



Management's Discussion and Analysis

**D-BOX Technologies Inc.
Three- and six-month periods ended September 30, 2022**

Table of Contents

Table of Contents	i
1. SCOPE OF THE MD&A.....	1
2. FORWARD-LOOKING STATEMENTS	1
3. CORPORATE PROFILE.....	2
4. FINANCIAL AND OPERATING HIGHLIGHTS.....	3
4.1 Financial Highlights	3
5. OPERATING RESULTS	4
5.1 Revenues	4
5.2 Gross Profit.....	6
5.3 Operating Expenses	7
5.4 Financial Expenses.....	8
5.5 Income Taxes.....	8
5.6 Profit (Loss)	8
6. QUARTERLY DATA.....	9
7. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES.....	9
7.1 Operating Activities	10
7.2 Investing Activities.....	10
7.3 Financing Activities.....	10
8. NON-IFRS FINANCIAL PERFORMANCE MEASURES.....	11
9. FULLY DILUTED SHARE CAPITAL (NOVEMBER 11, 2022).....	11
10. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (“ESG”) STRATEGY	12
11. RISK AND UNCERTAINTIES.....	12
12. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING.....	13
13. OUTLOOK	13
14. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE.....	14

MANAGEMENT’S DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

Three- and six-month periods ended September 30, 2022

1. SCOPE OF THE MD&A

This Management’s Discussion and Analysis (“MD&A”) is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation’s financial position and operating results for the three- and six-month periods ended September 30, 2022, by comparing them to the results of the corresponding period of the previous fiscal year. It also presents a comparison of the balance sheets as at September 30, 2022 and March 31, 2022.

This MD&A has been prepared in accordance with National Instrument 51-102, *Continuous Disclosure Obligations*, and should be read in conjunction with the information included in the audited consolidated financial statements for the fiscal year ended March 31, 2022 and accompanying notes and the unaudited interim condensed consolidated financial statements of the three and six months ended September 30, 2022. Unless otherwise indicated, the terms “Corporation” and “D-BOX” refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2022, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on November 11, 2022. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Corporation, or the assumptions underlying any of the foregoing. In this MD&A, words such as “may”, “would”, “could”, “will”, “likely”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate” and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Corporation’s expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Corporation.

Forward-looking information is provided in this MD&A for the purpose of giving information about Management’s current expectations and plans and allowing investors and others to get a better understanding of the Corporation’s operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this MD&A is based on information available at the date hereof and/or management’s good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Corporation’s control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Corporation’s expectations expressed in or implied by the forward-looking information include, but are not limited to: dependence on suppliers; indebtedness; future funding requirements; global health crises and COVID-19; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network including inflation and interest rates; concentration of clients; competition; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labour relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under “Risk Factors” in the Corporation’s annual information form for the fiscal year ended March 31, 2022, a copy of which is available on SEDAR at www.sedar.com. Except as may be required by Canadian securities laws, the Corporation does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Corporation cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation’s business, financial condition or results of operations.

3. CORPORATE PROFILE

D-BOX creates and redefines haptic and immersive entertainment experiences by moving the body and sparking the imagination through motion, vibration and textures. D-BOX has collaborated with some of the best companies in the world to deliver new ways to enhance great stories. Whether its movies, TV series, video games, virtual reality, music, themed entertainment or professional simulation, D-BOX’s technology creates a feeling of presence that makes life resonate like never before.

Thanks to its unparalleled mastery of haptics, D-BOX offers the best possible synchronization of body movements with images and sound.

Three components produce unparalleled synchronized motion in perfect harmony with the images and sounds:

1. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content’s specific telemetry.
2. A haptic processor (or haptic controller) serving as an interface between the content (films, video games, music, wellness, simulation and training, VR experiences) and the D-BOX haptic system. This device is able to recognize the content being used or played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.
3. The D-BOX haptic system, consisting, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

As at September 30, 2022, D-BOX had 94 employees compared with 89 employees as at September 30, 2021.

4. FINANCIAL AND OPERATING HIGHLIGHTS

4.1 Financial Highlights

Highlights for the three-month period ended September 30, 2022

- Total revenues increased 10% from \$5.6 million to \$6.1 million compared to the previous year.
- Rights for use, rental and maintenance revenues increased 38% from \$1.3 million to \$1.8 million compared to the previous year.
- Revenues related to system sales increased 1% from \$4.3 million to \$4.4 million compared to the previous year.
- Net loss increased from a \$0.4 million to \$0.7 million compared to the previous year.
- Adjusted EBITDA* decreased from \$0.2 million to \$0.04 million compared to the previous year.
- Cash and cash equivalent was \$3.9 million as at September 30, 2022 and as at March 31, 2022.

Highlights for the six-month period ended September 30, 2022

- Total revenues increased 51% from \$8.8 million to \$13.3 million compared to the previous year.
- Rights for use, rental and maintenance revenues increased 141% from \$1.9 million to \$4.6 million compared to the previous year.
- Revenues related to system sales increased 27% from \$6.9 million to \$8.7 million compared to the previous year.
- Net loss decreased from \$1.8 million to \$0.7 million compared to the previous year.
- Adjusted EBITDA* increased from \$(0.4) million to \$0.6 million compared to the previous year.

Second quarter and six-month periods ended September 30 (in thousands of dollars, except per share amounts)				
	Second Quarter		Six-month periods	
	2022	2021	2022	2021
Revenues	6,142	5,601	13,255	8,764
Net loss	(743)	(421)	(714)	(1,765)
Adjusted EBITDA*	38	150	643	(448)
	As at September 30, 2022		As at March 31, 2022	
Cash and cash equivalents	3,934		3,937	

* See the "Non-IFRS Financial Performance Measures" in section 8.

5. OPERATING RESULTS

The following table shows selected significant financial information for the three- and six-month periods ended September 30, 2022, compared with the corresponding periods of the previous fiscal year:

(Amounts are in thousands of Canadian dollars, except per-share data)

	Three-month periods ended September 30		Six-month periods ended September 30	
	2022	2021	2022	2021
Revenues	6,142	5,601	13,255	8,764
Gross profit excluding amortization*	3,295	2,994	7,586	4,712
Net loss	(743)	(421)	(714)	(1,765)
Adjusted EBITDA*	38	150	643	(448)

* See the "Non-IFRS Financial Performance Measures" in section 8.

5.1 Revenues

The following table presents the revenue information for the three- and six-month periods ended September 30, 2022, compared with the corresponding periods of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended September 30				Six-month periods ended September 30			
	2022	2021	Var. (\$)	Var. (%)	2022	2021	Var. (\$)	Var. (%)
Revenues from								
System sales								
Commercial	3,112	3,242	(130)	(4%)	6,455	4,965	1,490	30%
Home entertainment	1,259	1,075	184	17%	2,237	1,903	334	18%
Total System sales	4,371	4,317	54	1%	8,692	6,868	1,824	27%
Rights for use, rental and maintenance	1,771	1,284	487	38%	4,563	1,896	2,667	141%
TOTAL REVENUES	6,142	5,601	541	10%	13,255	8,764	4,491	51%

Three-month period ended September 30, 2022

For the three-month period ended September 30, 2022, revenue increased 10% to \$6.1 million compared with \$5.6 million for the same period last year. This variation is mainly due to the growth of rights for use, rental and maintenance revenues.

Systems sales revenue increased 1% to \$4.4 million compared with \$4.3 million for the same period last year.

Rights for use, rental and maintenance revenues increased 38% to \$1.8 million compared with \$1.3 million for the same period last year. This growth is explained by the reopening of theaters and the release of major films in the first half of the quarter ending September 30, 2022.

Six-month period ended September 30, 2022

For the six-month period ended September 30, 2022, revenue increased 51% to \$13.3 million compared with \$8.8 million for the same period last year. This variation, and many of the variations throughout the operating results section, is explained by the reduction of government regulatory measures affecting entertainment venues in North American and European markets during the six-month period ended September 30, 2022, as compared to the six-month period ended September 30, 2021. The absence of government-mandated forced closures and social distancing measures for entertainment venues during the period, allowed business operations to return to pre-pandemic levels.

Systems sales revenue increased 27% to \$8.7 million compared with \$6.9 million for the same period last year. The increase was driven mainly by the growth in commercial entertainment which includes sales to theatrical exhibitors and themed entertainment.

Rights for use, rental and maintenance revenues increased 141% to \$4.6 million compared with \$1.9 million for the same period last year. This growth is explained by the reopening of theaters and the release of major films in the first quarter ended June 30, 2022.

5.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the three- and six-month periods ended September 30, 2022, and 2021:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended September 30		Six-month periods ended September 30	
	2022	2021	2022	2021
Revenues	6,142	5,601	13,255	8,764
Gross profit	2,935	2,702	6,898	4,076
Amortization related to cost of goods sold	360	292	688	636
Gross profit excluding amortization*	3,295	2,994	7,586	4,712
Gross margin excluding amortization	54%	54%	57%	54%

* See the "Non-IFRS Financial Performance Measures" in section 8.

Three-month period ended September 30, 2022

For the three-month period ended September 30, 2022, gross profit increased to \$2.9 million from \$2.7 million for the same period last year. The increase is explained by the increase in rights for use, rental and maintenance revenues that generate a higher margin. Despite the higher margin, unfavorable changes in inflation impacting the cost of components and transportation offset the growth of rights for use, rental and maintenance revenues during the quarter. The Corporation increased its standard price list in order to reduce the impact of increases to the cost of components and transportation.

For the three-month period ended September 30, 2022, gross profit excluding amortization related to cost of goods sold increased to \$3.3 million from \$3.0 million for the same period last year. Gross margin excluding amortization remained stable at 54% due to the growth of rights for use, rental and maintenance revenues that generate a higher margin, partially offset by increased cost of components and transportation in system sales revenues.

Six-month period ended September 30, 2022

For the six-month period ended September 30, 2022, gross profit increased to \$6.9 million from \$4.1 million for the same period last year. The increase is explained by the growth of rights for use, rental and maintenance revenues that generate a higher margin.

For the six-month period ended September 30, 2022, gross profit excluding amortization related to cost of goods sold increased to \$7.6 million from \$4.7 million for the same period last year. Gross margin excluding amortization increased to 57% from 54% for the same period last year. The increase is explained by the growth of rights for use, rental and maintenance revenues that generate a higher margin.

5.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended September 30			Six-month periods ended September 30		
	2022	2021	Variation (%)	2022	2021	Variation (%)
Selling and marketing	1,312	1,359	(3%)	2,858	2,364	21%
% of Revenues	21%	24%		22%	27%	
Administration	1,488	1,085	37%	3,042	2,102	45%
% of Revenues	24%	19%		23%	24%	
Research and development	712	619	15%	1,571	1,138	38%
% of Revenues	12%	11%		12%	13%	
Foreign exchange loss (gain)	233	(26)	(996%)	95	(1)	(9,600%)
% of Revenues	4%	0%		1%	0%	

Government assistance: For the three- and six-month periods ended September 30, 2022, the Corporation recognized government assistance from various governmental entities in the amount of \$0.2 million and 0.4 million respectively (\$0.3 million and \$1.1 million for the same periods last year). Government assistance received on capital expenditures and deducted from the carrying amount of the internally generated intangible asset, D-BOX motion technology, amounted to \$0.04 million for the three- and six-month periods ended September 30, 2022 (\$0.1 million for the same periods last year).

Selling and Marketing: Selling and marketing expenses consist primarily of employee costs including share-based payments, professional fees, advertising and point-of-sale material expenses and attendance at trade shows. They also include expenses related to motion coding and other marketing expenses.

For the three-month period ended September 30, 2022, selling and marketing expenses decreased by 3% to \$1.3 million (21% of revenues) compared with \$1.4 million (24% of revenues) for the same period last year. The decrease is a result of an increase in government assistance for the three-month period ended September 30, 2022.

For the six-month period ended September 30, 2022, selling and marketing expenses increased by 21% to \$2.9 million (22% of revenues) compared with \$2.4 million (27% of revenues) for the same period last year. The increase is a result of business recovery. Trade shows, travel and headcount increased because of reduced government regulations in the first quarter.

Administration: Administration expenses consist primarily of employee costs including share-based payments, professional fees and other general and administration expenses.

For the three-month period ended September 30, 2022, administration expenses increased by 37% to \$1.5 million (24% of revenues) from \$1.1 million (19% of revenues) for the same period last year. The increase is a result of the decrease in government assistance received for the period ended September 30, 2022 versus the same period last year, as well as increased IT security spending during the 2022 period.

For the six-month period ended September 30, 2022, administration expenses increased by 45% to \$3.0 million (23% of revenues) from \$2.1 million (24% of revenues) for the same period last year. The increase is again due to decreased

government assistance received, as well as reduced employee working hours and overall expenses due to the impact of the Covid-19 pandemic on our clients for the prior period ended September 30, 2021.

Research and Development: Research and development expenses mainly include costs related to employees including share-based payments, amortization of property and equipment and intangible assets, other costs associated with enhancements to existing products, and the cost of adapting products to various international standards, less investment tax credits.

For the three-month period ended September 30, 2022, research and development expenses increased by 15% to \$0.7 million (12% of revenues) from \$0.6 million (11% of revenues) for the same period last year. The increase is a result of projects related to the next generation of actuators and software development.

For the six-month period ended September 30, 2022, research and development expenses increased by 38% to \$1.6 million (12% of revenues) from \$1.1 million (13% of revenues) for the same period last year. The increase is a result of projects related to the next generation of actuators and software development.

Impairment (reversal): For the three- and six-month periods ended September 30, 2022, the Corporation recognized an impairment reversal due to an assessment of the recoverable amounts of the goods held for lease related to motion systems for commercial theatres. The Corporation determined that the recoverable amount exceeded the carrying amount of a given group of assets, resulting in the recognition of an impairment reversal of \$223 compared to \$nil for the same period last year.

Foreign Exchange Loss: Foreign exchange loss (gain) results primarily from the fluctuation of the Canadian dollar relative to the U.S. currency when translating U.S. dollar operations at the prevailing rate on the date of a transaction and the translation of U.S. dollar monetary assets and liabilities at the end-of-period rate. Foreign exchange loss (gain) includes the change in fair value of derivative financial instrument related to foreign exchange.

For the three- and six-month periods ended September 30, 2022, foreign exchange loss amounted to \$0.2 million and \$0.1 million respectively compared with a foreign exchange gain of \$0.03 million and \$0.001 million, respectively, for the corresponding period last year. The foreign exchange difference was driven by the volatility and weakening of the Canadian dollar relative to the U.S. currency between the periods.

5.4 Financial Expenses

For the three- and six-month periods ended September 30, 2022, financial expenses net of interest income amounted to \$0.2 million and \$0.3 million respectively compared with \$0.1 million and \$0.2 million, respectively, for the same period last year. The increase is a result of increases to bank prime rates for the Corporation’s variable interest debts, as well as issuances of new debts in the prior year (September 2021) for which interest was incurred throughout the periods ended September 30, 2022 and not for the same period last year.

5.5 Income Taxes

With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded. Income tax expenses are related to D-BOX’s international operations in different countries and different foreign rules of taxation.

5.6 Profit (Loss)

Net loss for the three- and six-month periods ended September 30, 2022, amounted to \$0.7 million (basic and diluted net loss of \$0.003 per share) compared with \$0.4 million and \$1.8 million respectively (basic and diluted net loss of \$0.002 and \$0.008 per share respectively) for the same period last year.

6. QUARTERLY DATA

Operating results for each of the past eight quarters are shown in the table below:

(Amounts are in thousands of Canadian dollars, except number of shares and per-share data)

	FY 2023		FY 2022				FY 2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rights for use, rental and maintenance	1,771	2,792	1,579	2,098	1,284	612	308	230
System sales	4,371	4,321	5,392	3,480	4,317	2,551	2,628	2,767
TOTAL REVENUES	6,142	7,113	6,971	5,578	5,601	3,163	2,936	2,997
Adjusted EBITDA*	38	605	972	402	150	(598)	(1,592)	(1,288)
Profit (loss)	(743)	29	238	(340)	(421)	(1,344)	(2,523)	(2,194)
Basic and diluted profit (loss) per share	(0.003)	0.000	0.001	(0.002)	(0.002)	(0.006)	(0.014)	(0.012)
(in thousands)								
Weighted average number of common shares outstanding	220,226	220,226	220,226	220,226	220,226	220,226	179,226	175,951

* See the "Non-IFRS Financial Performance Measures" in section 8.

7. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

The following table shows certain selected significant financial information from the consolidated balance sheets as at September 30, 2022 and March 31, 2022:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at September 30, 2022	As at March 31, 2022
Cash and cash equivalents	3,934	3,937
Inventories	7,480	5,163
Working capital	8,813	9,178
Total assets	24,782	22,350
Current liabilities	10,442	7,183
Long-term debt	3,782	3,451
Total liabilities	13,713	10,516
Equity	11,069	11,834

As at September 30, 2022, working capital decreased to \$8.8 million from \$9.2 million as at March 31, 2022. This decrease is due to an increase in inventory and accounts receivable of \$2.3 million and \$0.7 million respectively, offset by increases in current liabilities.

Current liabilities increased \$3.3 million to \$10.4 million as at September 30, 2022. The increase is attributable to increases in accounts payable of \$1.1 million, deferred revenues of \$1.0 million, derivative financial instruments of \$0.6 million and credit facility of \$0.3 million as of September 30, 2022. This variation also explains the variation of total liabilities which increased \$3.2 million to \$13.7 million as at September 30, 2022.

As at September 30, 2022, long-term debt, including the current portion, stood at \$3.8 million, versus \$3.5 million as at March 31, 2022. In addition, the Corporation was using \$1.3 million of an available line of credit of \$4.0 million.

Equity decreased \$0.8 million to \$11.1 million as at September 30, 2022, from \$11.8 million as at March 31, 2022. The decrease resulted mainly from the \$0.7 million net loss for the six-month period ended September 30, 2022.

The following table shows selected significant financial information for the six-month period ended September 30, 2022, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars).

Information from the Consolidated Statements of Cash Flows	Six-month periods ended September 30	
	2022	2021
Cash flows provided by (used in) operating activities	234	(2,660)
Cash flows used in investing activities	(670)	(519)
Cash flows provided by financing activities	423	816

For the six-month period ended September 30, 2022, net change in cash and cash equivalents totaled nearly nil compared to \$(2.3) million for the same period last year. The increase reflects the Corporation’s increased operations.

7.1 Operating Activities

For the six-month period ended September 30, 2022, cash flows provided by operating activities totaled \$0.2 million compared with cash flows used in operating activities of \$2.7 million for the same period last year. This \$2.9 million variance is mainly attributable to the \$0.8 million cash provided by operations before working capital investments as compared to \$0.6 used in operations last year. A portion of these cash flows (\$0.6 million) were invested in working capital items compared to \$2.1 million in the previous year.

7.2 Investing Activities

For the six-month period ended September 30, 2022, cash flows used in investing activities amounted to \$0.7 million compared with \$0.5 million last year. This variance is mainly explained by investment totalling \$0.2 million in property and equipment related to the Corporation’s investment in machinery and equipment related to the next generation of actuators.

7.3 Financing Activities

For the six-month period ended September 30, 2022, cash flows provided by financing activities amounted to \$0.4 million compared \$0.8 million last year. The \$0.4 million variance in cash flows from financing activities is mainly attributable to the \$0.5 million proceeds received from a new long-term debt.

As at September 30, 2022, the effective interest rate of variable interest long-term debt was between 6.80% and 7.20% (4.55% as at September 30, 2021). For the six-month period ended September 30, 2022, the interest expense on long-term debt charged to profit (loss) amounted to \$0.1 million compared with \$0.05 million for the same period last year.

8. NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Corporation uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Corporation’s performance. The two non-IFRS performance measures are described as follow:

- Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. It consists of net loss excluding amortization, financial expenses net of income, income taxes (recovery), impairment charges, if any, share-based payments, foreign exchange (gain) loss and non-recurring expenses related to restructuring costs, if any. The following table reconciles adjusted EBITDA to profit (loss):

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended September 30		Six-month periods ended September 30	
	2022	2021	2022	2021
Net loss	(743)	(421)	(714)	(1,765)
Amortization of property and equipment	313	277	561	574
Amortization of intangible assets	257	182	487	406
Financial expenses	150	85	256	238
Foreign exchange (gain) loss	233	(26)	95	(1)
Gain (loss) on disposal of assets	(5)	—	(5)	—
Impairment (reversal)	(223)	—	(223)	—
Income taxes (recovery)	11	1	18	—
Share-based payments	45	52	168	100
Adjusted EBITDA	38	150	643	(448)

- Gross profit excluding amortization is used to evaluate the Corporation’s capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization (see the reconciliation table in section 5.2).

9. FULLY DILUTED SHARE CAPITAL (NOVEMBER 11, 2022)

	Class A common shares
Class A common shares outstanding	220,225,573
Convertible instruments	
Stock-options outstanding	9,695,000
Warrants	48,847,441
	278,768,014

10. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (“ESG”) STRATEGY

The Corporation is committed to conducting its business in an ethical, legal and socially responsible manner, with an ever more responsible approach by promoting, accelerating, and facilitating the integration of sustainable development principles into its business model.

ESG matters are interwoven with each other and must be addressed by all responsible corporate citizens. The Corporation recognizes that ESG has gained a greater importance among investors, policymakers, and other key stakeholders because it is seen as a way to safeguard businesses from future risks. The three pillars of ESG for D-BOX are as follows:

‘E’ or Environmental pertains to the Corporation’s energy use, waste, pollution, and natural resource conservation;

‘S’ or Social looks at how the Corporation interacts with communities where it operates, and the Corporation’s internal policies related to labour, diversity and inclusion policies, among others;

‘G’ or Governance relates to internal practices and policies that lead to effective decision making and legal compliance. ESG facilitates the Corporation’s top-line growth in the long run, attracts talent, reduces costs, and forge a sense of trust amongst consumers.

D-BOX has taken a proactive approach by adopting policies and behaviours pertaining to environment and sustainability, wellbeing, diversity and ethics. These policies and behaviours are described in the Annual Information Form (AIF) dated June 2, 2022, which is available on www.sedar.com.

11. RISK AND UNCERTAINTIES

For a detailed description of risk factors associated with the Corporation, please refer to the “Risk Factors” section of the Corporation’s Annual Information Form (the “AIF”) dated June 2, 2022, which is available on www.sedar.com. The following update should be read together with such risk factors described in the 2022 AIF, which are hereby incorporated by reference.

Dependence on Suppliers Update (Supply Chain Disruptions)

The overall demand environment continues to improve but remains impacted by industry-wide supply constraints which have contributed to a challenging supply chain environment. Supply chain issues for the three- and six-month period ended September 30, 2022 were exacerbated by pandemic related lockdowns in China and increasing inflationary pressures, which are driving up material and logistics costs. These supply chain constraints have elevated costs and delayed certain unit shipments, resulting in a higher level of backlog and related inventory at the end of the period. We expect this trend to continue in the near term.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting aims to provide reasonable insurance regarding the reliability of the Corporation’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the three- and six-month period ended September 30, 2022, there were no changes in the Corporation’s internal control over financial reporting that materially affected, or are likely to materially affect, the Corporation’s internal control over financial reporting.

13. OUTLOOK

D-BOX has developed a strong brand globally in the commercial market with a significant leadership position in the theatrical, sim racing, location-based entertainment and professional simulation markets. Owing to the technological progress, versatility of its haptic platform and global fan base, D-BOX is now geared to pursue gaming opportunities.

The video game is an attractive market and could eventually become an important revenue contributor for D-BOX as its haptic products are integrated into video game and streaming gears of which the market is estimated to grow at over 20% CAGR between 2020 and 2024 to about \$45 billion by 2024 according to Jon Peddie Research¹. Gamers have long adopted basic haptics technology, with rumbles on video game controllers. Haptic cues enhance the emotional gaming experience and immersion, while improving the performance of gamers, opening a plethora of opportunities for D-BOX.

U.S. consumer spending on home entertainment content grew 7.8% to \$32.3 billion² in 2021 and 10.9%³ for the first quarter of 2022. Currently, D-BOX sells haptic systems to seating manufacturers to pursue the home entertainment opportunity. Our strategy is to leverage our strong commercial brand associated with the immersive entertainment experience.

The size and growth potential for the commercial entertainment market, including the theatrical and themed entertainment sub-markets, are large and will continue to expand as consumers flock back to entertainment venues. Consumers are eager to get entertained with an enhanced and immersive experience as validated by the strong box office receipts from North American theatrical exhibitors which grew 349%⁴ YoY. With the upcoming blockbuster releases such as Avatar: The Way of Water and Black Panther: Wakanda Forever, the outlook for the theatrical market is promising for the remainder of the year. For the themed entertainment market, a recent market study from Polaris Market Research⁵ forecasts that global location-based entertainment market to grow 34% CAGR to reach US\$21.4 billion by 2028.

For the Simulation and Training segment, the market size is estimated to grow 10% per annum to US\$20 billion by 2027⁶. The business fundamentals for simulators remain strong driven by safety and prevention measures, increased

¹ “The Worldwide PC Gaming Hardware Market report”, Jon Peddie Research, July 13, 2021

² “DEG Year-End 2021 Digital Media Entertainment Report”, Digital Entertainment Group, February 3, 2022

³ “DEG Q1 2022 Digital Media Entertainment Report”, Digital Entertainment Group, May 13, 2022

⁴ www.boxofficemojo.com, Domestic Box Office, from Jan. 1 to May 26 2022

⁵ “Location-based Entertainment Market Size Worth \$21.42 Billion by 2028 | CAGR: 34.2%”, Polaris Market Research,

⁶ *Operator Training Simulator Market*, dated November 2021 by Global Market Insights, Inc.

skills and productivity, environmentally friendly, as well as cost savings compared to training on planes, heavy equipment trucks or automobiles.

While there are uncertainty related to geopolitical, economic and supply chain risks, we are cautiously optimistic that the demand for D-BOX solutions will remain strong. With robust fundamentals for the commercial entertainment, product launches for the home entertainment, and a resilient and growing simulation and training market, D-BOX is well positioned for growth.

14. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at November 11, 2022. Additional information can be found on the SEDAR website at www.sedar.com.

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, whether in text or graphical form, are owned by the Corporation and in most cases are registered or in the process of being registered in Canada and in the countries or territories in which these trademarks are used.

All aspects of the D-BOX haptic effects are protected by copyright.