OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED MARCH 31, 2020

DATED: May 11, 2020

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Optiva Inc. (the "Company" or "Optiva") for the first quarter ended March 31, 2020. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020 and the audited consolidated financial statements for the fiscal year ended December 31, 2020, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). In 2019, the Board of Directors approved a change in the Company's fiscal year end from September 30 to December 31.

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The consolidated financial statements and the MD&A have been reviewed by Optiva's Audit Committee and approved by its Board of Directors of the Company on May 11, 2020.

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

FORWARD-LOOKING STATEMENTS

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

RISKS AND UNCERTAINTIES

- The Company's strategy can change should there be a material change of control, including the Board composition, as a result of shareholder activism.
- The Company’s strategy depends on its ability to realize the benefits of its restructuring and strategic plan. The Company may continue to generate losses while it executes on its strategy of investing all of its expected earnings otherwise generated in cloud innovation. Unanticipated declines in revenue or increases in expenses or liabilities in the near term, and lack of customer adoption of cloud products in the longer term, may result in the Company not being able to satisfy its financial obligations without further financing.
- Failure of our solutions could expose the Company to significant liabilities. The Company’s solutions are critical to our customers’ ability to deliver and monetize services on their networks. If the Company fails to successfully deploy its solutions or if customers experience system outages caused by our software, the Company may be exposed to significant liabilities associated with unplanned remediation costs, penalties and claims for damages.
- The Company faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenue may not grow and could decline. Many of the Company’s competitors and potential competitors have significantly greater financial, technical, marketing or service resources than the Company. The Company’s relatively small size and recent operating history may be considered negatively by prospective end-users.
- 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 harm 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 Company has entered into long term contracts with related parties, and will be purchasing significant development services and accessing skilled resources from these parties that are critical to the future success of the Company. The Company may not be able to fulfill its contractual obligations with its customers or may be exposed to significant operational and financial risks should these related parties experience disruption in their operations, go out of business or choose not to work with the Company.

- The market for the Company's products depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of a global health crisis or hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties 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 Inc. is a leading company providing communication service providers ("CSPs") worldwide with cloud-native revenue management software on the public cloud. Operators and Mobile Virtual Network Operators ("MVNOs") can integrate our best-of-breed charging engine into a Business Support Systems ("BSS") stack or deploy our fully managed, end-to-end, SaaS-based platform. Optiva solutions offer unmatched speed, scale, security, and savings. Our market knowledge, analytical insights, and unique Customer Success Program ensure telecoms are equipped to achieve their strategic business goals.

Established in 1999, Optiva Inc. is on listed the Toronto Stock Exchange (TSX: OPT). 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-enabled, real-time converged charging, billing, and customer care platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, billing, product catalog, order management, 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 4, on the cloud or on-premise. It enables a digital customer journey delivering innovative end-user services from real-time offerings to digital 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 full cloud-enabled platform for private and public cloud. It monetizes any type of transaction and enables a smooth transition from a traditional telco business to digital CSP as a single monetization platform. The solution runs most efficiently with Google Cloud Platform ("GCP") and scales with Google Spanner above 500k transactions per second ("TPS"). Kubernetes and the customization framework enables fast adaptation to the market and new use cases with the shortest time to market and lowest total cost of ownership ("TCO") in the world. Today, Optiva's scalable solution is supporting more than 200 million subscribers at a single customer and enables operators to launch and monetize their 4G and 5G networks and deliver advanced data services, including Voice over LTE ("VoLTE"), M2M, IoT, cloud services, and Over the Top offerings.

- **Optiva BSS Platform** – Optiva BSS Platform provides a fully managed, end-to-end, cloud-native converged billing solution on the public cloud. For CSPs, including Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs"), and MVNOs, Optiva BSS Platform, re-architected to be cloud-native and made available on the public cloud, is Optiva's new entry into the 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 on the public cloud: customer care, product catalog, unified rating and charging, customer self-care, payments and voucher management, billing and collections, order handling, policy control, dealer care, and wholesale settlement. Public cloud offers rapid, unlimited scale with capability for worldwide reach without the costs and complexities of bare metal or virtualized enterprise software deployments. Customers also benefit from a worry-free SaaS model, pay-as-you-grow pricing, lowest TCO with up to 80% savings, and rapid deployment capabilities. Public cloud deployment is 100% containerized, Kubernetes-based, and Oracle-free. Deployment, upgrades, testing, and configuration management are automated, using a continuous integration and deployment pipeline.

- **Policy Management** – Optiva's Policy Management 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 Management solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming, and VoLTE.

- **Wholesale Settlement** – Optiva's Wholesale Settlement 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.

- **E-Payments –** Optiva's e-payment solutions strengthen 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

Management Changes

On May 11, 2020, the Company announced that Danielle Royston provided notice of her resignation as Chief Executive Officer of the Company. Ms. Royston's resignation will be effective on August 9, 2020, following a 90-day notice period, and Ms. Royston will continue to serve as Chief Executive Officer through the notice period. The resignation followed recent compensation requests from Ms.

Royston that the Board of Directors of the Company declined to meet. The Board of Directors will be engaging an executive search firm to conduct a search for a new Chief Executive Officer.

Investment in Cloud Innovation Initiatives

The Company believes the telecom industry will continue to shift its service platforms to the Public Cloud, and demand solutions from its vendors that can offer Cloud based products. Accordingly, Management is investing aggressively in upgrading its product offering to become fully Cloud-based. Substantially all of the revenues generated from Optiva's current legacy system offering are expected to eventually decline to zero, and the Company expects will be offset by new revenues generated by the Company's Cloud product offering. Management believes this transition will take many years due to the complicated technology, regulatory, and security structures faced by the Telecom Industry.

For the three months ended March 31, 2020, the Company spent approximately $8.2 million (Three months ended March 31, 2019 – $2.0 million) on Cloud innovation initiatives recorded as research and development expense in the consolidated statements of comprehensive loss. The life-to-date total spend on the Cloud innovation initiative has been approximately $36.4 million. The Company plans to spend up to another $63.6 million on Cloud innovation, including the Company's move to public cloud-based solutions and its partnership with Google, for a total estimated investment of approximately $100 million. The Company intends to raise additional capital of up to $100 million to accelerate its investment in Cloud innovation. Completion of any financing is dependent upon terms that are acceptable to the Company, obtaining necessary regulatory approvals, and under certain circumstances, consent from the preferred shareholder may be required. The Company continues to work with its legal and financial advisors to explore opportunities to raise additional financing to fund its strategic plan.

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 2020 Highlights	**Three Months Ended**	
($ US Thousands, except per share information)		**March 31,**
(Unaudited)	**2020**	**2019**
Revenue	19,037	24,942
Net income	808	478
Earnings Per Share	$ 0.15	$ 0.09
Cash generated from (used in) operating activities	(240)	1,053
Total cash, including restricted cash	30,286	36,300

Consolidated Statements of Comprehensive Income (all amounts in thousands of US$, except per share amounts) **(unaudited)**	**Three Months Ended March 31, 2020**	**2019**
Revenue		
Support and subscription	15,116	17,103
Software, services and other	3,921	7,839
Total Revenue	**19,037**	**24,942**
Cost of revenue	5,354	8,905
Gross profit	**13,683**	**16,037**
Operating expenses		
Sales and marketing	3,024	3,585
General and administrative	5,464	4,000
Research and development	11,924	6,305
Restructuring costs	116	1,086
Total Operating Expenses	**20,528**	**14,976**
Income (loss) from operations	**(6,845)**	**1,061**
Foreign exchange loss	(1,884)	1,153
Finance income	86	59
Finance (costs) recovery	9,763	(1,218)
Income before income taxes	**1,120**	**1,055**
Income tax expense	312	577
Net Income for the period	**808**	**478**
Earnings per common share		
Basic	$ 0.15	$ 0.09
Diluted	$ 0.14	$ 0.08
Weighted average number of common shares (thousands)		
Basic	5,316	5,243
Diluted	5,632	5,633

Statement of Financial Position Data *$US Thousands (unaudited)*	**As at March 31, 2020**	**As at December 31, 2019**	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	30,286	32,699	(2,413)	(7%)
Trade Accounts, Other Receivables and Unbilled Revenue	16,605	16,953	(348)	(2%)
Goodwill and Intangible Assets	41,999	44,487	(2,488)	(6%)
Total Assets	95,682	101,520	(5,838)	(6%)
Trade Payable and Accrued Liabilities	20,974	17,869	3,105	17%
Deferred Revenue	12,185	7,066	5,119	72%
Provisions	3,217	3,667	(450)	(12%)
Other long-term liabilities	13,994	15,868	(1,874)	(12%)
Preferred Shares and Series A Warrant	76,976	89,025	(12,049)	(14%)
Total Liabilities	130,496	137,140	(6,644)	(5%)
Shareholders' Deficit	(34,813)	(35,621)	808	(2%)

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, 2020**	**2019**
Support and Subscription	15,116	17,103
Software and Services	3,580	7,765
Third Party Software and Hardware	341	74
Total	**19,037**	**24,942**

Percentage of Total Revenue (unaudited)	**Three Months Ended March 31, 2020**	**2019**
Support and Subscription	79%	69%
Software and Services	19%	31%
Third Party Software and Hardware	2%	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, 2020, the Company's revenues have declined by $5.9 million from the previous year's comparative period to $19.0 million. The change by revenue type for the quarter ended March 31, 2020 is as follows: $2.0 million decrease in support and subscription revenue, $4.2 million decrease in software and services revenue and $0.3 million increase 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, 2020 was $15.1 million, or 79% of total revenue, compared to $17.1 million, or 69% of total revenue, for the same period last year. The support and subscription revenue has continued to decline mainly due to the discontinuation of support to customers who had previously notified us of their exit, slightly offset by price increases in the case of certain customers.

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, 2019 decreased to $3.6 million, or 19% of total revenue, compared to $7.8 million, or 31% of total revenue for the same period last year. The decline is mainly due to fewer software implementations compared to the prior period. We are expecting that our software and services revenue may be negatively impacted in the next two fiscal quarters by the COVID-19 pandemic, as projects that require travel to customer sites have been suspended and service deliveries delayed indefinitely.

Third Party Software and Hardware Revenue

Third party software and hardware revenue consists 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, 2020 increased to $0.3 million, compared to $0.1 million, for the same period last year. For the current quarter, there was a specific delivery of hardware made to a customer in the Asia and Pacific Rim region and the Americas region. 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, 2020	2019
Asia and Pacific Rim	4,638	6,790
North America, Latin America and Caribbean	6,138	5,442
Europe, Middle East and Africa	8,261	12,710
Total	**19,037**	**24,942**

Percentage of Total Revenue (unaudited)	Three Months Ended March 31, 2020	2019
Asia and Pacific Rim	24%	27%
North America, Latin America and Caribbean	33%	22%
Europe, Middle East and Africa	43%	51%
Total	**100%**	**100%**

For the three-month period ended March 31, 2020, revenue from the APAC region was $4.6 million, or 24% of total revenue, compared to $6.8 million, or 27% of total revenue, for the same comparable period. This decrease is mainly a result of lower support and subscriptions revenue in the region.

For the three-month period ended March 31, 2020, revenue from the Americas region increased to $6.1 million, or 33% of total revenue, compared to $5.4 million, or 22% of total revenue, for the same comparable period. The increase in revenue compared to last fiscal year is mainly due to higher support and subscriptions revenue in the region.

For the three-month period ended March 31, 2020, revenue from the EMEA region decreased to $8.3 million, or 43% of total revenue, compared to $12.7 million, or 51% of total revenue, for the same comparable period. The decrease in revenue during the three months ended March 31, 2020 is mainly a result of lower support revenue due to loss of certain customers, 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. The Company has significant flexibility to scale its personnel levels as revenue and support demand levels change to address any expected sustained changes in demand for the Company's products and services.

For the three months ended March 31, 2020, cost of revenue decreased to $5.4 million from $8.9 million incurred for the same comparable period. The gross margin for the quarter has increased to 72% in the three months ended March 31, 2020 compared to 64% in the three months ended March 31, 2020, as fewer customizations with lower margins were ordered by customers that required fulfillment, as compared to the previous period, and there was a higher percentage of revenue from support and subscription revenue that has a higher margin. We expect our gross margins may decline initially and may fluctuate as we prove our cloud native model and product capability to new and existing customers when they onboard to the public cloud in future periods.

Depreciation and amortization and stock-based compensation included in cost of revenue for the three months ended March 31, 2020 was $nil (2019 - $nil).

Operating Expenses

Total operating expenses in the three months ended March 31, 2020 increased to $20.5 million as compared to $15.0 million in the same period last year. Excluding depreciation, amortization and restructuring costs, total operating costs in the quarter ended March 31, 2020 increased to $17.9 million, or 93% of total revenue, compared to $12.7 million, or 51% of total revenue, for the same period last year. The increase in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to higher research and development costs slightly offset by lower sales and marketing 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, 2020**	**2019**
Sales and Marketing	3,024	3,585
General and Administrative	5,464	4,000
Research and Development	11,924	6,305
Restructuring Costs	116	1,086
Total Operating Expenses	**20,528**	**14,976**
Excluding Amortization and Depreciation	*18,040*	*13,797*

Percentage of Total Revenue (unaudited)	**Three Months Ended March 31, 2020**	**2019**
Sales and Marketing	16%	14%
General and Administrative	28%	16%
Research and Development	62%	26%
Restructuring Costs	1%	4%
Total Operating Expenses	**107%**	**60%**
Excluding Amortization and Depreciation	*94%*	*55%*

Depreciation and amortization and stock-based compensation by function included in operating expenses was as follows:

$US Thousands	**Three Months Ended**	
		March 31,
(unaudited)	**2020**	**2019**
Cost of Revenue	-	1
Sales and Marketing	-	(18)
General and Administrative	1,244	1,380
Research and Development	-	7
Total	**1,244**	**1,370**

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, 2020, S&M expenditures decreased to $3.0 million, or 16% of total revenue, compared to $3.6 million, or 14% of total revenue, for the comparable period. The decrease is mainly due to impact of cost optimization initiatives and lower cloud related marketing spend. As noted previously, the Company has commenced its planned spend of approximately $100 million associated with Cloud innovation, that includes specific expenses involving sales and marketing activities. The Company expects to accelerate its investment in Cloud sales and marketing expenses in the coming year in order to secure a leading position in the BSS cloud segment. The Company incurred expenses on the 2020 Mobile World Congress, but since it was cancelled due to COVID 19 travel restrictions, the Company may have to spend additional funds on other marketing activities during the remainder of the year.

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, 2020, G&A expenditures increased to $5.5 million, or 28% of total revenue, from $4.0 million, or 16% of total revenue, to the same comparative period. The increase was mainly due to increased amortization costs resulting from a revision to the estimated useful life of intangible assets associated with certain non-core business, increase in legal and advisory costs related to the activities of the special committee of the board of directors, offset by lower stock-based compensation due to decrease in share price. The legal and advisory costs related to the activities of the special committee are expected to be in the range of $1 million to $2 million.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of personnel costs associated with product management, improvement of code quality and the development and testing of new products. R&D includes cost of technical services provided by DevFactory, a related party, as explained in the Related Party Transactions section below.

For the three-month period ended March 31, 2020, R&D expenditures increased to $11.9 million, or 62% of total revenue, from $6.3 million, or 26% of total revenue, in the comparative period. The increase is primarily due to higher DevFactory and Crossover spend mainly on cloud related R&D activities. The Company's spend on R&D activities, including those on account of Cloud innovation is discretionary in nature. Consequently, the R&D spend is generally expected to vary by quarter, and sometimes this can be significant.

As noted previously, the Company has commenced its planned spend of approximately $100 million associated with Cloud innovation, that includes specific projects involving R&D activities. The Company spent $8.2 million in the three months ended March 31, 2020 (2019 - $2.0 million) in Cloud related projects. The Company expects to accelerate its investment in Cloud innovation in the coming year in order to secure a leading position in the BSS cloud segment.

Restructuring Costs

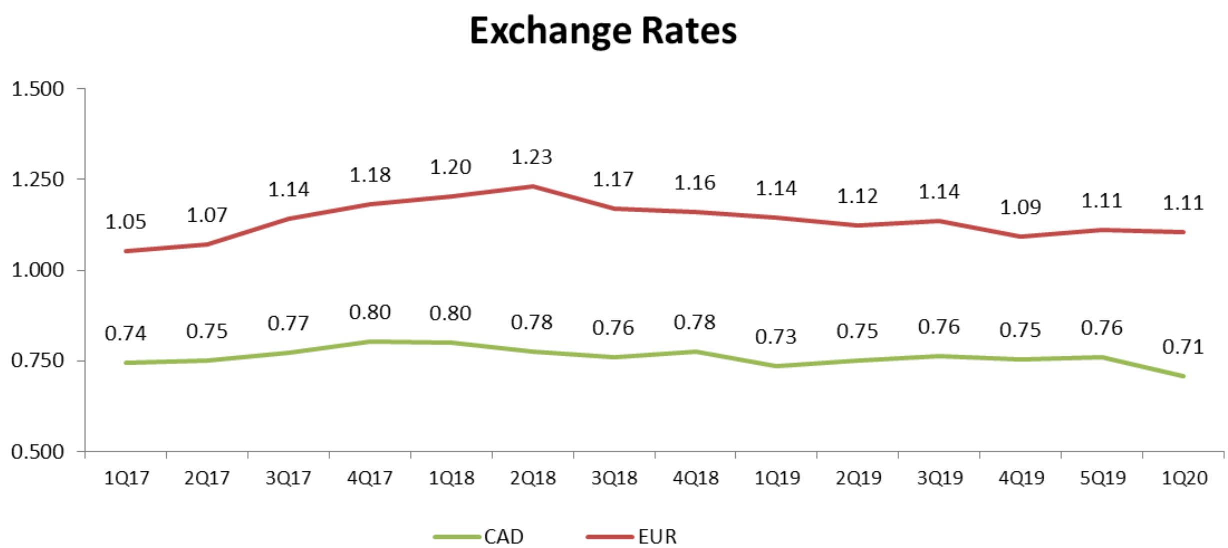
In November 2017, the Company implemented a restructuring plan and commenced implementing a reduction in workforce globally and vacating premises in multiple locations. The Company has completed the workforce reduction associated with this plan and has reduced its personnel levels (including contractors) by 951 since September 30, 2017 to 338 personnel as at March 31, 2020. The Company has also vacated its office premises in almost all jurisdictions, and maintains offices only in those jurisdictions where it is required by statute. During the three months ended March 31, 2020, restructuring charges related to closure of facilities and entity simplification were $0.1 million (2019 - $1.1 million) were recorded.

For the three months ended March 31, 2020, an amount of $0.5 million has been paid and an additional amount of $0.8 million is estimated as payable within one year. The balance of the restructuring provision of less than $0.1 million, classified as long-term, is payable over one and half years and has been discounted to its present value.

The Company has closed five of its subsidiaries as of March 31, 2020 as part of the legal entity reorganization. The Company's remaining restructuring activities under this plan primarily involve the winding up of 32 subsidiaries which will bring the total number of legal entities including Optiva Inc. down to nine from 43 at the outset of this restructuring. The legal entity reorganization is dependent upon completion of local statutory requirements including obtaining tax clearance prior to wind up, and may take several years to complete. The cost of the legal entity reorganization may exceed the Company's estimates due to uncertainties associated with tax and other statutory audits in multiple jurisdictions. The legal entity reorganization plan is expected to make our operations and back-office more cost efficient and reduce risks associated with operating in multiple jurisdictions.

Foreign Exchange Gain/Loss

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



Source: Bank of Canada

The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. For the three months ended March 31, 2020, the Company had a foreign currency exchange loss of $1.9 million, compared to a foreign currency exchange gain of $1.2 million in the comparable period. The U.S. Dollar strengthened against the Canadian dollar and the Euro during the three months ended March 31, 2020.

A change in foreign exchange rates as at March 31, 2020 of 10% would result in a gain or loss of approximately $1.5 million arising from the translation of the Company's foreign currency denominated monetary assets and liabilities as at March 31, 2020. This foreign currency gain or loss arising from translation would be recorded in the consolidated statements of comprehensive income.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the three months ended March 31, 2020 mainly includes $0.2 million (2019 - $0.4 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $0.1 million (2019 - $1.4 million) of foreign withholding taxes. The Company's deferred tax expense of less than

$0.1 million (2019 – expense of $0.1 million) consists primarily of changes in temporary differences recognized during the current period.

SUMMARY OF EARNINGS RESULTS

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

$US Thousands, except share and per share amounts (Unaudited)	1Q 20	5Q 19	4Q 19	3Q 19	2Q 19	1Q 19	4Q 18	3Q 18
Revenue	$19,037	$20,530	$23,124	$24,670	$24,942	$27,617	$27,298	$32,034
Net Income (loss)	$ 808	$(16,874)	$(963)	$ 3,069	$ 479	$ 538	$(14,369)	$(3,540)
Earnings (loss) per Share	$ 0.15	$(3.17)	$(0.18)	$ 0.58	$ 0.09	$ 0.10	$(2.75)	$(0.68)
Diluted Earnings (loss) per Share	$ 0.14	$(3.17)	$(0.18)	$ 0.54	$ 0.08	$ 0.10	$(2.75)	$(0.68)
Weighted average shares outstanding – Basic (thousands)	5,316	5,316	5,316	5,305	5,243	5,233	5,233	5,233
Weighted average shares outstanding - Diluted (thousands)	5,632	5,316	5,316	5,636	5,633	5,646	5,233	5,233

(1) Adoption of IFRS 15 revenue acccounting standard effective Q1 2019

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

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) and cash on hand. The Company believes its restructuring activities as it relates to workforce and facility optimisation are substantially complete and expects cash flow from operations to fund its future operations, including its investment in the Cloud strategy. The Company is considering raising additional capital to accelerate its investment in the Cloud strategy as discussed above on page 5.

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 60% (December 31, 2019 – 60%) 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)	2020	2019	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	30,286	32,699	(2,413)	(7%)
Trade Accounts Receivable	6,840	6,795	45	1%
Working capital	9,336	19,321	(9,985)	(52%)
Days sales outstanding in trade accounts receivable (days)	33	38	(5)	(13%)
Days sales outstanding in unbilled revenue (days)	45	45	-	0%

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

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

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

Cash and restricted cash declined by $2.4 million to $30.3 million at March 31, 2020, compared to December 31, 2019.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased by $10.0 million to $9.3 million at March 31, 2020 from $19.3 million at December 31, 2019. This is mostly related to decrease in cash, increase in accounts payable and accrued liabilities and increase in deferred revenue.

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

Statement of Cash Flows Summary *($ US Thousands)* *(Unaudited)*	**Three months ended March 31,** **2020**	 **2019**
Cash inflows and (outflows) by activity:		
Operating activities	(240)	1,053
Investing activities	31	520
Financing activities	(2,210)	-
Effect of foreign currency exchange rate changes on cash and cash equivalents	36	(138)
Net cash inflows (outflows)	(2,383)	1,435
Cash and cash equivalents, beginning of period	31,748	32,359
Cash and cash equivalents, end of period	29,365	33,794
Cash (including Restricted Cash), end of period	30,286	36,300

Cash from Operating Activities

Net cash used by operating activities was $0.2 million in the three months ended March 31, 2020, compared to source of cash of $1.1 million in the same period last year. Cash used by operating activities in the three months ended March 31, 2020 mainly relates to the operating loss mostly offset by cash generated by working capital. For the quarter ended March 31, 2019, net cash generated by operating activities was $1.1 million mainly related operating income partially offset by cash taxes paid.

Cash used for Investing Activities

In the three months ended March 31, 2020, there was less than $0.1 million of cash generated by investing activities, compared to cash generated of $0.5 million during the same period in fiscal 2019. The source of cash mainly relates to the release of restricted cash.

Cash from Financing Activities

In the three months ended March 31, 2020, net cash consumed by financing activities was $2.2 million, compared to cash used of $nil during the same period last year. The use of cash in this quarter relates to the dividends paid on the preferred shares.

MANAGEMENT OF CAPITAL

The Company’s objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund research and development 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 Preferred Shares and Series A Warrant (classified as liability), Subordinated Voting Shares and Standby Warrant (classified as equity). The Company’s primary uses of capital are financing its operations including restructuring, increases in working capital, investment in Cloud R&D and payment of preferred share dividends, when approved by the Board of Directors. The Company currently funds these requirements from cash flows from operations.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Trade Accounts Receivable ("DSO") is at 33 days as of March 31, 2020 compared to 38 days as of December 31, 2019. 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, 2020 was $1.9 million, compared to $1.6 million as at December 31, 2019. 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 $0.4 million to $9.5 million at March 31, 2020, as compared to $9.1 million as at December 31, 2019.

Deferred revenue increased to $12.2 million at March 31, 2020, as compared to $7.1 million at December 31, 2019. The increase in deferred revenue is mainly attributable to the advance support payments from the customers slightly offset by the revenue recognized during the three months ending March 31, 2020.

OTHER PROVISIONS

Other provisions at March 31, 2020 includes an intellectual property claim, and estimated costs to settle contractual disputes.

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 best estimate of the provision at March 31, 2020.

OUTSTANDING SHARE DATA

The number of subordinate voting shares outstanding as at May 11, 2020 is 5,315,757 (December 31, 2019 – 5,315,757). In addition, at March 31, 2020, there were 26,889 (December 31, 2019 – 26,889) stock options outstanding with exercise prices ranging from CAD $149.50 to CAD $315.00 per share.

SHARE CAPITAL

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

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") and a warrant ("the "Series A Warrant") (collectively the "Financing Transaction") to the ESW Holdings, Inc. (the "Investor"), an affiliate of ESW Capital LLC ("ESW Capital"). The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Common Shares being entitled to elect the balance of the directors, which resulted in the Common Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of issuance. The holders of the Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10%.

The Preferred Shares will be accreted to their face amount of $80.0 million plus accrued cumulative dividends over the 10-year maturity period using the effective interest rate method. During the three months ended March 31, 2020, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $2.7 million (2019 - $2.5 million). These charges are included in finance costs in the condensed consolidated interim statements of comprehensive income (loss). During the three months ended March 31, 2020, there were $2.2 million of cumulative dividends paid (2019 – cumulative dividends of $nil). $8.7 million of accrued dividends are included in the Preferred Shares on the condensed consolidated interim statements of financial position (December 31, 2019 - $8.7 million).

(b) Series A Warrant and Standby Warrant :

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Subordinate Voting Shares at $34.00 per share. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues Subordinate Voting Shares or securities exchangeable for or convertible into Subordinate Voting Shares at a price per share less than the Series A Warrant exercise price. The decrease in fair value of the warrant liability of $12,497,107 during the three months ended March 31, 2020 (2019 – decrease of $1,388,567) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss). Any unexercised Series A Warrant expires on January 25, 2027. No Series A Warrant was exercised as at March 31, 2020 (March 31, 2019 – none).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinate Voting Shares at $25.00 per share (the “Standby Warrant”). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was $997,500. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at March 31, 2020 (March 31, 2019 – none).

(c) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three months ended March 31, 2020 was a recovery of $1.2 million (2019 – Expense of $0.2 million). During the three months ended March 31, 2020, there were 1,127 deferred share units ("DSUs") granted (2019 – nil).

RELATED PARTY TRANSACTIONS

Related Party Service Agreements

In September 2017, the Company entered into long term service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively the “Service Agreements”) who provide cross functional and specialized technical services. The Service Agreements can be terminated by either party with 30 days written notice. The Service Agreements were negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides Optiva with access to skilled temporary employees. These resources provide a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the three months ended March 31, 2020, the Company has incurred $4.0 million of costs associated with services provided by Crossover (2019 – $6.3 million). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the condensed consolidated interim statements of comprehensive income (loss).

DevFactory provides certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of in internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, Gteam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva's software solutions. During the three months ended March 31, 2020, the Company has incurred $10.0 million of costs associated with services provided by DevFactory (2019 – $4.0 million). The costs have been recorded in cost of revenue and research and development expenses in accordance with the nature of the expenditure in the condensed consolidated interim statements of comprehensive income (loss).

Amounts owing to Crossover and DevFactory as of March 31, 2020 aggregated to $13.6 million (December 31, 2019 - $8.9 million) and are included in both trade payables and accrued liabilities in the condensed consolidated interim statement of financial position at the respective period ends.

In the normal course of business, during 2019 the Company retained certain contractors with specialized skills and knowledge to assist the Company in its operations. These contractors were retained from other entities controlled by ESW Capital. The costs of these contractors are nil for the three months ended March 31, 2020 respectively (2019 – expense of less than $0.1 million) and have been recorded in general and administrative expense in the condensed consolidated interim statements of comprehensive income (loss). Amounts owing to these entities as of March 31, 2020 aggregated to $0.1 million (December 31, 2019 - $0.1 million). They are included in accrued liabilities in the condensed consolidated interim statement of financial position at March 31, 2020.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 by the CEO and the interim-CFO 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, 2020, the Company has outsourced certain bookkeeping and financial analysis responsibilities of its finance function to an independent third party service organization. As a result, the Company has implemented material changes to its internal controls over financial reporting. The key areas impacted include the accounting systems and processes that support the Company’s general ledger, back office transaction processing, preparation of monthly financial statements and processes supporting budgetary control activities. Substantive changes have been made in the processes relating to the submission of approved data for processing and the review of financial information generated by the third party. Management continues to retain responsibility over preparation, review and authorization of the Company’s external financial reporting. The Company will also require the third party to provide customary assurances over its internal controls and transaction processing as a service organization during the year.

ACCOUNTING CHANGES

Accounting Changes

(i) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has adopted the standard effective January 1, 2020. Management assessed the extent of the impact of adoption of this standard and interpretations on the consolidated financial statements of the Company and found them not to have a material impact. The Company has applied the practical expedient not to recognize right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low value assets. All of the existing leases in the Company at March 31, 2020 would fall under the category of short-term leases or leases of low value assets. The lease payments associated with these leases will be recognized as an expense on a straight-line basis over the lease term.

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 of 14 pending patent applications and over 60 patents. These numbers do not include all of the patents which were acquired as a result of the acquisition of Orga Systems. 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.