CloudMD Software & Services Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2023 and 2022

(Expressed in thousands of Canadian Dollars)

Contents

INTRODUCTION

This Management's Discussion and Analysis for the three months ended March 31, 2023, and 2022 ("**MD&A**") for CloudMD Software & Services Inc. ("**CloudMD**" or the "**Company**") is dated and based on information available to management as of May 29, 2023. This MD&A is prepared in accordance with National Instrument 51-102F1 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2023 and 2022, and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2022. These documents, along with additional information about the Company, are available under the Company's profile on SEDAR at www.sedar.com.

The financial data contained in this MD&A and the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the three months ended March 31, 2023, and 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2022. Amounts are stated in Canadian dollars, unless otherwise indicated. In this MD&A, where the context so requires, references to the "Company", "CloudMD", "we", "us", "our" or similar expressions refer to CloudMD Software & Services Inc.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements in this MD&A include, but are not limited to, the statements regarding:

- the Company's business objectives and key areas of focus and strategies for achieving them and delivering on the Company's value proposition of innovation in the delivery of healthcare;
- the rates of adoption of the mental health coaching program by Sun Life's plan sponsors;
- the sale of assets of RXI and the impact of exiting its business;
- revenue growth;
- decreases in customer acquisition costs as a percentage of revenue;
- the expectation that general and administrative costs will continue to decrease as additional cost savings initiatives are executed;
- the Company's multi-prong growth strategy and plans to drive shareholder value and the impact of such strategy, including becoming cash flow positive and achieving financial sustainability;
- annual net cost savings as a result of synergies and expected severance costs and expenses related to continued realignment initiatives;
- the timing for the Company to become Adjusted EBITDA breakeven;
- the runway to get to cash flow breakeven;
- the Company complying with its financial covenants;
- improvements in the overall gross margins of the business and improved cash flows as a result of the growth strategies;
- requirements for additional capital;
- government regulation;
- disputes or claims;
- currency fluctuations;
- improving the patient experience, operational efficiency and overall care performance; and
- other statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, but are not limited to: revenue risk; failure to manage growth; reliance on key personnel; reliance on physicians and other healthcare professionals; risks and uncertainties related to geopolitical events, natural disasters, pandemics and other catastrophic events; inability to leverage technology; use of open source software; competition; infrastructure risk; potential for software system, database or network related failures or defects; cybersecurity risks; confidentiality of personal and health information; general healthcare regulation; reliance on strategic partnerships; reliance on internet access; changes in technology; difficulty in forecasting; market for telemedicine, telehealth and the virtual delivery of other services; response to evolving needs; reputational risk; protection of brand; protection of intellectual property; vulnerability of customers; litigation conflicts of interest; reliance on third parties; volatile market price for common shares; ongoing costs and obligations related to investment in infrastructure, growth, operations and regulatory compliance; uncertainty of liquidity and capital requirements; internal controls; and dividend risk, and the other risks mentioned in this MD&A, and those risks mentioned in the *"Risk Factors"* section of the MD&A for the period ending December 31, 2022, as found under the Company's profile on SEDAR at www.sedar.com. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such information.

Should one or more of these risks or uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Material factors or assumptions involved in developing forward-looking statements include, without limitation, publicly available information from governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable.

Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to the Company on the date hereof, no assurance can be given as to future results, approvals or achievements. Forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company disclaims any duty to update any of the forward-looking statements after the date of this MD&A except as otherwise required by applicable law.

NON-GAAP FINANCIAL MEASURES

In addition to the results reported in accordance with IFRS, the Company uses various non-GAAP financial measures, which are not recognized under IFRS, as supplemental indicators of the Company's operating performance and financial position. These non-GAAP financial measures and ratios are provided to enhance the user's understanding of the Company's historical and current financial performance and its prospects for the future. Management believes that these measures provide useful information to investors in that they exclude amounts that are not indicative of the Company's core operating results and ongoing operations and provide a more consistent basis for comparison between quarters and years. Details of such non-GAAP financial measures and ratios, and how they are derived, are provided below as well as in conjunction with the discussion of the financial information reported.

Since non-GAAP financial measures do not have any standardized meanings prescribed by IFRS, other companies may calculate these non-GAAP measures differently, and our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2023, and 2022, and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2022, and 2021.

EBITDA

EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. EBITDA referenced herein relates to earnings before interest, taxes, and depreciation and amortization. This measure does not have a comparable IFRS measure and is used by the Company to assess its capacity to generate profit from operations before taking into account management's financing decisions and costs of consuming intangible and tangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Refer to the *Overall Performance and Discussion of Operations – EBITDA and Adjusted EBITDA* section for a detailed reconciliation to the comparable IFRS measure.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Adjusted EBITDA referenced herein relates to earnings before interest, taxes, depreciation, amortization, share-based compensation, acquisition and divestiture-related, integration and restructuring costs, gain or loss on fair value of liability to non-controlling interest, gain or loss on fair value of contingent consideration, and net loss after tax from discontinuing operations. This measure does not have a comparable IFRS measure and is used by the Company to assess its capacity to generate profit from operations before taking into account management's financing decisions and costs of consuming intangible and tangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life, adjusted for factors that are unusual in nature or factors that are not indicative of the operating performance of the Company. Refer to the "*Overall Performance and Discussion of Operations – EBITDA and Adjusted EBITDA"* section for a detailed reconciliation to the comparable IFRS measure.

Gross Profit

Gross Profit is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross Profit referenced herein is defined as revenues less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the business.

Gross Margin

Gross Margin is a non-GAAP financial ratio that has Gross Profit, which is a non-GAAP financial measure as a component. Gross Margin referenced herein is defined as gross profit as a percent of total revenue. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the business.

Working Capital and Adjusted Working Capital

Working Capital and Adjusted Working Capital are non-GAAP financial measures that do not have a standard meaning prescribed in IFRS and may not be comparable to a similar measure disclosed by other issuers. Working Capital, as referenced herein, is defined as current assets, less current liabilities, excluding assets held for sale and liabilities associated with assets held for sale. Adjusted Working Capital, as referenced herein, is defined as Working Capital excluding the contingent consideration that the Company has the option of settling in shares. Management believes that working capital and adjusted working capital, in addition to other conventional financial measures prepared in accordance with IFRS, provides information that is helpful to understand the financial condition of the Company. The objective of using working capital is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the short-term liquidity and financial position of the Company, including its ability to discharge its short-term liabilities as they come due. These measures do not have a comparable IFRS measure and are used to ensure that we have sufficient liquidity to meet our liabilities as they become due.

Cash outflow and Normalized cash outflow

Normalized cash outflow is a non-GAAP financial measures that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Cash outflow, utilized in the calculation of normalized cash outflow, is defined as the decrease in cash and cash equivalents for the applicable period. Normalized cash outflow, as referenced herein, is defined as cash outflow, adjusted for expenditures that are not expected be recurring, net of changes in non-cash working capital, discontinuing operations, payment of contingent consideration, and net proceeds from business divestitures. For the purpose of calculating Normalized cash flow, expenditures that are not expected to be recurring include cash related adjustments to EBITDA. Management believes that normalized cash outflow, in addition to other conventional financial measures prepared in accordance with IFRS, provides information that is helpful to understand the financial condition of the Company. The objective of using normalized cash outflow is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the Company's use of cash. These measures do not have a comparable IFRS measure and are used to ensure that we have sufficient liquidity to meet our liabilities as they become due.

EXECUTIVE OVERVIEW

CloudMD is a growing company providing innovative mental, physical and occupational health services, healthcare navigation, absence management and healthcare productivity tools. The company operates in Canada and the United States. CloudMD is one of the companies that we believe is uniquely positioned to solve the evolving health and productivity issues our customers face.

CloudMD Purpose: Empowering healthier lives

CloudMD Values: Deliver Excellence, Empowered Accountability, Connected Care, Continuous Growth, Collaboration and Well-being.

The Company has four key areas of focus in 2023:

- *Cross sell / service diversification* – position the suite of integrated services to existing and new customers, with a focus on recurring and reoccurring revenue. We aim to earn more revenue through an expanded scope in existing and new contracts.
- *Customer retention and growth* – through service delivery excellence, each capability we offer maintains a long-term relationship with our valued customer base.
- *Operational improvement* – integration of our back-end office and administration, creating scalable delivery systems.
- *Innovation* – continued brand and product alignment will enable each capability to be further differentiated and improve gross margin.

CloudMD operates companies with best-in-class services and combined them into an integrated program, Kii, that provides individuals, organizations, and health care providers access to personalized and connected healthcare services designed to deliver better health outcomes. Many of its companies have been delivering best-in-class service for decades. All the capabilities offered within CloudMD are proven through years of delivery as siloed services. Under the Kii program we have developed a market leading approach to enhance the user experience and care delivery to meet the ever-growing demand for these services. There are two operating divisions: **Health and Wellness Services or HWS** (previously referred to as Enterprise Health Services or EHS) and **Health and Productivity Solutions or HPS** (previously referred to as Digital Health Solutions or DHS). Both divisions have services and tools that are incorporated within the Kii program. Over 7,000 customers trust CloudMD to deliver services and solutions. We are focused on growing the wallet share within these accounts as we collaborate on how we can expand the delivery of positive health and productivity outcomes for their organizations.

Health and Wellness Services

The Company's HWS operating division provides organizations with an Employee & Family Assistance Program (EFAP), Mental Health Care (Coaching, Therapy, Treatment for Chronic Conditions), Health Coaching, Medical Assessments, Occupational Health and Absence Management, all via one connected program. Our go-to-market strategy combines a direct sales force focused on medium to large organizations with a strong sales reseller channel strategy with insurance brokers, advisors and large group benefit insurers. Our customer relationship model includes a centralized account management team focused on customer success and cross-selling to our over 7,000 current customers.

Our innovation in care delivery is focused on one centralized program referred to as 'Kii' that includes in-person, digital and phone care pathways that allow choice in how employees access a broad range of services. These services cover the full continuum of care from prevention to treatment for the chronic conditions that drive disability and absenteeism. The employee's care journey begins with access, which is available 24 hours a day, 7 days a week, 365 days a year both digitally or via phone. The care journey starts with a fast, barrier-free intake and assessment by a nurse. The nurse then navigates to the appropriate care providers who together create personalized treatment plans designed to provide the right treatment, at the right cost, with the right group benefit plan. The shared care team remains the constant for the employee, following up on the care plan and ensuring adherence to the recommendations. This not only ensures high engagement, but it also delivers superior outcomes.

We leverage our extensive healthcare provider network to support individuals in the treatment of their physical and mental health issues. The capabilities and technology we have built and acquired provides an integrated experience, and information is better accessible to individuals and their broader care providers. We have designed our offerings to be scalable and provide ease of service expansion through our platform thereby enabling fast, cost-effective launch of new services, across all customers and new geographies. The Company leverages its technology as an accelerator for faster access to care and increased availability through innovative and virtual modalities that expand the reach of scarce clinical resources. Our technology and product development team are evolving our centralized and connected healthcare platform so that it continually addresses all points of a patient's experience and enables clinicians to deliver holistic, better care. CloudMD has the agility and disruption of a startup, grounded in years of proven clinical outcomes which results in our members living healthier lives.

An example of this is our proprietary industry-first mental health coaching platform that was piloted with Sun Life in 2021 and is now being sold through their account executives to plan sponsors. This solution is the first of its kind to provide assessment, care plans and coaching to support people on their mental health journey. To date, we have developed strong outcome metrics directly linking the program to positive impact on short term disability claims. This platform has created very strong engagement and positive outcomes and Sun Life is introducing our service to all National and Sun Solution clients. Full launch in partnership with Sun Life's plan sponsors began in 2023 with expected increasing rates of adoption.

The Company delivers healthcare services to not only those who are at work, but also those unable to work, and returning to work, as part of our robust absence management services. With mental health conditions now accounting for over 70% of the costs associated with disability, the Company is well positioned to not only manage the disability cases, but also provide the treatment for the safe and sustainable return to work. The Company successfully provides treatment that reduces the duration of absence and reduces the disability costs to the organization.

CloudMD empowers healthier lives by delivering outcomes. The Company tracks individuals' health improvements, resulting in the ability to demonstrate to our customers positive clinical outcomes, strong business ROI and high user satisfaction.

Currently, corporations, insurers and advisors have siloed health and wellness programs that are costly and ineffective in providing a holistic care plan focused on ease of access, individual needs, and recovery. The Company offers a unique care model that uses technology and connected healthcare professionals to deliver the individual a comprehensive healthcare plan that covers mental, physical, and social issues. The Company believes this centralized, technology-enabled, program dramatically changes the landscape where employers can now offer one solution that addresses the comprehensive healthcare needs of their workforce and eliminates the need for multiple vendors. Through several strategic, proven acquisitions, the Company believes it is now positioned as a leading provider of comprehensive, holistic healthcare for enterprise clients. The combination of these solutions provides one centralized ecosystem focusing on longitudinal care while intending to increase user satisfaction, reduce healthcare costs, decrease wait times, and provide better return to work outcomes.

In early 2022, the Company completed the acquisition of MindBeacon Holdings Inc. ("**MindBeacon**"). MindBeacon is part of HWS, and specifically our Mental Health Support Services. MindBeacon is a leading digital mental healthcare platform that provides a Therapist Assisted internet-based Cognitive Behavioural Therapy ("**TAiCBT**"), which is a highly effective therapy provided through a computer or a mobile device. iCBT has become a fast-growing intervention channel compared to conventional in-person psychotherapy. MindBeacon's platform provides a cost-effective, stigma-reducing avenue to deliver mental health therapy that complements CloudMD's personalized integrated offering. MindBeacon has established relationships across a broad spectrum of B2C and B2B distribution channels, including healthcare providers, employers and governments. MindBeacon delivers positive outcomes, with 82% of those iCBT clients that were surveyed in November 2021 reporting improvements in their mental health, and 67% reporting clinically significant improvements.

MindBeacon's mental health services have been integrated into CloudMD's comprehensive integrated health services offering, which is increasing the reach and expanding the breadth of interactive technologies and toolsets within behavioural health to support clients with longitudinal multi-dimensional care. The MindBeacon TAiCBT product offering carries a higher margin and is expected to improve the overall gross margins in the HWS segment. In late 2022, we also invested in translating our TAiCBT modules and platform into Spanish which allows us to service the large Spanish speaking population in certain regions in the United States.

Health and Productivity Solutions

The Company's HPS division offers health and productivity tools intended to create a better experience for those needing healthcare. HPS offers clients a suite of healthcare technology solutions that support an organization's healthcare offering. It offers stand-alone solutions and supports medical practitioners streamline practices and make businesses more accessible and efficient. The Company currently services a combined ecosystem of over 10,000 clinicians and mental health practitioners, 2,000+ allied health professionals, and 1,400+ doctors and nurses. The Company's patient-centric approach continues to be well received and the Company will continue to look for ways to improve healthcare access by leveraging its technology to ensure we deliver on the Company's value proposition of innovation in the delivery of healthcare.

PRODUCTS AND SERVICES

The Company categorizes its revenues under two divisions: (1) Health and Wellness Services (HWS) and (2) Health and Productivity Solutions (HPS). During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying our former Clinic Services & Pharmacies segment and Cloud Practice Inc. ("Cloud Practice") within our Health and Productivity Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations. During the fourth quarter of 2022, CloudMD finalized the sale of Cloud Practice, two clinics and two pharmacy locations. Our RXI pharmacy business is classified as discontinued operations as of March 31, 2023. We are in the process of selling assets in this business, however, we expect the valuation to be insignificant. We will continue to operate the CRM and patient support programs.

Health and Wellness Services ("*HWS*")

Health and Wellness Services' revenue is generated through two pricing models:

- Subscription-based pricing using a price per member per month with an average contractual term of 3 years; and,
- Per-case billing model at an agreed upon rate for services that are used in disability management, occupational health, and other employer services.

The foundation of the Health and Wellness Services division is delivering programs that address mental, physical, and social issues experienced by employees and their family members. These programs can be available on a stand-alone basis or through a comprehensive, digitally connected platform for corporations, insurers, and advisors to better manage the health and wellness of their employees and customers.

Through several strategic acquisitions, CloudMD is now positioned as a leading provider to the employer healthcare market with our unique comprehensive ability to offer services that address the rising costs of absence and improve employee productivity. CloudMD's proprietary Integrated Health & Wellness Program, Kii, addresses all points of a patient's care, including triage, assessment and navigation, reducing healthcare costs, decreasing wait times, and providing better return to work outcomes. CloudMD's team-based, whole-person approach to healthcare aims to engage patients and clients, and empower doctors and mental health practitioners, while leveraging technology to connect the entire health ecosystem and provide longitudinal care.

The Kii services are utilized by a wide range of customers including employers, associations, government, individuals, disability case managers, life and health insurers, and property and casualty insurers. Some of our customers have seen proven results from our services such as a 37% reduction in absence duration, a 21% decrease in casual absence hours and 19X return on investment in payroll savings due to employees returning to work sooner. The Kii program is offered either as a per employee subscription or as a per case fee.

CloudMD's capabilities include:

Health Support Services (EFAP, Therapy /Mental Health Coaching, TAiCBT and virtual medical care)

CloudMD's leading Health Support Services ("**HSS**") include EFAP, Mental Health services (Therapy, Mental Health Coaching and TAiCBT) and virtual medical care and are accessible using either our proprietary digital platform or via our 24/7 live answer call center providing triage, assessment and case management of physical and mental health.

The cornerstone of our health and wellness services is our nurse care coordinators who become navigators as individuals reach out for support for their mental, physical or occupational health concerns. The nurse resource is highly trained to help employees navigate care, build personalized care plans, provide online educational resources, navigate healthcare systems, and provide comprehensive case management to support an individual's emotional, physical, and mental wellbeing towards improved outcomes and effective return to function.

Our HSS focus is on a multi-modality support model to drive individual choice on the appropriate care pathways for their situation including in-person (mental health), telephonic or virtual support solutions. It is effective across the healthcare continuum and includes services that address crisis, episodic, short-term, long-term, chronic and specialized services such as trauma, substance use and addictions. We are continuing to integrate MindBeacon iCBT capabilities into our HSS offerings across North America to further differentiate CloudMD as a leader in organization health and wellness. This service is offered as a price per member per month.

Rehabilitation and Assessments

Employers, insurance companies and lawyers rely on our national integrated network of medical practitioners across Canada who perform independent medical assessments, return to work support, functional capacity evaluations, rehabilitation support, job demand analysis, etc. These services are delivered virtually, on-demand and on-site. Our network of 2,000 specialists across 54 sub-specialties support individuals in understanding mental and physical health issues with a focus on return to function. This service is offered as a per-case fee. Through our proprietary software platform, iAssess™, it enables assignment of specialists, workflow management, practitioner engagement, and margin expansion in the delivery of services. This proprietary platform will be used in HWS health network management for its entire provider network to increase quality assurance and user satisfaction. CloudMD will have a centralized provider management system enabling navigators and users' access to the entire provider management roster. This enables us to deliver on our value proposition of providing personalized care.

Absence Management and Occupational Health

Our Absence Management and Occupational Health services focus both on preventing and reducing the duration of occupational absences by delivering services that improve the health and wellness of employees. Services include solutions supporting absentee management, short-term and long-term disability, workers' compensation claims management, mental health assessment and evaluation services focusing on prevention, accommodation, and recovery. Our services are delivered virtually, on-demand and on-site through our network of over 1,000 healthcare professionals, assessors, and medical centers nationally.

Health and Productivity Solutions ("*HPS*")

Health and Productivity Solutions are primarily offered on a subscription or license-to-use basis. The solutions are sold to companies, insurers, clinics and pharmacies who use our technology to create connectivity, and improve the healthcare practitioner, client and user experience while creating efficiencies in administration. The products are scalable and adaptable and used within CloudMD for service delivery and offered directly to customers.

The following describes the solutions available to healthcare practitioners:

Benchmark Systems

U.S. based product suite that includes Electronic Health Records (EHR) and Practice Management (PM) for Ambulatory Clinics and Allied Health Professionals, currently active in 35 states. Both EHR and PM support multiple outpatient specialties with

PM providing additional support for inpatient and institutional billing. Benchmark Systems offers billing solutions that increase productivity and efficiency for clinics that choose to outsource their billing. In addition, Benchmark offers Remote Patient Monitoring (RPM), both as a software platform as well as a service, providing support for required patient interactions as part of an RPM program. Lastly, Benchmark provides outsourced IT services to provide secure infrastructure and proactive threat monitoring to clinics and other professional based businesses where data security is important. All of these products and services can be implemented as a single product suite or individually as needed by an individual clinic.

MyHealthAccess

CloudMD's patient portal enables online appointment booking and virtual care visits. The platform works with an electronic medical record ("**EMR**") platform to provide healthcare providers and primary care clinics with a user-friendly application. The user experience allows patients to book appointments real-time, 24/7, and message clinical staff.

The following solutions are marketed to Governments, hospitals, and organizations interested in using technology as a binary way of creating engagement and connected care through a unified platform. The solutions can be used to follow care pathways, monitor individuals, create engagement through education, and connect to specific healthcare services through a unified platform. Our HWS division uses this technology to connect individuals to healthcare solutions.

CloudMD's Health Wellness Network and Real Time Intervention Platform Solution

The healthcare industry is rapidly moving toward vision where the patient will be at the center of our healthcare information technology systems—wired in, always on, wearing or implanted with digital health technology evolved to the point where every woman, man, and child can be connected and cared for digitally, remotely, and holistically. CloudMD's solution supports this vision. The components of the solution are the Health and Wellness Network ("**HWN**") and Real Time Intervention Platform ("**RTIP**").

Real Time Intervention Platform (RTIP)

CloudMD's patented Real Time Intervention and Prevention Platform ("**RTIP**") allows us to solve for interoperability with speed, consistency, and security. RTIP is the backbone for applications such as: Substance Use Disorder ("**SUD**") and Health and Wellness Network. RTIP is designed to enable an automated real time inquiry of disparate data sources across multiple domains, identify indicators and compute risk scores so that the appropriate personnel can be alerted when the risk level for at-risk individuals is above a pre-determined level signaling intervention may be required. CloudMD also licenses this software to companies that are looking to create connected platform experiences and/or are experiencing challenges uniting disparate data sources. RTIP use cases have permeated sectors beyond healthcare including Government organizations in the U.S. that have purchased the platform on a subscription basis to provide an affordable and scalable mechanism for opioid detection and substance use services. RTIP provides a true interoperability platform for entities across a wide array of markets.

Health and Wellness Network

The HWN app *Healthy LYF* focuses on enabling healthcare providers to be in constant connection with their patients. The app provides for an array of services including, but not limited to, curated education tailored to meet the needs of any entity or group, peer support capability, health vitals monitoring, and also allows for connecting existing services into the app for a consolidated patient or user experience. The HWN solution enables patients to be cared for digitally, remotely and holistically in conjunction with the RTIP platform that supports the aggregation of data from multiple disparate sources. Data driven insights are provided to healthcare providers to enable enhanced patient care and improved outcomes.

Medical Reference Library

CloudMD has an award-winning health education platform providing peer-reviewed resources that are trusted and used by healthcare professionals to provide credible medical information that promotes positive patient behaviour. The pharmaceutical/healthcare industry utilize this platform for direct-to-consumer and direct-to-clinician marketing campaigns and patient education and patient support programs. The intuitive and robust digital resource library is available on any digital device. The platform is currently utilized by over 17,500 healthcare professionals and is integrated in a variety of consultative health settings, including: 2,000 pharmacies, 280 hospitals, and 300 specialty clinics. It is now also integrated into the Kii Health and Wellness program and accessible directly within the platform. Content and resources come from partnerships with over 110 healthcare associations, 30 digital health companies (including the Mayo Clinic), and 55 pharmaceutical brands to provide over 110,000 patient-friendly PDFs, videos, and images across over 6,000 health conditions.

Vision Care

VisionPros is an online vision care platform, providing contact lenses direct to customers. VisionPros offers customers all the leading brands of contact lenses. This business required significant investment in 2022 in redesigning workflows, including establishing supplier contracts and a distribution center in the United States. The business continues to focus on profitable distribution of product in North America. Health and Wellness Services uses this technology to support insurers and organizations in the delivery of contact lenses for employees and it's now accessible to all members of Kii via the platform.

2023 FIRST QUARTER SUMMARY

Below is a summary of CloudMD's operations during and subsequent to the first quarter of 2023:

- First quarter revenue from continuing operations was $26.1 million, which does not include revenue generated from its RXI business, which is classified as discontinuing operations. This represents a decrease of 16% over the same period in 2022. The first quarter revenue was impacted by the conclusion of one-time mandates, including the COVID-19 testing contracts in the HWS division in the second quarter of 2022, and the Ontario Health COVID-19 iCBT program, and lower VisionPros revenues in the HPS division; combined, these accounted for a decrease in revenue of approximately 24%. This was offset by organic growth in the core business.

- Gross profit margin from continuing operations was 36.1% in the first quarter of 2023 compared to 36.7% in the first quarter of 2022. The year-over-year change is primarily due to revenue mix.

- Adjusted EBITDA[1] for the first quarter was ($1.6) million, compared to ($1.7) million in the prior year period. Adjusted EBITDA improved by $0.9 million from Q4, 2022. The improvement in adjusted EBITDA from the fourth quarter of 2022 is due to continued cost optimization efforts. Net Loss in the first quarter was $(7.1) million, compared to $(5.6) million in the prior year period.

- The Company identified and actioned approximately $1.0 million of annualized cost reductions in the first quarter, the impact of which was realized in part in the first quarter, with the full run-rate impact expected in the second quarter of 2023. During the first quarter of 2023, R&D, S&M and G&A expenses were lower than the fourth quarter of 2022 by approximately $0.5 million in our continuing operations, a result of on-going cost reduction initiatives. Subsequent to the first quarter of 2023, the Company has identified approximately $4.0 million annually of cost reductions that will be realized in the second and third quarter of 2023.

- Use of cash in the first quarter was $5.3 million. Normalized cash outflow[1] for the first quarter was $3.9 million. As of March 31, 2023, the Company had $18.8 million of cash and cash equivalents. We expect our cash used in operating activities to continue to improve as a result of our revenue growth and cost reduction initiatives.

- In the first quarter of 2023, CloudMD signed multi-year contracts contributing to its organic growth and annual recurring revenue ("**ARR**") [1] of $2.9 million. First quarter 2023 ARR sales, as a percentage of Q1, 2023 revenue annualized, provides a run-rate growth expectation of 11% before unlocking the full potential of multi-product sales and cross-sell into our book of business. The fastest growing part of the business is our Health and Wellness services where employers view our comprehensive offering, and strong health outcomes as a key differentiator.

[1] *These are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.*

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Selected Financial Information (unaudited)	**Three months ended March 31**	
	2023	**2022[(2)]**
Revenue	**$ 26,139**	**$ 31,048**
Cost of sales	16,701	19,643
Gross profit [(1)]	**$ 9,438**	**$ 11,405**
Gross profit %	***36.1%***	***36.7%***
Indirect Expenses		
Sales and marketing	1,480	2,205
Research and development	590	992
General and administrative	9,175	10,012
Share-based compensation	30	490
Depreciation and amortization	3,421	2,605
Acquisition and divestiture-related, integration and restructuring costs	950	2,474
Operating loss	$ (6,208)	$ (7,373)
Other income	160	139
Change in fair value of contingent consideration	-	2,736
Change in fair value of liability to non-controlling interest	(549)	(129)
Finance costs	(661)	(439)
Share in profit of joint venture	-	12
Income tax recovery/(expense)	255	(85)
Net loss for the period from continuing operations	**(7,003)**	**(5,139)**
Net loss after tax from discontinuing operations	**(143)**	**(509)**
Net loss for the period	**$ (7,146)**	**$ (5,648)**
Add:		
Depreciation and amortization	3,421	2,605
Finance costs	661	439
Income tax recovery/(expense)	(255)	85
EBITDA [(1)]	**$ (3,319)**	**$ (2,519)**
Share-based compensation	30	490
Acquisition and divestiture-related, integration and restructuring costs	950	2,474
Change in fair value of contingent consideration	-	(2,736)
Change in fair value of liability to non-controlling interest	549	129
Net loss after tax from discontinuing operations	143	509
Adjusted EBITDA [(1)]	**$ (1,647)**	**$ (1,653)**
Loss per share, basic and diluted	**(0.02)**	(0.02)
Loss per share from continuing operations, basic and diluted	**(0.02)**	(0.02)

(1) These are non-GAAP measure. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.
(2) The comparative information has been re-presented due to discontinued operations

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

Revenue

The following table provides a summary of our revenues by category:

Revenue	Three months ended March 31,		Variance	
	2023	2022	**($)**	**(%)**
Health and Wellness Services	**$ 21,124**	$ 26,019	$ (4,895)	(19%)
Health and Productivity Solutions	**5,015**	5,029	(14)	-%
Total revenue	**$ 26,139**	**$31,048**	**$ (4,909)**	**(16%)**

Revenue for the three months ended March 31, 2023, decreased by $4,909 over the same period in 2022.

The decrease in revenue in the first quarter of 2023 over the comparable period in 2022 was primarily in the Health and Wellness Services segment due to COVID-19 mandates that concluded in 2022. Specifically, $4.1 million of the decline is due to COVID-19 related testing revenue in the comparative period that wound down in the second quarter of 2022, and $2.6 million from the Ontario Health COVID-19 iCBT program that came to an end. We have been selected for a new multi-year contract with Ontario Health which completed the implementation phase as of January 31, 2023, and started contributing revenue in the first quarter of 2023. The value of the new program will be approximately $1.8 million per year. The impact of these two COVID-19 related contracts was partially offset by organic growth in the business due to new contract wins and expanding services to existing clients. Revenue for the first quarter of 2023 in the HWS segment was $0.7 million higher than the fourth quarter of 2022, partially impacted by some attrition in our Occupational Health business.

In the HWS segment, we are winning new customers on the strength of our integrated and comprehensive product offering that includes a full continuum of service offerings to treat the mental and physical health of an employer population. Health navigators are creating engagement and empowering individuals to healthier outcomes. This, coupled with our excellent end-user experiences for our stakeholders, is driving successful customer acquisitions. We have a strong roster of long-tenured blue-chip clients that are using one of our capabilities; the client management team is focused on introducing existing clients to the full spectrum of capabilities that enable a full care model where we are addressing physical and mental health from mild to acute to chronic. In 2022, we diversified our commercial strategy to focus on direct sales to organizations and multi-product sales which tend to be more profitable and longer-term contracts. As a result of this diversification, we have observed that our average contract value is higher compared to prior years.

Revenues from the HPS segment for the three months ended March 31, 2023, were $5,015 compared to $5,029 in the same period in 2022. Revenue was lower in the VisionPros business by approximately $0.6 million, offset by increased revenues in other parts of the segment.

The focus in 2023 is realizing growth from our Health and Wellness app and Remote Patient Monitoring where we believe there is a material opportunity for growth.

The following table provides a summary of our revenues by territory:

Revenue	Three months ended March 31,		Variance	
	2023	2022	**($)**	**(%)**
Canada	**$ 20,294**	$ 25,799	$ (5,505)	(21%)
United States	**5,845**	5,249	596	11%
Total revenue	**$ 26,139**	**$ 31,048**	**$ (4,909)**	**(16%)**

Revenues earned in Canada for the three months ended March 31, 2023, decreased by $5,505 primarily due to the impact of the reduction in Covid-19 related service revenues as discussed above, offset by organic growth in our HWS segment.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

Revenues earned in United States for the three months ended March 31, 2023, represented 22% of total revenues compared to 17% in the comparable period in 2022. Revenues earned in the United States have increased compared to the same period last year as a result of contract wins in 2022 that commenced services in second half of the year and increased revenue from existing customers. This was partially offset by the aforementioned decreased revenue in our Vision Pros business due to supplier issues. We expect the proportion of US revenues going forward to increase as a result of some of the larger opportunities that exist for our Health and Wellness platform, HealthyLYF. Initially these opportunities are related to Remote Patient Monitoring but will have opportunity to expand as additional services and features are added.

Gross Profit

Gross profit for the three months ended March 31, 2023, decreased by $1,967 or 17% over the prior year comparable period. This decrease is mainly attributable to changes in revenue.

The gross profit margin was 36.1% for the three months ended March 31, 2023, compared to 36.7% for the same period in the prior year. The decrease in overall gross profit margin for the three months ended March 31, 2023, was primarily due to the revenue mix in the periods. The first quarter of 2023 margin was slightly improved from the fourth quarter of 2022. Gross profit margin is expected to increase over time with the ongoing efforts to integrate acquisitions, including our networks and systems, and increasing our operational efficiency through use of lower cost, clinically appropriate, modalities.

Expenses

Operational expenses for continuing operations	**Three months ended March 31,**		**Variance**	
	2023	2022	**($)**	**(%)**
Sales and marketing	**1,480**	2,205	(725)	(33%)
Research and development	**590**	992	(402)	(41%)
General and administrative	**9,175**	10,012	(837)	(8%)
Share-based compensation	**30**	490	(460)	(94%)
Depreciation and amortization	**3,421**	2,605	816	31%
Acquisition and divestiture-related, integration and restructuring costs	**950**	2,474	(1,524)	(62%)
Operational expenses	**$ 15,646**	**$ 18,778**	**($3,132)**	**(17%)**

Sales and Marketing

Sales and marketing expenses for the three months ended March 31, 2023, decreased by $725 or 33% over the prior year comparable period. The decrease compared to the same quarter last year is attributable to the reduction in the Ontario Health volume for our iCBT offering leading to reduced marketing spend on customer acquisition, as well as continued efforts to control costs. Customer acquisition costs as a percentage of revenue are expected to decrease as greater economies of scale are realized through the sales, cross-sell and shared marketing infrastructure. Sales and marketing decreased by approximately $0.5 million from Q4 2022 to Q1 2023, in part due to lower spend on VisionPros customer acquisition.

Research and Development

Research and development expenses for the three months ended March 31, 2023, decreased by $402 or 41% over the prior year comparable period. The decrease compared to the same quarter last year is a result of cost saving initiatives. During the first quarter of 2023, research and development was focused on new product development activities including the development of our Kii offering, and our integrated Health and Wellness application.

General and Administrative

General and administrative expenses for the three months ended March 31, 2023, decreased by $837 or 8% over the prior year comparable period. The decrease compared to the same quarter last year is primarily attributable the Company's continued integration and optimization efforts. General and Administrative costs decreased by approximately $0.3 million from Q4 2022 to Q1 2023 as a result of cost-saving initiatives that were actioned in the fourth quarter of 2022.

Share-based Compensation

Shared-based compensation expenses for the three months ended March 31, 2023, decreased by $460 or 94% over the prior year comparable period. The decrease is primarily attributable to less grants issued in 2022 compared to 2021 and lower share prices when grants were issued. There were no grants issued during the first quarter of 2023.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended March 31, 2023, increased by $816 or 31% over the prior year comparable period. The increase is primarily attributable to the acquisition of MindBeacon which resulted in higher amortization charges.

Acquisition and Divestiture-Related, Integration and Restructuring Costs

Acquisition and divestiture-related, integration and restructuring costs for the three months ended March 31, 2023, were $950, compared to $2,474 in the prior comparable period. Acquisition and divestiture-related, integration and restructuring costs include expenses incurred in relation to the Company's corporate development, divestitures, fees for advisory, and costs of integration which includes severance. The decrease is mainly due to the fact that we are progressing on our integration work and there were no acquisitions in the twelve months ending March 31, 2023. The Company expects to incur acquisition and divestiture-related, integration and restructuring costs in 2023, however these will continue to reduce as we progress through the year.

Other Income

Other income for the three months ended March 31, 2023, increased by $21 over the prior year comparable period. The increase is primarily attributable to higher interest on cash and cash equivalents due to the higher interest rates.

Change in fair value of contingent consideration

The change in fair value of contingent consideration for the three months ended March 31, 2023, was nil compared to a gain of $2,736 for the same period in 2022. Contingent consideration is comprised of earn-out payments due to sellers of acquired entities for meeting certain time based or revenue conditions over a period of up to 3 years following the date of the acquisition.

Change in fair value of liability to non-controlling interests

The change in fair value of liability to non-controlling interest for the three months ended March 31, 2023, was a loss of $549 compared to $129 for the same period in 2022. On March 14, 2023, the non-controlling shareholder has notified the Company their intention to exercise the put option granted under the shareholder's agreement. As such the liability has been re-valued using the expected settlement amount of $1,292 (US $955) to acquire the remaining 12.5% interest held by the non-controlling interest. The settlement was completed on May 19, 2023 for the amount accrued and the liability has been reclassified from long term to current on the balance sheet as at March 31, 2023.

Finance costs

Finance costs for the three months ended March 31, 2022, increased by $222 over the prior comparable period. The increase is primarily attributable to the higher interest rates on the variable rate bank loans.

Current and deferred income taxes expense

The current and deferred income taxes expense for the three months ended March 31, 2023 was a recovery of $255 compared to an expense of $85 over the prior comparable period. The recovery is a result of the loss for the period.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

Net loss from continuing operations

Net loss from continuing operations for the three months ended March 31, 2023, was $7,003, compared to $5,139 for the same prior year period. The increase in net loss in the three months ended March 31, 2023, was primarily due the gain resulting from the change in fair value of contingent consideration of $2,736 in the comparable period. The Company is highly focused on profitable growth and generating positive net profits is a key objective for the Company.

Net loss from discontinuing operations

During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying its former Clinic Services & Pharmacies segment and Cloud Practice within our Health and Productivity Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations.

The Company sold 100% of its shares in SSMC, Healthvue, Cloud Practice Inc., Steveston and Cloverdale Pharmacies in the fourth quarter of 2022. The last business included in the Clinic Services & Pharmacies segment that the Company has not reached a definitive arrangement to sell as of March 31, 2023 is the RXI business (RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions (collectively "**RXI**"). The Company does not expect to receive any material value for this business.

The results of the entities that were classified as discontinued operations in the periods are presented below:

Unaudited	**Three months ended March 31**	
	2023	**2022**
Revenue	**$ 876**	**$ 10,330**
Expenses	**1,013**	10,801
Operating loss	**(137)**	(471)
Finance costs	**(6)**	(59)
Other income	**-**	21
Loss before tax from discontinuing operations	**(143)**	**(509)**
Tax (expense)/benefit	**-**	**-**
Loss after tax for the period from discontinuing operations	**$ (143)**	**$ (509)**
Loss per share from discontinuing operations	**$ (0.00)**	**$ (0.00)**

EBITDA and Adjusted EBITDA[2]

EBITDA for the three months ended March 31, 2023, and 2022, was a loss of $3,319, compared to a loss of $2,519 for the same period in the prior year.

Adjusted EBITDA for the three months ended March 31, 2023, was a loss of $1,647 compared to a loss of $1,653 for the same period in the prior year. Adjusted EBITDA continues to improve over the recent quarters, primarily as a result of continued cost savings initiatives.

[2] *These are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.*

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

The following table provides a reconciliation of net loss for the periods to EBITDA and Adjusted EBITDA for the three months ended March 31, 2023 and 2022.

	Three months ended March 31,		Variance	
	2023	**2022**	**$**	**%**
Net loss	**$ (7,146)**	**$ (5,648)**	**(1,498)**	**(27%)**
Add:				
Finance costs	**661**	439	222	51%
Income tax expense/(recovery)	**(255)**	85	(340)	400%
Depreciation and amortization	**3,421**	2,605	816	31%
EBITDA[(1)] for the period	**$ (3,319)**	**$ (2,519)**	**(800)**	**32%**
Share-based compensation	**30**	490	(460)	(94%)
Acquisition and divestiture-related, integration and restructuring costs	**950**	2,474	(1,524)	(62%)
Change in fair value of contingent consideration	**-**	(2,736)	2,736	(100%)
Change in fair value of liability to non-controlling interest	**549**	129	420	326%
Net loss from discontinuing operations	**143**	509	(366)	(72%)
Adjusted EBITDA[(1)] for the period	**$ (1,647)**	$ (1,653)	**6**	**-%**

(1) EBITDA and Adjusted EBITDA, are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.

SUMMARY OF QUARTERLY RESULTS

The following tables provides a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 2023 (unaudited)	Q4 2022 (unaudited)	Q3 2022 (unaudited)	Q2 2022 (unaudited)	Q1 2022 (unaudited)	Q4 2021 (unaudited)	Q3 2021 (unaudited)	Q2 2021 (unaudited)
Revenue [(1)]	$ 26,139	$ 25,861	$ 27,505	$ 30,342	$ 31,048	$ 38,735	$ 39,162	$ 15,659
Gross profit[(1)]	$ 9,438	$ 9,005	$ 9,482	$ 10,306	$ 11,405	$ 11,605	$ 13,296	$ 5,557
Gross profit % [(1)]	36.1%	34.8%	34.5%	34.0%	36.7%	30.0%	34.0%	35.5%
Net loss	$ (7,146)	$ (12,978)	$ (94,851)	$ (44,214)	$ (5,139)	$ (13,029)	$ (4,319)	$ (6,632)
Adjusted EBITDA [(1)]	$ (1,647)	$ (2,572)	$ (3,034)	$ (3,396)	$ (1,653)	$ 560	$ 725	$ (579)
EPS, basic and diluted	$ (0.02)	$ (0.04)	$ (0.32)	$ (0.15)	$ (0.02)	$ (0.06)	$ (0.02)	$ (0.03)
Cash and cash equivalents	$ 18,752	$ 24,058	$ 27,506	$ 29,703	$ 45,082	$ 45,082	$ 53,685	$ 60,880

(1) Revenue, Gross Profit, Gross Profit %, Adjusted EBITDA and EPS for Q1 2022 onwards reflect results from our continuing operations and does not include entities classified as discontinued operations. Prior quarter figures have not been restated to match this presentation .

The growth in the Company's quarterly revenue beginning Q2 2021 is attributable to business acquisitions and organic growth. In the past eight quarters, the Company completed 5 acquisitions.

The demand for certain services within the HWS division that employ a per-case billing model is subject to seasonal fluctuations. This is attributable to lower patient and consumer visits and engagement in the summer months and around the holiday season at the end of the year.

In the second, third and fourth quarters of 2022 the company incurred a non-cash impairment charge. Further, in third quarter of 2022, the Company initiated a plan to sell the businesses underlying its former Clinic Services & Pharmacies segment and Cloud Practice within our Health and Productivity Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinuing operations.

OUTLOOK

The Company has experienced a period of transition due to the large number of acquisitions completed over the preceding two years. During 2022, the Company turned its attention to operationalizing, aligning, and rationalizing these assets, so that it can drive value creation for shareholders and clients. The Company has been focused on the integration of its previous acquisitions and products to create an innovative market leadership position and delivering profitable results.

The Company has assessed business and financial performance, risks, and strategic opportunities. It has been focused on allocating resources against profitable revenue streams that deliver increased shareholder value and rationalizing products and related expenses that do not fit the long-term strategy of the Company. To this end, during the fourth quarter of 2022, the Company completed the sale of its BC-based primary care clinics, CloudPractice and two pharmacy assets, all of which were considered non-core.

With a renewed focus, the Company has a multi-pronged growth strategy with an emphasis on organic profitable growth, cost optimization, and leveraging of our core assets. The Company plans to drive shareholder value through the following priorities, including: (1) integrating acquisitions to generate financial and operational synergies, including integration of back office systems which will improve gross margin; (2) driving continuous improvement across the organization to improve productivity, product quality and consistency, advancement of integrated program offerings and lower customer acquisition costs; and (3) generating organic profitable growth in the HWS and HPS divisions.

The Company is focused on leveraging the foundational assets for organic growth, becoming EBITDA and cash flow positive and achieving financial sustainability. Becoming cash flow positive is predicated on some key client wins and continuing to optimize our cost structure; the Company is focused on improving this each sequential quarter. In addition, moving forward cash outflows from non-recurring integration costs will decline.

During the fourth quarter of 2022, the Company identified and actioned approximately $5.0 million in annual cost reductions to realign its cost base which are flowing through the P&L in the first quarter of 2023. During the first quarter of 2023, the Company realized additional cost reductions of $1.0 million annually. In addition, the Company is expecting to realize another $4.0 million of annual net cost savings in the second and third quarter of 2023. These synergies will come with a cost of severance, or working notice, which will impact cash flows in the first two or three quarters of 2023.

Cost reductions are required to bring the Company to cash flow positivity, however continued growth is an equally important part of the equation. During 2023, the Company expects to achieve low double-digit growth based off the revenue run-rate exiting 2022. We are focused on driving profitable growth in the markets where we have scale, and strong differentiators in proven service delivery and that have the most attractive growth and profit potential.

The cost savings achieved in the fourth quarter of 2022, in addition to the savings realized in the first quarter of 2023 and expected reductions in the second and third quarter of 2023 will bring the Company closer to Adjusted EBITDA breakeven. As of the date of this MD&A, the Company expects to achieve this milestone in the fourth quarter of 2023.

The Company believes its cash position of $18.8 million, will provide sufficient liquidity to fund its obligations and fund organic growth. The Company will continue to prudently manage expenditures and seek further efficiencies in its cost structure.

The current economic market conditions do not impact the services that CloudMD offers. In fact, the need for mental health support is resilient to economic markets and become more valuable in helping people cope during difficult times. Employers continue to invest in the areas of health during difficult economic times. The current market environment has underscored the need to provide timely and critical access to mental and physical health treatment and resources. CloudMD is uniquely positioned to shape the future of personalized healthcare. The Company is focused on creating innovation in the delivery of healthcare service leveraging technology to improve access to care, leading to better health outcomes. Through its team-based, personalized care approach, CloudMD provides comprehensive solutions to patients, healthcare practitioners, individuals, and enterprise clients through our call center, digitally or in person.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

FINANCIAL POSITION

	As at				
Unaudited		**March 31, 2023**		**December 31, 2022**	**Variance ($)**
Cash and cash equivalents	$	18,752	$	24,058	(5,306)
Trade and other receivables		17,634		18,758	(1,124)
Inventory		679		979	(300)
Prepaid expenses, deposits and other		4,137		4,195	(58)
Current assets (1)		**41,202**		**47,990**	**(6,788)**
Accounts payable and accrued liabilities		19,596		21,023	(1,427)
Deferred revenue		3,045		2,256	789
Contingent consideration		1,282		2,177	(895)
Contingent liability		1,200		1,200	-
Liability to non-controlling interests		1,292		-	1,292
Current portion of lease liabilities		1,871		2,015	(144)
Current portion of long-term debt		2,258		2,157	101
Current liabilities (1)		**30,544**		**30,828**	**(284)**
Working capital (2)	**$**	**10,658**	**$**	**17,162**	**(6,504)**
Add:					
Contingent consideration settled in shares		241		919	(678)
Adjusted working capital(3)	**$**	**10,899**	**$**	**18,081**	**(7,182)**

(1) Current assets and current liabilities above exclude the assets held for sale of $1,051 and liabilities associated with the assets held for sale of $2,139.
(2) Working Capital and Adjusted Working Capital are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.
(3) Adjusted working capital represents working capital less an adjustment for contingent consideration that the Company has the option to settle in shares.

For the three months ended March 31, 2023, working capital decreased to $10,658 compared to $17,162 at the beginning of the year. The decrease is mainly due to lower cash and cash equivalents, trade receivables, higher deferred revenue and the reclassification of liability to non-controlling interests to current liabilities. This was partially offset by lower accounts payable and accrued liabilities and lower contingent consideration.

The decrease in trade and other receivables from year end is primarily due to the proceeds from the sale certain businesses included under the former clinics and pharmacies segment in the fourth quarter of 2022. The decrease in accounts payable and accrued liabilities is due to payments made related to accruals at year end.

For the three months ended March 31, 2023, adjusted working capital decreased to $10,899 compared to $18,081 at the beginning of the year.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,		**Variance**
	2023	2022	
Cash provided by / (used in):			
Net cash used in operating activities	**$ (4,345)**	$ (8,995)	$ 4,650
Net cash provided by investing activities	**338**	11,919	(11,581)
Net cash (used in)/provided by financing activities	**(1,299)**	(1,107)	(192)
(Decrease) Increase in cash and cash equivalents	**(5,306)**	1,817	(7,123)
Cash and cash equivalents, beginning of period	**24,058**	45,082	(21,024)
Cash and cash equivalents, end of period	**$ 18,752**	**$ 46,899**	$ (28,147)

The Company had cash and cash equivalents of $18,752 as at March 31, 2023 compared to $24,058 at December 31, 2022.

During the three months ended March 31, 2023, the Company had cash outflows from operations of $4,345, compared to cash outflows of $8,995 for the comparable period in 2022. The decrease in cash used in operating activities for the three months period was primarily due to more favourable working capital changes of $3.4 million.

Cash provided by investing activities during the three months ended March 31, 2023, was $338 compared to $11,919 for the comparable period in 2022. The negative change was primarily due to the MindBeacon acquisition in the prior year comparative period which resulted in a net cash increase for the Company of $12,163.

Cash used in financing activities during the three months ended March 31, 2023, was $1,299 and is comparable to $1,107 for the comparable period in 2022.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

Normalized cash outflows

Table below provides a reconciliation of the one-time cash outflows in the three months ended March 31, 2023:

(unaudited)		
Cash and cash equivalents as at December 31, 2022	**$**	24,058
Cash and cash equivalents as at March 31, 2023		18,752
Cash outflow		**(5,306)**
Net cash used in operating activities		**(4,345)**
Adjustments		
Net changes in non-cash working capital		1,510
Cash used in discontinued operations, net of working capital		133
Adjustments to EBITDA [(2)]		950
Adjusted net cash used in operating activities	**$**	**(1,752)**
Net cash provided by investing activities		**338**
Adjustments		
Proceeds from disposal of business		(1,261)
Payment of contingent consideration		371
Adjusted net cash used in investing activities	**$**	**(552)**
Net cash used in financing activities		**(1,299)**
Adjustments		
Federal Economic Development receipt		(370)
Cash used in discontinued operations		26
Adjusted net cash used in financing activities	$	**(1,643)**
Normalized cash outflow [(1)]	**$**	**(3,947)**

(1) *Cash outflow and Normalized cash outflow are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.*
(2) *Adjustments to EBITDA include Acquisition and divestiture-related, integration and restructuring costs.*

During the first quarter of 2023, the Company's normalized cash outflow was $3.9 million, which is lower compared to cash outflow of $4.6 million in the fourth quarter of 2022 and $4.2 million in the third quarter of 2022. The improvement reflects the positive results from the Company's cost saving initiatives and continued integration and optimization efforts.

As discussed in the "*Outlook"* section above, the Company's continued focus on cost realignment, is expected to improve the Company's cash flow throughout 2023. The Company is monitoring cash flow closely, and it is its number one determinant in strategic decision making.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize shareholder value. The Company's capital is comprised of equity and long-term debt, net of cash and cash equivalents. The Company manages the capital structure and adjusts in response to changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes to the Company's approach in its management of capital during the period.

The Company is subject to certain financial covenants in respect of its debt obligations. The Company's strategy is to ensure it remains in compliance with all of its existing covenants under the Facilities so as to ensure continuous access to debt that may be required to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

FINANCIAL INSTRUMENTS

The Company's principal financial assets include cash and cash equivalents, and trade and other receivables. The Company's principal financial liabilities comprise of accounts payable and accrued liabilities, contingent consideration, contingent liability and long-term debt. The main purpose of these financial liabilities is to finance the Company's operations.

The carrying values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term nature of these instruments. The carrying value of long-term debt is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. There were no transfers between levels of the fair value hierarchy.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior management oversees the management of these risks.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, and trade and other receivables. To manage credit risk, cash and cash equivalents are held only with reputable and regulated financial institutions.

The Company provides credit to its customers in the normal course of operations. The Company minimizes its credit risk associated with its trade and other receivables by performing credit evaluations on customers, maintaining regular and ongoing contact with customers, routinely reviewing the status of individual trade and other receivables balances and following up on overdue amounts. Further, trade receivables are monitored on a periodic basis for assessing any significant risk of non-recoverability of dues and provision is created accordingly.

The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of collections.

As at March 31, 2022, the Company had $17,634 (December 31, 2022 – $18,758) of trade and other receivables, net of an allowance for expected credit losses of $1,517 (December 31, 2022 - $1,584).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statement of financial position are highly liquid.

The maturity profile of the Company's financial liabilities, based on contractual undiscounted payment at each reporting date is:

As at March 31, 2023	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	$ 19,596	$ -	$ -	$ 19,596
Contingent consideration	1,282	-	-	1,282
Liability to non-controlling interests	1,292	-	-	1,292
Lease liability	2,340	4,262	-	6,602
Long-term debt	2,708	17,009	339	20,056
	$ 27,218	**$ 21,271**	**$ 339**	**$ 48,828**

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

As at December 31, 2022	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 21,023	$ -	$ -	$ 21,023
Contingent consideration	2,177	241	-	2,418
Lease liability	2,340	4,869	-	7,209
Long-term debt	2,614	18,143	577	21,334
	$ 28,154	**$ 23,253**	**$ 577**	**$ 51,984**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Company is exposed to interest rate risk and foreign currency risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

As at March 31, 2023, the Company had variable rate borrowing loans amounting to $17,079 (December 31, 2022 – $17,609). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately $43 (March 31 2022– $56) for the three months ended March 31, 2023. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries. The Company's US operations functional currency is USD therefore any fluctuation in USD relative to CAD will result in a change in other comprehensive income for the period.

The Company's exposure to foreign currency risk to profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities and as at the balance sheet date is immaterial. The impact on the Company's other comprehensive income based on the change in USD to CAD currency rate of 5% for the quarter ended March 31, 2023 would be $613 (March 31, 2022 -$4).

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than short-term lease agreements.

RELATED PARTY TRANSACTIONS

The following is a summary of remuneration of key management and Board of Directors:

	Period ended	
	March 31, 2023	**March 31, 2022**
Cash-based compensation	**$ 546**	$ **1,216**
Stock-based compensation	**30**	**247**
Total	**$ 576**	$ **1,463**

During the three months ended March 31, 2023, the Company paid $557 (March 31 2022 - $881) for services acquired and the cost of facility sharing, and the Company received $81 (March 31 2022 - $57) for services acquired for projects subcontracted to a company controlled by key management of one the Company's subsidiaries for IT development service. As at March 31, 2023, there was an amount payable of $798 (December 31, 2022 - $1,479) and amount receivable of $81 (December 31, 2022 - $386). These services were paid for the development of one of the Company's key operational platforms.

During the thee months ended March 31, 2023, the Company paid $45 (March 31 2022 - $12) to a company which owns 12.5% of one of the Company's subsidiaries. The payments made related to processing support for Revenue Cycle Management offering.

Payments are made in accordance with the terms of the agreement established and agreed to by the related parties.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company's significant accounting judgements, estimates and assumptions are presented in note 3 to the annual consolidated financial statements and in our MD&A for the year ended December 31, 2022. The condensed interim consolidated financial statements for the three months ended March 31, 2023 and 2022 have been prepared using the critical accounting estimates and assumptions consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2022.

New standards, interpretations and amendments adopted by the Company

<u>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</u>

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's financial statements.

<u>Definition of Accounting Estimates - Amendments to IAS 8</u>

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's financial statements.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company adopted these amendments on January 1, 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

LITIGATION AND OTHER CONTINGENCIES

In 2020, Gravitas Securities Inc. ("Gravitas") commenced an arbitration alleging breach of the terms of a right of first refusal in connection with an offering which was in the form of a bought deal equity financing underwritten by a syndicate of other investment banks in May 2020. Gravitas subsequently amended its claim for damages to include commissions and damages arising from additional bought deal equity financings which were completed in 2020 and 2021 (the "Financings"). The total claims are in excess of $9,458 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with the Financings plus interest and costs. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration hearing was completed in February 2023. A decision of the arbitrator is pending. The Company is of the view that its defense to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Gravitas claims succeed is $1,200 and therefore an accrual for that amount as a contingent liability has been recorded.

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

Issued and outstanding	**May 29, 2023**	**March 31, 2023**
Common shares	301,687,788	301,544,931
Stock options	8,084,167	8,191,667
Restricted share units	1,245,750	1,245,750
Warrants	-	-
Total	**311,017,705**	**310,982,348**