NowVertical Group Inc.
Management's Discussion and Analysis
For the year ended December 31, 2023

May 6, 2024

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**", "**NowVertical**", 'NOW", "**we**", "**us**" or "**our**"). All references to "$" are U.S. dollars and all references to "C$" are Canadian dollars.

As described in this MD&A and in the Company's filings on SEDAR, the Company was formed in September 2020 with a business strategy to bring together top technologies, services and the human capital needed to provide public and private organizations with full stack analytic and intelligence solutions. In June 2021, the Company went public and in just under three years since its formation, has built an experienced corporate management team, completed nine acquisitions and, with the acquisitions completed up to December 31, 2023, now employs more than 600 people in ten countries on five continents. NowVertical, the Vertical Intelligence™ ("**VI**") company, will continue to grow organically.

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, 2023, and should be read in conjunction with the Company's annual consolidated financial statements and notes thereto for the twelve months ended December 31, 2023 and 2022 (the "**Audited Financial Statements**"), which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee in effect on January 1, 2022. The Annual Financial Statements and the notes thereto, along with this MD&A, were approved by the Company's board of directors (the "board").

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 MD&A, 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", "endeavour", "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 events, performance, or results, and will not necessarily be accurate indications of whether or not such events, performance or results will be achieved. Several factors could cause actual events, performance, or results to vary significantly from the events, performance or results discussed in the forward-looking statements, including but not limited to the factors discussed below 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 events, performance or 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 Revenue," "Adjusted EBITDA" and "EBITDA %". These are not recognized measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers.

Adjusted Revenue, Adjusted EBITDA and EBITDA % provide investors with supplemental measures of the Company's historical operating performance 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.

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 EBITDA**" adjusts net income (loss) before depreciation and amortization expenses, net interest costs, and provision for income taxes for revenue adjustments in "Adjusted Revenue" 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 restructuring activities, such as a reduction of employees.
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> "**EBITDA %"** is defined as Adjusted EBITDA as a percentage of Adjusted Revenue.
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> "**Adjusted Revenue**" adjusts revenue to eliminate the effects of acquisition accounting on the Company's revenues, which predominantly pertain to FMV adjustments to the opening deferred revenue balances of acquired companies.

For further details, please refer to the section entitled "Non-IFRS Results for the year ended December 31, 2023" below.

Incorporation

The Company is an Ontario corporation listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "NOW.V". 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. ("**G2G**").

NowVertical Group, Inc. ("NVG"), a U.S. operating subsidiary of the Company, was incorporated on September 22, 2020 in Delaware, USA. On March 22, 2021, NVG entered into a business combination agreement with G2G, a Company incorporated under the laws of the Province of Ontario, which contemplated the acquisition by G2G of all the issued and outstanding shares of NVG (the "Transaction"). 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 NowVertical Group Inc., (ii) symbol on the TSXV to "NOW.V", and (iii) year-end from February 28 to December 31, to conform with that of NVG. The Company's Class A subordinate voting shares (the "Subordinate Voting Shares" or "SVS") commenced trading on the TSXV on July 5, 2021.

Description of the Business and Business Strategy

We help clients transform data into tangible business value with AI, and we do it fast.

NowVertical is a VI company that delivers industry-specific data, technology, and AI applications to private and public customers globally. Its proprietary solutions service small, medium and large organizations to transform their data, technology and AI investments into Vertically Intelligent ones. This enables our customers to accelerate their time to value, minimize risk and unlock transformative value for their modern enterprise.

The Company was founded in September 2020 with a business strategy to bring together top technologies, services and human capital needed to provide public and private organizations with full stack analytic and intelligence solutions. The Company is now a publicly held big data, analytics and VI software and solutions company that has and plans to continue to grow organically.

Since its inception to December 31, 2023, the Company has raised an aggregate of $22.9 million of net proceeds that have been deployed to acquire nine companies and to build its management team and public company operating structure. In Q1 2023 the Company has used debt capital to partially fund its acquisitions. Management intends to continue to access capital and debt markets to execute its acquisitive growth strategy.

The Company's revenue for the year ended December 31, 2023 increased over two times from the same period in the prior year to $51.7 million (2022: $27.0 million).

Consolidating and Building Market Share in the Fragmented Data and Artificial Intelligence Market

Growth Drivers

There are two primary sources of growth for the Company:

1. Inorganic Growth via Acquisitions
2. Organic Growth via Revenue and Margin enhancement

1. Inorganic Growth via Acquisitions of Service Providers, Software Assets, and IP

Service providers are defined by NowVertical as data governance, data engineering, data integration, data science and machine learning / AI service providers that offer highly specialized consultancy services to enterprise customers. NOW's 2021 acquisition of Integra, Seafront Analytics, 2022 acquisitions of Allegient Defense, CoreBI, and Resonant Analytics, and recently completed 2023 Acquisitions of the A10 Group, Acrotrend, and Smartlytics fall into this category.

Software Assets and IP include companies that derive most of their revenue through the sale or licensing of software or intellectual property (IP) to our customers in one or multiple verticals. The 2021 acquisitions of Signafire (NOW Fusion), Doc Authority (NOW Privacy), and Affinio (NOW SnowGraph) as well as the 2022 acquisition of Exonar (NOW Reveal) fall into this category.

NowVertical's ability to integrate newly acquired companies into its global operating model is also a part of how the Company achieves and plans to continue to acheive its growth targets. NowVertical's integration focuses on commercial enhancement by supporting pipeline development and sales development through its corporate sales team, cross-unit sales via the emerging global network of business units (i.e. the acquired businesses) ("**BUs**"), margin enhancements through standardization of back-office functions and gross profit improvements via NowVertical's efficient global delivery network in LATAM, Middle East and Asia.

As a publicly traded VI provider with operations on five continents and a successful track record of acquisitive growth, the Company is well-positioned to provide an effective strategy for regional solutions providers by working with them to serve their customers, and care for them, their employees and grow their businesses. The Company believes there is a strong pipeline of potential acquisitions and reviews opportunities continuously; however, the Company takes a diligent approach to potential acquisitions, focusing on accretive opportunities that allow for vertical diversification and other strategic benefits to the Company.

2. Organic Growth

Organic revenue growth for NowVertical comes via three key areas of commercial integration:

a) Direct Sales from the BUs with integrated pipeline development facilitated by the corporate team
b) Cross-Unit sales from other BUs with revenue sharing and incentives facilitated by global transfer pricing and service level agreements (SLAs) - i.e. customer expansion and margin enhancement
c) Channel partner enhancements via global service, software, and technology partners

The Company also endeavors to maintain best-in-class consolidated customer expansion and retention rates across NowVertical. The Company has been able to retain customers over the long term and generate recurring and re-occurring revenue from existing customers resulting in a more robust and stable revenue stream and creating opportunities for additional upsells and cross-sells across the NowVertical network. The Company believes that building successful long-term relationships and deeper customer loyalty with NowVertical's products and services also increases the likelihood of new referrals and brand champions. This includes adding new customers (i.e. logos), expanding service offerings to existing customers, and developing new "in-house" software or platform products. This organic growth strategy is supported by the corporate operations team which actively targets net new, cross BU margin enhancement opportunities, as well as driving inter-BU sales and customer expansion.

INDUSTRY VERTICALS

NowVertical provides services in multiple industries and public sector customers. NOW's operations and organic growth are measured internally by industry vertical to evaluate the opportunity, challenges, and changes in its business. NowVertical groups its customers into the following verticals:

- **Industrials** - The Industrials segment captures customers whose primary industries include but are not limited to: manufacturing, Automotive, Transportation, Energy, etc.
- **Commercial Services** - The Commercial Services segment captures customers whose primary industries include but are not limited to: Finance, Agencies, Insurance, Telecoms, etc.
- **Public Sector** - The Public Sector segment captures customers whose primary industries include but are not limited to: government agencies, federal and municipal governments, large non-governmental orginizations, etc.
- **Consumer Goods** - The Consumer Goods segment captures customers whose primary industries include but are not limited to: consumer product groups, retail, healthcare/pharmaceuticals, Media / Publishing, etc.

Acquisitions completed during the year ended December 31, 2023

Smartlytics Consultancy Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Smartlytics Consultancy Ltd. ("Smartlytics"), a UK-based data analytics consultancy company that provide a wide range of Data Science and analytics services. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 10, 2022 (the "Smartlytics Purchase Agreement"), the aggregate consideration consisted of (i) a closing cash payment of $1,000,000 subject to holdbacks, (ii) issuance of 600,000 Subordinate Voting Shares. Excluded from the purchase price consideration is an earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 926,413 shares, the earn-out arrangement is being accounted for as a renumeration arrangement. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of $140,587 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Smartlytics with the operations of the Company and is not expected to be deductible for tax purposes. Smartlytics has contributed $1.4 million of revenue and net income of $0.3 million to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2023. See "Contractual Obligations" below with respect to the amendment of the Smartlytics Purchase Agreement.

Acrotrend Solutions Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Acrotrend Solutions Ltd ("Acrotrend"), a UK-based customer analytics consultancy company in the UK that combines business intelligence and decision-making, helping turn consumer data into smart insights. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 9, 2022 (the "Acrotrend SPA"), the aggregate consideration consisted of (i) a closing cash payment of $4,100,000 subject to holdbacks, (ii) issuance of 750,000 Subordinate Voting Shares of the Company at a price of $1.00 per share, subject to contractual lock-up restrictions. Excluded from the purchase price consideration is an earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 5,000,000 shares, the earn-out arrangement is being accounted for as a remuneration arrangement. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of $46,089 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Acrotrend with the operations of the Company and is not expected to be deductible for tax purposes. Acrotrend has contributed $5.9 million of revenue and net income of $1.5 million to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2023. See "Contractual Obligations" below with respect to the amendment of the Acrotrend SPA.

Group Analytics 10

On February 2, 2023, the Company acquired 100% of the issued and outstanding securities of Group Analytics 10 and Inteligencia de Negocios and its affiliate entities (collectively, "A10"). The A10 Group is one of Latin America's most experienced big data, business intelligence, and advanced analytics partners. Serving more than 700 customers, A10 focuses on helping organizations make intelligent, data-backed decisions by translating data into understandable information that accelerates concrete action The acquisition was made to enhance the Company's data analytics services business and expand operations in Latin America. Pursuant to the terms of a stock purchase agreement dated December 21, 2022, the aggregate consideration consisted of (i) a closing cash payment of $4.95 million, subject to holdbacks, (ii) $550,000 settled by way of an issuance of Subordinate Voting Shares at a deemed price equal to the greater of the Company's 20-day VWAP on closing and $1.00 per Subordinate Voting Share, subject to customary lock-ups. Excluded from the purchase price consideration is an earn-out consideration paid over four fiscal years based on certain targets, the earn-out arrangement is being accounted for as a remuneration arrangement. This is an arm's length transaction and no finder's fees were paid by the Company in connection with the A10 Group acquisition. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out was valued at fair value using a discounted cash flow model, is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of $328,414 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from A10 with the operations of the Company and is not expected to be deductible for tax purposes. A10 has contributed $12.6 million of revenue and net income of $0.1 million to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2023.

Disposal completed during the year ended December 31, 2023

On May 10, 2023, the Company completed the sale of the Affinio Social assets to a private UK based intelligence platform provider Audiense Limited ("**Audiense**"). Under the terms of the deal, the Company will receive an earnout consideration based on the revenues collected (net of taxes) on sales of the Affinio Social product and Audiense products sold by the Company. Audiense is now an official reseller of the Company's VI products and solutions. In addition, Audiense will pay $2.2 million of deferred payments in cash to the Company within 24 months of May 10, 2023, with acceleration events included. The Company also received an equity stake in Audiense equivalent to 2% of Audiense's share capital on a fully diluted basis as of May 10, 2023. As part of the transaction, Audiense is purchasing certain assets comprised primarily of IP and patents. The Company received perpetual, royalty free license to use the transferred IP and patents, which the Company utilizes within its Snowflake product offering.

On December 31, 2023, the Company assigned their 100% interest in Seafront Analytics, LLC (“Seafront”) to a previous shareholder of Seafront from whom the Company acquired Seafront on November 20, 2020, for consideration of $10,000.

Summary of Quarterly Results

The Company in its original form was incorporated on September 22, 2020, and began operations in October 2020. The selected financial information provided below is derived from the Company’s Interim Financial Statements.

Amounts in millions except loss per share	Q4 23	Q3 23(1)	Q2 23(1)	Q1 23(1)	Q4 22	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Adjusted revenue	$ 10.142	$ 15.051	$ 14.021	$ 12.690	$ 8.575	$ 8.632	$ 7.843	$ 2.696	$ 0.777	$ 0.958	$ 0.804	$ 0.319
Adjusted EBITDA	0.795	2.659	1.541	0.378	(0.277)	(0.309)	(0.622)	(0.749)	(2.117)	(0.879)	(0.082)	0.328
Revenue	10.102	15.014	13.962	12.623	8.392	8.381	7.642	2.594	0.777	0.958	0.804	0.319
Gross profit	6.304	7.502	6.611	6.219	3.603	3.276	3.211	1.488	0.441	0.724	0.676	0.175
Income (loss) from operations	(0.487)	1.140	0.311	(1.030)	(2.154)	(1.823)	(1.766)	(2.146)	(4.283)	(1.372)	(5.241)	(1.527)
Net income (loss)	(3.568)	0.235	(1.110)	(1.490)	(3.557)	(2.903)	(1.268)	(1.820)	(4.378)	(1.371)	(6.361)	(1.629)
Basic and diluted loss per share	$ (0.05)	$ 0.00	$ (0.01)	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.02)	$ (0.03)	$ (0.08)	$ (0.03)	$ (0.22)	$ (0.06)
Weighted average shares outstanding	77.805	77.548	76.885	70.133	63.522	63.751	62.603	62.047	52.604	49.061	29.282	28.601
Shares outstanding, end of period	77.805	77.805	77.110	76.610	65.078	64.968	62.648	62.048	62.042	49.807	49.252	28.601

Revenue and gross profit are generally increasing quarter over quarter as the Company acquires new companies and expands its product offerings. The decrease in Q4 2023 revenue and gross profit was caused by the devaluation of the Argentine peso (see page 9). If the December 2023 Argentine peso rate was applied to each quarter proforma, the Q4 2023 revenue would be $14.6 million and gross profit would be $8.6 million.

The higher net loss in the Q4 2022 was primarily due to the impairment of certain technology CGUs. The higher net loss in the Q3 2022 was primarily related to revaluations of warrant liability, future share consideration and earn-out consideration, as well as the inflationary adjustment related to operations in Argentina.

(1) Restatement of interim financial information – Certain amounts previously reported from the three-month periods ended March 31, 2023, June 30, 2023 and September 30, 2023 has been restated to present certain revenue arrangements where the Company is not the primary obligor and does not control the good or service before being provided to the customer. These arrangements do not meet the criteria for gross revenue presentation and, accordingly, have been restated and presented on a net basis.

Amounts in millions except loss per share	Q3 23	Q2 23	Q1 23
Adjusted revenue as previously reported	$ 16.549	$ 15.519	$ 13.688
Adjustments	(1.498)	(1.498)	(0.999)
Adjusted revenue as restated	$ 15.051	$ 14.021	$ 12.690
Adjusted EBITDA as previously reported	$ 2.394	$ 1.277	$ 0.201
Adjustments	0.265	0.265	0.176
Adjusted EBITDA as restated	$ 2.659	$ 1.541	$ 0.378
Revenue as previously reported	$ 16.512	$ 15.460	$ 13.622
Adjustments	(1.498)	(1.498)	(0.999)
Revenue as restated	$ 15.014	$ 13.962	$ 12.623
Gross profit as previously reported	$ 7.237	$ 6.346	$ 6.043
Adjustments	0.265	0.265	0.176
Gross profit as previously reported	$ 7.502	$ 6.611	$ 6.219
Income (loss) from operations as previously reported	$ 0.875	$ 0.047	$ (1.206)
Adjustments	0.265	0.265	0.176
Income (loss) from operations as restated	$ 1.140	$ 0.311	$ (1.030)
Net loss as previously reported	$ (0.030)	$ (1.375)	$ (1.667)
Adjustments	0.265	0.265	0.176
Net loss as restated	$ 0.235	$ (1.110)	$ (1.490)
Basic and diluted loss per share as previously reported	$ (0.00)	$ (0.02)	$ (0.02)
Basic and diluted loss per share as restated	$ 0.00	$ (0.01)	$ (0.02)

Results of Operations

Revenue

Revenue increased by 20% to $10.1 million for the three months ended December 31, 2023, compared to $8.4 million for the same period in 2022. These increases were primarily due to additional revenue from the companies acquired since December 2023.

Revenue increased by 91% to $51.7 million for the year ended December 31, 2023, compared to $27.0 million for the same period in 2022, which was also primarily due to additional revenue from the companies acquired since December 2021.

The following table summarizes revenue by type of service.

	Three months ended		Years ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Data analytics services				
Cost plus fixed fee	$ 2,329,213	$ 2,940,161	$ 10,580,970	$ 8,527,310
Fixed firm price	3,100,376	1,229,784	8,952,355	3,196,245
Time and materials	2,621,173	2,663,267	22,056,649	9,315,418
Total data analytics services	8,050,762	6,833,212	41,589,974	21,038,973
Maintenance and support	993,552	749,566	4,019,224	2,998,216
License, maintenance and software-as-a-service	1,057,484	809,070	5,971,512	2,972,077
Hardware	-	-	121,248	-
Total revenue	$ 10,101,798	$ 8,391,848	$ 51,701,958	$ 27,009,266

Gross Profit

Gross profit increased by 75% to $6.3 million for the three months ended December 31, 2023, compared to $3.6 million for the same period in 2022, primarily due to gross profit earned from companies acquired since December 2022.

Gross profit increased by 130% to $26.6 million for the year ended December 31, 2023, compared to $11.6 million for the same periods in the prior year, which was also primarily due to gross profit earned from companies acquired since December 2022.

Cost of revenue includes amortization of acquired technology intangible assets of $0.1 million and $0.3 million for the three and twelve months ended December 31, 2023 (2022: $0.1 million and $0.5 million respectively).

Administrative Expenses

Administrative expenses include corporate costs, the costs of acquired companies that are not included in the cost of revenue, and non-cash operating costs such as share-based compensation. Major components of administrative expenses were as follows:

	Three months ended		Years ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Compensation and benefits	$ 3,600,744	$ 2,468,318	$ 14,740,929	$ 9,418,362
Professional fees	1,105,880	958,962	4,792,358	3,841,932
Marketing and advertising	196,235	369,883	1,098,301	1,691,048
Investor relations and filing fees	21,939	64,885	250,125	570,456
Product development	(404,637)	24	(332,145)	395,640
Office and other expenses	1,136,411	351,885	2,786,337	921,590
Travel expense	145,232	123,141	545,277	277,862
Depreciation of property and equipment	43,172	127,090	237,728	183,010
Amortization of intangible assets	637,022	375,495	1,950,136	1,028,567
Exchange loss (gain)	206,026	646,392	118,227	629,546
Share-based compensation expense	102,331	270,634	513,517	507,937
Total administrative expenses	**$ 6,790,355**	**5,756,709**	**$ 26,700,790**	**19,465,951**

Compensation and benefits expense increased by 57% to $14.7 million for the year ended December 31, 2023, compared to $9.4 million for the same period in 2022, to the compensation costs of acquired companies.

Professional fee expenses increased by 25% to $4.8 million for the year ended December 31, 2023, increased compared to $3.8 million in the same period in 2022 due to higher audit fees, tax advisory services and filings, legal fees, and consultants related to the growth of the Company and to support its reporting and other obligations as a public company, as well as additional professional fees related to acquisitions.

Marketing and advertising, investor relations and filing fee expenses decreased by 40% to $1.4 million for the year ended December 31, 2023, compared to $2.3 million in the same periods in 2022 due to a concerted effort by management to reduce corporate costs.

Product development costs decreased by 184% to a $0.3 million gain for the year ended December 31, 2023, compared to $0.4 million in the same period in 2022 as the Company received a tax incentive to apply against costs incurred.

Office and other expenses increased by 202% to $2.8 million for the year ended December 31, 2023, compared to $0.9 million in the same period in 2022 primarily due the additional costs of acquired companies.

Travel expenses increased by 96% to $0.5 million for the year ended December 31, 2023, compared to $0.3 million in the same period in 2022 primarily related to the growth of the company and additional costs of acquired companies.

Depreciation expense increased by 30% to $0.2 million for the year ended December 31, 2023, compared to $0.2 million in the same period in 2022 primarily due to the depreciation of capital assets of acquired companies.

Amortization of intangible assets expense increased by 90% to $2.0 million for the year ended December 31, 2023, compared to $1.7 million in the same period in 2022 due to higher intangible assets related to acquisitions.

Share-based compensation expense relates to stock options and restricted share units (RSUs) issued.

Other expenses

Other expenses include revaluations of financial liabilities, one-time costs, inflation impact and net interest, as follows:

	Three months ended		Years ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Contingent compensation related to acquisitions	$ -	$ (509,463)	$ (230,698)	$ (1,576,860)
Revaluation of warrant liability	-	590,874	1,098,243	1,425,486
Revaluation of equity consideration	6,093	-	111,573	64,228
Revaluation of contingent and deferred consideration	(2,274,092)	(784,231)	(3,387,636)	(689,110)
Revaluation of conversion features	(6)	126,262	337,154	126,262
Inflation effect on the net monetary position	(232,245)	1,718,181	(466,818)	985,848
Impairment loss	-	(2,600,000)	(250,000)	(2,600,000)
Investing income	(21,600)	188,811	849,951	530,310
Interest expense	(902,217)	(235,978)	(3,379,976)	(468,152)
Loss on disposal of asset	(17,355)	-	(74,706)	-
Total other expenses	$ (3,441,422)	$ (1,505,544)	$ (5,392,913)	$ (2,201,988)

Contingent compensation related to acquisitions is related to contingent deferred consideration for an acquired company that is classified as compensation expense and accrued over time. Revaluation of equity consideration relates to the fair value adjustment of shares to be issued in the future in relation to acquisitions. Revaluation of contingent and deferred consideration relates to the revaluations of contingent earn-out consideration and deferred consideration in relation to acquisitions. Inflation effect on the net monetary position relates to the inflationary adjustment required under IAS 29 related to operations in Argentina.

Revaluation of warrant liability is the revaluation of warrants issued in the Company's unit offering in December 2021, October 2022 and February 2023.

Interest expense increased in 2023 compared to the same period in 2022 due to $15.0 million of debt proceeds to fund 2022 and 2023 acquisitions and $6.7 million of debt acquired through 2022 and 2023 acquisitions.

Income Tax Expense (Benefit)

Income tax expense or benefit is recognized at an amount determined by multiplying the profit (loss) before tax for the reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the period.

For the year ended December 31, 2023, the Company recorded current income tax expense of $1.6 million (2022: $0.5 million gain) on a pre-tax book loss of $5.5 million (2022: $10.1 million) and a deferred tax benefit of $1.1 million (2022: $0.5 million expense).

Loss from Operations

Loss from operations decreased by 77% to $0.5 million for the three months ended December 31, 2023, compared to a net loss of $2.2 million for the same period in 2022.

Loss from operations decreased by 99% to $0.1 million for the year ended December 31, 2023, compared to a net loss from operations of $7.9 million for the same period in 2022.

Net Loss and Loss Per Share

Net loss remained consistent at $3.6 million for the three months ended December 31, 2023, compared to a net loss of $3.6 million for the same period in 2022.

Net loss decreased by 38% to $5.9 million for the year ended December 31, 2023, compared to a net loss of $9.5 million and comprehensive loss of $11.1 million for the same period in 2022.

On a per share basis, this represents a net loss per basic and diluted share of $0.08 for the year ended December 31, 2023, compared to a net loss per basic and diluted share of $0.15 for the same period in 2022.

The decrease in the net loss per basic and diluted share for the year ended December 31, 2023, is related to higher revenue in 2023 primarily due to the acquisition of Smartlytics, Acrotrend and A10 during the year ended December 31, 2023.

Effects of Argentina Hyperinflationary Accounting

The significant devaluation of the Argentine peso on December 31, 2023, resulted in an extraordinary non-cash accounting impact on the Company's Argentine subsidiary's 2023 forth quarter financial results. Due to a change in the Argentina government in Q4 2024, the Argentine peso (ARS) experienced an unexpected devaluation of 131% from September 30, 2023, to December 31, 2023, against the U.S. dollar from 349 to 805. IFRS IAS-19 requires that operations in hyperinflationary economies are reported by restating year-to-date results to reflect the change in general purchasing power of the local currency.

The following table illustrates the impact of the Q4 2023 devaluation on the Company's Argentine subsidiary's Q4 2023 revenue, gross profit, and income from operations. The table shows that the devaluation caused a non-cash revenue loss of $1 million even though revenue reported in Argentine pesos (ARS) increased.

Argentina Revenue	**Q1 23**	**Q2 23**	**Q3 23**	**Q4 23**	**FY 2023**
Revenue reported in ARS	541,514,236	765,946,925	1,425,250,524	2,783,543,872	5,516,255,556
Exchange rate ARS/USD	209	256	349	805	805
Revenue reported in USD	$ 2,595,821	$ 2,505,471	$ 2,740,061	$ (992,691)	$ 6,848,663

Argentina gross profit	**Q1 23**	**Q2 23**	**Q3 23**	**Q4 23**	**FY 2023**
Gross profit in ARS	286,915,879	371,207,672	724,616,971	1,323,884,344	2,706,624,867
Exchange rate ARS/USD	209	256	349	805	805
Gross profit (loss) reported in USD	$ 1,375,370	$ 1,192,416	$ 1,399,906	$ (607,303)	$ 3,360,388

Argentina income from operations	Q1 23	Q2 23	Q3 23	Q4 23	FY 2023
Income from operations in ARS	112,771,006	153,793,889	419,970,697	689,228,925	1,375,764,518
Exchange rate ARS/USD	209	256	349	805	805
Income (loss) from Operations in USD	$ 540,583	$ 499,467	$ 929,923	$ (261,904)	$ 1,708,069

The revenue, gross profit and income from operations is provided below using the same purchasing power as December 31, 2023, and applying the ARS/USD exchange rate of the same date to convey the relative proforma performance for each quarter for the Argentina subsidiary and the Company's consolidated results.

Proforma revenue USD	Q1 23	Q2 23	Q3 23	Q4 23	FY 2023
Argentina revenue					
Revenue - proforma adjusted	$ 672,313	$ 950,955	$ 1,769,508	$ 3,455,887	$ 6,848,663
Consolidated revenue					
Revenue as restated	12,623,479	13,962,476	15,014,206	10,101,798	51,701,958
Revenue - proforma adjusted	$ 10,699,970	$ 12,407,960	$ 14,043,653	$ 14,550,375	$ 51,701,958

Proforma gross profit USD	Q1 23	Q2 23	Q3 23	Q4 23	FY 2023
Argentina gross profit					
Gross profit - proforma adjusted	$ 356,218	$ 460,870	$ 899,642	$ 1,643,658	$ 3,360,388
Consolidated					
Gross profit as restated	6,219,500	6,610,754	7,501,505	6,303,748	26,635,506
Gross profit - proforma adjusted	$ 5,200,348	$ 5,879,208	$ 7,001,242	$ 8,554,709	$ 26,635,506

Proforma income (loss) from operations USD	Q1 23	Q2 23	Q3 23	Q4 23	FY 2023
Argentina income from operations					
Income from operations - proforma adjusted	$ 140,010	$ 190,942	$ 521,411	$ 855,707	$ 1,708,069
Consolidated loss from operations					
Income (loss) from operations as restated	(1,029,518)	311,249	1,139,593	(486,607)	(65,284)
Income (loss) from operations - proforma adjusted	$ (1,430,091)	$ 2,723	$ 731,081	$ 631,003	$ (65,284)

The Company had forecasted an Argentine peso devaluation from 349 in Q3 2023 to 450 in Q4 2024. At this forecasted rate, revenue would have been $15.5 million for the three months ended December 31, 2023, and $57.1 million for the year ended December 31, 2023.

Revenue with forecasted rate	Q1 23	Q2 23	Q3 23	Q4 23	FY 2023
Argentina revenue					
Revenue reported in ARS	541,514,236	765,946,925	1,425,250,524	2,783,543,872	5,516,255,556
Forecasted rate ARS/USD	209	256	349	**450**	**450**
Argentina revenue at forecasted rate in USD	$ 2,595,821	$ 2,505,471	$ 2,740,061	$ 4,416,992	$ 12,258,346
Consolidated revenue					
Revenue with forecasted rate	$ 12,623,479	$ 13,962,476	$ 15,014,206	$ 15,511,480	$ 57,111,641

Non-IFRS Results for the year ended December 31, 2023

Reconciliation of Adjusted Revenue and Adjusted EBITDA

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Adjusted Revenue	$ 10,142,393	$ 8,575,277	$ 51,904,059	$ 27,746,206
Adjusted EBITDA	$ 795,398	$ (308,508)	$ 5,373,263	$ (1,929,882)

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	**$ 10,101,798**	**$ 8,391,848**	**$ 51,701,958**	**$ 27,009,266**
Acquisition accounting impact on revenue	40,595	183,429	202,101	736,940
Adjusted revenue	**$ 10,142,393**	**$ 8,575,277**	**$ 51,904,059**	**$ 27,746,206**
Income (loss) from operations	**$ (486,607)**	**$ (2,153,814)**	**$ (65,284)**	**$ (7,888,179)**
GAAP Adjustments				
Depreciation and amortization	757,196	567,116	2,518,253	1,670,580
Expenses incurred in connection with acquisitions	130,172	429,424	1,016,692	1,699,478
Gain on sale of property and equipment	(176)	(1,006)	(1,387)	(2,935)
Foreign exchange realized loss	206,026	668,216	118,227	630,137
Total GAAP Adjustments	**1,093,218**	**1,663,750**	**3,651,785**	**3,997,260**
Non-cash stock-based compensation	102,331	270,634	513,517	507,937
Acquisition accounting impact on revenue	40,595	183,429	202,101	736,940
Gain (loss) from disposed operations	45,862	(272,507)	123,306	(657,708)
Impact of cost synergies related to reduction of employees	-	-	947,838	1,373,869
Adjusted EBITDA	**$ 795,398**	**$ (308,508)**	**$ 5,373,263**	**$ (1,929,882)**

The NOW operating model continues to move into alignment with the market by integrating previously isolated operating segments into a single, solutions segment. This single reporting segment brings our technologies and services together under a single solution set for our customers, helping them to navigate this extremely fragmented and complex data, analytics and AI industry. Furthermore, in future quarters we will be reporting on revenue growth by vertical.

Adjusted Revenue increased by 87% to $51.9 million (almost two times) in the year ended December 31, 2023, compared to $27.7 million in the same period in 2022, primarily due to the acquisitions of and revenue from A10, Allegient, Acrotrend, Resonant and Smartlytics.

Adjusted EBITDA increased by 378% to $5.4 million compared in the year ended December 31, 2023, compared to $(1.9) million in the same period in 2022, primarily due to increased operating profit from the acquisitions of A10, Allegient, Acrotrend, Resonant and Smartlytics.

The company was able to realize $0.9 million in global employee efficiencies in the year ending December 31, 2023 (2022: $1.4 million) through the re-integration of service professional out of the operating model statement of profit and loss and back into the appropriate business units. Further cost reductions were also realized by relocating US-based marketing functions into Canada and moderating marketing expenditures through 2023.

Non-IFRS Results by operating segment for the year ended December 31, 2023

	Year ended December 31, 2023							
	A10	Acrotrend	Affinio	Allegient	CoreBI	Other	Corporate	Total
Revenue	$ 12,577,037	$ 5,921,425	$ 604,491	$ 17,796,025	$ 7,463,669	$ 7,339,311	$ -	$ 51,701,958
Cost of revenue	(4,077,819)	(2,489,704)	(237,468)	(11,359,299)	(4,008,193)	(2,563,580)	-	(24,736,063)
Gross profit	8,499,218	3,431,721	367,023	6,436,726	3,455,476	4,775,731	-	26,965,895
Gross profit %	*68%*	*58%*	*61%*	*36%*	*46%*	*65%*	*0%*	*52%*
Administrative expenses	(6,534,095)	(1,361,245)	(451,837)	(5,015,767)	(1,369,054)	(3,107,302)	(5,540,094)	(23,379,394)
Adjusted EBITDA	1,965,123	2,070,476	(84,814)	1,420,959	2,086,422	1,668,429	(5,540,094)	3,586,501
Adjusted EBITDA %	*16%*	*35%*	*-14%*	*8%*	*28%*	*23%*	*-11%*	*7%*

	Year ended December 31, 2023							
	A10	Acrotrend	Affinio	Allegient	CoreBI	Other	Corporate	Total
Revenue	$ -	$ -	$ 1,882,549	$ 11,079,807	$ 8,514,194	$ 5,532,716	$ -	$ 27,009,266
Cost of revenue	-	-	(568,331)	(6,877,507)	(6,314,182)	(1,183,529)	-	(14,943,549)
Gross profit	-	-	1,314,218	4,202,300	2,200,012	4,349,187	-	12,065,717
Gross profit %	*0%*	*0%*	*70%*	*38%*	*26%*	*79%*	*0%*	*45%*
Administrative expenses	-	-	(1,597,500)	(3,042,851)	(348,577)	(4,262,839)	(6,704,869)	(15,956,636)
Adjusted EBITDA	-	-	(283,282)	1,159,449	1,851,435	86,348	(6,704,869)	(3,890,919)
Adjusted EBITDA %	*0%*	*0%*	*-15%*	*10%*	*22%*	*2%*	*0%*	*-14%*

Adjusted Revenue, Gross Profit and Adjusted EBITDA increased in the Operations segment for the year ended December 31, 2023, compared to the same period in 2022 primarily due to the acquisitions of A10, Allegient, Acrotrend, Resonant and Smartlytics.

Global Operating Model (Corporate)

Adjusted Cost associated with NowVertical's global operating model decreased during the year ended December 31, 2023, compared to the same period in 2022 primarily due to a concerted effort by management to decrease overhead costs. To reduce costs associated with the global operating model, management has re-located key service providers and critical roles from the U.S. to Canada as well as reducing the NOW Operating Model headcount. The impact of these changes came into effect in Q4 2022 and are expected to continue into FY 2024.

Liquidity and Capital Resources

The Company defines "capital" to include share capital and borrowings, which are managed on a consolidated level. Since its inception, the Company has relied primarily on equity and debt financings, as well as the cash flows provided by acquired businesses, to support its operating model and execute its acquisitive growth strategy. Recent acquisitions have been completed with debt proceeds from the EDC and a commercial bank.

As of December 31, 2023, the Company had a working capital deficit of $13.1 million, which includes deferred revenue of $0.8 million and equity and operating results based contingent consideration payable to acquired companies amounting to $4.6 million. Excluding these items, the Company had a working capital deficit of $7.7 million as at December 31, 2023. To balance the need to manage liquidity while continuing to execute upon important elements of its growth strategy, the Company: (i) in January 2023 used its December 31, 2022 restricted cash balance and acquisition financing to complete three acquisitions, (ii) in February 2023 completed a marketed public equity offering (by utilizing the base shelf registration discussed further below) that raised gross proceeds of C$5.0 million, (iii) has re-negotiated with the vendors of CoreBI to extend the terms of cash consideration due earlier this year, and (iv) taken action to reduce the overheads of acquired companies. These steps supplement the continual monitoring of cash flows against operating forecasts.

With respect to the base shelf registration mentioned above, the Company was receipted on January 24, 2022 to raise up to C$65.0 million (As at December 31, 2022 C$10.1 million has been utilized to date). On February 28, 2023 the Company closed a marketed public offering (the "Offering") of 9,631,500 units (the "**Units**") of the Company at a price of C$0.52 per Unit for gross proceeds of C$5.0 million, which includes partial exercise of the over-allotment option. Each Unit consists of one Subordinate Voting Share and one Subordinate Voting Share purchase warrant (a "**Warrant**") of the Company. Each Warrant is exercisable to acquire one Subordinate Voting Share at a price per Share of C$0.80 for a period of 36 months following the closing of the Offering. In connection with the Offering, the Company paid the Agents a cash commission of C$0.3 million and issued to the Agents 577,890 broker warrants, with each broker warrant entitling the holder thereof to purchase one Subordinate Voting Share at a price of C$0.52 per Subordinate Voting Share for a period 36 months following the Closing. The net proceeds raised in U.S. dollars amounted to $3.4 million.

As of the date of this MD&A, the Company has cash of $1.5 million. The cash includes $0.8 million held in banks in Argentina. The Central Bank of the Argentine Republic has placed restrictions on the repatriation of funds at the official exchange rate, and the Company is working with its advisors to finalize a cash repatriation plan. The cash also includes $0.4 million that is held within subsidiaries that are subject to compliance with bank covenants.

Additional sources of capital and/or financing will be required to meet planned growth initiatives and long-term operational objectives. Since its inception and through the date of this MD&A, the Company has raised over $22.9 million in net cash from equity and convertible note financings.

Management expects that future cash generated from its operating entities and additional financings will provide sufficient capital for the Company to execute on its strategy. Management 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 plans to acquire cash flow positive businesses that can be financed with a credit facility and/or debt. Additionally, management will continue to take action to align the cost structures of acquired businesses with its operating model. 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. (Refer to Note 2 of the Audited Financial Statements for Going Concern disclosure).

Cash Flow from Operations

For the year ended December 31, 2023, the Company used $5.1 million of cash for operations (2022: $4.9 million) primarily due to its loss from operations, which includes costs related to the additional personnel and external service providers hired to manage the growth of the business and support its operational requirements and acquisition strategy, and expenses related to the acquisitions of Smartlytics, Acrotrend and A10.

Cash Flow from Investing Activities

For the year ended December 31, 2023, the Company used $1.1 million of cash for investing activities related to cash used for the acquisitions of Smartlytics, Acrotrend and A10, net of cash acquired in the transactions. For the same period in 2022, the Company used $10.8 million of cash for investing activities related to cash used for the acquisitions of CoreBI, Exonar, Allegient and Resonant.

Cash Flow from Financing Activities

For the year ended December 31, 2023, the Company generated cash of $2.2 million from financing activities, related to debt financing secured for the A10 acquisition which closed on February 2, 2023, and the private placement which closed on February 28, 2023, for net proceeds of $3.4 million, partially offset by debt repayments. For the same period in 2022, the Company generated $10.7 million from financing activities, related to debt financing secured for the 2022 Resonant acquisition and 2023 acquisitions of Acrotrend and Smartlytics. which each closed on January 12, 2023, partially offset by debt repayments.

Contractual Obligations

The Company has a remaining payment obligation of $0.1 million on a senior secured redeemable debenture issued by Signafire in 2019 which the Company renegotiated in 2021. Affinio has four unsecured, non-interest-bearing loans outstanding of $0.6 million in the aggregate, of which $0.1 million is due within twelve months. Allegient has a term loan with a remaining balance of $3.0 million, of which $0.6 million is due within the next twelve months. NowVertical Canada Holdings Inc. has a term loan with a remaining balance of $4.4 million of which $1.0 million is due in the next twelve months. A10 Chile has a $26,080 term loan which is due in the next twelve months. A10 Brazil has four term loans with a remaining balance of $1.3 million of which $0.9 million is due in the next twelve months.

The Company has a term loan with a remaining balance of $7.1 million of which $1.1 million is due in the next twelve months. On November 29, 2023, NowVertical Group Inc. entered into an amended loan agreement to defer $954,000 of current principal payments until November 16, 2028.

On April 17, 2023, the Company and the Affinio former shareholders agreed to amend the terms of a deferred payment of $1.5 million, by amending the amount owing to $1.75 million (the "Remaining Amount") and to pay out the Remaining Amount in cash installments between the date hereof and December 31, 2025.

The Company also has remaining deferred payment obligations to the vendors of CoreBI of $1.4 million. This payment will now be paid out over multiple installments during FY 2023 and FY 2024. On October 3, 2023, the Company amended the Share Purchase Agreement with the prior shareholders of CoreBI. The amended agreement provides for an earnout payment up to $3,250,000, which is contingent on CoreBI meeting specific cash flow targets.

As at December 31, 2023, the consideration payable related to acquired companies is as follows:

		December 31, 2023		December 31, 2022
Consideration payable	$	3,580,071	$	3,889,639
Equity consideration payable		40,095		219,000
Contingent consideration payable		4,580,112		387,346
Total current liabilities	$	8,200,278	$	4,495,985
Contingent consideration payable	$	1,084,453	$	1,082,525
Total long-term liabilities	$	1,084,453	$	1,082,525
Total considerable payable	$	9,284,731	$	5,578,510

Contingent consideration payable represents the fair value of estimated earn-out payments related to acquired companies, which are contingent on achieving certain operating results. Equity consideration payable represents the fair value of shares to be issued in relation to acquisitions.

On April 23, 2024, the Company amended the Acrotrend SPA dated December 9, 2022, between the Company and the former shareholders of Acrotrend (the "Sellers") pursuant to a deed of amendment (the "Deed"). In particular, the acquisition holdback amount of $410,000, previously due on January 12, 2024, will be deferred and paid in installments by December 1, 2024. The Sellers were previously entitled to a top-up amount equal the difference between the price of the 750,000 Class A SVS in the capital of the Company received by the Sellers in connection with the transaction and the market price of such shares on the date when the Sellers elect to exercise their top-up entitlement, with an estimated value of $558,116.24 (the "Top-Up Consideration"). The Company will issue up to 2,835,277 SVS in settlement of the Sellers' potential entitlement to Top-Up Consideration at a price per share equal to the greater of: (i) CAD$0.27; and (ii) the Discounted Market Price (as such term is defined under the policies of the TSXV) on the date that is two (2) trading days following the filing of the Company's unaudited interim financial statements for the interim period ended March 31, 2024 on SEDAR+ at www.sedarplus.com (such price being, the "Share Issue Price"). The Company will pay $100,000 of the 2023 earn-out amount in cash to the Sellers and will issue up to 5,000,000 SVS in settlement of $1,155,000 of the 2023 earn-out amount at a price per share equal to the Share Issue Price, with any remaining portion of the 2023 earn-out amount to be settled through the issuance of SVS at the Discounted Market Price on the date that is two (2) trading days following the filing of the unaudited interim financial statements for the interim period ended March 31, 2024 on SEDAR+ at www.sedarplus.com. The future earn-outs for the years ending December 31, 2024 and 2025 will be settled through a cash payment by the Company equal to $990,000, payable to the Sellers on or before January 1, 2026. Until such amounts are paid through the issuance of SVS or through cash payments, as applicable, the Holdback Amount, the Top-Up Consideration, the 2023 earn-out amount and the future earn-outs shall bear interest at a rate of up to 8% above the base rate of the Bank of England, provided that, upon the issuance of the SVS in settlement of the Top-Up Consideration and the portion of the 2023 earn-out amount to be settled in shares, interest on certain of such amounts shall be waived. In addition, certain of the Company's subsidiaries have agreed to guarantee the Company's obligations to the Sellers and in certain circumstances, including where the Company and certain of its subsidiaries fail to abide by the terms of the Deed, the Sellers may accelerate the payment of certain amounts and elect to receive two-thirds of the Top-Up Consideration and the 2023 earn-out amount in cash with the remainder to be settled through the issuance of SVS.

The Company and the former shareholders of CoreBI S.A. and CoreBI S.A.S. entered into a Share Purchase Agreement dated January 12, 2022, as amended May 23, 2023 (the "CoreBI SPA"). The parties to the CoreBI SPA amended the CoreBI SPA with respect to the deferred payment obligations by entering into an amendment to the CoreBI SPA on April 10, 2024 (the "April 2024 Amendment"). The April 2024 Amendment amended the remaining and due deferred payment amount of $1,375,000, to now be paid in installments between June 30, 2024, and up to December 31, 2025.

On April 30, 2024, the Company and the seller of Smartlytics agreed to amend (the "Amending Deed") the Smartlytics Purchase Agreement dated December 10, 2022, as amended (the "SPA") to restructure the remaining earn-out obligations and defer the acquisition holdback. Under the Amending Deed the future earn-out payments for years 2024 and 2025 will be settled through a payment by the Company tied to the EBITDA of the Company's Technology Product group payable to the seller equally in cash, or through the issuance of Class A SVS of the Company, subject to TSX Venture Exchange approval prior to the time of each issuance; and the original holdback payment of $100,000 will be deferred until no later than the first business day of September 2024.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

The Company considers a related party a person or entity that is related to the Company and has control, joint control or significant influence over the Company, or is a member of key management personnel. Key management personnel of the Company are its chief officers, executive members of the Board and non-executive directors. Key management personnel remuneration includes the following expenses:

	Three months ended		Years ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Salaries and bonuses	$ 201,141	$ 545,816	$ 1,139,531	$ 1,363,316
Share-based payments	114,990	71,066	459,959	167,626
Total related party transactions	$ 316,131	$ 616,882	$ 1,599,490	$ 1,530,942

Changes in Accounting Policies including Initial Adoption

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1, "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 - 76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those that will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

Amendments to IFRS 16, "Leases" - Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16, "Leases" specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines "lease payments" or "revised lease payments" in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendments are effective for annual periods on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

Financial Instruments and Other Instruments

The Company's financial assets categorized at amortized cost include trade and other receivables, unbilled revenue, taxes receivable, and cash. The Company does not have any financial assets categorized as fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("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 either at amortized cost using the effective interest method or at FVTPL. For financial liabilities measured at amortized cost, 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 related to acquired companies. The Company's financial instruments categorized at FVTPL are contingent consideration payable related to acquired companies and equity consideration payable related to acquired companies.

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 instrument 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) 61,365,862 Subordinate Voting Shares, (ii) 164,390 Proportionate Voting Shares, convertible, subject to adjustment, into 16,439,000 Subordinate Voting Shares (iii) 5,700,942 stock options to purchase 5,700,942 Subordinate Voting Shares, (iv) 13,255,835 Warrants exercisable to purchase 13,255,835 Subordinate Voting Shares, and (v) convertible debenture units that are convertible into 4,827,619 Subordinate Voting Shares.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, which are described below as well as in the Base Shelf Prospectus and the Prospectus Supplement which are incorporated by reference herein. Particularly, the Company's activities expose it to financial risks, including credit risk, liquidity risk, and currency risk. It is the Company's opinion that it is not exposed to other significant market risks, including price, or variable interest rate risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of trade and other receivables balances. The Company's exposure to credit risk was $10.9 million as at December 31, 2023.

Liquidity risk

Liquidity risk is the risk that the Company might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it can only do so on terms that are materially disadvantageous. The Company is exposed to liquidity risk through non-payment of accounts payable, accrued expenses, convertible debentures, other current liabilities, loan payable, long-term debt and consideration payable related to acquired companies. As at December 31, 2023, the Company had cash of $2.8 million, other current assets of $12.2 million and current liabilities of $28.1 million excluding deferred revenue, equity consideration, and contingent consideration.

Additional funding will be required to meet the Company's contractual obligations and execute on its business plan for the next 12 months. The Company's Base Shelf Prospectus was receipted in January 2022 to raise up to C$65.0 million (of which C$10.1 million has been utilized as at December 31, 2023). The Company has successfully raised over $22.9 million in net cash from equity and convertible notes as at December 31, 2023. Management expects to be able to successfully raise additional financing, however, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Management expects that future cash generated from its operating entities, along with additional financings and a planned credit facility to fund acquisitions, will provide sufficient capital for the Company to execute on its strategy. Whether and when the Company can attain profitability and positive cash flows from operations and obtain additional funds from financing is uncertain. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of new business opportunities, respond to competitive pressures or remain in business at all. 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. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern. (Refer to Note 2 of the Audited Financial Statements for Going Concern disclosure).

Currency risk

The Company is exposed to foreign currency fluctuations. Such exposure arises from translation of monetary assets and liabilities denominated in foreign currencies, such as the Canadian dollar and the Argentinian peso, the impact of which is recorded in the Company's Statement of Operations; and translation of entities that have a functional currency that differs from the U.S. dollar presentation currency of the Company, the impact of which is recorded through the Company's Other Comprehensive Income.

The Company continually monitors its exposure to foreign currency risks arising from foreign currency balances and transactions. The Company does not utilize any financial instruments to hedge this risk.

Additional risks and uncertainties not presently known to the Company or that the Company currently considers 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, the Company's 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.

Ability to Achieve the Desired Synergies and Benefits of Acquisitions

As part of the Company's growth strategy, it has and plans to continue to complete acquisitions. NowVertical's ability to integrate newly acquired companies into its global operating model is an integral part of how the Company achieves and plans to continue to achieve its growth targets. In recent years, the Company has consummated a number of acquisitions. The Company evaluates, and expects in the future to evaluate, potential strategic acquisitions of, and partnerships or joint ventures with, businesses providing services or technologies that are complementary to the Company's existing services and technologies. The Company's acquisition strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations, including but not limited to, human resources, company culture, product pricing, information technology, data integrity, information systems, business processes and financial management. However, the Company may not be successful in identifying acquisition, partnership and joint venture targets or the Company may use estimates and judgments to evaluate the operations and future revenue of a target that turn out to be inaccurate. In addition, the Company may not be able to successfully finance or integrate a particular business, service or technology that the Company acquires or with which the Company forms a partnership or joint venture, and the Company may not achieve the anticipated benefits of such project or the Company may lose customers or patients as a result. Furthermore, the integration of any acquisition, partnership or joint venture may divert management's time and resources from the Company's existing business and disrupt its operations. Certain acquisitions, partnerships and joint ventures the Company has and may in the future make may prevent the Company from competing for certain customers or in certain lines of business and may lead to a loss of customers to the extent the Company acquires businesses with non-competes or exclusivity provisions in their agreements with corporate customers. Certain acquisitions may also enmesh the Company in outstanding or unforeseen legal, regulatory, contractual, employee or other issues. As a result of any of the foregoing, the Company may spend time and money on projects that do not increase its revenue or profitability. Moreover, the Company's competitors may be willing or able to pay more than the Company for acquisitions, which may cause the Company to lose certain acquisitions that the Company would otherwise desire to complete. Even if the Company successfully competes for a certain acquisition, partnership or joint venture, the Company may finance the project with cash on hand, equity or debt, or a combination thereof, which could decrease the Company's cash reserves, dilute the Company's shareholders or significantly increase the Company's level of indebtedness or place other restrictions on the Company's operations. The Company cannot ensure that any acquisition, partnership or joint venture the Company makes will not have a material adverse effect on the Company's business, financial condition and results of operations.

Incorporation of AI May Present Risks

We have incorporated, and plan to incorporate in the future, AI, into our products. AI is a new and emerging technology that is in its early stages of commercial use, particularly within the medical device industry. If any of our products that incorporate AI have perceived or actual negative impacts on our customers, we may experience brand or reputational harm, competitive harm or legal liability. The rapid evolution of AI may also require the application of significant resources to develop, test and maintain our products and services that incorporate AI in order to help ensure that it is implemented in a socially responsible manner, to minimize any real or perceived unintended harmful impacts. In addition, AI is subject to a complex and evolving regulatory landscape, including data protection, privacy, and potentially other laws and different jurisdictions have taken and may take in the future varying approaches to regulating AI. Compliance with these laws and regulations can be complex, costly and time-consuming, and there is a risk of regulatory enforcement actions or litigation if we fail to comply with these requirements. As regulations evolve, we may have to alter our business practices or products in order to comply with regulatory requirements.

Risks Related to the Company's Services and Effects on Revenues

Certain markets in which the Company competes are subject to rapid and significant changes. In order to remain competitive and continue to acquire new customers, the Company is continually involved in a number of projects to develop new services and improve the Company's existing services. These projects may not be successful and carry some risks, such as cost overruns, delays in delivery, performance problems, and may cause the Company to become subject to additional regulation. Any inability to develop or delay in the delivery of new services or the failure to differentiate the Company's services or to accurately predict and address market demand could render the Company's services less desirable, or even obsolete, to the Company's clients. In addition, many current or prospective clients may find competing services more attractive if the Company does not keep pace with market innovation or changes.

The Company relies in part, and may in the future rely in part, on third parties, including some of the Company's competitors and potential competitors, for the development of, and access to, new technologies. If the Company is unable to maintain these relationships, it may lose access to new technologies or may not have the speed-to-market necessary to successfully launch new offerings.

The Company's future success will depend on the Company's ability to adapt to technological changes and evolving industry standards. The Company cannot predict the effects of technological changes on the Company's business. If the Company is unable to adapt to technological changes or evolving industry standards on a timely and cost-effective basis by introducing new services and improving existing services, the Company's business, financial condition and results of operations could be materially adversely affected.

Risk Related to Marketing and Selling Products

Future sales of our products will depend in large part on our ability to effectively market and sell our products and services and increase the scope of our marketing efforts. If sales, including through recurring customers decline, the Company's overall revenue and revenue growth may decline.

Because we have limited experience in marketing and selling our products, our ability to forecast demand, the infrastructure required to support such demand and the sales cycle to customers is unproven. If we do not build an efficient and effective marketing and sales force, our business and operating results will be adversely affected.

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

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

Risks Associated With New or Changing Laws and Regulations and Governmental Action

The Company operates in a complex regulatory and legal environment and are subject to a wide variety of laws and regulations in the jurisdictions in which the Company operates. Some of the provincial and federal laws and regulations in Canada and other jurisdictions in which the Company operates that affect or may affect it include: consumer products, product liability and consumer protection; those relating to negligence; those relating to the manner in which the Company advertises, markets and sells products and services; labour and employment laws, including wage and hour laws; tax laws or interpretations thereof; data protection and privacy laws and regulations. Continuing to achieve and sustain compliance with these laws may prove costly.

The laws and regulations specifically applicable to the Company may also change on the basis of a change in the nature of the Company's products or services, or a change in the jurisdictions in which those products or services are being offered, including, but not limited to, as a result of acquisitions. There can be no guarantee that the Company will have sufficient resources to comply with new laws, regulations or government action, or to successfully compete in the context of a shifting regulatory environment. Moreover, these laws and regulations may change, sometimes significantly, as a result of political, economic and social events.

Although the Company maintains that its operations are in compliance with existing laws, there can be no assurance that the Company's operations will not be challenged in the future and, if challenged, that they will not be found to violate applicable laws. Any such ruling against the Company could subject it to potential damages, injunctions and/or civil and criminal penalties or require it to restructure the Company's arrangements in a way that would affect the control or quality of the Company's services or change the amounts that the Company receives from its operations, which could have a material adverse effect on the Company's business.

Internal controls over financial reporting

Effective internal controls over financial reporting are necessary to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure of the Company's internal controls could have an adverse effect on stated results of operations and increase legal, regulatory, and reputational risks. As a result, the Company may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these ongoing changes. If the Company is unable to implement any required changes to its internal control over financial reporting effectively or efficiently or is required to do so earlier than anticipated, it could adversely affect the Company's operations, financial reporting and results of operations. If the Company fails to maintain an effective system of disclosure controls and internal control over financial reporting, its ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely impacted.

Limited Operating History

The Company has a limited operating history. While members of the Company's management team and the Board have significant expertise within the sector the Company itself has a limited history of operations and there can be no assurance that the business will be successful or profitable or the Company will be able to successfully execute its business model and growth strategy. If the Company is unable to execute its business model and growth strategy, it may have a material adverse effect on the Company's business, results of operations and financial condition. Further, the Company will therefore be subject to many of the risks common to early-stage enterprises, including under capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and limited revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Competition

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

Competition may intensify as the Company's competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into the Company's market segments or geographic markets. The Company also expects to face additional competition from new entrants. If the Company cannot compete against existing and future competitors, its business, results of operations and financial condition could be materially and adversely affected.

Growth Management

In order to manage the Company's growth effectively, the Company must continue to strengthen its existing infrastructure, develop and improve its processes and internal controls, create and improve its reporting systems, and timely address issues as they arise. As the Company continues to strengthen its existing infrastructure and systems, the Company will also be required to hire additional personnel. These efforts may require substantial financial expenditures, commitments of resources, developments of the Company's processes, and other investments and innovations. Furthermore, the Company encourages employees to quickly develop and launch new features for the Company's products and services. As the Company grows, the Company may not be able to execute as quickly as smaller, more efficient organizations. In addition, as the Company grows, the Company may not be able to maintain its entrepreneurial company culture, which fosters innovation and talent. If the Company does not successfully manage its growth, its business may be adversely affected.

Intellectual Property

The Company's success depends, in part, on its ability to develop and commercialize its services and technologies without infringing, misappropriating or otherwise violating the intellectual property rights (the "IP Rights") of third parties. However, the Company may not be aware that the Company's products, services, solutions or technologies are infringing, misappropriating or otherwise violating third-party IP Rights, and such third parties may bring claims alleging such infringement, misappropriation or violation. Third parties may have issued, or may eventually issue, patents that could be infringed by the Company's services or technology. Any of these third parties could make a claim of infringement against the Company with respect to its services or technology. The Company may also be subject to claims by third parties for breach of copyright, trademark, license usage or other IP Rights. When any such claims are asserted against the Company, the Company may seek to license the third party's IP Rights, which could be expensive. The Company maybe unable to obtain the necessary licenses on satisfactory terms, if at all. Any claim from third parties may result in a limitation on the Company's ability to use the intellectual property subject to these claims or could prevent the Company from registering its brands as trademarks. Even if the Company believes that intellectual property-related claims are without merit, defending against such claims is time-consuming and expensive, and could result in the diversion of the time and attention of the Company's management and employees. Claims of intellectual property infringement also might require the Company to redesign affected services, enter into costly settlement or license agreements, pay costly damage awards, change the Company's brands or face a temporary or permanent injunction prohibiting the Company from importing, marketing, selling or operating certain of the Company's services, using certain of the Company's brands or operating the Company's business as presently conducted. Even if the Company has an agreement for indemnification against such costs, the indemnifying party, if any in such circumstances, may be unable to uphold its contractual obligations.

The Company may be subject to adverse publicity or reputational harm, even if claims against the Company are later shown to be unfounded or unsubstantiated. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have an adverse effect on the price of the Company's securities. The award of damages, or the Company's entry into any license or settlement agreement in connection with such claims, could affect the Company's ability to compete with third parties and have a material adverse effect on the Company's business, financial condition and results of operations.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its directors and executive officers may be engaged in a range of business activities. In addition, the Company's directors and executive officers may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company and subject to any contractual restrictions restricting such activities. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with business interests that interfere with their ability to devote time to the Company's business and affairs, which could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and policies of the Company. For example, a director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. In accordance with applicable laws, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

Insurance Policies

The Company's insurance policies may not adequately cover all risks to which the Company is exposed and may not be adequate for all liabilities actually incurred or indemnification claims against the Company. A significant claim not covered by the Company's insurance, in full or in part, may result in significant expenditures by the Company. Moreover, the Company may not be able to maintain insurance policies in the future at reasonable costs, on acceptable terms or at all, which may adversely affect the Company's business and the trading price of its securities. The successful assertion of one or more large claims against the Company that exceed available insurance coverage, or the occurrence of changes in the Company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could adversely affect the Company's business, financial condition and results of operations.

Current economic and geopolitical events

Rising interest rates, significant and persistent inflationary pressures, the Russia-Ukraine war, conflict in Israel, and other associated recent geopolitical developments continue to have an uncertain and potentially adverse impact on global economic conditions. The severity and duration of any of these factors, or a combination of these conditions, could continue to impact the global economy and lead to lower demand for the Company's products and services.

The continued trend of rising interest rates may impact the Company's ability to finance its future growth and cause the Company to slow the pace of its technological innovations and commercial partnerships, which could impact its ability to raise revenue and negatively impact its financial condition and performance. The inflationary impact on operating costs such that capital and credit markets and industry sentiment are adversely affected, may make it more difficult for the Company to access the necessary capital or credit markets, or if able to do so, at a higher cost or less advantageous terms than existing borrowings.

No Dividends

No dividends on the Subordinate Voting Shares have been paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including the Company's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

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.