MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Docebo", "we", "us" or "our" refer to Docebo Inc., together with our subsidiaries, on a consolidated basis as constituted on September 30, 2019.

This MD&A for the three and nine months ended September 30, 2019 and 2018 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended September 30, 2019, as well as with our audited annual consolidated financial statements along with the related notes thereto for the year ended December 31, 2018. The financial information presented in this MD&A is derived from the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in thousands of United States dollars except where otherwise indicated.

This MD&A is dated as of November 12, 2019.

Forward-looking Information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved", the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our platform; expectations regarding our revenue and the revenue generation potential of our platform and other products; our business plans and strategies; and our competitive position in our industry.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets and industry verticals; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or *achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Summary of Factors Affecting our Performance" section of this MD&A and in the "Risk Factors" section of our Final Prospectus dated October 1, 2019, which is available under our profile on SEDAR at www.sedar.com.*

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Summary of Factors Affecting our Performance" should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

Additional information relating to Docebo, including our Final Prospectus, can be found on SEDAR at www.sedar.com.

Overview

At Docebo, our mission is to redefine the way enterprises, including their internal and external workforces, partners and customers, learn by applying new technologies to the traditional corporate LMS market. Founded in 2005, we provide an easy-to-use, highly configurable and affordable learning platform with the end-to-end capabilities and critical functionality needed to train internal and external workforces, partners and customers. Our solution allows our customers to take control of their desired training strategies and retain institutional knowledge, while providing efficient course delivery, tracking of learning progress, advanced reporting tools and analytics. Our robust platform helps our customers centralize a broad range of learning materials from peer enterprises and learners into one LMS to expedite and enrich the learning process, increase productivity and grow teams uniformly.

Our platform is now used by more than 1,600 companies of all sizes, providing access to learners situated around the world in a variety of languages. Our clients range from select small local businesses, with a focus on mid-sized enterprises, to large multi-nationals, including service, financial, technology and resource-based companies and consulting firms. Our platform is sold primarily through a direct sales force with offices in Toronto, Canada, Athens, Georgia (USA), Biassono, Italy and London, United Kingdom. We also have some relationships with resellers and other channel partners, such as human resource and payroll services providers.

Our cloud platform currently consists of three interrelated modules: (i) "Docebo Learn"; (ii) "Docebo Coach & Share"; and (iii) "Docebo Extended Enterprise". Docebo Learn, our foundational module, helps learning administrators centralize, organize and distribute learning content, track certifications and measure results with customer analytics. Docebo Coach & Share provides learners with access to social learning by encouraging the sharing of knowledge through formal, social, interactive and experiential learning across an organization. Docebo Extended Enterprise allows businesses to manage multiple portals for different audiences with their own administration, branding and authentication, which demonstrates our commitment to our customers' success.

We generate revenue primarily from the sale of our platform, which is sold on the basis of a monthly subscription fee which is typically prepaid on a monthly basis. We offer our customers the flexibility to choose annual or multi-year contract terms, with the majority of our enterprise customers choosing between one to three years. This results in a relatively smooth revenue curve with good visibility into near-term revenue growth. We typically enter into subscription agreements with our customers, with pricing based on the number of end learners in the customer's organization and the number of modules requested by the customer. Our goal is to continue to grow revenues arising from our existing customer base as well as adding new subscription customers to our platform. Our business does not have significant seasonal attributes, although historically the sales in the fourth quarter have tended to be slightly stronger than the first three. The Company operates on a global basis and for this reason has decided to report its consolidated financial results in U.S. dollars notwithstanding that the Company's functional currency is the Canadian dollar. The Company does not currently hedge its exposure to fluctuations in Canadian dollar or other European currency denominated revenues and expenses.

On October 1, 2019, the Company filed articles of amendment to effect the change of the Company's name from "Docebo Canada Inc." to "Docebo Inc." and to split all of its issued and outstanding common shares on the basis of 100 common shares for every one common share outstanding (the "Share Split"). All share and per share amounts for all periods presented in the MD&A and the Company's unaudited condensed consolidated interim financial statements have been adjusted retrospectively to reflect the Share Split.

On October 8, 2019, the Company completed an initial public offering ("IPO") and its shares began trading on the Toronto Stock Exchange under the symbol "DCBO".

Key Performance Indicators

Due to our subscription model, where we recognize subscription revenues rateably over the term of the subscription period under the terms of any customer agreement, combined with high customer retention rates, we have a high degree of visibility into our near-term revenues. Management uses a number of metrics, including the one identified below, to measure the Company's performance and customer trends, which are used to prepare financial plans and shape future strategy. Our key performance indicator may be calculated in a manner different than similar key performance indicators used by other companies.

- *Annual Recurring Revenue.* We define Annual Recurring Revenue as the annualized equivalent value of the subscription revenue of all existing contracts as at the date being measured, excluding non-recurring implementation, support and maintenance fees. Our customers generally enter into one to three year contracts and are non-cancelable or cancelable with penalty. All the customer contracts, including those for one-year terms, automatically renew unless cancelled by our customers. Accordingly, our calculation of Annual Recurring Revenue assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal. Subscription agreements are subject to price increases upon renewal reflecting both inflationary increases and the additional value provided by our solutions. In addition to the expected increase in subscription revenue from price increases over time, existing customers may subscribe for additional features, learners or services during the term. We believe that this measure provides a fair real-time measure of performance in a subscription-based environment. Annual Recurring Revenue provides us with visibility for consistent and predictable growth to our cash flows. Our strong total revenue growth coupled with increasing Annual Recurring Revenue indicates the continued strength in the expansion of our business and will continue to be our target on a go-forward basis.

Annual Recurring Revenue as at nine months ended September 30, 2019 and 2018 was as follows:

	Nine months ended September 30,	
	2019	2018
Annual Recurring Revenue (in millions of U.S. dollars)	40.2	26.6

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by our competitors in the software-as-a-service ("SaaS") industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures and SaaS metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including SaaS industry metrics, in the evaluation of companies in the SaaS industry. Management also uses non-IFRS measures and SaaS industry metrics in order to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation. The non-IFRS measures and SaaS industry metrics referred to in this MD&A include "Adjusted EBITDA" and "Free Cash Flow".

Adjusted EBITDA

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and to provide a more complete understanding of factors and trends affecting our business. Management believes that Adjusted EBITDA is a useful measure of operating performance and our ability to generate cash-based earnings, as it provides a more relevant picture of operating results by excluding the effects of financing and investing activities which removes the effects of interest, depreciation and amortization expenses as non-cash items that are not reflective of our underlying business performance, and other one-time or non-recurring expenses. The Company defines Adjusted EBITDA as net loss excluding taxes (if applicable), net finance expense, depreciation and amortization, loss on change in fair value of convertible promissory notes, loss on disposal of assets (if applicable), share based compensation and transaction related expenses. Management believes that these adjustments are appropriate in making Adjusted EBITDA an approximation of cash-based earnings from operations before capital replacement, financing, and income tax charges. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company's definition of Adjusted EBITDA may be different than similarly titled measures used by other companies.

Adjusted EBITDA

The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Three months ended September 30,		**Nine months ended September 30,**	
(In thousands of US dollars)	2019	2018	2019	2018
	$	$	$	$
Net loss	(3,742)	(2,114)	(8,615)	(8,491)
Finance expense, net [(1)]	228	175	707	464
Income tax expense	449	-	449	-
Depreciation and amortization [(2)]	208	48	594	120
Loss on change in fair value of convertible promissory notes [(3)]	-	525	776	1,558
Share based compensation [(4)]	100	69	251	207
Transaction related expenses [(5)]	1,241	-	1,241	-
Adjusted EBITDA	(1,516)	(1,297)	(4,597)	(6,142)

Notes:

(1) Finance expense is primarily related to interest and accretion expense on the Credit Facility (as defined below), secured debentures and convertible promissory notes. In addition, finance expense for the three and nine months ended September 30, 2019 also includes net finance expense of $80 and $207, respectively, on lease obligations as a result of the adoption of IFRS 16 – *Leases* effective January 1, 2019.

(2) Depreciation and amortization expense is primarily related to depreciation expense on property and equipment. In addition, depreciation and amortization expense for the three and nine months ended September 30, 2019 also includes amortization expense on right-of-use assets of $150 and $432, respectively, as a result of the adoption of IFRS 16 – *Leases* effective January 1, 2019.

(3) These costs are related to the change in valuation of our convertible promissory notes from period to period, which is a non-cash expense and is thus not indicative of our operating profitability. These costs should be adjusted for in accordance with management's view of Adjusted EBITDA as an approximation of cash-based earnings from operations before capital replacement, financing, and income tax charges. In May 2019, these convertible promissory notes were converted into common shares. There will be no further impact on our results of

operations from such convertible promissory notes and the Company does not currently intend to issue any additional convertible promissory notes.

(4) These expenses represent non-cash expenditures recognized in connection with the issuance of stock options to our employees and directors.

(5) These expenses are related to our IPO and include professional, legal, consulting and accounting fees that are non-recurring and would otherwise not have been incurred and are not considered an expense indicative of continuing operations.

Free Cash Flow

Free Cash Flow is defined as cash provided by (used in) operating activities less additions to property and equipment. The following table reconciles our cash flow from (used in) operating activities to Free Cash Flow:

	Nine months ended September 30,	
(In thousands of US dollars)	2019	2018
	$	$
Cash flow used in operating activities	(1,089)	(2,323)
Purchase of property and equipment	(306)	(410)
Free Cash Flow	(1,395)	(2,733)

Summary of Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of the Final Prospectus dated October 1, 2019.

Market adoption of our SaaS platform

We intend to continue to drive adoption of our SaaS platform by scaling our solutions to meet the needs of both new and existing customers of all types and sizes. We believe that there is significant potential to increase penetration of our total addressable market and attract new customers. We plan to do this by further developing our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses to our platform, both in our existing geographies and new markets around the world. We plan to continue to invest in our platform to expand our customer base and drive market adoption. The success of our operations may fluctuate as we make these investments.

Up-selling with existing customers

Our existing customers represent a significant opportunity to up-sell additional functionality with limited incremental sales and marketing expense. We plan to continually invest in product development and sales and marketing to add additional solutions to our platform as well as increase the usage and awareness of our platform. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our platform.

Scaling our sales and marketing team

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts. The majority of our sales and marketing efforts are accomplished in-house and we believe the strength of our sales and marketing team is critical to our success. We have invested, and intend to continue to invest meaningfully, in the expansion of our sales force and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

Foreign currency

Our functional currency is Canadian dollars and the local currency for each of the subsidiaries and our presentation currency is the U.S. dollar. Our results of operations are converted from our functional currency to U.S. dollars using the average foreign exchange rates for each period presented. As a result, our results of operations will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Euro and Canadian dollar. See "Risk Factors" section of our Final Prospectus dated October 1, 2019 for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

Key Components of Results of Operations

Docebo has always been operated and managed as a single economic entity, notwithstanding the fact that it has operations in several different countries. There is one management team that directs the activities of all aspects of the company and it is managed globally through global department heads. As a result, we believe that we have one reporting segment, being the consolidated company. Over time, this may change as the company grows and when this occurs we will reflect the change in our reporting practice.

Revenue

We generate revenue from the following two primary sources:

- *Recurring Subscriptions to Our Learning Platform and Related Products.* Our customers enter into agreements that provide for recurring subscription fees. The majority of the customer agreements currently being entered into have a term of one to three years and are non-cancelable or cancelable with penalty. All the customer agreements, including those for one-year terms, automatically renew unless cancelled by our customers. Subscription revenue per contract will vary depending upon the particular products that each customer subscribes for, the number and type of learners intended to utilize the platform and the term of the agreement. Subscription revenue is typically recognized evenly over the life of a contract, commencing on the in-service date and terminating on the end date of the agreement.

- *Professional Services.* Our clients generally require support in implementing our product and training their learners. This support can include system integration, application integration, learner training and any required process-change analysis. Normally, these services are purchased at the same time as the original customer agreement is completed and are usually delivered during the 90 days immediately following the effective date of the customer agreement. When customer agreements are renewed, there is not typically a need for additional professional services so as overall revenue increases over time, the percentage of revenue that is generated from professional services will decrease. Revenues derived from professional services are recognized over the term that the service is provided and proportionately to the work performed.

Our agreements generally do not contain any cancellation or refund provisions without penalty, other than in the case of our default.

Cost of Revenue

Cost of revenue is comprised of costs related to hosting our learning platform and related products and the delivery of professional services. Significant expenses included in cost of revenue include employee wages and benefits expenses, web hosting fees and partner fees.

Operating Expenses

Our primary operating expenses are as follows:

- *General and Administrative.* General and administrative expenses are comprised primarily of employee salaries and benefits expenses for our administrative, finance, legal and human resources teams, rent, travel and general office and administrative expenses, consulting and professional fees and credit impairment losses. Over the short-term, we expect an increase in expenses related to additional one-time and ongoing costs relating to the IPO. We also anticipate increases to general and administrative expenses as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses. However, as the Company grows, we expect that general and administrative expenses will decrease as a percentage of revenue.

- *Sales and Marketing.* Sales and marketing expenses are comprised primarily of employee salaries and benefits related to our sales and marketing teams and advertising and marketing events. To implement our growth strategy, we intend to continue to grow our sales and marketing teams. As the Company continues to grow, we expect sales and marketing expenses to increase, while these expenses may fluctuate from year to year, consistent with our overall growth.

- *Research and Development.* Research and development expenses are comprised primarily of employee salaries and benefits related to our research and development team, consulting and professional fees and web hosting fees. Our research and development team is focused on both continuous improvement in our existing learning platform, as well as developing new product modules and features. In the immediate future, as Docebo's growth continues, we expect our research and development costs to increase proportionately, however, over time we believe it is reasonable to expect that they would decline as a percentage of revenue.

- *Share based compensation.* Share-based compensation expenses are comprised of the value of stock options granted to employees expensed over the vesting period of the options.

- *Foreign exchange loss/gain.* Foreign exchange loss/gain primarily relates to translation of monetary assets and liabilities denominated in foreign currencies being translated into functional currencies at the foreign exchange rate applicable at the end of each period.

- *Depreciation and amortization.* Depreciation and amortization expense primarily relates to depreciation on property and equipment and amortization of right-of-use assets. Property and equipment are comprised of furniture and office equipment, leasehold improvements and land and building. Right-of-use assets relate to the adoption of IFRS 16 on January 1, 2019 which requires all major leases to be recognized on the statement of financial position.

Other Expenses

- *Loss on change in fair value of convertible promissory notes.* These costs include costs with respect to the change in valuation of the Company's convertible promissory notes from period to period. In May 2019, these convertible promissory notes were converted into common shares and there will be no further impact on our results of operations from such convertible promissory notes.

- *Finance expense.* These costs include interest on secured debentures, interest on convertible promissory notes and bank fees.

- *Other income.* Other income is primarily comprised of rental income from subleasing office space.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		**Nine months ended September 30,**	
(In thousands of US dollars, except per share data)	2019	2018	2019	2018
	$	$	$	$
Revenue	10,587	6,892	29,145	19,025
Cost of revenue	2,090	1,414	5,975	4,127
Gross profit	8,497	5,478	23,170	14,898
Operating expenses				
General and administrative	4,010	2,578	11,449	7,367
Sales and marketing	5,154	2,752	11,711	8,563

Research and development	1,962	1,539	5,803	4,632
Share based compensation	100	69	251	207
Foreign exchange loss (gain)	147	(81)	102	491
Depreciation	208	48	594	120
	11,581	6,905	29,910	21,380
Operating loss	(3,084)	(1,427)	(6,740)	(6,482)
Finance expense, net	228	175	707	464
Loss on change in fair value of convertible promissory notes	-	525	776	1,558
Other income	(19)	(13)	(57)	(13)
Net loss before income taxes	(3,293)	(2,114)	(8,166)	(8,491)
Income tax expense	449	-	449	-
Net Loss	(3,742)	(2,114)	(8,615)	(8,491)
Other comprehensive loss				
Item that may be reclassified subsequently to income:				
Exchange (gain) loss on translation of foreign operations	(471)	(42)	(69)	(408)
Items not subsequently reclassified to income:				
Actuarial loss	10	10	30	31
	(461)	(32)	(39)	(377)
Comprehensive loss	(3,281)	(2,082)	(8,576)	(8,114)
Net loss attributable to:				
Equity owners of the Company	(3,742)	(2,114)	(8,615)	(8,112)
Non-controlling interests	-	-	-	(379)
	(3,742)	(2,114)	(8,615)	(8,491)
Loss per share - basic and diluted	(0.16)	(0.09)	(0.37)	(0.38)
Weighted average number of common shares outstanding - basic and diluted	23,760,149	22,532,000	23,122,698	21,209,802

Review of Operations for the three and nine months ended September 30, 2019 and 2018

Revenue

	Three months ended September 30				**Nine months ended September 30,**			
(In thousands of US dollars)	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Subscription Revenues	9,802	6,341	3,461	55%	26,036	16,517	9,519	58%
Professional Services	785	551	234	42%	3,109	2,508	601	24%
Total Revenue	10,587	6,892	3,695	54%	29,145	19,025	10,120	53%

Revenue increased from $6.9 million to $10.6 million or 54% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year. For the nine months ended September 30, 2019 and 2018 revenues were $29.1 million and $19.0 million, respectively, an increase of $10.1 million or 53%. In both periods, the significant revenue increase was primarily attributable to revenue from new customers, as the number of customers rose from 1,468 as at September 30, 2018 to 1,638 as at September 30, 2019 and the average contract value per customer increased from approximately $18 as at September 30, 2018 to approximately $24 as at September 30, 2019. Average contract value is calculated as total Annual Recurring Revenue divided by the number of active customers. All references to the number of customers or companies we serve include separate accounts per customer.

Subscription revenue increased from $6.3 million to $9.8 million or 55% in the third quarter of 2019 as compared to the same quarter in 2018 and from $16.5 million to $26.0 million or 58% for the nine month period ended September 30, 2019 as compared to the same period in the prior year.

Revenues from professional services increased by $0.2 million or 42% in the third quarter of 2019 as compared to the same quarter in 2018 and by $0.6 million or 24% for the nine month period ended September 30, 2019 as compared to the same period in the prior year. Increase in revenue attributed to professional services is primarily associated with sales of new subscriptions.

Cost of Revenue

	Three months ended September 30,				Nine months ended September 30,			
(In thousands of US dollars, except percentages)	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Cost of revenue	2,090	1,414	676	48%	5,975	4,127	1,848	45%
Percentage of total revenue	19.7%	20.5%			20.5%	21.7%		

Cost of revenue increased from $1.4 million to $2.1 million or 48% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year and increased by $1.8 million to $6.0 million or 45% for the nine months ended September 30, 2019 as compared to the equivalent period in the prior year. The period over period absolute increases in cost of revenue were closely related to the increase in revenue**.**

Gross profit

	Three months ended September 30,				Nine months ended September 30,			
(In thousands of US dollars, except percentages)	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Gross profit	8,497	5,478	3,019	55%	23,170	14,898	8,272	56%
Percentage of total revenue	80.3%	79.5%			79.5%	78.3%		

Gross profit, being revenue less cost of revenues, increased from $5.5 million to $8.5 million and improved from 79.5% of revenue to 80.3% of revenue for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. For the nine month period ended September 30, 2019, gross profit increased from $14.9 million to $23.2 million and improved from 78.3% to 79.5% as compared to the prior year's equivalent nine month comparative period. The improvement is primarily due to the realization of some benefit of scale in our infrastructure cost structure. As we continue to grow our revenues, we anticipate that we will continue to realize an improved gross profit margin, but the incremental benefits will reduce over time.

Operating Expenses

(In thousands of US dollars, except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
General and administrative	4,010	2,578	1,432	56%	11,449	7,367	4,082	55%
Sales and marketing	5,154	2,752	2,402	87%	11,711	8,563	3,148	37%
Research and development	1,962	1,539	423	27%	5,803	4,632	1,171	25%
Share based compensation	100	69	31	45%	251	207	44	21%
Foreign exchange loss (gain)	147	(81)	228	-281%	102	491	(389)	-79%
Depreciation	208	48	160	333%	594	120	474	395%
Total operating expenses	11,581	6,905	4,676	68%	29,910	21,380	8,530	40%

General and Administrative Expenses

(In thousands of US dollars, except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
General and administrative	4,010	2,578	1,432	56%	11,449	7,367	4,082	55%
Percentage of total revenue	37.9%	37.4%			39.3%	38.7%		

General and administrative expenses increased from $2.6 million to $4.0 million or 56% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year and increased from $7.4 million to $11.4 million or 55% for the nine months ended September 30, 2019 as compared to the equivalent period in the prior year. The increase in both period comparatives was primarily due to higher salaries and benefits from an increase in personnel required to support the Company's growing operations. We also experienced an increase in consulting and professional fees as a result of the IPO. The period-over-period increase in general and administrative expenses was partly offset by reversal of a provision of $1,200 and $905 for the three and nine month periods ended September 30, 2019, respectively. Our general and administrative expenses as a percentage of total revenue increased from 37.4% to 37.9% from three months ended September 30, 2018 to three months ended September 30, 2019 and increased from 38.7% to 39.3% from nine months ended September 30, 2018 to nine months ended September 30, 2019.

Sales and Marketing Expenses

(In thousands of US dollars, except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Sales and marketing	5,154	2,752	2,402	87%	11,711	8,563	3,148	37%
Percentage of total revenue	48.7%	39.9%			40.2%	45.0%		

Sales and marketing expenses increased from $2.8 million to $5.2 million or 87% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year and increased from $8.6 million to $11.7 million or 37% for the nine months ended September 30, 2019 as compared to the equivalent period in the prior year. The increase was due to the Company's continued focus on growing its subscription revenue in multiple jurisdictions, necessitating an increase in the number of employees and related employee salaries and wages. These additional employees are required to support our sales expansion in new markets, as well as servicing the growing customer base. In particular, in the third quarter of 2019 the timing of certain advertising and marketing events impacted the results, including our annual "Docebo Inspire" conference held in September 2019. We will continue to add staff in this area and incrementally invest in advertising and marketing events resulting in higher sales and marketing costs for so long as we can efficiently increase our revenue base. Our sales and marketing expenses as a percentage of total revenue increased from 39.9% to 48.7% from three months ended September 30, 2018 to three months ended September 30, 2019 and decreased from 45.0 % to 40.2% from nine months ended September 30, 2018 to nine months ended September 30, 2019.

Our sales and marketing expenses as a percentage of total revenue will fluctuate quarterly within any given year based on the timing of advertising and marketing events; therefore, expressing sales and marketing expenses as a percentage of total revenue for any given quarter is not indicative of annual results. As we grow, these fluctuations in sales and marketing expenses as a percentage of total revenue which are attributable to the fluctuations in the timing of advertising and marketing events will diminish, and our sales and marketing expense as a percentage of total revenue is expected to be in the 35% to 40% range.

Research and Development Expenses

(In thousands of US dollars, except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Research and development	1,962	1,539	423	27%	5,803	4,632	1,171	25%
Percentage of total revenue	18.5%	22.3%			19.9%	24.3%		

Research and development expenses increased from $1.5 million to $2.0 million or 27% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year and increased from $4.6 million to $5.8 million or 25% for the nine months ended September 30, 2019 as compared to the equivalent period in the prior year. The increase in both period comparatives was due to the Company's continued focus on maintaining and improving its platform and developing related new products. The majority of the increase in costs related to an increase in employees resulting in higher salaries and wages. Research and development expenses will continue to grow as the Company maintains its efforts to keep its product at the leading edge of learning technology and builds new features on the current platform. Our research and development expenses as a percentage of total revenue decreased from 22.3% to 18.5% from three months ended September 30, 2018 to three months ended September 30, 2019 and decreased from 24.3% to 19.9% from nine months ended September 30, 2018 to nine months ended September 30, 2019.

Share-Based Compensation

(In thousands of US dollars, except percentages)	Three months ended September 30, 2019	2018	$ Change	% Change	Nine months ended September 30, 2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Share-based compensation	100	69	31	45%	251	207	44	21%
Percentage of total revenue	0.9%	1.0%			0.9%	1.1%		

Share-based compensation expense increased from $69 to $100 or 45% for the three months ended September 30, 2019 as compared to the equivalent period in the prior year and increased from $207 to $251 or 21% for the nine months ended September 30, 2019 as compared to the equivalent period in the prior year. The increase is primarily due to the additional stock options granted in 2019 at higher fair value.

Foreign exchange loss/gain

(In thousands of US dollars, except percentages)	Three months ended September 30, 2019	2018	$ Change	% Change	Nine months ended September 30, 2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Foreign exchange loss (gain)	147	(81)	228	-281%	102	491	(389)	-79%
Percentage of total revenue	1.4%	-1.2%			0.3%	2.6%		

Foreign exchange loss/gain primarily relates to translation of monetary assets and liabilities denominated in foreign currencies being translated into functional currencies at the foreign exchange rate applicable at the end of each period. The change in foreign exchange loss/gain is primarily attributable to the change in Canadian dollar and Euro compared to the U.S. dollar for the periods presented.

Depreciation and amortization

(In thousands of US dollars, except percentages)	Three months ended September 30, 2019	2018	$ Change	% Change	Nine months ended September 30, 2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Depreciation and amortization	208	48	160	333%	594	120	474	395%
Percentage of total revenue	2.0%	0.7%			2.0%	0.6%		

Depreciation and amortization expense was $208 and $594, respectively for the three and nine month periods ended September 30, 2019 compared to $48 and $120 for the comparable periods in 2018. The increase in depreciation and amortization expense is primarily due to the adoption of IFRS 16 accounting standard on January 1, 2019 which requires recognition of right-of-use assets for all major leases which are subsequently depreciated over the term of the lease. Our depreciation and amortization expense as a percentage of total revenue increased from 0.7% to 2.0% from three months ended September 30, 2018 to three months ended September 30, 2019 and increased from 0.6% to 2.0% from nine months ended September 30, 2018 to nine months ended September 30, 2019.

Non-operating items

(In thousands of US dollars, except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	$	$	$	%	$	$	$	%
Finance expense	228	175	53	30%	707	464	243	52%
Loss on change in fair value of convertible promissory notes	-	525	(525)	-100%	776	1,558	-782	-50%

Finance expense

Finance expense was $228 and $707, respectively for the three and nine month periods ended September 30, 2019 compared to $175 and $464 for the comparable periods in 2018. The increase in finance expense is primarily due to interest and accretion expense on lease obligations from adoption of IFRS 16.

Loss on change in fair value of convertible promissory notes

Loss on change in fair value of convertible promissory notes is related to the change in fair value of the convertible promissory notes being driven by the increase in value of common shares of the Company. In May 2019, these convertible promissory notes were converted into common shares. There will be no further impact on our results of operations from such convertible promissory notes.

Selected Annual Information

(In thousands of US dollars)	Fiscal years ended December 31,		
	2018	2017	2016
	$	$	$
Revenue	27,075	17,126	9,852
Net loss	(11,651)	(8,240)	(2,895)
Net loss attributable to equity owners of the Company	(11,272)	(7,314)	(2,755)
Loss per share - basic and diluted	(0.52)	(0.43)	(0.18)
Total assets	13,301	9,502	4,008
Total long-term liabilities	5,187	4,194	473

Revenue

For the years ended December 31, 2018, 2017 and 2016, revenues were $27.1 million, $17.1 million and $9.9 million, respectively. In each fiscal year, the significant revenue increase was primarily attributable to revenue from new customers, as the number of customers rose from 1,034 as at December 31, 2016, to 1,324 as at December 31, 2017 and 1,540 as at December 31, 2018 and the average contract value per customer increased from approximately $10,000 as at December 31, 2016, to approximately $14,000 as at December 31, 2017 and approximately $19,000 as at December 31, 2018. Average contract value is calculated as total ARR divided by the number of active customers. Professional services revenue increased by $0.3 million or 9% in 2018 as compared to 2017 and by $0.8 million or 35% in 2017 as compared to 2016. Increase in revenue attributed to professional services is primarily associated with sales of new subscriptions.

Net loss

For the years ended December 31, 2018, 2017 and 2016, net loss was $11.7 million, $8.2 million and $2.9 million, respectively. In each fiscal year, the significant increase in net loss was primarily attributable to the increase in operating expenses of $30.4 million, $19.7 million and $10.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The sequential increase in operating expenses for each fiscal year presented was primarily due to higher salaries and benefits and other operating costs required to support the Company's growing operations. Net loss in fiscal 2018 and 2017 also increased due to recognition of loss on change in fair value of convertible promissory notes in the amount of $2.1 million and $1.3 million, respectively.

Total Assets

Total assets increased $3.8 million or 40% from Fiscal 2017 to Fiscal 2018, with cash and trade and other receivables accounting for $2.1 million of the increase. The $4 million proceeds from issuance of secured debentures in 2018 contributed to the increase in cash of $0.4 million. Trade and other receivables increased by $1.7 million reflecting growth in revenue. Prepaids and deposits increased by $0.9 million primarily due to research and development tax credits, which are offset against future payroll taxes payable along with higher prepaid expenses due to growth of the Company. The Company also recognized contract acquisition costs of $0.6 million from adoption of IFRS 15 on January 1, 2018.

Total assets increased $5.5 million or 137% from Fiscal 2016 to Fiscal 2017, with cash and trade and other receivables accounting for $4.6 million of the increase. The $3.7 million proceeds from issuance of common shares and $2 million from issuance of convertible promissory notes in 2017 contributed to the increase in cash of $2.1 million. Trade and other receivables increased by $2.6 million reflecting growth in revenue. Prepaids and deposits increased by $0.4 million primarily due to research and development tax credits, which are offset against future payroll taxes payable along with higher prepaid expenses from growth of the Company. Property and equipment increased by $0.5 million, net of depreciation expense reflecting growth of the Company.

Total Long-term Liabilities

Total long-term liabilities increased $1.0 million or 24% from Fiscal 2017 to Fiscal 2018. The main driver of the increase was the issuance of secured debentures of $4 million, which was offset by reclassification of convertible promissory notes of $3.3 million from long-term to short-term. Employee benefit obligations also increased by $0.3M million due to headcount in Fiscal 2018 compared to Fiscal 2017.

Total long-term liabilities increased $3.7 million or 786% from Fiscal 2016 to Fiscal 2017. The main driver of the increase was the issuance of convertible promissory notes of $2 million and increase in fair value of the convertible promissory notes resulting in total convertible promissory notes liability of $3.3 million. Employee benefit obligations also increased by $0.3 million due to headcount in Fiscal 2017 compared to Fiscal 2016.

Key Statement of Financial Position Information

(In thousands of US dollars, except percentages)	September 30, 2019	December 31, 2018	Change	Change
	$	$	$	%
Cash and cash equivalents	5,006	3,756	1,250	33%
Total assets	20,336	13,300	7,036	53%
Total liabilities	38,981	30,076	8,905	30%
Total long-term liabilities	10,314	5,187	5,127	99%

Total Assets

September 30, 2019 compared to December 31, 2018

Total assets increased $7.0 million or 53% from December 31, 2018 to September 30, 2019, with cash and cash equivalents and trade and other receivables accounting for $3.6 million of the increase. The $2.9 million net proceeds from borrowings in 2019 contributed to the increase in cash and cash equivalents of $1.3 million. Trade and other receivables increased by $2.3 million reflecting a corresponding growth in revenue. The Company also recognized right-of-use assets ("ROU assets") of $2.3 million and net investment in finance lease of $0.4 million as at September 30, 2019 from the adoption of IFRS 16 on January 1, 2019. In addition, contract acquisition costs also increased by $0.4 million from net capitalization of sales commission required under IFRS 15.

Total Long-term Liabilities

September 30, 2019 compared to December 31, 2018

Total long-term liabilities increased $5.1 million or 99% from December 31, 2018 to September 30, 2019. The main driver of the increase was the proceeds from Credit Facility (as defined below) used to repay the secured debentures, which was offset by reclassification of convertible promissory notes of $3.3 million from long-term to short-term and recognition of lease obligations of $2.3 million as at September 30, 2019 from adoption of IFRS 16 on January 1, 2019.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the seven quarters commencing January 1, 2018 and ending September 30, 2019. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements for the year ended December 31, 2018 and the unaudited condensed consolidated interim financial statements for the period ended September 30, 2019. This data should be read in conjunction with our audited annual financial statements for the year ended December 31, 2018 and the unaudited condensed consolidated interim financial statements for the period ended September 30, 2019. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended						
(In thousands of US dollars, except per share data)	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	10,587	9.923	8,636	8,050	6,892	6,436	5,697
Net loss before income taxes	(3,293)	(2,336)	(2,537)	(3,161)	(2,114)	(3,448)	(2,930)
Net loss attributable to equity owners of the Company	(3,742)	(2,336)	(2,537)	(3,161)	(2,114)	(3,448)	(2,552)
Loss per share - basic and diluted	(0.16)	(0.10)	(0.11)	(0.14)	(0.09)	(0.15)	(0.14)

Revenue

Our total quarterly revenue increased sequentially for all periods presented due primarily to increased sales to existing and new customers. The increase in total revenue was due to increases in both subscription revenues and professional services revenue. We cannot assure you that this pattern of sequential growth in revenue will continue.

Expenses

Total cost of revenue and operating expenses generally increased sequentially for each period presented. Cost of revenue increased to support the increase in revenue and total operating expenses increase was primarily due to the additional resources such as headcount required to support our growing business in all areas of the Company as well as higher sales and marketing expenses required to attract additional customers.

Liquidity, Capital Resources and Financing

Overview

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by selling our platform and services at a price that is commensurate with the level of operating risk we assume. We thus determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

Working Capital

Our primary source of cash flow is revenue from operations, equity capital raises totalling \$52.9 million including proceeds, net of underwriting commissions from our IPO completed on October 8, 2019 and net debt financing through the Credit Facility (as defined below), issuance and subsequent conversion of convertible promissory notes and secured debentures totalling \$9.0 million since 2016. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis.

Working capital deficiency as at September 30, 2019 was \$12.7 million. On July 25, 2019, the Company entered into a revolving term credit facility (the "Credit Facility") with the Toronto-Dominion Bank, which provides for a maximum availability of up to \$15 million of which \$10 million was available as at September 30, 2019. Immediately upon closing of the Credit Facility, \$7 million was drawn to repay the secured debentures previously issued to certain shareholders of the Company and certain of their affiliates, being Klass.com Subsidiary LLC; Klass Capital Corporation, an affiliate of Klass.com Subsidiary LLC; Intercap Income Inc., an affiliate of Intercap Equity Inc. and Gresilent Holding Srl, an entity that Claudio Erba beneficially owns and controls or directs. The facility may be drawn in either U.S. or Canadian dollars by way of Canadian prime rate loans, U.S. base rate loans or LIBOR loans bearing interest at the Canadian prime lending rate plus applicable margin, U.S. base rate plus applicable margin or LIBOR for the interest period plus applicable margin.

On October 16, 2019, the Company repaid the full balance of the Credit Facility outstanding of \$7 million from the net proceeds of the IPO.

In addition to cash balances including proceeds, net of underwriting commissions of \$52.9 million from IPO completed on October 8, 2019, we have a Credit Facility available up to \$15 million that may be drawn to meet ongoing working capital requirements. Our principal cash requirements are for working capital. Given our existing cash and cash equivalents and the funds available from the Credit Facility, along with net proceeds obtained from our IPO, we believe there is sufficient liquidity to meet our current and short-term growth requirements in addition to our long-term strategic objectives.

Cash Flows

The following table presents cash and cash equivalents as at September 30, 2019 and 2018, and cash flows from operating, investing, and financing activities for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30,	
(In thousands of US dollars)	2019	2018
	$	$
Cash and cash equivalents	5,006	4,561
Net cash provided by (used in):		
Operating activities	(1,089)	(2,323)
Investing activities	(306)	(410)
Financing activities	2,634	3,944
Effect of foreign exchange on cash and cash equivalents	11	(11)
Net increase in cash and cash equivalents	1,250	1,200

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the nine months ended September 30, 2019 were \$1.1 million compared to \$2.3 million for the nine months ended September 30, 2018. The increase in cash flows from operating activities was primarily the result of an increase of \$1.3 million in cash flow from changes in working capital during the nine months ended September 30, 2019.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for the nine months ended September 30, 2019 were $0.3 million compared to $0.4 million for the nine months ended September 30, 2018. The decrease in cash outflows for investing activities of $0.1 million was due to a decrease in additions to property and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities for the nine months ended September 30, 2019 were $2.6 million compared to $3.9 million for the nine months ended September 30, 2018. The decrease in cash inflows from financing activities of $1.3 million was mainly due to the issuance $4.0 million of secured debentures in the nine months ended September 30, 2018 as compared to the net proceeds from borrowings of $2.8 million in the nine months ended September 30, 2019. In addition, the Company also received cash of $0.4 million from the exercise of stock options which was offset by $0.6 million for repayment of lease obligations recognized on adoption of IFRS 16.

Credit Facility

On July 25, 2019, the Company secured the Credit Facility from Toronto-Dominion Bank (the "Lender"), which provides for the availability of up to $15 million (the "Commitment") of which $10 million was available as at September 30, 2019. The amount available to be drawn under the Credit Facility from time to time is equal to the lesser of (i) the Commitment and (ii) an amount equal to the trailing one-month consolidated recurring revenue of the Company ("MRR") multiplied by six multiplied by the trailing 12-month gross retention rate percentage on MRR (which rate shall not exceed 100%), minus the amount of any statutory prior claims then in existence. The Credit Facility will mature on July 25, 2022 (the "Maturity Date"). The Maturity Date may be extended for an additional 364 days, at the discretion of the Lender, upon the Company providing written notice to the lender requesting such an extension. Interest on the drawn facility is set at LIBOR plus 2.75%. The standby fee on the undrawn balance is 0.50%.

Immediately upon closing of the Credit Facility, $7 million was drawn to repay the secured debentures previously issued to certain shareholders of the Company and certain of their affiliates, being Klass.com Subsidiary LLC; Klass Capital Corporation, an affiliate of Klass.com Subsidiary LLC; Intercap Income Inc., an affiliate of Intercap Equity Inc. and Gresilent Holding Srl, an entity that Claudio Erba beneficially owns and controls or directs.

On October 16, 2019, the Company repaid the full balance of the Credit Facility outstanding of $7 million from the net proceeds of the IPO.

Use of Proceeds

The Company's use of proceeds from the IPO has not changed from the disclosure set forth in the "Use of Proceeds" section of our Final Prospectus dated October 1, 2019 to the date of this MD&A.

Contractual Obligations

During the three months ended September 30, 2019, there were no significant changes in the Company's contractual obligations other than the Credit Facility described above.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements. Except for operating leases not recognized as ROU assets under IFRS 16, all of our liabilities and commitments are reflected as part of our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

See "Change in Accounting Policies" below for more details on adoption of IFRS 16.

Related Party Transactions

We have no related party transactions, other than those noted in our unaudited condensed consolidated interim financial statements, which are summarized below.

In May 2019, the Company issued $3 million of additional secured debentures to certain shareholders of the Company and certain of their affiliates, being Klass.com Subsidiary LLC; Klass Capital Corporation, an affiliate of Klass.com Subsidiary LLC; Intercap Income Inc., an affiliate of Intercap Equity Inc. and Gresilent Holding Srl, an entity that Claudio Erba beneficially owns and controls or directs.

On July 26, 2019, $7 million was drawn from the Credit Facility to repay all outstanding secured debentures previously issued to certain shareholders of the Company and certain of their affiliates, being Klass.com Subsidiary LLC; Klass Capital Corporation, an affiliate of Klass.com Subsidiary LLC; Intercap Income Inc., an affiliate of Intercap Equity Inc. and Gresilent Holding Srl, an entity that Claudio Erba beneficially owns and controls or directs.

Financial Instruments and Other Instruments

Credit Risk

Generally, the carrying amount in our consolidated statement of financial position exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Our credit risk is primarily attributable to our cash and cash equivalents and trade receivables. We do not require guarantees from our customers. Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade receivables. Moreover, balances for trade receivables are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount.

We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible. Starting January 1, 2018, impairment losses for trade receivables have been calculated based on the expected credit losses model instead of historical collection evidence as under the previous standards.

The maximum exposure to credit risk at the date hereof is the carrying value of each class of receivables mentioned above. We do not hold any collateral as security.

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. The Company's primary exposure with respect to foreign currencies is from U.S. dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings in entities whose functional currency is other than U.S. dollars. The net carrying value of these U.S. denominated balances held in entities with Euro and Canadian dollars as their functional currency as at December 31, 2018 and 2017 presented in U.S. dollars is as follows:

	2018		**2017**	
	Euro	**CAD**	**Euro**	**CAD**
	$	$	$	$
Cash and cash equivalents	155,127	104,657	366,723	1,436,003
Trade and other receivables	258,859	1,412,110	152,092	-

Trade and other payables	(356,512)	(104,328)	(317,923)	-
Borrowings	-	(9,344,000)	-	(3,261,133)
	57,474	(7,931,561)	200,892	(1,825,130)

We have not entered into arrangements to hedge our exposure to currency risk.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We review these estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below. Management has determined that we operate in a single operating and reportable segment.

Revenue Recognition

The Company derives its revenues from two main sources: SaaS and professional services revenue, which includes services such as initial project management and training, integration and custom development.

As of January 1, 2018, we implemented the new revenue standard which required revenue to be recognized in a manner that depicts the transfer of promised services to customers and at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives revenue from subscription of its product (subscription revenue) comprised of its hosted SaaS and from the provision of professional services including implementation services, technical services and training. Professional services do not include significant customization to, or development of, the software.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company's contracts with customers often include multiple products and services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Subscription revenue and professional services are generally capable of being distinct for the Company and are accounted for as separate performance obligations.

The total consideration for the arrangement is allocated to the separate performance obligations based on their relative fair value and revenue is recognized for each performance obligation when the requirements for revenue recognition have been met. The Company determines the fair value of each performance obligation based on the average selling price when each performance obligation is sold separately.

Subscription revenue related to the provision of SaaS is recognized rateably over the contract term as the service is delivered. The contract term begins when the service is made available to the customer. The Company applies the time elapsed method to measure progress towards complete satisfaction of subscription revenue performance obligations. The time elapsed provides a faithful depiction of the Company's performance towards complete satisfaction of its performance obligations as a customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs on a daily basis.

Professional services revenue is recognized over time as services are performed based on the proportion performed to date relative to the total expected services to be performed, which is normally over the first few months of a contract with progress being measured over the implementation and training period. The Company applies labour hours expended which is an input method to measure progress towards complete satisfaction of professional services revenue performance obligations. Labour hours expended relative to the total expected labour hours to be expended provides a faithful depiction of the Company's performance towards complete satisfaction of the professional services performance obligations as it closely reflects the completion of activities based on budgeted labour hours and the value of the services transferred cannot be measured directly.

The timing of revenue recognition and the contractual payment schedules often differ, resulting in contractual payments being billed before contractual products or services are delivered. Generally, the payment terms are between 30 to 60 days from the date of invoice. The amounts that are billed, but not earned, are recognized as deferred revenue. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Multi-element or bundled contracts require an estimate of the stand-alone selling price of separate elements. These assessments require judgment by management to determine if there are separately identifiable performance obligations as well as how to allocate the total price among the performance obligations. Deliverables are accounted for as separately identifiable performance obligations if they can be understood without reference to the series of transactions as a whole. In concluding whether performance obligations are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

Convertible promissory notes

Convertible promissory notes are classified as fair value through profit or loss. The fair value of convertible promissory notes is based on the underlying value of the equity instruments that the convertible promissory notes are convertible into, which in turn requires estimates of the inherent value of the Company, considering value indicators including recent rounds of financing and market comparable valuation metrics.

Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of equity settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate. The assumptions and estimates used are further outlined in the stock options note.

Change in Accounting Policies

Leases

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company utilized the modified retrospective approach to adopt the new standard and therefore comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model requiring lessees to recognize right-of-use assets and lease liabilities for all major leases. The Company's accounting policy under IFRS 16 is as follows:

At contract inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right of control for the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset primarily relates to office leases and is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain it will exercise such option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The weighted-average rate applied is 10%.

Lease liability is measured at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset unless it has been reduced to zero. The Company has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with those leases is recognized as an expense on a straight-line basis over the lease term.

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease is accounted for as a net investment in finance lease. If not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019.

(In thousands of US dollars)	$
Aggregate lease commitments as disclosed at December 31, 2018.	4,181
Less: Recognition exemption for low-value leases.	246
Less: Recognition exemption for short-term leases.	1
Adjusted lease commitments.	3,934
Less: Impact of present value.	751
Opening IFRS 16 lease liability as at January 1, 2019.	3,183

The cumulative effect of the changes made to the January 1, 2019 consolidated statement of financial position for the adoption of IFRS 16 is as follows:

(In thousands of US dollars)	**December 31, 2018**	**IFRS 16 adjustments**	**Balance as at January 1, 2019**
	$	**$**	**$**
Assets			
Current assets: Net investment in finance lease.	—	85	**85**
Non-current assets: Right-of-use-assets, net.	—	2,406	**2,406**
Net investment in finance lease.	—	357	**357**
Liabilities			
Current liabilities: Deferred lease incentives.	55	(55)	—
Lease obligations.	—	822	**822**
Non-current liabilities: Deferred lease incentives.	243	(243)	—
Lease obligations.	—	2,361	**2,361**
Equity Deficit.	(48,319)	38	**(48,357)**

Outstanding Share Information

We are currently authorized to issue an unlimited number of common shares. As of the date hereof, 28,454,200 common shares, 1,657,325 stock options and 36,250 deferred stock units are issued and outstanding.

Foreign Currency Exchange ("FX") Rates

Although our functional currency is the Canadian dollar, we have elected to report our financial results in U.S. dollars to improve the comparability of our financial results with our peers. Reporting our financial results in U.S. dollars also reduces the impact of foreign currency exchange fluctuations in the Company's reported amounts, as our transactions denominated in U.S. dollars are significantly larger than Canadian dollars or the Euros.

Our consolidated financial position and operating results have been translated to U.S. dollars applying FX rates outlined in the table below. FX rates are expressed as the amount of U.S. dollars required to purchase one Canadian dollar. FX rates represent the daily closing rate published by the European Central Bank.

Period	**Consolidated Statement of Financial Position**	**Consolidated Statement of Loss and Comprehensive Loss**
	Current Rate	Average Rate
Nine months ended September 30, 2018	$0.7685	$0.7766
Nine months ended September 30, 2019	$0.7548	$0.7523

FX Impact on Consolidated Results

The following tables have been prepared to assist readers in assessing the FX impact on selected results for the nine months ended September 30, 2019.

Nine months ended September 30, 2019:

(In thousands of US dollars)	September 30, 2018 (as reported) $	September 30, 2019 (as reported) $	September 30, 2019 (FX impact) $	September 30, 2019 (current period amounts applying prior period FX rate) $
Revenue	19,025	29,145	610	29,775
Cost of revenue	4,127	5,975	241	6,216
Gross profit	14,898	23,170	369	23,539
Operating expenses	21,380	29,910	591	30,501
Net loss	(8,491)	(8,615)	(245)	(8,860)

Controls and Procedures

In accordance with Item 5.6(a) of National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company does not have to file an interim certificate relating to its interim financial statements and the accompanying notes for the three and nine months ended September 30, 2019 because these relate to interim periods that ended before the Company became a reporting issuer as a result of the IPO on October 8, 2019.

In particular, the certifying officers filing the certificates required under NI 52-109 are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

In accordance with Canadian securities legislation, the Company will begin making the required representations and filings in the first quarter of Fiscal 2020.