

# **Symbility Solutions Inc.**

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

### **March 27, 2014**

This Management's Discussion and Analysis ("MD&A") for Symbility Solutions Inc. (the "Corporation") should be read with the audited consolidated financial statements for the year ended December 31, 2013. The consolidated financial statements for the year ended December 31, 2013 of the Corporation were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 consolidated financial statements and this MD&A have been reviewed by the Corporation's Audit Committee and approved by its Board of Directors.

#### **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 new 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 March 27, 2014.

### **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, restructuring costs included in general and administration expense and other non-recurring gains or losses including transaction costs related to acquisition. 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.

### **Selected Annual Financial Information**

This financial information has been prepared in accordance with IFRS as issued by IASB. For further information and significant accounting policies, please see Notes 2 and 3 of the audited consolidated financial statements for the years ended December 31, 2013 and 2012 ("Financial Statements").

In thousands of dollars, except per share amounts.

<i>For the years ended December 31,</i>	<b>2013</b>	2012	2011
Symbility Property Revenue	<b>17,828</b>	12,936	4,734
Symbility Health Revenue	<b>4,066</b>	3,601	3,212
Consolidated Revenue	<b>21,894</b>	16,537	7,946
Adjusted EBITDA	<b>(137)</b>	831	807
Net Loss	<b>(4,687)</b>	(3,393)	(94)
Earnings (loss) per share	<b>(0.02)</b>	(0.02)	(0.00)
Dividend on common shares	-	0.01	-
<i>As at December 31,</i>	<b>2013</b>	2012	2011
Total Assets	<b>33,613</b>	36,409	5,454
Total Long Term Liabilities	<b>350</b>	459	563

### **Overall Performance and Outlook**

For the year ended December 31, 2013 consolidated revenue increased by \$5,357 or 32% (2012 – \$8,591 or 108%) as a result of customer deployments and the Transaction (defined below). In 2013, customer deployments and increased volume accounted for \$3,800 (2012 – \$4,041) and the Transaction accounted for \$1,557 (2012 – \$4,550) of the growth.

Operating expenses, including transaction related expenses, increased \$5,731 or 34% as compared to the prior year, however excluding transaction related expenses, operating expenses increased by \$7,562 or 51%. This increase was across all functional areas of the business. Sales and marketing increased by \$3,816 on higher marketing activities, including consultants (\$1,001), increased sales headcount and associated expenses,

including stock based compensation (\$2,148), related travel (\$426) and other expenses. Research and development increased by \$1,834 from higher headcount, including stock based compensation (\$1,360) and additional specialized consultants (\$501). General and administration increased by \$1,855 from higher headcount and compensation, including stock based compensation (\$1,041), office expenses (\$132) and investor relations (\$247).

Adjusted EBITDA was a loss of \$137 for the year ended December 31, 2013 (2012 – earnings of \$831). The decrease in Adjusted EBITDA is due to higher expense growth compared to revenue growth..

The net loss for the year ended December 31, 2013 is \$4,687 (2012 - \$3,393). The increase in the net loss is due to the increased expenses described above, including higher depreciation and amortization and stock based compensation, offset by the reduction in transaction related expenses.

The Corporation had 117 employees as at December 31, 2013 (2012 – 80). The Corporation ended the year with cash and cash equivalents of \$12,173 (2012 – \$15,008).

The Corporation has provided guidance that it expects to achieve revenue in fiscal 2014 in the range of \$28 to \$29 million and Adjusted EBITDA in the range of \$3.0 to \$4.0 million.

### **Adjusted EBITDA**

The Corporation has provided a reconciliation of Adjusted EBITDA to IFRS net loss in the following table:

<i>For the years ended December 31,</i>	<b>2013</b>	2012
IFRS Net Loss	<b>\$(4,687)</b>	\$(3,393)
Finance and other income	<b>(117)</b>	(9)
Depreciation and amortization	<b>1,605</b>	1,099
Stock-based compensation	<b>3,049</b>	1,296
Transaction related expenses	-	1,831
Income tax expense	<b>13</b>	7
<b>Adjusted EBITDA</b>	<b>\$(137)</b>	<b>\$831</b>

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. Depreciation and amortization charges, while a component of operating income, are fixed 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 under the Restricted Share Plans to measure achievement.

### Operating segments

The Corporation has two operating divisions which offer products and services to different segments of the insurance industry:

- 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 solution to a network of Employee Benefits Brokers and Third Party Administrator partners in the adjudication of health and dental claims. Symbility Health was previously identified as Adjudicare.

The Corporation allocates all expenses (including corporate costs) to each of these two operating divisions. Previously the Corporation included some costs as part of a Head Office function. In 2013 the Corporation changes its evaluation of operations and began allocating costs to the Symbility Property division. All comparative amounts for prior periods have been restated to the current presentation. See Discussion of Operations for details on the financial performance of each operating segment. The Corporation's operating segments/divisions, reported the following business developments in 2013:

### **Symbility Property**

#### *Market Position*

Property and Casualty Insurers operate in a highly challenging environment, characterized by complexity of information and multiple stakeholder perspectives, in which reducing claims cycle time is a critical advantage point in the delivery of superior policyholder service.

Designed by experts in insurance software, Symbility Property's technology streamlines and accelerates claims processing, from remote field estimate to settlement.

Symbility Property's open architecture and SaaS (Software as a Service) model eliminates software maintenance, streamlines integration with existing infrastructures, including policy administration systems, and minimizes the burden on IT resources. Insurance carriers, mitigation specialists, restoration contractors, independent adjusters, third party administrators, material suppliers and additional partner vendors have immediate access to Symbility Property's timely updates and enhancements, ensuring that their businesses benefit from the latest technology improvements. Plus, industry-leading usability reinforced by Symbility Property's deep technical support capabilities ensures a frictionless experience for all users and optimizes ROI for our customers.

## *Transaction*

In April of 2012, the Corporation announced it had completed the acquisition (the “Transaction” or “Acquisition”) of the claims division of Marshall, Swift & Boeckh (“MSB” and the “MSB Claims Business”), a wholly owned subsidiary of Decision Insight Information Group (“Decision Insight”). This Transaction augments Symbility Property’s existing expertise in claims processing, loss estimating solutions, and process analytics technologies. Symbility Property claims solutions, used in conjunction with MSB’s Underwriting applications; means property insurers now have an alternative enterprise solution to provide their policyholders a better claims experience. MSB has also entered into a long-term strategic data license agreement to integrate MSB’s claims estimation data into Symbility Property’s mobile claims software.

## *Product Strategy*

Our core Product Strategy for Symbility Property is built around four key modules:

- Symbility Claims Connect® is a robust workflow management solution enabling end-to-end collaboration across the entire claims processing environment and fast, accurate analysis of key claims processing performance metrics. With Claims Connect, all participants, from field estimators to staff adjusters to building contractors and even the insured, gain rapid, secure and rights-defined access to claims data, enhancing communication to dramatically reduce time-to-resolution of the claim.
- Symbility Mobile Claims® is an intuitive field estimating solution designed to enhance adjuster and third-party contractor productivity, it allows field staff to capture claims information in virtually any form to quickly and accurately generate on-site estimates, even in extreme conditions with no Internet access.
- Symbility Inside Adjuster® is a powerful triage solution created specifically for inside desk adjusting of property claims to streamline the First Notice of Loss (FNOL) process. This solution allows staff adjusters to rapidly and easily prioritize, route for follow-up, or settle claims according to severity. Inside Adjuster allows carriers to reduce claims cycle times – a critical measurement in policyholder satisfaction.
- Symbility Analytics Services provide analytics and change management services, including reporting tools include: template reports and report builder to create custom reports; improve the accuracy of claim handling and the fairness of indemnity payouts, measure current performance and identify areas for improvement; identify specific company best practice targets; compare target best practices against the industry results and increase compliance and consistency.

In 2013, Symbility Property deployed a number of enhancements, including the following features:

- Symbility Mobile Claims application is now available on the iPad® and iPhone® and Android™ compatible versions. This iOS and Android compatible version of the tool replicates and extends the user experience across devices, giving our customers additional speed, flexibility and accuracy in the process of adjudicating a property claim, with no additional training required.
- Payment Tracker – is a new module that will allow users to enter payments and correlate specific items on receipts with estimate line items.
- Material Purchase Provider Program – for the integration that provides user with a large material provider network, a carrier and a contractor network for fulfilling material requirements on a claim.

- Mobile App Integration: Sensopia – integration with Mobile Claims that measures and diagrams rooms as a user snaps pictures of corners and doors.

For 2014 and beyond, Symbility Property has additional enhancements identified including the following:

- Cost Database Intelligence – a new tool to improve field users efficiency by filtering down the pricing database and implementation of construction process knowledge
- Predictive Modelling – new tool to improve field user efficiency by predicting estimate line items based on property characteristics and type of loss
- Contents – through the iteration and resale of the Enservio's ContentsExpress™ (described below) a new inventory and contents estimating module in Mobile Claims.
- Consumer Participation in Claims – improvements to the guest user functionality to facilitate the participation of the policy holder in a claim
- Material Purchase Provider Program – improvements to the existing program to further automate the Program

### *Sales & Marketing Initiatives*

In 2013, Symbility Property incurred \$1,059 in sales and marketing expenses for trade shows and marketing consultants, an increase of 194%. This expenditure included Symbility Property's 2013 Symposium and the 2013 PLRB/LIRB Claims Conference, where it was announced that the Symbility Mobile Claims® application was available as a free download in the Apple® iTunes Store®. At the 2013 PLRB event, the Corporation was awarded the Outstanding Exhibitor Award.

In 2013, Symbility Property increased its focus on the international markets. On January 16<sup>th</sup>, 2013 Symbility Property announced the reseller agreement with Digicall Solutions. Based in Johannesburg, South Africa, Digicall consists of seven specialist units that provide an array of services to the short term insurance sector. They began using the Symbility application through its Assessing Solutions division to process claims and manage the contractor network for tier one insurers. As well, Symbility Property has expanded to include three European based employees to focus on international opportunities, both through resellers and direct sales.

In 2013, much of Symbility Property's success (and press releases) was in signing contracts with the supply chain participants (independent adjusters and contractors) who service the insurance carriers. The supply chain participants are important to the sales initiatives with carriers so that the carrier can quickly deploy the Symbility Property solutions. At the same time, the supply chain is dependent on carriers assigning them claims.

Symbility Property's 2014 Symposium event ran from January 13-15 and brought together more than 170 insurance industry leaders, including carriers, independent adjusters, restoration contractors and partner vendors from across the United States, Canada and Europe for an opportunity to network, share insights, and learn about the topics and trends currently affecting the property and casualty insurance industry. In addition to thought-provoking presentations by subject matters experts from the claims insurance landscape and an update on Symbility's latest product launches and strategy overview, the Symposium also featured a keynote session from the renowned venture capitalist and co-host of the ABC show "Shark Tank", Kevin O'Leary.

Symbility Property's 2014 sales and marketing initiatives include enhancements to our product offerings through additional functional from new or enhanced relationships with third party technology providers such as:

- Librestream Technologies Inc.®, the leader in mobile video collaboration for the enterprise market. Librestream's Onsite Connect® video collaboration application will be integrated into Symbility's property claims workflow management solution Claims Connect®, and its smartphone and tablet-enabled field estimating application Mobile Claims®. This video collaboration solution will transform the way property damage is captured by encouraging customer self-service and providing live video support to field adjusters, minimizing the adjuster's physical presence onsite. Using Onsite, the desk adjuster will be able to capture details of the damaged property without leaving the office.
- Enservio, Inc. is a provider of contents inventory, valuation, and payment services that allow property insurers to price policies correctly upfront and settle contents claims quickly and accurately. Symbility Property and Enservio have agreed to integrate Enservio's contents claims valuation software with Symbility Property's structural estimating cloud and mobile products. The combined solution creates a single sign-on, best-of-breed claims settlement application that empowers adjusters to estimate and process both contents and structural claims in a more streamlined fashion. Joint customers benefit from a greatly reduced time-to-resolution on property claims while adjusters can realize improved productivity gains and faster customer settlements. As part of the agreement, Enservio's ContentsExpress™ application and its rich contents database of over 8 million retail products will be integrated with Symbility Property's robust suite of collaborative cloud-based claims solutions.

In addition to the focus on additional functionality from our technology partners, Symbility Property's sales focus is on new carriers.

### *Outlook*

On January 2, 2014, the Corporation announced that its largest US-based customer has renewed their contract for an additional 12 months to December 31, 2014. The renewal will result in \$8.5 US million of revenue to Symbility during 2014. During the course of 2014, the customer intends to transition off the Symbility platform in order to utilize a combined platform for both its underwriting and claims divisions and, as a result, the contract will not be renewed after 2014. Symbility's approximate revenue from this customer was \$1.8 million, \$5.2 million and \$5.8 million in 2011, 2012 and 2013, respectively.

The focus of 2014 will be on signing additional new carriers and large supply chain clients to replace this revenue in 2015 in North America and continuing to expand the client base internationally. The opportunities available through the reseller agreements described above, along with the marketing efforts in 2013 and continuing into 2014 will be critical in achieving 2015 revenue.

## **Symbility Health**

### *Market Position*

Symbility Health's aim is to create collaborative technologies that deliver a different kind claims experience for the healthcare market. Symbility Health will achieve this by leveraging Symbility Property's global experience providing cloud-based and mobile technology to the property and casualty insurance segment. Symbility Health's goal is to provide all of the tools required to analyze, adjust, adjudicate and settle a claim with every participant collaborating in the same system, sharing the same information.

Symbility Health simplifies the group benefit process by giving its clients, Third Party Administrators (“TPAs”) and employee benefit brokers, the tools to control their group benefit business. We work with our clients to provide, through a web-based portal, access to the status of their health benefit claims. Our clients in turn offer Symbility Health’s solution to their customers. As a result, our software adjudication has come to redefine the marketplace because it is simple to use, simple to understand and proven to increase output as it decreases costs. Also, Symbility Health can be fully integrated into a client’s existing system. Symbility Health’s solutions provide clients with total control over the entire claims management experience.

### *Product Strategy*

Our core Product Strategy for Symbility Health is built around four key modules:

- Adjudicare – the Adjudication and Claims Payment product that simplifies the group benefit process by giving its users tools to control their business. As a result, our software adjudication has come to redefine the marketplace because it is simple to use, simple to understand and proven to increase output as it decreases costs. Also, Adjudicare can be fully integrated into an established system.
  - Health & Dental Claims
  - Cost plus and Health Care Spending Accounts (HCSA)
  - First Nations benefit plans
- Symbility Health Mobile Claims – a mobile application to provide plan members access to their claims information that is the next generation in online claims submission:
  - seamless integration to allow for real-time claims processing
  - patent pending front-end audit functionality
  - ability to complement existing consumer mobile apps being used by plan members
  - access through major mobile platforms: iOS and Android
- Symbility Health Online Claims Access and Portal – provides total control on a personalized basis..
  - Member Administrator Portal
    - Easy access for up-to-the-minute coverage status and pertinent member details.
    - Employee claims can be viewed and filtered by category, benefit type, service date and payment details.
  - Plan Administrator Portal
    - Degree of access defined by partners.
    - Administrators can access claims reports, HCSA reports, Invoicing reports and Member Profiles reports.
- Symbility Health Union Pro™ – is the only web-based Hour Banking product to provide unions a worry free solution to track their members’ hour banking, benefit plan eligibility, and contribution data.

For 2014, Symbility Health has additional enhancements planned to create a workflow product, Symbility Health Claims Connect, to provide a centralized workflow for all of these modules.

### *Benefit Plan Services*

Symbility Health also provides group benefit administrators with a simple, cost-effective solution to increase productivity and control. Symbility Health leverages volume and purchasing power from its national network of

partners to enable our clients to offer services and products to their customers. The Benefit Plan Services include products such as:

- Group Insurance Plan
- Medical Second Opinion Service
- Employee/Business Owner Assistance Plan
- Out-of-Country Group Travel Insurance
- Stop-Loss Program
- Wellness Solutions

Symbility Health provides these services as a reseller of these services.

### *Sales & Marketing Initiatives*

Symbility Health has determined that the market opportunity has expanded due to the Product Strategy and Benefit Plan Services. Offerings such as Mobile Claims and Claims Connect add value to the TPA's and benefits brokers who may use an alternative adjudication system but need to provide their clients with the opportunity to leverage mobile technologies to enhance collaboration.

The third annual Partner Summit, a three-day event from September 15-18, 2013 brought together Symbility Health partners and strategic vendors from across Canada and the U.S. for an opportunity to network, share insights with industry peers, and hear about the hottest topics currently affecting the healthcare industry. Symbility Health has undergone a transformative year with a name change from Adjudicare to Symbility Health and a considerable increase in products and services. The event featured case studies and sessions focused on a variety of topics, including the importance of pay-direct drug cards, the case for medical second opinions, a new functionality that integrates benefit plan offerings with the NIHB program for First Nations, Inuit and Métis plan members, as well as how Canadian companies can best manage international benefits for their foreign assignment employees.

In 2014, Symbility Health has expanded its sales force, added a dedicated account management group and is expanding its sales and marketing initiatives.

### *Outlook*

Management feels that the efforts made in the past several years have created an enhanced benefits platform for our partners and generated a significant amount of momentum going into 2014:

- With the addition of technology such as online claims access and new Benefit Plan Services, our product offering is now able to fully compete with comparable offerings from insurance carriers and other third party administrators.
- Additional investments in sales and marketing personnel and marketing initiatives such as the Symbility Health partner event have already demonstrated that they have enabled our clients to network and work together to grow their business with Symbility Health.

With all of these components in place, management believes that Symbility Health will continue to grow in 2014.

## **Discussion of Operations**

The following discussion includes and explanation of the primary factors in changes in operations. Additional, less significant changes are not articulated.

### **Revenue**

<i>For the years ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$17,828</b>	\$12,936
Symbility Health	<b>4,066</b>	3,601
<b>Total</b>	<b>\$21,894</b>	\$16,537

Symbility Property's revenue increase relates primarily to the incremental revenue from the acquired MSB Claims Business (\$1,557), increased revenue from contracts with new customers and increased volume on existing clients (\$3,335).

Symbility Health revenue growth is from its existing customers and due to a number of new small clients.

### **Cost of Sales**

<i>For the years ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$2,395</b>	\$1,665
Symbility Health	<b>1,829</b>	1,537
<b>Total</b>	<b>\$4,224</b>	\$3,202

Symbility Property incurs cost of sales for:

- Three Data centers in North America. The Corporation intends to complete the migration of customers from the MSB Claims Business software to the Symbility software over the next six months to reduce cost of sales and achieve operational efficiencies and synergies,
- Shared costs under the data license with MSB for updating the database,
- Charges for specific enhancements to the database, and
- A fixed, non-cash intangible amortization expense of the MSB database license.

Symbility Property's increase in cost of sales relates to the data centers (\$35) and specific enhancements the data license (\$449) requested by Symbility Property. Symbility Property's cost of sales attributed to fixed non-cash amortization expense of the database license was \$880 for the year December 31, 2013 (2012 – \$635).

Symbility Health cost of sales represents costs of certain insurance products, which are in turn sold to broker customers of Symbility Health, as well as the cost of fees paid to third parties. Cost of sales is directly variable with revenue for Symbility Health. Symbility Health cost of sales increased slightly to 45% (2012 – 43%) due to increased revenue from higher cost insurance products.

### **Sales and Marketing**

<i>For the years ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$8,995</b>	\$5,678
Symbility Health	<b>1,060</b>	561
<b>Total</b>	<b>\$10,055</b>	\$6,239

Symbility Property's increase is due its focus on sales and marketing to enable future growth. The increase relates to additional personnel and related expenses (\$1,810), travel expenses (\$365), non-cash amortization expense of customer relationships from the Transaction (\$134), the costs of increased marketing activities, including consultants (\$835) and stock based compensation expense (\$151).

Symbility Health's increase relates to investment of additional sales and marketing personnel and related expenses (\$177), increased travel (\$70), marketing programs and consultants (\$167) and stock based compensation expense (\$66).

### **Research and Development**

<i>For the years ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$3,902</b>	\$2195
Symbility Health	<b>650</b>	523
<b>Total</b>	<b>\$4,552</b>	\$2,718

Symbility Property's increase is due to additional personnel and consultants hired to support product development initiatives and quality assurance (\$779), additional consultants for development initiatives (\$501) and increased stock based compensation (\$461).

Symbility Health's increase mainly relates to an increase in personnel costs (\$79) and additional consultants (\$88) to support product enhancements.

### **General and Administration**

<i>For the years ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$6,855</b>	\$4,871
Symbility Health	<b>745</b>	874
<b>Total</b>	<b>\$7,600</b>	\$5,745

Symbility Property's increase relates mainly to compensation and related expenses of personnel (\$476), office related expenses (\$153), increased stock based compensation (\$1,015) and professional and public company fees (\$247), incurred to enable growth in Symbility Property's business.

Symbility Health's decrease in expenses was due to lower professional fees and travel costs.

### **Transaction Related Expenses**

<i>For the years ended December 31,</i>	<b>2013</b>	<b>2012</b>
<b>Total</b>	<b>\$-</b>	<b>\$1,831</b>

Transaction related expenses were incurred to complete the Acquisition of the MSB Claims Business previously described.

### **Other Operating Expenses**

<i>For the years ended December 31,</i>	<b>2013</b>	<b>2012</b>
<b>Total</b>	<b>\$254</b>	<b>\$197</b>

Other operating expenses include depreciation and amortization (excluding intangible assets acquired in the Transaction) and foreign exchange. The increase relates to the increase in depreciation for property and equipment and amortization of assets due to assets purchased in 2013 and 2012 and the fluctuation of the foreign exchange rate.

### **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.

	<b>Fiscal 2013</b>				<b>Fiscal 2012</b>			
	<b>Dec 31, 2013 (Q4)</b>	<b>Sep 30, 2013 (Q3)</b>	<b>Jun 30, 2013 (Q2)</b>	<b>Mar 31, 2013 (Q1)</b>	<b>Dec 31, 2012 (Q4)</b>	<b>Sep 30, 2012 (Q3)</b>	<b>Jun 30, 2012 (Q2)</b>	<b>Mar 31, 2012 (Q1)</b>
<b>Symbility Property Revenue</b>	\$4,355	\$4,474	\$5,020	\$3,979	\$3,728	\$4,052	\$3,674	\$1,482
<b>Symbility Health Revenue</b>	\$1,116	\$956	\$999	\$995	\$928	\$882	\$912	\$879
<b>Consolidated Revenue</b>	\$5,471	\$5,430	\$6,019	\$4,974	\$4,656	\$4,934	\$4,586	\$2,361
<b>Adjusted EBITDA</b>	(\$460)	(\$112)	\$635	(\$200)	\$161	\$469	\$272	(\$71)
<b>Net Loss</b>	(\$1,347)	(\$1,032)	(\$334)	(\$1,972)	(\$761)	(\$159)	(\$1,318)	(\$1,155)
<b>Net (Loss) per share</b>	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)

<sup>(1)</sup> Rounded to the nearest cent in each quarter

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

- Symbility Property completed the Transaction in 2012 which contributed to incremental revenue.
- Symbility Property has started to recognize revenue from the rollout of its new customers and users.
- Symbility Health has grown its customer base and has incremental growth in existing customers.

Symbility Property revenue is based in part on claims volumes and typically has higher claims in the second and third quarter based on seasonal weather effects. Symbility Property expects that the growth in breadth and depth of our customer base and the evolution of our pricing model we will reduce this seasonality in the future. The conversion of our largest US customer to a fixed fee license will also reduce the seasonality in 2014. Symbility Health has limited seasonality due to the nature of the business.

Adjusted EBITDA is impacted by the seasonality of the Symbility revenue and timing of activities such as marketing events generally determined by the industry.

The quarterly net losses incurred by the Corporation in the quarters ended Q1 2012, Q2 2012 and Q3 2012 were in part due to the transaction related expenses (\$912, \$887 and \$34 respectively). Following the Acquisition, the database license and the customer relations (which are subject to amortization) are being amortized over 10 years and 5 years respectively, have also impacted the net losses. The Corporation has focused on growing its sales reach, enhancing its products and has incurred significant expenses related to these objectives.

### **Discussion of Operations - Fourth Quarter**

#### **Revenue**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$4,355</b>	\$3,728
Symbility Health	<b>1,116</b>	928
<b>Total</b>	<b>\$5,471</b>	\$4,656

Symbility Property's revenue increase relates primarily to the incremental revenue from contracts with new customers and changes in claim volumes from existing customers

Symbility Health revenue growth is from increased professional services (\$97) and increased software and resold insurance products revenue (\$91).

#### **Cost of Sales**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$652</b>	\$561
Symbility Health	<b>478</b>	408
<b>Total</b>	<b>\$1,130</b>	\$969

Symbility Property's increase in cost of sales relates to specific enhancements the data license (\$410) requested by Symbility Property. Symbility Property's cost of sales attributed to fixed non-cash amortization expense of the database license was \$220 for the three months ended December 31, 2013 (2012 – \$220).

Symbility Health cost of sales represents costs of certain insurance products, which are in turn sold to broker customers of Symbility Health, as well as the cost of fees paid to third parties. Cost of sales is directly variable with revenue for Symbility Health. Symbility Health cost of sales decreased slightly to 43% (2012 – 44%) due to mix of revenue from insurance products.

**Sales and Marketing**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$2,109</b>	\$1,853
Symbility Health	<b>215</b>	157
<b>Total</b>	<b>\$2,324</b>	\$2,010

Symbility Property's increase is due its focus on sales and marketing to enable future growth. The increase relates to additional personnel, commissions and related expenses (\$356), promotional activities, including consultants (\$167) and offset by a reduction in stock based compensation (\$272).

Symbility Health's increase relates to investment of additional sales and marketing personnel and related expenses (\$36), and stock based compensation expense (\$12).

**Research and Development**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$1,145</b>	\$893
Symbility Health	<b>226</b>	248
<b>Total</b>	<b>\$1,371</b>	\$1,141

Symbility Property's increase is due to additional personnel and consultants hired to support product development initiatives and quality assurance (\$330), stock based compensation (\$105) and offset by a adjustment in the estimate of scientific research and experimental development ("SR&ED") tax credits (\$165) in 2012.

Symbility Health's increase relates to an increase in personnel and consultants (\$32), offset by non-recurring charges for SR&ED tax credits incurred in 2012.

**General and Administration**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
Symbility Property	<b>\$1,751</b>	\$1,073
Symbility Health	<b>204</b>	188
<b>Total</b>	<b>\$1,955</b>	\$1,261

Symbility Property's increase relates to additional personnel, and related expenses (\$461), office related expenses (\$74), professional fees and investor relations (\$77) and stock based compensation (\$88).

Symbility Health had no significant change in General and Administration expenses.

**Other Operating expenses**

<i>For the three months ended December 31,</i>	<b>2013</b>	2012
<b>Total</b>	<b>\$56</b>	\$30

Other operating expenses include depreciation and amortization (excluding intangible assets acquired in the Transaction) and foreign exchange. The increase relates to the increase in depreciation for property and equipment and amortization of assets and offset by the fluctuation of the foreign exchange rate.

### **Liquidity and Capital Resources**

The Corporation has a working capital surplus of \$10,330 at December 31, 2013 as compared to \$11,052 of working capital surplus at December 31, 2012.

The Corporation's current assets consist of cash and cash equivalents of \$12,173, accounts receivable of \$4,153 and prepaid and other assets of \$791. Current liabilities consist of accounts payable and accrued liabilities of \$3,755 and deferred revenue of \$3,032.

The Corporation believes it is sufficiently capitalized with a working capital surplus of \$10,330 at December 31, 2013.

### **Commitments**

As part of the Transaction, the Corporation has entered into a four-year TSA with MSB with a minimum annualized commitment of \$712 (2012 - \$1,118). The termination of the agreement is subject to the earlier of i) the time when no customers of the MSB claim business or the new claims business are using certain existing MSB products, ii) four (4) years following the effective date which is on April 10, 2012 and iii) portions of the agreement upon 90 days' notice.

Also as part of the Transaction, the Corporation also entered in to the Database Licence Agreement which requires payment by the Corporation to MSB to maintain the currency of the content in the database. This is a variable cost based on various factors.

	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Finance lease obligations	\$ 57	\$ 52	\$ 5	\$ -	\$ -
Operating leases <sup>(1)</sup>	1,662	429	1,040	193	-
Purchase obligations	1,100	923	177	-	-
	\$ 2,819	\$ 1,404	\$ 1,222	\$ 193	\$ -

(1) includes the non-cancellable portion of the TSA only.

Subsequent to December 31, 2013, the Corporation has entered into commitments for capital expenditures under this plan of approximately \$165,000.

### **Capital Resources**

Management has decided that it is essential to invest in additional computer equipment and software to increase hosting capacity to support the growth of the Corporation. As well additional property and equipment will be required as the Corporation integrates operations acquired in the Transaction and replaces equipment at the end of its useful life. Due to expanding real estate requirements, additional leasehold expenditures will also be required.

### **Off Balance Sheet Arrangements**

The Corporation did not enter into any off balance sheet arrangements during the period ended December 31, 2013 and has not done so historically.

### **Related Party Transactions**

For the year ended December 31, 2013, the Corporation expensed \$2,512 (2012 - \$1,751) for services under the four-year transition services agreement and database license agreement with MSB. The termination of the transition services agreement is subject to the earlier of i) the time when no customers are using certain existing MSB products, and ii) four (4) years following the effective date, which was on April 10, 2012 and iii) portions of the agreement upon 90 days' notice. For the year ended December 31, 2013, the Corporation earned \$312 (2012 - \$Nil) for services provided to MSB. As at December 31, 2013, the Corporation owed \$322 (2012 - \$158) to MSB, net of services provided.

On July 2, 2013, Decision Insight announced that it had signed a definitive agreement to sell, among other assets, all of its indirect ownership interest in the Corporation to a subsidiary of CoreLogic, Inc. ("CoreLogic"). The sale of the Corporation's common shares is part of the proposed transaction announced by CoreLogic, pursuant to which CoreLogic will acquire the Decision Insight's MSB and DataQuick Information Systems businesses (the "Proposed Transaction"). The Proposed Transaction, of which the sale of common shares of the Corporation forms a part, was completed on March 25, 2014.

On January 25, 2013, the Corporation issued 111,438 common shares with an estimated weighted average fair value of \$0.45 per share for an aggregate value of \$50 to the Directors of the Corporation for services provided from July to December 2012. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

On June 29, 2012, 2,823,265 restricted shares under the Canadian Restricted Share Plan (the "Canadian RS Plan") and United States Restricted Shares Plan (the "United States RS Plan", and together with the Canadian RS Plan, the "RS Plans") were granted to certain Directors and officers of the Corporation and a loan equal to the income taxes payable was made to the Canadian Directors and officers. The value of the Canadian Restricted Share loans was fully repaid in 2013. As of March 20, 2014, the Board of Directors authorized that 279,557 restricted shares be forfeited and 978,428 restricted shares be released on March 31, 2014 pursuant to the RS Plans and 1,956,874 are, subject to TSX-V approval, scheduled for release when approval is received.

On February 10, 2014, 300,000 options were granted to Directors of the Corporation in accordance with the Corporation's stock option plan. Each option entitles its holder to purchase one common share of the Corporation at an exercise price of \$0.31 per share for a period of ten years from the date of grant. The options vest at a rate of one third per annum, on the anniversary date of the grant.

On March 27, 2014, 630,685 options were granted to Directors and officers of the Corporation in accordance with the Corporation's stock option plan. Each option entitles its holder to purchase one common share of the Corporation at an exercise price equal to the closing share price on March 31, 2014 for a period of ten years from March 31, 2014. The options vest at a rate of one third per annum, on the anniversary date of the grant.

All of the above transactions were recorded at the exchange amount.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements relate to the following:

#### **Impairment of non-financial assets**

The Corporation's impairment test is based on value-in-use calculations that use a discounted cash flow model. The cash flows are derived from the projections for the next five years and are sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### **Useful lives of key property and equipment and intangible assets**

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation.

#### **Share-based compensation**

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based compensation requires determining the most appropriate valuation model for a grant of these instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model, including the risk-free interest rate expected life of the option, volatility, performance probability and dividend yield.

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

The following accounting pronouncements issued by the IASB were not effective as of December 31, 2013. 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, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments - Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return on investment. However, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments - Recognition and Measurement, except that fair value changes due to credit for liabilities designated at fair value through income and loss are generally recorded in other comprehensive income.

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but in 2013, the IASB deferred the effective date of this amendment. However, instead of specifying a new effective date, the IASB will allow companies to apply IFRS 9 at the start of any reporting period until the issue date of the final version of IFRS 9 is known. This deferral would take effect until the outstanding phases of IFRS 9(excluding accounting for macro hedging) are finalized. The Corporation will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. IAS 32 Financial Instruments: Presentation ("IAS 32").

Amendments to IAS 32 Financial Instruments: Presentation clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial statements. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted. The Corporation has not yet assessed the impact this standard will have on the consolidated financial statements.

### **Financial Instruments and Risk Management**

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, 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.

### **Risk arising from Financial Instruments and Risk Management**

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is the responsibility of the corporate finance function. Material risks are monitored and are regularly discussed with the Audit Committee of the Board.

#### **Market risk and foreign currency risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Corporation's income or the value of its financial instruments. 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.

Of the Corporation's accounts receivable at December 31, 2013, 22% is denominated in U.S. dollars (2012 – 38%) and 36% is denominated in U.K. pound sterling (2012 - 20%), respectively.

Of the Corporation's accounts payable at December 31, 2013, 33% is denominated in U.S. dollars (2012 - 20%).

During the year ended December 31, 2013, approximately 65% of revenue was in U.S. dollars (2012 - 66%) and approximately 11% of revenue was in U.K. pound sterling (2012 - 9%). During the year ended December 31, 2013, approximately 36% of expenses was in U.S. dollars (2012 - 35%).

During the year ended December 31, 2013, a 1% appreciation (depreciation) in U.S. dollar to Canadian dollar foreign exchange rate, all else being equal, would have affected net income by \$16 (2012 - \$24), and a 1% appreciation (depreciation) in the U.K. pound sterling to Canadian dollar foreign exchange rate, all else being equal, would have affected net income by \$35 (2012 - \$14). The Corporation's exposure to foreign currency changes for all other currencies is not material.

#### Credit risk

As at December 31, 2013, the largest amounts due from one customer accounted for 41% of the Corporation's total accounts receivable (2012 - two customers - 19% and 11%, respectively).

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss within other operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated statements of loss and comprehensive loss.

#### 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 December 31, 2013, the Corporation had cash and cash equivalents of \$12,173 (2012 - \$15,008).

For more information, see Note 15 of the audited consolidated financial statements for the year ended December 31, 2013.

#### **Disclosure of Outstanding Share Data**

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

<b>EQUITY SECURITY</b>	<b>NUMBER OUTSTANDING</b>
Common Shares	205,786,334
Restricted shares	<b>3,214,859</b>
Broker Warrants	<b>1,136,375</b>
Stock Options	18,123,334

#### **Addition Information**

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