

Interim condensed consolidated financial statements of

**EVERTZ TECHNOLOGIES LIMITED**

Three month and Six month periods ended October 31, 2020 and 2019  
(Unaudited)

## **MANAGEMENT REPORT**

The management of Evertz Technologies Limited (“Evertz” or the “Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the auditor. These interim condensed consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for the fair presentation of the consolidated financial position, results of operations and cash flows.

# EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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Three month and Six month periods ended October 31, 2020 and 2019

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# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)

As at October 31, 2020 and April 30, 2020  
(In thousands of Canadian dollars)

	October 31, 2020	April 30, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 110,042	\$ 75,025
Trade and other receivables (note 3)	70,064	90,631
Contract assets	7,332	7,864
Prepaid expenses	9,345	9,003
Inventories	157,605	161,985
	354,388	344,508
Property, plant and equipment (note 4)	45,651	47,794
Right-of-use assets (note 5)	26,181	28,823
Goodwill (note 6)	23,169	20,771
Intangibles (note 7)	1,291	1,573
Deferred income taxes	1,632	204
	\$ 452,312	\$ 443,673
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 57,720	\$ 62,231
Provisions (note 8)	4,227	5,031
Deferred revenue	53,580	45,076
Current portion of long term debt	119	238
Current portion of lease obligations	4,412	4,400
Income tax payable	3,177	3,812
	123,235	120,788
Long-term lease obligations	23,222	25,465
	146,457	146,253
<b>Equity</b>		
Capital stock (note 9)	143,654	143,915
Share based payment reserve	8,883	8,279
Accumulated other comprehensive earnings	1,831	1,032
Retained earnings	148,176	141,786
	150,007	142,818
Total equity attributable to shareholders	302,544	295,012
Non-controlling interest	3,311	2,408
	305,855	297,420
	\$ 452,312	\$ 443,673

See accompanying notes to the interim condensed consolidated financial statements.

## EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

Three month periods ended October 31, 2020 and 2019  
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive earnings	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
<b>Balance at April 30, 2019</b>	<b>\$ 139,865</b>	<b>\$ 8,245</b>	<b>\$ 1,729</b>	<b>\$ 203,284</b>	<b>\$ 353,123</b>	<b>\$ 2,280</b>	<b>\$ 355,403</b>
Net earnings for the period	-	-	-	33,449	33,449	284	33,733
Foreign currency translation adjustment	-	-	(256)	-	(256)	(30)	(286)
<b>Total comprehensive earnings for the period</b>	<b>\$ 139,865</b>	<b>\$ 8,245</b>	<b>\$ 1,473</b>	<b>\$ 236,733</b>	<b>\$ 386,316</b>	<b>\$ 2,534</b>	<b>\$ 388,850</b>
Dividends declared	-	-	-	(96,757)	(96,757)	(450)	(97,207)
Share based compensation expense	-	152	-	-	152	-	152
Exercise of employee stock options	4,372	-	-	-	4,372	-	4,372
Transfer on stock option exercise	391	(391)	-	-	-	-	-
Repurchase of common shares	(52)	-	-	(438)	(490)	-	(490)
<b>Balance at October 31, 2019</b>	<b>\$ 144,576</b>	<b>\$ 8,006</b>	<b>\$ 1,473</b>	<b>\$ 139,538</b>	<b>\$ 293,593</b>	<b>\$ 2,084</b>	<b>\$ 295,677</b>
<b>Balance at April 30, 2020</b>	<b>\$ 143,915</b>	<b>\$ 8,279</b>	<b>\$ 1,032</b>	<b>\$ 141,786</b>	<b>\$ 295,012</b>	<b>\$ 2,408</b>	<b>\$ 297,420</b>
Net earnings for the period	-	-	-	21,533	21,533	230	21,763
Foreign currency translation adjustment	-	-	799	-	799	31	830
<b>Total comprehensive earnings for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 799</b>	<b>\$ 21,533</b>	<b>\$ 22,332</b>	<b>\$ 261</b>	<b>\$ 22,593</b>
Dividends declared	-	-	-	(13,759)	(13,759)	(400)	(14,159)
Business acquisitions (note 18)	-	-	-	-	-	1,042	1,042
Share based compensation expense	-	604	-	-	604	-	604
Repurchase of common shares (note 9)	(261)	-	-	(1,384)	(1,645)	-	(1,645)
<b>Balance at October 31, 2020</b>	<b>\$ 143,654</b>	<b>\$ 8,883</b>	<b>\$ 1,831</b>	<b>\$ 148,176</b>	<b>\$ 302,544</b>	<b>\$ 3,311</b>	<b>\$ 305,855</b>

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings  
(Unaudited)

Three month and six month periods ended October 31, 2020 and 2019  
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Revenue (notes 14 & 15)	\$ 100,482	\$ 119,788	\$ 156,819	\$ 223,199
Cost of goods sold	40,823	50,466	64,936	94,725
Gross margin	59,659	69,322	91,883	128,474
Expenses				
Selling, administrative and general (note 10)	13,853	19,175	26,700	36,728
Research and development (note 11)	20,520	23,772	37,338	47,868
Investment tax credits	(4,684)	(1,978)	(6,169)	(3,981)
Foreign exchange loss	1,297	1,130	4,406	2,907
	30,986	42,099	62,275	83,522
	28,673	27,223	29,608	44,952
Finance income	597	361	690	812
Finance costs	(371)	(78)	(722)	(541)
Other income (expenses)	(781)	(223)	(673)	(182)
Earnings before income taxes	28,118	27,283	28,903	45,041
Provision for (recovery of) income taxes				
Current	7,080	7,707	8,487	11,274
Deferred	(150)	(950)	(1,347)	34
	6,930	6,757	7,140	11,308
Net earnings for the period	\$ 21,188	\$ 20,526	\$ 21,763	\$ 33,733
Net earnings attributable to non-controlling interest	140	154	230	284
Net earnings attributable to shareholders	21,048	20,372	21,533	33,449
Net earnings for the period	\$ 21,188	\$ 20,526	\$ 21,763	\$ 33,733
Earnings per share (note 17)				
Basic	\$ 0.28	\$ 0.27	\$ 0.28	\$ 0.44
Diluted	\$ 0.28	\$ 0.27	\$ 0.28	\$ 0.44

See accompanying notes to the interim condensed consolidated financial statements.

## **EVERTZ TECHNOLOGIES LIMITED**

Interim Condensed Consolidated Statements of Comprehensive Earnings  
(Unaudited)

Three month and six month periods ended October 31, 2020 and 2019  
(In thousands of Canadian dollars)

	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net earnings for the period	\$ 21,188	\$ 20,526	\$ 21,763	\$ 33,733
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(769)	2,560	830	(286)
Comprehensive earnings	\$ 20,419	\$ 23,086	\$ 22,593	\$ 33,447
Comprehensive earnings attributable to non-controlling interest	\$ 114	\$ 157	\$ 261	\$ 254
Comprehensive earnings attributable to shareholders	\$ 20,305	\$ 22,929	\$ 22,332	\$ 33,193
Comprehensive earnings	\$ 20,419	\$ 23,086	\$ 22,593	\$ 33,447

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)

Three month and six month periods ended October 31, 2020 and 2019  
(In thousands of Canadian dollars)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
<b>Operating activities</b>				
Net earnings for the period	\$ 21,188	\$ 20,526	\$ 21,763	\$ 33,733
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,981	2,531	5,810	5,128
Amortization of right-of-use assets (note 5)	1,282	1,322	2,563	2,608
Amortization of intangibles (note 7)	107	106	217	208
Gain on disposal of property, plant and equipment	-	(5)	4	(61)
Unrealized loss on marketable securities	-	24	-	-
Realized gain on marketable securities	-	(33)	-	(33)
Share based compensation (note 13)	398	72	604	152
Interest expense	282	331	577	663
Deferred income tax recovery	(150)	(950)	(1,347)	34
	26,088	23,924	30,191	42,432
Current tax expenses, net of investment tax credits	2,406	5,729	2,328	7,293
Income taxes paid	616	(2,708)	(2,715)	(5,938)
Changes in non-cash working capital items (note 12)	(8,310)	(39,888)	27,325	(48,834)
Cash (used in) provided by operating activities	20,800	(12,943)	57,129	(5,047)
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(2,127)	(2,246)	(3,881)	(3,906)
Proceeds from disposal of property, plant and equipment	-	22	-	82
Proceeds from disposal of marketable securities	-	4,056	-	4,056
Business acquisitions (note 18)	(795)	-	(795)	-
Cash (used in) provided by investing activities	(2,922)	1,832	(4,676)	232
<b>Financing activities</b>				
Repayment of long term debt	(64)	(49)	(124)	(119)
Principle payments of lease liabilities	(1,083)	(1,018)	(2,154)	(2,053)
Interest paid	(282)	(331)	(577)	(663)
Dividends paid	(6,879)	(82,976)	(13,759)	(96,757)
Dividends paid by subsidiaries to non-controlling interests	(400)	(450)	(400)	(450)
Capital stock repurchased (note 9)	(1,645)	(490)	(1,645)	(490)
Capital stock issued	-	3,441	-	4,372
Cash used in financing activities	(10,353)	(81,873)	(18,659)	(96,160)
Effect of exchange rates on cash and cash equivalents	482	2,112	1,223	1,841
Increase (decrease) in cash and cash equivalents	8,007	(90,872)	35,017	(99,134)
Cash and cash equivalents beginning of period	102,035	96,321	75,025	104,583
Cash and cash equivalents end of period	\$ 110,042	\$ 5,449	\$ 110,042	\$ 5,449

See accompanying notes to the interim condensed consolidated financial statements.



# EVERTZ TECHNOLOGIES LIMITED

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended October 31, 2020 and 2019

(in thousands of Canadian dollars, except for “number of common shares”, “number of options” and “per share” information)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. The Company designs, manufactures and distributes video and audio infrastructure solutions for the production, post-production, broadcast and telecommunications markets.

### 1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2020.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2020 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 9, 2020.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Effects and Response to Pandemic*

Although the Company is an essential service provider and has increased health and safety protocols to continue operations, widespread customer delays, travel restrictions and the postponement or cancellation of sporting as well as other live events and various other related projects have had an adverse effect on the Company’s revenues and financial results.

The Company applied for assistance from multiple assistance programs, including the Canadian Emergency Wage Subsidy (“CEWS”) program as a result of the impact the pandemic had on Company operations. The assistance has been recognized as an offsetting reduction to the salary expenses and the cost of labour applied to manufactured inventory.

#### *Use of Estimates and Judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Consequently, actual results could differ from those estimates. Those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of expected credit losses which are based on the amount and timing of cash flows expected to be received, provision for inventory obsolescence which is recorded to adjust to the net realizable value of inventory and based on current market prices and past experiences, the useful life of property, plant and equipment and intangibles for depreciation which are based on past experiences, expected use and industry trends, amortization and valuation of net recoverable amount of property, plant and equipment and intangibles, determination of fair value for share based compensation, evaluating deferred income tax assets and liabilities, the determination of fair value of financial instruments and the

Note #2 continued ...

likelihood of recoverability, and the determination of implied fair value of goodwill and implied fair value of assets and liabilities for purchase price allocation purposes and goodwill impairment assessment purposes.

Significant items requiring the use of judgment in application of accounting policies and assumptions include the determination of functional currencies, classification of financial instruments, classification of leases, determination if revenues should be recognized at a point in time or over time, application of the percentage of completion method on long-term contracts, degree of componentization applied when calculating the amortization of property, plant and equipment, and identification of cash generating units for impairment testing purposes.

The Company has also assessed the impact of the pandemic on the estimates and judgements described above. Although the Company expects pandemic related disruptions to continue during future quarters, the Company believes that the long-term estimates and assumptions do not require significant revisions. Although the Company determined that no significant revisions to such estimates, judgement or assumptions were required, the pandemic is fluid and given the inherent uncertainty at this time, revisions may be required in future periods to the extent that the negative impacts on the Company business operations arising from the pandemic continue or worsen. Any such revisions could result in a material impact on our results of operations and financial condition.

### 3. TRADE AND OTHER RECEIVABLES

	<b>October 31, 2020</b>	<b>April 30, 2020</b>
Trade receivables	\$ 66,523	\$ 83,422
Other receivables	3,541	7,209
	<b>\$ 70,064</b>	<b>\$ 90,631</b>

### 4. PROPERTY, PLANT AND EQUIPMENT

	<b>October 31, 2020</b>			<b>April 30, 2020</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>
Office furniture and equipment	\$ 4,972	\$ 3,367	\$ 1,605	\$ 4,819	\$ 3,252	\$ 1,567
Research and development equipment	40,563	27,419	13,144	38,735	25,072	13,663
Airplanes	11,535	8,871	2,664	11,535	8,579	2,956
Machinery and equipment	69,029	54,695	14,334	67,698	52,407	15,291
Leaseholds	9,203	5,792	3,411	9,206	5,546	3,660
Land	2,327	-	2,327	2,332	-	2,332
Buildings	11,279	3,113	8,166	11,293	2,968	8,325
	<b>\$ 148,908</b>	<b>\$ 103,257</b>	<b>\$ 45,651</b>	<b>\$ 145,618</b>	<b>\$ 97,824</b>	<b>\$ 47,794</b>

### 5. RIGHT-OF-USE ASSETS

	<b>Land &amp; Building</b>
<b>Balance as at April 30, 2020</b>	<b>\$ 28,823</b>
Amortization for the year	(2,563)
Foreign exchange adjustments	(79)
<b>Balance as at October 31, 2020</b>	<b>\$ 26,181</b>

## 6. GOODWILL

	Cost
<b>Balance as at April 30, 2020</b>	<b>\$ 20,771</b>
Foreign exchange differences	(112)
Business acquisitions (note 18)	2,510
<b>Balance as at October 31, 2020</b>	<b>\$ 23,169</b>

## 7. INTANGIBLES

	Cost
<b>Balance as at April 30, 2020</b>	<b>\$ 1,573</b>
Amortization	(217)
Foreign exchange differences	(65)
<b>Balance as at October 31, 2020</b>	<b>\$ 1,291</b>

## 8. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
<b>Balance as at April 30, 2020</b>	<b>\$ 4,381</b>	<b>\$ 650</b>	<b>\$ 5,031</b>
Net additions	(736)	53	(683)
Foreign exchange differences	(113)	(8)	(121)
<b>Balance as at October 31, 2020</b>	<b>\$ 3,532</b>	<b>\$ 695</b>	<b>\$ 4,227</b>

### *Warranty and Returns*

The provision relates to estimated future costs associated with standard warranty repairs and returns on hardware solutions. The provision is based on historical data associated with similar products. The warranty and returns are expected to be incurred within the next twelve months.

### *Lease/Retirement Obligations*

The provision relates to estimated restoration costs expected to be incurred upon the conclusion of Company leases.

## 9. CAPITAL STOCK

Authorized capital stock consists of:  
Unlimited number of preferred shares  
Unlimited number of common shares

	Number of Common Shares	Amount
<b>Balance as at April 30, 2020</b>	<b>76,449,446</b>	<b>143,915</b>
Cancelled pursuant to NCIB	(139,000)	(261)
<b>Balance as at October 31, 2020</b>	<b>76,310,446</b>	<b>\$ 143,654</b>

### *Dividends Per Share*

During the quarter, \$0.09 in dividends per share were declared (2019 - \$0.18).

Note #9 continued ...

*Normal Course Issuer Bid*

In October 2019, the Company filed a Normal Course Issuer Bid (“NCIB”) with the TSX to repurchase, at the Company’s discretion, until October 23, 2020 up to 3,830,252 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the six and three month periods, the Company purchased 123,700 common shares at a weighted average price of \$11.86 (2019 – 27,600 common shares at a weighted average price of \$17.76).

In October 2020, the Company renewed the Normal Course Issuer Bid (“NCIB”) with the TSX to repurchase, at the Company’s discretion, until October 25, 2021 up to 3,819,487 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. During the six and three month periods, the Company purchased and cancelled 15,300 common shares at a weighted average price of \$11.71 (2019 – nil).

**10. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES**

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Selling and administrative	\$ 12,773	\$ 18,004	\$ 24,692	\$ 34,334
Depreciation - selling and administration	790	758	1,575	1,550
General:				
Share based compensation (note 13)	183	307	216	636
Amortization of intangibles	107	106	217	208
	\$ 13,853	\$ 19,175	\$ 26,700	\$ 36,728

During the three and six month periods, there was a \$3,200 and a \$5,153 respective reduction in travel and promotion costs associated with reduced selling activities and travel restrictions and \$637 and \$1,976 respectively (2019 – nil) in government assistance was deducted from selling and administrative expenses.

**11. RESEARCH AND DEVELOPMENT**

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Research and development	\$ 18,385	\$ 21,600	\$ 33,731	\$ 43,216
Depreciation - research and development	1,282	1,338	2,513	2,416
General:				
Share based compensation (note 8)	853	834	1,094	2,236
	\$ 20,520	\$ 23,772	\$ 37,338	\$ 47,868

During the three and six month periods, \$3,206 (2019 – nil) and \$9,944 (2019 – nil) in government assistance was deducted from research and development expenses.

## 12. STATEMENT OF CASH FLOWS

### Changes in non-cash working capital items

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Trade and other receivables	\$ (6,412)	\$ (38,509)	\$ 20,428	\$ (48,816)
Contract assets	574	1,458	532	7,677
Inventories	5,127	2,992	4,493	(2,224)
Prepaid expenses	(1,252)	(153)	(318)	(18)
Trade and other payables	(4,544)	(6,292)	(5,510)	(8,046)
Deferred revenue	(1,807)	(195)	8,504	1,954
Provisions	4	811	(804)	639
	\$ (8,310)	\$ (39,888)	\$ 27,325	\$ (48,834)

## 13. SHARE BASED PAYMENTS

### Stock Option Plan

The Company established, in June 2006, a stock option plan to attract, retain, motivate and compensate employees, officers and eligible directors who are integral to the growth and success of the Company. A number of shares equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the stock option plan.

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year.

The changes in the number of outstanding share options are as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance as at April 30, 2020</b>	<b>1,628,500</b>	<b>\$ 16.75</b>
Granted	4,042,000	12.28
Forfeited	(95,000)	15.37
Expired	(72,000)	12.28
<b>Balance as at October 31, 2020</b>	<b>5,503,500</b>	<b>\$ 13.55</b>

Stock options outstanding as at October 31, 2020 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$12.28	\$ 12.28	3,970,000	4.8	-	\$ -
\$15.20 - \$15.80	\$ 15.69	456,000	3.0	-	\$ -
\$16.08 - \$16.87	\$ 16.40	375,000	3.2	81,000	\$ 16.82
\$17.39 - \$18.63	\$ 17.82	702,500	3.6	30,000	\$ 17.38
Totals	\$ 13.55	5,503,500	4.4	111,000	\$ 16.97

Note #13 continued ...

#### *Restricted Share Unit Plan*

The Company established, in March 2016, a restricted share unit (“RSU”) plan to provide an incentive to participants; including key executives of the Company, by rewarding such participants with equity-based compensation. Under the terms of the plan, RSU’s are issued to the participant with a vesting period of three years. On the vesting date, all RSU’s will be redeemed in cash at the fair market value at the date of vest plus any accrued dividends. The changes in the number of outstanding RSUs are as follows:

	<b>Number of RSUs</b>
<b>Balance as at April 30, 2020</b>	<b>921,000</b>
Exercised	(30,000)
Forfeited	(16,000)
<b>Balance as at October 31, 2020</b>	<b>875,000</b>

As at October 31, 2020, the average remaining contractual life for outstanding RSUs is 1.5 years (2019 – 2.1 years).

#### **Compensation expense**

##### *Stock Option Plan*

The share based compensation expense that has been charged against earnings over the six month and three month periods is \$604 (2019 - \$152) and \$398 (2019 - \$72). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Six month period ended October 31, 2020</b>	<b>Six month period ended October 31, 2019</b>
Risk-free interest rate	0.36%	1.33%
Dividend yield	5.13%	4.08%
Expected life	5 years	5 years
Expected volatility	23%	14%
Weighted average grant-date fair value	\$1.16	\$1.06

Expected volatility is based on historical share price volatility over the past five years of the Company. Share based compensation expense was calculated using a weighted average forfeiture rate of 11% (2019 – 18%).

##### *Restricted Share Unit Plan*

The share based compensation expense that has been charged against earnings over the six month and three month periods is \$1,384 (2019 - \$2,720) and \$1,312 (2019 - \$1,069). Share based compensation expense was calculated using a weighted average forfeiture rate of 3% (2019 - 8%). As at October 31, 2020, the total liability included within trade and other payables is \$6,083 (2019 - \$3,607).

#### 14. SEGMENTED INFORMATION

The Company reviewed its operations and determined that it operates a single reportable segment, the television broadcast equipment market. The single reportable operating segment derives its revenues from the sale of hardware and software solutions including related services, training and commissioning.

	Three month period ended		Six month period ended	
	October 31,		October 31,	
Revenue	2020	2019	2020	2019
United States	\$ 63,696	\$ 86,573	\$ 98,053	\$ 155,780
International	33,567	31,197	53,976	62,417
Canada	3,219	2,018	4,790	5,002
	\$ 100,482	\$ 119,788	\$ 156,819	\$ 223,199

  

	October 31, 2020			April 30, 2020		
	Property, Plant and Equipment	Goodwill	Intangible Assets	Property, Plant and Equipment	Goodwill	Intangible Assets
United States	\$ 4,735	\$ 1,349	\$ 1,291	\$ 5,185	\$ 1,420	\$ 1,573
International	11,721	20,237	-	11,049	17,768	-
Canada	29,195	1,583	-	31,560	1,583	-
	\$ 45,651	\$ 23,169	\$ 1,291	\$ 47,794	\$ 20,771	\$ 1,573

#### 15. REVENUE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Hardware, including related software	\$ 71,785	\$ 95,132	\$ 118,538	\$ 183,757
Services, including warranty, training and commissioning	17,760	11,935	22,941	14,402
Long term contract revenue	10,937	12,721	15,340	25,040
	\$ 100,482	\$ 119,788	\$ 156,819	\$ 223,199

The decrease in revenue is due to widespread customer shutdowns, travel restrictions and projects on hold as a result of the pandemic.

#### 16. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

##### *Related Party Transactions*

Two shareholders each indirectly hold a 16% interest in the Company's leased premises in Ontario. This lease expires in 2029 with a total of \$9,108 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$509 (2019 – \$509) and \$255 (2019 - \$255) with no outstanding amounts due as at October 31, 2020.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2021 with a total of \$238 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$132 (2019 – \$132) and \$66 (2019 - \$66) with no outstanding amounts due as at October 31, 2020.

Note #16 continued ...

On December 1, 2008 the Company entered into a property lease agreement where two shareholders each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2028 with a total of \$7,135 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$420 (2019 – \$420) and \$210 (2019 - \$210) with no outstanding amounts due as at October 31, 2020.

On May 1, 2009 the Company entered into a property lease agreement where two shareholders each indirectly hold a 35% interest. This lease expires in 2029 with a total of \$4,674 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$254 (2019 – \$254) and \$127 (2019 - \$127) with no outstanding amounts due as at October 31, 2020.

The Company also leases a property where two shareholders indirectly own 100% interest. The lease expires in 2023 with a total of \$330 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$76 (2019 – \$76) and \$38 (2019 - \$38) with no outstanding amounts due as at October 31, 2020.

On May 1, 2016 the Company entered into a property lease agreement where two shareholders each hold a 46.6% interest. This lease expires in 2026 with a total of \$5,651 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$498 (2019 – \$491) and \$249 (2019 - \$245) with no outstanding amounts due as at October 31, 2020.

On August 1, 2016 the Company entered into a property lease agreement. Currently two shareholders indirectly own 100% interest. This lease expires in 2026 with a total of \$1,574 committed over the remaining term. During the six month and three month periods, rent paid for the leased principal premises amounted to \$129 (2019 – \$127) and \$66 (2019 - \$63) with no outstanding amounts due as at October 31, 2020.

These transactions were in the normal course of business and recorded at their respective fair values.

## 17. EARNINGS PER SHARE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Weighted average common shares outstanding	76,409,882	76,729,430	76,429,664	76,642,814
Dilutive effect of stock options	78,389	53,935	-	79,079
Diluted weighted average common shares outstanding	76,488,271	76,783,365	76,429,664	76,721,893

The weighted average number of diluted common shares excludes 1,533,500 options because they were anti-dilutive during the six month period (2019 – 47,500).



## 18. BUSINESS ACQUISITIONS

On October 27, 2020, the Company completed the investment of 73% in the share capital of Ease Live AS (“Ease Live”), who are based in Bergen, Norway. Ease Live, which was formerly part of Sixty AS, is a direct to consumer interactive graphics company. The fair value of total consideration transferred upon acquisition included cash considerations of \$5,327, which was transferred into Ease Live for future use. The acquisition was accounted for under the acquisition method and its operating results have been included in these financial statements since the date of acquisition. During fiscal 2021 the Company recognized \$66 of transaction costs in selling, administrative and general expenses relating to the transaction.

The preliminary allocation of the purchase price was based on management’s estimate of the fair value of assets acquired and liabilities assumed. The total purchase price of \$795 is net of \$4,532 cash left in the company for future operations. The allocation of the purchase price was as follows and is subject to adjustments as additional information is evaluated by the company:

Trade and other payables	(673)
Goodwill (not tax deductible)	2,510
Non-controlling interest	(1,042)
	<u>\$ 795</u>

The Goodwill of \$2,510 arising from the acquisition consists largely of the expansion of the Company’s product lines and potential customer base.

## 19. SUBSEQUENT EVENT

On December 9, 2020 the Company declared a quarterly dividend of \$0.18 with a record date of December 16, 2020 and a payment date of December 23, 2020.