COMPUTER MODELLING GROUP LTD.
3710 33rd Street NW ▪ Calgary, AB, T2L 2M1 ▪ Canada
Tel: +1.403.531.1300 ▪ Fax: +1.403.289.8502
cmgl@cmgl.ca ▪ www.cmgl.ca

COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 9, 2019 (GlobeNewswire) – Computer Modelling Group Ltd. ("CMG" or the "Company") announces its financial results for the three months ended June 30, 2019.

Quarterly Performance

($ thousands, unless otherwise stated)	Fiscal 2018[(1)] Q2	Q3	Q4	Fiscal 2019[(1)] Q1	Q2	Q3	Q4	**Fiscal 2020 Q1**
Annuity/maintenance licenses	16,341	16,158	15,664	14,715	15,111	17,240	16,734	**15,756**
Perpetual licenses	290	743	2,053	326	1,172	611	2,891	**1,159**
Software licenses	16,631	16,901	17,717	15,041	16,283	17,851	19,625	**16,915**
Professional services	1,350	1,418	1,677	1,664	1,658	1,222	1,513	**1,208**
Total revenue	17,981	18,319	19,394	16,705	17,941	19,073	21,138	**18,123**
Operating profit	6,615	6,908	7,529	5,374	7,024	8,406	8,750	**7,068**
Operating profit (%)	37	38	39	32	39	44	41	**39**
Profit before income and other taxes	6,253	7,151	8,547	5,980	7,104	9,406	8,400	**6,439**
Income and other taxes	1,647	2,054	2,401	1,722	2,048	2,559	2,426	**1,997**
Net income for the period	4,606	5,097	6,146	4,258	5,056	6,847	5,974	**4,442**
EBITDA[(2)]	7,090	7,400	8,090	5,837	7,505	8,915	9,250	**8,118**
Cash dividends declared and paid	8,021	8,022	8,021	8,021	8,024	8,022	8,023	**8,022**
Funds flow from operations	5,788	6,225	7,285	5,242	5,777	7,550	7,024	**6,097**
Free cash flow[(2)]	5,372	5,595	6,904	4,909	5,697	7,297	6,948	**5,707**
Per share amounts - ($/share)								
Earnings per share - basic	0.06	0.06	0.08	0.05	0.06	0.09	0.07	**0.06**
Earnings per share - diluted	0.06	0.06	0.08	0.05	0.06	0.09	0.07	**0.06**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**0.10**
Funds flow from operations per share - basic	0.07	0.08	0.09	0.07	0.07	0.09	0.09	**0.08**
Free cash flow per share - basic[(2)]	0.07	0.07	0.09	0.06	0.07	0.09	0.09	**0.07**

(1) On April 1, 2019, the Company adopted IFRS 16 *Leases* using the modified retrospective approach, by adjusting opening retained earnings with no restatement of comparative figures. As such, comparative information continues to be reported under the previous lease standard.

(2) Non-IFRS financial measures are defined in the "Non-IFRS Financial Measures" section.

Highlights

During the three months ended June 30, 2019, as compared to the same period of the previous fiscal year, we:

- Increased annuity/maintenance license revenue by 7%;
- Increased software license revenue by 12%;
- Increased net income by 4% (without the negative impact of IFRS 16 adoption, net income increased by 9%);
- Increased EBITDA by 39% (without the positive impact of IFRS 16 adoption, EBITDA increased by 23%).

During the three months ended June 30, 2019, we:

- Realized basic earnings per share of $0.06;
- Declared and paid a regular dividend of $0.10 per share.

Revenue

Three months ended June 30, ($ thousands)	**2019**	2018	$ change	% change
Software license revenue	**16,915**	15,041	1,874	12%
Professional services	**1,208**	1,664	(456)	-27%
Total revenue	**18,123**	16,705	1,418	8%
Software license revenue as a % of total revenue	**93%**	90%		
Professional services as a % of total revenue	**7%**	10%		

CMG's revenue is comprised of software license sales, which provide the majority of the Company's revenue, and fees for professional services.

Total revenue for the three months ended June 30, 2019 increased by 8% compared to the same period of the previous fiscal year, due to an increase in software license revenue partially offset by a decrease in professional services revenue.

Software License Revenue

Three months ended June 30, ($ thousands)	**2019**	2018	$ change	% change
Annuity/maintenance license revenue	**15,756**	14,715	1,041	7%
Perpetual license revenue	**1,159**	326	833	256%
Total software license revenue	**16,915**	15,041	1,874	12%
Annuity/maintenance as a % of total software license revenue	**93%**	98%		
Perpetual as a % of total software license revenue	**7%**	2%		

Total software license revenue for the three months ended June 30, 2019 increased by 12% compared to the same period of the previous fiscal year, due to increases both in annuity/maintenance license revenue and perpetual license revenue.

CMG's annuity/maintenance license revenue increased by 7% during the three months ended June 30, 2019, compared to the same period of the previous fiscal year, due to increases in all geographic regions, except Canada, due to increased licensing to both existing and new customers. In addition, the movement in the CAD/USD exchange rate had a positive impact on the quarterly annuity/maintenance license revenue.

Perpetual license revenue increased from $0.3 million to $1.2 million, due to an increase in perpetual sales in the United States and South America, partially offset by a decrease in the Eastern Hemisphere. Software licensing under perpetual sales may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year.

Software Revenue by Geographic Segment

Three months ended June 30, ($ thousands)	**2019**	2018	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,776**	3,867	(91)	-2%
United States	**4,934**	4,553	381	8%
South America	**1,945**	1,681	264	16%
Eastern Hemisphere(1)	**5,101**	4,614	487	11%
	15,756	14,715	1,041	7%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**298**	-	298	100%
South America	**769**	-	769	100%
Eastern Hemisphere	**92**	326	(234)	-72%
	1,159	326	833	256%
Total software license revenue				
Canada	**3,776**	3,867	(91)	-2%
United States	**5,232**	4,553	679	15%
South America	**2,714**	1,681	1,033	61%
Eastern Hemisphere	**5,193**	4,940	253	5%
	16,915	15,041	1,874	12%

(1) Includes Europe, Africa, Asia and Australia.

During the three months ended June 30, 2019, all regions, with the exception of Canada, experienced an increase in total software license revenue, as compared to the same period of the previous fiscal year.

The Canadian market (representing 22% of year-to-date software license revenue) experienced a slight 2% decrease in annuity/maintenance license revenue during the three months ended June 30, 2019, compared to the same period of the previous fiscal year, due to a reduction in licensing by some customers, most of which relates to short-term licenses.

The United States market (representing 31% of year-to-date software license revenue) experienced an 8% increase in annuity/maintenance license revenue during the three months ended June 30, 2019, compared to the same period of the previous fiscal year, due to increased licensing by both existing and new customers. Almost half of the increase is a result of increased usage of our cloud-based offerings, as the number of customers who access our software on a cloud has been growing over the last year. Perpetual revenue increased in the current period, as there were no perpetual sales recognized in the comparative period.

South America (representing 16% of year-to-date software license revenue) experienced a 16% increase in annuity/maintenance license revenue during the three months ended June 30, 2019, compared to the same period of the previous fiscal year, mainly due to increased licensing by existing customers. Perpetual revenue increased in the current period, as there were no perpetual sales recognized in the comparative period.

The Eastern Hemisphere (representing 31% of year-to-date software license revenue) experienced an 11% increase in annuity/maintenance license revenue during the three months ended June 30, 2019, due to a combination of increased licensing from existing customers and addition of new customers. Modest perpetual sales were realized in the Eastern

Hemisphere during the three months ended June 30, 2019, resulting in a 72% decrease compared to the same period of the previous fiscal year.

Deferred Revenue

($ thousands)	**Fiscal 2020**	Fiscal 2019	Fiscal 2018	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**29,266**	29,350 (3)		(84)	0%
Q2 (September 30)		23,222 (4)	23,686 (1)	(464)	-2%
Q3 (December 31)		13,782	17,785	(4,003)	-23%
Q4 (March 31)		35,015 (5)	34,362 (2)	653	2%

(1) Includes current deferred revenue of $23.0 million and long-term deferred revenue of $0.6 million.
(2) Includes current deferred revenue of $33.4 million and long-term deferred revenue of $1.0 million.
(3) Includes current deferred revenue of $28.8 million and long-term deferred revenue of $0.6 million.
(4) Includes current deferred revenue of $22.9 million and long-term deferred revenue of $0.3 million.
(5) Includes current deferred revenue of $34.7 million and long-term deferred revenue of $0.3 million.

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. With the exception of certain term-based software licenses that are recognized at the start of the license period, our annuity/maintenance revenue is deferred and recognized ratably over the license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

Deferred revenue as at Q1 of fiscal 2020 remained consistent compared to Q1 of fiscal 2019.

Expenses

Three months ended June 30, ($ thousands, except per share data)	Previous lease standard 2019	IFRS 16 impact	**IFRS 16 2019**	2018	$ change	% change
Sales, marketing and professional services	4,696	(66)	**4,630**	4,987	(357)	-7%
Research and development	4,980	(229)	**4,751**	4,775	(24)	-1%
General and administrative	1,729	(55)	**1,674**	1,569	105	7%
Total operating expenses	11,405	(350)	**11,055**	11,331	(276)	-2%
Direct employee costs[1]	8,664	-	**8,664**	8,715	(51)	-1%
Other corporate costs	2,741	(350)	**2,391**	2,616	(225)	-9%
	11,405	(350)	**11,055**	11,331	(276)	-2%

(1) Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development. See "Non-IFRS Financial Measures".

Prior to applying IFRS 16, total operating expenses increased by 1% for the three months ended June 30, 2019 compared to the same period of the previous fiscal year, due to an increase in other corporate costs, partially offset by a decrease in direct employee costs.

IFRS 16 resulted in a net decrease of $0.4 million to total operating expenses. This net decrease of $0.4 million is a combination of $1.0 million lower rent expense (because under IFRS 16 rent payments are classified as finance costs and repayment of lease liability), partially offset by $0.6 million higher depreciation expense on the recognition of right-of-use assets.

Prior to IFRS 16 adoption, other corporate costs increased by 5% during the three months ended June 30, 2019 compared to the same period of the previous fiscal year, primarily due to an operating cost refund included in the comparative period.

Outlook

During the first quarter of fiscal 2020, annuity and maintenance license revenue increased by 7% compared to the first quarter of the previous fiscal year. The US region increased by 8%, supported by the growing use of our public cloud solution. South America and the Eastern Hemisphere showed double-digit increases – 16% and 11%, respectively – due to increased licensing by existing customers as well as the addition of new customers. The weakening of the Canadian dollar relative to the USD had a positive impact on revenue in these regions. Annuity and maintenance revenue from Canada remained relatively consistent for the second consecutive quarter, with a slight decrease of only 2% compared to the first quarter of the previous fiscal year. While we view this as an indication of an improved operating environment in Canada compared to previous years, we continue to monitor consolidation activity in the industry and any impact it might have on our contract renewals in the latter part of the year. We continue to demonstrate to our Canadian customers that our simulation tools are instrumental in achieving long-term sustainability though optimizing production and increasing operational efficiency.

Perpetual license revenue increased more than threefold compared to the first quarter of the previous fiscal year, due to several sales realized in South America and the US. Total revenue increased by 8%, supported by the increases in annuity and maintenance and perpetual revenue, partially offset by lower professional services revenue.

On April 1, 2019, CMG adopted IFRS 16 *Leases*. The new standard essentially moved most of the Company's office leases to the balance sheet, eliminating rent expense and replacing it with interest expense and repayment of lease liability, as well as depreciation of the right-of-use assets. The adoption of IFRS 16 resulted in a decrease to total operating expenses and an increase to finance costs, for a total negative impact of $0.2 million on the Company's net income.

Despite the negative impact of the IFRS 16 adoption, the Company's net income increased by 4% because of the solid revenue achievement (without the negative impact of IFRS 16 adoption, net income increased by 9%). EBITDA increased by 39% to reach 45% of revenue, which is an impressive measure of the Company's performance (without the positive impact of IFRS 16 adoption, EBITDA increased by 23% or to 40% of revenue).

As messaged in our fiscal 2019 Financial Report, in the current quarter we signed two agreements with two new customers for short-term use of CoFlow, our newest integrated asset modelling product, on specific projects. Subsequent to quarter-end, CMG and Shell signed an amendment to our CoFlow development agreement. In order to achieve specific development targets and deployments across a broader range of Shell's assets, CMG will allocate more resources to CoFlow over the next two years, while Shell will increase its financial contribution accordingly. The costs of additional resources allocated to CoFlow are expected to be in the range of $4.5 – $6.5 million on an annualized basis by the end of fiscal 2020.

We continue pursuing our goal of increasing software license sales, particularly internationally, with the support of various R&D initiatives (such as our public cloud offering, CoFlow development, product feature and functionality enhancements, etc.), while exercising fiscal prudence.

We ended the first quarter of 2020 with a strong balance sheet, no borrowings and $50.8 million in cash. Subsequent to quarter end, CMG's Board of Directors declared a quarterly dividend of $0.10 per share.

Additional IFRS Measure

Funds flow from operations is an additional IFRS measure that the Company presents in its consolidated statements of cash flows. Funds flow from operations is calculated as cash flows provided by operating activities adjusted for changes in non-cash working capital. Management believes that this measure provides useful supplemental information about operating performance and liquidity, as it represents cash generated during the period, regardless of the timing of collection of receivables and payment of payables, which may reduce comparability between periods.

Non-IFRS Financial Measures

Certain financial measures in this press release – namely, direct employee costs, other corporate costs, EBITDA and free cash flow – do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Management believes that these indicators nevertheless provide useful measures in evaluating the Company's performance.

Direct employee costs include salaries, bonuses, stock-based compensation, benefits, commission expenses, and professional development. Other corporate costs include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and people-related costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

EBITDA refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to consideration of how those activities are amortized, financed or taxed.

Free cash flow is a non-IFRS financial measure that is calculated as funds flow from operations less capital expenditures and repayment of lease liabilities. Management uses free cash flow to help measure the capacity of the Company to pay dividends and invest in business growth opportunities.

Forward-looking Information

Certain information included in this press release is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this press release, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Corporate Profile

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced process reservoir modelling software with a blue chip customer base of international oil companies and technology centers in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**June 30, 2019**	March 31, 2019*
Assets		
Current assets:		
Cash	**50,753**	54,290
Trade and other receivables	**12,650**	19,220
Prepaid expenses	**1,180**	1,332
Prepaid income taxes	**666**	367
	65,249	75,209
Property and equipment	**14,142**	14,501
Right-of-use assets	**39,172**	-
Deferred tax asset	**1,139**	595
Total assets	**119,702**	90,305
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**4,884**	6,162
Income taxes payable	**-**	60
Deferred revenue	**29,266**	34,653
Lease liability	**1,209**	-
	35,359	40,875
Deferred revenue	**-**	362
Lease liability	**41,591**	-
Deferred rent liability	**-**	1,813
Total liabilities	**76,950**	43,050
Shareholders' equity:		
Share capital	**79,711**	79,711
Contributed surplus	**13,024**	12,808
Deficit	**(49,983)**	(45,264)
Total shareholders' equity	**42,752**	47,255
Total liabilities and shareholders' equity	**119,702**	90,305

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	2019	2018*
Revenue	**18,123**	16,705
Operating expenses		
Sales, marketing and professional services	**4,630**	4,987
Research and development	**4,751**	4,775
General and administrative	**1,674**	1,569
	11,055	11,331
Operating profit	**7,068**	5,374
Finance income	**323**	606
Finance costs	**(952)**	-
Profit before income and other taxes	**6,439**	5,980
Income and other taxes	**1,997**	1,722
Net and total comprehensive income	**4,442**	4,258
Earnings Per Share		
Basic	**0.06**	0.05
Diluted	**0.06**	0.05

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	2019	2018*
Operating activities		
Net income	**4,442**	4,258
Adjustments for:		
Depreciation	**1,050**	463
Deferred income tax recovery	**(160)**	(346)
Stock-based compensation	**765**	761
Deferred rent	**-**	106
Funds flow from operations	**6,097**	5,242
Movement in non-cash working capital:		
Trade and other receivables	**6,570**	5,766
Trade payables and accrued liabilities	**(1,734)**	(1,770)
Prepaid expenses	**50**	128
Income taxes payable	**(359)**	(323)
Deferred revenue	**(5,749)**	(4,327)
Decrease in non-cash working capital	**(1,222)**	(526)
Net cash provided by operating activities	**4,875**	4,716
Financing activities		
Repayment of lease liability	**(282)**	-
Dividends paid	**(8,022)**	(8,021)
Net cash used in financing activities	**(8,304)**	(8,021)
Investing activities		
Property and equipment additions	**(108)**	(333)
Decrease in cash	**(3,537)**	(3,638)
Cash, beginning of period	**54,290**	63,719
Cash, end of period	**50,753**	60,081
Supplementary cash flow information		
Interest received	**333**	302
Interest paid	**534**	-
Income taxes paid	**(2,074)**	(1,981)

* The Company adopted IFRS 16 *Leases* effective April 1, 2019 using the modified retrospective approach. Under this method, comparative information is not restated.

See accompanying notes to condensed consolidated interim financial statements.

For further information, contact:

Ryan N. Schneider
President & CEO
(403) 531-1300
ryan.schneider@cmgl.ca

or

Sandra Balic
Vice President, Finance & CFO
(403) 531-1300
sandra.balic@cmgl.ca

www.cmgl.ca