

# **IC GROUP HOLDINGS INC.**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

**For the three-months ended March 31, 2025, and 2024**

The logo for IC Group is displayed on a solid blue rectangular background. The text "ic|group" is written in a bold, white, sans-serif font. The "i" and "c" are combined as "ic", and a vertical line separates it from the word "group". A small trademark symbol (TM) is located at the top right of the "group" word.

**ic|group™**

## **IC GROUP HOLDINGS INC.**

Management's Discussion & Analysis

For the three-month periods ended March 31, 2025, and 2024

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# **Management's Discussion & Analysis of Financial Condition and Results of Operations**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management's discussion and analysis ("MD&A") reports on the consolidated operating results and consolidated financial condition of IC Group Holdings Inc. and its wholly owned subsidiaries for the three-month period ended March 31, 2025, and of 11197894 Canada Ltd ("1119 Canada") and its subsidiaries for the three-month period ending March 31, 2024. (the "Company" or "IC GROUP")

Throughout this MD&A, unless otherwise specified, "IC GROUP", the "Company", "we", "us" and "our" refers to IC Group Holdings Inc., 1119 Canada, and its wholly own subsidiaries. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the related notes as at and for the three-month period ended March 31, 2025 and March 31, 2024, which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith, and reflect the current judgment regarding the direction of the business, actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- IC Group operates within the fast-growing MarTech sector which is forecasted to grow 20% annually from 2025 to 2034 (Source: <https://www.precendenceresearch.com/marketing-technology-market>), fueled by improved customer experiences, demand for data-driven engagement, automation, AI, data security, and privacy compliance.
- IC Group is focused on the fan engagement market which is projected to grow from \$5B to \$27B (Source: Future Market Insights: 2023) from 2023 to 2033.
- IC Group intends to continue to grow its business through strategic acquisitions and investments to expand its core capabilities, broaden its geographic footprint, acquire new

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talent, and accelerate top-line and recurring revenue growth.

- IC Group expects to grow annual recurring revenue (“ARR”) and improve Adjusted EBITDA rates as a percentage of revenue over the long term.
- The recent announcement that Apple will support Rich Communication Service (“RCS”) messaging also unlocks a huge opportunity to expand mobile messaging and engagement capabilities in this fast-growing channel.
- IC Group intends to continue to grow its business through strategic acquisitions and investments to expand its core capabilities, broaden its geographic footprint, acquire new talent, and accelerate top-line and recurring revenue growth.
- IC Group may also make investments in early-stage technologies, through acquisition, investments, or internal development time and labor to compliment or accelerate company solutions to support revenue, customer value, or operational efficiencies.
- The Company’s ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity.
- The Company’s success at completing future financings.
- The Company’s strategies and objectives.
- General business and economic conditions.
- The Company’s ability to meet its financial obligations as they become due.
- The cash flows and financial viability of new business opportunities.
- The Company’s ability to manage growth with respect to new business opportunities.
- The Company’s tax position, anticipated tax refunds and the tax rates applicable to the Company.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions, and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties, and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

## **NON-IFRS MEASURES**

This MD&A includes certain measures which have not been prepared in accordance with the International Financial Reporting Standards (“IFRS”), namely “Adjusted EBITDA” and “Annual Recurring Revenue”.

These terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-IFRS measures. While these measures may not be comparable to similar measures presented by other issuers, these measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company’s results, liquidity, and its ability to generate funds to finance its operations. When

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assessing the Company's operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net profit, cash flow from operating activities or other cash flow data calculated in accordance with IFRS. In addition, the Company's calculation of Adjusted EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner.

The Non-IFRS measure "Adjusted EBITDA" used in this MD&A is calculated as follows:

Adjusted EBITDA refers to earnings before interest, taxes, depreciation, amortization, stock-based compensation, one-time transaction expenses and financing costs. The Company believes that Adjusted EBITDA is useful supplemental information, as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration significant non-recurring items comprised of costs directly attributable to acquisitions, financing costs, as well as non-cash expenses, which include stock-based compensation expense, interest expenses, depreciation and amortization. Adjusted EBITDA also serves as a proxy for the Company's cash flow. Management also uses Adjusted EBITDA to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet its capital expenditure and working capital requirements.

Adjusted EBITDA is reconciled to its most directly comparable IFRS measure within the "Results of Operations" and "Liquidity and Capital Resources" sections of this MD&A.

The Non-IFRS measure "Annual Recurring Revenue" used in this MD&A is calculated as the company's expected yearly revenue from recurring transactional, service, license, SaaS or subscription fees.

## **CORPORATE OVERVIEW**

1119 Canada was incorporated on July 31, 2023 under the laws of Canada and is the product of a July 31, 2023 amalgamation that consolidated entities that have effectively been in active business since 1989. On February 21, 2025, Cuspis Capital II Ltd. ("Cuspis"), a Capital Pool Company listed on the TSX Venture Exchange (the "Exchange") completed a business combination transaction with 1119 Canada that resulted in the reverse takeover of Cuspis by 1119 Canada and which constituted the Qualifying Transaction (as that term is defined by the policies of the Exchange) of Cuspis. 1119 Canada became the wholly owned subsidiary of Cuspis, and Cuspis was renamed "IC Group Holdings Inc."

IC Group is a technology enabled Consumer Engagement Company. Its mission is to transform how brands engage with consumer audiences across live event, digital platforms and mobile messaging channels to drive sales, capture valuable data and build loyalty. The Company's solutions span digital engagement, mobile messaging, and specialty insurance for Fortune 500 brands and their agency partners in global jurisdictions. The Company's registered office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8. 1119 Canada has a registered office located at 383 Dovercourt Dr, Winnipeg, MB, R3Y 1G4.

At December 31, 2024, IC Group owned approximately 14% of Emotion Media Inc., operating as Fannex ("Fannex"). On February 21, 2025, IC Group acquired 100% of Fannex as part of the business combination transaction with Cuspis Capital II Ltd., concurrent financing and public listing on the Exchange that also closed February 21, 2025.

In furtherance of the Qualifying Transaction, 1119 Canada effected a 7.89:1 share split, Cuspis completed a 1:4.31 share consolidation, following which the securityholders of 1119 Canada received securities of Cuspis on a one for one exchange ratio basis. All share and per share amounts reflecting figures prior to February 21, 2025, have been retrospectively presented in the consolidated financial statements and this MD&A to reflect the share split, share

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consolidation, and share exchange.

## **MARKET SECTOR**

IC Group operates within the fast-growing Marketing Technology (MarTech) sector, which is forecasted to grow 20% annually from 2025 to 2034 (Source: <https://www.precedenceresearch.com/marketing-technology-market>), fueled by improved customer experiences, demand for data-driven engagement, automation, AI, data security, and privacy compliance. Companies in the sector may trade between 1.5x and 6x revenue. IC Group is focused on executing a strategy that positions the Company to be in the upper end of that range to deliver strong economic shareholder returns.

IC Group is focused on the fan engagement market which is projected to grow from \$5B to \$27B (Source: Future Market Insights: 2023) from 2023 to 2033. Live events continue to attract record audiences, yet operators are under increasing pressure to meet fans' and sponsors' digital engagement expectations. With over 30 years of experience engaging consumers for Fortune 500 brands, IC Group sees significant opportunities across all business lines to fill the gap. The acquisition of Fannex helps accelerate this and is a growth engine for IC Group as it integrates well with the existing messaging and specialty insurance offerings to drive additional revenue in the growing live event market. Together, the Company offers integrated, high-impact activation, messaging and risk management solutions that enhance fan engagement, enrich data collection, accelerate the path to purchase and build consumer loyalty. This synergy allows the Company to deliver greater value to sponsors and brands across North America and beyond.

## **CUSTOMER SOLUTIONS**

IC Group develops, sells, and supports three primary business solutions with associated products and services that power consumer engagement, manage risks and drive value for brands. The Company currently has over 150 customers worldwide that range in size and operational complexity, with the vast majority in the United States and Canada. Over 75% of our revenue is driven from customers outside of Canada.

Solutions include the following:

- **IC Digital Promotion Solutions:** IC Group simplifies digital consumer engagement (inclusive of gamified content, loyalty, reward, and incentive solutions) for fortune 500 brands at scale in global markets to drive sales, capture consumer data, build consumer loyalty and manage risks. Simplifying solutions for brands inclusive of technology, risk management, regulatory and compliance, data security, consumer privacy, incentives and rewards, and customer service is the value proposition for brands and their agency partners. IC Group's proprietary technology solutions are used to digitally engage consumer audiences in the various media channels and live events and integrate with reward partners through secure Application Programming Interfaces (APIs) to deliver rewards such as digital gift cards, travel, and other experiential rewards that consumers win or earn through the digital promotion. IC Group typically enter Master Service Agreements with 3-year terms with annual statements of work that provide multiple services such as software development and license fees, professional service fees to design, develop and execute digital promotions, manage regulatory and compliance requirements, and transactional fees for customer support services, moderation and fulfillment services. Professional services are provided for implementation services, consulting services, and training. Contract revenue is accounted for under the percentage of completion method. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contracts. Revenue is recognized by determining this percentage of completion and applying it against the contract value for the respective contract. Professional services are typically billed on negotiated pricing reflecting the estimated time and material required to

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complete the services. Gross Margin for the three-month period ended March 31, 2025 for this solution set was approximately 68%.

- **IC Mobile Messaging Solutions:** IC Group is one of three Tier-1 Mobile Aggregators in Canada with direct connections to all Canadian mobile carriers (including but not limited to Bell, Eastlink, Rogers, Sasktel, and Videotron) and Tier-2 connections to US and other Global Carriers. IC Group's messaging gateway provides brands, marketing platforms, and communication platforms (CPaaS providers) a simple single point API that route text messages through the mobile carriers to 100% of the mobile users in Canada. What sets the mobile messaging business apart is the Company's intellectual property in the Canadian Market. IC Group is also the only Canadian-owned provider offering a solution that processes and stores all message data within Canada. For clients in regulated industries such as finance, healthcare, and government, this provides the reach, compliance, and security they require, all on a fully domestic platform. IC Group typically enters 3-year recurring contracts and earns transactional fees for each message transmitted through our messaging gateway along with hosting and professional service fees. Customer retention is high and more than 95% of revenue is ARR. The Company's business model is based on high volume, low margin transactions. Gross Margin for the three-month period ended March 31, 2025 for this solution set was approximately 20%.
- **IC Insurance Solutions:** IC Group is a Coverholder at Lloyd's of London which means the Company is authorized by a managing agent to enter insurance contracts on behalf of certain Lloyd's syndicates, according to the terms of a binding authority. Essentially, the Company acts as a delegated authority for Lloyd's, writing policies and handling other insurance-related tasks on their behalf. The Company has delegated underwriting authority in Canada and other countries (60+) for certain insurance products. IC Group underwrites and sells specialized insurance solutions including event cancellation, event liability, prize insurance, crisis management and other specialty insurance solutions for the Sports, Entertainment and Promotions industry. IC Group distributes its insurance products through its proprietary SaaS Platform called Glide and through its direct sales force to wholesale and retail brokers. Glide provides insurance brokers a digital platform to be able to generate a quote, bind insurance and receive policy documents instantly. IC Group earns commission fees for each insurance policy sold as well as profit commission on the profitability of its overall book of business within certain binding authorities. Gross Margin for the three-month period ended March 31, 2025 for this solution set was approximately 63%.

## **COMPANY FOCUS AND STRATEGY**

IC Group expects to grow ARR and improve Adjusted EBITDA rates as a percentage of revenue over the long term. Given acquisitions are part of our growth strategy, there will be short-term trade-offs between revenue growth and Adjusted EBITDA growth, as a typical acquisition can take 18 to 24 months to normalize and fully integrate into operations.

The Company's mobile messaging business is a primary area of focus for IC Group in 2025, with a goal to accelerate monthly recurring revenue growth and improve margins. Growth in this division will be driven by the adoption of new customers to the platform, increasing message volumes, new technology solutions and introducing new message channels, which will fuel additional recurring revenue and improved margins.

As part of the acquisition strategy, IC Group purchased the remaining 86% Emotion Media Inc (Fannex) and

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completed the acquisition on February 21, 2025. Fannex is a next-generation SaaS platform, purpose-built for brands, teams, and venues in the live sports and entertainment industry. Currently, Fannex is contracted by approximately 85 professional and semi-professional teams across various sports leagues in North America and Europe. Its technology empowers partners to design, deploy, and manage interactive content and fan promotions across both in-venue digital screens and personal mobile devices transforming live audiences into digitally engaged communities. By facilitating real-time interaction, Fannex enables deeper audience participation, robust first-party data collection and measurable conversion outcomes.

Integration of the Fannex business with IC Group, including the evolution of the Fannex SaaS Platform to reach broader customer segments, leverage IC Group solutions, and to start capitalizing on the vast amount of data captured through the platform, is another key initiative in 2025 and into 2026. Additionally, consumer engagement at live events is increasingly driven by mobile messaging, video, and feature rich communications. The recent announcement that Apple will support Rich Communication Service (“RCS”) messaging also unlocks a huge opportunity to expand mobile messaging and engagement capabilities in this fast-growing channel.

Expanding insurance product lines, underwriting capacity and reaching more customers in more markets are key initiatives for the insurance business in 2025. These initiatives will support continued revenue growth and improve its ARR within this business segment.

IC Group will continue to scale the business through a three-pronged growth strategy focused on deepening customer relationships, expanding recurring revenue, growing top line revenue, improving margins and broadening its market and customer footprint. The three-pronged growth strategy includes:

**1. Land and Expand:**

With the completion of the acquisitions, including Fannex, IC Group has over 150 customers across North America and Europe. The Company's highly synergistic solutions foster cross-selling opportunities with digital engagement, mobile messaging, and insurance offerings across its client base, strengthening relationships while driving revenue and margin expansion.

**2. Organic Growth in Core Divisions:**

IC Group's existing business lines will continue to grow through expanded marketing and organic sales initiatives. The mobile messaging division for example, more than doubled message volume and the number of active direct and indirect customers in the last 6 months, resulting in a 87% increase in revenue in the three-month period ending March 31, 2025 compared to the same period in 2024.

**3. Targeted M&A:**

IC Group intends to continue to grow its business through strategic acquisitions and investments to expand its core capabilities, broaden its geographic footprint, acquire new talent, and accelerate top-line and recurring revenue growth. IC Group may also make investments in early-stage technologies, through acquisition, investments, or internal development time and labor to compliment or accelerate company solutions to support revenue, customer value, or operational efficiencies. The teams proven ability to integrate, and scale acquired platforms positions the Company well to execute this strategy.

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## **KEY PERFORMANCE INDICATORS**

IC Group evaluates its overall performance using key financial indicators such as revenue, ARR, Gross Profit, Gross Margin, adjusted EBITDA, revenue by geography and customer retention rates.

## **FIRST QUARTER 2025 HIGHLIGHTS**

The following review is intended to assist in understanding IC Group's financial position as at March 31, 2025, and its results of operations for the three-month period ended March 31, 2025. Financial and operational results for the first quarter of fiscal year 2025 compared to the same period of 2024 include:

- On March 4, 2024 1119 Canada entered into a letter of intent with Cuspis, a Capital Pool Company as defined under the policies of the Exchange, to complete a business combination that would result in the reverse take over of Cuspis by 1119 Canada and which would result in a Qualifying Transaction for Cuspis. The Qualifying Transaction closed February 21, 2025, and included a brokered private placement financing of common shares and attached warrants for aggregate gross proceeds of \$1.2 million along with \$0.3 million of shareholder loans converted to equity. These transactions improved the Company's liquidity.
- Throughout 2024, IC Group negotiated a share purchase agreement for the remaining 86% of the Emotion Media Inc. shares. The transaction closed February 21, 2025, resulting in IC Group owning 100% of Emotion Media Inc., firmly cementing IC Group's position in the live Sports and Entertainment industry.
- Revenues increased 56% to approximately \$6.0 million in the first quarter of 2025, compared to approximately \$3.9 million during the same period in 2024. The overall increase in revenue was attributable to an 87% increase in Mobile Messaging revenue, a 100% increase in IC Insurance revenue and a 29% increase in IC Digital Promotion revenue over the same period in 2024.
- Approximately 95% of the revenue growth was driven by organic growth across all divisions.
- Gross Profit increased 28% in the first quarter of 2025 to \$2.7 million compared to \$2.1 million in the same period last year.
- Gross Margin for the first quarter of 2025 was 45%, a decline of 18% from 55% in the same period of 2024. The expected decrease was primarily driven by a higher proportion of lower-margin messaging revenue and increased carrier pricing in the mobile messaging segment.
- Approximately 68% of revenue in the first quarter of 2025 is ARR, compared to 65% in the same period of 2024, representing a 5% improvement.
- Cash and cash equivalents totaled \$1.8 million as at March 31, 2025 compared to \$0.2 million as at March 31, 2024.
- Adjusted EBITDA of \$0.2 million for the first quarter of 2025, compared to \$0.5 million in the same period last year.

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### RESULTS OF OPERATIONS

The following section sets forth, for the periods indicated, certain financial data derived from the Company's unaudited interim condensed consolidated financial statements.

Three Months Ended March 31,	2025	2024	Change
Revenue	6,016,999	3,857,121	56%
Gross Profit	2,716,041	2,120,054	28%
Operating income (loss)	(921,979)	(460,606)	(100%)
EBITDA	(2,285,937)	(75,922)	(2911%)
Net Earnings (Loss) for the period	(2,775,217)	(508,206)	(446%)
Earnings Per Share * (Basic and diluted)	(0.10)	(0.02)	(331%)

\* The Company effected a 7.89:1 share split on the same date. All share and per share amounts reflecting figures prior to February 21, 2025, have been retrospectively presented in the consolidated financial statements and this MD&A to reflect the share split.

#### Adjustments to EBITDA:

	Three Months Ended Mar 31,	
	2025	2024
<b>EBITDA</b>	(2,285,937)	(75,922)
<b>Adjustments to EBITDA</b>		
1. Acquisition related professional fees	-	8,203
2. Fees – Financing / Public Listing	420,421	-
3. Listing Expense – Cuspis RTO	1,741,646	-
4. Mobile messaging platform replacement costs	-	239,537
5. Director fees on successful completion of transaction	175,000	-
6. Management Stock Option expense	119,296	-
7. Share based signing bonuses	-	294,002
<b>Adjusted EBITDA</b>	<b>170,426</b>	<b>465,820</b>

#### Footnotes

1. Acquisition related professional fees reflects legal costs incurred to complete the acquisitions of Pickaw S.A.S (May 2024) and the mobile messaging assets from ICF Next (November 2023)
2. Financing related professional fees reflect corporate finance, legal, and valuation costs incurred for the raising of capital and reverse takeover transaction with Cuspis Capital II Ltd. which closed in February 2025.
3. Upon completion of the reverse takeover transaction with Cuspis Capital II Ltd. mentioned above, the company recorded a listing expense to reflect the paid premium in shares issued to Cuspis shareholders (\$2.9 million) less the fair value of assets transferred (\$1.2 million) to the Company.
4. Mobile messaging core system replacement costs relate to the Company's investment to transition the messaging gateway to a new platform designed to significantly enhance messaging traffic growth and diversify the Company's capabilities in delivering differentiated solutions to its customers.
5. One of the Company directors was engaged for services to support the successful completion of the reverse takeover transaction and acquisition of Fannex. As part of those services the Director agreed to compensation in the form of cash and shares, to be fully paid out by June 2026.
6. Management stock option expense relates to the vesting of Management stock options awarded to senior management to align their incentives with the Company. These options were granted in September 2024 but fully vest on January 1, 2026.
7. Share based bonuses relate to one-time inducements of common shares awarded to 2 executives who joined the Company in 2024.

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As at March 31,	2025	2024
Cash	\$1,798,604	\$198,246
Current assets	\$15,461,860	\$13,041,803
Total assets	\$33,301,327	\$24,876,464
Total liabilities	\$28,150,222	\$21,692,538
Shareholders' equity	\$5,151,105	\$3,183,926

Revenue for the 3-month period ended March 31, 2025 increased by 56% to \$6.0 million, compared with \$3.9 million during the same period in 2024. The overall increase in revenue was attributable to an 87% increase in Mobile Messaging revenue, a 100% increase in IC Insurance revenue and a 29% increase in IC Digital Promotion revenue over the same period in 2024.

Gross Profit for the 3-month period ended March 31, 2025 increased 28% to \$2.7 million compared to \$2.1 million during the same period in 2024. The Company's cost of sales for 3-month period ended March 31, 2025, increased by 90% to \$3.3 million compared to \$1.7 million in 2024. The expected increase in the Company's cost of sales is primarily due to the mobile messaging cost of sales of \$2.3 million compared to \$0.9 million in 2024. The increase in Gross Profit is primarily due to the improvement of Gross Profit from Digital Promotions of \$0.5 million and Insurance of \$0.1 million compared to the same period in 2024. The increases were offset by a slight decrease in Gross Profit from Mobile Messaging of \$0.1 million during the same period. The overall Gross Margin across all businesses declined to 45% in the first quarter of 2025 from 55% during the same period in 2024 expectedly due to the increase of the lower margin mobile messaging revenue and increased carrier fees.

Amortization expense remained flat at \$0.3 million during the first quarter in 2025 compared to same period in the prior year. There was a decrease in amortization expenses in the mobile messaging segment due to the disposal of the previously acquired messaging gateway asset in June 2024; this was offset by an increase in amortization expense in the IC Digital Promotions segment due to the acquisition of Pickaw in May 204 and Emotion Media Inc. in February 2025.

Operating and administrative expenses (excluding amortization expenses) for the 3-month period ended March 31, 2025, increased by approximately 37% to \$3.4 million, compared to \$2.5 million in 2024. The overall increase in operating and administrative expenses was due to the acquisitions of Pickaw S.A.S and Emotion Media Inc. which are included in the first quarter of 2025 but not in 2024. Similarly, there was an increase in the quarter to legal and professional service fees as part of the acquisition of Emotion Media Inc. and the reverse takeover with Cuspis Capital II, both which occurred on February 21, 2025.

Employed and contract personnel costs not allocated to direct cost of sales comprised approximately 64% of total operating and administrative expenses for the 3-month period ended March 31, 2025, increasing approximately 14% to \$2.2 million, compared to \$1.9 million in 2024. The expected increase is primarily due to additional staffing costs absorbed through the Emotion Media Inc. acquisition, and the share option expense for the management options vesting January 1, 2026. This was offset by higher utilization rates of Digital Promotion development teams in Q1 2025 compared to 2024, thus re-allocating more labour costs to cost of sales from administrative expenses.

Professional service fees for the 3-month period ended March 31, 2025 increased by 194% to \$0.5 million compared to \$0.2 million in 2024, which were mostly driven by legal, consulting, and broker fees paid as part of the capital raise during the listing transaction closed on February 21, 2025.

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Interest expense for the period ended March 31, 2025, increased by 21% to \$0.2 million, compared to \$0.1 million in 2024, due primarily to the expected debenture debt transferred as part of the Emotion Media Inc. acquisition.

Net loss for the period ended March 31, 2025, was (\$2.8 million) compared to a net loss of (\$0.5 million) during the same period in 2024. The net loss for Q1 2025 was mainly due to one-time costs incurred related to the acquisition of Emotion Media Inc, reverse takeover of Cuspis Capital II, share issuance and option expense to directors and management of the corporation, and increased advertising and staffing levels to support the public listing.

Adjusted EBITDA for the 3-month period ended March 31, 2025 was \$0.2 million compared to \$0.5 million in 2024. The Adjusted EBITDA was slightly below the prior year, reflective of higher corporate costs incurred to invest in the expansion of the senior management team, accelerate the integration of recently acquired businesses and to support future growth as a public company.

Individual business segment performance is discussed below.

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#### IC Digital Promotion Solutions

Revenue	For 3 Months ending Mar 31, 2025	For 3 Months ending Mar 31, 2024	Change
Contract and prizing revenue	2,726,177	2,114,178	29%
	2,726,177	2,114,178	29%
<b>Cost of Sales</b>			
Direct labour	(508,392)	(418,177)	(22%)
Fulfillment costs	(367,672)	(351,440)	(5%)
	(876,064)	(769,617)	(14%)
<b>Gross Profit</b>	1,850,113	1,344,561	38%
<b>Gross Margin</b>	68%	64%	
<b>Operating expenses</b>			
Amortization Expense	(94,083)	(23,257)	(305%)
Operating and administrative expenses	(1,355,897)	(1,129,490)	(20%)
Other income	142,078	265,127	(46%)
<b>Operating income (loss)</b>	542,145	456,941	19%

Contract and prizing revenue increased by \$0.6 million, primarily driven by a partial recovery in activity from a major U.S. customer, an increase in rebate revenue from prizing programs; and the recognition of contract revenue for a large unique promotion with a major US customer. The increase was further supported by revenue contributions from the Emotion Media Inc. acquisition completed in February 2025.

Direct labour increased by 22% for the three-month period ended March 31, 2025, primarily due to the increase of contract and promotional programs engaged or launch in the period. Unallocated direct labour costs result in an inverse impact to operating and administrative expenses. Increases to operating and administrative expenses in the segment were driven by the acquisitions of Pickaw and Emotion Media Inc. operations. Fulfillment costs increased by 5%, driven by slightly higher prizing activity.

Included in Other income is \$0.1 million of foreign exchange gains and no refundable investment tax credits related to new product development. Although a focus on new product development remains, the ability to claim ITCs through the SR&D program in Canada are greatly limited as a public entity compared to prior years as a private company. Accordingly, no anticipated income was accrued in Q1 2025 for these ITCs. In comparison, in 2024 when the organization was operating as a CCPC, \$0.2 million was included in Accounts and other receivables on the balance sheets as at December 31, 2024. The balance of Other Income primarily relates to investment income.

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**IC Mobile Solutions**

	<u>For 3 Months ending</u> <u>Mar 31, 2025</u>	<u>For 3 Months ending</u> <u>Mar 31, 2024</u>	<u>Change</u>
<b>Revenue</b>			
Mobile messaging	2,831,127	1,513,536	87.05%
	2,831,127	1,513,536	87.05%
<b>Cost of Sales</b>			
Mobile messaging carrier costs	(2,254,673)	(879,495)	156.36%
	(2,254,673)	(879,495)	156.36%
<b>Gross Profit</b>	576,454	634,041	(9.08%)
<b>Gross Margin</b>	<b>20%</b>	<b>42%</b>	
<b>Operating expenses</b>			
Amortization Expense	(132,078)	(214,978)	(38.56%)
Operating and administrative expenses	(591,803)	(615,360)	(3.83%)
Other income (expense)	-	-	-
<b>Operating income (loss), as reported</b>	<b>(147,427)</b>	<b>(196,297)</b>	<b>(24.90%)</b>
<b>Add back:</b>			
Messaging System replacement	-	-	-
Limited license impairment	-	-	-
<b>Adjusted operating income (loss)</b>	<b>(147,427)</b>	<b>(196,297)</b>	<b>(24.90%)</b>

Mobile Messaging revenue increased organically by \$1.3 million, driven by increased traffic across all customers. The increase was further supported by professional set up fees with existing customers in the period.

Operating and administrative expenses remained flat in the period ending March 31, 2025 compared with prior year, as personnel costs and hosting and service fees have transitioned from integration expenses to scaling and business development costs. Also included in Operating and Administrative expenses were onboarding and integration costs incurred in 2024 related to the system replacement. These were recognized as a one-time expense with a total costs incurred in the three-months ended March 31, 2024 of \$0.2 million; nil in the three-months ended March 31, 2025.

Amortization expense of \$0.1 million for the three-month period ended March 31, 2025 related to the Company's investment in the acquired customer contracts. This was slightly lower than the \$0.2 million recognized for the same period of 2024 as the acquired messaging gateway platform was fully depreciated by the end of June 2024.

**IC GROUP HOLDINGS INC.**

## Management's Discussion &amp; Analysis

For the three-month periods ended March 31, 2025, and 2024

**IC Insurance Solutions**

	<u>For 3 Months ending</u> <u>Mar 31, 2025</u>	<u>For 3 Months ending</u> <u>Mar 31, 2024</u>	<u>Change</u>
<b>Revenue</b>			
Profit and sales commissions	357,001	145,543	145%
Rating site and administrative income	102,687	83,864	22%
	459,688	229,407	100%
<b>Cost of Sales</b>			
Brokerage commissions	(170,154)	(87,955)	93%
	(170,154)	(87,955)	
<b>Gross Profit</b>	289,534	141,452	105%
<b>Gross Margin</b>	63%	62%	
<b>Operating expenses</b>			
Amortization Expense	(92,994)	(93,051)	0%
Operating and administrative expenses	(279,989)	(277,334)	1%
Other income (expense)	(6,143)	995	(718%)
<b>Operating income (loss)</b>	(89,592)	(227,938)	61%

Timing of certain large insurance policies impacted revenue of the three-month period ending March 31, 2025 compared to the same period in 2024. This along with increased activity in the Event Cancellation and Liability market generated an increase of 145% in profit and sales commissions for the three-month period ending March 31, 2025.

Brokerage commission expenses increased at the same rate in the three-month period ending March 31, 2025 than did profit and sales commissions, as the Company was able to maintain its take rate on premiums bound while increasing premium written.

Operating and administrative expenses in the three-month period in 2025 were consistent with the prior year period. Within operating and administrative expenses, most costs relate to payroll and benefits. Also included is \$0.1 million of amortization expense for the three-month period in 2025 (2024 - \$0.1 million), mostly related to the Company's investment in the development of the "Glide" platform.

## **IC GROUP HOLDINGS INC.**

### **Management's Discussion & Analysis**

**For the three-month periods ended March 31, 2025, and 2024**

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## **DEBT FINANCING**

As at March 31, 2025 long-term debt was \$8.7 million compared to \$9.1 million at December 31, 2024. The Company's long-term debt consists of a credit facility provided by Bank of Montreal ("BMO" or the "lender") and a variable interest credit facility provided by Royal Bank of Canada ("RBC") as part of the Emotion Media Inc. acquisition. This loan with RBC was issued for the purposes of refinancing a CEBA loan which the entity acquired during the Covid pandemic period.

The terms of the BMO credit facility require that the Company's financial performance must achieve both a maximum debt to EBITDA ratio and a minimum fixed charge ratio. As at December 31, 2023, IC Group was in violation of both covenants. On May 22, 2024, the Company obtained from the lender a waiver to test the application of covenant tests until June 30, 2025. Subsequently, on January 23, 2025, the lender amended the original agreement to have the date of covenant tests changed to January 1, 2026.

IC Group has available credit facilities with BMO in the form of an overdraft facility to a maximum of \$0.9 million and a \$0.5 million working capital loan, bearing interest at prime plus 2%. As at March 31, 2025 and December 31, 2024, neither of these credit facilities were utilized.

During the three-month period ended March 31, 2025, the Company made principal repayments on its long-term credit facility of \$0.4 million, compared to \$0.4 million in 2024.

As part of the acquisition of Emotion Media Inc. the company assumed approximately \$2.6 million of debentures and accrued interest payable, of which approximately \$0.6 million was already due to the Company from Emotion Media Inc. At the closing of the acquisition on February 21, 2025, the Company repaid \$0.4 million of the outstanding balance, including \$0.1 million related to its proportionate share of the obligation.

## **SHARE CAPITAL**

### **Issued and outstanding**

During the three-month period ended March 31, 2025 IC Group issued 7,632,926 common shares for the following purposes:

	<b>Common Shares Issued</b>	<b>Amount (\$)</b>
Emotion Media Inc. acquisition portion in shares	3,211,009	3,211,009
Cuspis Capital II reverse takeover transaction	2,900,000	2,900,000
Capital raise as part of public listing	1,205,250	922,016
Shareholder Loans repayment in shares	316,667	242,250
	7,632,926	7,275,275

Along with the shares issued to investors are part of the capital raise and shareholder loan repayments, 1,521,917 warrants were granted on February 21, 2025. Each Underlying Warrant entitles the holder to purchase one IC Group common share at an exercise price equal to \$1.20 until the date that is 48 months following the closing date of the

## **IC GROUP HOLDINGS INC.**

### **Management's Discussion & Analysis**

**For the three-month periods ended March 31, 2025, and 2024**

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Qualified Transaction, February 20, 2029. As part of compensation for leading the private placement offering, the broker received warrants which entitle the holder to purchase one IC Group common share at an exercise price equal to \$1.00 per warrant received until the date that is 48 months following the closing date of the Qualified Transaction. As at March 31, 2025, no warrants were exercised into common shares. No additional management options were granted in the three-month period ending March 31, 2025.

### **Unvested Share options**

In September 2024, share options were granted to Management to align their incentives in the Company. These options vest in two equal tranches on January 1, 2025, and January 1, 2026 and hold a strike price of \$0.73 per share. As at March 31, 2025, no vested options from the first tranche were exercised into shares.

### **LIQUIDITY AND CAPITAL RESOURCES**

Capital is comprised of the Company's shareholders' equity and debt facilities. As at March 31, 2025, the Company's shareholders' equity was \$5.1 million (\$0.1 million at December 31, 2024) and there was \$11.1 million of debt and debentures outstanding (\$9.8 million at December 31, 2024). Debt increased in the period due absorbing the \$2.3 million of debenture and interest payable on February 21, 2025 as part of the Emotion Media Inc. acquisition, offset by principal repayments of \$0.4 million and repayments of \$0.3 million of shareholder loans through share and warrant issuances in Q1 2025.

The Company's cash flows for the three-month periods ended March 31, 2025 and 2024 are summarized in the table below.

<b>Period Ended March 31,</b>	<b>2025</b>	<b>2024</b>
Cash flows provided by (used for) operating activities	399,297	(162,478)
Cash flows provided by (used for) financing activities	1,708,821	(365,395)
Cash flows used in investing activities	(410,471)	(461,462)
Increase (decrease) in cash for the period	1,697,647	(989,335)
Cash, beginning of the period	101,329	1,176,270
Cash, end of the period	1,798,604	198,246

Cash flows provided by (used for) operating activities were \$0.4 million for the three-months ended March 31, 2025 (2024 – (\$0.2 million)). This change was primarily a result of an increase to Accounts payable and accrued liabilities of \$0.7 million, deferred revenue of \$0.5 million, and customer deposits – prizing of \$4.9 million; offset by loss in net earnings (\$2.8 million), increase to accounts and other receivables (\$0.2 million) and changes in restricted cash (\$4.8 million). Non-cash items expenses included in net earnings also created a positive \$2.2 million impact. Other factors which increased the cash provided by operations activities included amortization of intangible assets of \$0.3 million and amortization of share option expense \$0.1 million.

Cash flows provided by (used in) financing activities were \$1.7 million during the 3-month period ended March 31, 2025 (2024 – \$0.4 million), which were sourced from issuance of common shares of \$2.1 million, issuance of warrants of \$0.4 million and offset by (\$0.4 million) of repayments of bank facilities, (\$0.2 million) repayments of notes payable, and (\$0.2 million) net repayments of debentures.

## **IC GROUP HOLDINGS INC.**

### **Management's Discussion & Analysis**

**For the three-month periods ended March 31, 2025, and 2024**

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Cash flow used in investing activities was (\$0.4 million) during the three-month period ended March 31, 2025 (2024 - \$0.5 million). The funds were used, along with the issuance of common shares, as part of the acquisition of Emotion Media Inc. on February 21, 2025.

As a result of the above activities, at March 31, 2025, the Company has \$1.8 million of cash and other current assets totaling \$13.7 million to settle current liabilities of \$18.0 million.

### **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the three-month period ended March 31, 2025 the Company incurred \$0.5 million of short-term compensation to related Directors and Officers (\$0.3 million - 2024) and share-based payments of \$nil (\$0.1 million – 2024).

In 2024, certain shareholders committed to lending the Company up to \$0.8 million. These shareholder loans bear interest at a rate of 10.0% per annum payable monthly. On December 20, 2024 the Company obtained from the lending shareholders an extension of repayment period to July 1, 2026. As at March 31, 2025, loans aggregating \$0.7 million had been advanced and \$0.3 million had been repaid in share issuance as part of the listing transaction (nil – 2024). At March 31, 2025, \$0.4 million remained outstanding.

### **Business Combinations**

#### **Acquisition of Emotion Media Inc.**

On February 21, 2025, as previously announced and immediately following the below described business combination and equity financing, the Company acquired the shares of Emotion Media Inc. that it did not already own in exchange for \$0.3 million of cash and the issuance of 407,126 common (pre-split) shares of IC Group, including the assumption of approximately \$2.5 million of debentures and accrued interest payable, of which approximately \$0.6 million was already due to the Company from Emotion Media Inc. and of which approximately \$0.3 million was repaid on closing.

The fair values of the assets acquired, liabilities assumed and consideration are summarized as follows:

<b>Consideration paid</b>	
Common shares (3,211,009)	3,211,009
Cash	250,054
Pre-acquisition investments in Emotion Media Inc.	
Common share investment	347,500
Debentures	409,233
<b>Total consideration transferred</b>	<b>4,217,796</b>

<b>Acquired Assets and Liabilities</b>	
Cash	30,546
Net working capital	(362,767)
Property and equipment	2,477
Internally developed software	1,347,928

## IC GROUP HOLDINGS INC.

### Management's Discussion & Analysis

For the three-month periods ended March 31, 2025, and 2024

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Customer Relationships	259,000
Bank indebtedness	(29,121)
Debentures and accrued interest	(2,063,034)
<b>Total identifiable net assets acquired</b>	<b>(814,971)</b>
Total Consideration paid	4,217,796
Fair value of identifiable net assets acquired	(814,971)
<b>Goodwill</b>	<b>5,032,767</b>

Goodwill primarily represents the synergistic benefits of combining the Emotion Media Inc. business with ICG's Digital Promotions operating segment. Additionally, goodwill is attributed to the assembled workforce of Emotion Media Inc., the value pertaining to the Company being able to immediately utilize the acquired staff. These benefits would be available to other market participants.

The following table provides the estimated schedule of payments for the repayment of the debentures and accumulated interest not owned by the Company:

	Date	Amount (\$)
Debenture repayment #1	Paid on closing – February 21, 2025	312,234
Debenture repayment #2	September 1, 2025	156,117
Debenture repayment #3	October 1, 2025	156,117
Debenture repayment #4	November 1, 2025	156,117
Debenture repayment #5	December 1, 2025	156,117
Debenture repayment #6	July 1, 2026	585,439
Debenture repayment #7	December 1, 2026	689,178
<b>Total</b>		<b>2,211,319</b>

### **Reverse Take Over, Equity Financing and Advances from Shareholders**

On February 21, 2025, Cuspis, a Capital Pool Company listed on the Exchange, and 1119 Canada closed their previously announced business combination transaction which resulted in the reverse takeover of Cuspis by 1119 Canada and which constituted the Qualifying Transaction for Cuspis. 1119 Canada became the wholly owned subsidiary of Cuspis, and Cuspis, the resulting issuer, was renamed "IC Group Holdings Inc."

In furtherance of the business combination, on November 7, 2024, Cuspis and 1119 Canada closed a brokered private placement offering (the "Offering") of subscription receipts of IC Group ("Subscription Receipts") at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$1,205,250. Each subscription receipt entitled the holder, on a post-share split and share consolidation basis as described below, to one resulting issuer common share and one common share purchase warrant (each warrant, an "Underlying Warrant"). Each Underlying Warrant entitles the holder to purchase one resulting issuer common share at an exercise price equal to \$1.20 until the date that is 48 months following the closing date of the Qualifying Transaction.

In conjunction with the Offering, certain shareholders of 1119 Canada converted an aggregate \$316,667 of their advances into 316,667 Subscription Receipts. Interest on the remaining \$400,000 balance continues to accrue at a rate of 10% per annum, payable monthly.

## **IC GROUP HOLDINGS INC.**

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Under the terms of the Qualifying Transaction, IC Group completed a 7.89:1 share split, resulting in 1119 Canada having a total of 29,000,000 shares outstanding (which includes securities of 1119 Canada issued to complete the acquisition of Emotion Media Inc., but which excludes securities issued in the Offering). Cuspis completed a 1:4.31 share consolidation. Following the share split and share consolidation, holders of common shares of 1119 Canada, including those shares issuable pursuant to the Offering, received one post-amalgamation common share of the resulting issuer in exchange for each common share of 1119 Canada held. In addition, all options and warrants exercisable for IC Group common shares were exchanged for options and warrants exercisable for resulting issuer common shares, on the same economic terms and conditions as such original outstanding securities.

Upon completion of the Transaction, the Acquisition, the Offering, and the conversion of advances from shareholders, shareholders of ICG held 71.26% of the Resulting Issuer Shares.

### **SUBSEQUENT EVENTS**

Management has evaluated events occurring after March 31, 2025, through the date of the MD&A and Financial Statement approval and has determined that there are no material subsequent events that require disclosure in the MD&A or the accompanying financial statements.

### **RISKS AND UNCERTAINTIES**

#### **AN INVESTMENT IN SECURITIES OF IC GROUP IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.**

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of IC Group consider the risks set forth below to be the most significant, but do not consider them to be all the risks associated with an investment in securities of IC Group. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with IC Group's business, actually occur, IC Group's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the IC Group's securities could decline, and investors may lose all or part of their investment.

#### **Reliance on Key Personnel**

The success of IC Group depends largely upon the continued services of its executive officers and other key employees, namely its Chief Executive Officer, Duncan McCready, its Chief Financial Officer, John Penhale, Marc Caron, Secretary of IC Group (and COO of IC Group Inc.) and David Sasaki, President of IC's insurance business, and other senior leaders in the organization. IC Group relies on its leadership team in all areas of its businesses including Digital Promotions, Incentives & Rewards, Mobile Messaging, and Insurance Solutions including functional areas of financial operations, engineering, information technology, delivery, legal & compliance, operations, vendor management, marketing, sales, customer support, information security, general and administrative functions. From time to time, there may be changes in IC Group's executive management or leadership team resulting from the hiring or departure of executives, which could disrupt its business. IC Group does not have employment or contractor agreements with its executive officers or other key personnel that require them to continue to work for IC Group for any specified period and, therefore, they could terminate their contract or employment with IC Group at any time. The

## **IC GROUP HOLDINGS INC.**

### **Management's Discussion & Analysis**

**For the three-month periods ended March 31, 2025, and 2024**

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loss of one or more of IC Group's executive officers or key employees could harm IC Group's business. The Company carries no "Key Man" insurance on any of its management, and the loss of any of these individuals is likely to have a negative effect on the Company's operations. Changes in IC Group's executive management team may also cause disruptions in, and harm to, its business.

In addition, to execute IC Group's growth plan, IC Group must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for software engineers experienced in designing and developing software and SaaS applications and experienced sales professionals. IC Group has, from time to time experienced, and expects to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which IC Group competes for experienced personnel have greater resources than IC Group. If IC Group hires employees from competitors or other companies, their former employers may attempt to assert that these employees or IC Group has breached their legal obligations, resulting in a diversion of IC Group's time and resources. In addition, future job candidates and existing employees may consider the value of the equity awards they receive in connection with their employment. If the perceived value of IC Group's equity awards declines, it may harm IC Group's ability to recruit and retain highly skilled employees. If IC Group fails to attract new personnel or fails to retain and motivate its current personnel, its business and future growth prospects could be harmed.

### **Future Capital Needs and Uncertainty of Additional Financing**

IC Group may need to raise additional funds to support more rapid expansion, technology investments, declines in actual earnings vs. forecasted earnings, increases in marketing expenses, or the funds needed to operate as a public company. There is no assurance that IC Group will be successful in obtaining the required financing, including for general working capital. There can be no assurance that such additional funding, if needed, will be available on terms attractive to IC Group or at all. Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of IC Group will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms IC Group may be unable to develop or enhance its business, take advantage of future opportunities, or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

### **Lengthy and Variable Sales Cycle**

Selling some of the Company's products and solutions can be a long and complex process of up to 12 months. IC Group can spend a substantial amount of time educating potential customers about the use and benefits of its solutions. Because the adoption of the Company's digital and mobile solutions often represents a substantial investment, potential customers may take months to evaluate the benefits and obtain the necessary expenditure authorizations and financing required to purchase the Company's solutions. The customer onboarding process for some of IC Group's solutions may also involve a lengthy timeline driven by customer requirements. This process may be extended if the solutions are part of a larger project or ecosystem.

Because of these factors and the Company's limited revenue history with new acquisitions, it is especially difficult to forecast the Company's revenue and operating results. The Company's inability to accurately predict the timing and magnitude of the Company's sales could cause a number of problems, including the following: (i) the Company may expend significant management efforts and incur substantial sales and marketing expenses in a particular period that do not translate into orders during that period, or at all; and, (ii) the Company may have difficulty meeting its cash

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**For the three-month periods ended March 31, 2025, and 2024**

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flow requirements and obtaining credit because of delays in receiving orders or delays in receiving payment for its products and services.

### **Ability to Achieve Revenue and Customer Growth**

Although IC Group has diversified revenue streams generated via professional service fees, commission-based fees, transaction fees, and license fees for its SaaS platforms there is no assurance that future revenues will grow or be sufficient to generate the funds required to continue operations without external funding. Growth of the Company's recurring revenue helps offset and minimize revenue uncertainty.

Further, in future periods, IC Group's revenue growth could slow, or its revenue could decline for several reasons, including slowing demand for its product, increasing competition, any failure to gain, grow or retain channel partners, a decrease in the growth of its overall market, or its failure, for any reason, to continue to capitalize on growth opportunities.

IC Group's customers also have no obligation to renew their subscriptions or contracts after their term expires. Customers may also terminate contracts early subject to termination clauses and recovery of termination expenses, however there is no or little termination penalty. As a result, there can be no assurance that IC Group will be able to retain its customers including new customers gained in recent acquisitions.

IC Group's costs associated with contract renewals are substantially lower than costs associated with generating revenue from new customers or costs associated with generating sales of additional solutions to existing customers. Therefore, if IC Group is unable to retain customers, even if such losses are offset by an increase in new customers or an increase in other revenues, its operating results could be adversely impacted.

IC Group may also fail to attract new customers, retain existing customers, or increase sales to both new and existing customers because of a number of other factors, including:

- reductions in its current or potential customers' spending levels.
- competitive factors affecting technology and SaaS solutions including the introduction of competing solutions, discount pricing and other strategies that may be implemented by its competitors.
- regulatory or legal restrictions in jurisdictions IC Group operates.
- tariffs or other applied economic penalties
- its ability to execute on its growth strategy and operating plans.
- a decline in its customers' level of satisfaction with its solution and customers' usage of its solution.
- changes in its relationships with third parties, including its partners, software developers, and others.
- the frequency and severity of any system outages.
- the pace of technological change

### **Ability to Manage Growth Effectively**

IC Group has experienced, and may continue to experience, rapid growth and organizational change through its acquisitions, which has placed, and may continue to place, significant demands on its management, operational, technical, information security, and financial resources. IC Group's organizational structure is also becoming more complex as it integrates recent acquisitions and improves its operational, financial, technology, information security

## **IC GROUP HOLDINGS INC.**

### **Management's Discussion & Analysis**

**For the three-month periods ended March 31, 2025, and 2024**

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and management controls as well as its reporting systems and procedures. IC Group will require capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining its culture of rapid innovation, teamwork, and attention to customer success, which has been central to its business success to date. If IC Group fails to manage its anticipated growth and change in a manner that preserves the key aspects of its corporate culture, the quality of its solution may suffer, which could negatively affect its brand and reputation and harm its ability to retain and attract customers and employees.

In addition, as IC Group expands its business, it is important that it continues to maintain a high level of customer service and satisfaction. As IC Group's customer base continues to grow, IC Group may need to expand its account management, customer service, sales, and channel partners, to provide personalized service. If IC Group is not able to continue to provide high levels of customer service, its reputation, as well as its business, results of operations and financial condition, could be harmed.

### **Operating Risks**

The Company's expenses or capital investments may increase in the future as it develops and launches new product features, expands in existing and new markets, increases sales and marketing efforts, and continues to invest in its technology. These efforts may be more costly than expected and may not result in increased revenue or growth in the Company's business. In addition, as IC Group is a newly public company, it will incur additional legal, accounting, and other expenses that it did not incur as a private company. Failure to increase revenue sufficiently to keep pace with investment and other expenses could prevent the Company from achieving or maintaining profitability or positive cash flow on a consistent basis.

### **International Markets**

Sales outside of Canada represent a significant portion of the Company's total gross revenues. Sales to international customers are subject to a number of risks and uncertainties including, but not limited to, complications in both compliance with and unexpected changes in foreign government laws, regulations and telecommunications standards, import and export license requirements, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, exchange controls, complexity in collecting accounts receivable, difficulty in staffing and managing foreign or remote operations, potential political and economic instability, events of international terrorism, economic effects of public health threats such as pandemics or epidemics, uncertainties of laws and enforcement relating to the protection of property rights including intellectual property rights, unauthorized copying of the Company's proprietary technologies, uncertainties in local commercial or financial sector practices, uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations, and other factors depending on the country involved. While international sales are typically denominated in U.S. dollars or in the case of insurance solutions in the currency of the country of the domiciled insured party, fluctuations in currency exchange rates could cause the Company's products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. As a result of these factors, the Company may not be successful in entering certain international markets and maintaining or increasing international market demand for the Company's products.

## **IC GROUP HOLDINGS INC.**

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For the three-month periods ended March 31, 2025, and 2024

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#### **Economic Slowdown**

From time-to-time markets witness the weakening of global macro-economic conditions. This weakness affects spending patterns on a global basis, and as a result may affect IC Group's ability to forecast current and future period revenues. Despite these potential weakness in economic activity, IC Group's customer base remains solid, and the Company remains encouraged by the level of interest that the marketplace continues to show in its offerings.

#### **Mergers & Acquisition Risks**

IC Group has recently acquired its Mobile Messaging business through an asset purchase completed on November 1, 2023 (the "**Mobile Messaging Business**"), a Promotion Social SaaS platform business ("**Pickaw**") acquired on May 31, 2024, and Emotion Media Inc. on February 21, 2025. As such, IC Group has limited operational history with these businesses.

The Company may, when and if the opportunity arises, acquire other products, technologies or businesses involved in activities, or having product lines, that are complementary to its business. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies and products of the acquired companies, the diversion of management's attention from other business concerns, risks associated with entering new markets or conducting operations in industry segments in which the Company has no or limited experience and the potential loss of key employees of the acquired company. Even if such acquisitions are made, there can be no assurances that any anticipated benefits of an acquisition will be realized. Future acquisitions by the Company could result in potentially dilutive issuances of equity securities, the use of cash, the incurrence of debt and contingent liabilities, and write-off of acquired research and development costs, all of which could materially adversely affect the Company's operations and financial condition.

#### **Competition**

The marketing, promotion, specialty insurance, and mobile messaging industries are intensely competitive and characterized by rapid changes in technology, shifting user needs and frequent introductions of new services and offerings. It is expected that competition will continue, both from current competitors and new entrants in the market that may be well-established and enjoy greater resources or other strategic advantages. If IC Group is unable to anticipate or react to these competitive challenges, its competitive position could weaken, or fail to improve, and it could experience growth stagnation that could adversely affect its business, financial condition and results of operations.

Certain competitors have much greater financial, technical, marketing, research and development, product solutions, greater name recognition, longer operating histories or a larger customer base than IC Group does. They may be able to devote greater resources to the development, promotion and sale of offerings and offer a more desirable product, which could adversely affect results of operations. Further, they may have greater resources to deploy towards the research, development and commercialization of new technologies, product solutions or markets, its current and potential competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings.

If the Company is unable to compete successfully, its business, financial condition and results of operations could be adversely affected.

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**For the three-month periods ended March 31, 2025, and 2024**

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## **Brand and Reputational Risks**

IC Group's reputation, brand, and the network effects among users of its solutions are critical to IC Group's success, and if IC Group is not able to continue developing its reputation, brand and network effects, its business, financial condition and results of operations could be adversely affected.

Building a strong reputation and brand as a reliable, affordable, and efficient solutions provider will be critical to the ability to attract and retain new users. The successful development of such reputation, brand and network effects will depend on several factors, many of which are outside the Company's control. Negative perception of IC Group or its products may harm its reputation, brand, and networks effects.

If IC Group does not successfully develop its brand and reputation and successfully differentiate its offerings from competitive offerings, the business may not grow, the Company may not be able to compete effectively and may lose or fail to attract users, any of which could adversely affect the business, financial condition, and results of operations.

## **Consumer Privacy and Data Protection Risks**

Failure to protect Personal Data and comply with Data Protection and Privacy laws and regulations, such as the European General Data Protection Regulation (GDPR) Privacy Policy and other such Data Protection Regulations, in all applicable jurisdictions in which IC Group controls, collects, processes, or stores Personal Information of residents, could result in fines, litigation, and other regulatory actions which would adversely affect the business, financial condition, reputation and operations of IC Group. IC Group is an ISO27001 certified company demonstrating the company's commitment to robust information security practices. It means the Company has implemented and is maintaining an Information Security Management System (ISMS) that meets the requirements of the ISO 27001 international standard, which focuses on protecting confidential information.

## **Risk of Network or Data Security Incidents**

Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer "hackers," malicious code (such as viruses and worms), employee or 3<sup>rd</sup> party theft or misuse, and denial- of-service attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for IC Group to entirely mitigate these risks. The security measures IC Group has integrated into its internal networks and solution, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as expected or may not be sufficient to protect its internal networks and solution against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, IC Group may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into its networks.

If a breach, perceived or real were to occur, whether any such breach is due to a vulnerability in IC Group's solution, may also undermine confidence in its solution and result in damage to its reputation, negative publicity, loss of customers and sales, increased costs to remedy any problem, and costly litigation. IC Group continues to expend significant financial, technology, and human resources to protect against such threats or to alleviate problems which could be caused by breaches in security.

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### **Customer Service and Support Standards**

IC Group's customers may rely on IC Group support services to resolve certain issues or may hold IC Group accountable for meeting or exceeding certain performance service levels of its solutions, in accordance with contracts, service level agreements or other project commitments.

High-quality customer education and support is important for the successful marketing and sale of IC Group's solutions and for the renewal of existing customers. The importance of high-quality customer support will increase as IC Group expands its business and pursues new organizations. If IC Group does not help its enterprise customers quickly resolve post-deployment issues or fails to meet performance standards, it could incur financial loss or legal liability, lose business contracts, or negate IC Group's ability to upsell additional product/solutions to existing customers. IC Group would suffer reputational damage with existing customers harming its ability to grow future business with existing or new customers.

### **Litigation**

The Company may be subject to litigation in the ordinary course of business, as well as in the context of potential securities claims, class actions and other corporate activities. Any litigation is time consuming and costly, both financially and by distracting management and staff resources from the Company's business.

### **Strategic Risk**

There is no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets, or businesses is identified, the Company may find that, even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation, and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company.

### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the acquisition of an operating business by the issuance of cash, securities of the Company, or a combination of the two. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

### **U.S. Government Tariffs**

In early 2025, the United States government announced plans to impose a 25% tariff on most Canadian imports as well as broad tariffs on imports from other countries. The Canadian federal and provincial governments then announced retaliatory tariffs on imports from the United States as well as non-tariff measures. Although the ultimate scope, timing and duration of these tariffs and retaliatory measures remains unclear, the connected impact of these announcements may cause continued economic uncertainty. While no adjustments have been made to these consolidated financial statements, it may be difficult to reliably measure the impact of this uncertainty on future accounting estimates, forecasts and financial results.

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## **FINANCIAL INSTRUMENTS**

### **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using Level 1 inputs. The carrying value of accounts payable and accrued liabilities approximates fair value due to its short-term nature.

## **Financial Risk Management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by placing its cash with a major financial institution. The Company's credit risk with respect to its financial assets is remote.

### **Interest Rate Risk**

The Company is exposed to interest rate risk to the extent that its cash maintained in a financial institution is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

### **Liquidity Risk**

The Company's current liabilities are anticipated to mature within the next twelve months. The Company intends to settle these funds out of future earnings and/or through accessing additional funding through capital markets.

### **Foreign Currency Risk**

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at March 31, 2025, it is management's opinion that IC Group is not exposed to significant currency risks arising from these financial instruments.

### **Price Risk**

The Company has no exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

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### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenue and expenses during the year. Actual amounts could differ from these estimates. The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1 of the consolidated financial statements.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts materially.

The Company's critical accounting estimates are as described in the March 31, 2025, notes to the consolidated financial statements.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not engage in any off-balance sheet financial arrangements as at March 31, 2025.