PIVOT TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months Ended March 31, 2019

This Management's Discussion and Analysis (the "MD&A") for the three months ended March 31, 2019 and 2018 is as of May 14, 2019 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 unaudited interim condensed consolidated financial statements and the related notes for the three months ended March 31, 2019, the audited consolidated financial statements and related notes for the years ended December 31, 2018 and 2017, and the Annual Information Form for the year ended December 31, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at sedar.com and 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, 2018 and, accordingly, the purpose of this document is to provide a 2019 first quarter update to the information contained in the 2018 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 six month period ended June 30 is referred herein as "H1". The three month period ended September 30 is referred herein as "Q3". The nine month period ended September 30 is referred herein as "9M". The three month period ended December 31 is referred herein as "Q4". The six month period ended December 31 is referred herein as "H2". The twelve month period ended December 31 is referred herein as "12M". The Company's reporting currency is United States dollars ("U.S. Dollars)". All dollar amounts, except per share amounts stated in this MD&A, are in thousands of U.S. Dollars unless specified otherwise. Additional information is contained in the Company's filings with Canadian securities regulators, including its AIF, found on SEDAR at *sedar.com* and on the Company's website at *pivotts.com*.

Forward-looking statements

Statements in this MD&A contain forward-looking information, including statements with respect to the Company's outlook for 2019, growth in information technology ("IT") spending in future periods, 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 timeline for generating revenues from its Smart Edge^{TM} ("Smart Edge") platform, expected cash inflow in 2019 from a collaboration agreement relating to Smart Edge, 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 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, growth in IT spending, particularly solutions and services, being in line with the overall market's expected growth rate in 2019, the availability of borrowings under the Company's credit facilities and access to other sources of capital; that its operational 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 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 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) lack of resources to fund growth, (iv) start-up risks associated with new lines of business and product lines, (v) general operating risks, (vi) dependence on third parties, (vii) changes in government regulation, (viii) the effects of competition, (ix) dependence on senior management, (x) the impact of Canadian and/or United States ("U.S.") economic conditions, (xi) fluctuations in currency exchange rates and interest rates, (xii) uncertainty with respect to the ability of the Company to pay a quarterly dividend in subsequent periods, (xiii) delays in the commercialization of its Smart Edge platform, (xiv) testing and operational results from the Smart Edge platform not meeting expectations, (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, 2018 under the heading "Risk Factors", available at sedar.com and pivotts.com. 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 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 Europe. Pivot's business strategy 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 as well as providing 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 multiple 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

Pivot's strategy is to create shareholder value by providing mission critical IT products and fully integrated services offerings to some of the world's leading companies. Pivot's operating strategy is designed to help customers optimize their IT operations, minimize their capital spend and reduce maintenance costs. To execute this strategy, Pivot has multi-vendor hardware, software and cloud solutions that it resells and leverages its own resources and expertise to offer a broad range of services. By employing this strategy, Pivot provides a single point of contact and accountability, a consistent delivery of customized and specialized IT services and lifecycle product support.

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 service portfolio and capabilities, specifically related to services that Pivot delivers; (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; (vi) address legacy issues and (vii) commercialize and monetize the Smart Edge technology. 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.

During Q3 2018, the Company initiated certain activities to accelerate its commercial transformation and remove costs from the business. These activities include measures to remove costs through integrating certain functions and operations throughout the Company, facility cost reductions and terminating underperforming relationships. Since Q3 of 2018, the Company has made significant progress in its commercial transformation. While reducing overall headcount by approximately 7%, the Company has made strategic hires to address areas where the Company can see faster growth, such as software defined and edge technologies. The Company has also terminated certain consulting contracts and exited two facilities in the US. These changes combined result in over $8,000 of annualized cost reduction. The Company is continuing to review its cost structure, and plans to further integrate operations throughout 2019. These cost reductions impact both cost of goods sold and selling, general and administrative expenses. Through these initiatives, the Company expects to accelerate the growth of its services business, while providing a lower cost base to support its product business. The Company incurred $2,399 and $2,037 of cost associated with these activities during Q1 2019 and H2 of 2018, respectively. The Company expects to incur additional costs in 2019 as it implements its transformation plans.

Non-IFRS measures

Adjusted EBITDA

The Company uses certain non-IFRS measures to evaluate its performance. The term “Adjusted EBITDA” does 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. Adjusted EBITDA is defined as gross profit less employee compensation and benefits, other selling, general and administrative expenses, and corresponds to income before income tax, depreciation and amortization, finance expense, change in fair value of liabilities, and other expense.

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.

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

	Three months ended March 31,	
	2019	2018
Loss before income taxes	**(5,434)**	(2,605)
Depreciation and amortization	**3,757**	2,849
Finance costs	**1,667**	1,313
Change in fair value of liabilities	**232**	40
Other (income) expense	**3,118**	(99)
Adjusted EBITDA	**3,340**	1,498

Notes: *Amounts presented are in thousands of U.S. dollars*

Q1 Highlights

- Revenues of $295,598 decreased $73,668 or 19.9% in Q1 2019 over Q1 2018. Product sales declined $70,172 or 21.2% while service revenues declined $3,496 or 9.3% in Q1 2019 over Q1 2018. Pivot Provided Services declined 16.0% in Q1 2019 as compared to Q1 2018.
- Gross profit decreased $2,675 or 6.8% in Q1 2019 over Q1 2018. Gross profit margin increased to 12.4% in Q1 2019 compared to 10.6% for Q1 2018.
- Adjusted EBITDA of $3,340 increased $1,842 or 123.0% in Q1 2019 compared to Q1 2018.
- The Company incurred a net loss of $4,000 in Q1 2019 compared to a loss of $2,264 for Q1 2018.
- Pivot generated a loss of $0.09 per share for Q1 2019 compared to a loss of $0.06 per share for Q1 2018.
- Effective January 1, 2019, the Company adopted IFRS 16, *Leases* (“IFRS 16”) using the modified retrospective approach, which does not require restatement to its 2018 filings. The implementation of IFRS 16 resulted in a reduction in rent expense of $1,195, offset by increases in depreciation of $1,024 and finance expense of $349, representing an overall increase to net loss before tax of $178.
- On January 21, 2019, the Company announced the appointment of Bob Pike as Interim Chief Executive Officer of Smart-Edge.com, Inc. Mr. Pike succeeds Kurt Steinhauer who left the Company on January 18, 2019.

- On February 12, 2019, the Company's board of directors ("BOD") declared a common share dividend of C$0.04 per common share, for a total of C$1,579, payable on March 1, 2019 to common shareholders of record on February 22, 2019.
- On February 26, 2019, the Company announced that Smart Edge won the prestigious Frost & Sullivan Technology Innovation Award for its advanced development platform for multi-access edge computing ("MEC").

Developments subsequent to Q1

- On April 15, 2019, the Company announced that Christopher Formant was appointed to serve as a member of the Pivot BOD. Over his distinguished 35-year career, Mr. Formant has served in leadership positions at large and mid-sized companies. Most recently, he was President of Verizon Enterprise Solutions, where he was responsible for Verizon's $20 billion advanced technology and business solutions business for global enterprise and government customers.
- On May 14, 2019, the Company renewed its credit agreement with a lending group represented by JPMorgan Chase Bank, N.A. ("JPMC"). The new agreement expires on May 14, 2024. While the key elements of the credit facility remain the same, the amendment provides for springing dominion, allowing the Company increased flexibility over cash management, a 0.25% reduction in interest rates, the ability to increase the commitments under the credit facility by $75,000 and further relaxing some of the conditions around making restricted payments.
- On May 14, 2019, the BOD declared a common share dividend of C$0.04 per common share, for a total of C$1,579, payable on May 29, 2019 to common shareholders of record on May 24, 2019.

Outlook for 2019

Management's outlook is that some customers remain cautious in their approach to IT investments, the global economic environment has not changed significantly and the market appears to be stable. This outlook is consistent with the Company's outlook for the past several quarters. The Company is experiencing continued pricing and margin pressures in its product business, while margins remain strong in the services side of the business. The increased acceptance of cloud computing has created uncertainty for hardware in the industry, while creating opportunity for services. 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 2019, however, the sales cycle for service solutions tends to be longer the cycle for product sales. 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 Company's sales organization is in the second year of its commercial transformation, whereby it engages customers in a more strategic fashion to develop comprehensive relationships built on the value of selling Pivot's expanded portfolio. The Company initiated activities in Q3 2018 intended to accelerate this commercial transformation. 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 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 seeks to leverage its investment in Smart Edge, focused on driving commercial penetration of the patent-pending Smart Edge platform. Smart Edge is an advanced software platform designed to support enterprise MEC solutions and built to operate on Intel technology. Smart Edge brings 5G networks to enterprise IT and allows the enterprise to securely deploy existing and new applications at the network's edge. The Smart Edge solution improves user experiences, enables new revenue streams for stakeholders and reduces ongoing edge total cost of ownership, all driving factors in the adoption of 5G technologies. After a series of successful use cases, a major customer has agreed to re-sell the Smart Edge solution across its network. Further, the Company is performing Smart Edge proof of concept/use cases for two additional potential customers. While the solution still has additional testing hurdles to pass, the initial results are encouraging. Some of the preliminary results included a 40% reduction in WAN utilization and download speeds improved 400% with caching and better network monitoring and data collection capability with a real time dashboard. In December 2018, Pivot entered into a collaboration agreement with a technology partner to share some of the Smart Edge tools. The Company expects this contract to generate over $500 of cash inflow during 2019. During Q1, the Company recognized $250 in respect of amounts payable under the collaboration agreement. This amount was recorded as a reduction in capitalized development costs in the quarter. In Q1 2019, the Company began capitalizing certain costs associated with the development of Smart Edge, as the product has met the requirements for capitalized internal development. A total of $939 of costs have been capitalized, reduced by the $250 of revenue from the collaboration agreement, bringing the net amount capitalized to $689 in Q1 2019.

The Company continually seeks 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 manage the Company's operations and fund organic growth while providing dividends to shareholders and acquiring shares under the NCIB. The BOD sets the dividend policy after giving consideration to these objectives and the Company's future prospects.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

For the three months ended March 31, *(unaudited)*	**2019**	2018
Revenue	**295,598**	369,266
Cost of sales	**258,974**	329,967
Gross profit	**36,624**	39,299
Employee compensation and benefits	**27,445**	29,595
Other selling, general and administrative expenses	**5,839**	8,206
Income before the following:	**3,340**	1,498
Depreciation and amortization	**3,757**	2,849
Finance expense	**1,667**	1,313
Change in fair value of liabilities	**232**	40
Other expense (income)	**3,118**	(99)
Loss before income taxes	**(5,434)**	(2,605)
Recovery of income taxes	**(1,434)**	(341)
Loss for the period	**(4,000)**	(2,264)
Income (loss) for the period attributable to non-controlling interests	**(417)**	205
Loss for the period attributable to shareholders	**(3,583)**	(2,469)
Other comprehensive loss		
Items that may be reclassified subsequently to loss for the period:		
Exchange gain (loss) on translation of foreign operations	**(45)**	21
Total comprehensive loss	**(4,045)**	(2,243)
Total comprehensive loss attributable to shareholders	**(3,628)**	(2,448)
Loss per common share:		
Loss attributable to common shareholders	**(3,583)**	(2,469)
Basic	**$ (0.09)**	$ (0.06)
Diluted	**$ (0.09)**	$ (0.06)
Total assets	**452,709**	469,176
Total current non-financial liabilities	**29,922**	33,145
Cash dividends declared on common shares	**1,199**	1,259

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, 2019 compared to the three months ended March 31, 2018.

Revenue and gross profit

	Three months ended March 31, *(unaudited)*	
	2019	2018
Product sales	**261,377**	331,549
Service revenues	**34,221**	37,717
Total revenue	**295,598**	369,266
Cost of sales	**258,974**	329,967
Gross profit	**36,624**	39,299
Gross profit margin	***12.4%***	*10.6%*

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

Total revenue of $295,598 decreased 19.9% or $73,668 for Q1 2019 as compared to the same period in the prior year. This decline was primarily attributable to a $52,346 decrease in sales to the Company's major customer. *(See Major customer below)*. Revenues attributable to the ACS and ProSys segments declined by $52,858 and $34,308, respectively, while the TeraMach segment grew by $9,883. Both ACS and ProSys were negatively impacted by the decline in sales to the Company's major customer.

Product sales of $261,377 decreased $70,172 or 21.2% for Q1 2019 over the same period in the prior year. The decline was driven by a drop in product sales to the Company's major customer. *(See Major customer below)*. Revenues attributable to the ACS and ProSys segments declined by $52,537 and $30,939, respectively, offset by an increase of $9,566 in the TeraMach segment.

Service revenues are comprised of Pivot Provided Services and revenues from third party maintenance and support contracts. Service revenues of $34,221 decreased $3,496 or 9.3% for Q1 2019 as compared to same period in the prior year. Quarter over quarter, Pivot Provided Services declined by $3,928 or 16.0%, while third party maintenance and support contracts increased by $432 or 3.3%. The decrease in Pivot Provided Services is primarily the result of certain workforce services contracts winding down in 2018. The increase in third party maintenance and support contracts is primarily driven by the timing of certain contracts and renewals. The Company had been experiencing pressure in its third party service revenue prior to this quarter, which it expects to continue into the future. The Company's strategy is focused on growing its Pivot Provided Services.

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 quarterly due to customer requirements relating to bundling of product and service offerings and the timing of their investment needs.

Major customer

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 annual 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 gross profit margin to generate increased revenues and maintain strong relationships.

The Company has one major customer which represents $29,179 or 9.9%, and $81,525 or 22.1% of total revenues for Q1 2019 and 2018, respectively.

Cost of sales and gross profit

Cost of sales of $258,974 decreased $70,933 or 21.5% for Q1 2019 over the same quarter in the prior year, and is related to the decline in revenue. Gross profit of $36,624 decreased $2,675 or 6.8% for Q1 2019 over the same period in the prior year. Gross profit margins increased to 12.4% from 10.6% in Q1 2018. Gross profit and gross profit margins were positively impacted by cost reductions in service related cost of sales, as well as the reduction of sales to the major customer, who generally has lower gross profit margins than average.

The Company continues its strategy to increase service revenues which generally have better gross profit margins than product sales to improve overall gross profit margins. In addition, the Company continually works with its suppliers to mitigate the impact of pricing pressures.

Selling, general and administrative expenses

	Three months ended March 31, *(unaudited)*	
	2019	2018
Employee compensation and benefits	**27,445**	29,595
Other selling and administrative expenses	**5,839**	8,206
	33,284	37,801

Notes: *Amounts presented are in thousands of U.S. dollars*

Selling, general and administrative expenses ("SG&A") for Q1 2019 decreased $4,517 or 11.9% to $33,284 over the same period in the prior year. The decreases are primarily as follows:

- Net spending on Smart Edge development decreased by $217 quarter over quarter as the Company has begun capitalizing certain qualified development costs. The total amount capitalized in Q1 2019 was $939. Gross spending on Smart Edge increased by $722 compared to the prior quarter before the capitalization.
- The implementation of IFRS 16 resulted in a reduction in rent expense of $1,195 as under the new accounting rules, certain facility leases are capitalized and depreciated. This resulted in an increase in depreciation of $1,024 and finance expense of $349, an overall decrease to net income before tax of $178.
- Employee compensation and benefits decreased $785 quarter over quarter due to the cost reduction activities as compared to the same period in the prior year. The reduction in headcount also resulted in reduced travel costs and other spending driven by headcount.
- Commissions decreased period over period due to the decline in gross profit period over period.

Finance expense

	Three months ended March 31, *(unaudited)*	
	2019	2018
Finance expense	**1,667**	1,313

Notes: *Amounts presented are in thousands of U.S. dollars*

Finance expenses increased $354 or 27.0% to $1,667 for the three months ended March 31, 2019, over the same periods in the prior year.

Finance expenses, which consist primarily of interest and fees on the Company’s senior secured credit facility with JPMorgan Chase Bank, N.A. (“JPMC”), were impacted by overall increases in LIBOR and U.S. Prime interest rates in Q1 2019 as compared to the same period in the prior year.

The effective rates of interest on the Company's senior secured credit facility were 4.0% and 3.4% for the three months ended March 31, 2019 and 2018, respectively. Average borrowings on the JPMC facility were $119,155 and $123,142 for the three months ended March 31, 2019 and 2018, respectively.

In addition, the Company incurred $349 of interest expense in Q1 2019 on lease obligations arising from the adoption of IFRS 16. The Company implemented IFRS 16 using the modified retrospective approach, and accordingly, the information presented for 2018 has not been restated.

Other expense (income)

	Three months ended March 31, *(unaudited)*	
	2019	2018
Foreign exchange (gain) loss	**644**	(694)
Restructuring costs	**2,299**	497
Transaction costs	**194**	103
Other income	**(19)**	(5)
	3,118	(99)

Notes: *Amounts presented are in thousands of U.S. dollars*

- Other expense (income) increased $3,217 for Q1 2019 over the same period in the prior year. The increase is primarily due to losses on foreign exchange translations associated with the strengthening of the Canadian dollar as compared to the U.S. dollar for Q1 2019 as compared to Q1 2018, and restructuring costs incurred in 2019 related to the commercial transformation and cost reduction initiatives.

Recovery of income taxes

	Three months ended March 31, *(unaudited)*	
	2019	2018
Recovery of income taxes	**(1,434)**	(341)

Notes: *Amounts presented are in thousands of U.S. dollars*

The recovery of income tax increased $1,093 or 320.5% for Q1 2019 over the same period in the prior year. The change is primarily driven by lower taxable income in 2019 as compared to 2018.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, *(unaudited)*							
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenues	**295,598**	301,632	321,389	381,343	369,266	399,407	389,077	400,734
Gross profit	**36,624**	42,514	40,735	40,605	39,299	48,878	42,797	42,950
Adjusted EBITDA [1]	**3,340**	4,772	4,165	5,104	1,498	11,125	7,251	7,292
Net income (loss)	**(4,000)**	2	(2,473)	265	(2,264)	(2,586)	(813)	1,958
Income (loss) per share:								
Basic	**($0.09)**	$0.01	($0.07)	$0.01	($0.06)	($0.07)	($0.02)	$0.05
Diluted	**($0.09)**	$0.01	($0.07)	$0.01	($0.06)	($0.07)	($0.02)	$0.05
Cash dividends declared on common shares	**1,199**	1,203	1,207	1,231	1,259	1,246	1,288	1,194
Total assets [2]	**452,709**	421,319	416,307	505,588	469,176	527,883	478,347	519,117
Total current non-financial liabilities [2]	**29,922**	28,455	43,771	31,717	33,145	33,947	33,374	35,084

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

[1] A Non-IFRS measure (See Non-IFRS measures)

[2] 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 from 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 could periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. Additionally, OEMs tend to create higher sales activity at their own year ends as steeper discounts may 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"*).

As at March 31, 2019 and December 31, 2018, total cash on hand was $4,582 and $15,312, respectively. As at March 31, 2019 and December 31, 2018, amounts borrowed under existing credit facilities were $127,240 and $99,069, respectively. There were working capital deficiencies of $82,821 and $76,555 as at March 31, 2019 and December 31, 2018, respectively. The working capital deficiencies primarily originate from bank financings obtained to fund business acquisitions in previous years. Since 2011, the Company's initial investment in acquisitions was in excess of $80 million dollars. 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 continues to strategically finance the investments related to its business acquisitions using a short-term facility. The increase in the deficiency from December 31, 2018 is the result of the net loss in Q1 2019 combined with the impacts of IFRS 16, which added $3,687 to current liabilities, while the corresponding asset is included in long term assets and is excluded from working capital.

Average undrawn availability on existing, secured credit facilities was $60,429 and $73,759 for the three months ended March 31, 2019 and the twelve months ended December 31, 2018, respectively.

Cash flow analysis

	Three months ended March 31, *(unaudited)*	
	2019	2018
Cash provided by (used in) operating activities	**(34,084)**	16,243
Cash used in investing activities	**(1,074)**	(471)
Cash provided by (used in) financing activities	**24,426**	(17,049)
Net decrease in cash and cash equivalents	**(10,732)**	(1,277)
Cash at the beginning of the period	**15,312**	5,248
Effect of foreign exchange fluctuations on cash held	**2**	12
Cash at the end of the period	**4,582**	3,983

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

Cash provided by operating activities decreased $50,327 for the three months ended March 31, 2019, respectively, as compared to the same period in the prior year. The decrease was primarily due to 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 credit line, which are captured in financing activities.

Cash used in investing activities increased $603 for the three months ended March 31, 2019, respectively, as compared to the same period in the prior year. Fluctuations in investing activities were primarily due to the capitalization of Smart Edge development of $689 during Q1 2019.

Cash used in financing activities is comprised of borrowings and repayments on secured and unsecured debt facilities, changes in banking overdrafts, dividend payments, proceeds from issuance of common shares related to the exercise of options, and stock repurchases. Cash used in financing activities decreased by $41,475 for the three months ended March 31, 2019, respectively, as compared to the same period in the prior year. The change in cash used in financing activities was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements and changes in banking overdrafts. As noted above, the revolving credit line tends to fluctuate inversely with the changes in working capital and cash from operations.

Days sales outstanding ("DSO") were 63 and 54 days at March 31, 2019 and December 31, 2018, respectively. The increase in the DSO for Q1 2019 was due to timing on payments from one customer totalling $33,456 which were received the first week of April 2019. Receivables and collections are closely monitored against expected cash flow.

Days payables outstanding were 53 and 50 days at March 31, 2019 and December 31, 2018, respectively. The Company works closely with its vendors to share the cashflow implications when customers require longer payment terms where possible.

Secured borrowings

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. As amended, the facility provides the Company a $225,000 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, 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) 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%. 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 $50,000. 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 was amended and restated on May 14, 2019 ("Amended JPMC Credit Facility"). The key terms of the Amended JPMC Credit Facility include an extension of the facility and is now set to expire on May 14, 2024, a 0.25% reduction to the variable interest rate charged under the facility, the ability to increase the commitments under the credit facility by $75,000, springing cash dominion, and relaxed conditions for certain restricted payments.

Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a Fixed Charge Coverage Ratio 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 thirty 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 declaration of dividends and acquiring shares under the NCIB are both restricted payments under the JPMC Credit Facility, are subject to BOD approval, and must meet certain minimums for availability and fixed charge coverage ratio. The Company was in compliance with all applicable covenants at March 31, 2019 and December 31, 2018.

The Company had availability to borrow under its revolving credit facilities of $11,576 and $83,318 as at March 31, 2019 and December 31, 2018, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued. The decrease in undrawn availability was primarily attributable to increases in ineligible collateral related to excluded Accounts Receivable ("AR") which consist primarily of government AR, and limitations on invoices aged over ninety days. These particular items represented an increase in ineligible collateral of $61,851 and $24,697 as at March 31, 2019 and May 5, 2019, respectively, as compared to December 31, 2018. Q1 is generally the Company's highest revenue quarter for government AR, and as invoices are paid in Q2, the related ineligible collateral will decline accordingly.

Amounts owing under the Company's revolving credit facilities were $127,240 and $99,069 as at March 31, 2019 and December 31, 2018, respectively. In addition, a letter of credit for $250 was outstanding at both March 31, 2019 and December 31, 2018.

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 $293 and $180 during the three months ended March 31, 2019 and 2019, respectively. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations.

The Company entered into an interest rate forward swap agreement ("Swap") with JPMC to mitigate the risk of fluctuating interest rates. The Swap contained cross-covenant restrictions, which required that the Company be in compliance with the JPMC Credit Facility. Under the terms of the Swap, the interest rate varied between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates was in effect from April 7, 2016 through the termination of the Swap on November 13, 2018.

Interest incurred under the Swap totaled nil and $159 for the three months ended March 31, 2019 and 2018, respectively. The fair value of the Swap was determined to be nil and $271 as at March 31, 2019 and 2018, respectively. The fair value represented the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

Flooring agreement

ARC Acquisition (US), Inc. ("ARC"), a wholly owned subsidiary of the Company, entered into a secured flooring agreement with IBM Credit LLC ("IBM") on August 10, 2011, which provides short-term accounts payable financing. The agreement currently allows up to $2,500 in advances on purchases from approved vendors, which maximum advance amount may be changed by IBM in its discretion. Approved vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. Currently, the Company incurs interest on the outstanding balance at LIBOR plus 4.5% after a free financing period of 60 days, but the interest rate and free financing period may be changed at IBM's discretion. $1,718 and $645 were outstanding under the IBM secured flooring agreement as at March 31, 2019 and December 31, 2018, respectively. All amounts under this arrangement are included in current liabilities.

Contingent consideration

TeraMach

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 contingent consideration is dependent on the TeraMach Group achieving certain performance targets during four consecutive twelve month periods ending September 30, 2020. At the date of acquisition, the fair value of the contingent liability was determined to be $3,324.

The following table summarizes the changes and activity related to the TeraMach contingent consideration liability balance:

	Three months ended March 31, *(unaudited)*	
	2019	2018
Beginning as at January 1	**2,235**	3,326
Change in fair value	**176**	252
Exchange rate differences	**48**	(88)
Balance as at March 31,	**2,459**	3,490

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

The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is C$4,500 as at March 31, 2019 and December 31, 2018. Payments of the remaining consideration are required to be made within five business days of Board approval of the Company's Q3 financial statements.

Cloudscapes

On July 1, 2017, the Company executed an Asset Purchase Agreement in order to acquire certain customer accounts, contracts, agreements and other arrangements of Cloudscapes Consulting, Inc. ("Cloudscapes"). The agreed upon purchase price for the acquired Cloudscapes assets was up to $1,350. $100 was paid upon acquisition with the remaining $1,100 to be paid over eleven quarters at up to $100 per quarter, commencing on October 1, 2017 and ending on April 30, 2020. Additionally, if certain targets are achieved, a bonus of $150 could be paid.

At the date of acquisition, the fair value of the contingent liability was determined to be $1,003. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is $500.

The following table summarizes the changes and activity related to the Cloudscapes contingent consideration liability balance:

	Three months ended March 31, *(unaudited)*	
	2019	2018
Beginning as at January 1	**636**	930
Change in fair value	**56**	22
Payments	**(250)**	(100)
Balance as at March 31,	**442**	852

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

Contractual commitments

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

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	15,631	-	-	-	-	**15,631**
Secured borrowings	127,240	-	-	-	-	**127,240**
Accounts payable and accrued liabilities	-	244,370	-	-	-	**244,370**
Lease obligations	-	4,932	4,354	7,351	3,200	**19,837**
Contingent consideration	-	2,173	1,566	-	-	**3,739**
	142,871	**251,475**	**5,920**	**7,351**	**3,200**	**410,817**

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

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 May 13, 2019, the Company had 39,473,032 common shares issued and outstanding.

Cancellation of common shares

The Company has cancelled shares repurchased from former directors, and under the NCIB during 2018 and 2019 as follows:

	Cancellation date	# of Shares cancelled	Average price per share	Total cost of shares
Shares repurchased under the NCIB	April 27, 2018	231,000	C$1.97	C$456
Shares repurchased under the NCIB	May 29, 2018	216,000	C$1.92	C$415
Shares repurchased under the NCIB	June 20, 2018	87,500	C$2.01	C$176
Shares repurchased under the NCIB	June 22, 2018	78,600	C$1.95	C$154
Shares repurchased under the NCIB	June 28, 2018	25,000	C$1.95	C$49
Shares repurchased under the NCIB	July 26, 2018	150,300	C$1.92	C$289
Shares repurchased under the NCIB	August 29, 2018	172,200	C$1.84	C$317
		960,600	**C$1.93**	**C$1,856**

Note: *Amounts presented are in thousands of Canadian dollars, except 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 ("Participants") 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 and shares reserved for issuance pursuant to the Company's Restricted Stock Unit plan as described below) as at May 13, 2019 is 3,643,816, 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 BOD approval but shall not be less than the market price at the time of grant.

As at May 13, 2019, the BOD has granted a total of 3,107,500 options to Participants as follows:

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
June 30, 2017	June 29, 2022	Over 3 years	425,000	C$2.47
August 8, 2017	August 8, 2022	Over 3 years	10,000	C$2.61
August 17, 2018	August 16, 2023	Over 3 years	380,000	C$1.68
November 16, 2018	November 16, 2023	Over 3 years	130,000	C$1.68

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

A summary of the status of the Company's stock option plan as at March 31, 2019 and 2018 and during the three months then ended is as follows:

	2019		2018	
	# of options	**Weighted average exercise price**	**# of options**	**Weighted average exercise price**
Options outstanding at January 1	2,118,750	C$1.79	1,946,875	C$1.79
Options granted	-	-	-	-
Options forfeited	-	-	(29,166)	C$1.60
Options exercised	-	-	(65,625)	C$1.60
Options outstanding at March 31	**2,118,750**	**C$1.79**	**1,852,084**	**C$1.80**
Options exercisable at March 31	**1,332,082**	**C$1.69**	**1,014,594**	**C$1.60**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Restricted stock units

The Company has adopted an RSU plan that allows the Company to award RSUs to Participants upon such conditions as the BOD may establish. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016 and approved by the shareholders on June 21, 2016. Shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, restrictions, time periods or other conditions established by the BOD. The maximum aggregate number of shares that may be issued under the plan pursuant to the exercise of RSUs shall not exceed 1,250,000 shares. The maximum number of common shares which may be reserved and set aside for issuance upon the grant or exercise of RSU or stock option awards under the plan is 10% of the Company's common shares issued and outstanding from time to time on a non-diluted basis.

From the RSU plan's inception to May 13, 2019, the BOD has granted a total of 800,000 RSUs to Participants as follows:

Grant date	Vesting period	# of RSUs	Grant date fair value
June 30, 2017	Over 3 years	385,000	C$2.47
August 8, 2017	Over 3 years	5,000	C$2.65
August 17, 2018	Over 3 years	390,000	C$1.68
November 16, 2018	Over 3 years	20,000	C$1.18

Note: *Share and per share amounts are not rounded*

The RSUs vest annually over a period of three years. Within 60 days of the vesting date, the Participant shall have the right to receive, at the sole election of the Company, payment for the RSUs by any of the following methods or by a combination of such methods: (i) a cash payment equal in value to the number of RSUs recorded in the Participant's account multiplied by the weighted average trading price of the common shares for the five days preceding the vesting date; or (ii) one common share multiplied by the number of RSUs recorded in the Participant's account, issued from treasury and subject to the receipt of necessary approvals, less applicable withholdings in all cases.

A summary of the status of the Company's RSU plan as at March 31, 2019 and 2018, and during the three months then ended is as follows:

	2019		2018	
	# of RSUs	Weighted average grant date fair value	# of RSUs	Weighted average grant date fair value
Units outstanding at January 1,	697,538	C$1.91	355,000	C$2.47
Units granted	-	-	-	-
Units reinvested (dividends)	24,674	C$1.13	-	-
Units vested	-	-	-	-
Units forfeited	-	-	-	-
Units outstanding at March 31,	**722,212**	**C$1.89**	**355,000**	**C$2.47**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Normal course issuer bid

On May 12, 2017, 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, including regularly scheduled quarterly blackout periods. Such purchases were to be determined by Echelon

in its sole discretion based on parameters established prior to any blackout period, in accordance with applicable securities laws.

On June 19, 2017, the Company obtained regulatory approval to proceed with an NCIB ("2017 NCIB") to repurchase up to 3,820,852, or approximately 10% of the Company's issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) at prevailing market prices during the twelve months ending June 21, 2018. The Company was able to repurchase and subsequently cancel 993,900 common shares under its 2017 NCIB through June 22, 2018. Some of these purchases were made pursuant to an automatic share purchase plan with Echelon.

On June 20, 2018, the Company obtained regulatory approval to proceed with another NCIB ("2018 NCIB") to repurchase up to 3,789,551, or approximately 10% of the Company's issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) at prevailing market prices during the twelve months ending June 21, 2019. The Company has repurchased and subsequently cancelled 347,500 common shares under its 2018 NCIB through May 13, 2019.

On June 28, 2018, the Company renewed its automatic share purchase plan with Echelon, for the purpose of permitting the purchase of common shares under its 2018 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 Echelon in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX and applicable securities laws. (*See "Cancellation of common shares" and "Secured borrowings"*)

Common share dividends

On February 25, 2015, the BOD approved the initiation of a quarterly common share dividend. *(See Secured borrowings)*

Common share dividends were declared and paid during 2018 and 2019 as follows:

Declaration date	Record date	Distribution date	Per share amount	Total dividend
February 20, 2018	February 28, 2018	March 15, 2018	C$0.04	C$1,612
May 14, 2018	May 31, 2018	June 15, 2018	C$0.04	C$1,596
August 14, 2018	August 31, 2018	September 14, 2018	C$0.04	C$1,579
October 31, 2018	November 12, 2018	November 27, 2018	C$0.04	C$1,579
February 12, 2019	February 22, 2019	March 1, 2019	C$0.04	C$1,579

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

As at March 31, 2019, the issued share capital amounted to $82,705. The changes in issued shares for the three months ended March 31, 2019 were as follows:

	# of Common shares
As at January 1, 2019	39,473,032
Share repurchases and subsequent cancellations	-
Stock options exercised	-
Shares issued in vesting of RSUs	-
As at March 31, 2019	**39,473,032**

Note: *Share amounts are unrounded*

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 2019	Equity Interest Q1 2018
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%
ACS Holdings Corporation (3)	Canada	94%	-
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 (2)	Hong Kong	-	100%
Pivot Services Limited (4)	Hong Kong	94%	-
Pivot Services International Singapore Pte. Ltd. (5)	Singapore	94%	-
Pivot Solutions International (UK) Ltd	United Kingdom	100%	-
Pivot Technology Solutions, Ltd.	United States	100%	100%
ACS (US) Inc.	United States	100%	100%
Applied Computer Solutions, Inc.	United States	40%	40%
New ProSys Corp.	United States	100%	100%
ProSys Information Systems Inc. (1)	United States	46%	46%
ARC Acquisition (US) Inc.	United States	100%	100%
Sigma Technology Solutions Inc.	United States	100%	100%
Smart-Edge.com, Inc. (1)	United States	100%	100%

(1) *Smart-Edge.com, Inc., was incorporated January 12, 2018.*

(2) *Pivot Technology Solutions Hong Kong Limited was deregistered and dissolved effective April 13, 2018.*

(3) *ACS Holdings Corporation was incorporated on July 17, 2018.*

(4) *Pivot Services Limited was incorporated August 16, 2018.*

(5) *Pivot Services International Singapore PTE. LTD was incorporated August 31, 2018.*

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, 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 it does not already own.
- Any significant decision made at Old ProSys requires Pivot’s agreement, including changes to its board of directors, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and/or 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 $58,957 and $91,198 for the three months ended March 31, 2019 and 2018, respectively. Amounts due from Old ProSys were $67,732 and $83,173 as at March 31, 2019 and December 31, 2018, respectively.

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

	Three months ended March 31, (unaudited)	
	2019	2018
Current assets	**73,129**	74,582
Non-current assets	-	-
Current liabilities	**67,732**	68,712
Non-current liabilities	-	-
Net assets	**5,397**	5,870
Revenue	**58,957**	91,198
Total comprehensive income (loss)	**(827)**	85
Cash provided by operating activities	**15,934**	27,192
Cash used in investing activities	-	-
Cash used in financing activities	**(15,934)**	(27,192)
Net increase (decrease) in cash	-	-

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

Applied Computer Solutions, Inc. ("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, management has determined that 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.
- The Applied board of directors is made up of a majority of Pivot employees.
- Any significant decision made at Applied requires the approval of the Applied board of directors, including board changes, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and/or assignment or termination of any material agreement.

The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Applied to its third party customers. The Company recognized this revenue on a gross basis.

Total sales attributable to the activities of Applied were $50,117 and $84,002 for the three months ended March 31, 2019 and 2018, respectively. Amounts due from Applied were $16,201 and $16,122 as at March 31, 2019 and December 31, 2018, respectively.

The following table summarizes the post-acquisition financial information of Applied, as included in its own financial statements:

	Three months ended March 31,	
	(unaudited)	
	2019	**2018**
Current assets	1,088	42,472
Non-current assets	19,249	19,654
Current liabilities	17,758	59,135
Non-current liabilities	1,903	1,903
Net assets	**676**	**1,088**
Revenue	50,117	84,002
Total comprehensive income	**43**	**263**
Cash provided by (used in) operating activities	227	(410)
Cash provided by investing activities	1	-
Cash used in financing activities	(168)	(49)
Net increase (decrease) in cash	**60**	**(459)**

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

The contractual arrangements with Applied and Old ProSys as described above accounted in aggregate for 36.9% and 47.4%, of the overall Pivot revenues for the three months ended March 31, 2019 and 2018, respectively. The contractual arrangements with Applied may be terminated by either party upon notice to the other.

RELATED PARTIES

ACS incurred nil and $375 for the three months ended March 31, 2019 and 2018, respectively, for research and development provided by a related entity where certain officers of ACS and Smart Edge have significant influence. The Company terminated this agreement in August 2018. As part of the termination agreement, ACS incurred an additional $774 in termination costs for the twelve months ended December 31, 2018. Amounts payable were nil and $615 as at March 31, 2019 and December 31, 2018, respectively.

SUMMARY COMPENSATION TABLE

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

	Three months ended March 31,	
	2019	2018
Compensation	**442**	447
Annual incentive plans	**124**	292
Share-based compensation	**-**	45
Other compensation	**42**	209
	608	993

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

OTHER MATTERS

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

Pivot has no ownership interest in GTS Technology Solutions, Inc. (“GTS”). Pursuant to the terms of the Administrative Services Agreement between ARC Acquisition (US) Inc. (“ARC”) and GTS, which 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. Based on its review to date, ARC believes the amount due from GTS exceeds $8.2 million. The Company established a reserve of $5,978 during Q3 2016, which has remained in place through March 31, 2019.

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’ owners and GTS’ former shareholders (the “Unfair Competition 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”) as a result of the actions of GTS, certain GTS employees, GTS’ current and former owner and GTS’ former shareholders. In the Unfair Competition 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 filed motions to dismiss under the Texas Citizens Participation Act (“TCPA”). The District Court denied GTS’ motion to dismiss under the TCPA. Following the denial of the motion to dismiss under the TCPA, GTS appealed. On August 3, 2018, the appellate court issued a decision in which it upheld, in part, the

trial court's denial of GTS' motion to dismiss and reversed, in part, the trial court's decision. The Company filed a petition to appeal the unfavorable portions of the ruling to the Texas Supreme Court in November 2018. The petition is currently under consideration by the Texas Supreme Court. The Company intends to vigorously defend against the counterclaims that have been asserted.

On December 29, 2017, ARC filed a second lawsuit against GTS asserting that GTS breached its contractual obligations to ARC by failing to pay the fees it was obligated to pay under the Amended and Restated Licensing Agreement, Amended and Restated Administrative Services Agreement and Amended and Restated Distribution Agreement ("Breach of Contract Lawsuit"). The Breach of Contract Lawsuit alleges damages in excess of $8.2 million. GTS has generally denied the claims and has sought to consolidate the Breach of Contract Lawsuit with the Unfair Competition Lawsuit. The Court denied GTS' motion to consolidate the Breach of Contract Lawsuit with the Unfair Competition Lawsuit at this stage but has stayed discovery in the Breach of Contract Lawsuit until the Court issues a ruling on the appeal in the Unfair Competition Lawsuit. As of August 3, 2018, the stay in the Breach of Contract Lawsuit was lifted. ARC served GTS with written discovery requests. In response, GTS filed a second motion to stay pending resolution of the appeal. In December 2018, the Court denied GTS' motion and the stay has been lifted. ARC is proceeding with discovery in this matter. ARC intends to vigorously pursue this matter to recover fees it is owed in connection with the relationship with GTS.

In all matters discussed above, the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote. As such, 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 these matters.

RISKS AND UNCERTAINTIES

The Company's business is subject to a number of risk factors which are described in its Annual Information Form for the year ended December 31, 2018 available at *sedar.com* under the Company's profile and pivotts.com and which are hereby incorporated by reference. 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

The preparation of the Company's 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. The Company bases its estimates on historical experience and on various other assumptions that management believes 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 those 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 management's more significant estimates, judgments and assumptions which managment believes are the most critical to aid in fully understanding and evaluating reported financial results are discussed below.

Revenue recognition

The Company makes significant judgments in determining whether a promise to deliver goods or services is considered distinct and in determining the costs that are incremental to obtaining or fulfilling a contract with a customer.

Distinct goods and services

The Company makes judgments in determining whether a promise to deliver goods or services is considered distinct. The Company accounts for individual products and services 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.

Determining costs to obtain or fulfill a contract

Determining the costs that the Company will incur to obtain or fulfill a contract that meets the deferral criteria within IFRS 15 Revenue from Contracts with Customers ("IFRS 15") requires significant judgments.

The Company uses estimates in the following key areas:

Determining 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 we have promised to our 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.

Determining 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 best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers.

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. 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 takes 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.

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.

NEW STANDARDS AND AMENDMENTS ADOPTED IN 2019

Amended accounting pronouncements adopted in 2019

The Company adopted new amendments to the following accounting standards effective for the Company's interim and annual consolidated financial statements commencing January 1, 2019. These changes did not have a material impact on the Company's financial results.

- IAS 12, *Income Tax Consequences of Payments on Instruments Classified as Equity (Amendments to IAS 12)*
- IFRIC 23, *Uncertainty over Income Tax Treatments*

New accounting standards

The Company adopted the following accounting standards effective for its interim and annual consolidated financial statements commencing January 1, 2019. These changes did not have a material impact on the Company's financial results.

Pivot applied, for the first time, IFRS 16, which requires assessment and potential restatement of previous financial statements, where transition adjustments exist.

As required by IAS 34, *Interim Financial Reporting*, the nature and effect of these changes are disclosed below.

Impact of application of IFRS 16

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17, *Leases* ("IAS 17") and related interpretations.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets. In applying IFRS 16, the Company recognizes the ROU asset and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statements of loss and comprehensive loss; and separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the

consolidated statements of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within other selling, general and administrative expenses in the unaudited interim condensed consolidated statement of loss and comprehensive loss.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 9%. Generally, ROU assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease, with no net impact on retained earnings.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- 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 account for them 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;
- Accounted for non-lease components and lease components as a single lease component.

The cumulative effect of the changes made to the January 1, 2019 consolidated statement of financial position for the adoption of IFRS 16 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, net	**-**	16,468	**16,468**
Other assets	4,460	531	**4,991**
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 12 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**

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease. The payments for such leases are recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term. The Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of loss and comprehensive loss.

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease

is a finance lease. If not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

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, the Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated, the design of disclosure controls and procedures. Based on that evaluation, they have concluded that, as of the end of the period covered by this MD&A, the design of the Company's disclosure controls and procedures were effective.

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 design was effective as at the reporting date.

Changes in internal control over financial reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended March 31, 2019, that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.