Optiva Inc. Reports Second Quarter 2023 Financial Results

All amounts are stated in United States dollars unless otherwise indicated

- Revenue of $11.1 million
- Total Contract Value ("TCV")[1] bookings of $20.0 million
- Gross margin of 65%
- Adjusted EBITDA[1] loss of $0.3 million
- Adjusted EPS[1] loss of ($0.21)
- $13.0 million of cash

TORONTO, August 14, 2023 - Optiva Inc. ("Optiva" or "the Company") (TSX:OPT), a leader in powering the telecom industry with cloud-native billing, charging and revenue management software on private and public clouds, today released its second quarter financial results for the three-month period ended June 30, 2023.

Optiva's strategic decision to upgrade its current customer base to the cloud and invest in winning new customers requires a commitment to continue investments in its go-to-market (GTM) strategy and R&D, setting the Company on a path to sustainable and profitable growth with a focus on recurring revenue. The Company's focus on public and private cloud software is validated by the 60% increase in its qualified pipeline[2] since November 2022, now reaching $300 million (of TCV), with cloud deals representing 90% of the opportunities.

New entrants to the telecom market are introducing a unique dynamic where decisions are made much quicker than traditional mobile operators, and speed to market is

---

[1] EBITDA, Adjusted EBITDA, TCV and adjusted EPS are non-IFRS measures. These measures are defined in the "Non-IFRS Financial Measures" section of this news release.

[2] Qualified pipeline contains revenue opportunities from new and existing customers who are deemed to have a high chance of buying our product or services. The customer has a defined problem and has indicated a need for a solution where Optiva's products fit. A qualified pipeline filters out opportunities undergoing prospecting and lead qualification.

prioritized. To date, the Company's strongest bookings have been primarily from existing customers. As the Company looks at its growing pipeline, approximately 80% of bookings are expected to come from new customers, signaling that the Company's strategy is resonating. Optiva's success with more than 16 MVNO brands and ability to deploy an out-of-the-box software solution in just 90 days is an advantage over the Company's competition.

In addition, the Company has made significant progress towards building a stable platform for growth over the past two years, including securing upgrade deals for more than 15 customers, representing 48% of last 12 months revenue and winning four new cloud customers. During the past several quarters, the Company benefited from migration delays by some departing customers who chose to extend their support contracts. The Company believes that the majority of the impacts of the known churn have been realized, and it anticipates the second quarter marks the low for Optiva's revenue as new business wins begin to be realized in 2024.

"We remain encouraged by the growth of our sales pipeline as demand for cloud-native software is accelerating. Our GTM team, backed by our growing R&D group, continues to have robust dialogue with new market entrants and telecom providers who see new opportunities. We are confident in the team's ability to convert these into long-term customers in the coming quarters. We are committed to completing the strategic transition and look forward to sharing these successes with the market," said Robert Stabile, Chairman of the Board of Directors and Chief Executive Officer of Optiva.

For more information about Optiva, please visit https://optiva.com/q2-2023-investor-presentation/

Business Highlights

- TCV of Q2'23 bookings totaled $20.0 million. On a trailing 12-month basis, TCV bookings totaled $83.4 million.

- Optiva and lifecell Ukraine were nominated and subsequently named as a finalist in TM Forum's 16th Annual Excellence Awards. TM Forum's prestigious awards recognize the organizations making a significant contribution to the acceleration of digital transformation throughout the industry; winners will be announced during DTW23 - Ignite in September 2023. Top communication service providers (CSPs) and solution providers around the globe are recognized for revolutionary work digitally transforming the telecommunications industry.

- Móvil Éxito selected Optiva for SaaS-Based BSS modernization on Google Cloud Platform to accelerate new revenue growth and MVNE monetization. Optiva's cloud-native BSS platform empowers Móvil Éxito to deliver a converged digital experience, enabling new service offerings that support innovative ways to increase profitability and drive customer loyalty by leveraging public cloud technology and automated operations.

- Optiva announced that Nova Energy, a leading energy company currently offering nationwide electricity, natural gas and broadband services, leverages Optiva BSS to launch its MVNO services in New Zealand. Optiva's BSS for MVNOs will provide Nova the flexibility to bundle mobile service with its other business lines enabling greater agility to conceive, configure and quickly launch innovative bundled plans and packages to deliver superior customer experience.

- During the second quarter, Optiva announced the following executive appointments:

  Robert Stabile, the current Chairman of the Board of Optiva, was appointed to serve as CEO. Stabile has been an Optiva board member since 2017 and was previously CFO of a high-growth fiber operator. His industry knowledge and relationships with customers and employees will ensure a smooth and seamless transition.

  Mary-Lynn Oke has been appointed Chief Financial Officer, effective July 1, 2023. With a proven track record in financial and strategic management, Oke will manage Optiva's financial operations and play a strategic role in facilitating the Company's further growth.

  Michele Campriani was appointed Chief Revenue Officer. Campriani has a proven track record in leading successful businesses and sales teams in the telecom industry. Campriani brings 30 years of industry knowledge and experience in strategic planning, sales and operations. He has held C-level and executive roles at Mobileum, Comptel, Empirix, Accanto Systems, Hewlett Packard and others.

Second Quarter 2023 Financial Results Highlights:

Q2 Fiscal 2023 Highlights	**Three Months Ended**		**Six Months Ended**	
($ US Millions, except per share information)		**June 30,**		**June 30,**
(Unaudited)	**2023**	**2022**	**2023**	**2022**
Revenue	11.1	15.4	23.7	31.5
Net Income (Loss)	(1.3)	(0.5)	(4.1)	1.3
Earnings (Loss) Per Share	($0.21)	($0.08)	($0.66)	$0.22
Adjusted Earnings (Loss) Per Share[(1)]	($0.21)	($0.11)	($0.66)	$0.00
Adjusted EBITDA[(1)]	(0.3)	3.7	0.7	7.5
Cash from (used in) operating activities	(1.1)	0.4	(2.8)	0.4
Total cash, including restricted cash	13.0	26.4	13.0	26.4

- Revenue for Q2’23 was $11.1 million. On a year-over-year basis, the change by revenue type included a $2.2 million decrease in support and subscription, a $2.1 million decrease in software and services, and third-party software and hardware revenue remained unchanged. The year-over-year decline in support and subscription reflects the run-off of a few customers who had previously notified the company of their intentions to replace Optiva. The drop in software and services is attributed partially to minor delays in customization and deployment activities, as well as Optiva’s shift towards more recurring than one-time revenues.

- Gross margin for Q2’23 was 65% compared to 71% during the same period in 2022. The decline in gross margin is primarily attributable to lower revenue from support and subscription, along with the impact of more customizations with lower margins ordered by customers that required fulfillment compared to the previous period. Gross margins may fluctuate as the Company proves out its cloud-native model and product capabilities to new and existing customers when they onboard the public or private cloud in future periods.

- General and administrative expenses (“G&A”) decreased to nil compared to $3.1 million during the same period in 2022. The decrease is mainly due to lower share-based compensation due to a reversal of unvested forfeited awards in the amount of $1.3 million and lower stock price, lower headcount-related costs and lower amortization costs. Excluding share-based compensation, amortization and depreciation, G&A expenses were $2.1 million Q2’23 compared to $2.2 million for Q2’22.

- Adjusted Earnings before interest, taxes, depreciation and amortization ("EBITDA")[1] for Q2’23 decreased to a loss of $0.3 million as compared to $3.7 million during the same period in 2022, primarily driven by lower gross margin.

- Net loss for Q2’23 was $1.3 million compared to a net loss of $0.5 million during the same period in 2022.

- The Company ended the second quarter with a cash balance of $13.0 million (including restricted cash). The Company consumed $1.1 million of cash in operating activities during the quarter.

1 EBITDA, Adjusted EBITDA, TCV and adjusted EPS are non-IFRS measures. These measures are defined in the "Non-IFRS Financial Measures" section of this news release.

Non-IFRS 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, one-time provision amounts, and any one-time 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 (in thousands of U.S. dollars).

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net Income (loss) for the period	$ (1,294)	$ (492)	$ (4,070)	$ 1,345
Add back / (subtract):				
Depreciation of property and equipment	166	144	323	236
Amortization of intangible assets	–	361	361	722
Finance income	(102)	(73)	(237)	(159)
Finance costs	2,392	2,238	4,757	3,413
Income tax expense	455	494	1,022	737
Foreign exchange loss	119	488	409	537
Share-based compensation	(2,055)	560	(1,858)	709
Adjusted EBITDA	$ (319)	$ 3,720	$ 707	$ 7,540

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.

TCV is the Total Contract Value of all bookings closed in the period.

About Optiva

Optiva Inc. is a leader in powering the telecom industry with cloud-native billing, charging and revenue management software on private and public clouds. Its products are delivered globally on the private and public cloud. The Company's solutions help service providers maximize digital, 5G, IoT and emerging market opportunities to achieve business success. Established in 1999, Optiva Inc. is on the Toronto Stock Exchange (TSX: OPT). For more information, visit www.optiva.com.

Caution Concerning Forward-Looking Statement

Certain statements in this document may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that 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. Forward-looking statements in this document include statements regarding the Company's "qualified pipeline", the TCV of the qualified pipeline and the Company's expectations regarding future revenues. These statements are forward-looking as they are based on our current expectations, as at August 14, 2023, about our business and the markets we operate in and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations include the risk that the Company will not secure contracts with customers that are included in its qualified pipeline, the risk that existing customers may decrease their spend with the Company and other risks that are discussed in the Company's most recent Annual Information Form, available on SEDAR at www.sedarplus.com and Optiva's website at www.optiva.com/investors/. Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Optiva does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

For additional information, please contact:

Media Contact:

Misann Ellmaker
media@optiva.com

Investor Relations:

Ali Mahdavi
investors-relations@optiva.com

OPTIVA INC.

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 12,182	$ 18,386
Trade accounts and other receivables	8,396	7,535
Unbilled revenue	14,823	17,821
Prepaid expenses	2,090	1,938
Income taxes receivable	3,923	3,820
Other assets	627	610
Total current assets	42,041	50,110
Restricted cash	775	1,948
Property and equipment	1,108	1,221
Deferred income taxes	330	376
Long-term unbilled revenue	387	332
Intangible assets	-	360
Goodwill	32,271	32,271
Total assets	$ 76,912	$ 86,618
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	$ 2,058	$ 3,147
Accrued liabilities	9,290	11,624
Income taxes payable	4,358	4,365
Deferred revenue	1,782	1,995
Total current liabilities	17,488	21,131
Deferred revenue	220	403
Other liabilities	1,672	2,302
Pension and other long-term employment benefit plans	91	713
Debentures	88,107	87,716
Deferred income taxes	440	433
Total liabilities	108,018	112,698
Shareholders' equity (deficit):		
Share capital	270,560	270,560
Contributed surplus	14,985	15,941
Deficit	(320,700)	(316,630)
Accumulated other comprehensive income (loss)	4,049	4,049
Total shareholders' equity (deficit)	(31,106)	(26,080)
Total liabilities and shareholders' equity (deficit)	$ 76,912	$ 86,618

OPTIVA INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in thousands U.S. dollars, except per share and share amounts)
(Unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue:				
Support and subscription	$ 7,547	$ 9,660	$ 15,985	$ 19,958
Software licenses, services and other	3,544	5,738	7,756	11,576
	11,091	15,398	23,741	31,534
Cost of revenue	3,894	4,456	7,877	8,527
Gross profit	7,197	10,942	15,864	23,007
Operating expenses:				
Sales and marketing	2,745	2,015	5,264	4,834
General and administrative	8	3,062	2,486	6,236
Research and development	2,874	3,210	6,233	6,064
	5,627	8,287	13,983	17,134
Income from operations	1,570	2,655	1,881	5,873
Foreign exchange loss	(119)	(488)	(409)	(537)
Finance income	102	73	237	159
Finance costs	(2,392)	(2,238)	(4,757)	(3,413)
Income (loss) before income taxes	(839)	2	(3,048)	2,082
Income taxes (recovery):				
Current	408	510	979	695
Deferred	47	(16)	43	42
	455	494	1,022	737
Total net income (loss) and comprehensive income (loss)	$ (1,294)	$ (492)	$ (4,070)	$ 1,345
Income (loss) per common share:				
Basic	$ (0.21)	$ (0.08)	$ (0.66)	$ 0.22
Diluted	(0.21)	(0.08)	(0.66)	0.22
Weighted average number of common shares (thousands):				
Basic	6,178	6,178	6,178	6,178
Diluted	6,178	6,178	6,178	6,178

OPTIVA INC.

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ (1,294)	$ (492)	$ (4,070)	$ 1,345
Adjustments for:				
Depreciation of property and equipment	166	144	323	236
Amortization of intangible assets	–	361	361	722
Finance income	(102)	(73)	(237)	(159)
Finance costs	2,392	2,238	4,757	3,413
Pension	(216)	(592)	(642)	(1,705)
Income tax expense	455	494	1,022	737
Unrealized foreign exchange gain	46	(834)	(11)	(1,344)
Share-based compensation	(2,055)	560	(1,858)	709
Change in non-cash operating working capital	(175)	(1,131)	(1,503)	(1,671)
	(783)	675	(1,858)	2,283
Interest paid	-	(11)	(6)	(22)
Interest received	81	27	192	59
Promissory note paid	–	–	–	(2,000)
Income taxes (paid) received	(363)	(282)	(1,105)	37
	(1,065)	409	(2,777)	357
Financing activities:				
Payment of interest on loans and borrowings	–	–	(4,424)	(4,424)
	–	–	(4,424)	(4,424)
Investing activities:				
Purchase of property and equipment	(22)	(416)	(200)	(524)
Decrease in restricted cash	395	23	1,173	15
	373	(393)	973	(509)
Effect of foreign exchange rate changes on cash and cash equivalents	(47)	381	24	585
Increase (decrease) in cash and cash equivalents	(739)	397	(6,204)	(3,991)
Cash and cash equivalents, beginning of period	12,921	25,199	18,386	29,587
Cash and cash equivalents, end of period	$ 12,182	$ 25,596	$ 12,182	$ 25,596