

Absolute Reports Fiscal 2018 First Quarter Financial Results

Enterprise Segment ACV Base Increases 12% Year-Over-Year

VANCOUVER, British Columbia--(BUSINESS WIRE)--November 13, 2017--Absolute® (TSX: ABT), the new standard for endpoint visibility and control, today announced financial results for the three months ended September 30, 2017. All dollar figures are unaudited and stated in U.S. dollars, unless otherwise indicated.

“Our Q1 results were supported by strong growth in the North American enterprise segment, demonstrating the continuing success of our focused strategy and targeted investment and reflecting the value enterprise customers are realizing from our technology,” said Geoff Haydon, Chief Executive Officer, Absolute. “The Absolute 7 platform launch is particularly significant for this segment, featuring our new Absolute Reach offering, which empowers customers to customize and extend a definitive endpoint visibility and control capability across their entire endpoint populations. While these features were only deliverable for the last couple of weeks of the quarter, early reactions have been very positive from customers, prospects, and analysts.”

Key Financial Metrics

- Commercial recurring revenue increased 5% year-over-year to \$21.8 million in Q1-F2018.
- Total revenue in Q1-F2018 was \$23.0 million, representing a year-over-year increase of 2%.
- The Commercial Annual Contract Value (“ACV”) Base at September 30, 2017 was \$88.5 million, an increase of 5% year-over-year and 1% sequentially.
- The enterprise portion of the ACV Base increased 12% year-over-year and was up 3% sequentially, led by strength in the North American enterprise segment. The public sector portion of the ACV Base decreased 1% year-over-year and was down 2% sequentially, with the decline being attributable to pricing pressure in the North American education segment. Enterprise customers represented 50% of the September 30, 2017 ACV Base, compared to 47% in the prior year.
- Net ACV Retention from existing Absolute customers was 100% during Q1-F2018, consistent with 100% in Q1-F2017.
- Incremental ACV from New Customers was \$0.8 million in Q1-F2018 compared to \$1.0 million in Q1-F2017.
- Adjusted EBITDA in Q1-F2018 was \$1.3 million, or 6% of revenue, compared to \$1.9 million, or 8% of revenue, in Q1-F2017.
- Cash generated from operating activities in Q1-F2018 was \$2.1 million compared to \$1.9 million in Q1-F2017.
- Absolute paid a quarterly dividend of CAD\$0.08 per common share during Q1-F2018.

Technology and Products

- In mid-September 2017, we released the new Absolute 7 platform to our customer base. This next generation version of our cloud-based endpoint visibility and control platform features an intuitive redesigned user interface, powerful endpoint hygiene automation, and enhanced self-healing of third-party applications.
- In conjunction with the Absolute 7 release, we debuted Absolute Reach, which provides critical endpoint security automation to assess and control an entire endpoint population—on and off the corporate network. Absolute customers now have the ability to execute custom queries and remediation to speed and streamline the detection and remediation of security vulnerabilities and incidents.

Summary of Key Financial Metrics

USD Millions, except per share data	Q1		Change
	F2018	F2017	
Revenue			
Commercial recurring ⁽¹⁾	\$ 21.8	\$ 20.8	5%
Other	1.2	1.7	(27%)
<i>Total</i>	\$ 23.0	\$ 22.5	2%
Adjusted EBITDA⁽²⁾	\$ 1.3	\$ 1.9	(32%)
As a percentage of revenue	6%	8%	
Net (Loss) Income	\$ (0.1)	(0.8)	82%
Per share (basic)	\$ (0.00)	\$ (0.02)	
Per share (diluted)	\$ (0.00)	\$ (0.02)	
Cash from operating activities	\$ 2.1	\$ 1.9	10%

Dividends paid	\$ 2.5	\$ 2.4	3%
Per share (CAD)	\$ 0.08	\$ 0.08	
Cash, equivalents and investments	\$ 32.8	\$ 43.0	(24%)
Total assets	\$ 94.0	\$ 101.7	(8%)
Deferred revenue	\$ 136.6	\$ 135.2	1%
Common shares outstanding	39.9	39.0	2%

NOTES:

1. Commercial recurring revenue represents revenue derived from term licenses and recurring managed services, both of which are included as part of our Commercial ACV Base. Other revenue represents revenue derived from professional services and ancillary product lines, including consumer products.
2. Throughout this press release, “Adjusted EBITDA” is used as a profitability measure. Please refer to the “Non-IFRS Measures and Definitions” section of this press release for further discussion on these measures.

Corporate Outlook

The company has revised its outlook for F2018 based on Q1 results and observed trends, including continued pipeline growth in the Enterprise vertical but recognizing longer sales cycles and weaker than expected performance in the public sector:

- The Company is lowering its revenue guidance to between \$94.0 million and \$96.0 million, representing 3% to 5% annual revenue growth.
- The Company is maintaining its Adjusted EBITDA guidance of 9% to 11% of revenue.
- The Company is lowering its guidance for cash from operating activities to 9% to 12% of revenue.
- Capital expenditures remain unchanged at \$3.0 million to \$3.5 million.

Quarterly Dividend

On October 20, 2017, the Company declared a quarterly dividend of CAD\$0.08 per share on its common shares, payable in cash on November 27, 2017 to shareholders of record at the close of business on November 6, 2017.

Quarterly Filings

Management’s Discussion and Analysis (“MD&A”) and Interim Condensed Consolidated Financial Statements and the notes thereto for the fiscal quarter ended September 30, 2017 can be obtained today from Absolute’s corporate website at www.absolute.com. The documents will also be available at www.sedar.com.

Notice of Conference Call

Absolute will hold a conference call to discuss the Company’s Q1-F2018 results on Monday, November 13, 2017 at 5:00 p.m. ET. All interested parties can join the call by dialing 647-427-7450, or 1-888-231-8191. Please dial-in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until Monday, November 20, 2017 at midnight ET. To access the archived conference call, please dial 416-849-0833 or 1-855-859-2056 and enter the reservation code 9896039.

A live audio webcast of the conference call will be available at www.absolute.com and <http://bit.ly/2yObYq9>. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available on the Company’s website for 90 days.

Non-IFRS Measures and Definitions

Throughout this press release, the Company refers to a number of measures which the Company believes are meaningful in the assessment of the Company’s performance. All these metrics are non-standard measures under International Financial Reporting Standards (“IFRS”), and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these items is meant to add to, and not replace, the discussion of financial results or cash flows from operations as determined in accordance with IFRS. For a discussion of the purpose of these non-IFRS measures, please refer to the Company’s September 30, 2017 MD&A on SEDAR at www.SEDAR.com.

These measures, as well as their method of calculation or reconciliation to IFRS measures, are as follows:

1) Commercial ACV Base, Net ACV Retention, and ACV from New Customers

As the majority of the Company’s customer contracts are sold under multi-year term licenses, there is a significant lag between the timing of the Billing and the associated revenue recognition. As a result, the Company focuses on the aggregate annualized value of its subscriptions under contract, measured by Annual Contract Value (“ACV”), as an indicator of its future revenues.

Commercial ACV Base measures the amount of recurring annual revenue Absolute will receive from its commercial customers under contract at a point in time, and therefore is an indicator of the Company’s future revenue streams. Net ACV Retention measures the percentage increase or decrease in the Commercial ACV Base at the end of a period for the customers that comprised the Commercial ACV Base at the beginning of the same period. This metric provides insight into the effectiveness of Absolute’s customer retention and expansion functions. ACV from New Customers measures the addition to the Commercial ACV base from sales to new commercial DDS customers during the quarter.

We believe that increases in the amount of ACV from New Customers, and improvement in the Company's Net ACV Retention, will grow our Commercial ACV Base and, in turn, our future revenues.

2) Adjusted EBITDA

Management believes that analyzing operating results exclusive of significant non-cash items or items not controllable in the period provides a useful measure of the Company's performance. The term Adjusted EBITDA refers to earnings before deducting interest and investment gains (losses), income taxes, amortization of acquired intangible assets and property and equipment, foreign exchange gain or loss, share-based compensation, and restructuring and reorganization charges and post-retirement benefits. The items excluded in the determination of Adjusted EBITDA are share-based compensation, amortization of acquired intangibles, amortization of property and equipment, and restructuring and reorganization charges and certain post-retirement benefits.

3) Adjusted Operating Expenses

A number of significant non-cash or non-recurring expenses are reported in the Company's Cost of Revenue and Operating Expenses. Management believes that analyzing these expenses exclusive of these non-cash or non-recurring items provides a useful measure of the cash invested in the operations of its business. The items excluded in the determination of Adjusted Operating Expenses are share-based compensation, amortization of acquired intangible assets, amortization of property and equipment, and restructuring and reorganization charges and certain post-retirement benefits. For a description of the reasons these items are adjusted, please refer to the "Non-IFRS Measures" section of the September 30, 2017 MD&A.

About Absolute

Absolute is the new standard for endpoint visibility and control, delivering self-healing endpoint security and always-connected IT asset management to protect devices, data, applications and users — on and off the network. Bridging the gap between security and IT operations, only Absolute gives enterprises visibility they can act on to protect every endpoint, remediate vulnerabilities, and ensure compliance in the face of insider and external threats. Absolute's patented Persistence technology is already embedded in the firmware of more than one billion PC and mobile devices and trusted by over 15,000 customers worldwide.

Forward-Looking Statements

This press release contains forward-looking statements and financial outlook that involve risks and uncertainties. These forward-looking statements and financial outlook relate to, among other things, the expected performance, functionality and availability of the Company's services and products, and other expectations, intentions and plans contained in this press release that are not historical facts. When used in this press release, the words "plan," "expect," "believe," and similar expressions generally identify forward-looking statements. These statements reflect the Company's current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and general market conditions. In light of the many risks and uncertainties readers of the press release should understand that Absolute cannot assure them that the forward-looking statements and financial outlook contained in this press release will be realized. Furthermore, the forward-looking statements and financial outlook contained in this press release are made as at the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements and financial outlook, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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ABSOLUTE SOFTWARE CORPORATION Consolidated Statements of Financial Position (Expressed in United States dollars) (Unaudited)

	September 30, 2017	June 30, 2017
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 32,402,507	\$ 32,511,093
Short-term investments	367,098	366,789
Trade and other receivables	14,977,636	19,460,872
Income tax receivable	15,993	83,487
Prepaid expenses and other	2,602,574	2,419,881
	50,365,808	54,842,122
PROPERTY AND EQUIPMENT	5,706,843	6,304,152
DEFERRED INCOME TAX ASSETS	23,278,804	22,286,804
INTANGIBLE ASSETS AND GOODWILL	14,624,440	14,894,518
	\$ 93,975,895	\$ 98,327,596
LIABILITIES		
CURRENT		
Trade and other payables	\$ 11,469,940	\$ 13,079,456
Accrued warranty	350,000	570,000
Deferred revenue – current	71,315,407	72,361,648

	83,135,347	86,011,104
DEFERRED REVENUE	65,259,205	66,040,653
	148,394,552	152,051,757
CONTINGENCIES		
SHAREHOLDERS' DEFICIENCY		
Share capital	66,493,973	64,875,130
Equity reserve	36,601,824	36,254,893
Treasury shares	(499,443)	(499,443)
Deficit	(157,015,011)	(154,354,741)
	(54,418,657)	(53,724,161)
\$	93,975,895	\$ 98,327,596

ABSOLUTE SOFTWARE CORPORATION
Consolidated Statements of Operations and Comprehensive (Loss) Income
Three months ended September 30, 2017 and 2016
(Expressed in United States dollars) (Unaudited)

	2017	2016
REVENUE	\$ 22,997,690	\$ 22,484,864
COST OF REVENUE	3,562,767	3,506,544
GROSS MARGIN	19,434,923	18,978,320
OPERATING EXPENSES		
Sales and marketing	10,390,581	11,358,589
Research and development	5,416,253	4,356,625
General and administration	3,123,450	2,960,637
Share-based compensation	827,359	997,551
	19,757,643	19,673,402
OPERATING LOSS	(322,720)	(695,082)
OTHER (EXPENSE) INCOME		
Interest income, net	6,333	41,939
Foreign exchange (loss) gain	(86,030)	20,490
	(79,697)	62,429
NET LOSS BEFORE INCOME TAXES	(402,417)	(632,653)
INCOME TAX RECOVERY (EXPENSE)	258,000	(157,000)
NET LOSS AND TOTAL COMPREHENSIVE LOSS	\$ (144,417)	\$ (789,653)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC	39,783,566	38,972,290

ABSOLUTE SOFTWARE CORPORATION
Condensed Consolidated Statement of Changes in Shareholders' Deficiency
(Expressed in United States dollars) (Unaudited)

	Share Capital					
	Number of Common shares	Amount	Equity reserve	Treasury shares	Deficit	Total
BALANCE, JUNE 30, 2016	38,881,307	\$58,607,382	\$36,732,175	\$ -	\$ (139,049,869)	\$ (43,710,312)

Shares issued on options exercised	107,875	637,933	(224,390)	-	-	413,543
Shares issued under Employee Share Purchase Plan	42,126	190,610	-	-	-	190,610
Shares issued under Phantom Share Unit Plan	6,844	42,364	(42,364)	-	-	-
Share-based compensation	-	-	997,551	-	-	997,551
Dividends paid	-	-	-	-	(2,432,499)	(2,432,499)
Net loss and total comprehensive loss	-	-	-	-	(789,653)	(789,653)
BALANCE, SEPTEMBER 30, 2016	39,038,152	\$59,478,289	\$37,462,972	\$ -	\$(142,272,021)	\$(45,330,760)
Shares issued on options exercised	553,963	3,401,848	(1,088,805)	-	-	2,313,042
Shares issued under Employee Share Purchase Plan	42,329	170,867	-	-	-	170,867
Shares issued under Phantom Share Unit plan	320,301	2,238,842	(2,238,842)	-	-	-
Shares issued under Performance and Restricted Share Unit plan	7,104	35,132	(35,132)	-	-	-
Shares repurchased and cancelled under the Normal Course Issuer Bid	(280,100)	(449,848)	-	-	(876,847)	(1,326,694)
Treasury shares repurchased under the Normal Course Issuer Bid	-	-	-	(499,443)	-	(499,443)
Share-based compensation expense	-	-	2,154,700	-	-	2,154,700
Dividends paid	-	-	-	-	(7,044,351)	(7,044,351)
Net loss and total comprehensive loss	-	-	-	-	(4,161,522)	(4,161,522)
BALANCE, JUNE 30, 2017	39,681,749	\$64,875,130	\$36,254,893	\$(499,443)	\$(154,354,741)	\$(53,724,161)
Shares issued on options exercised	206,375	1,365,891	(264,069)	-	-	1,101,822
Shares issued under Employee Share Purchase Plan	47,616	198,875	-	-	-	198,875
Shares issued under Phantom Share Unit Plan	9,358	54,077	(54,077)	-	-	-
Share-based compensation	-	-	665,077	-	-	665,077
Dividends paid	-	-	-	-	(2,515,853)	(2,515,853)
Net loss and total comprehensive loss	-	-	-	-	(144,417)	(144,417)
BALANCE, SEPTEMBER 30, 2017	39,945,098	\$66,493,973	\$36,601,824	\$(499,443)	\$(157,015,011)	\$(54,418,657)

ABSOLUTE SOFTWARE CORPORATION
Condensed Consolidated Statements of Cash Flows
Three and nine months ended September 30, 2017 and 2016
(Expressed in United States dollars) (Unaudited)

	2017	2016
OPERATING ACTIVITIES		
Net loss	\$ (144,417)	\$ (789,653)
Items not involving cash		
Amortization of property and equipment	746,696	682,448
Amortization of acquired intangible assets	36,250	50,076
Amortization of intangible assets – contract costs and brand	2,268,274	2,248,610
Share-based compensation	665,077	997,551
Deferred income taxes	(992,000)	(119,000)
Non-cash interest and amortization of investment premium	-	(46,351)
Change in non-cash working capital		
Trade and other receivables	4,483,236	8,779,838
Prepaid expenses and other	(182,693)	(431,036)
Intangible assets – contract costs and brand additions	(2,034,446)	(1,873,995)
Trade and other payables	(804,383)	(1,666,307)
Income taxes payable	67,494	(3,211,258)
Accrued warranty	(220,000)	30,000
Deferred revenue	(1,827,689)	(2,770,973)
CASH FROM OPERATING ACTIVITIES	2,061,399	1,879,950
INVESTING ACTIVITIES		
Purchase of property and equipment	(916,388)	(2,041,166)
Income taxes paid on disposal of business unit	-	(2,623,890)
CASH USED IN INVESTING ACTIVITIES	(916,388)	(4,665,056)
FINANCING ACTIVITIES		

Dividends paid	(2,515,853)	(2,432,499)
Issuance of common shares	1,272,295	522,022
CASH USED IN FINANCING ACTIVITIES	(1,243,558)	(1,910,477)
FOREIGN EXCHANGE EFFECT ON CASH	(10,039)	65,852
DECREASE IN CASH AND CASH EQUIVALENTS	(108,586)	(4,629,731)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	32,511,093	23,092,852
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 32,402,507	\$ 18,463,121

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