

theScore, Inc. DRAFT
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Months Ended November 30, 2017

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 months ended November 30, 2017. The MD&A should be read in conjunction with theScore's unaudited Condensed Consolidated Interim Financial Statements for the three months ended November 30, 2017 ("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, 2017. 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 10, 2018. 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, 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 18, 2017, which is filed on SEDAR and available at www.sedar.com.

The Company

theScore's ("theScore" or the "Company") mission is to create highly-engaging digital products and content that empower the sports fan's experience. Its flagship mobile app 'theScore' is one of the most popular multi-sport news and data apps in North America, serving millions of fans a month. The Company also creates innovative digital sports experiences through its web, social and esports platforms. 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, 2017 theScore had 5,566 special voting shares, 295,850,284 Class A shares and 19,780,000 Warrants outstanding, and 20,663,748 options outstanding.

Revenue

Revenues for the three months ended November 30, 2017 and 2016 were \$8.4 million and \$8.5 million, respectively.

During the three months ended November 30, 2017, theScore's flagship application reached 4.3 million average monthly active users*, compared to 4.4 million average monthly active users during the three months ended November 30, 2016. Average monthly app sessions per user were 103 during the three months ended November 30, 2017 compared to 102 during the three months ended November 30, 2016.

theScore recognizes advertising revenue based on the sale and delivery of advertising impressions on its digital media platforms. For the three months ended November 30, 2017 and 2016 revenue from Canadian sources was \$2.6 million and \$2.5 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was \$5.8 million and \$6.0 million.

* User metrics for theScore app do not include audience or engagement numbers from theScore esports platforms, Squad Up, or products from its Emerging Platforms team, including theScore Bot for Facebook Messenger.

For the quarter ended November 30, 2017, lower revenues were due to a decrease in U.S direct sales versus the same period in the prior year, partially offset by growth in programmatic revenues and Canada direct sales.

Operating Expenses

(in thousands of Canadian dollars)

	Three months ended	
	November 30, 2017	November 30, 2016
Personnel	\$ 4,418	\$ 4,562
Content	462	607
Technology	668	650
Facilities, administrative, and other	1,353	1,518
Marketing	806	1,326
Depreciation of equipment	103	117
Amortization of intangible assets	864	469
Stock based compensation	113	240
	<u>\$ 8,787</u>	<u>\$ 9,489</u>

Operating expenses for the three month period ended November 30, 2017 were \$8.8 million compared to \$9.5 million in the same period of the prior year, a decrease of \$0.7 million.

Personnel expenses for the three month period ended November 30, 2017 were \$4.4 million compared to \$4.6 million in the same period of the prior year a decrease of \$0.2 million. The decreases were due to lower bonus and commission expense as well as decreased number of full time personnel, which is related principally to the change in focus of our esports group towards video content. Full time personnel as at November 30, 2017 were 189 compared to 215 as at November 30, 2016.

Content expenses for the three month period ended November 30, 2017 were \$0.5 million compared to \$0.6 million in the same period of the prior year. The decrease was due to lower travel and freelance contractor expenses.

Technology expenses for the three month period ended November 30, 2017 were \$0.7 million compared to \$0.7 million in the same period of the prior year.

Facilities, administrative and other expenses for the three month period ended November 30, 2017 were \$1.4 million compared to \$1.5 million in the same period of the prior year.

Marketing expenses for the three month period ended November 30, 2017 were \$0.8 million compared to \$1.3 million in the same period of the prior year, a decrease of \$0.5 million. Decreases were a result of reduced discretionary marketing spending particularly in the area of esports.

Depreciation of property and equipment for the three month period ended November 30, 2017 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, 2017 was \$0.9 million compared to \$0.5 million in the same period of the prior year, an increase of \$0.4 million. Increases were mainly due to accelerated amortization of certain non-core intangible assets in the current year.

Stock based compensation expense for the three month period ended November 30, 2017 was \$0.1 million compared to \$0.2 million in the same period of the prior year. Decreases were due to the timing of stock option grants as no options were granted during the three months ended November 30, 2017.

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

As at November 30, 2017, tax credits recoverable of \$1.6 million are included in tax credits recoverable non-current, in the consolidated statements of financial position (August 31, 2017 - \$1.6 million non-current). Tax credits recoverable reflect management's best estimate of credits that are reasonably assured of realization considering both certificates of eligibility received from the Ontario Media Development Corporation (“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, 2017.

EBITDA and Net and Comprehensive losses

theScore utilizes earnings before interest, taxes, depreciation, amortization and investment loss (“EBITDA”) to measure operating performance. 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, 2017	November 30, 2016
Net and comprehensive loss for the period	\$ (260)	\$ (753)
Adjustments:		
Depreciation and amortization	967	586
Finance expense (income), net	(176)	(188)
EBITDA (loss)	\$ 531	\$ (355)

EBITDA for the three month period ended November 30, 2017 was \$0.5 million compared to a loss of \$0.4 million in the same period in the prior year, an increase of \$0.9 million.

Net and comprehensive loss for the three month period ended November 30, 2017 was \$0.3 million compared to \$0.8 million in the same period in the prior year, a decrease of \$0.5 million.

Loss per share for the three month periods ended November 30, 2017 and 2016 was \$(0.00).

Additions to Intangible Assets

During the three months ended November 30, 2017, the Company capitalized internal product development costs of \$0.7 million (November 30, 2016 - \$0.7 million). The significant development projects for the three month period ended November 30, 2017 consisted of an update to the flagship app “theScore” which included a redesigned user inter-face, enhanced multimedia content offering and new data features, an updated content management system and the development of theScore’s fantasy game on Facebook Messenger.

The Company capitalized internal product development costs during the three months ended November 30, 2017 and November 30, 2016 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, 2017.

Quarterly Results	Revenue	EBITDA	Net and comprehensive loss	Loss per share – basic and diluted
	(\$000's)	(\$000's)	(\$000's)	(\$)
November 30, 2017	8,351	531	(260)	(0.00)
August 31, 2017	4,752	(1,896)	(3,418)	(0.01)
May 31, 2017	6,357	(2,246)	(2,927)	(0.01)
February 28, 2017	6,691	(1,418)	(2,138)	(0.01)
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)

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 the market for digital media advertising in Canada and the United States.

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, 2017 were \$7.4 million compared to \$11.7 million as of fiscal year ended August 31, 2017.

Liquidity

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at November 30, 2017, theScore had cash and cash equivalents of \$7.4 million (August 31, 2017 - \$11.7 million), accounts receivable of \$8.6 million (August 31, 2017 - \$5.6 million), non-current tax credits recoverable of \$1.6 million (August 31, 2017 - \$1.6 million) and accounts payable and accrued liabilities to third parties of \$3.0 million (August 31, 2017 - \$2.8 million). Accounts payable and accrued liabilities have contracted maturities of less than three months.

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.

Operations

Cash flows used in operating activities for the three months ended November 30, 2017 were \$2.0 million compared to \$3.1 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 decreases in operating expenses offset by as decreases in cash flows from non-cash operating assets.

Financing

Cash flows provided by financing activities for each of the three months ended November 30, 2017 and November 30, 2016 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, 2017 and 2016 were \$0.7 million and \$0.8 million, respectively, which was primarily 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	\$ 1,945	\$ 1,964	\$ -	\$ 3,909
Office lease	910	3,693	-	4,603
Total	\$ 2,855	\$ 5,657	\$ -	\$ 8,512

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 months ended November 30, 2017 amounted to \$10,000 (2016 - \$10,000).

The corresponding payable balances as at November 30, 2017 and August 31, 2017 were nil.

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

Financial Instruments and other instruments:

theScore does not have any financial instruments, other than its cash and cash-equivalents, accounts receivable and accounts payable.

The Company's financial instruments were comprised of the following as at November 30, 2017; cash and cash equivalents of \$7.4 million; accounts receivable of \$8.6 million; and accounts payable and accrued liabilities \$3.0 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 primarily comprised of short-term obligations owing to suppliers related 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.

Customer Concentration

As at November 30, 2017, one customer, a programmatic network, had an accounts receivable balance exceeding 10% of total accounts receivable (August 31, 2017 – two customers, both programmatic networks). This customer comprised 14% of total accounts receivable as at November 30, 2017 (August 31, 2017 – 10% and 14% respectively).

For the three months ended November 30, 2017, sales to two customers, both programmatic networks, exceeded 10% of total revenue (three months ended November 30, 2016 – two customers, both programmatic networks). For the three months ended November 30, 2017, the two customers comprised 11% and 14%, respectively, of total revenue (three months ended November 30, 2016 – 14% and 12% respectively).