

Solium Releases 2016 Second Quarter Financial Results

- **Revenue increased by 12%**
- **Adjusted EBITDA increased by 11%**
- **Cash position strong at \$74.9 million**

CALGARY, August 9, 2016 — Solium Capital Inc. (TSX: SUM) (“Solium” or the “Company”) today announced its financial results for the second quarter ended June 30, 2016.

Financial and operating highlights for the three and six month periods ended June 30, 2016:

- Revenue increased by 12% to \$25.6 million in the second quarter of 2016 and by 7% to \$51.0 million for the six month period ended June 30, 2016;
- Adjusted EBITDA¹ increased by 11% to \$4.9 million in the second quarter of 2016 and decreased by 14% to \$9.3 million in the six month period ended June 30, 2016;
- Earnings from operations decreased by 52% to \$1.6 million in the second quarter of 2016 and by 45% to \$4.7 million for the six month period ended June 30, 2016;
- Net earnings decreased by 100% to \$0.007 million in the second quarter of 2016 and by 72% to \$1.9 million in the six month period ended June 30, 2016; and
- Cash on hand as at June 30, 2016 totaled \$74.9 million.

Key factors affecting financial results in the three and six month periods ended June 30, 2016:

- **Organic growth in license revenue** - The Company experienced increased license and subscriptions fees during the three and six months ended June 30, 2016 as compared to the same periods in 2015. Based on local currencies, the growth was 6% during the second quarter of 2016, and 7% during the six months ended June 30, 2016 as compared to the same periods in 2015. With the benefit of favorable foreign exchange rates to convert US and international currencies to CAD, license and subscription fees increased by \$1.6 million or 11% during the second quarter of 2016, and \$4.0 million or 13% during the six months ended June 30, 2016 as compared to the same periods in 2015.
- **Transaction activity** - In addition to the recurring license revenue that Solium collects for the use of its Shareworks platform, the Company also collects re-occurring transaction based revenue. Transaction based revenue increased by \$1.4 million or 21% in the second quarter of 2016, and decreased by \$0.1 million or 1% during the six months ended June 30, 2016 as compared to the same periods in 2015. The per participant trading activity was 17% higher than the level in the second quarter of 2015, and 2% lower than the level in the first six months of 2015. The per participant trading activity experienced year-to-date in 2016 is 2% higher than the historical five-year rolling average. This is consistent with the same period in 2015.
- **Global expansion** - Operating expenses (excluding the change in estimate to SRED claims) were relatively consistent with the level in the first quarter of 2016. When compared to the same periods in 2015, operating expenses increased by \$2.3 million during the second quarter of 2016, and by \$5.2 million for the six months ended June 30, 2016 as a result of the buildout of the global platform and operations that occurred throughout 2015. The increase compared to 2015 is attributable to growth in headcount primarily associated with international expansion, increases in systems and regulatory compliance costs, and increased marketing costs focused on enhancing the Company’s market profile particularly in the U.S. The Company had 474 full-time equivalent employees (FTE’s) at the end of the second quarter of 2016 compared to 431 FTE’s at the end of the second quarter of 2015 and compared to 467 at the end of the first quarter of 2016.
- **Scientific Research and Experimental Development Investment Tax Credits** - The Canada Revenue Agency (“CRA”) is currently conducting an audit of the Company’s 2013 claim for scientific research and

experimental development (“SRED”) credits and has communicated a more restrictive interpretation of eligible expenses than the Company had previously experienced. Accordingly, the Company has decreased its accrual for estimated 2013 to 2015 SRED claims receivable resulting in a charge to operating earnings of \$2.0 million.

- **Foreign exchange** - The strength of the international currencies against the Canadian dollar (CAD) increased during the three and six months ended June 30, 2016 compared to the same periods in 2015. This had a positive impact on the Company’s overall net financial results primarily due to the translation of U.S. dollar (USD) financial results into CAD for consolidated financial reporting purposes.

Selected financial information for the second quarter and six month period ended June 30, 2016:

(Expressed in thousands of Canadian dollars except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenue	\$25,578	\$22,936	12%	\$50,962	\$47,534	7%
Operating Expenses	\$24,017	\$19,692	22%	\$46,265	\$38,993	19%
Adjusted EBITDA ¹	\$4,856	\$4,388	11%	\$9,263	\$10,824	(14%)
Earnings from operations	\$1,561	\$3,244	(52%)	\$4,697	\$8,541	(45%)
Net earnings ²	\$7	\$2,259	(100%)	\$1,851	\$6,591	(72%)
Net earnings per share ³						
Basic	\$0.000	\$0.047	(100%)	\$0.038	\$0.137	(72%)
Diluted	\$0.000	\$0.045	(100%)	\$0.037	\$0.132	(72%)
Issued and outstanding Common shares				49,223,940	48,416,958	2%
Diluted ⁴				52,418,821	52,170,095	0%

Regional breakdown of results (expressed in thousands of Canadian dollars):

	Three Months Ended June 30,							
	Canada		U.S.		International		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	9,358	8,232	11,601	10,927	4,619	3,777	25,578	22,936
Adjusted EBITDA	3,596	2,780	1,672	1,700	(412)	(92)	4,856	4,388
Adjusted EBITDA %	38%	34%	14%	16%	(9%)	(2%)	19%	19%
Earnings (loss) from operations ⁽²⁾	1,216	2,341	896	942	(551)	(39)	1,561	3,244

	Six Months Ended June 30,							
	Canada		U.S.		International		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	18,309	17,008	23,945	22,737	8,708	7,789	50,962	47,534
Adjusted EBITDA	5,922	6,408	4,324	3,782	(983)	634	9,263	10,824
Adjusted EBITDA %	32%	38%	18%	17%	(11%)	8%	18%	23%
Earnings (loss) from operations ⁽²⁾	3,244	5,915	2,721	2,260	(1,268)	366	4,697	8,541

Impacted by the change in estimate for the SRED claims, basic net earnings per share was negligible in the second quarter of 2016 (2015: \$0.047) and \$0.038 for the six month period ended June 30, 2016 (2015: \$0.137).

During the six months ended June 30, 2016, the Company had an overall net cash inflow of \$1.9 million (2015: \$11.0 million). Including the impact of the charge for the reduction in estimated SRED claims receivable, funds generated from operations were \$7.3 million during the six month period ended June 30, 2016 (2015: \$13.4 million). Changes in working capital and cash tax payments brought total cash inflow from operations to \$2.3 million during the six month period ended June 30, 2016 (2015: \$3.8 million). Cash inflow from financing activities was \$0.9 million for the six month period ended June 30, 2016 (2015: inflow \$0.9 million) as a result of the issuance of common shares from employee stock option exercises. Cash outflow from investing activities was \$0.4 million in the six month period ended June 30, 2016 (2015: inflow of \$5.8 million) as a result of capital expenditures. The inflow from investing activities in 2015 was due to the maturity of short-term investments.

Working capital as at June 30, 2016 was \$78.9 million (December 31, 2015: \$73.9 million). Included in working capital was trade and other receivables of \$19.6 million (December 31, 2015: \$20.0 million), which decreased as at June 30, 2016 compared to December 31, 2015 mainly as a result of the change in estimate for the SRED claims receivable for 2013, 2014 and 2015.

Outlook

Solium opened a client service center of excellence in Barcelona in July 2016, to increase the depth of its team in Spain and increase support for continental Europe operations. This center includes a multi-language call center and will also become the center of expertise for the Shareworks Global Compliance product and service. In July 2016, ten new FTE were hired for this location and three existing FTE relocated to this office. The ongoing costs of this office are not expected to be significant for 2016.

On June 23, 2016, the United Kingdom (UK) voted to leave the European Union (EU). The specifics of how the UK will exit the EU (“Brexit”) will be the subject of negotiations for at least the next two years. Economists anticipate market and currency volatility in the short-term, but the longer term implications will depend heavily on the specifics of how the UK resolves its participation in the EU. The Company has operations in the UK, and to the extent that there is market or GBP currency volatility in the short-term, the Company’s financial results could be impacted. However, this impact is not expected to be significant. The Company is confident that with its London and Barcelona operating presence, it is well positioned to adjust to forthcoming changes. Management does not anticipate any other major changes in its European operations, nor to its strategy within these regions as a result of Brexit.

The Company continues to see positive sales activity in Europe. At the beginning of August 2016, the Company signed a contract with the adidas Group, a DAX 30 company, to provide stock plans administration services for the adidas global broad based employee share purchase plan.

Notes:

- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA are non-IFRS financial measures which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA provide useful information to users as they reflect the net earnings prior to the effect of non-operating expenses such as finance costs, income tax, amortization, foreign exchange gain or loss (on translation of working capital), gain on derecognition of liability, and change in estimate of SRED investment tax credits. Management uses Adjusted EBITDA in measuring the financial performance of the Company. Management monitors Adjusted EBITDA against budget and past results on a regular basis. The measure is a component in determining the annual bonus pool for staff and management.

The following is a reconciliation of Adjusted EBITDA to net earnings:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Adjusted EBITDA	4,856	4,388	9,263	10,824
Foreign exchange gain (loss)	(824)	(176)	(1,662)	835
Gain on derecognition of liability	-	-	587	-
SRED investment tax credits	(2,049)	-	(2,049)	-
EBITDA	1,983	4,212	6,139	11,659
Finance income	222	209	415	450
Amortization	(1,246)	(1,144)	(2,517)	(2,283)
Income tax	(952)	(1,018)	(2,186)	(3,235)
Net earnings	7	2,259	1,851	6,591

- Included in Net earnings and Net earnings per share is the change in estimate of SRED credits receivable for the three and six months ended June 30, 2016 and the gain on derecognition of liability for the six months ended June 30, 2016. The change in SRED credits receivable impacted earnings from operations of the Canadian segment, while the gain from derecognition of liability impacted the U.S. segment.
- Diluted net earnings per share is calculated using the treasury stock method.
- Diluted shares as presented equals issued and outstanding common shares plus outstanding stock options and restricted share units.

About Solium Capital Inc.

Solium Capital Inc. (TSX: SUM) provides cloud-enabled services for global equity administration, financial reporting and compliance. From offices in the United States, Canada, the United Kingdom, Europe and Australia, our innovative software-as-a-service (SaaS) technology powers share plan administration and equity transactions for more than 3,000 corporate clients with employee participants in more than 100 countries. Follow us @Solium and visit us at solium.com.

Certain statements included or incorporated by reference in this press release constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Specific forward-looking statements in this press release include statements with respect to continued investment in Shareworks, and the growth of international operations and international markets. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including assumptions with respect to the ability of the Company to identify, hire, train, motivate and retain qualified personnel, the Company's ability to maintain or accurately forecast revenue from its products and services, and the competitive environment in which the Company operates. Although Solium believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because Solium can give no assurance that such expectations will prove to be correct. The forward-looking statements and information are based on Solium's current expectations, estimates and projections, and are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated, including general business and economic conditions, actions of competitors and partners, the regulatory environment and product capability and acceptance. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

The Management's Discussion and Analysis and the condensed consolidated interim financial statements for the three and six months ended June 30, 2016 referred to herein will be available on SEDAR at www.sedar.com under Solium Capital Inc., or at www.solium.com.

For further information:

Investor relations

Conrad Seguin
NATIONAL | Equicom
416.586.1951
cseguin@national.ca

###