April 7, 2022

The following management's discussion and analysis ("**MD&A**") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of NowVertical Group Inc. (the "**Company**", "**we**", "**us**" or "**our**").

This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's results of operations and financial position for the year ended December 31, 2021, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021 (the "**Annual Financial Statements**"), which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Annual Financial Statements and the notes thereto, along with this MD&A, were approved by the Company's board of directors.

All dollar amounts referred to herein are expressed in United States dollars, unless otherwise noted. All references to "$" are U.S. dollars and all references to "C$" are Canadian dollars.

For additional context, this MD&A can be read in conjunction with the MD&A and consolidated financial statements of NowVertical Group, Inc. for the year ended December 31, 2020, which are contained in the filing statement dated June 21, 2021 (the "**Filing Statement**") prepared in connection with the Company's business combination with Good2Go Corp. ("**G2G**") (the "**Transaction**"), as described herein.

Forward-Looking Statements

This MD&A may contain statements deemed "forward-looking statements" that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or its industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements, and words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate", "contemplate" and other similar terminology are intended to identify these forward-looking statements. These statements reflect management's current assumptions and expectations regarding future events and operating performance as of the date of this MD&A.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including but not limited to the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS, such as "Adjusted Revenues", "EBITDA", "Adjusted EBITDA", and "Pro Forma TTM Adjusted Revenues". These are not recognized measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers.

Adjusted Revenues, EBITDA and Adjusted EBITDA provide investors with supplemental measures of the Company's historical operating performance without regard to potential distortions by adjusting for items that are not directly related to the Company's operating performance or operating conditions and thus highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS measures.

Pro Forma TTM Adjusted Revenues is a supplemental measure intended to portray the impact of the Company's acquisitive growth strategy being employed by management to execute its business plan.

The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period and to prepare annual budgets and forecasts. The non-IFRS financial measures referred to in this MD&A are defined below:

> "**Adjusted Revenues**" adjusts revenue to eliminate the effects of acquisition accounting on the Company's revenues.
>
> "**EBITDA**" represents net income (loss) before depreciation and amortization expenses, net interest costs, and provision for income taxes.
>
> "**Adjusted EBITDA**" adjusts EBITDA for revenue adjustments in "Adjusted Revenues" and items such as acquisition accounting adjustments, transaction expenses related to acquisitions, transactional gains or losses on assets, asset impairment charges, non-recurring expense items, non-cash stock compensation costs, and the full year impact of cost synergies related to the reduction of employees in relation to acquisitions.
>
> "**Pro Forma TTM Adjusted Revenues**" represents the trailing twelve months of Adjusted Revenues of all acquisitions completed as of the end of the respective period presented.

Incorporation

The Company is an Ontario corporation listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "NOW". Prior to its name change in connection with the closing of the Transaction (as described below), the Company was a capital pool company on the TSXV known as Good2Go Corp.

As a matter of emphasis, note that the ultimate public entity, NowVertical Group Inc., does not have a comma (",") in its legal name, whereas the U.S. operating company, NowVertical Group, Inc., does have a comma in its legal name.

NowVertical Group, Inc. ("**NVG**"), a U.S. operating subsidiary of the Company, was incorporated on September 22, 2020 in Delaware, USA. On November 13, 2020, NVG acquired a 49% interest in Seafront Analytics, LLC. On November 20, 2020, NVG acquired Signafire Technologies Inc. ("Signafire") through a merger transaction. On March 22, 2021, NVG entered into a business combination agreement with G2G, a Company incorporated under the laws of Ontario, which contemplated the acquisition by G2G of all the issued and outstanding shares of NVG. The Transaction, which was structured as a "three-cornered" amalgamation and a reverse triangular merger, constituted a reverse takeover of G2G by NVG and the qualifying transaction of G2G under the TSXV's Policy 2.4 – *Capital Pool Companies*. Concurrently with the Transaction's closing on June 28, 2021, G2G changed its (i) name to Now Vertical Group Inc., (ii) symbol on the TSXV to "NOW", and (iii) year-end from February 28 to December 31, to conform with that of NVG. The Company's subordinate voting shares (the "**Subordinate Voting Shares**") commenced trading on the TSXV on July 5, 2021.

Description of the Business

The Company is a big data, analytics and Vertical Intelligence™ ("**VI**") software and services company that is growing organically and through acquisition. Since its inception in September 2020, the Company has been acquiring complementary companies and technologies to execute its growth strategy. In the approximately eighteen months since inception to the date of this MD&A, the Company has completed eight acquisitions.

As discussed further below, the Company's revenue for 2021 was $3.2 million. The Company's TTM Adjusted Revenues, which reflect pro-forma revenues for a full-year for businesses acquired in 2021, were $7.0 million, and its Proforma TTM Adjusted Revenues, which also reflect the pro-forma full-year revenues of the additional acquisitions discussed below that were completed in 2022 through the date of this MD&A, are $29.2 million. The increases in reported revenues, TTM Adjusted Revenues (which have more than doubled) and Proforma TTM Adjusted Revenues (which reflects more than a nine-fold increase) are also discussed further below.

The Company's VI software and services solutions address industry-specific needs in three areas: data transformation (including data fusion, mobilization and securitization), data visualization and analysis, and artificial intelligence and automation. Our proprietary technologies include NOW Fusion, NOW Privacy, Now Reveal, NOW DataBench, and Affinio. NOW Fusion is a database fusion technology that brings together structured and unstructured data from both inside and outside an organization to drive enhanced business analysis. NOW Privacy and NOW Reveal are software solutions that add a governance and compliance layer to an organization's data. NOW DataBench is a unified analytics operating framework that brings business intelligence tools into a single interface to empower more people in an organization to make informed decisions using their data. Affinio offers a privacy-safe data mobilization solution that enables secure data access across internal and external stakeholders, as well as a state-of-the-art data clustering platform that creates affinity graphs based on first and third-party data sources that delivers transformative value in the way companies are analyzing data and acquiring new customers.

The Company's reportable segments are Origin (which includes the Fusion, Privacy, Reveal and DataBench technologies), Solutions (which includes services), and Affinio.

The Annual Financial Statements represent a continuation of NVG's financial statements that were in existence prior to the completion of the Transaction. NVG was formed on September 22, 2020 and therefore was not in existence for the full year comparable period. All references herein to "2020" refer to the period from September 22, 2020 (date of inception of NVG) to December 31, 2020.

On August 5, 2021, the Company acquired all of the issued and outstanding securities of Integra Data and Analytic Solutions Corp. ("**Integra**"), a data analytics software and services company, for cash and stock consideration of $812,179 and future payments in cash and stock of up to $3,035,000 based on financial performance. The acquisition was made to enhance the Company's data analytics software and services.

On October 1, 2021, the Company acquired substantially all the assets and assumed certain liabilities of DocAuthority Ltd. ("**DocAuthority**"), an Israeli-based data governance SaaS company for cash and stock consideration of $543,185. The acquisition was made to enhance the Company's privacy software business.

On November 1, 2021, the Company acquired all of the issued and outstanding securities of Affinio Inc. ("**Affinio**"), a Canadian-based audience insights and privacy-safe customer analytics platform company, in exchange for up-front cash consideration of $3.0 million, the issuance of 1,300,000 Subordinate Voting Shares, and deferred cash consideration of $3.0 million (due $1.5 million on July 2, 2022 and $1.5 million on March 1, 2023 and fair valued in the financial statements at $2,888,000). The acquisition was made to enhance the Company's data analytics software business.

On December 15, 2021, the Company completed an overnight marketed public offering of 10,894,756 units of the Company (the "**Units**") at a price of C$0.95 per Unit for gross proceeds of C$10,350,018 (the "**December 2021 Unit Offering**"). The Unit Offering was conducted on a "best efforts" basis by Echelon Wealth Partners Inc., as sole agent and bookrunner. Each Unit consisted of one Subordinate Voting Share and one-half of one Subordinate Voting Share purchase warrant (each whole warrant, a "**Warrant**" and collectively, the "**Warrants**"). Pursuant to the terms of a warrant indenture dated December 15, 2021 between the Company and TSX Trust Company, in its capacity as warrant agent, each Warrant is exercisable for one Subordinate Voting Share (a "**Warrant Share**") at a price of C$1.25 per Warrant Share for a period of 24 months following closing of the December 2021 Unit Offering. The Warrants commenced trading on the TSXV under the symbol "NOW.WT" on December 15, 2021. In connection with the December 2021 Unit Offering, the agent received 762,633 warrants (the "**Broker Warrants**"). Each Broker Warrant entitles the holder to purchase one Unit at a price of C$0.95 per Unit until December 15, 2023.

On December 21, 2021, the Company announced that it had entered into a definitive agreement to acquire 100% of the issued and outstanding securities of Allegient Defense, Inc. ("**Allegient**"), a U.S.-based government defense contractor providing systems engineering and technical assistance support to the U.S. Department of Defense. This acquisition closed on April 6, 2022. The acquisition was made to enhance the Company's contracts services business and expand its government vertical. Pursuant to the terms of a stock purchase agreement dated December 20, 2021, as amended on April 1, 2022, the total aggregate consideration is $10.4 million, consisting of (i) a closing cash payment of $900,000, (ii) a deferred cash payment of $1,100,000, payable 45 days post-closing, (iii) the issuance of 600,000 Subordinate Voting Shares on closing, (iv) the assumption of a third party loan to Allegient, which was refinanced at $3,800,000 at closing, and (v) an earn-out of up to an additional $4,000,000, payable in Subordinate Voting Shares (priced using the same method as the Subordinate Voting Shares issued at closing of the transaction, being the greater of (A) the Canadian dollar equivalent of US $1.00 per Subordinate Voting Share and (B) the Company's 20-day volume weighted average trading price prior to the applicable issuance) and/or cash, at the option of the Company, payable over a three-year period post-closing based on Allegient achieving certain EBITDA targets. In connection with the acquisition, the Company secured a revolving line of credit of up to $2.0m. The Company will account for this transaction as an acquisition of a business. Since the valuation of the acquisition is not complete, the Company has not yet identified the fair values of the assets and liabilities acquired.

On February 16, 2022, the Company acquired all of the issued and outstanding securities of CoreBI S.A., a data analytics services company in Argentina, and CoreBI SAS, a data analytics services company in Colombia (collectively, "**CoreBI**"), for up-front cash consideration of $3.0 million, a deferred cash payment of $1.75 million payable 12 months from closing, subject to meeting certain corporate objectives, and up to $3.25 million in future consideration (payable in cash or stock or both cash and stock, at the option of the Company) based on financial performance. The acquisition was made to enhance the Company's contracts services business and provide a footprint in Latin America.

On March 25, 2022, the Company acquired 100% of the issued and outstanding securities of Exonar Ltd. ("**Exonar**"), a UK-based software solutions firm for consideration of $650,000 consisting of i) Exonar's transaction costs of $150,000 paid in cash on closing, and ii) the issuance of Subordinate Voting Shares twelve months after closing of the acquisition valued at $500,000 at the greater of (A) the Canadian dollar equivalent of US$1.00 per share and (B) the Company's 20-day volume weighted average trading price on the day prior to issuance, less the maximum discount permitted under the rules of the TSXV. The Company will account for this transaction as an acquisition of a business. Since the valuation of the acquisition is not complete, the Company has not yet identified the fair values of the assets and liabilities acquired. The acquisition was made to enhance the Company's data compliance software business.

Selected Annual Financial Information

	Year ended December 31, 2021	September 22, 2020 to December 31, 2020
	$	$
Revenue	3,221,015	154,268
Cost of revenue	947,361	17,778
Administrative expenses	14,818,052	2,057,809
Listing expense	1,011,110	-
Interest expense	347,744	56,929
Income tax provision	(42,863)	949
Net loss	(13,860,389)	(1,979,197)
EBITDA	(13,173,841)	(1,899,432)
Adjusted Revenues	4,067,036	365,227
Adjusted EBITDA	(2,281,179)	313,028
Pro Forma TTM Adjusted Revenues (millions)	7.0	3.1
Net loss per-share (basic and diluted)	(0.35)	(0.13)
Total assets	21,080,714	5,330,059
Total long-term liabilities	3,585,524	2,114,910

Results of Operations

Revenue

For the year ended December 31, 2021, total revenue increased to $3,221,015 compared to $154,268 for 2020. This was primarily due to the Company operating for a full year in 2021 compared to the 101 day period in 2020, revenue expansion in the Solutions segment, and revenue earned from companies acquired during the year.

Revenue from the Origin segment was $2,554,167 in 2021, primarily related to a large automotive customer software maintenance and support contract, compared to $122,374 in 2020 for the period from the acquisition of Signafire on November 20, 2020 to December 31, 2020. The monthly revenue earned from this customer contract was the same in 2021 and in 2020. The impact of purchase accounting in 2020 and for the first three months of 2021, which requires deferred revenue to be recorded at fair value upon acquisition, was to reduce deferred revenue that would otherwise have been recognized as revenue. The increase in revenue is due primarily due to recognizing revenue for a full year of this contract compared to a partial period, offset by the impacts of purchase accounting.

Revenue from the Solutions segment increased to $472,058 in 2021 compared to $31,894 in 2020, primarily due to extended consulting contracts with current customers, the addition of several new customer contracts in the oil and gas vertical, and the impact of a full year period in 2021 compared to a partial period in 2020.

Revenue from the Affinio segment was $194,790 for the period from acquisition on November 1, 2021 to December 31, 2021. The impact of purchase accounting, which requires deferred revenue to be recorded at fair value upon acquisition, was to reduce deferred revenue that would otherwise have been recognized as revenue by $181,277. There is no comparative amount for the prior period, as Affinio was acquired in 2021.

Cost of Revenue

For the year ended December 31, 2021, cost of revenue increased to $947,361 compared to $17,778 for the prior period, due to additional costs of $378,078 for amortization of the intangible assets allocated to each segment, additional direct costs of $106,062 associated with Affinio revenue, additional direct costs of $387,433 associated with the growth of the Solutions segment services revenue, and additional direct costs attributable to the impact of a full year of operations for 2021 compared to a partial period in 2020.

Administrative Expenses

For the year ended December 31, 2021, administrative expenses of $14,818,052 include $9,035,531 relating to items that are either non-cash or one-time events or not directly related to ongoing operations, which are added back in the calculation of Adjusted EBITDA (see *Adjusted Revenues, EBITDA and Adjusted EBITDA*) (2020: administrative expenses of $2,057,809 included $1,782,406 relating to items that were added back).

Excluding these adjustments, administrative expenses in 2021 related to ongoing operations were $5,782,521 compared to $275,403 in 2020, primarily comprised of compensation and benefits, professional fees, office, travel and other, and marketing and investor relations. The $275,403 in administrative expenses for 2020 was significantly lower than for the year ended December 31, 2021 since the Company was formed in September 2020 and only began operations in October 2020.

Compensation and benefits expense for the year ended December 31, 2021 was $3,648,895 , compared to $143,414 in 2020, with the increase primarily related to growing the management team and support teams to manage the growth of the Company.

Professional fees expense was $1,554,892 in 2021 compared to $6,883 in 2020. The increase is primarily due to higher audit fees, tax advisory services and filings, legal fees, and consultants related to the growth of the Company and to meet its reporting and other obligations as a public company.

Office, travel, and other expenses were $486,774 for the year ended December 31, 2021 compared to $101,243 in 2020, and include costs related to sales travel and other staff travel, hosting and software costs, insurance expenses, and other. The increase in 2021 compared to 2020 is primarily related to the growth of the Company and operating for a full year in 2021 compared to a partial year in 2020.

Marketing and investor relations expenses were $401,343 for the year ended December 31, 2021 compared to $1,977 for the partial period in 2020. The increase is due to the Company initiating its corporate marketing and investor relations activities in conjunction with the Transaction in 2021.

Product development costs for the year ended December 31, 2021 were $231,026 compared to $Nil in 2020, and represent the costs of enhancing and integrating the Company's acquired technology platforms, which was initiated in 2021.

Listing Expenses

Listing expenses were $1,011,110 in 2021 and relates to the difference between the value of the consideration issued to G2G's shareholders in the Transaction and the fair value of G2G's net assets acquired. There was no comparable transaction in 2020.

Interest Expense

Interest expense for the year ended December 31, 2021 was $347,744 in 2021 compared to $56,929 in 2020. Of the 2021 amount, $190,344 was related to interest accrual on the $1,300,000 Signafire term loan. As described in *Contractual Obligations,* this term loan was renegotiated in December 2021 to reduce the total amount to be repaid, and a gain of $196,107 was recognized and included in administrative expenses. In 2021, interest expense also included $73,132 related to amortization of debt issuance costs of the convertible notes, $55,066 in interest expense on the convertible notes issued in the first quarter and converted to equity pursuant to the Transaction, and $18,750 related to interest expense on the deferred payments for the Affinio transaction. Interest expense in 2020 was related to finance costs for Signafire's leased office space (which was terminated in January 2021) and interest expense related to the Signafire term loan, which was lower than the interest expense on the loan for the full year in 2021 since Signafire was only acquired by the Company on November 20, 2020.

Income tax expense (benefit)

For the year ended December 31, 2021, the Company recorded an income tax benefit of $42,863 on pre-tax book loss of $13,903,252. In 2020, the Company recorded an income tax expense of $949 on a pre-book tax loss of $1,978,248. The Company's effective tax rate for the year ended December 31, 2021 was (0.31%), which differs from the Canadian statutory rate of 26.5% primarily due to pre-tax losses for which no benefit was recognized as the Company continues to conclude that its deferred tax assets are not recoverable given the weight of objective evidence as prescribed by the authoritative accounting literature.

Net loss and loss per share

The Company reported a net loss of $13,860,389 and a comprehensive loss of $13,783,225 for the year ended December 31, 2021, compared to a net loss and comprehensive loss of $1,979,197 for 2020. The increase in the loss is primarily driven by costs associated with the Transaction, share-based compensation, and the Company operating for a full year in 2021 and significantly growing its operations and acquiring new companies. In 2020, the Company was initially incorporated and had just begun operations. On a per share basis, this represented net loss per basic and diluted share of $0.35 for 2021 compared to a net loss per basic and diluted share of $0.13 for the period from September 22, 2020 (date of inception) to December 31, 2021.

Adjusted Revenues, EBITDA, Adjusted EBITDA, and Pro Forma TTM Adjusted Revenues

	Year ended December 31, 2021	September 22, 2020 to December 31, 2020
Revenue	$ 3,221,015	$ 154,268
Acquisition accounting impact on acquired deferred revenue	846,021	210,959
Adjusted Revenues	4,067,036	365,227
Net loss	(13,860,389)	(1,979,197)
Interest expense	347,744	56,929
Income tax provision	(42,863)	949
Depreciation and amortization	381,667	21,887
EBITDA	$ (13,173,841)	$ (1,899,432)
Acquisition accounting impact on acquired deferred revenue	846,021	210,959
Non-cash compensation related to stock options	1,024,440	-
Non-cash compensation related to restricted stock units	2,919,503	-
Expenses incurred in connection with the Transaction	2,130,320	218,103
Expenses incurred in connection with acquired businesses	1,048,841	-
Gain on settlement of lease obligation	(1,640,370)	-
Loss on settlement of lease hold-back	1,881,820	1,782,406
Loss on sale of property and equipment	1,025	992
Impairment of intangible assets	569,599	-
Gain on settlement of debt	(196,107)	-
Share issuance expense related to warrants liability	19,159	-
Revaluation of warrants liability	1,277,301	-
Listing expense	1,011,110	-
Adjusted EBITDA	$ (2,281,179)	$ 313,028
Pro Forma TTM Adjusted Revenues (millions)	$ 7.0	$ 3.1

Adjusted Revenues were $4,067,036 for the year ended December 31, 2021 compared to $365,227 for 2020, primarily due to a full year of operations in 2021, and also due to additional revenue from DocAuthority and Affinio, which were both acquired in the fourth quarter of 2021. Adjusted Revenues in the fourth quarter were $1,505,093.

Adjusted Revenues for the Origin segment were $3,218,911 in 2021 compared to $333,333 in 2020. The increase in revenue is due primarily to recognizing revenue from an automotive customer contract for a full year in 2021 compared to a partial period in 2020, since the revenue billed under the contract was the same for both years. Adjusted Revenues for the year ended December 31, 2021 also increased due to revenue from DocAuthority since its acquisition on October 1, 2021.

Adjusted Revenues for the Solutions segment increased to $472,058 in 2021 compared to $31,894 in 2020, primarily due to extended consulting contracts with current customers, the addition of new customer contracts in the oil and gas vertical, and a full year period in 2021 compared to a partial period in 2020.

Adjusted Revenues for the Affinio segment were $376,067 for the period from acquisition on November 1, 2021 to December 31, 2021. There is no comparative amount for the prior period, as Affinio was acquired by the Company in 2021.

EBITDA decreased to ($13,860,389) for 2021 compared to ($1,899,432) for 2020 primarily due to costs associated with the Transaction, share-based compensation, revaluation of the warrants liability, and the Company operating for a full year in 2021 and adding additional personnel and external service providers hired to manage the growth of the business and support its operational requirements and acquisition strategy.

Adjusted EBITDA decreased to ($2,281,179) in 2021 compared to $313,028 for 2020. While Adjusted Revenues grew to $4,067,036 in 2021 compared to $365,227 in 2020, this increase was offset by the costs of additional personnel and external service providers hired in 2021 to manage the growth of the business and support the Company's operational requirements.

Pro Forma TTM Adjusted Revenues of $7.0 million in 2021 is more than double the prior year's amount of $3.1 million, primarily due to the acquisitions of DocAuthority and Affinio. The increase from Adjusted Revenues to Pro Forma TTM Adjusted Revenues includes Affinio revenues of $2.3 million for the period from January 1, 2021 to the date of the acquisition (unaudited) and an estimate of approximately $0.6 million of DocAuthority revenue (unaudited) for the period from January 1, 2021 to the date of the acquisition from the customer contracts the Company acquired in the transaction.

Summary of Quarterly Results

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements prepared in accordance with IFRS. The Company was incorporated on September 22, 2020 and began operations in October 2020.

	Q4 2021	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**
Revenue	1,140,445	957,708	804,155	318,707	154,268
Cost of revenue	442,079	233,490	128,162	143,630	17,778
Gross profit	698,366	724,218	675,993	175,077	136,490
Net expenses including non-cash items	4,668,413	2,188,379	7,105,203	1,867,167	2,114,738
Loss for the quarter	(4,498,894)	(1,370,750)	(6,341,461)	(1,649,284)	(1,979,197)
Basic and diluted loss per share	(0.09)	(0.03)	(0.22)	(0.06)	(0.13)
Common shares outstanding, end	62,042,154	49,807,398	49,251,842	28,601,160	28,601,160

Revenue and gross profit are increasing quarter over quarter as the Company acquires new subsidiaries and expands its product offerings. Cost of revenue includes amortization expense for intangible assets related to acquisitions. Expenses are increasing quarter over quarter as the Company acquires new subsidiaries, grows its management team to support its growth, incurs acquisition-related expenses, incurs professional fees to support its growth, and expands its marketing and investor relations programs.

The significant increase in expenses in Q2 2021 was related to the Transaction which was completed in June 2021. Higher expenses in Q4 2020 were primarily related to a loss on impairment of a right-of-use asset (office lease) of Signafire.

Fourth Quarter 2021

Revenue and gross profit continued to grow consistently with prior quarters, as the Company acquired new subsidiaries and expanded its product offerings. The higher net loss in the quarter is primarily related to higher compensation expenses and professional fees as the Company grows the business, an impairment charge related to certain trade names that the Company determined in the quarter that it would discontinue as it builds and expands its corporate branding program, and a revaluation expense related to Warrants issued pursuant to the Unit offering in December 2021.

During the quarter, the Company acquired certain assets and assumed certain liabilities of DocAuthority and all of the issued and outstanding securities of Affinio.

On December 15, 2021, the Company issued 10,894,756 SVS pursuant to the Unit Offering (as described in *Overview* above) for $7,184,864 in net proceeds. Each Unit included one Subordinate Voting Share and one half of one Warrant. Each Warrant entitles the holder to purchase one Subordinate Voting Share at a price of C$1.25 per Subordinate Voting Share until December 15, 2023. In connection with the Unit Offering, the placement agents received 762,633 Broker Warrants. Each Broker Warrant entitles the holder to purchase one Unit at a price of C$0.95 per Unit until December 15, 2023.

Liquidity and Capital Resources

The Company manages its capital structure on a consolidated level based on the funds available to it to support the continuation and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines “capital” to include share capital and its borrowings. The Company intends to rely on cash flows from operations for its operating requirements as well as to negotiate a new credit facility and additional financings to achieve its acquisition growth strategy. The primary sources of the Company’s cash flow are revenue from customers and net cash proceeds from equity offerings, which the Company expects to be able to supplement with debt financing for future acquisitions. The Company intends to maintain sufficient liquidity to meet its liabilities as they come due by continuously monitoring cash flow, reviewing actual operating expenditures and revenue to budget and forecast and with the proceeds of additional equity offerings.

As of the date of this MD&A, the Company had cash of $2.9 million. Additional funding will be required to meet the Company’s contractual obligations and execute on its business plan for the next twelve months. The Company has successfully raised over $16.0 million in net cash from equity and convertible notes to date and management expects to be able to successfully raise additional financing. Management also expects to continue to grow revenue and improve the profitability of the Company’s existing business by leveraging internal sales channels and other cross-entity synergies, and to acquire financeable businesses under its acquisition strategy.

Whether and when the Company can attain profitability and positive cash flows from operations and obtain additional funds from financing is uncertain. The Company’s continued operations depend upon its ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results.

Cash Flow from Operations

For the year ended December 31, 2021, the Company used $4,458,624 of cash for operations (2020: $177,725) primarily due to its loss from operations, which includes cash compensation costs related to the additional personnel and external service providers hired in 2021 to manage the growth of the business and support its operational requirements and acquisition strategy, expenses related to the Transaction, cash used to partially satisfy the hold-back with Signafire’s former shareholders, and expenses related to the acquisitions of Integra, DocAuthority, and Affinio.

Cash Flow from Investing Activities

The Company used $2,389,948 of cash for investing activities primarily related to cash used for from the acquisitions of Integra, DocAuthority, and Affinio, net of cash acquired in the transactions. In 2020, the cash of $1,430,567 generated from investing activities was related to cash acquired in the Signafire transaction.

Cash Flow from Financing Activities

For the year ended December 31, 2021, the Company generated $14,621,381 of cash from financing activities that primarily related to (i) the issuance of 8% convertible debentures, (ii) the net proceeds received from the Transaction, (iii) the net proceeds from the Company’s April 2021 private placement, and (iv) the net proceeds from the December 2021 Unit Offering, all partially offset by the amount required to settle Signafire’s lease for office space, repayments of the Signafire loan, and repayments of certain interest-free loans (as discussed under *Contractual Obligations* below).

Contractual Obligations

In December 2019, Signafire issued a $2,000,000 senior secured redeemable debenture for working capital purposes which contains a number of restrictive covenants that, among other things, prohibit Signafire from incurring additional indebtedness, making investments, repurchasing its stock, paying dividends and making capital expenditures of more than $1.0 million. The debenture was renegotiated by the Company in 2021. A debenture payment of $651,803 was made on December 31, 2021 and remaining payment obligations are $112,979 per month for six months from January 31 to June 30 2022 (which to date have been paid as and when due).

As of the date of this MD&A, the remaining cash consideration payable to former shareholders of companies acquired by the Company is as follows: (i) payable to former Signafire shareholders pursuant to a general representations and warranties hold-back - $415,073 due in May 2022; (ii) payable to former Affinio shareholders as deferred cash payments - $1,500,000 due on July 2, 2022 and $1,500,000 due on March 1, 2023; (iii) payable to a former Allegient shareholder as a deferred cash payment - $1,100,000 due on May 20, 2022; and (iv) payable to former CoreBI shareholders - $1,750,000 due on February 16, 2023 (subject to certain conditions).

Affinio has four unsecured, non-interest bearing loans outstanding. The total amount owing at December 31, 2021 pursuant to these loans is $975,809 of which $101,907 is due within twelve months.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

	For the twelve months ended December 31, 2021	For the period from September 22, 2020 (date of inception) to December 31, 2020
Salaries, including bonuses	1,581,250	50,000
Consulting fees	100,000	-
Share-based payments	3,260,935	-
Total remuneration	4,942,185	50,000

On August 24, 2021, the Company entered into an agreement to lend $100,000 (CAD$125,000) to a director of the Company at 1% interest and due in one year. The business purpose of the loan was to address certain tax liabilities incurred by the director in connection with exercise of Company options. The amount owed to the Company was repaid on December 23, 2021, and neither the Company nor the director owe any ongoing contractual or other commitments resulting from the transaction.

Proposed Transactions

The Company seeks potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. Additional funding will be required to execute on the Company’s acquisition plan for the next twelve months, and access to a new credit facility is being pursued.

Critical Accounting Estimates

In preparing its Annual Financial Statements , management makes a number of judgements, estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. The most significant judgements pertain to its lease, revenue recognition, goodwill impairment testing, and business combinations.

Recognition of Revenue Over Time or at a Point in Time

For one of the Company's software maintenance contracts, significant judgement is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. The Company satisfies its performance obligation as it performs the work outlined in the statement of work each month. Revenues are recognized at an amount that corresponds directly with its performance over time. The Company assesses that it has a right to payment for its performance throughout the contract period and recognizes revenue over time. The customer is billed at the beginning of the contract period. Revenue is recorded as the performance obligation is satisfied.

Impairment of Intangible Assets and Goodwill

IAS 36 requires that the Company ensures that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired, and the standard requires the entity to recognize an impairment loss. In assessing impairment, management uses judgment to allocate goodwill to groups of CGU's, and estimates recoverable amounts for each CGU based on expected future cash flows and discount rates. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Business Combinations

The Company uses various valuation techniques, including utilizing a third-party valuation company, to determine the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables, including the acquirees' future profitability.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk free interest rate, volatility and forfeiture rates and making assumptions about them.

Accounting for financing and determination of fair value of warrants liability

The determination of the accounting treatment for the December 2021 Unit Offering is an area of significant management judgment which involved the determination of whether the Warrants issued should be classified as equity or as liabilities. The Warrants were classified as liabilities due to the existence of an adjustment to the exercise price in the event of a rights offering at less than 95% of the 20-day Volume Weight Average Price and will be measured at fair value through profit and loss (mark to market) at each reporting period.

Changes in Accounting Policies including Initial Adoption

There are no new standards issued by the International Accounting Standards Board that were not effective at December 31, 2021 that are expected to have a significant impact on the Company.

Financial Instruments and Other Instruments

The Company's financial assets categorized at amortized cost include trade and other receivables, taxes receivable, and cash. The Company does not have any financial assets categorized as FVTPL or FVOCI.

The Company's financial liabilities are initially measured at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. All interest-related charges and, if applicable, changes in fair value that are reported in profit and loss are included within finance costs or finance income.

The Company's financial instruments categorized at amortized cost include long-term debt, loan payable, accounts payable, accrued expenses and other current liabilities, deferred revenue, and consideration payable to former shareholders.

Derivative instruments, including derivative instruments embedded in other contracts (such as warrants) and instruments designated for hedging activities, are recognized as either asset or liabilities in the statement of financial position and measured at fair value. The Company has not used derivative instruments to hedge exposures to cash flow or foreign currency risks. Any change in the fair value of a derivative or an embedded derivative not designated as a hedging instrument is recognized as an unrealized gain or loss in the statement of loss and comprehensive loss.

Outstanding Share Data

The Company is authorized to issue an unlimited number of class A Subordinate Voting Shares and an unlimited number of class B proportionate voting shares ("**Proportionate Voting Shares**"). As of the date of this MD&A, the following securities of the Company were issued and outstanding: (i) 37,891,519 Subordinate Voting Shares (of which 4,365,275 are restricted share units), (ii) 247,566 Proportionate Voting Shares (of which 3,001 are restricted share units), convertible, subject to adjustment, into 24,756,600 Subordinate Voting Shares (iv) 5,010,646 stock options to purchase 5,010,646 Subordinate Voting Shares, (v) 4,365,275 restricted stock units, and (vi) 5,828,694 Warrants exercisable to purchase 5,828,694 Subordinate Voting Shares.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, which are described comprehensively in our short form prospectus dated December 7, 2022 and incorporated by reference herein. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Subordinate Voting Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Subordinate Voting Shares could decline, and shareholders may lose all or part of their investment.

Additional Information Relating to the Company

Additional information relating to the Company can be found on the Company's profile at www.sedar.com and on the Company's website at www.nowvertical.com.