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Martello Revenues Grow 63% to \$4.4M with Positive Adjusted EBITDA in Second Quarter of Fiscal 2021

Monthly recurring revenue grows by more than 60% year over year.

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Ottawa, Ontario (November 17, 2020) – [Martello Technologies Group Inc.](#), (“Martello” or the “Company”) (TSXV:MTLO), a developer of enterprise digital experience monitoring (“DEM”) solutions that improve the user experience for cloud applications and services such as video conferencing and telephony for more than 5,000 customers around the world, today released financial results for the three months and six months ended September 30, 2020.

“I’m pleased with the 63% year over year growth in Martello’s high-quality revenue”, said John Proctor, President and CEO of Martello. “We continue to focus on the performance of our DEM strategy. While this long-term strategy requires investment over the next several quarters to increase future MRR, I’m pleased that just one quarter after acquiring GSX and enhancing our position in delivering DEM, momentum is growing. Microsoft 365 and Teams have become critical business services, and third parties such as Gartner are increasingly recognizing Martello as a key DEM vendor keeping these services performing reliably for users”.

Results this quarter reflect significant recent events in Martello’s strategy to become a leading DEM vendor, including the acquisition of GSX in May 2020, debt financings with National Bank and Vistara Capital and an oversubscribed \$6.9M bought deal in Q1 FY21 co-lead by PI Financial Corp. and Eight Capital, as well as the sale of the network performance management (NPM) segment early in Q2 FY21.

Q2 FY2021 Highlights

- In Q2 FY21, Martello continued to execute on its long-term DEM strategy. In just four months following the acquisition of GSX, the Company added more than 450,000 Microsoft 365 users, reaching 2 million users on its Gizmo platform. In addition, bookings, revenues and renewals of its iQ service analytics platform rose. Ongoing investments to build the sales pipeline offer the potential to expand monthly recurring revenue in future quarters. The integration of GSX has progressed well and is nearing completion.
- Revenue of \$4.40M is 63% higher than the \$2.69M reported for the same quarter in the prior year. The acquisition of GSX contributed \$1.73M to the year-over-year increase. Vantage Dx Monitoring – Mitel UC revenue increased by \$0.05M (3%), offset by a

decrease of \$0.08M (9%) in revenue from Vantage Dx Analytics - IT Service Analytics.

- In Q2 FY21, monthly recurring revenue reached \$1.42M, a 63% increase over Q2 FY20 MRR of \$0.87M, excluding the discontinued NPM segment. The increase in MRR is due to the addition of GSX revenues, which contributed \$0.56M in MRR in Q2 FY21. MRR is a non-IFRS measure and represents average monthly recurring revenues earned in a fiscal quarter. The MRR measure offers insight into the predictability of Martello's current and future revenue streams.
- The recurring portion of total revenue remained stable at 96% in Q2 FY21, compared to 97% in Q2 FY2020.
- Revenue continues to diversify, with Vantage Dx Monitoring – Mitel UC contributing 42% of revenues in Q2 FY21 compared to 58% in Q2 FY20, Vantage Dx Monitoring – Microsoft 365 (GSX) contributing 39% of revenues in Q2 FY21 compared to nil in Q2 FY20 and Vantage Dx Analytics - IT Service Analytics contributing 19% in Q2 FY21 compared to 29% in Q2 FY20. In Q2 FY20, the now divested and discontinued NPM segment contributed 13% of revenue.
- Gross margin remained strong and stable at 95% in Q2 FY21, compared to 93% in Q2 FY20.
- The Company achieved positive adjusted EBITDA of \$0.30M in Q2 FY21, compared to a loss of \$.99M in the same period of FY20. Adjusted EBITDA is a non-IFRS financial measure which assesses operating performance before the impact of one-time costs associated with acquisition activity, impairment losses, other non-cash costs as well as the impact of discontinued operations in FY21. Positive adjusted EBITDA in Q2 FY21 reflects a slight increase in gross margins, temporary risk management measures in response to COVID-19 related uncertainty, as well as reclassification of the NPM segment as discontinued operations. The Company will continue to be opportunistic in making investments to accelerate MRR and revenue growth, which may impact short-term operating results.
- Operating expenses for the quarter increased by \$1.45M to \$4.76M, from \$3.31M in Q2 FY20. The increase reflects \$1.94M in GSX operating expenses, including \$0.33M in amortization of intangibles. Excluding the impact of these items, operating expenses decreased by \$0.50M or 15% compared to the same quarter last year. The decrease in expenses is related to COVID-19 reductions in travel and marketing activities, as well as temporary reductions in salaries and other compensation.
- Loss from operations decreased by \$0.22M to \$0.58M in Q2 FY21, compared to a loss of \$0.80M in the same period of FY20. Revenue and gross margin increases were partially offset by increased expenses relating to the acquisition of GSX, including amortization of GSX intangibles and acquisition related expenses.
- In addition to the items above, the Company incurred higher interest expense on the Vistara term loan, partially offset by foreign exchange gains in the quarter.
- The Company divested the assets of the NPM segment in Q2 FY21 for total proceeds of \$0.83M, consisting of cash of \$0.43M, a promissory note receivable of \$0.10M and an

investment in the acquiring entity of \$0.30M. A gain of \$0.22M was recognized on the divestment, contributing to a gain from discontinued operations of \$0.10M in Q2 FY21. The results of the NPM segment are reported as discontinued operations for all periods presented in the financial statements, and herein, except where indicated.

- As a result of the above explained items, the net loss for Q2 FY21 was \$0.94M, compared to a net loss of \$1.50M in Q2 FY20.
- The Company's cash and short-term investments balance was \$4.17M at September 30, 2020, compared to \$5.9M at March 31, 2020. The Company is confident, subject to risk factors associated with the ongoing COVID-19 crisis that it retains sufficient available cash, working capital and available revolver to fund organic growth plans going forward.

Business Highlights

Martello's DEM strategy is yielding early results in the first complete quarter following the acquisition of GSX. The Company has continued to grow its sales pipeline, with some larger enterprise prospects. While these larger opportunities have longer sales cycles, they may contribute significantly to MRR growth over time. Martello's 96% recurring revenue provides greater predictability and stability, with the revenue impact of each booking recognized over the term of the subscription, which can be up to 36 months.

In Q2 2021, Martello saw increased bookings, revenue and renewals for its iQ service analytics solution, in part due to a focus on converting legacy Live Maps customers to iQ. Key highlights of the Company's iQ sales progress this quarter included:

- A US law firm with more than 1,000 employees that had been a Live Maps customer since 2015 moved onto iQ. The firm's move to Microsoft 365 provided an opportunity to sell iQ and Gizmo. The customer chose to implement both tools to manage Microsoft 365 performance and user experience, converting from legacy Live Maps software to Martello's DEM products.
- A global insurance company with more than 5,000 employees purchased iQ as an upgrade to the Live Maps software they had in place. This sales win had a total value of \$246,000 over the lifetime of a 3-year subscription, featuring multiple integrations, including Microsoft 365, ServiceNow and Azure.
- Sales from the OEM partnership with Paessler exceeded the Company's expectations, with large organizations from a broad range of industries such as healthcare, government and telecommunications choosing this unique monitoring and analytics solution, many in 3-year subscription deals.

The Company's partnership with Mitel remains strong, with activities focused on growing Mitel Performance Analytics (MPA) sales in several key Mitel offerings. Martello is also working on strategies to sell iQ and Gizmo to customers and partners of Mitel. For example, a large Mitel distributor and MSP already using MPA to proactively manage voice performance for their customers is pursuing a complete Martello DEM solution, adding iQ and Gizmo. Together, these solutions provide an end-to-end view of Microsoft 365, voice performance and user experience.

While Martello added more than 450,000 Microsoft 365 users to its Gizmo platform since acquiring GSX, in Q2 FY21 Gizmo also detected a global Microsoft 365 outage, notifying its users before other available methods. This proactive detection can help enterprises to reduce support costs and led to an increase in inbound sales inquiries immediately following the outage.

The integration of GSX into Martello has progressed well since the Company acquired the Swiss-based DEM software provider in May 2020 and is nearing completion. In Q2 FY21, Martello reached key milestones in the integration of GSX, including strengthening sales, partnerships and client delivery capacity, as well as integrating teams and key systems. The development of cloud-based multi-tenancy for Gizmo and iQ is progressing well.

Outlook

Martello's mission is to become a dominant vendor in the enterprise DEM market, making every user's digital experience productive. The Company's DEM solutions give IT teams actionable intelligence to proactively deliver a positive digital experience for users.

Martello is taking a systematic approach to executing its DEM strategy. In Q2 FY21, these efforts have created the foundation for the Company's next phase of growth and have yielded early results. Progress on this strategy is expected to continue in the near to medium term and will drive MRR growth over time. As third-party recognition of its market opportunity grows and the Company's sales pipeline strengthens, Martello will invest over the next several quarters in delivering and accelerating this sales pipeline, expanding the Company's addressable market with key product functionality such as cloud-based multi-tenancy, and in successfully completing the integration of GSX. This investment may impact short-term operating results, as the Company positions itself to accelerate MRR and revenue growth in future quarters.

Market Trends

Keeping employees productive while working remotely with cloud suites such as Microsoft 365 is critical to businesses and has elevated insight into the user experience from 'nice to have' to 'must have'. To take control of cloud service delivery, it is becoming clear that the most critical performance metric that will matter to CIOs in the future will be the user experience.

The world's most widely adopted cloud productivity suite is Microsoft 365, used by more than a million enterprises globally (*Statista*, April 2020). As the global workforce shifted to work from home beginning in March 2020 in response to the COVID-19 pandemic, the Microsoft Teams video conferencing application has been among the most in-demand tools in this suite. In October 2020, Microsoft noted that its Microsoft Teams cloud video conferencing solution has grown 50% since April 2020, to 115 million daily active users.

Martello's DEM solutions allow IT teams to take control of the Microsoft 365 user experience. According to Gartner in a July 2020 report¹, more than 50% of enterprises using Microsoft 365 will use a third-party monitoring tool to manage the user experience by 2024, up from just 10% today. The report recognizes Martello among just three companies that provide this solution today with a focus on Microsoft 365.

¹. Gartner: "Leverage Office 365, Monitoring Practices to Improve Availability and Eliminate Performance Challenges", July 21, 2020

Martello has garnered additional third-party recognition for its DEM solutions. In October 2020, Enterprise Management Associates (EMA) a leading industry analyst firm identified Martello as a Vendor to Watch, defining Martello's DEM approach as proactive and practical, benefitting from the distinctive combination of its Gizmo and iQ products: "Work-from-anywhere is here to stay. That fact makes Microsoft 365 not only mission-critical, but mission-centric. Martello's pedigree in this discipline and its end-to-end reach logically make it a Vendor to Watch."

Product Development

Martello recently expanded its Microsoft Teams monitoring capabilities, launching advanced video monitoring which collects data and metrics from Teams video calls to help IT teams to validate video performance from any location. Measuring and monitoring metrics that matter to video performance such as FPS (frames per second), bitrate and pixilation, this feature puts a focus on the visual experience of Teams calls, which is important to true end user experience analytics.

Product development continues to focus on delivering capabilities that deepen customer insight into the user experience, while expanding Martello's addressable market. The development of cloud-based multitenancy in Gizmo and iQ is a key project for Martello's R&D team, allowing the Company to offer its solution to mid-market and small businesses.

Conference Call Details

Martello will host a conference call with John Proctor, President & CEO and Erin Crowe, CFO at 8:00 AM Eastern Time on Wednesday, November 18, 2020.

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 November 18, 2020 at <https://martellotech.investorroom.com/quarterly-results>.

The financial statements, notes and Management Discussion and Analysis ("MD&A") 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.

Three institutional investment firms provide [research coverage of Martello](#). The Company does not endorse the research of third-party institutions.

Upcoming Activities

The Company will launch a quarterly Investor Newsletter in December 2020. To join the mailing list, complete the [Subscribe](#) form on Martello's website.

About Martello Technologies Group

Martello Technologies Group Inc. (TSXV: MTLO) is a technology company that provides digital experience monitoring (DEM) solutions. The company's products provide monitoring and analytics on the performance and user experience of critical cloud business applications, while giving IT teams and service providers control and visibility of their entire IT infrastructure. Martello's software products include unified communications performance analytics, Microsoft 365 end user experience monitoring and IT service monitoring and analytics. Martello Technologies Group is a public company headquartered in Ottawa, Canada with offices in Amsterdam, Geneva, Nice, 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.

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Cautionary Note Regarding Forward-Looking Statements

This news release contains "forward-looking statements". Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding accretive monthly recurring revenues and effect of closing on the Company's gross margins.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- *Continued volatility in the capital or credit markets.*
- *Our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so.*
- *Changes in customer demand.*
- *Disruptions to our technology network including computer systems and software, as well as natural events such as severe weather, fires, floods and earthquakes*

or man-made or other disruptions of our operating systems, structures or equipment.

- *Delayed purchase timelines and disruptions to customer budgets, as well as Martello's ability to maintain business continuity as a result of COVID-19.*

Any forward-looking statement made by us in this news release is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable securities laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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