

Espial Reports First Quarter 2019 Results

Ottawa, Ontario – May 2, 2019 - Espial® Group Inc. ("Espial" or the "Company"), (TSX: ESP), today announced its first quarter financial results for the three-month period ended March 31, 2019.

Recent Highlights

- First quarter revenue was \$6.1 million.
- Q1 2019 SaaS annualized recurring revenue (ARR) increased 62% to \$7.6 million from \$4.7 million at the end of Q1 2018.
- First quarter adjusted EBITDA¹ was a loss of \$0.6 million. Net loss was \$1.5 million.
- Espial announced Alexa certification for 18 service providers using its Elevate TVaaS platform; an industry-first, bulk certification and introduction of intelligent voice services for search, discovery and navigation of the Elevate Pay-TV service.
- Espial was named one of the 20 Most Promising Media and Entertainment Solution Providers for 2019 by CIO Review.
- Espial and Enghouse Systems Limited, jointly announced that they have entered into an arrangement agreement pursuant to which Enghouse has agreed to acquire all of the issued and outstanding common shares of Espial.

"I'm pleased with the progress we continue to make on our Elevate SaaS solution. Over the last few quarters, we have introduced a variety of rich features on our Elevate IPTV and Cable platforms across set-top boxes and a variety of consumer-owned devices. Recently, we also announced a bulk certification of Amazon Alexa, a great example of how multiple customers receive the immediate benefit of scale from the Elevate SaaS video platform", said Jaison Dolvane, CEO of Espial. "In the first quarter, our SaaS revenue grew to \$2.2 million. We continued to add new SaaS wins in Q1, while growing our pipeline through our sales and demand generation initiatives. We are excited about the combination of Espial and Enghouse and the value this will bring to our customers through the increased scale and expertise."

Financial Summary

For the three-month period ended March 31, 2019, revenue was \$6.1 million compared with revenue of \$5.9 million for the three months ended March 31, 2018. Adjusted EBITDA for the first quarter of fiscal 2019 was a loss of \$0.6 million compared to \$1.7 million for the first quarter of fiscal 2018. Net loss for the quarter was \$1.5 million, compared to a loss of \$3.7 million in the first quarter of fiscal 2018.

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

Q1 Financial Results

- First quarter revenue was \$6,079,347 compared with revenue of \$5,932,257 in the same period a year ago. First quarter software license revenue was \$1,938,395 compared to \$2,024,498 in the first quarter of fiscal 2018. Software subscription revenue increased to \$2,194,168 from \$1,166,843 in the first quarter of 2018. Professional services revenue for the first quarters of 2019 and 2018 were \$656,702 and \$906,072, respectively. Maintenance and support revenue for the first quarter was \$1,290,082 compared to \$1,834,844 last year.
- North American revenues were \$3,854,130 in the first quarter of 2019 compared to \$3,229,789 in 2018. European revenues were \$1,960,103 in the first quarter of 2019 compared to \$1,938,810 in 2018. Asia revenues were \$265,114 in the first quarter of 2019 compared to \$763,658 in 2018.
- Gross margin as a percentage of sales for the first quarter of fiscal 2019 increased to 73% from 71% in the first quarter of fiscal 2018.
- Operating expenses in the first quarter of fiscal 2019 were \$5,524,475 compared to \$8,468,065 in the first quarter of fiscal 2018.
- Adjusted EBITDA for the first quarter of fiscal 2019 was a loss of \$591,215, compared to a loss of \$1,740,749 in fiscal 2018.
- Net loss in the first quarter was \$1,478,584 compared to \$3,736,385 last year.

Cash and cash equivalents on March 31, 2019 was \$30,718,941.

A complete set of financial statements and management's discussion and analysis for the period ended March 31, 2019 will be available at <http://www.sedar.com>.

Conference Call

The Company will be hosting a conference call to discuss the Q1 2019 financial results on May 2, 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 June 3, 2019, at the following numbers and passcode:

Toll-free line: +1-800-585-8367 or +1-416-621-4642, Passcode: **8487041**

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, 2018 and, when filed, 2019 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 shared-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 March 31	
	2019	2018
Net income (loss)	\$ (1,478,584)	\$ (3,736,385)
Add (less)		
Share-based compensation	54,878	348,972
Amortization of intangibles	104,829	175,267
Depreciation	350,008	123,964
Business restructuring	-	1,873,793
Interest income	(131,271)	(101,686)
Other (income) expense	502,992	(461,230)
Income tax	5,933	36,556
Adjusted EBITDA	\$ (591,215)	\$ (1,740,749)

For inquiries from the financial press or analysts, contact:

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Consolidated Statements of Loss and Comprehensive Loss

(In Canadian dollars)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Revenue		
Software licenses	\$ 1,938,395	\$ 2,024,498
Software subscription	2,194,168	1,166,843
Professional services	656,702	906,072
Support and maintenance	1,290,082	1,834,844
Total revenue	6,079,347	5,932,257
Cost of revenue	1,655,802	1,726,937
Gross margin	4,423,545	4,205,320
Expenses		
Sales and marketing	1,313,158	1,634,894
General and administrative	1,147,372	867,934
Research and development	2,959,116	3,916,177
Amortization of intangible assets	104,829	175,267
Business restructuring	-	1,873,793
	5,524,475	8,468,065
Loss before other income (expenses)	(1,100,930)	(4,262,745)
Other income (expenses)	(502,992)	461,230
Interest income	131,271	101,686
Loss before taxes	(1,472,651)	(3,699,829)
Income taxes	(5,933)	(36,556)
Net loss	(1,478,584)	(3,736,385)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	178,414	(235,627)
Total comprehensive loss	\$ (1,300,170)	\$ (3,972,012)
Net loss per common share - basic	\$ (0.04)	\$ (0.10)
Weighted average number of common shares outstanding - basic	35,459,803	35,917,607
Net loss per common share – diluted	\$ (0.04)	\$ (0.10)
Weighted average number of common shares outstanding - diluted	35,459,803	35,917,607

Consolidated Balance Sheets

(In Canadian Dollars)

	March 31, 2019	December 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,718,941	\$ 33,405,255
Accounts receivable	6,683,586	6,139,944
Investment tax credits receivable	492,988	402,208
Prepaid expenses and other assets	874,126	1,037,309
	38,769,641	40,984,716
Property, plant and equipment	1,545,207	1,627,849
Right-of-use assets	4,887,223	-
Intangible assets	644,917	721,611
Goodwill	3,632,604	3,632,604
	\$ 49,479,592	\$ 46,966,780
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,858,445	\$ 3,068,708
Provisions	248,984	252,433
Deferred revenue	1,565,138	2,429,314
Lease obligations	1,010,179	-
	5,682,746	5,750,455
Provisions	147,166	225,689
Lease obligations	3,900,914	-
	9,730,826	5,976,144
SHAREHOLDERS' EQUITY		
Share capital	122,971,226	122,964,572
Share based payments reserve	17,799,028	17,747,382
Accumulated other comprehensive loss	(538,888)	(717,302)
Deficit	(100,482,600)	(99,004,016)
	39,748,766	40,990,636
	\$ 49,479,592	\$ 46,966,780

Statements of Cash Flows

(In Canadian Dollars)

	Three Months Ended	
	March 31, 2019	March 31, 2018
CASH (USED IN) PROVIDED BY		
OPERATING		
Net loss	\$ (1,478,584)	\$ (3,736,385)
Items not affecting cash		
Depreciation of property plant and equipment and right-of-use assets	350,008	123,852
Amortization of intangible assets	104,829	175,085
Share-based compensation expense	54,878	348,972
Business restructuring provisions	(81,972)	920,307
	(1,050,841)	(2,168,169)
Changes in non-cash operating working capital items	(1,606,557)	(1,485,261)
	(2,657,398)	(3,653,430)
INVESTING		
Purchase of equipment	(28,905)	(63,980)
Purchase of intangibles	(30,816)	(185,997)
	(59,721)	(249,977)
FINANCING		
Options exercised	3,232	8,550
Share repurchase program	-	(173,573)
Payment of lease obligations	(227,884)	-
	(224,652)	(165,023)
Net cash and cash equivalents outflow	(2,941,771)	(4,068,430)
Cash and cash equivalents, beginning of period	33,405,255	38,813,911
Effects of exchange rates on cash and cash equivalents	255,457	187,534
Cash and cash equivalents, end of period	\$ 30,718,941	\$ 34,933,015
Supplementary information:		
Taxes paid	\$ 5,933	\$ 36,556