



## **Optiva Inc. Reports First Quarter 2021 Financial Results**

All amounts are stated in United States dollars unless otherwise indicated

- 77% Gross Margin, representing record level compared to 72% in Q1'20
- Net income of \$16.7 million compared to \$0.8 million in Q1'20. Net Income of \$3.7 million excluding impact of warrant valuation compared to net loss of \$11.7 million for the same time period last year
- Adjusted EBITDA of \$5.0 million versus loss of \$5.3 million in Q1'20, representing the third consecutive quarter of Adjusted EBITDA margin above 25%
- Balance sheet strengthened by \$20 million private placement

TORONTO, May 11, 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 first quarter financial results for the three-month period ended March 31, 2021.

"I am pleased with our Q1 results. We continue to build a solid foundation designed to support consistent, long-term, profitable growth. We are laser focused on running an efficient, optimized business, so we continue to scrutinize costs and implement new and improved operational processes. Our strong Adjusted EBITDA results in the last three quarters are a byproduct of this effort."

"The heart of our rejuvenated company is and always will be our customers, and we challenge each other to demonstrate this daily not only in our words but in our actions as well. I remain confident that the telecom industry will continue to transition its business model, BSS products and applications to the cloud and that we will be well positioned to capitalize on that transition. We are investing aggressively in providing a seamless, improved pathway to the cloud — whether public, private or hybrid — for both current and future customers alike. We believe we are at the forefront of developing and introducing innovative BSS solutions that optimize service agility within a cloud-native architecture in a way that enables our customers to succeed by helping them grow revenue-generating services all while accelerating business velocity. Customer feedback has been reassuring and enthusiastic so far. And I expect this

enthusiasm to grow as Optiva's value proposition is realized by current and prospective customers in our growing sales pipeline. Optiva's momentum is growing, and to capitalize on this trend, we are continuing to strengthen and build our in-house R&D and Sales teams," said John Giere, President and Chief Executive Officer of Optiva.

## **Business Highlights**

- Subsequent to quarter end, the Company strengthened its balance sheet by completing a private placement of subordinate voting shares, resulting in 834,500 shares being issued by the Company at a price of CDN\$30.00 per Share for aggregate gross proceeds of approximately \$20 million. This will help sustain operational momentum, accelerate product development efforts and build up cash on the balance sheet to pursue acquisition discussions in the future.
- ESW Capital, LLC ("ESW") sold all of its subordinate voting shares of Optiva in a private sale to OceanLink Management Ltd., EdgePoint Investment Group Inc., Maple Rock Capital Partners and Meson Capital. ESW and the Company also terminated all of the related party agreements between them, and ESW agreed to waive certain provisions of the warrants to acquire subordinate voting shares held directly or indirectly by ESW.
- As previously announced, Matthew Halligan joined Optiva as Chief Technology Officer. Under Mr. Halligan's leadership, the Company has eliminated fully its reliance on related parties for R&D expertise and has full control of its engineering and product development functions. Optiva continues to invest in our in-house R&D team, with in-house R&D staff increasing by 16% quarter over quarter.
- Dean Liming joined Optiva as Global Leader of Managed Services and Support. With this appointment, we continue to intensify our customer focus, enhance our MSS touchpoints and pursue a strategic engagement with our customers for the purpose of strengthening our partnerships as we, our customers and the market overall navigate in the direction of a cloud-based business model.
- Optiva is investing in strengthening and building its sales team as bookings, customer retention, contract renewals, service enhancement and delivery growth become a strategic focus. Optiva has significantly intensified its marketing efforts and visibility including the launch of a new website, which contains fresh new product content, use cases, articles, blogs, whitepapers and in-depth value propositions [www.optiva.com](http://www.optiva.com).
- As previously disclosed, Tele2, a European telecommunications group serving millions of customers, extended its partnership with the Company in Sweden and the Baltics. The five-year agreement includes support services and updates for its Optiva Charging Engine with an upgrade option to Optiva's private-cloud offering, enabling innovative new services and monetizing 5G. Optiva also previously disclosed that Mobily, a tier one telecom and one of the most advanced operators

in the Middle East, went live with the Optiva payment solution on Mobily private cloud, increasing its business and operational agility, flexibility and responsiveness to meet digital market demands, seize new revenue opportunities and increase platform performance that will deliver operating expense (OPEX) savings.

## First Quarter 2021 Financial Results Highlights

Q1 Fiscal 2021 Highlights <i>(\$ US Thousands, except per share information)</i> <i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2021	2020
Revenue	16,091	19,037
Net income	16,698	808
Earnings Per Share	\$ 3.14	\$ 0.15
Adjusted EBITDA	\$ 4,994	\$(5,294)
Cash used in operating activities	(3,352)	(240)
Total cash, including restricted cash	10,637	30,286

- Revenue decreased by \$2.9 million, to \$16.1 million, driven by known attritions while showing early indication of stabilizing at current levels. The year-over-year decrease in revenue was primarily due to the discontinuation of software, support and subscription sales to customers who had previously notified Optiva of their exit.
- Gross margin reached a record level at 77% in the first quarter of 2021, increasing 5% over the 72% gross margin achieved during the corresponding period in 2020. This increase was mainly attributable to strict cost management and operational efficiencies.
- General and administrative expenses decreased to \$4.5 million when compared to \$5.5 million during the same period in 2020. The decrease in the quarter was mainly due to the reversal of a provision related to an intellectual property claim of \$1.3 million. Excluding the provision reversal, the G&A expenditures increased by \$0.3 million compared to the same comparative period last year.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA")<sup>[1]</sup> for the first quarter of 2021 was \$6.7 million compared to a loss of \$5.5 million during the same period in 2020. Adjusted EBITDA<sup>[1]</sup> ("Adjusted EBITDA") for the first quarter of 2021 amounted to \$5.0 million, as compared to a loss of \$5.3 million during the same period in 2020.
- Net income for the first quarter was \$16.7 million compared to \$0.8 million during the corresponding period in 2020. The increase in net income is mainly attributable to decrease in value of warrants by \$13.7 million and lower operating costs.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. These measures are 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, and any one-time transaction costs associated with shareholder conflict. The Company believes that Adjusted EBITDA is a metric that investors may find useful in understanding the Company's financial position. The following table provides a reconciliation of Net Income to EBITDA and Adjusted EBITDA.

	Three months ended March 31,	
	2021	2020
Net income for the period	\$ 16,698,371	\$ 807,649
Add back / (subtract):		
Amortization of intangible assets	362,763	2,488,329
Finance income	(71,694)	(85,736)
Finance recovery	(11,193,469)	(9,762,938)
Income tax expense	528,228	312,205
Foreign exchange loss (gain)	(307,328)	1,883,340
Share-based compensation	722,598	(1,244,048)
EBITDA	6,739,469	(5,601,199)
Restructuring costs	–	116,284
Change in other provisions	(1,313,725)	–
One-time costs (recovery) related to shareholder Conflict and Debenture financing	(433,610)	191,325
Adjusted EBITDA	\$ 4,992,134	\$ (5,293,590)

## 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](http://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](http://www.sedar.com) and on Optiva's website at [www.optiva.com/investors/](http://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.

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

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,964,263	\$ 17,663,998
Trade accounts and other receivables	12,687,011	7,868,501
Unbilled revenue	2,536,842	4,086,395
Prepaid expenses	2,449,651	2,752,304
Income taxes receivable	4,813,289	4,281,673
Other assets	717,439	222,101
Total current assets	33,168,495	36,874,972
Restricted cash	673,191	625,692
Long-term unbilled revenue	3,269,265	3,520,177
Deferred income taxes	242,920	208,237
Other assets	604,125	624,134
Intangible assets	2,892,719	3,255,482
Goodwill	32,271,078	32,271,078
Total assets	\$ 73,121,793	\$ 77,379,772
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities:		
Trade payables	\$ 6,164,801	\$ 8,811,407
Accrued liabilities	8,502,155	9,677,245
Provisions	4,223,028	5,555,373
Income taxes payable	4,227,190	4,932,157
Deferred revenue	4,874,189	4,894,195
Total current liabilities	27,991,363	33,870,377
Deferred revenue	575,231	661,837
Other liabilities	2,223,708	2,797,836
Pension and other long-term employment benefit plans	14,157,326	15,582,459
Debentures	86,492,516	86,338,367
Series A Warrant	3,702,846	16,662,808
Standby Warrant	317,150	–
Deferred income taxes	873,962	898,146
Total liabilities	136,334,102	156,811,830
Shareholders' deficit:		
Share capital	250,904,013	250,904,013
Standby Warrant	–	997,500
Contributed surplus	11,925,692	11,406,814
Deficit	(319,143,878)	(335,842,249)
Accumulated other comprehensive loss	(6,898,136)	(6,898,136)
Total shareholders' deficit	(63,212,309)	(79,432,058)
Total liabilities and shareholders' deficit	\$ 73,121,793	\$ 77,379,772

# OPTIVA INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in U.S. dollars, except share amounts)

(Unaudited)

	Three months ended March 31,	
	2021	2020
Revenue:		
Support and subscription	\$ 12,787,675	\$ 15,115,811
Software licenses, services and other	3,303,408	3,920,935
	<u>16,091,083</u>	<u>19,036,746</u>
Cost of revenue	<u>3,674,948</u>	<u>5,354,176</u>
Gross profit	12,416,135	13,682,570
Operating expenses:		
Sales and marketing	1,787,168	3,023,462
General and administrative	4,458,089	5,464,180
Research and development	516,770	11,924,124
Restructuring costs	–	116,284
	<u>6,762,027</u>	<u>20,528,050</u>
Income (loss) from operations	5,654,108	(6,845,480)
Foreign exchange gain (loss)	307,328	(1,883,340)
Finance income	71,694	85,736
Finance recovery	11,193,469	9,762,938
Income before income taxes	17,226,599	1,119,854
Income tax expense (recovery):		
Current	565,922	309,187
Deferred	(37,694)	3,018
	<u>528,228</u>	<u>312,205</u>
Total net income and comprehensive income	<u>\$ 16,698,371</u>	<u>\$ 807,649</u>
Income per subordinate voting share:		
Basic	\$ 3.14	\$ 0.15
Diluted	3.01	0.14
Weighted average number of subordinate voting shares:		
Basic	5,316,057	5,315,757
Diluted	5,543,600	5,632,065

# OPTIVA INC.

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

	Three months ended March 31,	
	2021	2020
Cash used in:		
Operating activities:		
Income for the period	\$ 16,698,371	\$ 807,649
Adjustments for:		
Amortization of intangible assets	362,763	2,488,329
Finance income	(71,694)	(85,736)
Finance recovery	(11,193,469)	(9,762,938)
Pension	(937,134)	4,222
Income tax expense	528,228	312,205
Unrealized foreign exchange gain	(657,610)	(794,533)
Share-based compensation	722,598	(1,244,048)
Change in provisions	(1,332,345)	(450,501)
Change in non-cash operating working capital	(5,743,267)	9,419,643
	(1,623,559)	694,292
Interest paid	(38,319)	(22,417)
Interest received	1,587	54,779
Income taxes paid	(1,691,380)	(966,408)
	(3,351,671)	(239,754)
Financing activities:		
Payment of dividends	–	(2,209,426)
Payment of interest on loans and borrowings	(4,412,723)	–
	(4,412,723)	(2,209,426)
Investing activities:		
Increase / (decrease) in restricted cash	(47,499)	30,694
	(47,499)	30,694
Effect of foreign exchange rate changes on cash and cash equivalents	112,158	35,786
(Decrease) in cash and cash equivalents	(7,699,735)	(2,382,700)
Cash and cash equivalents, beginning of period	17,663,998	31,747,993
Cash and cash equivalents, end of period	\$ 9,964,263	\$ 29,365,293