

Optiva Inc. Reports Third Quarter 2019 Financial Results

TORONTO, August 7, 2019 - Optiva Inc. (TSX:OPT), an innovative software provider of mission-critical, cloud-native, monetization solutions to leading communication service providers (CSPs) globally, released its financial results today for the quarter ended June 30, 2019.

Q3 Fiscal 2019 Highlights	Three Months Ended		Nine Months Ended	
<i>(\$ US Thousands, except per share information)</i>	Jun 30,		Jun 30,	
<i>(Unaudited)</i>	2019	2018	2019	2018
Revenue	24,670	32,034	77,229	94,329
Net income (loss)	3,069	(3,540)	4,086	(78,223)
Basic Earnings (loss) Per Share	\$ 0.58	\$(0.68)	\$ 0.78	\$(14.95)
Cash generated from (used in) operating activities	340	(17,153)	(525)	(46,856)
Total cash, including restricted cash	36,876	58,193	36,876	58,193

“In Q3 we continued to focus on our advancement to the cloud - continuing our investment in our products and working with customers to position them for adoption of the cloud,” said Danielle Royston, CEO of Optiva. “We have started this period’s review of Customer Success and anticipate this metric to continue on its upward trajectory. We continue to manage the business cash flow break even so we may invest in our exciting vision to bring telco to the cloud in 2019.”

Third Quarter 2019 Financial Results

- Revenues were lower by \$7.4 million relative to the third quarter of fiscal 2018, primarily due to the discontinuation of support to customers who had previously notified Optiva of their exit, and in some limited cases, a delay in renewal by existing customers, as well as fewer software implementations.
- Optiva’s cost of revenue and operating expenses declined by \$18.7 million relative to the third quarter of 2018 as a result of Optiva’s

ongoing focus on operational efficiencies, cost management and lower research and development expenses.

- Third quarter 2019 research and development expenses included \$1.6 million of investments in cloud innovation, which brings the total spent to date in fiscal 2019, to \$6.8 million. Since the beginning of 2018, Optiva has invested a total of \$20.8 million in cloud innovation and will continue to spend up to another \$80 million over the course of the next two to three years, as per its stated cloud-driven growth strategy.
- Optiva's research and development investments and efforts have resulted in higher efficiencies in project deployments and support and ultimately achieving better results in Customer Success metrics.
- Net income for the quarter increased to \$3.1 million compared to a net loss of \$3.5 million during the corresponding period in 2018. The significant improvement in earnings was mainly due to lower operating expenses.
- Optiva generated \$0.3 million in cash from operating activities in the third quarter of 2019.
- Continued focus and investments in cloud innovation remain at the forefront of the Company's growth strategy.

Business Highlights

- Optiva completed a major BSS upgrade for a Tier 1 APAC telecommunications provider, which utilizes Optiva Charging Engine™, and is one of the world's largest operators with a base of more than 400 million subscribers.

- As part of building the cloud sales pipeline, Optiva has completed 15 TCO reviews with operators to show possible savings by moving to the cloud.
- Vodacom Tanzania expanded its partnership with Optiva for utilization of Optiva Charging Engine™ and Policy Control (PCRF). The multiyear agreement enables Vodacom Tanzania to upgrade its current platform and support and take another step toward leveraging Optiva's innovative cloud-native BSS architecture.
- Optiva hosted a summit on cloud migration at TM Forum Digital Transformation World and highlighted that telco public cloud usage is predicted to double in 2019, according to a recent research report by industry analyst firm Ovum, entitled "Understanding the Business Value Of Re-architecting Core Applications on the Public Cloud."

Conference Call

Optiva Inc. will hold an analyst call tomorrow, August 8, 2019, to discuss its Q3 2019 results. CEO Danielle Royston and Interim CFO Anin Basu will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's discussion.

Date: Thursday, August 8, 2019

Time: 8:30 a.m. Eastern Time

Toll-free (Canada/US): 1-888-204-4368

International: 1-720-543-0214

Reference number: 7726503

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. A replay of the call will be available via Optiva's website (www.optiva.com/investors/)

Media Inquiries: media@optiva.com

About Optiva Inc.

Optiva Inc. is leading the telco industry and its innovative customers around the world by offering next-generation software solutions to help them leverage today's digital technologies. Our portfolio of monetization products enables real-time billing, charging, policy management and user experience that are critical to our customers' growth and performance. When deployed in the cloud, Optiva™ solutions deliver the most impact for the best value. Our vision, market knowledge, analytical insights and unparalleled Customer Success Program ensure our customers are equipped to achieve their strategic business goals today and into the future. Established in 1999, Optiva Inc. can be found on the Toronto Stock Exchange (TSX: OPT). For more information, please go to www.optiva.com.

Caution Concerning Forward-Looking Statement

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements use such words as "may," "will," "expect," "continue," "believe," "plan," "intend," "would," "could," "should," "anticipate" and other similar terminology. These statements are forward-looking as they are based on our current expectations, as at May 8, 2019, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in the Company's most recent Annual Information Form, both of which are available on SEDAR at www.sedar.com and on Optiva's website at www.optiva.com/investors/. Other unknown or unpredictable factors or

underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Optiva does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

OPTIVA INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in U.S. dollars)
(Unaudited)

	June 30, 2019	September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,493,340	\$ 36,174,863
Trade accounts and other receivables	12,939,583	14,954,291
Unbilled revenue	8,909,774	12,908,847
Prepaid expenses	2,398,930	1,833,105
Income taxes receivable	6,144,676	5,173,450
Other assets	222,053	253,517
Inventories	841,237	1,111,782
Total current assets	66,949,593	72,409,855
Restricted cash	1,382,617	3,507,759
Long-term unbilled revenue	5,889,708	1,531,062
Property and equipment	128,815	541,861
Deferred income taxes	2,035,358	2,093,716
Investment tax credits	356,628	361,810
Intangible assets	14,541,991	18,044,530
Goodwill	32,271,078	32,271,078
Total assets	\$ 123,555,788	\$ 130,761,671
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 15,522,395	\$ 21,568,158
Accrued liabilities	8,217,413	12,832,812
Provisions	4,068,159	7,655,199
Income taxes payable	587,755	500,489
Deferred revenue	12,384,251	13,445,746
Total current liabilities	40,779,973	56,002,404
Deferred revenue	808,690	1,512,863
Other liabilities	2,238,658	1,272,488
Pension and other long-term employment benefit plans	16,176,279	16,900,821
Provisions	5,283,969	5,662,009
Preferred shares	63,321,826	57,862,418
Series A Warrant	16,199,953	21,754,223
Deferred income taxes	120,000	120,000
Total liabilities	144,929,348	161,087,226
Shareholders' deficit:		
Share capital	250,893,223	248,680,325
Standby Warrant	997,500	997,500
Contributed surplus	11,292,451	13,386,978
Deficit	(276,485,366)	(285,318,990)
Accumulated other comprehensive loss	(8,071,368)	(8,071,368)
Total shareholders' deficit	(21,373,560)	(30,325,555)
Total liabilities and shareholders' deficit	\$ 123,555,788	\$ 130,761,671

OPTIVA INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in U.S. dollars, except per share and share amounts)

(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
Revenue:				
Support and subscription	\$ 17,905,010	\$ 21,676,078	\$ 56,279,696	\$ 64,952,705
Software licenses, services and other	6,765,005	10,358,089	20,949,333	29,376,407
	24,670,015	32,034,167	77,229,029	94,329,112
Cost of revenue	8,093,255	9,676,473	25,622,229	41,833,923
Gross profit	16,576,760	22,357,694	51,606,800	52,495,189
Operating expenses:				
Sales and marketing	2,276,621	3,116,201	8,569,818	8,957,567
General and administrative	4,538,587	5,928,544	14,178,677	24,552,985
Research and development	3,810,322	17,344,922	18,831,400	47,410,763
Restructuring costs	209,366	1,552,824	1,890,957	50,783,369
	10,834,896	27,942,491	43,470,852	131,704,684
Income (loss) from operations	5,741,864	(5,584,797)	8,135,948	(79,209,495)
Foreign exchange gain	97,210	2,518,468	506,918	1,656,895
Finance income	212,883	116,665	360,070	270,867
Finance (cost) recovery	(2,184,689)	1,149,825	(2,242,349)	2,352,921
Income (loss) before income taxes	3,867,268	(1,799,839)	6,760,587	(74,928,812)
Income taxes (recovery):				
Current	824,223	1,726,038	2,621,766	3,302,783
Deferred	(25,642)	14,234	53,254	(9,061)
	798,581	1,740,272	2,675,020	3,293,722
Total comprehensive income (loss)	\$ 3,068,687	\$ (3,540,111)	\$ 4,085,567	\$ (78,222,534)
Income (loss) per subordinate voting share:				
Basic	\$ 0.58	\$ (0.68)	\$ 0.78	\$ (14.95)
Diluted	0.54	(0.68)	0.72	(14.95)
Weighted average number of subordinate voting shares:				
Basic	5,305,386	5,233,047	5,257,696	5,233,047
Diluted	5,635,914	5,233,047	5,637,786	5,233,047

OPTIVA INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ 3,068,687	\$ (3,540,111)	\$ 4,085,567	\$ (78,222,534)
Adjustments for:				
Depreciation of property and equipment	33,077	24,344	158,427	2,328,849
Amortization of intangible assets	1,163,192	1,526,153	3,464,975	6,156,475
Finance income	(212,883)	(116,665)	(360,070)	(270,867)
Finance costs (recovery)	2,184,689	(1,149,825)	2,242,349	(2,352,921)
Pension	15,004	(940,537)	46,567	(601,338)
Income tax expense	798,581	1,740,272	2,675,020	3,293,722
Unrealized foreign exchange loss (gain)	(393,196)	630,967	(755,902)	698,880
Share-based compensation	662,805	304,332	1,088,404	2,293,159
Change in provisions	(1,171,058)	(21,209,638)	(3,965,080)	5,281,832
Loss on disposal of property and equipment	–	306,163	292,316	416,795
Change in non-cash operating working capital	(5,187,179)	7,413,024	(6,280,716)	18,959,888
	961,719	(15,011,521)	2,691,857	(42,018,060)
Interest paid	(18,992)	(31,940)	(47,508)	(108,760)
Interest received	53,549	61,071	192,172	218,361
Income taxes paid	(656,066)	(2,169,941)	(3,361,086)	(4,947,171)
	340,210	(17,152,331)	(524,565)	(46,855,630)
Financing activities:				
Payment of dividends	–	(2,000,000)	(2,000,000)	(9,640,670)
		(2,000,000)	(2,000,000)	(9,640,670)
Investing activities:				
Purchase of property and equipment	–	–	–	(5,538)
Purchase of intangible assets	–	–	–	(9,985)
Decrease in restricted cash	1,123,117	88,817	2,125,142	975,489
	1,123,117	88,817	2,125,142	959,966
Effect of foreign exchange rate changes on cash and cash equivalents				
	235,831	(876,230)	(282,100)	(740,572)
Increase (decrease) in cash and cash equivalents	1,699,158	(19,939,744)	(681,523)	(56,276,906)
Cash and cash equivalents, beginning of period	33,794,182	74,554,582	36,174,863	110,891,744
Cash and cash equivalents, end of period	\$ 35,493,340	\$ 54,614,838	\$ 35,493,340	\$ 54,614,838