MEDIAGRIF

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED JUNE 30, 2020

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The following Management's Discussion and Analysis ("MD&A"), which has been prepared as at August 12, 2020, of the financial position and operating results of Mediagrif Interactive Technologies Inc. ("Mediagrif" or the "Corporation") should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements and accompanying notes thereto for the quarter ended June 30, 2020, as well as the Corporation's MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2020. This MD&A compares performance for the quarters ended June 30, 2020 and 2019. The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A was approved by the Board of Directors of Mediagrif.

In addition to providing profit measures in accordance with IFRS, the Corporation's statement of income shows operating profit and earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) ("adjusted EBITDA") as supplementary earnings measures. Operating profit and adjusted EBITDA are not intended to be measures that should be regarded as an alternative to other financial operating performance measures prepared in accordance with IFRS. Those measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Operating profit and adjusted EBITDA are provided to assist investors in determining the Corporation's ability to generate profitability from its operations and to evaluate its financial performance.

This MD&A contains certain forward-looking statements with respect to the Corporation. Verbs such as "believe," "expect," "anticipate," "estimate" and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. These statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those expected by these forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Corporation, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect the Corporation. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CORPORATION PROFILE

Mediagrif Interactive Technologies Inc. (TSX: MDF) enables the flow of commerce by providing a broad set of software as a service (SaaS) solutions that optimize and accelerate commercial interactions between buyers and sellers. Our platforms and services empower businesses around the world, allowing then to generate billions of dollars in transactions on an annual basis. Our strategic sourcing, unified commerce, and eMarketplace solutions are supported by a strong and dedicated team of nearly 600 employees based in Canada, the United States, Denmark, Ukraine and China.

MISSION STATEMENT

Our mission is to *Enable the Flow of Commerce*.

FINANCIAL HIGHLIGHTS - FIRST QUARTER OF FISCAL 2021 ENDING JUNE 30, 2020

- Total revenues amounted to $20.5 million compared to $20.2 million during the same quarter of fiscal 2020.
- 11% increase in monthly recurring revenue (« MRR[2] ») compared to the first quarter of fiscal 2019 to reach $15.8 million or 73% of total revenue.
- B2B platform revenues totalled $19.7 million, up $2.9 million compared to the first quarter of fiscal 2020, including an amount of $1.7 million from K-eCommerce.
- B2C marketplace revenues amounted to $0.8 million compared to $3.4 million in the first quarter of fiscal 2020, with the decrease mainly relating to the sale of LesPAC on June 11, 2019.
- Adjusted EBITDA[1] for the quarter totalled $1.8 million and includes $0.5 million in wage subsidies from the federal government's assistance program introduced on March 27, 2020 in the context of COVID-19. In addition, adjusted EBITDA[1] includes $0.3 million in non-recurring expenses consisting mainly of retention bonuses related to the K-eCommerce acquisition, termination benefits and professional fees.
- Net loss stood at $1.2 million or $(0.08) per share in the first quarter of fiscal 2021 compared to a profit of $1.1 million or $0.07 per share in the first quarter of fiscal 2020.

[1] See reconciliation of adjusted EBITDA and profit.

[2] MRR are composed of subscription and support revenues that are recurring in nature. Therefore, they exclude one-time fees and professional fees and other types of non-recurring revenues.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In response to this extraordinary situation, the Corporation was proactive and quickly implemented a business continuity plan. The Corporation also acted to ensure that all of its employees were able to continue their activities remotely, thereby placing the health and safety of all at the heart of its concerns. This quick reorganization has enabled us to provide our customers with uninterrupted and high-quality support.

Although COVID-19 has created a climate of uncertainty, the Corporation experienced significant first-quarter growth in its e-commerce activities and in strategic supply management, mainly in the United States. Revenues from our supply chain collaboration platform decreased slightly in the first quarter. In addition, the Corporation recorded an additional $0.2 million as a provision for doubtful accounts to cover potential losses from this platform.

Some of our marketplaces have experienced a decline and some of them benefit from the federal government's assistance program in the context of COVID-19.

The medium and long-term economic effects of the COVID-19 pandemic remain unknown and could affect our results to come. However, we believe that the transformation to e-commerce and digital technology will accelerate and that we will be able to capitalize on this trend through our main platforms. Our business solutions and expertise in this industry put us in a good position to continue helping our customers, secure their organizations, and optimize their business transactions in these unprecedented times.

BOUGHT DEAL OFFERING

On May 21, 2020, the Corporation completed a bought deal offering under which a total of 2,909,091 common shares of the Corporation were issued at a price of $5.50 per common share for total gross proceeds of $16,000,000, including common shares issued following the partial exercise of the Underwriters' option granted to the Underwriters. The net proceeds of the offering were $14,820,163, net of fees of $1,179,838.

CONSOLIDATED INCOME AND SELECTED FINANCIAL INFORMATION

In thousands of Canadian dollars, except per share amounts. *Unaudited and not reviewed by independent auditors.*	Three months ended June 30, 2020 $	 2019 $
REVENUES	**20,534**	20,228
GROSS MARGIN	**13,970**	14,931
OPERATING EXPENSES		
General and administrative	**3,707**	2,812
Selling and marketing	**5,022**	4,411
Technology	**5,939**	5,194
TOTAL OPERATING EXPENSES	**14,668**	12,417
OPERATING PROFIT (LOSS)	**(698)**	2,514
Gain (loss) on foreign exchange	**(430)**	(364)
Loss on sale of a subsidiary	**-**	(257)
Financial expenses, net amount	**(364)**	(354)
Income tax expense	**255**	(488)
PROFIT (LOSS)	**(1,237)**	1,051
ADJUSTED PROFIT (LOSS)	**(1,237)**	1,308
ADJUSTED EBITDA (see reconciliation of adjusted EBITDA and profit)	**1,801**	4,144
CASH FLOWS GENERATED BY OPERATING ACTIVITIES	**801**	1,046
EARNINGS (LOSS) PER SHARE – BASIC AND DILUTED	**(0.08)**	0.07
Declared dividends per share	**-**	0.10
Weighted average number of shares outstanding (in thousands):		
Basic and diluted	**16,394**	14,849

In thousands of Canadian dollars. *Unaudited and not reviewed by independent auditors.*	June 30, 2020 $	March 31, 2020 $
TOTAL ASSETS	**175,772**	171,085
LONG-TERM DEBT	**17,980**	26,975

RECONCILIATION OF ADJUSTED EBITDA AND PROFIT *In thousands of Canadian dollars* *(Unaudited and not reviewed by independent auditors.)*	**Three months ended June 30,** **2020** **$**	**2019** **$**
PROFIT	**(1,237)**	1,051
Income tax expense (recovery)	**(255)**	488
Depreciation of property, plant and equipment and amortization of intangible assets	**922**	679
Amortization of acquired intangible assets	**1,006**	601
Amortization of right-of-use asset	**464**	350
Amortization of deferred financing costs	**10**	9
Loss on foreign exchange	**430**	364
Loss on sale of a subsidiary	**-**	257
Stock-based compensation expense	**107**	-
Interest on lease liability	**99**	91
Interest on long-term debt	**255**	254
ADJUSTED EBITDA	**1,801**	4,144

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses), as historically calculated by the Corporation.

FIRST QUARTER ENDED JUNE 30, 2020, "FIRST QUARTER OF FISCAL 2021" COMPARED TO THE FIRST QUARTER ENDED JUNE 30, 2019, "FIRST QUARTER OF FISCAL 2020"

REVENUES

The revenues for the first quarter of fiscal 2021 totalled $20.5 million compared to $20.2 million in the first quarter of 2020 and are detailed as follows:

In thousands of Canadian dollars *(Unaudited and not reviewed by independent auditors.)*	**Three months ended June 30,** **2020** **$**	**2019** **$**
Revenues from B2B platforms	**19,706**	16,848
Revenues from B2C marketplaces	**828**	3,380
REVENUES	**20,534**	20,228

The changes in revenues are mainly explained as follows:

- $1.4 million addition of K-eCommerce revenues during the first quarter of fiscal 2021 taking into account its acquisition on December 3, 2019. The addition of revenues from K-eCommerce reflects an adjustment made when measuring the fair value of deferred revenues at the acquisition date, which reduced revenues from pre-acquisition sales by $0.2 million.

- Increase in revenues from Orckestra in an amount of $1.6 million. Taking advantage of increased demand for its services in the context of COVID-19, the Orckestra platform right of use revenues more than doubled to reach $2.4 million in the first quarter of fiscal 2021, representing an increase of $1.3 million. In addition, revenues from professional services increased by $0.3 million.

- $0.2 million increase in revenues from BidNet, mainly due to a greater number of clients using this platform.

- A $0.3 million increase in revenues attributable to an increase in the average effective exchange rate on foreign currency forward contracts and to the change in exchange rates between the U.S. dollar and the Canadian dollar.

- $0.1 million decrease in InterTrade revenues mainly due to reduced activities of certain retailers in the context of COVID-19.

- The revenues of Advanced Software Concepts (ASC) decreased by $0.1 million, mainly due to a decline in professional services revenues.

- A $0.2 million decrease in revenues from Broker Forum and Polygon, mainly due to a decrease in the number of users on these platforms, and a $0.1 million decrease in revenues from Market Velocity following the closure thereof in September 2019.

- A $2.6 million decrease in revenues from the B2C platforms, $2.2 million of which is due to the sale of LesPAC on June 11, 2019.

During the first quarter of fiscal 2021, revenues earned in Canadian dollars represented 48% of total revenues compared to 54% in the first quarter of fiscal 2020.

COST OF REVENUES

Cost of revenues totalled $6.6 million during the first quarter of fiscal 2021 compared to $5.3 million during the first quarter of fiscal 2020. The increase is mainly attributable to the addition of K-eCommerce expenses totalling $0.9 million since its acquisition on December 3, 2019 and to a $0.3 million increase in labour costs, an increase that was partly reduced by the recording of a $0.2 million federal grant in the context of COVID-19. In addition, the costs of hosting services and professional services were up $0.4 million and $0.2 million, respectively, all of which was due to greater use of certain platforms. Sales commissions to third parties decreased by an amount of $0.4 million as a result of the sale of LesPAC in the first quarter of fiscal 2020.

GROSS MARGIN

Based on the information above, gross margin for the first quarter of fiscal 2021 reached 68.0% compared to 73.8% in the first quarter of fiscal 2020.

OPERATING EXPENSES

For the first quarter of fiscal 2021, operating expenses stood at $14.7 million compared to $12.4 million in the first quarter of fiscal 2020. The changes in operating expenses are explained as follows:

- General and administrative expenses stood at $3.7 million during the first quarter of fiscal 2021 compared to $2.8 million for the same quarter of fiscal 2020. The increase stems mainly from a $0.5 million increase in professional services fees, an addition of $0.4 million in expenses from K-eCommerce, and the recognition of a $0.1 million stock-based compensation expense. The increase in professional services is mainly related to the continuity in the development of the company's strategy, certain professionals related to recruitment, human resources and finance.

- Selling and marketing expenses stood at $5.0 million during the first quarter of fiscal 2021 compared to $4.4 million for the first quarter of fiscal 2020. The increase is mainly attributable due to the addition of K-eCommerce expenses totalling $0.8 million, to the higher cost of labour in the amount of $0.3 million, partly offset by the recording of $0.1 million in federal subsidies in the context of COVID-19, and an increase in the allowance for doubtful accounts in the amount of $0.2 million. Also compared to the first quarter of fiscal 2020, the impact of the sale of LesPAC reduced selling and marketing expenses by $0.7 million.

- Technology expenses stood at $5.9 million during the first quarter of fiscal 2021 compared to $5.2 million for the first quarter of fiscal 2020. This increase was mainly due to the addition of $0.6 million in expenses from K-eCommerce, a $0.3 million increase in the amortization expense on intangible assets, and $0.1 million in termination benefits. These increases were partially offset by a $0.4 million decrease in labour costs, which includes $0.2 million in federal subsidies in the context of COVID-19.

OPERATING PROFIT

Based on the information above, operating loss reached $0.7 million during the first quarter of fiscal 2021 compared to a $2.5 million profit during the first quarter of fiscal 2020.

FOREIGN EXCHANGE

The Corporation realized a $0.4 million foreign exchange loss on assets denominated in U.S. dollars during the first quarter of fiscal 2021 as well as for the same period of fiscal 2020 following a depreciation of the Canadian dollar versus the U.S. dollar.

FINANCIAL EXPENSES

Financial expenses remained stable at $0.4 million during the first quarter of fiscal years 2021 and 2020. These expenses consist primarily of interest expenses and standby fees on long-term debt and of the amortization expense on deferred financing costs.

INCOME TAX EXPENSE

For the first quarter of fiscal 2021, income tax recovery totalled $0.3 million, representing an effective tax rate of 17.1%, compared to the statutory rate of 26.5%. During the first quarter of fiscal 2020, the effective tax rate was at 31.7%.

The difference between the statutory rate of 26.5% and the effective tax rate of 17.1% mainly results from the non-deductible foreign exchange loss on translating the financial statements of foreign operations.

PROFIT

Net loss stood at $1.2 million (($0.08) per share) in the first quarter of fiscal 2021 compared to a profit of $1.1 million ($0.07 per share) in the first quarter of fiscal 2020.

QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters on or before June 30, 2020 is as follows:

	2021	**2020**				**2019**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Unaudited by independent auditors	**June 30, 2020 $**	**March 31, 2020 $**	**Dec. 31, 2019 $**	**Sept. 30, 2019 $**	**June 30, 2019 $**	**March 31, 2019 $**	**Dec. 31, 2018 $**	**Sept. 30, 2018 $**
Revenues	**20,534**	18,917	18,072	18,211	20,228	20,809	20,884	20,261
Operating profit (loss)	**(698)**	(2,210)	(1,753)	2,008	2,514	1,798	3,426	4,831
Profit (loss)	**(1,237)**	(6,758)	(1,879)	1,834	1,051	(34,142)	2,891	3,178
Adjusted profit (loss)	**(1,237)**	(1,451)	(1,879)	1,660	1,308	958	2,891	3,178
Basic and diluted profit (loss) per share	**(0.08)**	(0.45)	(0.13)	0.12	0.07	(2.30)	0.19	0.21
Adjusted basic and diluted profit (loss) per share	**(0.08)**	(0.10)	(0.13)	0.11	0.09	0.06	0.19	0.21
Weighted average outstanding shares	**16,394**	15,052	14,913	14,849	14,849	14,849	14,849	14,849
Adjusted EBITDA	**1,801**	472	159	3,740	4,144	3,509	5,291	6,616
Cash flows generated by operating activities	**801**	2,608	(1,154)	586	1,046	5,039	2,574	2,743

In thousands of Canadian dollars, except per share amounts.

QUARTER OF FISCAL 2021

First quarter ended June 30, 2020: Compared to the fourth quarter of fiscal 2020 ended March 31, 2020, revenues were up $1.6 million, mainly due to greater use of the Orckestra platform given the context of COVID-19 and that resulted in an additional amount of $1.6 million. The $0.2 million total increase in revenues from BidNet, ASC and K-eCommerce was offset by the $0.3 million total decrease in revenues from Carrus and InterTrade.

Operating expenses increased by $0.3 million during the first quarter of fiscal 2021 due to a $0.8 million increase in service costs mainly related to a higher volume of activity on the Corporation's platforms, $0.2 million in additional professional services fees for administrative fees, and $0.2 million in an allowance for doubtful accounts. Technology expenses decreased by $0.4 million mainly due to additional tax credits compared to the quarter ended March 31, 2020.

Also during this first quarter, the Corporation recorded an amount of $0.5 million in federal subsidies in the context of COVID-19.

Taking into account the above-mentioned items, EBITDA increased by $1.3 million to reach $1.8 million while the operating loss totalled $0.7 million for the first quarter of fiscal 2021 compared to a $2.2 million loss for the fourth quarter ended March 31, 2020.

Net loss for the first quarter of fiscal 2021 totalled $1.2 million compared to a loss of $6.8 million for the quarter ended March 31, 2020. During the quarter ended March 31, 2020, the Corporation had recorded a net-of-tax $5.3 million impairment charge on non-monetary assets related to the Jobboom and Réseau Contact B2C platforms.

QUARTERS OF FISCAL 2020

- Fourth quarter ended March 31, 2020: Compared to the third quarter of fiscal 2020 ended December 31, 2019, revenues have increased mainly due to the addition of K-eCommerce revenues totalling $1.2 million (including a negative adjustment on acquisition-deferred revenue in the amount of $0.3 million). This increase was partly offset by a $0.2 million decrease in B2C platform revenues and the $0.2 million decrease in revenues for Advanced Software Concepts.

  When higher revenues and the addition of K-eCommerce costs totalling $1.4 million are taken into account, adjusted EBITDA increased by $0.3 million mainly due to a $1.0 million decline in salaries and benefits relating mainly to termination benefits recognized in the third quarter.

  The operating loss increased slightly mainly due to an additional amortization charge in respect of tangible and intangible assets in the amount of $0.5 million including the addition of K-eCommerce depreciation for a full quarter.

  The net loss for the fourth quarter of fiscal 2020 totalled $6.8 million, which includes a non-monetary amortization charge of $7.2 million, less a deferred income tax recovery of $1.9 million relating to the Jobboom and Réseau Contact B2C platforms.

- Third quarter ended December 31, 2019: Compared to the second quarter of fiscal 2020 ended September 30, 2019, revenues decreased slightly by $0.1 million. The addition of K-eCommerce revenues totalling $0.4 million was cancelled by the $0.3 million decrease in Jobboom revenues and the decline in Orckestra and ASC revenues representing a combined amount of $0.2 million.

  Adjusted EBITDA decreased by $3.6 million, mainly due to termination benefits totalling $1.0 million, professional services fees in the amount of $0.4 million essentially relating to the acquisition of K-eCommerce and a $0.8 million increase in salaries and benefits. The Corporation has also recorded tax credits and internally developed websites and software capitalized for $0.3 million less than in the second quarter of fiscal 2020.

  Also related to third quarter results, K-eCommerce operations generated a $0.2 million loss whereas lower Jobboom, Orckestra and ASC revenues also had a negative impact on the adjusted EBITDA for the quarter.

  As a result of the above-mentioned factors, operating loss totalled $1.8 million, in line with the decrease in adjusted EBITDA for the quarter. Consequently, the net loss for the third quarter of fiscal 2020 totalled $1.9 million, or $0.13 per share.

- Second quarter ended September 30, 2019: Compared to the first quarter of fiscal 2020 ended June 30, 2019, revenues decreased by $2.0 million primarily due to the sale of LesPAC on June 11, 2019. There was therefore no revenue recognized for LesPAC in the second quarter of fiscal 2020 compared to $2.2 million in the first quarter of the same fiscal year. For their part, revenues from BidNet increased by $0.1 million.

Despite the $2.0 million decrease in revenues, the adjusted EBITDA only decreased by $0.4 million mainly due to $1.0 million less in salaries and employee benefits compared to the first quarter of fiscal 2020. In addition, fees for promotional campaigns and fees for sales commissions to third parties following the sale of LesPAC also reduced these amounts by $0.6 million and $0.4 million, respectively. Also in comparison to the first quarter of fiscal 2020, the Corporation recognized lower amounts for tax credits and capitalized internally developed software and websites in the amount of $0.2 million.

As a result of the above-mentioned factors, operating profit totalled $2.0 million, in line with the decrease in adjusted EBITDA for the quarter.

Profit for the second quarter of 2020 totalled $1.8 million or $0.12 per share. Profit for the second quarter includes a foreign exchange gain and a gain on the sale of a subsidiary totalling $0.5 million compared to a $0.6 million loss of these same factors in the first quarter of fiscal 2020.

- First quarter ended June 30, 2019: Compared to the fourth quarter of fiscal 2019 ended March 31, 2019, revenues decreased by $0.6 million primarily due to lower revenues of $0.4 million in LesPAC following its sale on June 11, 2019. Revenues from Jobboom and Market Velocity also decreased in the amount of $0.1 million, respectively.

  Also compared to the fourth quarter of fiscal 2019, adjusted EBITDA increased by $0.6 million due to lower salaries and employee benefits and to lower professional fees of $0.5 million, offset by a decrease in tax credits and capitalized internally developed software and website costs of $0.4 million.

  As a result of the above-mentioned factors, operating profit totalled $2.5 million, in line with the increase in adjusted EBITDA for the quarter.

  Profit for the first quarter of fiscal 2020 totalled $1.1 million including a loss on sale of a subsidiary in the amount of $0.3 million.

QUARTERS OF FISCAL 2019

- Fourth quarter ended March 31, 2019: Compared to the third quarter of fiscal 2019 ended December 31, 2018, revenues decreased slightly by $0.1 million, mainly due to a $0.2 million decrease in revenues from ASC, a decrease in revenues from Broker Forum and LesPAC each in the amount of $0.1 million. These decreases were partly offset by a combined $0.2 million increase in revenues from MERX and Orckestra.

  Also compared to the third quarter of fiscal 2019, adjusted EBITDA decreased by $1.8 million, including $1.2 million related to non-recurring expenses consisting of salaries and termination benefits of $0.9 million and professional fees of $0.3 million. In addition, advertising campaign fees were up $0.6 million due to seasonal advertising campaigns at some subsidiaries.

  As a result of the above-mentioned factors, operating profit totalled $1.8 million, in line with the decrease in adjusted EBITDA for the quarter.

  Profit for the fourth quarter of fiscal 2019 totalled $(34.1 million) since it includes a $46.6 million impairment charge and an $11.5 million tax recovery related to the reclassification of the assets and liabilities of the disposal group as assets and liabilities held for sale.

- Third quarter ended December 31, 2018: Compared to the second quarter of fiscal 2019 ended September 30, 2018, revenues increased by $0.6 million, mainly due to a $0.6 million increase in revenues from Orckestra and to higher revenues from ASC and Carrus each in the amount of $0.1 million. These increases were partly offset by a combined $0.1 million decrease in revenues from

MERX and LesPAC, while the revenues from all the other subsidiaries remained stable when compared to the preceding quarter.

During the third quarter of fiscal 2019, adjusted EBITDA was down $1.3 million, mainly due to a $1.0 million increase in salaries and employee benefits and to a $0.6 million increase in professional fees (including a non-recurring amount of $0.2 million).

As a result of the above-mentioned factors, operating profit totalled $3.4 million, in line with the decrease in adjusted EBITDA for the quarter.

Profit for the third quarter totalled $2.9 million compared to $3.2 million during the second quarter of 2019. Profit includes a foreign exchange gain of $0.8 million compared to a foreign exchange loss of $0.3 million during the second quarter of fiscal 2019.

- Second quarter ended September 30, 2018: Compared to the first quarter of fiscal 2019 ended June 30, 2018, revenues were down $0.9 million, mainly due to a combined $0.6 million decrease in revenues from Jobboom and LesPAC, a portion of which is seasonal, and to a combined $0.3 million decrease in revenues from MERX and Polygon. These decreases were partially offset by a $0.2 million increase in revenues from Orckestra. In addition, the change in exchange rates between the U.S. dollar and the Canadian dollar resulted in a $0.1 million decrease in revenues.

  During the second quarter of fiscal 2019, despite the decrease in revenues, adjusted EBITDA increased by $1.4 million, mainly due to lower operating expenses. This decrease in operating expenses was mainly due to a $1.0 million decrease in salaries and employee benefits and to a $0.8 million decrease in advertising campaign fees. In addition, the Corporation recorded a total amount of $0.6 million for additional tax credits and capitalized internally developed software costs.

  As a result of the above-mentioned factors, and given a $0.2 million decrease in amortization expense, operating profit rose $1.6 million during the second quarter of fiscal 2019 to reach $4.8 million.

  Profit increased by $0.7 million to reach $3.2 million when compared to the first quarter of 2019. Profit for the second quarter includes a $0.3 million foreign exchange loss on U.S.-dollar denominated assets compared to a $0.3 million foreign exchange gain during the first quarter of 2019. In addition, profit for the second quarter of fiscal 2019 includes an additional $0.3 million tax expense resulting from the higher operating profit.

LIQUIDITY AND FINANCIAL RESOURCES

The Corporation's capital management objective is to ensure it has sufficient liquidity to pursue its organic growth strategy, to make selective acquisitions, and to provide an appropriate return on investment to its shareholders.

When necessary, the Corporation may also use funds from the unused portion of its credit facility (see the "Financing Activities – Credit Agreement" section) or issue new shares to fund its additional cash requirements and business acquisitions.

On May 19, 2020, the Corporation applied to reduce the credit facility from $80.0 million to $40.0 million, effective May 25, 2020.

As at June 30, 2020, the Corporation had cash and cash equivalents of $19.4 million and $22.0 million available on its $40.0 million revolving credit facility, subject to compliance with financial ratios.

OPERATING ACTIVITIES

	Three months ended June 30,	
	2020	**2019**
In thousands of Canadian dollars	**$**	**$**
Cash flows related to operating activities before changes in non-cash working capital items	**1,709**	2,507
Changes in non-cash working capital items	**(908)**	(1,461)
Cash flows related to operating activities	**801**	1,046

For the first quarter ended June 30, 2020, cash flows generated by operating activities totalled $0.8 million, compared to $1.0 million during the first quarter ended June 30, 2019. The decrease in cash flows related to operating activities is mainly due to lower profit.

INVESTING ACTIVITIES

	Three months ended June 30,	
	2020	**2019**
In thousands of Canadian dollars	**$**	**$**
Sale of a subsidiary	**-**	17,950
Acquisition of property, plant and equipment	**(188)**	(127)
Acquisition of intangible assets	**(737)**	(970)
Cash flows related to investing activities	**(925)**	16,853

For the first quarter ended June 30, 2020, cash flows used in investing activities totalled $0.9 million, compared to $16.9 million generated during the first quarter ended June 30, 2019.

During the first quarter of fiscal 2020 ended June 30, 2019, the Corporation sold the LesPAC for $19.0 million, including $18.0 million that was received during this same period. A $1.0 million sale price balance was receivable as at June 30, 2019, which was received during the fiscal year ended March 31, 2020.

Acquisitions of intangible assets for the first quarter of fiscal 2021 include $0.7 million of internally developed software compared to $1.0 million for the first quarter of fiscal 2020.

FINANCING ACTIVITIES

	Three months ended June 30,	
	2020	**2019**
In thousands of Canadian dollars	**$**	**$**
Repayment of long-term debt	**(9,005)**	(11,799)
Decrease in lease liability	**(447)**	(358)
Bought deal offering	**14,820**	
Cash dividends paid on common shares	**-**	(1,485)
Cash flows related to financing activities	**5,368**	(13,642)

For the first quarter of fiscal 2021, cash flows generated for financing activities amounted to $5.4 million compared to $13.6 million used during the first quarter of 2020.

On May 21, 2020, the Corporation completed a bought deal offering under which a total of 2,909,091 common shares of the Corporation were issued at a price of $5.50 per common share for total gross proceeds of $16.0 million. The net proceeds of the offering were $14.8 million, net of fees of $1.2 million.

No amount was paid in dividends during the first quarter of fiscal 2021 ended June 30, 2020, as the Corporation announced on November 12, 2019 the suspension of its dividend in order to allocate these amounts to the Corporation's future development. During the corresponding period of the previous fiscal year, the Corporation paid dividends in the amount of $1.5 million ($0.10 per share).

CREDIT AGREEMENT

On December 18, 2015, the Corporation renewed its credit agreement, which was entered into on November 10, 2011, (the "Credit Agreement") with three Canadian financial institutions pursuant to which lenders made available to the Corporation an $80.0 million secured a five-year revolving credit facility and an accordion loan of $40.0 million subject to lenders' acceptance.

The amount that can be borrowed on the credit facility was reduced, at the Corporation's request, as of May 25, 2020, to a total amount of $40.0 million. In addition, on June 25, 2020, the Credit Agreement was further amended (the "Amended Credit Agreement") to temporarily suspend application of a restrictive covenant set out in the Credit Agreement requiring a certain financial ratio to be maintained for the reference periods applicable to the quarters ending on March 31, 2020 and June 30, 2020.

The Amended Credit Agreement expires on December 18, 2020, and any unpaid amounts are due in full at maturity. Amounts under the Amended Credit Agreement are repayable before maturity without penalty.

As at June 30, 2020, the Corporation had drawn $18.0 million on its credit facility.

The credit facility bears interest at a rate based either on Canadian prime rate, CDOR, or the bankers' acceptance rate plus an applicable margin in each case. This margin varies according to the ratio of total debt to earnings before interest, taxes, depreciation and amortization (EBITDA), as described below. As at June 30, 2020, the actual rate was 0.52% (1.25% as at March 31, 2020) and the margin was 2.00% (2.00% as at March 31, 2020). In addition, the unused portion of the credit facility bears interest at 0.40% (0.40% as at March 31, 2020) as standby fees.

All obligations under the Amended Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Corporation's present and future tangible and intangible assets.

The Amended Credit Agreement contains certain restrictive covenants and certain default events customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures, and distributions. The Amended Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at June 30, 2020, the Corporation was in compliance with the financial ratios prescribed under the restrictive covenants set out in the Amended Credit Agreement.

Furthermore, the Corporation initiated the measures required to refinance the Credit Facility. In achieve this, the Corporation has contracted financial advisors to facilitate the refinancing process, these measures are underway and expected to be completed in the coming months.

FINANCIAL POSITION

As a whole, the Corporation has a sound financial position and is able to meet its financial obligations. As at June 30, 2020, the Corporation's cash and cash equivalents totalled $19.4 million. At the same date, its assets totalled $175.8 million compared to $171.1 million as at March 31, 2020.

INFORMATION FROM THE STATEMENT OF FINANCIAL POSITION	**As at June 30, 2020**	**As at March 31, 2020**
In thousands of Canadian dollars	**$**	**$**
Cash and cash equivalents	**19,365**	**14,319**
Accounts receivable	**9,365**	**6,103**
Tax credits receivable	**7,394**	**8,040**
Intangible assets	**6,974**	**6,907**
Acquired intangible assets	**12,153**	**13,158**
Accounts payable and accrued liabilities	**10,987**	**10,660**
Deferred revenues	**19,090**	**17,796**
Long-term debt	**17,980**	**26,975**
Shareholders' equity	**107,319**	**92,839**

The main changes in the Corporation's Statement of Financial Position between June 30, 2020 and March 31, 2020 are explained as follows:

- Accounts receivable totalled $9.4 million as at June 30, 2020, an increase of $3.3 million when compared to March 31, 2020. This increase is largely due to the increase in Orckestra's activities during the first quarter, generating an additional $2.2 million in accounts receivable, with the balance being distributed among the Corporation's other platforms. The Company is closely monitoring all of its client accounts and has recorded an additional $0.2 million in the first quarter as an allowance for doubtful accounts.

- Tax credits receivable totalled $7.4 million as at June 30, 2020 compared to $8.0 million as at March 31, 2020. This decrease is due to the receipt of 2019 tax credits during the first quarter of fiscal 2021.

- Intangible assets totalled $7.0 million as at June 30, 2020, rising $0.1 million from March 31, 2020. This was mainly due to the recognition of internally developed software during the first quarter of fiscal 2021.

- Acquired intangible assets totalled $12.2 million as at June 30, 2020, compared to $13.1 million as at March 31, 2020. This decrease is essentially attributable to $1.0 million in impairment charges recognized during the first quarter of fiscal 2021.

- Shareholders' equity totalled $107.3 million as at June 30, 2020 compared to $92.8 million as at March 31, 2020. This increase results from the issuance of common shares as part of the bought deal offering closed on May 21, 2020 for a net amount of $14.8 million.

DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to certain financial risks. The Corporation does not hold financial instruments for speculative purposes but only to reduce the volatility of its results from its exposure to these risks. The nature and the extent of the risks arising from the financial instruments and their related risk management are described in Note 27 to the Corporation's audited consolidated financial statements as at March 31, 2020.

The Corporation's hedging program will yield an average (CA$/US$) exchange rate of 1.3351 on foreign currency forward contracts of US$10.7 million held as at June 30, 2020, which will mature over fiscal years 2021 and 2022. As at June 30, 2019, the Corporation had US$11.4 million in foreign currency forward contracts held at an average rate of 1.3015.

During the first quarter of fiscal 2021, there was no material change to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments measured at fair value in the Corporation's Consolidated Statement of Financial Position.

RISKS AND UNCERTAINTIES

The Corporation is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Corporation seeks to diminish the risks and uncertainties created by potentially unfavourable situations in its industry sector or its liquidity. The risks that the Corporation faces are technological, operational or financial in nature or are inherent to its business activities or its acquisition strategies. The description of these risks and uncertainties has not changed compared to the description in the Management Discussion & Analysis for the year ended March 31, 2020.

FUTURE CHANGES IN ACCOUNTING POLICIES

IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* regarding the classification of liabilities as current or non-current. These amendments clarify that the classification of liabilities as either current or non-current should be based on the entity's rights at the end of the reporting period and make clear the link between the settlement of the liability and the outflow of the entity's resources. These amendments are effective for fiscal years beginning on or after January 1, 2023 and should be applied retrospectively. The Corporation does not intend to early adopt these amendments and is assessing their impact on its consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those expected by these forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Corporation, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect the Corporation. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' Regulation 52-109 *Respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, certificates signed by the President and Chief Executive Officer and the Chief Financial Officer have been filed. These documents confirm the adequacy of the Corporation's disclosure controls and procedures and the design and effectiveness of its internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Corporation have been designed in accordance with the rules of the Canadian Securities Administrators in order to provide reasonable assurance that material information related to the Corporation is made known to the Audit Committee and the Board of Directors and information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time period specified in securities legislation.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the effectiveness of the Corporation's disclosure controls and procedures in accordance with the rules of the Canadian Securities Administrators. As at June 30, 2020, there were no changes in the Corporation's disclosure controls and procedures, and these controls and procedures are still considered effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal control over financial reporting has been designed to provide reasonable assurance that the financial information reported is reliable and that the financial statements were prepared in accordance with the Corporation’s IFRS accounting policies.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the design and effectiveness of the Corporation’s internal control over financial reporting and has concluded that such controls were effective for the fiscal year ended March 31, 2020.

Management's evaluation and conclusion regarding the design of internal controls over financial reporting exclude the controls, agreements and procedures of K-eCommerce, which was acquired on December 3, 2019. The Corporation has a period of one year from the date of acquisition to perform this analysis and to implement the internal controls deemed necessary.

As at June 30, 2020, there were no changes to the Corporation’s internal control over financial reporting that had, or are reasonably likely to have, a material impact on the Corporation's internal control over financial reporting.

ADDITIONAL INFORMATION

This report has been prepared as of August 12, 2020.

At that date, the number of common shares outstanding was 17,960,870.

Additional information relating to the Corporation, including the Annual Information Form, is available on SEDAR at www.sedar.com.

MARKET AND TICKER SYMBOL

The Corporation’s common shares trade on the Toronto Stock Exchange under the ticker symbol “MDF.”

HEAD OFFICE

1111 St-Charles Street West, Suite 255
Longueuil, Quebec, Canada J4K 5G4
Tel.: 450-449-0102 Fax: 450-449-8725
www.mediagrif.com

BOARD OF DIRECTORS

Gilles Laporte
Quebec, Canada
Chairman of the Board of the Corporation
Corporate Director

Luc Filiatreault
Quebec, Canada
President and CEO

Philippe Duval
Quebec, Canada
Senior Vice-President and Chief Operating Officer
Groupe Sélection

Catherine Roy
Quebec, Canada
Vice-President, Transformation

Natalie Larivière
Quebec, Canada
Vice-President, Operations and Strategies,
Substance Stratégies Inc.
President, Yuma Stratégies

Jean-François Sabourin
Quebec, Canada
Managing Director, Canaccord Genuity Direct
President, JitneyTrade Inc.

Gilles Laurin
Quebec, Canada
CPA, CA
Corporate Director

Zoya Shchupak
Quebec, Canada
CPA, CA
Managing Partner, Innovobot Fund I L.P.

TRANSFER AGENT AND AUDITOR

Computershare Investor Services Inc.
1500 Robert-Bourassa Boulevard, Suite 700,
Montreal, Quebec, Canada H3A 3S8
Tel.: 514-982-7888 Fax: 514-982-7580
www.computershare.com

Deloitte LLP
1190 Avenue des Canadiens-de-Montréal
Montreal, Quebec, Canada H3B 0M7
Tel.: 514-393-7115 Fax: 514-390-4100
www.deloitte.ca