

Martello Reports Record \$16.8M Revenue for Fiscal 2021 as the Company Invests in Key Strategic Growth Initiatives

Successful acquisition and integration of GSX is the catalyst for Microsoft DEM growth as it reaches 41% of total revenue.

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OTTAWA, ON, June 28, 2021 /CNW/ - [Martello Technologies Group Inc.](#), ("Martello" or the "Company") (TSXV: MTLO), a leading developer of enterprise digital experience monitoring ("DEM") solutions for thousands of customers around the world, today released financial results for the three and twelve months ended March 31, 2021. Martello software provides businesses with actionable insights on the performance and user experience of cloud services such as video conferencing and unified communications (UC).

- \$16.8M FY21 revenue represents a 50% increase year over year
- Revenue in FY21 was 97% recurring
- Gross margins in FY21 over 90%

In the 2021 fiscal year, Martello made a strategic shift towards the emerging digital experience monitoring software market, and the Company's investments in DEM are expected to increase revenue and the number of Microsoft users on Martello's platform beginning in H2 FY22. These investments included the acquisition of GSX Participations SA ("GSX"), a DEM provider focused on Microsoft 365, R&D and sales initiatives which expand Martello's addressable market to include small and medium enterprises ("SME"), and product innovation. The Company also made the strategic decision in Q2 FY21 to divest the network performance management ("NPM") segment, to focus its resources on DEM and reduce operating losses.

There is a significant opportunity in FY22 for Martello to grow its Microsoft DEM revenues by working with managed service providers ("MSP") who provide Microsoft 365 services to SMEs, following the launch of Martello's partner program in Q1 FY22. Martello's software provides MSPs with a value-added solution that is easily packaged as part of their existing Microsoft 365 offer, helping them to develop a new revenue stream.

Martello's FY22 growth strategy is expected to increase the Company's monthly recurring revenue (MRR) and grow the number of Microsoft users on its DEM platform. Martello has achieved the early milestones set out in this strategy, positioning the Company for growth in H2 FY22:

- In Q4 FY21, the Company completed the integration of GSX and made strides towards launching its Vantage DX fully integrated single platform DEM solution, expected in late Q2 FY22. Significant milestones reached included the integration of Microsoft 365 monitoring (Gizmo) with service analytics (iQ), and enhancements to these products to increase their scalability for large enterprise deployments.
- Subsequent to Q4 FY21, Martello launched cloud-based multi-tenancy in Microsoft 365 monitoring, to support the development of Martello's channel business with MSPs and the launch of Vantage DX.
- On June 2, 2021, the Company launched its partner program.

Martello continues to work closely with Mitel, to enhance support for Mitel platforms and services and to undertake marketing and awareness activities which extend the reach of Mitel Performance Analytics (MPA) into Mitel channels. Mitel partners often also sell Microsoft 365 to their clients, and they are a key focus for Martello's partner team. Since launching its partner program, Martello has seen strong interest in its Microsoft DEM from Mitel partners.

"Martello is executing on the plan we communicated in late FY21, reaching key milestones on schedule", said John Proctor, President and CEO of Martello. "We continue to focus on these objectives and expect that continued execution will have a positive impact on MRR and Microsoft DEM user growth in the second half of FY22. I'm confident that the strategic decisions we've made in FY21 will yield results for shareholders, and I'm pleased that investors in our recent bought deal and concurrent private placement understood the opportunity for Martello."

Financial Highlights (in 000's)	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Three months ended)		(Twelve months ended)	
Sales	\$ 4,476	2,859	16,831	11,196
Cost of Goods Sold	481	123	1,197	635
Gross Margin	3,995	2,737	15,634	10,562
Gross Margin	% 89.3%	95.7%	92.9%	94.3%
Operating Expenses	5,963	6,916	20,399	17,002
Loss from operations	(1,968)	(4,179)	(4,764)	(6,441)
Other income/(expense)	(390)	128	(1,634)	(206)
Loss from continuing operations before income tax	(2,358)	(4,051)	(6,399)	(6,647)
Income tax recovery	461	(2)	348	261
Net loss from continuing operations	(1,897)	(4,053)	(6,051)	(6,386)
Loss from discontinued operations, net of tax	(0)	(415)	(320)	(1,798)
Net loss	(1,897)	(4,469)	(6,371)	(8,184)
Total Comprehensive loss	\$ (3,435)	(3,869)	(6,616)	(7,845)
EBITDA (1)	\$ (1,112)	(4,075)	(2,204)	(6,955)
Adjusted EBITDA(1)	\$ (985)	(153)	(744)	(2,472)

(1) Non-IFRS measure.

Note: The results of the NPM segment are reported as discontinued operations for all periods presented in the financial statements, and herein, except where indicated.

Q4 and FY21 Financial and Operational Highlights

- Revenue in FY21 was \$16.8M, a 50% increase compared to \$11.2M in FY20. Q4 FY21 revenue was \$4.48M, a 57% increase over the \$2.86M in Q4 FY20. The year over year increase reflects the acquisition of GSX, which contributed \$1.8M in Q4 FY21 and \$6.01M for 10 months in FY21.
- Revenue diversified in the 2021 fiscal year, with the following year over year segment performance in Q4 and FY21:
 - GSX accounted for 40% of Q4 FY21 revenues (nil in Q4 FY20) and 36% of total FY21 revenues (nil in FY20).
 - Mitel UC performance analytics contributed 43% of total revenues compared to 59% in Q4 FY20. For FY21 this segment contributed 45% of total FY21 revenues versus 54% in FY20.
 - IT service analytics contributed 17% of Q4 FY21 revenues, compared to 28% in Q4 FY20. For FY21, this segment contributed 19% of total revenues, compared to 27% in FY20. The decrease in contribution from this segment is due to the diversification of revenue with the acquisition of GSX, as well as an expected revenue decline from the legacy product (Live Maps) in this segment.

- In Q4 FY21, MRR was \$1.47M, a 60% increase over Q4 FY20 MRR of \$0.92M, excluding the discontinued NPM segment. The year over year increase in MRR is due to the addition of GSX revenues, which contributed \$0.58M in MRR in Q4 FY21. MRR is a non-IFRS measure and represents average monthly recurring revenues earned in a fiscal quarter.
- The recurring portion of total revenue was 98% and 97% in Q4 FY21 and the FY21 year, respectively, compared to 97% and 95% in the comparative periods of FY20.
- Gross margin was 89% in Q4 FY21, a decrease compared to 96% in Q4 FY20. In FY21, gross margin was 93%, compared to 94% in FY20. The decrease is primarily a result of lower gross margin on Microsoft 365 monitoring due to higher hosting costs and commissions associated with the GSX products.
- Operating expenses decreased to \$5.96M in Q4 FY21, compared to \$6.92M in Q4 FY20. GSX operating expenses in Q4 FY21 totaled \$2.10M, including \$0.41M of non-cash amortization of intangibles. Operating costs decreased from Q4 FY20 to Q4 FY21 due to impairment of goodwill and intangible assets (\$3.4M) and \$0.45M in costs relating to the acquisition of GSX in Q4 FY20, offset in part by the addition of GSX operating expenses. Excluding these items, operating expenses increased by \$0.78M, related to headcount for scaling future operations, investments to optimize existing software and professional fees. For FY21, operating expenses increased from \$17.0M in FY20 to \$20.40M, due to the addition of GSX operating expenses (\$6.64M, including \$1.21M in amortization of intangibles). This was partially offset by the decrease in impairment charges and M&A costs, as well as a decrease of 2% in other operating expenses.
- Adjusted EBITDA (a non-IFRS measure) in Q4 FY21 was a loss of \$0.98M, compared to a loss of \$0.15M in the same period of FY20. The increased adjusted EBITDA loss in the quarter is due primarily to higher operating expenses in the quarter. In FY21, the adjusted EBITDA loss was \$0.74M, compared to a loss of \$2.47M in FY20. The decreased adjusted EBITDA loss is due to reclassification of the NPM segment as discontinued operations in FY21, and the implementation of temporary measures to reduce costs early in FY21 in view of COVID risks, including reduced hours and salaries for most employees. Adjusted EBITDA is calculated as EBITDA excluding share-based compensation expense, loss from discontinued operations (added in Q1 FY21), impairment of goodwill and intangible assets, acquisition-related costs and foreign exchange gain/loss.
- Loss from operations decreased by \$2.21M to \$1.97M in Q4 FY21 compared to a loss of \$4.18M in the same period of FY20. In FY21, loss from operations decreased by \$1.68M to \$4.76M compared to \$6.44M in FY20, for the reasons explained above.
- The Q4 FY21 net loss of \$1.90M decreased from \$4.47M in the same period in FY20 as a result of the items outlined above, and a loss from discontinued operations of \$0.42M in Q4 FY20 (nil in Q4 FY21). The FY21 net loss of \$6.37M decreased from FY20 by \$1.81M, as a result of the items outlined above, as well as a decrease in the loss from discontinued operations of \$1.48M.
- The Company's cash and short-term investments balance was \$8.52M at March 31, 2021, compared to \$5.90M at March 31, 2020. Net working capital was \$4.50M at March 31, 2021 compared to \$3.69M at March 31, 2020. The increase in working capital in FY21 was due in part to net proceeds from the bought deal offerings and concurrent private placement completed in FY21, as well as proceeds from the sale of the network performance management segment, offset by operating losses, interest expense and acquired negative working capital from the GSX acquisition. At this time the Company believes operations can be funded by cash and other available funding sources.
- Martello also offers insight into the sequential trajectory of Microsoft DEM and legacy product lines. Martello's Microsoft DEM solution suite includes Microsoft user experience monitoring software (Gizmo) and digital experience analytics software (iQ). Martello's legacy product revenue is derived from its Live Maps and Domino products, with the following sequential results from Q3 FY21 to Q4 FY21:
 - Microsoft DEM revenue increased by 0.3%, representing 41% of total revenue in the quarter (40% in Q3 FY21).

- Legacy product line revenue declined by 10%. Legacy product revenue as a whole represented 16% of total revenue in Q4 FY21 (17% in Q3 FY21).
- Martello has updated the calculations of its Microsoft user counts, to include both on-premise and cloud Microsoft users on the Company's platform. Management believes this offers shareholders a clearer view of Microsoft user growth, and going forward, the Company will only report the metric based on total on-premise and cloud Microsoft users. On this basis, Martello is now targeting to reach 3.5M Microsoft users in FY22 (compared to 3.2M previously).
 - In Q2 of FY21, there were 2M cloud users. Including on-premise users, the user count totaled 2.5M.
 - At the end of Q3 FY21, there were 2M cloud users. Including on-premise users, the user count totaled 2.6M.
 - At the end of Q4 FY21, there were a total of 2.7M Microsoft users on Martello's platform, including both cloud and on-premise Microsoft users.

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 Tuesday, June 29, 2021.

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 June 29, 2021 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 third issue of Martello's quarterly Investor Newsletter will be sent to subscribers on July 6, 2021. 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 Microsoft 365 end user experience monitoring, unified communications performance analytics, and IT service analytics. Martello is a public company headquartered in Ottawa, Canada with employees in Europe, North America and the Asia Pacific region. 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 information contained in this news release include, among others, statements with respect to increasing Microsoft users on Martello's DEM platform to 3.5 million in fiscal 2022, and the aim to increase MRR and Microsoft DEM user growth in the second half of FY22.

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.*
- and other risks disclosed in the Company's filings with Canadian Securities Regulators, including the Company's annual information form for the year ended March 31, 2020 dated December 24, 2020, which is available on the Company's profile on SEDAR at www.sedar.com.*

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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