

theScore, Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Months Ended November 30, 2016

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of theScore, Inc. ("theScore" or the "Company") and our financial performance for the three ended November 30, 2016. The MD&A should be read in conjunction with theScore's unaudited Condensed Consolidated Interim Financial Statements for the three months ended November 30, 2016 ("Interim Financial Statements") and Notes thereto. The financial information presented herein has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The interim MD&A should be read in conjunction with theScore's MD&A for the year ended August 31, 2016. All amounts are in Canadian dollars unless otherwise stated. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

Except for the historical information contained herein, this MD&A may contain forward-looking information based on the best estimates of theScore of the current operating environment. These forward-looking statements are related to, but not limited to, theScore's operations, anticipated financial performance, business prospects and strategies. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "estimate", "intend", "will", "may", "should" or similar words suggesting future outcomes. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, January 11, 2017. There is significant risk that theScore's predictions and other forward-looking statements will not prove to be accurate. Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include, but are not limited to, economic, competitive and media industry conditions. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by theScore. By its nature, theScore's forward-looking information involves numerous assumptions, inherent risks and uncertainties including, but not limited to, the following factors: operating in a new and developing industry that is reliant on mobile advertising, historical losses and negative operating cash flows, liquidity risk, competition, dependence on key suppliers, mobile device users choosing not to allow advertising, limited long-term agreements with advertisers, substantial capital requirements, protection of intellectual property, infringement on intellectual property, brand development, dependence on key personnel and employees, rapid technology developments, defects in products, user data, reliance on collaborative partners, new business areas and geographic markets and daily fantasy sports, operational and financial infrastructure, information technology defects, indemnified liability risk, reliance on

third-party owned communication networks, uncertain economic health of the wider economy, governmental regulation of the Internet, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, credit risk, free and open source software utilization, potential major shareholder with 100% of the special voting shares, market price and trading volume of Class A Subordinate Voting shares ("Class A shares") and Class A Share Purchase Warrants ("Warrants"), dividend policy, future sale of class A shares by existing shareholders which are all discussed in the Company's Annual Information Form dated October 19, 2016, which is filed on SEDAR and available at www.sedar.com.

The Company

theScore, Inc. ("theScore" or the "Company") is an independent creator of mobile-first sports experiences, connecting fans to a combination of comprehensive and personalized real-time news, scores, stats, alerts and fantasy sports contests via its mobile sports platforms theScore, theScore esports, and Squad Up. theScore is currently headquartered at 500 King Street West, 4th floor, Toronto, Ontario, M5V 1L9. Class A shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol SCR.TO and Warrants are traded under the symbol SCR.WT. The Company is organized and operates as one operating segment for the purpose of making operating decisions and assessing performance. At November 30, 2016 theScore had 5,566 special voting shares, 295,525,284 Class A shares and 19,780,000 Warrants outstanding, and 22,948,334 options outstanding.

Revenue

Revenues for the three months ended November 30, 2016 and 2015 were \$8.5 million and \$7.0 million, respectively, an increase of \$1.5 million, or 22%.

Revenue increases were powered by theScore's Canadian and US direct sales teams as well as growth in engagement within theScore's mobile applications. During the three months ended November 30, 2016 theScore's mobile applications reached 4.7 million average monthly active users, compared to 4.8 million average monthly active users during the three months ended November 30, 2015. Average monthly user sessions of theScore's mobile applications reached 459 million compared to 414 million for the three months ended November 30, 2015.

theScore recognizes advertising revenue based on the sale and delivery of advertising impressions on its digital media platforms. theScore is currently expanding its direct sales, programmatic sales and sales operations teams to drive further revenue growth. For the three months ended November 30, 2016 revenue from Canadian sources was \$2.5 million (November 30, 2015 - \$1.7 million), while revenue from non-Canadian sources (predominately USA) for the same period was \$6.0 million (November 30, 2015 - \$5.3 million).

Operating Expenses

(in thousands of Canadian dollars)

	Three months ended November 30,	
	2016	2015
Personnel	\$ 4,562	\$ 4,413
Content	607	640
Technology	650	594
Facilities, administrative, and other	1,518	1,532
Marketing	1,326	1,986
Depreciation of equipment	117	149
Amortization of intangible assets	469	614
Stock based compensation	240	182
	<u>\$ 9,489</u>	<u>\$ 10,110</u>

Operating expenses for the three month period ended November 30, 2016 were \$9.5 million compared to \$10.1 million in the same period of the prior year, a decrease of \$0.6 million.

Personnel expenses for the three month period ended November 30, 2016 were \$4.6 million compared to \$4.4 million in the same period of the prior year, an increase of \$0.2 million. The increases were due to the hiring of additional staff in the content and marketing teams.

Full time personnel as at November 30, 2016 were 215 compared to 179 as at November 30, 2015.

Content expenses for the three month period ended November 30, 2016 were \$0.6 million compared to \$0.6 million in the same period of the prior year.

Technology expenses for the three month period ended November 30, 2016 were \$0.7 million compared to \$0.6 million in the same period of the prior year, an increase of \$0.1 million. The increase was due to higher hosting and mobile infrastructure costs related to year over year increases in app usage.

Facilities, administrative and other expenses for the three month period ended November 30, 2016 were \$1.5 million compared to \$1.5 million in the same period of the prior year.

Marketing expenses for the three month period ended November 30, 2016 were \$1.3 million compared to \$2.0 million in the same period of the prior year, a decrease of \$0.7 million. This decrease was a result of reduced discretionary marketing spending particularly in the area of fantasy sports.

Depreciation of property and equipment for the three month period ended November 30, 2016 was \$0.1 million compared to \$0.1 million in the same period of the prior year.

Amortization expense for the three month period ended November 30, 2016 was \$0.5 million compared to \$0.6 million in the same period of the prior year, a decrease of \$0.1 million.

Stock based compensation expense for the three month period ended November 30, 2016 was \$0.2 million compared to \$0.2 million in the same period of the prior year.

Impact of Ontario Interactive Digital Media Tax Credits (“OIDMTC”)

As at November 30, 2016, tax credits recoverable of \$5.2 million and \$1.6 million are included in tax credits recoverable - current and non-current, respectively, in the consolidated statements of financial position (August 31, 2016 - \$5.2 million and \$1.6 million, respectively). Tax credits recoverable reflect management's best estimate of credits that are reasonably assured of realization considering both certificates of eligibility received from the OMDC for specific claims and the OMDC's historical acceptance of expenditures of a similar nature for refundable credit.

No tax credits were accrued during the three months ended November 30, 2016 and 2015.

EBITDA and Net and Comprehensive losses

theScore utilizes earnings before interest, taxes, depreciation and amortization to measure operating performance “EBITDA”. theScore’s definition of EBITDA excludes depreciation and amortization, finance income, and income taxes which in theScore’s view do not adequately reflect its core operating results. EBITDA is used in the determination of short-term incentive compensation for all senior management personnel.

EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net and comprehensive income or loss prepared in accordance with IFRS or as a measure of operating performance or profitability. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

The following table reconciles net and comprehensive loss to EBITDA:
(in thousands of Canadian dollars)

	Three months ended November 30,	
	2016	2015
Net and comprehensive loss for the period	\$ (753)	\$ (3,059)
Adjustments:		
Depreciation and amortization	586	763
Finance income	(188)	(48)
EBITDA loss	<u>\$ (355)</u>	<u>\$ (2,344)</u>

EBITDA loss for the three month period ended November 30, 2016 was \$0.4 million compared to \$2.3 million in the same period in the prior year, a decrease of \$1.9 million. The decrease in EBITDA loss was the result of increased revenues of \$1.5 million combined with \$0.4 million of lower expenses as described above.

Net and comprehensive loss in the three month period ended November 30, 2016 was \$0.8 million compared to \$3.1 million in the same period in the prior year, a decrease of \$2.3 million. The decrease in net and comprehensive loss was principally the result of increased revenues of \$1.5 million combined with \$0.6 million of lower operating expenses, as described above.

Loss per share for the three month period ended November 30, 2016 was \$(0.00) compared to \$(0.01) in the prior year. This decrease is primarily the result of the decrease in net and comprehensive losses for the period.

Additions to Intangible Assets

During the three months ended November 30, 2016, the Company capitalized internal product development costs of \$0.7 million (November 30, 2015 - \$0.6 million). The significant development projects for the three month period ended November 30, 2016

consisted of the expansion of league coverage for Squad Up and theScore's chatbot platform, the addition of data visualizations for CS:GO and League of Legends in theScore esports, and a new iOS 10 widget in theScore application.

The Company capitalized internal product development costs during the three months ended November 30, 2016 and 2015 for both new development projects and projects that, in management's judgement, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgement when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Company to attract users to its products and increase user engagement with its products. Costs, which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred. Future economic benefits from these capitalized projects include net cash flows from future advertising sales, which are dependent upon the ability of the Company to attract users to its products and increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

Consolidated Quarterly Results

The following selected consolidated quarterly financial data of the Company relates to the preceding eight quarters, inclusive of the quarter ended November 30, 2016.

Quarterly Results	Revenue	EBITDA loss	Net and comprehensive loss	Loss per share – basic and diluted
	(\$000's)	(\$000's)	(\$000's)	(\$)
November 30, 2016	8,548	(355)	(753)	(0.00)
August 31, 2016	4,986	(3,821)	(5,165)	(0.02)
May 31, 2016	6,125	(2,981)	(4,446)	(0.02)
February 29, 2016	5,802	(3,248)	(4,193)	(0.01)
November 30, 2015	7,003	(2,344)	(3,059)	(0.01)
August 31, 2015	2,933	(4,020)	(4,622)	(0.02)
May 31, 2015	3,161	(3,228)	(3,987)	(0.01)
February 28, 2015	3,219	(1,924)	(2,845)	(0.01)

Use of the Company's applications has historically reflected the general trends for sports schedules of the major North American sports leagues. As a result, the Company's first fiscal quarter is typically the strongest from a revenue perspective.

Quarterly revenue fluctuations are a combination of the seasonality trend of usage described above and year over year revenue growth.

EBITDA loss and net and comprehensive loss fluctuations were due to changes in discretionary marketing spend, personnel and infrastructure costs, and seasonal revenue fluctuations.

Liquidity Risk and Capital Resources

Cash and cash equivalents as of November 30, 2016 were \$11.7 million compared to \$15.6 million as of fiscal year ended August 31, 2016.

Liquidity

Management prepares budgets and cash flow forecasts to assist in managing liquidity risk. theScore has a history of operating losses, and can be expected to generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its digital media business. While theScore can utilize its cash and cash equivalents to fund its operating and development expenditures, it does not have access to committed credit facilities or other committed sources of funding, and depending upon the level of expenditures and whether profitable operations can be achieved, may be required to seek additional funding in the future.

theScore does not have any financial instruments, other than its accounts receivable, accounts payable and an available-for-sale investment. Refer to note 8 of theScore's interim financial statements for additional details.

Operations

Cash flows used in operating activities for the three months ended November 30, 2016 were \$3.1 million compared to \$6.1 million in the same period of the prior year. The decrease in cash flows used in operations was a result of decreases in net and comprehensive losses due to revenue growth and decreases in operating expenses as well as the decreases in cash flows used in non-cash operating assets and liabilities.

Financing

Cash flows provided by financing activities for each of the three months ended November 30, 2016 and 2015 were less than one hundred thousand dollars and resulted from the exercise of stock options.

Investing

Cash flows used in investing activities for the three months ended November 30, 2016 and 2015 were \$0.8 million and \$0.9 million, respectively, the majority of which related to investments in intangible assets in each of the periods.

Commitments

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the content and office lease agreements noted below.

theScore has the following firm commitments under agreements:

(in thousands of Canadian dollars)

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Content and other	\$ 265	\$ 425	-	\$ 690
Office lease	874	3,793	811	5,478
Total	\$ 1,139	\$ 4,218	\$ 811	\$ 6,168

Office lease:

theScore's current lease agreement is for a 30,881 square foot space at its head office in Toronto, Ontario, and runs until September 30, 2022.

Related Party Transactions

In Fiscal 2013, theScore entered into a lease for a property partially owned by John Levy, the Chairman and Chief Executive Officer of the Company. The aggregate rent paid during the three months ended November 30, 2016 and 2015 amounted to \$10,000 and \$8,000, respectively.

The corresponding payable balances as at November 30, 2016 and August 31, 2016 were nil.

These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

Financial Instruments and other instruments:

The Company's financial instruments were comprised of the following as at November 30, 2016: cash and cash equivalents of \$11.7 million; accounts receivable of \$7.7 million; and accounts payable and accrued liabilities \$4.3 million. The Company invested its cash equivalents in government treasury bills and guaranteed investment certificates. Accounts receivable are carried at amortized cost. Accounts payable and accrued liabilities are carried at amortized cost, and are comprised of short-term obligations owing to suppliers relative to the Company's operations.

Fair Value

Fair value is the estimated amount that the Company would pay or receive to dispose of financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities were deemed to approximate their carrying amounts due to the relative short-term nature of these financial instruments.

The Company has one financial asset measured on a fair value basis using Level 3 inputs being an available-for-sale financial asset with a fair value of \$760,000 at November 30, 2016 (August 31, 2015 - \$760,000), which has been determined by reference to the most recent external capital financing transaction and consideration of other indicators of fair value as the entity is not a public company and, therefore, there is no quoted market price at theScore's reporting date.

Concentration of Accounts Receivable

As at November 30, 2016, two customers, both programmatic networks, had accounts receivable balances exceeding 10% of total accounts receivable (August 31, 2016 – two customers, both programmatic networks). Concentration of these customers comprised 24% of total accounts receivable as at November 30, 2016 (August 31, 2016 – 21%).

For the three months ended November 30, 2016, there were sales to two customers, both programmatic, that exceeded 10% of total revenue (three months ended November 30, 2015 – one customer, a programmatic network). For the three months ended November 30, 2016, concentration of the two customers comprised 26% of total revenue (three months ended November 30, 2015 – 26%).