

Absolute Software Reports First Quarter Fiscal 2023 Financial Results

Strong Cash Flow from Operations of \$15 Million, and Enterprise and Government ARR Growth of 18% year over year

VANCOUVER, British Columbia & SAN JOSE, Calif.--(BUSINESS WIRE)--November 8, 2022--Absolute Software Corporation (Nasdaq: ABST) (TSX: ABST) (the “Company”), the only provider of self-healing, intelligent security solutions, today announced its financial results for its first quarter fiscal 2023 ended September 30, 2022. All dollar figures are stated in U.S. dollars, unless otherwise indicated.

“In Q1, we delivered steady execution against our plan, and I am confident that we are well-positioned to meet the Rule of 40 for the full fiscal year,” said Christy Wyatt, President and CEO of Absolute Software. “With the investments we’ve made this quarter, we are seeing the strategic impact that our self-healing, intelligent security solutions are having on organizations around the world - and the massive opportunity in front of us. Our focus continues to be consistent execution balancing profitability, cash generation and growth to deliver value for our customers, partners, and shareholders.”

FIRST QUARTER FISCAL 2023 (“Q1 F2023”) OVERVIEW

Key Financial Metrics

- Revenue was \$53.6 million for Q1 F2023, an increase of 23% compared to Q1 of fiscal year 2022 (“Q1 F2022”).
- Adjusted Revenue⁽¹⁾ was \$54.2 million for Q1 F2023, an increase of 11% compared to Q1 F2022.
- Net loss was \$9.5 million for Q1 F2023, an increase of 25% compared to Q1 F2022.
- Adjusted EBITDA⁽¹⁾ for Q1 F2023 was \$11.5 million or 21% of Adjusted Revenue⁽¹⁾, a decrease from \$12.8 million or 26% of Adjusted Revenue for Q1 F2022.
- Total ARR⁽²⁾ at September 30, 2022 was \$215.7 million, an increase of 15% year over year.
- The Enterprise & Government portions of Total ARR increased by 18% over the prior year, and represented 78% of Total ARR at September 30, 2022.
- The Education sector portion of Total ARR increased by 7% year over year, and represented 22% of Total ARR at September 30, 2022.
- New Logo ARR⁽²⁾ was \$4.0 million for Q1 F2023, a decrease compared to \$4.7 million for Q1 F2022.
- Net Dollar Retention⁽²⁾ was 108% for Q1 F2023, a decrease compared to 109% for Q1 F2022.
- Cash from operating activities was \$15.2 million for Q1 F2023, compared to cash used in operating activities of \$0.6 million for Q1 F2022.
- A quarterly dividend of CAD\$0.08 per outstanding common share was paid during Q1 F2023.

Notes:

- (1) Adjusted Revenue, Adjusted EBITDA, and Adjusted EBITDA as percentage of Adjusted Revenue are non-IFRS measures. Refer to the “Use of non-IFRS measures and key metrics” section of the Q1 F23 MD&A for further discussion of these measures.
- (2) Adjusted Revenue and Adjusted EBITDA are non-IFRS measures. Refer to the “Use of non-IFRS measures and key metrics” section of the Q1 F23 MD&A for further discussion of these measures.

FINANCIAL HIGHLIGHTS

USD millions, except percentages, number of shares, and per share amounts

	Q1 F2023		Q1 F2022		Change
Revenue					
Cloud and subscription services	\$	51.0	\$	41.4	23%
Managed professional services		0.9		1.0	(10%)
Recurring revenue ⁽¹⁾	\$	51.9	\$	42.4	22%
Other ⁽¹⁾		1.7		1.3	31%
Total revenue	\$	53.6	\$	43.7	23%
Adjusted Revenue ⁽²⁾	\$	54.2	\$	49.0	11%
Total annual recurring revenue (“ARR”) ⁽³⁾	\$	215.7	\$	187.4	15%
Net loss	\$	(9.5)	\$	(7.6)	25%
Per share – basic		(0.18)		(0.15)	
Per share – diluted		(0.18)		(0.15)	
As a percentage of revenue		(18%)		(17%)	
Adjusted EBITDA ⁽²⁾	\$	11.5	\$	12.8	(10%)
As a percentage of Adjusted Revenue		21%		26%	
Cash from (used in) operating activities	\$	15.2	\$	(0.6)	(2633%)
Dividends paid	\$	3.2	\$	3.2	—%
Per share (CAD)		0.08		0.08	
As at	September 30, 2022		June 30, 2022		Change
Cash, cash equivalents, and short-term investments	\$	67.6	\$	64.0	6%
Total assets		544.9		555.6	(2%)
Deferred revenue ⁽⁴⁾		204.1		210.5	(3%)
Total non-current financial liabilities ⁽⁵⁾		270.1		271.4	—%
Common shares outstanding (millions)		52.2		51.1	2%

Notes:

- (1) Recurring revenue represents revenue derived from cloud services, term-based subscription licenses, and recurring managed professional services. Other revenue represents revenue derived

from perpetual software licenses, non-recurring professional services and ancillary product lines, including consumer products.

- (2) Adjusted Revenue and Adjusted EBITDA are non-IFRS measures. Refer to the “Use of non-IFRS measures and key metrics” section of the Q1 F23 MD&A for further discussion of these measures.
- (3) Total ARR is a key metric. Refer to the “Use of non-IFRS measures and key metrics” section of the Q1 F23 MD&A for further discussion of this measure.
- (4) Deferred revenue includes current and non-current amounts.
- (5) Total non-current financial liabilities include non-current portion of lease liabilities and long-term debt.

Q1 F2023 Business Highlights

Business and organizational developments:

- In July, we brought our entire company together in person for the first time in three years for Absolute’s annual Company and Sales Kickoff as well as our first Engineering Summit.
- In September, we hosted a Financial Analyst Day in New York City to share an overview of Absolute’s market opportunities, business drivers, new product innovations, go-to-market strategy, and a financial update.

Product and service highlights:

- In Q1, we added Ivanti Neurons for Unified Endpoint Management and Trellix Endpoint Security to our Application Resilience™ ecosystem, enabling joint Absolute Resilience® customers to ensure they remain healthy and undeletable.
- In July, we were featured in Forrester’s “The Future of Endpoint Management” report for our unique firmware-embedded position and persistence-based approach to self-healing.
- In August, we announced new innovations to Absolute Secure Endpoint, including end user messaging enhancements, an expanded catalog of resilient applications, and access to deeper insights needed to optimize existing Web application investments.
- In September, we were named an Overall Leader in the “2022 Leadership Compass: Zero Trust Network Access (ZTNA)” report, published by KuppingerCole Analysts AG.
- In September, we were named a Leader in the G2 Fall 2022 Grid® Report for Endpoint Management for the eleventh consecutive quarter, as well as a Leader in the Grid Report for Zero Trust Networking.

Partner and other highlights:

- In Q1, we added British Telecom to our growing ecosystem of carrier partners.
- In Q1, we expanded distribution with Ingram Micro US to include Absolute Secure Access.
- In Q1, we drove increased partner interest as a result of our expanded channel team focused on enabling new security and solution focused Value-Added Resellers (VARs).

- In September, we partnered with Insyde Software and Qualcomm Technologies, Inc. to enable Absolute Persistence® technology on the Snapdragon® 8cx Gen 3 and Snapdragon 7c+ Gen 3 Compute Platforms.

F2023 Financial Outlook

The Company's financial outlook for its 2023 fiscal year (July 1, 2022 – June 30, 2023) remains unchanged from the last reporting of financial results.

Quarterly Dividend

On October 19, 2022, we declared a quarterly dividend of CAD\$0.08 per share on our common shares, payable in cash on November 25, 2022 to shareholders of record at the close of business on November 17, 2022.

Quarterly Filings and Related Quarterly Financial Information

Management's Discussion and Analysis ("MD&A") and Consolidated Financial Statements and the notes thereto for the fiscal period ended September 30, 2022 can be obtained today from Absolute's corporate website at www.absolute.com. The documents will also be available under Absolute's SEDAR profile at www.sedar.com and on EDGAR at www.sec.gov. Additionally, the Company today will publish on the Investor Relations section of its website (www.absolute.com/company/investors/) a Q1 F2023 Earnings Presentation and a dashboard of Selected Operating and Financial Metrics.

Conference Call

Absolute Software will host a conference call on Tuesday, November 8, 2022 at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) to discuss its results and business outlook. The call will be accessible by dialing 1-844-763-8274 or 1-412-717-9224; participants should ask to join the Absolute Software call. A live audio webcast of the conference call will also be available via the Absolute Investor Relations website.

The conference call will be archived for replay until Tuesday, November 15, 2022. To access the archived conference call, please dial 855-669-9658 or 1-877-344-7529 and enter the reservation code 6893160. To access the replay using an international dial-in number, please use this link. An archived replay of the audio webcast will be available for one year.

About Absolute Software

Absolute Software (NASDAQ: ABST) (TSX: ABST) is the only provider of self-healing, intelligent security solutions. Embedded in more than half a billion devices, Absolute is the only platform offering a permanent digital connection that intelligently and dynamically applies visibility, control and self-healing capabilities to endpoints, applications, and network connections - helping customers to strengthen cyber resilience against the escalating threat of ransomware and malicious attacks. Trusted by 18,000 customers, G2 recognized Absolute as a

leader for the eleventh consecutive quarter in the Fall 2022 Grid® Report for Endpoint Management and as a leader in the Grid Report for Zero Trust Networking.

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Use of non-IFRS measures and key metrics

Throughout this press release we refer to a number of measures and metrics which we believe are meaningful in the assessment of the Company's performance. Many of these measures and metrics do not have any standardized meaning under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board 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.

The purpose of these non-IFRS measures and key metrics is to provide supplemental information that may prove useful to readers who wish to consider the impact of certain non-cash or non-recurring items on the Company's operating performance, and assist in comparison of our operating results over historical periods. Supplementing IFRS disclosures with non-IFRS measures outlined below provides management with an additional view of operational performance by excluding expenses that are not directly related to performance in any particular period. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance.

These measures and metrics are as follows:

Key Metrics

a) Total ARR, Net Dollar Retention, and New Logo ARR

As the majority of our customer contracts are sold under prepaid multi-year term licenses, there is typically a significant lag between the timing of the invoice and the associated revenue recognition. As a result, we focus on the annualized recurring value of all active contracts, measured by ARR, as an indicator of our future recurring revenues. ARR includes multi-year and short-term subscriptions for cloud-based services, as well as managed professional services and professional services with terms greater than one year. Both multi-year contracts and contracts with terms less than one year are annualized by dividing the total committed contract value by the number of months in the subscription term and then multiplying by twelve. We believe that increases in the amount of New Logo ARR, and improvement in our Net Dollar Retention, will accelerate the growth of Total ARR and, in turn, our future revenues. We provide these metrics as they are used to manage the business. We believe there is no similar measure under IFRS to which these measures can be reconciled.

Total ARR is a key metric and measures the aggregate annualized recurring revenues of all active contracts at the end of a reporting period. This measure has historically been a good indicator of our future revenue streams. Total ARR will change over a period through the retention, attrition and expansion of existing customers and the acquisition of new customers.

Net Dollar Retention is a key metric and measures the percentage increase or decrease in Total ARR at the end of a year for customers that comprised Total ARR at the beginning of the year. We believe this metric provides useful insight into the effectiveness of our activities to retain and expand the ARR of our existing customers.

New Logo ARR is a key metric and measures the addition to Total ARR from sales to new customers during a period. We believe this metric provides useful insight into the effectiveness of our efforts to secure revenue from new customers.

Non-IFRS Measures

a) Adjusted Revenue

Adjusted Revenue is a non-IFRS measure that we define as revenue, excluding fair value adjustments relating to acquired deferred revenue. In connection with the acquisition of NetMotion, NetMotion's deferred revenue was written down to its fair value at the acquisition date. As a result, related revenue in the post-acquisition period does not reflect the full amount of revenue that would otherwise be recognized. We believe excluding fair value adjustments relating to deferred revenue provides a useful measure of the Company's performance as it allows for comparability across future periods, where revenue recognized would reflect the transaction price, without acquisition-related fair value adjustments.

b) Adjusted Gross Margin and Gross Margin %

Adjusted Gross Margin is defined as gross margin, adjusted for depreciation and amortization, share-based compensation expense, fair value adjustments relating to acquired deferred revenue, acquisition and integration costs, and non-recurring items. Adjusted Gross Margin % is defined as Adjusted Gross Margin as a percentage of Adjusted Revenue.

c) Adjusted Operating Expenses

Adjusted Operating Expenses is defined as sales and marketing expense, research and development expense, and general and administrative expense, excluding depreciation and amortization, share-based compensation expense, fair value adjustments relating to acquired deferred commission expense, restructuring or reorganization charges and post-retirement benefits, acquisition and integration costs, litigation costs, impairment losses, and non-recurring items.

d) Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")

Adjusted EBITDA is a non-IFRS measure that we define as net income before interest income or expense, income taxes, depreciation and amortization, foreign exchange gains or losses, share-

based compensation expense, fair value adjustments relating to acquired deferred revenue, fair value adjustments relating to acquired deferred commission expense, restructuring or reorganization charges and post-retirement benefits, acquisition and integration costs, litigation costs, impairment losses, and non-recurring items.

We believe Adjusted EBITDA provides a useful measure of the Company's performance, as it helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that are not indicative of the core operating performance of our business.

Adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other IFRS financial measures. Some of the limitations of Adjusted EBITDA are that it excludes recurring expenses for interest payments, does not reflect the dilution that results from share-based compensation, and does not reflect the cost to replace amortized property and equipment and right-of-use assets. Further, it may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.

Reconciliation of non-IFRS measures from IFRS measures are presented below.

Adjusted Revenue

(USD millions)	Q1 F2023	Q1 F2022
Revenue	\$ 53.6	\$ 43.7
Adjustments:		
Fair value adjustments relating to acquired deferred revenue	0.6	5.3
Adjusted Revenue	<u>\$ 54.2</u>	<u>\$ 49.0</u>

Adjusted Gross Margin

(USD millions)	Q1 F2023	Q1 F2022
Gross margin	\$ 43.3	\$ 35.2
Adjustments:		
Depreciation and amortization ⁽¹⁾	2.8	2.8
Share-based compensation	1.0	0.6
Fair value adjustments relating to acquired deferred revenue	0.6	5.3
Adjusted Gross Margin	<u>\$ 47.7</u>	<u>\$ 43.9</u>
Adjusted Gross Margin %	<u>88 %</u>	<u>90 %</u>

Adjusted Operating Expenses

(USD millions)	Q1 F2023	Q1 F2022
Total Operating Expense	\$ 49.2	\$ 40.1
Adjustments:		
Depreciation and amortization ⁽¹⁾	(3.5)	(3.6)
Share-based compensation	(8.3)	(2.7)
Fair value adjustments relating to acquired deferred commission	0.1	0.7
Acquisition and integration costs	(1.3)	(3.4)
Adjusted Operating Expense	<u>\$ 36.2</u>	<u>\$ 31.1</u>

(1) Depreciation and amortization includes depreciation of property and equipment, amortization of right-of-use assets, and amortization of acquired intangible assets.

Adjusted EBITDA

	Q1 F2023	Q1 F2022
Net loss	\$ (9.5)	\$ (7.6)
Adjustments:		
Depreciation and amortization ⁽¹⁾	6.2	6.4
Share-based compensation	9.3	3.3
Interest income	(0.2)	—
Interest expense	6.2	5.1
Foreign exchange loss	0.1	—
Income tax recovery	(2.4)	(2.4)
Fair value adjustments relating to acquired deferred revenue	0.6	5.3
Fair value adjustments relating to acquired deferred commission	(0.1)	(0.7)
Acquisition and integration costs	1.3	3.4
Adjusted EBITDA	\$ 11.5	\$ 12.8

(1) Depreciation and amortization includes depreciation of property and equipment, amortization of right-of-use assets, and amortization of acquired intangible assets.

Forward-Looking Statements

This press release contains certain forward-looking statements and forward-looking information, as defined under applicable securities laws, including, without limitation, the U.S. Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”), which relate to future events or Absolute’s future business, operations, and financial performance and condition. Forward-looking statements normally contain words like “will”, “intend”, “anticipate”, “could”, “should”, “may”, “might”, “expect”, “estimate”, “forecast”, “plan”, “potential”, “project”, “assume”, “contemplate”, “believe”, “shall”, “scheduled”, and similar terms and, within this press release, include, without limitation: the information under the heading “F2023 Financial Outlook”, statements regarding the NetMotion acquisition and integration, statements regarding Absolute’s market opportunity and ability to accelerate growth and expectations of ARR, and any statements (express or implied) respecting: Absolute’s future plans, strategies, and objectives, including plans, strategies, and objectives related to the NetMotion (as defined below) acquisition; projected revenues, expenses, margins, and profitability; future trends, opportunities, challenges, and growth in Absolute’s industry; the impacts of the COVID-19 pandemic on Absolute’s business, operations, prospects, and financial results (including, without limitation, greater/continued remote working and/or distance learning); the increase in volume and range of data breaches and cyber threats; the anticipated operational, financial, and competitive benefits, and synergies of the NetMotion acquisition; Absolute’s ability to grow revenue by selling to new customers and increasing subscriptions with existing customers; Absolute’s ability to renew customers’ subscriptions; Absolute’s ability to maintain and enhance its competitive advantages within its industry and in certain markets; Absolute’s ability to remain compatible with existing and new PC and other device operating systems; the maintenance and development of Absolute’s PC OEM and other channel partner networks; existing and new product functionality and suitability; Absolute’s product and research and development strategies and plans; Absolute’s business development strategies and plans; Absolute’s privacy and data security controls; the seasonality of future revenues and

expenses; Absolute's ability to meet its commitments under and remain in compliance with its Term Loan Facility (a defined below); the future availability of working capital and any required financing; future dividend issuances or increases; the addition and retention of key personnel; increases to brand awareness and market penetration; future corporate, asset, or technology acquisitions; strategies respecting intellectual property protection and licensing; active and potential future litigation or product liability; future dividend issuances or increases; future fluctuations in applicable tax rates, foreign exchange rates, and/or interest rates; the future availability of tax credits; Absolute's foreign operations; expenses, regulatory obligations, and/or legal exposures as a result of its SEC registration and Nasdaq listing; changes and planned changes to accounting policies and standards and their respective impact on Absolute's financial reporting; Absolute's environmental, social, and governance initiatives; macroeconomic uncertainty, including inflationary pressures and risks of economic recession; foreign exchange fluctuations macroeconomic uncertainty, including inflationary pressures and risks of economic recession; foreign exchange fluctuations; the continued effectiveness of Absolute's accounting policies and internal controls over financial reporting; and other aspects of Absolute's strategies, operations or operating results. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and to allow investors and others to get a better understanding of Absolute's anticipated financial position, results of operations, and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements are not guarantees of future performance, actions, or developments and are based on expectations, assumptions and other factors that management currently believes are relevant, reasonable, and appropriate in the circumstances. The material expectations, assumptions, and other factors used in developing the forward-looking statements set out herein include or relate to the following, without limitation: Absolute will be able to successfully execute its plans, strategies, and objectives; Absolute will be able to successfully manage cash flow, operating expenses, interest expenses, capital expenditures, and working capital and credit, liquidity, ARR and market risks; Absolute will be able to leverage its past, current, and planned investments to support growth and increase profitability; Absolute will be able to successfully manage the impacts of COVID-19 on its business, operations, prospects, and financial results; there will continue to be a trend toward mobile computing and remote working and/or distance learning, in the short, medium, and/or long-term, and resulting demand for Absolute's solutions; Absolute will be able to successfully integrate NetMotion's operations and realize the expected benefits to Absolute and synergies from the acquisition; Absolute will transition the NetMotion customer agreements to recurring cloud subscriptions; the Absolute-NetMotion combined company's financial profile will align with Absolute's forecasts; Absolute will be able to implement its plans, forecasts, and other expectations with respect to the NetMotion acquisition and realize expected synergies; Absolute will be able to grow revenue by selling to new customers and increasing subscriptions with existing customers at or above the rates currently anticipated; Absolute will be able to renew customers' subscriptions efficiently and cost effectively; Absolute will maintain and enhance its competitive advantages within its industry and certain markets; Absolute will keep pace with or outpace the growth, direction, and technological advancement in its industry; Absolute will be able to adapt its technology to be compatible with changes to existing and new PC and other device operating systems; Absolute will be able to maintain and develop its PC OEM and other channel partner networks;

Absolute's current and future (if any) PC OEM partners will continue to permit embedding of its firmware technology and/or provide distribution and resale support; Absolute's business development strategies and plans (including, without limitation, enhanced data intelligence, Application Persistence™, and APaaS (as defined below)) will be successful as currently expected; Absolute will be able to maintain or grow its sales to education customers; Absolute's existing and new products will function as intended and will be suitable for the intended end users; Absolute will be able to design, develop, and release new products, features, and services and enhance its existing products and services; Absolute will obtain FedRAMP (as defined below) certification and achieve greater penetration into government markets; Absolute will be able to protect against the improper disclosure of data it may process, store, and/or manage; Absolute's revenues will not become subject to increased seasonality; Absolute will meet its commitments under and remain in compliance with its Term Loan Facility; future financing will be available to Absolute on favourable terms, if and when required; Absolute will be in a financial position to issue dividends in the future; fluctuations in applicable tax rates, foreign exchange rates, and interest rates will not have a material impact on Absolute; certain tax credits will remain or become available to Absolute; Absolute will be able to attract and retain key personnel; Absolute will be successful in its brand awareness and other marketing initiatives; Absolute will be able to successfully integrate businesses, intellectual property, products, personnel, and/or technologies that it may acquire; Absolute will be able to maintain and enhance its intellectual property portfolio; Absolute's protection of its intellectual property is and will be sufficient and its technology does not and will not materially infringe third-party intellectual property rights; Absolute will be able to obtain any necessary third-party licenses on favourable terms; Absolute will not become involved in material litigation or subject to material adverse judgments, damages awards, or regulatory sanctions; Absolute will be able to successfully manage the additional expenses, regulatory obligations, and legal exposures resulting from its SEC registration and Nasdaq listing; Absolute will not face any material unexpected costs related to product liability or warranties; foreign jurisdictions will not impose unexpected risks; Absolute's environmental, social, and governance initiatives will deliver positive outcomes; economic and market conditions (including, without limitation, as affected by the COVID-19 pandemic) will not impose unexpected risks or challenges; and Absolute will maintain or enhance its accounting policies and standards and internal controls over financial reporting.

Although management believes that the forward-looking statements herein are reasonable, actual results could be substantially different due to the risks and uncertainties associated with and inherent to Absolute's business, including the following risks (as more particularly described and referred to in the "Risk and Uncertainties" section of Absolute's Q1 F2023 MD&A: that Absolute may not be able to accurately predict its rate of growth and profitability; ARR provides no assurance that actual events will meet the Company's or management's expectations; Absolute's dependence on PC OEMs for embedding its firmware technology; Absolute's reliance on its PC OEM and other distribution, resale, and other channels; risks related to the COVID-19 pandemic and its impact on Absolute; that Absolute may not be able to successfully integrate NetMotion's operations; that Absolute may be unable to implement its plans, forecasts, and other expectations for the NetMotion acquisition as anticipated, or at all, to realize the expected synergies from the NetMotion acquisition; that the Absolute-NetMotion combined company will not have the projected financial profile and will not experience the

expected financial benefits and synergies; that the NetMotion acquisition and integration will disrupt Absolute's business; that Absolute may be unable to attract new customers or maintain its existing customer base or grow or upgrade the services provided to these customers; that customers may not renew or expand their existing commercial relationship with Absolute; that Absolute may be unable to adapt its technology to be compatible with new operating systems; that Absolute's business development activities will not advance and deliver the benefits as currently anticipated; that changing buying patterns in the education vertical may adversely impact Absolute's business; that changing contracting or fiscal policies of government organization may adversely affect Absolute's business and operations; that changes in macroeconomic conditions may harm our growth strategies and business prospects; that Absolute will not achieve FedRAMP certification, on the timeline currently expected or at all, which may hinder its ability to achieve greater penetration into government markets; risks relating to the evolving nature of the market for Absolute's products; that Absolute's software services may contain errors, vulnerabilities, or defects; that Absolute could suffer security breaches impacting the data that Absolute processes and otherwise handles; other risks associated with data security, privacy controls, and hacking; that Absolute's reputation may be damaged, and its financial results negatively affected, if its internal networks, systems, or data are perceived to have been compromised; that customers may expose Absolute to potential violations of applicable privacy laws; that Absolute's focus on larger enterprise customers could result in greater costs, less favourable commercial terms, and other adverse impacts to Absolute; risks associated with any failure by Absolute to successfully promote and protect its brands; risks associated with cyclical business impacts on Absolute; Absolute may fail to meet its commitments under or remain in compliance with its Term Loan Facility, which could allow the lenders to accelerate the repayment of the debt or seek other remedies under the Term Loan Facility; future financing that may be required may not be available on favourable terms; risks associated with the competition Absolute faces within its industry; that industry data and projections are inaccurate and unreliable; that Absolute's research and development efforts may not be successful; risks resulting from interruptions or delays from third-party hosting facilities; that Absolute's business may suffer if it cannot continue to protect its intellectual property rights; that Absolute may be unable to obtain patent or other proprietary or statutory protection for new or improved technologies or products; risks related to Absolute's technology incorporating certain "open source" software; that Absolute may be unable to maintain technology licenses from third parties; risks related to fluctuating foreign exchange rates; that the price of Absolute's common shares may be subject to wide fluctuations; risks related to Absolute's SEC registration and Nasdaq listing; that Absolute is reliant on its key personnel; that Absolute may be subject to litigation or other dispute resolution from time-to-time; that Absolute may become subject to material adverse judgments, damages awards, or regulatory sanctions; risks related to Absolute's foreign operations; that Absolute may be unable to successfully manage and/or integrate any future acquisitions; risks related to Absolute's amortization of revenue over the term of its customer subscriptions including future ARR impact indicating future potential annualized revenue impact; risks related to Absolute's reliance on its reseller and other partners for billings; that Absolute may reduce or eliminate its periodic dividend payments in the future; income tax related risks; that Absolute may not currently have or maintain adequate insurance coverages for the risks associated with its business; that Absolute may become subject to product liability claims; risks related to Absolute's reliance on copyrights, trademarks, trade secrets, and confidentiality procedures and similar contractual

provisions; risks related to economic, market, and political volatility and uncertainty; and Absolute will not be able to maintain or enhance its accounting policies and standards and internal controls over financial reporting.. Additional material risks and uncertainties applicable to the forward-looking statements herein include, without limitation, unforeseen events, developments, or factors causing any of the aforesaid expectations, assumptions, and other factors ultimately being inaccurate or irrelevant. Many of these factors are beyond the control of Absolute.

All forward-looking statements included in this press release are expressly qualified in their entirety by these cautionary statements. The forward-looking statements contained in this press release are made as at the date hereof and Absolute undertakes no obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable securities laws.

ABSOLUTE SOFTWARE CORPORATION
Condensed Consolidated Statements of Financial Position
(Unaudited)
(Expressed in thousands of United States dollars, except number of shares)

	September 30, 2022	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,249	\$ 63,669
Short-term investments	360	360
Trade and other receivables	36,593	52,722
Income tax receivable	1,428	1,029
Prepaid expenses and other	9,195	9,086
Contract acquisition assets – current	9,646	9,518
	124,471	136,384
Property and equipment	5,166	5,195
Right-of-use assets	8,923	9,456
Deferred income tax assets	45,307	39,428
Contract acquisition assets	6,570	6,213
Intangible assets	113,096	117,537
Goodwill	240,755	240,755
Other assets	650	650
	<u>\$ 544,938</u>	<u>\$ 555,618</u>
Liabilities		
Current liabilities:		
Trade and other payables	\$ 36,502	\$ 32,544
Derivative liabilities	1,822	83
Income tax payable	1,949	2,143
Lease liabilities – current	4,147	4,069
Long-term debt – current	1,614	1,632
Deferred revenue – current	131,396	133,852
	177,430	174,323
Lease liabilities	6,234	7,210

Long-term debt	263,837	264,230
Deferred revenue	72,672	76,619
Deferred income tax liability	29,104	30,037
	<u>549,277</u>	<u>552,419</u>
Shareholders' (Deficiency) Equity		
Share capital	171,628	160,951
Equity reserve	46,920	51,333
Treasury shares	(264)	(264)
Accumulated other comprehensive loss	(1,359)	(207)
Deficit	(221,264)	(208,614)
	<u>(4,339)</u>	<u>3,199</u>
	<u>\$ 544,938</u>	<u>\$ 555,618</u>

ABSOLUTE SOFTWARE CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and per share amounts)

	Three months ended September 30,	
	2022	2021
Revenue	\$ 53,564	\$ 43,749
Cost of revenue	10,292	8,515
Gross margin	<u>43,272</u>	<u>35,234</u>
Operating expenses		
Sales and marketing	22,809	20,563
Research and development	13,644	10,273
General and administration	12,710	9,252
	<u>49,163</u>	<u>40,088</u>
Operating loss	<u>(5,891)</u>	<u>(4,854)</u>
Other (expense) income		
Interest income	248	1
Interest expense	(6,194)	(5,146)
Foreign exchange (loss) gain	(57)	14
	<u>(6,003)</u>	<u>(5,131)</u>
Net loss before income taxes	<u>(11,894)</u>	<u>(9,985)</u>
Income tax recovery	2,408	2,417
Net loss	<u>\$ (9,486)</u>	<u>\$ (7,568)</u>
Items that may be reclassified subsequently to profit or loss:		
Unrealized loss on derivatives, net of tax	(1,152)	(355)
Foreign currency translation	\$ —	\$ (51)
Total comprehensive loss	<u>\$ (10,638)</u>	<u>\$ (7,974)</u>

Basic net loss per common share	\$	(0.18)	\$	(0.15)
Diluted net loss per common share	\$	(0.18)	\$	(0.15)

Weighted average number of common shares outstanding

Basic	51,420,514	49,672,518
Diluted	51,420,514	49,672,518

ABSOLUTE SOFTWARE CORPORATION

Condensed Consolidated Statements of Changes in Shareholders' (Deficiency) Equity (Unaudited)

(Expressed in thousands of United States dollars, except number of shares)

	<u>Share Capital</u>				<u>Accumulated</u>		
	<u>Number of Common shares</u>	<u>Amount</u>	<u>Equity reserve</u>	<u>Treasury shares</u>	<u>Other Comprehensive</u>	<u>Deficit</u>	<u>Total</u>
Balance, June 30, 2021	49,573,829	\$151,521	\$ 46,489	\$ (264)	\$ 188	\$(171,492)	\$ 26,442
Shares issued on stock option exercise	21,050	143	(21)	—	—	—	122
Shares issued under Employee Stock Ownership Plan ("ESOP")	42,164	438	—	—	—	—	438
Shares issued under Performance and Restricted Share Unit plan ("PRSU")	183,528	1,496	(1,686)	—	—	—	(190)
Share-based compensation	—	—	3,937	—	—	—	3,937
Cash dividends	—	—	—	—	—	(3,150)	(3,150)
Unrealized loss on derivatives, net	—	—	—	—	(355)	—	(355)
Tax deduction on share issuance costs	—	(68)	—	—	—	—	(68)
Tax deduction on share based compensation	—	—	(2,014)	—	—	—	(2,014)
Foreign currency translation	—	—	—	—	(51)	—	(51)
Net loss	—	—	—	—	—	(7,568)	(7,568)
Balance, September 30, 2021	49,820,571	\$153,530	\$ 46,705	\$ (264)	\$ (218)	\$(182,210)	\$ 17,543
Shares issued on stock option exercise	232,652	1,429	(177)	—	—	—	1,252
Shares issued under ESOP	52,533	415	—	—	—	—	415
Shares issued under PRSU	1,006,013	5,945	(8,992)	—	—	—	(3,047)
Share-based compensation	—	—	13,618	—	—	—	13,618
Cash dividends	—	—	—	—	—	(9,487)	(9,487)
Unrealized gain on derivatives, net	—	—	—	—	144	—	144
Tax deduction on share issuance costs	—	(368)	—	—	—	—	(368)
Tax deduction on share based compensation	—	—	179	—	—	—	179
Foreign currency translation	—	—	—	—	(133)	—	(133)
Net loss	—	—	—	—	—	(16,917)	(16,917)
Balance, June 30, 2022	51,111,769	\$160,951	\$ 51,333	\$ (264)	\$ (207)	\$(208,614)	\$ 3,199

Shares issued under PRSU and Omnibus Equity Incentive Plan	1,134,707	10,749	(12,696)	—	—	—	(1,947)
Share-based compensation	—	—	7,808	—	—	—	7,808
Cash dividends	—	—	—	—	—	(3,164)	(3,164)
Unrealized loss on derivatives, net	—	—	—	—	(1,152)	—	(1,152)
Tax deduction on share issuance costs	—	(72)	—	—	—	—	(72)
Tax deduction on share based compensation	—	—	475	—	—	—	475
Net loss	—	—	—	—	—	(9,486)	(9,486)
Balance, September 30, 2022	<u>52,246,476</u>	<u>\$171,628</u>	<u>\$ 46,920</u>	<u>\$ (264)</u>	<u>\$ (1,359)</u>	<u>\$(221,264)</u>	<u>\$ (4,339)</u>

ABSOLUTE SOFTWARE CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in thousands of United States dollars)

	Three months ended September 30,	
	2022	2021
Cash from (used in):		
Operating activities:		
Net loss	\$ (9,486)	\$ (7,568)
Items not involving cash:		
Depreciation of property and equipment	757	877
Amortization of right-of-use assets	959	954
Amortization of intangible assets	4,441	4,591
Amortization of contract acquisition assets	2,911	3,507
Share-based compensation	9,316	3,296
Current and deferred income taxes	(5,937)	(3,259)
Interest expense	6,032	5,081
Unrealized foreign exchange gain	(182)	(91)
Changes in non-cash operating working capital:		
Trade and other receivables	16,129	2,391
Income tax receivable	(399)	(337)
Prepaid expenses and other	(109)	(931)
Contract acquisition assets	(3,396)	(4,183)
Trade and other payables	739	(8,454)
Income tax payable	(194)	74
Deferred revenue	(6,402)	3,415
Cash from (used in) operating activities	15,179	(637)
Investing activities:		
Purchase of property and equipment	(811)	(198)
Acquisition of NetMotion	—	(341,699)
Cash used in investing activities	(811)	(341,897)
Financing activities:		
Dividends paid	(3,164)	(3,150)
Proceeds from exercise of stock options and ESOP	—	122
Tax remittances on share based compensation	(37)	(190)

Payment of lease liabilities	(1,066)	(963)
Proceeds from long-term debt	—	269,500
Transaction costs on long-term debt	—	(1,957)
Principal repayment of long-term debt	(688)	(688)
Interest payment on long-term debt	(5,740)	(4,692)
Cash (used in) from financing activities	(10,695)	257,982
Foreign exchange effect on cash	(93)	(105)
Increase (decrease) in cash and cash equivalents	3,580	(84,657)
Cash and cash equivalents, beginning of period	63,669	140,166
Cash and cash equivalents, end of period	\$ 67,249	\$ 55,509

Selected Operating & Financial Metrics | Q1 F2023

USD Thousands, except per share data

	Q1 F2023	F2022	Q4 F2022	Q3 F2022	Q2 F2022	Q1 F2022
ARR						
Total ARR	215,741	209,546	209,546	202,890	195,577	187,445
yoy growth *	15.1%	16.0%	16.0%	15.7%	15.4%	17.1%
New Logo ARR	4,032	14,485	2,846	3,244	3,663	4,732
yoy growth *	(14.8%)	33.5%	(13.7%)	5.3%	76.2%	97.9%
Net Dollar Retention	108%	108%	108%	107%	107%	109%
# of Active Endpoints	14,129	13,615	13,615	13,565	13,336	12,506
yoy growth	13.0%	17.6%	17.6%	17.2%	16.3%	18.0%
TOTAL ARR BY VERTICAL						
Enterprise & Government	169,097	162,957	162,957	158,068	150,632	143,877
yoy growth *	17.5%	17.3%	17.3%	18.5%	16.5%	16.9%
Education	46,644	46,589	46,589	44,822	44,945	43,569
yoy growth *	7.1%	11.7%	11.7%	6.9%	11.9%	17.8%
TOTAL ARR BY GEOGRAPHY						
North America	167,163	163,791	163,791	159,220	155,334	150,916
yoy growth *	10.8%	9.8%	9.8%	9.5%	9.4%	11.1%
International	48,578	45,755	45,755	43,670	40,243	36,530
yoy growth *	33.0%	45.0%	45.0%	46.1%	46.8%	51.0%
REVENUE						
Total Adjusted Revenue	54,205	210,431	54,001	54,477	52,939	49,014
yoy growth *	10.6 %	15.4 %	12.7 %	17.7 %	16.7 %	14.7 %
Total Revenue	53,564	197,311	52,527	51,985	49,050	43,749
yoy growth	22.4%	63.4%	65.3%	69.6%	64.3%	53.5%
Recurring Revenue	51,918	191,555	51,025	50,505	47,642	42,383
% of revenue	96.9%	97.1%	97.1%	97.2%	97.1%	96.9%
yoy growth	22.5%	63.7%	65.5%	70.1%	64.7%	53.6%
Cloud Services	50,984	187,552	50,033	49,503	46,639	41,377
yoy growth	23.2%	66.8%	67.8%	73.2%	68.6%	56.9%
Managed Services	934	4,003	992	1,002	1,003	1,006
yoy growth	(7.2%)	(13.1%)	(3.2%)	(10.3%)	(20.1%)	(16.9%)
Other Revenue	1,646	5,756	1,502	1,480	1,408	1,366
% of revenue	3.1%	2.9%	2.9%	2.8%	2.9%	3.1%

yoy growth	20.5%	54.1%	59.9%	54.5%	50.9%	50.8%
Software License	74	746	203	173	194	176
yoy growth	(58.0%)	100.0%	100.0%	100.0%	100.0%	100.0%
Other	1,572	5,010	1,299	1,307	1,214	1,190
yoy growth	32.1 %	34.1 %	38.2 %	36.5 %	30.1 %	31.5 %
OTHER METRICS						
Adj. Gross Margin (non-IFRS)	47,709	187,005	47,668	48,385	47,045	43,908
Margin % **	88%	89%	88%	89%	89%	90%
Adj. EBITDA (non-IFRS)	11,473	55,791	15,420	13,785	13,785	12,801
Margin % **	21.2%	26.5%	28.6%	25.3%	26.0%	26.1%
Adj. EPS (non-IFRS)	0.06	0.41	0.08	0.10	0.13	0.09
Weighted avg # of shares outstanding - basic	51,421	50,381	51,067	50,728	50,073	49,673
Weighted avg # of shares outstanding - diluted ***	53,764	53,063	53,192	52,556	53,008	52,883
Cash From Operating Activities	15,179	39,792	8,653	17,046	14,731	(637)
yoy growth	(2483%)	(15%)	(24%)	134%	10%	(104%)
Cash, cash equivalents, and short-term investments	67,609	64,029	64,029	69,075	61,596	55,869
yoy growth	21%	(54%)	(54%)	(48%)	(53%)	(4%)
Total Deferred Revenue	204,068	210,471	210,471	194,326	187,852	179,086
yoy growth	14%	31%	31%	24%	22%	21%

* Year over year growth for ARR metrics and Total Adjusted Revenue for F22 is calculated compared to an as-if combined basis for F21.

** Margin % is calculated as a percentage of Adjusted Revenue.

*** Diluted weighted average number of common shares outstanding includes the dilutive effects of stock options, PSUs, and RSUs, for the purposes of determining Adjusted EPS. The amount may differ from diluted weighted average number of common shares outstanding disclosed in the Company's financial statements, which excludes such dilutive securities when their effects are antidilutive.

We define Non-IFRS earnings per share ("Adjusted EPS") as diluted earnings (loss) per share adjusted for foreign exchange gain or loss, depreciation and amortization, share-based compensation expense, fair value adjustments relating to acquired deferred revenue, fair value adjustments relating to acquired deferred commission, restructuring or reorganization charges and post-retirement benefits, acquisition and integration costs, litigation costs, impairment losses, non-recurring items, and income tax effects related to the non-GAAP adjustments.

Adjusted EPS is not a standardized financial measure under IFRS and therefore it may not be comparable to similar measures presented by other issuers. We believe this metric provides useful information to investors and others in understanding and evaluating our operating results as it helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that are not indicative of the core operating performance of our business.

Adjusted EPS (Non-IFRS) Reconciliation

Q1 F2023

Diluted loss per share	\$ (0.18)
Adjustments:	
Depreciation and amortization ⁽¹⁾	0.11
Share-based compensation	0.17
Fair value adjustments relating to acquired deferred revenue	0.01
Acquisition and integration costs	0.03
Income tax effects related to non-GAAP adjustments ⁽²⁾	(0.08)
Adjusted EPS	<u>\$ 0.06</u>

(1) Depreciation and amortization includes depreciation of property and equipment, amortization of right-of-use assets, and amortization of acquired intangible assets.

(2) Income tax effects related to non-GAAP adjustments is calculated based on the Company's statutory tax rate of 27%.

Diluted weighted average number of Common Shares outstanding for Adjusted EPS is presented below.

	<u>Q1 F2023</u>
Basic weighted average number of common shares outstanding	51,420,514
Effect of dilutive securities:	
Stock Option	135,713
PSU	1,080,367
RSU	<u>1,127,379</u>
Diluted weighted average number of common shares outstanding ⁽¹⁾	<u><u>53,763,973</u></u>

(1) Diluted weighted average number of common shares outstanding for Adjusted EPS may differ from diluted weighted average number of common shares outstanding disclosed in the Company's financial statements, which excludes the impact of dilutive securities when their effects are antidilutive.

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