

FOR IMMEDIATE RELEASE

Martello Reports Third Quarter Fiscal 2019 Financial Results

Strong quarterly growth with revenues of \$3.1 million up 136% over the prior year, operating expenses reflect deal costs and the establishment of core capacity to target and acquire revenue extension assets.

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Ottawa, Ontario (February 26, 2019) – Martello Technologies Group Inc., (“Martello” or the “Company”), a leading provider of technology solutions that deliver clarity and control of complex IT environments deployed in thousands of locations around the world, today released financial results for the third quarter of its 2019 fiscal year, including the three and nine months ended December 31, 2018.

Q3 2019 Highlights

- The Company reported third quarter revenues of \$3.1 million, representing an increase of 136% compared to the same period in the prior year and an increase of 57% over Q2 F2019.
- Nine-month revenue is \$7.0 million, an increase of 105% over the same period in fiscal 2018.
- Recurring revenue is 76% in the third quarter of fiscal 2019 and 78% for the year to date.
- Organic revenue from sales of Martello’s network performance management software to the Mitel channel grew 44% in Q3 F2019 compared to Q3 F2018.
- The Company’s revenue base continued to expand and diversify, with sales of network performance management software to the Mitel channel contributing 55% of revenues in Q3 F2019, compared to 90% in the same period of Q3 F2018.
- Gross margin was 93.7% for the nine months ended December 31, 2018, compared to 94.7% for the corresponding period of the 2018 fiscal year.
- The loss from operations in Q3 F2019 was \$1,337,262, compared to a loss of \$18,961 in Q3 F2018. Year to date, the loss from operations is \$2,957,683 compared to \$314,283 for the nine months ended December 31, 2017.
- Adjusted EBITDA, a non-IFRS financial measure which assesses operating performance before the impact of costs associated with acquisition activity and other non-cash costs,

amounted to a loss of \$269,704 for the three months ended December 31, 2018 and \$862,034 for the nine months ended December 31, 2018. This compares to income of \$251,382 and \$183,530 for the three and nine months ended December 31, 2017.

- Martello has made investments in the current year in people and systems, which has established a core capacity to target and acquire revenue extension assets.

“The successful execution of our strategy has resulted in steady revenue growth and diversification this quarter”, said John Proctor, President and CEO of Martello. “The Company’s revenue grew both organically and through acquisitions this quarter, with strong recurring revenue and healthy gross margins, fueled by the acquisitions of Savision and Elfiq and growing demand for Martello’s products. Investments made this year in people and systems have created a strong foundation for future acquisitions and revenue growth”.

Business Update

During the third quarter Martello achieved the following milestones:

- Acquired Netherlands-based IT analytics and visualization company [Savision B.V.](#) (“Savision”), extending its capabilities in IT and network performance analytics, and significantly expanding its European sales presence.
- In conjunction with the acquisition of Savision B.V., closed a [financing with Royal Bank of Canada \(“RBC”\)](#) for new loan facilities. The financing includes a term loan of \$3 million, and a revolving facility of up to \$1 million.
- Joined the [BlackBerry L-Spark Accelerator Program](#) to develop next generation network performance management solutions for autonomous vehicles and IoT.
- [Bolstered the Company’s leadership team](#) with the appointment of Mike Galvin and Jennifer Camelon to its Board of Directors.

Subsequent Activities

Subsequent to December 31, 2018, Martello signed an amendment to its agreement with Mitel Networks, a key partner. The terms of the amendment are expected to be favourable to Martello’s revenues, and include expanding the coverage of Martello’s software to additional Mitel communications platforms, and extending the renewal term.

Financial Information

Martello reported third quarter 2019 revenues of \$3.1 million, representing an increase of 136% compared to the same period in the prior year and an increase of 57% over Q2 2019. Nine-month revenue was \$7.0 million, an increase of 105% over the same period in fiscal 2018.

Gross margin as a percentage of revenue was 93.9% in the three months ended December 31, 2018, compared to 95.5% in the three months ended December 31, 2017.

The Company had 191,205,568 shares issued and outstanding as of December 31, 2018. On November 1, 2018, in connection with the acquisition of Savision, 18,709,090 common shares were issued.

Statement of operations - Summary				
(in CAD \$000's)	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Sales	3,089	1,307	6,991	3,408
Gross margin	2,901	1,248	6,551	3,229
Expenses	4,238	1,267	9,509	3,543
Loss from operations	(1,337)	(19)	(2,958)	(314)
Net loss	(1,019)	(9)	(4,343)	(444)
Comprehensive loss	(488)	(9)	(3,813)	(444)
Weighted average shares outstanding				
Basic	185,037,737	85,272,689	159,069,848	82,530,553
Net loss and comprehensive loss per share				
Basic	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.01)
EBITDA ⁽¹⁾	(987)	(14)	(4,191)	(412)
Adjusted EBITDA ⁽¹⁾	(270)	251	(862)	184

(1) Non-IFRS financial measures

EBITDA is a non-IFRS financial measure and is defined as net loss before interest income, interest expense, accretion of long-term debt, income tax recovery and depreciation and amortization.

ADJUSTED EBITDA is a non-IFRS financial measure and is calculated as EBITDA excluding share-based compensation expense, reverse acquisition costs, acquisition-related costs and foreign exchange gain/(loss).

Balance Sheet – Summary		As at	
(in CAD\$000's)		December 31,	March 31,
		2018	2018
Cash		6,727	2,141
Working Capital		7,074	3,038
Assets		32,425	10,776
Liabilities		11,439	3,947
Share capital and contributed surplus (1)		31,025	13,057
Accumulated deficit and cumulative translation adjustment		10,040	6,228

(1) The Company had 191,205,568 shares issued and outstanding as at December 31, 2018 (110,463,366 as at March 31, 2018).

The Company had \$7.1 million in working capital as of December 31, 2018 to fund operations and growth.

Sales

Sales represent:

- (a) the sale of network performance management solutions for real-time communications, the majority of which is subscription-based;
- (b) the sale of hardware and software link balancing and bandwidth management solutions, and maintenance and support services for these solutions; and
- (c) the sale of perpetual and subscription software licenses for visualization of IT systems management data, and maintenance and support services for these solutions.

Recurring revenue, which was 76% of total revenues in the third quarter of fiscal 2019 and 78% year to date, includes fees earned on a monthly per-user basis, fees earned monthly from device usage and revenue from subscription to software licenses, all from performance analytics for unified communications ("UC"). In addition, recurring revenue includes maintenance programs on hardware and software link balancing and bandwidth management solutions; subscription sales, maintenance and support on the licenses for visualization of IT systems management data; and support for UC enterprise management software.

Martello realized 44% growth in organic revenues for its network performance management software in Q3 F2019, compared to Q3 F2018. This organic growth is solely from the Mitel channel and excludes Elfiq and Savision revenue.

In addition, Q3 2019 included sales from Elfiq Networks and two months of sales from Savision. Elfiq was acquired December 15, 2017 and Savision was acquired on November 1, 2018, therefore the comparable quarter and year to date in F2018 includes only half a month of Elfiq's results (\$125,430).

Sales and Gross Margin – Three months ended December 31, 2018 (in CAD \$000's)

	2018				2017	Variance
	Total	Elfiq	Savision	Remaining balance*		
Sales	3,089	690	688	1,711	1,307	404
Cost of goods sold	188	114	7	67	59	(8)
Gross margin	2,901	576	681	1,644	1,248	396

** To facilitate comparison with fiscal year 2018, the remaining balance represents the results of the Company's operations in fiscal year 2019 without contributions from Savision (acquired in fiscal year 2019) and Elfiq (acquired December 15, 2017). The analysis compares the Remaining balance to the comparable period in FY2018.*

Cost of goods sold represents the costs of hardware, installation and delivery, sales commissions and web services.

The Company's revenue base continued to expand and diversify in this reporting period, with sales of network performance management software to the Mitel channel contributing 55% of revenues in Q3 F2019, compared to 90% in the same period of F2018.

Expenses

In the current year the Company has made investments in people, research and development and sales and marketing activities, and foundational systems which will enable the company to scale. In doing so, Martello has established the core capacity for future organic growth and acquisition activity.

Expenses – Three months ended (in CAD \$000's)						
	31 December 2018				31 December 2017	Decrease/ (Increase)*
	Total	Elfiq	Savision	Remaining balance*		
Research and development	1,083	295	244	544	522	(22)
Sales and marketing	945	384	352	209	153	(56)
General and administrative	1,249	183	246	820	356	(464)
Depreciation	30	7	7	16	14	(2)
Amortization	224	-	-	224	-	(224)
Acquisition-related costs	707	-	-	707	222	(485)
TOTAL	4,238	869	849	2,520	1,267	(1,253)

* To facilitate comparison with fiscal year 2018, the remaining balance represents the results of the Company's operations in fiscal year 2019 without contributions from Savision (acquired in fiscal year 2019) and Elfiq (acquired December 15, 2017). The analysis compares the Remaining balance to the comparable period in FY2018.

For the 3 months ended December 31, 2018, operating expenses were \$4,238,267, an increase of \$2,971,547 over Q3 2018. Excluding Elfiq and Savision results for the quarter, operating expenses increased \$1,252,494. During the quarter, the Company incurred non-recurring costs due to investment in research and advisory services, implementation costs associated with new systems, and professional fees due to additional complexity around the reverse acquisition transaction and acquisition. Additionally, investment has been made in the current year to strengthen the executive team and add new systems to enable future revenue growth.

Research and development expenses included salaries and other benefits and compensation for the research and development team as well as any subcontract costs and development tools. These costs are partially offset by government grants, including investment tax credits which are earned from qualifying Scientific Research and Experimental Development ("SRED") expenditures, and by NRC IRAP funding.

Research and development costs and sales and marketing costs increased primarily due to increases in compensation costs year over year, including share-based compensation. General and administrative costs increased due to compensation increases, new executive roles, additional audit, legal and accounting fees and research and advisory services.

Year to date, salaries and share-based compensation expense increased, relating to additional executive staff, the accelerated vesting of certain stock options as a result of the RTO, and an expanded finance team. As well, professional fees for accounting, audit, tax and legal increased due to the additional complexity associated with the reverse acquisition transaction and public company reporting. Costs in the current year also include investment in research and advisory services and in new systems, which were not incurred in the prior year.

Amortization of intangible assets relates to intangibles established on the acquisition of Elfiq and Savision. Acquisition related costs in the three months ended December 31, 2018 relate to audit and due diligence costs, as well as the success fee paid to the M&A advisors for the closing of the Savision acquisition. In the prior year, acquisition related costs relate to the acquisition of Elfiq.

Loss from Operations

The loss from operations in Q3 F2019 was \$1,337,262, compared to a loss of \$18,961 in Q3 F2018. Year to date, the loss from operations was \$2,957,683 compared to \$314,283 for the nine months ended December 31, 2017.

EBITDA and Adjusted EBITDA Summary (Non-IFRS financial measures)

The Company's "EBITDA" and "Adjusted EBITDA" are non-IFRS financial measures used by management that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. EBITDA is calculated as net loss before interest income, interest expense, accretion of long-term debt, income tax recovery, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA excluding share-based compensation expense, reverse acquisition costs, acquisition-related costs and foreign exchange gain/(loss). Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis as described above.

Adjusted EBITDA amounted to a loss of \$269,704 for the three months ended December 31, 2018 and \$862,034 for the nine months ended December 31, 2018. This compares to income of \$251,382 and \$183,530 for the three and nine months ended December 31, 2017.

Loss from operations, EBITDA and Adjusted EBITDA		December 31,	December 31	December 31,	December 31
		2018	2017	2018	2017
		(3 months ended)		(9 months ended)	
Loss from operations		\$ (1,337,262)	(18,961)	(2,957,683)	(314,283)
EBITDA	✓ (1)	\$ (986,902)	(14,362)	(4,190,956)	(411,576)
Adjusted EBITDA	✓ (1)	\$ (269,704)	251,382	(862,034)	183,530

(1) Non-IFRS financial measures

The financial statements and notes are available under the Company's profile on SEDAR at www.sedar.com, and on Martello's website at www.martellotech.com. The financial statements include the wholly-owned subsidiaries of Martello. All amounts are reported in Canadian dollars.

Conference Call Details

Martello will host a conference call and audio webcast with John Proctor, President & CEO and Erin Crowe, CFO at 10:00 AM Eastern Time on February 26, 2019.

Canada/USA Toll Free: 1-800-319-4610

International Toll: +1-604-638-5340

Callers should dial in 5 – 10 min prior to the scheduled start time and simply ask to join the Martello call.

An audio recording of the call will be available on February 26, 2019.

About Martello Technologies Group

Martello Technologies Group Inc. (TSXV: MTLO) is a technology company that provides clarity and control of complex IT infrastructures. The company develops products and solutions that monitor, manage and optimize the performance of real-time applications on networks, while giving IT teams and service providers control and visibility of their entire IT infrastructure. Martello's products include SD-WAN technology, network performance management software, and IT analytics software. Martello Technologies Group is a public company headquartered in Ottawa, Canada with offices in Montreal, Amsterdam, Paris, Dallas and New York. Learn more at <http://www.martellotech.com>

This press release does not constitute an offer of the securities of the Company for sale in the United States. The securities of the Company have not been registered under the United States Securities Act of 1933, (the "1933 Act") as amended, and may not be offered or sold within the United States absent registration or an exemption from registration under the 1933 Act.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

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Cautionary Note Regarding Forward-Looking Statements

The forward-looking statements contained in this news release are made as of the date of this news release. Except as required by law, the Company disclaims any intention and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. Additionally, the Company undertakes no obligation to comment on the expectations of, or statements made, by third parties in respect of the matters discussed above.

CONTACTS:

Tracy King
Vice President of Marketing
tking@martellotech.com
613.271.5989 x 2112

John Proctor
President & CEO
jproctor@martellotech.com
613.271.5989