Pivot Technology Solutions, Inc.

Management's Discussion and Analysis

December 31, 2019 and 2018

Dated: March 27, 2020

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BASIS OF PRESENTATION

Pivot provides mission critical information technology (“IT”) products and services to the world’s leading companies. This Management’s Discussion and Analysis (the “MD&A”) provides information on the operating activities, performance and financial condition of Pivot Technology Solutions, Inc. and its subsidiaries (“Pivot”, or the “Company”) for the years ended December 31, 2019 and 2018. Pivot is listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “PTG”. Its registered office is located at 55 Renfrew Drive, Suite 200, Markham Ontario, Canada, L3R 8H3.

This MD&A should be read in conjunction with Pivot’s audited consolidated financial statements and the related notes for the years ended December 31, 2019 and 2018, and the Annual Information Form (“AIF”) for the year ended December 31, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and can be found at sedar.com and pivotts.com. All currencies are in United States (“U.S.”) dollars unless otherwise indicated. Additional information about Pivot, including the latest Annual Information Form (“AIF”), can be found on sedar.com and pivotts.com.

The three-month period ended March 31 is referred herein as “Q1”. The three-month period ended June 30 is referred herein as “Q2”. The three-month period ended September 30 is referred herein as “Q3”. The three-month period ended December 31 is referred herein as “Q4”.

FORWARD-LOOKING STATEMENTS

Information in this MD&A contain forward-looking statements, including those concerning the Company’s outlook for the future, growth in IT spending in future periods, annualized cost reduction amount for future periods, additional costs to be incurred in connection with Pivot’s transformation plans, possible sources of funding for future growth, improvements in cost management and other operational efficiencies, implementation of various initiatives as part of the advancement of its strategy intended to create higher value revenue streams, interest rates applicable to the Company’s borrowings, the declaration of a dividend in future periods, the availability to borrow under the Company’s credit facilities, and the repurchase of shares under the Company’s Normal Course Issuer Bid (“NCIB”).

Forward-looking statements are based on assumptions of future events that the Company believes are reasonable based upon information currently available. Actual results could vary significantly from these estimates. Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect. These assumptions include estimates of the profitability of its operations; growth in IT spending, particularly solutions and services, being in line with the overall market’s expected growth rate in future periods; the IT market’s growth in 2020 notwithstanding the COVID-19 pandemic and possible supply chain disruption; availability of borrowings under the Company’s credit facilities and access to other sources of capital; the improved operational results generated from operational efficiency initiatives; the successful implementation of the initiatives identified in this MD&A as part of the advancement of its strategy; that the Company will be in a financial position to declare and pay a dividend in subsequent periods; or that the Company will be in a financial position to or that it will repurchase any additional shares for cancellation under the NCIB.

Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Some of those important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is based on estimated results; (ii) the possible unavailability of financing; (iii) lack of resources to fund growth; (iv) cost reductions in future periods being less significant than the annualized amount calculated based on prior periods; (v) start-up risks associated with new lines of business and product lines; (vi) general operating risks; (vii) dependence on third parties; (viii) changes in government regulation; (ix) the effects of competition; (x) dependence on senior management, (xi) the impact of Canadian and/or U.S. economic conditions, including the impact of international trade disputes; (xii) disruptions to the business resulting from pandemics or epidemics (such as the COVID-19 outbreak); (xiii) fluctuations in currency exchange rates and interest rates; (xiv) uncertainty with respect to the ability of the Company to pay a quarterly dividend in subsequent periods; (xv) uncertainty with respect to the number of shares to be repurchased for cancellation by the Company under the NCIB; and (xvi) the other risks described in the Company's AIF for the year ended December 31, 2019 under the heading "Risk Factors", available at sedar.com and pivotts.com. Readers are cautioned not to place undue reliance on any forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required in accordance with applicable securities laws.

NON-GAAP MEASURES

The Company uses certain non-GAAP measures to evaluate its performance, defined below. These terms do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other issuers. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS such as net income (loss).

Adjusted EBITDA

"Adjusted EBITDA" is defined as gross profit less selling, general and administrative expenses, and corresponds to income (loss) before income taxes, depreciation and amortization, finance expense, change in fair value of liabilities, and other expense (income).

Management believes Adjusted EBITDA is an important indicator of the Company's operating performance as it excludes certain items that are either non-cash expenses, items that cannot be influenced by management in the short term, and items that do not impact core operating performance, demonstrating the Company's ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is used by some investors and analysts for the purposes of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement.

Reconciliations of "income (loss) before income taxes" to "Adjusted EBITDA" are provided under the headings "Selected Quarterly Information" and "Financial and Operating Results".

Adjusted Debt

"Adjusted Debt" is defined as current liabilities, plus long-term other financial liabilities, less lease obligations and current assets.

The Company's working capital is financed by an asset-based lending facility. The amount drawn on the facility generally fluctuates inversely with changes in other working capital. The Adjusted Debt normalizes the impact of the changes in working capital and therefore, management believes that it is a more relevant indicator of the Company's net debt position.

Adjusted Debt to Adjusted EBITDA

"Adjusted Debt to Adjusted EBITDA" is defined as Adjusted Debt divided by the trailing twelve-month Adjusted EBITDA. The Company uses this measure as an indication of its liquidity position and its ability to generate income to service the debt excluding the impacts of working capital fluctuations.

Net Interest Coverage

"Net Interest Coverage" is defined as Adjusted EBITDA divided by finance expense on a trailing twelve-month basis.

BUSINESS PROFILE

Pivot is an industry-leading IT services and solutions provider to many of the world's most successful companies, including members of the Fortune 1000, as well as governments and educational institutions. By leveraging its extensive original equipment manufacturer ("OEM") partnerships and its own fulfillment, professional, deployment, workforce and managed services, Pivot supports the IT infrastructure needs of its customers.

The Company has offices across North America, as well as in Europe and Asia. Pivot's business model emphasizes offering technology, multi-vendor sourcing and implementation solutions to support, plan and provide for the IT needs of customers through a consultative approach with innovative solutions. Pivot's approach helps customers improve their business performance, reduce capital and operating expenses and accelerate the delivery of new products and services. Pivot provides its customers with IT solutions for their application infrastructure and networking needs from the workplace to the edge to the cloud. Pivot also provides a broad range of services, including professional advisory services, deployment services, integration services, workforce services and managed services ("Pivot Provided Services").

Traditional IT resellers provide OEM solutions and are often characterized as vendor-centric institutions. Resellers evolve to IT multi-vendor solutions providers by creating reference architectures for multi-vendor solutions, and implementing these solutions on their behalf. As a result of Pivot's relationships with many industry-leading technology OEMs, its sales professionals and engineers are able to recommend a wide range of solutions to its customers.

STRATEGY

The Company seeks to create shareholder value with an operating strategy designed to help customers contain their IT operations and maintenance costs, while maximizing the value of their IT assets. Securing multi-vendor relationships for hardware, software and cloud solutions that it resells, the Company effectively leverages its own resources and expertise to offer end-to-end services. This strategy enables the Company to provide to its customers a single point of contact and accountability, and a consistent delivery of customized and specialized IT services and lifestyle product support across any platform.

The Company operates with a continuous improvement approach to enhance operational efficiencies. This includes maximizing the utilization of its service delivery capabilities, as well as expanding its service portfolio.

The Company's strategy is comprised of several initiatives:

i. continue to build on Pivot's core business of selling IT solutions, both products and services;
ii. enhance Pivot's services portfolio and capabilities, specifically related to services that Pivot delivers in order to increase service revenues, which generally have better gross profit margins than product sales to improve overall gross profit margins;
iii. continue the Company's commercial transformation to expand Pivot's addressable opportunities with existing customers;
iv. support customers as they expand internationally;
v. improve cost management and gross margins, working with OEM partners;
vi. address legacy issues;
vii. commercialize edge technology and related services; and
viii. pursue strategic acquisitions to accelerate the Company's solutions and services growth.

Management believes that the application of this strategy over time will deliver meaningful benefits for Pivot, its customers, shareholders and employees, including improved competitive differentiation in the marketplace and better financial performance.

SIGNIFICANT 2019 EVENTS

Sale of Smart Edge Assets

Smart Edge^{TM} ("Smart Edge") technology is an advanced software platform designed to support enterprise multi-access edge computing solutions and built to operate on Intel^{TM} technology. On October 25, 2019, the Company completed the sale of the assets of its Smart Edge technology to Intel Corporation ("Intel") for gross consideration of $27.0 million. The proceeds included $25.0 million cash on closing, and $2.0 million to be paid 18 months after closing, subject to customary holdback terms and conditions. This resulted in a pre-tax gain of $22.3 million, before transaction costs of $0.9 million.

In connection with the sale of Smart Edge, Pivot and Intel have entered into a three-year preferred channel partner agreement, which designates Pivot as a non-exclusive preferred system integrator and channel partner for Smart Edge^{TM} based solutions. Under this agreement, Pivot will market Smart Edge solutions and provide customers edge services including: deployment, system, integration, monitoring and support services. The partnership with Intel will leverage Pivot's core strengths as a technology integrator and service provider with Intel's advanced technology solutions to drive the adoption of the Smart Edge platform. With this partnership, Pivot remains focused on what it believes are significant market opportunities using edge technologies, and maintains its goal of becoming the #1 edge services provider in North America.

Integration

One of the Company's integration initiatives was to integrate certain U.S. wholly owned subsidiaries and related business units through a merger. This initiative was successfully completed with a systems integration in Q4 2019, and a merger of certain U.S. subsidiaries on December 31, 2019. This will allow the Company to centralize several functional areas, which is expected to generate further cost reductions, while improving controls and creating efficiencies.

New Chief Revenue Officer

On October 17, 2019, the Company announced the promotion of Scott Ward to the newly created position of Chief Revenue Officer. In this new role, Mr. Ward will lead the sales team, and work closely with strategic partners to expand Pivot's addressable market. Scott previously held the position of Executive Vice President with Pivot since October 2017.

FINANCIAL HIGHLIGHTS

2019 Fourth Quarter Financial Highlights

- Revenue was $307.2 million in Q4 2019, representing an increase of $5.6 million or 1.9% as compared to Q4 2018.
- Gross profit was $42.9 million in Q4 2019, representing an increase of $0.4 million or 0.9% as compared to Q4 2018; gross profit margin was 14.0% in Q4 2019, as compared to 14.1% in Q4 2018.
- Adjusted EBITDA(1) was $7.5 million in Q4 2019, representing an increase of $2.7 million or 56.2% as compared to Q4 2018; the quarter-over-quarter favourable impact of the implementation of IFRS 16 was $1.2 million. Normalized for this impact, Adjusted EBITDA(1) increased by $1.5 million or 30.4%.
- The Company recognized a pre-tax gain of $22.3 million on the Smart Edge sale.
- Net income available to shareholders was $16.3 million in Q4 2019, as compared to $0.5 million in Q4 2018; diluted earnings per share was $0.41 in Q4 2019, as compared to $0.01 in Q4 2018.
- The Company repurchased 237,310 shares at a cost of $0.3 million through its NCIB.
- The Company paid dividends of $1.2 million during Q4 2019.

2019 Annual Financial Highlights

- Revenue was $1,218.1 million in 2019, representing a decrease of $155.5 million or 11.3% as compared to 2018.
- Gross profit was $164.0 million in 2019, representing an increase of $0.9 million or 0.5% as compared to 2018; gross profit margin was 13.5% in 2019, as compared to 11.9% in 2018.
- Adjusted EBITDA(1) was $26.8 million in 2019, representing an increase of $11.2 million or 72.4% as compared to 2018; the year-over-year favourable impact of the implementation of IFRS 16 was

$5.2 million. Normalized for this impact, Adjusted EBITDA[1] increased by $6.1 million or 39.0%.

- The Company recognized a pre-tax gain of $22.3 million on the Smart Edge sale.
- Net income available to shareholders was $14.0 million in 2019, as compared to a loss of $4.6 million in 2018; diluted earnings per share was $0.35 in 2019, as compared to a loss of $0.12 in 2018; normalized for the Smart Edge sale and impact of IFRS 16, net income available to shareholders increased $1.5 million.
- Adjusted Debt[2] as at December 31, 2019 decreased by $21.6 million, primarily as a result of the Smart Edge sale. As a result, the Adjusted debt to Adjusted EBITDA[1] improved from 5.00 to 2.10.
- The Company repurchased 237,310 shares at a cost of $0.3 million through its NCIB.
- The Company paid dividends of $4.8 million during 2019.

2019 Fourth Quarter Financial Highlights *(in millions of Canadian dollars)*

- Revenue was C$405.5 million in Q4 2019, representing an increase of C$6.0 million or 1.5% as compared to Q4 2018.
- Gross profit was C$56.6 million in Q4 2019, representing an increase of C$0.6 million or 1.0% as compared to Q4 2018; gross profit margin was 14.0% in Q4 2019, as compared to 14.1% in Q4 2018.
- Adjusted EBITDA[1] was C$9.8 million in Q4 2019, representing an increase of C$3.6 million or 57.1% as compared to Q4 2018; the quarter-over-quarter favourable impact of the implementation of IFRS 16 was C$1.6 million. Normalized for this impact, Adjusted EBITDA[1] increased by C$1.9 million or 31.0%.
- The Company recognized a pre-tax gain of C$29.6 million on the Smart Edge sale.
- Net income available to shareholders was C$21.6 million in Q4 2019, as compared to C$0.6 million in Q4 2018; diluted earnings per share was C$0.54 in Q4 2019, as compared to C$0.01 in Q4 2018.
- The Company repurchased 237,310 shares at a cost of C$0.4 million through its NCIB.
- The Company paid dividends of C$1.5 million during Q4 2019.

2019 Annual Financial Highlights *(in millions of Canadian dollars)*

- Revenue was C$1,616.3 million in 2019, representing a decrease of C$163.5 million or 9.2% as compared to 2018.
- Gross profit was C$217.7 million in 2019, representing an increase of C$6.3 million or 3.0% as compared to 2018; gross profit margin was 13.5% in 2019, as compared to 11.9% in 2018.
- Adjusted EBITDA[1] was C$35.5 million in 2019, representing an increase of C$15.4 million or 76.5% as compared to 2018; the year-over-year favourable impact of the implementation of IFRS 16 was C$6.9 million. Normalized for this impact, Adjusted EBITDA[1] increased by C$8.5 million or 42.3%.
- The Company recognized a pre-tax gain of $29.6 million on the Smart Edge sale.
- Net income available to shareholders was C$18.5 million in 2019, as compared to a loss of C$5.9 million in 2018; diluted earnings per share was C$0.46 in 2019, as compared to a loss of C$0.15 in 2018; normalized for the Smart Edge sale and impact of IFRS 16, net income available to shareholders increased C$1.7 million.
- Adjusted Debt[2] as at December 31, 2019 decreased by C$28.1 million, primarily as a result of the Smart Edge sale. As a result, the Adjusted debt to Adjusted EBITDA[1] improved from 5.00 to 2.10.
- The Company repurchased 237,310 shares at a cost of C$0.4 million through its NCIB.
- The Company paid dividends of C$6.3 million during 2019.

OUTLOOK FOR 2020

Management’s outlook is that some customers remain cautious in their approach to IT investments. This outlook is consistent with the Company’s outlook for the past several quarters. While the impact of the recent novel coronavirus (COVID-19) outbreak on the Company has been minimal to date, there is uncertainty around its duration and future business conditions. Management is closely monitoring how COVID-19 is affecting Pivot’s operations, and is taking measures and precautions to protect and inform its employees. If the outbreak were to cause disruption to the Company’s supply chain or its services capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

The Company continues to experience pricing and margin pressures in its product business, while margins remain strong in the services side of the business. The Company is monitoring trade discussions between the U.S. and China and the potential impact of tariffs; however, the long-term impact of these discussions has not yet been determined. The increased acceptance of cloud computing has created uncertainty for hardware in the industry, primarily data centre technology, while creating opportunity for services. Excluding the potential impact of COVID-19, management believes Pivot’s opportunities to create shareholder value through its product and services strategy are robust and the secular trends driving IT spending, particularly spending on solutions and services, are positive and are expected to grow in line with the overall market’s expected growth rate in 2020. However, there could be a possibility of recession in the near future as a result of the impact caused by COVID-19, which could negatively and materially impact management’s outlook.

As part of the integration activities, the Company has standardized on a common set of tools and processes in order to better serve its customers, suppliers and partners. This integrated organization will evolve the sales model to engage customers in a more strategic fashion to develop comprehensive relationships built on the value of selling Pivot’s expanded services portfolio. The execution of this strategy is intended to create higher value recurring revenue streams over time that offer greater predictability of performance by reducing the Company’s exposure to the capital expenditure cycles of its customers. The sales cycle for service solutions tends to be longer than the cycle for product sales. The refinement of the Company’s services strategy may not offset capital spending volatility in the short term, although management believes the prospects for product sales are positive.

The Company continues to drive the sale, deployment and management of edge solutions. While the assets of Smart Edge were sold in October 2019, Pivot maintains a leadership position with its knowledge of edge technologies. As part of the sale of Smart Edge, Pivot entered into a preferred channel partner agreement, which allows Pivot to resell the Smart Edge solution and work with Intel on the services and management around the edge opportunities (see “Sale of Smart Edge assets” under the heading “Significant 2019 Developments”).

The Company continually seeks to expand its position and capabilities in the global IT market organically and through selective and accretive acquisitions. The Company’s strong and diverse customer and vendor partner relationships provide the foundation to pursue its strategy.

The Company's objective in managing capital is to ensure that adequate resources are available to manage the Company's operations and fund organic growth while providing dividends to shareholders, funding strategic investments including acquisitions and re-acquiring shares under the NCIB. The Pivot board of directors (the "Board") continually evaluates the dividend policy after giving consideration to these objectives and the Company's future prospects.

KEY PERFORMANCE INDICATORS

Pivot measures the success of its strategies using a number of key performance indicators. These include revenues, gross profit, Adjusted EBITDA(1), Adjusted Debt(1), and Adjusted Debt to Adjusted EBITDA(1) ratio. Pivot believes these are important measures as they allow the Company to evaluate its operating performance and identify financial and business trends relating to its financial condition and results of operations (see Non-GAAP measures).

SELECTED ANNUAL INFORMATION

The following is a summary of selected annual financial information for the past three years, in both U.S. dollars and Canadian dollars.

(in thousands of U.S. dollars except per share amounts)	**2019**	**2018**	**2017**
Financial Results			
Revenue	**1,218,124**	1,373,630	1,511,641
Gross profit	**164,030**	163,153	168,751
Income before depreciation and amortization, finance expense, change in fair value of liabilities and other expense (income) (Adjusted EBITDA(1))	**26,788**	15,539	24,118
Net income (loss)	**13,718**	(4,470)	(5,628)
Net income (loss) attributable to shareholders	**13,967**	(4,591)	(6,057)
Earnings (loss) per share attributable to shareholders:			
Basic *($)*	**$ 0.35**	$ (0.12)	$ (0.15)
Diluted *($)*	**$ 0.35**	$ (0.12)	$ (0.15)
Cash dividends declared	**4,776**	4,900	4,973
Financial Position *(at year end)*			
Total assets	**421,398**	421,319	527,883
Other financial liabilities – current	**111,247**	100,184	136,897
Other financial liabilities – non-current portion	**11,547**	1,178	2,443

(in thousands of U.S. dollars)	**2019**	**2018**	**2017**
Income (loss) before income taxes	**20,684**	(3,463)	2,800
Depreciation and amortization	**14,615**	11,352	11,257
Finance expense	**6,027**	6,120	5,450
Change in fair value of liabilities	**1,208**	653	209
Other expense (income)	**(15,746)**	877	4,402
Adjusted EBITDA[(1)]	**26,788**	15,539	24,118

	(in thousands of Canadian dollars except per share amounts)		
	2019	**2018**	**2017**
Financial Results			
Revenue	**1,616,329**	1,779,812	1,963,017
Gross profit	**217,652**	211,397	219,140
Income before depreciation and amortization, finance expense, change in fair value of liabilities and other expense (income) (Adjusted EBITDA[(1)])	**35,546**	20,134	31,320
Net income (loss)	**18,203**	(5,791)	(7,307)
Net income (loss) attributable to shareholders	**18,533**	(5,949)	(7,866)
Earnings (loss) per share attributable to shareholders:			
Basic *($)*	**$ 0.47**	$ (0.15)	$ (0.19)
Diluted *($)*	**$ 0.46**	$ (0.15)	$ (0.19)
Cash dividends declared per share *($)*	**$ 0.16**	$ 0.16	$ 0.16
Financial Position *(at year end)*			
Total assets	**547,396**	574,553	663,602
Other financial liabilities – current	**144,510**	136,621	172,093
Other financial liabilities – non-current portion	**15,000**	1,606	3,071

	(in thousands of Canadian dollars)		
	2019	**2018**	**2017**
Income (loss) before income taxes	**27,446**	(4,486)	3,638
Depreciation and amortization	**19,393**	14,709	14,618
Finance expense	**7,997**	7,930	7,077
Change in fair value of liabilities	**1,603**	846	271
Other expense (income)	**(20,893)**	1,136	5,716
Adjusted EBITDA[(1)]	**35,546**	20,135	31,320

SELECTED QUARTERLY INFORMATION

The following is a summary of selected consolidated financial information for the past eight quarters in U.S. dollars.

(in thousands of U.S. dollars except per share amounts)	2019				2018			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**307,215**	**269,623**	**345,688**	**295,598**	301,632	321,389	381,343	369,266
Gross profit	**42,901**	**39,548**	**44,957**	**36,624**	42,514	40,735	40,605	39,299
Gross profit margin	***14.0%***	***14.7%***	***13.0%***	***12.4%***	*14.1%*	*12.7%*	*10.6%*	*10.6%*
Adjusted EBITDA[1]	**7,455**	**6,301**	**9,692**	**3,340**	4,772	4,165	5,104	1,498
Adjusted EBITDA[1] margin	***2.4%***	***2.3%***	***2.8%***	***1.1%***	*1.6%*	*1.3%*	*1.3%*	*0.4%*
Net income (loss)	**16,332**	**367**	**1,019**	**(4,000)**	2	(2,473)	265	(2,264)
Net income (loss) attributable to shareholders	**16,256**	**(317)**	**1,611**	**(3,583)**	472	(2,808)	214	(2,469)
Earnings (loss) per share attributable to shareholders:								
Basic *($)*	**$ 0.41**	**$ (0.01)**	**$ 0.04**	**$ (0.09)**	$ -	$ (0.07)	$ 0.01	$ (0.06)
Diluted *($)*	**$ 0.41**	**$ (0.01)**	**$ 0.04**	**$ (0.09)**	$ -	$ (0.07)	$ 0.01	$ (0.06)
Cash dividends declared on common shares	**1,194**	**1,207**	**1,176**	**1,199**	1,203	1,207	1,231	1,259

The following is a reconciliation of “income (loss) before income taxes” to “Adjusted EBITDA” in U.S. dollars.

	2019				2018			
(in thousands of U.S. dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Income (loss) before income taxes	**22,322**	**374**	**3,422**	**(5,434)**	674	(2,253)	721	(2,605)
Depreciation and amortization	**3,454**	**3,683**	**3,721**	**3,757**	2,779	2,863	2,861	2,849
Finance expense	**1,396**	**1,456**	**1,508**	**1,667**	1,506	1,528	1,773	1,313
Change in fair value of liabilities	**545**	**223**	**208**	**232**	230	226	157	40
Other expense (income)	**(20,262)**	**565**	**833**	**3,118**	(417)	1,801	(408)	(99)
Adjusted EBITDA[1]	**7,455**	**6,301**	**9,692**	**3,340**	4,772	4,165	5,104	1,498

The following is a summary of selected consolidated financial information for the past eight quarters in Canadian dollars.

	(in thousands of Canadian dollars except per share amounts)							
	2019				**2018**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**405,549**	**355,561**	**462,221**	**392,998**	399,507	420,952	492,342	467,011
Gross profit	**56,648**	**52,208**	**60,104**	**48,692**	56,062	53,210	52,423	49,702
Gross profit margin	***14.0%***	***14.7%***	***13.0%***	***12.4%***	*14.1%*	*12.7%*	*10.6%*	*10.6%*
Adjusted EBITDA[1]	**9,849**	**8,318**	**12,938**	**4,441**	6,270	5,426	6,543	1,895
Adjusted EBITDA[1] margin	***2.4%***	***2.3%***	***2.8%***	***1.1%***	*1.6%*	*1.3%*	*1.3%*	*0.4%*
Net income (loss)	**21,678**	**501**	**1,340**	**(5,316)**	(34)	(3,203)	309	(2,864)
Net income (loss) attributable to shareholders	**21,576**	**(413)**	**2,134**	**(4,764)**	570	(3,637)	241	(3,123)
Earnings (loss) per share attributable to shareholders:								
Basic *($)*	**$ 0.55**	**$ (0.01)**	**$ 0.05**	**$ (0.12)**	$ 0.01	$ (0.09)	$ 0.01	$ (0.08)
Diluted *($)*	**$ 0.54**	**$ (0.01)**	**$ 0.05**	**$ (0.12)**	$ 0.01	$ (0.09)	$ 0.01	$ (0.08)
Cash dividends per share	**$ 0.04**	**$ 0.04**	**$ 0.04**	**$ 0.04**	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Cash dividends declared on common shares	**1,585**	**1,586**	**1,579**	**1,579**	1,579	1,579	1,596	1,612

The following is a reconciliation of "income (loss) before income taxes" to "Adjusted EBITDA" in Canadian dollars.

	(in thousands of Canadian dollars)							
	2019				**2018**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Income (loss) before income taxes	**29,624**	**506**	**4,539**	**(7,223)**	840	(2,919)	887	(3,295)
Depreciation and amortization	**4,558**	**4,862**	**4,978**	**4,995**	3,670	3,741	3,695	3,603
Finance expense	**1,841**	**1,922**	**2,018**	**2,216**	1,989	1,997	2,283	1,661
Change in fair value of liabilities	**722**	**294**	**279**	**308**	301	293	201	51
Other expense (income)	**(26,896)**	**734**	**1,124**	**4,145**	(530)	2,314	(523)	(125)
Adjusted EBITDA[1]	**9,849**	**8,318**	**12,938**	**4,441**	6,270	5,426	6,543	1,895

The tables above show selected financial information from the results of operations of the Company for the periods indicated. The financial results are not necessarily indicative of the results that may be expected for any other future comparative period.

In general, the business tends to fluctuate from quarter to quarter. Factors affecting the quarterly trend include the following:

- timing of capital-related spending by large customers who often use budgeted funds before the end of their fiscal periods; consequently, a small number of large customers could periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects; and

- OEMs tend to create higher sales activity at their own year ends as steeper discounts may be offered to incentivize higher volumes.

In addition, the following items are transitional or transactional in nature and may distort historical trends:

- adoption of IFRS 16 effective January 1, 2019 (see detail in “New Accounting Policies Adopted” section);
- fair value adjustments in connection with contingent considerations are considered transactional in nature; as a result of these items, net income (loss) included expense of $1.2 million and $0.7 million in 2019 and 2018, respectively;
- sale of the assets of Smart Edge, reflected as part of “other expense (income)”, generated a gain of $22.3 million in Q4 2019, compared to no dispositions in 2018;
- restructuring costs related to acceleration of commercial transformation, reflected as part of “other expense (income)”, were $3.1 million and $2.5 million in 2019 and 2018, respectively;
- transaction costs, reflected as part of “other expense (income)”, are considered transactional in nature; these costs were $1.5 million in 2019, of which $0.9 million related to the sale of Smart Edge, compared to $0.3 million in 2018; and
- foreign exchange loss (gain), reflected as part of “other expense (income)”, fluctuates depending on the strength of the U.S. dollars the weakened U.S. dollar in 2019 resulted in a $1.9 million loss in 2019 as compared to a $2.1 million gain in 2018.

2019 FINANCIAL AND OPERATING RESULTS

The following is an analysis of the Company’s results for the three and twelve months ended December 31, 2019 and 2018, including a table setting out the geographical breakdown of revenue by region.

Revenue

In general, changes in revenue quarter over quarter are attributable to a number of factors, including, but not limited to, timing of larger projects and replenishments, vendor incentive programs, competitive pressures in the market and timing of service delivery within our professional services category. Service revenues can also be impacted due to customer requirements relating to bundling of product and service offerings and the timing of their investment needs.

Revenue by types of goods and services

(in thousands of U.S. dollars)	Three months ended December 31				Twelve months ended December 31			
	2019	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
Product sales	**268,073**	259,945	8,128	3.1%	**1,066,792**	1,215,620	(148,828)	(12.2%)
Pivot Provided Services	**20,111**	25,067	(4,956)	(19.8%)	**79,785**	89,189	(9,404)	(10.5%)
Third-party services	**19,031**	16,620	2,411	14.5%	**71,547**	68,821	2,726	4.0%
Total revenue	**307,215**	301,632	5,583	1.9%	**1,218,124**	1,373,630	(155,506)	(11.3%)
Gross profit	**42,901**	42,514	387	0.9%	**164,030**	163,153	877	0.5%
Gross profit margin	***14.0%***	*14.1%*			***13.5%***	*11.9%*		

Certain comparative information has been reclassified to conform to current year presentation.

Total revenue of $307.2 million for Q4 2019 increased by $5.6 million or 1.9% as compared to the same period in the prior year. The increase was mainly attributable to an increase in product sales and third-party services during the quarter, partially offset by a decrease in Pivot Provided Services.

Total revenue of $1,218.1 million for the 2019 year decreased $155.5 million or 11.3% as compared to 2018. The decline is mainly due to a decrease in product sales and Pivot Provided Services, partially offset by increased third-party services. The decline in product sales is primarily due to decreased sales to major customers (see below).

Pivot Provided Services of $20.1 million and $79.8 million for Q4 2019 and the 2019 year, respectively, decreased by $5.0 million or 19.8% for Q4 2019, and decreased $9.4 million or 10.5% as compared to 2018. The decline in Pivot Provided Services is primarily due to certain workforce services contracts winding down in 2018, combined with two large non-recurring deployment services projects being completed in 2018, partially offset by a new deployment project which began in 2019.

Third-party services of $19.0 million and $71.5 million for Q4 2019 and the 2019 year, respectively, increased by $2.4 million or 14.5% for Q4 2019, and increased $2.7 million or 4.0% as compared to 2018. The increase in third-party services is primarily driven by the timing of certain contracts and renewals.

Revenue by geographical markets

(in thousands of U.S. dollars)	Three months ended December 31				Twelve months ended December 31			
	2019	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
United States	**276,232**	281,150	(4,918)	(1.7%)	**1,089,176**	1,271,104	(181,928)	(14.3%)
Canada	**19,843**	12,882	6,961	54.0%	**98,110**	76,725	21,385	27.9%
International	**11,140**	7,600	3,540	46.6%	**30,838**	25,801	5,037	19.5%
Total revenue	**307,215**	301,632	5,583	1.9%	**1,218,124**	1,373,630	(155,506)	(11.3%)

By region, while revenue from Canada and International experienced significant growth, revenue from the U.S. declined for the quarter and the year in 2019 as compared to 2018 as a result of the decreased sales to major customers, as mentioned above.

Revenue by customer mix

(in thousands of U.S. dollars)	Three months ended December 31				Twelve months ended December 31			
	2019	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
Non-major customers	**254,838**	240,966	13,872	5.8%	**985,627**	962,656	22,971	2.4%
Major customers	**52,377**	60,666	(8,289)	(13.7%)	**232,497**	410,974	(178,477)	(43.4%)
Total revenue	**307,215**	301,632	5,583	1.9%	**1,218,124**	1,373,630	(155,506)	(11.3%)

There has been a shift in customer mix during 2019 as compared to 2018. The Company generated more revenue from non-major customers in 2019, which usually have a higher gross profit margin (see “Major customers” below). Non-major customers represented $254.8 million or 83.0% and $241.0 million or 79.9%, of total revenues for Q4 of 2019 and 2018, respectively, and $985.6 million or 80.9%, and $962.7 million or 70.1% of total revenues for 2019 and 2018, respectively.

Major customers

The Company reviews and evaluates revenue and gross profit margin by major versus non-major customers. A major customer is defined as a customer that generates revenues 10% or greater of total revenues to the Company in a reporting period. Generally, the significance of the quantity of products sold or services provided to these customers provides major customers with additional buying power, and thus the Company earns a reduced gross profit margin to generate increased revenues and maintain strong relationships.

Major customers represented $52.4 million or 17.0% and $60.1 million or 20.1%, of total revenues for Q4 of 2019 and 2018, respectively, and $232.5 million or 19.1%, and $411.0 million or 29.9% of total revenues for 2019 and 2018, respectively. While major customers generate high volume of revenue, gross profit margin is usually lower for these customers.

Gross profit

Gross profit of $42.9 million for Q4 2019 increased by $0.4 million or 0.9% as compared to the same period in the prior year, with a gross profit margin of 14.0% in Q4 2019 as compared to 14.1% in Q4 2018. Gross profit of $164.0 million for 2019 increased by $0.9 million or 0.5% as compared to 2018, with a gross profit margin of 13.5% in 2019 as compared to 11.9% in 2018.

The improvement in gross profit for the Q4 2019 and the 2019 year is mainly driven by the change in the customer mix and cost reduction efforts. During 2019, the Company experienced a shift in the customer mix, resulting in less revenue being generated from major customers, partially offset by increased revenue from non-major customers. Since the gross profit margins for non-major customers are generally more favourable, the 2019 financial results benefited from this shift. In addition, as the Company continues its initiative to operate the organization more cost efficiently, the cost reduction efforts helped improve the gross profit margin in 2019.

Selling, general and administrative expenses

	Three months ended December 31				Twelve months ended December 31			
(in thousands of U.S. dollars)	**2019**	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
SG&A	**35,446**	37,742	(2,296)	(6.1%)	**137,242**	147,614	(10,372)	(7.0%)
as a % of gross profit	***82.6%***	*88.8%*			***83.7%***	*90.5%*		

Selling, general and administrative expenses ("SG&A") of $35.4 million for Q4 2019 decreased $2.3 million or 6.1% as compared to the same period in the prior year. SG&A was lower by $1.2 million in Q4 2019 due to the impact of IFRS 16 and the remaining decrease of $1.1 million is mainly due to the following:

- Employee compensation and benefits decreased $0.7 million quarter over quarter. Spending on Smart Edge decreased by $1.3 million due to the sale of business during the quarter, as well as a result of capitalizing certain qualified development costs. Savings from the Company's cost reduction efforts were approximately $0.5 million. These reductions were partly offset by higher variable compensation in the quarter, associated with improved performance compared to the prior year.
- Facilities expense declined by $0.3 million as a result of the exit from certain U.S. and Canadian locations and cost reduction activities.

SG&A of $137.2 million for 2019 decreased $10.4 million or 7.0% as compared to 2018. SG&A was lower by $5.2 million in 2019 due to the impact of IFRS 16 and the remaining decrease of $5.2 million is mainly due to the following:

- Employee compensation and benefits decreased $3.0 million year over year. $2.3 million of this reduction related to Smart Edge, as a result of capitalizing certain qualified development costs starting early 2019. Cost reduction activities resulted in a $3.0 million decrease through reduced headcount and contractor costs, partially offset by higher variable compensation of $2.8 million associated with improved performance compared to the prior year.
- Facilities expense declined by $0.7 million as a result of the exit from certain U.S. and Canadian locations and cost reduction activities.
- The remaining decrease in SG&A of $1.5 million primarily related to reduced spending in professional and consulting fees, license fees and permits, and lower bad debt expense, partly offset by increased costs associated with marketing efforts.

Finance expense

	Three months ended December 31				Twelve months ended December 31			
(in thousands of U.S. dollars)	**2019**	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
Finance expense	**1,396**	1,506	(110)	(7.3%)	**6,027**	6,120	(93)	(1.5%)

Finance expense of $1.4 million and $6.0 million for Q4 2019 and the 2019 year, respectively, decreased $0.1 million or 7.3% for the quarter and decreased $0.1 million or 1.5% for the year, as compared to the same periods in the prior year. Excluding the impact of IFRS 16 of $0.3 million and $1.3 million for Q4 2019 and the 2019 year, respectively, finance expense decreased $0.4 million and $1.4 million for the quarter and the year, respectively.

Excluding of the impact of IFRS 16 in 2019, finance expense consists primarily of interest and fees on the Company's senior secured asset based revolving credit facility with JPMorgan Chase Bank, N.A. (the "JPMC Credit Facility"). 2018 included interest expense of $0.4 million related to the interest rate swap agreement, which was terminated in November 2018, and $0.4 million related to a flooring arrangement, which was inactive in 2019. The remaining change in finance expense were impacted by fluctuations in LIBOR and U.S. Prime interest rates based on the average borrowings. Although the interest rate for the 2019 year was higher than 2018, it was offset by lower average borrowings in 2019.The effective rates of interest on the JPMC Credit Facility were 4.4% and 4.5% for Q4 of 2019 and 2018, respectively; and were 5.7% and 5.2% for 2019 and 2018, respectively. Average borrowings on the JPMC Credit Facility were $103.4 million and $101.0 million for Q4 of 2019 and 2018, respectively; and were $108.0 million and $114.9 million for 2019 and 2018, respectively.

Other expense (income)

	Three months ended December 31			Twelve months ended December 31		
(in thousands of U.S. dollars)	**2019**	**2018**	**$ Change**	**2019**	**2018**	**$ Change**
Gain on sale	**(22,341)**	-	(22,341)	**(22,341)**	-	(22,341)
Restructuring costs	**353**	892	(539)	**3,079**	2,534	545
Transaction costs	**667**	178	489	**1,530**	312	1,218
Foreign exchange loss (gain)	**954**	(1,531)	2,485	**1,916**	(2,082)	3,998
Other	**105**	44	61	**70**	113	(43)
Other expense (income)	**(20,262)**	(417)	(19,845)	**(15,746)**	877	(16,623)

Other income was $20.3 million for Q4 2019 as compared to $0.4 million for Q4 2018, and was an income of $15.7 million for 2019 as compared to an expense of $0.9 million for 2018. The net increase in other income are due to a number of factors as follows:

- The Company completed the sale of Smart Edge (see "Sale of Smart Sale Assets" under the heading "Significant 2019 Events"). This resulted in a pre-tax gain of $22.3 million before transaction costs during Q4 2019.
- Commencing the third quarter of 2018, the Company initiated certain activities to accelerate its commercial transformation whereby customers are engaged in a more strategic fashion to develop comprehensive relationships built on the value of selling the Company's expanded portfolio. The restructuring costs that were incurred related to these commercial transformation and cost reduction initiatives was $0.4 million and $0.9 million in Q4 2019 and 2018, respectively, and $3.1 million and $2.5 million for 2019 and 2018, respectively.
- Transaction costs in 2019 were primarily related to the sale of Smart Edge assets totalling $0.9 million, of which $0.5 million was incurred in Q4 2019 (see "Sale of Smart Edge Assets" under "Significant 2019 Events").
- Foreign exchange was a loss for the quarter and the year of 2019 as compared to the gain for the quarter and the year of 2018, associated with the weakening of the U.S. dollar as compared to the Canadian dollar during 2019.

Income tax expense

	Three months ended December 31				Twelve months ended December 31			
(in thousands of U.S. dollars)	**2019**	2018	$ Change	% Change	**2019**	2018	$ Change	% Change
Income tax expense	**5,990**	672	5,318	791.4%	**6,966**	1,007	5,959	591.8%
Effective tax rate	***26.8%***	*99.7%*			***33.7%***	*(29.1%)*		

The Company's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Company operates in, adjusted for the main permanent differences identified.

Tax rates for 2018 were unusual due to certain provisions in the U.S. tax reform.

Normalized for the tax expense of $5.2 million on the gain in connection with the sale of Smart Edge, income tax expense was $0.8 million for Q4 2019 as compared to $0.7 million for Q4 2018, and was $1.7 million for 2019 as compared to $1.0 million for 2018.

The Company had deferred tax assets, which totalled $7.8 million and $9.9 million as at December 31, 2019 and 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The sources and uses of cash for 2019 and 2018 are summarized below.

(in thousands of U.S. dollars)	**2019**	**2018**	**$ Change**	**% Change**
Cash and cash equivalents, beginning of year	**15,312**	5,248	10,064	191.8%
Net cash from (used in):				
Operating activities	**(1,247)**	62,483	(63,730)	(102.0%)
Investing activities	**18,405**	(4,827)	23,232	481.3%
Financing activities	**(5,214)**	(47,576)	42,362	89.0%
Effect of foreign exchange fluctuations on cash held	**19**	(16)	35	218.8%
Change in cash and cash equivalents	**11,963**	10,064	1,899	18.9%
Cash and cash equivalents, end of year	**27,275**	15,312	11,963	78.1%

Net cash from operating activities

Cash used in operating activities was $1.2 million in 2019, as compared to a source of $62.5 million in 2018. Normalized for the impact of IFRS 16 of $3.9 million, which is being reflected as a financing activity in 2019, cash used in operating activities was an outflow of $5.2 million in 2019. The change in net cash from operating activities primarily fluctuates depending on timing of non-cash working capital items, specifically accounts receivable, inventory and accounts payable. The Company finances its working capital through its revolving credit line, therefore fluctuations in cash from operations are normal and are generally offset by changes in the JPMC Credit Facility, which are captured in financing activities (see "Secured Borrowings" under the heading "Debt").

Net cash from investing activities

Cash provided by investing activities was $18.4 million in 2019, as compared to an outflow of $4.8 million in 2018. Excluding the proceeds of $25.0 million from the sale of Smart Edge assets, cash used in investing activities was an outflow of $6.6 million in 2019, primarily related to payments of contingent consideration and the capitalization of Smart Edge development . The outflow of $4.8 million in 2018 primarily related to payments of contingent consideration in respect of previous acquisitions and capital expenditures.

Net cash from financing activities

Cash used in financing activities was $5.2 million in 2019 as compared to $47.6 million in 2018. Normalized for the impact of IFRS 16 of $3.9 million, cash used in financing activities was $1.3 million in 2019. Cash used in financing activities is comprised of borrowings and repayments on secured and unsecured debt facilities, changes in banking indebtedness, dividend payments, proceeds from issuance of common shares related to the exercise of options, and stock repurchases. The change in cash from financing activities in 2019 as compared to 2018 was primarily driven by movements in net borrowing associated with the Company's JPMC Credit Facility and changes in bank indebtedness. As noted above, the JPMC Credit Facility tends to fluctuate inversely with the changes in working capital and cash from operations.

Financial condition

The Company expects that cash and cash equivalents, cash flow from operations and amounts available to be drawn against the JPMC Credit Facility will enable the Company to fund organic growth while providing dividends to shareholders, funding strategic investments including acquisitions and re-acquiring shares under the NCIB. The Company's expectation is based on its assumption that the COVID-19 outbreak will not negatively and materially impact on the Company's revenue and profitability.

The Company uses the key metrics discussed below to measure its liquidity.

Working capital

The amount of time it takes for the Company to convert the receivables to cash and to pay its obligations has an effect on working capital. Days sales outstanding were 51 and 54 days at December 31, 2019 and 2018, respectively. Receivables and collections are closely monitored against expected cash flow. Days payables outstanding were 54 and 57 days at December 31, 2019 and 2018, respectively. The Company works closely with its vendors to share the cash flow implications when customers require longer payment terms where possible.

Working capital deficiencies as at December 31, 2019 and 2018 were $59.0 million and $76.6 million, respectively. Normalized for the impact of IFRS 16 of $3.3 million, working capital deficiency was $55.7 million as at December 31, 2019. Included in working capital are cash and cash equivalents of $27.3 million and $15.3 million as at December 31, 2019 and 2018, respectively; and amounts borrowed under the JPMC Credit Facility of $106.7 million and $99.1 million, as at December 31, 2019 and 2018, respectively, which are presented as current.

The working capital deficiencies are primarily due to the Company's strategic decision to take advantage of more favourable borrowing rates on debt. Since 2011, the Company's investments in acquisitions has been in excess of $100.0 million. Due to the fact that the Company was able to negotiate more favourable borrowing rates on the Company's secured credit facility, as compared to the typical long-term debt, the Company has historically and continues to strategically finance its operations and acquisitions using its short-term facility.

The Company has significant liquidity with access to additional funds through its JPMC Credit Facility. The average undrawn availability on the JPMC Credit Facility was $72.2 million and $73.8 million for 2019 and 2018, respectively, and the undrawn availability were $53.7 million and $89.0 million as at December 31, 2019 and 2018, respectively.

Key metrics on consolidated debt

Adjusted debt

(in thousands of U.S. dollars)	**2019**	2018
Current liabilities	**379,007**	401,240
Other financial liabilities – long-term	**11,547**	1,178
Less: Lease obligations – total	**(14,449)**	-
Less: Current assets	**(319,958)**	(324,685)
Adjusted debt(2)	**56,147**	77,733

Adjusted Debt(2) normalizes the impact of the changes in working capital as well as the impact of IFRS 16 in 2019, and therefore, management believes that it is a more relevant indicator of the Company's debt position and is a more comparable metric with industry peers. The decrease of Adjusted Debt(2) in 2019 was mainly due to the proceeds of $25.0 million from the sale of Smart Edge assets (see "Sale of Smart Edge Assets" under the heading "Significant 2019 Events").

Below are the key metrics of our consolidated debt as at December 31, 2019 and 2018.

	2019	**2018**
Adjusted Debt(2) to Adjusted EBITDA(1)	**2.10**	5.00
Net interest coverage(3)	**4.44**	2.54

The improvement in both of these key metrics in 2019 was due to the higher Adjusted EBITDA and margin generated from operations, as well as the proceeds from the sale of Smart Edge (see "Sale of Smart Edge Assets" under the heading "Significant 2019 Events").

Debt

(in thousands of U.S. dollars)	**2019**	2018
Other financial liabilities - total, excluding lease obligations	**108,345**	101,362
Lease obligations - total	**14,449**	-
Bank indebtedness	**15,152**	18,171
Total debt	**137,946**	119,533
Less: Cash and cash equivalents	**(27,275)**	(15,312)
Net debt	**110,671**	104,221

Secured borrowings

The Company entered into a five-year credit agreement on September 21, 2015, with a lending group represented by JPMorgan Chase Bank, N.A. ("JPMC"), which was extended and amended in 2019 with improvements in certain terms. The facility provides the Company a $225.0 million senior secured asset based revolving credit facility, the JPMC Credit Facility, which may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Advances under the JPMC Credit Facility accrue interest at rates that are equal to, based on certain conditions, at the Company's election either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) London Inter-Bank Offered Rate ("LIBOR"), or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.25% to 1.50%. The Company may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional $75.0 million. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on May 14, 2024.

Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a fixed charge coverage ratio of at least 1.0 to 1.0 on a trailing 12-month basis, triggered in the event that availability is less than 12.5% of the revolving commitment, until such time that availability has been greater than 12.5% of the revolving commitment for 60 consecutive days, in which case, the Company would no longer be subject to such fixed charge coverage ratio unless the availability were to again become less than 12.5% of the revolving commitment. The Company was in compliance with all applicable covenants at December 31, 2019 and 2018.

Additional negative covenants place restrictions on additional indebtedness, liens, fundamental changes to the Company's legal structure, investments, asset sales, sale and leaseback transactions, swap agreements, restricted payments, transactions with affiliates, restrictive agreements, amendment of material documents, and distribution of loan proceeds amongst the Company's subsidiaries. The declaration of dividends and acquisition of shares under the NCIB are both restricted payments under the JPMC Credit Facility, are subject to Board approval, and must meet certain minimums for availability or minimums for availability and fixed charge coverage ratio. The Company was in compliance with all applicable covenants at December 31, 2019 and 2018.

The Company had availability to borrow under its revolving credit facilities of $53.7 million and $89.0 million as at December 31, 2019 and 2018, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued.

Amounts borrowed under the JPMC Credit Facility were $106.7 million and $99.1 million, as at December 31, 2019 and 2018, respectively. In addition, a letter of credit for $0.3 million was outstanding at both December 31, 2019 and 2018.

Contingent consideration

On October 1, 2016, the Company acquired all of the issued and outstanding share capital of TeraMach. The asset purchase agreement with TeraMach included an obligation for contingent consideration, whereby payments are dependent on the business achieving certain performance targets during the four consecutive 12-month periods ending September 30, 2020. TeraMach has achieved all of the performance targets at September 30, 2019. As a result, the Company reached an agreement, in December 2019, to prepay the remaining consideration in full, at the undiscounted value of C$2.0 million no later than May 1, 2020.

On July 1, 2017, the Company acquired certain customer accounts, contracts, agreements and other arrangements from Cloudscapes . As part of the purchase agreement with Cloudscapes, the Company is obligated to pay up to $0.1 million per quarter for 11 quarters and a bonus of $0.2 million, commencing on October 1, 2017 and ending on April 30, 2020. All payments are based on the achievement of certain gross margin targets. At the date of acquisition, the fair value of the contingent liability was determined to be $1.0 million. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is $0.2 million.

Lease obligations

Lease obligations represent the present value of the undiscounted cash flows for operating leases in connection with the right-of-use assets recognized commencing January 1, 2019 upon the adoption of IFRS 16. See “New Accounting Policies Adopted” below.

Capital structure

Shareholders’ equity

The following summarizes the equity attributable to shareholders for 2019 and 2018.

(in thousands of U.S. dollars)	**2019**	**2018**
Share capital	**82,414**	82,705
Contributed surplus	**5,010**	4,631
Accumulated deficit	**(73,915)**	(83,106)
Foreign exchange translation reserve	**(27)**	53
Equity attributable to shareholders	**13,482**	4,283

Share capital

(in thousands of U.S. dollars except otherwise noted)	**2019** Number of common shares	**2019** Common Share capital	**2018** Number of common shares	**2018** Common Share capital
Issued and outstanding, beginning of year	**39,473,032**	**82,705**	40,229,930	84,411
Shares issued in vesting of RSUs	**178,344**	**206**	79,743	114
Stock options exercised	**-**	**-**	123,959	222
Share repurchases	**(237,310)**	**(497)**	(960,600)	(2,042)
Issued and outstanding, end of year	**39,414,066**	**82,414**	39,473,032	82,705
Weighted average outstanding	**39,546,901**		39,862,062	

Authorized capital

The Company's authorized capital consisted of an unlimited number of voting common shares and preferred shares, with no par value. As at March 26, 2020, the Company had 38,626,060 common shares issued and outstanding.

Stock options

The summary of the Company's options as at December 31, 2019 are as follows:

			December 31, 2019
Exercisable price C$	**Number of options outstanding**	**Weighted average remaining contractual life**	**Number of options exercisable**
1.54	195,000	4.9 years	-
1.60	1,056,250	6.5 years	1,056,250
1.68	480,000	3.7 years	159,998
2.47	380,000	2.5 years	253,334
2.61	10,000	2.7 years	6,667
	2,121,250		1,476,249

Restricted share units

The summary of the Company's RSUs as at December 31, 2019 are as follows:

			December 31, 2019
Grant date fair value C$	**Number of RSUs**	**Grant date**	**Vesting period**
2.47	385,000	June 30, 2017	5 years
2.65	5,000	August 8, 2017	5 years
1.68	390,000	August 17, 2018	3 years
1.18	20,000	November 16, 2018	3 years
1.54	75,000	November 18, 2019	3 years
	875,000		

Dividends

The declaration and payment of dividends on the Company's common shares are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flows, and other relevant factors. The Company declared dividends of C$0.04 every quarter for the past three years. The actual amounts paid over the past three years are as follows:

	(in Canadian dollars)	*(in thousands of Canadian dollars)*
Year paid	**Per share amount**	**Total dividend**
2017	C$0.16	C$6,486
2018	C$0.16	C$6,366
2019	C$0.16	C$6,329

Subsequent to December 31, 2019, the Board declared a quarterly dividend of $0.04 per common share, paid on March 16, 2020 to shareholders of record on February 28, 2020.

Normal course issuer bid

In the second quarter of 2019, the Company renewed its NCIB to purchase up to 3,791,395 common shares, representing approximately 10% of outstanding common shares. Subject to regulatory restrictions, the Company may purchase its common shares from time to time, between June 24, 2019 and June 23, 2020, or on such earlier date as the NCIB is complete, at prevailing market prices at the time of purchase, and any common shares purchased will be cancelled.

In December 2019, the Company entered into an Automatic Share Purchase Plan with Echelon Wealth Partners, Inc. ("Echelon") for the purpose of permitting the purchase of common shares under NCIB at times when the Company would not be permitted to purchase shares due to regulatory restrictions or blackout periods. Such purchases were determined by Echelon in its sole discretion based on parameters established prior to any blackout period, in accordance with the rules of the TSX and applicable securities laws.

As at December 31, 2019, the Company has purchased and cancelled 237,310 common shares under its current NCIB. During 2018, under similar NCIB programs, the Company purchased and cancelled 960,600 common shares.

Activity under the Company's NCIB up to December 31, 2019, is shown in the following table:

Start Date	End Date	Number of shares approved	Number of shares repurchased and cancelled	*(in thousands of Canadian $)* Total cost of shares repurchased cancelled
March 30, 2016	March 31, 2017	2,097,332	1,160,754	C$1,977
June 22, 2017	June 21, 2018	3,820,852	993,900	C$2,109
June 22, 2018	June 21, 2019	3,789,551	347,500	C$655
June 24, 2019	June 23, 2020	3,791,395	237,310	C$390

Off-balance sheet arrangements

Letters of credit

Letters of credit are used in connection with certain obligations related to the normal course of business. The gross potential liability related to the Company's letters of credit is approximately $0.3 million as at December 31, 2019 and 2018.

Contractual commitments

The following table summarizes Pivot's contractual obligations as at December 31, 2019:

(in thousands of U.S. dollars)	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank indebtedness	15,152	-	-	-	-	**15,152**
Secured borrowings	106,737	-	-	-	-	**106,737**
Accounts payable and accrued liabilities	-	222,659	-	-	-	**222,659**
Cash-settled share-based compensation	-	588	436	-	-	**1,024**
Lease obligations	-	4,433	4,168	5,989	2,313	**16,903**
Contingent consideration	-	1,732	-	-	-	**1,732**
	121,889	**229,412**	**4,604**	**5,989**	**2,313**	**364,207**

Future financing

Management is focused on exploring and executing strategic alternatives to enhance its existing financing structure with options that provide the necessary flexibility to grow the business and meet its future obligations in the normal course of business. In addition to the Company's available borrowings under its credit facilities, these options may include an equity raise or other permanent capital injection in the event the Company undertakes future acquisitions.

FINANCIAL DERIVATIVE INSTRUMENTS

Interest rate forward swap agreements

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing obligations are its borrowings under the JPMC Credit Facility. Amounts outstanding under the JPMC Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility would have resulted in an increase of $1.1 million and $0.7 million, as at December 31, 2019 and 2018, respectively. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations. The Company constantly assesses alternatives to protect against potential increases in interest rates.

In order to mitigate the risk of fluctuating interest rates, the Company had entered into an interest rate forward swap agreement ("Swap") with JPMC from April 2016 to November 2018. The Swap contained cross-covenant restrictions, which required that the Company be in compliance with the JPMC Credit Facility. The interest rate on the Swap varied between 4.305% and 4.555% on $50.0 million of the amount outstanding under the JPMC Credit Facility. Interest expense incurred under the Swap totalled $0.5 million in 2018, and $nil in 2019. The Company is not a party to any financial derivative as at December 31, 2019.

INTERESTS IN OTHER ENTITIES

The following table includes the significant subsidiaries and affiliates of the Company as at December 31:

		Equity Interest	
Name	**Jurisdiction**	**2019**	2018
1955714 Ontario Inc.	Canada	**100%**	100%
ACS Holdings (Canada) Inc.	Canada	**100%**	100%
ACS Holdings Corporation	Canada	**94%**	94%
ACS (US) Inc.	United States	**100%**	100%
Applied Computer Solutions	United States	**40%**	40%
ARC Acquisition (US) Inc.	United States	**100%**	100%
Infoptic Technology Inc.	Canada	**100%**	100%
Pivot Acquisition Corporation	Canada	**100%**	100%
Pivot of the Americas S.A. de C.V.	Mexico	**100%**	100%
Pivot Research Ltd.	Jersey	**100%**	100%
Pivot Services International Singapore Pte. Ltd.	Singapore	**94%**	94%
Pivot Services Japan G. K.	Japan	**94%**	-
Pivot Services Limited	Hong Kong	**94%**	94%
Pivot Shared Services Ltd.	Ireland	**100%**	100%
Pivot Solutions International (UK) Ltd.	United Kingdom	**100%**	100%
Pivot Technology Services Corp. (fka New ProSys Corp.)	United States	**100%**	100%
Pivot Technology Services Pty Ltd.	Australia	**100%**	-
Pivot Technology Solutions, Ltd.	United States	**100%**	100%
ProSys Information Systems Inc.	United States	**46%**	46%
Sigma Technology Solutions Inc.	United States	**100%**	100%
Smart-Edge.com, Inc.	United States	**100%**	100%
TeraMach Systems Inc.	Canada	**100%**	100%
TeraMach Technologies Inc.	Canada	**100%**	100%

Integration

One of the Company's integration initiatives was to integrate certain U.S. wholly owned subsidiaries and related business units into a single Pivot brand through a merger. Effective December 31, 2019, ACS (U.S.) Inc. and Sigma Technology Solutions Inc. were merged into Pivot Technology Services Corporation. In addition, 1955714 Ontario Inc., Infoptic Technology Inc., and TeraMach Systems Inc. were amalgamated into Pivot Acquisition Corporation, effective January 1, 2020.

Applied Computer Solutions ("Applied")

Applied is a 40% owned affiliate of the Company, whose principal office is located in Huntington Beach, California, United States of America. Despite not owning a majority of the voting rights, the Company controls this entity for accounting purposes, based on the following facts and circumstances:

- Pivot has the right in its sole discretion to either acquire, at any time, shares of Applied that it does not already own, or to designate a different owner to purchase the shares provided such transfer(s) are in compliance with applicable Women Business Enterprise (WBE) requirements;
- Pivot has multiple representatives on the Applied board of directors; and

- any significant decisions made at Applied requires the approval of the Applied board of directors and/or shareholders, including board changes, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $0.1 million, causing any material change in the business, and/or assignment or termination of any material agreement.

The following table summarizes the financial information of Applied:

(in thousands of U.S. dollars)	**2019**	2018
Current assets	**12,709**	860
Non-current assets	**19,389**	19,316
Current liabilities	**29,113**	17,640
Non-current liabilities	**2,287**	1,903
Revenue	**231,487**	281,671
Total comprehensive income (loss)	**65**	(192)
% interest held	**40%**	40%
Cash used in operating activities	**(7,154)**	(1,169)
Cash used in investing activities	**(25)**	-
Cash provided by financing activities	**7,258**	1,180
Net increase in cash and cash equivalents	**79**	11

Total sales attributable to the activities of Applied were $231.5 million and $281.7 million for the years ended December 31, 2019 and 2018, respectively. Amounts due from Applied were $23.3 million and $16.1 million as at December 31, 2019 and 2018, respectively.

ProSys Information Systems, Inc. ("Old ProSys")

Old ProSys is a 46.4% owned affiliate of the Company, whose principal office is located in Norcross, Georgia, United States of America. Despite not owning a majority of the voting rights, the Company controls this entity for accounting purposes based on the following facts and circumstances:

- Pivot has the right to acquire, at any time, the remaining shares of Old ProSys it does not already own or to designate a different owner to purchase the shares provided such transfer(s) are in compliance with applicable WBE requirements;
- Pivot is represented on the Old ProSys board of directors and any significant decision made at Old ProSys requires the approval of the board of directors and/or shareholders, including changes to its board of directors, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $0.1 million, causing any material change in the business, and/or assigning or termination of any material agreement; and
- Pivot receives the majority of the benefits from the activities of Old ProSys.

The Company has certain contractual arrangements with Old ProSys, which provide the Company the majority of the variable returns from Old ProSys activities.

The Company has certain contractual arrangements with Old ProSys, whose activities and results are consolidated with the Company. The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Old ProSys to its third-party customers. Total sales attributable to the activities of Old ProSys were approximately $258.4 million and $425.3 million for the years ended December 31, 2019 and 2018, respectively. Amounts due from Old ProSys were $18.2 million and $83.2 million as at December 31, 2019 and 2018, respectively.

The following table summarizes the financial information of Old ProSys:

(in thousands of U.S. dollars)	**2019**	2018
Current assets	**23,628**	89,890
Non-current assets	**539**	-
Current liabilities	**19,469**	83,666
Non-current liabilities	**-**	-
Revenue	**258,374**	425,302
Total comprehensive income (loss)	**(575)**	439
% interest held	**46.4%**	46.4%
Cash provided by operating activities	**64,197**	12,238
Cash used in investing activities	**-**	-
Cash used in financing activities	**(64,197)**	(12,238)
Net change in cash and cash equivalents	**-**	-

RELATED PARTIES

The Company has certain contractual arrangements with Old ProSys and Applied, whose activities and results are consolidated with the Company. The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Old ProSys and Applied to its third-party customers. Refer to notes 25 and 26 of the audited consolidated financial statements.

These contractual arrangements accounted in aggregate for 40.2% and 51.5% of the Company's total revenue for the years ended December 31, 2019 and 2018, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

The Company incurred $1.0 million for year ended December 31, 2018 for research and development provided by a related entity where certain officers of ACS and Smart Edge had significant influence. The Company terminated this agreement in August 2018. $0.6 million was payable as at December 31, 2018.

LEGAL CLAIMS

GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc.

On November 23, 2016, a lawsuit was filed by the Company's affiliates, Pivot Technology Solutions, Ltd., Pivot Acquisition Corporation and ARC Acquisition (US), Inc. ("ARC"), seeking damages and other relief for breaches of various contracts, statutes and torts against a number of parties, including with GTS Technology Solutions, Inc. ("GTS"), its owners and a number of its employees. In response, GTS asserted claims against ARC claiming it breached certain contracts (including Amended and Restated Administrative Services, License and Distribution Agreements (the "Agreements")) and committed various torts. On December 29, 2017, ARC filed a second lawsuit alleging that GTS also breached the Agreements. On February 10, 2020, the parties entered into a confidential settlement agreement, whereby all parties agreed to settle and dismiss their pending claims with prejudice and release the other parties from any and all claims.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below, which is not an exhaustive list, and additional risks and uncertainties not presently known or not currently considered material to the Company, could adversely affect the business, operations and financial conditions of the Company, cause the trading price of the Company's securities to decline, and cause the actual outcome to differ significantly from the expectations of the Company regarding future results and performance reflected in this MD&A and other information provided by the Company from time to time. These should be read in conjunction with the risks inherent in the Company's business, as included in the Company's AIF for the year ended December 31, 2019, which is hereby incorporated by reference, and should be carefully considered by investors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Estimates and assumptions are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management evaluates the judgments and estimates it uses on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas that require significant judgments and estimates are discussed below.

Determination of whether a promise to deliver goods and services is considered distinct

Individual products and services are accounted for separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

Determination of costs to obtain or fulfill a contract

Judgment is required to determine the timing and amount of costs that the Company will incur to obtain or fulfill a contract.

Determination of the transaction price

The transaction price is the amount of consideration that is enforceable and to which the Company expects to be entitled in exchange for the goods and services it has promised to its customer. The Company determines the transaction price by considering the terms of the contract and business practices that are customary within that particular line of business. Discounts, rebates and other incentives are reflected in the transaction price at contract inception.

Determination of the stand-alone selling price and the allocation of the transaction price

The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The Company estimates the stand-alone selling price based on the price of a good or service when it sells that good or service separately in similar circumstances and to similar customers.

Determination of the recoverable amount of cash-generating units subject to an impairment test

Impairment exists when the carrying amount of a cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. Significant judgment is required to determine the key assumptions on recoverable amount for the different CGUs.

The Company measures the recoverable amount for each CGU by using a fair value less costs to sell ('market') approach. The market approach assumes that companies operating in the same industry will share similar characteristics and that company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information, and ranged between 5.9 and 7.9 times earnings.

The revenue and operating margin assumptions used were based on the individual CGU's internal forecast for the next fiscal year. In arriving at the forecast, the Company considers past experience and inflation as well as industry and market trends. The forecast also took into account the expected impact from new product initiatives, customer retention and efficiency initiatives. The Company has used earnings multiples for its CGUs similar to the range for benchmark companies.

Valuation of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Furthermore, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

NEW ACCOUNTING POLICIES ADOPTED

IFRS 16 – Leases

On January 13, 2016, the IASB published IFRS 16 “Leases”, which supersedes IAS 17 “Leases” and related interpretations. This new standard removes the distinction between operating and finance leases, and requires a lessee to recognize of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The nature and timing of the related expense has changed as IFRS 16 replaces the straight-line lease costs with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach, under which the comparative information presented has not been restated. Certain practical expedients were selected on transition. The transition did not result in any retrospective adjustment to opening retained earnings on January 1, 2019.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019. The weighted average rate applied was 9%, and the weighted average incremental borrowing rate as at January 1, 2019 was 7.5%. ROU assets were measured at an amount equal to the lease liability, adjusted for any related prepaid or accrued rent, with no net impact on retained earnings. Short-term leases and leases of low value assets are expensed as incurred, and are reflected as part of selling, general and administrative expenses. For leases that were classified as finance leases under IAS 17, the carrying amount of the ROU assets and the lease liability as at January 1, 2019, was the carrying amount of the lease assets and lease liability immediately before the date of initial application. These are accounted for using IFRS 16 from that date.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;

- applied the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and accounted for those as low value and short-term leases, respectively;
- relied upon the Company's assessment of whether leases are onerous under the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as at December 31, 2018 as an alternative to reviewing the Company's ROU assets for impairment; and
- accounted for non-lease components and lease components as a single lease component.

Impacts on financial statements

On the consolidated statement of financial position, the cumulative effect of the changes made as at January 1, 2019 is as follows:

	Balance as at December 31, 2018 (as reported)	**IFRS 16 adjustments**	**Balance as at January 1, 2019**
Assets			
Right-of-use assets	-	**16,468**	**16,468**
Other assets	4,460	**1,911**	**6,371**
Liabilities			
Lease liabilities	-	**18,379**	**18,379**

The operating lease obligations as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

	January 1, 2019
Operating lease obligation as at December 31, 2018	21,015
Current leases with a lease term of twelve months or less (short-term leases)	(142)
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(2,494)
Lease liabilities due to initial application of IFRS 16 as at January 1, 2019	**18,379**

On the consolidated statements of cash flows, the amount paid relating to the principal portion and interest are separately presented in financing activities and operating activities, respectively.

Amendments to IAS 12 – Income tax consequences of payments on financial instruments classified as equity

In December 2017, the IASB issued amendments to IAS 12 "Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity". The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events. Effective January 1, 2019, the Company adopted the amendments to IAS 12, with no material impact on the consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over income tax treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. Effective January 1, 2019, the Company adopted the IFRIC Interpretation 23, with no material impact on the consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS 3, Business Combinations ("IFRS 3") – Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments are effective January 1, 2020, with early adoption permitted. The amendments are applied prospectively to transactions or other events that occur on or after the date of first application. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"); and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments are effective January 1, 2020. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements: classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which 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 January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. The Company does not intend to early adopt these amendments, and is currently assessing the impact of these amendment on its consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure control and procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosures.

As required by the *Canadian Securities Administrators' National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*, the CEO and the CFO have caused an evaluation of the design and operating effectiveness of the DC&P. Based on that evaluation, management has concluded that the Company's DC&P were effective as at December 31, 2019.

Internal control over financial reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

It should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

Management, under the direction of the Company's CEO and CFO, has evaluated the design and operating effectiveness of ICFR, utilizing the *2013 COSO Internal Control - Integrated Framework*. Based on that evaluation, management has concluded that the ICFR was effective as at December 31, 2019.

Changes in internal control over financial reporting

There were no changes in the Company's ICFR in 2019 that materially affected, or are reasonably likely to materially affect the Company's ICFR.

MD&A Endnotes

(1) A non-GAAP measure, see "Non-GAAP Measures" section of this MD&A, the reconciliation of such non-GAAP measures is included in the sections "Selected Annual Information" and "Selected Quarterly Information".
(2) A non-GAAP measure, see "Non-GAAP Measures" section of this MD&A, the reconciliation of such non-GAAP measures is included in the section "Liquidity and Capital Resources" under the heading "Key Metrics on Consolidated Debt".
(3) A non-GAAP measure, see "Non-GAAP Measures" section of this MD&A.