

Optiva Inc. Reports First Quarter 2019 Financial Results

Toronto, Ontario, February 6, 2019 — [Optiva Inc.](#) (TSX: OPT) (the “Company”), 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 December 31, 2018.

Financial Highlights

(In thousands of US dollars, except per share information)

Optiva Inc.	For the three-month periods ended December 31,	
	2018	2017
Revenues	\$27,617	\$34,400
Net income (loss)	\$538	\$(64,454)
Basic and diluted earnings (loss) per share	\$0.10	(\$12.32)
Cash used in operating activities	(\$1,917)	(\$16,786)

“In Q1, we focused on the execution of our Strategic Plan,” said Danielle Royston, CEO of Optiva. “Our Customer Success program continues to progress, and planned R&D investment of \$100 million is now resulting in our first customer deployment on the public cloud. Our collaboration with Google Cloud Platform has led to the innovation and cloud-native transformation of our products, equipping Optiva to bring public cloud to telcos in 2019 and offer customers game-changing competitive and cost advantages.”

First Quarter 2019 Results

- Revenues declined by \$6.8 million relative to the first quarter of fiscal 2018 due to a reduction in orders from customers, loss of certain customers and lower third party revenue. The Company adopted IFRS 15 - Revenue from Contracts with Customers, effective October 1, 2018 on a prospective basis.
- The Company’s costs of revenue and operating expenses declined by \$70.7 million relative to the first quarter of fiscal 2018 mainly due to lower restructuring costs, research and development costs, and lower cost of revenue.
- First quarter 2019 research and development expenses included \$3.2 million of investment in cloud innovation. In 2018, the Company invested \$14.0 million in cloud innovation, bringing the total to \$17.2 million so far. We expect to invest up to another \$82.8 million in cloud innovation over the next two to three fiscal years.
- The net income for the quarter is \$0.5M compared to a loss of \$64.5 million last year mainly due to a decrease in operating expenditures this quarter and the restructuring expense of \$47.0 million incurred in the comparative quarter of fiscal 2018.
- The Company consumed \$1.9 million in cash from operating activities in the first quarter ended December 31, 2018, primarily due to payments associated with restructuring.

Business Highlights

- The Customer Success metric is showing improvement for the period July to December, increasing to the high 30s and up from 33%.
- Migrated Optiva Wholesale Billing Solution for a Tier 1 telecom service provider in Australia to the public cloud and on Google Cloud Platform.

- Deployed a new mobile virtual network enabler (MVNE) platform for a Tier 1 telecom provider in Latin America.
- Launched Optiva Charging Engine for postpaid, multi-play and converged product offerings for Middle East telecom leader.

Conference Call

Optiva Inc. will hold an analyst call tomorrow, February 7, 2019, to discuss its Q1 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, February 7, 2019

Time: 8:30 a.m. Eastern time

Toll-free (Canada/US): 1-800-478-9326

Local: 1 (416) 340-2218

Reference number: 4298672

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 Statements

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 February 6, 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 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)

	December 31, 2018	September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,359,266	\$ 36,174,863
Trade accounts and other receivables	14,326,817	14,954,291
Unbilled revenue	7,542,256	12,908,847
Prepaid expenses	1,873,117	1,833,105
Income taxes receivable	5,220,842	5,173,450
Other assets	358,384	253,517
Inventories	1,101,752	1,111,782
Total current assets	62,782,434	72,409,855
Restricted cash	3,026,118	3,507,759
Long-term unbilled revenue	5,647,957	1,531,062
Property and equipment	417,866	541,861
Deferred income taxes	2,013,177	2,093,716
Investment tax credits	342,856	361,810
Intangible assets	16,879,443	18,044,530
Goodwill	32,271,078	32,271,078
Total assets	\$ 123,380,929	\$ 130,761,671
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 22,049,178	\$ 21,568,158
Accrued liabilities	11,000,467	12,832,812
Provisions	5,748,003	7,655,199
Income taxes payable	638,001	500,489
Deferred revenue	7,600,674	13,445,746
Total current liabilities	47,036,323	56,002,404
Deferred revenue	1,730,822	1,512,863
Other liabilities	1,011,363	1,272,488
Pension and other long-term employment benefit plans	16,654,169	16,900,821
Provisions	5,261,050	5,662,009
Preferred shares	58,305,787	57,862,418
Series A Warrant	18,051,376	21,754,223
Deferred income taxes	120,000	120,000
Total liabilities	148,170,890	161,087,226
Shareholders' deficit:		
Share capital	248,680,325	248,680,325
Standby Warrant	997,500	997,500
Contributed surplus	13,636,142	13,386,978
Deficit	(280,032,560)	(285,318,990)
Accumulated other comprehensive loss	(8,071,368)	(8,071,368)
Total shareholders' deficit	(24,789,961)	(30,325,555)
Total liabilities and shareholders' deficit	\$ 123,380,929	\$ 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 December 31,	
	2018	2017
Revenue:		
Support and subscription	\$ 21,271,783	\$ 21,414,853
Software licenses, services and other	6,344,979	12,985,583
	<u>27,616,762</u>	<u>34,400,436</u>
Cost of revenue	<u>8,623,911</u>	<u>20,096,708</u>
Gross profit	18,992,851	14,303,728
Operating expenses:		
Sales and marketing	2,707,508	3,506,831
General and administrative	5,639,767	9,752,742
Research and development	8,716,201	16,710,691
Restructuring costs	595,963	46,967,338
	<u>17,659,439</u>	<u>76,937,602</u>
Income (loss) from operations	1,333,412	(62,633,874)
Foreign exchange loss	(743,730)	(620,160)
Finance income	88,129	42,898
Finance recovery	1,160,419	148,902
Income (loss) before income taxes	1,838,230	(63,062,234)
Income tax expense:		
Current	1,227,884	1,374,638
Deferred	71,973	17,307
	<u>1,299,857</u>	<u>1,391,945</u>
Total comprehensive income (loss)	<u>\$ 538,373</u>	<u>\$ (64,454,179)</u>
Income (loss) per subordinate voting share:		
Basic	\$ 0.10	\$ (12.32)
Diluted	0.10	(12.32)
Weighted average number of subordinate voting shares:		
Basic	5,233,047	5,233,047
Diluted	5,646,352	5,233,047

OPTIVA INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended December 31,	
	2018	2017
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	\$ 538,373	\$ (64,454,179)
Adjustments for:		
Depreciation of property and equipment	109,461	1,517,697
Amortization of intangible assets	1,138,613	2,293,816
Finance income	(88,129)	(42,898)
Finance recovery	(1,160,419)	(148,902)
Pension	16,559	71,942
Income tax expense	1,299,857	1,391,945
Unrealized foreign exchange loss (gain)	116,842	(116,979)
Share-based compensation	234,425	1,238,479
Change in provisions	(2,308,155)	41,596,487
Loss on disposal of property and equipment	41,008	110,632
Change in non-cash operating working capital	(962,944)	2,015,297
	(1,024,509)	(14,526,663)
Interest paid	(8,663)	(33,943)
Interest received	87,127	46,002
Income taxes paid	(971,140)	(2,271,660)
	(1,917,185)	(16,786,264)
Financing activities:		
Payment of dividends	(2,000,000)	–
	(2,000,000)	–
Investing activities:		
Purchase of property and equipment	–	(4,201)
Purchase of intangible assets	–	(9,985)
Decrease (increase) in restricted cash	481,641	(12,415)
	481,641	(26,601)
Effect of foreign exchange rate changes on cash and cash equivalents	(380,053)	318,776
Decrease in cash and cash equivalents	(3,815,597)	(16,494,089)
Cash and cash equivalents, beginning of period	36,174,863	110,891,744
Cash and cash equivalents, end of period	\$ 32,359,266	\$ 94,397,655