NowVertical Group Inc.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022

August 24, 2022

The following management's discussion and analysis ("**MD&A**") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of NowVertical Group Inc. (the "**Company**", "**we**", "**us**" or "**our**").

This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's results of operations and financial position for the three and six months ended June 30, 2022, and should be read in conjunction with the Company's interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2022 (the "**Interim Financial Statements**"), which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("**IASB**") and the Company's MD&A and consolidated financial statements for the year ended December 31, 2021 and the period from inception on September 22, 2020 to December 31, 2020. The Interim Financial Statements and the notes thereto, along with this MD&A, were approved by the Company's board of directors. All dollar amounts referred to herein are expressed in United States dollars, unless otherwise noted. All references to "$" are U.S. dollars and all references to "C$" are Canadian dollars.

Forward-Looking Statements

This MD&A may contain statements deemed "forward-looking statements" that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or its industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements, and words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate", "contemplate" and other similar terminology are intended to identify these forward-looking statements. These statements reflect management's current assumptions and expectations regarding future events and operating performance as of the date of this MD&A.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether or not such events, performance or results will be achieved. A number of factors could cause actual events, performance or results to vary significantly from the events, performance or results discussed in the forward looking statements, including but not limited to the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual events, performance or results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS, such as "Pro Forma TTM Adjusted Revenue", "Adjusted Revenue", "EBITDA", and "Adjusted EBITDA".. These are not recognized measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers.

Pro Forma TTM Adjusted Revenue is a supplemental measure intended to portray the impact of the Company's acquisitive growth strategy being employed by management to execute its business plan.

Adjusted Revenue, EBITDA and Adjusted EBITDA provide investors with supplemental measures of the Company's historical operating performance without regard to potential distortions by adjusting for items that are not directly related to the Company's operating performance or operating conditions and thus highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS measures.

The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period and to prepare annual budgets and forecasts. The non-IFRS financial measures referred to in this MD&A are defined below:

> "**Pro Forma TTM Adjusted Revenue**" represents the trailing twelve months of Adjusted Revenue of all acquisitions completed as of the end of the respective period presented.
>
> "**Adjusted Revenue**" adjusts revenue to eliminate the effects of acquisition accounting on the Company's revenues.
>
> "**EBITDA**" represents net income (loss) before depreciation and amortization expenses, net interest costs, and provision for income taxes.
>
> "**Adjusted EBITDA**" adjusts EBITDA for revenue adjustments in "Adjusted Revenue" and items such as acquisition accounting adjustments, transaction expenses related to acquisitions, transactional gains or losses on assets, asset impairment charges, non-recurring expense items, non-cash stock compensation costs, and the full year impact of cost synergies related to the reduction of employees.

Incorporation

The Company is an Ontario corporation listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "NOW". Prior to its name change in connection with the closing of the Transaction (as described below), the Company was a capital pool company on the TSXV known as Good2Go Corp.

As a matter of emphasis, note that the ultimate public entity, NowVertical Group Inc., does not have a comma (",") in its legal name, whereas the U.S. operating company, NowVertical Group, Inc., has a comma in its legal name.

NowVertical Group, Inc. ("**NVG**"), a U.S. operating subsidiary of the Company, was incorporated on September 22, 2020 in Delaware, USA. On March 22, 2021, NVG entered into a business combination agreement with G2G, a Company incorporated under the laws of Ontario, which contemplated the acquisition by G2G of all the issued and outstanding shares of NVG. The Transaction, which was structured as a "three-cornered" amalgamation and a reverse triangular merger, constituted a reverse takeover of G2G by NVG and the qualifying transaction of G2G under the TSXV's Policy 2.4 – *Capital Pool Companies*. Concurrently with the Transaction's closing on June 28, 2021, G2G changed its (i) name to Now Vertical Group Inc., (ii) symbol on the TSXV to "NOW", and (iii) year-end from February 28 to December 31, to conform with that of NVG. The Company's subordinate voting shares (the "**Subordinate Voting Shares**") commenced trading on the TSXV on July 5, 2021.

Description of the Business and Business Strategy

The Company was founded in September 2020 with a business strategy to bring together top technologies, services and human capital needed to provide public and private organizations with full stack analytic and intelligence solutions. The Company is now a publicly-held big data, analytics and Vertical Intelligence™ ("**VI**") software and solutions company that is and will continue to grow organically and through acquisition.

Since its inception, the Company has raised more than $16 million that has been deployed to acquire nine companies and to build its management team and public company operating structure. Most recently, the Company has also used debt capital to partially fund its acquisitions. Management intends to continue to access capital and debt markets to execute its acquisitive growth strategy.

The Company's revenue for the three and six months ended June 30, 2022 increased nine-fold from the same periods in the prior year to $7.2 million and $9.7 million respectively (2021: $0.8 million and $1.1 million respectively). The Company's Pro Forma TTM Adjusted Revenue, which reflects trailing twelve months of Adjusted Revenue for all entities owned at June 30, 2022, increased nearly ten-fold from June 30, 2021 to $29.7 million (June 30, 2021: $3.1 million).

The Company's VI solutions address industry-specific needs including, but not limited to, three areas: (i) data access and transformation (including data fusion, mobilization and securitization), (ii) data visualization and analysis, and (iii) artificial intelligence and automation. The Company's proprietary technologies include NOW Fusion, NOW Privacy, NOW DataBench, and NOW Affinio.

NOW Fusion is a data fusion engine. Fusion brings together back-end structured and unstructured data from both within and outside an organization to facilitate better business analytics across a customer's enterprise.

NOW Privacy is a data risk and compliance tool. Privacy gives customers full data visibility to identify and mitigate concerns before they cause greater damage. Privacy works across a customer's structured and unstructured data with a central dashboard and user-driven workflows to help form the backbone of future vertically intelligent data governance efforts.

NOW DataBench is a data science platform. DataBench brings several industry leading, open-source data science and business intelligence tools into a single interface to empower more people in an organization to make informed decisions using their data. It is built to both upskill users with less traditional data science backgrounds as well as facilitate collaboration among large-scale analytics teams.

NOW Affinio is an audience intelligence platform. Affinio helps marketers create better campaigns by giving them deeper insight into their most valuable audiences. It uses graph analytics and platform automations to simplify and expedite the analysis and segmentation process, leveraging Twitter data to help organizations conduct audience research at scale. The platform is also natively available in the Snowflake Data Marketplace, expanding the Affinio experience to cover first party and partner data. On Snowflake, Affinio's proven data clustering and automations combine with the cloud service's secure data access across internal and external stakeholders to provide a privacy-safe data mobilization solution for sales, marketing, and product teams.

The Company's operating segments are (i) Technology, which comprises activity from the Company's technology tools and platforms divisions, (ii) Solutions, which comprises activities from the Company's services divisions, and (iii) Corporate, which includes corporate costs.

Acquisitions completed during the six months ended June 30, 2022

The following paragraphs summarize three acquisitions completed during the first six months of 2022 made to enhance the Company's Solutions operating segment.

On February 16, 2022 the Company acquired all of the issued and outstanding securities of CoreBI S.A., a data analytics services company in Argentina, and CoreBI SAS, a data analytics services company in Colombia (together, "**CoreBI**"), for (i) a cash payment of $3.0 million, (ii) a deferred cash payment of $1.75 million payable 12 months from closing, subject to CoreBI meeting certain corporate objectives, and (iii) up to $3.25 million in future consideration (payable in cash or stock or both cash and stock, at the option of the Company) based on Core BI's financial performance. The Company accounted for this transaction as an acquisition of a business. The acquisition was made to enhance the Company's data services business and provide a footprint for NowVertical in Latin America.

On March 25, 2022, the Company acquired 100% of the issued and outstanding securities of Exonar Ltd. ("**Exonar**"), a UK-based software solutions firm for consideration consisting of (i) Exonar's transaction costs of $150,000 paid in cash on closing, and (ii) the issuance of Subordinate Voting Shares twelve months after closing of the acquisition valued at $500,000 at the greater of (A) the Canadian dollar equivalent of US$1.00 per Subordinate Voting Share and (B) the Company's 20-day volume weighted average trading price on the day prior to issuance, less the maximum discount permitted under the rules of the TSXV. The Company accounted for this transaction as an acquisition of a business. The acquisition was made to enhance the Company's data compliance software business.

On April 6, 2022, the Company acquired 100% of the issued and outstanding securities of Allegient Defense, Inc. ("**Allegient**"), a U.S.-based government defense contractor providing systems engineering and technical assistance support to the U.S. Department of Defense. The acquisition was made to enhance the Company's government contracting platform, provide additional pathways for VI solutions that meet government needs, and to expand the Company's defense and IT solutions offerings.. Pursuant to the terms of a stock purchase agreement dated December 20, 2021, as amended on April 1, 2022, the aggregate consideration consisted of (i) a cash payment of $900,000 paid on closing, (ii) a deferred cash payment of $1,100,000, paid in May 2022, (iii) 600,000 Subordinate Voting Shares issued on closing, (iv) the assumption of a third party loan to Allegient, which was refinanced at $3,800,000 at closing, and (v) an earn-out of up to an additional $4,000,000, payable in Subordinate Voting Shares (priced at the greater of (A) the Canadian dollar equivalent of US $1.00 per Subordinate Voting Share and (B) the Company's 20-day volume weighted average trading price prior to the applicable issuance) and/or cash, at the option of the Company, payable over a three-year period post-closing based on Allegient achieving certain EBITDA targets. In connection with the acquisition, the Company secured a revolving line of credit of up to $2,000,000. The Company accounted for this transaction as an acquisition of a business.

Acquisition completed subsequent to June 30, 2022

On July 20, 2022, the Company acquired 100% of the issued and outstanding securities of Resonant Analytics LLC ("**Resonant**"), a USA-based guided solutions marketing analytics firm providing CRM program strategy, database marketing and business intelligence solutions to Fortune 500 companies. The acquisition was made to significantly expand the U.S. commercial business of the Company's Solutions segment, adding opportunities for marketing data and data analytics solutions and dashboards. Pursuant to the terms of a stock purchase agreement dated July 5, 2022, the aggregate consideration consisted of (i) a cash payment of $1,500,000 (subject to holdbacks) paid on closing, (ii) 900,000 Subordinate Voting Shares issued on closing, and (iii) earn-out consideration payable over three fiscal years based on certain adjusted EBITDA targets being met, and paid annually in two-thirds cash and one-third Subordinate Voting Shares priced at the greater of (A) the Company's 20-day volume-weighted average trading price prior to each applicable issuance and (b) $1.00 USD per share. The closing cash consideration was funded with $1.35 million in term debt with a U.S. banking partner, payable on an interest-only basis for six months and then amortized over six years. In connection with the acquisition, Resonant secured a revolving line of credit of up to $250,000. The Company expects to account for this transaction as an acquisition of a business.

Results of Operations

Revenue

Revenue increased to $7,150,159 for the three months ended June 30, 2022 compared to $804,155 for the same period in 2021, and increased to $9,744,604 for the six months ended June 30, 2022 compared to $1,122,861 for the same period in 2021 These increases were primarily due to additional revenue from the companies acquired since June 2021.

Gross Profit

Gross profit increased to $3,029,571 and $4,517,400 for the three and six months ended June 30, 2022, respectively, compared to $725,506 and $950,094 for the same periods in the prior year, primarily due to gross profit earned from companies acquired since June 2021. Cost of revenue includes amortization of acquired technology intangible assets of $128,487 and $241,423 for the three and six months ended June 30, 2022 (2021: $15,750 and $31,500 respectively).

Administrative Expenses

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

	Three months ended				Six months ended			
	June 30, 2022		June 30 2021		June 30, 2022		June 30 2021	
Compensation and benefits	$	2,713,484	$	964,004	$	4,339,864	$	1,447,316
Professional fees		997,817		150,478		2,050,676		220,511
Marketing and advertising		302,366		9,230		491,423		13,035
Investor relations and filing fees		194,810		-		387,255		-
Software		66,089		-		108,136		-
Product development		88,156		-		243,000		-
Office and other expenses		197,939		22,550		358,412		291,917
Travel expense		38,378		-		105,258		-
Depreciation		8,036		301		22,407		601
Amortization of intangible assets		276,961		49,513		380,270		99,026
Exchange (gain) / loss		(37,865)		79,964		(79,868)		78,333
RSU compensation expense		4,594		2,867,724		14,264		2,890,009
Share-based compensation expense		74,430		-		138,090		-
Total Administrative Expenses	**$**	**4,925,195**	**$**	**4,143,765**	**$**	**8,559,186**	**$**	**5,040,747**

Compensation and benefits expense increased compared to the same periods in 2021 due to the compensation costs of acquired companies and growing the corporate management team and support teams to manage the growth of the Company.

Professional fees expense increased compared to the same periods in 2021 due to higher audit fees, tax advisory services and filings, legal fees, and consultants related to the growth of the Company and to support its reporting and other obligations as a public company, as well as additional professional fees related to acquisitions.

Marketing and investor relations expenses increased compared to the same periods in 2021 due to expanded corporate investor relations and marketing initiatives which began after the Company's going-public transaction (the "**RTO**") in June 2021, as well as additional marketing costs related to companies acquired.

Office and other expenses increased compared to the same periods in 2021 primarily due the additional costs of acquired companies.

Depreciation expense increased compared to the same periods in 2021 primarily due to the additional costs of acquired companies.

RSU compensation expense relates to RSU's issued. The higher expense in each of the comparative prior periods is primarily related to issued units vesting over a shorter period.

The following expenses had no comparative amounts in 2021:

Software expenses incurred in 2022 are related to the acquisition of software to support centralized corporate office initiatives, as well as additional software costs related to companies acquired.

Product development costs were initiated in the second half of 2021 and represent the costs of enhancing and integrating the Company's acquired technology platforms.

Travel expense is related to travel for operations and the acquisition and integration of acquired companies.

Share-based compensation expense is related to the ongoing vesting of stock options issued after the RTO transaction in June 2021.

Other expenses

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

	Three months ended		Six months ended	
	June 30, 2022	**June 30 2021**	**June 30, 2022**	**June 30 2021**
Contingent compensation related to acquisitions	$ 439,505	$ -	$ 647,848	$ -
Revaluation of warrant liability	(305,030)	-	(1,036,428)	-
Revaluation of share consideration	(120,998)	-	(120,998)	-
Revaluation of earn-out and deferred consideration	(165,331)	-	(165,331)	-
Inflation effect on the net monetary position	128,574	-	237,570	-
Listing expense	-	1,011,110	-	1,011,110
RTO expenses	-	1,822,872	-	2,677,648
Interest expense, net	24,524	111,707	64,804	211,365
Total other expenses	**$ 1,244**	**$ 2,945,689**	**$ (372,535)**	**$ 3,900,123**

Contingent compensation related to acquisitions is related to contingent deferred consideration for the an acquired company that is classified as compensation expense and accrued over time. Revaluation of warrant liability is related to warrants issued in the Company's unit offering in December 2021. Revaluation of share consideration revaluation relates to the fair value adjustment of shares to be issued in the future in relation to acquisitions. Revaluation of earn-out and deferred consideration relates to the revaluations of contingent earn-out consideration and deferred consideration in relation to acquisitions. Inflation effect on the net monetary position relates to the inflationary adjustment required under IAS 29 related to operations in Argentina.

Gross interest expense in 2022 was partially offset by interest revenue on cash deposits. Gross interest expense decreased for both periods in 2022 compared to 2021, primarily related to the repayment in December 2021 of a significant portion of a term loan, the renegotiation of a lower interest rate for that term loan, and the conversion in June 2021 of interest-bearing convertible notes issued in March and April 2021, partially offset by interest expense on Allegient's term loan.

Income Tax Expense (Benefit)

Income tax expense or benefit is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the Interim Financial Statements may differ from management's estimate of the effective tax rate for the Company's annual financial statements.

For the three months ended June 30, 2022, the Company recorded an income tax benefit of $629,102 on pre-tax book loss of $1,896,868 (2021: $22,487 on a pre-tax book loss of $6,363,948). The Company's effective tax rate for the three months ended June 30, 2022 was 33.17% (2021: 0.35%), which differs from the Canadian statutory rate of 26.5% primarily due to certain pre-tax losses for which no benefit was recorded. In the three and six months ended June 30, 2022, the Company recorded a discrete income tax benefit of $689,430 related to a partial recognition of the Company's U.S. deferred tax assets, since the acquisition in the second quarter created a source of future taxable income.

For the six months ended June 30, 2022, the Company recorded an income tax benefit of $581,016 on pre-tax book loss of $3,669,251 (2021: $31 on pre-tax book loss of $7,990,776). The Company's effective tax rate for the six months ended June 30, 2022 was 15.83% (2021: 0.0%), which differs from the Canadian statutory rate of 26.5% primarily due to pre-tax losses for which no benefit was recognized.

Net Loss and Loss Per Share

The Company reported a net loss of $1,267,766 and a comprehensive loss of $1,175,324 for the three months ended June 30, 2022, compared to a net loss of $6,341,461 and comprehensive loss of $6,299,036 for the same period in 2021, and a net loss of $3,088,235 and a comprehensive loss of $2,977,116 for the six months ended June 30, 2022, compared to a net loss of $7,990,745 and comprehensive loss of $7,948,320 for the same period in 2021.

On a per share basis, this represents a decrease in net loss per basic and diluted share to $0.02 and $0.05 for the three and six months ended June 30, 2022 compared to a net loss per basic and diluted share of $0.22 and $0.28 for the three and six months ended June 30, 2021.

The decrease in the loss in each period is primarily driven by higher revenue, gross profit, and operating income earned from companies acquired since June 2021, as well as an income tax benefit recorded in the period, and higher expenses in the 2021 comparative periods due to the RTO transaction.

Pro Forma TTM Adjusted Revenue (millions)	**As at June 30, 2022**	**As at June 30, 2021**
	$ 29.7	**$ 3.1**

Pro Forma TTM Adjusted Revenue of $29.7 million at June 30, 2022 is nearly ten times the comparable amount of $3.1 million for businesses owned by the Company as at June 30, 2021, primarily due to the acquisitions of Allegient, CoreBI, and Affinio.

Non-IFRS Results for the three and six months ended June 30, 2022

	Three months ended		**Six months ended**	
	June 30, 2022	**June 30 2021**	**June 30, 2022**	**June 30 2021**
Adjusted Revenue	$ 7,280,619	$ 804,155	$ 10,163,322	$ 1,604,235
Adjusted EBITDA	$ (617,483)	$ (81,891)	$ (1,581,443)	$ 248,967

Adjusted Revenue increased by $6.5 million and $8.6 million respectively in the three and six months ended June 30, 2022 compared to the same periods in the prior year, primarily due to the acquisitions of Allegient, CoreBI and Affinio.

Adjusted EBITDA decreased by $0.5 million and $1.8 million respectively in the three and six months ended June 30, 2022 compared to the same periods in 2021, due to primarily to higher corporate costs as the Company added additional personnel to manage the growth of the business and support the Company's operational requirements, engaged external service providers to assist the Company in meeting its public company requirements and in connection with executing its acquisition strategy, and incurred acquisition-related expenses.

Non-IFRS Results by operating segment for the three and six months ended June 30, 2022

Segment Reporting Note for MD&A

Three months ended

	June 30, 2022				**June 30, 2021**			
	Technology	**Solutions**	**Corporate**	**Total**	**Technology**	**Solutions**	**Corporate**	**Total**
Adjusted Revenue	$ 1,712,938	$ 5,567,681	$ -	$ 7,280,619	$ 750,000	$ 54,155	$ -	$ 804,155
Cost of revenue	(182,097)	(3,811,416)	-	(3,993,513)	(30,208)	(32,690)	-	(62,899)
Gross Profit	1,530,841	1,756,265	-	3,287,106	719,792	21,464	-	741,256
Administrative and other expenses	(1,305,306)	(1,015,844)	(1,583,439)	(3,904,589)	(98,771)	(119,903)	(604,473)	(823,146)
Adjusted EBITDA	$ 225,535	$ 740,421	$ (1,583,439)	$ (617,483)	$ 621,021	$ (98,439)	$ (604,473)	$ (81,891)

Six months ended

	June 30, 2022				**June 30, 2021**			
	Technology	**Solutions**	**Corporate**	**Total**	**Technology**	**Solutions**	**Corporate**	**Total**
Adjusted Revenue	$ 3,315,105	$ 6,848,217	$ -	$ 10,163,322	$ 1,500,000	$ 104,235	$ -	$ 1,604,235
Cost of revenue	(375,445)	(4,611,749)	0	(4,987,194)	(66,355)	(74,912)	-	(141,267)
Gross Profit	2,939,660	2,236,468	0	5,176,128	1,433,645	29,324	-	1,462,968
Administrative and other expenses	(2,333,246)	(1,474,039)	(2,950,286)	(6,757,571)	(183,832)	(204,288)	(825,882)	(1,214,001)
Adjusted EBITDA	$ 606,414	$ 762,429	$ (2,950,286)	$ (1,581,443)	$ 1,249,813	$ (174,964)	$ (825,882)	$ 248,967

Technology Segment

Adjusted Revenue and Gross Profit for the Technology operating segment increased in the three and six months ended June 30, 2022 compared to the same periods in 2021 due to the acquisitions of Affinio, DocAuthority and Exonar.

Adjusted EBITDA decreased in the Technology segment in the three and six months ended June 30, 2022 compared to the same periods in 2021. While revenue and gross profit in the Technology segment more than doubled in both the three and six months ended June 30, 2022 compared to the same periods in 2021, this was offset by higher administrative costs related to acquired companies.

Solutions Segment

Adjusted Revenue, Gross Profit and Adjusted EBITDA for the Solutions operating segment increased in the three and six months ended June 30, 2022 compared to the same periods in the prior year due to the acquisitions of CoreBI and Allegient.

Corporate Segment

Corporate costs increased in the three and six months ended June 30, 2022 compared to the same periods in 2021 due primarily to the cost of adding personnel to manage the growth of the business and support the Company's operational requirements, and engaging external service providers to assist the Company in meeting its public company requirements and in connection with executing its acquisition strategy.

Reconciliation of Adjusted Revenue and Adjusted EBITDA

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Adjusted Revenue	$ 7,280,619	$ 804,155	$ 10,163,322	$ 1,604,235
Acquisition accounting impact on revenue	130,460	-	418,718	481,374
Revenue	$ 7,150,159	$ 804,155	$ 9,744,604	$ 1,122,861
Adjusted EBITDA	$ (617,483)	$ (81,891)	$ (1,581,443)	$ 248,967
Depreciation and amortization	(412,071)	(65,563)	(642,687)	(131,127)
Interest expense	(24,523)	(111,707)	(64,803)	(211,365)
Income tax (expense) benefit	629,102	22,487	581,016	31
Acquisition accounting impact on revenue	(130,460)	-	(418,718)	(481,374)
Non-cash stock-based compensation	(79,024)	(3,318,030)	(152,354)	(3,532,892)
Expenses incurred in connection with transactions	(175,502)	(293,666)	(973,845)	(491,572)
Contingent compensation related to acquisitions	(647,848)	-	(647,848)	-
Impact of cost synergies related to reduction of employees	(272,741)	-	(272,739)	-
Revaluation of warrants liability	305,030	-	1,036,428	-
Revaluations of share, earn-out and deferred consideration	286,328	-	286,328	-
Effect of inflation on the net monetary position	(128,574)	-	(237,570)	-
Expenses incurred in connection with the RTO transaction	-	(1,481,981)	-	(2,138,853)
Listing expense	-	(1,011,110)	-	(1,011,110)
Gain on settlement of lease obligation	-	-	-	1,640,370
Loss on settlement of lease holdback	-	-	-	(1,881,820)
Net loss	$ (1,267,766)	$ (6,341,461)	$ (3,088,235)	$ (7,990,745)

Summary of Quarterly Results

The Company was incorporated on September 22, 2020 and began operations in October 2020. The selected financial information provided below is derived from the Company's unaudited quarterly financial statements prepared in accordance with IFRS. Certain amounts in comparative periods have been reclassified to conform with the presentation adopted in the current period.

Amounts in millions except loss per share	**Q2 22**	**Q1 22**	**Q4 21**	**Q3 21**	**Q2 21**	**Q1 21**	**Q4 20**
Adjusted Revenue	7.281	2.767	1.505	0.958	0.804	0.800	0.365
Adjusted EBITDA	(0.617)	(0.964)	(1.663)	(0.867)	(0.082)	0.331	0.233
Revenue	7.150	2.595	1.140	0.958	0.804	0.319	0.154
Gross profit	3.030	1.488	0.698	0.724	0.676	0.175	0.115
Net loss	(1.268)	(1.820)	(4.499)	(1.371)	(6.361)	(1.629)	(1.979)
Basic and diluted loss per share	(0.02)	(0.03)	(0.08)	(0.03)	(0.22)	(0.06)	(0.13)
Weighted average shares outstanding	62.603	62.047	52.604	49.061	29.282	28.601	14.862
Shares outstanding, end of period	62.648	62.048	62.042	49.807	49.252	28.601	28.601

Revenue and gross profit are increasing quarter over quarter as the Company acquires new subsidiaries and expands its product offerings. Gross profit is net of amortization expense for intangible assets related to acquisitions. The higher net loss in the fourth quarter of 2021 was primarily related to higher compensation expenses and professional fees as the Company continued to grow the business, an impairment charge related to certain intangible assets, and a revaluation expense related to the unit warrant liability. The higher net loss in the second quarter of 2021 was related to the RTO Transaction which was completed in June 2021.

Liquidity and Capital Resources

The Company manages its capital structure on a consolidated level based on the funds available to it to support the continuation and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines "capital" to include share capital and its borrowings. The Company intends to rely on cash flows from operations for its operating requirements as well as to negotiate a new credit facility and additional financings to achieve its acquisition growth strategy. The primary sources of the Company's cash flow are revenue from customers and net cash proceeds from equity offerings, which the Company expects to be able to supplement with debt financing for future acquisitions. The Company intends to maintain sufficient liquidity to meet its liabilities as they come due by continuously monitoring cash flow, reviewing actual operating expenditures and revenue to budget and forecast and with the proceeds of additional equity offerings.

At June 30, 2022 the Company had cash on-hand of $3.6 million and a working capital deficit of $1.0 million (excluding deferred revenue and equity and contingent consideration payable related to acquired companies). Additional sources of capital and/or financing will be required to meet planned growth initiatives and long term operational objectives. The Company has raised over $16.0 million in net cash from equity and convertible notes from its inception to date and management expects to be able to raise additional financing. The Company was receipted for a base shelf registration on January 24, 2022 to raise up to C$65 million. Management expects that future cash generated from its operating entities, along with additional financings and a planned credit facility to fund acquisitions, will provide sufficient capital for the Company to execute on its strategy. Management expects to continue to grow revenue and improve the profitability of the Company's existing business by leveraging internal sales channels and other cross-entity synergies, and plans to acquire businesses that can be financed with a credit facility.

Whether and when the Company can attain profitability and positive cash flows from operations and obtain additional funds from financing is uncertain. The Company's continued operations depend upon its ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results.

Cash Flow from Operations

For the six months ended June 30, 2022, the Company used $1,050,805 of cash for operations (2021: $244,286) primarily due to its loss from operations, which includes cash compensation costs related to the additional personnel and external service providers hired to manage the growth of the business and support its operational requirements and acquisition strategy and expenses related to the acquisitions of CoreBI, Exonar and Allegient.

Cash Flow from Investing Activities

For the six months ended June 30, 2022, the Company used $3,938,273 of cash for investing activities related to cash used for the acquisitions of CoreBI, Exonar, and Allegient, net of cash acquired in the transactions. For the same period in 2021, there were no investing activities.

Cash Flow from Financing Activities

For the six months ended June 30, 2022, the Company used $632,188 in cash for financing activities, related to repayments of its term loan and long-term debt. For the same period in 2021, the Company generated $8,192,219 in cash from financing activities, primarily from proceeds from equity subscriptions and convertible notes, partially offset by repayments of a leasing liability.

Contractual Obligations

The Company has a remaining payment obligation of $112,979 on a senior secured redeemable debenture issued by Signafire in 2019 which the Company renegotiated in 2021. Affinio has four unsecured, non-interest bearing loans outstanding of $721,671 in the aggregate at June 30, 2022, of which $124,222 is due within twelve months. Allegient has a term loan with a remaining balance of $3.8 million at June 30, 2022, of which $489,442 is due within the next twelve months.

On June 30, 2022, the Company amended its agreement with the Affinio vendors. Pursuant to the terms of the agreement, the vendors were entitled to a deferred cash payment of $1.5 million on July 2, 2022. Per the amendment, the vendors agreed, in lieu of the deferred cash payment of $1.5 million on July 2, 2022, to accept a $750,000 cash payment on or before August 31, 2022, and the remaining $750,000 in Subordinate Voting Shares of the Company ("NOW Shares") at a price per share equal to the VWAP of the NOW Shares on the TSXV for the 10-day period prior to the date of issuance, plus an additional 195,000 NOW Shares, subject to the approval of the TSXV.

As at June 30, 2022, the consideration payable related to acquired companies is as follows:

	As of June 30, 2022
Current:	
Consideration payable	2,797,830
Equity and contingent consideration payable	1,654,935
Long-term:	
Contingent consideration payable	1,054,204

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and bonuses	$ 272,500	$ 176,875	$ 545,000	$ 281,875
Consulting fees	-	40,000	-	80,000
Share-based payments	30,122	447,622	63,150	636,327
	$ 302,622	$ 664,497	$ 608,150	$ 998,202

Proposed Transactions

The Company seeks potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. Additional funding will be required to execute on the Company's acquisition plan for the next twelve months, and a new credit facility is being pursued. The Company successfully utilized debt financing to facilitate its recent acquisition.

Changes in Accounting Policies including Initial Adoption

There are no new standards issued by the International Accounting Standards Board that were not effective at June 30, 2022 that are expected to have a significant impact on the Company.

Financial Instruments and Other Instruments

The Company's financial assets categorized at amortized cost include trade and other receivables, unbilled revenue, taxes receivable, and cash. The Company does not have any financial assets categorized as FVTPL or FVOCI.

The Company's financial liabilities are initially measured at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, financial liabilities are measured either at amortized cost using the effective interest method or at fair value through profit and loss (FVTPL). For financial liabilities measured at amortized cost, all interest-related charges and, if applicable, changes in fair value that are reported in profit and loss are included within finance costs or finance income.

The Company's financial instruments categorized at amortized cost include long-term debt, loan payable, accounts payable, accrued expenses and other current liabilities, deferred revenue, and consideration payable related to acquired companies. The Company's financial instruments categorized at FVTPL are contingent consideration payable related to acquired companies and equity consideration payable related to acquired companies.

Derivative instruments, including derivative instruments embedded in other contracts (such as warrants) and instruments designated for hedging activities, are recognized as either asset or liabilities in the statement of financial position and measured at fair value. The Company has not used derivative instruments to hedge exposures to cash flow or foreign currency risks. Any change in the fair value of a derivative instrument or an embedded derivative not designated as a hedging instrument is recognized as an unrealized gain or loss in the statement of loss and comprehensive loss.

Outstanding Share Data

The Company is authorized to issue an unlimited number of class A Subordinate Voting Shares and an unlimited number of class B proportionate voting shares ("**Proportionate Voting Shares**"). As of the date of this MD&A, the following securities of the Company were issued and outstanding: (i) 41,020,352 Subordinate Voting Shares (of which 4,365,275 are restricted share units), (ii) 223,651 Proportionate Voting Shares, convertible, subject to adjustment, into 22,365,100 Subordinate Voting Shares (iii) 4,862,493 stock options to purchase 4,862,493 Subordinate Voting Shares, and (iv) 7,436,493 Warrants exercisable to purchase 7,436,493 Subordinate Voting Shares.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, which are described comprehensively in the Company's short form prospectus dated December 7, 2022 and incorporated by reference herein. Particularly, the Company's activities expose it to financial risks, including credit risk, liquidity risk, and currency risk. It is the Company's opinion that it is not exposed to other significant market risks, including price, or variable interest rate risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of trade and other receivables balances. The Company's exposure to credit risk was $5,138,499 at June 30, 2022.

Liquidity risk

Liquidity risk is the risk that the Company might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it can only do so on terms that are materially disadvantageous. The Company is exposed to liquidity risk through non-payment of accounts payable, accrued expenses, other current liabilities, loan payable, long-term debt and consideration payable related to acquired companies. As at June 30, 2022, the Company had cash of $3.6 million, accounts receivable of $5.1 million and current liabilities of $10.4 million (excluding deferred revenue, equity consideration, and contingent consideration). Additional funding will be required to meet the Company's contractual obligations and execute on its business plan for the next twelve months. The Company was receipted for a base shelf registration in January 2022 to raise up to C$65 million. The Company has successfully raised over $16.0 million in net cash from equity and convertible notes to date and management expects to be able to successfully raise additional financing. Management expects that future cash generated from its operating entities, along with additional financings and a planned credit facility to fund acquisitions, will provide sufficient capital for the Company to execute on its strategy.

Currency risk

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

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

Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial also may impair our business and operations and cause the price of the Subordinate Voting Shares to decline. If any of the noted risks actually occur, the Company's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Subordinate Voting Shares could decline, and shareholders may lose all or part of their investment.

Additional Information Relating to the Company

Additional information relating to the Company can be found on the Company's profile at www.sedar.com and on the Company's website at www.nowvertical.com.