

Optiva Inc. Reports Fourth Quarter 2019 Financial Results

TORONTO, November 6, 2019 - Optiva Inc. (TSX:OPT), the leader in providing communications service providers (CSPs) worldwide with cloud-native revenue management software on the public cloud, released its financial results today for the quarter ended September 30, 2019.

Q4 Fiscal 2019 Highlights <i>(\$ US Thousands, except per share information)</i> <i>(Unaudited)</i>	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2019	2018	2019	2018
Revenue	23,124	27,298	100,353	121,627
Net income (loss)	(963)	(14,369)	3,123	(92,592)
Earnings (loss) Per Share	\$(0.18)	\$(2.75)	\$ 0.59	\$(17.69)
Cash generated from (used in) operating activities	1,232	(14,156)	707	(61,011)
Total cash, including restricted cash	37,677	39,683	37,677	39,683

“During the quarter, Customer Success showed continued improvement, reporting close to 50% and we remain committed to our plan to invest \$100m to pivot our company toward the public cloud,” said Danielle Royston, CEO of Optiva. “Our sales funnel continues to strengthen and we recently signed a new customer onto our SaaS platform. We continue to manage the business cash flow break even so we may invest in our exciting vision to bring telco to the cloud.”

Fourth Quarter 2019 Financial Results

- Revenues decreased by \$4.2 million relative to the fourth quarter of fiscal 2018, primarily due to the discontinuation of support and subscription sales to customers who had previously notified Optiva of their exit as well as fewer software implementations and hardware sales.
- Optiva’s cost of revenue and operating expenses declined by \$13.5 million relative to the fourth quarter of 2018 as a result of Optiva’s ongoing focus on operational efficiencies, cost management and lower research and development expenses.

- Fourth quarter 2019 research and development expenses included \$3.0 million of investments in cloud innovation, which brings the total spent in fiscal 2019, to \$9.8 million. Since the beginning of 2018, Optiva has invested a total of \$23.8 million in cloud innovation and will continue to spend up to another \$76 million over the course of the next two to three years, as per its stated cloud-driven growth strategy.
- Net loss for the quarter decreased to \$1.0 million compared to a net loss of \$14.4 million during the corresponding period in 2018. The improvement in earnings was mainly due to lower operating expenses.
- Optiva generated \$1.2 million in cash from operating activities in the fourth quarter of 2019, versus consuming \$14.2 million of cash in the corresponding period in 2018.
- Continued focus and investments in cloud innovation remain at the forefront of the Company's growth strategy.

Business Highlights

- Subsequent to quarter-end, Vodafone Idea Ltd (VIL), India's leading telecom service provider initiated a pilot to deploy Optiva's Charging Engine BSS solution on VIL's universal cloud. The pilot to deploy Optiva Charging Engine BSS solution on the VIL's universal cloud is aligned with the focus of Vodafone Idea. The pilot design includes a two-step process — first on a Kubernetes enabled private cloud and then an option for a future, second step on a public cloud platform.
- New customer announced to utilize Optiva's BSS platform on the public cloud. The operator will leverage the platform to launch a new mobile virtual network operator service. The Optiva BSS platform, re-architected and made available on the public cloud, is Optiva's new entry into the Software-as-a-Service (SaaS) market. The multi-tenant BSS platform allows customers to focus on their business, not on deploying and managing enterprise software.

- Optiva announced it has been selected and has won a contract with a Tier 1 telecom operator in the Middle East to be its payment application provider. The application, which will be architected and deployed on the telecom's private cloud, will equip the operator with the scalability necessary to meet its market demands today and achieve continued growth long-term.
- Customer Success results for the period January - June have been completed with 49% of revenue reporting success with Optiva products and services.

Change in Fiscal Year End

As previously announced on December 12, 2018, Optiva is changing its fiscal year end from September 30 to December 31 to better align the Company's year-end reporting cycle with its business operations. The Company's transition to a December 31 year-end in fiscal 2019 will include five fiscal quarters.

Conference Call

Optiva Inc. will hold an analyst call on November 7, 2019, to discuss its Q4 2019 results. CEO Danielle Royston and Interim CFO Anin Basu will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's discussion.

Date: Thursday, November 7, 2019

Time: 8:30 a.m. Eastern Time

Toll-free (Canada/US): 1-888-220-8474

International: 1-720-452-9217

Reference number: 2936771

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. A replay of the call will be available via Optiva's website (www.optiva.com/investors/) Media Inquiries: media@optiva.com

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. Operators and MVNOs can integrate our best-of-breed charging engine into a BSS stack or deploy our fully managed, end-to-end, SaaS-based platform. Optiva solutions 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 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 7, 2019, 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, both of which are 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, 2019	September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,592,926	\$ 36,174,863
Trade accounts and other receivables	10,684,310	14,954,291
Unbilled revenue	7,688,534	12,908,847
Prepaid expenses	1,865,394	1,833,105
Income taxes receivable	4,697,622	5,173,450
Other assets	201,996	253,517
Inventories	748,314	1,111,782
Total current assets	62,479,096	72,409,855
Restricted cash	1,084,205	3,507,759
Long-term unbilled revenue	4,635,765	1,531,062
Property and equipment	–	541,861
Deferred income taxes	1,910,935	2,093,716
Investment tax credits	352,427	361,810
Intangible assets	13,378,794	18,044,530
Goodwill	32,271,078	32,271,078
Total assets	\$ 116,112,300	\$ 130,761,671
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 10,146,718	\$ 21,568,158
Accrued liabilities	11,420,207	12,832,812
Provisions	4,531,044	7,655,199
Income taxes payable	1,551,973	500,489
Deferred revenue	10,383,490	13,445,746
Total current liabilities	38,033,432	56,002,404
Deferred revenue	852,373	1,512,863
Other liabilities	2,317,200	1,272,488
Pension and other long-term employment benefit plans	14,671,564	16,900,821
Provisions	206,956	5,662,009
Preferred shares	65,931,132	57,862,418
Series A Warrant	15,274,241	21,754,223
Deferred income taxes	120,000	120,000
Total liabilities	137,406,898	161,087,226
Shareholders' deficit:		
Share capital	250,893,223	248,680,325
Standby Warrant	997,500	997,500
Contributed surplus	11,300,925	13,386,978
Deficit	(277,448,183)	(285,318,990)
Accumulated other comprehensive loss	(7,038,063)	(8,071,368)
Total shareholders' deficit	(21,294,598)	(30,325,555)
Total liabilities and shareholders' deficit	\$ 116,112,300	\$ 130,761,671

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,		Twelve months ended September 30,	
	2019	2018	2019	2018
Revenue:				
Support and subscription	\$ 16,595,067	\$ 19,794,586	\$ 72,874,763	\$ 84,747,291
Software licenses, services and other	6,528,991	7,503,006	27,478,324	36,879,413
	23,124,058	27,297,592	100,353,087	121,626,704
Cost of revenue	8,065,009	8,877,689	33,687,238	50,711,612
Gross profit	15,059,049	18,419,903	66,665,849	70,915,092
Operating expenses:				
Sales and marketing	2,256,818	2,374,202	10,826,636	11,331,769
General and administrative	4,646,796	6,523,349	18,825,473	31,076,334
Research and development	8,155,351	14,104,345	26,986,751	61,515,108
Restructuring costs (recovery)	(3,709,732)	991,769	(1,818,775)	51,775,138
	11,349,233	23,993,665	54,820,085	155,698,349
Income (loss) from operations	3,709,816	(5,573,762)	11,845,764	(84,783,257)
Foreign exchange gain (loss)	(384,747)	(1,974,718)	122,171	(317,823)
Finance income	119,245	252,851	479,315	523,718
Finance costs	(1,795,206)	(4,924,931)	(4,037,555)	(2,572,010)
Income (loss) before income taxes	1,649,108	(12,220,560)	8,409,695	(87,149,372)
Income taxes (recovery):				
Current	2,565,101	2,089,097	5,186,867	5,391,880
Deferred	46,824	59,465	100,078	50,404
	2,611,925	2,148,562	5,286,945	5,442,284
Net income (loss)	\$ (962,817)	\$ (14,369,122)	\$ 3,122,750	\$ (92,591,656)
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil				
	1,033,305	390,055	1,033,305	390,055
Total comprehensive income (loss)	\$ 70,488	\$ (13,979,067)	\$ 4,156,055	\$ (92,201,601)
Income (loss) per subordinate voting share:				
Basic	\$ (0.18)	\$ (2.75)	\$ 0.59	\$ (17.69)
Diluted	(0.18)	(2.75)	0.55	(17.69)
Weighted average number of subordinate voting shares:				
Basic	5,315,757	5,233,047	5,271,889	5,233,047
Diluted	5,315,757	5,233,047	5,642,069	5,233,047

OPTIVA INC.

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

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ (962,817)	\$ (14,369,122)	\$ 3,122,750	\$ (92,591,656)
Adjustments for:				
Depreciation of property and equipment	8,271	176,169	166,698	2,505,018
Amortization of intangible assets	1,200,761	1,330,559	4,665,736	7,487,034
Finance income	(119,245)	(252,851)	(479,315)	(523,718)
Finance costs (recovery)	1,795,206	4,924,931	4,037,555	2,572,010
Pension	(211,122)	5,584	(164,555)	(595,754)
Income tax expense	2,611,925	2,148,562	5,286,945	5,442,284
Unrealized foreign exchange loss (gain)	227,392	2,374,860	(528,510)	3,073,740
Share-based compensation	450,154	482,849	1,538,558	2,776,008
Change in provisions	(4,614,128)	(11,443,067)	(8,579,208)	(6,161,235)
Loss on disposal of property and equipment	15,391	4,815	307,707	421,610
Change in non-cash operating working capital	624,852	1,749,060	(5,655,864)	20,708,948
	1,026,640	(12,867,651)	3,718,497	(54,885,711)
Interest paid	(17,281)	(76,573)	(64,789)	(185,333)
Interest received	55,813	294,018	247,985	512,379
Income taxes recovery (paid)	166,375	(1,505,677)	(3,194,711)	(6,452,848)
	1,231,547	(14,155,883)	706,982	(61,011,513)
Financing activities:				
Payment of dividends	–	(2,000,000)	(2,000,000)	(11,640,670)
		(2,000,000)	(2,000,000)	(11,640,670)
Investing activities:				
Purchase of property and equipment	67,456	–	67,456	(5,538)
Purchase of intangible assets	–	–	–	(9,985)
Decrease in restricted cash	298,412	70,375	2,423,554	1,045,864
	365,868	70,375	2,491,010	1,030,341
Effect of foreign exchange rate changes on cash and cash equivalents	(497,829)	(2,354,467)	(779,929)	(3,095,039)
Increase (decrease) in cash and cash equivalents	1,099,586	(18,439,975)	418,063	(74,716,881)
Cash and cash equivalents, beginning of period	35,493,340	54,614,838	36,174,863	110,891,744
Cash and cash equivalents, end of period	\$ 36,592,926	\$ 36,174,863	\$ 36,592,926	\$ 36,174,863