

COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 10, 2023 – Computer Modelling Group Ltd. (“CMG” or the “Company”) announces its financial results for the three months ended June 30, 2023.

Quarterly Performance

(\$ thousands, unless otherwise stated)	Fiscal 2022			Fiscal 2023				Fiscal 2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Annuity/maintenance license revenue	13,239	13,575	14,306	13,529	14,825	15,533	15,803	15,607
Perpetual license revenue	846	1,497	2,351	386	780	518	1,556	1,849
Software license revenue	14,085	15,072	16,657	13,915	15,605	16,051	17,359	17,456
Professional services revenue	1,864	1,973	2,137	2,192	2,477	3,341	2,906	3,292
Total revenue	15,949	17,045	18,794	16,107	18,082	19,392	20,265	20,748
Operating profit	5,440	7,755	7,312	4,961	5,555	8,435	6,909	9,764
Operating profit (%)	34	45	39	31	31	43	34	47
Profit before income and other taxes	5,321	7,310	6,563	5,182	5,989	8,350	7,127	9,148
Income and other taxes	1,175	1,736	1,611	1,369	1,579	2,002	1,901	2,244
Net income for the period	4,146	5,574	4,952	3,813	4,410	6,348	5,226	6,904
Adjusted EBITDA ⁽¹⁾	6,948	8,672	8,795	6,775	8,509	10,595	8,515	9,948
Cash dividends declared and paid	4,016	4,017	4,016	4,017	4,025	4,025	4,032	4,039
Funds flow from operations	4,904	7,022	7,105	4,558	4,974	8,169	7,656	7,920
Free cash flow ⁽¹⁾	4,494	6,227	6,584	4,255	4,505	7,545	5,396	7,463
Per share amounts – (\$/share)								
Earnings per share (EPS) – basic	0.05	0.07	0.06	0.05	0.05	0.08	0.07	0.09
Earnings per share (EPS) – diluted	0.05	0.07	0.06	0.05	0.05	0.08	0.06	0.08
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	0.06	0.09	0.09	0.06	0.06	0.10	0.09	0.10
Free cash flow per share – basic ⁽¹⁾	0.06	0.08	0.08	0.05	0.06	0.09	0.07	0.09

(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, 2023 and compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue increased by 15%;
- Total revenue increased by 29%;
- Total operating expenses decreased by 3%. Adjusted for restructuring charges in the comparative quarter, operating expenses increased by 17%; primarily due to an increase in variable direct employee costs, higher professional services, travel-related, office-related and marketing corporate costs;
- Operating profit margin was 47%, up from 31% in the comparative quarter. Adjusted for restructuring charges in the comparative quarter, operating profit margin was 47%, compared to 41%;
- Basic EPS of \$0.09 was higher than the comparative quarter’s EPS of \$0.05;
- Achieved free cash flow per share of \$0.09;

- Declared and paid a dividend of \$0.05 per share.

Revenue

Three months ended June 30, (\$ thousands)	2023	2022	\$ change	% change
Software license revenue	17,456	13,915	3,541	25%
Professional services revenue	3,292	2,192	1,100	50%
Total revenue	20,748	16,107	4,641	29%
Software license revenue as a % of total revenue	84%	86%		
Professional services revenue as a % of total revenue	16%	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, 2023, increased by 29%, due to increases in both software license revenue and professional services revenue.

Software License Revenue

Three months ended June 30, (\$ thousands)	2023	2022	\$ change	% change
Annuity/maintenance license revenue	15,607	13,529	2,078	15%
Perpetual license revenue	1,849	386	1,463	379%
Total software license revenue	17,456	13,915	3,541	25%
Annuity/maintenance as a % of total software license revenue	89%	97%		
Perpetual as a % of total software license revenue	11%	3%		

Total software license revenue for the three months ended June 30, 2023 increased by 25%, compared to the same period of the previous fiscal year, due to increases in both annuity/maintenance license revenue and perpetual license revenue.

Software Revenue by Geographic Region

Three months ended June 30, (\$ thousands)	2023	2022	\$ change	% change
Annuity/maintenance license revenue				
Canada	3,241	2,950	290	10%
United States	4,254	3,350	904	27%
South America	1,822	1,699	123	7%
Eastern Hemisphere ⁽¹⁾	6,290	5,530	760	14%
	15,607	13,529	2,078	15%
Perpetual license revenue				
Canada	115	-	115	100%
United States	233	-	233	100%
South America	-	-	-	-
Eastern Hemisphere	1,501	386	1,115	289%
	1,849	386	1,463	379%
Total software license revenue				
Canada	3,356	2,950	405	14%
United States	4,487	3,350	1,137	34%
South America	1,822	1,699	123	7%
Eastern Hemisphere	7,791	5,916	1,875	32%
	17,456	13,915	3,541	25%

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

During the three months ended June 30, 2023 compared to the same period of the previous fiscal year, total software license revenue increased in all regions.

The Canadian region (representing 19% of year-to-date total software license revenue) experienced a 10% increase in annuity/maintenance license revenue, due to increased license fee and licensing by existing customers. Perpetual license revenue increased by 100% during the quarter due to a license purchase.

The United States (representing 26% of year-to-date total software license revenue) experienced a 27% increase in annuity/maintenance license revenue, due to new customers and increased licensing and pricing by existing customers. Perpetual license revenue increased by 100% during the quarter due to a new customer license purchase.

South America (representing 10% of year-to-date total software license revenue) experienced a 7% increase in annuity/maintenance license revenue, due to increased licensing by existing customers. There were no perpetual sales in South America during the current quarter.

The Eastern Hemisphere (representing 45% of year-to-date total software license revenue) experienced a 14% increase in annuity/maintenance license revenue, due to increased license fees and licensing by existing customers. Several perpetual sales were realized during the quarter, which resulted in a 289% increase over the same period of the previous fiscal year.

Deferred Revenue

(\$ thousands)	Fiscal 2024	Fiscal 2023	Fiscal 2022	\$ change	% change
Deferred revenue at:					
Q1 (June 30)	26,616	24,409		2,207	9%
Q2 (September 30)		24,164	21,242	2,922	12%
Q3 (December 31)		26,717	23,056	3,661	14%
Q4 (March 31)		34,797	30,454	4,343	12%

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 2024 was 9% higher than Q1 of fiscal 2023 which was negatively impacted by timing differences on the balance.

Cost of Revenue

Three months ended June 30, (\$ thousands)	2023	2022	\$ change	% change
Cost of revenue	1,905	1,764	141	8%

Cost of revenues increased by 8% for the three months ended June 30, 2023 compared to the same period of the previous fiscal year related to headcount driven direct employee costs.

Operating Expenses

Three months ended June 30, (\$ thousands)	2023	2022	\$ change	% change
Sales and marketing	2,355	1,903	452	24%
Research and development	4,052	4,129	(77)	(2%)
General and administrative	2,672	3,350	(678)	(20%)
Total operating expenses	9,079	9,382	(303)	(3%)
Direct employee costs ⁽¹⁾	6,157	7,489	(1,332)	(18%)
Other corporate costs ⁽¹⁾	2,922	1,893	1,029	54%
	9,079	9,382	(303)	(3%)

(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. Restructuring charges are excluded from total operating expenses. 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)	2023	2022
Total operating expenses	9,079	9,382
Restructuring charge	-	(1,602)
Adjusted total operating expenses	9,079	7,780
Direct employee costs	6,157	7,489
Restructuring charge	-	(1,478)
Adjusted direct employee costs	6,157	6,011
Other corporate costs	2,922	1,893
Restructuring charge	-	(124)
Adjusted other corporate costs	2,922	1,769

As a technology company, CMG's largest investment is its people, and approximately 85% of total operating expenses relate to direct employee costs. At June 30, 2023, CMG's full-time equivalent staff complement was 184 employees and consultants (June 30, 2022 – 173 employees). For the three months ended June 30, 2023, adjusted direct employee costs increased by 2%, compared to the same period of the previous fiscal year primarily due to an increase in headcount.

Adjusted other corporate costs increased by 65% for the three months ended June 30, 2023 compared to the same period of the previous fiscal year, primarily due to higher general professional services and legal costs, travel-related, office-related and marketing corporate costs. As the Company resumes post-pandemic operations, travel, marketing and office-related activities have increased as compared to the first quarter of the previous fiscal year.

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 MD&A – namely, Adjusted EBITDA, free cash flow, adjusted total operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, adjusted operating profit, and adjusted net income – 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.

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, 2023, 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

(\$ thousands, unless otherwise stated)	Fiscal 2022			Fiscal 2023			Fiscal 2024	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Funds flow from operations	4,904	7,022	7,105	4,558	4,974	8,169	7,656	7,920
Capital expenditures	(133)	(481)	(62)	-	(130)	(211)	(1,707)	(45)
Repayment of lease liabilities	(277)	(314)	(459)	(303)	(339)	(413)	(553)	(412)
Free cash flow	4,494	6,227	6,584	4,255	4,505	7,545	5,396	7,463
Weighted average shares – basic (thousands)	80,307	80,335	80,335	80,335	80,412	80,511	80,603	80,685
Free cash flow per share – basic	0.06	0.08	0.08	0.05	0.06	0.09	0.07	0.09

Forward-Looking Information

Certain information included in this MD&A 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 MD&A, 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 (TSX:CMG) is a global software and consulting company that combines science and technology with deep industry expertise to solve complex subsurface and surface challenges for the new energy industry around the world. CMG is headquartered in Calgary, AB, with offices in Houston, London, Dubai, Bogota, Rio de Janeiro, Bengaluru, and Kuala Lumpur. For more information, please visit www.cmgl.ca.

Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)	June 30, 2023	March 31, 2023
Assets		
Current assets:		
Cash	64,242	66,850
Trade and other receivables	20,028	23,910
Prepaid expenses	1,061	1,060
Prepaid income taxes	254	444
	85,585	92,264
Property and equipment	10,102	10,366
Right-of-use assets	30,138	30,733
Intangible assets	1,264	1,321
Deferred tax asset	2,492	2,444
Total assets	129,581	137,128
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	7,157	9,883
Income taxes payable	204	33
Deferred revenue	26,616	34,797
Lease liabilities	1,853	1,829
	35,830	46,542
Long-term stock-based compensation liability	1,848	1,985
Long-term lease liabilities	35,715	36,151
Total liabilities	73,393	84,678
Shareholders' equity:		
Share capital	82,650	81,820
Contributed surplus	15,514	15,471
Deficit	(41,976)	(44,841)
Total shareholders' equity	56,188	52,450
Total liabilities and shareholders' equity	129,581	137,128

Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian \$ except per share amounts)	2023	2022
Revenue	20,748	16,107
Cost of revenue	1,905	1,764
Gross profit	18,843	14,343
Operating expenses		
Sales and marketing	2,355	1,903
Research and development	4,052	4,129
General and administrative	2,672	3,350
	9,079	9,382
Operating profit	9,764	4,961
Finance income	760	711
Finance costs	(1,376)	(490)
Profit before income and other taxes	9,148	5,182
Income and other taxes	2,244	1,369
Net and total comprehensive income	6,904	3,813
Earnings per share – basic	0.09	0.05
Earnings per share – diluted	0.08	0.05
Dividend per share	0.05	0.05

Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian \$)	2023	2022
Operating activities		
Net income	6,904	3,813
Adjustments for:		
Depreciation and amortization of property, equipment, right-of-use assets	904	931
Amortization of intangible assets	57	-
Deferred income tax recovery	(49)	(154)
Stock-based compensation	104	(32)
Funds flow from operations	7,920	4,558
Movement in non-cash working capital:		
Trade and other receivables	3,882	2,396
Trade payables and accrued liabilities	(2,794)	(945)
Prepaid expenses	(1)	(62)
Income taxes payable	361	(160)
Deferred revenue	(8,181)	(6,045)
Changes in non-cash working capital	(6,733)	(4,816)
Net cash provided by (used in) operating activities	1,187	(258)
Financing activities		
Proceeds from issue of common shares	701	-
Repayment of lease liabilities	(412)	(303)
Dividends paid	(4,039)	(4,017)
Net cash used in financing activities	(3,750)	(4,320)
Investing activities		
Property and equipment additions	(45)	-
Decrease in cash	(2,608)	(4,578)
Cash, beginning of period	66,850	59,660
Cash, end of period	64,242	55,082
Supplementary cash flow information		
Interest received	760	180
Interest paid	469	490
Income taxes paid	1,778	1,496

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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