

Espial Reports Third Quarter 2018 Results

Strong SaaS results drives positive EBITDA

Ottawa, Ontario – November 1, 2018 - Espial® Group Inc. ("Espial" or the "Company"), (TSX:ESP), today announced its third quarter financial results for the three-month period ended September 30, 2018.

Recent Highlights

- Third quarter revenue was \$7.0 million.
- Annualized recurring SaaS revenue has increased 68% from \$4.1 million at the end of last year to \$6.9 million at the end of the third quarter.
- Third quarter adjusted EBITDA¹ income was \$0.01 million. Net loss was \$0.6 million.
- Announced that WideOpenWest Inc. ("WOW!"), a leading broadband and communications service provider, will use Espial's Elevate video platform to power its WOW! ULTRA set top box offering.
- Announced that TDS Broadband Services, LLC ("TDS") signed an agreement to license Espial's Elevate Cloud video platform.
- Announced the Elevate Cloud IPTV Platform is available on Amazon Web Services (AWS) and ready for deployment with AWS Elemental services.
- Announced a fully managed TV-as-a-Service ("TVaaS") solution for Android TV, including support for Android TV Operator Tier set-top boxes and Android TV retail devices.
- Germany based Tele Columbus announced it will launch a new marketing campaign in the fourth quarter to drive sales of their Espial powered advanceTV video service.

"We are pleased with our financial performance for this quarter. We demonstrated solid growth in our SaaS annual recurring revenues, up 68% from Q4, 2017 and reported positive adjusted EBITDA for the quarter", said Jaison Dolvane, CEO of Espial. "We announced key deals with WOW! and TDS that will contribute to our SaaS revenue. We also announced initiatives with Harmonic, Amazon Web Services and Android TV as we continue to enhance our IPTV and App-based TV offerings."

Financial Summary

For the three-month period ended September 30, 2018, revenue increased to \$7.0 million compared with revenue of \$6.8 million for the three months ended September 30, 2017. Adjusted EBITDA for the third quarter of fiscal 2018 was positive \$0.01 million compared to a loss of \$2.0 million for the third quarter of fiscal 2017. Net loss for the quarter was \$0.6 million, compared to a loss of \$3.1 million for the third 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.

Q3 Financial Results

- Third quarter revenue was \$7,042,530 compared with revenue of \$6,801,812 in the same period a year ago. Third quarter software license revenue was \$2,225,200 compared to \$3,088,162 in the third quarter of fiscal 2017. Software subscription revenue from our Elevate SaaS video platform, which included \$349,279 for past performance, was \$2,079,080 compared to zero last year. Professional services revenue for the third quarters of 2018 and 2017 were \$1,272,921 and \$1,553,636, respectively. Maintenance and support revenue for the third quarter was \$1,465,329 compared to \$2,160,014 last year.
- North American revenues were \$4,268,955 in the third quarter of 2018 compared to \$3,672,267 in 2017. European revenues were \$2,487,674 in the third quarter of 2018 compared to \$2,237,491 in 2017. Asia revenues were \$285,901 in the third quarter of 2018 compared to \$892,054 in 2017
- Gross margin for the third quarter of fiscal 2018 was 71%, unchanged from the third quarter of fiscal 2017.
- Operating expenses in the third quarter were \$5,282,607 compared to \$7,623,409 in the third quarter of fiscal 2017.
- Adjusted EBITDA for the third quarter of fiscal 2018 was a positive \$11,813, compared to a loss of \$2,012,869 in fiscal 2017.
- Net loss, which includes non-cash items like depreciation, amortization of intangibles, and stock compensation, in the third quarter was \$557,902 compared to a loss of \$3,144,241 last year.

Cash and cash equivalents at September 30, 2018 was \$29,801,512.

A complete set of financial statements and management's discussion and analysis for the period ended September 30, 2018 will be available at <http://www.sedar.com>.

Conference Call

The Company will be hosting a conference call to discuss the Q3 2018 financial results on November 1, 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 December 3, 2018, at the following numbers and passcode:

Toll-free line: +1-800-585-8367 or +1-416-621-4642, Passcode: **5979476**

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 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, 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 September 30, 2018	Three months ended September 30, 2017
	(unaudited)	(unaudited)
Net loss	\$ (557,902)	\$ (3,144,241)
Add		
Share-based compensation	12,510	368,403
Amortization of intangibles	148,427	251,220
Adjusted net loss	(396,965)	(2,524,618)
Add (less)		
Depreciation	112,440	145,996
Net interest (income) expense	(116,796)	(77,103)
Other income/expense	324,307	253,172
Income tax	88,827	189,684
Adjusted EBITDA	\$ 11,813	\$ (2,012,869)

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		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue				
Software licenses	\$ 2,225,200	\$ 3,088,162	\$ 6,929,862	\$ 11,837,886
Software subscription	2,079,080	-	4,469,173	-
Professional services	1,272,921	1,553,636	3,530,410	5,055,099
Support and maintenance	1,465,329	2,160,014	5,072,935	6,382,602
Total revenue	7,042,530	6,801,812	20,002,380	23,275,587
Cost of revenue	2,021,487	1,956,892	5,451,200	6,303,804
Gross margin	5,021,043	4,844,920	14,551,180	16,971,783
Expenses				
Sales and marketing	1,604,289	1,773,906	4,883,425	5,333,371
General and administrative	660,414	1,117,289	2,344,771	3,827,866
Research and development	2,869,477	4,480,994	10,086,561	15,237,585
Amortization of intangible assets	148,427	251,220	470,566	735,928
Business restructuring	-	-	1,873,793	-
	5,282,607	7,623,409	19,659,116	25,134,750
Loss before other income (expenses)	(261,564)	(2,778,489)	(5,107,936)	(8,162,967)
Other income (expenses)	(324,307)	(253,172)	281,353	(402,586)
Interest income	116,796	77,103	320,847	203,626
Loss before taxes	(469,075)	(2,954,558)	(4,505,736)	(8,361,927)
Income taxes	(88,827)	(189,683)	(273,019)	(388,826)
Net loss	(557,902)	(3,144,241)	(4,778,755)	(8,750,753)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences – foreign operations	147,897	-	(269,628)	-
Total comprehensive loss	\$ (410,005)	\$ (3,144,241)	\$ (5,048,383)	\$ (8,750,753)
Net loss per common share - basic	\$ (0.02)	\$ (0.09)	\$ (0.13)	\$ (0.24)
Weighted average number of common shares outstanding - basic	35,450,913	36,318,406	35,682,161	36,456,336
Net loss per common share – diluted	\$ (0.02)	\$ (0.09)	\$ (0.13)	\$ (0.24)
Weighted average number of common shares outstanding - diluted	35,450,913	36,318,406	35,682,161	36,456,336

Consolidated Balance Sheets

(In Canadian Dollars)

	September 30, 2018	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 29,801,512	\$ 38,813,911
Accounts receivable	10,048,392	6,792,420
Investment tax credits receivable	426,854	924,630
Prepaid expenses and other assets	1,110,493	841,617
	41,387,251	47,372,578
Property, plant and equipment	1,710,156	2,046,905
Intangible assets	803,242	941,187
Goodwill	3,632,604	3,632,604
	\$ 47,533,253	\$ 53,993,274
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,855,119	\$ 4,778,111
Provisions	187,136	-
Deferred revenue	3,403,201	3,345,828
	6,445,456	8,123,939
Provisions	48,477	-
Total Liabilities	6,493,933	8,123,939
COMMITMENTS		
SHAREHOLDERS' EQUITY		
Share capital	122,960,778	123,738,952
Share based payments reserve	17,610,920	17,179,915
Accumulated other comprehensive loss	(269,628)	-
Deficit	(99,262,750)	(95,049,532)
	41,039,320	45,869,335
	\$ 47,533,253	\$ 53,993,274

Statements of Cash Flows

(In Canadian Dollars)

	Nine Months Ended	
	September 30, 2018	September 30, 2017
CASH (USED IN) PROVIDED BY OPERATING		
Net loss	\$ (4,778,755)	\$ (8,750,753)
Items not affecting cash		
Depreciation of property plant and equipment	350,649	349,232
Amortization of intangible assets	470,405	735,928
Share-based compensation expense	599,208	1,247,399
Business restructuring provisions	344,446	-
Provisions	-	(154,638)
	(3,014,047)	(6,572,832)
Changes in non-cash operating working capital items	(4,825,944)	4,089,909
	(7,839,991)	(2,482,923)
INVESTING		
Purchase of equipment	(111,853)	(1,225,877)
Purchase of intangibles	(330,651)	(78,802)
	(442,504)	(1,304,679)
FINANCING		
Options exercised	221,012	8,214
Share repurchase program	(1,167,389)	(1,239,112)
	(946,377)	(1,230,898)
Net cash and cash equivalents outflow	(9,228,872)	(5,018,500)
Cash and cash equivalents, beginning of period	38,813,911	43,047,878
Effects of exchange rates on cash and cash equivalents	216,473	-
Cash and cash equivalents, end of period	\$ 29,801,512	\$ 38,029,378
Supplementary information:		
Taxes paid	\$ 273,019	\$ 203,626