of which the Special Share Retraction Right has been exercised, or Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Special Shares. Notwithstanding the foregoing, if the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the payment in cash, the holders of Special Shares will, subject to TSXV approval, receive Subordinate Voting Shares on the terms described above.

Upon the exercise of the Special Share Retraction Right, the holders of the Special Shares will also be entitled to receive all accrued but unpaid dividends accruing on the Special Shares in respect of which the Special Share Retraction Right has been exercised, to the day before the redemption date. The Board of Directors of the Company will make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Special Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

Redemption of Preferred Shares and Special Shares at the Option of the Company

Subject to the terms of the Shareholders Agreement, upon the later of (the “Mandatory Conversion Date”) the date which occurs 12-months after the date the trading of the Subordinate Voting Shares commences on the TSXV, and 10 business days after the first date on which the closing trading price of the Subordinate Voting Shares is equal to or greater than C$13.243656, the Company will redeem the Preferred Shares and the Special Shares in exchange for the issuance of 2.4302106 Subordinate Voting Shares for each Preferred Share redeemed or 3.4302106 Subordinate Voting Shares for each Special Share redeemed (the “Mandatory Conversion”).

Notwithstanding the foregoing, if holders representing at least 95% of the Preferred Shares and Special Shares approve, each holder of Preferred Shares and Special Shares will have the option to take the amount equal to the value of the Subordinate Voting Shares such holder would have otherwise received in connection with the Mandatory Conversion, determined on the basis of the 60 day volume weighted average trading price of the Subordinate Voting Shares, in cash. Upon the Mandatory Conversion, the holders of the Preferred Shares and the Special Shares will also be entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the Shareholders Agreement, the Board of Directors of the Company will make a determination as to whether the Company has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Preferred Shares and the Special Shares in cash. If the Board of Directors of the Company determines that the Company does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Subordinate Voting Shares of equal value.

On March 24, 2023, the closing trading price of the Subordinate Voting Shares was greater than C$13.243656. As such, the Mandatory Conversion Date for Preferred Shares and Special Shares will be March 25, 2024.