Management discussion and analysis

For the second quarter ended September 30, 2020

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The following Management's Discussion and Analysis ("MD&A"), which has been prepared as at November 11, 2020 of the financial position and operating results of ***mdf commerce*** *inc. (formerly "Mediagrif Interactive Technologies Inc. ") ("mdf" or the "Corporation") should be read in conjunction with the unaudited and not reviewed by independent auditors Interim Condensed Consolidated Financial Statements and accompanying notes thereto for the quarter ended September 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 management's discussion and analysis compares performance for the quarters ended September 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 the Corporation.*

In addition to providing profit measures in accordance with IFRS, the Corporation uses non-IFRS financial performance measures to assess operating performance, in particular monthly recurring revenues, adjusted earnings, adjusted earnings per share and earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) ("Adjusted EBITDA"). The non-IFRS measures do not have a standardized meaning under IFRS standards and are not likely to be comparable to similarly designated measures reported by other corporations. The reader is cautioned that these measures are being reported in order to complement, and not replace, the analysis of financial results in accordance with IFRS standards. Management uses both measures that comply with IFRS standards and non-IFRS measures, in planning, oveseeing and assessing the Corporation's performance. The terms and definitions associated with non-IFRS measures as well as a reconciliation to the most comparable IFRS measures are presented in this Management's Discussion and Analysis.

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

mdf commerce inc. ("formerly 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 them to generate billions of dollars in transactions on an annual basis. Our strategic sourcing, unified commerce, supply chain collaboration and e-marketplace solutions are supported by a strong and dedicated team of more than 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 – Second Quarter of Fiscal 2021 Ending September 30, 2020

- On September 23, 2020, Mediagrif Interactive Technologies Inc. became **mdf commerce** inc. - a new identity for united commerce technology solutions of the future.
- Total revenues amounted to $20.8 million, an increase of 14% compared to $18.2 million for the second quarter of fiscal 2020.
- Monthly recurring revenues ("MRR[1]") totalled $15.9 million, an increase of 11% compared to the second quarter of fiscal 2020 and representing 76% of total revenues for the second quarter of fiscal 2021.
- The adjusted EBITDA[2] for the quarter totalled $2.3 million and includes $1.4 million in wage subsidies from the federal government's assistance program introduced on March 27, 2020 in the context of COVID-19. Tax credits decreased by $0.2 million as a result of the wage subsidies. In addition, adjusted EBITDA includes $0.1 million in non-recurring expenses consisting mainly of retention bonuses related to the K-eCommerce acquisition.
- Net loss stood at $0.6 million or ($0.04) per share in the second quarter of fiscal 2021, compared to a profit of $1.8 million, or $0.12 per share, in the second quarter of fiscal 2020.

[1] MMRs are a non-IFRS financial measure and 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.

[2] Adjusted EBITDA is a non-IFRS financial measure. See reconciliation of adjusted EBITDA and profit.

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 during the first six months of fiscal 2021, the Corporation has experienced significant growth in its e-commerce activities and in strategic sourcing, mainly in the United States.

Some of our platforms have experienced a decline in revenues 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 benefit from 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.

Subsequent Events

Bought deal offering

On October 19, 2020, the Corporation entered into an agreement with a syndicate of underwriters, pursuant to which they have agreed to purchase, on a bought deal basis, 4,157,000 common shares of the Corporation at a price of $10.00 per common share for gross proceeds of $41,570,000.

The underwriters have also been granted an option exercisable in whole or in part and from time to time, at any time until 30 days after the closing date of the offering, to purchase from the Corporation up to an additional 623,550 common shares at the offering price for additional gross proceeds of up to $6,235,500 to the Corporation.

On November 6, 2020, the Corporation announced the closing of the bought deal offering of an aggregate of 4,780,550 common shares at a purchase price of $10.00 per common share for aggregate gross proceeds of $47,805,500, which includes the exercise in full by the underwriters of their option to purchase up to 623,550 additional common shares.

Bank refinancing

On October 15, 2020, the Corporation secured credit facilities of up to $50 million by entering into a senior credit agreement with The Bank of Nova Scotia and Roynat Capital Inc. (the "New Credit Agreement").

The New Credit Agreement provides for a three-year committed revolving credit facility from The Bank of Nova Scotia providing up to C$35 million in credit based primarily on the monthly recurring revenues (MRR) of the Corporation. The New Credit Agreement also provides for a three-year committed term credit facility from Roynat Capital Inc. in an amount of up to $15 million. The New Credit Agreement contains the usual representations, guarantees and covenants associated with a financing transaction of this nature.

The revolving credit facility under the New Credit Agreement was used, at closing on October 15, 2020, to repay all amounts due under the existing credit facility maturing on December 18, 2020.

Acquisition of Vendor Registry

On November 2, 2020, the Corporation entered into an agreement, through a subsidiary, to acquire substantially all of the assets of Vendor Registry, Inc. ("Vendor Registry"), a provider of strategic sourcing solutions in the United States.

This acquisition represents a total consideration of US$5.25 million, payable in cash, subject to certain purchase price adjustments. The closing of the acquisition is subject to certain standard conditions and is expected to take place on or around November 16, 2020.

Consolidated Income and Selected Financial Information

In thousands of Canadian dollars, except per share amounts.	Three months ended September 30, 2020 $	Three months ended September 30, 2019 $	Six months ended September 30, 2020 $	Six months ended September 30, 2019 $
Revenues	**20,752**	18,211	**41,286**	38,439
Gross margin	**13,837**	13,497	**27,807**	28,428
Operating expenses				
General and administrative	**3,829**	2,941	**7,536**	5,753
Selling and marketing	**4,731**	3,710	**9,753**	8,121
Technology	**5,370**	4,838	**11,309**	10,032
Total operating expenses	**13,930**	11,489	**28,598**	23,906
Operating profit (loss)	**(93)**	2,008	**(791)**	4,522
Foreign exchange gain (loss)	**(310)**	280	**(740)**	(84)
Gain (loss) on sale of a subsidiary	**-**	174	**-**	(83)
Financial expenses	**(274)**	(239)	**(638)**	(593)
Income tax recovery (expense)	**34**	(389)	**289**	(877)
Profit (loss)	**(643)**	1,834	**(1,880)**	2,885
Adjusted profit (loss) [3]	**(643)**	1,660	**(1,880)**	2,968
Adjusted EBITDA [2]	**2,335**	3,740	**4,136**	7,884
Cash flows related to operating activities	**(1,569)**	586	**(768)**	1,632
Earnings (loss) per share – basic and diluted	**(0.04)**	0.12	**(0.11)**	0.19
Adjusted profit (loss) [3] **per share - basic and diluted**	**(0.04)**	0.11	**(0.11)**	0.20
Declared dividends per share	**-**	0.10	**-**	0.20
Weighted average number of shares outstanding (in thousands):				
Basic and diluted	**17,961**	14,849	**17,182**	14,849

In thousands of Canadian dollars.	September 30, 2020 $	March 31, 2020 $
Total assets	**167,404**	171,085
Long-term debt	**13,390**	26,975

[3] Adjusted profit (loss) and adjusted basic and diluted profit (loss) per share are non-IFRS financial measures; see reconciliation of adjusted profit and profit.

Non-IFRS Financial Measures

Reconciliation of adjusted EBITDA and profit	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
In thousands of Canadian dollars.	$	$	$	$
Profit (loss)	**(643)**	1,834	**(1,880)**	2,885
Income tax expense (recovery)	**(34)**	389	**(289)**	877
Depreciation of property, plant and equipment and amortization of intangible assets	**1,019**	734	**1,941**	1,413
Amortization of acquired intangible assets	**910**	601	**1,916**	1,202
Amortization of right-of-use assets	**419**	397	**883**	747
Amortization of deferred financing costs	**10**	10	**20**	19
Foreign exchange loss (gain)	**310**	(280)	**740**	84
Loss (gain) on sale of a subsidiary	**-**	(174)	**-**	83
Stock-based compensation expense	**80**	-	**187**	-
Interest on lease liability	**98**	93	**197**	184
Interest on long-term debt	**166**	136	**421**	390
Adjusted EBITDA	**2,335**	3,740	**4,136**	7,884

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

Reconciliation of profit and adjusted profit	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
In thousands of Canadian dollars.	$	$	$	$
Profit (loss)	**(643)**	1,834	**(1,880)**	2,885
Loss (gain) on sale of a subsidiary	**-**	(174)	**-**	83
Adjusted profit (loss)	**(643)**	1,660	**(1,880)**	2,968
Weighted average number of shares outstanding (in thousands):				
Basic and diluted	**17,961**	14,849	**17,182**	14,849
Earnings (loss) per share – basic and diluted	**(0.04)**	0.12	**(0.11)**	0.19
Adjusted profit (loss) per share - basic and diluted	**(0.04)**	0.11	**(0.11)**	0.20

Adjusted profit represents earnings before other revenues (expenses), as historically calculated by the Corporation.

Second Quarter Ended September 30, 2020, "Second Quarter of Fiscal 2021" Compared to the Second Quarter Ended September 30, 2019, "Second Quarter of Fiscal 2020"

Revenues

For the second quarter of fiscal 2021, revenues totalled $20.8 million compared to $18.2 million for the second quarter of fiscal 2020. The changes in revenues are explained as follows:

- A $1.8 million addition of K-eCommerce revenues during the second quarter of fiscal 2021. 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 $0.1 million.
- Increase in revenues from Orckestra in the amount of $1.6 million. During the second quarter of fiscal 2021, revenues from professional services as well as platform right-of-use revenues increased by $1.3 million and $0.3 million, respectively.
- Increase in revenues from BidNet in the amount of $0.2 million primarily due to an increase in the number of users on 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.
- A $0.2 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 the 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 $0.5 million decrease in revenues from the B2C platforms.

During the second quarter of fiscal 2021, revenues earned in Canadian dollars represented 48% of total revenues, compared to 49% in the second quarter of fiscal 2020.

Cost of revenues

Cost of revenues totalled $6.9 million during the second quarter of fiscal 2021 compared to $4.7 million during the second quarter of fiscal 2020. The increase is mainly attributable to the addition of K-eCommerce expenses totalling $0.8 million and to a $0.6 million increase in labour costs, an increase that was partly reduced by the recording of a $0.4 million federal subsidies in the context of COVID-19. In addition, the costs of hosting services and professional services were up $0.5 million, respectively, all of which was due to greater use of certain platforms.

Gross margin

Based on the information above, gross margin for the second quarter of fiscal 2021 totalled 66.7% compared to 74.1% during the second quarter of fiscal 2020. This decrease is mainly due to the development and implementation of client solutions.

Operating expenses

Operating expenses for the second quarter of fiscal 2021 totalled $13.9 million, compared to $11.5 million for the second quarter of fiscal 2020. The changes in operating expense are explained as follows:

- General and administrative expenses stood at $3.8 million during the second quarter of fiscal 2021 compared to $2.9 million during the second quarter of fiscal 2020. The increase stems mainly from the addition of $0.5 million in expenses from K-eCommerce, a $0.4 million increase in labour costs, which is partly reduced by the recording of a $0.2 million federal subsidies in the context of COVID-19 and a $0.3 million increase in professional services fees. The increase in professional services is mainly related to the continuity in the development of the Corporation's strategy, certain professionals related to recruitment, human resources and finance.
- Selling and marketing expenses stood at $4.7 million during the second quarter of fiscal 2021, compared to $3.7 million for the second quarter of fiscal 2020. The increase is mainly attributable to the addition of K-eCommerce expenses totalling $0.7 million, a $0.4 million increase in labour costs, partly offset by the recording of $0.2 million in federal subsidies in the context of COVID-19, and an increase in professional services in the amount of $0.2 million.
- Technology expenses stood at $5.4 million during the second quarter of fiscal 2021, compared to $4.8 million for the second quarter of fiscal 2020. This increase was mainly due to the addition of $0.5 million in expenses from K-eCommerce, a $0.2 million increase in amortization expense on intangible assets and a $0.1 million decrease in tax credits and capitalized internally developed software and website costs. In addition, the $0.3 million increase of labor costs was completely offset by the $0.6 million federal subsidies in the context of COVID-19.

Operating Profit

Based on the information above, operating loss reached $0.1 million during the second quarter of fiscal 2021 compared to a $2.0 million profit during the second quarter of fiscal 2020.

Foreign Exchange

The Corporation realized a $0.3 million foreign exchange loss on assets denominated in U.S. dollars during the second quarter of fiscal 2021 following an appreciation of the Canadian dollar versus the U.S. dollar compared to a $0.3 million foreign exchange gain during the second quarter of fiscal 2020.

Financial Expenses

Financial expenses stood at $0.3 million during the second quarter of fiscal 2021 compared to $0.2 million during the second quarter of fiscal 2020. Financial expenses consist primarily of interest expenses and standby fees on long-term debt, of interest on lease liabilities and of the amortization expense on deferred financing costs.

Income Tax Expense

For the second quarter of fiscal 2021, income tax recovery totalled $0.03 million, representing an effective tax rate of 5.02%, compared to the statutory rate of 26.5%. During the second quarter of fiscal 2020, the effective tax rate was at 17.5%.

The difference between the statutory rate of 26.5% and the effective tax rate of 5.02% mainly results from the fact that a portion of profits is taxed in jurisdictions where the statutory tax rate differs from the Canadian statutory rate as well as certain adjustments related to prior years.

Profit

Net loss stood at $0.6 million (($0.04) per share) in the second quarter of fiscal 2021 compared to a profit of $1.8 million ($0.12 per share) in the second quarter of fiscal 2020.

Six-month Period Ended September 30, 2020 "First Six Months of Fiscal 2021" Compared to the Six-month Period Ended September 30, 2019 "First Six Months of Fiscal 2020"

Revenues

For the first six months of fiscal 2021, revenues reached $41.3 million compared to $38.4 million for the first six months of fiscal 2020. These changes in revenues are mainly explained as follows:

- A $3.0 million addition of K-eCommerce revenues during the first six months 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 $0.3 million.
- Increase in revenues from Orckestra in an amount of $3.2 million. Benifiting from the increased demand for its services in the context of COVID-19, the Orckestra platform right-of-use revenues and professional services revenues each increased by $1.6 million, respectively in the first half of fiscal 2021.
- Increase in revenues from BidNet in the amount of $0.6 million mainly due to an increase in the number of users on this platform.
- A $0.5 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.
- A $0.3 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 $0.2 million, mainly due to a decline in professional services revenues.
- A $0.4 million decrease in revenues from Broker Forum and Polygon, mainly due to a decrease in the number of users on these platforms, and a $0.3 million decrease in revenues from Market Velocity following the closure thereof in September 2019.
- A $3.0 million decrease in revenues from the B2C platforms. This decrease is mainly due to the sale of LesPAC on June 11, 2019.

During the first six months of fiscal 2021, revenues earned in Canadian dollars represented 48% of total revenues compared to 52% in the first six months of fiscal 2020.

Cost of revenues

Cost of revenues totalled $13.5 million during the first six months of fiscal 2021 compared to $10.0 million during the first six months of fiscal 2020. The increase is mainly attributable to the addition of K-eCommerce expenses totalling $1.7 million since its acquisition on December 3, 2019 and to a $1.0 million increase in labour costs, an increase that was partly reduced by the recording of a $0.7 million federal subsidies in the context of COVID-19. In addition, the costs of hosting services and professional services were up $0.9 million and $0.7 million, respectively, all of which was due to greater use of certain platforms. Software expenses also increased by $0.2 million in the first half of fiscal 2021.

Also compared to the first half of fiscal 2020, the impact of the sale of LesPAC reduced cost of revenues by $0.4 million.

Gross Margin

Based on the information above, the gross margin for the first six months of fiscal 2021 reached 67.4% compared to 74.0% in the first six months of fiscal 2020. This decrease is mainly due to the development and implementation of client solutions and the impact of the sale of LesPac.

Operating Expenses

For the first six months of fiscal 2021, operating expenses stood at $28.6 million, compared to $23.9 million in the first six months of fiscal 2020. This change in operating expense is explained as follows:

- General and administrative expenses stood at $7.5 million during the first six months of fiscal 2021 compared to $5.8 million for the first six months of fiscal 2020. The increase stems mainly from an addition of $0.9 million in expenses from K-eCommerce, a $0.8 million increase in professional services fees and the $0.5 million increase in labour costs. The increase is partly offset by the recording of $0.2 million in federal subsidies in the context of COVID-19 and by a $0.1 million decrease in travel expenses. The increase in professional services is mainly related to the continuity in the development of the Corporation's strategy, certain professionals related to recruitment, human resources and finance.
- Selling and marketing expenses stood at $9.8 million during the first six months of fiscal 2021, compared to $8.1 million for the first six months of fiscal 2020. The increase is mainly attributable to the addition of K-eCommerce expenses totalling $1.5 million, a $0.7 million increase in labour costs, partly offset by the recording of $0.3 million in federal subsidies in the context of COVID-19. Moreover, the $0.7 million decrease in fees for promotional campaigns was partly offset by a $0.3 million increase in professional services fees as well as the $0.2 million increase in the allowance for doubtful accounts.
- Technology expenses stood at $11.3 million during the first six months of fiscal 2021, compared to $10.0 million for the first six months of fiscal 2020. This increase was mainly due to the addition of $1.1 million in expenses from K-eCommerce, a $0.5 million increase in the amortization expense on intangible assets, and a $0.3 million decrease in tax credits and capitalized internally developed software and website costs. These increases were partially offset by a $0.8 million decrease in labour costs relating to federal subsidies in the context of COVID-19.

Operating Profit

Based on the information above, operating loss reached $0.8 million during the first six months of fiscal 2021, compared to $4.5 million in the first six months of fiscal 2020.

Foreign Exchange

The Corporation realized a $0.7 million foreign exchange loss on assets denominated in U.S. dollars during the first six months of fiscal 2021 following an appreciation of the Canadian dollar versus the U.S. dollar compared to a $0.1 million foreign exchange loss during the first six months of fiscal 2020.

Financial Expenses

Financial expenses remained stable at $0.6 million during the first six months of fiscals 2021 and 2020. The expenses consist primarily of interest expenses and standby fees on long-term debt, of interest on lease liabilities and of the amortization expense on deferred financing costs.

Income Tax Expenses

For the first six months of fiscal 2021, income tax recovery totalled $0.3 million, representing an effective tax rate of 13.3%, compared to the statutory rate of 26.5%. During the first six months of fiscal 2020, the effective tax rate was at 23.3%.

The difference between the statutory rate of 26.5% and the effective tax rate of 13.3% mainly results from non-deductible foreign exchange losses on the translation of the financial statements of foreign subsdiaries, certain adjustments related to prior years and the fact that a portion of profits is taxed in jurisdictions where the statutory tax rate differs from the Canadian statutory rate.

Profit

Net loss stood at $1.9 million (($0.11) per share) in the first six months of fiscal 2021 compared to a profit of $2.9 million ($0.19 per share) in the first six months of fiscal 2020.

Quartely Performance

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

	2021		2020				2019	
	Q2 Sept. 30, 2020 $	Q1 June 30, 2020 $	Q4 March 31, 2020 $	Q3 Dec. 31, 2019 $	Q2 Sept. 30, 2019 $	Q1 June 30, 2019 $	Q4 March 31, 2019 $	Q3 Dec. 31, 2018 $
Revenues	**20,752**	20,534	18,917	18,072	18,211	20,228	20,809	20,884
Operating profit (loss)	**(93)**	(698)	(2 210)	(1,753)	2,008	2,514	1,798	3,426
Profit (loss)	**(643)**	(1,237)	(6,758)	(1,879)	1,834	1,051	(34,142)	2,891
Adjusted profit (loss) [3]	**(643)**	(1,237)	(1,451)	(1,879)	1,660	1,308	958	2,891
Earnings (loss) per share – basic and diluted	**(0.04)**	(0.08)	(0.45)	(0.13)	0.12	0.07	(2.30)	0.19
Adjusted profit (loss)[3] per share - basic and diluted	**(0.04)**	(0.08)	(0.10)	(0.13)	0.11	0.09	0.06	0.19
Weighted average outstanding shares	**17,161**	16,394	15,052	14,913	14,849	14,849	14,849	14,849
Adjusted EBITDA [2]	**2,335**	1,801	472	159	3,740	4,144	3,509	5,291
Cash flows related to operating activities	**(1,569)**	801	2,608	(1,154)	586	1,046	5,039	2,574

In thousands of Canadian dollars, except per share amounts.

Quarters of Fiscal 2021

- Second quarter ended September 30, 2020: Compared to the first quarter of fiscal 2021 ended June 30, 2020, revenues increased by $0.2 million, mainly due to a $0.4 million total increase in revenues from BidNet and K-eCommerce. These increases were partially offset by a $0.1 million decrease in revenues from Orckestra.

  Operating expenses totalled $18.4 million during the second quarter of fiscal 2021, compared to $18.7 million during the same quarter of fiscal 2021. The decrease in operating expenses stems mainly from the recording of federal subsidies in the context of COVID-19, representing a net additional amount of $0.8 million, net of the $0.2 million reduction in tax credits during the second quarter.

  Also during the second quarter of fiscal 2021, professional services fees increased by $0.5 million, due to a higher volume of activity for some subsidiaries.

Taking into account the above-mentioned items, EBITDA increased by $0.5 million to reach $2.3 million while the operating loss totalled $0.1 million for the second quarter of fiscal 2021 compared to a $0.7 million loss for the first quarter ended June 30, 2020.

Net loss for the second quarter of fiscal 2021 totalled $0.6 million compared to a loss of $1.2 million for the first quarter ended June 30, 2020.

- For the 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 from 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, the 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 the 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, respectively 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.

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.

As at September 30, 2020, the Corporation had cash and cash equivalents of $11.7 million.

On October 15, 2020, the Corporation secured credit facilities for up to $50 million by entering into a senior credit agreement with The Bank of Nova Scotia and Roynat Capital Inc. (the "New Credit Agreement") (see the "Financing Activities – Credit Agreement" section). The revolving credit facility under the New Credit Agreement was used, at the closing date of October 15, 2020, to repay all amounts owed under the existing Credit Facility maturing on December 18, 2020.

Operating Activities

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
In thousands of Canadian dollars	$	$	$	$
Cash flows related to operating activities before changes in non- cash working capital items	1,759	2,900	3,468	5,407
Changes in non-cash working capital items	(3,328)	(2,314)	(4,236)	(3,775)
Cash flows related to operating activities	(1,569)	586	(768)	1,632

For the second quarter ended September 30, 2020, cash flows used in operating activities totalled $1.6 million compared to $0.6 million generated during the second quarter ended September 30, 2019. The decrease in cash flows related to operating activities is mainly due to lower profit.

For the first six months of fiscal 2021, cash flows used in operating activities totalled $0.8 million, compared to $1.6 million generated during the first six months of fiscal 2020. The decrease in cash flows related to operating activities is mainly due to lower profit during the period.

Investing Activities

In thousands of Canadian dollars	Three months ended September 30, 2020 $	2019 $	Six months ended September 30, 2020 $	2019 $
Proceed from sale of a subsidiary	**-**	484	-	18,434
Acquisition of property, plant and equipment	**(119)**	(60)	(307)	(187)
Acquisition of intangible assets	**(923)**	(802)	(1,660)	(1,772)
Cash flows related to investing activities	**(1,042)**	(378)	(1,967)	16,475

For the second quarter ended September 30, 2020, cash flows used in investing activities totalled $1.0 million, compared to $0.4 million used during the second quarter ended September 30, 2019.

Acquisitions of intangible assets for the second quarter of fiscal 2021 include $0.9 million of internally developed software compared to $0.8 million for the second quarter of fiscal 2020.

Cash flows used in investing activities totalled $2.0 million for the first six months ended September 30, 2020 compared to $16.5 million generated during the second quarter ended September 30, 2019.

The decrease in cash flows used in investing activities stems mainly from the sale of LesPAC, during the first quarter of fiscal 2020, for an amount of $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.

Financing Activities

In thousands of Canadian dollars	Three months ended September 30, 2020 $	2019 $	Six months ended September 30, 2020 $	2019 $
Repayment of long-term debt	**(4,600)**	(2,400)	(13,605)	(14,199)
Decrease in lease liability	**(401)**	(342)	(848)	(700)
Bought deal offering	**-**	-	14,820	-
Cash dividends paid on common shares	**-**	(1,485)	-	(2,970)
Cash flows related to financing activities	**(5,001)**	(4,227)	367	(17,869)

For the second quarter of fiscal 2021, cash flows used by financing activities amounted to $5.0 million compared to $4.2 million during the second quarter of fiscal 2020.

No amount was paid in dividends during the second quarter of fiscal 2021 ended September 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).

During the first six months of fiscal 2020, the Corporation repaid an amount of $14.2 million on its long-term debt using a portion of the sales proceeds from Réseau LesPAC on June 11, 2019.

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.

During the first six months of fiscal 2021, the Corporation repaid an amount of $13.6 million on its long-term debt by using the bought deal offering.

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 the lenders made available to the Corporation an $80.0 million secured revolving five-year 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. On October 14, 2020, the Amended Credit Agreement was further amended to temporarily suspend application of one of the covenants in the Amended Credit Agreement for the reference period applicable to the quarter ended September 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 September 30, 2020, the Corporation had drawn $13.4 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 a 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 September 30, 2020, the actual rate was 2.45% (1.25% as at March 31, 2020) and the applicable margin was 1.00% (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 September 30, 2020, the Corporation was in compliance with the financial ratios prescribed under the restrictive covenants set out in the Amended Credit Agreement.

Financial Position

As a whole, the Corporation has a sound financial position and is able to meet its financial obligations. As at September 30, 2020, the Corporation's cash and cash equivalents totalled $11.7 million. At the same date, its assets totalled $167.4 million compared to $171.1 million as at March 31, 2020.

Information from the statement of financial position *In thousands of Canadian dollars*	**As at September 30, 2020** **$**	**As at March 31, 2020** **$**
Cash and cash equivalents	**11,700**	14,319
Accounts receivable	**8,607**	6,103
Tax credits receivable	**8,325**	8,040
Intangible assets	**7,166**	6,907
Acquired intangible assets	**11,244**	13,158
Accounts payable and accrued liabilities	**9,160**	10,660
Deferred revenues	**18,117**	17,796
Long-term debt	**13,390**	26,975
Shareholders' equity	**106,848**	92,839

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

- Accounts receivable totalled $8.6 million as at September 30, 2020, an increase of $2.5 million when compared to March 31, 2020. This increase is largely due to the increase in Orckestra's activities during the first and second quarters, generating an additional $2.0 million in accounts receivable as well as $1.9 million relating to the Canada Emergency Wage Subsidy. The balance is distributed among the Corporation's other platforms. The Corporation 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 $8.3 million as at September 30, 2020 compared to $8.0 million as at March 31, 2020. This increase is related to the recognition of additional credits.
- Intangible assets totaled $7.2 million as at September 30, 2020, rising $0.3 million from March 31, 2020. This was mainly due to the recognition of internally developed software during the first six months of fiscal 2021.
- Acquired intangible assets totalled $11.2 million as at September 30, 2020 compared to $13.2 million as at March 31, 2020. This decrease is essentially attributable to $1.9 million in amortization charges recognized during the first six months of fiscal 2021.
- Shareholders' equity totalled $106.8 million as at September 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 26 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 1.3391 on foreign currency forward contracts of US$10.2 million held as at September 30, 2020, which will mature over fiscal years 2021 and 2022. As at September 30, 2019, the Corporation had US$11.7 million in foreign currency forward contracts of held at an average rate of 1.3099.

During the second 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 risk that the Corporation faces is technological, operational or financial in nature or is 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 37, Provisions, Contingent Liabilities and Contingent Assets

In September 2020, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* was amended to specify the costs to be included when the entity determines the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply to the Corporation for fiscal years beginning on or after January 1, 2022. While early application is permitted, the Corporation has not early adopted these amendments and is currently assessing the impact of these changes on its consolidated financial statements.

IAS 16, Property, Plant and Equipment

In September 2020, IAS 16*, Property, Plant and Equipment* was amended to prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced before the asset is available for use. The proceeds from selling this property, plant and equipment, as well as the related costs, will instead be recognized in net income. The amendments apply to the Corporation for fiscal years beginning on or after January 1, 2022. While early application is permitted, the Corporation has not early adopted these amendments and is currently assessing the impact of these changes 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 September 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 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 perfrom this analysis and to implement internal controls deemed necessary.

As at September 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 November 11, 2020.

At that date, 22,741,420 common shares and 994,000 stock options were issued and outstanding.

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."

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