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 of Lumine Group (Holdings) Inc. ("Lumine Holdings" or the "Company") for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the Annual Financial Statements of Lumine Group Inc. ("Lumine") for the period ended December 31, 2022, which were prepared in accordance with IFRS. The information presented is based on the historical financial information of Lumine Holdings, as predecessor to Lumine and does not take into account the transactions described under "Subsequent Events". 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 "Risks and Uncertainties".

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 is available on SEDAR at www.sedar.com.

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 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 15, 2023. 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 or not such results will be achieved. A number of 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 "Risks and Uncertainties". 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.

Corporate Reorganization

On December 31, 2022, Lumine Holdings completed a corporate reorganization (the "Combination") pursuant to which it acquired a controlling interest in all of the entities that comprise the Lumine portfolio ("Lumine Portfolio"), which is a global portfolio of communications and media software companies and operates as a division of Volaris Group, a subsidiary of Constellation Software Inc. (TSX:CSU) (herein referred to as the "Parent" or "CSI" – references to CSI refer to CSI and its subsidiaries).

Lumine Holdings' acquisitions of the Lumine Portfolio entities reflect business combinations involving entities under common control in which all of the combining entities are ultimately controlled by CSI, both before and after the reorganization transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3, Business Combinations. The Company accounted for these common control transactions using book value accounting, based on the book values recognized in the financial statements of the underlying entities immediately prior to the acquisitions. This election results in the financial statements being restated for periods prior to the date of the completion of the corporate reorganization to reflect the Combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transactions closed.

Total net parent investment

The comparative financial statements for 2021 have been prepared on a combined basis. Accordingly, it is not meaningful to show share capital. Therefore, amounts which reflect the carrying value of investments in the combined entities are disclosed as “Total net parent investment”. Since the Company did not legally own the Lumine Portfolio entities during 2021, the combined entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 Earnings per share has not been presented for 2021. The amounts reflected in dividends in the consolidated statements of changes in equity refer to dividends or distributions declared to and settled with Parent.

Contributed surplus

Pursuant to share purchase agreements between the Company and CSI, and in connection with the Combination, the Company acquired a 100% ownership interest in the Lumine Portfolio entities based on the value of total net parent investment of $162.7 million. A contributed surplus of $162.7 million is recorded to reflect the carrying value of the net assets acquired upon completion of the corporate reorganization since Lumine Holdings and Lumine Portfolio entities were all related under the common control of CSI at the time of the acquisition.

Overview

We acquire, strengthen and grow vertical market software (“VMS”) businesses in the Communications and Media industry, 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 primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates “when and if available” and products sold on a subscription basis. 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. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs and other general operating expenses.

Three and Twelve Months Ended December 31, 2022 Compared to 2021

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, 2022 and 2021.

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

(Unaudited)

	Three months ended December 31, 2022	2021	Period-Over-Period Change $	%	Year ended December 31, 2022	2021	Period-Over-Period Change $	%
Revenue	**68.3**	**59.7**	**8.6**	**14%**	**255.7**	**228.4**	**27.4**	**12%**
Expenses	57.7	45.5	12.2	27%	188.4	164.6	23.9	15%
Amortization of intangible assets	9.3	7.0	2.3	33%	31.8	25.5	6.3	25%
Finance and other expense (income)	0.8	(0.5)	1.3	NM	(0.4)	0.7	(1.2)	NM
Income before income taxes	0.4	7.7	(7.2)	-94%	35.9	37.5	(1.7)	-4%
Income tax expense (recovery)								
Current income tax expense (recovery)	2.1	1.4	0.8	55%	15.7	10.8	4.9	45%
Deferred income tax expense (recovery)	(0.6)	(0.6)	(0.0)	3%	(7.3)	(0.8)	(6.5)	857%
Income tax expense (recovery)	1.5	0.8	0.7	93%	8.5	10.1	(1.6)	-16%
Net income (loss)	**(1.1)**	**6.9**	**(7.9)**	**NM**	**27.4**	**27.5**	**(0.1)**	**0%**
Weighted average shares outstanding								
Basic and diluted	250.7	N/A	NM	**NM**	250.7	N/A	NM	**NM**
Net income (loss) per share								
Basic and diluted	(0.00)	N/A	NM	**NM**	0.11	N/A	NM	**NM**
Total assets	400.5	328.4	72.1	22%	400.5	328.4	72.1	22%
Total long-term liabilities	69.2	29.0	40.2	138%	69.2	29.0	40.2	138%

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented. Since the Company did not legally own the Lumine Portfolio entities during 2021, the combined entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 Earnings per share has not been presented for 2021.

Comparison of the three and twelve month periods ended December 31, 2022 and 2021

Revenue

Total revenue for the three months ended December 31, 2022 was $68.3 million, an increase of 14%, or $8.6 million, compared to $59.7 million for the comparable period in 2021. For the twelve months ended December 31, 2022, total revenues were $255.7 million, an increase of 12%, or $27.4 million, compared to $228.4 million for the comparable period in 2021. The increase for both the three and twelve month periods compared to the same periods in the prior year is attributable to revenues from new acquisitions, offset by negative organic growth of 9% and 9% respectively. Organic growth is negative 2% and 3% for the three and twelve months periods ended December 31, 2022, respectively after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. The negative organic growth is primarily a result of an acquisition completed in 2022 with known material attrition from customer notifications which were received prior to the Company’s acquisition. 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 Acq. on Adj. (Note 1)	Organic Growth	Twelve months ended December 31,		Period-Over-Period Change		FY-22 Acq. on Adj. (Note 2)	Organic Growth
	2022	2021	$	%	$	%	2022	2021	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licenses	11.4	7.9	3.5	45%	1.4	23%	38.7	36.7	2.0	5%	3.2	-3%
Professional services	12.0	12.5	(0.5)	-4%	3.9	-27%	49.8	49.8	(0.1)	0%	10.4	-17%
Hardware and other	1.7	1.9	(0.2)	-12%	-	-12%	7.3	9.0	(1.7)	-19%	1.5	-31%
Maintenance and other recurring	43.1	37.3	5.8	16%	9.9	-9%	160.0	132.8	27.2	20%	38.0	-6%
	68.3	59.7	8.6	14%	15.1	-9%	255.7	228.4	27.4	12%	53.1	-9%

$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 Combination as if it occurred before the start of the earliest period presented.

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 since Q1 2021.

	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 30 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022
Licenses	21%	30%	50%	15%	-7%	6%	-26%	23%
Professional services	3%	28%	24%	3%	2%	-17%	-23%	-27%
Hardware and other	-31%	-53%	197%	-7%	-23%	-5%	-55%	-12%
Maintenance and other recurring	12%	17%	9%	3%	0%	-4%	-11%	-9%
Revenue	**10%**	**16%**	**23%**	**4%**	**-2%**	**-6%**	**-18%**	**-9%**

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

	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 30 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022
Licenses	16%	23%	47%	15%	-5%	12%	-20%	28%
Professional services	-3%	16%	18%	3%	6%	-9%	-16%	-20%
Hardware and other	-37%	-58%	176%	-8%	-21%	5%	-47%	-1%
Maintenance and other recurring	5%	7%	6%	3%	3%	3%	-4%	-2%
Revenue	**3%**	**7%**	**19%**	**4%**	**1%**	**1%**	**-11%**	**-2%**

Expenses

The following table displays the breakdown of our expenses:

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2022	2021	$	%	2022	2021	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Expenses								
Staff	36.4	32.7	3.7	11%	134.3	120.1	14.2	12%
Hardware	1.2	0.8	0.4	47%	4.6	5.2	(0.5)	-11%
Third party license, maintenance and professional services	2.9	2.5	0.4	14%	11.0	10.3	0.7	7%
Occupancy	1.2	0.7	0.5	81%	2.9	2.1	0.8	40%
Travel, Telecommunications, Supplies & Software and equipment	3.4	2.4	1.0	40%	11.6	8.0	3.6	45%
Professional fees	6.3	0.6	5.7	938%	12.3	3.2	9.1	284%
Other, net	5.2	4.4	0.7	16%	6.3	10.5	(4.2)	-40%
Depreciation	1.1	1.3	(0.2)	-14%	5.3	5.2	0.1	3%
	57.7	45.5	12.2	27%	188.4	164.6	23.9	15%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented.

Overall expenses for the three months ended December 31, 2022 increased 27%, or $12.2 million to $57.7 million, compared to $45.5 million during the same period in 2021. As a percentage of total revenue, expenses equalled 85% for the three months ended December 31, 2022 and 76% for the same period in 2021. During the twelve months ended December 31, 2022, expenses increased 15%, or $23.9 million to $188.4 million, compared to $164.6 million during the same period in 2021. As a percentage of total revenue, expenses equalled 74% for the twelve months ended December 31, 2022 and 72% for the same period in 2021.

Staff expense – Staff expenses increased 11% or $3.7 million for the three months ended December 31, 2022 and 12% or $14.2 million for the twelve months ended December 31, 2022 over the same periods in 2021. 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,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2022	2021	$	%	2022	2021	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	6.7	6.4	0.3	5%	25.5	23.6	1.8	8%
Maintenance	6.3	5.5	0.7	14%	22.7	20.1	2.6	13%
Research and development	10.0	7.2	2.7	38%	34.2	29.0	5.2	18%
Sales and marketing	6.3	5.3	1.0	19%	23.3	20.3	3.0	15%
General and administrative	7.1	8.3	(1.1)	-13%	28.7	27.1	1.6	6%
	36.4	32.7	3.7	11%	134.3	120.1	14.2	12%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented.

The increase in staff expenses for the three and twelve months ended December 31, 2022 was primarily due to the growth in the number of employees compared to the same periods in 2021 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 47% or $0.4 million for the three months ended December 31, 2022 and decreased 11% or $0.5 million for the twelve months ended December 31, 2022 over the same periods in 2021 as compared with the 12% decrease and 19% decrease in hardware and other revenue for the three and twelve month periods ended December 31, 2022 respectively over the comparable periods in 2021. Hardware margins for the three and twelve month periods ended December 31, 2022 were 27% and 37% as compared to 57% and 42% for the comparable periods in 2021. Hardware sales typically consist of the resale of third party hardware as part of the sale of customized solutions to our customers and margins 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 14% or $0.4 million for the three months ended December 31, 2022 and 7% or $0.7 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 81% or $0.5 million for the three months ended December 31, 2022 and increased 40% or $0.8 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase for the three and twelve month period ended December 31, 2022 is primarily due to increased operating expenses associated with business units that had new office leases and current year acquisitions.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 40% or $1.0 million for the three months ended December 31, 2022 and 45% or $3.6 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase in these expenses is primarily due to expenses incurred by acquired businesses. In addition, employee travel is gradually increasing as restrictions imposed as a result of COVID-19 are gradually being lifted.

Professional fees – Professional fees increased 938% or $5.7 million for the three months ended December 31, 2022 and 284% or $9.1 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase is primarily due to professional fees incurred related to the Combination, public listing of Lumine, and acquisitions incurred during the year and those noted in the subsequent events section of this MD&A.

Other, net – Other expenses increased 16% or $0.7 million for the three months ended December 31, 2022 and decreased 40% or $4.2 million for the twelve months ended December 31, 2022 over the same periods in 2021. 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	
	2022	2021	$	%	2022	2021	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	0.5	0.5	0.0	2%	1.8	1.2	0.6	52%
Recruitment and training	0.2	0.4	(0.2)	-52%	1.0	1.4	(0.3)	-25%
R&D tax credits	(1.1)	(0.6)	(0.6)	102%	(2.9)	(1.5)	(1.4)	91%
Contingent consideration	1.1	2.5	(1.5)	-58%	(2.1)	4.0	(6.1)	NM
Other expense, net	4.6	1.6	2.9	181%	8.4	5.4	3.0	55%
	5.2	4.4	0.7	16%	6.3	10.5	(4.2)	-40%

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented.

Advertising and promotion expense slightly increased 2% or $0.0 million for the three months ended December 31, 2022 and 52% or $0.6 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase is mainly attributable to increased spending across the businesses in order to expand sales pipelines and a gradual return to pre-COVID levels of spending on trade shows and other marketing activities.

R&D tax credits increased 102% or $0.6 million for the three months ended December 31, 2022, and 91% or $1.4 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase is mainly attributable to an R&D grant provided to a subsidiary under the Israel Innovation Authority (IIA) program.

The contingent consideration expense amounts recorded for the periods above relate to an increase (decrease) in anticipated acquisition earnout payment accruals primarily as a result of increases (decreases) 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. Contingent consideration expense decreased 58% or $1.5 million for the three months ended December 31, 2022, and $6.1 million for the twelve months ended December 31, 2022 over the same periods in 2021.

Other expense, net includes management fees paid to CSI, which reimburse CSI for certain expenses paid on behalf of the Company (see "Related Parties" below for a discussion of the nature of these charges), as well as the stamp duty costs related to the Combination. The increase in other expense is mainly due to the stamp duty costs and higher management fees from CSI attributable to the growth in the Company's revenues.

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

Depreciation – Depreciation of property and equipment decreased 14% or $0.2 million for the three months ended December 31, 2022 and increased 3% or $0.1 million for the twelve months ended December 31, 2022 as compared to the same periods in 2021. The increase in depreciation expense from acquired businesses was more than offset by decreases in depreciation expense at various existing business units as assets reached the end of their useful lives for the twelve month period ended December 31, 2022.

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	
	2022	2021	$	%	2022	2021	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	9.3	7.0	2.3	33%	31.8	25.5	6.3	25%
Foreign exchange (gain) loss	0.5	(0.6)	1.0	NM	(1.9)	(0.3)	(1.7)	600%
Finance and other expense (income)	0.4	0.0	0.3	679%	1.5	1.0	0.5	49%
Income tax expense (recovery)	1.5	0.8	0.7	93%	8.5	10.1	(1.6)	-16%
	11.7	7.3	4.4	60%	39.9	36.3	3.6	10%

NM – Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented.

Amortization of intangible assets – Amortization of intangible assets increased 33% or $2.3 million for the three months ended December 31, 2022 and 25% or $6.3 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase in amortization expense for the three and twelve months ended December 31, 2022 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended December 31, 2022 as a result of acquisitions completed during this period.

Foreign exchange – 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, 2022, we recorded a foreign exchange loss of $0.5 million and a gain of $1.9 million, respectively, compared to a gain of $0.6 million and $0.3 million for the same periods in 2021. The year-over-year fluctuations in foreign exchange (gain) loss relate to movement in foreign currency exchange rates, particularly in European regions.

Finance and other expense (income) – Finance and other expense increased 679% or $0.3 million for the three months ended December 31, 2022 and increased 49% or $0.5 million for the twelve months ended December 31, 2022 over the same periods in 2021. The increase is primarily due to fair value adjustments and interest on a new term loan entered into by one of the businesses in the three months ended December 31, 2022.

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, 2022, income tax expense increased $0.7 to $1.5 million compared to $0.8 million for the same period in 2021. During the twelve months ended December 31, 2022, income tax expense decreased $1.6 million to $8.5 million compared to $10.1 million for the same period in 2021. Current tax expense has historically approximated our cash tax rate. However, the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “other, net” expenses in the statement of income (loss). The Company's combined effective tax rate in respect of continuing operations for the three and twelve months ended December 31, 2022 was 344% and 24% respectively (10% for the three months ended and 27% for the twelve months ended December 31, 2021). The significantly higher effective tax rate for the three months ended December 31, 2022 is caused by permanent differences related to the Combination including stamp duty, debt forgiveness income, and accounting gains/losses, as well as by book to return adjustments related to prior year audit assessments and opening balance sheet adjustments related to acquisitions completed during the year.

Quarterly Results

	Three months ended							
	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022
Revenue	49.6	54.7	64.4	59.7	60.2	61.3	66.0	68.3
Net income	7.0	6.1	7.5	6.9	7.9	8.8	11.8	(1.1)
Net income per share								
Basic and diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(0.00)

In millions of dollars.
Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented. Since the Company did not legally own the Lumine Portfolio entities during 2021 and did not complete the Combination until the fourth quarter of 2022, the combined entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 Earnings per share has not been presented for 2021 and the first three quarters of 2022.

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. During the three months ended December 31, 2022, we incurred additional one-time expenses related to the decentralization and public listing efforts which resulted in higher expenses and lower net income as compared to prior quarters.

Liquidity

Our net debt position (bank indebtedness excluding capitalized transaction costs plus due to related parties, net) increased by $166 million to $54.6 million in the twelve months ended December 31, 2022 primarily resulting from an increase in due to related parties, net related to the Combination and acquisitions. The increase is also attributed to higher bank indebtedness as a result of a subsidiary within Lumine closing term loan funding with a Canadian chartered bank on October 31, 2022. Cash increased by $40.0 million to $67.0 million at December 31, 2022. The increase in cash was predominantly driven by a term loan entered in October 2022, cash transferred from CSI in the form of capital contributions, as well as cash generated from operations and intercompany loans exceeding net capital deployed on acquisitions. Bank indebtedness increased to $19.1 million at December 31, 2022 compared to nil at December 31, 2021. Due to related parties, net (see “Related Parties” below) increased by $147.1 million to $35.5 million compared to due from related parties, net of $111.6 million at December 31, 2021.

Total assets increased $72.1 million, from $328.4 million at December 31, 2021 to $400.5 million at December 31, 2022. The increase is primarily due to a $113.5 million increase in intangible assets, $40.0 million increase in cash, a $18.6 million increase in accounts receivable, a $6.2 million increase in other assets, and a $2.7 million increase in unbilled revenue, partially offset by $111.6 million decrease in due from related parties, net., which is in a net payable position as of December 31, 2022.

Current liabilities increased $51.2 million, from $126.2 million at December 31, 2021 to $177.4 million at December 31, 2022. The increase is primarily due to an increase of $35.5 million in due to related parties, net, an increase in accounts payable and accrued liabilities of $12.7 million, and an increase in income taxes payable of $3.8 million, partially offset by a decrease in deferred revenue of $1.5 million.

Net Changes in Cash Flows ($ in millions)	**Three months ended December 31, 2022** (Unaudited)	**Three months ended December 31, 2021** (Unaudited)	**Twelve months ended December 31, 2022**	**Twelve months ended December 31, 2021**
Net cash provided by operating activities	9.8	18.7	34.6	86.0
Net cash from (used in) financing activities	56.1	(18.0)	120.8	(79.6)
Cash used in the acquisition of businesses	(36.3)	(10.6)	(119.9)	(16.4)
Cash obtained with acquired businesses	2.4	2.9	5.3	2.9
Net cash from (used in) other investing activities	(0.5)	(0.1)	(0.8)	(0.7)
Net cash from (used in) investing activities	(34.3)	(7.7)	(115.3)	(14.2)
Effect of foreign currency	1.1	0.4	(0.1)	(0.2)
Net increase (decrease) in cash and cash equivalents	**32.7**	**(6.6)**	**40.0**	**(8.0)**

The net cash flows from operating activities were $9.8 million for the three months ended December 31, 2022. The $9.8 million provided by operating activities resulted from $1.1 million in net loss plus $13.9 million of non-cash adjustments to net income, and $1.9 million of cash used in non-cash operating working capital, partially offset by $4.8 million in taxes paid. The net cash flows from operating activities were $34.4 million for the twelve months ended December 31, 2022. The $34.4 million provided by operating activities resulted from $27.4 million in net income plus $43.1 million of non-cash adjustments to net income, and partially offset by $26.9 million of cash used in non-cash operating working capital and $9.1 million in taxes paid.

The net cash flows from financing activities for the three months ended December 31, 2022 were $56.1 million, which is mainly a result of advances from CSI or its affiliates totaling $38.0 million and term loan of $19.7 million. The net cash flows from financing activities for the twelve months ended December 31, 2022 were $121.0 million, which is mainly a result of advances from CSI or its affiliates totaling $104.9 million, and term loan of $19.7 million, which is offset by payments of lease obligations totalling $2.8 million.

The net cash flows used in investing activities for the three months ended December 31, 2022 were $34.3 million. The cash used in investing activities was primarily due to an acquisition for an aggregate of $36.3 million (including payments for holdbacks relating to prior acquisitions) offset by $2.4 million of acquired cash. The net cash flows used in investing activities for the twelve months ended December 31, 2022 were $115.3 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $113.2 million (including payments for holdbacks relating to prior acquisitions) offset by $5.3 million of acquired cash.

We believe we have sufficient cash and access to CSI capital available 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 controlling shareholder, CSI. Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged.

<u>Transactions with CSI</u>

(i) Due from related parties

The Company generates operating cash flows and transfers excess cash to the Parent on a short-term basis to fund the operations of the Parent and business acquisitions completed by the Parent on the Company's behalf. These transfers of excess cash to the Parent are recorded through transfers to the Parent on the combined statement of cash flows. The aggregate short-term funding is recoverable from the Parent within the next 12 months and has been recorded as due from related parties in the combined statement of financial position. At December 31, 2022, the Company had due from related parties of $14.8 million (December 31, 2021 - $113.4 million) which reflects the cash transferred to the Parent for short-term funding and acquisitions completed on its behalf. As part of the Combination, a portion of the due from related parties balance carried forward from 2021 was settled through the declaration of dividends during 2022, as described in part (iv) below.

(ii) Due to related parties

The Company pays management fees to CSI (included within "Other, net" expenses), reimburses CSI for certain expenses paid on behalf of the Company, and borrows funds from CSI from time to time to fund acquisitions. During the year, the Company expensed management fees of $3.8 million (December 31, 2021 – $3.4 million). At December 31, 2022, the Company had outstanding amounts due to related parties of $50.3 million (December 31, 2021 - $1.8 million) which reflects the amount owing to the Parent for management fees, the reimbursement of expenses paid on its behalf, and borrowings related to the acquisition of Morse Holdings Inc. during 2022.

The due from related parties and due to related parties balances are expected to be settled with the Parent over the next twelve months through cash. The ending related party balance with the Parent was recorded as a net liability of $35.5 million within due to related parties, net (December 31, 2021 – net asset of $111.6 million within due from related parties, net).

(iii) Capital contributions

CSI makes cash capital contributions for certain acquisitions completed by the Company. During the twelve months ended December 31, 2022, CSI made capital contributions of $76.4 million in relation to the acquisitions of Morse Holding Inc. and WizTivi SAS.

(iv) Dividends to the Parent

The Company periodically issues dividends to the Parent. When the Company declares a dividend, this is recorded as a reduction in net parent equity. During the year, the Company paid aggregate dividends to the Parent of $111.0 million (December 31, 2021 - $13.2 million). Dividends declared are immediately settled in cash or as a reduction in amounts due from related parties.

Capital Resources and Commitments

Bank Debt

On October 31, 2022, a subsidiary within Lumine closed term loan funding with a Canadian chartered bank, amounting to $39.0 million, to provide long-term financing in connection with an acquired business, of which $19.7 million was drawn during the three months ended December 31, 2022. Covenants and guarantees associated with this loan are monitored and reported based on the financial position and financial performance of the acquired business. The covenants include a leverage ratio and an interest coverage ratio. As of December 31, 2022, the Company is in compliance with its debt covenants. The loan has 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 debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The bank debt is collateralized by substantially all of the assets of Telarix Inc., a subsidiary of Morse Holdings Inc., and its subsidiaries.

($ in thousands)	Maturity	Principal Amount	Interest Rate	December 31, 2022	December 31, 2021
Term loan	2026	19,666	SOFR+1.85%	$ 19,422	$ -
Revolving facility	2026	2,500	Prime+0.50%	-	-
				19,422	-
Deferred transaction costs				(309)	-
Less current portion				(975)	-
Total long-term debt				18,138	-

The annual minimum repayment requirements are as follows:

($ in thousands)	
2023	975
2024	975
2025	975
2026	16,188
	$ 19,113

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, 2022, the total obligations of the Company pursuant to such bonds and related contingencies is not material (December 31, 2021 - $0.1 million). 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 $3.4 million at December 31, 2022. Aside from the aforementioned, 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, 2022.

($ in millions)	Total	<1 yr	1-5 yrs	> 5 yrs
Lease obligations	7.6	2.4	5.2	0.0
Holdbacks and contingent consideration	6.6	5.7	0.9	-
Bank debt	19.1	1.0	18.1	-
Total outstanding commitments	33.3	9.1	24.2	0.0

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

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

Subsequent Events

Capital Reorganization

On February 21, 2023, Lumine filed articles of amendment and reorganized its share capital. Subsequent to the reorganization, Lumine 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 and the Super Voting Share are entitled to attend and vote at meetings of Lumine’s shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Subordinate Voting

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, Lumine reclassified the one common share issued to Trapeze Software ULC ("Trapeze"), a wholly owned indirect subsidiary of Constellation, into one Super Voting Share.

Acquisition of Lumine Group (Holdings) Inc.

On February 22, 2023, Lumine acquired the Company, a global portfolio of communications and media software companies and a wholly owned subsidiary of Trapeze. As consideration for the acquisition, Lumine issued 63,582,712 Subordinate Voting Shares and 55,233,745 Preferred Shares to Trapeze.

Immediately following the completion of the acquisition of the Company, Lumine amalgamated with the Company, with the resulting entity being Lumine (the "Amalgamation"). The Amalgamation is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by Constellation, both before and after the reorganization transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. Lumine will account 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, Lumine completed the acquisition of 100% of the shares of WideOrbit for a purchase price of $490 million which was funded through a combination of cash, repayment of WideOrbit debt, and the issuance of 10,204,294 Special Shares. WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. Lumine obtained the cash portion of the purchase price from Trapeze, in exchange for issuing it a further 8,348,967 Preferred Shares.

The gross purchase price is subject to customary adjustments, as a result of, but not limited to, minimum cash requirements of $10 million, target net indebtedness of $86.7 million, and claims under the representations and warranties of the acquisition agreement. Lumine has the ability to reduce the cash portion of the purchase consideration by $10.0 million for net indebtedness up to $96.7 million. If net indebtedness is greater than $96.7 million, excess repayment would be funded by Lumine and added to the gross purchase price. Pursuant to the terms of the acquisition agreement, eligible shareholders of WideOrbit elected to rollover a portion of their WideOrbit common shares into Special Shares of Lumine.

As of the date of issuance of these financial statements, Lumine had not yet completed the initial accounting for the WideOrbit acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date of issuance of these financial statements.

(d) Spinout of Lumine

On February 23, 2023, Trapeze declared and paid a dividend-in-kind and distributed its 63,582,712 Subordinate Voting Shares of Lumine to its parent, Volaris Group Inc., who further distributed these shares to its parent Constellation. Constellation then distributed 63,582,706 Subordinate Voting Shares to its shareholders pursuant to a dividend-in-kind, resulting in Lumine's Subordinate Voting Shares being issued to public shareholders of Constellation.

(e) New Bank Facility

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. 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 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. Lumine 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.

(f) Acquisition of Titanium Software Holdings Inc

On March 8, 2023, Lumine acquired 100% of the outstanding shares of Titanium Software Holdings Inc ("Titanium") for aggregate cash consideration of $31.4 million on closing plus cash holdbacks of $14.4 million and contingent consideration with an estimated acquisition date fair value of $4.1 million for total consideration of $49.9 million. Titanium is a software company catering to the communications and media market, which is a software business similar to existing businesses operated by Lumine. For this arrangement, which includes a maximum, or capped, contingent consideration amount, the contingent consideration is not expected to exceed $10.0 million. The cash holdbacks are payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

As of the date of issuance of these financial statements, Lumine had not yet completed the initial accounting for the acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date of issuance of these financial statements.

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.

As a result of the Combination, the Company modified the basis of presentation compared to prior year, as detailed in the section "Corporate Reorganization" of this MD&A and Note 2 to our consolidated financial statements.

Share Capital

As at December 31, 2022, there were 250,665,141 common shares outstanding. Following the amalgamation of the Company with Lumine on February 22, 2023 as described in the section "Subsequent Events", the Company's shares were amalgamated with Lumine shares. As at March 15, 2023, Lumine had 63,582,712 subordinate voting shares, 1 super voting share, 63,582,712 preferred shares, and 10,204,294 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 154,519,380 subordinate voting shares would be issuable upon the exercise of these conversion rights. On a fully-diluted basis, there would be 253,104,971 subordinate voting shares issued and outstanding as of March 15, 2023.

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.sedar.com.

Risk Factors

The Company's business is subject to a number of risk factors, including those 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 may also impair our business and operations and cause the price of our securities 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.