OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTER ENDED MARCH 31, 2022

DATED: May 10, 2022

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") for the three month period ended March 31, 2022.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 prepared in accordance with IAS 34 "Interim Financial Reporting", and the audited consolidated financial statements for the fiscal year ended 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 May 10, 2022.

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.

RISKS AND UNCERTAINTIES

- The Company's strategy depends on its ability to realize the benefits of its investment in its product roadmap. The Company may generate losses while it executes on its strategy of investing in innovating and modernizing its Business Support System ("BSS") solutions and applications, specifically relating to cloud based products. Unanticipated declines in revenue or increases in expenses or liabilities in the near term, or slow adoption of Optiva cloud-based products by customers in the longer term, may result in the Company not being able to satisfy its financial obligations without further financing.

- Failure of the Company's solutions could expose the Company to significant liabilities. The Company's solutions are critical for its customers to deliver and monetize services on their networks. If the Company does not successfully deploy its solutions or if customers experience system outages caused by the Company's software, the Company may be exposed to significant liabilities associated with unplanned remediation costs, penalties and claims for damages.

- The Company faces intense competition and many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources. The Company's relatively small size and recent operating history may be considered negatively by prospective end-users. If the Company does not compete effectively, the Company's revenue may not grow and could decline.

- The Company’s ability to recruit and retain personnel is crucial to its ability to develop, market, sell and support its products and services.

- The Company’s quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may materially adversely impact its results of operations.

- The Company is exposed to credit risk related to accounts receivable from customers and unbilled revenue related to on-going customer projects. If customers fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company’s estimated default rates, the Company’s business, financial condition and results of operation could be materially adversely affected.

- A substantial portion of the Company’s revenue and expenses are transacted in currencies other than the Company’s functional currency of U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and these currencies may have a material adverse effect on the Company’s business, financial condition and operating results.

- The tax laws of various jurisdictions in which the Company conducts business have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm’s length pricing principles and that contemporaneous documentation exists to support such pricing. If any of the Company’s transfer pricing policies are successfully challenged, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges, which could have a significant impact on the Company’s future earnings and future cash flows.

- As previously disclosed, on July 20, 2020, the Company completed the redemption of its outstanding preferred shares and completed a concurrent offering of 9.75% senior secured PIK toggle debentures due 2025 (“Debentures”) in the principal amount of $90.0 million, the proceeds of which were used to fund the preferred share redemption. In connection with and following these transactions, almost all of the Company’s Board was refreshed with new directors. The Company subsequently hired a new Chief Executive Officer at end of 2020. The Company’s strategy has and may continue to change as a result of these changes in its capital structure and related changes to the composition of the Company’s Board and management and shareholder base.

- The Debentures represent a significant amount of indebtedness of the Company, the principal amount of which must be repaid on or before July 20, 2025. The Company’s ability to pay principal and cash interest when due on the Debentures will depend on the success of the Company’s operations and the Company’s financial condition over the long term. If, and to the extent, the Company has insufficient cash to pay its debt obligations, cash from other sources will be required or the Company may be required to pay interest in-kind through the issuance of additional Debentures. The Company might also be required to sell some or all of its assets to meet its obligations, or to seek an extension to the Debentures, or to seek alternative debt or equity financing. The sale of some of the Company’s assets and properties to satisfy the amounts owed pursuant to the Debentures could result in the partial or total loss of the Company’s assets. If a sale, extension or refinancing is not obtained or consummated, the Company could default on its obligations.

- The Company currently does not have any credit facility and relies on its own cash to meet its liquidity needs. The Company collects its cash from customers in various jurisdictions; there is a risk that repatriation of cash from foreign jurisdictions may take longer than anticipated, be subject to withholding taxes or be disrupted due to events outside the control of the Company. This may result in the Company being unable to meet its obligations when they become due.

- The Company is, has been and expects to continue to be dependent on a relatively small number of customers for a large percentage of its revenue. If one or more of the Company’s end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company’s products or services, the Company’s business, results of operations and financial condition could be materially adversely affected.

- The Company may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied.

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

OVERVIEW

Optiva is a leading and innovative provider of cloud-native monetization products on the private and public cloud to Communication Service Providers (“CSPs”) worldwide.

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

The 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.

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

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

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

Optiva supports the telecommunication industry with the following market solutions:

- **Optiva Charging Engine** – Optiva's highly scalable, convergent charging solution is a 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 runs natively on Google Cloud Platform and it is also available on an OpenShift infrastructure on a private cloud. Kubernetes and the customization framework enables fast adaptation to the market and new use cases with the shortest time to market and among the lowest total cost of ownership (TCO) in the world. Today, Optiva's scalable solution is supporting more than 200 million subscribers at a single customer and enables operators to launch and monetize their 4G and 5G networks and deliver advanced data services, including Voice over LTE ("VoLTE"), machine to machine, IoT, cloud services, and OTT offerings.

- **Optiva BSS Platform** – Optiva BSS Platform™ provides a fully managed, end-to-end, cloud-native converged charging and billing solution on the private and public cloud. For CSPs, including MNOs, MVNEs, and MVNOs, Optiva BSS Platform™, re-architected to be cloud-native and made available on the public cloud, is Optiva's leading proposition in the software-as-a-service ("SaaS") market. The multi-tenant platform allows customers the freedom to focus on their business, not on deploying and managing enterprise software. Customers can design marketing plans, load subscribers, and deploy their services without having to install software on premise. With Optiva BSS Platform™, customers can run an end-to-end BSS stack with all of the mandatory components such as unified rating and charging, billing, customer care and self-care, product catalog, payments and voucher management, collections and settlements, and dealer care.

- **Policy Control** – Optiva's Policy Control solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for users, and offer personalized services and differentiated, service-specific charging. Optiva's Policy Control solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming, and VoLTE, and is a key to Optiva value proposition to 5G.

- **Optiva Wholesale Billing™** – Optiva Wholesale Billing™ is a cloud-based solution that provides operators with greater visibility into network transactions to achieve converged settlement and accurate interconnect billing. Optiva's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management, and content settlement software solution.

- **Optiva Payment Solution –** Optiva's Payment Solution strengthens a customer's ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions. Optiva's solution allows service providers to offer end-users the most convenient payment solutions in their market.

OUTLOOK

Investment in Cloud Innovation Initiatives

The Company believes the telecom industry will continue to shift its BSS products and applications to the cloud and demand solutions from its vendors that can offer a cloud-native architecture. 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 working with other strategic partners to enhance its R&D activities. The Company continues to evaluate the need and timing of additional funding and any evolution of our strategy.

COVID-19 OPERATIONAL UPDATE

COVID-19 continues to significantly impact Canadians and economies around the world. In March, 2020, the Company took swift action to ensure the health and safety of our team members, and to mitigate the business impact on the Company caused by the unprecedented global economic disruption. At the onset of the pandemic, the Company adopted a mandatory work-from-home program which will continue to remain in place until such time the Company has clear guidance from government authorities in various jurisdictions, with respect to this pandemic. As substantially all of the Company's day-to-day activities can be fully performed by personnel working remotely, the Company has been able to remain fully operational during this period, and continues to seek new revenue opportunities, execute on its product development roadmap and generate consistent revenue from our existing customer base. The

Company is in compliance with all federal, provincial and municipal regulations that have been put in place since the beginning of the pandemic. The Company will continue to closely monitor developments in this regard, with the health and safety of the Company's employees and management as the primary concern. The Company has not experienced any significant impact to the COVID-19 pandemic.

GEOPOLITICAL UPDATE

In February 2022 Russian forces entered the 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.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Q1 Fiscal 2022 Highlights	**Three Months Ended**	
($ US Thousands, except per share information)		**March 31,**
(Unaudited)	**2022**	**2021**
Revenue	16,136	16,091
Net Income	1,837	16,698
Earnings Per Share	$ 0.30	$ 3.14
Cash used in operating activities	(53)	(3,352)
Total cash, including restricted cash	25,999	10,637

The net income last year was mainly higher due to the reduction in value of the Series A and Standby Warrant of $13.6 million.

Consolidated Statements of Comprehensive Income (loss) (all amounts in thousands of US$, except per share amounts)	Three Months Ended March 31,	
(unaudited)	**2022**	**2021**
Revenue		
Support and subscription	10,299	12,788
Software, services and other	5,837	3,303
Total Revenue	**16,136**	**16,091**
Cost of revenue	4,071	3,675
Gross profit	**12,065**	**12,416**
Operating expenses		
Sales and marketing	2,819	1,787
General and administrative	3,174	4,458
Research and development	2,854	517
Total Operating Expenses	**8,847**	**6,762**
Income from operations	**3,218**	**5,654**
Foreign exchange gain (loss)	(49)	307
Finance income	86	72
Finance (costs) recovery	(1,175)	11,193
Income (loss) before income taxes	**2,080**	**17,226**
Income tax expense	243	528
Net Income for the period	**1,837**	**16,698**
Earnings per common share		
Basic	$ 0.30	$ 3.14
Diluted	$ 0.30	$ 3.01
Weighted average number of common shares (thousands)		
Basic	6,178	5,316
Diluted	6,178	5,544

Statement of Financial Position Data *$US Thousands* *(unaudited)*	As at March 31, 2022	As at December 31, 2021	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	25,999	30,379	(4,380)	(14%)
Trade Accounts, Other Receivables and Unbilled Revenue	21,345	18,290	3,055	17%
Goodwill and Intangible Assets	33,714	34,076	(362)	(1%)
Total Assets	89,264	92,660	(3,396)	(4%)
Trade Payable and Accrued Liabilities	10,304	14,989	(4,685)	(31%)
Deferred Revenue	5,462	4,146	1,316	32%
Provisions	4,200	4,200	-	0%
Other long-term liabilities	10,745	12,264	(1,519)	(12%)
Debentures	87,162	86,990	172	0%
Preferred Shares and Series A Warrant	512	1,668	(1,156)	(69%)
Total Liabilities	122,094	127,725	(5,631)	(4%)
Shareholders' Deficit	(32,830)	(35,064)	2,234	(6%)

CURRENT PERIOD OPERATING RESULTS

Revenue

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

$US Thousands (unaudited)	Three Months Ended March 31, 2022	 2021
Support and Subscription	10,299	12,788
Software and Services	5,784	3,302
Third Party Software and Hardware	53	1
Total	**16,136**	**16,091**

Percentage of Total Revenue (unaudited)	Three Months Ended March 31, 2022	 2021
Support and Subscription	64%	79%
Software and Services	36%	21%
Third Party Software and Hardware	0%	0%
Total	**100%**	**100%**

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

For the three-month period ended March 31, 2022, the Company's total revenue remained consistent at $16.1 million compared to the same period last year. The change by revenue type for the quarter ended March 31, 2022, is as follows: $2.5 million decrease in support and subscription revenue, $2.5 million increase in software and services revenue and no change in third-party software and hardware revenue.

Support and Subscription Revenue

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

Support and subscription revenue for the three-month period ended March 31, 2022, was $10.3 million, or 64% of total revenue, compared to $12.8 million, or 79% of total revenue, for the same period last year. The decrease in support and subscription revenue compared to last period is mainly due to the discontinuation of support to customers who had previously notified us of their exit.

Software and Services Revenue

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

Software and services revenue for the three-month period ended March 31, 2022, increased to $5.8 million, or 36% of total revenue, compared to $3.3 million, or 21% of total revenue for the same period last year. The increase in software and services revenue compared to last year is mainly due to higher number of software implementations 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 March 31, 2022 remained the same at $0.1 million, compared to the same period last year. Management continues its initiative to minimize the sale of third-party software and hardware components, which have minimal contribution to overall profitability.

Revenue by Geography

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

$US Thousands (unaudited)	**Three Months Ended March 31, 2022**	**2021**
Asia and Pacific Rim	2,472	4,115
North America, Latin America and Caribbean	4,529	4,707
Europe, Middle East and Africa	9,135	7,269
Total	**16,136**	**16,091**

Percentage of Total Revenue (unaudited)	**Three Months Ended March 31, 2022**	**2021**
Asia and Pacific Rim	15%	26%
North America, Latin America and Caribbean	28%	29%
Europe, Middle East and Africa	57%	45%
Total	**100%**	**100%**

For the three-month period ended March 31, 2022, revenue from the APAC region was $2.5 million, or 15% of total revenue, compared to $4.1 million, or 26% of total revenue, for the same comparable period. This decrease is mainly a result of lower support and subscriptions revenue in the region from loss of certain customers.

For the three-month period ended March 31, 2022, revenue from the Americas region decreased to $4.5 million, or 28% of total revenue, compared to $4.7 million, or 29% of total revenue, for the same comparable period. The decrease is mainly due to lower support revenue in the region.

For the three-month period ended March 31, 2022, revenue from the EMEA region increased to $9.1 million, or 57% of total revenue, compared to $7.3 million, or 45% of total revenue, for the same comparable period. The increase in revenue during the three months ended March 31, 2022, is mainly a result of higher revenue from software implementation in the region, compared to the same period last year.

Cost of Revenue and Gross Margin

Cost of revenue consists of cross-functional personnel costs providing professional services to implement and provide post-sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Optiva's solutions. In addition, cost of revenue includes an allocation of certain direct and indirect costs attributable to these activities and expected losses on any contracts when it is probable that the total contract costs will exceed contract revenues. Personnel levels are determined based on expected revenue and support demand levels; therefore, gross margin as a percentage of revenue can vary significantly from quarter to quarter.

For the three months ended March 31, 2022, cost of revenue increased to $4.1 million from $3.7 million incurred for the same comparable period. The marginal increase in cost of revenue was due to higher headcount cost related to higher software and services revenue. The gross margin for the quarter marginally decreased to 75% in the three months ended March 31, 2022, compared to 77% in the three months ended March 31, 2021.

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 March 31, 2022, increased to $8.8 million as compared to $6.8 million in the same period last year. Excluding depreciation and amortization costs, total operating costs in the quarter ended March 31, 2022, increased to $8.4 million, or 52% of total revenue, compared to $6.4 million, or 40% of total revenue, for the same period last year. The increase in overall operating expenses (excluding depreciation and amortization costs) is mainly attributable to higher sales and marketing, higher R&D costs offset by lower general and administrative costs, as further explained below by function.

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

$US Thousands (unaudited)	**Three Months Ended March 31,**	
	2022	**2021**
Sales and Marketing	2,819	1,787
General and Administrative	3,174	4,458
Research and Development	2,854	517
Total Operating Expenses	**8,847**	**6,762**
Excluding Amortization and Depreciation	*8,394*	*6,399*

Percentage of Total Revenue (unaudited)	**Three Months Ended March 31,**	
	2022	**2021**
Sales and Marketing	17%	11%
General and Administrative	20%	28%
Research and Development	18%	3%
Total Operating Expenses	**55%**	**42%**
Excluding Amortization and Depreciation	*52%*	*40%*

Sales and Marketing Expenses

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

For the three-month period ended March 31, 2022, S&M expenditures increased to $2.8 million, or 17% of total revenue, compared to $1.8 million, or 11% of total revenue, compared to the same comparable period. The increase in three months ended March 31, 2022 is mainly due to higher headcount and related costs related to ramp-up of sales efforts, increase in sales commissions 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 March 31, 2022, G&A expenditures decreased to $3.2 million, or 20% of total revenue, from $4.5 million, or 28% of total revenue, compared to the same comparative period. The decrease is mainly due to lower compensation costs, lower legal and advisory costs related to activities of the special committee of the Board incurred last year and lower stock-based compensation.

Research and Development Expenses

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

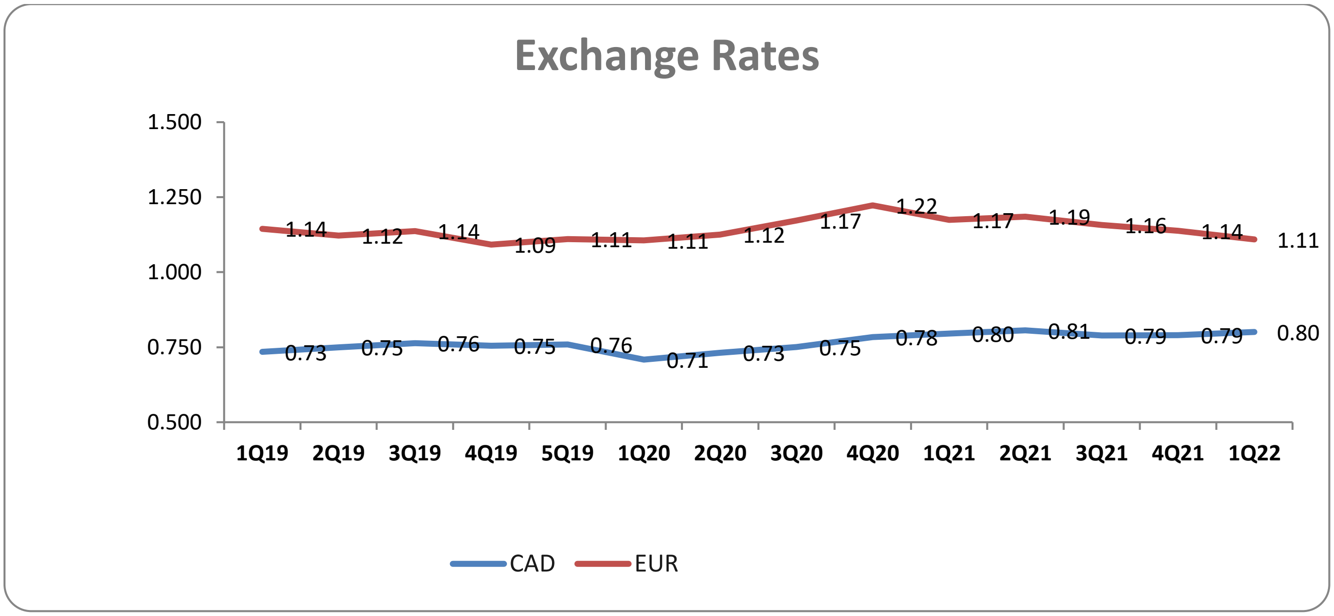
For the three-month period ended March 31, 2022, R&D expenditures increased to $2.9 million, or 18% of total revenue, from $0.5 million, or 3% of total revenue, as compared to the same comparative period.

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 marginally increased to $2.9 million compared to $2.6 million last year. The increase is mainly due to 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 graph below displays the change in rates of our significant currencies relative to the U.S. Dollar.



The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. For the three months ended March 31, 2022, the Company had a foreign currency exchange loss of $0.1 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 months ended March 31, 2022.

A change in foreign exchange rates as at March 31, 2022, of 10% would result in a gain or loss of approximately $1.6 million arising from the translation of the Company's foreign currency-denominated monetary assets and liabilities as at March 31, 2022. This foreign currency gain or loss arising from translation would be recorded in the condensed consolidated interim statements of comprehensive income.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the three months ended March 31, 2022 mainly includes less than $0.1 million (three months ended March 31, 2021 - $0.2 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $0.1 million (three months ended March 31, 2021 – 0.4 million) of foreign withholding taxes. The Company's deferred tax expense of $0.1 million (three months ended March 31, 2021 – recovery of less than $0.1 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.

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 Thousands, except share and per share amounts (Unaudited)	1Q 22	4Q 21	3Q 21	2Q 21	1Q 21	4Q 20	3Q 20	2Q 20
Revenue	$16,136	$16,169	$16,666	$16,311	$16,091	$18,142	$18,804	$19,933
Net Income (loss)	$ 1,837	$(3,310)	$ 3,783	$ 1,331	$ 16,698	$ 1,670	$(29,221)	$(14,777)
Earnings (loss) per Share	$ 0.30	$(0.54)	$ 0.62	$ 0.22	$ 3.14	$ 0.31	$(5.50)	$(2.78)
Diluted Earnings (loss) per Share	$ 0.30	$(0.54)	$ 0.61	$ 0.22	$ 3.01	$ 0.29	$(5.50)	$(2.78)
Weighted average shares outstanding – Basic (thousands)	6,178	6,154	6,151	6,076	5,316	5,316	5,316	5,316
Weighted average shares outstanding - Diluted (thousands)	6,178	6,154	6,159	6,128	5,544	5,698	5,316	5,316

Revenue this quarter has been stable compared to the previous quarter as well as the same period in the prior year. The net loss in the previous quarter 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 was 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. The net loss in the second quarter of 2020 was mainly due to increases in fair value of the warrant liability and the cloud related spend. There is a significant variability in the net income or loss due to the change in fair value of the warrant liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital resources is to ensure sufficient liquidity to drive its organic growth, fund operations, complete its restructuring actions and implement its strategic plan, while managing financial risk. The Company currently funds its operations and capital expenditure requirements through cash flows generated by operating activities, proceeds from the issuance of equity instruments (including common shares, warrants and preferred shares), proceeds from the issuance of debentures and cash on hand. The Company believes its restructuring activities as it relates to workforce and facility optimization are 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. Approximately 10% (December 31, 2021 – 3%) of our cash is in foreign subsidiaries, where repatriation to the parent Company in Canada could take longer than 30 days.

Key Balance Sheet Amounts and Liquidity Ratios	**As at March 31,**	**As at December 31,**		
$US Thousands, except ratios and metrics (unaudited)	**2022**	**2021**	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	25,999	30,379	(4,380)	(14%)
Trade Accounts Receivable	6,410	4,169	2,241	54%
Working capital	26,876	26,576	300	1%
Days sales outstanding in trade accounts receivable (days)	30	25	5	20%
Days sales outstanding in unbilled revenue (days)	66	52	14	27%

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 $4.4 million to $26.0 million at March 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 marginally increased by $0.3 million to $26.9 million at March 31, 2022, from $26.6 million at December 31, 2021. This is mostly related to increase in accounts receivable and unbilled revenue, decrease in accounts payable and accrued liabilities offset by decrease in cash and prepaid expenses.

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

Statement of Cash Flows Summary	**Three months ended**	
($ US Thousands)		**March 31,**
(Unaudited)	**2022**	**2021**
Cash inflows and (outflows) by activity:		
Operating activities	(53)	(3,352)
Investing activities	(116)	(47)
Financing activities	(4,424)	(4,413)
Effect of FX changes on cash and cash equivalents	205	112
Net cash inflows (outflows)	(4,388)	(7,700)
Cash and cash equivalents, beginning of period	29,587	17,664
Cash and cash equivalents, end of period	25,199	9,964
Cash (including Restricted Cash), end of period	25,999	10,637

Cash From (Used for) Operating Activities

Net cash used by operating activities was $0.1 million in the three months ended March 31, 2022, compared to use of cash of $3.4 million in the same period last year. Cash used by operating activities in the three months ended March 31, 2022, mainly relates to cash used in working capital offset by operating income and recovery of cash taxes during the quarter. For the quarter ended March 31, 2021, net cash used by operating activities was $3.4 million mainly related to cash used in working capital and cash taxes paid during the quarter offset by operating income.

Cash From (Used for) Investing Activities

In the three months ended March 31, 2022, there was $0.1 million of cash used in investing activities, compared to cash used of $0.1 million during the same period in fiscal 2021. The use of cash in year ending March 31, 2022 mainly relates to purchase of some computer hardware.

Cash From (Used for) Financing Activities

In the three months ended March 31, 2022, net cash used in financing activities was $4.4 million. The use of cash during the three months ended March 31, 2022 was related to interest paid on loans and borrowings. The use of cash in the year ended March 31, 2021 relates to 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), Subordinated Voting Shares and Standby Warrant (classified as liability in 2021 vs equity in 2020). 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.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company’s DSO in Trade Accounts Receivable is at 30 days as of March 31, 2022, compared to 25 days as of December 31, 2021. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company also maintains credit insurance in certain jurisdictions. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

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

The allowance for doubtful accounts as at March 31, 2022, was $0.1 million, compared to $0.2 million as at December 31, 2021. Estimates for allowance for doubtful accounts are determined based on an evaluation of collectability by customer and project at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED AND DEFERRED REVENUE

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

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

Unbilled revenue increased by $1.1 million to $12.2 million at March 31, 2022, as compared to $11.1 million as at December 31, 2021.

Deferred revenue increased by $1.3 million to $5.5 million at March 31, 2022, as compared to $4.2 million at December 31, 2021.

OTHER PROVISIONS

The balance at March 31, 2022 in other provision includes estimated costs to settle contractual disputes. Management's provision reflects changes in the status of the claims, expected outcomes and costs to settle, if any. Estimates are preliminary and subject to adjustment based on changes in facts and circumstances, such changes could be material.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may significantly exceed the Company's estimate of the provision at March 31, 2022.

OUTSTANDING SHARE DATA

The number of common shares outstanding as at May 10, 2022, is 6,177,581 (December 31, 2021 – 6,177,581). In addition, at March 31, 2022, there were 357,087 (December 31, 2021 – 270,239) stock options outstanding with exercise prices ranging from CAD $32.45 to CAD $186.00 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 March 31, 2022 (as at December 31, 2021 – 925,712 and 50,000, respectively).

SHARE CAPITAL

(a) Series A Warrant and Standby Warrant:

As part of a financing transaction, the Company issued a Series A Warrant on January 26, 2017 to ESW Holdings, Inc. (the "Investor") that entitles the Investor to subscribe for 925,712 common shares at $34.00 per share. The Series A Warrant is classified as a liability and measured at its estimated fair value. The decrease in fair value of the Series A Warrant liability of $1.1 million during the three months ended March 31, 2022 (three months ended March 31, 2021 – decrease of $13.0 million) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss).

In addition, upon closing of a rights offering of its common shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 common shares at $25.00 per share (the "Standby Warrant").

On March 11, 2021, under the Separation Agreement with ESW, in connection with amendments to certain provisions of the Standby Warrant, this instrument is classified as a financial liability and measured at its estimated fair value. The decrease in fair value of the Standby Warrant liability of $0.1 million during the three months ended March 31, 2022 (three months ended March 31, 2021 – decrease of $0.7 million) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss).

Under the Separation Agreement, any unexercised Series A Warrant and the Standby Warrant expires on March 1, 2023. No Series A or Standby Warrant was exercised as at March 31, 2022 (year ended March 31, 2021 – none).

(b) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three months ended March 31, 2022 was an expense of $0.1 million (three months ended March 31, 2021 – expense of $0.7 million).

DEBENTURES

On July 20, 2020, the Company closed a $90.0 million financing (the "Debenture Financing") of 9.75% secured PIK toggle Debentures due 2025. The Debentures are guaranteed by certain of the Company's subsidiaries and constitute senior secured obligations of the Company.

As at March 31, 2022, $90.0 million (December 31, 2021 - $90.0 million) is outstanding and interest computed on a 365-day (or 366-day, as applicable) basis, payable semi-annually on July 20 and January 20 of each year commencing on January 20, 2021. The Company incurred $3.9 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the three months ended March 31, 2022, $0.2 million of deferred financing fees was amortized, (three months ended March 31, 2021 - $0.2).

For the three ended March 31, 2022, interest expense of $2.2 million (for three onths ended March 31, 2021 - $2.2 million) in connection with Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

RELATED PARTY TRANSACTIONS

Related Party Service Agreements

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

On March 11, 2021, as a part of the Separation Agreement, ESW also agreed to terminate all of its related party agreements with Optiva.

In connection with the termination of the DevFactory Agreements, the Company delivered to DevFactory a promissory note in the principal amount of $2.0 million that was accepted as full and complete satisfaction of the $4.1 million owing by the Company to DevFactory under the DevFactory Agreements. The maturity date of the promissory note is twelve months from date of the agreement. The promissory note was paid in full in February 2022.

The forgiveness of $2.0 million was credited to research and development expenses in the condensed consolidated interim statements of comprehensive income (loss) in the three-month period ended March 31, 2021.

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

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

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

Changes in Internal Controls over Financial Reporting

Effective 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.

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.

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.