

Espial Reports Fourth Quarter 2018 Results

Ottawa, Ontario – February 28, 2019 - Espial® Group Inc. ("Espial" or the "Company"), (TSX: ESP), today announced its fourth quarter financial results for the three-month period ended December 31, 2018.

Recent Highlights

- Fourth quarter revenue was \$6.7 million.
- Annualized recurring SaaS revenue increased 81% to \$7.5 million from \$4.1 million at the end of last year.
- Fourth quarter adjusted EBITDA¹ of \$0.2 million. Net income was \$0.3 million.
- Announced Inter Mountain Cable Inc. (IMC), a leading provider of high-speed internet, digital TV, telephone, and commercial services will use Espial's Elevate video platform to power a variety of advanced TV services across IMC's IPTV and cable networks.
- Announced TDS Broadband Services signed an Elevate SaaS agreement with Espial to provide its cable video subscribers with an immersive experience and easy access to OTT services, including Netflix and YouTube.
- Announced WOW!, a leading broadband and communication services provider will use the Espial Elevate video platform to power its WOW! Ultra service.
- Tele Columbus, now PŸUR, launched new marketing campaigns and promotions for their advanceTV service, powered by Espial.

"I'm pleased with the progress we made in 2018, growing our annualized SaaS revenues 81% from 2017 and delivering positive adjusted EBITDA in the fourth quarter. In 2018, we continued to innovate on our cable and IPTV cloud software products by introducing advanced user experiences, integrating OTT content from Netflix and YouTube, expanding support for a wide range of consumer-owned devices, enhancing intelligent voice navigation, and the use of analytics – all of which help Pay TV operators optimize their video business," said Jaison Dolvane, CEO of Espial". "As we enter 2019, we have a broad base of deployed customers, growing SaaS revenue and a strong balance sheet. Our opportunities in 2019 will focus on helping operators bring to market new IP-based video services with low-cost set-top boxes and App-based TV offerings for consumer-owned devices."

Financial Summary

For the three-month period ended December 31, 2018, revenue was \$6.7 million compared with revenue of \$10.2 million for the three months ended December 31, 2017. Adjusted EBITDA for the fourth quarter of fiscal 2018 was \$0.2 million compared to \$0.9 million for the fourth quarter of fiscal 2017. Net income for the quarter was \$0.3 million, increasing from \$0.2 million in the fourth quarter of fiscal 2017.

¹ Adjusted EBITDA is a non-IFRS measure. This measure is defined in the "Non-IFRS Financial Measures" of this news release.

Q4 Financial Results

- Fourth quarter revenue was \$6,667,208 compared with revenue of \$10,157,477 in the same period a year ago. Fourth quarter software license revenue was \$2,428,087 compared to \$6,081,188 in the fourth quarter of fiscal 2017. Software subscription revenue increased to \$1,870,631 from \$1,032,115 in the fourth quarter of 2017. Professional services revenue for the fourth quarters of 2018 and 2017 were \$993,388 and \$974,680, respectively. Maintenance and support revenue for the fourth quarter was \$1,375,102 compared to \$2,069,494 last year.
- North American revenues were \$4,510,756 in the fourth quarter of 2018 compared to \$6,163,111 in 2017. European revenues were \$1,698,535 in the fourth quarter of 2018 compared to \$1,821,618 in 2017. Asia revenues were \$457,917 in the fourth quarter of 2018 compared to \$2,172,748 in 2017.
- Gross margin for the fourth quarter of fiscal 2018 was 75% compared to 77% in the fourth quarter of fiscal 2017.
- Operating expenses in the fourth quarter of fiscal 2018 were \$5,725,089 compared to \$7,650,090 in the fourth quarter of fiscal 2017.
- Adjusted EBITDA for the fourth quarter of fiscal 2018 was \$164,043, compared to \$863,929 in fiscal 2017.
- Net income in the fourth quarter was \$258,734 compared to \$227,794 last year.

Fiscal 2018 Financial Results

- Total revenue for the fiscal year ended December 31, 2018 was \$26,669,588 compared with revenue of \$33,433,064 in 2017. Software license revenue for the 2018 fiscal year was \$9,357,949 compared to \$17,919,074 in fiscal 2017. Software subscription revenue was \$6,339,804 compared to \$1,032,115 in 2017. Professional services revenue for the fiscal years of 2018 and 2017 was \$4,523,798 and \$6,029,779, respectively. Maintenance and support revenue for the year ended December 31, 2018 was \$6,448,037 compared to \$8,452,096 last year.
- North American revenues were \$16,184,271 in the 2018 fiscal year compared to \$19,665,586 in 2017. European revenues were \$8,633,364 in the 2018 fiscal year compared to \$9,270,019 in 2017. Asia revenues were \$1,851,953 in the 2018 fiscal year compared to \$4,497,459 in 2017.
- Gross margin for the 2018 fiscal year was 73% compared to 74% in fiscal 2017.
- Operating expenses for the 2018 fiscal year were \$25,384,205 compared to \$32,784,839 in fiscal 2017.
- Adjusted EBITDA for the fiscal year ended December 31, 2018 was a loss of \$1,649,577 compared to a loss of \$4,966,478 in fiscal 2017.
- Net loss in the 2018 fiscal year was \$4,520,021 compared to a net loss of \$8,522,959 in 2017.

Cash and cash equivalents on December 31, 2018 was \$33,405,255.

A complete set of financial statements and management's discussion and analysis for the period ended December 31, 2018 will be available at <http://www.sedar.com>.

Conference Call

The Company will be hosting a conference call to discuss the Q4 2018 financial results on February 28, 2019 at 5:00PM EDT and the phone number to join the results discussion is:

- Toll Free line (Canada/US) 866-521-4909
- Toll line (International/Local) 647-427-2311

The playback for the call will be available two hours after the call's completion and will be available until 11:59PM ET on March 29, 2019, at the following numbers and passcode:

Toll-free line: +1-800-585-8367 or +1-416-621-4642, Passcode: **1138149**

About Espial (www.espial.com)

Espial is transforming viewing experiences worldwide by enabling video services at web speed and web scale. From immersive user experience and discovery solutions to advanced cloud-based platforms, Espial solutions help service providers manage, deliver and monetize video and entertainment services. Espial's customers span six continents, have deployed tens of million devices, and are serviced through Espial's global sales, support, and innovation centers across North America, Europe, and Asia. www.espial.com

Forward Looking Statement

This press release contains information that is forward looking information with respect to Espial within the meaning of Section 138.4(9) of the Ontario Securities Act (forward looking statements) and other applicable securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements or assumptions about, economic conditions, ongoing or future benefits of existing and new customer, and partner relationships or new board nominees, our position or ability to capitalize on the move to more open systems by service providers, existing or future opportunities for the company and products (including our ability to successfully execute on market opportunities and secure new customer wins) and any other statements regarding Espial's objectives (and strategies to achieve such objectives), future expectations, beliefs, goals or prospects are or involve forward-looking information.

Forward-looking information is based on certain factors and assumptions. While the company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking information, by its nature necessarily involves known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those in the forward-looking statements or could cause our current objectives and strategies to change, including but not limited to changing conditions and other risks associated with the on-demand TV software industry and the market segments in which Espial operates, competition, Espial's ability to continue to supply existing customers and partners with its products and services and avoid being displaced by competitive offerings, effectively grow its integration and support capabilities, execute on market opportunities, develop its distribution channels and generate increased demand for its products, economic conditions, technological change, unanticipated

changes in our costs, regulatory changes, litigation, the emergence of new opportunities, many of which are beyond our control and current expectation or knowledge.

Additional risks and uncertainties affecting Espial can be found in Management’s Discussion and Analysis of Results of Operations and Financial Condition and its Annual Information Form for the fiscal years ended December 31, 2017 and, when filed, 2018 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Espial assumes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Non-IFRS Financial Measures

Adjusted EBITDA represents net income (loss) adjusted to exclude share-based compensation, amortization, depreciation, business restructuring expenses, interest income, other expense (income), and income tax expense. We use Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

Adjusted EBITDA is not a recognized, defined or standardized measure under IFRS. Our definition of Adjusted EBITDA will likely differ from that used by other companies and therefore comparability may be limited. Adjusted EBITDA should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-IFRS measures and view them in conjunction with the most comparable IFRS financial measures. We have reconciled Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three Months Ended December 31		Years Ended December 31	
	2018	2017	2018	2017
Net income (loss)	\$ 258,734	\$ 227,794	\$ (4,520,021)	\$ (8,522,959)
Add (less)				
Share-based compensation	138,119	337,289	737,327	1,584,688
Amortization of intangibles	146,385	249,819	616,951	985,747
Depreciation	113,053	139,555	463,802	488,787
Business restructuring	522,278	-	2,396,071	
Interest income	(126,334)	(87,145)	(447,181)	(290,772)
Other (income) expense	(948,846)	(245,737)	(1,230,199)	156,849
Income tax	60,654	242,354	333,673	631,182
Adjusted EBITDA	\$ 164,043	\$ 863,929	\$ (1,649,577)	\$ (4,966,478)



For inquiries from the financial press or analysts, contact:

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Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(In Canadian dollars)

	Three Months Ended December 31		Years Ended December 31	
	2018	2017	2018	2017
Revenue				
Software	\$ 2,428,087	\$ 6,081,188	\$ 9,357,949	\$ 17,919,074
Software subscription	1,870,631	1,032,115	6,339,804	1,032,115
Professional services	993,388	974,680	4,523,798	6,029,779
Support and maintenance	1,375,102	2,069,494	6,448,037	8,452,096
Total revenue	6,667,208	10,157,477	26,669,588	33,433,064
Cost of revenue	1,697,911	2,370,121	7,149,111	8,673,925
Gross margin	4,969,297	7,787,356	19,520,477	24,759,139
Expenses				
Sales and marketing	1,561,432	1,967,242	6,444,857	7,300,613
General and administrative	770,246	1,365,094	3,115,017	5,192,959
Research and development	2,724,748	4,067,935	12,811,309	19,305,520
Amortization of intangible assets	146,385	249,819	616,951	985,747
Business restructuring	522,278	-	2,396,071	-
	5,725,089	7,650,090	25,384,205	32,784,839
Income (loss) before other income (expense)	(755,792)	137,266	(5,863,728)	(8,025,700)
Other income (expense)	948,846	245,737	1,230,199	(156,849)
Interest income	126,334	87,145	447,181	290,772
Income (loss) before taxes	319,388	470,148	(4,186,348)	(7,891,777)
Income taxes	(60,654)	(242,354)	(333,673)	(631,182)
Net income (loss)	258,734	227,794	(4,520,021)	(8,522,959)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences – foreign operations	(447,674)	-	(717,302)	-
Comprehensive income (loss)	\$ (188,940)	\$ 227,794	\$ (5,237,323)	\$ (8,522,959)
Income (loss) per common share - basic	\$ 0.01	\$ 0.01	\$ (0.13)	\$ (0.23)
Income (loss) per common share – diluted	\$ 0.01	\$ 0.01	\$ (0.13)	\$ (0.23)
Weighted average number of common shares outstanding - basic	35,457,586	35,993,242	35,625,556	36,339,611

Consolidated Balance Sheets

(In Canadian Dollars)

	December 31, 2018	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,405,255	\$ 38,813,911
Accounts receivable	6,139,944	6,792,420
Investment tax credits receivable	402,208	924,630
Prepaid expenses and other assets	1,037,309	841,617
	40,984,716	47,372,578
Property, plant and equipment	1,627,849	2,046,905
Intangible assets	721,611	941,187
Goodwill	3,632,604	3,632,604
	\$ 46,966,780	\$ 53,993,274
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,068,708	\$ 4,778,111
Provisions	252,433	-
Deferred revenue	2,429,314	3,345,828
	5,750,455	8,123,939
Provisions	225,689	-
Total Liabilities	5,976,144	8,123,939
SHAREHOLDERS' EQUITY		
Share capital	122,964,572	123,738,952
Share based payments reserve	17,747,382	17,179,915
Accumulated other comprehensive loss	(717,302)	-
Deficit	(99,004,016)	(95,049,532)
	40,990,636	45,869,335
	\$ 46,966,780	\$ 53,993,274

Statements of Cash Flows

(In Canadian Dollars)

	Years Ended	
	December 31, 2018	December 31, 2017
CASH (USED IN) PROVIDED BY OPERATING		
Net loss	\$ (4,520,021)	\$ (8,522,959)
Items not affecting cash		
Depreciation of property plant and equipment	463,802	488,787
Amortization of intangible assets	616,664	985,747
Share-based compensation expense	737,327	1,584,688
Business restructuring provisions	586,955	-
Provisions	-	(334,591)
	(2,115,273)	(5,798,328)
Changes in non-cash operating working capital items	(1,436,691)	4,418,058
	(3,551,964)	(1,380,270)
INVESTING		
Purchase of equipment	(110,280)	(1,114,735)
Purchase of intangibles	(386,280)	(108,867)
	(496,560)	(1,223,602)
FINANCING		
Options exercised	223,149	8,214
Share repurchase program	(1,167,389)	(1,638,309)
	(944,240)	(1,630,095)
Net cash and cash equivalents outflow	(4,992,764)	(4,233,967)
Cash and cash equivalents, beginning of period	38,813,911	43,047,878
Effects of exchange rates on cash and cash equivalents	(415,892)	-
Cash and cash equivalents, end of period	\$ 33,405,255	\$ 38,813,911
Supplementary information:		
Taxes paid	\$ 309,701	\$ 631,182