OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2022

DATED: March 8, 2023

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of the results of operations, financial condition and cash flows of Optiva Inc. (the "Company" or "Optiva") as at and for the three and twelve month period ended December 31, 2022.

The MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2021, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Information contained in this MD&A is based on information available to management as of March 8 2023.

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 INFORMATION

All information other than statements of current and historical fact contained in this MD&A is forward-looking information (within the meaning of applicable securities laws). In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved", and similar words or the negative thereof. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Forward-looking information in this MD&A includes, but is not limited to, the Company's beliefs regarding business trends, our customers' preferences and our ability to address their requirements, the basis for our future growth and competition in our industry. By its nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those set out under the "Risks and Uncertainties" section of this MD&A, and assumptions that: the Company will continue to develop products that meet its customer's needs; that the Company will be able to implement business improvements, including development of an in-house R&D team, and achieve cost savings; the Company will be able to retain key personnel; currency exchanges rates in the jurisdictions in which the Company operates will remain relatively consistent; and capital can be obtained at reasonable costs; as well as risks and assumptions regarding present and future business strategies, the environment in which the Company will operate in the future, expected revenues, and the Company's ability to achieve its goals. Although management of the Company believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

The future outcomes that relate to forward-looking information may be influenced by many factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, risks associated with: the current COVID-19 pandemic; geopolitical uncertainties; the effectiveness of the Company's strategic plan; the impact of management and other changes on the

Company's business relationships; the Company's solutions failing to perform as expected; cybersecurity risks, including the risk of system failures or data security breaches; the Company's investment in cloud as a growth strategy; market developments; intense competition; the ability to recruit and retain personnel; currency fluctuations; the time period of the Company's sales and product development cycles; customer credit and defaults; variances in quarterly revenue and operating results; customer concentration risks; intellectual property and infringement risks; product liability claims; transfer pricing; taxation; liquidity and financial resources; risks relating to the Debentures; dependence on sales channel partners and suppliers; and the other risk factors described under the heading "Risk Factors" in the Company's most recent Annual Information Form. The Company cautions that such list of factors is not exhaustive, and when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this MD&A or such other date specified herein, and the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances, except as required under applicable securities laws.

Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures and operating metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Such non-IFRS measures are operating metrics used in our industry. We also include these measures because we believe certain investors use these measures and metrics as a means of assessing financial performance and that such measures highlight trends in our financial performance that may not otherwise be apparent when one relies solely on IFRS measures. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts. Non-IFRS measures should not be considered in isolation, nor as a substitute for analysis of the financial information reported under IFRS including revenue, net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with IFRS, and may not be comparable to similarly titled measures used by other companies. See Schedule 1 to this MD&A for a reconciliation of such measure to IFRS.

OVERVIEW

Financial Highlights

Q4 Fiscal 2022 Highlights	**Three Months Ended**		**Twelve Months**	
($ US Millions, except per share information)	**December 31,**		**December 31,**	
(Unaudited)	**2022**	**2021**	**2022**	**2021**
Revenue	15.1	16.2	61.8	65.2
Net Income (Loss)	(1.5)	(3.3)	0.7	18.5
Earnings (Loss) Per Share	$(0.24)	$(0.54)	$ 0.11	$ 3.12
Adjusted Earnings (Loss) Per Share[(1)]	$(0.25)	$(0.41)	$(0.41)	$ 0.30
Adjusted EBITDA[(1)]	3.0	3.6	13.9	18.6
Cash from (used in) operating activities	2.0	(3.3)	(0.2)	2.6
Total cash, including restricted cash	20.3	30.4	20.3	30.4

OPTIVA OVERVIEW

Optiva is a leading and innovative provider of cloud-native monetization and business support systems (BSS) 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 for fixed, wireless, broadband and IPTV as well as the creation of new revenue streams from 5G, partnerships and OTT services. 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, diversification, and personalization of their offerings, all through improving customer experience and reduced costs.

The common shares of Optiva Inc. (TSX: OPT) are listed on the Toronto Stock Exchange (the "TSX"). The Debentures (NEO: OPT.DB.U) are listed on the NEO Exchange. For more information, visit www.optiva.com.

[1] Adjusted Earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and Adjusted Earnings (Loss) Per Share (“Adjusted EPS”) are non-IFRS measures. For definitions and reconciliations of non-IFRS financial measures to their most directly comparable IFRS financial measures, see Schedule I.

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

1. APAC – Asia and Pacific Rim
2. Americas – North America, Latin America, and the 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 the largest carriers to smaller MVNOs in the private or public cloud. It enables a digital customer journey delivering innovative end-user services from real-time offerings to digitally guided self-management of customer interactions.

Optiva supports the telecommunication industry with the following market solutions:

- **Optiva Charging Engine™** – Optiva's highly scalable, convergent charging solution is a fully 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 is agnostic and runs natively on Google Cloud Platform and it is also available on an OpenShift infrastructure on a private cloud as a preferred choice. Other platforms such as VMWare Tanzu or Microsoft Azure are further deployment options. With cloud investments, Kubernetes Engine hosted containers, and flexible customization framework, Optiva Charging Engine enables fast adaptation to the market with cloud-native automatic release management and new use cases with the shortest time to market and one of the lowest total cost of ownership (TCO) in the world. Today, Optiva's scalable solution supports more than 200 million subscribers at a single customer. It enables operators to launch and monetize their 4G and 5G networks and any other line of business to deliver advanced monetization services, including Voice over LTE/VoNR, fixed line broadband, TV, machine to machine, IoT, cloud services, and OTT offerings.

  The convergent Charging suite embeds two additional pre-integrated products to enable new use cases, superior customer experience, and optimal operational costs.

  - **Optiva Policy Control** – Optiva's Policy Control solution provides an embedded 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/VoNR, and it is a key to Optiva's value proposition to 5G for charging and policy in a box.

  - **Optiva Payment Solution –** Optiva's Payment Solution strengthens the Optiva Charging Engine to enable customer's ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions to address the prepaid market and hybrid market for real-time postpaid monetization. Optiva's solution allows service providers to offer end-users the most convenient payment and balance management solutions in their market.

- **Optiva BSS Platform™** – Optiva BSS Platform provides a fully managed, end-to-end, cloud-native 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. CSPs can design marketing plans to address all stages of the customer lifecycle from digital onboarding and service adoption to revenue growth and retention, and they can 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.

- **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.

Investment in Cloud Innovation Initiatives

The Company believes the telecom industry will continue to shift its BSS applications to the cloud and demand flexible productized solutions from its vendors that leverage cloud-native architecture and automation tooling focused on ease of deployment, operations, and software lifecycle management. 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. Accordingly, management of the Company is investing aggressively in upgrading Optiva's product offering to become fully cloud native.

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 continues to build on the strength of its in-house research and development ("R&D") team and work 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.

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 consolidated interim financial statements.

Consolidated Statements of Comprehensive Income (loss) (all amounts in millions of US$, except per share amounts)	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
(unaudited)	**2022**	**2021**	**2022**	**2021**
Revenue				
Support and subscription	9.2	12.0	39.0	47.6
Software, services and other	5.9	4.2	22.8	17.6
Total Revenue	**15.1**	**16.2**	**61.8**	**65.2**
Cost of revenue	4.5	4.1	17.2	14.9
Gross profit	**10.6**	**12.1**	**44.6**	**50.4**
Operating expenses				
Sales and marketing	2.5	2.6	9.9	8.1
General and administrative	3.4	4.8	11.1	16.8
Research and development	3.0	3.3	12.1	10.5
Total Operating Expenses	**9.0**	**10.7**	**33.0**	**35.4**
Income from operations	**1.7**	**1.3**	**11.6**	**15.0**
Foreign exchange gain (loss)	(0.4)	(0.4)	(1.2)	0.3
Finance income	0.1	0.1	0.4	0.5
Finance (costs) recovery	(2.4)	(3.2)	(7.9)	6.3
Income (loss) before income taxes	**(1.0)**	**(2.2)**	**2.9**	**22.0**
Income tax expense	0.5	1.1	2.2	3.5
Net Income (loss) for the period	**(1.5)**	**(3.3)**	**0.7**	**18.5**
Earnings (loss) per common share				
Basic	$ (0.24)	$ (0.54)	$ 0.11	$ 3.12
Diluted	$ (0.24)	$ (0.54)	$ 0.11	$ 3.11
Weighted average number of common shares (millions)				
Basic	6.2	6.2	6.2	5.9
Diluted	6.2	6.2	6.2	5.9

Statement of Financial Position Data *$US Millions* *(unaudited)*	**As at December 31, 2022**	**As at December 31, 2021**	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	20.3	30.4	(10.1)	(33%)
Trade Accounts, Other Receivables and Unbilled Revenue	25.7	18.3	7.4	40%
Goodwill and Intangible Assets	32.6	34.1	(1.5)	(4%)
Total Assets	86.6	92.7	(6.0)	(7%)
Trade Payable and Accrued Liabilities	14.8	15.0	(0.2)	(1%)
Deferred Revenue	2.4	4.1	(1.7)	(42%)
Provisions	-	4.2	(4.2)	(100%)
Other long-term liabilities	3.4	12.3	(8.9)	(72%)
Debentures	87.7	87.0	0.7	1%
Preferred Shares and Series A Warrant	-	1.7	(1.7)	(100%)
Total Liabilities	112.7	127.7	(15.0)	(12%)
Shareholders' Deficit	(26.1)	(35.1)	9.0	(26%)

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:

$US Millions	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**		**Change between Periods**	
					Quarter	**YTD**
(unaudited)	**2022**	**2021**	**2022**	**2021**	**$**	**$**
Support and Subscription	9.2	12.0	39.0	47.6	(2.8)	(8.6)
Software and Services	5.8	4.0	22.5	17.1	1.8	5.4
Third Party Software and Hardware	0.1	0.2	0.3	0.5	(0.1)	(0.1)
Total	**15.1**	**16.2**	**61.8**	**65.2**	**(1.1)**	**(3.4)**

Percentage of Total Revenue	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
(unaudited)	**2022**	**2021**	**2022**	**2021**
Support and Subscription	61%	74%	63%	73%
Software and Services	39%	25%	36%	26%
Third Party Software and Hardware	0%	1%	0%	1%
Total	**100%**	**100%**	**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.

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 December 31, 2022, was $9.2 million, or 61% of total revenue, compared to $12.0 million, or 74% of total revenue, for the same period last year. For the year ended December 31, 2022, the Company's support and subscription decreased to $39.0 million, or 63% of total revenue, compared to $47.6 million or 73% 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 December 31, 2022, increased to $5.8 million, or 39% of total revenue, compared to $4.0 million, or 25% of total revenue for the same period last year. For the year ended December 31, 2022, the Company's software and services revenue was $22.5 million, or 36% of total revenue, compared to $17.1 million, or 26% of total revenue for the same period last year. The increase in software and services revenue compared to last year is mainly due to more software implementations in all regions, compared to the prior period.

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 December 31, 2022 was $0.1 million compared to $0.2M for the same period last year. For the year ended December 31, 2022, the Company's third party software and hardware revenue was $0.3 million, compared to $0.5 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 Millions (unaudited)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021	Change between Periods Quarter $	Change between Periods YTD $
Asia and Pacific Rim	3.1	3.3	10.9	14.4	(0.2)	(3.5)
North America, Latin America and Caribbean	4.5	4.1	19.0	19.2	0.4	(0.3)
Europe, Middle East and Africa	7.5	8.8	31.9	31.6	(1.2)	0.3
Total	**15.1**	**16.2**	**61.8**	**65.2**	**(1.1)**	**(3.5)**

Percentage of Total Revenue (unaudited)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021
Asia and Pacific Rim	20%	20%	18%	22%
North America, Latin America and Caribbean	30%	25%	31%	29%
Europe, Middle East and Africa	50%	54%	52%	49%
Total	**100%**	**100%**	**100%**	**100%**

For the three-month period ended December 31, 2022, revenue from the APAC region was $3.1 million, or 20% of total revenue, compared to $3.3 million, or 21% of total revenue, for the same comparable period. For the year ended December 31, 2022, revenue from the APAC region was $10.9 million, or 18% of total revenue, compared to $14.4 million, or 22% of total revenue, for the same comparable period. This decrease is mainly a result of lower support and subscription revenue in the region from loss of certain customers.

For the three-month period ended December 31, 2022, revenue from the Americas region increased to $4.5 million, or 30% of total revenue, compared to $4.1 million, or 25% of total revenue, for the same comparable period. The increase in the quarter is mainly due to higher software implementations in the region. For the year ended December 31, 2022, revenue from the Americas region decreased to $19.0 million, or 31% of total revenue, compared to $19.2 million, or 29% of total revenue, for the same comparable period. The decrease in the period is mainly due to lower support and subscription revenue in the region due to the loss of certain customers offset by higher software implementations in the region.

For the three-month period ended December 31, 2022, revenue from the EMEA region decreased to $7.5 million, or 50% of total revenue, compared to $8.8 million, or 54% of total revenue, for the same comparable period. The decrease in revenue during the three months ended December 31, 2022, is mainly a result of lower support revenue due to the loss of certain customers. For the year ended December 31, 2022, revenue from the EMEA region increased to $31.9 million, or 52% of total revenue, compared to $31.6 million, or 49% of total revenue, for the same comparable period. The increase in revenue during the twelve months ended December 31, 2022, is mainly a result of higher revenue from software implementation in the region offset by lower support revenue due to the loss of certain customers.

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 December 31, 2022, cost of revenue increased to $4.5 million from $4.1 million incurred for the same comparable period. The gross margin for the quarter decreased to 70% in the three months ended December 31, 2022, compared to 75% in the three months ended December 31, 2021. For the year ended December 31, 2022, cost of revenue increased to $17.2 million from $14.9 million incurred for the same comparable period. The gross margin has decreased to 72% for the year ended December 31, 2022 compared to 78% for the year ended December 31, 2021. The increase in cost of revenue is primarily due to due to higher headcount cost related to higher software and services revenue. The gross margin this year is lower as higher customizations with lower margins were ordered by customers that required fulfillment compared to the previous period and lower 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 capabilities 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 December 31, 2022, decreased to $9.0 million as compared to $10.7 million in the same period last year. Excluding depreciation and amortization costs, total operating costs in the quarter ended December 31, 2022, decreased to $8.5 million, or 56% of total revenue, compared to $10.3 million, or 64% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation and amortization costs) is mainly attributable to lower general and administrative costs and lower R&D cost with sales and marketing costs remaining the same, as further explained below.

Total operating expenses in the year ended December 31, 2022, decreased to $33.0 million as compared to $35.4 million in the year ended December 31, 2021. Excluding depreciation and amortization costs, total operating costs in the year ended December 31, 2022 decreased to $31.1 million, or 50% of total revenue, compared to $33.8 million, or 52% of total revenue, for the year ended December 31, 2021. The decrease in overall operating expenses (excluding depreciation and amortization costs) is mainly attributable to lower general and administrative costs, offset by higher sales and marketing costs and higher R&D cost, as further explained below.

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

$US Millions (unaudited)	Three Months Ended December 31, 2022	2021	Twelve Months Ended December 31, 2022	2021
Sales and Marketing	2.5	2.6	9.9	8.1
General and Administrative	3.4	4.8	11.1	16.8
Research and Development	3.0	3.3	12.1	10.5
Total Operating Expenses	**9.0**	**10.7**	**33.0**	**35.4**
Excluding Amortization and Depreciation	*8.5*	*10.3*	*31.1*	*33.8*

Percentage of Total Revenue (unaudited)	Three Months Ended December 31, 2022	2021	Twelve Months Ended December 31, 2022	2021
Sales and Marketing	17%	16%	16%	12%
General and Administrative	23%	30%	18%	26%
Research and Development	20%	21%	20%	16%
Total Operating Expenses	**59%**	**66%**	**53%**	**54%**
Excluding Amortization and Depreciation	*56%*	*64%*	*50%*	*52%*

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 December 31, 2022, S&M expenditures marginally decreased to $2.5 million, or 17% of total revenue, compared to $2.6 million, or 16% of total revenue, compared to the same comparable period. For the year ended December 31, 2022, S&M expenditures increased to $9.9 million, or 16% of total revenue, compared to $8.1 million, or 12% of total revenue, for the comparable period. The increase in S&M expenditures for the year ended December 31, 2022 is mainly due to higher headcount and related costs related to ramp-up of sales efforts, increase in sales commissions due to higher bookings, and higher marketing spend.

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 December 31, 2022, G&A expenditures decreased to $3.4 million, or 23% of total revenue, from $4.8 million, or 30% of total revenue, compared to the same comparative period. The decrease in G&A expenditures in the three months ended December 31, 2022 is mainly due to lower compensation costs, lower legal costs and lower stock-based compensation.

For the year ended December 31, 2022, G&A expenditures decreased to $11.1 million, or 18% of total revenue, from $16.8 million, or 26% of total revenue, to the same comparative period. During the year ended December 31, 2022 the previous provision related to some contractual disputes was settled and the remaining provision was released, aggregating to $1.6 million gain on settlement, which has been recorded as a recovery in the G&A costs. Excluding the recovery from the contractual dispute settlement this year and excluding a reversal of a provision of $1.3 million last year, G&A expenditures decreased by $5.5 million compared to the same comparative period last year. The decrease is mainly due to lower compensation costs, lower professional fees, lower legal and advisory costs related to activities of the special committee of the Board incurred last year and lower stock-based compensation.

Excluding share-based compensation, amortization and depreciation and the gain on settlement of disputes, G&A expenses were $2.2 million, or 15% of revenue, and $9.6 million, or 15% of revenue, for the three and twelve months ended December 31, 2022, respectively. Excluding share-based compensation, amortization and depreciation and reversal of the provision, G&A expenses were $2.8 million, or 17% of revenue, and $13.4 million, or 21% of revenue, for the three months and year ended December 31, 2021, respectively.

Research and Development Expenses

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

For the three-month period ended December 31, 2022, R&D expenditures slightly decreased to $3.0 million, or 20% of total revenue, from $3.3 million, or 21% of total revenue, as compared to the same comparative period. The decrease is mainly due to a decrease in cloud related costs offset by ramp up of the Company’s in-house R&D team as compared to the same period last year.

For the year ended December 31, 2022, R&D expenditures increased to $12.1 million, or 20% of total revenue, from $10.5 million, or 16% of total revenue, as compared to the same comparative period. Under the Separation Agreement with ESW Capital, LLC (“ESW”), an amount of $2.1 million owing to DevFactory FZ-LLC (“Devfactory”) was forgiven which was credited to R&D expenses in quarter ended March 31, 2021. Excluding the credit, R&D expenditures for the year ended December 31, 2022 decreased to $12.1 million compared to $12.6 million last year. The decrease is mainly due decrease in cloud related costs offset by ramp up of the Company’s in-house R&D team as compared to the same period last year.

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 variation 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.

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 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 December 31, 2022, the Company had a foreign currency exchange loss of $0.4 million, compared to a foreign currency exchange loss of $0.4 million in the comparable period. For the year ended December 31, 2022, the Company had a foreign currency exchange loss of $1.2 million, compared to a foreign currency exchange gain of $0.3 million in the comparable period. The U.S. Dollar strengthened against the Euro during the three and twelve months ended December 31, 2022.

A change in foreign exchange rates as at December 31, 2022, of 10% would result in a gain or loss of approximately $0.2 million arising from the translation of the Company's foreign currency-denominated monetary assets and liabilities as at December 31, 2022. 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 year ended December 31, 2022 of $2.4 million mainly includes $1.4 million (year ended December 31, 2021 - $1.9 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $1.0 million (year ended December 31, 2021 - $2.0 million) of foreign withholding taxes. The Company's deferred tax recovery of $0.3 million (year ended December 31, 2021 – expense of $0.3 million) 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.

Net income (loss)

Net loss for the three months ended December 31, 2022 was $1.5 million, compared to a net loss of $3.3 million in the same period in 2021. Excluding the impact from change in value of warrants, the Company had a net loss of $1.5 million for the three months ended December 31, 2022, versus a net loss of $2.5 million during the corresponding period in 2021. Net income for the year ended December 31, 2022 was $0.7 million, compared to a net income of $18.5 million for the year ended December 31, 2021. Excluding the impact from change in value of warrants and the gain on release of provisions, the Company had a net loss of $2.5 million for the year ended December 31, 2022, versus a net income of $1.8 million during the corresponding period in 2021. The net income for the year ended December 31, 2021 was higher mainly due to higher revenue.

Adjusted EBITDA

Adjusted EBITDA for three months ended December 31, 2022 amounted to $3.0 million as compared to $3.6 million during the same period in 2021. Adjusted EBITDA for the year ended December 31, 2022, amounted to $13.9 million as compared to $18.6 million for year ended December 31, 2021. Adjusted EBITDA is a non-IFRS measure. For definitions and reconciliations of non-IFRS financial measures to their most directly comparable IFRS financial measures, see Schedule I.

SUMMARY OF EARNINGS RESULTS

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

$US Millions, except share and per share amounts (Unaudited)	4Q 22	3Q 22	2Q 22	1Q 22	4Q 21	3Q 21	2Q 21	1Q 21
Revenue	15.1	15.2	15.4	16.1	16.2	16.7	16.3	16.1
Net Income (loss)	(1.5)	0.9	(0.5)	1.8	(3.3)	3.8	1.3	16.7
Earnings (loss) per Share	$(0.24)	$ 0.14	$(0.08)	$ 0.30	$(0.54)	$ 0.62	$ 0.22	$ 3.14
Diluted Earnings (loss) per Share	$(0.24)	$ 0.14	$(0.08)	$ 0.30	$(0.54)	$ 0.61	$ 0.22	$ 3.01
Weighted average shares outstanding – Basic (thousands)	6.2	6.2	6.2	6.2	6.2	6.2	6.1	5.3
Weighted average shares outstanding - Diluted (thousands)	6.2	6.2	6.2	6.2	6.2	6.2	6.1	5.5

Revenue for the quarters ending December 31, 2022, September 30, 2022 and June 30, 2022 is lower compared to the previous quarters mainly due to lower support and subscription revenue due to loss of certain customers. The net loss this quarter compared to previous quarter is mainly due to the gain on settlement of a contractual dispute last quarter. The net loss in the quarter ended June 30, 2022 and in fourth quarter of 2021 was mainly due to the increase in value of warrants. Revenue in first quarter of

2021 has declined sequentially compared to fourth quarter of 2020 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 high net income in the first quarter of 2021 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. 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 complete and expects cash flow from operations to fund its future operations, including its investment in the Cloud strategy and the interest on loans and borrowings.

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.

Key Balance Sheet Amounts and Liquidity Ratios	**As at December 31,**	**As at December 31,**		
$US Millions, except ratios and metrics (unaudited)	**2022**	**2021**	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	20.3	30.4	(10.0)	(33%)
Trade Accounts Receivable	4.7	4.2	0.5	12%
Working capital	29.0	26.6	2.4	9%
Days sales outstanding in trade accounts receivable (days)	26.1	24.9	1.2	5%
Days sales outstanding in unbilled revenue (days)	86.4	52.3	34.1	65%

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.

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 decreased by $10.0 million to $20.3 million at December 31, 2022, compared to December 31, 2021.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased by $2.4 million to $29.0 million at December 31, 2022, from $26.6 million at December 31, 2021. This is mostly related to increase in accounts receivable and unbilled revenue, decrease in provisions and decrease in deferred revenue offset by decrease in prepaid and decrease in cash.

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

Statement of Cash Flows Summary	**Three months ended**		**Twelve Months Ended**	
($ US Millions)	**December 31,**		**December 31,**	
(Unaudited)	**2022**	**2021**	**2022**	**2021**
Cash inflows and (outflows) by activity:				
Operating activities	2.0	(3.3)	(0.2)	2.6
Investing activities	(0.4)	0.3	(2.0)	(1.2)
Financing activities	(0.0)	0.6	(8.8)	10.9
Effect of FX changes on cash and cash equivalents	0.1	0.0	(0.2)	(0.4)
Net cash inflows (outflows)	1.7	(2.4)	(11.2)	11.9
Cash and cash equivalents, beginning of period	16.7	32.0	29.6	17.7
Cash and cash equivalents, end of period	18.4	29.6	18.4	29.6
Cash (including Restricted Cash), end of period	20.3	30.4	20.3	30.4

Cash From (Used for) Operating Activities

Net cash generated from operating activities was $2.0 million in the three months ended December 31, 2022, compared to cash used of $3.3 million in the same period last year. Cash generated from operating activities in the three months ended December 31, 2022, mainly relates to operating income. For the quarter ended December 31, 2021, net cash used by operating activities was $3.3 million mainly related to cash used by working capital slightly offset by operating income.

Net cash used by operating activities was $0.2 million in the year ended December 31, 2022, compared to cash generated of $2.6 million in the same period last year. Excluding the payment of $3.3 million made on the contractual dispute settlement, the cash generated from operating activities was $3.1 million in the year ended December 31, 2022, compared to cash generated of $2.6 million in the same period last year. Excluding the settlement payment, cash generated from operating activities in the year ended December 31, 2022, mainly relates to operating income offset by cash used in working capital and payment of a promissory note to ESW under the settlement agreement. For the year ended December 31, 2021, net cash generated by operating activities was $2.6 million which relates to operating income offset by cash used in working capital and cash taxes paid during the period.

Cash From (Used for) Investing Activities

In the three months ended December 31, 2022, there was $0.4 million of cash used by investing activities, compared to cash generated of $0.3 million during the same period in fiscal 2021. Cash used in the three months ended December 31, 2022 relates to increase in restricted cash. For the year ended December 31, 2022, there was $2.0 million of cash used by investing activities, compared to cash used of $1.2 million during the same period in fiscal 2021. The use of cash for the years ending December 31, 2022 and December 31, 2021 mainly relates to purchase of computer hardware and increase in restricted cash.

Cash From (Used for) Financing Activities

In the three months ended December 31, 2022 there was no cash used in or generated from financing activities. In the three months ended December 31, 2021, net cash generated from financing activities was $0.6 million. The cash generated in the three months ended December 31, 2021 relates to the issue of common shares to three former directors of the Company.

For the year ending December 31, 2022, net cash used from financing activities was $8.8 million compared to cash generated of $10.9 million during the year ended December 31, 2021. The use of cash during the year ended December 31, 2022 was related to interest paid on loans and borrowings. Cash generated for the year ending December 31, 2021 relates to the private placement of common shares slightly offset by interest paid on loans and borrowings.

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. The Company's capital is currently composed of Debentures and Series A Warrant (classified as liability), Common Shares and Standby Warrant (classified as liability). The Company's primary uses of capital are financing its operations including restructuring, increases in working capital, capital expenditures, and acquisitions. The Company currently funds these requirements from cash flows from operations and cash raised through past share and debt issuances.

OTHER PROVISIONS

The opening balance at December 31, 2021 in other provision included estimated costs to settle contractual disputes. During year ended December 31, 2022 these contractual disputes were settled and the remaining provision was released, aggregating to $1.6 million, net of insurance proceeds, which has been recorded as a recovery in the G&A costs in consolidated statements of comprehensive income (loss).

OUTSTANDING SHARE DATA

The number of common shares outstanding as at March 8, 2023, is 6,177,581 (December 31, 2021 – 6,177,581). In addition, at December 31, 2022, there were 380,000 (December 31, 2021 – 270,239) stock options outstanding with exercise prices ranging from CAD $23.74 to CAD $42.02 per share. The

Series A Warrant and the Standby Warrant are outstanding and equivalent to 925,712 and 50,000 common shares respectively as at December 31, 2022 (as at December 31, 2021 – 925,712 and 50,000, respectively). The exercise prices for Series A Warrant and the Standby Warrant are $34.00 and $25.00 per share, respectively. The Series A Warrant and the Standby Warrants expired as of March 1, 2023.

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

Commitments

At December 31, 2022, the Company had various lease payments and purchase commitments in normal course of operations. Below is a summary of future minimum payments for contractual obligations that are not recognized as liabilities at December 31, 2022:

	$ (millions)
Less than 1 year	2.9
Between 1 and 5 years	9.7
More than 5 years	–
	12.6

RELATED PARTY TRANSACTIONS

Key Management Personnel

The aggregate remuneration of key management personnel during the years ended December 31, 2022 and 2021 is as follows:

$US Millions	2022	2021
Salaries and employee benefits	$ 3.7	$ 4.3
Share-based compensation (a)	2.5	3.7
	$ 6.2	$ 8.0

(a) Share-based compensation includes cash-settled and equity-settled awards

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair values

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	2022		2021	
$US *Millions*	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	–	–	1.5	1.5
Standby Warrant classified as liability (Level 2)	–	–	0.2	0.2

There were no transfers of financial assets between levels during the fiscal periods ended December 31, 2022 and 2021.

The Company’s financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss or as financial assets and financial liabilities measured at amortized cost.

The carrying values of cash and cash equivalents, restricted cash, trade accounts and other receivables, trade payables, accrued liabilities, provisions and other liabilities approximate fair values because of the short-term nature of these financial instruments. The carrying value of debentures approximate their fair values because the interest rates approximate the market interest rates for similar debts.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

Financial Risk Management

The Board has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at December 31, 2022 and 2021 was as follows:

	2022	2021
Europe, Middle East and Africa	45%	34%
North America, Latin America and Caribbean	39%	60%
Asia and Pacific Rim	16%	6%
	100%	100%

For the year ended December 31, 2022, the Company had no customers (year ended December 31, 2021 – none) that accounted for greater than 10% of revenue. 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. The Company also insures accounts receivable balances in certain countries.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

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 perceived not to be fully collectible.

Allowance for doubtful accounts is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability 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 going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at December 31, 2022 and December 31, 2021 was as follows:

	2022	2021
Europe, Middle East and Africa	59%	66%
North America, Latin America and Caribbean	31%	11%
Asia and Pacific Rim	10%	23%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at December 31, 2022 will mature as follows:

US$ Millions	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	$ 3.1	$ –	$ –
Accrued liabilities	11.6	–	–
Other liabilities	–	–	2.3
Debentures	–	–	90.0
	$ 14.8	$ –	$ 92.3

The Company also has contractual obligations in the form of operating leases and certain purchase commitments.

Management believes the Company's existing cash and cash equivalents, restricted cash and cash from operating activities will be adequate to support all of its financial liabilities and contractual commitments as they become due.

The Company operates in a number of 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.

Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $1.2 million during the year ended December 31, 2022 (year ended December 31, 2021 – gain of $0.3 million).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $0.2 million (2021 - $1.2 million) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, and restricted cash. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year ended December 31, 2022 would not be material.

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).

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and based on this assessment have concluded that the Company's internal control over financial reporting is effective as of December 31, 2022.

Changes in Internal Controls over Financial Reporting

Effective January 1, 2022, the Company has implemented a new ERP system. As a result, the Company has implemented changes to its internal controls over financial reporting. The key areas impacted include the processes that support the Company’s general ledger, transaction processing and preparation of monthly internal financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Our significant accounting policies are fully described in Note 2 to our financial statements for the years ended December 31, 2022 and 2021 which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. We believe that there have been no significant changes in our critical accounting estimates for the year ended December 31, 2022.

Revenue Recognition

The Company's accounting policy under IFRS 15, adopted effective October 1, 2018, is as follows:

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings. Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenses that are contractually reimbursable from customers are recorded as gross revenue and expenses.

Arrangements with multiple performance obligations

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

Software

The Company sells on-premise software licenses primarily on a perpetual basis. Where licensed software is combined with non-distinct services as a combined performance obligation, revenue is recognized according to the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable. Distinct software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the customer’s right to use the software.

Software-as-a-service (SaaS)

SaaS allows a customer access to the Company’s software on a platform hosted by a third-party without taking possession of the software. SaaS is typically offered on a fixed-term basis. Where fees are fixed for the term, revenue is recognized rateably over the term commencing when the customer has the right to access the platform. Where the fees are based on periodic activity, revenue is recognized as invoiced to the customer at each period.

Services

Revenue for installation, implementation, training and other services, when not combined with software as a combined performance obligation, is recognized as the services are delivered to the customer. Fixed fee service arrangements are recognized using the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract.

Post-contract customer support ("PCS")

PCS revenue is recognized rateably over the term of the PCS agreement.

Third party software and hardware

Third party software and hardware revenue is recognized when control of the product transfers to the customer. When the products are distinct, control typically transfers upon delivery to the customer. Where such products are related to professional services as a combined performance obligation, the percentage-of-completion method is applied.

Pension and non-pension post-employment benefit plans

The actuarial valuation of defined benefit obligation and fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

Goodwill valuation

We use estimates in determining the recoverable amount of our cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rate and discount rate.

We estimate value in use for impairment tests by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates of expected future operating results of the CGU after considering economic conditions and a general outlook for the CGU's industry. Our discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

We make certain assumptions when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of the CGU and goodwill, which could result in impairment losses.

Share-based compensation

The Company issues stock options and restricted share units ("RSUs") and performance share units ("PSUs") pursuant to several share-based compensation plans. Stock options are settled with common shares of the Company. RSUs and PSUs are settled with either cash or common shares of the Company at discretion of the board. Compensation costs for options, RSUs and PSUs settled in equity are measured based on the grant date fair value of the award and recognized, net of estimated forfeitures, over the vesting period with a corresponding credit to contributed surplus. For awards with graded

vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the period. Compensation cost for PSUs intended to be settled in cash is measured based on the fair value of the PSUs liability at the reporting date.
The Company also has a deferred share units ("DSUs") plan. The plan allows for settlement of DSUs by cash or other assets. The fair value of the Company's DSUs is recognized using the liability method. Since the DSUs will be settled in cash or other assets, the fair value of the vested DSUs is revalued each period until the settlement date and any changes in the fair value of the liability are recognized in profit or loss. The Company has recognized a liability in the consolidated statements of financial position for the total fair value of the vested DSUs included in other long-term liabilities.

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 40 patents. To date, Optiva has not initiated any action with respect to assertions and/or claims of patent infringement.

RISKS AND UNCERTAINTIES

Global Developments

- The Company continues to monitor the evolution of the novel coronavirus ("COVID-19") situation. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence. The Company continues to evaluate the situation and monitoring any impacts or potential impacts on its business and recorded amounts of assets and liabilities. It is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material.

- In February 2022 Russian forces entered Ukraine and an armed conflict commenced. It is uncertain how long the conflict, economic sanctions and market instability will continue and whether the conflict will escalate further. These current geopolitical tensions, together with international sanctions being imposed by many countries, may adversely affect global supply chains, consumer spending, customer advertising spending and our financial results. Management continues to evaluate these events closely to manage risk to the Company

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

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.

SCHEDULE I

NON-IFRS FINANCIAL MEASURES

"EBITDA" and "Adjusted EBITDA" are not financial measures calculated and presented in accordance with International Financial Reporting Standards (IFRS) and should not be considered in isolation or as a substitute to net income (loss), operating income or any other financial measures of performance calculated and presented in accordance with IFRS, or as an alternative to cash flow from operating activities as a measure of liquidity. The Company defines EBITDA as net income (loss) excluding amounts for depreciation and amortization, other income, finance costs, finance income, income tax expense (recovery), foreign exchange gain (loss) and share-based compensation. The Company defines "Adjusted EBITDA" as EBITDA (as defined above), excluding restructuring costs, provision amounts, and transaction costs associated with shareholder conflict. The Company believes that Adjusted EBITDA is a metric that investors may find useful in understanding the Company's financial position. The following table provides a reconciliation of Net Income to EBITDA and Adjusted EBITDA ($US millions).

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net Income (loss) for the period	$ (1.5)	$ (3.3)	$ 0.7	$ 18.5
Add back / (subtract):				
Depreciation of property and equipment	0.1	0.1	0.5	0.2
Amortization of intangible assets	0.4	0.4	1.5	1.4
Finance income	(0.2)	(0.1)	(0.4)	(0.5)
Finance costs (recovery)	2.4	3.2	7.9	(6.3)
Income tax expense	0.5	1.1	2.2	3.5
Foreign exchange loss (gain)	0.4	0.3	1.2	(0.3)
Share-based compensation	0.9	1.9	1.9	3.8
EBITDA	3.0	3.6	15.5	20.3
Release of provisions	–	–	(1.6)	(1.3)
One-time costs (recovery) related to shareholder conflict	–	–	–	(0.4)
Adjusted EBITDA	$ 3.0	$ 3.6	$ 13.9	$ 18.6

Adjusted EPS is reported diluted EPS excluding the impact of change in the fair value of warrants, one-time costs (recovery) related to shareholder conflict and release of provisions.