

## COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 10, 2017 (GLOBE NEWSWIRE) – Computer Modelling Group Ltd. (“CMG” or the “Company”) is very pleased to report our financial results for the three months ended June 30, 2017.

### Quarterly Performance

(\$ thousands, unless otherwise stated)	Fiscal 2016				Fiscal 2017				Fiscal 2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Annuity/maintenance licenses	16,790	17,297	16,980	16,893	15,379	18,378	14,613	<b>16,516</b>	
Perpetual licenses	1,095	2,729	782	579	521	835	3,036	<b>1,078</b>	
Software licenses	17,885	20,026	17,762	17,472	15,900	19,213	17,649	<b>17,594</b>	
Professional services	1,240	1,191	1,254	1,345	1,027	1,082	1,409	<b>1,392</b>	
Total revenue	19,125	21,217	19,016	18,817	16,927	20,295	19,058	<b>18,986</b>	
Operating profit	8,160	10,342	7,040	8,975	6,905	9,811	7,630	<b>6,978</b>	
Operating profit (%)	43	49	37	48	41	48	40	<b>37</b>	
EBITDA <sup>(1)</sup>	8,519	10,686	7,389	9,277	7,189	10,081	7,867	<b>7,447</b>	
Profit before income and other taxes	9,365	10,974	5,550	9,212	7,119	10,176	7,685	<b>6,930</b>	
Income and other taxes	2,599	3,121	1,668	2,398	2,128	2,917	2,480	<b>1,973</b>	
Net income for the period	6,766	7,853	3,882	6,814	4,991	7,259	5,205	<b>4,957</b>	
Cash dividends declared and paid	7,891	7,871	7,876	7,896	7,929	7,930	7,942	<b>7,977</b>	
Funds flow from operations <sup>(2)</sup>	7,846	8,981	4,979	7,489	5,903	8,084	6,085	<b>6,205</b>	
Per share amounts - (\$/share)									
Earnings per share - basic	0.09	0.10	0.05	0.09	0.06	0.09	0.07	<b>0.06</b>	
Earnings per share - diluted	0.08	0.10	0.05	0.09	0.06	0.09	0.07	<b>0.06</b>	
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	<b>0.10</b>	
Funds flow from operations per share - basic <sup>(2)</sup>	0.10	0.11	0.06	0.09	0.07	0.10	0.08	<b>0.08</b>	

(1) EBITDA is a non-IFRS financial measure defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See “Non-IFRS Financial Measures”.

(2) Funds flow from operations is a non-IFRS financial measure that represents net income adjusted for depreciation expense, non-cash stock-based compensation expense and deferred tax expense (recovery). See “Non-IFRS Financial Measures”.

### Highlights

During the three months ended June 30, 2017, as compared to the same period of the previous fiscal year, CMG:

- Realized a slight increase in total software license revenue;
- Experienced an increase in total operating expenses of 22%, mainly due to moving into the new headquarters.

During the three months ended June 30, 2017, CMG:

- Realized basic earnings per share of \$0.06;
- Declared and paid a regular dividend of \$0.10 per share.

## Revenue

Three months ended June 30, (\$ thousands)	2017	2016	\$ change	% change
Software license revenue	17,594	17,472	122	1%
Professional services	1,392	1,345	47	3%
<b>Total revenue</b>	<b>18,986</b>	<b>18,817</b>	<b>169</b>	<b>1%</b>
Software license revenue - % of total revenue	93%	93%		
Professional services - % of total revenue	7%	7%		

CMG's revenue is comprised of software license sales, which provide the majority of the Company's revenue, and fees for professional services.

Total revenue for the three months ended June 30, 2017 increased by 1% compared the same period of the previous fiscal year.

### Software License Revenue

Three months ended June 30, (\$ thousands)	2017	2016	\$ change	% change
Annuity/maintenance license revenue	16,516	16,893	(377)	-2%
Perpetual license revenue	1,078	579	499	86%
<b>Total software license revenue</b>	<b>17,594</b>	<b>17,472</b>	<b>122</b>	<b>1%</b>
Annuity/maintenance as a % of total software license revenue	94%	97%		
Perpetual as a % of total software license revenue	6%	3%		

Total software license revenue for the three months ended June 30, 2017 increased by 1% compared to the same period of the previous fiscal year, due to an increase in perpetual license revenue, offset by a decrease in annuity/maintenance license revenue.

CMG's annuity/maintenance license revenue decreased by 2% during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, primarily due to decreases in Canada and South America, partially offset by increases in the United States and the Eastern Hemisphere.

Our annuity/maintenance license revenue can be significantly impacted by the variability of the amounts recorded from a long-standing customer and its affiliates for whom revenue recognition criteria are fulfilled only at the time of the receipt of funds. The timing of such payments may skew the comparison of annuity/maintenance license revenue between periods. Payments were received from these customers during the three months ended June 30, 2017 and 2016. To provide a normalized comparison, if we remove this revenue from the three months ended June 30, 2017 and 2016, we note that the annuity/maintenance license revenue increased by 3% instead of decreasing by 2%. Due to the economic conditions in the country where this customer and its affiliates are located, revenue from this customer and its affiliates will continue to be recognized on a cash basis, which may result in fluctuations in our annuity/maintenance license revenue.

Perpetual license revenue increased by 86% for the three months ended June 30, 2017, compared to the same period of the previous fiscal year, due to more perpetual sales having been realized in the Eastern Hemisphere. Software licensing under perpetual sales may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year.

## Software Revenue by Geographic Segment

Three months ended June 30, (\$ thousands)	2017	2016	\$ change	% change
<b>Annuity/maintenance license revenue</b>				
Canada	4,164	4,778	(614)	-13%
United States	4,591	4,041	550	14%
South America	2,333	2,896	(563)	-19%
Eastern Hemisphere <sup>(1)</sup>	5,428	5,178	250	5%
	<b>16,516</b>	<b>16,893</b>	<b>(377)</b>	<b>-2%</b>
<b>Perpetual license revenue</b>				
Canada	-	-	-	0%
United States	26	58	(32)	-55%
South America	158	312	(154)	-49%
Eastern Hemisphere	894	209	685	328%
	<b>1,078</b>	<b>579</b>	<b>499</b>	<b>86%</b>
<b>Total software license revenue</b>				
Canada	4,164	4,778	(614)	-13%
United States	4,617	4,099	518	13%
South America	2,491	3,208	(717)	-22%
Eastern Hemisphere	6,322	5,387	935	17%
	<b>17,594</b>	<b>17,472</b>	<b>122</b>	<b>1%</b>

(1) Includes Europe, Africa, Asia and Australia.

During the three months ended June 30, 2017, on a geographic basis, the Eastern Hemisphere and the United States experienced an increase in total software license revenue, which was offset by decreases in South America and Canada, as compared to the same period of the previous fiscal year.

The Canadian market (representing 24% of year-to-date software license revenue) experienced a 13% decrease in annuity/maintenance license revenue during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, due to a reduction in licensing by some customers. No perpetual sales were recorded in Canada during the three months ended June 30, 2017.

The United States market (representing 26% of year-to-date software license revenue) experienced a 14% increase in annuity/maintenance license revenue during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, mainly due to increased licensing to existing customers. Perpetual license revenue for the three months ended June 30, 2017 decreased by 55%.

South America (representing 14% of year-to-date software license revenue) experienced a decrease of 19% in annuity/maintenance license revenue during the three months ended June 30, 2017, compared to the same period of the previous fiscal year. Our revenue in South America can be significantly impacted by the variability of the amounts recorded from a customer and its affiliates for whom revenue is recognized only when cash is received. Payments were received from these customers during the three months ended June 30, 2017 and 2016. To provide a normalized comparison, if we remove the revenue from this particular customer from the three months ended June 30, 2017 and 2016, we note that the annuity/maintenance license revenue increased by 14% instead of decreasing by 19%.

Fewer perpetual sales were realized in South America during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, resulting in a 49% decrease.

The Eastern Hemisphere (representing 36% of year-to-date software license revenue) experienced a 5% increase in annuity/maintenance license revenue during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, mainly driven by sales to existing customers. The Eastern Hemisphere experienced a 328% increase in perpetual license revenue during the three months ended June 30, 2017, compared to the same period of the previous fiscal year, as a result of higher perpetual sales in Asia.

## Deferred Revenue

	Fiscal 2018	Fiscal 2017	Fiscal 2016	\$ change	% change
(\$ thousands)					
Deferred revenue at:					
Q1 (June 30)	31,551 <sup>(1)</sup>	26,154		5,397	21%
Q2 (September 30)		20,787	22,608	(1,821)	-8%
Q3 (December 31)		18,916	17,243	1,673	10%
Q4 (March 31)		38,232 <sup>(2)</sup>	33,629	4,603	14%

(1) Includes current deferred revenue of \$30.3 million and long-term deferred revenue of \$1.3 million.

(2) Includes current deferred revenue of \$36.3 million and long-term deferred revenue of \$1.9 million.

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. Our annuity/maintenance revenue is deferred and recognized on a straight-line basis or according to usage over the life of the related license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

Deferred revenue as at Q1 of fiscal 2018 increased by 21% compared to Q1 of fiscal 2017. The deferred revenue balance at June 30, 2017 includes a number of contracts that were not included in the deferred revenue balance in the comparative quarter, because the contracts were finalized and invoiced prior to June 30, 2017, whereas in the previous fiscal year the contracts were finalized and invoiced subsequent to June 30, 2016.

## Expenses

Three months ended June 30, (\$ thousands)	2017	2016	\$ change	% change
Sales, marketing and professional services	4,917	4,578	339	7%
Research and development	5,307	3,809	1,498	39%
General and administrative	1,784	1,455	329	23%
Total operating expenses	12,008	9,842	2,166	22%
Direct employee costs <sup>(1)</sup>	8,503	7,945	558	7%
Other corporate costs	3,505	1,897	1,608	85%
	12,008	9,842	2,166	22%

(1) Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development. See "Non-IFRS Financial Measures".

CMG's total operating expenses increased by 22% for the three months compared to the same period of the previous fiscal year, mainly due to an increase in other corporate costs.

## Direct Employee Costs

As a technology company, CMG's largest area of expenditure is its people. Approximately 71% of the total operating expenses for the three months ended June 30, 2017 related to direct employee costs. Staffing levels in the current fiscal year were lower compared to the previous fiscal year. At June 30, 2017, CMG's full-time equivalent staff complement was 201 employees and consultants, down from 211 full-time equivalent employees and consultants at June 30, 2016, mainly due to the reduction of the CoFlow development team. Direct employee costs increased during the three months ended June 30, 2017, compared to

the same period of the previous fiscal year, due to a large credit recorded in the comparative period as a result of the difference between the bonus accrual and the actual bonus paid, and also due to higher CoFlow salaries in the current period as a result of the new agreement with Shell, under which CMG is responsible for a larger share of CoFlow costs.

## **Other Corporate Costs**

Other corporate costs increased by 85% during the three months ended June 30, 2017 compared to the same period of the previous fiscal year, due to higher office costs and depreciation related to moving into our new headquarters. The costs in the current quarter included \$0.6 million of non-recurring charges related to the move.

## **Outlook**

During the first quarter of fiscal 2018, we realized a slight 1% increase in total software license revenue compared to the same period of the previous fiscal year. Our annuity and maintenance license revenue decreased by 2%; however, in the current and comparative quarters this revenue stream was positively affected by payments received for contracts for which revenue is recognized only when cash is received. If we remove this particular revenue from the two periods, we note that annuity and maintenance license revenue increased by 3% in the three months ended June 30, 2017, compared to the same period of the previous fiscal year. The growth in annuity and maintenance license revenue was supported by increases in the US and the Eastern Hemisphere. During the quarter, annuity and maintenance license revenue was negatively affected by the weakening of the US dollar.

At the beginning of fiscal 2018, while the oil prices hover in the US\$45 to US\$50 per barrel range, we are encouraged, but very cautious at the same time, by the signs of petroleum producers emerging from cost reduction mode and focusing on increasing production and value creation.

During the first quarter of fiscal 2018, we moved into our new headquarters in Calgary, which we will lease for the next 20 years. The new building features training facilities for customers and brings together our entire team in one location. We invested just under \$16 million into the new building infrastructure over the past four fiscal years. Now that the new headquarters is substantially complete, our capital expenditures are expected to recede to their normal levels of a couple of million dollars a year.

Mainly due to costs associated with the new headquarters, our total operating expenses increased by 22% in the first quarter of fiscal 2018, compared to the same period of the previous fiscal year. The other factor contributing to the increase in operating expenses was the new agreement with our CoFlow partner Shell, under which CMG is responsible for a larger share of CoFlow costs starting January 1, 2017.

We continue to work on identifying customers for trial modelling work in CoFlow, which will provide a one-vendor solution for integrated asset modelling by combining both reservoir and production networks.

We ended the first quarter of 2018 with a strong balance sheet, no debt and \$67.3 million in cash. Subsequent to quarter end, CMG's Board of Directors declared a quarterly dividend of \$0.10 per share.

For further detail on the results, please refer to CMG's Management Discussion and Analysis and Condensed Consolidated Financial Statements, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on CMG's website at [www.cmgl.ca](http://www.cmgl.ca).

## **Forward-looking Information**

Certain information included in this press release is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this press release, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will",

“projects”, “anticipates”, “estimates”, “would”, “could”, “should”, “endeavours”, “seeks”, “predicts” or “intends” or similar statements, including “potential”, “opportunity”, “target” or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

## Non-IFRS Financial Measures

This press release includes certain measures which have not been prepared in accordance with International Financial Reporting Standards (“IFRS”), such as “EBITDA”, “funds flow from operations”, “direct employee costs” and “other corporate costs.” Since these measures do not have a standard meaning prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Management believes that these indicators nevertheless provide useful measures in evaluating the Company’s performance.

“Direct employee costs” include salaries, bonuses, stock-based compensation, benefits, commission expenses, and professional development. “Other corporate costs” include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company’s largest area of expenditure; hence, management considers highlighting separately corporate and people-related costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools.

“EBITDA” refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to consideration of how those activities are amortized, financed or taxed.

“Funds flow from operations” is a non-IFRS financial measure that represents net income adjusted for certain non-cash items, such as depreciation expense, stock-based compensation expense, deferred tax expense (recovery) and deferred rent. The Company considers funds flow from operations a useful measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables, and demonstrates the Company’s ability to generate the cash flow necessary to fund future growth and dividend payments. Funds flow from operations may not be comparable to similar measures presented by other companies.

For reconciliation of the non-IFRS financial measures used in this press release to the most directly comparable IFRS financial measures, please refer to CMG’s Management Discussion and Analysis, available on SEDAR at [www.sedar.com](http://www.sedar.com) or on CMG’s website at [www.cmgl.ca](http://www.cmgl.ca).

## Corporate Profile

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced process reservoir modelling software with a blue chip customer base of international oil companies and technology centers in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG’s Common Shares are listed on the Toronto Stock Exchange and trade under the symbol “CMG”.

## Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)	June 30, 2017	March 31, 2017
<b>Assets</b>		
Current assets:		
Cash	67,272	63,239
Trade and other receivables	10,581	25,305
Prepaid expenses	1,966	1,236
Prepaid income taxes	436	72
	80,255	89,852
Property and equipment	16,785	16,873
Deferred tax asset	259	-
<b>Total assets</b>	<b>97,299</b>	<b>106,725</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Trade payables and accrued liabilities	4,686	9,331
Income taxes payable	2	190
Deferred revenue	30,260	36,303
	34,948	45,824
Deferred revenue	1,291	1,929
Deferred rent liability	828	-
Deferred tax liability	-	254
<b>Total liabilities</b>	<b>37,067</b>	<b>48,007</b>
Shareholders' equity:		
Share capital	76,635	71,859
Contributed surplus	11,191	11,433
Deficit	(27,594)	(24,574)
<b>Total shareholders' equity</b>	<b>60,232</b>	<b>58,718</b>
<b>Total liabilities and shareholders' equity</b>	<b>97,299</b>	<b>106,725</b>

# Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian \$ except per share amounts)	2017	2016
<b>Revenue</b>	<b>18,986</b>	18,817
<b>Operating expenses</b>		
Sales, marketing and professional services	4,917	4,578
Research and development	5,307	3,809
General and administrative	1,784	1,455
	<b>12,008</b>	9,842
<b>Operating profit</b>	<b>6,978</b>	8,975
Finance income	202	237
Finance costs	(250)	-
<b>Profit before income and other taxes</b>	<b>6,930</b>	9,212
Income and other taxes	1,973	2,398
<b>Net and total comprehensive income</b>	<b>4,957</b>	6,814
<b>Earnings Per Share</b>		
Basic	0.06	0.09
Diluted	0.06	0.09

# Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian \$)	2017	2016
<b>Operating activities</b>		
Net income	4,957	6,814
Adjustments for:		
Depreciation	469	302
Income and other taxes	1,973	2,398
Stock-based compensation	464	595
Interest income	(202)	(153)
Deferred rent	828	-
	8,489	9,956
Changes in non-cash working capital:		
Trade and other receivables	14,728	11,819
Trade payables and accrued liabilities	(1,834)	(2,284)
Prepaid expenses	(730)	135
Deferred revenue	(6,681)	(7,475)
Cash provided by operating activities	13,972	12,151
Interest received	198	150
Income taxes paid	(3,038)	(2,764)
<b>Net cash provided by operating activities</b>	<b>11,132</b>	<b>9,537</b>
<b>Financing activities</b>		
Proceeds from issue of common shares	4,124	1,099
Dividends paid	(7,977)	(7,896)
<b>Net cash used in financing activities</b>	<b>(3,853)</b>	<b>(6,797)</b>
<b>Investing activities</b>		
Property and equipment additions	(3,246)	(609)
<b>Increase in cash</b>	<b>4,033</b>	<b>2,131</b>
Cash, beginning of period	63,239	72,680
<b>Cash, end of period</b>	<b>67,272</b>	<b>74,811</b>

See accompanying notes to condensed consolidated financial statements at [www.sedar.com](http://www.sedar.com).

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