

# **Symbility Solutions Inc.**

## **Management's Discussion and Analysis**

### **August 17, 2016**

The following Management's Discussion and Analysis ("MD&A") of Symbility Solutions Inc. (the "Corporation") should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes, which are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") for the three and six months ended June 30th, 2016, the 2015 Annual MD&A and the Corporation's audited consolidated financial statements and accompanying notes as of December 31st, 2015 and 2014 ("Audited Financial Statements"), and the Annual Information Form dated December 31st, 2015, all available on SEDAR. Any reference to the Corporation specifically relates to the company as separate from its operating segments. All operating results refer to the consolidated financials of the parent company and its subsidiaries unless specifically noted otherwise. Additional information about the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts are expressed in thousands of Canadian dollars unless otherwise noted.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The interim condensed consolidated financial statements and this MD&A have been reviewed by the Corporation's Audit Committee and approved by its Board of Directors.

As at June 30, 2016, CoreLogic, Inc. and its affiliates (collectively "CoreLogic") own 67,739,821 common shares representing approximately 28% of the outstanding shares of the Corporation. Marshall & Swift/Boeckh ("MSB") is a wholly owned subsidiary of CoreLogic, and a related party as a result of a common significant shareholder.

#### **Forward-looking Statements**

This MD&A contains certain information that may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, research and development activities, projected costs and capital expenditures, financial results, the ability to raise capital, taxes and plans and objectives of or involving the Corporation.

Without limitation, information regarding the Corporation's future cost structure, future sales and marketing activities, increased penetration into certain markets through strategic partnerships, the impact of the introduction of new products, the ability of management to leverage sales opportunities, increase in the size of certain markets, expected increases in revenue, expected revenue from certain contracts, customer rollout plans for specific products, expected increase in gross margins, Symbility Health software product placement targets and Symbility Property product placement targets are forward-looking information.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results, events or developments to be materially different from what we currently expect. These risks include,

among others, product development risk, potential product liability, risks related to third party contractual performance, customer demand, competition and the risks posed by potential technological advances, risks relating to the protection of the Corporation's intellectual property, risks relating to fluctuation in foreign currency exchange rates, and exposure to increased credit and liquidity risk. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Corporation may elect to, the Corporation does not undertake to update this information at any particular time unless required by law. Unless otherwise indicated, this MD&A was prepared by management from information available up to August 17<sup>th</sup>, 2016.

### **Non-IFRS Measures**

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Corporation also provides supplementary non-IFRS measures as a method of evaluating the Corporation's performance.

Management uses Adjusted EBITDA as a measure of enterprise-wide performance. Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, impairment losses, stock-based compensation, and other non-recurring gains or losses including transaction costs related to acquisitions. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

### **Overall Performance**

This financial information has been prepared in accordance with IAS 34. For further information and significant accounting policies, please see Notes 2 and 3 of the Audited Financial Statements.

| <i>Selected Financial Information</i> | Three months ended<br>June 30th, |           | Six months ended<br>June 30th, |           |
|---------------------------------------|----------------------------------|-----------|--------------------------------|-----------|
|                                       | <b>2016</b>                      | 2015      | <b>2016</b>                    | 2015      |
| Revenue                               | <b>\$8,665</b>                   | \$5,628   | <b>\$16,576</b>                | \$10,675  |
| Cost of Sales                         | <b>\$2,601</b>                   | \$1,426   | <b>\$4,877</b>                 | \$2,745   |
| Expenses                              | <b>\$6,766</b>                   | \$6,594   | <b>\$13,921</b>                | \$12,273  |
| Net Loss                              | <b>(\$718)</b>                   | (\$2,395) | <b>(\$2,239)</b>               | (\$4,323) |
| Adjusted EBITDA                       | <b>\$286</b>                     | (\$797)   | <b>(\$267)</b>                 | (\$1,674) |
| Loss per share <sup>(1)</sup>         | <b>(\$0.00)</b>                  | (\$0.01)  | <b>(\$0.01)</b>                | (\$0.02)  |

<sup>(1)</sup> in Canadian dollars, rounded to the nearest cent

| <i>As at June 30th, 2016 and December 31<sup>st</sup>, 2015</i> | <b>2016</b>     | 2015     |
|---|-----------------|----------|
| Cash and cash equivalents                                       | <b>\$6,555</b>  | \$6,553  |
| Total assets  | <b>\$37,366</b> | \$39,155 |
| Total long term liabilities                                     | <b>\$387</b>    | \$354    |

In the three months ended June 30th, 2016, consolidated revenue increased by 54% due to the incremental revenue from acquired business in Canada and greater use of existing products by new and existing customers. Operating expenses (including non-cash expenses) increased by 3% as compared to the comparative quarter in order to support the growth of the existing businesses, and new segment operations. In addition, operating expenses included the impact of foreign exchange loss of (\$132). Adjusted EBITDA was \$286 compared to (\$797) for the comparative quarter. The net loss for the three months ended June 30th, 2016 is \$718 compared to net loss of \$2,395 for the comparable quarter. The Corporation had 149 employees as at June 30th, 2016 (June 30th, 2015 – 145).

In the six months ended June 30th, 2016, consolidated revenue increased by 55% due to the incremental revenue from acquired businesses in United Kingdom and Canada. Operating expenses (including non-cash expenses) increased by 13% as compared to the comparative period in order to support the growth of the existing businesses, and new segment operations. In addition, operating expenses included the impact of foreign exchange loss of (\$633). Adjusted EBITDA was (\$267) compared to (\$1,674) for the comparative period. The net loss for the six months ended June 30th, 2016 is \$2,239 compared to net loss of \$4,323 for the comparable period.

### Adjusted EBITDA

The reconciliation of Adjusted EBITDA to IFRS net loss is presented in the following table:

|                               | Three months ended<br>June 30th, |           | Six months ended<br>June 30th, |           |
|-------------------------------|----------------------------------|-----------|--------------------------------|-----------|
|                               | 2016                             | 2015      | 2016                           | 2015      |
| IFRS Net Loss                 | <b>(\$718)</b>                   | (\$2,395) | <b>(\$2,239)</b>               | (\$4,323) |
| Finance income, net           | <b>(3)</b>                       | (12)      | <b>(9)</b>                     | (53)      |
| Depreciation and amortization | <b>684</b>                       | 700       | <b>1,378</b>                   | 1,259     |
| Stock-based compensation      | <b>304</b>                       | 127       | <b>577</b>                     | 385       |
| Other non-operating expenses  | -                                | 768       | -                              | 1,025     |
| Income tax expense            | <b>19</b>                        | 15        | <b>26</b>                      | 33        |
| Adjusted EBITDA               | <b>\$286</b>                     | (\$797)   | <b>(\$267)</b>                 | (\$1,674) |

The Corporation believes Adjusted EBITDA is a useful measure as a proxy for operating cash flow and facilitates period-to-period operating comparisons. We believe Adjusted EBITDA is useful to an investor in evaluating our operating performance because:

- it is widely used by investors in our industry to measure a company's operating performance without regard to items such as depreciation and amortization which can vary substantially from company to company depending upon accounting methods and book value of assets, financing methods, capital structure and the method by which assets were acquired;
- It helps investors more meaningfully evaluate and compare the results of our operations from period-to-period by removing the impact of our asset base (primarily depreciation and amortization) and actions that do not affect liquidity (stock-based compensation expenses) from our operating results; and
- It helps investors identify items that are within our operational control within the period. Depreciation and amortization charges, while a component of operating income are determined at the time of the asset

purchase in accordance with the depreciable lives of the related asset and as such are not a directly controllable period operating charge.

The Corporation uses Adjusted EBITDA in calculating incentive compensation for its officers and employees to measure achievement.

The Corporation ended the six months ended June 30th, 2016 with cash and cash equivalents of \$6,555 (December 31st, 2015 - \$6,553). Cash used in operating activities (excluding changes in working capital) was (\$284), offset by cash generated in non-cash working capital changes (excluding the effect of exchange rate changes on cash equivalents) was \$606. Changes in non-cash working capital were an increase in accounts payable and accrued liabilities of \$454, customer deposits of \$21, decrease in accounts receivable of \$54, prepaid expenses of \$279, deferred revenue of \$52, offset by an increase in tax credits receivable (\$150). The operating loss was offset by the changes in non-cash working capital and the effect of exchange rate changes. Overall, cash increased by \$2 for the six months ended June 30th, 2016.

### **Overall Outlook**

As described below, the Corporation has provided activities associated with each segment's outlook. The Corporation estimates that it will meet or exceed consolidated revenue of \$33 million in 2016. The Corporation will continue to invest in its global expansion with more local representation; new shared revenues with VAR arrangements; additional data hosting locations; and R&D expenses associated with product localization, all of which will impact expenses and result in both breakeven cash flow from operations and Adjusted EBITDA. The Corporation believes these investments will provide a foundation for increased revenue growth in 2017.

### **Operating segments**

The Corporation has three operating segments, which offer different products and services:

- Symbility Property™ (property and casualty software) provides powerful, accurate and easy-to-use claims processing and estimating software for Property and Casualty Insurers.
- Symbility Health™ (group insurance software) provides an advanced and practical software that enables Insurers, Third-Party Administrators, Employee Benefits Brokers, and the Pharma industry to re-define collaboration in the healthcare system.
- Symbility Strategic Services (mobile and application software) designs and develops leading technologies in the area of mobile applications, the Internet of Things, Machine-to-machine and wearables to different industries.

The Corporation's operating segments, reported the following business developments in 2016:

#### **Symbility Property**

Symbility Property's Market Position, Sales & Marketing Initiatives and Product Strategy disclosed in the 2015 Annual MD&A dated March 31, 2016 are substantially unchanged at this time.

#### *Outlook*

The focus of 2016 will be on signing additional new carriers and large supply chain clients to grow 2016 revenue in North America and internationally. The Corporation expects to achieve revenue growth on its existing clients and new clients in 2016.

## Symbility Health

Symbility Health's Market Position, Product Strategy and Sales and Marketing Initiatives disclosed in the 2015 Annual MD&A dated March 31, 2016 are substantially unchanged at this time.

### Outlook

Management has focused its plans for 2016 on the core products and believes that 2016 is a year to maximize the existing opportunities and focus on client satisfaction and quality. Management believes that Symbility Health will need to solidify its position and focus on improving profitability in this segment.

## Symbility Strategic Services

Symbility Strategic Services' Market Position, Product Strategy and Sales and Marketing Initiatives disclosed in the 2015 Annual MD&A dated March 31, 2016 are substantially unchanged at this time.

### Outlook

Management believes that Symbility Strategic Services has a unique opportunity in providing its services to not only its historical account base, but to clients in the Symbility Property and Symbility Health segments. Several of these cross segment opportunities have resulted in revenue.

## Discussion of Operations

The following discussion includes an explanation of the primary factors in changes in operations in the three months ended June 30th, 2016 ("Q2 2016") and six months ended June 30th, 2016 ("YTD 2016") over the comparable periods. Additional, less significant changes are not articulated.

## Revenue

|                              | Three months ended<br>June 30th, |         | Six months ended<br>June 30th, |          |
|------------------------------|----------------------------------|---------|--------------------------------|----------|
|                              | 2016                             | 2015    | 2016                           | 2015     |
| Symbility Property           | <b>\$5,643</b>                   | \$4,320 | <b>\$10,940</b>                | \$7,992  |
| Symbility Health             | <b>\$1,576</b>                   | 1,266   | <b>\$3,138</b>                 | 2,641    |
| Symbility Strategic Services | <b>\$1,574</b>                   | 42      | <b>\$2,714</b>                 | 42       |
| Eliminations                 | <b>(\$128)</b>                   | -       | <b>(\$216)</b>                 | -        |
| Total                        | <b>\$8,665</b>                   | \$5,628 | <b>\$16,576</b>                | \$10,675 |

In Q2 2016, Symbility Property changes in revenue relates to the incremental revenue from new and existing clients of \$1,083 related to greater use of new and existing products in different geographic regions. Organic revenue growth was 31% in Symbility Property. Symbility Health revenue growth is from increased professional services revenue of \$113 and transactional volume with existing customers. The overall growth is consistent with historical growth rates. The organic revenue growth in Symbility Health was 24%. Symbility Strategic Services revenue growth is from professional services because of its acquisition on June 26, 2015.

In YTD 2016, Symbility Property changes in revenue relates to the incremental revenue from the UK acquisition of \$1.6 million and incremental revenue from new and existing clients of \$1.3 million. Organic revenue growth, excluding the UK acquisition, was 20%. Symbility Health revenue growth is from increased professional services revenue of \$159 and transactional volume with existing customers. The overall growth is consistent with historical

growth rates. Symbility Strategic Services revenue growth is from professional services because of its acquisition on June 26, 2015.

Eliminations are for work completed by Symbility Strategic Services for other segments.

### Cost of Sales

|                              | Three months ended<br>June 30th, |                | Six months ended<br>June 30th, |                |
|------------------------------|----------------------------------|----------------|--------------------------------|----------------|
|                              | 2016                             | 2015           | 2016                           | 2015           |
| Symbility Property           | \$1,060                          | \$812          | \$1,879                        | \$1,532        |
| Symbility Health             | \$684                            | 590            | \$1,380                        | 1,189          |
| Symbility Strategic Services | \$920                            | 24             | \$1,712                        | 24             |
| Eliminations                 | (\$63)                           | -              | (\$94)                         | -              |
| <b>Total</b>                 | <b>\$2,601</b>                   | <b>\$1,426</b> | <b>\$4,877</b>                 | <b>\$2,745</b> |

In Q2 2016, Symbility Property's increase in cost of sales relates to increased cost of resale products on higher volume and software licenses of \$286, offset by the changes in amortization of the data license and technology license of (\$39). Symbility Property's cost of sales includes non-cash amortization expense of the database and technology licenses of \$220 for the three months ended June 30th, 2016 (June 30th, 2015 – \$259). Symbility Health cost of sales represents costs of certain insurance premiums as well as fees paid to third parties. Cost of sales is directly variable with revenue for Symbility Health. Symbility Health cost of sales decreased to 43% of revenue (June 30th, 2015 – 47%) due to the mix of revenue. Symbility Strategic Services changes relate to personnel and contractor costs for delivery of services and includes \$100 for non-cash stock based compensation expense. Symbility Strategic Services cost of sales represents 58% of revenue in three months ended June 30th, 2016 (June 30th, 2015 – 57%).

In YTD 2016, Symbility Property's increase in cost of sales relates to incremental cost from UK of \$62 and cost of resale products on higher volume and software licenses of \$358, offset by the changes in amortization of the data license and technology license of (\$78). Symbility Property's cost of sales includes non-cash amortization expense of the database and technology licenses of \$440 for the six months ended June 30th, 2016 (June 30th, 2015 – \$440). Symbility Health cost of sales represents costs of certain insurance premiums as well as fees paid to third parties. Cost of sales is directly variable with revenue for Symbility Health. Symbility Health cost of sales decreased to 44% of revenue (June 30th, 2015 – 45%) due to the mix of revenue. Symbility Strategic Services changes relate to personnel and contractor costs for delivery of services and includes \$192 for non-cash stock based compensation expense. Cost of sales represents 63% of revenue in six months ended June 30th, 2016 (June 30th, 2015 – 57%).

Eliminations are for costs incurred by Symbility Strategic Services in order to provide services to other segments.

## Sales and Marketing

|                              | Three months ended<br>June 30th, |         | Six months ended<br>June 30th, |         |
|------------------------------|----------------------------------|---------|--------------------------------|---------|
|                              | 2016                             | 2015    | 2016                           | 2015    |
| Symbility Property           | <b>\$2,955</b>                   | \$2,580 | <b>\$5,832</b>                 | \$4,789 |
| Symbility Health             | <b>\$280</b>                     | 304     | <b>\$625</b>                   | 574     |
| Symbility Strategic Services | <b>\$434</b>                     | 12      | <b>\$789</b>                   | 12      |
| Eliminations                 | <b>(\$103)</b>                   | -       | <b>(\$103)</b>                 | -       |
| <b>Total</b>                 | <b>\$3,566</b>                   | \$2,896 | <b>\$7,143</b>                 | \$5,375 |

In Q2 2016, Symbility Property had changes in Sales and Marketing expenses consisting of personnel compensation of \$235 and marketing activities of \$96, all incurred to support our growth. Symbility Health had changes in Sales and Marketing expenses related personnel of \$20 and offset by reduced travel of (\$30). Symbility Strategic Services had Sales and Marketing expenses consisting of personnel of \$214, travel of \$39 and marketing events of \$49. Also included in the Sales and Marketing expenses is non-cash stock based compensation expense of \$147 (Q2 2015 - \$72) and non-cash based amortization of customer relationships and backlog of \$301 (Q2 2015 - \$296).

In YTD 2016, Symbility Property had changes in Sales and Marketing expenses consisting of the new operations in the United Kingdom of \$438 on personnel of \$263, related expenses of \$30 and non-cash amortization of customer backlog of \$145. In addition to the new operations, changes in Sales and Marketing expenses in other regions changed by \$605; consisting of personnel compensation of \$427, marketing activities of \$161, computer expenses and facilities cost of \$17, all incurred to support our growth. Symbility Health had changes in Sales and Marketing expenses related personnel of \$71 and offset by reduced travel of (\$35). Symbility Strategic Services had Sales and Marketing expenses related to personnel of \$390, consultants of \$30, and travel and customer events of \$179. Also included in the Sales and Marketing expenses is non-cash stock based compensation expense of \$288 (YTD 2015 - \$147) and non-cash based amortization of customer relationships and backlog of \$621 (YTD 2015 - \$452).

Eliminations are for expenses incurred by Symbility Property and Symbility Health for services provided by Strategic Services.

## General and Administration

|                              | Three months ended<br>June 30th, |         | Six months ended<br>June 30th, |         |
|------------------------------|----------------------------------|---------|--------------------------------|---------|
|                              | 2016                             | 2015    | 2016                           | 2015    |
| Symbility Property           | <b>\$1,672</b>                   | \$1,399 | <b>\$3,362</b>                 | \$2,845 |
| Symbility Health             | <b>120</b>                       | 301     | <b>216</b>                     | 571     |
| Symbility Strategic Services | <b>226</b>                       | 8       | <b>446</b>                     | 8       |
| <b>Total</b>                 | <b>\$2,018</b>                   | \$1,708 | <b>\$4,024</b>                 | \$3,424 |

In Q2 2016, Symbility Property had changes in General and Administration expenses consisting of personnel compensation of \$130, computer expenses of \$21, professional and public company fees of \$140, but was offset by facilities cost of (\$21). Symbility Health had changes in General and Administration expenses consisting of personnel of (\$144) and travel of (\$32). Symbility Strategic Services had General and Administration expenses consisting of personnel of \$47, professional fees of \$20, and facility expenses of \$138.

In YTD 2016, Symbility Property had changes in General and Administration expenses consisting of operations in the United Kingdom of \$138. Changes in other regions consisting of personnel compensation of \$175, travel and facility costs of \$29, computer expenses of \$48 and professional and public company fees of \$184, but was offset by non-cash stock based compensation of (\$57). Symbility Health had changes in General and Administration expenses related to personnel of (\$285), travel of (\$58) and non-cash stock based compensation of (\$42). Symbility Strategic Services had General and Administration expenses consisting of personnel of \$93, professional fees of \$53, and facility expenses of \$266.

### Research and Development

|                    | Three months ended<br>June 30th, |         | Six months ended<br>June 30th, |         |
|--------------------|----------------------------------|---------|--------------------------------|---------|
|                    | 2016                             | 2015    | 2016                           | 2015    |
| Symbility Property | <b>\$575</b>                     | \$821   | <b>\$1,201</b>                 | \$1,664 |
| Symbility Health   | <b>332</b>                       | 338     | <b>\$611</b>                   | 602     |
| Eliminations       | <b>(19)</b>                      | -       | <b>(19)</b>                    | -       |
| <b>Total</b>       | <b>\$888</b>                     | \$1,159 | <b>\$1,793</b>                 | \$2,266 |

In Q2 2016, Symbility Property's decrease is due to the re-alignment of resources to better match the sources of revenue made in Q2 2015 which resulted in changes in personnel compensation (\$158) and non-cash stock-based compensation expense (\$100). Symbility Health has no significant change.

In YTD 2016, Symbility Property's decrease is due to the re-alignment of resources to better match the sources of revenue made in Q2 2015 which resulted in changes in personnel compensation (\$335) and non-cash stock-based compensation expense (\$131). Symbility Health has no significant change.

Eliminations are for expenses incurred by Symbility Health for services provided by Symbility Strategic Services.

### Depreciation, Amortization and Foreign Exchange Expenses

|                                   | Three months ended<br>June 30th, |       | Six months ended<br>June 30th, |       |
|-----------------------------------|----------------------------------|-------|--------------------------------|-------|
|                                   | 2016                             | 2015  | 2016                           | 2015  |
| Depreciation and amortization     | <b>\$162</b>                     | \$141 | <b>\$328</b>                   | \$283 |
| Foreign exchange (gain) loss, net | <b>132</b>                       | (78)  | <b>633</b>                     | (100) |
| <b>Total</b>                      | <b>\$294</b>                     | \$63  | <b>\$961</b>                   | \$183 |

Other operating expenses include depreciation and amortization (excluding intangible assets acquired in acquisitions which is included in Sales and marketing expenses) and foreign exchange.

## Transaction and Restructuring Expenses

|       | Three months ended<br>June 30th, |       | Six months ended<br>June 30th, |         |
|-------|----------------------------------|-------|--------------------------------|---------|
|       | 2016                             | 2015  | 2016                           | 2015    |
| Total | -                                | \$768 | -                              | \$1,025 |

Transaction expenses were incurred for the acquisition of the Strategic Services Division and UK IS Acquisition of \$436 in Q2 2015 and \$693 in YTD 2015.

Restructuring costs in Q2 2015 and YTD 2015 of \$332 were consisting of a realignment of resources (both personnel and real estate) to better match the sources of revenue following recent acquisitions in Europe and the reduction of revenue in the United States. Included in restructuring costs were severance costs consisting of employee terminations and termination of certain services under the four year transition services agreement with MSB.

## Finance income, net

|       | Three months ended<br>June 30th, |        | Six months ended<br>June 30th, |        |
|-------|----------------------------------|--------|--------------------------------|--------|
|       | 2016                             | 2015   | 2016                           | 2015   |
| Total | <b>(\$3)</b>                     | (\$12) | <b>(\$9)</b>                   | (\$53) |

The change is related to the Finance income earned from its cash balances and short term investments.

## Summary of Quarterly Results

The following table shows selected financial information for each of the eight most recently completed quarters reported below in thousands of dollars, except per share amounts.

|   | <u>Fiscal 2016</u>  |                     | <u>Fiscal 2015</u>  |                     |                     | <u>Fiscal 2014</u>  |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | <u>Jun 30, 2016</u> | <u>Mar 31, 2016</u> | <u>Dec 31, 2015</u> | <u>Sep 30, 2015</u> | <u>Jun 30, 2015</u> | <u>Mar 31, 2015</u> | <u>Dec 31, 2014</u> | <u>Sep 30, 2014</u> |
| <b>Symbility Property</b>                         | \$5,643             | \$5,297             | \$5,137             | \$5,072             | \$4,320             | \$3,672             | \$5,708             | \$5,485             |
| <b>Symbility Health</b>                           | \$1,576             | \$1,562             | \$1,456             | \$1,253             | \$1,266             | \$1,375             | \$1,241             | \$1,123             |
| <b>Symbility Strategic Services</b>               | \$1,574             | \$1,140             | \$1,496             | \$1,472             | \$42                | -                   | -                   | -                   |
| <b>Consolidated Revenue</b>                       | \$8,665             | \$7,911             | \$8,075             | \$7,787             | \$5,628             | \$5,047             | \$6,949             | \$6,608             |
| <b>Adjusted EBITDA</b>                            | \$286               | (\$553)             | \$776               | \$512               | (\$797)             | (\$877)             | \$1,078             | \$597               |
| <b>Net Income (Loss)</b>                          | (\$718)             | (\$1,521)           | (\$876)             | (\$864)             | (\$2,395)           | (\$1,928)           | \$225               | (\$259)             |
| <b>Net Income (Loss) per share <sup>(1)</sup></b> | (\$0.00)            | (\$0.01)            | (\$0.00)            | (\$0.01)            | (\$0.01)            | (\$0.01)            | \$0.00              | (\$0.00)            |

Over the past eight quarters, revenue has changed for the following reasons:

- Symbility Property had grown revenue from the growth in its customers and users. The non-renewal of a client resulted in a decline in revenue in Q1 2015. Starting Q2 2015, revenue increased from acquisitions completed in 2015 and growth from new and existing customers.
- Symbility Health has incremental growth in existing customers.
- Symbility Strategic Services was acquired in Q2 2015 and revenue was generated from its professional service contracts. Q1 2016 revenue was impacted by the timing of new contracts starting.

Historically, Symbility Property revenue was based in part on claims volumes and typically has higher claims in the second and third quarter based on seasonal weather effects. As the result of the growth in breadth and depth of our customer base and the evolution of the pricing model to annual licenses, this seasonality is expected to be reduced from historical levels. Symbility Health has limited seasonality other than the timing of health claims. Symbility Strategic Services has limited seasonality associated with the number of billable days in a quarter and timing of new contracts.

Adjusted EBITDA is impacted by the seasonality of claim volume which impacts revenue, the cost base of the segment and the timing of activities such as marketing events generally determined by the industry.

## Liquidity and Capital Resources

The Corporation has a working capital surplus of \$7,490 at June 30th, 2016 as compared to \$7,919 of working capital surplus at December 31st, 2015.

The Corporation's current assets consist of cash and cash equivalents of \$6,555, accounts receivable of \$6,619, prepaid expenses of \$773, and tax credits receivable of \$999. Current liabilities consist of accounts payable and accrued liabilities of \$4,857 and deferred revenue of \$2,599.

The Corporation believes it is sufficiently capitalized with a working capital surplus of \$7,490 at June 30th, 2016. The Corporation's commitments disclosed in the 2015 Annual MD&A issued on March 31, 2016 are substantially unchanged at this time.

### **Capital Resources**

Management has decided that it is essential to invest in additional computer equipment and software to support the growth of the Corporation. Subsequent to June 30th, 2016, the Corporation has entered into commitments for capital expenditures under this plan of approximately \$75.

### **Off Balance Sheet Arrangements**

The Corporation did not enter into any off balance sheet arrangements during the period ended June 30th, 2016.

### **Related Party Transactions**

For the three-month and six-month periods ended June 30, 2016, the Corporation expensed \$712 and \$1,218, respectively (June 30, 2015 - \$673 and \$1,231) for services under the services agreement, the database license agreement and for products resold by the Corporation under a reseller agreement with MSB. For the three-month and six-month periods ended June 30, 2016, the Corporation earned \$nil and \$nil, respectively, (June 30, 2015 - \$nil and \$4) for services provided to MSB. As at June 30, 2016, the Corporation owed \$369 (December 31, 2015 - \$130) to MSB, net of services provided.

For the three-month and six-month periods ended June 30, 2016, the Corporation earned \$113 and \$207 (June 30, 2015 - \$nil and \$nil) for services provided to CoreLogic Asia. As at June 30, 2016, the Corporation had receivables of \$36 (December 31, 2015 - \$179) due from CoreLogic for services provided.

### **Significant Accounting Policies and Critical Accounting Estimates**

We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements and the MD&A for the year ended December 31st, 2015. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Corporation's annual consolidated financial statements for the year ended December 31st, 2015.

The following new accounting standards applied or adopted during the six month period ended June 30th, 2016 have had no material impact on the unaudited interim condensed consolidated financial statements.

### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization ("IAS 16" and "IAS 38")**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments do not have any impact on the consolidated financial statements as the Corporation has not used a revenue-based method to depreciate its non-current assets.

### **Changes in Accounting Policies Not Yet Adopted**

The following accounting pronouncements issued by the International Accounting Standards Board ("IASB") were not effective as of June 30th, 2016. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements:

#### **IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")**

In July 2014, the IASB issued the final amendments to IFRS 9, which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is in the process of evaluating the impact of these amendments on its consolidated financial statements.

#### **IFRS 15 Revenue from Contracts with Customers ("IFRS 15")**

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Corporation is evaluating the effect that IFRS 15 will have on its consolidated financial statements, and related disclosures, as well as the transition method to apply the new standard.

#### **IFRS 16 Leases ("IFRS 16")**

In 2016, the IASB issued IFRS 16, Leases, replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15") has been adopted. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the Corporation's consolidated financial statements.

## **Financial Instruments and Risk Management**

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable and other, loan receivables, accounts payable and accrued liabilities and finance lease obligations and their carrying value approximates fair value due to their immediate or short-term maturity.

## **Risks and Uncertainties**

The results of operations and financial condition of the Corporation are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Management. For a detailed discussion regarding the relevant risks and uncertainties, see the Corporation's annual MD&A and Annual Information Form for the year ended December 31st, 2015. There have been no changes during the period ended June 30th, 2016.

### **Foreign Currency risk**

The Corporation's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products and services to customers invoiced in foreign currencies and the purchase of services invoiced in foreign currencies.

The Corporation's significant accounts receivable and accounts payable by foreign currency are as follows:

| <i>As at June 30th, 2016 and December 31st, 2015</i> | <b>2016</b> | 2015 |
|--|-------------|------|
| Accounts receivable - U.K. pound sterling            | <b>18%</b>  | 36%  |
| Accounts receivable - U.S. dollars                   | <b>17%</b>  | 13%  |
| Accounts payable - U.S. dollars                      | <b>21%</b>  | 14%  |

The Corporation's significant revenues and expenses by foreign currency are as follows:

|                               | Three months ended<br>June 30, |      | Six months ended<br>June 30, |      |
|-------------------------------|--------------------------------|------|------------------------------|------|
|                               | <b>2016</b>                    | 2015 | <b>2016</b>                  | 2015 |
| Revenue - U.K. pound sterling | <b>17%</b>                     | 27%  | <b>19%</b>                   | 22%  |
| Revenue - U.S. dollars        | <b>40%</b>                     | 40%  | <b>39%</b>                   | 43%  |
| Expenses - U.S. dollars       | <b>26%</b>                     | 27%  | <b>26%</b>                   | 28%  |

### **Credit risk**

As at June 30th, 2016, no customer accounted for more than 10% of the Corporation's total accounts receivable (December 31st, 2015 – one customer - 12%).

### **Liquidity risk**

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents, managing cash from operations and through the raising of equity financing.

As at June 30th, 2016, the Corporation was holding cash and cash equivalents of \$6,555 (December 31st, 2015 - \$6,553).

**Disclosure of Outstanding Share Data**

The following table summarizes each of the equity securities outstanding as of the date hereof:

| <b><u>Equity Security</u></b> | <b><u>Number Outstanding</u></b> |
|-------------------------------|----------------------------------|
| Common Shares                 | 238,674,675                      |
| Restricted Shares             | 1,000,000                        |
| Warrants                      | 1,000,000                        |
| Stock Options                 | 18,092,509                       |

**Additional Information**

Additional information concerning the Corporation, including its Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).