# CloudMD Software & Services Inc.

**Management's Discussion and Analysis**

For the years ended December 31, 2022 and 2021

(Amended and Restated)

(Expressed in thousands of Canadian Dollars)

**NOTE TO READER**

This management's discussion and analysis ("**MD&A**") replaces and supersedes the MD&A previously filed on April 25, 2023. After the issuance of the audited consolidated financial statements for the years ended December 31, 2022 and 2021, the Company's auditors and management performed additional procedures and certain adjustments were identified that required a restatement of the annual consolidated financial statements, as fully described in Note 2 to the restated audited annual consolidated financial statements. As a result, the MD&A has been revised to give effect to the restatement of the audited consolidated financial statements for the years ended December 31, 2022 and 2021. This MD&A should be read in conjunction with such restated financial statements.

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# INTRODUCTION

This Management's Discussion and Analysis for the three months and years ended December 31, 2022 and 2021 ("**MD&A**") for CloudMD Software & Services Inc. ("**CloudMD**" or the "**Company**") is dated December 8, 2023 and is based on information available to management as of December 06, 2023, except where amendments were required to give effect to the restatement of the audited consolidated financial statements for the years ended December 31, 2022 and 2021. This MD&A is prepared in accordance with Form 51-102F1 of National Instrument 51-102 and should be read in conjunction with the Company's restated audited consolidated financial statements and accompanying notes for the years ended December 31, 2022 and 2021. See Note 2 of the restated audited consolidated financial statements for further details about the restatement. These documents, along with additional information about the Company, are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

The financial data contained in this MD&A and the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). 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 ither risks mentioned in this MD&A. 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 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, impairment, 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, impairment, depreciation, amortization, share-based compensation, financing-related costs, acquisition and divestiture-related, integration and restructuring costs, litigation costs, change in fair value of contingent consideration, net loss after tax from discontinuing operations and loss on sale of joint venture. 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, incremental debt repayment 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 acquired 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 health care services designed to deliver better health outcomes. 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: Enterprise Health Services (EHS) and Digital Health Solutions (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.

*Enterprise Health Services*

The Company's EHS operating division provides organizations with an Employee & Family Assistance Program (EFAP), Mental Health Care (Coaching, Therapy, Treatment for Chronic Conditions), Virtual Medical Care, 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 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 is also what 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. As mental health conditions now account 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.

On January 14, 2022, the Company completed the acquisition of MindBeacon Holdings Inc. ("**MindBeacon**"). MindBeacon is part of EHS 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.

The addition of MindBeacon to CloudMD was, and continues to be synergistic for a number of key reasons:

- MindBeacon's mental health services have been integrated into CloudMD's comprehensive integrated health services offering, which is increasing the reach and expands the breadth of interactive technologies and tool sets 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 EHS segment.
- Our digital health platform is expected to be one of North America's leading fully-integrated health offerings, with a clinically-validated, broad continuum of care to address mild, moderate, acute and chronic mental and physical care.
- Significant cross-selling opportunities exist in our EHS division through a combined network of 7,200 corporate clients.

- MindBeacon's TAiCBT platform has been integrated with EFAP and Mental Health Coach to ensure the ability to support mental health treatment across modalities that align with personalized care.

- In 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.

- The Company has increased scale and presence in the United States through Harmony Healthcare ("**Harmony**") which provides a full spectrum of mental health and addiction treatment in the State of Nevada. Harmony's services include Employee Assistance Programs, individual and group therapy, medication management, substance abuse programs, crisis management and inpatient, utilization review and utilization management services. Harmony has built a strong reputation for concierge level service with its commercial, labour and trust clientele.

MindBeacon was in the investment stage of its growth cycle and was incurring substantial expenditures to support planned growth and to build out its product service offerings. Due to our previous investment in mental health services, we have a number of overlapping cost structures with MindBeacon. We have been focused on integration to ensure that we have the most efficient cost structure possible. Since completing the acquisition of MindBeacon, we have been focused on streamlining and consolidating key operational functions across our organization including clinical operations, Product, Finance, IT, Human Resources, Marketing and Sales and leveraging industry-leading talent to drive innovation, retention and capitalize on human capital. The Company has eliminated significant costs from its business since closing the acquisition of MindBeacon in January 2022.

*Digital Health Solutions*

The Company's DHS division offers health and productivity tools intended to create a better experience for those needing healthcare. DHS 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) Enterprise Health Services (EHS) and (2) Digital Health Solutions (DHS). 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 Digital Health 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 December 31, 2022. We are in the process of selling assets in this business, however, we expect valuations to be insignificant. We will continue to operate the CRM and patient support programs.

**Enterprise Health Services (EHS)**

Enterprise Health 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 Enterprise Health 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:

**Enterprise Health Services (EHS)**

***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 EHS 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.

**Digital Health Solutions (DHS)**

Digital Health 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 EHS 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 ("**HWN**"). 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. This impacted revenue in 2022 as the Company could not sell or distribute some brands until these contracts were in place. The business continues to focus on profitable distribution of product in North America. Enterprise Health 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.

## 2022 FOURTH QUARTER SUMMARY

Below is a summary of CloudMD's operations during the fourth quarter of 2022 and subsequent to December 31, 2022:

- Fourth quarter revenue from continuing operations was $25.9 million, which does not include revenue generated from its Clinic & Pharmacies Division and Cloud Practice, which are classified as discontinuing operations. This represents a decrease of 8% over the same period in 2021. The fourth quarter revenue was impacted by the conclusion of one-time mandates, including the COVID-19 testing contracts in the EHS division in the second quarter of 2022, and lower VisionPros revenues in the DHS division; combined, these accounted for a decrease in revenue of approximately 19%. Compared to the third quarter of 2022, as expected, fourth quarter revenues were impacted by a $1.5 million decline from changes to the Ontario Health contract in the delivery of iCBT. Year-to-date revenue from continuing operations was $114.6 million, an increase of 64% over the same period in 2021 due to acquisitions completed since 2021.

- Gross profit margin from continuing operations was 35.7% in the fourth quarter of 2022 compared to 36.8% in the fourth quarter of 2021. The year-over-year change is primarily due to revenue mix, as described under *Gross Margin* below. Fourth quarter margins are comparable to the third quarter of 2022.

- Adjusted EBITDA[1] for the fourth quarter was ($2.1) million, compared to ($0.1) million in the prior year period. Adjusted EBITDA improved by $1.1 million from Q3 to Q4 2022. The improvement in adjusted EBITDA from the third quarter of 2022 is due to continued cost optimization efforts. Net Loss in the fourth quarter was $12.3 million, compared to $13.0 million in the prior year period.

- The Company identified and actioned approximately $5.0 million of annualized cost reductions in the fourth quarter, the impact of which was realized in part in the fourth quarter with the full run-rate impact expected in the first quarter of 2023. During the fourth quarter of 2022, R&D, S&M and G&A expenses were lower than the third quarter of 2022 by approximately $1.6 million in our continuing operations, a result of on-going cost reduction initiatives. Subsequent to year end, the Company has realized approximately $1.0 million annually of cost reductions in the first quarter of 2023. In addition, the Company is expected to realize another $4.0 million of annual net cost savings in the second quarter of 2023.

- Use of cash in the fourth quarter was $3.4 million. Normalized cash outflow[1] for the fourth quarter was $5.0 million. As of December 31, 2022, the Company had $24.1 million of cash and cash equivalents. During the fourth quarter the Company repaid an incremental $4.4 million of debt, in part due to the divestiture of its pharmacy businesses. We expect our cash used in operating activities to continue to improve as a result of our revenue growth and cost reduction initiatives.

- Throughout 2022 CloudMD signed multi-year contracts contributing to its organic growth and annual recurring revenue ("**ARR**") of $12.2 million. In the fourth quarter CloudMD had sales with an ARR of $3.4 million. 2022 ARR sales, as a percentage of Q4, 2022 revenue annualized, provides a run-rate growth expectation of 12% 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.

- In the third quarter of 2022, the Company initiated a plan to divest the businesses underlying our former Clinic Services & Pharmacies segment and Cloud Practice Inc. within our Digital Health Solutions segment. As a result, the financial results from these businesses were reflected in our consolidated statement of income, retrospectively, as discontinued operations. The net loss after tax from these operations for the year ended December 31, 2022, was $8.8 million which includes a $7.3 million non-cash impairment charge. The discontinued operations also represented a year-to-date use of cash of $3.7 million for the year ended December 31, 2022.

- On November 2, 2022, the Company completed the sale of its BC-based primary care clinics, South Surrey Medical Clinic and Healthvue Ventures Limited as well as Cloud Practice, its cloud-based electronic medical records and

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

practice management software to WELL Health Technologies for approximately $5.75 million in cash. On December 19, 2022, the Company completed the sale of Cloverdale Pharmacy Ltd. and Steveston Health Centre Ltd. to Neighbourly Pharmacy Inc. for approximately $3.8 million in cash. The gain on disposals of these entities, net of transaction costs, was $1.1 million.

# OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

| **Selected Financial Information** | **Three months ended December 31** | | **Year ended December 31** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Revenue** | **$ 26,045** | $ 28,112 | **$ 114,640** | $ 70,055 |
| Cost of sales | **16,740** | 17,769 | **74,142** | 43,397 |
| **Gross profit (1)** | **$ 9,305** | $ 10,343 | **$ 40,498** | $ 26,658 |
| ***Gross profit %*** | ***35.7%*** | *36.8%* | ***35.3%*** | *38.1%* |
| *Indirect Expenses* | | | | |
| Sales and marketing | **1,971** | 1,507 | **8,942** | 5,496 |
| Research and development | **336** | (141) | **3,954** | 1,604 |
| General and administrative | **9,271** | 9,136 | **38,996** | 21,667 |
| Share-based compensation | **(22)** | 647 | **1,273** | 5,223 |
| Depreciation and amortization | **3,467** | 2,277 | **14,106** | 5,687 |
| Financing-related costs | **16** | (12) | **16** | 859 |
| Acquisition and divestiture-related, integration and restructuring costs | **2,313** | 2,391 | **11,545** | 7,838 |
| Impairment | **6,441** | 2,736 | **120,594** | 2,736 |
| Operating loss | **$ (14,488)** | $ (8,198) | **$ (158,928)** | $ (24,452) |
| Other income | **144** | 75 | **627** | 411 |
| Change in fair value of contingent consideration | **(250)** | 505 | **6,564** | 1,471 |
| Finance costs | **(554)** | (76) | **(2,146)** | (931) |
| Loss on sale of joint venture | **-** | - | **(221)** | - |
| Current and deferred income tax recovery/(expense) | **4,155** | 194 | **4,897** | (355) |
| **Net loss for the period from continuing operations** | **(10,993)** | (7,500) | **(149,207)** | (23,856) |
| **Net loss after tax from discontinuing operations** | **(1,300)** | (5,529) | **(8,800)** | (6,882) |
| **Net loss for the period** | **$ (12,293)** | **$ (13,029)** | **$ (158,007)** | **$ (30,738)** |
| Add: | | | | |
| Depreciation and amortization | **3,467** | 2,277 | **14,106** | 5,687 |
| Finance costs | **554** | 76 | **2,146** | 931 |
| Impairment | **6,441** | 2,736 | **120,594** | 2,736 |
| Current and deferred income tax recovery/(expense) | **(4,115)** | 194 | **(4,897)** | 355 |
| **EBITDA (1)** | **$ (5,986)** | $ (7,746) | **$ (26,058)** | $ (21,029) |
| Share-based compensation | **(22)** | 647 | **1,273** | 5,223 |
| Financing-related costs | **16** | (12) | **16** | 859 |
| Acquisition and divestiture-related, integration and restructuring costs | **2,313** | 2,391 | **11,545** | 7,838 |
| Litigation costs | **-** | - | **555** | 83 |
| Change in fair value of contingent consideration | **250** | (505) | **(6,564)** | (1,471) |
| Net loss after tax from discontinuing operations | **1,300** | 5,529 | **8,800** | 6,882 |
| Loss on sale of joint venture | **-** | - | **221** | - |
| **Adjusted EBITDA (1)** | **$ (2,129)** | $ 304 | **$ (10,212)** | $ (1,615) |
| Loss per share, basic and diluted | **(0.04)** | (0.06) | **(0.55)** | (0.15) |
| Loss per share from continuing operations, basic and diluted | **(0.04)** | (0.04) | **(0.52)** | (0.11) |

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

***Revenue***

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

| Revenue | Three months ended December 31, | | Variance | | Year ended December 31, | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **($)** | **(%)** | **2022** | 2021 | **($)** | **(%)** |
| Enterprise Health Solutions | **20,441** | 18,572 | 1,869 | 10% | **92,768** | 45,769 | 46,999 | 103% |
| Digital Health Solutions | **5,604** | 9,540 | (3,936) | (41%) | **21,872** | 24,286 | (2,414) | (10%) |
| **Total revenue** | **$ 26,045** | $ 28,112 | **$ (2,067)** | **(7%)** | **$ 114,640** | $ 70,055 | **$ 44,585** | **64%** |

Revenue for the three months ended December 31, 2022, decreased by $2,067 and for the year ended December 31, 2022, increased by $44,585 over the prior year comparable period. The decrease in revenue in the fourth quarter of 2022 over comparable period in 2021 was driven by the decline in revenue from VisionPros due to supplier and operational issues identified in late 2021; volumes have been slow to rebound to the revenue levels achieved in 2021 and are reflective of the new baseline for this business. The impact in the fourth quarter of 2022 compared to the prior year period was approximately $3.0 million. Furthermore, as previously disclosed, there was no contribution in the fourth quarter of 2022 from COVID-19 related testing revenue in the EHS division contributing to a revenue decline over the comparative period of $2.3 million. The increase in the 2022 year-to-date revenue compared to 2021 was primarily attributable to the Company's five acquisitions completed since the start of the second quarter 2021.

Revenue in the EHS segment was $20,441 for the three months ended December 31, 2022, compared to $18,572 in the comparable period. The increase is due to the acquisition of MindBeacon which was completed in January 2022 and organic growth in the business. This was offset by the decrease in COVID-19 related testing service revenue in the three months ended December 31, 2022 which had an impact of $2.3 million. EHS revenues for the year ended December 31, 2022, were $92,768 compared to $45,769 in the comparable period. The increase is primarily due to the acquisitions of Aspiria (as defined below), Oncidium (as defined below) and MindBeacon completed since the start of 2021. There were $8.5 million in new annual contract value wins in EHS year-to-date. We continue to have momentum in sales, are increasing our sales pipeline and signed several new contracts in the fourth quarter with expected revenue contributions to begin in the first quarter of 2023. During the third quarter of 2022, the Ontario Health COVID-19 iCBT program came to an end. We have been selected for a new multi-year contract which completed the implementation phase as of January 31, 2023, and will start contributing revenue in the first quarter of 2023. The value of the new program will be approximately $1.8 million per year. This negative impact on the fourth quarter revenue (compared to the third quarter of 2022) was approximately $1.5 million. Finally, the fourth quarter revenues were lower than the third quarter of 2022 due to year end seasonality in our assessment business. Historically, the first two quarters of any year are strongest in this business.

Some of our key highlights and differentiators impacting the revenues in EHS include:

- 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. New contract wins have been across diverse sectors including a large media/broadcasting organization, a large charitable organization, supporting the employees of a large insurance company, continued growth in the US with expansion in the public sector, several new and expanded contracts in the pharmaceutical industry, and new contracts with various types of associations representing large membership groups.
- Virtual care has been expanded to offer both mental and physical health. Health navigators are creating engagement and empowering individuals to healthier outcomes. We are leveraging our combined services using health navigators who create engagement with users and proven improvement in health outcomes. This, coupled with our excellent end-user experiences for our stakeholders, is driving successful customer acquisitions.
- We consolidated MindBeacon into our Mental Health Services during the first quarter of 2022 adding their clinically proven iCBT into our full continuum of mental health support. We are active in our cross-sell efforts to increase attach rates through integrated offerings to new and existing customers and expect to see increased launches in early 2023.
- 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 have 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. We have also re-branded our offerings as Absence Management Services which encompasses our occupational health, disability management and independent medical services and Health Support Solutions which encompasses our navigation services comprised of EAP, Health Coaching, mental health, iCBT and Medical Second Opinion services in order to support our cross sell efforts.
- There is a growing recognition of the need for government support to address the mental health crisis in North America. In 2022, CloudMD established its Public Sector Division to service these contracts. Along with mental health support this team is driving new contract wins for our employee and family assistance programs from various townships, family health teams, and municipalities across Canada.

Revenues from the DHS segment for the three months ended December 31, 2022, were $5,604 compared to $9,540 in the comparable period. The decrease is primarily driven by the supplier and operational issues we have faced in our VisionPros business. Although we have secured the contracts with our major suppliers and commenced selling into the United States in the third quarter of 2022, the volumes are significantly lower compared to 2021 having an impact of $3.0 million fourth quarter 2022 vs. prior year. Current volumes are reflective of the new baseline for this business. Furthermore, there was a decrease in revenue from our IDYA4 business (as defined below) in the fourth quarter of 2022 partially due to the timing of activities for certain projects and a particularly strong quarter in the prior year comparative period. These headwinds were offset by growth in our Benchmark Systems business which continued to experience high transactional volumes, and increased revenue from our educational content. The focus in 2023 is realizing growth from our Health and Wellness app where we believe there is an attractive market for growth.

Revenue from the DHS segment for the year ended December 31, 2022, was $21,872 compared to $24,286 in the prior year period. This was driven primarily by reductions in VisionPros as described above.

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

| Revenue | Three months ended December 31, | | Variance | | Year ended December 31, | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **($)** | **(%)** | **2022** | 2021 | **($)** | **(%)** |
| Canada | **$ 19,560** | $ 20,329 | $ (769) | (4%) | **$ 91,285** | $ 50,409 | $ 40,876 | 81% |
| United States | **6,485** | 7,783 | (1,298) | (17%) | **23,355** | 19,646 | 3,709 | 19% |
| **Total revenue** | **$ 26,045** | $ 28,112 | **$ (2,067)** | **(7%)** | **$ 114,640** | $ 70,055 | **$ 44,585** | **64%** |

Revenues earned in Canada for the three months ended December 31, 2022 decreased by $769 primarily due to the impact of the reduction in Covid-19 related service revenue. Revenue for the year ended December 31, 2022 increased by $40,876 over the prior year primarily due to the acquisitions we had completed part way through 2021 and 2022.

Revenues earned in United States for the three months and year ended December 31, 2022, represented 25% and 20%, respectively, of total revenues compared to 28% in the comparable periods in 2021. Revenues earned in the United States have decreased year over year for both periods as a result of the aforementioned decreased revenue in our VisionPros business due to supplier issues, offset by the revenue contribution from the acquisitions completed for U.S.-based companies including Nevada-based Harmony Healthcare which was acquired through the acquisition of MindBeacon that was completed in January 2022.

***Gross Profit***

Gross profit for the three months ended December 31, 2022, decreased by $1,038 or 10% over the prior year comparable periods. This decrease is attributable to a decrease in contribution from our VisionPros business due to lower revenue from the supplier issues we have faced in 2022. Our approach with the VisionPros business going forward is to focus on recurring higher margin clients and distribution partnership which will result in lower revenues compared to historical, however will generate higher margins. Further, there was lower gross profit in our IDYA4 business, which is attributable to higher revenues in the comparable period. Finally, gross profit decreased due to the COVID -19 testing contracts that were in the prior year period. These were offset by contributions from MindBeacon, which was acquired in January 2022. Gross profit for the year ended December 31, 2022, increased by $13,840 or 52% over the prior year comparable period, as a result of the increase in total revenue, primarily attributable to business acquisitions and organic growth.

The gross profit margin was 35.7% and 35.3% for the three months and year ended December 31, 2022, compared to 36.8% and 38.1% for the same periods in the prior year. The decrease in overall gross profit margin for the three months and twelve months ended December 31, 2022, was primarily due to the revenue mix in the periods, and the acquisitions completed since the start of 2021. The fourth quarter of 2022 margin was consistent with the third quarter of 2022 and is a baseline of the Company's gross profit margin. Gross profit margin is expected to increase over time with the ongoing efforts to integrate acquisitions and increase our operational efficiency, and as the MindBeacon business is fully integrated.

***Expenses***

| **Operational expenses for continuing operations** | **Three months ended December 31,** | | **Variance** | | **Year ended December 31,** | | **Variance** | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **($)** | **(%)** | **2022** | 2021 | **($)** | **(%)** |
| Sales and marketing | **1,971** | 1,507 | 464 | 31% | **8,942** | 5,496 | 3,446 | 63% |
| Research and development | **336** | (141) | 477 | 338% | **3,954** | 1,604 | 2,350 | 147% |
| General and administrative | **9,271** | 9,136 | 135 | 1% | **38,996** | 21,667 | 17,329 | 80% |
| Share-based compensation | **(22)** | 647 | (669) | (103%) | **1,273** | 5,223 | (3,950) | (76%) |
| Depreciation and amortization | **3,467** | 2,277 | 1,190 | 52% | **14,106** | 5,687 | 8,419 | 148% |
| Financing-related costs | **16** | (12) | 28 | 233% | **16** | 859 | (843) | (98%) |
| Acquisition and divestiture-related, integration and restructuring costs | **2,313** | 2,391 | (78) | (3%) | **11,545** | 7,838 | 3,707 | 47% |
| **Operational expenses** | **$ 17,352** | $ 15,805 | **$ 1,547** | **10%** | **$ 78,832** | $ 48,374 | **$ 30,458** | **63%** |

Sales and Marketing

Sales and marketing expenses for the three months and year ended December 31, 2022, increased by $464 and $3,446 or 31% and 63% over the prior year comparable period. Sales and marketing decreased by approximately $0.2 million from Q3 to Q4 2022. The increase year-over-year is attributable to additional expenses from businesses acquired since the start of 2021, including MindBeacon which was acquired in January 2022. A significant portion of the Company's marketing spend was on customer acquisition costs in the direct-to-consumer orientated businesses in mental health and vision care distribution. As previously discussed, the reduction in the Ontario Health volume for our iCBT offering led to reduced marketing spend on customer acquisition in the fourth quarter of 2022. 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.

Research and Development

Research and development expenses for the three months and year ended December 31, 2022, increased by $447 and $2,350 or 338% and 147% over the prior year comparable period. Research and development expenses continued to decrease from Q3 to Q4 2022 as a result of cost saving initiatives. The increase year-over-year is primarily attributable to additional expenses assumed from businesses acquired since the start of 2021, including MindBeacon, which was acquired in January 2022. During 2022, research and development was focused on new product development activities including the development of our Kii offering, new iCBT modules and the Health and Wellness application in IDYA4.

General and Administrative

General and administrative expenses for the three months and year ended December 31, 2022, increased by $135 and $17,329 or 1% and 80% over the prior comparable period. General and administrative expenses decreased by $0.6 million from Q3 to Q4 2022. The increase year-over-year is primarily attributable to additional expenses from businesses acquired in the last twelve months; higher professional fees; and investments in data privacy and security. The decrease from Q3 to Q4 2022 is reflective of the Company's continued integration and optimization efforts. It is expected that these costs will continue to decrease going into 2023 as additional cost savings initiatives are executed.

Share-based Compensation

Shared-based compensation expenses for the three months and year ended December 31, 2022, decreased by $669 and $3,950 or 103% and 76% over the prior comparable period. The decrease is primarily attributable to one-time additional grants in 2021 and lower share prices in 2022 compared to 2021.

Depreciation and Amortization

Depreciation and amortization expenses for the three months and year ended December 31, 2022, increased by $1,190 and $8,419 or 52% and 148% over the prior comparable periods. The increase is primarily attributable to increased depreciation and amortization, in-line with the growth in our fixed and intangible assets from acquisitions. During 2022, the Company also conducted a review of its technology platforms, which resulted in changes in the expected useful lives of certain technology platforms. Certain platforms, which management had previously intended to use for 10 years, are now expected to be used for 5 to 8 years. As a result, the expected useful life of the technology platforms decreased. The effects of these changes were applied to the financial statements prospectively starting on January 1, 2022 and resulted in the increased depreciation and amortization charge for 2022 compared to 2021.

Financing-Related Costs

Financing-related costs for the year ended December 31, 2022, decreased by $843 over the comparable period. The decrease is attributable to a short form prospectus offering, on a bought-deal basis, completed in March 2021. Eligible costs that were directly attributable to the debt financing have been recorded as a reduction in long-term debt on the statement of financial position. There were insignificant financing related costs in 2022. The fourth quarter costs and variance are immaterial.

Acquisition and Divestiture-Related, Integration and Restructuring Costs

Acquisition and divestiture-related, integration and restructuring costs for the three months and year ended December 31, 2022, were $2,313 and $11,545, compared to $2,391 and $7,838 in the prior year periods. Acquisition and divestiture-related, integration and restructuring costs include expenses incurred in relation to the Company's corporate development, divestitures, fees for advisory, accounting and costs of integration which includes severance. The Company has completed five acquisitions since the start of the second quarter of 2021 and has been focused on cost optimization and integration activities. In addition, during the fourth quarter of 2022, the Company completed two divestiture transactions of businesses within its former Clinics and Pharmacies segment and one in its DHS segment, in line with its communicated strategy to focus on its higher growth, more profitable revenue streams.

Other Income

Other income for the three months and year ended December 31, 2022, increased by $69 and $216 or 92% and 53% over the prior comparable periods. 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 and year ended December 31, 2022, is a decrease of $755 and an increase of $5,093. 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. The change during the period and year-over-year is related to changes in the underlying assumptions impacting the valuation of the liability, including decreasing share price and the selection of the discount rates.

Finance costs

Finance costs for the three months ended and year ended December 31, 2022, increased by $478 and $1,215 respectively over the prior comparable period. The increase is primarily attributable to the increase in long-term debt which was used to fund the Oncidium acquisition in the second quarter of 2021 and higher interest rates.

Impairment

The Company completed its annual impairment testing on December 31, 2022. The testing completed reflected the recoverable amount of the cash generating units ("**CGU**") based on its value-in-use covering a five-year cash flow projection based on management's estimate of future operating results. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance

the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the forecasted revenue, forecasted EBITDA Margin, the discount rate applied in the DCF models, and the implied revenue multiples calculated in the fair value less cost of disposals calculations. We updated certain significant inputs into the valuation models including the discount rate, which increased reflecting higher interest rates and market volatility. The discount rate also included a higher company risk premium to reflect the current perception of risks of achieving projected cash flows.

*Three months ended December 31, 2022*

In the three months ended December 31, 2022, the Company recorded an impairment charge in its VisionPros business of $6,441 (or $0.02 per basic and diluted share). As a result of some of the supplier issues and other management practices, while VisionPros was owned by the former owners (refer to the *Litigation and Other Contingencies* section below), the Company was unable to sell in the United States until the end of the second quarter of 2022 and necessitated the negotiation and signing of new supplier agreements. Revenues have been slow to rebound in this business. In part as a result of the issues discovered and their impact on the Company's financial projections, the Company revised its forecasted cash flows which resulted in recording a non-cash impairment charge.

As a result of the review, other than the impairment noted for VisionPros above, there were no other impairment charges recorded during the three months ended December 31, 2022.

*Twelve months ended December 31, 2022*

As a result of the aforementioned supplier issues in our VisionPros business we recorded an impairment charge of $28,833 (or $0.10 per basic and diluted share) in the second quarter of 2022.

As reported in the three months ended September 30, 2022, the Company experienced a triggering event due to sustained decreases in the Company's share price, prompting impairment assessments of goodwill and long-lived intangible assets. The testing completed reflected the recoverable amount of the CGU's based on its value-in-use covering a five-year cash flow projection based on management estimates of future operating results. As a result of this review, we recorded a $83,906 goodwill impairment charge (or $0.29 per basic and diluted share) for the quarter ended September 30, 2022. Overall, the impairment charge did not impact CloudMD's working capital, cash flow or liquidity position, and will not impact the day-to-day operations of the business.

Loss on sale of joint venture

On July 25, 2022, in line with its strategy, the Company sold its 51% share ownership in West Mississauga Medical Ltd. ("**West Mississauga**"), which was acquired in February 2021. The sale price was valued at $175. The carrying value of the West Mississauga joint venture prior to the sale in the Company's books was $396 and as a result of the sale a non-cash loss of $221 was recognized in the three months ended September 30, 2022.

Current and deferred income taxes expense

The current and deferred income taxes expense for the three months and year ended December 31, 2022, decreased by $3,921 and $5,252, respectively over the prior comparable periods. The decrease is primarily attributable to the unwinding of deferred tax liabilities due to impairment charges taken as a result of the discontinued operations and the aforementioned impairment testing on intangible assets and the expected use of loss carry forwards.

***Net loss from continuing operations***

Net loss from continuing operations for the three months and year ended December 31, 2022, was $10,993 and $149,207 respectively, compared to $7,500 and $23,856 for the same year-ago periods. The increase in net loss in the 12 month period was primarily due to the impairment charges taken in the periods and the factors detailed above. The increase in net loss in the three month period is primarily due to non-cash impairment charge taken in the period, lower gross profit from the revenue changes noted above and increased expenses from business acquired since 2021. 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 Digital Health Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations.

In the fourth quarter of 2022, the Company successfully divested South Surrey Medical Clinic, Healthvue Ventures Limited and Cloud Practice to WELL Health for approximately $5,750 in cash. The Company has also successfully closed a transaction to divest Cloverdale Pharmacy Ltd. And Steveston Health Centre Ltd. To Neighbourly for approximately $3,800 in cash.

The Company recorded a gain on sale of subsidiary, net of transaction costs, of $1,113 as a result of the above divestitures.

The Company's RXI business (RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions (collectively "**RXI**") is the last business included in the Clinic Services & Pharmacies segment that the Company has not reached a definitive arrangement to sell. The RXI business generates significant revenue; however, gross margins are low, and it does not generate profit or positive cash flows. In line with its strategy, the Company is in the process of attempting to sell assets in this business; however, we do not expect valuations to be significant. The benefit of exiting this business is the improvement in the overall gross margins of the business and improved cash flows.

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

| | **Three months ended December 31** | | **Year ended December 31** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Revenue | **$ 8,503** | $ 10,624 | **$ 39,806** | $ 32,277 |
| Expenses | **(10,634)** | (11,425) | **(42,967)** | (34,276) |
| Impairment | **(459)** | (4,143) | **(7,307)** | (4,143) |
| Operating income | **(2,590)** | (4,944) | **(10,468)** | (6,142) |
| Finance costs | **(27)** | (22) | **(165)** | (97) |
| Other income | **64** | 5 | **153** | 19 |
| **Loss before tax from discontinuing operations** | **(2,553)** | (4,961) | **(10,480)** | (6,220) |
| Gain/ (loss) on sale of subsidiary | **1,113** | (451) | **1,113** | (451) |
| Tax (expense)/benefit | **140** | (161) | **567** | (212) |
| **Loss after tax for the period from discontinuing operations** | **(1,300)** | (5,573) | **(8,800)** | (6,883) |
| Loss per share from discontinuing operations | **$ (0.00)** | $ (0.03) | **$ (0.03)** | $ (0.03) |

***EBITDA and Adjusted EBITDA[2]***

EBITDA for the three months and years ended December 31, 2022 and 2021, was a loss of $5,986 and $26,058 respectively, compared to a loss of $8,134 and $21,029 for the same periods in the prior years.

Adjusted EBITDA for the three months and years ended December 31, 2022 and 2021, was a loss of $2,129 and $10,212 respectively, compared to a loss of $84 and a loss of $1,615 for the same year-ago periods. Adjusted EBITDA improved over the third quarter of 2022 by $462, primarily as a result of continued cost savings initiatives.

The following table provides a reconciliation of net loss for the periods to EBITDA and Adjusted EBITDA for the three months and years ended December 31, 2022 and 2021.

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

| | Three months ended December 31, | | Variance | | Year ended December 31, | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **$** | **%** | **2022** | **2021** | **$** | **%** |
| **Net loss** | **$ (12,293)** | $ (13,029) | **736** | **6%** | **$(158,007)** | $ (30,738) | **127,269** | **414%** |
| Add: | | | | | | | | |
| Interest and accretion expense | **554** | 76 | 478 | 629% | **2,146** | 931 | 1,215 | 131% |
| Current deferred and income tax expense/(recovery) | **(4,155)** | (194) | (3,961) | 2,042% | **(4,897)** | 355 | (5,252) | (1,479%) |
| Impairment | **6,441** | 2,736 | 3,705 | 135% | **120,594** | 2,736 | 117,858 | 4,308% |
| Depreciation and amortization | **3,467** | 2,277 | 1,190 | 52% | **14,106** | 5,687 | 8,419 | 148% |
| **EBITDA[(1)] for the period** | **$ (5,986)** | $ (8,134) | **2,148** | **26%** | **$ (26,058)** | $ (21,029) | **(5,029)** | **(24%)** |
| Share-based compensation | **(22)** | 647 | (669) | (103%) | **1,273** | 5,223 | (3,950) | (76%) |
| Financing-related costs | **16** | (12) | 28 | (233%) | **16** | 859 | (843) | (98%) |
| Acquisition and divestiture-related, integration and restructuring costs | **2,313** | 2,391 | (78) | (3%) | **11,545** | 7,838 | 3,707 | 47% |
| Litigation costs and loss provision | **-** | - | - | NM | **555** | 83 | 472 | 569% |
| Change in fair value of contingent consideration | **250** | (505) | 755 | (150%) | **(6,564)** | (1,471) | (5,093) | 346% |
| Net loss from discontinuing operations | **1,300** | 5,529 | (4,229) | (76%) | **8,800** | 6,882 | 1,918 | 28% |
| Loss on sale of joint venture | **-** | - | - | NM | **221** | - | 221 | 100% |
| **Adjusted EBITDA[(1)] for the period** | **$ (2,129)** | $ (84) | **(2,045)** | **2435%** | **$ (10,212)** | $ (1,615) | **(8,597)** | **(532%)** |

*(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:

| | | **Q4 2022** (unaudited) | **Q3 2022** (unaudited) | **Q2 2022** (unaudited) | **Q1 2022** (unaudited) | **Q4 2021** (unaudited) | **Q3 2021** (unaudited) | **Q2 2021** (unaudited) | **Q1 2021** (unaudited) |
|---|---|---|---|---|---|---|---|---|---|
| Revenue [(1)] | $ | 26,045 | 27,505 | 40,301 | 41,378 | 38,735 | 39,162 | 15,659 | 8,775 |
| Gross profit[(1)] | $ | 9,305 | 9,482 | 12,488 | 13,466 | 11,605 | 13,296 | 5,557 | 3,591 |
| Gross profit % [(1)] | | 35.7% | 34.5% | 31.0% | 32.5% | 30.0% | 34.0% | 35.5% | 40.9% |
| Net loss | $ | (11,994) | (95,852) | (44,214) | (5,648) | (13,029) | (4,319) | (6,632) | (5,290) |
| Adjusted EBITDA [(1)] | $ | (2,129) | (3,034) | (3,183) | (1,644) | 560 | 725 | (579) | (1,573) |
| EPS, basic and diluted | $ | (0.04) | (0.33) | (0.15) | (0.02) | (0.06) | (0.02) | (0.03) | (0.03) |
| Cash and cash equivalents | $ | 24,058 | 27,506 | 29,703 | 45,082 | 45,082 | 53,685 | 60,880 | 99,220 |

*(1) Revenue, Gross Profit, Gross Profit %, Adjusted EBITDA and EPS for Q3 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 Q3 2021 is attributable to business acquisitions and organic growth. In the past eight quarters, the Company completed 15 acquisitions. This was offset by declines in VisionPros revenues beginning in the first quarter of 2022.

The demand for certain services within the EHS 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. Please refer to the discussion under "*Impairment*" above. 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 Digital Health 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 EHS and DHS 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, the Company identified and actioned approximately $5.0 million in annual cost reductions to realign its cost base. After year end, 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 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 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 quarter of 2023 will bring the Company closer to Adjusted EBITDA breakeven. As of April 25, 2023, the date when the MD&A was originally filed, the Company expected to achieve this milestone in the fourth quarter of 2023.

The Company believes its cash position of $24.1 million, will provide sufficient liquidity to fund its obligations (other than repayment of the Facilities – see "*Liquidity and Capital Resources – Debt financing*" and "*Financial Instruments – Liquidity risk*") 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 needs for mental health supports are 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.

# FINANCIAL POSITION

| As at | December 31, 2022 | December 31, 2021 | Variance ($) |
|---|---|---|---|
| Cash and cash equivalents | **$ 24,058** | $ 45,082 | (21,024) |
| Trade and other receivables | **18,780** | 24,429 | (5,649) |
| Inventory | **979** | 3,424 | (2,445) |
| Prepaid expenses, deposits and other | **4,622** | 2,427 | 2,195 |
| Net investment in sublease | **-** | 20 | (20) |
| **Current assets (1)** | **48,439** | 75,382 | **(26,943)** |
| Accounts payable and accrued liabilities | **20,911** | 30,586 | (9,675) |
| Deferred revenue | **2,256** | 1,311 | 945 |
| Contingent consideration | **2,177** | 11,807 | (9,630) |
| Contingent liability | **1,200** | 1,350 | (150) |
| Current portion of lease liabilities | **2,015** | 1,973 | 42 |
| Current portion of long-term debt | **19,617** | 2,438 | 17,179 |
| **Current liabilities (1)** | **48,176** | 49,465 | **(1,289)** |
| **Working capital (2)** | **$ 263** | **$** 25,917 | **(25,654)** |
| Contingent consideration settled in shares (3) | **919** | 7,627 | (6,708) |
| **Adjusted working capital (2)** | **$ 1,182** | **$** 33,544 | **(32,362)** |

*(1) Current assets and current liabilities above exclude the assets held for sale of $3,794 and liabilities associated with the assets held for sale of $5,917.*
*(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) Adjustment for settlement of the Oncidium contingent consideration, assuming it is settled in shares. CloudMD has the option to settle the contingent consideration, in shares (at a deemed price of $2.30 per share), or cash.*

For the year ended December 31, 2022, working capital decreased to $263 compared to $25,917 at the beginning of the year. The decrease is due to lower cash and cash equivalents, trade receivables and inventory, and higher deferred revenue and current portion of lease liabilities. This was offset by higher prepaid expenses, lower accounts payable and accrued liabilities, lower contingent consideration and lower current portion of long-term debt.

The decrease in trade and other receivables from year end is primarily due to diligent efforts made by the Company to collect on amounts due and provisions taken on certain aged receivables in certain entities. Further, the decrease in inventory is attributable to the fact that businesses underlying the former clinics and pharmacies segment held the majority of the inventory balance and are now disposed or considered held-for-sale.

The increase in prepaid expense and deferred revenue is primarily due to assets obtained and liabilities assumed related to the MindBeacon acquisition. The decrease in accounts payable and contingent consideration is attributable to payments made on those obligations since December 31, 2021, and the revaluation of the contingent consideration.

For the year ended December 31, 2022, adjusted working capital decreased to $1,182 compared to $33,544 at the beginning of the year. A portion of the contingent consideration relates to the Oncidium acquisition, which was completed in the second quarter of 2021. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at a deemed price of $2.30 per share. If the Company elects to settle the liability in shares at $2.30, this would result in an increase of $919 in the Company's working capital. The decrease from 2021 in contingent consideration that can be settled in shares is due to payouts that occurred during 2022 and certain portion of the contingent share consideration being reclassed to equity as a result of modification of the agreement.

Contingent liability relates to the ongoing litigation matters as further described in the "*Litigation and Other Contingencies*" section.

# LIQUIDITY AND CAPITAL RESOURCES

| | Three months ended December 31, | | Variance | Years ended December 31, | | Variance |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | | **2022** | 2021 | |
| **Cash provided by / (used in):** | | | | | | |
| Net cash used in operating activities | **$ (2,385)** | $ (5,825) | $ 3,440 | **$ (27,923)** | $ (21,862) | $ (6,061) |
| Net cash provided by/ (used in) investing activities | **4,865** | (1,601) | 6,466 | **17,580** | (69,908) | 87,488 |
| Net cash (used in)/provided by financing activities | **(5,923)** | (1,317) | (4,606) | **(10,681)** | 77,068 | (87,749) |
| Decrease in cash and cash equivalents | **(3,443)** | (8,743) | 5,300 | **(21,024)** | (14,702) | (6,322) |
| Cash and cash equivalents, beginning of period | **27,506** | 53,685 | (26,179) | **45,082** | 59,714 | (14,632) |
| Effect of foreign exchange on cash and cash equivalents | **(5)** | 140 | (145) | **-** | 70 | (70) |
| **Cash and cash equivalents, end of period** | **$ 24,058** | $ 45,082 | $ (21,024) | **$ 24,058** | $ 45,082 | $ (21,024) |

The Company had cash and cash equivalents of $24,058 as at December 31, 2022 compared to $45,082 at December 31, 2021.

During the three months and year ended December 31, 2022, the Company had cash outflows from operations of $2,385 and $27,923, respectively, compared to cash outflows of $5,825 and $21,862 for the comparable periods 2021. The decrease in cash used in operating activities for the three months period was primarily due to positive working capital changes of $10.8 million and reduced net loss of $2.7 million compared to prior year, offset by higher non-cash expenses. The increase for the 12 months ended December 31, 2022 compared to the prior year is due to unfavorable changes in non-cash working capital during the year.

Cash inflow from investing activities during the three months ended December 31, 2022, was $4,865 and for the year ended December 31, 2022, was $17,580 compared to cash outflows of $1,601 for the three months ending December 31, 2021, and cash outflow of $69,908 for the year ending December 31, 2021. The positive change in cash from investing activities for the three months period was due to the divestiture of two pharmacies, two clinics and Cloud Practice during the fourth quarter of 2022, partially offset by additions to intangible assets in the fourth quarter. The positive change in cash from investing activities for the 12 months ended December 31, 2022, compared to the prior year was primarily due to the MindBeacon acquisition which resulted in a net cash increase for the Company, cash received as a result of the settlement agreement for Vision Pros acquisition (see discussion in the "*Litigation and other Contingencies*" section below) and cash received from the divestitures in the fourth quarter of 2022 as noted above.

Cash used in financing activities during the three months and year ended December 31, 2022, was $5,923 and $10,681 compared to cash used for financing activities of $1,317 for the three months ending December 31, 2021, and cash provided of $77,068 for the year ending December 31, 2021. An increased use in cash during the fourth quarter was due to higher principal repayments on our long-term debt. For the year ended December 31, 2022, the higher use of cash in financing activities was primarily due to proceeds from the issuance of common shares and long-term debt to support acquisitions in 2021. This was offset by higher principal and interest payments on our long-term debt and lease liabilities.

*Normalized cash outflows*

Table below provides a reconciliation of the one-time cash outflows in the three months ended December 31, 2022:

| (unaudited) | | |
|---|---|---|
| Cash and cash equivalents as at September 30, 2022 | **$** | 27,506 |
| Cash and cash equivalents as at December 31, 2022 | | 24,058 |
| **Cash outflow** | | **(3,448)** |
| | | |
| **Net cash used in operating activities** | | **(2,385)** |
| *Adjustments* | | |
| Net changes in non-cash working capital | | (3,954) |
| Cash used in discontinued operations, net of working capital | | 2,052 |
| Adjustments to EBITDA [(2)] | | 2,313 |
| **Adjusted net cash used in operating activities** | **$** | **(1,974)** |
| | | |
| **Net cash provided by investing activities** | | **4,865** |
| *Adjustments* | | |
| Cash provided in discontinued operations | | (10) |
| Sale of business, including transaction fees, not including customary holdbacks receivable | | (6,573) |
| **Adjusted net cash used in investing activities** | **$** | **(1,718)** |
| | | |
| **Net cash used in financing activities** | | **(5,923)** |
| *Adjustments* | | |
| Cash used in discontinued operations | | 216 |
| Incremental debt repayment [(3)] | | 4,357 |
| **Adjusted net cash used in financing activities** | $ | **(1,350)** |
| | | |
| **Normalized cash outflow [(1)]** | **$** | **(5,042)** |

*(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 and litigation costs.*
*(3) The Company repaid some incremental debt during the quarter, in part as a result of finalizing the divestiture of the two pharmacy businesses to NBLY, which had some debt tied to the assets, and a debt repayment on its term facility.*

During the fourth quarter, the Company's normalized cash outflow was $5.0 million, which is slightly higher compared to $4.2 million in the third quarter of 2022. During the fourth quarter the Company had positive inflows from divestiture of non-core assets of approximately $6.6 million, with additional receipts from settlement of working capital in the first quarter of 2023. The Company incurred some outflows related to non-recurring expenditures in the fourth quarter of 2022 and expects to see similar expenses, albeit lower amounts, in the first two or three quarters of 2023 in-line with its continued cost realignment initiatives.

As discussed in the "*Outlook*" section above, the Company's continued focus on cost realignment, including planned reductions in the first and second quarter of 2023, 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.

***Debt financing***

Effective June 25, 2021, the Company, through its subsidiary Oncidium, may establish credit facilities of up to $62.0 million (the "**Facilities**") comprised of the following:

(1) Revolver Facility of $3.0 million;
(2) Term Facility of $18 million (subject to the restrictions on use beyond the amount already drawn); and,
(3) Additional term facility of $10.0 million, subject to lender approval.

The Facilities mature on June 30, 2024, being three years from the date the funds are drawn. Interest accrues daily on advances at the applicable Canadian Dealer Offered Rate plus a margin of between 2.0% and 3.5%, dependent upon certain financial ratios. The fair value of the debt under the Facilities approximates its carrying value.

As at December 31, 2022, the Company was not in compliance with the debt covenant under the Facilities. Accordingly, since the lender has the right to demand accelerated repayment as of such date, $19,617 has been included in the current liabilities in the Consolidated Statements of Financial Position. As of the date that the amended and restated financial statements were approved and authorized for issuance, the Company's projected cash flows are not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024, and the lender has not waived their right to demand repayment of the debt under the debt covenant breach. The Company is in discussions with its lender about refinancing the Facilities prior to maturity.

The debt under the Facilities is secured by a first-ranking security interest on all present and after-acquired assets of the Company's subsidiary Oncidium.

The Company made incremental debt repayments of $4.4 million in the fourth quarter of 2022, in part as a result of finalizing the divestiture of the two pharmacy businesses to NBLY, which had some debt tied to the assets, and a debt repayment on its term facility.

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. The inclusion of these entities will provide the Company with additional debt flexibility. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a blocked account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants.

# 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.

# 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 December 31, 2022, the Company had $18,780 (December 31, 2021 – $24,429) of trade and other receivables, net of an allowance for expected credit losses of $1,864 (December 31, 2021 - $300).

**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.

As at December 31, 2022, the Company was not in compliance with certain financial covenants under the Facilities and as a result, $17,460 has been included in the current liabilities in the Consolidated Statements of Financial Position. As of the date that the annual financial statements were approved and authorized for issuance, the Company's projected cash flows were not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024 and fund operations. To continue as a going concern, the Company must generate sufficient operating cash flows and obtain additional financing to fund its operations and repay the Facilities. The Company is in discussions with its lender about refinancing the Facilities prior to maturity, and after evaluating the uncertainties, considers it appropriate to continue to adopt the going concern basis in preparing the Company's financial statements. However, there is no assurance that the Facilities will be renewed, or that such renewal will be on terms that are favourable to the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a blocked account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants.

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

| **As at December 31, 2022** | **Less than one year** | **One to five years** | **More than five years** | **Total** |
|---|---|---|---|---|
| Accounts payable, accrued liabilities and other | $ 20,911 | $ - | $ - | $ 20,911 |
| Contingent consideration | 2,177 | 241 | - | 2,418 |
| Lease liability | 2,340 | 4,869 | - | 7,209 |
| Long-term debt | 18,364 | 2,393 | 577 | 21,334 |
| | **$ 43,792** | **$ 7,503** | **$ 577** | **$ 51,872** |

| **As at December 31, 2021** | **Less than one year** | **One to five years** | **More than five years** | **Total** |
|---|---|---|---|---|
| Accounts payable, accrued liabilities and other | $ 30,586 | $ - | $ - | $ 30,586 |
| Contingent consideration | 11,807 | 6,507 | - | 18,314 |
| Lease liability | 2,259 | 6,543 | 964 | 9,766 |
| Long-term debt | 3,063 | 22,706 | - | 25,769 |
| | **$ 47,715** | **$ 35,756** | **$ 964** | **$ 84,435** |

**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 December 31, 2022, the Company had variable rate borrowing loans amounting to $17,609 (December 31, 2021 – $22,735). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately $176 (2021– $114) for the year ended December 31, 2022. 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 exposure to foreign currency risk at the end of reporting period is as follows:

| **(Denominated in USD)** | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| **Financial assets** | | |
| Cash | 2,045 | 2,034 |
| Trade and other receivables | 2,115 | 2,924 |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | (2,622) | (1,711) |
| **Net exposure to foreign currency risk** | **$ 1,538** | **$ 3,247** |

*Sensitivity to foreign currency risk*

The impact on the Company's profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities at balance sheet date. For the year ended December 31, 2022, the change in USD to CAD currency rate of 5% would have an impact of $175 before tax (December 31, 2021 – $205).

# OFF-BALANCE SHEET ARRANGEMENTS

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

# RELATED PARTY TRANSACTIONS

Key management personnel include the Company's Board of Directors, members of the executive team, close family members and enterprises which are controlled by these individuals. The below transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

| | Years ended | | | |
|---|---|---|---|---|
| | | **December 31, 2022** | | **December 31, 2021** |
| Cash-based compensation | **$** | **3,038** | $ | 2,610 |
| Stock-based compensation | | **853** | | 3,022 |
| **Total** | **$** | **3,891** | $ | 5,632 |

During the year ended December 31, 2022, the Company paid $2,929 (2021 - $2,420) for services acquired and the cost of facility sharing, and the Company received $451 (2021 - $1,113) for services acquired for projects subcontracted to a company controlled by key management of one the Company's subsidiaries for IT development service. At December 31, 2022, there was an amount payable of $1,479 (December 31, 2021 - $675) and amount receivable of $386 (December 31, 2021 - $383). These services were paid for the development of one of the Company's key operational platforms.

During the year ended December 31, 2022, the Company paid $151 (2021 - $161) 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 revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent 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.

***Use of critical accounting estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated

financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about critical estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

*Impairment of non-financial assets* – Impairment exists when the carrying value of an asset or cash generating unit or operating segment exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the forecasted revenue, forecasted EBITDA margin, terminal value growth rate and discount rate significant assumptions applied in the DCF models, and the forecasted revenue and implied revenue multiples calculated from observable market prices significant assumptions applied in the FVLCD. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company.

*Recognition of contingent consideration* – In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, if required, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to estimate the fair value of the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

*Business combinations* – On the completion of business acquisitions, management's judgment is required to estimate the fair value of purchase consideration and to identify and estimate the fair values of tangible and intangible assets, liabilities and non-controlling interests. Depending on the intangible asset being valued, the fair values have been determined using the excess earnings method, relief from royalty method, replacement cost method and the With-or-Without Method. Critical estimates in valuing certain of the intangible assets and goodwill acquired include future expected cash flows from customer contracts, forecasted revenue, royalty rates, software development costs, obsolescence factor, customer attrition and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy of such assumptions, estimates or actual results.

***Judgment***

*Consolidation of entities* – The Company considers that it controls Farvolden Psychology Professional Corporation ("ProfCo"), which was acquired as part of the MindBeacon acquisition, in respect of all matters other than matters relating to the practice of psychology and psychotherapy, by virtue of a management services agreement, even though it does not own any of the voting rights or securities of ProfCo.

The Company evaluates all relevant facts and circumstances in assessing whether it has power over ProfCo, a key determinant of control, including assessing its rights, and the potential voting rights, contained in the management services agreement. In addition, the Company assesses its exposure, or rights, to variable returns and its ability to use its power over ProfCo to affect the amount of its returns. These evaluations are complex and involve judgment. Judgment is required to determine whether the Company has the right to make decisions that control the relevant activities of ProfCo, and thus the ability to impact its economic returns. Management must assess which activities most significantly affect the economic performance of ProfCo and whether it has control over these activities. Judgment is also required to determine if the Company has power through potential voting rights. The Company makes an evaluation of whether its potential voting rights, through a call option to purchase all the outstanding shares of ProfCo for a nominal amount, are substantive. The Company evaluates whether the call option is in-the-money, whether it has the financial ability to exercise its option and whether the option is currently exercisable.

The Company has made the assessment that it has substantive rights, including the ability to control relevant activities, through the management services agreement. In addition, the Company has assessed that the management services agreement provides it with potential voting rights. The judgments made by management with respect to consolidation of entities can significantly impact the assets and liabilities, equity, income, expenses, and cash flows of the Company. Management performs ongoing

reassessments of whether there are changes in the facts and circumstances that could impact the Company's ability to control, and therefore consolidate, ProfCo.

*Determination of cash generating unit ("CGUs*") - The determination of cash generating units for the purposes of impairment testing of non-financial assets requires the use of judgment. During the year ended December 31, 2022, due to the continued integration of services and offerings as one bundled offering under the Enterprise Health Solutions ("EHS") operating segment, the Company reassessed its cash generating units within this operating segment and determined that due to the bundling of services and offerings within this segment, the cash inflows generated in this operating segment are no longer independent. Due to these changes, the Company has identified the EHS operating segment as a single CGU.

**New standards, interpretations and amendments adopted by the Company**

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

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 is currently assessing the impact the amendments will have on current practice and however it does not expect it to have a significant impact on the company's financial statements.

*Definition of Accounting Estimates - Amendments to IAS 8*

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 amendments are not expected to have a material impact on the Company's financial statements.

*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 is currently reviewing their accounting policy information disclosures to ensure consistency with the amended requirements.

*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 amendments are not expected to have a have a material impact to the company's financial statements.

# ACQUISITIONS COMPLETED

The Company acquired interests in the following companies during the years ended December 31, 2022 and 2021:

| Company name | Acquisition date | Share/Asset purchase | Ownership | Line of business |
|---|---|---|---|---|
| Humanacare Organizational Resources Inc ("**Humanacare**") | 11-01-21 | Share | 100% | Employer Healthcare |
| Medical Confidence Inc ("**Medical Confidence**") | 15-01-21 | Share | 100% | Navigation Software |
| Canadian Medical Directory ("**CMD**") | 21-01-21 | Asset | 100% | Directory |
| Tetra Ventures LLC ("**IDYA4**") | 22-03-21 | Share | 100% | Employer Healthcare |
| Aspiria Corp ("**Aspiria**") | 01-04-21 | Share | 100% | Employer Healthcare |
| RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions ("**RXI**") | 11-05-21 | Share | 100% | Pharmacy |
| 0869316 BC Ltd, 1143556 BC Ltd & 11533046 BC Ltd ("**Vision Pros**") | 23-06-21 | Share | 100% | Vision wear |
| Oncidium Inc. ("**Oncidium**") | 25-06-21 | Share | 100% | Employer Healthcare |
| MindBeacon Holdings Inc. ("**MindBeacon**") | 13-01-22 | Share | 100% | Digital Healthcare |

Description of acquiree businesses:

- HumanaCare is an integrated Employee Assistance Program ("**EAP**") solution which provides compassionate, holistic, physical and mental health support for employees and their families.
- Medical Confidence offers a revolutionary healthcare navigation platform with proven results in wait time reduction and patient satisfaction.
- Canadian Medical Directory is a listing of registered practitioners in Canada.
- IDYA4 is a leading health technology company focused on data interoperability and cybersecurity based in the United States.
- Aspiria provides an Integrated Employee and Student Assistance Program ("**SAP**"), which focuses on a comprehensive suite of mental health and wellness solutions for all employer and educational sectors.
- RXI provides pharmaceutical logistic services including drug distribution and patient navigation assistance.
- VisionPros is a vertically integrated digital eyewear platform servicing customers across North America.
- Oncidium is a Canadian healthcare provider to employers.
- MindBeacon is a leading mental healthcare provider offering a continuum of care, focusing on iCBT, which is a highly effective therapy provided through a computer or a mobile device.

# LITIGATION AND OTHER CONTINGENCIES

During the three months ended June 30, 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 and was completed on June 2, 2020 (the "**June 2020 Financing**"). During the three months ended September 30, 2020, Gravitas amended its claims for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on September 22, 2020 (the "**September 2020 Financing**"). During the three months ended June 30, 2021, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on March 12, 2021 (the "**March 2021 Financing**"). In May 2022, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on November 9, 2020 (the "**November 2020 Financing**"). 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 June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing, plus interest and cost. The Company disputes the claims with respect to the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration hearing was completed in February 2023. 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.

During year ended December 31, 2022, the Company finalized the review and settlement of the VisionPros acquisition. Prior to reaching a settlement, management's concerns on issues with VisionPros resulted in the Audit Committee undertaking the review of the Company's acquisition of VisionPros, with the assistance of independent legal counsel and financial advisors. As a result of that review, recommendations were made to CloudMD's Board of Directors that the Company proceed with settlement negotiations with the former owners of VisionPros (the "**Sellers**"). The settlement agreement (the "**Settlement Agreement**") between the Company and the Sellers was unanimously endorsed by CloudMD's Board of Directors. Pursuant to the terms of the Settlement Agreement, the holdback amounts of $3,000 and 1,090,909 common shares of the Company that were held in escrow as part of the original acquisition of VisionPros were released to CloudMD rather than the Sellers. Additionally, another 4,909,091 of the common shares of the Company issued to the Sellers on the closing of the acquisition were returned to CloudMD. All common shares returned to CloudMD were cancelled upon receipt. Furthermore, the Company will not be required to make any future performance based earnout payments or other payments to the Sellers. The Company also obtained confirmation that certain trade payables of VisionPros in the approximate amount of $800 will now be the responsibility of the Sellers, who have indemnified CloudMD for any such payments. Finally, the Sellers agreed to pay $350 in cash to the Company. The reduction in the purchase price related to the Settlement Agreement was $12.6 million. No other payments will be made by either party to the other in connection with the acquisition of VisionPros and full releases will be exchanged by the parties. During the year ended December 31, 2022, the Company received the holdback amount of $3,000 and the $350 in cash.

# SUBSEQUENT EVENTS

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a blocked account with the lender against the outstanding debt amount for purposes of calculating the financial covenants.

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. Subsequent to year end, a decision of the arbitrator was reached resulting in a settlement amount owing of $440. The Company had previously provisioned $1,200 for the contingent liability and consequently reversed $760 in the second quarter of 2023.

On June 29 2023, the Company sold its assets and liabilities associated with Benchmark System Inc.'s business for a consideration of USD $6,300 (CAD $8,341), subject to adjustment related to final working capital. The sale price comprised

of up front cash payment of USD $5,544 (CAD $7,340) and a holdback amount of USD $756 (CAD $1,001) payable on the first anniversary of the closing date of the transaction.

# OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding as at:

| Issued and outstanding | December 11, 2023 | December 31, 2022 |
|---|---|---|
| Common shares | 304,679,883 | 294,048,103 |
| Stock options | 5,401,667 | 9,017,917 |
| Restricted share units | 9,101,292 | 1,245,750 |
| Warrants | 2,653,409 | 1,509,200 |
| **Total** | **321,836,251** | **305,820,970** |

# RISK FACTORS

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. Our future results could differ materially from the results in this MD&A and from the forward-looking information contemplated in this MD&A due to a number of important factors. The information in this MD&A should be read carefully in conjunction with the risks and uncertainties detailed below and elsewhere in this MD&A, including in the "*Forward-Looking Statements*" section of this MD&A. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. The risks referred to in this MD&A are not exhaustive and this section and the "*Forward-Looking Statements*" section of this MD&A do not necessarily include all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. If any of the risks referred to in this MD&A actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

To increase its revenue and achieve profitability, the Company must add new customers or increase revenue from its existing customers. Numerous factors, however, may impede its ability to add new customers and increase revenue from its existing customers, including the Company's inability to convert new organizations into paying customers, failure to attract and effectively retain new sales and marketing personnel, failure to retain and motivate the Company's current sales and marketing personnel, failure to develop or expand relationships with channel partners, failure to successfully deploy products for new customers and provide quality customer support once deployed, or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company will not be able to attract the number and types of new customers that it is seeking.

In addition, the Company's ability to attract new customers and increase revenue from existing customers depends in large part on its ability to enhance and improve its existing products and to introduce compelling new products that reflect the changing nature of its market. The success of any enhancement to its products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and its products, and overall market acceptance. If the Company is unable to successfully develop new products, enhance its existing products to meet customer requirements, or otherwise gain market acceptance, its business, results of operations, and financial condition would be harmed.

***Failure to Manage Growth***

If the Company is unable to manage its continued growth successfully, its business and results of operations could suffer. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls, and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;

- build a sales team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company. The Company's failure to attract new customers, retain revenue from existing customers, or increase sales to new and existing customers could be due to a number of other factors, including:

- reductions in our current or potential customers' spending levels;
- competitive factors affecting the market for digital delivery of healthcare, including the introduction of competing platforms, discount pricing and other strategies that may be implemented by our competitors;
- our ability to execute on our growth strategy and operating plans;
- a decline in our customers' levels of satisfaction with our platform and customers' usage of our platform;
- changes in our relationships with third parties, including physicians and other healthcare professionals;
- the timeliness and success of new services and products that the Company may offer in the future;
- concerns relating to actual or perceived privacy or security breaches;
- frequency and severity of any system outages;
- technological changes or problems; and
- our focus on long-term value over short-term results, meaning that the Company may make strategic decisions that may not maximize our short-term revenue or profitability if the Company believes that the decisions are consistent with our mission and will improve our financial performance over the long term.

***Reliance on Key Personnel***

The Company's success depends largely on the continued services of its executive officers and other key employees. The Company relies on its leadership team in the areas of research and development, operations, security, marketing, sales, customer support, general and administrative functions, and on individual contributors in its research, development and operations. From time to time, there may be changes in the Company's executive management team resulting from the hiring or departure of executives, which could disrupt, and harm, its ability to implement its business plan. The loss of one or more of the Company's executive officers or key employees could harm the Company's business. The Company does not have key person insurance in effect for management.

In addition, to execute its growth plan, the Company must attract and retain highly qualified personnel. Competition for these personnel is intense and there can be no assurances that the Company will be able to continue to attract and retain the personnel necessary for the development and operation of the Company's business. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of the Company's equity awards declines, it may harm the Company's ability to recruit and retain highly skilled employees. If the Company fails to attract new personnel or fails to retain and motivate current personnel, this could have a material adverse effect on the Company.

***Reliance on Physicians and Other Healthcare Professionals***

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future, this would cause interruptions in the Company's business until these services are replaced. As such, vacancies and disabilities relating to the Company's current medical staff may cause interruptions in the Company's business and result in lower revenues.

In addition, the Company cannot be assured that every physician and other healthcare professional will otherwise comply with the restrictions and limitations applicable to their scope of practice or our policies and procedures in respect of use of the platform. While physicians and other healthcare professionals engaged by us are trained members of their applicable regulatory body, they must use their independent discretion to provide services. The Company does not have the ability to control actions or omissions of each provider. Any failure by an individual provider to execute sound judgment in determining whether a customer's state of health or condition is compatible with virtual care could cause harm, including potential health risks to the customer(s), which may result in negative health outcomes, negative mental health outcomes, disease or even death, and expose the Company to reputational damage and have a material adverse effect on the Company.

As the Company expands its customer base, it may also encounter difficulty in securing the necessary professional medical and skilled support staff to support such expansion. There is currently a shortage of certain medical physicians in Canada, and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its business objectives, which may have a material adverse effect on the Company.

***Risks and Uncertainties Related to Geopolitical Events, Natural Disasters, Pandemics and Other Catastrophic Events***

Catastrophic events in general can have a material impact on the potential continuity of the Company's business. Such events may result in a period of business disruption and reduced operations, which could have a material adverse effect on the Company. While the potential economic impact brought by such events may be difficult to assess or predict, they could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect our liquidity.

In recent years, the spread of COVID-19, invasion of Ukraine by Russia and collapse of financial institutions such as the Silicon Valley Bank, have severely impacted many local economies around the globe. Global stock markets also experienced great volatility, with governments and central banks having responded with monetary and fiscal interventions to stabilize economic conditions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the event and consequential disruption and cannot be adequately predicted in advance.

***Inability to Leverage Technology***

The Company achieving its business objectives depends, in part, on its ability to leverage its technology to offer new solutions. Development of new solutions is complex and subject to a number of risks present in the industry. The Company may not be able to successfully launch new solutions, and there can be no assurances the Company's engineering and development efforts will be successful in competing and launching such solutions. There can be no assurances that the Company will successfully develop or commercialize new solutions in a timely manner or at all, or that such solutions will achieve market acceptance. Any failure to design and implement new solutions on a timely basis and at a price acceptable to the Company's target markets may have a material adverse effect on the Company.

***Competition***

The industry in which the Company operates is highly competitive, evolving and characterized by technological change. Current or future competitors may have longer operating histories, larger customer bases, greater brand recognition and more extensive commercial relationships in certain jurisdictions, as well as greater financial, technical, marketing and other resources than the Company. As a result, the Company's competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, regulations or customer requirements. In addition, larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause the Company to lose potential sales or to sell its solutions at lower prices.

Competition may intensify as the Company's competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into the Company's market segments or geographic markets. The Company also expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. If the Company cannot compete against existing and future competitors, it may be materially and adversely affected.

The Company's success will be dependent on its ability to market its products and services. There is no guarantee that the Company's products and services will remain competitive. Unforeseen competition, and the inability of the Company to effectively develop and expand the market for its products and services, could have a significant adverse effect on the ability of the Company to achieve its business objectives. The Company cannot assure that it will be able to compete effectively against existing and future competitors. In addition, competition or other competitive pressures may result in price reductions,

reduced margins or loss of market share, any of which could have a material adverse effect on the Company.

***Infrastructure Risk***

The Company's continued growth depends, in part, on the ability of its existing and potential customers to access its platform 24 hours a day, seven days a week, without interruption or degradation of performance. The Company may experience disruptions, data loss, outages and other performance problems with its infrastructure due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial-of-service attacks, or other security related incidents. In some instances, the Company may not be able to identify the cause or causes of these performance problems immediately or in short order. The Company may not be able to maintain the level of service uptime and performance required by its customers, especially during peak usage times and as its products become more complex and its user traffic increases. If the Company's platform is unavailable or if the Company's customers are unable to access its products or deploy them within a reasonable amount of time, or at all, the Company's business would be harmed. Since the Company's customers rely on its service to access and complete their work, any outage on the Company's platform would impair the ability of its customers to perform their work, which would negatively impact the Company's brand, reputation and customer satisfaction. Moreover, the Company depends on services from various third parties to maintain its infrastructure and distribute its products via the Internet. Any disruptions in these services, including as a result of actions outside of its control, would significantly impact the continued performance of the Company's products. In the future, these services may not be available to the Company on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of the Company's products until equivalent technology is either developed by the Company or, if available from another provider, is identified, obtained and integrated into the Company's infrastructure. If the Company does not accurately predict its infrastructure capacity requirement, its customers could experience service shortfalls. The Company may also be unable to effectively address capacity constraints, upgrade its systems as needed, and continually develop its technology and network architecture to accommodate actual and anticipated changes in technology.

Any of the above circumstances or events may harm the Company's reputation, cause customers to terminate their agreements with the Company, impair the Company's ability to obtain contract renewals from existing customers, impair the Company's ability to grow its customer base, and otherwise have a material adverse effect on the Company.

***Potential for Software System, Database or Network Related Failures or Defects***

The Company relies on software systems, databases and networks to process, transmit and store digital information. The Company also relies on technological solutions from a number of vendors and business units to effectively work together in order deliver its digital solutions and services to its customers. A software bug, failure or defect may negatively impact software systems, databases and networks from operating properly which could result in the inability of our customers from receiving our products for an indeterminate period of time.

These events will likely result in loss of revenue. In addition, they could result in significant expense to repair or replace damaged equipment and remedy resultant data loss or corruption. A prolonged interruption in the availability or reduction in the speed or other functionality of our platform could materially harm our reputation and business. Frequent or persistent interruptions in access to functionality of our platform could cause the Company's customers to believe that our platform is unreliable. If the Company's platform is unavailable when customers attempt to access it, or if it does not perform to expected levels, our customers may cease to use our platform entirely. Moreover, to the extent that any system failure or similar event results in damages to customers, these customers could seek compensation from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly to address. While the Company has implemented measures intended to prevent or mitigate such interruptions, there can be no assurance that such measures will successfully prevent service interruptions in the future.

***Cybersecurity Risks***

Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer "hackers", malicious code (such as viruses and worms), employee theft or misuse, and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in cybersecurity attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for the Company to entirely mitigate these risks. The security measures the Company has integrated into its internal network and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as

expected or may not be sufficient to protect its internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into its networks.

If a breach of customer data security were to occur, as a result of third-party action, employee error, malfeasance or others, and the confidentiality, integrity or availability of the customers' data was disrupted, the Company could incur significant liability to its customers and to individuals or business whose information was being stored by its customers, and its products may be perceived as less desirable, which could negatively affect the Company's business and damage its reputation. Security breaches impacting the Company's products could result in a risk of loss or unauthorized disclosure of customers' information, which, in turn, could lead to litigation, governmental audits and investigations, and possible liability. In addition, a network or security breach could damage the Company's relationships with its existing customers, resulting in the loss of customers, and have a negative impact on its ability to attract and retain new customers.

These breaches, or any perceived breach, of the Company's network, its customers' networks, or other networks, whether or not any such breach is due to a vulnerability in the Company's products, may also undermine confidence in its products and result in damage to its reputation, negative publicity, loss of customers and sales, increased costs to remedy any problem, and costly litigation. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information, or otherwise compromise the security of the Company's internal networks, electronic systems and/or physical facilities in order to gain access to its data or its customers' data, which could result in significant legal and financial exposure, loss of confidence in the security of its products, interruptions or malfunctions in its operations, and, ultimately, harm to its future business prospects and revenue. The Company may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security. Failure to prevent or mitigate security breaches and improper or unauthorized access to, use or disclosure of our data or customer data, including any personal information and personal health information, could result in the loss or misuse of such data, which could harm our business and reputation.

***Confidentiality of Personal and Health Information***

The Company and its subsidiaries' employees have access, in the course of their duties, to the personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. The Company's products are used to transmit, receive and store a large volume of data, including personal information and other confidential information. The Company does not regularly monitor or review the content that its customers upload and store and, therefore, does not control the substance of the content on its servers, which may include personal information. The Company may experience successful attempts by third parties to obtain unauthorized access to the personal information of its customers. This information could also be otherwise exposed through human error or malfeasance. The unauthorized access or compromise of this personal information could have an adverse effect on the Company's business, financial condition and results of operations.

The Company is also subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and its agreements with certain customers require the Company to notify them in the event of a security incident. The Company has posted on its website its privacy policy and terms of service, which describe its practices concerning the use, transmission and disclosure of customer data. In addition, the interpretation of data protection laws in the United States, Canada and elsewhere, and their application to the Internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from jurisdiction to jurisdiction, and in a manner that is not consistent with the Company's current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. Any such new laws or regulations, or changing interpretations of existing laws and regulations, may cause the Company to incur significant costs and effort to ensure compliance.

The Company's failure to comply with federal, state, provincial and foreign laws regarding privacy and protection of data, as applicable, could lead to significant fines and penalties imposed by regulators, as well as claims by its customers and their customers. These proceedings or violations could force the Company to spend money in defense or settlement of such proceedings, result in the imposition of monetary liability, divert management's time and attention, increase the Company's costs of doing business, and adversely affect the Company's reputation and the demand for its products. In addition, if the

Company's security measures fail to adequately protect personal information, the Company could be liable to both its customers and their customers for their losses. As a result, the Company could be subject to fines, could face regulatory action, and its customers could end their relationships with the Company. There can be no assurances that the limitations of liability in the Company's contracts would be enforceable or adequate or would otherwise protect the Company from any such liabilities or damages with respect to any particular claim. The Company also cannot be sure that its existing general liability insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or, at all, or will be available in sufficient amounts to cover one or more large claims, or that its insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against the Company that exceeds its available insurance coverage, or changes in its insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on the Company.

***General Healthcare Regulation***

Healthcare service providers in Canada are subject to various governmental regulations and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in government regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could materially adversely affect the Company. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime.

The introduction of new services and products may require the Company to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining approval licenses, permits or certificates, increasing our security measures and expending additional resources to monitor developments in applicable rules and ensure compliance. There could also be laws and regulations applicable to our business that the Company has not identified or that, if changed or interpreted differently by competent authorities or regulatory bodies, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

Due to the breadth of these laws and the narrowness of statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws and regulations. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the Company.

***Reliance on Strategic Partnerships***

To achieve its business objectives, the Company anticipates that it will continue to depend on relationships with third parties, such as information technology vendors and channel partners. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. The Company's competitors may be effective in providing incentives to third parties to favour their products or services over the Company's. In addition, acquisitions of the Company's partners by its competitors could result in a decrease in the number of its current and potential customers as its partners may no longer facilitate the adoption of its applications by potential customers. If the Company is unsuccessful in establishing and maintaining its relationships with third parties, or if these third parties are unable or unwilling to provide services to the Company, the Company's ability to compete in the marketplace or grow its revenue could be impaired, and its results of operations may suffer. This could cause the Company to incur additional costs or cause material interruptions to its business until these services are replaced if possible. Even if the Company is successful, it cannot be sure that these relationships will result in increased customer usage of its products or increased revenue.

***Reliance on Internet Access***

The Company's success depends upon the general public's ability to access the internet, including through mobile devices, and its continued willingness to use the internet and our platform to receive and, if applicable, to pay for healthcare services. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet, including changes to laws or regulations impacting internet neutrality, could decrease the demand for our platform, increase our operating costs, or otherwise adversely affect our business. Given uncertainty around these rules, the Company could experience discriminatory or anti-competitive practices that could impede our growth, increase our costs or adversely affect our business. If customers become unable, unwilling or less willing to use the internet and our platform for healthcare and wellness services for any reason,

including lack of access to high-speed communications equipment, congestion of traffic on the internet, internet outages or delays, disruptions or other damage to customers' electronic devices, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business could be adversely affected.

***Changes in Technology***

The Company operates in a competitive industry characterized by rapid technological change and evolving industry standards. The Company's ability to attract new customers and increase revenue from existing customers will depend largely on its ability to anticipate industry standards and trends, respond to technological advances in its industry, and to continue to enhance existing products or to design and introduce new products on a timely basis to keep pace with technological developments and its customers' increasingly sophisticated needs. The success of any enhancement or new product depends on several factors, including the timely completion and market acceptance of the enhancement or new product. Any new product the Company develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of the Company's competitors implements new technologies before the Company is able to implement them, those competitors may be able to provide more effective products than the Company at lower prices. Any delay or failure in the introduction of new or enhanced products could harm the Company's business, results of operations, and financial condition.

The Company's products are expected to embody complex technology that may not meet those standards, changes and preferences. The Company's ability to design, develop and commercially launch new products depends on a number of factors, including, but not limited to, its ability to design and implement solutions and services at an acceptable cost and quality, its ability to attract and retain skilled technical employees, the availability of critical components from third parties, and its ability to successfully complete the development of products in a timely manner. There is no guarantee that the Company will be able to respond to market demands. If the Company is unable to effectively respond to technological changes or fails or delays to develop products in a timely and cost-effective manner, its products and services may become obsolete, and the Company may be unable to recover its research and development expenses which could negatively impact sales, profitability and the continued viability of its business.

***Difficulty in Forecasting***

Market opportunity estimates and growth forecasts, whether obtained from third-party sources or developed internally, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The Company's estimates and forecasts relating to the size and expected growth of its target market, market demand and adoption, capacity to address this demand, and pricing may prove to be inaccurate. The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the Company.

***Market for Telemedicine, Telehealth and the Virtual Delivery of Other Services***

The market for telemedicine and telehealth services is relatively new, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance and market adoption. The Company's success will depend to a substantial extent on the willingness of our customers to subscribe for services, to consent to use, and to increase the frequency and extent of their use of services through the platform, and on our ability to further demonstrate the value of digital healthcare and our other services to employers, health plans, government agencies and other purchasers of healthcare for beneficiaries. If our customers do not perceive the benefits of accessing services through the platform, or if the services do not attract customers, or if the services do not drive customer engagement, then our market may not develop at all, or it may develop more slowly than we expect. The services may be perceived by employers, health plans, government agencies and other purchasers of healthcare and our other services to be more complicated or less effective than traditional approaches, and people may be unwilling to change their current health or mental health and wellness regimens or approaches to EAPs and other wellness programs. Similarly, individual and healthcare industry concerns regarding patient or client confidentiality and privacy in the context of digital healthcare could limit market acceptance of our healthcare services, and customers may be unwilling to provide consent to the use of the internet and the platform to receive services. While the COVID-19 pandemic accelerated the adoption of virtual healthcare, there is no assurance that such a trend will continue. If any of these events occur, it could have a material adverse effect on the Company.

Certain regulatory bodies have also imposed restrictions on the types of services that may be provided by a healthcare professional via telemedicine or virtual care that would not apply if the same health service had been accessed in a face-to-face setting. The Company believes that it has established appropriate safeguards to ensure that its healthcare professionals comply with the policies applicable to them, including established systems for ensuring that healthcare professionals providing services through the platform are appropriately licensed by the applicable regulatory bodies and that their provision of telehealth services to our customers occurs in each instance in compliance with applicable rules governing telehealth. Failure to comply with applicable laws and regulations could result in the services being found to be in breach of the regulatory regime and subject to enforcement by the regulatory bodies, which could have a material adverse effect on our business, results of operations, financial position and prospects.

***Response to Evolving Needs***

The markets in which the Company competes are characterized by constant change and innovation and the Company expects them to continue to evolve rapidly. The Company believes our success has been based on our ability to identify and anticipate the needs of our customers and design a platform that provides them with the breadth of tools they need. Our ability to attract new customers, retain revenue from existing customers, increase sales to both new and existing customers will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform and website. The Company expects that new services and technologies applicable to the industries in which the Company operates will continue to emerge and evolve. The Company cannot, with any certainty, predict what these new services and technologies may be. The Company may also, from time to time, experience difficulties with software development that could delay or prevent the development, introduction or implementation of new products and services and enhancements. Software development involves a significant amount of uncertainty and time for our research and development team, as it can take our developers months to update, code and test new and upgraded products and services and integrate them into our platform and website. The Company must also continually update, test and enhance our platform and applications. The continual improvement and enhancement of our platform requires significant investment, and the Company may not have the resources to make such investment. Our improvements and enhancements may result in our inability to recoup our investments in a timely manner, or at all. The Company may make significant investments in new products and services or enhancements that may not achieve expected returns. The success of any enhancement or new product or service depends on several factors, including the timely completion and market acceptance of the enhancement or new product or service. The Company's ability to develop new enhancements or products or services may also be inhibited by industry-wide standards, laws and regulations, resistance to change by customers, difficulties relating to integration or compatibility with third-party software or hardware, or third parties' intellectual property rights.

Any new product or service the Company develops or acquires might not be introduced in a timely or cost effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. Improving and enhancing the functionality, performance, reliability, design, security and scalability of our platform is expensive, time-consuming and complex, and to the extent the Company is not able to do so in a manner that responds to our customers' evolving needs, our business, financial condition, results of operations, cash flows and prospects will be adversely affected.

***Reputational Risk***

Reputational damage can result from the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other webbased tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views, whether true or not. Reputation loss may result in decreased customer confidence and an impediment to the Company's overall ability to advance its products and services with customers, thereby having a material adverse effect of the Company.

***Protection of Brand***

The Company believes that developing, maintaining, promoting and enhancing our Company and associated brands is critical to expanding our business. Developing, maintaining, promoting and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative products and services, which the Company may not do successfully.

Errors, defects, data breaches, disruptions or other performance problems with our platform, including with third- party applications, may harm our reputation and brand. The Company may introduce new products and services or terms of service that our customers do not like, which may negatively affect our brand. Additionally, if our customers have a negative experience using our products and services or third-party products and services integrated with our products and services, such an experience may affect our brand, especially as the Company continues to attract more customers to our platform.

Any unfavorable media coverage or negative publicity about our industry or our company, including, for example, publicity relating to the quality and reliability of our platform and services, our privacy and security practices, our product changes, litigation, regulatory activity, or the actions of our service providers, or customers could seriously harm our reputation. Such negative publicity could also adversely affect the engagement and loyalty of our customers and users and result in decreased revenue, which could seriously harm our business. Critics of our industry, and others, have in the past and may in the future utilize the internet, the press and other means to publish criticisms of our industry, our Company and our competitors, or make allegations regarding our business and operations, or the business and operations of our competitors. The Company, or others in our industry, may receive similar negative publicity or allegations in the future, and it could be costly, time consuming, distracting to management, cause fluctuations in the market price of our Common Shares and harm our business and reputation.

The services are provided to eligible individuals by our providers, and by our subsidiaries' employees and contractors, and as a result, to the extent any provider is negligent or otherwise does not provide services care at a standard of care that would meet our expectations or is subject to allegations, investigations, complaints, disciplinary action, license suspension or revocation, criminal proceedings, or otherwise brings the reputation of the platform or our Company into material disrepute, such a circumstance could have a negative impact on our reputation which could have a material adverse effect on the Company.

The Company believes that the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products and services at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. Our efforts to market our brand have involved significant expenses. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

***Protection of Intellectual Property***

The Company has patents in respect of the RTIP but does not otherwise currently hold any patents, copyrights or trademarks. The Company's commercial success depends to a significant degree upon its ability to develop new or improved technologies, instruments and products, and to obtain patents, where appropriate, or other intellectual property rights or statutory protection for these technologies and products in Canada and the United States. Despite devoting resources to the research and development of proprietary technology, the Company may not be able to secure additional patents or to develop new technology that is patentable or protectable. Further, any patents issued to the Company could be challenged, held invalid or unenforceable, or be circumvented and may not provide the Company with necessary or sufficient protection or a competitive advantage. Competitors and other third parties may be able to design around the Company's intellectual property or develop products similar to its products that are not within the scope of such intellectual property. The Company may also be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. The Company's inability to secure its intellectual property rights may have a material adverse effect on the Company.

The Company may also become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products. Third parties may assert infringement claims against us, and if the Company is found to infringe a third party's intellectual property rights, the Company could be required to obtain a license from such third party to continue commercializing our products. However, the Company may not be able to obtain any required license on commercially reasonable terms or at all. Under certain circumstances, the Company could be forced, including by court order, to cease commercializing the applicable product. In addition, in any such proceeding or litigation, the Company could be found liable for monetary damages. A finding of infringement could prevent the Company from commercializing our products or force us to cease some of our business operations, which could materially harm our business. Any claims by third parties that the Company has misappropriated their confidential information or trade secrets could have a similar negative impact on our business. The Company attempts to ensure that our products and the methods the Company employs to manufacture them, as well as the methods for their uses the Company intends to promote, do not infringe other parties' proprietary rights. There can be no assurance they do not, however, and competitors or other parties may assert that the Company has infringed their proprietary rights in any event. Prosecution and protection of the intellectual property rights sought can be costly and uncertain,

often involve complex legal and factual issues, and consume significant time and resources. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Canada or the United States.

***Vulnerability of Customers***

It may be the case that one or more customers use or rely upon the Company's services for purposes for which they have not been designed or rely upon a healthcare professional to provide services that they are not qualified to provide, which may result in the customer suffering negative outcomes, including health outcomes, mental health outcomes or death or costly litigation proceedings including professional liability claims against both the healthcare professionals and us. Any such event or litigation could be detrimental to our reputation, business, operations and prospects.

If one or more customers experiences a negative health outcome, negative mental health outcome, disease or death after accessing the platform or receiving services from a service provider through EAP, whether or not arising from any real or perceived professional misconduct or negligence on the part of the healthcare professional or service provider, the Company or its providers could become subject to legal claims. Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or an expanded scope of services, interfere with our ability to recruit and retain providers, materially disrupt the conduct of our business and have a material and adverse effect on our brand, business, financial condition and results of operations. Any adverse decision could subject us to significant liabilities, result in additional inquiries, audits or complaints from governmental authorities or regulatory bodies, prevent us from offering all or a portion of the services and otherwise negatively affect our business and operating results.

The Company may be subject to adverse publicity or reputational harm, even if claims against us or the providers are later shown to be unfounded or unsubstantiated. Moreover, there could be public announcements of the allegations of a claim, results of hearings, motions or other interim proceedings or developments or disciplinary actions taken by regulatory bodies and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the Company.

In addition, one or more individuals may utilize services in a manner that could be deterring to our internal and technological resources, including the resources of the healthcare professionals and other providers. To the extent our platform is affected by a concentrated or over-utilization of services at a given time, our profitability and cash flows may be adversely affected.

***Litigation***

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. Substantial litigation costs or an adverse result in any litigation may have a material adverse effect on the Company.

***Conflicts of Interest***

Certain of the Company's directors and/or officers may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia) and any decisions made any of such directors and officers involving the Company are subject to the duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

***Reliance on Third Parties***

The Company does not own real property and leases premises for the operations of its clinics and various offices. There is a risk that these leases may not be renewed at the end of term, and a risk that an alternative location cannot be found. Moreover, these leased properties are managed by third parties and as such there is no assurance that they will be managed and maintained to meet any required environmental and safety standards. Any adverse change or event affecting the Company's premises may have a material adverse effect on the Company.

The Company also relies on computer hardware, purchased or leased, and software licensed from and services rendered by third parties in order to run our business. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in our ability to run our business until equivalent hardware, software or services are developed by us or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent product or service, any of which could cause an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Furthermore, customers could assert claims against the Company in connection with service disruptions or cease conducting business with us altogether. Even if not successful, a claim brought against us by any customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our products and services.

***Volatile Market Price for Common Shares***

The market price for the Company's common shares may be highly volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company control, including, but not limited to: (i) actual or anticipated fluctuations in the Company's operating results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which the Company operates; (iv) addition or departure of the Company's executive officers and other key personnel; (v) sales or anticipated sales of additional common shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (vii) announcements of technological innovations, patents or new commercial products by the Company or its competitors; (viii) regulatory changes affecting the Company's industry generally and its business and operations; (ix) news reports relating to trends, concerns, technological or competitive developments and other related issues in the Company's industry or target markets; and (x) changes in global financial markets, global economies and general market conditions.

The common shares have been subject to significant price and volume fluctuations historically and may continue to be subject to significant price and volume fluctuations in the future. Significant market price and volume fluctuations can affect the market prices of equity securities of companies and have often been unrelated to the operating performance, underlying asset values or prospects of such companies.

Accordingly, the market price of the common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that fluctuations in share price and volume will not occur.

Further, there can be no assurance that an active and liquid market for the common shares will develop, and investors may find it difficult to resell the common shares. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and there may be a material adverse effect on the Company and the trading price of the common shares.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***Ongoing Costs and Obligations Related to Investment in Infrastructure, Growth, Operations and Regulatory Compliance***

The Company expects to incur significant ongoing costs and obligations related to achieving our business objectives and regulatory compliance, which could have a material adverse effect on the Company. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the Company. The Company's efforts to achieve its business objectives may be costlier than expected, and the Company may not be able to generate sufficient revenue to offset such higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events.

***Uncertainty of Liquidity and Capital Requirements***

The future capital requirements of the Company will depend on many factors, including the rate of growth of its client base, the costs of expanding into new markets (if any), the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

***Internal Controls***

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, internal controls over financial reporting are not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

Any failure to develop or maintain effective controls or any difficulties encountered in their implementation could harm the Company's results of operations or cause the Company to fail to meet its reporting obligations and may result in a restatement of its financial statements for prior periods. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in the Company's reported financial and other information, which would likely have a negative effect on the trading price of the common shares.

Management does not expect that the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

***Dividend Risk***

The Company has not paid dividends in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.