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COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 11, 2020 (GlobeNewswire) – Computer Modelling Group Ltd. ("CMG" or the "Company") announces its financial results for the three months ended June 30, 2020.

Quarterly Performance

	Fiscal 2019			Fiscal 2020				Fiscal 2021
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance licenses	15,111	17,240	16,734	15,756	16,373	16,612	15,233	**14,523**
Perpetual licenses	1,172	611	2,891	1,159	1,146	964	1,403	**-**
Software licenses	16,283	17,851	19,625	16,915	17,519	17,576	16,636	**14,523**
Professional services	1,658	1,222	1,513	1,208	2,354	1,699	1,879	**2,149**
Total revenue	17,941	19,073	21,138	18,123	19,873	19,275	18,515	**16,672**
Operating profit	7,024	8,406	8,750	7,068	9,343	7,538	7,802	**5,711**
Operating profit (%)	39	44	41	39	47	39	42	**34**
Profit before income and other taxes	7,104	9,406	8,400	6,439	9,350	7,054	9,613	**4,405**
Income and other taxes	2,048	2,559	2,426	1,997	2,482	1,942	2,550	**1,143**
Net income for the period	5,056	6,847	5,974	4,442	6,868	5,112	7,063	**3,262**
EBITDA[(1)]	7,505	8,915	9,250	8,118	10,426	8,644	8,923	**6,767**
Cash dividends declared and paid	8,024	8,022	8,023	8,022	8,026	8,025	8,024	**4,013**
Funds flow from operations	5,777	7,550	7,024	6,097	7,787	7,366	7,515	**4,703**
Free cash flow[(1)]	5,697	7,297	6,948	5,707	7,274	6,726	6,840	**4,239**
Per share amounts - ($/share)								
Earnings per share (EPS) - basic and diluted	0.06	0.09	0.07	0.06	0.09	0.06	0.09	**0.04**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**0.05**
Funds flow from operations per share - basic	0.07	0.09	0.09	0.08	0.10	0.09	0.09	**0.06**
Free cash flow per share - basic[(1)]	0.07	0.09	0.09	0.07	0.09	0.08	0.09	**0.05**

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

Highlights

During the three months ended June 30, 2020, as compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue decreased by 8%, due in part to the impacts of the COVID-19 pandemic;
- Total revenue decreased by 8%;
- Total operating expenses decreased by 1%;
- EBITDA decreased by 17%, but was still strong at 41% of total revenue.

During the three months ended June 30, 2020:

- Realized basic EPS of $0.04;
- Achieved free cash flow per share of $0.05;
- Declared and paid a dividend of $0.05 per share.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic and the related economic uncertainty partially impacted our financial results for the three months ended June 30, 2020, as some of our customers, faced with the economic uncertainly and decreasing commodity prices, curtailed spending and chose not to renew their licensing agreements or renewed at reduced levels. The most significant impact has been on our perpetual license sales, as low commodity prices and resulting lower cash flows negatively affected our customers' ability to purchase perpetual licenses. These factors contributed to a decrease in software license revenue during the three months ended June 30, 2020.

As previously announced, in order to minimize the negative impact of the ongoing disruption to the oil and gas industry, including volatility in commodity prices and reduction in energy consumption precipitated by the COVID-19 pandemic, effective July 1, 2020, CMG has taken the following actions to preserve liquidity, manage costs and protect shareholder value:

- reducing the CEO's annual salary by 25%;
- reducing directors' cash compensation by 20%;
- reducing executive officers' annual salaries by 20%;
- implementing graduated salary reductions to staff.

These reductions are expected to continue throughout the fiscal year and will be reassessed following review of the fiscal 2021 results. The staff, executive and CEO's base salary concessions were reallocated to variable cash compensation associated with fiscal 2021 corporate performance. These compensation reductions were taken in part to retain employees because we are prioritizing product development and support, both of which are important to our customers and to long-term success of our business.

In addition, we decreased our June 15, 2020 quarterly dividend to $0.05 per share (from our previous quarterly dividend of $0.10 per share). On August 10, 2020, CMG's Board approved a quarterly dividend of $0.05 per share on CMG's Common Shares, payable on September 15, 2020 to shareholders of record at the close of business on September 4, 2020.

We are implementing these measures to protect CMG's profitability and optimize free cash flow generation to maintain the strength of our balance sheet, in all potential scenarios. This will also allow for maximum flexibility in our capital allocation decisions, including focusing on delivering a sustainable dividend. At the same time, it is our intention to continue to invest in research and development, and sales and marketing efforts, at approximately similar levels as historically proportionate to revenue. Since the start of the pandemic restrictions, we have been operating remotely to ensure our research and development activities and technical support for our customers continue uninterrupted.

CMG will continue to monitor the impact of the current environment on its customers, operations and financial performance and may adjust its compensation structure and capital allocation as appropriate.

Revenue

Three months ended June 30, ($ thousands)	2020	2019	$ change	% change
Software license revenue	**14,523**	16,915	(2,392)	-14%
Professional services	**2,149**	1,208	941	78%
Total revenue	**16,672**	18,123	(1,451)	-8%
Software license revenue as a % of total revenue	**87%**	93%		
Professional services as a % of total revenue	**13%**	7%		

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, 2020 decreased by 8%, compared to the same period of the previous fiscal year, due to a decrease in software license revenue, which was partially offset by an increase in professional services revenue.

Software License Revenue

Three months ended June 30, ($ thousands)	2020	2019	$ change	% change
Annuity/maintenance license revenue	**14,523**	15,756	(1,233)	-8%
Perpetual license revenue	**-**	1,159	(1,159)	-100%
Total software license revenue	**14,523**	16,915	(2,392)	-14%
Annuity/maintenance as a % of total software license revenue	**100%**	93%		
Perpetual as a % of total software license revenue	**0%**	7%		

Total software license revenue for the three months ended June 30, 2020 decreased by 14% compared to the same period of the previous fiscal year, due to decreases in both annuity/maintenance license revenue and perpetual license revenue.

CMG's annuity/maintenance license revenue for the three months ended June 30, 2020 decreased by 8%, compared to the same period of the previous fiscal year. All geographic regions, except for the Eastern Hemisphere, decreased due to decreased licensing, some of which was triggered by the COVID-19 pandemic and the resulting economic uncertainty, as well as consolidation activity in the oil and gas industry.

There were no perpetual sales realized during the three months ended June 30, 2020. Low commodity prices and resulting lower cash flows in the oil and gas industry have put a strain on our customers and adversely affected their ability to purchase perpetual licenses.

Software Revenue by Geographic Region

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,212**	3,776	(564)	-15%
United States	**4,235**	4,934	(699)	-14%
South America	**1,390**	1,945	(555)	-29%
Eastern Hemisphere[(1)]	**5,686**	5,101	585	11%
	14,523	15,756	(1,233)	-8%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**-**	298	(298)	-100%
South America	**-**	769	(769)	-100%
Eastern Hemisphere	**-**	92	(92)	-100%
	-	1,159	(1,159)	-100%
Total software license revenue				
Canada	**3,212**	3,776	(564)	-15%
United States	**4,235**	5,232	(997)	-19%
South America	**1,390**	2,714	(1,324)	-49%
Eastern Hemisphere	**5,686**	5,193	493	9%
	14,523	16,915	(2,392)	-14%

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

During the three months ended June 30, 2020, total software license revenue decreased in all geographic regions except for the Eastern Hemisphere.

The Canadian region (representing 22% of total software license revenue) experienced a decrease of 15% in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to decreases in licensing by existing customers, partially caused by consolidation activity in the industry, as discussed in the fourth quarter MD&A for the previous fiscal year.

The United States (representing 29% of total software license revenue) experienced a 14% decrease in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to decreased licensing by some customers. The decrease is due to the combined negative effect of consolidation in the industry and reduced activity levels in unconventional shale plays both pre- and during the COVID-19 pandemic.

South America (representing 10% of total software license revenue) experienced a decrease of 29% in annuity/maintenance license revenue during the three months ended June 30, 2020, mainly due to the negative impact of the COVID-19 pandemic and the resulting economic uncertainty on the renewal of some of our maintenance contracts.

The Eastern Hemisphere (representing 39% of total software license revenue) experienced an increase of 11% in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to a new multi-year contract with a customer and increased licensing by existing customers.

Deferred Revenue

($ thousands)	Fiscal 2021	Fiscal 2020	Fiscal 2019	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**25,492**	29,266		(3,774)	-13%
Q2 (September 30)		23,849	23,222	627	3%
Q3 (December 31)		15,679	13,782	1,897	14%
Q4 (March 31)		33,838	35,015	(1,177)	-3%

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. 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 the end of Q1 of fiscal 2021 decreased by 13% compared to Q1 of fiscal 2020, due to lower licensing renewals in Canada, the US and South America, a trend similar to what is reflected in annuity and maintenance revenue.

Expenses

Three months ended June 30, ($ thousands)	2020	2019	$ change	% change
Sales, marketing and professional services	**4,284**	4,630	(346)	-7%
Research and development	**4,959**	4,751	208	4%
General and administrative	**1,718**	1,674	44	3%
Total operating expenses	**10,961**	11,055	(94)	-1%
Direct employee costs(1)	**8,953**	8,664	289	3%
Other corporate costs	**2,008**	2,391	(383)	-16%
	10,961	11,055	(94)	-1%

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

Direct employee costs for the three months ended June 30, 2020 increased compared to the same period of the previous fiscal year due to the higher headcount. Other corporate costs decreased by 16%, compared to the same period of the previous fiscal year, mainly as travel-related costs decreased due to COVID-19 restrictions.

Outlook

The difficult circumstances that occurred towards the end of the previous fiscal year continued into the first quarter of fiscal 2021. Our first quarter annuity/maintenance license revenue decreased by 8%, compared to the same period of the previous fiscal year. The COVID-19 pandemic and the related economic uncertainty were partially responsible for the decrease, as low commodity prices put a strain on our customers' spending. The rest of the decrease was due to pre-COVID licensing cuts by some of our customers, as signaled in the fourth quarter MD&A for the previous fiscal year.

All geographic regions, except for the Eastern Hemisphere, experienced decreases in annuity/maintenance revenue this quarter. The Eastern Hemisphere saw an 11% increase due to the addition of a multi-year contract and increased licensing by existing customers. Revenue from Canada decreased by 15%, as consolidation activity in the oil and gas industry translated into lower licensing needs by the new, merged entities. The 14% decrease in US revenue was caused by a combination of consolidation in the industry and the slowdown of US shale production. The 29% decrease in South America revenue was primarily due to the negative impacts of COVID-19 and the related economic uncertainty affecting the oil and gas industry.

There were no perpetual sales during the three months ended June 30, 2020.

Total operating expenses were slightly (1%) lower than in the comparative period. As previously announced, we are implementing cost-cutting measures to preserve liquidity and manage costs. These measures include reducing the CEO's annual salary and executives' annual salary by 25% and 20%, respectively, reducing directors' cash compensation by 20% and implementing graduated staff salary reductions. These measures took effect on July 1, 2020, and the related savings will be reflected in our financial results starting in Q2 of the current fiscal year. The measures will be further reassessed following review of the fiscal 2021 results and adjusted as appropriate.

While we are not in a position to predict the future, we are focusing on matters within our control including ensuring the resilience of our business by adjusting our cost structure and protecting liquidity to be well positioned to deal with these uncertain times. Through the COVID-19 pandemic and economic crises, we continue our research and development activities and continue providing technical support to our customers globally as it is our belief that the value of reservoir simulation becomes even greater during times of challenging economic and regulatory uncertainty.

EBITDA, while down by 17% compared to the first quarter of the previous fiscal year, came out strong at 41% of total revenue (compared to 45% in the first quarter of the previous fiscal year).

We closed the quarter with $51.2 million of cash and no debt. We realized free cash flow per share of $0.05 during the quarter and on August 10, 2020, the Board declared a dividend of $0.05 per share.

For further details on the results, please refer to CMG's Management Discussion and Analysis and Consolidated Financial Statements, which are available on SEDAR at www.sedar.com or on CMG's website at www.cmgl.ca.

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, 2020**	March 31, 2020
Assets		
Current assets:		
Cash	**51,195**	40,505
Trade and other receivables	**7,692**	26,277
Prepaid expenses	**953**	913
Prepaid income taxes	**-**	771
	59,840	68,466
Property and equipment	**13,196**	13,507
Right-of-use assets	**37,305**	37,901
Deferred tax asset	**1,419**	992
Total assets	**111,760**	120,866
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**6,105**	6,224
Income taxes payable	**319**	60
Deferred revenue	**25,492**	33,838
Lease liability	**1,324**	1,313
	33,240	41,435
Lease liability	**40,736**	41,062
Total liabilities	**73,976**	82,497
Shareholders' equity:		
Share capital	**79,851**	79,851
Contributed surplus	**13,699**	13,533
Deficit	**(55,766)**	(55,015)
Total shareholders' equity	**37,784**	38,369
Total liabilities and shareholders' equity	**111,760**	120,866

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2020**	2019
Revenue	**16,672**	18,123
Operating expenses		
Sales, marketing and professional services	**4,284**	4,630
Research and development	**4,959**	4,751
General and administrative	**1,718**	1,674
	10,961	11,055
Operating profit	**5,711**	7,068
Finance income	**99**	323
Finance costs	**(1,405)**	(952)
Profit before income and other taxes	**4,405**	6,439
Income and other taxes	**1,143**	1,997
Net and total comprehensive income	**3,262**	4,442
Earnings per share		
Basic and diluted	**0.04**	0.06

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	2020	2019
Operating activities		
Net income	**3,262**	4,442
Adjustments for:		
Depreciation	**1,056**	1,050
Deferred income tax recovery	**(427)**	(160)
Stock-based compensation	**812**	765
Funds flow from operations	**4,703**	6,097
Movement in non-cash working capital:		
Trade and other receivables	**18,585**	6,570
Trade payables and accrued liabilities	**(765)**	(1,734)
Prepaid expenses	**(40)**	50
Income taxes payable	**1,030**	(359)
Deferred revenue	**(8,346)**	(5,749)
Decrease (increase) in non-cash working capital	**10,464**	(1,222)
Net cash provided by operating activities	**15,167**	4,875
Financing activities		
Repayment of lease liability	**(315)**	(282)
Dividends paid	**(4,013)**	(8,022)
Net cash used in financing activities	**(4,328)**	(8,304)
Investing activities		
Property and equipment additions	**(149)**	(108)
Increase (decrease) in cash	**10,690**	(3,537)
Cash, beginning of period	**40,505**	54,290
Cash, end of period	**51,195**	**50,753**
Supplementary cash flow information		
Interest received	**99**	333
Interest paid	**525**	534
Income taxes paid	**184**	2,074

See accompanying notes to condensed consolidated interim financial statements.

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