

Quorum Announces Q1 2019 Results

Posting Record SaaS and Total Revenue

CALGARY, Alberta, May 30, 2019 (GLOBE NEWSWIRE) -- Quorum Information Technologies Inc. ("Quorum" or the "Company"), a leading provider of dealership and customer management software and value-added services to the automotive industry, released its results for Q1 2019 today.

"This is Quorum's first quarter as a combined Company following our recent acquisitions, the latest being Oasis in January 2019," stated Maury Marks, President and CEO. "Today we are reporting the combined results from the XSellerator, DealerMine and Autovance divisions, and the newly acquired Oasis division."

In Q1 2019 we collectively posted both a record total revenue amount and a record Software as a Service ("SaaS") revenue amount from 971 customers, compared to 449 customers in Q1 2018. SaaS revenue in the quarter was \$5.28 million, or 72% of total revenue, and Business Development Center ("BDC") revenue was \$1.34 million, or 18% of total revenue. Quorum's annual run rate is now \$21.1 million for its SaaS revenue and \$5.3 million for its BDC revenue, and 90% of Quorum's revenues are under long-term or evergreen contracts.

Looking more specifically to our divisions, our XSellerator division continued to grow its installed customer base in Q1 2019 with additional dealership rooftops installed in both Canada and the US. The XSellerator team also worked on key integration projects to support cross-selling opportunities from our recent DealerMine and Oasis acquisitions to our XSellerator customers. Sales of DealerMine Service CRM to XSellerator customers and Oasis customer conversions to XSellerator were both strong, and we also continued to sell Autovance Desk to XSellerator customers.

Both DealerMine and Autovance had good quarterly revenue growth in Q1 2019. As mentioned in previous Quorum disclosure, DealerMine, Autovance and Oasis are high-growth, cloud-based SaaS businesses that can show immediate returns when adopted as they do not require OEM integration and require significantly less training and support to transition dealerships to their solutions. DealerMine had an impressive quarter as they announced and started the roll out of their Service CRM software and BDC services for the previously announced AutoCanada Canadian dealerships contract, which in turn produced strong growth numbers for DealerMine in Q1 2019 in both their SaaS and BDC revenue.

In addition to the announcements of the Oasis acquisition and the DealerMine and AutoCanada partnership, Quorum announced two other noteworthy strategic deals in the quarter. The first was XSellerator having completed all certification requirements for manufacturer integration with Volkswagen Group of America. The second was the closing of a \$15 million debt financing facility with BDC Capital Inc. ("BDC Capital Facility"). The new BDC Capital Facility allowed Quorum to retire the Covington Capital bridge loan and replace it with a longer-term and more cost effective strategic financing facility. The Covington Capital bridge loan was used to fund the purchase of the previously announced DealerMine Inc. acquisition in late 2018.

As we look forward to the remainder of 2019, Quorum's priorities remain to grow its SaaS revenues while showing operating leverage from its increased scale. The opportunity set remains as large as ever and we are working hard to capitalize on it.

Q1 2019 Financial Highlights

(\$000's except per share amounts)

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|--|---|---|
| Gross revenue | \$ 7,348 | \$ 3,522 |
| Gross margin | 3,282 | 1,840 |
| Gross margin percentage | 45% | 52% |
| EBITDA expenses¹ | 2,525 | 1,652 |
| Operating income before interest, taxes, depreciation and amortization (EBITDA)¹ | 757 | 188 |
| EBITDA as a percentage of revenue¹ | 10% | 5% |
| Adjusted cash income (loss)¹ | 38 | (405) |
| Loss before deferred income tax expense¹ | (621) | (398) |
| Comprehensive loss¹¹ | (606) | (189) |
| Net loss per share | (0.0091) | (0.0047) |
| Cash provided by (used in) operating activities | \$ 1,188 | \$ 201 |

1 Q1 2019 was the highest SaaS revenue and total revenue quarter in the Corporation's history. Gross revenue increased by 109% to \$7,348K in Q1 2019 from \$3,522K in Q1 2018. The increase in revenue is due to:

- 1 An increase of \$2,551K during Q1 2019 in SaaS revenue as a result of the DealerMine and Oasis acquisitions and as a result of organic growth of both XSellerator and Autovance; and
- 1 An increase of \$1,318K during Q1 2019 in services revenue primarily attributable to the DealerMine acquisition.

- | SaaS revenue increased to \$5,284K in Q1 2019 compared to \$2,733K in Q1 2018, an increase of \$2,551K or 93%. Quorum's SaaS revenue in Q1 2019 was \$5,284K, which translates into a yearly run rate of \$21,136K. SaaS revenue was 72% of total revenue for Q1 2019 as compared to 78% for Q1 2018. At the end of Q1 2019, Quorum had 971 customers compared to 449 customers at the end of Q1 2018.
- | As noted above, as part of the DealerMine acquisition Quorum acquired a BDC. BDC revenue was \$1,336K in Q1 2019 for which there was no comparable revenue in Q1 2018 as the DealerMine acquisition was completed in Q4 2018. This translates into a yearly run rate of \$5,344K. BDC revenue was 18% of total revenue for Q1 2019.
- | 90% of the Corporation's revenue is under long term or evergreen contracts with customers. Contracted revenue is calculated by combining SaaS and BDC revenue.
- | Gross margin increased to \$3,282K or 45% in Q1 2019 compared to \$1,840K or 52% for Q1 2018. While gross margin increased by \$1,442K during Q1 2019, gross margin percentage decreased by 7% during Q1 2019. The increase in gross margin is primarily due to additional gross margin from DealerMine and Oasis of \$1,671K in Q1 2019, for which there was no comparable in Q1 2018.
- | EBITDA was \$757K in Q1 2019 as compared to \$188K in Q1 2018, an increase of \$569K from Q1 2018. An increase in gross margin was offset by an increase in salaries and benefits, general and administrative and sales and marketing expense primarily due to the DealerMine and Oasis acquisitions. As well, sales and marketing expense included costs associated with the National Automobile Dealers Association ("NADA") convention. The NADA expense for Q1 2019 was \$374K as compared to \$301K during Q1 2018. This increase is due to the addition of the DealerMine NADA booth.
- | Adjusted cash income was \$38K for Q1 2019 as compared to negative \$405K for Q1 2018, an increase of \$443K. The total of capitalized salaries and overhead was \$721K for Q1 2019 as compared to \$593K in Q1 2018. Acquisition transaction and financing expense was \$2K for Q1 2019 and as compared to \$nil for Q1 2018.

Adjusted Cash Income

| | (\$000's) | |
|--|---------------|-----------------|
| | Q1 2019 | Q1 2018 |
| EBITDA | \$ 757 | \$ 188 |
| Capitalized salaries and overhead | (721) | (593) |
| Acquisition and financing expense | 2 | - |
| Adjusted cash income | \$ 38 | \$ (405) |

- | Loss before deferred income tax expense increased to \$621K for Q1 2019 compared to \$398K in Q1 2018. The increase in loss before deferred income tax expense is primarily due to the \$569K increase in EBITDA, offset by increases in the following non-cash expenses during Q1 2019.
 - | an increase of \$331K in amortization of intangible assets primarily attributable to an increase in the carrying amount of the intangible asset balance as a result of the DealerMine and Oasis acquisitions;
 - | an increase of \$39K in amortization of contract costs; and
 - | an increase of \$110K in depreciation of lease assets.

Strategy and Outlook

Quorum's vision is to build a single, integrated, end-to-end business process solution for North American automotive dealerships that covers all of their business-critical processes. To deliver on this vision, Quorum has initiated a build, resell and acquire strategy, which combines continued development of Quorum's flagship XSellerator Dealer Management System ("DMS") product, partnering with complimentary third-party service providers to re-sell value-added services to Quorum's existing customer base, and acquiring strategic companies that provide innovative solutions that augment Quorum's existing suite of product offerings.

The genesis of this vision was a recognition of the changing landscape in the automotive dealer market as well as an in-depth understanding of the numerous disparate products that Quorum's customers purchase from a variety of third-party providers. With many Quorum customers spending approximately \$7,000 per month on other third-party products, there is opportunity to consolidate these products under one offering. For a dealer group, Quorum can currently displace up to six different products, allowing Quorum to capture part of this third-party spend while providing cost savings to customers and streamlining business processes.

Delivering on this vision, Quorum acquired Autovance Technologies Inc. ("Autovance") in August 2017, which provides sales desking solutions to help salespeople seamlessly present payment, lease and financing information to customers. Quorum has continued to market the Autovance Desk product to both new customers as well as its existing XSellerator customers, and has recently made the Autovance Desk product available to US-based XSellerator dealerships. Quorum believes that this additional value-added product will accelerate US growth opportunities by providing a more fulsome solution for US based dealers and dealer groups.

In October 2018, Quorum completed the transformative acquisition of DealerMine Inc. ("DealerMine"). The deal significantly accelerates Quorum's strategic vision to be a full-service provider to automotive dealerships by adding DealerMine's Customer Relationship Management (CRM) Service, Sales CRM and call centre services known as the Business Development Centre ("BDC"). The deal also significantly increases Quorum's scale resulting in a combined company customer base of over 860 dealership rooftop customers at the time of acquisition, up from 447 prior to the acquisition. With only 15 XSellerator customers currently utilizing the DealerMine Service CRM product and BDC services, Quorum believes there is a significant growth opportunity for DealerMine within Quorum's existing customer base.

At an industry level, the automotive dealer market is seeing increased consolidation into larger dealer groups, which creates opportunities

for DMS providers like Quorum that can integrate multiple dealer rooftops under one solution. In addition, auto manufacturers are increasing the requirements for DMS providers to integrate with their own OEM back-end systems, and de-certifying those DMS providers that are unable to connect their solutions with these systems. In March 2018 we continued our progress towards an all makes DMS provider by completing certification with Ford US. In January 2019 XSellerator also completed certification with Volkswagen (VW) and Audi. Those certifications allow XSellerator to be sold to Ford and VW/Audi dealerships which increase XSellerator's total available market, particularly to those dealer groups which house a variety of different vehicle brands. The XSellerator division has completed integration with OEM's representing 18 different brands in Canada and 12 different brands in the US. To complete Quorum's all makes certification strategy, the XSellerator division still needs to complete integrations with the remaining OEM manufacturers being Honda/Acura, Mazda, BMW, Mercedes and Volvo and complete additional integrations with the US OEM manufacturers including Toyota/Lexus, Hyundai, Kia and Subaru.

In addition, as smaller DMS providers struggle with the increased development and licensing fees associated with increased OEM integration, Quorum believes there is opportunity to consolidate these providers under one platform to achieve economies of scale and spread these costs over a larger customer base. To this end, Quorum completed the acquisition of Oasis Auto Complete Systems Limited ("Oasis") in January 2019 which will allow for existing Oasis franchised dealerships to transition to the XSellerator platform, and the Oasis Advantage Product Suite will form the basis for a new system targeted at the independent dealership market.

In Q1 2019, Quorum successfully closed a \$15 million debt financing facility with BDC Capital Inc. Quorum drew \$8.125 million immediately to retire a bridge financing facility that was used to acquire DealerMine Inc. and pay the cash consideration of the Oasis acquisition. The balance of the BDC Capital Inc. facility remains available for potential future acquisitions.

As Quorum moves forward into 2019, it has never had a more exciting set of growth opportunities. These opportunities include growing the core XSellerator DMS business, cross-selling products and services to our DMS customers, growing acquired assets, and continuing to assess other strategic acquisitions. DealerMine, Autovance and Advantage are high-growth, cloud-based Software as a Service ("SaaS") businesses that can show immediate leverage in that they do not require OEM integration and require significantly less training and support to transition dealerships to their solutions. Continuing to build out the XSellerator base is the foundation on which the company can offer solutions from our recent acquisitions and third party reseller arrangements.

Quorum Q1 2019 Results Conference Call Details and Investor Presentation

Quorum will host a conference call at 13:00 MT (15:00 ET) on Friday, May 31, 2019. Anyone wishing to participate in the call is asked to dial-in using the following numbers and ask for the Quorum Information Technologies Inc. Q1 2019 Results Conference Call:

| | |
|--------------------------|------------------|
| Local: | 1 (403) 451-9838 |
| Toll-Free North America: | 1 (888) 231-8191 |
| Conference ID#: | 9484367 |

Quorum's Q1 2019 Earnings Results investor presentation is also available for download under the Investors section on the Company's website at www.quorumdms.com.

Forward Looking Information

This report contains certain forward-looking information and statements within the meaning of applicable securities laws. All statements in this report, other than statements of historical fact, which address events or developments concerning Quorum Information Technologies Inc. ("Quorum" or the "Corporation") that Quorum expects to occur are "forward-looking information and statements". The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "potential", "could", "scheduled", "believe", "plans", "intends", "might" and similar expressions are intended to identify forward-looking information or statements.

In particular, but without limiting the foregoing, this document may contain forward-looking information and statements pertaining to the following business plan of Quorum including its plans for targeting new Original Equipment Manufacturer ("OEM") Integration, new dealership roof top sales, and increasing Automotive Group Partnerships; the timing for completion and cost of OEM Integration; estimates of return on assets and EBITDA; potential merger and acquisition ("M&A") opportunities; the timing of adoption of new accounting standards and the potential impact of new accounting standards on the Corporation's financial statement; the effect of acquisitions on the Corporation including the effect of the Autovance, DealerMine and Oasis acquisitions; the effect of the BDC Capital facility; various industry activity forecasts; growth opportunities including those in the United States; anticipated requirements by OEM manufactures relating to integrations and certifications; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking statements throughout this report. The forward-looking information and statements contained in this report reflect several material factors, expectations and assumptions including, without limitation: (i) capital expenditures by dealers; (ii) market availability of current and future dealership rooftops; (iii) schedules and timing of certain projects and Quorum's strategy for growth; (iv) Quorum's future operating and financial results; and (v) treatment under governmental regulatory regimes and tax and other laws. The forward-looking information and statements included in this report are not guarantees of future performance and should not be unduly relied upon.

Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking information and statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: (i) volatility in exchange rates for the Canadian dollar relative to the US dollar; (ii) liabilities and risks inherent in the software services industry; (iii) competition for, among other things, capital and skilled personnel; (iv) changes in general economic, market and business conditions in Canada and the United States; and (v) actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws. Quorum cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking information and statements contained in this document speak only as of the date of this document, and Quorum assumes no obligation to

update or revise them to reflect news events or circumstances, except as may be required pursuant to applicable laws. Any financial outlook or future oriented financial information in this document, as defined by applicable securities legislation, has been approved by management of Quorum. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

About Quorum Information Technologies Inc.

Quorum is a North American company focused on developing, marketing, implementing and supporting its portfolio of software and services for automotive dealerships that includes:

- ▮ XSellerator™, a Dealership Management System (DMS) that automates, integrates and streamlines key processes across departments in a dealership, and emphasizes revenue generation and customer satisfaction.
- ▮ DealerMine CRM, a sales and service Customer Relationship Management system and set of Business Development Center services that drives revenue into the critical sales and service departments in a dealership.
- ▮ Autovance, a sales desking system that increases sales department gross margins and improves customer satisfaction for dealerships.
- ▮ Advantage, a full showroom system for both franchised and independent dealerships and a comprehensive operating system that includes accounting for the independent market.

Quorum has filed its Q1 2019 unaudited condensed consolidated financial statements and notes thereto as at and for the three months ended March 31, 2019, and accompanying management and discussion and analysis in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* adopted by the Canadian securities regulatory authorities.

Quorum Information Technologies Inc. is traded on the Toronto Venture Exchange (TSX-V) under the symbol QIS. For additional information please go to www.QuorumDMS.com.

Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) has reviewed this release and neither accepts responsibility for the adequacy or accuracy of this release.

¹ IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. The adoption of IFRS 16 resulted in a reduction of general and administrative expenses of \$147K in Q1 2019.

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