



Optiva Inc. Reports Fourth Quarter and Full Year 2020 Financial Results

TORONTO, March 3, 2021 - Optiva Inc. (“Optiva” or “the Company”) (TSX:OPT), a leading provider of mission-critical, cloud-native revenue management software for the telecommunications industry, today released its fourth quarter financial results for the three-month and full-year period ended December 31, 2020.

“My priority in the first ninety days with Optiva is to listen to our customers and employees. I have been reaching out by video directly to both our current customers as well as employees to understand their priorities, concerns and challenges with respect to how we work together going forward. I have communicated to customers that we are in a period of dynamic change taking place in the telecom market, and we will work in partnership to solve for their present and future business requirements as we collaborate on their unique journey to the 5G cloud future,” said John Giere, President and Chief Executive Officer of Optiva. “My goal is to build Optiva as a customer and employee focused organization that allows us to consistently deliver high-quality innovative cloud-native products that will ensure long-term growth and profitability. We have work ahead of us to get there, and we have initiated actions already to drive forward our operational excellence and financial performance.

I believe the telecom industry will continue to shift its business model to the cloud and demand cloud-native products. Our three-year product roadmap goal is to invest in delivering a robust cloud-native product portfolio and offset legacy revenues with new revenues generated by a cloud-agnostic product offering. Due to individual issues that our customers face, including commercial, technology, regulatory and security issues, the transition will take place over a period of years. Optiva is well-positioned to deliver innovative cloud-based BSS solutions that enable our customers to expand their menu and velocity in terms of delivering new revenue-generating services that are supported by their choice of privately-hosted, subscription or SaaS operational models.”

Business Highlights

- Optiva significantly augmented its leadership team with the appointment of John Giere as President and Chief Executive Officer of the Company. Mr. Giere joins Optiva with more than 25 years of telecommunications industry leadership, building customer relationships and delivering innovative products to the market at companies including Openwave Mobility, Alcatel-Lucent and Ericsson.
- Subsequent to quarter-end, Matthew Halligan joined Optiva as Chief Technology Officer, which further strengthens and complements amongst other things, Optiva's continued efforts to build out its internal R&D team and expertise. We have eliminated our reliance on related parties for R&D expertise and now are in control of our own technology and product development pipeline. Optiva management remains confident that the internal team will be capable of a 100% increase in engineering work-hour output while realizing up to 50% savings when compared to the engineering work outsourced in the past.
- Strategic planning efforts during the quarter resulted in well-defined objectives and key performance indicators for 2021, to drive customer retention, deliver new product releases to secure revenue stability, sustained profitability and build a robust funnel of growth opportunities and subsequent new customer wins.
- Optiva set up a financing committee to review and assess, among other things, the Company's financing needs and the alternatives available to satisfy those needs through one or more financing transactions. This will help sustain operational momentum, accelerate product development efforts and build up cash on the balance sheet for acquisition discussions in future.
- Optiva is investing in building its salesforce as customer retention, contract renewals, service enhancement and delivery become a strategic focus. Optiva continued its marketing efforts, and feedback from various events has produced a growing interest in the Optiva cloud offering, which is reflected in the growing volume of invitations to RFP's.
- Subsequent to year-end, Optiva announced that Tele2, a European telecommunications group serving millions of customers, has extended its partnership in Sweden and the Baltics with the Company. The five year agreement includes support services and updates for its Optiva Charging Engine, with an upgrade option to Optiva's private-cloud offering, which enables innovative new services and monetizing 5G. With support services, Optiva will be helping Tele2 monetize its mobile customer base across two locations and multiple deployments, and enabling Tele2 to achieve continued stability for its platform.
- Optiva also recently announced Mobily, a tier one telecom that is one of the most advanced operators in the Middle East, has gone live with the Optiva payment solution on Mobily private cloud. Mobily is recognized by the telecom industry as one of the most innovative and advanced operators in the region. It was the first

operator worldwide to launch the 4G services commercially. With its move to cloud, Mobily continues its trajectory of innovation in the telecommunications sector.

- Subsequent to the end of the year, Optiva announced that ESW Capital, LLC ("ESW") and its affiliates agreed to (i) sell all of its subordinate voting shares in Optiva in a private sale, and (ii) terminate all of their related party agreements with Optiva, and waive certain provisions of the warrants to acquire subordinate voting shares held directly or indirectly by ESW. The sale is expected to close on or around March 5, 2021. On closing, Optiva and ESW and certain other parties, including other significant shareholders of the company, also agreed to release each other from certain claims relating to Optiva and to clarify their respective intellectual property rights. Optiva also announced its intention to complete a subsequent offering of subordinate voting shares and that it had received non-binding indications of interest to participate of up to \$17 million. The transaction is expected to enhance the protection of Optiva's intellectual property, reduce expenditures on legal and professional fees relating to shareholder disputes going forward and lower risk of dilution to existing shareholders through the shortening of the term of the outstanding warrants held by ESW.

Fourth Quarter 2020 Financial Results Highlights

Q4 Fiscal 2020 Highlights	Three Months Ended		Twelve	Fifteen
	December 31,		Months Ended	Months Ended
<i>(\$ US Thousands, except per share information)</i>	December 31,			December 31,
<i>(Unaudited)</i>	2020	2019	2020	2019
Revenue	18,142	20,530	75,916	120,883
Net income (loss)	1,670	(16,874)	(41,520)	(13,751)
Earnings (loss) Per Share	\$ 0.31	\$(3.17)	\$(7.81)	\$(2.60)
Adjusted EBITDA	\$ 5,661	\$ 7,395	\$ 20,756	\$ 33,544
Cash used in operating activities	(2,621)	(2,966)	(7,900)	(2,259)
Total cash, including restricted cash	18,290	32,699	18,290	32,699

- Revenues decreased by \$2.4 million relative to the corresponding quarter of 2019, primarily due to the discontinuation of software, support and subscription sales to customers who had previously notified Optiva of their exit.
- Optiva's cost of revenue and operating expenses decreased by \$4.5 million relative to the same period in 2019, which resulted in gross margin increasing to 75% when compared to the 72% achieved during the same period in 2019.
- General and administrative expenses increased to \$6.2 million when compared to \$3.8 million during the same period in 2019. The increase in the quarter was mainly due to an increase in legal and advisory costs related to the activities of the special committee of the board of directors, slightly offset by lower stock-based compensation due to decrease in share price on the director stock units ("DSUs"). Excluding amortization, legal costs and stock-based compensation, G&A costs

increased from \$2.0 million to \$4.1 million when compared to the same period in 2019.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA")^[1] for the fourth quarter of 2020 was \$4.6 million compared to \$2.9 million during the same period in 2019. Adjusted EBITDA^[1] ("Adjusted EBITDA") for the fourth quarter of 2020 amounted to \$5.7 million, as compared to \$7.4 million during the same period in 2019.
- Net income for the fourth quarter amounted to \$1.7 million compared to net loss of \$16.9 million during the corresponding period in 2019. The shift from net loss to net income is mainly attributable to lower research and development costs and lower sales and marketing costs, slightly offset by higher general and administrative costs.
- Optiva continues to focus on further expanding its in-house R&D team and did not place any orders with R&D outsource firm DevFactory, a related party of Optiva, in the fourth quarter ended December 31, 2020. During the fourth quarter, the Company increased the R&D staff by 25% and now has a fully functional and self-sufficient R&D team.
- Optiva consumed \$2.6 million in cash from operating activities in the fourth quarter of 2020, versus consuming \$2.9 million of cash in the corresponding period in 2019. The Company ended the fourth quarter with a cash balance of \$18.3 million.

^[1] EBITDA and Adjusted EBITDA are a non-IFRS measure. This measure is defined in the "Non-IFRS Financial Measures" section of this news release.

Non-IFRS Measures

EBITDA" and "Adjusted EBITDA", are not financial measures calculated and presented in accordance with International Financial Reporting Standards (IFRS), and should not be considered in isolation or as a substitute to net income (loss), operating income or any other financial measures of performance calculated and presented in accordance with IFRS, or as an alternative to cash flow from operating activities as a measure of liquidity. The Company defines EBITDA as net income (loss) excluding amounts for depreciation and amortization, other income, finance costs, finance income, income tax expense (recovery), foreign exchange gain (loss) and share-based compensation. The Company defines "Adjusted EBITDA" as EBITDA (as defined above), excluding restructuring costs, one-time provision amounts, any one-time transaction costs associated with shareholder conflict and the July 2020 debenture financing and spending on cloud innovation. The Company believes that Adjusted EBITDA is a metric that investors may find useful in understanding the Company's financial position. Additionally, the Company believes that Adjusted EBITDA isolates the Company's results of operations from spending on cloud development and serves as a useful yardstick to gauge the profitability of the Company's operations prior to spending on the development of the cloud platform which currently

generates negligible revenue to the Company. The following table provides a reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA.

	Three months ended December 31,		Twelve months ended December 31,	Fifteen months ended December 31
	2020	2019	2020	2019
Net income (loss) for the period	\$ 1,669,668	\$ (16,873,855)	\$ (41,520,211)	\$ (13,751,105)
Add back / (subtract):				
Depreciation of property and equipment	–	–	–	166,698
Amortization of intangible assets	1,819,563	1,163,196	8,960,116	5,828,932
Finance income	(155,736)	(125,570)	(405,810)	(604,885)
Finance costs (recovery)	(2,029,188)	10,152,580	26,253,579	14,190,135
Income tax expense	3,598,360	6,354,704	6,273,866	11,641,649
Foreign exchange loss	100,211	1,598,079	1,999,216	1,475,908
Share-based compensation	(383,911)	636,854	151,979	2,175,412
EBITDA	\$ 4,618,967	\$ 2,905,988	\$ 1,712,735	\$ 21,122,744
Restructuring costs (recovery)	(39,449)	103,534	162,713	(1,715,241)
Change in other provisions	–	–	3,072,717	–
One-time costs related to shareholder conflict and Debenture financing	651,787	–	2,752,916	–
Spend on Cloud innovation	430,143	4,385,742	13,055,046	14,136,575
Adjusted EBITDA	\$ 5,661,448	\$ 7,395,264	\$ 20,756,127	\$ 33,544,078

About Optiva

Optiva Inc. is a leading provider of mission-critical, cloud-native revenue management software for the telecommunications industry. Its products are delivered globally on the private and public cloud. The Company's solutions help service providers maximize digital, 5G, IoT and emerging market opportunities to achieve business success. Established in 1999, Optiva Inc. is on the Toronto Stock Exchange (TSX: OPT). For more information, visit www.optiva.com.

Caution Concerning Forward-Looking Statement

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements use such words as "may," "will," "expect," "continue," "believe," "plan," "intend," "would," "could," "should," "anticipate" and other similar terminology. These statements are forward-looking as they are based on our current expectations, as at March 3, 2021, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in the Company's most recent Annual Information Form, which is available on SEDAR at www.sedar.com and on Optiva's website at www.optiva.com/investors/. Other

unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Optiva does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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OPTIVA INC.

Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

As at December 31, 2020 and December 31, 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,663,998	\$ 31,747,993
Trade accounts and other receivables	7,868,501	7,808,293
Unbilled revenue	4,086,395	4,468,014
Prepaid expenses	2,752,304	1,983,391
Income taxes receivable	4,281,673	4,105,144
Other assets	222,101	243,199
Inventories	–	473,201
Total current assets	36,874,972	50,829,235
Restricted cash	625,692	951,291
Deferred income taxes	208,237	217,423
Other assets	624,134	–
Investment tax credits	–	358,309
Long-term unbilled revenue	3,520,177	4,676,597
Intangible assets	3,255,482	12,215,598
Goodwill	32,271,078	32,271,078
Total assets	\$ 77,379,772	\$ 101,519,531
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	\$ 8,811,407	\$ 7,350,942
Accrued liabilities	9,677,245	10,518,015
Provisions	5,555,373	3,630,550
Income taxes payable	4,932,157	3,644,752
Deferred revenue	4,894,195	6,363,724
Total current liabilities	33,870,377	31,507,983
Deferred revenue	661,837	702,143
Other liabilities	2,797,836	2,628,408
Pension and other long-term employment benefit plans	15,582,459	12,486,732
Debentures	86,338,367	–
Provisions	–	36,611
Preferred shares	–	66,345,563
Series A Warrant	16,662,808	22,679,934
Deferred income taxes	898,146	753,036
Total liabilities	156,811,830	137,140,410
Shareholders' equity (deficit):		
Share capital	250,904,013	250,893,223
Standby Warrant	997,500	997,500
Contributed surplus	11,406,814	11,291,632
Deficit	(335,842,249)	(294,322,038)
Accumulated other comprehensive loss	(6,898,136)	(4,481,196)
Total shareholders' equity (deficit)	(79,432,058)	(35,620,879)
Total liabilities and shareholders' equity (deficit)	\$ 77,379,772	\$ 101,519,531

OPTIVA INC.

Consolidated Statements of Comprehensive Loss
(Expressed in U.S. dollars, except per share and share amounts)

Twelve months ended December 31, 2020 and Fifteen months ended December 31, 2019

	2020	2019
Revenue:		
Support and subscription	\$ 58,288,775	\$ 86,859,693
Software licenses, services and other	17,626,729	34,022,831
	<u>75,915,504</u>	<u>120,882,524</u>
Cost of revenue	19,603,845	39,351,285
Gross profit	56,311,659	81,531,239
Operating expenses:		
Sales and marketing	7,952,320	12,552,570
General and administrative	30,058,707	22,585,631
Research and development	25,537,279	35,156,577
Restructuring costs (recovery)	162,713	(1,715,241)
	<u>63,711,019</u>	<u>68,579,537</u>
Income (loss) from operations	(7,399,360)	12,951,702
Foreign exchange loss	(1,999,216)	(1,475,908)
Finance income	405,810	604,885
Finance costs	(26,253,579)	(14,190,135)
Loss before income taxes	(35,246,345)	(2,109,456)
Income tax expense:		
Current	5,801,865	9,162,706
Deferred	472,001	2,478,943
	<u>6,273,866</u>	<u>11,641,649</u>
Loss for the year	(41,520,211)	(13,751,105)
Other comprehensive income (loss):		
Items that will not be reclassified to net income:		
Actuarial (loss) / gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil (2019 - nil)	(2,416,940)	3,590,172
Total comprehensive loss	<u>\$ (43,937,151)</u>	<u>\$ (10,160,933)</u>
Loss per common share:		
Basic	\$ (7.81)	\$ (2.60)
Diluted	(7.81)	(2.60)
Weighted average number of common shares:		
Basic	5,315,940	5,280,662
Diluted	5,315,940	5,280,662

OPTIVA INC.

Consolidated Statements of Cash Flows (Expressed in U.S. dollars)

Twelve months ended December 31, 2020 and Fifteen months ended December 31, 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (41,520,211)	\$ (13,751,105)
Adjustments for:		
Depreciation of property and equipment	–	166,698
Amortization of intangible assets	8,960,116	5,828,932
Finance income	(405,810)	(604,885)
Finance costs	26,253,579	14,190,135
Income tax expense	6,273,866	11,641,649
Unrealized foreign exchange (gain) / loss	(1,683,892)	39,847
Share-based compensation	151,979	2,175,412
Pensions	1,236,746	(684,984)
Provisions	1,888,212	(9,650,047)
Loss on disposal of property and equipment	–	307,707
Change in non-cash operating working capital	(4,153,635)	(7,094,600)
	(2,999,050)	2,564,759
Interest paid	(38,897)	(77,487)
Interest received	78,201	281,776
Income taxes paid	(4,940,550)	(5,028,410)
	(7,900,296)	(2,259,362)
Financing activities		
Issuance of debentures	90,000,000	–
Transaction costs on debentures	(3,933,723)	–
Redemption of preferred shares	(80,000,000)	–
Dividends paid	(13,588,145)	(4,264,969)
	(7,521,868)	(4,264,969)
Investing activities:		
Sale of property and equipment	–	67,456
Decrease in restricted cash	325,599	2,556,468
	325,599	2,623,924
Effect of foreign exchange rate changes on cash and cash equivalents	1,012,570	(526,463)
Decrease in cash and cash equivalents	(14,083,995)	(4,426,870)
Cash and cash equivalents, beginning of year	31,747,993	36,174,863
Cash and cash equivalents, end of year	\$ 17,663,998	\$ 31,747,993