CloudMD Software & Services Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2024 and 2023

(Expressed in thousands of Canadian Dollars)

Contents

INTRODUCTION

This Management's Discussion and Analysis for the three months ended March 31, 2024, and 2023 ("**MD&A**") for CloudMD Software & Services Inc. ("**CloudMD**" or the "**Company**") is dated and based on information available to management as of May 30, 2024. This MD&A is prepared in accordance with National Instrument 51-102F1 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2024 and 2023, and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2023. These documents, along with additional information about the Company, are available under the Company's profile on SEDAR at www.sedar.com.

The financial data contained in this MD&A and the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the months ended March 31, 2024 and 2023 have been prepared in accordance with IFRS Accounting 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;
- likelihood of developing chronic health conditions;
- savings associated with RPM (as defined below);
- linking RPM to our TAiCBT offering to provide holistic care for both mental and physical health;
- looking for ways to improve healthcare access by leveraging technology;
- the rates of adoption of the mental health coaching program by Sun Life's plan sponsors;
- the sale of assets of RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions (collectively "**RXI**") and VisionPros and the impact of exiting its business;
- renewal of the credit facilities on maturity;
- the belief that certain contracts will become material for the Company;
- 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 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; major network outages; 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; ability to satisfy consumer preferences and expectations; 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; ability to renew the credit facilities on maturity; internal controls; and dividend risk, and the other 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 intention or duty to update any of the forward-looking statements after the date of this MD&A except as otherwise required by applicable law.

NON-GAAP FINANCIAL MEASURES

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

Since non-GAAP financial measures do not have any standardized meanings prescribed by IFRS, other companies may calculate these non-GAAP measures differently, and our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2024, and 2023, and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2023, and 2022.

EBITDA

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

Adjusted EBITDA

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

Gross Profit

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

Gross Margin

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

Working Capital and Adjusted Working Capital

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

Cash outflow and Normalized cash outflow

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

BUSINESS OVERVIEW

CloudMD provides innovative mental, physical and occupational health services, healthcare navigation, absence management and healthcare productivity tools in both Canada and the United States. Through its comprehensive set of integrated workplace health and wellness services, we believe CloudMD is uniquely positioned to reduce absenteeism, improve productivity and build stronger, happier, healthier workforces.

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 2024:

- *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, providing individuals, organizations, and health care providers access to personalized and connected health care services designed to deliver better health outcomes. Many of its acquired companies have been delivering best-in-class service for decades. All the capabilities offered within CloudMD are proven through years of delivery as siloed services. Under the Kii program we have developed a market leading approach to enhance the user experience and care delivery to meet the ever-growing demand for these services. We operate our business under two divisions: **Health and Wellness Services or ("HWS")** and **Health and Productivity Solutions or ("HPS").** Both divisions have services and tools that are integrated with the Kii program. Under these two divisions, over 7,000 customers trust CloudMD to deliver services and solutions. We are focused on growing the wallet share within these accounts as we collaboratively expand the delivery of positive health and productivity outcomes for their organizations.

Health and Wellness Services

The Company's HWS operating division provides organizations with an Employee & Family Assistance Program (EFAP), Mental Health Care (Coaching, Therapy, Treatment for Chronic Conditions), Health Coaching, Medical Assessments, Occupational Health and Absence Management, all through our integrated connected platform Kii. 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 'Kii' that includes in-person, digital and phone care pathways that allow choice in how employees access a broad range of services. These services cover the full continuum of care from prevention to treatment for the chronic conditions that drive disability and absenteeism. The employee's care journey begins with access, which is available 24 hours a day, 7 days a week, 365 days a year both digitally and 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 also delivers superior outcomes.

We leverage our extensive healthcare provider network to support individuals in the treatment of their physical and mental health issues. Along with this network, the capabilities and technology we have built and acquired provides an integrated experience with accessible information 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. As reported by Grand View Research (in the Canada Corporate Wellness Market Size & Share Report) management anticipates, the Canadian corporate wellness market to grow from USD $2.5 billion in 2023 to approximately USD $3.4 billion by 2030 or approximately 4.5% annually, largely driven by mental health spend by employers. 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 markets this program to all their national clients using data supporting symptom improvement. Full launch in partnership with Sun Life's plan sponsors began in 2023.

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.

Many corporations, insurers and advisors built siloed health and wellness programs over time, resulting in costly and ineffective holistic care plans. To address this, the Company offers a unique care model leveraging 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 offer one solution addressing the comprehensive healthcare needs of their workforce eliminating 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.

HWS delivers our leading Mental Health Support Services platform through MindBeacon Holdings Inc. ("**MindBeacon**"). 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 over 80% of those iCBT clients that were surveyed in November 2021 reporting improvements in their mental health, and over 65% reporting clinically significant improvements. MindBeacon's is increasing the reach and expanding the breadth of interactive technologies and toolsets within behavioural health to support clients with longitudinal multi-dimensional care. The MindBeacon TAiCBT product offering carries a higher margin and is expected to improve the overall gross margins in the HWS segment.

Health and Productivity Solutions

The Company's HPS division offers health and productivity tools intended to create a better experience for those needing healthcare. HPS offers clients a suite of healthcare technology solutions that support an organization's healthcare offering.

An example of our technology offering is Remote Patient Monitoring ("**RPM**"). RPM allows clinics, health systems, benefit plans, and employers to keep their patients, members, and employees healthier by actively tracking vital statistics. This includes those individuals that have no underlying health issues as well as those suffering with multiple comorbidities. By tracking vital statistics, chronic conditions can be managed more effectively. It is the Company's belief that individuals not currently suffering from chronic diseases have a better chance of not developing such conditions in the first place. In addition to empowering healthier living for individuals, healthcare systems, governments, and employers, RPM is designed to allow users to save substantially on healthcare in the long run. With its mobile-first design, the Company also includes peer reviewed and vetted education content from health organizations across North America to help keep individuals engaged in their own care. Our goal is to link RPM to our TAiCBT offering to provide holistic care for both mental and physical health.

In addition to RPM, we offer stand-alone solutions and support streamlining medical practitioner's practices and make businesses more accessible and efficient. The Company currently services a combined ecosystem of over 10,000 clinicians and mental health practitioners, 2,000+ allied health professionals, and 1,400+ doctors and nurses. The Company's patient-centric approach continues to be well received and the Company will continue to look for ways to improve healthcare access by leveraging its technology to ensure we deliver on the Company's value proposition of innovation in the delivery of healthcare.

PRODUCTS AND SERVICES

The Company categorizes its revenues under two divisions: (1) Health and Wellness Services (HWS) and (2) Health and Productivity Solutions (HPS). During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying our former Clinic Services & Pharmacies segment and Cloud Practice Inc. ("Cloud Practice") within our Health and Productivity Solutions segment. Our RXI pharmacy business is classified as discontinued operations as of September 30, 2023. 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.

During the second quarter of 2023, management commenced a sale process to dispose of its VisionPros e-commerce business. As a result, the assets and liabilities of Vision Pros have been classified as held-for-sale. As of the date of this MD&A, the Company has not reached a definitive arrangement to sell this business.

Health and Wellness Services ("*HWS*")

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

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

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

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

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

CloudMD's capabilities include:

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

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

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

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

Rehabilitation and Assessments

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

Absence Management and Occupational Health

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

Health and Productivity Solutions ("*HPS*")

The following describes the solutions in the HPS division:

Remote Patient Monitoring

CloudMD 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.

RPM allows clinics, health systems, benefit plans, and employers to keep their patients, members and employees healthier by actively tracking vital statistics. This includes those individuals that have no underlying health issues as well those suffering with multiple comorbidities. By tracking vital statistics, chronic conditions can be managed more effectively. It is the Company's belief that individuals not currently suffering from chronic diseases have a better chance of not developing such conditions in the first place. In addition to empowering healthier living for individuals, healthcare systems, governments, and employers, RPM is designed to allow users to save substantially on healthcare in the long run. With its mobile-first design, the Company also includes peer reviewed and vetted education content from health organizations across North America to help keep individuals engaged in their own care. Our goal is to link RPM to our TAiCBT offering to provide holistic care for both mental and physical health.

MyHealthAccess

CloudMD's patient portal enables online appointment booking and virtual care visits. The platform works with an electronic medical record ("**EMR**") platform Juno, 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. Our HWS division uses this technology to connect individuals to healthcare solutions.

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

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

Real Time Intervention Platform (RTIP)

CloudMD's patented Real Time Intervention and Prevention Platform ("**RTIP**") allows us to solve for interoperability with speed, consistency, and security. RTIP is the backbone for applications such as: Substance Use Disorder ("**SUD**") and Health and Wellness Network ("**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.

2024 FIRST QUARTER SUMMARY

Below is a summary of CloudMD's operations during and subsequent to the first quarter of 2024:

- First quarter revenue from continuing operations for the first quarter of 2024 was $22,805 compared to $22,895 in 2023. First quarter revenue does not include revenue generated from the RXI business and VisionPros business, which are both classified as held-for-sale, and the results are included in discontinued operations, or the EHR, PM, and RCM assets of Benchmark Systems, Inc. which were divested at the end of the second quarter of 2023.

- Gross profit margin from continuing operations was 37.0% in the first quarter of 2024 compared to 36.9% in the first quarter of 2023. The increase during the quarter is attributable to a favourable revenue mix and operational efficiencies realized primarily in the HWS segment.

- Adjusted EBITDA[1] for the first quarter was $122, compared to ($1,411) in the prior year period. Adjusted EBITDA improved by $1,533 from Q4, 2023. The improvement in adjusted EBITDA from the fourth quarter of 2023 is due to continued cost optimization efforts realized. Net Loss in the first quarter was $(4,846), compared to $(7,146) in the prior year comparable period.

- The Company identified and actioned approximately $1,600 of annualized cost reductions in the first quarter, the impact of which was realized in part in the latter part of the first quarter, with the full run-rate impact expected in the second quarter of 2024. During the first quarter of 2024, Sales and Marketing, Research and Development, and General and Administration expenses were lower than the same prior year period by approximately $1,226, and $1,783 lower than fourth quarter 2023. These savings are a result of our successful implementation and execution of cost cutting reduction plan and integration of people, process and technology resulting in a more scalable business.

- Use of cash in the first quarter was $3,727. As of March 31, 2024, the Company had $7,665 of cash and cash equivalents, including $2,500 in restricted cash. Adjusted net cash provided operating activities[1] decreased by $1,615 to $29 during the quarter compared to 1,644 in the fourth quarter of 2023. Cash used in operating activities remains impacted by redundant leases and other acquisition related costs.

- In the first quarter of 2024, CloudMD signed multi-year large enterprise contracts contributing to its organic growth and annual recurring revenue ("**ARR**")[1] of approximately $1.3 million.

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

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

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Selected Financial Information (unaudited)	**Three months ended March 31**	
	2024	**2023[(2)]**
Revenue	**$ 22,805**	**$ 22,895**
Cost of sales	**14,370**	14,441
Gross profit [(1)]	**$ 8,435**	**$ 8,454**
Gross profit %	**37.0%**	**36.9%**
Indirect Expenses		
Sales and marketing	896	1,083
Research and development	55	507
General and administrative	7,848	8,436
Share-based compensation	99	30
Depreciation and amortization	3,258	3,270
Acquisition and divestiture-related, integration and restructuring costs	379	871
Operating loss	**$ (4,100)**	**$ (5,742)**
Other income	487	158
Change in fair value of liability to non-controlling interest	-	(549)
Finance costs	(503)	(649)
Income tax recovery/(expense)	119	251
Net loss for the period from continuing operations	**(4,235)**	**(6,531)**
Net loss after tax from discontinuing operations	**(611)**	**(615)**
Net loss for the period	**$ (4,846)**	**$ (7,146)**
Add:		
Depreciation and amortization	3,258	3,270
Finance costs	503	649
Income tax recovery/(expense)	119	(251)
EBITDA [(1)]	**$ (966)**	**$ (3,477)**
Share-based compensation	99	30
Acquisition and divestiture-related, integration and restructuring costs	379	871
Litigation costs	-	2
Change in fair value of liability to non-controlling interest	-	549
Net loss after tax from discontinuing operations	611	615
Adjusted EBITDA [(1)]	**$ 122**	**$ (1,411)**
Loss per share, basic and diluted	**(0.02)**	(0.02)
Loss per share from continuing operations, basic and diluted	**(0.00)**	(0.00)

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

Revenue

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

Revenue	**Three months ended March 31,**		**Variance**	
	2024	2023	**($)**	**(%)**
Health and Wellness Services	**$ 21,731**	$ 21,124	$ 607	3%
Health and Productivity Solutions	**1,074**	1,771	(697)	(39%)
Total revenue	**$ 22,805**	**$ 22,895**	**$ (90)**	-%

Revenue for the three months ended March 31, 2024, decreased by $90 over the same period in 2023.

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

The decrease in revenue in the first quarter of 2024 over the comparable period in 2023 was primarily in the Health and Productivity Solutions segment as the IDYA4 revenues were lower than the comparative period in part due to the timing of certain client mandates. This decrease was largely offset by the increase in revenues from our Health and Wellness Services segment largely driven by improvements in our Assessments and Occupational Health businesses.

In the HWS segment, we are winning new customers on the strength of our integrated and comprehensive product offering that includes a full continuum of service offerings to treat the mental and physical health of an employer population. Health navigators are creating engagement and empowering individuals to healthier outcomes. This, coupled with our excellent end-user experiences for our stakeholders, is driving successful customer acquisitions. We have a strong roster of long-tenured blue-chip clients that are using one of our capabilities; the client management team is focused on introducing existing clients to the full spectrum of capabilities that enable a full care model where we are addressing physical and mental health from mild to acute to chronic. Our attach rates continue to grow as customers move to a single vendor model.

The focus in 2024 is to realize growth opportunities from our employer health solutions and Remote Patient Monitoring program. We continue to see a growing pipeline in the United States. We anticipate launching remote patient monitoring in Canada in Q4 2024.

In fourth quarter of 2023, the Company announced Bristol Health's EMR system's integration with CloudMD's HealthLYF platform, ensuring a seamless workflow process for medical staff, comprehensive medical record keeping, and improved care coordination. The RPM program eliminates the need for external medical devices while significantly enhancing the quality and efficiency of delivering remote healthcare services, while ensuring accessibility and convenience to patients monitoring their health. The program allows for personalized insights, engagement in proactive care without needing additional devices, fostering a patient-friendly and inclusive healthcare experience through the use of a smartphone.

Through this exciting partnership, Bristol Health's extensive network, encompassing 115 healthcare providers and their over 25,000 Medicare patients are set to benefit from access to the CloudMD HealthLYF Platform. Patients can effortlessly capture vital health data directly from their smartphones and actively participate in managing their health. The platform also offers access to CloudMD's comprehensive digital health education resources, ensuring patients and clinics under Bristol Health's umbrella have a holistic and informed approach to their well-being.

In 2024, the Centers for Medicare and Medicaid Services (CMS) will enter its eighth year supporting RPM related services making it an attractive market to service. Medicare covers RPM services in all 50 states to qualifying patients and over 50% of state's Medicaid programs are covered in some capacity. This program continues to grow as further evidence supports the effectiveness in reducing hospital admissions, reducing length of stay in the hospital, fewer emergency visits, and better preventative chronic condition management.

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

Revenue	**Three months ended March 31,**		**Variance**	
	2024	2023	**($)**	**(%)**
Canada	**$ 19,224**	$ 18,742	$ 481	3%
United States	**3,581**	4,153	(572)	(14%)
Total revenue	**$ 22,805**	**$ 22,895**	**$ (91)**	**(0%)**

Revenues earned in Canada for the three months ended March 31, 2024, increased by $481, offset by the decrease in the revenues in the United States.

Revenues earned in United States for the three months ended March 31, 2024, represented 16% of total revenues compared to 18% in the comparable period in 2023. Revenues earned in the United States are largely consistent with the prior year comparable period. We expect the proportion of US revenues going forward to increase as a result of the larger opportunities that exist for our Health and Wellness platform, HealthyLYF and the related Remote Patient Monitoring program.

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

Gross Profit

Gross profit for the three months ended March 31, 2024 decreased by $19 to $8,435, in line with the prior year comparable period.

The gross profit margin was 37.0% for the three months ended March 31, 2024, compared to 36.9% for the same period in the prior year. The first quarter of 2024 margin was lower than the fourth quarter of 2023 as we reclassified certain expenses in our Occupational Health business into cost of sales to better capture our overall cost of delivery. Gross profit margin is expected to increase over time with the ongoing efforts to integrate acquisitions, including our networks and systems, and increasing our operational efficiency through use of lower cost, clinically appropriate, modalities. We expect gross profit margin to improve as we manage the provider networks across our capabilities along with the addition of iCBT to our EFAP clients as a modality of care in our offering.

Expenses

Operational expenses for continuing operations	**Three months ended March 31,**		**Variance**	
	2024	2023	**($)**	**(%)**
Sales and marketing	**896**	1,083	(187)	(17%)
Research and development	**55**	507	(452)	(89%)
General and administrative	**7,848**	8,436	(588)	(7%)
Share-based compensation	**99**	30	69	230%
Depreciation and amortization	**3,258**	3,270	(12)	(0%)
Acquisition and divestiture-related, integration and restructuring costs	**379**	871	(492)	(56%)
Operational expenses	**$ 12,535**	**$ 14,196**	**$ (1,662)**	**(12%)**

<u>Sales and Marketing</u>

Sales and marketing expenses for the three months ended March 31, 2024, decreased by $187 or 17% over the prior year comparable period. Sales and marketing decreased by approximately $633 from Q4 2023 to Q1 2024. The decrease compared to the same quarter last year and the prior quarter is attributable to the reduced marketing spend on customer acquisition, reduced personnel as part of our cost cutting program. 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.

<u>Research and Development</u>

Research and development expenses for the three months ended March 31, 2024, decreased by $452 or 89% over the prior year comparable period. The decrease compared to the same quarter last year is a result of cost saving initiatives and higher costs incurred to develop or Kii platform in the prior year. During the first quarter of 2023, research and development was focused on new product development activities including the development of our Kii offering, and our integrated Health and Wellness application.

<u>General and Administrative</u>

General and administrative expenses for the three months ended March 31, 2024, decreased by $588 or 7% over the prior year comparable period. The decrease compared to the same quarter last year is primarily attributable the Company's continued integration and optimization efforts. General and Administrative costs decreased by approximately $970 from Q4 2023 to Q1 2024 as a result of cost-saving initiatives that were actioned in the latter half of 2023.

<u>Share-based Compensation</u>

Shared-based compensation expenses for the three months ended March 31, 2024, increased by $69 or 230% over the prior year comparable period.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended March 31, 2024 was flat compared to the prior year, at $3,258 compared to $3,270 over the prior year comparable period.

Acquisition and Divestiture-Related, Integration and Restructuring Costs

Acquisition and divestiture-related, integration and restructuring costs for the three months ended March 31, 2024, were $379, compared to $871 in the prior comparable period. Acquisition and divestiture-related, integration and restructuring costs include expenses incurred in relation to the Company's corporate development, divestitures, fees for advisory, and costs of integration which includes severance. The decrease is mainly due to the fact that we are progressing on our integration work and there were no acquisitions in the twelve months ending March 31, 2024. The Company expects to incur divestiture-related and restructuring costs in 2024 related to divestment of VisionPros and the pending sale transaction announced in April 2024 disclosed as a subsequent event in our Annual consolidated financial statements.

Other Income

Other income for the three months ended March 31, 2024, increased by $329 to $487 over the prior year comparable period. The increase is primarily attributable to higher interest on cash and cash equivalents due to the higher interest rates.

Change in fair value of liability to non-controlling interests

The fair value of liability to non-controlling interest for the three months ended March 31, 2024 was nil compared to a loss of $549 for the same period in 2023. On March 14, 2023, the non-controlling shareholder notified the Company their intention to exercise the put option granted under the shareholder's agreement. As such the liability was re-valued using the expected settlement amount of $1,292 (US $955) to acquire the remaining 12.5% interest held by the non-controlling interest. The settlement was completed on May 19, 2023 for the amount accrued.

Finance costs

Finance costs for the three months ended March 31, 2024, decreased by $146 over the prior comparable period. The decrease is primarily attributable to the lower interest cost incurred on lower debt balances compared the prior year.

Current and deferred income taxes expense

The current and deferred income taxes expense for the three months ended March 31, 2024 was an expense of $119 compared to a recovery of $251 over the prior comparable period.

Net loss from continuing operations

Net loss from continuing operations for the three months ended March 31, 2024, was $4,235, compared to $6,531 for the same prior year period. The decrease in net loss in the three months ended March 31, 2024, was primarily due the cost savings realized from initiatives implemented in 2023 and reduced acquisition related, integration and restructuring costs.

Net loss from discontinuing operations

During the second quarter of 2023, the Company sold its U.S. based Electronic Medical Records ("EMR"), Practice Management ("PM"), and Revenue Cycle Management ("RCM") assets. Finally, during the second quarter of 2023, the Company initiated a process to divest its e-commerce platform, VisionPros, a part of the HPS division, however as of the date of this MD&A the Company has not reached a definitive agreement to sell. The Company does not expect to receive any material value for this business.

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

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

Unaudited	Three months ended March 31	
	2024	**2023**
Revenue	**$ 1,654**	$ 4,131
Expenses	**2,236**	4,740
Operating loss	**(582)**	(609)
Finance costs	**(29)**	(5)
Loss before tax from discontinuing operations	**(611)**	(614)
Tax (expense)/benefit	**-**	-
Loss after tax for the period from discontinuing operations	**(611)**	(614)
Loss per share from discontinuing operations	**$ (0.00)**	**$ (0.00)**

EBITDA and Adjusted EBITDA[2]

EBITDA for the three months ended March 31, 2024, and 2023, was $122, compared to a loss of $1,411 for the same period in the prior year. Adjusted EBITDA continues to improve over the recent quarters, primarily as a result of continued cost savings initiatives.

The following table provides a reconciliation of net loss for the periods to EBITDA and Adjusted EBITDA for the three months ended March 31, 2024 and 2023.

	Three months ended March 31,		Variance	
	2024	**2023**	**$**	**%**
Net loss	**$ (4,846)**	**$ (7,146)**	**$ 2,420**	**(34%)**
Add:			-	0%
Finance costs	**503**	649	(146)	(23%)
Income tax expense/(recovery)	**119**	(251)	251	(100%)
Depreciation and amortization	**3,258**	3,270	(12)	(0%)
EBITDA(1) for the period	**$ (966)**	**$ (3,477)**	**2,512**	**(72%)**
Share-based compensation	**99**	30	69	230%
Acquisition and divestiture-related, integration and restructuring costs	**379**	871	(492)	(56%)
Litigation costs	**-**	2	(2)	(100%)
Change in fair value of liability to non-controlling interest	**-**	549	(549)	(100%)
Net loss from discontinuing operations	**611**	615	(4)	(1%)
Adjusted EBITDA(1) for the period	**$ 122**	$ (1,411)	**1,534**	**109%**

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

	Q1 2024 (unaudited)	Q4 2023 (unaudited)	Q3 2023 (unaudited)	Q2 2023 (unaudited)	Q1 2023 (unaudited)	Q4 2022 (unaudited)	Q3 2022 (unaudited)	Q2 2022 (unaudited)
Revenue [(1)]	$ 22,805	$ 21,887	$ 22,932	$ 23,191	$ 22,895	$ 22,318	$ 23,544	$ 26,210
Gross profit[(1)]	$ 8,435	$ 8,684	$ 9,135	$ 8,850	$ 8,454	$ 8,009	$ 7,996	$ 8,676
Gross profit % [(1)]	37.0%	39.7%	39.8%	38.2%	36.9%	34.8%	34.0%	33.1%
Net loss	$ (4,846)	$ (69,796)	$ (5,378)	$ (6,877)	$ (7,146)	$ (8,602)	$ (94,851)	$ (44,124)
Adjusted EBITDA [(1)]	$ 122	$ (1,362)	$ 566	$ (705)	$ (1,413)	$ (1,743)	$ (3,354)	$ (3,237)
EPS, basic and diluted	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.03)	$ 0.30	$ (0.15)
Cash and cash equivalents, including restricted cash	$ 7,665	$ 11,430	$ 13,097	$ 18,779	$ 18,752	$ 24,058	$ 27,506	$ 29,703

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

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

In the second, third and fourth quarters of 2022 the Company incurred a non-cash impairment charge. Further, in third quarter of 2022, the Company initiated a plan to sell the businesses underlying its former Clinic Services & Pharmacies segment and Cloud Practice within our Health and Productivity Solutions segment. In the second quarter of 2023 the company sold its EMR, PM and RCM assets in its HPS line of business and initiated a process to sell its e-commerce VisionPros e-commerce business. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinuing operations. In fourth quarter, the Company incurred a non-cash impairment charge and recognized provisions for doubtful accounts for amounts owed and outstanding greater than 365 days. In Q1 2024, the Company reclassified certain costs to cost of sales in its Occupational Health business, resulting in a lower gross margin and continued to realize savings on cost savings initiatives to improve Adjusted EBITDA.

OUTLOOK

The Company has been focused on integration and cost cutting initiatives in order to become EBTIDA and cash flow positive while delivering value to shareholders. The Company continues to face expenditures that impede our ability to meet the objective of cash flow positive. Rising interest rates and ability to raise capital has been difficult. CloudMD did work with an outside financial advisor to attempt to secure additional financing.

During the fourth quarter, the Company focused on working with the secured lender to extend the Credit Facilities in anticipation of the June 25, 2024 maturity date. To support those discussions and consider other strategic alternatives available, the board of directors of the Company formed a special committee (the "Special Committee") on July 26, 2023. The mandate of the Special Committee was to review and consider any proposals the Company may receive from third parties for an acquisition of the Company and other strategic alternatives (including debt or equity) that might be available to the Company, the shareholders of the Company and other relevant stakeholders.

While the Company continued to seek to extend the maturity date of the Facilities, over the course of its discussions with the lender, it became increasingly apparent that the lender would be unwilling to extend the June 25, 2024 maturity date or advance additional capital under the Facilities to alleviate the liquidity concerns. This coupled with ongoing costs relating to redundant leases, severance payments and other debt precludes the Company's ability to become cash flow positive.

To preserve cash, the organization focused on the reduction of staff and eliminating expenses not associated with the operating business, minimizing investments in growth as we work through the liquidity issues. This is evident in both the Company's reduced sales and marketing, administrative and product development spend and the decrease in its net working capital. As noted in previous disclosures, cash outflows from non-recurring integration costs have been eliminated in fourth quarter of 2023.

Despite aggressive cost cutting measures, the Company has maintained initiatives around the previously mentioned multi-pronged growth strategy with an emphasis on organic profitable growth, cost optimization, and leveraging of our core assets.

The Company remains focused on the following priorities: (1) Cross selling our current suite of services and delivering on our RPM strategy; (2) integrating acquisitions to generate financial and operational synergies, including integration of back office systems which will improve profitability and cash flow; and (3) driving continuous improvement across the organization to improve productivity, product quality and consistency, advancement of integrated program offerings and lower customer acquisition costs.

While cost reductions are required to bring the Company to cash flow positivity, continued growth is an equally important part of the equation. During 2024, the Company expects to achieve low double-digit growth off the revenue run rate exiting 2023. Management is 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 churn we have experienced in the business has been replaced by more profitable enterprise accounts in all capabilities of the business.

The Company's announcement in 2023 of a contract to provide Remote Patient Monitoring for a major US regional hospital system's Medicare patients has the potential to change the financial profile of the organization. The Company believes that as the contract is scaled up over the initial two quarters, it can deliver an average of $3 - $4 million in revenue per quarter by the end of next year and the opportunity to participate in the global RPM market. Currently, our pipeline for customers in the RPM addressable market is approximately $200 million. Growth in this market is incremental to the low double-digit growth target it has for its broader portfolio.

The cost savings achieved in 2023, in addition to the savings realized in the first quarter of 2024 have brought the Company's Adjusted EBITDA to positive. As of the date of this MD&A, the Company continues to expect to improve its adjusted EBITDA in 2024. However, as previously noted this will not be enough to solve liquidity issues due to the costs associated with debt and previous acquisition related expenditures.

The Company believes operating the business with its current cash position of $7,665, including restricted cash $2,500, will be a significant challenge in the near term, as demands to fund near-term obligations are weighed against supporting organic growth opportunities (other than the repayment of the Company's Facilities (as defined below) see "Liquidity and Capital Resources" and "Financial Instruments – Liquidity risk" in the annual consolidated financial statements. Management will continue to prudently manage expenditures and seek further efficiencies in the Company's cost structure in the near term. The Company's Facilities total $15,750 mature on June 25, 2024, and as a result have been presented as a current liability on the Consolidated Statement of Financial Position.

The current economic market conditions do not impact the services that CloudMD offers. In fact, the needs for mental and physical 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.

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

FINANCIAL POSITION

	As at		
Unaudited	**March 31, 2024**	**December 31, 2023**	**Variance ($)**
Cash and cash equivalents, including restricted cash	**$ 7,665**	$ 11,430	$ (3,765)
Trade and other receivables	**18,170**	15,652	2,518
Inventory	**17**	17	-
Prepaid expenses, deposits and other	**4,220**	3,764	456
Current assets [1]	**30,071**	30,863	(792)
Accounts payable and accrued liabilities	**17,376**	18,116	(740)
Bank Indebtedness	**2,300**	(3)	2,303
Deferred revenue	**2,385**	2,447	(62)
Current portion of lease liabilities	**1,758**	1,706	52
Current portion of long-term debt	**15,862**	16,474	(612)
Current liabilities [1]	**39,680**	38,740	940
Working capital [2]	**$ (9,609)**	**$** $ (7,877)	$ (1,732)
Add:			
Long-term debt classified as current, payable on maturity [3]	15,862	16,474	(612)
Adjusted working capital [2]	**$ 6,254**	**$ 8,597**	**(2,343)**

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

For the three months ended March 31, 2024, working capital decreased to $9,609 compared to $7,877 at the beginning of the year. The decrease is mainly due to lower cash and cash equivalents partially offset by lower accounts payable and accrued liabilities.

The increase in trade and other receivables from year end is primarily due to the timing of certain large collections in our Assessments business received after the end of the quarter. The decrease in accounts payable and accrued liabilities is due to the timing of payments made to brokers in our HWS business segment.

For the three months ended March 31, 2024, adjusted working capital decreased to $6,254 compared to $8,597 at the beginning of the year.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,		Variance
	2024	2023	**$**
Cash provided by / (used in):			
Net cash used in operating activities	**$ (1,685)**	$ (4,343)	$ 2,658
Net cash provided by investing activities	**(412)**	388	(750)
Net cash (used in)/provided by financing activities	**(1,630)**	(1,299)	(331)
(Decrease) Increase in cash and cash equivalents	**(3,727)**	(5,304)	1,577
Cash and cash equivalents, including restricted cash, beginning of period	**11,430**	24,058	(12,628)
Cash and cash equivalents, including restricted cash, end of period	**$ 7,665**	**$ 18,754**	$ (11,809)

The Company had cash and cash equivalents of $7,665, including restricted cash, as at March 31, 2024 as compared to $11,430 at December 31, 2023.

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

During the three months ended March 31, 2024, the Company had cash outflow from operations of $1,685, compared to cash outflow of $4,343 for the comparable period in 2023. The decrease in cash used in operating activities for the three months period was primarily due to the improvement in EBITDA over the period, favourable working capital changes of $775 and lower interest payments on long term debt of $125.

Cash used in investing activities during the three months ended March 31, 2024, was $412 compared to cash provided by investing activities of $338 for the comparable period in 2023. The negative change was primarily due to $1,261 received in first quarter 2023 for the settlement of working capital and certain customary holdbacks as part of the sale of Clinics Services & Pharmacies Segment.

Cash used in financing activities during the three months ended March 31, 2023, was $1,630 and is comparable to $1,299 for the comparable period in 2023. The increase was largely attributed to higher debt service costs.

The Company was not in compliance with certain financial covenants under the Facilities as of December 31, 2022. Additionally, the Facilities mature on June 25, 2024. As a result, $16,167 was included in the current liabilities in the Consolidated Statement of Financial Position as of December 31, 2023 (December 31, 2022 - $17,584). However, as of the date that these consolidated 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 25, 2024 and fund operations.

Normalized cash outflows

Table below provides a reconciliation of the one-time cash outflows in the three months ended March 31, 2024:

(unaudited)		
Cash and cash equivalents as at December 31, 2023	$	11.430
Cash and cash equivalents as at March 31, 2024		7,665
Cash outflow		**(3,765)**
Net cash used in operating activities		**(1,684)**
Adjustments		
Net changes in non-cash working capital		513
Cash used in discontinued operations, net of working capital		112
Adjustments to EBITDA (2)		1,088
Adjusted net cash provided by operating activities	**$**	**29**
Net cash provided by investing activities		**(412)**
Adjusted net cash used in investing activities	**$**	**(412)**
Net cash used in financing activities		**(1,630)**
Adjustments		
Repayment of long-term debt		1,201
Adjusted net cash used in financing activities	$	**(429)**
Normalized cash ouflow (1)	**$**	**(812)**

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

During the first quarter of 2024, the Company's normalized cash outflow was $812, which is higher compared to the normalized cash inflow of $1,505 in the fourth quarter of 2023, and an improvement from the net outflow of $2,284 in the third quarter of 2023, an outflow of $3,055 in the second quarter 2023 and an outflow of $3,947 in the first quarter of 2023. The general improvement trend reflects the positive results from the Company's cost saving initiatives and continued integration and optimization efforts.

As discussed in the "*Outlook*" section above, the Company's continued focus on cost realignment, is expected to improve the Company's cash flow throughout 2024. The Company is monitoring cash flow closely, and it is its number one determinant in strategic decision making.

Debt financing

The Company, through its subsidiary Oncidium, has credit facilities of $28,750 (the "**Facilities**") comprised of the following:

1. Revolver Facility of $3,000;
2. Term Facility of $15,750 (subject to the restrictions on use beyond the amount already drawn); and,
3. Additional term facility of $10,000, subject to lender approval.

The Facilities mature on June 25, 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. Additionally, the Facilities mature on June 25, 2024. As a result, $15,862 was included in the current liabilities in the Consolidated Statement of Financial Position as of March 31, 2023 (December 31, 2023 - $16,474). As of the date these 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 25, 2024, and the lender has not waived their right to demand repayment of the debt under the debt covenant breach.

The debt under certain of the Facilities (being the revolver facility and one of the term facilities) is secured by a first-ranking security interest on all present and after-acquired assets of the Company's above listed entities and the debt under the other term facility is secured on a pari passu basis by a security interest on all present and after-acquired assets of the Company.

Under the terms of the credit agreement, the credit parties include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. The collateral from these entities 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. As at March 31, 2024, the cash held with the lender of $2,500 is classified as restricted cash as it is not available to be used for the Company's short-term commitments.

Interest free loans

MindBeacon entered into a contribution agreement with the Federal Economic Development Agency for Southern Ontario for up to $4,000 in interest free loans to support its transition into a digital mental health platform provider, with the objective of growing recurring revenue by offering its platform as a service to customers in global markets. The loan is repayable over a period of five years, beginning January 2024. The government grant was calculated using a discount rate of 11.9%, which is the expected interest rate on a similar type of loan.

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's bank loan (i.e. the Facilities) matures on June 25, 2024. As there is no assurance that the Facilities will be renewed, this condition indicates the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, adjustments may be necessary to the carrying value of assets and liabilities and the reported expenses, and these adjustments could be material.

FINANCIAL INSTRUMENTS

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

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

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

Credit risk

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

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

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

As at March 31, 2024, the Company had $18,170 (December 31, 2023 – $15,652) of trade and other receivables, net of an allowance for expected credit losses of $2,309 (December 31, 2023 - $1,944).

Liquidity risk

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

The consolidated financial statements were prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and has generated negative cash flows from operations. For the three months ended March 31, 2024, the Company recorded a net loss from continuing operations of $4,235 and cash used in operations of $1,685. As at March 31, 2024, the Company had Cash, cash equivalents including restricted cash of $7,665.

As at December 31, 2022, the Company was not in compliance with certain financial covenants under the Facilities. The lender has not waived their right to demand repayment of the debt under the debt covenant breach. Additionally, the Facilities mature on June 25, 2024. As a result, $15,862 was included in the current liabilities in the Consolidated Statement of Financial Position as of March 31, 2024 (December 31, 2023 - $16,167). As of the date that these interim 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 25, 2024 and to fund its continuing 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. After evaluating the uncertainties, the Company considers it appropriate to continue to adopt the going concern basis in preparing its consolidated financial statements. 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.

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

As there is no assurance that the Facilities will be renewed, this condition indicates the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, adjustments may be necessary to the carrying value of assets and liabilities and the reported expenses, and these adjustments could be material.

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

As at March 31, 2024	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 19,675	$ -	$ -	$ 19,675
Lease liability	1,735	2,105	-	3,840
Long-term debt	15,886	2,483	-	18,369
	$ 37,296	**$ 4,588**	**$ -**	**$ 41,885**

As at December 31, 2023	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 17,901	$ -	$ -	$ 17,901
Lease liability	2,270	3,725	-	5,995
Long-term debt	17,494	3,580	-	21,074
	$ 37,665	**$ 7,305**	**$ -**	**$ 44,970**

Market risk

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

(a) Interest rate risk

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

As at March 31, 2024, the Company had variable rate borrowing loans amounting to $15,750 (December 31, 2023 – $16,167). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately $158 (March 31 2023– $162) for the three months ended March 31, 2024. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate.

(b) Foreign currency risk

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

The Company's exposure to foreign currency risk to profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities and as at the balance sheet date is immaterial. The impact on the Company's other comprehensive income based on the change in USD to CAD currency rate of 5% for the quarter ended March 31, 2024 would be $67 (March 31, 2023, ($613)).

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

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:

	For the three months ended	
	March 31, 2024	**March 31, 2023**
Cash-based compensation	**$ 476**	$ 546
Stock-based compensation	**99**	30
Total	**$ 575**	$ 576

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The Company's significant accounting judgements, estimates and assumptions are presented in note 3 to the annual consolidated financial statements and in our MD&A for the year ended December 31, 2023. The condensed interim consolidated financial statements for the three months ended March 31, 2024 and 2023 have been prepared using the critical accounting estimates and assumptions consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2023.

New standards, interpretations and amendments adopted by the Company

In February 2021, the IASB published a narrow scope amendment to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information', requiring companies to disclose their material accounting policies rather than their significant accounting policies. The amendments define what is 'material accounting information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. The amendments apply for annual reporting periods beginning on or after January 1, 2023, and applied prospectively. The Company adopted these amendments, which did not result in any changes to the Company's accounting policies themselves, however they impacted the accounting policy information disclosed in the Company's consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, were adopted effective January 1, 2023. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively, while changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The adoption of these amendments did not have an impact on the Company's consolidated financial statements.

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

LITIGATION AND OTHER CONTINGENCIES

The Company is subject to litigation and similar claims in the ordinary course of our business, including claims related to employment, human resources, and commercial disputes. The Company has received notice of, or are aware of, certain possible claims against us where the magnitude of such claims is negligible, or it is not currently possible for us to predict the outcome of such claims, possible claims or lawsuits due to various factors including: the preliminary nature of some claims; and the unpredictable nature of opposing parties and their demands. Management is of the opinion, based upon legal assessments and information presently available, that it is unlikely that any of these claims would result in liability to the Company, to the extent not provided for through insurance or otherwise, would have a material effect on the consolidated financial statements.

SUBSEQUENT EVENTS

On May 14, 2024, the Company entered into a definitive agreement (the "Arrangement Agreement") with an affiliate of CPS Capital, a private equity investment firm (the "Purchaser"), pursuant to which the Purchaser will acquire all of the issued and outstanding common shares of the Company for cash consideration of $0.04 per share (the "Transaction"). The Transaction will be implemented by way of a plan of arrangement under the Business Corporations Act (British Columbia) and is subject to approval by the Company's securityholders, the TSX Venture Exchange and the Supreme Court of British Columbia

In connection with the Transaction, a forbearance agreement was entered into with the lender under the Facilities to provide financial and operational support over the Transaction period. The forbearance agreement provides the Company with a $2 million non-revolving term facility should the Company require capital to support business operations prior to the close of the Transaction, permission to withdraw up to $2.5 million from the Restricted Cash balance notwithstanding the exiting defaults, deferral of the scheduled principal repayments owing to the lender over the period prior to the close of the Transaction and requires bi-weekly updates to cash flows where all deposits and disbursements of the Company are monitored by an independent financial advisor. The Company also entered into an agreement with an affiliate of the Purchaser pursuant to which such party agreed to provide a $1.0 million bridge loan to the Company to support its liquidity needs during the interim period until closing of the Transaction.

Subject to the satisfaction (or waiver, as permitted) of the closing conditions in accordance with the Arrangement Agreement, the Transaction is expected to be completed in July 2024.

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

Issued and outstanding	**May 30, 2024**	**March 31, 2024**
Common shares	304,679,883	304,679,883
Stock options	3,984,167	4,196,667
Restricted share units	7,545,946	9,078,792
Deferred Share units	11,072,527	2,822,527
Total	**327,282,523**	**320,777,869**