



## CEO Letter to Shareholders

May 24, 2023

Dear fellow shareholders,

As I stepped into the CEO role in May of 2022, I did so with tremendous enthusiasm for the opportunity and an appreciation of the amount of change that the company would undergo in the next 12 months. My objective was twofold; embark on a multi-faceted transformation journey that would instill the tenets of a market-led technology company, leading to a return of strong organic growth, and

equip the company with the necessary competencies to pursue diversification and expansion through acquisitions and partnerships.

While it is early in our journey, a great deal was accomplished in the past year.

### Fiscal 2023 Highlights:

- Total revenue increased by 12% vs prior year
- Adjusted operating profit margin\* increased to 40%
- Generated free cash flow\* of \$21.7 million
- Derived 14% of total software revenue from energy transition
- Established a strategic alliance with Hatch-McDaniel to deliver comprehensive solutions for carbon capture
- Completed the first acquisition in CMG's history, launching our capabilities in data analytics
- Welcomed senior talent including Chief Technology Officer, Vice President Americas, Head of Corporate Development, Head of People and Culture, Head of Business Operations and Head of Legal
- Opened CMG Collaboration Centre (C3) in India

*\*See Non-IFRS Measures*

In addition to these highlights we have established a product management function responsible for our product development roadmap which is focused on building scalable, extensible software, and adding features for speed and workflows. We have begun the transition from a product company to a solutions company that develops a combination of product, services, and partnerships to provide holistic solutions for the energy industry's most complex problems.

### Values

Most importantly, we are establishing a culture of accountability, to ourselves and to each other, to our customers, to our shareholders and to the values that define our organization. These values preserve the best of what has made CMG successful in the past and introduces the elements that will shift us to the performance driven culture that will make us successful in the future.

- **Entrepreneurial Talent** – We create our own future and don't settle for "no" as an answer
- **Curiosity** – We explore new ideas without settling for what we already know
- **Extreme Ownership** – We accept responsibility to own our work and the results we create
- **Customer Centricity** – We work relentlessly to delight our customers

- **Integrity** – We always do the right thing even if it's hard
- **Collaboration** - We believe it takes a Team to accomplish something great and we work as partners across the organization

Culture does not happen overnight, it is something that is built over time when there is a clear understanding of strategic objectives, and a clarity and commitment to the individual roles we play in attaining our common goals. We have high expectations for our leaders to set an example within the organization and we challenge each other daily to ensure that we have the courage to question the status quo, ruthlessly prioritize what will bring us closer to our goals, provide constructive feedback to our teams, have the difficult conversations that will make us better and remain committed to developing and elevating our incredible workforce.

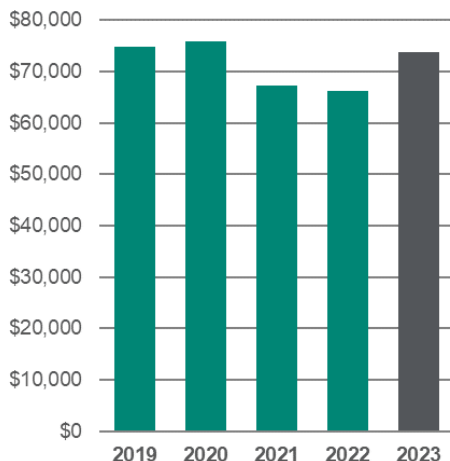
### Fiscal 2023 Review

Closing out fiscal year 2023 with total revenue growth of 12% marked a turning point for our company. Strong industry fundamentals, healthy balance sheets amongst our customers and an acceleration of digital transformation within the industry supported our financial performance this year with increased licensing by both new and existing customers.

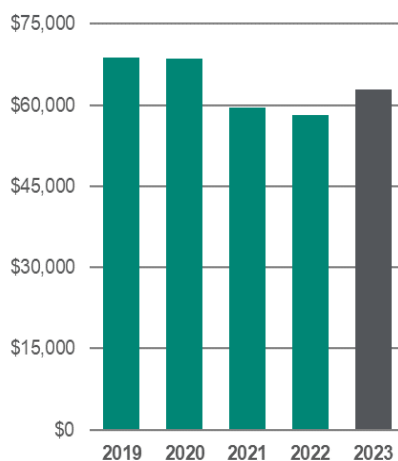
On a full-year basis, total software license revenue increased across all regions except Canada which experienced a slight decline due to the negative affect of consolidation activity that impacted annuity and maintenance revenue in the first quarter of the year. Growth in the US and Eastern Hemisphere, particularly Europe, was positively impacted by increased licensing for carbon capture and storage projects. South America was positively impacted by a multi-year lease that commenced in the second quarter of fiscal 2022.

Compared to fiscal 2022, our annuity and maintenance revenue grew by 12%, offset by a decline in the much smaller, more volatile segment of perpetual licenses. Our expanded consulting practice is driving awareness of our expertise in the energy transition space in addition to supporting our customers in the use and adoption of our simulation technology in the traditional upstream energy arena. Growth in professional services revenue of 37% was amplified by the receipt of funding related to our innovative Joint Industry Project (JIP) with Kongsberg Digital, to develop new technology focused on the carbon capture and storage processes.

**Total Revenue**  
(\$ Thousands)



**Software License Revenue**  
(\$ Thousands)



**Earnings Per Share**  
(Basic)



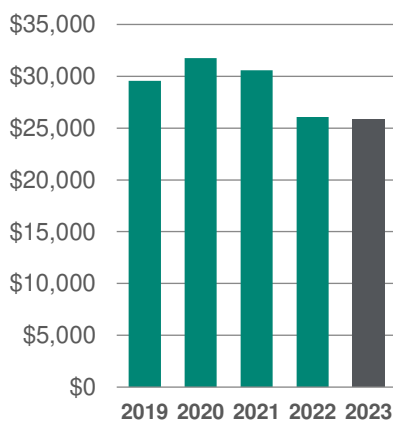
Full year operating expenses increased by 20%, however, when adjusted for CEWS and CERS subsidies and restructuring charges, the increase is a more modest 8%. The increase is driven by a combination of increased variable compensation, such as stock-based compensation and bonuses, higher professional services and travel-related costs. In addition, we made investments in our sales and marketing functions.

Our research and development efforts resulted in multiple performance and functional enhancements to our products. This included improved speed and stability, updated user experience in our pre-processor, CCS workflow development, enhanced functionality in our EOR and thermal applications as well as advancements in CoFlow.

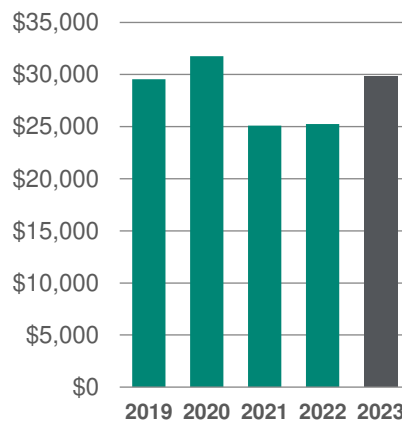
Full year adjusted operating profit margin was 40% compared to 38% in the prior year, and adjusted EBITDA margin was 45% compared to 44% in the prior year. We are pleased to see improvement in profitability margins alongside the increase in top-line revenue. Basic earnings per share were \$0.25 compared to \$0.23 last year.

We maintain a strong financial position and closed out the year with \$66.9 million of cash and no debt. We generated \$0.27 per share of free cash flow, similar to the prior year.

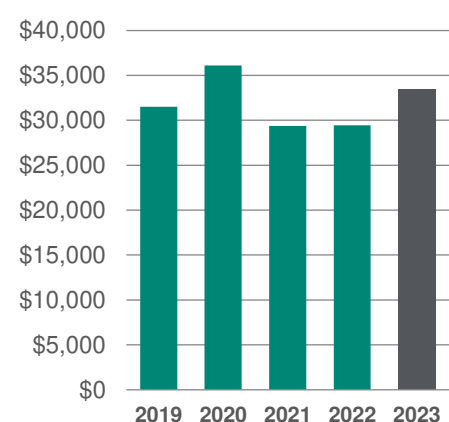
**Operating Profit**  
(\$ Thousands)



**Adjusted Operating Profit**  
(\$ Thousands)



**Adjusted EBITDA**  
(\$ Thousands)



*Note: Adjusted operating profit and adjusted EBITDA are non-IFRS financial measures. Additional disclosures for these non-IFRS measures can be found on page 2 of the Management's Discussion and Analysis ("MD&A"). A reconciliation of adjusted operating profit to operating profit can be found on page 22 of the MD&A, and a reconciliation of adjusted EBITDA to net income can be found on page 23 of the MD&A.*

**CMG 4.0**

We wrapped up fiscal 2023 with the first acquisition in CMG's history by acquiring the assets of Unconventional Subsurface Integration LLC ("USI"), an early-stage AI-based data analytics technology for maximizing asset valuation and production performance of shale reservoirs. Our acquisition of USI will enable us to further expand our presence in the shale market by offering a data analytics tool which uses pre-run reservoir simulation data, using CMG's simulators, to quickly and accurately predict well interaction and performance in varying development scenarios. Deploying capital in a manner that is both financially and strategically accretive is a responsibility I take earnestly, and I believe this acquisition was a positive step toward product diversification and honing our acquisition process.

We continue to build our M&A pipeline of opportunities within traditional upstream energy, energy transition and in adjacent industries where we can access new addressable markets. We are identifying acquisitions that could grow our software portfolio and enhance our competitive position.

Turning to energy presence in energy transition.

transition, we have undertaken several initiatives aimed at growing our

We were honored to have an influential group of executives, representing many of the most important organizations in the energy space, join us as we hosted our first editorial roundtable on the topic of energy transformation. Joining the roundtable conversation were leaders from Pathways Alliance, the Alberta Energy Regulator, Heartland Generation and the Energy & Environmental Research Center. The insights from the discussion led to the launch of CMG's editorial platform, [Accelerate](#), which will be an ongoing initiative in thought leadership to explore energy transition and the role of technology in the coming years.

We also announced our continued commitment to working with global partners by signing an agreement with Wood LLC, a global engineering and consulting company, to partner in the delivery of carbon capture solutions.

### Looking Ahead

In fiscal 2024, we are committed to growing our core business with new and existing customers, continuing to focus on energy transition opportunities and advancing the commercialization of CoFlow. We will not lose sight of the innovation and incredible expertise for which CMG is known and we will invest to drive product enhancements and improvements to enhance our competitiveness and evaluate opportunities to build our product portfolio with new capabilities.

I am optimistic for the opportunities that lie ahead for CMG and I am grateful to our Board of Directors for their support and counsel during this year of transition. On behalf of CMG's leadership team, I extend my sincere thanks to our loyal customers, our dedicated employees, our collaborative partners and our supportive shareholders. You are all what make CMG a success and I look forward to an energizing coming year together.

Sincerely,



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Pramod Jain  
Chief Executive Officer