PIVOT TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ended June 30, 2017

This Management's Discussion and Analysis (the "MD&A") for the three and six months ended June 30, 2017 and 2016 is as of August 8, 2017 and provides information on the operating activities, performance and financial condition of Pivot Technology Solutions, Inc. (TSX: PTG) ("Pivot", or the "Company"). This MD&A should be read in conjunction with Pivot's unaudited interim condensed consolidated financial statements and the related notes for the three and six months ended June 30, 2017, the audited consolidated financial statements and the related notes for the years ended December 31, 2016 and 2015, the MD&A for the three months ended March 31, 2017, the MD&A for the year ended December 31, 2016, and the Annual Information Form for the year ended December 31, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at www.sedar.com and www.pivotts.com. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and the MD&A of the Company for the year ended December 31, 2016 and, accordingly, the purpose of this document is to provide a 2017 second quarter update to the information contained in the 2016 MD&A.

The three month period ended March 31 is referred herein as "Q1". The three month period ended June 30 is referred herein as "Q2". The three month period ended September 30 is referred herein as "Q3". The three-month period ended December 31 is referred herein as "Q4". The Company's reporting currency is United States dollars. All dollar amounts, except per share amounts stated in this MD&A, are in thousands of dollars unless specified otherwise. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at www.sedar.com and on the Company's website at www.pivotts.com.

Forward-looking statements

Statements in this MD&A contain forward-looking information, including statements with respect to growth in information technology ("IT") spending in 2017, possible sources of funding for future growth, benefit of cost cutting efforts and other operational efficiencies, implementation of various initiatives as part of the advancement of its strategy, interest rates applicable to the Company's borrowings, and the declaration of a dividend in future periods. Forward-looking information is based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. These assumptions include estimates of the profitability of its operations and operations of certain acquired businesses; the availability of borrowings under the Company's credit facilities and access to other sources of capital; that its operational efficiency initiatives will result in improved results of operations; that the Company will successfully

implement the initiatives identified in this MD&A as part of the advancement of its strategy; that the Company will be in a financial position to declare and pay a dividend in subsequent periods; or that the Company will be in a financial position to or that it will repurchase any additional shares for cancellation under the Normal Course Issuer Bid ("NCIB"). Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is based on estimated results, (ii) the possible unavailability of financing, (iii) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) the impact of Canadian and/or United States economic conditions, (x) fluctuations in currency exchange rates and interest rates, (xi) uncertainty with respect to the ability of the Company to pay a quarterly dividend in subsequent periods, and (xii) uncertainty with respect to the number of shares to be repurchased for cancellation by the Company under the NCIB. The reader is cautioned not to place undue reliance on this forward-looking information. The Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required in accordance with applicable securities laws.

Key performance indicators

Pivot measures the success of its strategies using a number of key performance indicators. These include revenues, gross profit and adjusted EBITDA. (*See Non-IFRS measures*). Pivot believes these are important measures as they allow the Company to evaluate its operating performance and identify financial and business trends relating to its financial condition and results of operations.

Business profile

Pivot is an industry-leading information technology services and solutions provider to many of the world's most successful companies, including members of the Fortune 1000, as well as governments and educational institutions. By leveraging its extensive OEM partnerships and its own fulfillment, professional, deployment, workforce and managed services, Pivot supports the IT infrastructure needs of its clients. For more information, visit www.pivotts.com.

Strategy

Pivot continued to advance its business strategy during the second quarter of 2017. The strategy has several initiatives: (i) continue to build on Pivot's core business of selling IT solutions, both products and services; (ii) enhance Pivot's service portfolio and capabilities, specifically related to services that Pivot delivers; (iii) drive a commercial transformation; (iv) support customers as they expand internationally; (v) improve cost management; (vi) enhance the capital structure and financing capacity; (vii) strengthen leadership; and (viii) address legacy issues. Management believes that the application of this strategy over time will deliver meaningful benefits for Pivot, its customers, shareholders and employees, including improved competitive differentiation in the marketplace and better financial performance.

Non-IFRS measures

Adjusted EBITDA and the exclusion of GTS Technology Solutions, Inc. ("GTS"), formerly known as Austin Ribbon & Computer Supplies, Inc. results of operations from the Company's results of operations are non-IFRS measures.

Adjusted EBITDA

Adjusted EBITDA is defined as gross profit less selling and administrative expenses, and corresponds to income before income tax, depreciation and amortization, finance expense, change in fair value of liabilities, and other expense.

Management believes adjusted EBITDA is an important indicator as it excludes certain items that are either non-cash expenses, items that cannot be influenced by management in the short term, and items that do not impact core operating performance, demonstrating the Company's ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is used by some investors and analysts for the purposes of valuing an issuer. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement.

Adjusted EBITDA is a non-IFRS measure, reconciled to loss before income taxes as follows:

	Three months ended June 30, *(unaudited)*				Six months ended June 30, *(unaudited)*			
	2017	2016	2017*	2016*	**2017**	2016	2017*	2016*
Income (loss) before income taxes	**2,568**	1,403	2,568	1,445	**(3,552)**	(3,380)	(3,552)	(3,560)
Depreciation and amortization	**2,766**	2,979	2,766	2,969	**5,577**	5,858	5,577	5,842
Finance costs	**1,279**	1,147	1,279	1,146	**2,361**	2,185	2,361	2,169
Change in fair value of liabilities	**33**	22	33	22	**(74)**	705	(74)	705
Other expenses	**646**	3,572	646	3,572	**1,430**	5,206	1,430	5,206
Adjusted EBITDA	**7,292**	9,123	7,292	9,154	**5,742**	10,574	5,742	10,362

Notes: *Amounts presented are in thousands of U.S. dollars*
**Amounts exclude GTS results of operations*

Exclusion of GTS' results from operations

As described in the 2016 MD&A, the Company derecognized the assets and liabilities of GTS, and affiliates of the Company have filed a lawsuit against GTS and other related parties to recover damages arising from the termination of the GTS Agreements. Accordingly, management presents the Company's consolidated financial results from operations excluding the results of GTS. Management believes that this adjustment to the Company's financial results is important for management, investors and analysts to understand the Company's financial performance by excluding those results from agreements with GTS that are not expected to be earned in the future.

The exclusion of GTS' results of operations can be reconciled to the Company's results of operations as follows:

	Three months ended June 30, (unaudited)					
	2017			**2016**		
	Pivot	GTS	Pivot, Excl. GTS	**Pivot**	GTS	Pivot, Excl. GTS
Revenues	**402,430**	**-**	402,430	**373,708**	23,095	350,613
Cost of sales	**359,480**	**-**	359,480	**327,072**	20,842	306,230
Gross profit	**42,950**	**-**	42,950	**46,636**	2,253	44,383
Employee compensation and benefits	**28,954**	**-**	28,954	**29,320**	1,405	27,915
Other selling, general and administrative expenses, net	**6,704**	**-**	6,704	**8,193**	879	7,314
Income (loss) before the following:	**7,292**	**-**	7,292	**9,123**	(31)	9,154
Depreciation and amortization	**2,766**	**-**	2,766	**2,979**	10	2,969
Finance expense	**1,279**	**-**	1,279	**1,147**	1	1,146
Change in fair value of liabilities	**33**	**-**	33	**22**	-	22
Other expense	**646**	**-**	646	**3,572**	-	3,572
Income (loss) before income taxes	**2,568**	**-**	2,568	**1,403**	(42)	1,445
Provision for income taxes	**610**	**-**	610	**1,618**	17	1,601
Income (loss) for the period	**1,958**	**-**	1,958	**(215)**	(59)	(156)

Note: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

	Six months ended June 30, (unaudited)					
		2017			**2016**	
	Pivot	GTS	Pivot, Excl. GTS	**Pivot**	GTS	Pivot, Excl. GTS
Revenues	**732,224**	-	732,224	**706,495**	47,225	659,270
Cost of sales	**655,148**	-	655,148	**621,856**	42,327	579,529
Gross profit	**77,076**	-	77,076	**84,639**	4,898	79,741
Employee compensation and benefits	**57,158**	-	57,158	**59,077**	2,858	56,219
Other selling, general and administrative expenses, net	**14,176**	-	14,176	**14,988**	1,828	13,160
Income before the following:	**5,742**	-	5,742	**10,574**	212	10,362
Depreciation and amortization	**5,577**	-	5,577	**5,858**	16	5,842
Finance expense	**2,361**	-	2,361	**2,185**	16	2,169
Change in fair value of liabilities	**(74)**	-	(74)	**705**	-	705
Other expense	**1,430**	-	1,430	**5,206**	-	5,206
Income (loss) before income taxes	**(3,552)**	-	(3,552)	**(3,380)**	180	(3,560)
(Recovery of) provision for income taxes	**(1,323)**	-	(1,323)	**590**	36	554
Income (loss) for the period	**(2,229)**	-	(2,229)	**(3,970)**	144	(4,114)

***Note:** Amounts presented are in thousands of U.S. dollars, except per share amounts*

Neither adjusted EBITDA nor the exclusion of GTS results of operations are considered recognized measures under IFRS, have no standardized meaning and are therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS.

Second quarter overview

Pivot generated strong year-over-over revenue growth in Q2 of 2017, as a result of increased revenue from major customers and the addition of TeraMach Technologies, Inc. (“TeraMach”). TeraMach was acquired on October 1, 2016 to serve as Pivot’s Canadian business platform. Product revenue increased 8.7% while service revenues decreased 1.2% over Q2 of 2016. Excluding GTS, the Company’s product revenue increased 15.1%, while service revenues grew 12.2%, over Q2 of 2016. Despite higher revenue, gross profit and gross margins were lower than Q2 of 2016 due to customer and product mix as well as lower vendor rebates. Pivot continued to constrain the growth of selling, general and administration costs including employee compensation and benefits (“SG&A”) through cost reduction measures put in place in the fourth quarter of 2016

and in the first quarter of 2017. As a result, the Company was able to offset the growth in SG&A from the acquisition of TeraMach. SG&A expenses increased below the rate of Q2 revenue growth. Additionally, Pivot continued to invest in its strategies in advance of realizing benefits, including updating the portfolio, which includes new service offerings. Management anticipates that further investments will be required in 2017 to create the foundation for improved performance. These investments include the addition of key resources to expand the Company's services capabilities and investments in products and tools to enhance the Company's offering to its customers. Pivot generated income available to common shareholders in Q2 of $0.05 per share compared to a loss of $0.01 per share a year ago. The prior year period was negatively impacted by impairment charges associated with the termination of certain agreements with GTS.

Items of note

- On May 9, 2017, the Board of Directors ("BOD") declared a C$0.04 common share dividend for holders of common shares on May 31, 2017, paid on June 15, 2017.

- On June 9, 2017, the Company appointed David Toews as its Interim Chief Financial Officer. Mr. Toews brings over 25 years of experience in financial management, accounting and corporate reporting with a specialty in serving technology companies including TSX-listed organizations. Mr. Toews succeeded Brian Kyle who served as Chief Financial Officer from August 8, 2016 to May 9, 2017. Mr. Kyle resigned to take a leadership position at another Canadian public company.

- On June 19, 2017, the Company obtained the approval from the TSX to proceed with its NCIB to repurchase for cancellation up to 3,820,852, or approximately 10% of the Company's issued and outstanding common shares (excluding shares held by principal security holders, directors and senior officers) at prevailing market prices over the twelve months ending June 21, 2018, subject to prescribed daily volume limitations.

- On June 22, 2017, the Company announced it formed a strategic partnership with VIQ Solutions Inc., a global expert providing cybersecurity-protected technology and services.

- On June 28, 2017, at the Company's Annual General Meeting, shareholders elected M. Lazane Smith and Matthew R. Girardot to the BOD. Ms. Smith is the Chief Human Resources Officer for Ciox and during her more than 30 year business career, has amassed experience in the technology products and services industries, serving in finance, accounting, investor relations, corporate development, human resources and customer service. Mr. Girardot serves as Corporate Secretary and General Counsel of Pivot. He joined Pivot in 2015 as the Company's Vice President, Legal and General Counsel of New Prosys Corp.

Dividend declaration

On August 8, 2017, the BOD declared a common share dividend of C$0.04 per common share, payable on September 15, 2017 to common shareholders of record on August 31, 2017.

Outlook for 2017

Management's outlook is unchanged from that expressed in the MD&A for the three and twelve months ended December 31, 2016 and Q1 of 2017. The global economic environment is uncertain and some customers remain cautious in their approach to IT investments at this stage of the business cycle. Despite the market uncertainty, management believes Pivot's opportunities to create shareholder value through its product and services strategy are robust and the secular trends driving IT spending and particularly spending on solutions and services are positive and are expected to grow in line with the overall market's expected growth rate in 2017. The Company's sales organization is in the early stages of engaging customers in a more strategic fashion to develop comprehensive relationships built on the value of selling Pivot's expanded portfolio. The execution of this strategy is intended to create higher value recurring revenue streams over time that offer greater predictability of performance by somewhat reducing the Company's exposure to the capital expenditure cycles of its customers. The intended refinement of the Company's service strategy may not offset capital spending volatility in the short term, although management believes the prospects for product sales are positive.

The Company seeks to capitalize on its acquisition of TeraMach to strengthen its financial results. Founded in Canada 20 years ago, TeraMach serves a diverse customer base that includes various levels of government in Canada and leading corporations. The two organizations are now sharing best practices and coordinating sales and service efforts. TeraMach plans to introduce Pivot's services capabilities to its existing customers, giving them access to Pivot's full portfolio of offerings. By consolidating the financial results of TeraMach and offering additional services to TeraMach's customer base, the Company sees growth opportunities in its product and service revenues within the Canadian market.

The Company seeks to continue to expand its position in the global IT market organically and through selected and accretive acquisitions. The Company's strong and diverse customer and vendor partner relationships provide the foundation to pursue its strategy.

The Company's objective in managing capital is to ensure that adequate resources are available to manage the Company's operations, fund organic growth while continuing to provide dividends to its shareholders. The Company's Board of Directors reviews the dividend policy annually. Operating cash flows are used to provide sustainable cash dividends to shareholders.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Three months ended June 30, *(unaudited)*		Six months ended June 30, *(unaudited)*	
	2017	2016	**2017**	2016
Revenue	**402,430**	373,708	**732,224**	706,495
Cost of sales	**359,480**	327,072	**655,148**	621,856
Gross profit	**42,950**	46,636	**77,076**	84,639
Employee compensation and benefits	**28,954**	29,320	**57,158**	59,077
Other selling, general and administrative expenses, net	**6,704**	8,193	**14,176**	14,988
Income before the following:	**7,292**	9,123	**5,742**	10,574
Depreciation and amortization	**2,766**	2,979	**5,577**	5,858
Finance expense	**1,279**	1,147	**2,361**	2,185
Change in fair value of liabilities	**33**	22	**(74)**	705
Other expense	**646**	3,572	**1,430**	5,206
Income (loss) before income taxes	**2,568**	1,403	**(3,552)**	(3,380)
Provision for (recovery of) income taxes	**610**	1,618	**(1,323)**	590
Income (loss) for the period	**1,958**	(215)	**(2,229)**	(3,970)
Income (loss) for the period attributable to non-controlling interests	**(72)**	65	**(123)**	107
Income (loss) for the period attributable to shareholders	**2,030**	(280)	**(2,106)**	(4,077)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to income (loss) for the period:				
Exchange gain (loss) on translation of foreign operations	**(1)**	-	**2**	-
	(1)	-	**2**	-
Total comprehensive income (loss) attributable to shareholders	**2,029**	(280)	**(2,104)**	(4,077)
Income (loss) per common share:				
Income (loss) available to common shareholders	**2,030**	(280)	**(2,106)**	(4,077)
Basic	**$ 0.05**	$ (0.01)	**$ (0.05)**	$ (0.10)
Diluted	**$ 0.05**	$ (0.01)	**$ (0.05)**	$ (0.10)
Total assets	**519,117**	501,875	**519,117**	501,875
Total current non-financial liabilities	**35,084**	39,454	**35,084**	39,454
Cash dividends declared on common shares	**1,194**	1,312	**2,439**	2,261

***Note:** Amounts presented are in thousands of U.S. dollars, except per share amounts*

FINANCIAL AND OPERATING RESULTS

Following is an analysis of the Company's results for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016.

Revenue and gross profit

	Three months ended June 30, (unaudited)				Six months ended June 30, (unaudited)			
	2017	2016	2017*	2016*	**2017**	2016	2017*	2016*
Product sales	**363,022**	333,814	363,022	315,497	**654,450**	627,281	654,450	589,381
Service revenues	**39,408**	39,894	39,408	35,116	**77,774**	79,214	77,774	69,889
Total revenue	**402,430**	373,708	402,430	350,613	**732,224**	706,495	732,224	659,270
Cost of sales	**359,480**	327,072	359,480	306,230	**655,148**	621,856	655,148	579,529
Gross profit	**42,950**	46,636	42,950	44,383	**77,076**	84,639	77,076	79,741

Notes: Amounts presented are in thousands of U.S. dollars
**Amounts exclude GTS results of operations*

Total revenues of $402,430 increased 7.7%, or $28,722 for the three months ended June 30, 2017 as compared to the same period in the prior year. GTS contributed $23,095 to consolidated revenue for the three months ended June 30, 2016 and nil for the three months ended June 30, 2017. Excluding GTS' results from operations, total revenue for the three months ended June 30, 2017 increased by 14.8% or $51,817 over the same period in the prior year, primarily due to increased revenues from major customers of $15,347 and the contribution of TeraMach of $12,835.

Total revenues of $732,224 increased 3.6%, or $25,729 for the six months ended June 30, 2017 as compared to the same period in the prior year. GTS contributed $47,225 to consolidated revenue for the six months ended June 30, 2016 and nil for the six months ended June 30, 2017. Excluding GTS' results from operations, total revenue for the six months ended June 30, 2017 increased by 11.1% or $72,954 over the same period in the prior year, primarily due to increased revenues from major customers of $38,008 and the contribution of TeraMach of $56,993.

Product revenue of $363,022 increased $29,208 or 8.7% for the three months ended June 30, 2017 over the same period in the prior year. GTS contributed $18,317 to product revenue in the second quarter of 2016 and nil in the second quarter of 2017. Excluding GTS' results from operations, total first quarter 2017 product revenue increased $47,525 or 15.1% compared to the same period in the prior year.

Product revenue of $654,450 increased $27,169 or 4.3% for the six months ended June 30, 2017 over the same period in the prior year. GTS contributed $37,900 to product revenue in the second quarter of 2016 and nil in the second quarter of 2017. Excluding GTS' results from operations, total second quarter 2017 product revenue increased $65,069 or 11.0% compared to the same period in the prior year.

Service revenues of $39,408 declined by $486 or 1.2% for the three months ended June 30, 2017 as compared to same period in the prior year. GTS contributed $4,778 to services revenue for Q2 2016 and nil for Q2 2017. Excluding GTS' results from operations, second quarter 2017 service revenues increased $4,292 or 12.2% compared to the same period in the prior year. Excluding GTS' results from operations, approximately 38.5% of the increase in service revenue was due to the addition of TeraMach.

Service revenues of $77,774 declined by $1,440 or 1.8% for the six months ended June 30, 2017 compared to the same period in the prior year. GTS contributed $9,325 to services revenue for the six months ended June 30, 2016 and nil for the six months ended June 30, 2017. Excluding GTS' results from operations, service revenues for the six months ended June 30, 2017 increased $7,885 or 11.3% compared to the same period in the prior year. Excluding GTS' results from operations, approximately 42.8% of the increase in service revenue was due to the addition of TeraMach.

In general, changes in revenue quarter over quarter are attributable to a number of factors, including, but not limited to, timing of major projects and replenishments, vendor incentive programs, competitive pressures in the market and timing of service delivery within our professional services category. Service revenue can also be impacted quarterly due to customer requirements relating to bundling of product and service offerings and the timing of their investment needs.

Major customers

The Company reviews and evaluates revenue and gross profit margin by major versus non-major customers. A major customer is defined as a customer that generates revenues 10% or greater of total revenues to the Company. Generally, the significance of the quantity of products sold or services provided to these customers provides major customers with additional buying power, and thus, the Company earns a decreased margin to generate increased revenues and maintain strong relationships.

Major customers represented $154,452 or 38.4%, and $139,105 or 37.2% of total revenues for the three months ended June 30, 2017 and 2016, respectively, and $278,415 or 38.0% and $240,407 or 34.0% for the six months ended June 30, 2017 and 2016, respectively.

Cost of sales and gross profit

Q2 2017 cost of sales of $359,480 increased by $32,408 or 9.9% over the same quarter in the prior year, while gross profit of $42,950 decreased $3,686 or 7.9%. GTS accounted for $20,842 of Q2 2016 cost of sales and $2,253 of gross profit compared to nil and nil in the second quarter of 2017. Excluding GTS' results from operations, cost of sales increased 17.4% or $53,250 over the same quarter in the prior year, while gross profit decreased $1,433 or 3.2%.

Cost of sales for the six months ended June 30, 2017 of $655,148 increased by $33,292 or 5.4% over the same period in the prior year, while gross profit of $77,076 decreased $7,563 or 8.9%. GTS contributed $42,327 to cost of sales and $4,898 of gross profit for the six months ended June 30, 2016, and compared to nil and nil for the six months ended June 30, 2017. Excluding GTS' results from operations, cost of sales increased 13.0% or $75,619 for the six months ended June 30, 2017 over the same period in the prior year, while gross profit decreased $2,665 or 3.3%.

Quarter over quarter, gross profit margins decreased to 10.7% from 12.5%. Excluding GTS' results from operations, gross profit margin in the first quarter of 2017 decreased to 10.7% from 12.7% over the same period in the prior year. Gross profit margins decreased to 10.5% from 12.0% for the six months ended June 30, 2017, over the same period in the prior year.

Decreases in the gross profit margin for the three and six months ended June 30, 2017 over the same periods in the prior year are partially attributable to increases in sales to major customers. Not only do sales to major customers typically provide for lower overall margins, 2017 margins on these particular sales declined over the prior year due primarily to product mix. In addition to lower overall margins from major customers, lower vendor rebates also had a negative impact on cost of sales, and contributed to lower margins period over period. Vendor rebates are dependent on various program offerings which are subject to change, and thus fluctuate from period to period.

Selling and administrative expenses

	Three months ended June 30, *(unaudited)*				**Six months ended June 30,** *(unaudited)*			
	2017	**2016**	2017*	2016*	**2017**	**2016**	2017*	2016*
Employee compensation and benefits	**28,954**	29,320	28,954	27,915	**57,158**	59,077	57,158	56,219
Other selling and administrative expenses	**6,704**	8,193	6,704	7,314	**14,176**	14,988	14,176	13,160
	35,658	37,513	35,658	35,229	**71,334**	74,065	71,334	69,379

Notes: *Amounts presented are in thousands of U.S. dollars*
**Amounts exclude GTS results of operations*

Selling and administrative expenses for the three months ended June 30, 2017 decreased $1,855 or 4.9% to $35,658 over the same period in the prior year. Excluding GTS' results from operations, selling and administrative expenses increased $429 or 1.2% for the three months ended June 30, 2017 over the same period in the prior year. Selling and administrative expenses for the six months ended June 30, 2017 decreased $2,731 or 3.7% to $71,334 over the same period in the prior year. Excluding GTS' results from operations, selling and administrative expenses increased $1,955 or 2.8% for the six months ended June 30, 2017 over the same period in the prior year. The acquisition of TeraMach increased SG&A by $1,915 during the three months ended June 30, 2017 and $4,263 for the six months ended June 30, 2017. The Company was able to largely offset the increase in SG&A from TeraMach through a concerted effort to reduce overall SG&A through headcount reductions and lower professional service fees.

Finance expenses

Finance expenses increased $132 or 11.5% and $176 or 8.1% for the three and six months ended June 30, 2017, respectively.

Finance expenses, which consist primarily of interest rates on the Company's senior secured credit facility with JPMorgan Chase Bank, N.A. ("JPMC"), were impacted by higher overall interest, which increased on average 0.61% and 0.50% for the three and six months ended June 30, 2017, as compared to the same periods in the prior year. In addition to increases in the US LIBOR rates, the Company experienced higher rates on the interest rate swap which went into effect in April 2016. Average borrowings on the JPMC facility were $113,721 and $137,785 for the three months ended June 30, 2017 and 2016, respectively. Average borrowings on the JPMC facility were $105,974 and $128,914 for the six months ended June 30, 2017 and 2016, respectively. Management is exploring alternatives to minimize the impact of future rate increases. *(See Interest rate forward swap agreements)*

Change in fair value of liabilities

The change in fair values relates to contingent consideration on the purchase of TeraMach in 2016, and the mark to market on the interest rate forward swap agreement with JPMC.

Change in fair value of liabilities for the three and six months ended June 30, 2017 increased $11 or 50.0% and decreased $779 or 110.5% over the same period in the prior year. The decrease year over year is primarily due to the change in market value of the interest rate swap. *(See Contingent Consideration, and Secured Borrowings)*

Other expense

	Three months ended June 30, (unaudited)				Six months ended June 30, (unaudited)			
	2017	**2016**	**2017***	**2016***	**2017**	**2016**	**2017***	**2016***
Restructuring costs	**212**	(6)	212	(6)	**299**	1,107	299	1,107
Transaction costs	**431**	164	431	164	**845**	355	845	355
Impairment	**-**	3,838	-	3,838	**-**	3,838	-	3,838
Other (income)/expense	**3**	(424)	3	(424)	**286**	(94)	286	(94)
	646	3,572	646	3,572	**1,430**	5,206	1,430	5,206

Notes: *Amounts presented are in thousands of U.S. dollars*
**Amounts exclude GTS results of operations*

Other expense decreased $2,926 or 81.9% to $646 and $3,776 or 72.5% to $1,430 for the three and six months ended June 30, 2017 over the comparable period in the prior year, respectively. The primary reason for the decline is due to impairment charges associated with the notice of termination of certain agreements with GTS which was received by the Company during Q2 2016.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, (unaudited)							
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenues	**402,430**	329,794	398,873	365,473	373,708	332,787	420,188	414,517
Gross profit	**42,950**	34,126	48,458	42,857	46,636	38,003	52,258	40,651
Adjusted EBITDA (2)	**7,292**	(1,550)	8,457	6,317	9,123	1,451	13,888	6,331
Net income (loss)	**1,958**	(4,187)	2,888	(3,239)	(215)	(3,755)	6,219	(2,606)
Income (loss) per share:								
Basic	**$0.05**	($0.10)	$0.06	($0.08)	($0.01)	($0.09)	$0.15	($0.06)
Diluted	**$0.05**	($0.10)	$0.05	($0.08)	($0.01)	($0.09)	$0.15	($0.06)
Cash dividends declared on common shares	**1,194**	1,245	1,242	1,292	1,312	949	955	957
Total assets (1)	**519,117**	449,972	496,966	447,121	501,875	453,458	500,650	491,472
Total current non-financial liabilities (1)	**35,084**	38,572	38,673	37,310	39,454	40,010	38,434	33,412

Notes: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

(1) Amounts as at period date

(2) Non-IFRS measure (See Non-IFRS measures)

The table above shows selected financial information from the results of operations of the Company for the periods indicated. The financial results are not necessarily indicative of the results that may be expected for any other future comparative period.

In general, the business tends to fluctuate quarter to quarter. This is driven by a variety of factors including timing of capital-related spending by large customers who often use budgeted funds before the end of their fiscal periods. Accordingly, a small number of large customers can periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. Additionally, Original Equipment Manufacturer vendors ("OEMs") tend to create higher sales activity at their own year ends as steeper discounts tend to be offered to incentivize higher volumes.

LIQUIDITY AND CAPITAL RESOURCES

Pivot's capital requirements consist primarily of working capital necessary to fund operations and capital to finance the cost of strategic acquisitions. Sources of funds available to meet these requirements include existing cash balances, cash flow from operations and secured borrowings. Pivot must generate sufficient earnings and cash flow from operations to satisfy its covenants in order to provide access to additional capital under its secured borrowings. Failure to do so would adversely impact Pivot's ability to pay current liabilities and comply with covenants applicable to its secured borrowings (see details of covenants in *"Secured borrowings"*).

As at June 30, 2017 and December 31, 2016, total cash on hand was $9,658 and $8,153, respectively. As at June 30, 2017 and December 31, 2016, amounts borrowed under existing credit facilities were $138,983 and $137,599, respectively. There were working capital deficiencies of $61,656 and $60,217 as at June 30, 2017 and December 31, 2016, respectively. The working capital deficiencies originate from bank financings obtained to fund business acquisitions in previous years. Due to the fact that the borrowing rate on the Company's secured credit facility is favorable compared to market terms on long-term debt, the Company continues to strategically finance the investments related to its business acquisitions using its short-term facility.

Average undrawn availability on existing, secured credit facilities was $73,786 and $59,549 for the six month periods ended June 30, 2017 and 2016, respectively.

Cash flow analysis

	Three months ended June 30, *(unaudited)*		Six months ended June 30, *(unaudited)*	
	2017	2016	**2017**	2016
Cash provided by (used in) operating activities	**(46,171)**	(9,434)	**5,838**	2,139
Cash used in investing activities	**(991)**	(297)	**(1,698)**	(1,172)
Cash provided by (used in) financing activities	**49,162**	14,084	**(2,548)**	9,906
Net increase in cash and cash equivalents	**2,000**	**4,353**	**1,592**	**10,873**
Cash and cash equivalents at the beginning of the period	**7,665**	14,498	**8,153**	7,978
Effect of foreign exchange fluctuations on cash held	**(7)**	-	**(87)**	-
Cash and cash equivalents at the end of the period	**9,658**	**18,851**	**9,658**	**18,851**

Note: *Amounts presented are in thousands of U.S. dollars*

Cash used in operating activities increased $36,737 and decreased $3,699 for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year. These variances were primarily due to comparative increases in inventory and comparative decreases in accounts payable and accrued liabilities.

Cash used in investing activities was relatively stable, increasing $694 and $526 for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year.

Cash provided by financing activities is comprised of borrowings on secured and unsecured debt facilities, changes in banking overdrafts, dividend payments, proceeds from issuance of common shares related to the exercise of broker compensation options, and stock repurchases. Cash provided by financing activities increased by $35,078 and decreased $12,454 for the three and six months ended June 30, 2017, respectively, as compared to the same period in the prior year. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements, flooring arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment and dividends.

Days sales outstanding (DSO) were 49 and 50 days at June 30, 2017 and 2016, respectively. Receivables and collections are closely monitored against expected cash flow. Days payables outstanding (DPO) were 35 and 37 days at June 30, 2017 and 2016, respectively.

Secured borrowings

Flooring agreement

ARC Acquisition (US) Inc. ("ARC"), a wholly owned subsidiary of the Company, entered into a secured flooring agreement with IBM Credit LLC ("IBM") on August 10, 2011, which provides short-term accounts payable financing. The IBM secured flooring agreement previously allowed up to $15,000 in advances on purchases from approved vendors. The agreement was amended and restated on July 6, 2017, and now allows for up to $2,500 in advances on purchases from approved vendors, which maximum advance amount may be changed by IBM in its discretion. Approved vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. Currently, the Company incurs interest on the outstanding balance at LIBOR plus 4.5% after a free financing period of 60 days, but the interest rate and free financing period may be changed in IBM's discretion. $437 and $1,348 were outstanding under the IBM secured flooring agreement as at June 30, 2017 and December 31, 2016, respectively. Under the original flooring agreement, the Company was required to maintain certain financial ratios, and was not in compliance as at June 30, 2017, March 31, 2017 or December 31, 2016. The Company received waivers from IBM on March 21, 2017 to cure the December 31, 2016 non-compliance, May 8, 2017 to cure the March 31, 2017 non-compliance, and August 1, 2017 to cure the June 30, 2017 non-compliance. The amended and restated agreement does not impose any financial covenants on the Company. All amounts under this arrangement are included in current liabilities.

Revolving credit facilities

JPMC credit facility

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMC, providing the Company a $200,000 senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Advances under the JPMC Credit Facility accrue interest at rates that are equal to, based on certain conditions, at the Company's election either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $75,000. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on September 21, 2020. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of

TeraMach which was completed on October 1, 2016. On December 9, 2016, a third amendment was completed, primarily to add TeraMach to the borrowing group. On July 20, 2017, a fourth amendment was completed, increasing the amount the Company can have outstanding in investments at any one time to $100.

Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a Fixed Charge Ratio ("FCR") of at least 1.1 to 1 on a trailing twelve month basis, triggered in the event that availability is less than 12.5% of the revolving commitment until such time that availability has been greater than 12.5% of the revolving commitment for 30 consecutive days.

Additional negative covenants place restrictions on additional indebtedness, liens, fundamental changes to the Company's legal structure, investments, asset sales, sale and leaseback transactions, swap agreements, restricted payments, transactions with affiliates, restrictive agreements, amendment of material documents, and distribution of loan proceeds amongst the Company's subsidiaries. The Company was in compliance with all applicable covenants at June 30, 2017 and December 31, 2016.

The Company had availability to borrow under its revolving credit facilities of $71,940 and $55,568 as at June 30, 2017 and December 31, 2016, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued. Amounts owing under the Company's revolving credit facilities were $138,983 and $137,599 as at June 30, 2017 and December 31, 2016, respectively. In addition, a letter of credit for $250 was outstanding at both June 30, 2017 and December 31, 2016.

Interest rate forward swap agreements

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing-obligations are its borrowings under the JPMC Credit Facility. Amounts outstanding under the JPMC Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility would have resulted in an increase of $159 and $235 during the three months ended June 30, 2017 and 2016, respectively. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility would have resulted in an increase of $278 and $536 during the six months ended June 30, 2017 and 2016, respectively. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations.

On April 3, 2014 the Company entered into an interest rate forward swap agreement ("Swap") with PNC Bank, N.A. ("PNC") to mitigate the risk of fluctuating interest rates. Under the terms of the Swap with PNC, the interest rate was to vary between 4.655% and 5.155% on $50,000 of the amount outstanding under the PNC Credit Facility. On September 21, 2015, the Swap was novated to JPMC. Under the terms of the Swap with JPMC, the interest rate now varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. The Swap agreement with JPMC contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

Interest incurred under the Swap totaled $232 and $486 for the three and six months ended June 30, 2017. The fair value of the Swap was determined to be $994 and $1,542 as at June 30, 2017 and December 31, 2016, respectively. The fair value represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

Unsecured borrowings

On August 26, 2014, ACS executed a purchase finance agreement with Macquarie Equipment Finance ("Macquarie") that allows up to $10,000 in unsecured advances on purchases from approved suppliers. On March 24, 2015, the agreement with Macquarie was amended to allow up to $15,000 on 60 day unsecured advances from approved suppliers. Interest of LIBOR plus 1.58% will be applied. Macquarie advised during Q2 2016 that it would no longer (for an unstated period of time) provide financing in respect of new invoices issued to the Company under the facility, as Macquarie is now focusing on credit facilities over $50,000. Macquarie has indicated that it does not propose to terminate the Company's facility as it may choose to provide financing under the existing agreement in the future. Nil was outstanding under the Macquarie purchase finance agreement as at June 30, 2017 and December 31, 2016, respectively. As the Company has significant availibility under its secured credit facilities, the impact of the Macquarie decision not to lend to the Company has been minimal, and has reduced the Company's interest related expense.

Contingent consideration

On October 1, 2016, the Company acquired all of the issued and outstanding share capital of TeraMach Systems Inc., 1955714 Ontario Inc., Infoptic Technology Inc., and TeraMach Technologies Inc., collectively "the TeraMach Group". The purchase price for the TeraMach Group consists of up-front payments totalling $4,022, and contingent consideration to be paid in four future installments. The contingent consideration is dependent on the adjusted EBITDA of the acquired business during the 4-four consecutive 12-month periods ending December 31, 2017 through December 31, 2020. At the date of acquisition, the fair value of the contingent liability was determined to be $3,324. The fair value of the contingent liability was determined to be

$4,035 and $3,427 as at June 30, 2017 and December 31, 2016, respectively. The Company recorded a charge of $244 and $474 related to the change in fair value of the consideration during the three and six months ended June 30, 2017, respectively. This charge was offset by a foreign currency translation adjustment of $100 and $134 for the three and six month periods ended June 30, 2017. The undiscounted value of the remaining consideration to be paid is C$9,000. Payments of the remaining consideration are required to be made within 5 business days of BOD approval of the Company's annual financial statements. No payments were made during the three and six months ended June 30, 2017.

Contractual commitments

The following table summarizes Pivot's contractual obligations as at June 30, 2017:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	25,097	-	-	-	-	**25,097**
Secured borrowings	138,983	-	-	-	-	**138,983**
Accounts payable and accrued liabilities	437	276,200	-	-	-	**276,637**
Operating leases	-	5,026	3,200	7,110	2,676	**18,012**
Contingent consideration	-	1,541	1,927	3,467	-	**6,935**
Interest rate swap	-	-	994	-	-	**994**
	164,517	**282,767**	**6,121**	**10,577**	**2,676**	**466,658**

Note: *Amounts presented are in thousands of U.S. dollars*

Future financing

Management is focused on exploring and executing strategic alternatives to enhance its existing financing structure with options that provide the necessary flexibility to grow the business and meet its future obligations in the normal course of business. In addition to the Company's available borrowings under its credit facilities, these options may include an equity raise or other permanent capital injection, in the event the Company undertakes future acquisitions.

Share capital

Share consolidation

On June 21, 2016, the shareholders approved a plan to consolidate the common shares of the Company, where a shareholder will receive one post-consolidated common share for every four pre-consolidated common shares held immediately prior to the effective date of the share consolidation.

On December 19, 2016, the Company completed the consolidation of its common shares. As a result of the share consolidation, each four outstanding shares of pre-consolidated common stock were combined into one share of post-consolidated common stock. Fractional shares were rounded to the nearest whole share. All option and share amounts for all prior periods have been retroactively adjusted to reflect this reverse stock split, unless otherwise noted.

Authorized

The Company's authorized capital consisted of an unlimited number of voting common shares and preferred shares, with no par value. As at August 7, 2017, the Company had 40,356,270 common shares issued and outstanding.

Cancellation of common shares

The Company has cancelled shares repurchased from former directors, and under the NCIB during 2017 as follows:

	Cancellation date	# of Shares cancelled	Total cost of shares
Shares repurchased under the NCIB	February 1, 2017	80,800	C$133
Shares repurchased under the NCIB	February 28, 2017	40,200	C$64
Shares repurchased under the NCIB	March 28, 2017	67,100	C$101
Shares repurchased under the NCIB	April 3, 2017	61,900	C$102
Shares repurchased from former directors	April 12, 2017	750,000	C$1,125
Shares repurchased from former directors	April 18, 2017	170,313	C$255
Shares repurchased under the NCIB	August 1, 2017	36,500	C$82
		1,206,813	C$1,862

Note: *Amounts presented are in thousands of Canadian dollars, except share amounts*

Stock options

On June 21, 2016, the shareholders approved the amended Incentive Stock Option Plan ("Plan") under which directors, officers, employees and consultants ("Participants") of the Company and its subsidiaries are eligible to receive incentive and non-qualified stock options. The Plan is a "10% rolling plan" in that it continuously provides for the reservation of a number of common shares under the Plan equal to 10% of the Company's issued and outstanding common shares less any common shares reserved for issuance pursuant to other security based compensation arrangements. The available pool of shares that can be currently issued under the Plan (including shares reserved in respect of options currently outstanding) is 3,774,415, assuming no shares are reserved for issuance pursuant to any other share compensation arrangement adopted by the Company. The exercise price of each option is subject to BOD approval but shall not be less than the market price at the time of grant.

The BOD has granted a total of 2,587,500 options to Participants as follows:

Grant date	Expiration date	Vesting period	# of Options	Exercise price
June 21, 2016	June 20, 2026	Over 2 years	1,987,500	C$1.60
August 31, 2016	August 30, 2026	Over 2 years	150,000	C$1.96
December 22, 2016	December 21, 2026	Over 1 year	25,000	C$1.73
June 30, 2017	June 29, 2022	Over 3 years	425,000	C$2.47

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

The following table shows all option activity for 2017:

	# of options	Weighted average exercise price
Options outstanding at January 1, 2017	2,162,500	C$1.63
Options granted	425,000	C$2.47
Options canceled/forfeited	(200,000)	C$1.81
Options exercised	(99,750)	C$1.79
Options outstanding at June 30, 2017	**2,287,750**	**C$1.76**
Options exercisable at June 30, 2017	**1,291,929**	**C$1.60**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Restricted stock units

The Company has adopted a Restricted Stock Unit ("RSU") plan that allows the Company to award RSUs to Participants upon such conditions as the BOD may establish. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016. Shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, restrictions, time periods or other conditions established by the BOD. The maximum aggregate number of shares that may be issued under the restated plan pursuant to the exercise of RSUs shall not exceed 1,250,000 shares. The maximum number of common shares which may be reserved and set aside for issuance upon the grant or exercise of RSU or stock option awards under the plan is 10% of the Company's common shares issued and outstanding from time to time on a non-diluted basis.

On June 30, 2017, the BOD granted 385,000 RSUs to Participants at a price of C$2.47. These RSUs vest over a three year term. Within 60 days of the vesting date, the Participant shall have the right to receive, at the sole election of the Company, payment for the RSUs by any of the following methods or by a combination of such methods: (i) a cash payment equal in value to the number of RSUs recorded in the Participant's account multiplied by the weighted average trading price of the common shares for the five days preceding the vesting date; or (ii) one common share multiplied by the number of RSUs recorded in the Participant's account, issued from treasury and subject to the receipt of necessary approvals, less applicable withholdings in all cases.

Normal course issuer bid

On February 25, 2015, the BOD approved the implementation of an NCIB, which allows Pivot to repurchase up to 5% of the Company's issued and outstanding common shares after conversion of the Series A Preferred Shares, over a twelve-month period. Implementation of the NCIB was subject to the filing of a formal notice and approval by the TSX-V.

On March 30, 2016, the Company obtained the approval of the TSX-V to implement an NCIB for its common shares. On November 28, 2016, the TSX confirmed its acceptance of the Company's existing NCIB upon the Company's graduation to the TSX. The Company received approval to acquire up to 2,097,332 common shares under the NCIB, representing approximately 5% of the Company's issued and outstanding common shares. The NCIB for the common shares of the Company terminated on March 31, 2017. All common shares acquired under the NCIB were acquired at the market price of the securities at the time of acquisition. The common shares so acquired were cancelled. Purchases pursuant to the NCIB were made by Cantor Fitzgerald Canada Corporation on behalf of the Company.

On June 8, 2016, the Company entered into an automatic share purchase plan with Cantor Fitzgerald for the purpose of permitting the purchase of common shares under the NCIB at times

when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases will be determined by Cantor Fitzgerald in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX-V and applicable securities laws.

On March 27, 2017, the BOD approved the implementation of a new NCIB, which allows Pivot to repurchase for cancellation up to 10% of the Company's issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) during the twelve months ending June 21, 2018.

On May 12, 2017, the Company entered into an automatic share purchase plan with Echelon Wealth Partners, Inc. ("Echelon"), for the purpose of permitting the purchase of common shares under the 2017 NCIB at times when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases will be determined by Echelon in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX and applicable securities laws.

On June 19, 2017, the Company obtained the approval from the TSX to proceed with its second NCIB to repurchase up to 3,820,852, or approximately 10% of the Company's issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) at prevailing market prices during the twelve months ending June 21, 2018.

Shares repurchased and subsequently cancelled under the Company's NCIB's are as follows:

NCIB	Cancellation date	# of Shares cancelled	Total cost of shares
2016 NCIB	October 3, 2016	56,000	C$104
2016 NCIB	November 1, 2016	323,750	C$580
2016 NCIB	December 1, 2016	431,874	C$727
2016 NCIB	December 20, 2016	74,750	C$125
2016 NCIB	December 28, 2016	24,200	C$41
2016 NCIB	February 1, 2017	80,800	C$133
2016 NCIB	February 28, 2017	40,200	C$64
2016 NCIB	March 28, 2017	67,100	C$101
2016 NCIB	April 3, 2017	61,900	C$102
2017 NCIB	August 1, 2017	36,500	C$82
		1,197,074	**C$2,059**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Common share dividends

On February 25, 2015, the BOD approved the initiation of a quarterly common share dividend. Common share dividends were declared and paid as follows:

Declaration date	Record date	Distribution date	Per share amount	Total dividend
February 4, 2016	February 29, 2016	March 15, 2016	C$0.03	C$1,284
May 4, 2016	May 31, 2016	June 15, 2016	C$0.04	C$1,720
August 19, 2016	August 31, 2016	September 15, 2016	C$0.04	C$1,695
November 21, 2016	November 30, 2016	December 15, 2016	C$0.04	C$1,667
February 16, 2017	March 3, 2017	March 15, 2017	C$0.04	C$1,654
May 9, 2017	May 31, 2017	June 15, 2017	C$0.04	C$1,612

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

As at June 30, 2017, the issued share capital amounted to $85,838. The changes in issued shares for the period ended June 30, 2017 were as follows:

	# of Common shares
As at January 1, 2017	41,463,333
Stock options exercised	99,750
Share repurchases	(1,170,313)
As at June 30, 2017	**40,392,770**

Note: *Share amounts are unrounded*

Off-balance sheet arrangements and derivative financial instruments

Pivot's off-balance sheet arrangements are comprised of operating leases entered into in the normal course of business. Pivot has no other off-balance sheet arrangements. Pivot does not enter into the speculative use of derivatives.

Financial instruments and other instruments

Other than the Swap agreement described under *Liquidity and Capital Resources – Secured borrowings*, the Company is not a party to financial instruments.

INTERESTS IN OTHER ENTITIES

The following table includes the significant subsidiaries and affiliates of the Company:

		Equity Interest	
Name	**Jurisdiction**	**Q2 2017**	**2016**
ACS Holdings (Canada) Inc.	Canada	100%	100%
Pivot Acquisition Corporation	Canada	100%	100%
1955714 Ontario Inc.	Canada	100%	100%
Infoptic Technology Inc.	Canada	100%	100%
TeraMach Systems Inc.	Canada	100%	100%
TeraMach Technologies Inc.	Canada	100%	100%
Pivot of the Americas S.A. de C.V.	Mexico	100%	100%
Pivot Research Ltd.	Jersey	100%	100%
Pivot Shared Services Ltd.	Ireland	100%	100%
Pivot Technology Solutions Hong Kong Limited	Hong Kong	100%	100%
Pivot Technology Solutions Singapore PTE. LTD.	Singapore	100%	100%
Pivot Technology Solutions, Ltd.	United States	100%	100%
ACS (US) Inc.	United States	100%	100%
New ProSys Corp.	United States	100%	100%
ProSys Information Systems Inc.	United States	45%	45%
ARC Acquisition (US) Inc.	United States	100%	100%
GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc. (1)	United States	0%	0%
Sigma Technology Solutions Inc.	United States	100%	100%

(1) GTS was not a subsidiary or affiliate of the Company at any time during 2017 or 2016. However, its results of operations were consolidated with those of the Company until June 30, 2016. See GTS Technology Solutions, Inc., below.

ProSys Information Systems, Inc. ("Old ProSys")

Old ProSys is a 45% owned affiliate of the Company, whose principal office is located in Norcross, Georgia, United States of America. Despite not owning a majority of the voting rights, management has determined that the Company controls this entity, based on the following facts and circumstances:

- Pivot has the right to acquire, at any time, the remaining shares of Old ProSys they do not already own.
- Any significant decision made at Old ProSys requires Pivot's agreement, including BOD changes, payment of dividends, merger or acquisition, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and assigning or termination of any material agreement.
- Pivot receives the majority of the benefits from the activities of Old ProSys (95%+ of net income historically from Old ProSys).

The Company has certain contractual arrangements with Old ProSys which provide the Company the majority of the variable returns from Old ProSys activities. In addition, the Company holds a majority of the director and officer positions, which provide control on a de facto power basis.

The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Old ProSys to its third-party customers. Total sales attributable to the activities of Old ProSys were approximately $91,668 and $71,168 for the three months ended June 30, 2017 and 2016, respectively, and $148,836 and $127,149 for the six months ended June 30, 2017 and 2016, respectively. Amounts due from Old ProSys were $54,096 and $62,360 as at June 30, 2017 and December 31, 2016, respectively.

The following table summarizes the financial information of Old ProSys, as included in its own financial statements:

	Three months ended June 30, *(unaudited)*		**Six months ended June 30,** *(unaudited)*	
	2017	**2016**	**2017**	**2016**
Current assets	59,581	33,538	59,581	33,538
Non-current assets	-	-	-	-
Current liabilities	54,096	27,936	54,096	27,936
Non-current liabilities	-	-	-	-
Net assets	**5,485**	**5,602**	**5,485**	**5,602**
Revenue	91,668	71,168	148,836	127,149
Total Comprehensive Income (Loss)	**(130)**	**118**	**(223)**	**195**
Cash (used in) provided by operating activities	(17,596)	6,000	8,264	1,735
Cash (used in) investing activities	-	-	-	-
Cash provided by (used in) financing activities	17,596	(6,000)	(8,264)	(1,735)
Net increase (decrease) in cash and cash equivalents	-	-	-	-

Note: *Amounts presented are in thousands of U.S. dollars*

GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc.

Pivot has no ownership interest in GTS. Pursuant to the terms of the Administrative Services Agreement between ARC and GTS, which recently terminated on August 30, 2016, ARC had a right to variable returns in the form of fees based on GTS' performance. Pivot also provided financing and certain financial guarantees for the benefit of GTS during the course of the relationship.

ARC had certain contractual arrangements with GTS, whose activities were consolidated with those of the Company. ARC received notification from GTS that it wished to terminate the existing arrangement effective August 30, 2016. During June of 2016, ARC and GTS began the process of separation, and on July 1, 2016, the Company was deemed to have effectively lost control over GTS for accounting purposes. Total sales attributable to the activities of GTS were nil and $23,095 for the three months ending June 30, 2017 and 2016, respectively, and nil and $47,225 for the six months ended June 30, 2017 and 2016, respectively. The amount due from GTS was $5,978 as at June 30, 2017 and December 31, 2016. The Company established a reserve of $5,978 during Q3 2016, which has remained in place through June 30, 2017.

On November 23, 2016, a lawsuit was filed by the Company's affiliates seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties, including, but not limited to: GTS, certain GTS employees, GTS' owner and GTS' former shareholders (the "Lawsuit"). The Company intends to vigorously pursue this matter to recover damages incurred by Pivot Technology Solutions, Ltd. ("PTSL"), ARC and Pivot Acquisition Corporation ("PAC") in connection with the relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter. In the same Lawsuit, GTS, Laura Grant, Ryan Grant and Anne Fielding have filed counterclaims against PTSL, ARC and PAC, including claims for breaches of the GTS Agreements, tortious interference with contractual relations, defamation and conversion. All parties have filed motions to dismiss under the Texas Citizens Participation Act. While the Company intends to vigorously defend against the counterclaims that have been asserted, it has not formed a conclusion as to whether a favorable outcome is either probable or remote, and the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

RELATED PARTIES

Applied Computer Solutions, Inc. ("Applied")

A former key member of management of ACS (US) Inc. ("ACS") had significant influence over Applied, resulting in a related-party relationship until March 31, 2016. In addition to the asset purchase agreement with Applied, ACS entered into an administrative services agreement, a license agreement and a distribution agreement with Applied commencing with the date of the asset purchase on December 30, 2010. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Applied. The total amount charged to Applied for shared administrative services in 2016 through the termination of the

related-party relationship was $395 for the three months ended March 31, 2016. The license agreement permits Applied to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. The total amount charged for licensing fees through the termination of the related party relationship was $575 for the three months ended March 31, 2016.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Applied to its third-party customers, and thus the Company is the principal and Applied is the agent of the Company with respect to such sales. The Company recognizes this revenue on a gross basis. Total gross sales through the agent were approximately $56,156 and $27,838 for the three months ended June 30, 2017 and 2016, respectively. Total gross sales through the agent were approximately $100,422 and $63,955 for the six months ended June 30, 2017 and 2016, respectively. Amounts due from Applied totaled $12,185 and $10,562 as at March 31, 2017 and December 31, 2016, respectively.

ACS leases two of its offices from a related entity controlled by a former key member of the ACS management team. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents incurred under these leases through the termination of the related-party relationship were $407 for the three months ended March 31, 2016.

ACS incurred $375 and $512 for the three months ended June 30, 2017 and 2016, respectively, and $750 and $1,025 for the six months ended June 30, 2017 and 2016, respectively for research and development provided by a related entity where the president of ACS has significant influence. Amounts payable were nil and $1,273 as at June 30, 2017 and December 31, 2016, respectively.

Pivot Shared Services Ltd. incurred expenses for sales and marketing support provided by a related entity during which time a former Company director had significant influence until May 25, 2016. Amounts incurred were $32 and $96 for the three and six months ended June 30, 2016, respectively.

The contractual arrangements with Applied, GTS and Old ProSys as described above and in *INTERESTS IN OTHER ENTITIES* accounted in aggregate for 35.7% and 32.7%, of the overall Pivot revenues for the three months ended June 30, 2017 and 2016, respectively, and 34.0% and 33.7% for the six months ended June 30, 2017 and 2016, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

SUMMARY COMPENSATION TABLE

The following table sets out the compensation of the key management of the Company:

	Three months ended June 30, (unaudited)		Six months ended June 30, (unaudited)	
	2017	2016	**2017**	2016
Compensation	**414**	257	**817**	938
Annual incentive plans	**(190)**	413	**156**	699
Share-based compensation	**6**	102	**37**	102
Other compensation	**13**	279	**214**	565
	243	1,051	**1,224**	2,304

***Note:** Amounts presented are in thousands of U.S. dollars*

RISKS AND UNCERTAINTIES

The Company's business is subject to a number of risk factors which are described in Annual Information Form for the year ended December 31, 2016 available at sedar.com under the Company's profile. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

CRITICAL ACCOUNTING ESTIMATES

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the audited consolidated financial statements of future periods. Estimates and accounting judgments are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances.

In making these estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with that in the prior year, and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed below.

Revenue recognition

Multi-element or bundled contracts require an estimate of the relative fair value of separate elements. The Company has a limited number of these arrangements, and assesses the criteria for the recognition of revenue related to arrangements that have multiple components. These assessments require judgment by management to determine if there are separately identifiable components as well as how to allocate the total price among the components. Deliverables are accounted for as separately identifiable components if they can be understood without reference to the series of transactions as a whole. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

Impairment

Impairment exists when the carrying amount of a cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use.

The Company measures the recoverable amount for each CGU by using a fair value less costs to sell ('market') approach. The market approach assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings multiples of benchmark companies comparable to the businesses in each CGU.

Other significant assumptions include revenue and operating margin, which are based on the individual CGU's internal forecast for the next fiscal year. In arriving at the forecast, the Company considers past experience and inflation as well as industry and market trends. The forecast also takes into account the expected impact from new product initiatives, customer retention and

efficiency initiatives. The Company uses earnings multiples for its CGUs similar to the range for benchmark companies.

Income taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

FUTURE ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard and contracts to determine the impact on the consolidated financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure control and procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is made known and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As required by the Canadian Securities Administrators' National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated, or caused to be evaluated, the design of disclosure controls and procedures. Based on that evaluation, they have concluded that, as a result of the material weakness noted below, as of the end of the period covered by this MD&A, the Company's disclosure controls and procedures were not effective. The deficiencies aggregating to the material weakness have not resulted, either individually or collectively in any adjustments to the Company's interim or annual financial statements.

Internal control over financial reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

Management has conducted an evaluation of the design of internal controls over financial reporting, utilizing the 2013 COSO Internal Control - Integrated Framework. Based on this evaluation, management concluded that the Company's ICFR was not effective as at the reporting date, as certain controls and procedures have not been designed and implemented to the extent required to maintain an effective control environment. In isolation, none of the identified control deficiencies are believed to be material; however, when aggregated, there is more than a remote

likelihood that a material misstatement of Pivot's interim or annual consolidated financial statements would not be prevented or detected.

Impact of material weakness

Due to their nature, the potential impact of these deficiencies cannot be assessed or predicted with any degree of accuracy.

Remediation to address material weakness

On December 19, 2016, the Company transitioned from the TSX Venture Exchange to the Toronto Stock Exchange, becoming subject to the full internal control requirements of NI 52-109. To address the enhanced public company internal control certification requirements, the Company, with the assistance of a third-party controls specialist has been actively evaluating the Company's control environment and executing an action plan to address identified control deficiencies. The Company expects to have made the necessary changes to its control environment in the third quarter of 2017 to address the previously identified material weakness.

Limitation of scope of design

Section 3.3 of NI 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's end of the financial period to which the certifications relate to be excluded from the scope of the certifications to allow it sufficient time to ensure controls, policies and procedures are effective. Therefore, the Company's management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures relating to the TeraMach acquisition, which occurred in October of 2016. TeraMach is a wholly-owned subsidiary, whose total assets excluded from management's assessment represent 4.6% as at June 30, 2017, and total revenues excluded from management's assessment represent 3.1% and 7.7% of the related consolidated financial statement amounts for the three month and six months ended June 30, 2017. Segment information for TeraMach can be found in Note 14 to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2017.

Changes in internal control over financial reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three and six months ended June 30, 2017, that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.