



CEO Letter to Shareholders

May 22, 2024

Dear fellow shareholders,

Over the last two years, I have had many conversations with our various stakeholders including customers, employees, and shareholders. I have invested in understanding and learning from each of them, and I have come to appreciate how many competing demands are at play in my role as CEO. The engineer in me wants to take a simple mean of all the opinions to try to satisfy them all but that is not my job. My job is to lead the development of a dynamic strategy that is focused on delivering clear objectives. My conviction in CMG's potential is stronger than ever and I believe we are in the early innings of a long-term journey that will create tremendous stakeholder value.

I call CMG 4.0 a multi-faceted transformation, and every transformation is aimed at taking a good company toward greatness. Getting from good to great is a journey which takes enormous effort, consistency, belief, and time. While I am deeply tuned into our quarterly performance, I believe our annual performance is a better reflection of our progress and potential over the long term.

In fiscal 2024, we succeeded in many ways as reflected by a 47% increase in total revenue that was achieved, consistent with our strategy, through both growth in CMG revenue and acquired revenue from BHV. Durable and sustainable revenue growth is a key indicator of a healthy business, which is why I am pleased to say that our CMG segment revenue grew 19% which represented the highest annual growth rate in well over a decade.

Revenue growth should be accompanied by growing cash flow and in this respect, fiscal 2024 was also a success. On a consolidated basis, CMG Group increased Free Cash Flow per share to \$0.44 from \$0.27 a year ago, driven by higher net income and the tax deduction arising from the acquisition of BHV intangible assets. We delivered these results while making necessary investments in R&D and sales initiatives to fuel future growth. We kept customer retention high, grew our share of wallet, attracted new customers, and conveyed our value proposition with more clarity.

The combination of both profitable growth and free cash flow generation to redeploy into our acquisition strategy will be our path to long term value creation. The journey will be exciting, and patience will matter. I am encouraged by these first steps we've taken, and we are evolving our organization to ensure we continue to deliver.

Organizational evolution

Unquestionably, employees are the foundation that drives our success.

Hiring, retaining, and promoting talented people who are obsessed with solving customer problems, whether that customer is internal or external, is critical to our future growth. We must ensure that CMG is made up of people who think like owners, who aren't shy about taking on any job, who can work well within a team, who can experiment and try new approaches, and challenge the status quo irrespective of their role within the organization.

Over the last 2 years, we have made great strides towards creating a performance-based culture. This includes a strong emphasis on OKRs (Objectives and Key Results) and practicing the CMG Values, especially those of Extreme Ownership and Customer Centricity. It's not just about achieving results but also how you achieve results.

As part of our performance-based culture, we are emphasizing the importance of earning performance-based awards and the “right to be on the team”. This led to changes in how we structure employee bonuses starting from the CEO level. You will see in our upcoming information circular that for fiscal 2024, CEO and CFO performance metrics were updated to include not only revenue growth and adjusted operating profit but also Return On Invested Capital (“ROIC”). This change was made to reflect the importance of capital deployment in our CMG 4.0 Strategy and aligns our compensation directly with performance towards that objective.

For our employees, historically equity has been granted in the form of options or Restricted Share Units (“RSUs”). Beginning in fiscal 2024, in addition to a deeper linking of bonuses with performance, bonuses will be awarded as a combination of cash and a contribution to a share purchase plan. Cash allocated toward the equity portion of the bonus will be used to purchase CMG shares on the open market on the employee's behalf.

This structure allows employees to build a meaningful investment in the company, think like owners, and participate in our future success without the dilution of security-based compensation arrangements. It also makes our expenses more transparent.

For our employees, it is my hope that this new incentive structure is an improvement in the compensation structure and provides a better opportunity for wealth creation over the long-term. We have a talented team who deserves that opportunity.

I am immensely grateful to all our employees for their commitment and hard work. Our performance in fiscal 2024 would not have been possible without their enthusiasm for our vision. Their strength allowed me to make another meaningful change to position ourselves for the future.

Last month, we took steps to decentralize our internal operations into business units with dedicated leaders who have complete P&L ownership and accountability for our core simulators, consulting, and CoFlow initiatives. What is important for our investors to know is that this accomplishes two goals. First, it empowers our organization to prioritize amongst competing R&D demands with respect to our core simulators, our energy transition solutions, CoFlow and other initiatives. It creates smaller teams with the autonomy to focus on execution which can drive better results today while keeping aligned on our long-term objectives. Second, it allows me to hand over the reins of day-to-day operational decision making that has been a focus in my first two years and dedicate myself further to strategic initiatives including our acquisition strategy.

Priorities for fiscal 2025

In terms of priorities, you can expect that the initiatives of 2024 will continue to evolve in 2025. Our strengthened go-to-market capabilities will support our CMG segment growth initiatives which include expanding our share of wallet. As an example, we are seeing firsthand how market demand is shifting with customers turning to more complex recovery methods to address production declines in aging assets. This market shift from conventional to unconventional recovery requires more advanced simulation processes, a domain where CMG excels.

Further, we have identified countries in which we don't currently operate and have intentionally expanded our sales force in a way that allows us to pursue opportunities in these new geographies. And we will continue our work in energy transition through the development initiatives with our announced partnerships and continued innovation in our offerings.

CoFlow commercialization will remain a priority with a dedicated sales leader and enhanced business cases and validation to support education and adoption. An example of our thought leadership is our [roundtable discussion](#) with energy leaders, including Shell, to increase awareness of the substantial benefits of IPSM. While the proof of commercialization success will hinge on signed contracts, I am cautiously optimistic on our progress. We have better visibility than ever before on a sales pipeline, and we have successfully won the opportunity to run and

support trials of CoFlow with several customers. These trials are a valuable opportunity for potential customers to learn the product and quantify the benefits of optimization using real life scenarios.

I anticipate continued demand for our consulting services, and we will balance the benefit of supporting that growth and its impact on software adoption with the cost to invest in people to scale.

Focusing on being responsive to our market demands, we are using our first Net Promoter Score (NPS) survey conducted last year (in which we achieved a strong score of 68) to inform where to focus our development efforts. We hear loud and clear from our customers that speed is a priority, and we are working with technology partners with a specific focus on speed and improvement in workflows. Bluware brought significant expertise in high performance computing and GPU enablement, skillsets which are benefiting our ongoing simulator development.

In our BHV operating segment, over the last six months, we have dedicated considerable effort to organizational design and structuring the product and R&D teams for scale and scalability. We have developed a product strategy informed by both internal and external research. These efforts position us well to grow software revenue while leveraging the services side of the organization to sell solutions of products and services as a bundle. In the coming months, we expect to welcome a leader for the business.

Acquisitions

I am often asked about the expected pace of our acquisition strategy. How many acquisitions next year and what size? My response is always that “it depends”. It is important to stress that patience and a long-term view will matter as we take on acquisitions.

We are seeking businesses with strong growth potential and mission-critical software that expand our portfolio, while remaining disciplined in the prices we pay. I believe we succeeded in this objective with Bluware and we have a solid pipeline of opportunities we are evaluating. We have looked at various companies and have walked away from those that don't fit with our strategy and don't offer the financial return we are seeking.

I grew up playing cricket (not baseball, for our North American shareholders!), and in long-form cricket games (test matches or even one-day tournaments), a batsman must exercise a balance between playing offensive and defensive postures depending on the match situation. The same holds true for acquisitions for me – practicing patience but being fully aware of the trends/opportunities and ready to go on the offence when the timing is right. The cadence of our M&A strategy may feel measured from the outside, but that does not mean a lack of opportunity. We won't do M&A for the sake of doing M&A, even if it means patiently waiting for the right opportunities.

In closing

Someone recently pushed me to articulate my view of CMG 10 years from now. CMG is known for solving complex problems (arguably some of the most complex in the industry) with our state-of-the-art technologies. With Bluware, we made a step towards commercializing another industry-leading technology that tackles the AI and cloud journey with digital image processing and InteractivAI. Where are we in 10 years? I envision a CMG group of companies that builds on our brand of being an industry leader who solves complex scientific problems using integrated technology and state-of-the-art solutions.

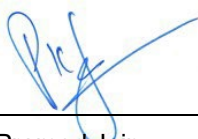
My thesis is that building a durable growth company for the next several decades will depend on delivering three things; sustained growth and profitability in all our businesses, a platform of solutions approach through disciplined acquisitions and partnerships, and seeking opportunities to diversify by applying those same principals to technologies in related verticals.

The CMG reservoir simulation business is the foundation. Despite the maturity of our products, solid growth opportunities remain, and I am optimistic that we have a multi-year runway of growth.

With Bluware, we grew our portfolio with state-of-the-art technology that can make a material difference as energy companies continue or accelerate their digital journey. It has strong growth potential, and we now turn to proving the power and value of the CMG playbook as we demonstrate that we can commercialize this innovative technology with the right go-to-market and sales strategy.

Not only are we well positioned to execute on our strategy to build a durable growth company, but we are also positioned to add tremendous value for our customers. As a global community, we know we are struggling with an energy trilemma, the need for affordable, reliable, and sustainable energy. CMG, as a trusted partner, is playing a key role and will play an even greater role in solving this trilemma as we help global energy producers to operate efficiently and responsibly while playing a pivotal role in moving towards decarbonization and new energy. What a place to be for anyone looking to make an impact.

Sincerely,



Pramod Jain

Chief Executive Officer

This letter to shareholders forms an integral part of our Management's Discussion and Analysis ("MD&A") and includes forward-looking information and forward-looking statements (together, "Forward Looking Statements") within the meaning of applicable securities laws, and measures that do not have a standard meaning prescribed by the IFRS Accounting Standards ("IFRS"), including the financial measure "Free Cash Flow" to indicate financial performance. For detailed information on these Forward-Looking Statements, non-IFRS measures, and associated risks, please see the relevant sections in our MD&A dated May 22, 2024, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).