



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2018



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The following Management's Discussion and Analysis ("MD&A"), which has been prepared as at November 13, 2018, of the financial position and operating results of Mediagrif Interactive Technologies Inc. ("Mediagrif" or the "Corporation") should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements and accompanying notes thereto for the quarter ended September 30, 2018, as well as the Corporation's MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2018. This management's discussion and analysis compares performance for the quarters ended September 30, 2018 and 2017. The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A was approved by the Board of Directors of Mediagrif.

In addition to providing profit measures in accordance with IFRS, the Corporation's statement of income shows operating profit and earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) ("Adjusted EBITDA") as supplementary earnings measures. Operating profit and adjusted EBITDA are not intended to be measures that should be regarded as an alternative to other financial operating performance measures prepared in accordance with IFRS. Those measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Operating profit and adjusted EBITDA are provided to assist investors in determining the Corporation's ability to generate profitability from its operations and to evaluate its financial performance.

This MD&A contains certain forward-looking statements with respect to the Corporation. Verbs such as "believe," "expect," "anticipate," "estimate" and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. These statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those expected by these forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Corporation, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect the Corporation. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CORPORATION PROFILE

Mediagrif (TSX: MDF) is a Canadian leader in information technology offering strategic sourcing and unified commerce solutions as well as B2B and B2C marketplaces. Mediagrif's solutions are used by millions of consumers and businesses in North America and around the world. The Corporation has offices in Canada, the United States, Denmark and China.

MISSION STATEMENT

Our mission is to provide to our customers innovative and efficient technological solutions. In doing so, we seek to create value for our customers, our employees and our shareholders.

FINANCIAL HIGHLIGHTS – SECOND QUARTER ENDED SEPTEMBER 30, 2018

- Revenues increased 1.1 % to reach \$20.3 million for the second quarter of 2019, compared to \$20.0 million for the second quarter of 2018;
- Adjusted EBITDA¹ of \$6.6 million including non-recurring expenses of \$0.1 million consisting of termination benefits;
- Profit of \$3.2 million (\$0.21 per share) for the second quarter of 2019, compared to \$1.7 million (\$0.11 per share) for the second quarter of 2018;
- Cash flows generated by operating activities amounted to \$2.7 million.

¹ See reconciliation of Adjusted EBITDA and profit.

CONSOLIDATED STATEMENTS OF INCOME AND SELECTED FINANCIAL INFORMATION

<i>In thousands of Canadian dollars, except per share amounts.</i>	Three months ended		Six months ended	
	September 30		September 30	
<i>Unaudited and not reviewed by independent auditors.</i>	2018	2017	2018	2017
	\$	\$	\$	\$
REVENUES	20,261	20,031	41,389	40,002
GROSS MARGIN	16,116	16,068	33,055	32,226
OPERATING EXPENSES				
General and administrative	2,673	2,772	5,490	5,470
Selling and marketing	3,777	4,238	8,641	8,819
Technology	4,835	5,530	10,869	10,234
TOTAL OPERATING EXPENSES	11,285	12,540	25,000	24,523
OPERATING PROFIT	4,831	3,528	8,055	7,703
Gain (loss) on foreign exchange	(256)	(686)	60	(1,117)
Financial expenses	(281)	(274)	(558)	(508)
Share in profit of a joint venture	-	54	(6)	99
Income tax expense	(1,116)	(912)	(1,941)	(2,051)
PROFIT	3,178	1,710	5,610	4,126
ADJUSTED EBITDA (see reconciliation of adjusted EBITDA and profit)	6,616	5,522	11,872	11,667
CASH FLOWS GENERATED BY OPERATING ACTIVITIES	2,743	2,079	5,096	4,233
EARNINGS PER SHARE – BASIC AND DILUTED	0.21	0.11	0.38	0.28
Declared dividends per share	0.10	0.10	0.20	0.20
Weighted average number of shares outstanding (in thousands):				
Basic and diluted	14,849	14,886	14,849	14,890

<i>In thousands of Canadian dollars.</i>	September 30, 2018	March 31, 2018
<i>Unaudited and not reviewed by independent auditors.</i>	\$	\$
TOTAL ASSETS	207,385	209,656
LONG-TERM DEBT	27,915	28,096

RECONCILIATION OF ADJUSTED EBITDA AND PROFIT	Three months ended September 30		Six months ended September 30	
	2018	2017	2018	2017
<i>In thousands of Canadian dollars.</i>				
<i>Unaudited and not reviewed by independent auditors.</i>	\$	\$	\$	\$
PROFIT	3,178	1,710	5,610	4,126
Income tax expense	1,116	912	1,941	2,051
Depreciation of property, plant and equipment and amortization of intangible assets	861	793	1,743	1,570
Amortization of acquired intangible assets	958	1,183	2,147	2,366
Amortization of deferred financing costs	10	10	20	20
Amortization of deferred lease inducement	(34)	(36)	(67)	(71)
Foreign exchange loss (gain)	256	686	(60)	1,117
Interest on long-term debt	271	264	538	488
ADJUSTED EBITDA	6,616	5,522	11,872	11,667

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

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2018, “SECOND QUARTER OF FISCAL 2019” COMPARED TO THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017, “SECOND QUARTER OF FISCAL 2018”

REVENUES

For the second quarter of fiscal 2019, revenues totalled \$20.3 million, an increase of 1.1% or \$0.3 million compared to the second quarter of fiscal 2018. This increase in revenues is mainly explained as follows:

- Increase in revenues from Orchestra for \$0.6 million when compared to the second quarter of fiscal 2018 primarily due to revenues from professional services;
- Increase in revenues from InterTrade for an amount of \$0.3 million mainly due to a higher number of transactions on the Value Added Network “VAN” for an amount of \$0.2 million and to an increase of \$0.1 million due to additional clients using the catalogue service;
- Decrease in revenues from Jobboom for an amount of \$0.4 million during the second quarter of fiscal 2019 due to price adjustments reflecting the market conditions in recruiting revenues and to a decrease in the number of clients using the platform;
- Decrease in revenues from LesPAC for an amount of \$0.2 million primarily attributable to a decrease in advertising revenues;
- Decrease in revenues from Réseau Contact for an amount of \$0.1 million primarily due to a decrease in the number of users of this platform;
- Increase in revenues of \$0.1 million attributable to higher average effective exchange rates on foreign exchange contracts and to the fluctuation in the market exchange rates of the U.S. dollar against the Canadian dollar.

During the second quarter of fiscal 2019, revenues earned in Canadian dollars represented 55% of total revenues, compared to 56% for the second quarter of fiscal 2018.

COSTS OF REVENUES

Cost of revenues totalled \$4.1 million during the second quarter of fiscal 2019 compared to \$4.0 million during the second quarter of fiscal 2018. The increase is mainly due to the increase of labour and hosting costs for an amount of \$0.1 million.

GROSS MARGIN

Based on the information above, gross margin for the second quarter of fiscal 2019 decreased to 79.5% compared to 80.2% during the second quarter of fiscal 2018.

OPERATING EXPENSES

Operating expenses for the second quarter of fiscal 2019 totalled \$11.3 million, compared to \$12.5 million for the second quarter of fiscal 2018. Changes in operating expenses are explained as follows:

- General and administrative expenses totalled \$2.7 million during the second quarter of fiscal 2019 compared to \$2.8 million during the second quarter of fiscal 2018. The decrease is mainly due to lower labour costs, including termination benefits for an amount of \$0.2 million incurred during the second quarter of fiscal 2018.
- Selling and marketing expenses totalled \$3.8 million during the second quarter of fiscal 2019, compared to \$4.2 million for the second quarter of fiscal 2018. This decrease is mainly attributable to termination benefits of \$0.4 million incurred during the second quarter of fiscal 2018.
- Technology expenses totalled \$4.8 million during the second quarter of fiscal 2019, compared to \$5.5 million during the corresponding quarter of 2018. This decrease is mainly due to additional capitalized internally developed software costs of \$0.5 million and to lower amortization expenses on acquired intangible assets of \$0.2 million. During the same period, higher technology labour costs of \$0.7 million were offset by higher tax credits of \$0.5 million and by lower termination benefits of \$0.2 million.

OPERATING PROFIT

Based on the information above, operating profit reached \$4.8 million during the second quarter of fiscal 2019, compared to \$3.5 million during the second quarter of fiscal 2018.

FOREIGN EXCHANGE

During the second quarter of fiscal 2019, the Corporation realized a foreign exchange loss on assets denominated in U.S. dollars of \$0.3 million, compared to a foreign exchange loss of \$0.7 million during the second quarter of fiscal 2018.

FINANCIAL EXPENSES

Financial expenses remained stable at \$0.3 million during the second quarter of fiscal 2019 compared to the same period in fiscal 2018. These costs consist primarily of interest expenses and standby fees on long-term debt and amortization of deferred financing costs.

INCOME TAX EXPENSE

For the second quarter of fiscal 2019, income tax expense totalled \$1.1 million, representing an effective tax rate of 26.0%, compared to the statutory rate of 26.68%. During the second quarter of fiscal 2018, the effective tax rate stood at 34.8% compared to a statutory rate of 26.78%.

During the second quarter of fiscal 2019, the decrease in the effective tax rate compared to the statutory tax rate is mainly due to the fact that a portion of profit is taxable in the United States, a jurisdiction where the statutory tax rate is lower and to the fact that certain foreign exchange gains are not taxable.

During the second quarter of fiscal 2018, the increase in the effective tax rate compared to the statutory tax rate was mainly due to the fact that certain foreign exchange losses are non-deductible and to the fact that a portion of profit is taxable in the United States, a jurisdiction where the statutory tax rate was higher.

PROFIT

Profit for the second quarter of fiscal 2019 totalled \$3.2 million (\$0.21 per share), compared to \$1.7 million (\$0.11 per share) during the second quarter of fiscal 2018.

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 “FIRST SIX MONTHS OF FISCAL 2019” COMPARED TO THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2017 “FIRST SIX MONTHS OF FISCAL 2018”

REVENUES

For the first six months of fiscal 2019, revenues reached \$41.4 million, an increase of 3.5% or \$1.4 million when compared to the first six months of fiscal 2018. This increase in revenues is mainly explained as follows:

- Addition of revenues from Orchestra for an amount of \$3.3 million for a complete six-month period compared to revenues of \$1.3 million for a four-month period following its acquisition on June 23, 2017. This increase is related to revenues from professional services for an amount of \$1.3 million and to revenues from rights of use for \$0.7 million;
- Increase in revenues from InterTrade for an amount of \$0.6 million mainly related to an increase in the number of transactions on the Value Added Network “VAN” for an amount of \$0.4 million and to an increase of \$0.2 million due to additional clients using the catalogue service;
- Increase in revenues from MERX for an amount of \$0.1 million primarily attributable to a higher demand for printed documents;
- Decrease in revenues from Jobboom for an amount of \$0.7 million during the first six months of fiscal 2019 mainly due to price adjustments reflecting the market conditions and to a decrease in the number of clients using the platform;
- Decrease in revenues from LesPAC for an amount of \$0.2 million due to lower advertising revenues;

- Decrease in revenues from Réseau Contact for an amount of \$0.2 million primarily due to a decrease in the number of users of this platform;
- Increase in revenues of \$0.1 million attributable to higher average effective exchange rates on foreign exchange contracts and to the fluctuation in the market exchange rates of the U.S. dollar against the Canadian dollar.

During the first six months of fiscal 2019, revenues earned in Canadian dollars represented 55% of total revenues compared to 56% during the first six months of 2018.

COST OF REVENUES

Cost of revenues totalled \$8.3 million during the first six months of fiscal 2019 compared to \$7.8 million during the first six months of fiscal 2018. This increase is primarily due to the addition of cost of revenues from Orchestra for a complete six-month period in the amount of \$0.7 million, partially offset by a decrease in licence fees for an amount of \$0.1 million.

GROSS MARGIN

Based on the information above, the gross margin for the first six months of fiscal 2019 slightly decreased to 79.9%, compared to 80.6% during the first six months of fiscal 2018.

OPERATING EXPENSES

Operating expenses for the first six months of fiscal 2019 totalled \$25.0 million, compared to \$24.5 million for the first six months of fiscal 2018. Changes in operating expenses are explained as follows:

- General and administrative expenses remained stable at \$5.5 million during the first six months of fiscal 2019 when compared to the corresponding six-month period of fiscal 2018. The increase in labour costs for an amount of \$0.2 million was offset by lower professional services expenses related to the acquisition of Orchestra on June 23, 2017.
- Selling and marketing expenses totalled \$8.6 million during the first six months of fiscal 2019, compared to \$8.8 million for the first six months of fiscal 2018. This decrease is primarily attributable to lower termination benefits costs for an amount of \$0.4 million. This decrease was partially offset by the increase in advertising expenses for an amount of \$0.1 million and by higher amortization expenses of acquired intangible assets for an amount of \$0.1 million.
- Technology expenses totalled \$10.9 million during the first six months of fiscal 2019, compared to \$10.2 million during the first six months of fiscal 2018. This increase is mainly due to higher labour costs for an amount of \$1.8 million including \$1.4 million due to the addition of Orchestra expenses for a complete six-month period, to an increase of software maintenance fees for an amount of \$0.2 million and to higher professional fees for an amount of \$0.1 million. These increases were primarily offset by additional tax credits of \$0.7 million and capitalized internally developed software costs of \$0.7 million.

OPERATING PROFIT

Based on the information above, operating profit amounted to \$8.1 million during the first six months of fiscal 2019, compared to \$7.7 million during the first six months of fiscal 2018.

FOREIGN EXCHANGE

During the first six months of fiscal 2019, the Corporation realized a foreign exchange gain on assets denominated in U.S. dollars of \$0.1 million, compared to a loss of \$1.1 million during the first six months of fiscal 2018.

FINANCIAL EXPENSES

Financial expenses totalled \$0.6 million during the first six months of fiscal 2019 compared to \$0.5 million during the same period in fiscal 2018. Financial expenses consist primarily of interest expenses and standby fees on long-term debt and of the amortization of deferred financing costs.

INCOME TAX EXPENSE

For the first six months of fiscal 2019, income tax expense totalled \$1.9 million, representing an effective tax rate of 25.71%, compared to the statutory rate of 26.68%.

The decrease in the effective tax rate compared to the statutory tax rate is mainly due to the fact that a portion of the profit is taxable in the United States, a jurisdiction where the statutory tax rate is lower.

During the first six months of fiscal 2018, the income tax expense totalled \$2.1 million with an effective tax rate of 33.2% compared to a statutory rate of 26.78%. The increase in the effective tax rate compared to the statutory tax rate is mainly due to the fact that certain foreign exchange losses are non-deductible and that a portion of the profit is taxable in the United States, a jurisdiction where the statutory tax rate was higher.

PROFIT

Profit for the first six months of fiscal 2019 totalled \$5.6 million (\$0.38 per share), compared to \$4.1 million (\$0.28 per share) during the first six months of fiscal 2018.

QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters on or before September 30, 2018, is as follows:

	Q2 Sept. 30, 2018	Q1 June 30, 2018	Q4 Mar. 31 2018	Q3 Dec. 31, 2017	Q2 Sept. 30, 2017	Q1 June 30, 2017	Q4 Mar. 31 2017	Q3 Dec. 31, 2016
<i>Unaudited by independent auditors</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	20,261	21,128	20,479	20,456	20,031	19,971	19,996	19,267
Operating profit	4,831	3,224	3,427	3,794	3,528	4,175	4,579	5,178
Profit	3,178	2,432	2,099	952	1,710	2,416	3,578	3,985
Basic and diluted earnings per share	0.21	0.16	0.14	0.06	0.11	0.16	0.24	0.27
Weighted average outstanding shares	14,849	14,849	14,849	14,849	14,886	14,895	14,975	14,999
Adjusted EBITDA	6,616	5,256	5,620	6,085	5,522	6,145	6,384	7,090
Cash flows generated by operating activities	2,743	2,353	7,100	6,580	2,079	2,154	8,276	5,111

In thousands of Canadian dollars, except per share amounts.

2019 QUARTERS

- Second quarter ended September 30, 2018: Compared to the first quarter of fiscal 2019 ended June 30, 2018, revenues decreased by \$0.9 million primarily due to lower revenues from Jobboom and LesPAC, a portion of which is seasonal, for a total amount of \$0.6 million and by a decrease in revenues from MERX and Polygon for a total amount of \$0.3 million. These decreases were partially offset by higher revenues from Orchestra for an amount of \$0.2 million. In addition, the change in exchange rates between the U.S. dollar and the Canadian dollar generated a decrease of \$0.1 million in revenues.

During the second quarter of fiscal 2019, despite the decrease in revenues, adjusted EBITDA increased by \$1.4 million primarily due to lower operating expenses. This decrease in operating expenses is mainly due to lower salaries and fringe benefits for an amount of \$1.0 million and to a reduction of advertising costs for an amount of \$0.8 million. In addition, the Corporation recorded additional tax credits and capitalized internally developed software costs for a total amount of \$0.6 million.

As a result of the above-mentioned factors and to a lower amortization expense of \$0.2 million, operating profit increased by \$1.6 million during the second quarter of 2019 to reach \$4.8 million.

Profit for the quarter increased by \$0.7 million to reach \$3.2 million when compared to the first quarter of 2019. Profit for the second quarter includes a foreign exchange loss on U.S. denominated assets for an amount of \$0.3 million compared to a foreign exchange gain of \$0.3 million during the first quarter. In addition, profit for the second quarter of fiscal 2019 includes an additional tax expense of \$0.3 million related to the increase of the operating profit.

- First quarter ended June 30, 2018: Compared to the fourth quarter of fiscal 2018 ended March 31, 2018, revenues increased by \$0.6 million primarily due to growing revenues within InterTrade and MERX in the amounts of \$0.3 million and \$0.1 million respectively and to an increase in LesPAC from classified ads for an amount of \$0.2 million. Orchestra and Jobboom's revenues remained stable compared to the previous quarter while ASC's revenues decreased by \$0.1 million due to lower non-recurring professional services revenues.

Moreover, an increase of \$0.2 million in revenues was generated by the change in exchange rates between the U.S. dollar and the Canadian dollar.

Adjusted EBITDA decreased mainly due to higher seasonal advertising expenses for an amount of \$0.5 million and to higher labour costs of \$0.4 million. The operating profit also decreased but to a lesser extent due to lower amortization of acquired intangible assets of \$0.1 million.

Profit for the first quarter totalled \$2.4 million compared to \$2.1 million during the fourth quarter of fiscal year 2018. The increase in profit is primarily due to a lower income tax expense of \$0.3 million compared to the last quarter.

2018 QUARTERS

- Fourth quarter ended March 31, 2018: Compared to the third quarter of fiscal 2018 ended December 31, 2017, revenues remained stable at \$20.5 million. During the fourth quarter of 2018, revenues from Orchestra totalled \$1.6 million, an increase of \$0.4 million (35%) compared to the third quarter of fiscal year 2018. This increase in revenues was offset by a decrease of \$0.3 million in LesPAC's advertising revenues and by a decrease in revenues in Jobboom for an amount of \$0.1 million.

Adjusted EBITDA and operating profit decreased primarily due to the increase of \$0.6 million in salaries and benefits expenses. This increase was offset by a \$0.1 million decrease in professional services and by the increase of tax credits and internally developed software for an amount of \$0.1 million.

Profit for the fourth quarter totalled \$2.1 million compared to \$1.0 million during the third quarter of fiscal year 2018. The increase in profit is primarily due to a non-recurring income tax expense of \$1.4 million (\$0.09 per share) recorded during the previous quarter after the U.S. enacted a tax reform beginning on January 1, 2018.

- Third quarter ended December 31, 2017: Compared to the second quarter of fiscal 2018 ended September 30, 2017, the revenues increased due to additional professional services revenues from Carrus for an amount of \$0.2 million, to the increase of advertising revenues from LesPAC for an amount of \$0.1 million and to the increase of \$0.1 million in revenues generated by the change in exchange rates between the U.S. dollar and the Canadian dollar.

Adjusted EBITDA also increased due to higher revenues and to lower termination benefits for an amount of \$0.8 million compared to the second quarter of fiscal 2018. Adjusted EBITDA increase has been partially offset by higher advertising expenses and higher salaries and benefits.

As a result of the above-mentioned factors, operating profit totalled \$3.8 million, in line with the increase in adjusted EBITDA for the quarter.

Profit was negatively affected by an additional income tax expense of \$1.4 million (\$0.09 per share) after the U.S. enacted a tax reform announced on December 22, 2017 and beginning on January 1, 2018.

- Second quarter ended September 30, 2017: Compared to the first quarter ended June 30, 2017, the addition of Orchestra revenues in the amount of \$1.0 million was offset by a decrease in revenues from Jobboom of \$0.3 million and by lower professional service revenues from ASC and InterTrade of \$0.3 million. In addition, the change in exchange rates between the U.S. dollar and the Canadian dollar generated a decrease of \$0.2 million in revenues.

Adjusted EBITDA decreased during the second quarter mainly due to Orchestra's unprofitable activities for an amount of \$1.0 million including an amount of \$0.4 million in termination and retention incentives. Additional termination benefits unrelated to Orchestra of \$0.6 million were also recorded during the second quarter ended September 30, 2017. Those items were partially offset by lower advertising expenses and lower salaries and benefits.

As a result of the above-mentioned factors, operating profit totalled \$3.5 million, in line with the decline in adjusted EBITDA for the quarter.

Profit for the quarter ended September 30, 2017 also decreased due to an unfavourable foreign exchange rate fluctuation on assets denominated in U.S. dollars of \$0.7 million compared to the quarter ended June 30, 2017.

- First quarter ended June 30, 2017: Compared to the fourth quarter of fiscal 2017 ended March 31, 2017, revenues remained stable at \$20.0 million. Change in revenues is mostly attributable to an increase in revenues from InterTrade, ASC and Polygon for an amount of \$0.1 million each and to additional revenues from Orchestra also for an amount of \$0.1 million. These increases were offset by lower revenues from LesPAC for an amount of \$0.3 million. This decrease from LesPAC is due to lower advertising revenues of \$0.4 million, partially offset by the increase in revenues from classified ads of \$0.1 million.

Adjusted EBITDA and operating profit decreased mainly due to professional fees of \$0.3 million related to the acquisition of Orchestra and to the increase of advertising fees of \$0.3 million, partially offset by lower salary expenses of \$0.2 million and by lower commission fees of \$0.2 million related to lower advertising revenues.

Following the decrease in operating profit, profit for the first quarter of 2018 also decreased mainly due to an unfavourable foreign exchange fluctuation on assets denominated in U.S. dollars for an amount of \$0.3 million. Furthermore, the Corporation recorded an additional income tax expense due to certain foreign exchange losses that are non-deductible and to the impact of the decrease in the Quebec corporate income tax rate and the impact of the income tax adjustment from previous years were all reflected in full during the fourth quarter of fiscal year 2017.

2017 QUARTERS

- Fourth quarter ended March 31, 2017: Compared to the third quarter of fiscal 2017 ended December 31, 2016, revenues mainly increased due to the increase of ASC's revenues in the amount of \$0.2 million, the increase in LesPAC and Jobboom revenues of \$0.2 million each, and also to the increase in revenues from MERX for an amount of \$0.1 million.

Adjusted EBITDA and operating profit decreased mainly due to higher labour costs totalling \$1.0 million (including \$0.4 million in termination benefits), to a \$0.3 million decrease in tax credits and to a \$0.1 million increase in sales commissions on advertising revenues.

Profit also decreased, however, to a lesser extent, as a result of a lower income tax expense during the fourth quarter related to a lower income tax statutory rate.

- Third quarter ended December 31, 2016: Compared to the second quarter ended September 30, 2016, the revenues decreased slightly mainly due to lower setup and implementation revenues of \$0.2 million attributable to ASC and to a decrease in LesPAC and Jobboom revenues in the amount of \$0.3 million partially offset by an increase in revenues of \$0.2 million for InterTrade.

The adjusted EBITDA and operating profit also decreased mainly due to higher labour costs for an amount of \$0.4 million and to higher advertising and promotion activities of \$0.5 million.

Profit also decreased but to a lesser extent due to a lower income tax expense during the third quarter of fiscal 2017.

LIQUIDITY AND FINANCIAL RESOURCES

In general, the Corporation finances its operations, capital expenditures, dividends, repurchase of common shares and business acquisitions using funds generated by its operations and cash on hand.

When necessary, the Corporation may also use funds on the unused portion of its credit facility (see section "Financing Activities - Credit Agreement") or issue new shares to fund its operations including business acquisitions.

As at September 30, 2018, the Corporation had cash and cash equivalents of \$12.4 million and \$52.0 million available on its credit facility of \$80.0 million, subject to compliance with financial ratios and other customary restrictions contained in the agreement.

OPERATING ACTIVITIES

<i>In thousands of Canadian dollars. Unaudited and not reviewed by independent auditors.</i>	Three months ended September 30		Six months ended September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash flows related to operating activities before changes in non-cash working capital items	5,099	4,312	8,424	9,334
Changes in non-cash working capital items	(2,356)	(2,233)	(3,328)	(5,101)
Cash flows related to operating activities	2,743	2,079	5,096	4,233

For the second quarter of fiscal 2019, cash flows generated by operating activities totalled \$2.7 million, compared to \$2.1 million for the second quarter of fiscal 2018. The increase in cash flows is mainly due to higher profit during the period when compared to the corresponding quarter of fiscal 2018.

For the first six months of fiscal 2019, cash flows generated by operating activities totalled \$5.1 million, compared to \$4.2 million during the first six months of fiscal 2018. The increase in cash flows related to operating activities is mainly due to higher profit during the period.

INVESTING ACTIVITIES

<i>In thousands of Canadian dollars. Unaudited and not reviewed by independent auditors.</i>	Three months ended September 30		Six months ended September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Business acquisition net of acquired cash	-	-	-	(1,534)
Acquisition of property, plant and equipment	(246)	(318)	(481)	(482)
Distribution from a joint venture	11	-	436	-
Acquisition of intangible assets	(1,037)	(741)	(1,830)	(1,339)
Cash flows from investing activities	(1,272)	(1,059)	(1,875)	(3,355)

Cash flows from investing activities amounted to \$1.3 million for the second quarter of fiscal 2019 compared to \$1.1 million during the second quarter of fiscal 2018.

During the second quarter of fiscal 2019, the Corporation made acquisitions of property, plant and equipment for an amount of \$0.2 million compared to \$0.3 million during the corresponding quarter of fiscal 2018. Acquisitions of intangible assets for the second quarter of fiscal 2019 include an amount of \$1.0 million of internally developed software compared to \$0.7 million for the second quarter of fiscal 2018.

During the first six months of fiscal 2019 and 2018, the Corporation made acquisitions of property, plant and equipment for the same amount of \$0.5 million. Acquisitions of intangible assets for the first six months of fiscal 2019 include an amount of \$1.8 million of internally developed software compared to \$1.3 million for the first six months of fiscal 2018.

The distribution from the joint venture Société d'investissement M-S S.E.C. "GWS" is due to the liquidation of the residual balances following the end of its activities during the first six months of fiscal 2019.

FINANCING ACTIVITIES

<i>In thousands of Canadian dollars. Unaudited and not reviewed by independent auditors.</i>	Three months ended September 30		Six months ended September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Increase (decrease) in long-term debt	999	799	(201)	3,404
Repurchase of common shares for cancellation	-	(594)	-	(625)
Cash dividends paid on common shares	(1,485)	(1,489)	(2,970)	(2,988)
Cash flows from financing activities	(486)	(1,284)	(3,717)	(209)

For the second quarter of fiscal 2019, cash flows used for financing activities amounted to \$0.5 million compared to \$1.3 million during the second quarter of 2018.

During the second quarter of fiscal 2019, the Corporation did not repurchase any shares whereas during the three months ended September 30, 2017, 44,100 shares for an amount of \$0.6 million were repurchased under the normal course issuer bid in place.

The amount paid in dividends by the Corporation of \$0.10 per share per quarter, remained unchanged for each of the periods ended September 30, 2018 and 2017. The decrease in dividends paid is due to a lower number of shares outstanding following the share repurchase by the Corporation.

The decrease in long-term debt for the six months ended September 30, 2018 compared to an increase for the first six months of fiscal 2018 is related to the acquisition of Orchestra on June 23, 2017.

CREDIT AGREEMENT

On December 18, 2015, the Corporation renewed its credit agreement, which had previously been concluded on November 10, 2011 (the "Credit Agreement") with three Canadian financial institutions and under which the lenders made available to the Corporation an \$80.0 million (\$80.0 million as at March 31, 2018) secured revolving five-year credit facility (the "Credit Facility") and an accordion loan of \$40.0 million (\$40.0 million as at March 31, 2018) subject to lenders' acceptance.

The Revolving Facility expires on December 18, 2020, and any outstanding amounts are due in full at maturity. Amounts under the Credit Agreement are repayable before maturity without penalty.

As at September 30, 2018, the Corporation used a total of \$28.0 million from its Credit Facility.

The Credit Facility bears interest at a rate based either on the Canadian prime rate, LIBOR or bankers' acceptance rate plus a margin in each case. This margin varies according to the ratio of total debt to EBITDA as described in the Credit Agreement. As at September 30, 2018, the actual rate was 1.83% and the applicable margin was 1.45%. In addition, the unused portion of the Credit Facility bears interest at 0.29% as standby fees.

All obligations under the Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Corporation's assets, tangible and intangible, present and future.

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at September 30, 2018, the Corporation was in compliance with the financial ratios prescribed under these covenants.

FINANCIAL POSITION

As a whole, the Corporation has a sound financial position and is able to meet its financial obligations. As at September 30, 2018, the Corporation had cash and cash equivalents of \$12.4 million and \$52.0 million available on its Credit Facility of \$80.0 million. At that same date, total assets of the Corporation amounted to \$207.4 million compared to \$209.7 million as at March 31, 2018.

INFORMATION FROM STATEMENTS OF FINANCIAL POSITION

	September 30,	March 31,
	2018	2018
	\$	\$
<i>In thousands of Canadian dollars</i>		
Cash and cash equivalents	12,399	13,187
Cash held for the benefit of third parties	2,252	1,374
Accounts receivable	7,803	8,676
Tax credits receivable	4,424	2,331
Prepaid expenses and deposits	2,205	2,293
Intangible assets	6,337	5,708
Acquired intangibles assets	59,154	61,301
Accounts payable and accrued liabilities	8,552	10,440
Deferred revenues	16,970	17,958
Long-term debt	27,915	28,096
Shareholders' equity	135,142	132,553

The main changes in the Corporation's statement of financial position between September 30, 2018, and March 31, 2018 are explained as follows:

- Accounts receivable totalled \$7.8 million as at September 30, 2018, a decrease of \$0.9 million when compared to March 31, 2018. This variation is mainly due to lower seasonal activities in LesPAC and Jobboom and to a decrease of amounts held for third parties;
- Intangible assets totalled \$6.3 million as at September 30, 2018, an increase of \$0.6 million when compared to March 31, 2018. This increase is explained by the recording of internally developed software during the first six months of fiscal 2019;
- Accounts payable and accrued liabilities amounted to \$8.6 million as at September 30, 2018, compared to \$10.4 million as at March 31, 2018. This decrease is explained by the payments made during the first six months of fiscal 2019 of amounts related to retention incentives and certain professional fees that were accrued as at March 31, 2018;

- Deferred revenues reached \$17.0 million, lower by \$1.0 million compared to March 31, 2018. This variation is mainly due to the platforms billing at the beginning of the year for services rendered for several months and as a consequence decreasing progressively the deferred revenues balance during the year;
- Long-term debt totalled \$27.9 million as at September 30, 2018, compared to \$28.1 million as at March 31, 2018. This decrease represents the reimbursement of the long-term debt during the first six months of fiscal 2019;
- Shareholders' equity stood at \$135.1 million as at September 30, 2018, compared to \$132.6 million as at March 31, 2018. This change is explained by the \$5.5 million comprehensive income earned by the Corporation during the six-month period of fiscal 2019 less the dividends declared of \$3.0 million;

DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to certain financial risks. The Corporation does not hold financial instruments for speculative purposes but only to reduce the volatility of its results from its exposure to these risks. The nature and the extent of the risks arising from the financial instruments and their related risk management are described in the Corporation's audited consolidated financial statements as at March 31, 2018.

The Corporation's hedging program will yield an average (CAD\$/US\$) exchange rate of 1.2752 on foreign currency forward contracts of US\$11.9 million held as at September 30, 2018, which will mature over fiscal years 2019 and 2020. As at September 30, 2017, the Corporation had foreign currency forward contracts of US\$11.4 million with an average rate of 1.3008.

During the second quarter of fiscal 2019, there was no material change to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments that are measured at fair value in the Corporation's consolidated statement of financial position.

RELATED PARTY TRANSACTIONS

On May 29, 2018, the Board of Directors of Société d'investissement M-S S.E.C. "GWS", the Corporation's 50% ownership joint venture, voted a unanimous resolution to dissolve and liquidate GWS. The dissolution and distribution of the residual cash balances to the co-venturers were done on July 27, 2018. During the six-month period ended September 30, 2018, the Corporation received an amount of \$435,577 as a distribution from GWS.

During the second quarter of fiscal 2019, the revenues from transactions with GWS recorded by the Corporation were nil (\$0.4 million as at September 30, 2017). In addition, the Corporation recharged to GWS operating expenses in the amount of nil (\$34,079 as at September 30, 2017). As at September 30, 2018, the Corporation's accounts receivable from GWS were nil (\$69,627 as at March 31, 2018).

During the first six months of fiscal 2019, the revenues from transactions with GWS recorded by the Corporation were nil (\$0.8 million as at September 30, 2017). In addition, the Corporation recharged to GWS \$2,743 during the first six months of 2019 compared to \$76,381 for the corresponding period of last year. Those recharges were presented against the operating expenses in the Interim Condensed Consolidated Statement of Income.

These transactions occurred in the normal course of business and were measured at the amount of consideration agreed to by the parties.

RISKS AND UNCERTAINTIES

The Corporation is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Corporation seeks to diminish the risks and uncertainties created by potentially unfavourable situations in its industry sector or its liquidity. The risks that the Corporation faces are technological, operational or financial in nature or are inherent to its business activities or its acquisition strategies. The description of these risks and uncertainties has not changed compared to the description in the Management Discussion & Analysis for the year ended March 31, 2018.

CHANGES IN ACCOUNTING POLICIES

IFRS ADOPTED DURING THE CURRENT FISCAL YEAR

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement*. This new standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets.

Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which has an expanded scope, is based on expected credit losses rather than incurred credit losses and generally will result in earlier recognition of losses.

The Corporation adopted this Standard as at April 1, 2018 and it has no significant impact.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Corporation adopted IFRS 15 as at April 1, 2018. The adoption of the new Standard has no significant impact on the Corporation's revenue recognition since the conclusions of last fiscal year analysis on the accounting of revenues are the same as for the previous Standard IAS 18.

Concerning the contract costs, which include commissions paid to sales representatives, the Corporation has to record as assets certain costs that were previously registered in the results. Under the previous accounting policy, sales commissions were recognized as expenses when they were incurred. With IFRS 15, commissions paid for contracts of more than one year are amortized over the term of the contract or in some cases over the planned period of the client relationship.

The Corporation adopted this new standard prospectively and the analysis conclusions on the non-distributed results as at April 1, 2018 have no significant impact. Consequently, no restatement was made in these financial statements.

NEW AND REVISED IFRS, ISSUED BUT NOT YET IN EFFECT

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, *Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 will be effective as of January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 16 will apply to the Corporation for the annual period beginning on or after April 1, 2019. The Corporation is currently evaluating the impacts of this new standard.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those expected by these forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Corporation, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect the Corporation. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONTROL AND PROCEDURES

In accordance with the Canadian Securities Administrators' Regulation 52-109 respecting *Certification of Disclosure in Issuers' Annual and Interim Filings*, certificates signed by the President and Chief Executive Officer and the Chief Financial Officer have been filed. These documents confirm the adequacy of controls and procedures for disclosure of the Corporation and the design and effectiveness of its internal controls regarding financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Corporation have been designed in accordance with the rules of the Canadian Securities Administrators in order to provide reasonable assurance that material information related to the Corporation is made known to the Audit Committee and the Board of Directors and information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time-period specified in securities legislation.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the effectiveness of the Corporation's disclosure controls and procedures in accordance with the rules of the Canadian Securities Administrators and has concluded that such disclosure controls and procedures are efficient for the fiscal year ended March 31, 2018. As of September 30, 2018, there were no changes in disclosure controls and procedures of the Corporation and these controls and procedures are still considered efficient.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal control over financial reporting has been designed in order to provide reasonable assurance that the financial information reported is reliable and that the financial statements were prepared in accordance with the Corporation's IFRS accounting policies.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the design and the effectiveness of the Corporation's internal control over financial reporting and has concluded that such controls were effective for the fiscal year ended March 31, 2018.

As of September 30, 2018, there were no changes in internal control over financial reporting of the Corporation which has had, or is reasonably likely to materially affect, the Corporation's internal control over the financial information.

ADDITIONAL INFORMATION

This report has been prepared as of November 13, 2018.

As of that date, the number of common shares outstanding was 14,848,779.

Additional information relating to the Corporation, including the Annual Information Form, is available on SEDAR at www.sedar.com.

MARKET AND TICKER SYMBOL

The Corporation's common shares trade on the Toronto Stock Exchange under the ticker symbol "MDF".

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Philippe Duval

Quebec, Canada
First Vice-President and Chief Operating Officer
Réseau Sélection

André Gauthier

Quebec, Canada
President
Holding André Gauthier Inc.

Gilles Laporte

Quebec, Canada
Corporate Director

Vivianne Gravel

Quebec, Canada
President and Chief Executive Officer
Metix Inc.

Natalie Larivière

Quebec, Canada
President
Yuma Stratégies

Gilles Laurin

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CPA, CA
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Catherine Roy

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Gestion Catsachar Inc.

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