COMPUTER MODELLING GROUP LTD.

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COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 11, 2022 – Computer Modelling Group Ltd. ("CMG" or the "Company") announces its financial results for the three months ended June 30, 2022.

Quarterly Performance

	Fiscal 2021			Fiscal 2022				**Fiscal 2023**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance license revenue	14,144	13,477	13,790	12,286	13,239	13,575	14,306	**13,529**
Perpetual license revenue	1,775	660	1,184	125	846	1,497	2,351	**386**
Software license revenue	15,919	14,137	14,974	12,411	14,085	15,072	16,657	**13,915**
Professional services revenue	1,933	1,901	1,827	2,003	1,864	1,973	2,137	**2,192**
Total revenue	17,852	16,038	16,801	14,414	15,949	17,045	18,794	**16,107**
Operating profit	9,861	8,437	6,556	5,573	5,440	7,755	7,312	**4,961**
Operating profit (%)	55	53	39	39	34	45	39	**31**
Profit before income and other taxes	9,360	7,410	5,747	4,827	5,321	7,310	6,563	**5,182**
Income and other taxes	2,600	1,535	1,454	1,094	1,175	1,736	1,611	**1,369**
Net income for the period	6,760	5,875	4,293	3,733	4,146	5,574	4,952	**3,813**
EBITDA(1)	10,933	9,509	7,627	6,596	6,473	8,843	8,366	**5,892**
Cash dividends declared and paid	4,013	4,015	4,014	4,015	4,016	4,017	4,016	**4,017**
Funds flow from operations	7,991	7,322	6,267	4,811	4,904	7,022	7,105	**4,558**
Free cash flow(1)	7,474	7,005	5,755	4,478	4,494	6,227	6,584	**4,255**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic and diluted	0.08	0.07	0.05	0.05	0.05	0.07	0.06	**0.05**
Cash dividends declared and paid	0.05	0.05	0.05	0.05	0.05	0.05	0.05	**0.05**
Funds flow from operations per share – basic	0.10	0.09	0.08	0.06	0.06	0.09	0.09	**0.06**
Free cash flow per share – basic(1)	0.09	0.09	0.07	0.06	0.06	0.08	0.08	**0.05**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.

Commentary on Quarterly Performance

For the Three Months Ended

June 30, 2022 and compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue increased by 10%;
- Total revenue increased by 12%;
- Total operating expenses increased by 26%. When adjusted for restructuring charges and CEWS and CERS benefits, operating expenses increased by 4%;
- Quarterly operating profit margin was 31%, down from 39% in the comparative quarter. When adjusted for restructuring charges, CEWS and CERS benefits, operating profit margin was 41%, compared to 36%;
- Basic EPS was $0.05, same as the comparative quarter;
- Free cash flow per share of $0.05 was $0.01 lower than the comparative quarter;
- Declared and paid a dividend of $0.05 per share.

Revenue

Three months ended June 30, ($ thousands)	2022	2021	$ change	% change
Software license revenue	**13,915**	12,411	1,504	12%
Professional services revenue	**2,192**	2,003	189	9%
Total revenue	**16,107**	14,414	1,693	12%
Software license revenue as a % of total revenue	**86%**	86%		
Professional services revenue as a % of total revenue	**14%**	14%		

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

Total revenue for the three months ended June 30, 2022 increased by 12%, due to increases in both software license revenue and professional services revenue.

Software License Revenue

Three months ended June 30, ($ thousands)	2022	2021	$ change	% change
Annuity/maintenance license revenue	**13,529**	12,286	1,243	10%
Perpetual license revenue	**386**	125	261	209%
Total software license revenue	**13,915**	12,411	1,504	12%
Annuity/maintenance as a % of total software license revenue	**97%**	99%		
Perpetual as a % of total software license revenue	**3%**	1%		

Total software license revenue for the three months ended June 30, 2022 increased by 12%, compared to the same period of the previous fiscal year, due to increases in both annuity/maintenance license revenue and perpetual license revenue. Annuity/maintenance license revenue increased by 10%, due to increases in all regions except Canada.

Software Revenue by Geographic Region

Three months ended June 30, ($ thousands)	**2022**	2021	$ change	% change
Annuity/maintenance license revenue				
Canada	**2,950**	3,034	(84)	-3%
United States	**3,350**	2,984	366	12%
South America	**1,699**	1,494	205	14%
Eastern Hemisphere[1]	**5,530**	4,774	756	16%
	13,529	12,286	1,243	10%
Perpetual license revenue				
Canada	**-**	-	-	-
United States	**-**	125	(125)	-100%
South America	**-**	-	-	-
Eastern Hemisphere	**386**	-	386	100%
	386	125	261	209%
Total software license revenue				
Canada	**2,950**	3,034	(84)	-3%
United States	**3,350**	3,109	241	8%
South America	**1,699**	1,494	205	14%
Eastern Hemisphere	**5,916**	4,774	1,142	24%
	13,915	12,411	1,504	12%

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

During the three months ended June 30, 2022, compared to the same period of the previous fiscal year, total software license revenue increased in all regions except Canada.

The Canadian region (representing 21% of year-to-date total software license revenue) experienced a 3% decrease in annuity/maintenance license revenue, due to consolidation activity in the industry, partially offset by a returning customer and increased licensing by some existing customers.

The United States (representing 24% of year-to-date total software license revenue) experienced a 12% increase in annuity/maintenance license revenue, due to increased licensing by existing customers. There were no perpetual sales in the United States during the current quarter.

South America (representing 12% of year-to-date total software license revenue) experienced a 14% increase in annuity/maintenance license revenue, largely due to a multi-year lease that commenced in the second quarter of the previous fiscal year.

The Eastern Hemisphere (representing 43% of year-to-date total software license revenue) experienced a 16% increase in annuity/maintenance license revenue, due to increased licensing by some customers. Several perpetual sales were realized, which resulted in a 100% increase over the same period of the previous fiscal year.

Deferred Revenue

($ thousands)	**Fiscal 2023**	Fiscal 2022	Fiscal 2021	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**24,409**	23,451		958	4%
Q2 (September 30)		21,242	19,549	1,693	9%
Q3 (December 31)		23,056	15,347	7,709	50%
Q4 (March 31)		30,454	30,461	(7)	0%

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 2023 was 4% higher than Q1 of fiscal 2022.

Expenses

Three months ended June 30, ($ thousands)	**2022**	2021	$ change	% change
Sales, marketing and professional services	**3,591**	3,412	179	5%
Research and development	**4,205**	4,017	188	5%
General and administrative	**3,350**	1,412	1,938	137%
Total operating expenses	**11,146**	8,841	2,305	26%
Direct employee costs[(1)]	**8,947**	7,070	1,877	27%
Other corporate costs[(1)]	**2,199**	1,771	428	24%
	11,146	8,841	2,305	26%

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.

Adjusted total operating expenses, adjusted direct employee costs and adjusted other corporate costs are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. They are calculated by excluding CEWS subsidies, CERS subsidies and restructuring charges, as applicable, from the related non-adjusted measures. Management believes that analyzing the Company's expenses exclusive of these items illustrates underlying trends in our costs and provides better comparability between periods.

The following tables provide a reconciliation of total operating expenses to adjusted total operating expenses, direct employee costs to adjusted direct employee costs and other corporate costs to adjusted other corporate costs:

Three months ended June 30 ($ thousands)	**2022**	2021
Total operating expenses	**11,146**	8,841
CEWS	**-**	324
CERS	**-**	43
Restructuring charge	**(1,602)**	-
Adjusted total operating expenses	**9,544**	9,208
Direct employee costs	**8,947**	7,070
CEWS	**-**	324
Restructuring charge	**(1,478)**	-
Adjusted direct employee costs	**7,469**	7,394
Other corporate costs	**2,199**	1,771
CERS	**-**	43
Restructuring charge	**(124)**	-
Adjusted other corporate costs	**2,075**	1,814

In May 2022, Ryan Schneider stepped down as the Company's President and CEO and Pramod Jain was appointed CEO. This change resulted in a one-time restructuring cost of $1.6 million. For the three months ended June 30, 2022, adjusted direct employee costs increased by 1%, compared to the same period of the previous fiscal year.

Adjusted other corporate costs increased by 14% for the three months ended June 30, 2022, compared to the same period of the previous fiscal year, primarily due to higher professional services and travel-related costs.

Quarterly Summary

CMG's annuity/maintenance revenue increased by 10% during Q1 of fiscal 2023 compared to Q1 of fiscal 2022, continuing the trend of comparative quarterly increases that started in Q3 of the previous fiscal year. Similar to the previous quarters, this increase was supported by improved industry conditions and a multi-year lease in South America that commenced in September of 2021.

Geographically, all regions saw increases in annuity/maintenance revenue, with the exception of Canada. South America, the US and the Eastern Hemisphere increased due to returning customers and increased licensing by some existing customers, including another CoFlow lease in the Middle East that started in April of 2022. Canada was negatively affected by last year's consolidation activity in the industry.

Perpetual license revenue increased by $0.3 million compared to last year, supported by sales in the Eastern Hemisphere.

During the quarter, our expenses were impacted by a one-time restructuring charge of $1.6 million. When adjusted for the restructuring charge, as well as CEWS and CERS subsidies in the comparative quarter, Q1 operating expenses increased by 4%, compared to Q1 of fiscal 2022, due to increases in professional services and travel.

Adjusted operating profit margin was 41%, compared to 36% in Q1 of fiscal 2022, which is in line with the pre-COVID fiscal 2019 and fiscal 2020 historic average of 40% and reflective of our continuous cost management. Basic earnings per share was $0.05, consistent with the comparative quarter.

As always, CMG maintains a strong financial position and closed the year with $55.1 million of cash and no debt. Despite the restructuring charge in the current quarter and the positive cash impact of CEWS and CERS subsidies in the comparative quarter, we generated $0.05 per share of free cash flow, just $0.01 less than Q1 of fiscal 2022.

So far fiscal 2023 has been positive, as oil prices continue to remain strong and new opportunities are created by demand for energy transition projects. At the same time, we continue to navigate complex market conditions with geopolitical challenges, ESG policy tightening, supply and demand imbalances, and increasing inflation. Despite these challenges, we are encouraged by the strength of our technology and our team.

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, EBITDA, free cash flow, free cash flow per share, direct employee costs, other corporate costs, adjusted total operating expenses, adjusted direct employee costs and adjusted other corporate costs – do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies.

Certain additional disclosures for these non-IFRS financial measures have been incorporated by reference and can be found on page 2 in the Company's MD&A for the three months ended June 30, 2022, available on SEDAR at www.sedar.com and on the Company's website under the Investors section at www.cmgl.ca/investors.

Reconciliations of the non-IFRS financial measures to the most directly comparable IFRS financial measure are presented below:

Free Cash Flow Reconciliation to Funds Flow from Operations

	Fiscal 2021			Fiscal 2022				**Fiscal 2023**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Funds flow from operations	7,991	7,322	6,267	4,811	4,904	7,022	7,105	**4,558**
Capital expenditures	(200)	(7)	(41)	(27)	(133)	(481)	(62)	**-**
Repayment of lease liabilities	(317)	(310)	(471)	(306)	(277)	(314)	(459)	**(303)**
Free cash flow	7,474	7,005	5,755	4,478	4,494	6,227	6,584	**4,255**
Weighted average shares – basic (thousands)	80,265	80,286	80,286	80,286	80,307	80,335	80,335	**80,335**
Free cash flow per share – basic	0.09	0.09	0.07	0.06	0.06	0.08	0.08	**0.05**

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, 2022	March 31, 2022
Assets		
Current assets:		
Cash	**55,082**	59,660
Trade and other receivables	**15,111**	17,507
Prepaid expenses	**854**	792
Prepaid income taxes	**1,106**	959
	72,153	78,918
Property and equipment	**10,572**	10,908
Right-of-use assets	**32,518**	33,113
Deferred tax asset	**2,363**	2,209
Total assets	**117,606**	125,148
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**5,975**	6,819
Income taxes payable	**-**	13
Deferred revenue	**24,409**	30,454
Lease liabilities	**1,726**	1,626
	32,110	38,912
Long-term stock-based compensation liability	**1,213**	1,556
Long-term lease liabilities	**37,559**	37,962
Total liabilities	**70,882**	78,430
Shareholders' equity:		
Share capital	**80,248**	80,248
Contributed surplus	**15,219**	15,009
Deficit	**(48,743)**	(48,539)
Total shareholders' equity	**46,724**	46,718
Total liabilities and shareholders' equity	**117,606**	125,148

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2022**	2021
Revenue	**16,107**	14,414
Operating expenses		
Sales, marketing and professional services	**3,591**	3,412
Research and development	**4,205**	4,017
General and administrative	**3,350**	1,412
	11,146	8,841
Operating profit	**4,961**	5,573
Finance income	**711**	98
Finance costs	**(490)**	(844)
Profit before income and other taxes	**5,182**	4,827
Income and other taxes	**1,369**	1,094
Net and total comprehensive income	**3,813**	3,733
Earnings per share – basic and diluted	**0.05**	0.05
Dividend per share	**0.05**	0.05

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	2022	2021
Operating activities		
Net income	**3,813**	3,733
Adjustments for:		
Depreciation	**931**	1,023
Deferred income tax recovery	**(154)**	(212)
Stock-based compensation	**(32)**	267
Funds flow from operations	**4,558**	4,811
Movement in non-cash working capital:		
Trade and other receivables	**2,396**	14,422
Trade payables and accrued liabilities	**(945)**	(1,791)
Prepaid expenses	**(62)**	(47)
Income taxes payable	**(160)**	(660)
Deferred revenue	**(6,045)**	(7,010)
(Increase) decrease in non-cash working capital	**(4,816)**	4,914
Net cash (used in) provided by operating activities	**(258)**	9,725
Financing activities		
Repayment of lease liabilities	**(303)**	(306)
Dividends paid	**(4,017)**	(4,015)
Net cash used in financing activities	**(4,320)**	(4,321)
Investing activities		
Property and equipment additions	**-**	(27)
(Decrease) Increase in cash	**(4,578)**	5,377
Cash, beginning of period	**59,660**	49,068
Cash, end of period	**55,082**	54,445
Supplementary cash flow information		
Interest received	**180**	98
Interest paid	**490**	507
Income taxes paid	**1,496**	1,728

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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