

Optiva Inc. Reports Second Quarter 2019 Financial Results

TORONTO, May 8, 2019 /CNW/ - [Optiva Inc.](#) (TSX: OPT) (the "Company"), an innovative software provider of mission-critical, cloud-native, monetization solutions to leading communication service providers (CSPs) globally, released its financial results today for the quarter ended March 31, 2019.

Q2 Fiscal 2019 Highlights	Three Months Ended		Six Months Ended	
<i>(\$ US Thousands, except per share information)</i>	Mar 31,		Mar 31,	
<i>(Unaudited)</i>	2019	2018	2019	2018
Revenue	24,942	27,895	52,559	62,295
Net income (loss)	479	(10,228)	1,017	(74,682)
Earnings (loss) Per Share	\$ 0.09	\$(1.95)	\$ 0.19	\$(14.27)
Cash generated from (used in) operating activities	1,053	(12,917)	(865)	(29,703)
Total cash, including restricted cash	36,300	78,222	36,300	78,222
Headcount	478	807	478	807

“In Q2, we focused on the execution of our Strategic Plan,” said Danielle Royston, CEO of Optiva. “Our Customer Success program continues to improve with the new measurement coming in at 44%, up from 33%. Our planned R&D investment of \$100 million resulted in our first customer choosing to upgrade and migrate their Optiva Charging Engine™ deployment to Google Cloud Platform. Finally, we continue to manage the business to cash flow break even so that we may invest in our bold vision to bring public cloud to telcos in 2019.”

Second Quarter 2019 Financial Results

- Revenues declined by \$3.0 million relative to the second quarter of fiscal 2018 due to a reduction in orders from customers, delay and loss of certain customers and lower third-party revenue.
- The Company's costs of revenue and operating expenses declined by \$15.0 million relative to the second quarter of fiscal 2018 mainly due to lower cost of revenue, lower research and development costs, and lower general and administrative expenses.

- Second quarter 2019 research and development expenses included \$2 million of investments in cloud innovation, which brings the total spent to date in fiscal 2019, to \$5.2 million. In 2018, the Company invested \$14.0 million in cloud innovation, bringing the total to \$19.2 million so far. We expect to invest up to another \$80.8 million in cloud innovation over the next two to three fiscal years.
- The net income for the quarter was at \$0.5 million compared to a loss of \$10.2 million last year mainly due to improved gross margin and a decrease in operating expenditures.
- The Company generated \$1.1 million in cash from operating activities in the second quarter ended March 31, 2019.
- We continue to evaluate the legacy revenue base of the Company, and there is a potential risk that the run rate could be as low as \$75m. The variable cost structure of the Company ensures we will remain cash flow break even to support the business.
- To accelerate the cloud opportunity, the Company is considering accessing additional sources of capital.

Business Highlights

- Customer Success Rate improved 11% from 33% for the measurement period of January through June 2018, to 44% for the measurement period of July through December 2018.
- The Company launches its Optiva Revenue Management Suite™, an end-to-end, best-of-suite BSS solution, on Google Cloud Platform (GCP).
- A pioneering connectivity and eSIM technology provider will upgrade their installation to Optiva Charging Engine™ on Google Cloud Platform with Google Cloud Spanner.

- A leading telco provider announced the new phase and commercial launch of its multi-play billing and charging transformation on Optiva Charging Engine™.
- Optiva entered into an upgrade and multi-year support agreement with a leading telecom provider.

Conference Call

Optiva Inc. will hold an analyst call tomorrow, May 9, 2019, to discuss its Q2 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, May 9, 2019

Time: 8:30 a.m. Eastern Time

Toll-free (Canada/US): 1-800-458-4121

International: 1-720-543-0206

Reference number: 2531956

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 leading the telco industry and its innovative customers around the world by offering next-generation software solutions to help them leverage today's digital technologies. Our portfolio of monetization products enables real-time billing, charging, policy management and user experience that are critical to our customers' growth and performance. When deployed in the cloud, Optiva™ solutions deliver the most impact for the best value. Our vision, market knowledge, analytical insights and unparalleled Customer Success Program ensure our customers are equipped to achieve their strategic business goals today and into the future. Established in 1999, Optiva Inc. can be found on the

Toronto Stock Exchange (TSX: OPT). For more information, please go to 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 May 8, 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.

OPTIVA INC.

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

	March 31, 2019	September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,794,182	\$ 36,174,863
Trade accounts and other receivables	12,344,864	14,954,291
Unbilled revenue	7,938,434	12,908,847
Prepaid expenses	1,972,212	1,833,105
Income taxes receivable	6,195,355	5,173,450
Other assets	239,430	253,517
Inventories	1,036,840	1,111,782
Total current assets	63,521,317	72,409,855
Restricted cash	2,505,734	3,507,759
Long-term unbilled revenue	5,927,050	1,531,062
Property and equipment	161,574	541,861
Deferred income taxes	2,016,240	2,093,716
Investment tax credits	349,999	361,810
Intangible assets	15,705,368	18,044,530
Goodwill	32,271,078	32,271,078
Total assets	\$ 122,458,360	\$ 130,761,671
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 18,720,470	\$ 21,568,158
Accrued liabilities	8,910,732	12,832,812
Provisions	5,266,098	7,655,199
Income taxes payable	543,562	500,489
Deferred revenue	11,203,681	13,445,746
Total current liabilities	44,644,543	56,002,404
Deferred revenue	1,236,017	1,512,863
Other liabilities	1,728,700	1,272,488
Pension and other long-term employment benefit plans	16,041,356	16,900,821
Provisions	5,257,088	5,662,009
Preferred shares	60,780,673	57,862,418
Series A Warrant	16,662,809	21,754,223
Deferred income taxes	120,000	120,000
Total liabilities	146,471,186	161,087,226
Shareholders' deficit:		
Share capital	250,123,804	248,680,325
Standby Warrant	997,500	997,500
Contributed surplus	12,491,291	13,386,978
Deficit	(279,554,053)	(285,318,990)
Accumulated other comprehensive loss	(8,071,368)	(8,071,368)
Total shareholders' deficit	(24,012,826)	(30,325,555)
Total liabilities and shareholders' deficit	\$ 122,458,360	\$ 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 March 31,		Six months ended March 31,	
	2019	2018	2019	2018
Revenue:				
Support and subscription	\$ 17,102,903	\$ 21,861,774	\$ 38,374,686	\$ 43,276,627
Software licenses, services and other	7,839,349	6,032,735	14,184,328	19,018,318
	24,942,252	27,894,509	52,559,014	62,294,945
Cost of revenue	8,905,063	12,060,742	17,528,974	32,157,450
Gross profit	16,037,189	15,833,767	35,030,040	30,137,495
Operating expenses:				
Sales and marketing	3,585,689	2,334,535	6,293,197	5,841,366
General and administrative	4,000,323	8,871,699	9,640,090	18,624,441
Research and development	6,304,877	13,355,150	15,021,078	30,065,841
Restructuring costs	1,085,628	2,263,207	1,681,591	49,230,545
	14,976,517	26,824,591	32,635,956	103,762,193
Income (loss) from operations	1,060,672	(10,990,824)	2,394,084	(73,624,698)
Foreign exchange gain (loss)	1,153,438	(241,413)	409,708	(861,573)
Finance income	59,058	111,304	147,187	154,202
Finance (cost) recovery	(1,218,079)	1,054,194	(57,660)	1,203,096
Income (loss) before income taxes	1,055,089	(10,066,739)	2,893,319	(73,128,973)
Income taxes (recovery):				
Current	569,659	202,107	1,797,543	1,576,745
Deferred	6,923	(40,602)	78,896	(23,295)
	576,582	161,505	1,876,439	1,553,450
Total comprehensive income (loss)	\$ 478,507	\$ (10,228,244)	\$ 1,016,880	\$ (74,682,423)
Income (loss) per subordinate voting share:				
Basic	\$ 0.09	\$ (1.95)	\$ 0.19	\$ (14.27)
Diluted	0.08	(1.95)	0.18	(14.27)
Weighted average number of subordinate voting shares:				
Basic	5,242,672	5,233,047	5,238,132	5,233,047
Diluted	5,633,155	5,233,047	5,640,253	5,233,047

OPTIVA INC.

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

	Three months ended March 31,		Six months ended March 31,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ 478,507	\$ (10,228,244)	\$ 1,016,880	\$ (74,682,423)
Adjustments for:				
Depreciation of property and equipment	15,889	786,808	125,350	2,304,505
Amortization of intangible assets	1,163,170	2,336,506	2,301,783	4,630,322
Finance income	(59,058)	(111,304)	(147,187)	(154,202)
Finance costs (recovery)	1,218,079	(1,054,194)	57,660	(1,203,096)
Pension	15,004	267,257	31,563	339,199
Income tax expense	576,582	161,505	1,876,439	1,553,450
Unrealized foreign exchange loss (gain)	(479,548)	184,892	(362,706)	67,913
Share-based compensation	191,174	750,348	425,599	1,988,827
Change in provisions	(485,867)	(15,105,017)	(2,794,022)	26,491,470
Loss on disposal of property	251,308	–	292,316	110,632
Change in non-cash operating working capital	(130,593)	9,531,567	(1,093,537)	11,546,864
	2,754,647	(12,479,876)	1,730,138	(27,006,539)
Interest paid	(19,853)	(42,877)	(28,516)	(76,820)
Interest received	51,496	111,288	138,623	157,290
Income taxes paid	(1,733,880)	(505,570)	(2,705,020)	(2,777,230)
	1,052,410	(12,917,035)	(864,775)	(29,703,299)
Financing activities:				
Payment of dividends	–	(7,640,670)	(2,000,000)	(7,640,670)
	–	(7,640,670)	(2,000,000)	(7,640,670)
Investing activities:				
Purchase of property and equipment	–	(1,337)	–	(5,538)
Purchase of intangible assets	–	–	–	(9,985)
Decrease in restricted cash	520,384	899,087	1,002,025	886,672
	520,384	897,750	1,002,025	871,149
Effect of foreign exchange rate changes on cash and cash equivalents	(137,878)	(183,118)	(517,931)	135,658
Increase (decrease) in cash and cash equivalents	1,434,916	(19,843,073)	(2,380,681)	(36,337,162)
Cash and cash equivalents, beginning of period	32,359,266	94,397,655	36,174,863	110,891,744
Cash and cash equivalents, end of period	\$ 33,794,182	\$ 74,554,582	\$ 33,794,182	\$ 74,554,582