

Espial Reports Fourth Quarter 2017 Results

Ottawa, Ontario – February 22, 2018 - Espial® Group Inc. ("Espial" or the "Company"), (TSX:ESP), today announced its fourth quarter financial results for the three-month period ended December 31, 2017.

Recent Highlights

- Fourth quarter revenue was \$10.2 million.
- Software-as-a-Service ("SaaS") subscription revenue from our recently introduced Elevate SaaS video platform for the quarter was \$1.0 million.
- Fourth quarter adjusted EBITDA¹ of \$0.9 million. Net income was \$0.2 million
- For the year revenues were up 17% to \$33.4 million from \$28.6 million last year.
- Announced a North American cable company with over 1 million subs selected our Elevate SaaS video platform
- Announced Eastlink, a leading service provider in Eastern Canada, selected our Elevate SaaS video platform.
- Announced 8 additional North American service providers, including Buckeye Broadband, Spanish Fork, Elijay, Clear Creek, Summit, Hiawatha Broadband, Optic, and MCTV, that are using the Elevate SaaS video platform to power their video service.
- Signed a strategic deal with Netflix to seamlessly bring Netflix to operators on our Elevate SaaS video platform.
- Introduced Amazon Alexa voice capabilities for our Elevate SaaS video platform.
- Formed a partnership with Google, to introduce YouTube support for all operators on the Elevate SaaS video platform.
- Expanded our North American sales team to focus on sales growth of the Elevate SaaS video platform.

"This was our first quarter of Software-as-a-Service (SaaS) revenue since introducing our Elevate SaaS video platform in Q3. We are pleased with the early reception we have seen from service providers for this offering," said Jaison Dolvane, CEO, Espial. "We believe that Pay TV service providers need to continue to innovate and Espial's Elevate platform helps them compete effectively with next generation TV services. The many advantages that a SaaS solution provides customers, including the ability to respond to changes and threats quickly, and to adopt to new technologies and future proof themselves in this new dynamic video market, is driving rapid interest and adoption."

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

Financial Summary

For the three-month period ended December 31, 2017, revenue was \$10.2 million compared with revenue of \$12.8 million for the three months ended December 31, 2016. Adjusted EBITDA for the fourth quarter of fiscal 2017 was \$0.9 million compared to \$3.2 million for the fourth quarter of fiscal 2016. Net income for the quarter was \$0.2 million, compared with net income of \$2.5 million for the fourth quarter of fiscal 2016.

Q4 Financial Results

- Fourth quarter revenue was \$10,157,477 compared with revenue of \$12,753,702 in the same period a year ago. Fourth quarter software license and royalty revenue was \$6,081,188 compared to \$9,752,798 in the fourth quarter of fiscal 2016. Software subscription revenue from our Elevate SaaS video platform was \$1,032,115. This is a new source of revenue for us and the first quarter we have reported it. Professional services revenue for the fourth quarters of 2017 and 2016 were \$974,680 and \$1,096,364, respectively. Maintenance and support revenue for the fourth quarter was \$2,069,494 compared to \$1,904,540 last year.
- North American revenues were \$6,163,111 in the fourth quarter of 2017 compared to \$7,758,240 in 2016. Asia revenues were \$2,172,748 in the fourth quarter of 2017 compared to \$782,798 in 2016. European revenues were \$1,821,618 in the fourth quarter of 2017 compared to \$4,212,664 in 2016.
- Gross margin for the fourth quarter of fiscal 2017 was 77% compared to 82% the fourth quarter of fiscal 2016.
- Operating expenses in the fourth quarter of fiscal 2017 were \$7,650,090 compared to \$7,986,116 in the fourth quarter of fiscal 2016.
- Adjusted EBITDA for the fourth quarter of fiscal 2017 was \$863,929, compared to \$3,244,668 in fiscal 2016.
- Net income, which includes non-cash items like depreciation, amortization of intangibles and stock compensation, in the fourth quarter was \$227,794 compared to \$2,474,708 last year.

Fiscal 2017 Financial Results

- Total revenue for the fiscal year ended December 31, 2017 was \$33,433,064 compared with revenue of \$28,644,570 in the same period a year ago. Software license and royalty revenue for the 2017 fiscal year was \$17,919,074 compared to \$18,142,077 in fiscal 2016. Software subscription revenue from our Elevate SaaS video platform, new in Q4, was \$1,032,115. Professional services revenue for the fiscal years of 2017 and 2016 was \$6,029,779 and \$4,614,199, respectively. Maintenance and support revenue for the fiscal year ended December 31, 2017 was \$8,452,096 compared to \$5,888,294 last year.
- North American revenues were \$19,665,586 in the 2017 fiscal year compared to \$11,383,936 in 2016. Asia revenues were \$4,497,459 in the 2017 fiscal year compared to \$3,330,831 in 2016. European revenues were \$9,270,019 in the 2017 fiscal year compared to \$13,929,803 in 2016.

- Gross margin for the 2017 fiscal year was 74% compared to 75% in fiscal 2016.
- Operating expenses for the 2017 fiscal year were \$32,784,839 compared to \$26,028,495 in fiscal 2016.
- Adjusted EBITDA for the fiscal year ended December 31, 2017 was a loss of \$4,966,478 compared to a loss of \$1,899,798 in fiscal 2016.
- Net loss in the 2017 fiscal year was \$8,522,959 compared to a net loss of \$4,874,769 in 2016.

Cash and cash equivalents on December 31, 2017 was \$38,813,911.

A complete set of financial statements and management's discussion and analysis for the period ended December 31, 2017 will be available at <http://www.sedar.com>.

Conference Call

The Company will be hosting a conference call to discuss the Q4 2017 financial results on February 22, 2018 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 21, 2018, at the following numbers and passcode:

Toll-free line: +1-800-585-8367 or +1-416-621-4642, Passcode: **6599128**

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, 2016 and, when filed, 2017 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, 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		Twelve months ended December 31	
	2017	2016	2017	2016
Net income (loss)	\$ 227,794	\$ 2,474,708	\$ (8,522,959)	\$ (4,874,769)
Add (less)				
Share-based compensation	337,289	419,903	1,584,688	1,555,184
Amortization of intangibles	249,819	269,024	985,747	804,785
Depreciation	139,555	103,376	488,787	364,430
Interest income	(87,145)	(69,299)	(290,772)	(322,691)
Other (income) expense	(245,737)	(64,599)	156,849	154,519
Income tax	242,354	111,555	631,182	418,744
Adjusted EBITDA	\$ 863,929	\$ 3,244,668	\$ (4,966,478)	\$ (1,899,798)

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

(In Canadian dollars)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Revenue				
Software	\$ 6,081,188	\$ 9,752,798	\$ 17,919,074	\$ 18,142,077
Software subscription	1,032,115	-	1,032,115	-
Professional services	974,680	1,096,364	6,029,779	4,614,199
Support and maintenance	2,069,494	1,904,540	8,452,096	5,888,294
Total revenue	10,157,477	12,753,702	33,433,064	28,644,570
Cost of revenue	2,370,121	2,315,220	8,673,925	7,240,272
Gross margin	7,787,356	10,438,482	24,759,139	21,404,298
Expenses				
Sales and marketing	1,967,242	1,495,225	7,300,613	5,574,759
General and administrative	1,365,094	1,080,378	5,192,959	4,138,290
Research and development	4,067,935	5,141,489	19,305,520	15,510,661
Amortization of intangible assets	249,819	269,024	985,747	804,785
	7,650,090	7,986,116	32,784,839	26,028,495
Income (loss) before other income (expense)	137,266	2,452,365	(8,025,700)	(4,624,197)
Other income (expense)	245,737	64,599	(156,849)	(154,519)
Interest income	87,145	69,299	290,772	322,691
Income (loss) before taxes	470,148	2,586,263	(7,891,777)	(4,456,025)
Income taxes	(242,354)	(111,555)	(631,182)	(418,744)
Net income (loss) and comprehensive income (loss)	\$ 227,794	\$ 2,474,708	\$ (8,522,959)	\$ (4,874,769)
Income (loss) per common share - basic	\$ 0.01	\$ 0.07	\$ (0.23)	\$ (0.13)
Income (loss) per common share - diluted	\$ 0.01	\$ 0.06	\$ (0.23)	\$ (0.13)
Weighted average number of common shares outstanding - basic	36,339,611	37,262,729	36,339,611	37,262,729

Consolidated Balance Sheets

(In Canadian Dollars)

	December 31, 2017	December 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,813,911	\$ 43,047,878
Accounts receivable	6,792,420	10,475,563
Investment tax credits receivable	924,630	321,018
Prepaid expenses and other assets	841,617	653,055
	47,372,578	54,497,514
Property plant and equipment	2,046,905	1,420,957
Intangible assets	941,187	1,818,067
Goodwill	3,632,604	3,632,604
	\$ 53,993,274	\$ 61,369,142
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,778,111	\$ 4,542,527
Provisions	-	334,591
Deferred revenue	3,345,828	2,054,323
Total Liabilities	8,123,939	6,931,441
COMMITMENTS		
SHAREHOLDERS' EQUITY		
Share capital	123,738,952	125,362,413
Share based payments reserve	17,179,915	15,601,861
Deficit	(95,049,532)	(86,526,573)
	45,869,335	54,437,701
	\$ 53,993,274	\$ 61,369,142

Statements of Cash Flows

(In Canadian Dollars)

	Twelve Months Ended	
	December 31, 2017	December 31, 2016
CASH (USED IN) PROVIDED BY		
OPERATING		
Net loss	\$ (8,522,959)	\$ (4,874,769)
Items not affecting cash		
Depreciation of property and equipment	488,787	364,430
Amortization of intangible assets	985,747	804,785
Share-based compensation expense	1,584,688	1,555,184
Gain on acquisition	-	(325,966)
Provisions	(334,591)	(12,548)
	(5,798,328)	(2,488,884)
Changes in non-cash operating working capital items	4,418,058	(2,644,456)
	(1,380,270)	(5,133,340)
INVESTING		
Purchase of equipment	(1,114,735)	(443,556)
Purchase of intangibles	(108,867)	(250,531)
Purchase of business, net of cash acquired	-	162,769
	(1,223,602)	(531,318)
FINANCING		
Options exercised	8,214	16,232
Share repurchase program	(1,638,309)	(1,250,792)
	(1,630,095)	(1,234,560)
Net cash and cash equivalents outflow	(4,233,967)	(6,899,218)
Cash and cash equivalents, beginning of period	43,047,878	49,947,096
Cash and cash equivalents, end of period	\$ 38,813,911	\$ 43,047,878
Supplementary information:		
Taxes paid	\$ 631,182	\$ 418,744