



Optiva Inc. Reports Second Quarter Financial Results for the Three-Month Period Ended June 30, 2020

- Optiva and Truphone are nominees in TM Forum's Excellence Awards 2020
- Optiva achieved second quarter revenue of \$19.9 million and adjusted EBITDA¹ before spending on Cloud Innovation of \$5.3 million and \$15.0 million year to date
- Subsequent to quarter end, redeemed Series A Preferred Shares and improved corporate governance

TORONTO, August 11, 2020 - Optiva Inc. ("Optiva" or the "Company") (TSX:OPT), the leader in providing communications service providers (CSPs) worldwide with cloud-native revenue management software on the public cloud, released its second quarter financial results today for the three-month period ended June 30, 2020.

Q2 Fiscal 2020 Highlights <i>(\$US Thousands, except per share information)</i> <i>(Unaudited)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	19,933	24,670	38,969	49,612
Net income	(14,777)	3,069	(13,969)	3,548
Earnings Per Share	\$(2.78)	\$ 0.58	\$(2.63)	\$ 0.67
Cash generated from (used in) operating activities	(3,641)	340	(3,881)	1,393
Total cash, including restricted cash	27,175	36,876	27,175	36,876

"Following the redemption of the Series A Preferred Shares of the Company on July 20, 2020, and the appointment of new independent directors to the Board, Optiva is positioned to operate with a focus on creating long-term value for its shareholders and its customers," said Robert Stabile, Chairman

¹ Adjusted EBITDA before Cloud Innovation Spending is a non-IFRS measure. This measure is defined in the "Non-IFRS Financial Measures" section of this news release.

of the Board of Optiva. “The Company’s strategic focus on cloud native BSS/OSS platforms has not changed. Continuing to work as a partner to its customers, Optiva is committed to delivering cost savings and platform enhancements that enable carriers to capture new revenue streams as networks evolve. Despite some recent turnover, Optiva is fortunate to have some exceptional individuals on its team and the entire staff deserve credit for ensuring the day to day operations and customers were unaffected during the transition period.”

Second Quarter 2020 Financial Results for the Period Ended

June 30, 2020

- Revenues decreased by \$4.7 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 \$3.0 million relative to the same period in 2019 which resulted in gross margin increasing to 74% when compared to the 67% achieved during the same period in 2019.
- General and Administrative expenses increased to \$10.1 million, when compared to \$4.5 million during the same period in 2019. The increase was mainly attributable to one-time costs associated with legal and advisory costs related to the activities of the special committee of the board of directors, an increase in the provision estimate to reflect changes in status of certain claims and costs to settle, increased amortization costs resulting from a revision to the estimated useful life of intangible assets associated with certain non-core business and higher stock-based compensation due to the increase in share price and additional director stock units granted.

- Second quarter 2020 research and development expenses included \$4.4 million of investments in cloud innovation. Since the beginning of 2018, Optiva has invested a total of \$40.8 million in cloud innovation and will continue to invest in this strategy over the course of the next two to three years. Total research and development expenses in the second quarter increased to \$8.6 million, or 45% of total revenue, from \$3.8 million, or 16% of total revenue, as compared to the same comparative period in 2019.
- Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) for the second quarter of 2020 amounted to a loss of \$2.9 million, as compared to positive EBITDA of \$7.6 million during the same period in 2019. Excluding the impact of one-time costs during the quarter, Adjusted EBITDA² for the second quarter of 2020 amounted to \$0.9 million, compared to \$7.8 million during the same period of 2019. Adjusted EBITDA before Spending on Cloud Innovation³ for the second quarter of 2020 amounted to \$5.3 million, as compared to \$9.4 million during the same period in 2019.
- Net loss for the quarter totalled \$14.8 million compared to net income of \$3.1 million during the corresponding period in 2019. The pivot to net loss was mainly attributable to an increase in legal and advisory costs, as well as finance costs associated with the Series A Warrants.
- Optiva generated negative cash from operating activities of \$3.6 million in the second quarter of 2020, versus generating \$0.3 million of cash in the corresponding period in 2019.

² Adjusted EBITDA is a non-IFRS measure. This measure is defined in the "Non-IFRS Financial Measures" section of this news release.

³ Adjusted EBITDA before Cloud Innovation Spending is a non-IFRS measure. This measure is defined in the "Non-IFRS Financial Measures" section of this news release.

- The Company ended the second quarter with a cash balance of \$27.2 million.

Business Highlights:

During the three months ended June 30, 2020:

- Optiva and Truphone Limited set a precedent in the telecom industry that transforms and modernizes charging by deploying a cloud-native telecom charging solution on the public cloud. As a result, Optiva and Truphone are nominees in TM Forum's Excellence Awards 2020, which recognize organizations making a significant contribution to the acceleration of digital transformation throughout the industry.
- OXIO, a global connectivity-as-a-service provider, launched a virtualized multi-carrier solution for enterprises leveraging the Optiva BSS Platform™ on the public cloud.

Operational Update:

Related Party Agreements

As announced on June 26, 2020, Optiva received notice from ESW Capital, LLC (“ESW”), requesting that the Company immediately engage in a renegotiation of all related party agreements between the Company and ESW’s affiliates (namely DevFactory, FZ-LLC (“DevFactory”), Crossover Markets Inc. (“Crossover”) and ZephyrTel). Optiva does not believe that ESW had proper grounds to demand renegotiation.

Following the receipt of notice from ESW, the Company commenced an evaluation of its suite of agreements with ESW’s affiliates and preparation of a transition plan to move in-house or to other third-party providers certain research and development functions previously outsourced to DevFactory. The Company has now transitioned most of the research and development

functions previously performed by DevFactory, and expects to continue to ramp up its in-house research and development staff.

The Company continues to use the services of Crossover, but will evaluate whether those services should be provided in-house.

During the course of this transition, the Company has come to believe that the cost to replicate the same level of resources in-house is expected to be substantially lower than the amounts previously paid to ESW's affiliates. Accordingly, bringing these functions in-house could result in a substantial reduction in the cost of providing the same or superior level of service on a go-forward basis. Informed by anticipated cost reductions, the Company also is reviewing the payments previously made to ESW's affiliates.

Commitment to Cloud

The Company is committed to continuing its push to be the leader in cloud native BSS/OSS platforms. In light of the expected cost savings resulting from the transition to in-house provision of the research and development functions previously performed by DevFactory, the Company expects that a portion of such cost savings will be used to invest in further cloud innovation and other roadmap areas.

CEO Search Update

The Company's search for a CEO continues and the search committee is encouraged by the level of high quality candidates that are expressing interest in the role. This feedback reflects the Company's strong position in the market and the growth opportunities that lie ahead.

Impact of COVID-19

The governmental protocols resulting from the COVID-19 pandemic have not materially impacted Optiva's day-to-day operations. Optiva transitioned to a

fully remote workforce in 2017 and has continued to operate in the ordinary course.

Annual and Special Meeting of Shareholders:

Optiva will hold its Annual and Special Meeting of holders of Subordinate Voting Shares of Optiva Inc. on August 18, 2020 at 3400 One First Canadian Place, Toronto, Ontario, Canada commencing at 10:00 a.m. (Eastern time). Shareholders who are unable to attend in person will be able to listen-in by using the following dial-in details or webcast link:

Toll Free: 1-800-437-2398

Toll/International: 1-720-452-9102

Conference ID: 3185025

Webcast: <http://public.viavid.com/index.php?id=141229>

Non-IFRS Measures

"Adjusted EBITDA" and "Adjusted EBITDA before Cloud Innovation Spending", 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 Adjusted 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), share-based compensation, restructuring costs, one-time provision amounts and any one-time transaction costs associated with shareholder conflict and the new debenture financing. The Company defines "Adjusted EBITDA before Cloud Innovation Spending" as Adjusted EBITDA (as defined above), excluding 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

before Cloud Innovation Spending 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 Adjusted EBITDA and Adjusted EBITDA before Cloud Innovation.

OPTIVA INC.

Reconciliation of Net Income (Loss) to Adjusted EBITDA
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,		Last twelve months June 30,
	2020	2019	2020	2019	2020
Net income (loss) for the period	\$ (14,776,545)	\$ 3,068,687	\$(13,968,896)	\$ 3,547,194	\$(31,805,568)
Add back / (subtract):					
Depreciation of property and equipment	—	33,077	—	48,966	8,271
Amortization of intangible assets	2,464,192	1,163,192	4,952,521	2,326,362	7,316,478
Finance (income) / loss	8,913	(212,883)	(76,823)	(271,941)	(321,638)
Finance costs (recovery)	8,384,828	2,184,689	(1,378,110)	3,402,768	10,569,676
Income tax expense	376,101	798,581	688,306	1,375,163	9,654,935
Foreign exchange loss (gain)	298,367	(97,210)	2,181,707	(1,250,648)	4,165,392
Share-based compensation	358,916	662,805	(885,132)	853,979	201,876
Restructuring costs	26,438	209,366	142,722	1,294,994	(3,463,476)
Change in other provisions	3,072,717	—	3,072,717	—	3,072,717
One-time costs related to shareholder conflict and Debenture financing	730,540	—	921,865	—	921,865
Adjusted EBITDA	\$ 944,467	\$ 7,810,304	\$ (4,349,123)	\$ 11,326,438	\$ 320,528
Spend on Cloud innovation	4,392,063	1,586,000	12,624,903	3,634,438	19,981,326
Adjusted EBITDA before Cloud innovation	\$ 5,336,530	\$ 9,396,304	\$ 8,275,780	\$ 14,961,275	\$ 20,301,854

Auditor Remuneration

As disclosed in the Company's management information circular dated July 22, 2020, the following table sets out the approximate fees the Company incurred in using the services of its auditor, KPMG LLP, for the year ended September 30, 2018 and the fifteen-month period ended December 31, 2019, respectively. The Company wishes to clarify the total amount of fees for tax compliance and preparation services relative to total tax fees as noted below.

	FY2019
Audit Fees	\$993,353
Audit-related Fees	-
Tax Fees⁽¹⁾	\$1,082,589
All Other Fees	\$72,222
Total	\$2,148,164

(1) Of the total tax fees disclosed above, \$700,477 represents tax compliance and preparation services.

Conference Call

Optiva Inc. will not be holding an analyst call to discuss its second quarter financial results for the three-month period ended June 30, 2020.

About Optiva Inc.

Optiva Inc. is the leader in providing communication service providers (CSPs) worldwide with cloud-native revenue management software on the public cloud. MNOs and MVNOs can integrate our best-of-breed charging engine into a BSS stack or deploy our fully managed, end-to-end, SaaS platform. Optiva products offer unmatched speed, scale, security and savings. Our market knowledge, analytical insights and unique Customer Success Program ensure telecoms are equipped to achieve their strategic business goals. Established in 1999, Optiva Inc. is on the Toronto Stock Exchange (TSX: OPT). For more information, visit www.optiva.com.

Caution Concerning Forward-Looking Statements

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 August 11, 2020, 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.

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

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,426,859	\$ 31,747,993
Trade accounts and other receivables	7,360,120	7,808,293
Unbilled revenue	4,331,698	4,468,014
Prepaid expenses	1,762,627	1,983,391
Income taxes receivable	4,667,127	4,105,144
Other assets	147,091	243,199
Inventories	6,917	473,201
Total current assets	44,702,439	50,829,235
Restricted cash	747,773	951,291
Long-term unbilled revenue	3,925,977	4,676,597
Deferred income taxes	215,583	217,423
Other assets	1,597,955	–
Investment tax credits	341,596	358,309
Intangible assets	7,264,098	12,215,598
Goodwill	32,271,078	32,271,078
Total assets	\$ 91,066,499	\$ 101,519,531
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 8,468,381	\$ 7,350,942
Accrued liabilities	11,170,051	10,518,015
Provisions	6,024,301	3,630,550
Income taxes payable	3,267,146	3,644,752
Deferred revenue	11,273,753	6,363,724
Total current liabilities	40,203,632	31,507,983
Deferred revenue	663,761	702,143
Other liabilities	1,728,113	2,628,408
Pension and other long-term employment benefit plans	12,065,511	12,486,732
Provisions	–	36,611
Preferred shares	69,504,033	66,345,563
Series A Warrant	15,737,096	22,679,934
Deferred income taxes	754,128	753,036
Total liabilities	140,656,274	137,140,410
Shareholders' deficit:		
Share capital	250,904,013	250,893,223
Standby Warrant	997,500	997,500
Contributed surplus	11,280,842	11,291,632
Deficit	(308,290,934)	(294,322,038)
Accumulated other comprehensive loss	(4,481,196)	(4,481,196)
Total shareholders' deficit	(49,589,775)	(35,620,879)
Total liabilities and shareholders' deficit	\$ 91,066,499	\$ 101,519,531

OPTIVA INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue:				
Support and subscription	\$ 14,837,554	\$ 17,905,010	\$ 29,953,365	\$ 35,007,913
Software licenses, services and other	5,095,169	6,765,005	9,016,104	14,604,354
	19,932,723	24,670,015	38,969,469	49,612,267
Cost of revenue	5,121,466	8,093,255	10,475,642	16,998,318
Gross profit	14,811,257	16,576,760	28,493,827	32,613,949
Operating expenses:				
Sales and marketing	1,668,226	2,276,621	4,691,688	5,862,310
General and administrative	10,141,137	4,538,587	15,605,317	8,538,910
Research and development	8,683,791	3,810,322	20,607,915	10,115,199
Restructuring costs	26,438	209,366	142,722	1,294,994
	20,519,592	10,834,896	41,047,642	25,811,413
Income (loss) from operations	(5,708,335)	5,741,864	(12,553,815)	6,802,536
Foreign exchange gain / (loss)	(298,367)	97,210	(2,181,707)	1,250,648
Finance income / (loss)	(8,913)	212,883	76,823	271,941
Finance (cost) recovery	(8,384,828)	(2,184,689)	1,378,110	(3,402,768)
Income (loss) before income taxes	(14,400,443)	3,867,268	(13,280,589)	4,922,357
Income taxes (recovery):				
Current	386,571	824,223	695,758	1,393,882
Deferred	(10,469)	(25,642)	(7,451)	(18,719)
	376,102	798,581	688,307	1,375,163
Total comprehensive income (loss)	\$ (14,776,545)	\$ 3,068,687	\$ (13,968,896)	\$ 3,547,194
Income (loss) per subordinate voting share:				
Basic	\$ (2.78)	\$ 0.58	\$ (2.63)	\$ 0.67
Diluted	(2.78)	0.54	(2.63)	0.63
Weighted average number of subordinate voting shares:				
Basic	5,315,890	5,305,386	5,315,825	5,269,631
Diluted	5,315,890	5,635,914	5,315,825	5,649,721

OPTIVA INC.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ (14,776,545)	\$ 3,068,687	\$ (13,968,896)	\$ 3,547,194
Adjustments for:				
Depreciation of property and equipment	–	33,077	–	48,966
Amortization of intangible assets	2,464,192	1,163,192	4,952,521	2,326,362
Finance (income) / loss	8,913	(212,883)	(76,823)	(271,941)
Finance costs (recovery)	8,384,828	2,184,689	(1,378,110)	3,402,768
Pension	4,169	15,004	8,391	30,008
Income tax expense	376,101	798,581	688,306	1,375,163
Unrealized foreign exchange (gain)	(249,508)	(393,196)	(1,044,041)	(872,744)
Share-based compensation	358,916	662,805	(885,132)	853,979
Change in provisions	2,807,641	(1,171,058)	2,357,140	(1,656,925)
Loss on disposal of property and equipment	–	–	–	251,308
Change in non-cash operating working capital	(2,352,191)	(5,187,179)	7,067,452	(5,317,772)
	(2,973,484)	961,719	(2,279,192)	3,716,366
Interest paid	(3,997)	(18,992)	(26,414)	(38,845)
Interest received	15,135	53,549	69,914	105,045
Income taxes paid	(678,759)	(656,066)	(1,645,167)	(2,389,946)
	(3,641,105)	340,210	(3,880,859)	1,392,620
Financing activities:				
Payment of dividends	–	–	(2,209,426)	–
	–	–	(2,209,426)	–
Investing activities:				
Decrease in restricted cash	172,824	1,123,117	203,518	1,643,501
	172,824	1,123,117	203,518	1,643,501
Effect of foreign exchange rate changes on cash and cash equivalents				
	529,847	235,831	565,633	97,953
Increase (decrease) in cash and cash equivalents	(2,938,434)	1,699,158	(5,321,134)	3,134,074
Cash and cash equivalents, beginning of period	29,365,293	33,794,182	31,747,993	32,359,266
Cash and cash equivalents, end of period	\$ 26,426,859	\$ 35,493,340	\$ 26,426,859	\$ 35,493,340