



**For Immediate Release**

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**Quorum Announces 2018 Results  
 Posting Record Revenue and EBITDA**

**Calgary, AB, April 29, 2019** – 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 Q4 2018 and FY2018 today. Q4 2018 and FY2018 revenue and EBITDA were record quarterly and annual results for the Company.

“Overall 2018 was a transformative year for Quorum” stated Maury Marks, President and CEO, “not only did we further our vision to build a single, integrated, end-to-end business process solution through a build, resell and acquire strategy, but we also significantly increased our automotive dealership customer base.

The last quarter of 2018 was particularly game-changing for Quorum as it successfully completed the acquisition of DealerMine Inc. on October 31, 2018, adding DealerMine’s complimentary product set to Quorum’s XSELLERATOR platform, including DealerMine’s Business Development Centre (BDC), or call centre services. It also significantly increased Quorum’s scale to over 876 unique customers at the end of 2018 from 447 customers prior to the acquisition. As a result of organic growth from Quorum’s XSELLERATOR and Autovance divisions, and acquisition growth from 2 months of DealerMine’s results, the 4<sup>th</sup> quarter of 2018 was the highest revenue, the highest SaaS revenue, and the highest EBITDA quarter in Quorum’s history.

As we look forward to 2019, our priorities remain growing SaaS revenues while showing operating leverage from our increased scale. The opportunity set remains as large as ever and we are working hard to capitalize on it.”

**Q4 2018 and 2018 Financial Highlights**

*(\$000’s except per share amounts)*

<b>Year / Quarter – 2018</b>	<b>Full Year</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
Gross revenue	\$ 16,441	\$ 5,930	\$ 3,418	\$ 3,571	\$ 3,522
Gross margin	8,021	2,657	1,690	1,834	1,840
Gross margin percentage	49%	45%	49%	51%	52%
EBITDA expenses	6,102	1,879	1,299	1,272	1,652
Operating income before interest, taxes, depreciation and amortization (EBITDA)	1,919	778	391	562	188

EBITDA as a percentage of revenue	12%	13%	11%	16%	5%
Adjusted cash income (loss)	(118)	289	(176)	174	(405)
Income (loss) before deferred income tax expense	(505)	(98)	(56)	46	(398)
Net income (loss)	(711)	(197)	(52)	(215)	(246)
Other comprehensive income (loss)	26	(18)	(39)	27	56
Comprehensive income (loss)	(685)	(216)	(91)	(189)	(189)
Net income (loss) per share	(0.0132)	(0.0034)	(0.0010)	(0.0041)	(0.0047)
Cash flow from operating activities	\$ 867	\$ 157	\$ 41	\$ 468	\$ 201

*(\$000's except per share amounts)*

<b>Year / Quarter – 2017</b>	<b>Full Year</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
Gross revenue	\$ 12,744	\$ 3,214	\$ 3,070	\$ 3,188	\$ 3,272
Gross margin	6,510	1,662	1,462	1,682	1,704
Gross margin percentage	51%	52%	48%	53%	52%
EBITDA expenses	4,616	1,169	984	1,128	1,335
Operating income before interest, taxes, depreciation and amortization (EBITDA)	1,894	493	478	554	369
EBITDA as a percentage of revenue	15%	15%	16%	17%	11%
Adjusted cash income (loss)	496	160	107	246	(17)
Income before deferred income tax expense	1,500	989	175	259	77
Net income	474	65	100	266	43
Other comprehensive income (loss)	(92)	14	(47)	(48)	(11)
Comprehensive income	383	80	53	218	32
Net income per share	0.0091	0.0013	0.0019	0.0051	0.0008
Cash flow from operating activities	1,742	645	220	327	550

- Quorum posted the highest revenue quarter in Q4 2018 and the highest revenue year in FY2018 in Company history. Gross revenue increased by 84% to \$5,930K in Q4 2018 from \$3,214K in Q4 2017 and 29% to \$16,441K in FY2018 from \$12,744K in FY2017. The increase in revenue is due to:
  - An increase of \$1,624K during Q4 2018 and \$2,453K during FY2018 in SaaS revenue as a result organic growth of both XSELLERATOR and Autovance and as a result of the DealerMine acquisition;
  - An increase of \$757K during Q4 2018 and \$811K during FY2018 in services revenue primarily attributable to the DealerMine acquisition;
  - An increase of \$333K during Q4 2018 and \$433K during FY2018 in one-time revenue due to an increase in XSELLERATOR new rooftop installations and XSELLERATOR server transitions or upgrades.
- SaaS revenue increased to \$4,330K in Q4 2018 and \$12,736K in FY2018, compared to \$2,705K in Q4 2017 and \$10,284K in FY2017, an increase of \$1,625K or 60% during Q4 2018 and \$2,452K or 24% during FY2018. Quorum's SaaS revenue run rate at December 2018 was \$1,630K, which translates into a yearly run rate of \$19,560K. SaaS revenue was

73% of total revenue for Q4 2018 and was 77% of total revenue for FY2018. At the end of FY2018, Quorum had 876 customers compared to 419 customers at the end of FY2017.

- Gross margin increased to \$2,657K in Q4 2018 and \$8,021K in FY2018, from \$1,663K in Q4 2017 and \$6,510K in FY2017. Gross margin as a percentage of gross revenue was 45% for Q4 2018 and 49% in FY2018, a decrease from 52% in Q4 2017 and 51% in FY2017. XSELLERATOR overall gross margin is 49% for FY2018, down by 2% due to:
  - Increased XSELLERATOR one-time revenue, previously referred to as new installation and transitions revenue, which is negative margin revenue, and
  - Dealermine has a lower corporate gross margin as Dealermine has a higher percentage of non-SaaS revenue and also must pay integration costs on its SaaS revenue with non-XSELLERATOR DMS partners. It should be noted SaaS revenue for sales of DealerMine Service CRM to XSELLERATOR customers will be much higher margin sales as they will not include this non-XSELLERATOR DMS integration cost.
- The FY2018 and Q4 2018 EBITDA were the highest in Company history. Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) were \$778K in Q4 2018 as compared to \$493K in Q4 2017, and \$1,919K in FY2018 as compared to \$1,894K in FY2017, a Q4 increase of \$285K and an increase of \$25K from FY2017. The Company had a year-over year increase in Gross Margin and EBITDA while also making the following strategic investments:
  - an increase in general and administrative costs due to an XSELLERATOR office move in Q1 2018 and higher office rental expense;
  - one-time legal and related due diligence costs for the DealerMine and Oasis transactions; and
  - US expansion costs for XSELLERATOR that included a number of development projects, increased sales and marketing staffing levels and
    - new sales support systems;
    - increased digital marketing campaigns; and
    - cost of a higher profile larger booth for the National Automobile Dealers Association (NADA) trade show;

XSELLERATOR is beginning to see positive results from the US expansion investments. XSELLERATOR's qualified sales pipeline now has 27 US dealerships and four US dealerships were sold later in 2018. It is important to realize that the investments required to grow in the US market will have a long-term benefit to Quorum; but additional time will be required to fully realize that benefit.

- In Q3 2018, Quorum started the process of optimizing the XSELLERATOR DMS business and through some staffing changes and cost savings identified \$420K of annualized savings. These cost savings were in addition to expected DealerMine cost synergies, which will be realized in future quarters. Quorum continues to take a balanced approach to growth and profitability. EBITDA for Q4 2018 increased from Q4 2017 because some of the Q3 2018 XSELLERATOR division changes positively impacted Q4 2018, and Quorum expects to see the full benefit of these changes in FY2019.

Adjusted cash income, a new metric that Quorum is reporting to convey normalized free cash flow, was \$289K for Q4 2018 and negative \$118K for FY2018 as compared to \$160K for

Q4 2017 and \$496K for FY2017, an increase of \$129K from Q4 2017 and a decrease of \$614K from FY2017. Capitalized salaries and overhead was \$550K for Q4 2018 and \$2,150K for FY2018 as compared to \$333K in Q4 2017 and \$1,428 in FY2017. Acquisition transaction expense was \$62K for Q4 2018 and \$113K for FY2018 as compared to \$nil for Q4 2017 and \$30K for FY2017. Adjusted cash income is calculated using EBITDA, then deducting capitalized salaries and overhead and adding back financing, acquisition transaction and restructuring costs.

	(\$000's)				
<b>Year / Quarter – 2018</b>	<b>Year to date</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
<b>EBITDA</b>	\$1,919	\$ 778	\$ 391	\$ 562	\$ 188
<b>Capitalized salaries and overhead</b>	(2,150)	(550)	(619)	(388)	(593)
<b>Acquisition expense</b>	113	61	52	-	-
<b>Adjusted cash income</b>	<b>\$ (118)</b>	<b>\$ 289</b>	<b>\$ (176)</b>	<b>\$ 174</b>	<b>\$ (405)</b>

  

<b>Year / Quarter – 2017</b>	<b>Year to date</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
<b>EBITDA</b>	\$1,894	\$ 493	\$ 478	\$ 554	\$ 369
<b>Capitalized salaries and overhead</b>	(1,428)	(333)	(401)	(308)	(386)
<b>Acquisition expense</b>	30	-	30	-	-
<b>Adjusted cash income</b>	<b>\$ 496</b>	<b>\$ 160</b>	<b>\$ 107</b>	<b>\$ 246</b>	<b>\$ (17)</b>

- Loss before deferred income tax expense decreased to \$98K for Q4 2018 and \$505K for FY2018 compared to income before deferred income tax expense of \$989K in Q4 2017 and \$1,500K in FY2017. The decrease in income before deferred income tax expense is due to increased EBITDA expenses for FY2018, as well as an increase in other non-cash expenses.

## 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 deskings 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 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 the 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 integrations with the US OEM manufacturers being 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 March 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 Q4 Results Conference Call Details and Investor Presentation**

With respect to the fourth quarter results, Quorum will host a conference call at 7:00 AM MT (9:00 PM ET) on Tuesday, April 30, 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. 2018 Year End Results Conference Call:

Local: 1 (403) 451-9838

Toll-Free North America: 1 (888) 231-8191

Quorum's Year End 2018 Earnings Results investor presentation is also available for download under the Investors section on the Company's website at [www.quorumdms.com](http://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 Q4 2018 audited consolidated financial statements and notes thereto as at and for the three and twelve months ended December 31, 2018, 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](http://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.*

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