

Management Discussion and Analysis (MD&A)

Overview

The following Management Discussion and Analysis (MD&A) provides a review of the financial performance and key business developments for the year ended December 31, 2023. This report should be read in conjunction with the audited financial statements and the accompanying notes.

Business Environment

In 2023, the overall economic environment was characterized by moderate growth and varying industry trends. Inflationary pressures remained, impacting costs and consumer demand. Regulatory changes and evolving market preferences required operational flexibility.

Financial Results

Revenue

Total revenue for 2023 increased by 8% compared to 2022, mainly due to the launch of new products and expanded market reach.

Expenses

Operating expenses rose by 4%, reflecting higher labor costs and increased marketing investments. Cost-control measures offset some expense headwinds.

Profitability

Net income improved to \$12.4 million from \$10.9 million in the previous year, representing a 13.8% year-over-year increase.

Liquidity and Capital Resources

The Company maintained a strong liquidity position, with cash and cash equivalents totaling \$15.1 million at year-end. Debt levels remained stable, and operating cash flows were sufficient to fund ongoing activities.

Risk Factors

- Market volatility resulting from economic uncertainties.
- Operational risks associated with supply chain disruptions.
- Regulatory risks impacting compliance and reporting.
- Competitive pressures within the industry.

Forward-Looking Statements

This MD&A contains certain forward-looking statements regarding future results and operations. Actual outcomes may differ due to known and unknown risks and uncertainties.

Conclusion

Management remains committed to driving sustainable growth, enhancing operational efficiency, and responding proactively to emerging risks and opportunities.

Important Notes

- MD&A provides management's perspective on financial statements and business trends.
- It includes both quantitative and qualitative analysis.
- Forward-looking statements in MD&A are not guarantees of future performance.
- This document complements, but does not replace, the audited financial statements.