



OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTER ENDED MARCH 31, 2021

DATED: May 11, 2021

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Optiva Inc. (the "Company" or "Optiva") for the first quarter ended March 31, 2021. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and the audited consolidated financial statements for the fiscal year ended December 31, 2020, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties." The consolidated financial statements and the MD&A have been reviewed by Optiva's Audit Committee and approved by the Board of the Company on May 11, 2021.

Unless otherwise indicated, all dollar amounts are expressed in U.S. Dollars. In this document, "we," "us," "our," "Company" and "Optiva" all refer to Optiva Inc. collectively with its subsidiaries.

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 reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Company, its business, results from operations and financial condition, including, but not limited to, the risk factors discussed under the "Risks and Uncertainties" section of this MD&A, and those described in the "Risk Factors" section of the Company's most recently filed Annual Information Form. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by law.

RISKS AND UNCERTAINTIES

- As previously disclosed, on July 20, 2020, the Company completed the redemption of its outstanding preferred shares and completed a concurrent offering of 9.75% senior secured PIK toggle debentures due 2025 (“Debtentures”) in the principal amount of \$90 million, the proceeds of which were used to fund the preferred share redemption. In connection with and following these transactions, almost all of the Company's Board was refreshed with new directors. The Company also recently hired a new Chief Executive Officer. The Company's strategy has and may continue to change as a result of these changes in its capital structure and related changes to the composition of the Company's Board and management and shareholder base.
- The Company's strategy depends on its ability to realize the benefits of its investment in its product roadmap. The Company may continue to generate losses while it executes on its strategy of investing in innovating and modernizing its Business Support System (“BSS”) solutions and application, specifically around cloud based products. Unanticipated declines in revenue or increases in expenses or liabilities in the near term, and slow adoption of Optiva cloud-based products by customers in the longer term, may result in the Company not being able to satisfy its financial obligations without further financing.
- Failure of the Company's solutions could expose the Company to significant liabilities. The Company's solutions are critical for its customers to deliver and monetize services on their networks. If the Company does not successfully deploy its solutions or if customers experience system outages caused by the Company's software, the Company may be exposed to significant liabilities associated with unplanned remediation costs, penalties and claims for damages.
- The Company faces intense competition and many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources. The Company's relatively small size and recent operating history may be considered negatively by prospective end-users. If the Company does not compete effectively, the Company's revenue may not grow and could decline.
- The Company's ability to recruit and retain personnel is crucial to its ability to develop, market, sell and support its products and services.
- The Company's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may materially adversely impact its results of operations.
- The Company is exposed to credit risk related to accounts receivable from customers and unbilled revenue related to on-going customer projects. If customers fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company's estimated default rates, the Company's business, financial condition and results of operation could be materially adversely affected.

- A substantial portion of the Company's revenue and expenses are transacted in currencies other than the Company's functional currency of U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and these currencies may have a material adverse effect on the Company's business, financial condition and operating results.
- The tax laws of various jurisdictions in which the Company conducts business have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing. If any of the Company's transfer pricing policies are successfully challenged, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges, which could have a significant impact on the Company's future earnings and future cash flows.
- The Debentures represent a significant amount of indebtedness of the Company, the principal amount of which must be repaid on or before July 20, 2025. The Company's ability to pay principal and cash interest when due on the Debentures will depend on the success of the Company's operations and the Company's financial condition over the long term. If, and to the extent, the Company has insufficient revenue to pay its debt obligations, cash from other sources will be required or the Company may be required to pay interest in-kind through the issuance of additional Debentures. The Company might also be required to sell some or all of its assets to meet its obligations, or to seek an extension to the Debentures, or to seek alternative debt or equity financing. The sale of some of the Company's assets and properties to satisfy the amounts owed pursuant to the Debentures could result in the partial or total loss of the Company's assets. If sale, extension or refinancing is not obtained or consummated, the Company could default on its obligations.
- The Company currently does not have any credit facility and relies on its own cash to meet its liquidity needs. The Company collects its cash from customers in various jurisdictions; there is a risk that repatriation of cash from foreign jurisdictions may take longer than anticipated, be subject to withholding taxes or be disrupted due to events outside the control of the Company. This may result in the Company being unable to meet its obligations when they become due.
- The Company is, has been and expects to continue to be dependent on a relatively small number of customers for a large percentage of its revenue. If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.
- The Company may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied.

- The market for the Company's products depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of a global health crisis or hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties, including uncertainties caused by the continuing COVID-19 pandemic, may cause end-users to delay or cancel projects, reduce their overall security or IT budgets, or reduce or cancel orders for the Company's products, which could have a material adverse effect on its business, results of operations and financial condition.

OVERVIEW

Optiva, which commenced operations in July 1999, is a leading and innovative provider of cloud-native monetization products on the private and public cloud to Communication Service Providers ("CSPs") worldwide.

The Company's products and services empower CSPs to monetize on their various customer segments, including consumer, enterprise, wholesale and IoT. The Company's solutions allow the introduction of new innovative tariffs and marketing offerings, through its rating, charging and billing solutions. Coupled with complementing products such as payment solutions, policy control, wholesales billing, customer care and subscriber self-service applications, Optiva allows its customers to achieve their objectives and address their challenges, including monetization of their communication services, convergence of their service portfolio and diversification of their offering, all through improving customer experience and reduced costs.

The Subordinate Voting Shares of Optiva Inc. (TSX: OPT) are listed on the TSX. The Debentures (NEO: OPT.DB.U) are listed on the NEO. For more information, visit www.optiva.com.

The Company derives its revenue from three main geographic areas, namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, Latin America, and Caribbean
3. EMEA – Europe, Middle East, and Africa

Optiva's award-winning, cloud-native, real-time converged charging and billing platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, rating, billing, product catalog, policy management and customer care for any digital services of a CSP. Optiva's product family supports any type of CSP from tier 1 to tier 5, in the private or public cloud. It enables a digital customer journey delivering innovative end-user services from real-time offering towards digital guide self-management of customer interaction.

Optiva supports the telecommunication industry with the following market solutions:

- **Optiva Charging Engine** – Optiva's highly scalable, convergent charging solution is a full cloud-enabled platform for private and public cloud. It monetizes any type of transaction and

enables a smooth transition from a traditional telco business to digital CSP as a single monetization platform. The solution runs natively on Google Cloud Platform and scales with Google Cloud Spanner, and it is also available on an OpenShift infrastructure on a private cloud. Kubernetes and the customization framework enables fast adaptation to the market and new use cases with the shortest time to market and lowest total cost of ownership (TCO) in the world. Today, Optiva's scalable solution is supporting more than 200 million subscribers at a single customer and enables operators to launch and monetize their 4G and 5G networks and deliver advanced data services, including Voice over LTE ("VoLTE"), machine to machine, IoT, cloud services, and OTT offerings.

- **Optiva BSS Platform** – Optiva BSS Platform™ provides a fully managed, end-to-end, cloud-native converged charging and billing solution on the private and public cloud. For CSPs, including MNOs, MVNEs, and MVNOs, Optiva BSS Platform™, re-architected to be cloud-native and made available on the public cloud, is Optiva's leading proposition in the software-as-a-service ("SaaS") market. The multi-tenant platform allows customers the freedom to focus on their business, not on deploying and managing enterprise software. Customers can design marketing plans, load subscribers, and deploy their services without having to install software on premise. With Optiva BSS Platform™, customers can run an end-to-end BSS stack with all of the mandatory components such as unified rating and charging, billing, customer care and self-care, product catalog, payments and voucher management, collections and settlements, and dealer care.
- **Policy Control** – Optiva's Policy Control solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for users, and offer personalized services and differentiated, service-specific charging. Optiva's Policy Control solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming, and VoLTE, and is a key to Optiva value proposition to 5G.
- **Optiva Wholesale Billing™** – Optiva Wholesale Billing™ is a cloud-based solution that provides operators with greater visibility into network transactions to achieve converged settlement and accurate interconnect billing. Optiva's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management, and content settlement software solution.
- **Optiva Payment Solution** – Optiva's Payment Solution strengthens a customer's ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions. Optiva's solution allows service providers to offer end-users the most convenient payment solutions in their market.

SUBSEQUENT EVENT

Subsequent to March 31, 2021, the Company closed a private placement of subordinate voting shares (the "Offering") on April 8, 2021. A total of 834,500 Shares were issued by the Company at a price of CDN\$30.00 per Share for aggregate gross proceeds of \$19.9 million (CDN\$25.0 million). All Shares issued under the Offering are subject to a hold period of four months and one day from the date of issuance of the Shares. The Offering and listing of the Shares was approved by the Toronto Stock Exchange (the "TSX").

CLOSING OF ESW SALE

On March 11, 2021 Optiva closed a transaction with ESW Capital, LLC ("ESW") where ESW and its affiliates agreed to (i) sell all of its subordinate voting shares in Optiva in a private sale, and (ii) terminate all of their related party agreements with Optiva, and waive certain provisions of the Series A and Standby Warrants to acquire subordinate voting shares held directly or indirectly by ESW (the "Separation Agreement"). In connection with amendments to certain provisions of the Standby Warrant, this instrument is now classified as a financial liability and measured at its estimated fair value. On closing, Optiva and ESW and certain other parties, including other significant shareholders of the Company, released each other from certain claims relating to Optiva and to clarify their respective intellectual property rights. The transaction is expected to enhance the protection of Optiva's intellectual property, reduce expenditures on legal and professional fees relating to shareholder disputes going forward and lower risk of dilution to existing shareholders through the shortening of the term of the outstanding warrants held by ESW.

OUTLOOK

Investment in Cloud Innovation Initiatives

The Company believes the telecom industry will continue to shift its BSS products and applications to the cloud, specifically the public cloud, and demand solutions from its vendors that can offer a cloud-native architecture. Accordingly, management of the Company is investing aggressively in upgrading Optiva's product offering to become fully cloud-native. Management believes this transition is ongoing and continuous and will take a few years to fully materialize due to the complicated technological, regulatory, and security structures faced by the telecom industry.

The Company continues to invest in cloud innovation, including the Company's use of public cloud solutions, to be integrated into Optiva cloud-native products. The Company is in the process of strengthening and building an in-house research and development ("R&D") team and working with other strategic partners to enhance its R&D activities. The Company continues to evaluate the need and timing of additional funding and any evolution of our strategy.

COVID-19 OPERATIONAL UPDATE

COVID-19 continues to significantly impact Canadians and economies around the world as a second wave of the virus appears to be affecting Canada and other countries worldwide. In March, 2020, the Company took swift action by taking measures to ensure the health and safety of our team members, and to mitigate the business impact on the Company caused by the unprecedented global economic

disruption. The Company successfully adopted a mandatory work-from-home program which will continue to remain in place until such time the Company has clear guidance from government authorities in various jurisdictions, with respect to this pandemic. As substantially all of the Company's day-to-day activities can be fully performed by personnel working remotely, the Company is able to remain fully operational during this period, and continues to seek new revenue opportunities, execute on its product development roadmap and generate consistent revenue from our existing customer base. The Company is in compliance with all federal, provincial and municipal regulations that have been put in place since the beginning of the pandemic. The Company will continue to closely monitor developments in this regard, with the health and safety of the Company's employees and management as the primary concern. Due to the fluidity of the COVID-19 pandemic and the uncertainty of its magnitude, outcome and duration, the Company is unable to definitively quantify its potential impact. The Company has taken measures to manage costs, including a reduction of operating expenses.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Optiva for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the Company's unaudited condensed consolidated interim financial statements.

Q1 Fiscal 2021 Highlights <i>(\$ US Thousands, except per share information)</i> <i>(Unaudited)</i>	Three Months Ended	
	March 31,	
	2021	2020
Revenue	16,091	19,037
Net income	16,698	808
Earnings Per Share	\$ 3.14	\$ 0.15
Cash used in operating activities	(3,352)	(240)
Total cash, including restricted cash	10,637	30,286

Consolidated Statements of Comprehensive Income	Three Months Ended	
(all amounts in thousands of US\$, except per share amounts)	March 31,	
(unaudited)	2021	2020
Revenue		
Support and subscription	12,788	15,116
Software, services and other	3,303	3,921
Total Revenue	16,091	19,037
Cost of revenue	3,675	5,354
Gross profit	12,416	13,683
Operating expenses		
Sales and marketing	1,787	3,024
General and administrative	4,458	5,464
Research and development	517	11,924
Restructuring costs	-	116
Total Operating Expenses	6,762	20,528
Income (loss) from operations	5,654	(6,845)
Foreign exchange gain (loss)	307	(1,884)
Finance income	72	86
Finance recovery	11,193	9,763
Income before income taxes	17,226	1,120
Income tax expense	528	312
Net Income for the period	16,698	808
Earnings per common share		
Basic	\$ 3.14	\$ 0.15
Diluted	\$ 3.01	\$ 0.14
Weighted average number of common shares (thousands)		
Basic	5,316	5,316
Diluted	5,544	5,632

Statement of Financial Position Data	As at March 31,	As at December 31,		
<i>\$US Thousands (unaudited)</i>	2021	2020	\$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	10,637	18,290	(7,653)	(42%)
Trade Accounts, Other Receivables and Unbilled Revenue	18,493	15,475	3,018	20%
Goodwill and Intangible Assets	35,164	35,527	(363)	(1%)
Total Assets	73,122	77,380	(4,258)	(6%)
Trade Payable and Accrued Liabilities	14,667	18,489	(3,822)	(21%)
Deferred Revenue	5,449	5,556	(107)	(2%)
Provisions	4,223	5,555	(1,332)	(24%)
Other long-term liabilities	17,255	19,278	(2,023)	(10%)
Debentures	86,493	86,338	155	0%
Series A & Standby Warrant	4,020	16,663	(12,643)	(76%)
Total Liabilities	136,334	156,812	(20,478)	(13%)
Shareholders' Deficit	(63,212)	(79,432)	16,220	(20%)

CURRENT PERIOD OPERATING RESULTS

Revenue

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended March 31,	
	2021	2020
Support and Subscription	12,788	15,116
Software and Services	3,302	3,580
Third Party Software and Hardware	1	341
Total	16,091	19,037

Percentage of Total Revenue (unaudited)	Three Months Ended March 31,	
	2021	2020
Support and Subscription	79%	79%
Software and Services	21%	19%
Third Party Software and Hardware	0%	2%
Total	100%	100%

The Company recognizes revenue from the sale of software licenses, including initial perpetual licenses, term licenses, capacity increases and/or upgrades, professional services, third-party hardware and software components and customer support contracts.

For the three-month period ended March 31, 2021, the Company's revenues have declined by \$2.9 million from the previous year's comparative period to \$19.0 million. The change by revenue type for the quarter ended March 31, 2021, is as follows: \$2.3 million decrease in support and subscription revenue, \$0.3 million decrease in software and services revenue and \$0.3 million decrease in third-party software and hardware revenue.

Support and Subscription Revenue

Support and subscription revenue consists of revenue from our customer support and maintenance contracts and term-based software licensing. The term of these agreements typically commences on successful completion of acceptance testing of the software deployment, with customers initially entering into these contracts for a period of one or more years and then renewing for similar periods thereafter.

Support and subscription revenue for the three-month period ended March 31, 2021, was \$12.8 million, or 79% of total revenue, compared to \$15.1 million, or 79% of total revenue, for the same period last year. The decrease in support and subscription revenue compared to last period is mainly due to the discontinuation of support to customers who had previously notified us of their exit.

Software and Services Revenue

Software and services revenue consists of fees earned from the on-premise licensing, except for term-based licenses, which are recorded as subscription and deployment of software products to our customers as well as the revenues resulting from consulting and training service contracts related to the software products.

Software and services revenue for the three-month period ended March 31, 2021, decreased to \$3.3 million, or 21% of total revenue, compared to \$3.6 million, or 19% of total revenue for the same period last year. The decrease in software and services revenue compared to last year is mainly due to fewer software implementations compared to the prior period. We are expecting that our software and services revenue may be negatively impacted in the next few quarters by the COVID-19 pandemic, as projects that require travel to customer sites have been suspended and service deliveries delayed indefinitely.

Third-Party Software and Hardware Revenue

Third-party software and hardware revenue consist of revenue from the sale of other vendors' software and hardware components as part of Optiva's solutions, including server platforms, database software and other ancillary components.

Third-party software and hardware revenue for the three-month period ended March 31, 2021 decreased to \$nil, compared to \$0.3 million, for the same period last year. Management continues its initiative to minimize the sale of third-party software and hardware components, which have minimal contribution to overall profitability.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended	
	2021	March 31, 2020
Asia and Pacific Rim	4,115	4,638
North America, Latin America and Caribbean	4,707	6,138
Europe, Middle East and Africa	7,269	8,261
Total	16,091	19,037

Percentage of Total Revenue (unaudited)	Three Months Ended	
	2021	March 31, 2020
Asia and Pacific Rim	26%	24%
North America, Latin America and Caribbean	29%	33%
Europe, Middle East and Africa	45%	43%
Total	100%	100%

For the three-month period ended March 31, 2021, revenue from the APAC region was \$4.1 million, or 26% of total revenue, compared to \$4.6 million, or 24% of total revenue, for the same comparable period. This decrease is mainly due to lower software and services and third party software and hardware revenue in the region, slightly offset by higher support and subscriptions revenue.

For the three-month period ended March 31, 2021, revenue from the Americas region decreased to \$4.7 million, or 29% of total revenue, compared to \$6.1 million, or 33% of total revenue, for the same comparable period. The decrease in the quarter compared to the last year is mainly due to lower software and services and support revenue in the region.

For the three-month period ended March 31, 2021, revenue from the EMEA region decreased to \$7.3 million, or 45% of total revenue, compared to \$8.3 million, or 43% of total revenue, for the same comparable period. The decrease in revenue during the three months ended March 31, 2021, is mainly a result of lower support revenue due to the loss of certain customers slightly offset by higher lower software and services revenue, compared to the same period last year.

Cost of Revenue and Gross Margin

Cost of revenue consists of cross-functional personnel costs providing professional services to implement and provide post-sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Optiva's solutions. In addition, cost of revenue includes an allocation of certain direct and indirect costs attributable to these activities and expected losses on any contracts when it is probable that the total contract costs will exceed contract revenues.

Personnel levels are determined based on expected revenue and support demand levels; therefore, gross margin as a percentage of revenue can vary significantly from quarter to quarter.

For the three months ended March 31, 2021, cost of revenue decreased to \$3.7 million from \$5.4 million incurred for the same comparable period. The gross margin for the quarter has increased to 77% in the three months ended March 31, 2021, compared to 72% in the three months ended March 31, 2020. The decrease cost of revenue is primarily due to lower headcount and related costs incurred under the Company's cost structure optimization plan and lower third party costs. The gross margin in the quarter is higher as fewer customizations with lower margins were ordered by customers that required fulfillment, as compared to the previous period, and there was equal percentage of revenue from support and subscription revenue that has a higher margin. We expect our gross margins may fluctuate as we prove our cloud-native model and product capability to new and existing customers when they onboard to the public or private cloud in future periods.

Operating Expenses

Total operating expenses in the three months ended March 31, 2021, decreased to \$6.8 million as compared to \$20.5 million in the same period last year. Excluding depreciation, amortization and restructuring costs, total operating costs in the quarter ended March 31, 2021, decreased to \$6.4 million, or 40% of total revenue, compared to \$17.9 million, or 94% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to lower R&D costs, lower sales and marketing costs and lower general and administrative costs, as further explained below by function.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended	
	March 31,	
	2021	2020
Sales and Marketing	1,787	3,024
General and Administrative	4,458	5,464
Research and Development	517	11,924
Restructuring Costs	-	116
Total Operating Expenses	6,762	20,528
<i>Excluding Amortization and Depreciation</i>	<i>6,399</i>	<i>18,040</i>

Percentage of Total Revenue (unaudited)	Three Months Ended	
	March 31,	
	2021	2020
Sales and Marketing	11%	16%
General and Administrative	28%	28%
Research and Development	3%	62%
Restructuring Costs	0%	1%
Total Operating Expenses	42%	107%
<i>Excluding Amortization and Depreciation</i>	<i>40%</i>	<i>94%</i>

Sales and Marketing Expenses

Sales and Marketing (“S&M”) expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs, plus the allocation of certain overhead costs to support the Company’s sales and marketing activities.

For the three-month period ended March 31, 2021, S&M expenditures decreased to \$1.8 million, or 11% of total revenue, compared to \$3.1 million, or 16% of total revenue, compared to the same comparable period. The decrease in S&M expenditures compared to last year is mainly due to no spend this year on the Mobile World Congress slightly offset by higher headcount costs related to ramp-up of sales efforts to boost the revenue opportunities.

General and Administrative Expenses

General and administrative (“G&A”) expenses include personnel costs, professional fees, depreciation and share-based compensation costs associated with the Company’s corporate leadership, compliance and support activities such as finance, human resources, information technology, legal and tax.

For the three-month period ended March 31, 2021, G&A expenditures decreased to \$4.5 million, or 28% of total revenue, from \$5.5 million, or 28% of total revenue, compared to the same comparative period. The decrease in the quarter was mainly due to a reversal of a provision related to an intellectual property

claim of \$1.3 million. Excluding the provision reversal, the G&A expenditures increased by \$0.3 million compared to the same comparative period last year. The increase was due to increase in legal and advisory costs related to the activities of the Special Committee of the Board of Directors, increase in stock-based compensation due to grant of options and increase in share price on the director stock units ("DSUs"), offset by decrease in amortization of intangible assets compared to last year.

Research and Development Expenses

R&D expenses consist primarily of personnel costs associated with product management, improvement of code quality and the development and testing of new products and features.

For the three-month period ended March 31, 2021, R&D expenditures decreased to \$0.5 million, or 3% of total revenue, from \$11.9 million, or 62% of total revenue, as compared to the same comparative period. Under the Separation Agreement with ESW, an amount of \$2.1 million owing to DevFactory FZ-LLC ("DevFactory") was forgiven which was credited to R&D expenses in the three months ended March 31, 2021. Excluding the credit, R&D expenditures decreased to \$2.6 million compared to \$11.9 million last year. The decrease is mainly due to lower DevFactory and Crossover Markets Inc. ("Crossover") spend on overall R&D activities, including significantly lower cloud-related spend. The Company's spend on R&D activities, including those on account of cloud innovation, is discretionary in nature. Consequently, the R&D spend is generally expected to vary by quarter, and sometimes this can be significant.

The Company is in the process of building an in-house R&D team and is also working with other strategic partners to enhance its R&D activities.

Restructuring Costs

In November 2017, the Company implemented a restructuring plan and commenced implementing a reduction in workforce globally and vacating premises in multiple locations. The Company has completed the workforce reduction associated with this plan. The Company has also vacated its office premises in almost all jurisdictions and maintains offices only in those jurisdictions where it is required by statute. During the three months ended March 31, 2021, \$nil of restructuring charges related to closure of facilities and entity simplification were recorded (three months ended March 31, 2020 - \$0.1 million).

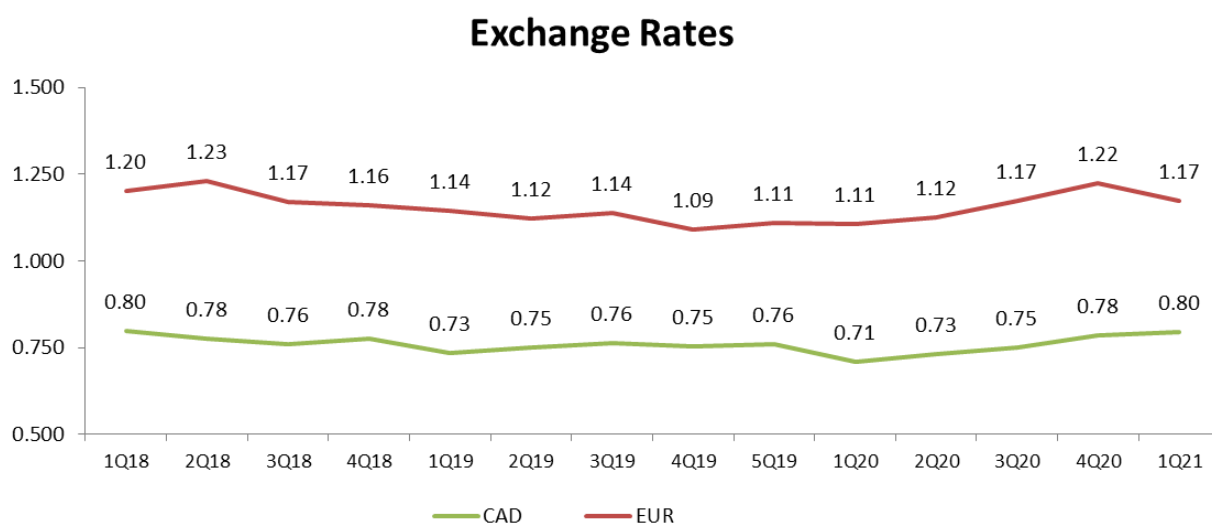
For the three months ended March 31, 2021, an amount of less than \$0.1 million has been paid and an additional amount of less than \$0.1 million is estimated as payable within one year.

The Company has wound up 12 of its subsidiaries as of March 31, 2021 as part of the legal entity reorganization of the Company's corporate structure. The Company's remaining restructuring activities under this plan primarily involve the winding up of 34 subsidiaries, which will bring the total number of legal entities in Optiva's corporate group down to 9 from 43 at the outset of this restructuring. The legal entity reorganization is dependent upon completion of local statutory requirements including obtaining tax clearance prior to wind up and may take several years to complete. The cost of the legal entity reorganization may exceed the Company's estimates due to uncertainties associated with tax and other statutory audits in multiple jurisdictions. The legal entity reorganization plan is expected to make our

operations and back-office more cost efficient and reduce risks associated with operating in multiple jurisdictions.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, monetary assets, monetary liabilities and cash denominated in currencies other than the U.S. Dollar, which is our functional currency. Consequently, movements in the foreign currencies in which we transact have and could significantly affect current and future net earnings. Currently, we do not use derivative instruments to hedge such currency risks. The graph below displays the change in rates of our significant currencies relative to the U.S. Dollar.



Source: Bank of Canada

The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. For the three months ended March 31, 2021, the Company had a foreign currency exchange gain of \$0.3 million, compared to a foreign currency exchange loss of \$1.9 million in the comparable period. The U.S. Dollar weakened against the Canadian dollar and the Euro during the three months ended March 31, 2021.

A change in foreign exchange rates as at March 31, 2021, of 10% would result in a gain or loss of approximately \$0.9 million arising from the translation of the Company's foreign currency-denominated monetary assets and liabilities as at March 31, 2021. This foreign currency gain or loss arising from translation would be recorded in the consolidated statements of comprehensive income.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the three months ended March 31, 2021 mainly includes \$0.2 million (three months ended March 31, 2020 - \$0.2 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits

and \$0.4 million (three months ended March 31, 2020 - \$0.1 million) of foreign withholding taxes. The Company's deferred tax recovery of less than \$0.1 million (three months ended March 31, 2020 – expense of \$nil) consists primarily of changes in temporary differences recognized during the current period.

The income tax expense relating to foreign subsidiaries that are virtually inactive may vary in future quarters as tax audits for previous years are brought to their conclusion, and there is a risk that such assessments may exceed the provision that the Company is carrying, resulting in additional income tax charges. It is expected that the effective rate of the income tax expense will decline as the Company fully implements its new legal and operating organization structure, after the completion of pending tax assessments in foreign subsidiaries that are inactive and awaiting voluntary wind-up.

SUMMARY OF EARNINGS RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts. The table below provides summarized information for our eight most recently completed quarters:

\$US Thousands, except share and per share amounts (Unaudited)	1Q 21	4Q 20	3Q 20	2Q 20	1Q 20	5Q 19	4Q 19	3Q 19
Revenue	\$16,091	\$18,142	\$18,804	\$19,933	\$19,037	\$20,530	\$23,124	\$24,670
Net Income (loss)	\$ 16,698	\$ 1,670	\$(29,221)	\$(14,777)	\$ 808	\$(16,874)	\$(963)	\$ 3,069
Earnings (loss) per Share	\$ 3.14	\$ 0.31	\$(5.50)	\$(2.78)	\$ 0.15	\$(3.17)	\$(0.18)	\$ 0.58
Diluted Earnings (loss) per Share	\$ 3.01	\$ 0.29	\$(5.50)	\$(2.78)	\$ 0.14	\$(3.17)	\$(0.18)	\$ 0.54
Weighted average shares outstanding – Basic (thousands)	5,316	5,316	5,316	5,316	5,316	5,316	5,316	5,305
Weighted average shares outstanding - Diluted (thousands)	5,544	5,698	5,316	5,316	5,632	5,316	5,316	5,636

Company's fiscal year end changed to December from September, effective 2019, therefore has 5 quarters

Revenue has declined sequentially mainly because of lower support and subscription revenue due to discontinuation of support to customers who had previously notified us of the exit and lower software and services revenue due to fewer implementations. The increase in net income this quarter is mainly due to the decrease in value of the warrants by \$13.6 million. The net loss in third quarter of 2020 was mainly due to the accretion of preferred shares to the face value and accrued dividends of \$21.9 million due to redemption of the preferred shares and increase in fair value of warrant liability of \$5.6 million. The net loss in the second quarter of 2020 and fifth quarter of 2019 was mainly due to increases in fair value of the warrant liability and the cloud related spend. There is a significant variability in the net income or loss due to the change in fair value of the warrant liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital resources is to ensure sufficient liquidity to drive its organic growth, fund operations, complete its restructuring actions and implement its strategic plan, while managing financial risk. The Company currently funds its operations and capital expenditure requirements through cash flows generated by operating activities, proceeds from the issuance of equity instruments (including common shares, warrants and preferred shares), proceeds from the issuance of debentures and cash on hand. The Company believes its restructuring activities as it relates to workforce and facility optimization are substantially complete and expects cash flow from operations to fund its future operations, including its investment in the Cloud strategy.

The Company operates in several jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries. Approximately 46% (December 31, 2020 – 50%) of our cash is in foreign subsidiaries, where repatriation to the parent Company in Canada could take longer than 30 days.

Key Balance Sheet Amounts and Liquidity Ratios	As at	As at	\$ Change	% Change
	March 31,	December 31,		
<i>US Thousands, except ratios and metrics (unaudited)</i>	2021	2020		
Cash, Cash Equivalents and Restricted Cash	10,637	18,290	(7,653)	(42%)
Trade Accounts Receivable	9,687	4,748	4,939	104%
Working capital	5,177	3,005	2,172	72%
Days sales outstanding in trade accounts receivable (days)	41	28	13	46%
Days sales outstanding in unbilled revenue (days)	38	40	(2)	(5%)

The Company uses working capital, days sales outstanding (DSO) in trade accounts receivable and DSO in unbilled revenue as measures to enhance comparisons between periods. Management believes these DSO measures to be important indicators of the Company's ability to convert trade receivables and unbilled revenue into cash. A lower DSO indicates a more efficient cash collection process and delivery and customer acceptance process. These terms do not have a standardized meaning under IFRS and are unlikely to be comparable to similarly titled measures reported by other issuers. The calculation of each of these items is more fully described below.

Days sales outstanding ("DSO") - The Company has calculated DSO based on annualized revenue and the average of the beginning and ending accounts receivable balance for the three month period being reported.

DSO in unbilled revenue - The Company has calculated DSO in unbilled revenue based on annualized revenue and the average of the beginning and ending unbilled revenue balance for the three month period being reported.

Cash and restricted cash declined by \$7.7 million to \$10.6 million at March 31, 2021, compared to December 31, 2020.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased by \$2.2 million to \$5.2 million at March 31, 2021, from \$3.0 million at December 31, 2020. This is mostly related to increase in accounts receivable, decrease in accounts payable, decrease in accrued liabilities and decrease in provisions, offset by decrease in cash.

The table below outlines a summary of cash inflows (outflows) by activity.

Statement of Cash Flows Summary (\$ US Thousands) (Unaudited)	Three months ended	
	March 31,	
	2021	2020
Cash inflows and (outflows) by activity:		
Operating activities	(3,352)	(240)
Investing activities	(47)	31
Financing activities	(4,413)	(2,210)
Effect of foreign currency exchange rate changes on cash and cash equivalents	112	36
Net cash inflows (outflows)	(7,700)	(2,383)
Cash and cash equivalents, beginning of period	17,664	31,748
Cash and cash equivalents, end of period	9,964	29,365
Cash (including Restricted Cash), end of period	10,637	30,286

Cash From Operating Activities

Net cash used by operating activities was \$3.4 million in the three months ended March 31, 2021, compared to use of cash of \$0.2 million in the same period last year. Cash used by operating activities in the three months ended March 31, 2021, mainly relates to cash used in working capital and cash taxes paid during the quarter offset by operating income. For the quarter ended March 31, 2021, net cash used by operating activities was \$0.2 million mainly related to operating loss, cash taxes paid and cash used in working capital.

Cash Used for Investing Activities

In the three months ended March 31, 2021, there was less than \$0.1 million of cash used by investing activities, compared to cash generated of less than \$0.1 million during the same period in fiscal 2020. The changes in cash for investing activities relates to the release of restricted cash.

Cash Used for Financing Activities

In the three months ended March 31, 2021, net cash used by financing activities was \$4.4 million, compared to cash used of \$2.2 million during the same period last year. The use of cash during the three months ended March 31, 2021 was related to interest paid on loans and borrowings. The use of cash in three months ended March 31, 2021 relates to payment of dividends on the Company's previously outstanding preferred shares, all of which were redeemed in July 2020.

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund R&D, leading to innovative and market-leading products, and implement its strategic plan that will help towards increasing shareholder value, while managing financial risk. As of March 31, 2021, the Company's share capital currently consists of Subordinate Voting Shares. The Company also has outstanding a Series A Warrant (classified as liability) and a Standby Warrant (classified as liability). The Company's primary use of capital is to finance its operations and includes increases in working capital and investment in cloud R&D. The Company currently funds these requirements from operating cash flows. See also the events described on page 7 related to the private placement of subordinate voting shares subsequent to the quarter.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's DSO in Trade Accounts Receivable is at 41 days as of March 31, 2021, compared to 28 days as of December 31, 2020. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company also maintains credit insurance in certain jurisdictions. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk, and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 120 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is determined not to be fully collectible.

The allowance for doubtful accounts as at March 31, 2021, was \$0.8 million, compared to \$0.9 million as at December 31, 2020. Estimates for allowance for doubtful accounts are determined based on an evaluation of collectability by customer and project at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED AND DEFERRED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Deferred revenue represents amounts that have been billed and collected in accordance with the terms of the contract but where the criteria for revenue recognition have not yet been met. All services provided from inception of the contracted arrangement are recoverable under the contract terms. Differences between the timing of billings, based upon contractual terms, collection of cash and the recognition of revenue result in either unbilled revenue or deferred revenue.

Revenue in a typical implementation project is earned as progress is made in project delivery. This earned revenue results in unbilled revenue until the customer is invoiced upon reaching a contractual term. Delays in the completion of a billing milestone do not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Most billing milestones are set at completion of a major phase of the project or when the projects are complete and in production.

Unbilled revenue decreased by \$1.8 million to \$5.8 million at March 31, 2021, as compared to \$7.6 million as at December 31, 2020.

Deferred revenue decreased to \$5.4 million at December 31, 2020, as compared to \$5.6 million at December 31, 2020.

OTHER PROVISIONS

Other provisions at March 31, 2021, include estimated costs to settle contractual disputes. During the three months ended March 31, 2021, the Company reversed a provision made earlier related to an intellectual property claim. Management's provision reflects changes in the status of the claims, expected outcomes and costs to settle, if any. Estimates are preliminary and subject to adjustment based on changes in facts and circumstances, such changes could be material.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may significantly exceed the Company's estimate of the provision at March 31, 2021.

OUTSTANDING SHARE DATA

The number of Subordinate Voting Shares outstanding as at May 11, 2021, is 6,150,557 (December 31, 2020 - 5,316,057). In addition, at March 31, 2021, there were 363,914 (December 31, 2020 – 270,239) stock options outstanding with exercise prices ranging from CAD \$32.45 to CAD \$227.50 per share. The Series A Warrant and the Standby Warrant are outstanding and equivalent to 925,712 and 50,000 Subordinate Voting Shares respectively as at May 11, 2021 (as at December 30, 2020 – 925,712 and 50,000, respectively).

SHARE CAPITAL

(a) Series A Preferred Shares and Subordinate Voting Shares:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") and a warrant (the "Series A Warrant") (collectively the "Financing Transaction") to ESW Holdings, Inc. (the "Investor"), an affiliate of ESW.

On July 20, 2020, the Company fully redeemed all of the issued and outstanding Preferred Shares, including all accrued and unpaid dividends thereon, in accordance with the terms of the Preferred Shares. The aggregate redemption price in respect of the Preferred Shares was \$91.4 million. This included the face amount of \$80.0 million and accrued dividends of \$11.4 million.

(b) Series A Warrant and Standby Warrant :

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Subordinate Voting Shares at \$34.00 per share. Series A Warrant is being classified as a liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of \$13.0 million during the three months ended March 31, 2021 (three months ended March 31, 2020 – decrease of \$12.5 million) is recorded in finance recovery in the condensed consolidated interim statements of comprehensive income (loss).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinate Voting Shares at \$25.00 per share (the “Standby Warrant”). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was \$1.0 million.

On March 11, 2021, under the Separation Agreement with ESW, in connection with amendments to certain provisions of the Standby Warrant, this instrument is now classified as a financial liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of \$0.7 million during the three months ended March 31, 2021 (three months ended March 31, 2020 – \$nil) is recorded in finance recovery in the condensed consolidated interim statements of comprehensive income (loss).

Under the Separation Agreement, any unexercised Series A Warrant and the Standby Warrant expires on March 1, 2023. No Series A or Standby Warrant was exercised as at March 31, 2021 (three months ended March 31, 2020 – none).

(c) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three months ended March 31, 2021 was an expense of \$0.7 million (three months ended March 31, 2020 – recovery of \$1.2 million). During the three months ended December 31, 2021, there were 100,000 options granted (three months ended March 31, 2020 - nil). During the three months ended March 31, 2021, there were 3,388 DSUs granted (three months ended March 31, 2020 – 1,127).

DEBENTURES

On July 20, 2020, the Company closed a \$90.0 million financing (the “Debenture Financing“) of 9.75% secured PIK toggle debentures due 2025 (the “Debentures“). The Debentures are guaranteed by certain of the Company’s subsidiaries and constitute senior secured obligations of the Company. The net proceeds from the Debenture Financing were used towards the redemption of all the Series A Preferred shares and accrued dividends. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions.

As at March 31, 2021, \$90.0 million (December 31, 2020 - \$90.0 million) is outstanding and interest computed on a 365-day (or 366-day, as applicable) basis, payable semi-annually on July 20 and January

20 of each year commencing on January 20, 2021. As of March 31, 2021, the Company incurred \$3.9 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the three months ended March 31, 2021, \$0.2 million of deferred financing fees was amortized (March 31, 2020 - \$nil).

For the three months ended March 31, 2021, interest expense of \$2.2 million (March 30, 2020 - \$nil) in connection with Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

RELATED PARTY TRANSACTIONS

Related Party Service Agreements

In September 2017, the Company entered into long term service agreements with Crossover and DevFactory, (collectively the "Service Agreements") who provide cross-functional and specialized technical services. Each of Crossover and DevFactory are affiliates of ESW.

On March 11, as a part of the Separation Agreement, ESW also agreed to terminate all of its related party agreements with Optiva.

Crossover provided Optiva with access to skilled temporary employees. These resources provide a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the three months ended March 31, 2021, the Company has incurred \$0.6 million of costs associated with services provided by Crossover (three months ended March 31, 2020 – \$4.0 million). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the condensed consolidated interim statements of comprehensive income (loss). The Crossover agreement was terminated as part of the Separation Agreement with ESW.

DevFactory provided certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of an internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, Gteam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva's software solutions. During the three months ended March 31, 2021, the Company has incurred \$nil of costs associated with services provided by DevFactory (three months ended March 31, 2020 – \$10.0 million). The costs have been recorded in cost of revenue and research and development expenses in accordance with the nature of the expenditure in the condensed consolidated interim statements of comprehensive income (loss).

In connection with the termination of the DevFactory Agreements, the Company delivered to DevFactory a promissory note in the principal amount of \$2.0 million that was accepted as full and complete satisfaction of the \$4.1 million owing by the Company to DevFactory under the DevFactory Agreements. The maturity date of the promissory note is twelve months from date of the agreement.. The forgiveness of \$2.1 million was credited to research and development expenses in the condensed

consolidated interim statements of comprehensive income (loss) in the three-month period ended March 31, 2021.

Amounts owing to Crossover and DevFactory as of March 31, 2021 aggregated to \$2.0 million (December 31, 2020 - \$5.0) and are included in both accrued liabilities and trade payables in the condensed consolidated interim statement of financial position at the respective period ends.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Company’s internal control over financial reporting is the “Internal Control – Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Controls over Financial Reporting

Effective March 31, 2021, the Company has brought all the bookkeeping and financial analysis responsibilities of its finance function back in-house. Previously, the Company had outsourced these activities to an independent third-party service organization. As a result, the Company has implemented material changes to its internal controls over financial reporting. The key areas impacted include the processes that support the Company’s general ledger, back-office transaction processing, preparation of monthly internal financial statements and processes supporting budgetary control activities.

PATENT PORTFOLIO

As part of Optiva’s commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio with several pending patent applications and over 50 patents. To date, Optiva has not initiated any action with respect to assertions and/or claims of patent infringement.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.