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COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 11, 2021 (GlobeNewswire) – Computer Modelling Group Ltd. ("CMG" or the "Company") announces its financial results for the three months ended June 30, 2021.

Quarterly Performance

	Fiscal 2020			Fiscal 2021				**Fiscal 2022**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance licenses	16,373	16,612	15,233	14,523	14,144	13,477	13,790	**12,286**
Perpetual licenses	1,146	964	1,403	-	1,775	660	1,184	**125**
Software licenses	17,519	17,576	16,636	14,523	15,919	14,137	14,974	**12,411**
Professional services	2,354	1,699	1,879	2,149	1,933	1,901	1,827	**2,003**
Total revenue	19,873	19,275	18,515	16,672	17,852	16,038	16,801	**14,414**
Operating profit	9,343	7,538	7,802	5,711	9,861	8,437	6,556	**5,573**
Operating profit (%)	47	39	42	34	55	53	39	**39**
Profit before income and other taxes	9,350	7,054	9,613	4,405	9,360	7,410	5,747	**4,827**
Income and other taxes	2,482	1,942	2,550	1,143	2,600	1,535	1,454	**1,094**
Net income for the period	6,868	5,112	7,063	3,262	6,760	5,875	4,293	**3,733**
EBITDA[(1)]	10,426	8,644	8,923	6,767	10,933	9,509	7,627	**6,596**
Cash dividends declared and paid	8,026	8,025	8,024	4,013	4,013	4,015	4,014	**4,015**
Funds flow from operations	7,787	7,366	7,515	4,703	7,991	7,322	6,267	**4,811**
Free cash flow[(1)]	7,274	6,726	6,840	4,239	7,474	7,005	5,755	**4,478**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic and diluted	0.09	0.06	0.09	0.04	0.08	0.07	0.05	**0.05**
Cash dividends declared and paid	0.10	0.10	0.10	0.05	0.05	0.05	0.05	**0.05**
Funds flow from operations per share - basic	0.10	0.09	0.09	0.06	0.10	0.09	0.08	**0.06**
Free cash flow per share – basic[(1)]	0.09	0.08	0.09	0.05	0.09	0.09	0.07	**0.06**

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

Commentary on Quarterly Performance

For the Three Months Ended

June 30, 2021 and compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue decreased by 15%;
- Total revenue decreased by 14%, due to decreases in both software revenue and professional services revenue;
- Total operating expenses decreased by 19%, due to compensation reductions, receipt of the CEWS and CERS benefits and lower stock-based compensation expense as a result of the share price decrease during the current quarter;
- Operating profit margin of 39% was up from the comparative quarter's figure of 34%. Without the impact of the CEWS and CERS benefits, the operating profit margin was 36%, above the comparative quarter's figure (which did not include any CEWS or CERS benefits), but below the pre-COVID average for fiscal 2019 and fiscal 2020 of 40%;
- Basic EPS of $0.05 was slightly higher than the comparative quarter;
- Free cash of $0.06 per share was slightly higher than the comparative quarter;
- Declared and paid a dividend of $0.05 per share.

Revenue

Three months ended June 30, ($ thousands)	**2021**	2020	$ change	% change
Software license revenue	**12,411**	14,523	(2,112)	-15%
Professional services	**2,003**	2,149	(146)	-7%
Total revenue	**14,414**	16,672	(2,258)	-14%
Software license revenue as a % of total revenue	**86%**	87%		
Professional services as a % of total revenue	**14%**	13%		

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, 2021 decreased by 14%, due to decreases in both software license revenue and professional services revenue.

Software License Revenue

Three months ended June 30, ($ thousands)	**2021**	2020	$ change	% change
Annuity/maintenance license revenue	**12,286**	14,523	(2,237)	-15%
Perpetual license revenue	**125**	-	125	100%
Total software license revenue	**12,411**	14,523	(2,112)	-15%
Annuity/maintenance as a % of total software license revenue	**99%**	100%		
Perpetual as a % of total software license revenue	**1%**	0%		

Total software license revenue for the three months ended June 30, 2021 decreased by 15%, compared to the same period of the previous fiscal year, due to decreases in annuity/maintenance license revenue, slightly offset by an increase in perpetual license revenue.

During the three months ended June 30, 2021, CMG's annuity/maintenance license revenue decreased by 15%, compared to the same period of the previous fiscal year. Canada, the US and the Eastern Hemisphere saw decreases in licensing, while South America increased by 7% due to new and returning customers.

Perpetual license revenue increased 100% during the three months ended June 30, 2021, as there was no perpetual revenue in the comparative quarter. Volatility in commodity prices and the resulting unpredictability of cash flows reduced our customers' budgets for perpetual licenses in the near term

Software Revenue by Geographic Region

Three months ended June 30, ($ thousands)	2021	2020	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,034**	3,212	(178)	-6%
United States	**2,984**	4,235	(1,251)	-30%
South America	**1,494**	1,390	104	7%
Eastern Hemisphere[(1)]	**4,774**	5,686	(912)	-16%
	12,286	14,523	(2,237)	-15%
Perpetual license revenue				
Canada	**-**	-	-	-
United States	**125**	-	125	100%
South America	**-**	-	-	-
Eastern Hemisphere	**-**	-	-	-
	125	-	125	100%
Total software license revenue				
Canada	**3,034**	3,212	(178)	-6%
United States	**3,109**	4,235	(1,126)	-27%
South America	**1,494**	1,390	104	7%
Eastern Hemisphere	**4,774**	5,686	(912)	-16%
	12,411	14,523	(2,112)	-15%

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

During the three months ended June 30, 2021, compared to the same period of the previous fiscal year, total software license revenue decreased in all geographic regions except for South America, which experienced a 7% increase.

The Canadian region (representing 24% of year-to-date total software license revenue) experienced a decrease of 6% in annuity/maintenance license revenue during the three months ended June 30, 2021, due to the effect of two customers not renewing being only partially offset by increases in licensing by some customers.

The United States (representing 25% of year-to-date total software license revenue) experienced a decrease of 30% in annuity/maintenance license revenue during the three months ended June 30, 2021, compared to the same period of the previous fiscal year. The decrease was largely due to the same factors that affected the region's revenue in the previous fiscal year: consolidation in the industry and ongoing challenges experienced by US unconventional shale plays. One perpetual sale to an existing customer was realized in the United States during the three months ended June 30, 2021.

South America (representing 12% of year-to-date total software license revenue) experienced an increase of 7% in annuity/maintenance license revenue during the three months ended June 30, 2021, as we grew our customer base in the region with new and returning customers.

The Eastern Hemisphere (representing 39% of year-to-date total software license revenue) experienced a decrease of 16% in annuity/maintenance license revenue during the three months ended June 30, 2021, compared to the same period of the previous fiscal year, due to reduced licensing by some customers.

Deferred Revenue

($ thousands)	**Fiscal 2022**	Fiscal 2021	Fiscal 2020	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**23,451**	25,492		(2,041)	-8%
Q2 (September 30)		19,549	23,849	(4,300)	-18%
Q3 (December 31)		15,347	15,679	(332)	-2%
Q4 (March 31)		30,461	33,838	(3,377)	-10%

CMG's deferred revenue consists primarily of amounts for prepaid 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.

The deferred revenue balance at the end of Q1 of fiscal 2022 decreased by 8% compared to Q1 of fiscal 2021.

Expenses

Three months ended June 30, ($ thousands)	**2021**	2020	$ change	% change
Sales, marketing and professional services	**3,412**	4,284	(872)	-20%
Research and development	**4,017**	4,959	(942)	-19%
General and administrative	**1,412**	1,718	(306)	-18%
Total operating expenses	**8,841**	10,961	(2,120)	-19%
Direct employee costs(1)	**7,070**	8,953	(1,883)	-21%
Other corporate costs	**1,771**	2,008	(237)	-12%
	8,841	10,961	(2,120)	-19%

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

Total operating expenses for the three months ended June 30, 2021 decreased by 19%, compared to the same period of the previous fiscal year, due to decreases in both direct employee costs and other corporate costs.

Direct employee costs for the three months ended June 30, 2021 decreased by 21%, compared to the same period of the previous fiscal year. The decrease was due to salary reductions implemented on July 1, 2020, a $0.3 million CEWS benefit recorded during the current quarter and lower stock-based compensation expense as a result of the share price decrease during the current quarter.

Other corporate costs for the three months ended June 30, 2021 decreased by 12%, compared to the same period of the previous fiscal year, due to a refund of office operating costs and the CERS benefit received during the current quarter. These decreases were partially offset by lower SR&ED credits, as explained in the next section.

Outlook

During the quarter ended June 30, 2021, CMG's annuity/maintenance license revenue decreased by 15%, compared to the same quarter of the previous fiscal year, as our customer spend continues to be affected by the ongoing COVID-19 pandemic and the production policy decisions of the OPEC+ nations, lower unconventional shale activity and, to a lesser extent, corporate consolidations in North America. While commodity prices have improved so far into calendar 2021, annual spending budgets were set by our customers at the end of calendar 2020, in the midst of COVID-related cautions and uncertainties, so any positive effects on CMG's revenue may be lagged because of the annual nature of our customers' budgets.

Geographically, Canada, the US and the Eastern Hemisphere contributed to the decrease in revenue, while South America increased by 7%, as we were able to expand our customer base with new and returning customers.

Total operating expenses decreased by 19%, due to salary reductions implemented on July 1, 2020, the CEWS/CERS benefits and lower stock-based compensation expense as a result of the share price decrease during the current quarter.

As a result of the decease in expenses, CMG was able to achieve an operating profit margin of 39%, up from 34% in the prior year quarter. Without the impact of the CEWS and CERS benefits, the operating profit margin was 36%, below our pre-COVID fiscal 2019 and fiscal 2020 historic average of 40%.

We continue to maintain a strong financial position. We closed the quarter with $54.4 million of cash, no debt and no significant accounts receivable collectability concerns. Basic earnings per share were $0.05 per share, slightly up from $0.04 in the comparative quarter. We generated $0.06 per share of free cash flow, compared to $0.05 per share in the comparative quarter. During the three months ended June 30, 2021, we declared and paid dividends totaling $0.05 per share.

Staff compensation, which has been reduced since July 1, 2020, will be reviewed in the upcoming quarter ending September 30, 2021, based on corporate and individual performance and with the view of optimizing our cost structure. Directors' cash compensation reductions and officers' salary reductions implemented on July 1, 2020 will remain unchanged for the current fiscal year. As with our actions since the start of the COVID-19 pandemic, the goal is to continue to defend our margins, while making sure we deliver reliable and accurate reservoir simulation solutions to our customers.

Energy transition-related modelling (carbon capture/sequestration and EOR, hydrogen, geothermal and other processes/mechanisms) has been a bright spot for CMG in the past twelve months. The current macro focus on energy transition has generated increased interest in our related courses and has also created a number of opportunities that CMG has been able to capture or pursue. CMG's existing software has had the technical capabilities to support energy transition-related modelling for, in some instances, decades, and we believe that CMG is the experienced, go-to partner for all of our existing customers, as well as new entrants that are focused on this area.

As market sentiment fluctuates from optimism to distress over the continued impact of COVID-19, we are being reminded that the situation is still far from normal. However, economic uncertainty and price volatility are becoming the new normal. We are not in a position to predict the future, so we choose to focus on matters within our control: maintaining liquidity and protecting our bottom line by adjusting our cost structure. We are working closely with our customers to address their needs while acknowledging their ongoing challenges. As the market focuses on energy transition, capital discipline, operational efficiencies and debt reduction, CMG will be responsive and proactive to our customers' needs and will support them in improving the value of their assets by optimizing production and realizing operational cost efficiencies.

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 direct employee 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 energy industry. The Company is a leading supplier of advanced process reservoir modelling software, with a diverse customer base of international oil companies and technology centers in approximately 60 countries. CMG's existing technology has differentiating capabilities built into its software products that can also be directly applied to the energy transition needs of its customers. 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, 2021**	March 31, 2021
Assets		
Current assets:		
Cash	**54,445**	49,068
Trade and other receivables	**8,817**	23,239
Prepaid expenses	**867**	820
Prepaid income taxes	**682**	8
	64,811	73,135
Property and equipment	**11,624**	12,025
Right-of-use assets	**34,886**	35,509
Deferred tax asset	**2,034**	1,822
Total assets	**113,355**	122,491
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**4,570**	6,316
Income taxes payable	**63**	49
Deferred revenue	**23,451**	30,461
Lease liability	**1,362**	1,356
	29,446	38,182
Long-term stock-based compensation liability	**1,310**	1,281
Long-term lease liability	**39,265**	39,606
Total liabilities	**70,021**	79,069
Shareholders' equity:		
Share capital	**80,051**	80,051
Contributed surplus	**14,445**	14,251
Deficit	**(51,162)**	(50,880)
Total shareholders' equity	**43,334**	43,422
Total liabilities and shareholders' equity	**113,355**	122,491

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2021**	2020
Revenue	**14,414**	16,672
Operating expenses		
Sales, marketing and professional services	**3,412**	4,284
Research and development	**4,017**	4,959
General and administrative	**1,412**	1,718
	8,841	10,961
Operating profit	**5,573**	5,711
Finance income	**98**	99
Finance costs	**(844)**	(1,405)
Profit before income and other taxes	**4,827**	4,405
Income and other taxes	**1,094**	1,143
Net and total comprehensive income	**3,733**	3,262
Earnings per share		
Basic and diluted	**0.05**	0.04

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	2021	2020
Operating activities		
Net income	**3,733**	3,262
Adjustments for:		
Depreciation	**1,023**	1,056
Deferred income tax recovery	**(212)**	(427)
Stock-based compensation	**267**	812
Funds flow from operations	**4,811**	4,703
Movement in non-cash working capital:		
Trade and other receivables	**14,422**	18,585
Trade payables and accrued liabilities	**(1,791)**	(765)
Prepaid expenses	**(47)**	(40)
Income taxes payable	**(660)**	1,030
Deferred revenue	**(7,010)**	(8,346)
Decrease in non-cash working capital	**4,914**	10,464
Net cash provided by operating activities	**9,725**	15,167
Financing activities		
Repayment of lease liability	**(306)**	(315)
Dividends paid	**(4,015)**	(4,013)
Net cash used in financing activities	**(4,321)**	(4,328)
Investing activities		
Property and equipment additions	**(27)**	(149)
Increase in cash	**5,377**	10,690
Cash, beginning of period	**49,068**	40,505
Cash, end of period	**54,445**	51,195
Supplementary cash flow information		
Interest received	**98**	99
Interest paid	**507**	525
Income taxes paid	**1,728**	184

See accompanying notes to consolidated financial statements, which are available on SEDAR at www.sedar.com or on CMG's website at www.cmgl.ca.

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