



## Attunity Reports Record Third Quarter 2018 Results; 50% License Growth

November 1, 2018

### Record Operating Income of \$3.5 million Increases Outlook for Full Year 2018

BURLINGTON, Massachusetts, Nov.1, 2018 /PRNewswire/ --

Attunity Ltd. (NasdaqCM: ATTU), a leading provider of data integration and big data management software solutions, today reported its unaudited financial results for the three-month period ended September 30, 2018.

"The third quarter of 2018 was another great quarter for Attunity. We are pleased to report strong performance including license revenue growth of 50% year-over-year and total revenue growth of 35% year-over-year, as well as increased profits and cash flow from operations," stated Shimon Alon, Chairman and CEO of Attunity.

"Our record performance comes from a healthy mix of new customer deals, existing customer expansion, growth across all territories, our expanded product suite and contribution from new and existing partners. With positive momentum across our entire business and three strong quarters behind us this year, we determined to raise our guidance for the full year," concluded Mr. Alon.

#### Recent Operational Highlights

- Number of term-based license deals grew by 40% sequentially, with over 60% of the number of Replicate direct license deals being term-based
- Closed \$1.0 million deal with existing multi-million dollar customer in the manufacturing industry, expanding their initial deployment by adding more sources, more capacity, and licensing more products
- Closed \$1.0 million term-based deal with new customer in the education sector
- Expanded Attunity Data Integration platform to include comprehensive support for Google Cloud Platform
- Achieved SAP-certified integration with SAP HANA® for Attunity Replicate

#### Financial Highlights for the Third Quarter of 2018 compared with the Third Quarter of 2017

- Total revenue was \$22.2 million, compared with \$16.5 million\*
- Operating profit was \$3.5 million, compared with \$0.1 million\*
- Non-GAAP operating profit was \$4.8 million, compared with \$1.5 million\*\*
- Net income was \$3.1 million, compared with a net loss of \$0.4 million\*
- Non-GAAP net income was \$4.5 million, compared with non-GAAP net income of \$0.8 million\*\*
- Cash flow from operations was \$2.5 million, compared with cash used in operations of \$2.8 million

#### Financial Results for Third Quarter of 2018

Total revenue for the third quarter of 2018 increased 35% to \$22.2 million, compared with \$16.5 million for the same period in 2017. This includes license revenue of \$13.8 million, which grew 50% compared with \$9.2 million for the same period in 2017, and maintenance and service revenue, which grew 16% to \$8.4 million, compared with \$7.3 million for the same period in 2017. License revenue includes approximately \$2.7 million, recognized from a previously announced strategic OEM licensing agreement with a top information technology company.\*

Operating expenses for the third quarter of 2018 increased 14% to \$18.7 million, compared with \$16.4 million for the same period in 2017.\*

Non-GAAP operating expenses for the third quarter of 2018 increased 16% to \$17.4 million, compared with \$15.0 million for the same period in 2017. Non-GAAP operating expenses exclude approximately \$1.3 million in equity-based compensation expenses and amortization associated with acquisitions, similar to the same period in 2017.\*\*

Operating profit for the third quarter of 2018 was \$3.5 million, compared with \$0.1 million for the same period in 2017.\*

Non-GAAP operating profit was \$4.8 million for the third quarter of 2018, compared with \$1.5 million for the same period in 2017. Non-GAAP operating profit excludes approximately \$1.3 million in equity-based compensation expenses and amortization associated with acquisitions, similar to the same period in 2017.\*\*

Net income for the third quarter of 2018 was \$3.1 million, or \$0.14 per diluted share, compared with a net loss of \$0.4 million, or (\$0.03) per diluted share, in the same period in 2017.\*

Non-GAAP net income for the third quarter of 2018 was \$4.5 million, or \$0.20 per diluted share, compared with \$0.8 million, or \$0.04 per diluted share, for the same period in 2017. Non-GAAP net income excludes approximately \$1.4 million primarily in equity-based compensation expenses and amortization associated with acquisitions, compared with approximately \$1.2 million of similar expenses for the same period in 2017.\*\*

Cash flow from operations in the third quarter of 2018 was \$2.5 million, compared with cash used in operations of \$2.8 million in the same period in 2017.

Cash and cash equivalents and short-term deposits were \$38.1 million as of September 30, 2018, compared with \$33.1 million as of June 30, 2018.

### Updated Outlook for Full Year 2018

The Company increased its outlook for the full year 2018 as follows:

- Total revenue is estimated to grow to between \$83 and \$85 million, compared with prior (updated) guidance of \$78 to \$81 million.
- Non-GAAP operating margin is estimated to be between 13% and 15%, compared with prior (updated) guidance of 7% to 10%.

Financial Reconciliation to non-GAAP figures for the updated 2018 outlook:

	From	To
GAAP Operating Profit Margin	7%	9%
Equity-based compensation	(5%)	(5%)
Amortization associated with acquisitions	(1%)	(1%)
Non-GAAP Operating Profit Margin (1)	13%	15%

(1) Non-GAAP Operating Profit Margin is calculated by dividing the non-GAAP Operating Profit by the total non-GAAP revenues for the period.

These estimates for 2018 reflect the Company's current and preliminary views, which are subject to change (see below under "Safe Harbor Statement") and are based on various assumptions, including the continued expanded adoption of the Cloud as a leading data platform, the continued adoption of modern analytics and the improved execution capabilities of our expanded sales team.

\*\* See "Use of Non-GAAP Financial Information" below for more information regarding Attunity's use of Non-GAAP financial measures.

### Conference Call and Webcast Information

The Company will host a conference call with the investment community on Thursday, November 1<sup>st</sup> at 8:30 a.m. Eastern Time featuring remarks by Shimon Alon, Chairman and CEO,

Dror Harel-Elkayam, CFO, and Itamar Ankorian, CMO of Attunity. The dial-in numbers for the conference call are +1-877-407-9039 (U.S. Toll Free), +1-809-406-247 (Israel), or +1-201-689-8470 (International). All dial-in participants must use the following code to access the call: 13683765.

Please call at least five minutes before the scheduled start time. The conference call will also be available via webcast, which can be accessed through the Investor Relations section of Attunity's website, [ir.attunity.com](http://ir.attunity.com). Please allow extra time prior to the call to visit the site and download any necessary software to listen to the live broadcast.

For interested individuals unable to join the conference call, a replay of the call will be available through November 15, 2018, at +1-844-512-2921 (U.S. Toll Free) or +1-412-317-6671 (International). Participants must use the following code to access the replay of the call: 13683765. The online archive of the webcast will be available on [ir.attunity.com/events-and-presentations](http://ir.attunity.com/events-and-presentations) for 30 days following the call.

### About Attunity

Attunity is a leading provider of data integration and big data management software solutions that enable availability, delivery and management of data across heterogeneous enterprise platforms, organizations and the cloud. Our software solutions include [data replication and distribution](#), [test data management](#), [change data capture \(CDC\)](#), [data connectivity](#), [enterprise file replication \(EFR\)](#), [managed file transfer \(MFT\)](#), [data warehouse automation](#), [data usage analytics](#) and [cloud data delivery](#).

Attunity has supplied innovative software solutions to its enterprise-class customers for over 20 years and has successful deployments at thousands of organizations worldwide. Attunity provides software directly and indirectly through a number of partners such as Microsoft, Oracle, IBM and Hewlett Packard Enterprise. Headquartered in Boston, Attunity serves its customers via offices in North America, Europe, and Asia Pacific and through a network of local partners. For more information, visit [www.attunity.com](http://www.attunity.com) or our [blog](#) and join our community on [Twitter](#), [Facebook](#), [LinkedIn](#) and [YouTube](#).

### (\*) New Revenue Accounting Standard

Effective January 1, 2018, Attunity adopted the FASB-issued ASU, No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", or ASC 606, a new accounting standard related to revenue recognition. Attunity adopted ASC 606 using the modified retrospective method, which means that the comparative financial information for the three and nine month periods ended September 30, 2017 has not been restated in the current financial statements under the new accounting standard. Accordingly, the percentage changes from the 2017 to 2018 periods differ from what they would have been had the same accounting standards been in effect for both periods. In the interest of comparability during the transition year to ASC 606, the company has provided revenue, operating expenses, operating income (loss), financial income, taxes on income, net income (loss) and earnings per share information in accordance with both ASC 606 and revenue recognition rules in effect prior to the adoption of ASC 606 (ASC No. 985-605, or ASC 605). For further details, see the *Impact of the Adoption of ASC 606 table later in this press release and the note thereto.*

### (\*\*) Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles, or GAAP, Attunity uses Non-GAAP measures of net income (loss), operating expenses, operating profit (loss), and diluted net income (loss) per share, which are adjusted from results based on GAAP to exclude amortization associated with acquisitions, equity-based compensation expenses, non-cash financial expenses, such as

the effect of a revaluation of liabilities presented at fair value, and the effect of changes in deferred taxes related to non-GAAP adjustments. Attunity's management believes the non-GAAP financial information provided in this release is useful to investors' understanding and assessment of Attunity's on-going core operations and prospects for the future. Management uses both GAAP and non-GAAP information in evaluating and operating its business internally and as such has determined that it is important to provide this information to investors. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. *For further details, see the Reconciliation of Supplemental Non-GAAP Financial Information table later in this press release.*

#### Safe Harbor Statement

This press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Statements preceded by, followed by, or that otherwise include the words "believes", "expects", "anticipates", "intends", "estimates", "plans", and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. For example, when we discuss the momentum across our entire business, the continued trend of demand for our recurring revenue pricing model and our updated outlook for 2018, we are using forward-looking statements. In addition, announced results for the third quarter of 2018 are preliminary, unaudited and subject to year-end audit adjustment. Because such statements deal with future events, they are subject to various risks and uncertainties and actual results, expressed or implied by such forward-looking statements, could differ materially from Attunity's current expectations. Factors that could cause or contribute to such differences include, but are not limited to, risks and uncertainties relating to: our history of operating losses and ability to sustain profitability; our business and operating results dependency on the successful and timely implementation of our third party partner solutions; the lengthy sales cycle of our products; competition; acquisitions, including costs and difficulties related to integration of acquired businesses and impairment charges; global economic conditions; timely availability and customer acceptance of Attunity's new and existing products; risks relating to proprietary rights and risks of infringement; the potential loss of one or more of our significant customers or a decline in demand from one or more of these customers; our ability to retain and attract qualified personnel; and other factors and risks on which Attunity may have little or no control. This list is intended to identify only certain of the principal factors that could cause actual results to differ. For a more detailed description of the risks and uncertainties affecting Attunity, reference is made to Attunity's latest Annual Report on Form 20-F which is on file with the Securities and Exchange Commission (SEC) and the other risk factors discussed from time to time by Attunity in reports filed with, or furnished to, the SEC. Except as otherwise required by law, Attunity undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The contents of any website or hyperlinks mentioned in this press release are for informational purposes and the contents thereof are not part of this press release.

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#### CONDENSED CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 14,329	\$ 29,087
Short term deposits	23,768	-
Trade receivables (net of allowance for doubtful accounts of \$15 at September 30, 2018 and December 31, 2017)	14,347	10,609
Deferred commissions costs	1,354	-
Other accounts receivable and prepaid expenses	<u>2,415</u>	<u>1,074</u>
Total current assets	<u>56,213</u>	<u>40,770</u>
<b>LONG-TERM ASSETS:</b>		
Other assets	183	1,361
Deferred commissions costs	5,080	-
Severance pay fund	4,618	4,378

Property and equipment, net	1,427	1,287
Goodwill and other intangible assets, net	<u>31,653</u>	<u>32,360</u>
Total long-term assets	<u>42,961</u>	<u>39,386</u>
Total assets	\$ <u>99,174</u>	\$ <u>80,156</u>

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
U.S. dollars in thousands, except share and per share data

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 871	\$ 666
Deferred revenues	13,045	11,066
Employees and payroll accruals	6,068	5,730
Accrued expenses and other current liabilities	<u>1,785</u>	<u>3,066</u>
Total current liabilities	21,769	20,528
<b>LONG-TERM LIABILITIES:</b>		
Other liabilities	704	321
Deferred revenues	3,277	2,163
Accrued severance pay	<u>6,157</u>	<u>5,941</u>
Total long-term liabilities	10,138	8,425
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital – Ordinary shares of NIS 0.4 par value - Authorized: 32,500,000 shares at September 30, 2018 and December 31, 2017 ; Issued and outstanding: 21,336,852 shares at September 30, 2018 and 20,718,468 shares at December 31, 2017		
	2,430	2,361
Additional paid-in capital	180,673	174,693
Accumulated other comprehensive loss	(1,377)	(1,222)
Accumulated deficit	<u>(114,459)</u>	<u>(124,629)</u>
Total shareholders' equity	<u>67,267</u>	<u>51,203</u>
Total liabilities and shareholders' equity	\$ <u>99,174</u>	\$ <u>80,156</u>

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
U.S. dollars and shares in thousands, except per share data

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Unaudited</b>		<b>Unaudited</b>	
<b>Revenues:</b>				
Software licenses	\$ 13,772	\$ 9,189	\$ 35,396	\$ 22,353
Maintenance and services	<u>8,448</u>	<u>7,290</u>	<u>24,872</u>	<u>21,470</u>
Total revenues	22,220	16,479	60,268	43,823
<b>Operating expenses:</b>				
Cost of revenues	2,527	2,703	7,933	7,228
Research and development	4,091	3,674	12,022	10,473
Selling and marketing	10,437	8,527	30,514	25,182
General and administrative	1,636	1,464	4,601	3,965

Total operating expenses	18,691	16,368	55,070	46,848
Operating profit (loss)	3,529	111	5,198	(3,025)
Financial income (expenses), net	122	20	208	(37)
Income (loss) before taxes on income	3,651	131	5,406	(3,062)
Taxes on income	(566)	(559)	(1,863)	(2,031)
Net profit (loss)	\$ <u>3,085</u>	\$ <u>(428)</u>	\$ <u>3,543</u>	\$ <u>(5,093)</u>
Basic net income (loss) per share	\$ <u>0.15</u>	\$ <u>(0.03)</u>	\$ <u>0.17</u>	\$ <u>(0.30)</u>
Weighted average number of shares used in computing basic net income (loss) per share	<u>21,214</u>	<u>17,090</u>	<u>20,979</u>	<u>17,060</u>
Diluted net income (loss) per share	\$ <u>0.14</u>	\$ <u>(0.03)</u>	\$ <u>0.16</u>	\$ <u>(0.30)</u>
Weighted average number of shares used in computing diluted net income (loss) per share	<u>22,406</u>	<u>17,090</u>	<u>21,589</u>	<u>17,060</u>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
U.S. dollars in thousands

	<u>Nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Unaudited</u>	
<u>Operating activities:</u>		
Net profit (loss)	\$ 3,543	\$ (5,093)
Adjustments required to reconcile net profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	405	363
Stock based compensation	3,039	2,654
Amortization of intangible assets	707	1,010
Accrued interest on short term deposits	(268)	-
Change in:		
Accrued severance pay, net	(24)	289
Trade receivables	(1,526)	(1,472)
Other accounts receivable and prepaid expenses	(1,379)	(596)
Other long-term assets	43	394
Trade payables	213	555
Deferred revenues	3,809	783
Employees and payroll accruals	329	(309)
Accrued expenses and other liabilities	(528)	(15)
Deferred commissions costs	(1,960)	-
Liabilities presented at fair value	-	(212)
Net cash provided by (used in) operating activities	<u>6,403</u>	<u>(1,649)</u>
<u>Investing activities:</u>		
Short term deposits	(23,500)	-
Purchase of property and equipment	(547)	(409)
Net cash used in investing activities	<u>(24,047)</u>	<u>(409)</u>
<u>Financing activities:</u>		
Proceeds from exercise of options	3,008	421
Payment of contingent consideration	-	(271)
Net cash provided by financing activities	<u>3,008</u>	<u>150</u>
Foreign currency translation adjustments on cash and cash equivalents	(122)	35
Decrease in cash and cash equivalents	(14,758)	(1,873)
Cash and cash equivalents at the beginning of the year	<u>29,087</u>	<u>9,166</u>

Cash and cash equivalents at the end of the period \$ 14,329 \$ 7,293

Supplemental disclosure of cash flow activities:

Cash paid during the year for taxes \$ 3,053 \$ 1,619

Supplemental disclosure of non-cash financing activities:

Receivables on account of shares \$ 240 \$ -

**RECONCILIATION OF SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION**  
**U.S. dollars in thousands, except per share data**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
GAAP and Non-GAAP revenues	\$ 22,220	\$ 16,479	\$ 60,268	\$ 43,823
GAAP operating expenses	18,691	16,368	55,070	46,848
Cost of revenues (1)	(50)	(51)	(151)	(115)
Research and development (1)	(138)	(213)	(473)	(578)
Sales and marketing (1)	(637)	(497)	(1,734)	(1,279)
General and administrative (1)	(226)	(243)	(681)	(682)
Amortization of acquired intangible assets	(236)	(337)	(707)	(1,010)
Non-GAAP operating expenses	17,404	15,027	51,324	43,184
GAAP operating income (loss)	3,529	111	5,198	(3,025)
Operating adjustments	(1,287)	(1,341)	(3,746)	(3,664)
Non-GAAP operating income	4,816	1,452	8,944	639
GAAP financial income (expenses), net	122	20	208	(37)
Revaluation of liabilities presented at fair value	-	-	-	(212)
Non-GAAP financial income (expenses), net	122	20	208	(249)
Taxes on income	(566)	(559)	(1,863)	(2,031)
Income taxes (tax benefits) related to non-GAAP adjustments	156	(161)	402	22
Non-GAAP taxes on income	(410)	(720)	(1,461)	(2,009)
GAAP net income (loss)	3,085	(428)	3,543	(5,093)
Amortization of acquired intangible assets	236	337	707	1,010
Stock-based compensation (1)	1,051	1,004	3,039	2,654
Revaluation of liabilities presented at fair value	-	-	-	(212)
Income taxes (tax benefits) related to non-GAAP adjustments	156	(161)	402	22
Non-GAAP net income (loss)	\$ 4,528	\$ 752	\$ 7,691	\$ (1,619)
Non-GAAP basic net income (loss) per share	\$ 0.21	\$ 0.04	\$ 0.37	\$ (0.09)
Non-GAAP diluted net income (loss) per share	\$ 0.20	\$ 0.04	\$ 0.35	\$ (0.09)

(1) Stock-based compensation expenses:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Cost of revenues	\$ 50	\$ 51	\$ 151	\$ 115
Research and development	138	213	473	578
Sales and marketing	637	497	1,734	1,279
General and administrative	226	243	681	682
	\$ 1,051	\$ 1,004	\$ 3,039	\$ 2,654

**IMPACT OF THE ADOPTION OF ASC 606**  
**U.S. dollars in thousands, except per share data**

	<b>Three months ended September 30, 2018</b>			<b>Nine months ended September 30, 2018</b>		
	<b>(Unaudited)</b>			<b>(Unaudited)</b>		
	<b>As reported (ASC 606)</b>	<b>Adjustments</b>	<b>ASC 605 (excluding impact of ASC 606) *</b>	<b>As reported (ASC 606)</b>	<b>Adjustments</b>	<b>ASC 605 (excluding impact of ASC 606) *</b>
Revenues	\$ 22,220	\$ (2,951)	\$ 19,269	\$ 60,268	\$ (9,765)	\$ 50,503
Operating expenses	18,691	706	19,397	55,070	1,960	57,030
Operating income (loss)	3,529	(3,657)	(128)	5,198	(11,725)	(6,527)
Financial income	122	-	122	208	-	208
Taxes on income	(566)	96	(470)	(1,863)	296	(1,567)
Net income (loss)	\$ 3,085	\$ (3,561)	\$ (476)	\$ 3,543	\$ (11,429)	\$ (7,886)
Basic net income (loss) per share	\$ 0.15	\$ (0.17)	\$ (0.02)	\$ 0.17	\$ (0.54)	\$ (0.37)
Diluted net income (loss) per share	\$ 0.14	\$ (0.16)	\$ (0.02)	\$ 0.16	\$ (0.53)	\$ (0.37)

(\*) Effective January 1, 2018, the Company adopted the Financial Accounting Standard Board-issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", or ASC 606, a new accounting standard related to revenue recognition, using the modified retrospective method. In order to provide comparable figures during 2018, the transition year to ASC 606, the Company has provided the above summary of adjustments in financial information for the three and the nine months ended September 30, 2018 in accordance with both ASC 606 and previous accounting literature, ASC No. 985-605, or ASC 605. The table above also shows the adjustments made to reconcile the ASC 606 presentation to ASC 605. The ASC 605 information should be considered in addition to, not as a substitute for, nor superior to or in isolation from, the financial information prepared and reported in accordance with ASC 606.

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