PIVOT TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ended March 31, 2017

This Management's Discussion and Analysis (the "MD&A") for the three months ended March 31, 2017 and 2016 is as of May 9, 2017 and provides information on the operating activities, performance and financial condition of Pivot Technology Solutions, Inc. (TSX: PTG) ("Pivot", or the "Company"). 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, 2016 and 2015, as well as the MD&A and the Annual Information Form for the year ended December 31, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at www.sedar.com and www.pivotts.com. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and the MD&A of the Company for the year ended December 31, 2016 and, accordingly, the purpose of this document is to provide a 2017 first quarter update to the information contained in the 2016 MD&A. 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". The Company's reporting currency is United States dollars. All dollar amounts, except per share amounts stated in this MD&A, are in thousands of dollars unless specified otherwise. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at www.sedar.com and on the Company's website at www.pivotts.com.

Forward-looking statements

Statements in this MD&A contain forward-looking information, including statements with respect to growth in information technology ("IT") spending in 2017, possible sources of funding for future growth, benefit of cost cutting efforts and other operational efficiencies, implementation of various initiatives as part of the advancement of its strategy, interest rates applicable to the Company's borrowings, declaration of a dividend in future periods, application for a Normal Course Issuer Bid ("NCIB"). Forward-looking information is based on assumptions of future events and actual results could vary significantly from these estimates. The reader is 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 and operations of certain acquired businesses; the availability of borrowings under the Company's credit facilities and access to other sources of capital; that its operation efficiency initiatives will result in improved results of operations; that the Company will successfully implement the initiatives identified in this MD&A as part of the advancement of its strategy; that TSX approval will be obtained for its NCIB; that the Company will be in a financial position to declare and pay a dividend in subsequent periods; 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 the 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) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) impact of the Canadian and/or United States economic conditions, (x) fluctuations in currency exchange rates and interest rates, (xi) uncertainty with respect to the ability of the Company to pay a quarterly dividend in subsequent periods, and (xii) uncertainty with respect to the approval of its NCIB and, if approved, with respect to the number of shares to be repurchased for cancellation by the Company under the NCIB. The reader is cautioned not to place undue reliance on this forward looking information. 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.

Key performance indicators

Pivot measures the success of its strategies using a number of key performance indicators. These include revenues, gross profit and adjusted EBITDA. (*See Non-IFRS measures*). 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.

Business Profile

Pivot is a leading IT solutions provider to businesses, government, education and healthcare organizations in North America and Europe. Pivot serves the entire IT spectrum including: data centres, unified communications, networking and storage, mobile and handheld devices, laptops and desktops and computer peripherals. In addition to representing state-of-the-art technologies from more than 400 brand-name partners, Pivot provides a suite of service capabilities to over 2,000 customers, many of them fortune 500 companies, including: managed and hosted services, asset recovery services, security, staffing, advisory, and professional services. Founded in 2010, Pivot employs approximately 800 people in offices throughout North America and Europe. For more information, visit www.pivotts.com.

Strategy

Pivot continued to advance its business strategy, during the first quarter of 2017. The strategy has several initiatives: (i) continue to build on Pivot's core business of selling IT solutions, both products and services (ii) enhance Pivot's service portfolio and capabilities, specifically related to services that Pivot delivers (iii) drive a commercial transformation, (iv) support customers as they expand internationally (v) improve cost management (vi) enhance the capital structure and financing capacity (vii) strengthen leadership and (viii) address legacy issues. 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.

Non-IFRS measures

Adjusted EBITDA and the exclusion of GTS Technology Solutions, Inc. ("GTS"), formerly known as Austin Ribbon & Computer Supplies, Inc. results of operations from the Company's results of operations are non-IFRS measures.

Adjusted EBITDA

Adjusted EBITDA is defined as gross profit less selling and administrative expenses, and corresponds to income before income tax, depreciation and amortization, transaction costs, interest expense, change in fair value of liabilities, goodwill impairment, and other income or expense.

Management believes adjusted EBITDA is an important indicator 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. See page 11 for a reconciliation of adjusted EBITDA to loss before income taxes.

Exclusion of GTS' results from operations

A described the 2016 MD&A, the Company derecognized the assets and labilities of GTS and affiliates of the Company have filed a lawsuit against GTS and other related parties to recover damages arising from the termination of GTS Agreements. Accordingly, management presents the Company's consolidated financial results from operations excluding the results of GTS. Management believes that this adjustment to the Company's financial results is important for

management, investors and analysts to understand the Company's financial performance by excluding those results from agreements with GTS that are not expected to be earned in the future.

The exclusion of GTS' results of operations can be reconciled to the Company's results of operations as follows:

	Three months ended March 31, 2017 *(unaudited)*			Three months ended March 31, 2016 *(unaudited)*		
	Pivot	GTS	Pivot, Excl. GTS	**Pivot**	GTS	Pivot, Excl. GTS
Revenues	**329,794**	-	329,794	**332,787**	24,130	308,657
Cost of sales	**295,668**	-	295,668	**294,784**	21,485	273,299
Gross profit	**34,126**	-	34,126	**38,003**	2,645	35,358
Employee compensation and benefits	**28,204**	-	28,204	**29,757**	1,453	28,304
Other selling, general and administrative expenses, net	**7,472**	-	7,472	**6,795**	949	5,846
	(1,550)	-	(1,550)	**1,451**	243	1,208
Depreciation and amortization	**2,811**	-	2,811	**2,879**	6	2,873
Finance expense	**1,082**	-	1,082	**1,038**	15	1,023
Change in fair value of liabilities	**(107)**	-	(107)	**683**	-	683
Other expense	**(9,906)**	-	(9,906)	**(9,383)**	201	(9,584)
Income (loss) before income taxes	**(6,120)**	-	(6,120)	**(4,783)**	222	(5,005)
(Recovery of) provision for income taxes	**(1,933)**	-	(1,933)	**(1,028)**	19	(1,047)
Income (loss) for the period	**(4,187)**	-	(4,187)	**(3,755)**	203	(3,958)

Note: Amounts presented are in thousands of U.S. dollars , except per share amounts

See also the reconciliation of Adjusted EBITDA (before and after the exclusion of GTS' results of operations) to loss before income taxes under the heading "Adjusted EBITDA" below.

Neither Adjusted EBITDA nor the exclusion of GTS results of operations are considered recognized measures under IFRS, have no standardized meaning and are therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS.

First Quarter Overview

Pivot generated strong year-over-over revenue growth in the first quarter of 2017, in line with management's expectations, as a result of the addition of TeraMach Technologies, Inc. ("TeraMach") which was acquired on October 1, 2016 to serve as Pivot's Canadian business platform. Excluding GTS, the Company's customer service revenues grew 10.3%, while product revenues increased 6.4% over the first quarter of 2016. Management considers this performance to be strong in the context of seasonality which typically dampens first quarter results compared to the fourth quarter. TeraMach's revenue profile is partly counter-seasonal to Pivot's and therefore served to reduce but not eliminate the impact of seasonality on Pivot's first quarter results compared to last year. Despite higher revenue, gross profit and gross margin were lower than in the first quarter of 2016 due to customer mix, and lower vendor rebates. Against this backdrop, Pivot continued to constrain the growth of SG&A through cost reduction measures put in place in the fourth quarter of 2016 and in the first quarter of 2017. As a consequence, SG&A expenses increased below the rate of first quarter revenue growth even though Pivot's cost base included that of TeraMach's. Additionally, Pivot continued to invest in its strategies in advance of realizing benefits. Management anticipates that further investments will be required in 2017 to create the foundation for improved performance. Pivot incurred a loss in the first quarter of $0.10 per share compared to a loss of $0.09 per share a year ago. By driving greater efficiencies and cost management disciplines across its operations, and generating a payback on its investments, management expects to see performance improvements in future periods.

Items of Note

- On February 16, 2017, the Board declared a C$0.04 common share dividend for holders of common shares on March 3, 2017, paid on March 15, 2017.

- On March 30 and 31, 2017, the Company agreed to repurchase 920,313 shares from former directors for C$1.50 per share, or a total price of C$1,380. The shares were repurchased at a discount to prevailing market prices during April 2017, and subsequently cancelled.

- During Q1 2017, the Company purchased 250,000 shares under its NCIB program, which expired on March 31, 2017. All shares were subsequently cancelled. The Company proposes to make application for an NCIB in respect of another twelve month period. The adoption of an NCIB is subject to TSX approval.

Dividend Declaration

At its meeting today, the Board of Directors declared a common share dividend at the normally prescribed amount of C$0.04 per common share, payable on June 15, 2017 to common shareholders of record on May 31, 2017.

Outlook for 2017

Management's outlook is unchanged from that expressed in the MD&A for the three and twelve months ended December 31, 2016. The global economic environment is uncertain and some customers remain cautious in their approach to IT investments at this stage of the business cycle. Against this backdrop, management believes Pivot's opportunities to create shareholder value through its product and services strategy are robust and the secular trends driving IT spending and particularly spending on after-sales service are positive and expected to grow in line with the overall market's expected growth rate in 2017. The Company's sales organization is beginning to engage customers in a more strategic fashion in order to develop comprehensive relationships built on the value of after-sales "life-time" technology support. The execution of this strategy is intended to create higher value recurring revenue streams that offer greater predictability of performance by somewhat reducing the Company's exposure to the capital expenditure cycles of its customers. The intended refinement of the Company's after-sales service strategy may not offset capital spending volatility in the short term, although management believes the prospects for product sales are positive.

The Company seeks to capitalize on its recent acquisition of TeraMach to strengthen its financial results for 2017. Founded in Canada 20 years ago, TeraMach serves a diverse customer base that includes various levels of government in Canada and leading corporations. The two organizations are now sharing best practices and coordinating sales and service efforts. TeraMach plans to introduce Pivot's services capabilities to its existing customers, giving them access to Pivot's full portfolio of offerings. By consolidating the financial results of TeraMach and offering additional services to TeraMach's customer base, the Company sees growth opportunities in its product and service revenues within the Canadian market.

The Company seeks to continue to expand its position in the global IT market organically and through selected 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 fund organic growth while continuing as a going concern. The Company's Board of Directors reviews the dividend policy annually. Operating cash flows are used to provide sustainable cash dividends to shareholders.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

For the three months ended March 31,	**2017**	2016
	(unaudited)	*(unaudited)*
Revenue	**329,794**	332,787
Cost of sales	**295,668**	294,784
Gross profit	**34,126**	38,003
Employee compensation and benefits	**28,204**	29,757
Other selling, general and administrative expenses, net	**7,472**	6,795
Income (loss) before the following:	**(1,550)**	1,451
Depreciation and amortization	**2,811**	2,879
Finance expense	**1,082**	1,038
Change in fair value of liabilities	**(107)**	683
Other expense	**784**	1,634
Loss before income taxes	**(6,120)**	(4,783)
Recovery of income taxes	**(1,933)**	(1,028)
Loss for the period	**(4,187)**	(3,755)
Income (loss) for the period attributable to non-controlling interests	**(51)**	42
Loss for the period attributable to shareholders	**(4,136)**	(3,797)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to loss for the period:		
Exchange gain on translation of foreign operations	**3**	-
	3	-
Total comprehensive loss attributable to shareholders	**(4,133)**	(3,797)
Loss per common share:		
Loss available to common shareholders	**(4,136)**	(3,797)
Basic	**$ (0.10)**	$ (0.09)
Diluted	**$ (0.10)**	$ (0.09)
Total assets	**449,972**	453,458
Total current non-financial liabilities	**315,925**	261,358
Cash dividends declared on common shares	**1,245**	949

Note: Amounts presented are in thousands of U.S. dollars, except per share amounts

FINANCIAL AND OPERATING RESULTS

Following is an analysis of the Company's results for the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

Revenue and gross profit

	Three months ended March 31, *(unaudited)*			
	2017	2016	2017*	2016*
Product sales	**291,428**	293,467	291,428	273,884
Service revenues	**38,366**	39,320	38,366	34,773
Total revenue	**329,794**	332,787	329,794	308,657
Cost of sales	**295,668**	294,784	295,668	273,299
Gross profit	**34,126**	38,003	34,126	35,358

Notes: Amounts presented are in thousands of U.S. dollars
*Amounts exclude GTS results of operations

Total revenues of $329,794 decreased 0.9%, or $2,993 as compared to the first quarter of 2016. GTS contributed $24,130 to consolidated revenue in the first quarter of 2016 and nil in the first quarter of 2017. Excluding GTS' results from operations, total revenue for the first quarter of 2017 increased by 6.8% over the prior year, due to the inclusion of the results of TeraMach. The first quarter is TeraMach's strongest sales period, whereas it is generally the weakest for all of the other operating entities of the Company. This counter-seasonality helped to smooth, but did not eliminate the effect of seasonality on Pivot's business, which is evident when comparing Pivot's fourth quarter 2016 revenues and its first quarter 2017 revenues.

Product revenue of $291,428 decreased slightly, $2,039 or 0.7% over the prior year quarter. GTS contributed $19,583 to product revenue in the first quarter of 2016 and nil in the first quarter of 2017. Excluding GTS' results from operations, total first quarter 2017 product revenue increased $17,544 or 6.4% compared to the same period in the prior year primarily due to the inclusion of the results of TeraMach.

Service revenues of $38,366 declined by $954 or 2.4% in the first quarter of 2017 compared to the first quarter of 2016. GTS contributed $4,547 to services revenue in the first quarter of 2016 and nil in the first quarter of 2017. Excluding GTS' results from operations, first quarter 2017 service revenues increased $3,593 or 10.3% compared to the same period in the prior year primarily due to the inclusion of the results of TeraMach, and increased professional services.

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

Major Customers

The Company reviews and evaluates revenue and gross profit margin by major versus non-major customer. A major customer is defined as a customer that generate revenues 10% or greater of total revenues to the Company. 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 decreased margin to generate increased revenues and maintain strong relationships.

Major customers represented $123,533 or 37.5%, and $100,957 or 30.3% of total revenues for the three months ended March 31, 2017 and 2016, respectively.

Cost of sales and gross profit

First quarter 2017 cost of sales of $295,668 increased by $884 or 0.3% over the same quarter in the prior year, while gross profit of $34,126 decreased $3,877 or 10.2%. GTS accounted for $21,485 of 2016 first quarter cost of sales and $2,645 of gross profit compared to nil and nil in the first quarter of 2017. Excluding GTS' results from operations, cost of sales increased 8.2% or $22,369 over the same quarter in the prior year, while gross profit decreased $1,232 or 3.5%.

Quarter over quarter, gross profit margins decreased 1.1% to 10.3%. Excluding GTS' results from operations, gross profit margin in the first quarter of 2017 decreased 1.2% to 10.3% over the same period in the prior year. Margin compression quarter over quarter was partly attributable to increases in sales to major customers, which typically provide a lower overall margin. Lower vendor rebates also had a negative impact on cost of sales, and contributed to lower margins quarter over quarter. Vendor rebates are dependent on various program offerings which are subject to change, and thus fluctuate from quarter to quarter.

Selling and administrative expenses

	Three months ended March 31, (unaudited)			
	2017	2016	2017*	2016*
Employee compensation and benefits	**28,204**	29,757	28,204	28,304
Other selling and administrative expenses	**7,472**	6,795	7,472	5,846
	35,676	36,552	35,676	34,150

Notes: Amounts presented are in thousands of U.S. dollars
*Amounts exclude GTS results of operations

Selling and administrative expenses for the three months ended March 31, 2017 decreased $876 or 2.4% to $35,676 over the same quarter in the prior year. Excluding GTS' results from operations, selling and administrative expenses increased $1,526 or 4.5% over the same quarter in the prior year, primarily due to the acquisition of TeraMach and reductions in marketing development funds received from vendors. As well, Pivot continued to invest in the implementation of its strategies and in its innovation platform. Growth in SG&A was minimized by lower commissions attributable to lower gross profit margins and by cost management programs implemented in 2016 and in the first quarter of 2017.

Finance expenses

Finance expenses for the three months ended March 31, 2017 increased $44 or 4.2% over the same period in the prior year.

Finance expenses, which consist primarily of interest rates on the Company's senior secured credit facility with JPMorgan Chase Bank, N.A. ("JPMC"), remained relatively unchanged quarter over quarter. Underlying these costs, increases in the US LIBOR rates, and the interest rate swap which went into effect in April 2016, the Company experienced increased interest rates over the prior year. Average borrowings on the JPMC facility were $98,052 and $120,042 for the three months ended March 31, 2017 and 2016, respectively. Management is exploring alternatives to minimize the impact of future rate increases. *(See Interest rate forward swap agreements)*

Change in fair value of liabilities

Change in fair value of liabilities for the three months ended March 31, 2017 decreased $790 or 115.7% over the same period in the prior year.

The change in fair values relates to contingent consideration on the purchase of TeraMach in 2016, and the mark to market on the interest rate forward swap agreement with JPMC. *See Contingent Consideration, and Secured Borrowings*

Other expense

	Three months ended March 31, *(unaudited)*			
	2017	2016	**2017***	**2016***
Restructuring costs	**87**	1,113	87	1,113
Transaction costs	**414**	191	414	191
Other expense	**283**	330	283	330
	784	1,634	784	1,634

Notes: Amounts presented are in thousands of U.S. dollars
*Amounts exclude GTS results of operations

Other expense of $784 decreased $850 or 52.0% for the three months ended March 31, 2017 over the same period in the prior year. The primary reason for the decline is related to restructuring costs, which decreased $1,026 or 92.2% quarter over quarter. From time to time, the Company will incur restructuring costs in relation to its cost management program. The timing and amount of restructuring costs will vary as the Company executes its cost and operational efficiency alignment programs.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure, reconciled to loss before income taxes as follows:

	Three months ended March 31, *(unaudited)*			
	2017	2016	2017*	2016*
Loss before income taxes	**(6,120)**	(4,783)	(6,120)	(5,005)
Depreciation and amortization	**2,811**	2,879	2,811	2,873
Finance costs	**1,082**	1,038	1,082	1,023
Change in fair value of liabilities	**(107)**	683	(107)	683
Other expenses	**784**	1,634	784	1,634
Adjusted EBITDA	**(1,550)**	1,451	(1,550)	1,208

Notes: Amounts presented are in thousands of U.S. dollars
*Amounts exclude GTS results of operations

Adjusted EBITDA of ($1,550) decreased $3,001 or 206.8% in the first quarter of 2017 compared to the same period in the prior year. Excluding GTS, Adjusted EBITDA declined $2,758 or 228.3% compared to the first quarter a year ago. Excluding GTS, the decrease was driven by a combination of factors, including the impact on margin of higher sales to major customer and lower vendor rebates and higher SG&A costs related to the assumption of TeraMach's cost base and investments in support of the Company's strategies.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, *(unaudited)*							
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenues	**329,794**	398,873	365,473	373,708	332,787	420,188	414,517	357,882
Gross profit	**34,126**	48,458	42,857	46,636	38,003	52,258	40,651	45,302
Adjusted EBITDA	**(1,550)**	8,457	6,317	9,123	1,451	13,888	6,331	9,920
Net and comprehensive income (loss)	**(4,187)**	2,888	(3,239)	(215)	(3,755)	6,219	(2,606)	2,663
Income (loss) per share:								
Basic	**($0.10)**	$0.06	($0.08)	($0.01)	($0.09)	$0.15	($0.06)	$0.06
Diluted	**($0.10)**	$0.05	($0.08)	($0.01)	($0.09)	$0.15	($0.06)	$0.06
Cash dividends declared on common shares	**1,245**	1,242	1,292	1,312	949	955	957	-
Total assets (1)	**449,972**	496,966	447,121	501,875	453,458	500,650	491,472	494,777
Total current non-financial liabilities (1)	**315,925**	312,422	282,122	301,397	261,358	326,297	289,592	314,728

Notes: Amounts presented are in thousands of U.S. dollars, except per share amounts

(1) Amounts as at period date

The table above shows 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 quarter to quarter. This is driven by a variety of factors including timing of capital-related spending by large customers who often use budgeted funds before the end of their fiscal periods. Accordingly, a small number of large customers can periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. Additionally, Original Equipment Manufacturer vendors ("OEMs") tend to create higher sales activity at their own year ends as steeper discounts tend to be offered to incentivize higher volumes.

LIQUIDITY AND CAPITAL RESOURCES

Pivot's capital requirements consist primarily of working capital necessary to fund operations and capital to finance the cost of strategic acquisitions. Sources of funds available to meet these requirements include existing cash balances, cash flow from operations and secured borrowings. Pivot must generate sufficient earnings and cash flow from operations to satisfy its covenants in order to provide access to additional capital under its secured borrowings. Failure to do so would adversely impact Pivot's ability to pay current liabilities and comply with covenants applicable to its secured borrowings (see details of covenants in *"Secured borrowings"*).

Total cash on hand was $7,665 and $8,153, while $89,964 and $137,599 was borrowed under existing credit facilities, in each case, as at March 31, 2017 and December 31, 2016, respectively. There were working capital deficiencies of $63,194 and $60,217 as at March 31, 2017 and December 31, 2016, respectively. The working capital deficiencies originate from bank financings obtained to fund business acquisitions in previous years. Due to the fact that the borrowing rate on the Company's secured credit facility is favorable compared to market terms on long term debt, the Company strategically finances the working capital deficiencies related to its business acquisitions using its short term facility.

Average undrawn availability on existing, secured credit facilities was $81,795 and $79,860 for the three month periods ended March 31, 2017 and 2016, respectively.

Cash flow analysis

	Three months ended March 31 *(unaudited)*	
	2017	2016
Cash provided by operating activities	**52,009**	11,573
Cash used in investing activities	**(707)**	(875)
Cash used in financing activities	**(51,710)**	(4,178)
Net increase (decrease) in cash and cash equivalents	**(408)**	**6,520**
Cash and cash equivalents at the beginning of the year	**8,153**	7,978
Effect of foreign exchange fluctuations on cash held	**(80)**	-
Cash and cash equivalents at the end of the period	**7,665**	**14,498**

Note: Amounts presented are in thousands of U.S. dollars, except per share amounts

Cash provided by operating activities increased $40,436 for the three months ended March 31, 2017, compared to the same period in the prior year, primarily due to changes in non-cash working capital. The change in non-cash working capital quarter over quarter was primarily due to comparative increases in accounts payable of $47,421.

Cash used in investing activities relatively stable, decreasing $168 for the three months ended March 31, 2017, over the same period in the prior year.

Cash used in financing activities is comprised of borrowings on secured and unsecured debt facilities, changes in banking overdrafts, dividend payments, proceeds from issuance of common shares related to the exercise of broker compensation options, and stock repurchases. Cash used in financing activities increased by $47,532 for the three months ended March 31, 2017, compared to the same period in the prior year. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements, flooring arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment and dividends.

Days sales outstanding (DSO) were 50 and 51 days at March 31, 2017 and 2016, respectively. Receivables and collections are closely monitored against expected cash flow. Days payables outstanding (DPO) were 39 and 40 days at March 31, 2017 and 2016, respectively.

Secured borrowings

Flooring agreement

ARC Acquisition (US) Inc. ("ARC"), a wholly owned subsidiary of the Company, entered into a secured flooring agreement with IBM Global Finance ("IBM") on August 10, 2011, which provides short-term accounts payable financing. The IBM secured flooring agreement allows up to $15,000 in advances on purchases from approved vendors. Approved vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. After 60 days, the Company incurs interest on the outstanding balance at LIBOR plus 4.5%. $199 and $1,348 were outstanding under the IBM secured flooring agreement as at March 31, 2017 and December 31, 2016, respectively. The Company is required to maintain certain financial ratios, and was not in compliance as at March 31, 2017 or December 31, 2016. The Company received waivers from IBM on March 21, 2017 to cure the December 31, 2016 non-compliance, and May 8, 2017 to cure the March 31, 2017 non-compliance. All amounts under this arrangment are included in current liabilities.

Revolving credit facilities

JPMC credit facility

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMC, providing the Company a $200,000 senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility 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, either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%, at the Company's election. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $75,000. 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 September 21, 2020. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of TeraMach which was completed on October 1, 2016. On December 9, 2016, a third amendment was completed, primarily to add TeraMach to the borrowing group.

Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a Fixed Charge Ratio ("FCR") of at least 1.1 to 1 on a trailing twelve 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 30 consecutive days.

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 Company was in compliance with all applicable covenants at March 31, 2017 and December 31, 2016.

The Company had availability to borrow under its revolving credit facilities of $69,506 and $55,568 as at March 31, 2017 and December 31, 2016, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued. Amounts owing under the Company's revolving credit facilities were $89,964 and $137,599 as at March 31, 2017 and December 31, 2016, respectively. In addition, a letter of credit for $250 was outstanding at both March 31, 2017 and December 31, 2016.

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 during the three months ended March 31, 2016 would have resulted in an increase of $120 in the Company's interest payments for the period. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations.

On April 3, 2014 the Company entered into an interest rate forward swap agreement ("Swap") with PNC to mitigate the risk of fluctuating interest rates. Under the terms of the Swap with PNC, the interest rate was to vary between 4.655% and 5.155% on $50,000 of the amount outstanding under the PNC Credit Facility. On September 21, 2015, the Swap was novated to JPMC. Under the terms of the Swap with JPMC, the interest rate now varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the PNC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. The Swap agreement with JPMC contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

Interest incurred under the Swap totaled $254 for the three months ended March 31, 2017, respectively. The fair value of the Swap was determined to be $1,205 and $1,542 as at March 31, 2017 and December 31, 2016, respectively. The fair value represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

Unsecured borrowings

On August 26, 2014, ACS executed a purchase finance agreement with Macquarie Equipment Finance ("Macquarie") that allows up to $10,000 in unsecured advances on purchases from approved suppliers. On March 24, 2015, the agreement with Macquarie was amended to allow up to $15,000 on 60 day unsecured advances from approved suppliers. Interest of LIBOR plus 1.58% will be applied. Macquarie advised during Q2 2016 that it would no longer (for an unstated period of time) provide financing in respect of new invoices issued to the Company under the facility, as Macquarie is now focusing on credit facilities over $50,000. Macquarie has indicated that it does not propose to terminate the Company's facility as it may choose to provide financing under the existing agreement in the future. Nil was outstanding under the Macquarie purchase finance agreement as at March 31, 2017 and December 31, 2016, respectively. As the Company has significant availibility under its secured credit facilities, the impact of the Macquarie decision not to lend to the Company has been minimal, and has reduced the Company's interest related expense.

Contingent consideration

On October 1, 2016, the Company acquired all of the issued and outstanding share capital of TeraMach Systems Inc., 1955714 Ontario Inc., Infoptic Technology Inc., and TeraMach Technologies Inc., collectively "the TeraMach Group". The purchase price for the TeraMach

Group consists of up-front payments totalling $4,022, and contingent consideration to be paid in four future installments. The contingent consideration is dependent on the adjusted EBITDA of the acquired business during the 4-four consecutive 12-month periods ending December 31, 2017 through December 31, 2020. At the date of acquisition, the fair value of the contingent liability was determined to be $3,324. The fair value of the contingent liability was determined to be $3,691 and $3,427 as at March 31, 2017 and December 31, 2016, respectively. The Company recorded a charge of $230 related to the change in fair value of the contingent consideration during the three months ended March 31, 2017. This charge was offset by a foreign currency translation adjustment of $34. The undiscounted value of the remaining consideration to be paid is C$9,000. No payments were made during the three months ended March 31, 2017.

Contractual commitments

The following tables summarize Pivot's contractual obligations as at March 31, 2017:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	23,099	-	-	-	-	23,099
Secured borrowings	89,964	-	-	-	-	89,964
Accounts payable and accrued liabilities	199	254,055	-	-	-	254,254
Operating leases	-	5,235	3,518	7,416	3,084	19,253
Contingent consideration	-	1,504	1,880	3,383	-	6,767
Interest rate swap	-	-	1,205	-	-	1,205
	113,262	260,794	6,603	10,799	3,084	394,542

Note: Amounts presented are in thousands of U.S. dollars

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.

Share capital

Share consolidation

On June 21, 2016, the shareholders approved a plan to consolidate the common shares of the Company, where a shareholder will receive one post-consolidated common share for every four

pre-consolidated common shares held immediately prior to the effective date of the share consolidation.

On December 19, 2016, the Company completed the consolidation of its common shares. As a result of the share consolidation, each four outstanding shares of pre-consolidated common stock were combined into one share of post-consolidated common stock. Fractional shares were rounded to the nearest whole share. All option and share amounts for all prior periods have been retroactively adjusted to reflect this stock split, unless otherwise noted.

Authorized

The Company's authorized capital consisted of an unlimited number of voting common shares and preferred shares, with no par value. As at May 8, 2017, the Company had 40,293,020 common shares issued and outstanding.

Cancellation of common shares

The Company has cancelled shares repurchased from former directors, and under the NCIB during 2017 as follows:

	Cancellation date	# of Shares cancelled	Total cost of shares
Shares repurchased under the NCIB	February 1, 2017	80,800	C$133
Shares repurchased under the NCIB	February 28, 2017	40,200	C$64
Shares repurchased under the NCIB	March 28, 2017	67,100	C$101
Shares repurchased under the NCIB	April 3, 2017	61,900	C$102
Shares repurchased from former directors	April 12, 2017	750,000	C$1,125
Shares repurchased from former directors	April 18, 2017	170,313	C$255
		1,170,313	C$1,780

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

Stock options

On June 21, 2016, the shareholders approved the amended Incentive Stock Option Plan ("Plan") under which directors, officers, employees and consultants of the Company and its subsidiaries are eligible to receive incentive and non-qualified stock options. The Plan is a "10% rolling plan" in that it continuously provides for the reservation of a number of common shares under the Plan equal to 10% of the Company's issued and outstanding common shares less any common shares reserved for issuance pursuant to other security based compensation arrangements. The available pool of shares that can be currently issued under the Plan (including shares reserved in respect of options currently outstanding) is 4,199,415, assuming no shares are reserved for issuance pursuant

to any other share compensation arrangement adopted by the Company. The exercise price of each option is subject to Board approval but shall not be less than the market price at the time of grant.

The Board has granted a total of 2,162,500 options to directors, officers, employees and consultants per the following table:

Grant date	Expiration date	Vesting period	# of Options	Exercise price
June 21, 2016	June 20, 2026	Over 2 years	1,987,500	C$1.60
August 31, 2016	August 30, 2026	Over 2 years	150,000	C$1.96
December 22, 2016	December 21, 2026	Over 1 year	25,000	C$1.73

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

No options were granted during Q1 2017. 50,000 options were cancelled during Q1 2017. Options exercisable at March 31, 2017 were 823,967. No options have been exercised to date.

Normal course issuer bid

On February 25, 2015, the Board of Directors approved the implementation of an NCIB, which allows Pivot to repurchase up to 5% of the Company's issued and outstanding common shares after conversion of the Series A Preferred Shares, over a twelve-month period. Implementation of the NCIB was subject to the filing of a formal notice and approval by the TSX-V.

On March 30, 2016, the Company obtained the approval of the TSX-V to implement an NCIB for its common shares. On November 28, 2016, the TSX confirmed its acceptance of the Company's existing NCIB upon the Company's graduation to the TSX. The Company received approval to acquire up to 2,097,332 common shares under the NCIB, representing approximately 5% of the Company's issued and outstanding common shares. The current NCIB for the common shares of the Company terminated on March 31, 2017. All common shares acquired under the NCIB were acquired at the market price of the securities at the time of acquisition. The common shares so acquired were cancelled. Purchases pursuant to the NCIB were made by Cantor Fitzgerald Canada Corporation on behalf of the Company.

On June 8, 2016, the Company entered into an automatic share purchase plan with Cantor Fitzgerald for the purpose of permitting the purchase of common shares under the NCIB at times when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases will be determined by Cantor Fitzgerald in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX-V and applicable securities laws.

A total of 1,160,574 shares were repurchased and subsequently cancelled under the NCIB. The Company proposes to make application for an NCIB in respect of another twelve month period. The adoption of an NCIB is subject to TSX approval.

Common share dividends

On February 25, 2015, the Board approved the initiation of a quarterly common share dividend. Common share dividends were declared and paid as follows:

Declaration date	Record date	Distribution date	Per share amount	Total dividend
February 4, 2016	February 29, 2016	March 15, 2016	C$0.03	C$1,284
May 4, 2016	May 31, 2016	June 15, 2016	C$0.04	C$1,720
August 19, 2016	August 31, 2016	September 15, 2016	C$0.04	C$1,695
November 21, 2016	November 30, 2016	December 15, 2016	C$0.04	C$1,667
February 16, 2017	March 3, 2017	March 15, 2017	C$0.04	C$1,654

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

As at March 31, 2017, the issued share capital amounted to $86,755. The changes in issued shares for the period ended March 31, 2017 were as follows:

	# of Common shares
As at January 1, 2017	41,463,333
Repurchase of treasury shares	(61,900)
Share repurchases	(188,100)
As at March 31, 2017	41,213,333

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

Off-balance sheet arrangements and derivative financial instruments

Pivot's off-balance sheet arrangements are comprised of operating leases entered into in the normal course of business. Pivot has no other off-balance sheet arrangements. Pivot does not enter into the speculative use of derivatives.

Financial instruments and other instruments

Other than the Swap agreement described under *Liquidity and Capital Resources – Secured borrowings*, the Company is not a party to financial instruments.

INTERESTS IN OTHER ENTITIES

The following table includes the significant subsidiaries and affiliates of the Company:

Name	Jurisdiction	Equity Interest Q1 2017	Equity Interest 2016
ACS Holdings (Canada) Inc.	Canada	100%	100%
Pivot Acquisition Corporation	Canada	100%	100%
1955714 Ontario Inc.	Canada	100%	100%
Infoptic Technology Inc.	Canada	100%	100%
TeraMach Systems Inc.	Canada	100%	100%
TeraMach Technologies Inc.	Canada	100%	100%
Pivot of the Americas S.A. de C.V.	Mexico	100%	100%
Pivot Research Ltd.	Jersey	100%	100%
Pivot Shared Services Ltd.	Ireland	100%	100%
Pivot Technology Solutions Hong Kong Limited	Hong Kong	100%	100%
Pivot Technology Solutions Singapore PTE. LTD.	Singapore	100%	100%
Pivot Technology Solutions, Ltd.	United States	100%	100%
ACS (US) Inc.	United States	100%	100%
New ProSys Corp.	United States	100%	100%
ProSys Information Systems Inc.	United States	45%	45%
ARC Acquisition (US) Inc.	United States	100%	100%
GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc. (1)	United States	0%	0%
Sigma Technology Solutions Inc.	United States	100%	100%

(1) GTS was not a subsidiary or affiliate of the Company at any time during 2017 or 2016. However, its results of operations were consolidated with those of the Company until June 30, 2016. *See GTS Technology Solutions, Inc.*, below.

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

Old ProSys is a 45% 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, management has determined that the Company controls this entity, based on the following facts and circumstances:

- Pivot has the right to acquire, at any time, the remaining shares of Old ProSys they do not already own.
- Any significant decision made at Old ProSys requires Pivot's agreement, including board changes, payment of dividends, merger or acquisition, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and assigning or termination of any material agreement.
- Pivot receives the majority of the benefits from the activities of Old ProSys (95%+ of net income historically from 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. In addition, the Company holds a majority of the director and officer positions, which provide control on a de facto power basis.

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 $57,168 and $55,981 for the three months ended March 31, 2017 and 2016, respectively. Amounts due from Old ProSys were $36,500 and $62,360 as at March 31, 2017 and December 31, 2016, respectively.

The following table summarizes the financial information of Old ProSys, as included in its own financial statements:

	Three months ended	
	2017	**2016**
	(unaudited)	*(unaudited)*
Current Assets	42,115	39,362
Non-Current Assets	-	-
Current Liabilities	36,500	33,936
Non-Current Liabilities	-	-
Net Assets	**5,615**	**5,426**
Revenue	57,168	55,981
Total Comprehensive Income (Loss)	**(93)**	**77**
Cash (used in) provided by operating activities	25,860	(4,265)
Cash (used in) investing activities	-	-
Cash provided by (used in) financing activities	(25,860)	4,265
Net increase (decrease) in cash and cash equivalents	-	-

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

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

Pivot has no ownership interest in GTS. Pursuant to the terms of the Administrative Services Agreement between ARC and GTS, which recently terminated on August 30, 2016, ARC had a right to variable returns in the form of fees based on GTS' performance. Pivot also provided financing and certain financial guarantees for the benefit of GTS during the course of the relationship.

ARC had certain contractual arrangements with GTS, whose activities were consolidated with those of the Company. ARC received notification from GTS that it wished to terminate the existing arrangement effective August 30, 2016. During June of 2016, ARC and GTS began the process of separation, and on July 1, 2016, the Company was deemed to have effectively lost

control over GTS for accounting purposes. Total sales attributable to the activities of GTS were nil and $24,130 for the three months ending March 31, 2017 and 2016, respectively. The amount due from GTS was $5,978 as at March 31, 2017 and December 31, 2016. The Company established a reserve of $5,978 during Q3 2016, which has remained in place through March 31, 2017.

On November 23, 2016, a lawsuit was filed by the Company's affiliates seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties, including, but not limited to: GTS, certain GTS employees, GTS' owner and GTS' former shareholders (the "Lawsuit"). The Company intends to vigorously pursue this matter to recover damages incurred by Pivot Technology Solutions, Ltd. ("PTSL"), ARC and Pivot Acquisition Corporation ("PAC") in connection with the relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter. In the same Lawsuit, GTS, Laura Grant, Ryan Grant and Anne Fielding have filed counterclaims against PTSL, ARC and PAC, including claims for breaches of the GTS Agreements, tortious interference with contractual relations, defamation and conversion. All parties have filed motions to dismiss under the Texas Citizens Participation Act. While the Company intends to vigorously defend against the counterclaims that have been asserted, it has not formed a conclusion as to whether a favorable outcome is either probable or remote, and the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

RELATED PARTIES

Applied Computer Solutions, Inc. ("Applied")

A former key member of management of ACS (US) Inc. ("ACS") had significant influence over Applied, resulting in a related-party relationship until March 31, 2016. In addition to the asset purchase agreement with Applied, ACS entered into an administrative services agreement, a license agreement and a distribution agreement with Applied commencing with the date of the asset purchase on December 30, 2010. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Applied. The total amount charged to Applied for shared administrative services in 2016 through the termination of the related-party relationship was $395 for the three months ended March 31, 2016. The license agreement permits Applied to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. The total amount charged for licensing fees through the termination of the related party relationship was $575 for the three months ended March 31, 2016.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Applied to its third-party customers, and thus the Company is the principal and Applied is the agent of the Company with respect to such sales. The Company recognizes this revenue on a gross basis. Total gross sales through the agent were approximately $48,266 and $36,117 for the three months ended March 31, 2017 and 2016, respectively. Amounts due from Applied totaled $11,306 and $10,562 as at March 31, 2017 and December 31, 2016, respectively.

ACS leases two of its offices from a related entity controlled by a former key member of the ACS management team. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents incurred under these leases through the termination of the related-party relationship were $407 for the three months ended March 31, 2016.

ACS incurred $375 and $705 for the three months ended March 31, 2017 and 2016, respectively, for research and development provided by a related entity where the president of ACS has significant influence. Amounts payable were $1,273 as at March 31, 2017 and December 31, 2016, respectively.

Pivot Shared Services Ltd. incurred expenses for sales and marketing support provided by a related entity during which time a former Company director had significant influence until May 25, 2016. Amount incurred was $80 for the three months ended March 31, 2016.

The contractual arrangements with Applied, GTS and Old ProSys as described above and in *INTERESTS IN OTHER ENTITIES* accounted in aggregate for 32.0% and 34.9% of the overall Pivot revenues for the three months ended March 31, 2017 and 2016, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

SUMMARY COMPENSATION TABLE

The following table sets out the compensation of the key management of the Company:

	Three months ended	**March 31,**
	2017	2016
	(unaudited)	*(unaudited)*
Compensation	**403**	681
Annual incentive plans	**346**	286
Share-based compensation	**31**	-
Other compensation	**201**	286
	981	1,253

Note: Amounts presented are in thousands of U.S. dollars, except share and per share amounts

RISKS AND UNCERTAINTIES

The Company's business is subject to a number of risk factors which are described in Annual Information Form for the year ended December 31, 2016 available at sedar.com under the Company's profile. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

CRITICAL ACCOUNTING ESTIMATES

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the audited consolidated financial statements of future periods. Estimates and accounting judgments are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances.

In making these estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with that in the prior year, and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed below.

Revenue Recognition

Multi-element or bundled contracts require an estimate of the relative fair value of separate elements. The Company has a limited number of these arrangements, and assesses the criteria for the recognition of revenue related to arrangements that have multiple components. These assessments require judgment by management to determine if there are separately identifiable

components as well as how to allocate the total price among the components. Deliverables are accounted for as separately identifiable components if they can be understood without reference to the series of transactions as a whole. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

Impairment

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.

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.

Other significant assumptions include revenue and operating margin, which are 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 takes into account the expected impact from new product initiatives, customer retention and efficiency initiatives. The Company uses earnings multiples for its CGUs similar to the range for benchmark companies.

Income Taxes

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. Additionally, future

changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

FUTURE ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard and contracts to determine the impact on the consolidated financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company has not yet determined the impact 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 to provide reasonable assurance that all material information relating to the Company is made known and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As required by the Canadian Securities Administrators' National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated, or caused to be evaluated, the design of disclosure controls and procedures. Based on that evaluation, they have concluded that, as a result of the material weakness noted below, as of the end of the period covered by this MD&A, the Company's disclosure controls and procedures were not effective. The deficiencies aggregating to the material weakness have not resulted, either individually or collectively in any adjustments to the Company's interim or annual financial statements.

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. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

Management has conducted an evaluation of the design of internal controls over financial reporting, utilizing the 2013 COSO Internal Control - Integrated Framework. Based on this evaluation, management concluded that the Company's ICFR was not effective as at the reporting date, as certain controls and procedures have not been designed and implemented to the extent required to maintain an effective control environment. In isolation, none of the identified control deficiencies are believed to be material; however, when aggregated, there is more than a remote likelihood that a material misstatement of Pivot's interim or annual consolidated financial statements would not be prevented or detected.

Impact of Material Weaknesses

Due to their nature, the potential impact of these deficiencies cannot be assessed or predicted with any degree of accuracy.

Remediation to Address Material Weakness

On December 19, 2016, the Company transitioned from the TSX venture exchange, becoming subject to the full internal control requirements of NI 52-109. To address the enhanced public company internal control certification requirements, the Company, with the assistance of a third-party controls specialist has been actively evaluating the Company's control environment and developing an action plan to address identified control deficiencies. The Company will commence the implementation of this action plan in the second quarter of 2017.

Limitation of Assessment

Section 3.3 of NI 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's financial year-end to be excluded from the scope of the certifications to allow it sufficient time to ensure controls, policies and procedures are effective. Therefore, the Company's management has limited the scope of the assessment of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures relating to the TeraMach acquisition, which occurred in October, 2016. TeraMach is a wholly-owned subsidiary, whose total assets excluded from management's assessment represent 12.1%, and total revenues excluded from management's assessment represent 13.4% of the related consolidated financial statement amounts as of and for the three month period ended March 31, 2017. Segment information for TeraMach can be found in Note 14 to the unaudited interim condensed consolidated financial statements for the period ended March 31, 2017.

Changes in Internal Control over Financial Reporting

There were no significant changes in the Company's internal controls over financial reporting that occurred during the three month period ended March 31, 2017, that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.