



Optiva Inc. Reports Third Quarter 2020 Financial Results

TORONTO, November 16, 2020 - Optiva Inc. (“Optiva” or “the Company”) (TSX:OPT), a leader in providing communications service providers (CSPs) worldwide with cloud-native revenue management software on the public cloud, released its third quarter financial results today for the three-month period ended September 30, 2020.

Q3 Fiscal 2020 Highlights	Three Months Ended		Nine Months Ended	
<i>(\$ US Thousands, except per share information)</i>	September 30,		September 30,	
<i>(Unaudited)</i>	2020	2019	2020	2019
Revenue	18,804	23,124	57,774	72,736
Net income (loss)	(29,221)	(963)	(43,190)	2,584
Earnings (loss) Per Share	\$(5.50)	\$(0.18)	\$(8.12)	\$ 0.49
Adjusted EBITDA	\$ 6,819	\$ 4,630	\$ 15,095	\$ 19,591
Cash generated from (used in) operating activities	(1,398)	1,232	(5,279)	2,624
Total cash, including restricted cash	21,306	37,677	21,306	37,677

“During the quarter, we endeavored to enhance our customer engagement and use the feedback as a tool to deliver greater value as a vendor. While plenty of work remains, our team has demonstrated unwavering focus to work closely with our customers to assess and address their current and future needs including a path to cloud native offerings,” said Robert Stabile, Chairman of the Board of Optiva. “The reception to this approach from our customers and prospects is both positive and encouraging, which ultimately validates that our first-mover advantage, expertise and view of the future, positions Optiva as the partner of choice as customers prepare for their respective transition strategies to the cloud.”

Business Highlights:

- During the quarter, through operational and cost efficiencies, the Company generated improved profit margins. As a result of these initiatives, the Company will now benefit from a lower and sustainable overall cost structure, which will provide great leverage in the business model as Optiva strives to increase revenues.
- As part of the Company's strategy to keep investing in its product while eliminating its reliance on related parties for R&D expertise, much effort was expended on the build-out of the internal R&D team, leading to doubling its size and strengthening the product management team. The result is 100% of all R&D work being carried out in-house. The Company expects the internal engineering team to be fully staffed in early 2021, and at that time Optiva management estimates the team will be capable of a 100% increase in engineering man hour output while realizing up to 50% savings when compared to the engineering work outsourced in the past. This change in strategy is expected to permanently improve management and focus of the group in addition to the cost savings which will ultimately benefit our customers and shareholders.
- Despite Coronavirus related restrictions on travel and in-person conferences, Optiva has continued its marketing efforts, and feedback from various events have produced a growing interest in the Optiva cloud offering which is reflected in the growing volume of invitations to RFP's.
- Optiva recently secured an upgrade to our private cloud solution from an existing customer. The large Middle Eastern operator also presented the case study during the TM Forum digital session in October, endorsing the solution.
- The Company believes the telecom industry will continue to shift its service platforms to the cloud - private, hybrid and public, and

demand solutions from its vendors that can offer cloud-native products. Accordingly, Optiva's three-year product road-map includes investing aggressively in upgrading its product offering to become fully cloud-based and offset legacy revenues with new revenues generated by the Company's cloud product offering. Management believes this transition will take many years due to the complicated technology, regulatory, and security structures faced by the telecom industry. With an evolving and efficient cost structure in place, combined with self-sufficient internal resources, Optiva is extremely well-positioned and remains focused on the telecom industry's migration to the cloud.

- During the quarter, Optiva was selected as a finalist for TM Forum's Excellence Awards 2020. Optiva was recognized together with Truphone in the Cloud Native IT & Agility category for the implementation of Optiva Charging Engine on the public cloud.
- Optiva was also named a finalist for the 2020 Leading Lights Awards. The recognition is for its new Optiva BSS Platform, the telecom industry's first SaaS, multi-tenant BSS platform on the public cloud, in the category of Most Innovative Telco Cloud Product Strategy (Vendor).

Third Quarter 2020 Financial Results Highlights

- Revenues decreased by \$4.3 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 \$3.4 million relative to the same period in 2019 which resulted in gross margin increasing to 75% when compared to the 65% achieved during the same period in 2019.

- General and administrative expenses increased to \$8.3 million when compared to \$4.6 million during the same period in 2019. The increase in expenses was mainly due to an increase in legal and advisory costs related to the activities of the special committee of the board of directors, increase in provision estimate to reflect changes in the status of certain claims and costs to settle and increase in 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. Excluding amortization, legal costs, and stock-based compensation, G&A costs increased from \$3.0M to \$3.5M when compared to the same period in 2019.
- 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. Optiva is building an in-house R&D team and did not place any orders with DevFactory in the third quarter ended September 30, 2020. The Company is also working with other strategic partners for enhancing its R&D activities, with the ultimate goal of being self-sufficient on a go-forward basis.
- Earnings before interest, taxes, depreciation, and amortization (“EBITDA”)¹ for the third quarter of 2020 was \$5.6 million compared to \$5.4 million during the same period in 2019. Adjusted EBITDA¹ (“Adjusted EBITDA”) for the third quarter of 2020 amounted to \$6.8 million, as compared to \$4.6 million during the same period in 2019.
- Net loss for the quarter amounted to \$29.2 million compared to net loss of \$963,000 during the corresponding period in 2019. The increase in net loss was mainly attributable to an increase in finance costs related to accretion of preferred shares on redemption and warrant mark-to-market valuation and an increase in legal, and advisory costs.

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.

- Optiva consumed \$1.5 million in cash from operating activities in the third quarter of 2020, versus generating \$1.2 million of cash in the corresponding period in 2019.
- The Company ended the third quarter with a cash balance of \$21.3 million.
- During the quarter, Optiva fully redeemed all of the Series A Preferred Shares of the Company, including all accrued and unpaid dividends thereon, beneficially owned or controlled by ESW Capital, LLC and its affiliates, in accordance with the terms of the Preferred Shares. The aggregate redemption price in respect of the Preferred Shares was US\$91,378,719

CDN \$30 Million Private Placement

Subsequent to quarter-end, on November 10, 2020, Optiva announced that OceanLink Management Ltd., for and on behalf of certain managed funds, agreed to make a CDN \$30 million investment in Optiva through the purchase of subordinate voting shares by way of a private placement.

OceanLink agreed to purchase 750,000 subordinate voting shares at a purchase price of CDN \$40.00 per share for gross proceeds to Optiva of CDN \$30 million. Following the closing of the investment, OceanLink will exercise control or direction over approximately 12.4% of the issued and outstanding subordinate voting shares.

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 new 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 September 30,		Nine months ended September 30,		Last twelve months September 30,
	2020	2019	2020	2019	2020
Net income (loss) for the period	\$ (29,220,983)	\$ (962,817)	\$(43,189,879)	\$ 2,584,377	\$(60,063,734)
Add back / (subtract):					
Depreciation of property and equipment	–	8,271	–	57,237	–
Amortization of intangible assets	2,188,032	1,200,761	7,140,553	3,527,123	8,303,749
Finance income	(173,251)	(119,245)	(250,074)	(391,186)	(375,644)
Finance costs	29,660,877	1,795,206	28,282,767	5,197,974	38,435,347
Income tax expense	1,987,199	2,611,925	2,675,506	3,987,088	9,030,210
Foreign exchange loss (gain)	(282,702)	383,747	1,899,005	(865,901)	3,497,943
Share-based compensation	1,421,022	450,154	535,890	1,304,133	1,172,744
EBITDA	\$ 5,580,194	\$ 5,369,002	\$ (2,906,232)	\$ 15,400,845	\$ 615
Restructuring costs (recovery)	59,440	(3,709,732)	202,162	(2,414,738)	305,696
Change in other provisions	–	–	3,072,717	–	3,072,717
One-time costs related to shareholder conflict and Debenture financing	1,179,264	–	2,101,129	–	2,101,129
Spend on Cloud innovation	–	2,970,681	12,624,903	6,605,119	17,010,645
Adjusted EBITDA	\$ 6,818,898	\$ 4,629,951	\$ 15,094,679	\$ 19,591,226	\$ 22,490,802

About Optiva Inc.

Optiva Inc. is a leader in providing communication service providers (“CSPs”) worldwide with cloud-native revenue management software on the private and public cloud in various models, including software-as-a-service (“SaaS”). Operators worldwide from different tiers and business lines can select the best-of-breed, converged Optiva Charging Engine and integrate it into their existing Business Support System (“BSS”) ecosystem or choose an end-to-

end, best-of-suite billing and charging product. Optiva solutions offer unmatched speed, scale, security, and savings and help operators unlock business opportunities such as 5G and IoT. Established in 1999, Optiva Inc. is listed 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 November 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)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,615,460	\$ 31,747,993
Trade accounts and other receivables	9,743,583	7,808,293
Unbilled revenue	4,547,853	4,468,014
Prepaid expenses	1,955,205	1,983,391
Income taxes receivable	4,162,609	4,105,144
Other assets	207,273	243,199
Inventories	–	473,201
Total current assets	41,231,983	50,829,235
Restricted cash	690,126	951,291
Long-term unbilled revenue	3,816,671	4,676,597
Deferred income taxes	222,481	217,423
Other assets	570,370	–
Investment tax credits	350,452	358,309
Intangible assets	5,088,742	12,215,598
Goodwill	32,271,078	32,271,078
Total assets	\$ 84,241,903	\$ 101,519,531
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 13,508,017	\$ 7,350,942
Accrued liabilities	9,080,924	10,518,015
Provisions	5,765,333	3,630,550
Income taxes payable	3,379,804	3,644,752
Deferred revenue	6,231,762	6,363,724
Total current liabilities	37,965,840	31,507,983
Deferred revenue	634,137	702,143
Other liabilities	3,145,629	2,628,408
Pension and other long-term employment benefit plans	16,092,993	12,486,732
Debentures	86,812,355	–
Provisions	–	36,611
Preferred shares	–	66,345,563
Series A Warrant	21,291,366	22,679,934
Deferred income taxes	670,691	753,036
Total liabilities	166,613,011	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	(337,511,917)	(294,322,038)
Accumulated other comprehensive loss	(8,041,546)	(4,481,196)
Total shareholders' deficit	(82,371,108)	(35,620,879)
Total liabilities and shareholders' deficit	\$ 84,241,903	\$ 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Support and subscription	\$ 14,077,343	\$ 16,595,067	\$ 44,030,708	\$ 51,602,980
Software licenses, services and other	4,726,877	6,528,991	13,742,981	21,133,345
	18,804,220	23,124,058	57,773,689	72,736,325
Cost of revenue	4,649,294	8,065,009	15,124,936	25,063,327
Gross profit	14,154,926	15,059,049	42,648,753	47,672,998
Operating expenses:				
Sales and marketing	1,581,100	2,256,818	6,272,788	8,119,128
General and administrative	8,288,092	4,646,796	23,893,409	13,185,706
Research and development	2,255,154	8,155,351	22,863,069	18,270,550
Restructuring costs (recovery)	59,440	(3,709,732)	202,162	(2,414,738)
	12,183,786	11,349,233	53,231,428	37,160,646
Income (loss) from operations	1,971,140	3,709,816	(10,582,675)	10,512,352
Foreign exchange gain / (loss)	282,702	(384,747)	(1,899,005)	865,901
Finance income	173,251	119,245	250,074	391,186
Finance Cost	(29,660,877)	(1,795,206)	(28,282,767)	(5,197,974)
Income (loss) before income taxes	(27,233,784)	1,649,108	(40,514,373)	6,571,465
Income taxes (recovery):				
Current	2,100,108	2,565,101	2,795,866	3,958,983
Deferred	(112,909)	46,824	(120,360)	28,105
	1,987,199	2,611,925	2,675,506	3,987,088
Net income (loss)	\$ (29,220,983)	\$ (962,817)	\$ (43,189,879)	\$ 2,584,377
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain (loss) on pension and non-pension post-employment benefit plans, net of income tax expense of nil:	(3,560,350)	1,033,305	(3,560,350)	1,033,305
Total comprehensive income (loss)	\$ (32,781,333)	\$ 70,488	\$ (46,750,229)	\$ 3,617,682
Income (loss) per subordinate voting share:				
Basic	\$ (5.50)	\$ (0.18)	\$ (8.12)	\$ 0.49
Diluted	(5.50)	(0.18)	(8.12)	0.46
Weighted average number of subordinate voting shares:				
Basic	5,315,757	5,315,757	5,315,903	5,257,908
Diluted	5,315,757	5,315,757	5,315,903	5,612,205

OPTIVA INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ (29,220,983)	\$ (962,817)	\$ (43,189,879)	\$ 2,584,377
Adjustments for:				
Depreciation of property and equipment	–	8,271	–	57,237
Amortization of intangible assets	2,188,032	1,200,761	7,140,553	3,527,123
Finance (income)	(173,251)	(119,245)	(250,074)	(391,186)
Finance costs	29,660,877	1,795,206	28,282,767	5,197,974
Pension	100,932	(211,122)	109,323	(181,114)
Income tax expense	1,987,199	2,611,925	2,675,506	3,987,088
Unrealized foreign exchange (gain)	(11,484)	227,392	(1,055,526)	(645,352)
Share-based compensation	1,421,022	450,154	535,890	1,304,133
Change in provisions	(258,968)	(4,614,128)	2,098,172	(6,271,053)
Loss on disposal of property and equipment	–	15,391	–	266,699
Change in non-cash operating working capital	(5,505,549)	624,852	1,561,903	(4,692,920)
	187,827	1,026,640	(2,091,365)	4,743,006
Interest paid	(7,656)	(17,281)	(34,070)	(56,126)
Interest received	6,020	55,813	75,934	160,858
Income taxes paid	(1,584,095)	166,375	(3,229,262)	(2,223,571)
	(1,397,904)	1,231,547	(5,278,763)	2,624,167
Financing activities:				
Redemption of preferred shares	(80,000,000)	–	(80,000,000)	–
Transaction costs on debentures	(3,315,583)	–	(3,315,583)	–
Issuance of debentures	90,000,000	–	90,000,000	–
Payment of dividends	(11,378,719)	–	(13,588,145)	–
	(4,694,302)	–	(6,903,728)	–
Investing activities:				
Increase in restricted cash	57,647	298,412	261,165	1,941,913
Sale of property and equipment	–	67,456	–	67,456
	57,647	365,868	261,165	2,009,369
Effect of foreign exchange rate changes on cash and cash equivalents				
	223,160	(497,829)	788,793	(399,876)
Increase (decrease) in cash and cash equivalents	(5,811,399)	1,099,586	(11,132,533)	4,233,660
Cash and cash equivalents, beginning of period	26,426,859	35,493,340	31,747,993	32,359,266
Cash and cash equivalents, end of period	\$ 20,615,460	\$ 36,592,926	\$ 20,615,460	\$ 36,592,926