

Absolute Reports Fiscal 2018 Second Quarter Financial Results

Operating Margins Expand as Enterprise Segment ACV Base Increases 12% Year-Over-Year

VANCOUVER, British Columbia--(BUSINESS WIRE)--February 13, 2018--Absolute (TSX: ABT), the endpoint visibility and control company, today announced financial results for the three and six months ended December 31, 2017. All dollar figures are unaudited and stated in U.S. dollars, unless otherwise indicated.

“Our Q2 results reflected sustained growth in enterprise demand, along with expanded operating margins, demonstrating that our investments in product development and our market focus are generating meaningful results,” said Errol Olsen, Chief Financial Officer at Absolute. “We are very pleased by the strong reception to the Absolute 7 platform, which contributed to upgrades and expansion in existing customer accounts, as well as growing interest from prospective buyers.”

“The opportunity to tackle one of the biggest challenges in enterprise security – the dark endpoint – is where Absolute truly stands apart,” said Steve Munford, Interim Chief Executive Officer at Absolute. “By combining Absolute’s compelling endpoint visibility and control platform, a robust partner ecosystem and an experienced leadership team, the Company is extremely well-positioned as a leader and visionary in the endpoint security market. The quick response to help our customers understand and address the vulnerabilities posed by Spectre and Meltdown is a perfect example of the power of Absolute’s technology and the expertise of our team.”

Key Financial Metrics

- Commercial recurring revenue in Q2-F2018 increased 5% year-over-year to \$22.1 million. Year-to-date commercial recurring revenue increased 5% over the prior year-to-date period to \$43.8 million.
- Total revenue in Q2-F2018 was \$23.2 million, representing a year-over-year increase of 3%. Year-to-date total revenue was \$46.2 million, representing an increase of 3% over the prior year-to-date period.
- The Commercial Annual Contract Value (“ACV”) Base at December 31, 2017 was \$89.6 million, an increase of 4% year-over-year and 1% sequentially.
- The enterprise portion of the ACV Base increased 12% year-over-year and was up 3% sequentially. Enterprise customers represented 52% of the December 31, 2017 ACV Base, compared to 48% in the prior year. The public sector portion of the ACV Base decreased 3% year-over-year and was down 1% sequentially.
- Net ACV Retention from existing Absolute customers was 100% during Q2-F2018, consistent with 100% in Q2-F2017.
- Incremental ACV from New Customers was \$1.1 million in Q2-F2018 compared to \$2.1 million in Q2-F2017.
- Adjusted EBITDA in Q2-F2018 was \$2.4 million, or 10% of revenue, compared to \$1.7 million, or 8% of revenue, in Q2-F2017. For the year-to-date period, Adjusted EBITDA was \$3.7 million, or 8% of revenue, compared to \$3.6 million, or 8% of revenue in the prior year period.
- Cash from operating activities in Q2-F2018 was \$3.2 million compared to negative \$1.2 million in Q2-F2017. For the year-to-date period, cash generated from operating activities was \$5.3 million compared to \$0.7 million in the prior year period. The prior year figures are net of reorganization and income tax payments of \$0.8 million and \$4.9 million in the quarterly and year-to-date periods, respectively.
- Absolute paid a quarterly dividend of CAD\$0.08 per common share during Q2-F2018.

Products and Organizational Developments

- In October 2017, Absolute announced the appointment of Dean Čoza as Executive Vice President of Products. Most recently the Senior Vice President of Product Management at FireEye, Mr. Čoza brings to Absolute a track record of scaling and accelerating adoption of a broad range of security products that address customers’ endpoint security challenges. With 20 years of product strategy experience, Mr. Čoza will lead our product management, product marketing, and user experience organizations.
- In September 2017, the Company released the new Absolute 7 platform. Adoption of the next-generation Absolute platform has been strong, driven by the introduction of the Absolute Reach feature, a breakthrough in the automation of endpoint security hygiene. Absolute Reach enables customers to accelerate incident response and vulnerability remediation by executing custom query and remediation scripts across their entire endpoint populations, including devices outside the corporate network. The power of these capabilities was demonstrated in January 2018 when Absolute provided its customers with query and remediation scripts for Meltdown and Spectre within days of the announcement of these vulnerabilities.

Summary of Key Financial Metrics

USD Millions, except per share data	Q2			YTD		
	F2018	F2017	Change	F2018	F2017	Change
Revenue						
Commercial recurring ⁽¹⁾	\$ 22.1	\$ 21.1	5%	\$ 43.8	\$ 41.9	5%
Other	\$ 1.1	\$ 1.4	(16%)	\$ 2.4	\$ 3.0	(22%)

<i>Total</i>	\$ 23.2	\$ 22.5	3%	\$ 46.2	\$ 44.9	3%
Adjusted EBITDA⁽²⁾	\$ 2.4	\$ 1.7	38%	\$ 3.7	\$ 3.6	2%
As a percentage of revenue	10%	8%		8%	8%	
Net (Loss) Income	\$ (0.3)	\$ (1.8)	81%	\$ (0.5)	\$ (2.6)	81%
Per share (basic)	\$ (0.01)	\$ (0.05)		\$ (0.01)	\$ (0.07)	
Per share (diluted)	\$ (0.01)	\$ (0.05)		\$ (0.01)	\$ (0.07)	
Cash from (used in) operating activities	\$ 3.2	\$ (1.2)	369%	\$ 5.3	\$ 0.7	659%
Dividends paid	\$ 2.5	\$ 2.3	8%	\$ 5.0	\$ 4.7	6%
Per share (CAD)	\$ 0.08	\$ 0.08	-	\$ 0.16	\$ 0.16	-
Cash, equivalents, and short-term investments	\$ 33.4	\$ 37.7	(11%)			
Total assets	\$ 92.3	\$ 98.6	(6%)			
Deferred revenue	\$ 136.3	\$ 133.7	2%			
Common shares outstanding	40.1	39.0	3%			

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. “Adjusted EBITDA” is used as a profitability measure. Please refer to the “Non-IFRS Measures” section of the Company’s December 31, 2017 MD&A for further discussion on this measure.

Corporate Outlook

The Company is updating its outlook for F2018:

- The Company is adjusting its revenue forecast to \$93.0 million to \$95.0 million from \$94.0 million to \$96.0 million, reflecting reduced expectations of revenue from non-recurring services and non-core businesses.
- The Company is adjusting its guidance for Adjusted EBITDA and cash from operating activities to reflect the impact of a stronger Canadian dollar on the Company’s cost base. Adjusted EBITDA is expected to be in the range of 8% to 10% of revenue compared to previous guidance of 9% to 11% of revenue. Cash from operating activities is expected to be in the range of 8% to 12% of revenue compared to previous guidance of 9% to 12% of revenue.
- Expected capital expenditures remain unchanged at \$3.0 million to \$3.5 million.

Quarterly Dividend

On January 19, 2018, the Company declared a quarterly dividend of CAD\$0.08 per share on its common shares, payable in cash on February 23, 2018 to shareholders of record at the close of business on February 2, 2018.

Quarterly Filings

Management’s Discussion and Analysis (“MD&A”) and Interim Condensed Consolidated Financial Statements and the notes thereto for the fiscal quarter and year to date period ended December 31, 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 Q2-F2018 results on Tuesday, February 13, 2018 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 Tuesday, February 20, 2018 at midnight ET. To access the archived conference call, please dial 416-849-0833 or 1-855-859-2056 and enter the reservation code 5883485.

A live audio webcast of the conference call will be available at www.absolute.com and <http://bit.ly/2rNIoP5>. 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 December 31, 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 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 December 31, 2017 MD&A.

About Absolute

Absolute set the new standard for endpoint visibility and control with 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. For the latest information, visit www.absolute.com and follow us at @absolutecorp.

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)

	December 31, 2017	June 30, 2017
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 33,067,480	\$ 32,511,093
Short-term investments	367,790	366,789

Trade and other receivables	14,240,222	19,460,872
Income taxes receivable	251,015	83,487
Prepaid expenses and other	2,123,416	2,419,881
	50,049,923	54,842,122
PROPERTY AND EQUIPMENT	5,552,462	6,304,152
DEFERRED INCOME TAX ASSETS	22,353,804	22,286,804
INTANGIBLE ASSETS AND GOODWILL	14,308,763	14,894,518
	\$ 92,264,952	\$ 98,327,596
LIABILITIES		
CURRENT		
Trade and other payables	\$ 11,856,321	\$ 13,079,456
Income taxes payable	323,303	-
Accrued warranty	360,000	570,000
Deferred revenue – current	71,540,962	72,361,648
	84,080,586	86,011,104
DEFERRED REVENUE	64,800,692	66,040,653
	148,881,278	152,051,757
CONTINGENCIES		
SHAREHOLDERS' DEFICIENCY		
Share capital	67,182,623	64,875,130
Equity reserve	36,571,727	36,254,893
Treasury shares	(499,443)	(499,443)
Deficit	(159,871,233)	(154,354,741)
	(56,616,326)	(53,724,161)
	\$ 92,264,952	\$ 98,327,596

ABSOLUTE SOFTWARE CORPORATION
Consolidated Statements of Operations and Comprehensive (Loss) Income
Three and six months ended December 31, 2017 and 2016
(Expressed in United States dollars) (Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2017	2016	2017	2016
REVENUE	\$23,212,319	\$22,450,143	\$46,210,009	\$44,935,007
COST OF REVENUE	3,652,728	3,955,548	7,215,495	7,462,092
GROSS MARGIN	19,559,591	18,494,595	38,994,514	37,472,915
OPERATING EXPENSES				
Sales and marketing	10,058,197	11,056,328	20,448,778	22,414,917
Research and development	4,915,532	4,897,163	10,331,785	9,253,788
General and administration	3,000,526	3,464,838	6,123,976	6,425,475
Share-based compensation	375,641	1,219,924	1,203,000	2,217,475
	18,349,896	20,638,253	38,107,539	40,331,655
OPERATING INCOME (LOSS)	1,209,695	(2,143,658)	886,975	(2,838,740)
OTHER (EXPENSE) INCOME				
Interest income, net	14,299	5,647	20,632	47,586
Foreign exchange loss	(24,216)	(49,735)	(110,246)	(29,245)
	(9,917)	(44,088)	(89,614)	18,341
NET INCOME (LOSS) BEFORE INCOME TAXES	1,199,778	(2,187,746)	797,361	(2,820,399)
INCOME TAX (EXPENSE) RECOVERY	(1,549,000)	345,000	(1,291,000)	188,000
NET LOSS AND COMPREHENSIVE LOSS	\$ (349,222)	\$ (1,842,746)	\$ (493,639)	\$ (2,632,399)

BASIC AND DILUTED LOSS PER SHARE

\$	(0.01)	\$	(0.05)	\$	(0.01)	\$	(0.07)
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WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC

39,993,620	39,019,022	39,888,593	38,992,040
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ABSOLUTE SOFTWARE CORPORATION**Condensed Consolidated Statement of Changes in Shareholders' Deficiency
(Expressed in United States dollars) (Unaudited)**

	Share Capital		Equity reserve	Treasury Shares	Deficit	Total
	Number of Common shares	Amount				
BALANCE, JUNE 30, 2016	38,881,307	\$58,607,382	\$ 36,732,175	\$ -	\$(139,049,869)	\$(43,710,312)
Shares issued on options exercised	225,925	1,290,359	(430,275)	-	-	860,084
Shares issued under Employee Share Purchase Plan	42,126	190,610	-	-	-	190,610
Shares issued under Phantom Share Unit Plan	6,844	46,851	(46,851)	-	-	-
Shares repurchased and cancelled under the Normal Course Issuer Bid	(132,400)	(195,522)	-	-	(416,520)	(612,042)
Shares committed to be repurchased under the Normal Course Issuer Bid	-	(218,116)	-	-	(486,702)	(704,818)
Treasury shares repurchased under the Normal Course Issuer Bid	-	-	-	(666,546)	-	(666,546)
Share-based compensation	-	-	2,217,475	-	-	2,217,475
Dividends paid	-	-	-	-	(4,748,878)	(4,748,878)
Net loss and total comprehensive loss	-	-	-	-	(2,632,399)	(2,632,399)
BALANCE, DECEMBER 31, 2016	39,023,802	\$59,721,564	\$ 38,472,524	\$(666,546)	\$(147,334,368)	\$(49,806,826)
Shares issued on options exercised	435,913	2,749,422	(882,920)	-	-	1,866,502
Shares issued under Employee Share Purchase Plan	42,329	170,867	-	-	-	170,867
Shares issued under Phantom Share Unit Plan	320,301	2,234,355	(2,234,355)	-	-	-
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	(147,700)	(36,210)	-	-	26,375	(9,835)
Treasury shares repurchased under the Normal Course Issuer Bid	-	-	-	167,103	-	167,103
Share-based compensation	-	-	934,776	-	-	934,776
Dividends paid	-	-	-	-	(4,727,972)	(4,727,972)
Net loss and total comprehensive loss	-	-	-	-	(2,318,776)	(2,318,776)
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	261,125	1,727,195	(380,068)	-	-	1,347,127
Shares issued under Employee Share Purchase Plan	47,616	198,875	-	-	-	198,875
Shares issued under Phantom Share Unit Plan	37,846	218,604	(218,604)	-	-	-
Shares issued under Performance and Restricted Share Unit plan	29,443	162,819	(162,819)	-	-	-
Share-based compensation	-	-	1,078,325	-	-	1,078,325
Dividends paid	-	-	-	-	(5,022,853)	(5,022,853)
Net loss and total comprehensive loss	-	-	-	-	(493,639)	(493,639)
BALANCE, DECEMBER 31, 2017	40,057,779	\$67,182,623	\$ 36,571,727	\$(499,443)	\$(159,871,233)	\$(56,616,326)

ABSOLUTE SOFTWARE CORPORATION**Condensed Consolidated Statements of Cash Flows
Three and six months ended December 31, 2017 and 2016
(Expressed in United States dollars) (Unaudited)**

Three months ended December 31,		Six months ended December 31,	
2017	2016	2017	2016

OPERATING ACTIVITIES

Net loss	\$	(349,222)	\$	(1,842,746)	\$	(493,639)	\$	(2,632,399)
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Items not involving cash				
Amortization of property and equipment	793,455	717,321	1,540,151	1,399,769
Amortization of acquired intangible assets	11,250	34,333	47,500	84,409
Amortization of intangible assets – contract costs and brand	2,294,491	2,237,148	4,562,765	4,485,758
Share-based compensation	338,035	1,215,437	1,003,112	2,212,988
Deferred income taxes	925,000	226,000	(67,000)	107,000
Amortization of investment premium	-	513,236	-	466,885
Change in non-cash working capital				
Trade and other receivables	737,414	(1,453,667)	5,220,650	7,326,171
Income taxes receivable	88,281	554,603	155,775	123,567
Prepaid expenses and other	479,158	(2,158,577)	296,465	(4,032,572)
Intangible assets – contract costs and brand additions	(1,990,064)	1,463,039	(4,024,510)	(203,268)
Trade and other payables	90,409	(1,212,616)	(713,974)	(4,423,874)
Accrued warranty	10,000	-	(210,000)	30,000
Deferred revenue	(232,958)	(1,480,486)	(2,060,647)	(4,251,459)
CASH FROM (USED IN) OPERATING ACTIVITIES	3,195,249	(1,186,975)	5,256,648	692,975
INVESTING ACTIVITIES				
Purchase of property and equipment	(348,902)	(1,041,818)	(1,265,290)	(3,082,984)
Income taxes paid on disposal of business unit	-	-	-	(2,623,890)
Proceeds from investments	-	23,355,000	-	23,355,000
CASH (USED IN) FROM INVESTING ACTIVITIES	(348,902)	22,313,182	(1,265,290)	17,648,126
FINANCING ACTIVITIES				
Repurchase of common shares for cancellation	-	(612,040)	-	(612,040)
Dividends paid	(2,506,999)	(2,316,379)	(5,022,852)	(4,748,878)
Purchase of treasury shares	-	-	-	-
Issuance of common shares	331,525	451,026	1,603,820	973,048
CASH USED IN FINANCING ACTIVITIES	(2,175,474)	(2,477,393)	(3,419,032)	(4,387,870)
FOREIGN EXCHANGE EFFECT ON CASH	(5,900)	(45,866)	(15,939)	19,986
INCREASE IN CASH AND CASH EQUIVALENTS	664,973	18,602,948	556,387	13,973,217
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	32,402,507	18,463,121	32,511,093	23,092,852
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 33,067,480	\$ 37,066,069	\$ 33,067,480	\$ 37,066,069

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