



For Immediate Release

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Quorum Announces Q3 FY2018 Results **Recurring SaaS support revenue increases 10% over Q3 FY2017**

Calgary, AB, November 15, 2018 – Quorum Information Technologies Inc., a leading provider of dealership and customer management software and value-added services to the automotive industry, released its 2018 third quarter results today.

Acquisition of DealerMine Inc.

On October 31st, 2018, Quorum completed the transformative acquisition of DealerMine Inc. The deal significantly accelerates Quorum’s strategy to be a full service provider to automotive dealerships by adding DealerMine’s complementary product set and Business Development Center (“BDC”) or call center services. The deal also significantly increases Quorum’s scale. The combined company now has over 860 dealership rooftop customers and the combined revenues of both Quorum and DealerMine would have been \$6.7 million in Q3 FY2018.

DealerMine (Subsequent Event Transaction)	Q3 2018	Q3 2017	Growth	% of Q3 2018 Revenue
Recurring software revenue	\$1,859,185	\$1,561,670	19%	57%
Business Development Centre revenue	1,232,643	1,162,446	6%	38%
New installations revenue	163,909	144,047	14%	5%
Gross revenue	\$3,255,737	\$2,868,163	14%	100%

The DealerMine revenue results in the above table show comparative period results only. These results are not included in Quorum’s Q3 FY2018 results as the transaction was completed subsequent to the end of Q3 FY2018.

We are delighted to welcome the DealerMine team, under Robert Quirion’s leadership, to the Quorum family. DealerMine has a proven track record of developing exceptional Customer Relationship Management (“CRM”) products and providing critical BDC services to their 413 successful customers in North America.

With only 15 Quorum DMS customers currently utilizing the DealerMine Service CRM product and BDC services, we have a significant growth opportunity for DealerMine within Quorum’s existing customer base. Quorum expects the recurring Software as a Service (“SaaS”) software revenue, BDC revenue, EBITDA and cash flow from the DealerMine acquisition to be immediately accretive.

Quorum Q3 FY2018 Results

Our most significant sales and operational results for the Quorum DMS and Autovance for Q3 FY2018 are as follows:

Quorum and Autovance Revenue	Q3 2018	Q3 2017	Growth	% of Q3 2018 Revenue
Support revenue	\$2,862,953	\$2,603,030	10%	84%
Add-on revenue	215,750	265,072	-19%	6%
New installations revenue	316,048	201,756	57%	9%
Transitions revenue	23,750	-		1%
Gross revenue	\$3,418,501	\$3,069,858	11%	100%

- Recurring SaaS support revenue for Q3 FY2018 increased by \$259,923 over Q3 FY2017, which represents a 10% increase. New customer installations, as well as sales of added Quorum-developed and strategic 3rd party products to our existing customer base, contributed to this growth.
- Quorum’s annual SaaS support revenue run rate is now \$11,529,336 based on September 2018 support revenue of \$960,778.
- Support revenue represents 84% of total revenue for Q3 FY2018 compared to 85% for Q3 FY2017.
- Support revenue growth drivers include:
 - o Sales to existing customers of Quorum-developed products, strategic 3rd party products, XSELLERATOR user licenses and annual support increases represent 79% of the Q3 FY2018 support revenue growth. Included in this growth is Autovance’s support revenue. The run rate as of September 30, 2018 of revenue associated with Autovance’s annual SaaS support revenue is \$860,844 based on September support revenue of \$71,737. In addition to Autovance’s 98 Quorum customers, Autovance also has 110 unique non-Quorum customers.
 - o The remaining 21% of the Q3 FY2018 support revenue growth comes from increases in our customer base. In Q3 FY2018, Quorum completed nine new XSELLERATOR rooftop installations and had two rooftop losses (for a quarterly churn of 0.6%) and ended the quarter with 359 active installed dealership rooftops. The primary reason for any rooftop losses (or churn) is that our dealership customers can be acquired by dealer groups and the group may already be using a competitor’s system.

- Future installs - not all dealership rooftops sold to the end of Q3 FY2018 were able to be installed. Quorum plans to install seven rooftops in Q4 FY2018 and has six other sold rooftops that will be installed in future quarters.
- Gross Margin and EBITDA – in Q3 FY2018, our gross margin was 49%, as compared to 48% for Q3 FY2017. The gross margin for our SaaS-based support revenue was 83% before labour and 68% including labour for Q3 FY2018. The EBITDA as a percentage of revenue for Q3 FY2018 was 11% as compared to 16% for Q3 FY2017. In FY2018, Quorum invested significantly to grow in the US market. The investment required to grow in the US market put downward pressure on Quorum’s FY2018 gross margins and EBITDA. The investment in FY2018 include the following:
 - o Larger booth for the National Automobile Dealers Association (NADA) show;
 - o Increased sales staff levels, which included a dedicated US-specific Account Manager;
 - o Increased sales and marketing efforts with an emphasis on digital marketing as well as a new redesigned website and implementation of new sales support technology;
 - o Increased installation, support and development staffing levels;
 - o OEM integration with the addition of Ford US in Q1 FY2018 and the anticipated certification of two more OEM’s in early FY2019; and
 - o Work by the Autovance team to allow their Desking product to be available for the US market.

We have made significant investments in growing our DMS and we are now beginning to see positive results. Our qualified DMS sales pipeline has grown recently and 25 of the dealerships on it are in the US from these investments. Further, our new US salesperson has sold three dealerships in the past two months. 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.

Add-on revenue and Dealership Utilization - Quorum continues to enhance three high value components of our software - Communicator, VIP and Sales CRM. We track key dealership utilization metrics related to these areas in a Dealership Success Scorecard (shown below). Getting our dealerships to utilize these areas has the following benefits to Quorum:

- o Drives training revenue – training visits were down 55% for Q3 FY2018 compared to Q3 FY2017. Training revenue represents 52% of Quorum’s total add-on revenue and add-on revenue decreased 19% in Q3 FY2018 over Q3 FY2017. A primary reason for fewer training visits, as compared to the prior year, is an increase in new installations during Q3 FY2018 (which reduces the availability of training staff for onsite training for existing customers). There were nine new installations during Q3 FY2018 as compared to three during Q3 FY2017.

- Increased customer satisfaction and reference-ability of our customers.

Dealership Success Scorecard¹

<ul style="list-style-type: none"> - <u>Communicator</u> – Dealerships utilizing Communicator: 275 <ul style="list-style-type: none"> - Messages in Q3 FY2018: 4,677,395 - Year over year message growth: 78% - <u>M3 (VIP only)</u> – Dealerships utilizing VIP: 175 - Total Q3 FY2018 incremental Customer Pay revenue: \$33,157,671 <ul style="list-style-type: none"> - Year over year revenue growth: 21% - <u>Sales CRM</u> – Dealerships trained: 140 <ul style="list-style-type: none"> - Average Q3 FY2018 utilization of Sales CRM 71% - Total # of dealerships that have moved away from 3rd party CRM systems: 23
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- Areas of the Dealer Scorecard

- Communicator features text, email and instant message functionality that is integrated into the XSELLERATOR workflow.
- Make More Money (“M3”) is an initiative which focuses on ten XSELLERATOR processes that drive incremental revenue into our dealership customers’ operations. Aggregate data from the Vehicle Inspection Process (“VIP”), which is just one of the ten M3 processes, is shown above.
- Sales CRM - Quorum continues to make significant enhancements to sales Customer Relationship Management (CRM) features within XSELLERATOR.

- Customer Satisfaction metrics are as follows:

- Each year we conduct Customer Satisfaction Index (“CSI”) surveys. The results of our most recent survey conducted in Q3 FY2018 compared to our Q3 FY2017 survey showed strong customer satisfaction as follows:
 - Q3 FY2018 reported 92% of dealer principals as “somewhat satisfied”, “satisfied” or “very satisfied” and 97% of end users as “somewhat satisfied”, “satisfied” or “very satisfied” overall.
 - Q3 FY2017 reported 95% of dealer principals as “somewhat satisfied”, “satisfied” or “very satisfied” and 96% of end users as “somewhat satisfied”, “satisfied” or “very satisfied” overall.
- Our monthly Support Center CSI survey continues to report approximately 95% “very satisfied” with the service received from our support team.

¹ The numbers and dollar figures included in the Dealership Success Scorecard are based on dealership results.

- Employees – none of the Company’s accomplishments are possible without highly motivated, engaged people. Our sincere thanks to the people that drive Quorum. Every year we measure our staff engagement and we actively work towards improving our job satisfaction and engagement throughout the Company.

Other key financial results highlights for Q3 FY2018 are as follows:

- Gross revenue increased by 11% to \$3,418K in Q3 FY2018 from \$3,070K in Q3 FY2017.
- Gross margin increased to \$1,690K in Q3 FY2018 from \$1,462K in Q3 FY2017, a 16% increase.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) was \$391K in Q3 FY2018 as compared to \$478K in Q3 FY2017. Increased gross margin was offset by:
 - o an increase in general and administrative costs due to an office move in Q1 FY2018 and higher office rental expense;
 - o one-time legal and related due diligence costs for the DealerMine transaction; and
 - o an increase in sales and marketing expense due to increased sales and marketing staffing levels.
- Quorum continues to have a very strong balance sheet with total net working capital at September 30, 2018 of \$4,418K, including cash of \$3,478K, and a current ratio of 4.10.

Conclusion

As we move forward into 2019, Quorum has never had a more exciting set of growth opportunities. These opportunities include growing the core DMS business, cross-selling products and services to our DMS customers, growing acquired assets, and continuing to assess other selective acquisitions. Both DealerMine and Autovance are high-growth, cloud-based 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. At the same time, building the XSELLERATOR base is the foundation on which the company can offer solutions from our recent acquisitions and 3rd party reseller arrangements, and also demands significant attention.

In Q3 FY2018, we started the process of optimizing our DMS business and through some staffing changes and cost savings identified \$420K of annualized savings (irrespective of DealerMine cost synergies), which will be realized in future quarters. We believe this will result in a balanced approach to growth and profitability and, combined with the accretive DealerMine acquisition, will result in expanding EBITDA margins and cash flow conversion in 2019.

Quorum has filed its Q3 2018 consolidated financial statements and notes thereto as at and for the period ended September 30, 2018 and accompanying management's discussion and analysis in accordance with National Instrument 51-102 - Continuous Disclosure Obligations adopted by the Canadian securities regulatory authorities. Additional information about Quorum will be available on Quorum's SEDAR profile at www.sedar.com and Quorum's website at www.QuorumDMS.com.

Financial Highlights

	Nine Months Ended Sept 30, 2018	Nine Months Ended Sept 30, 2017	Q3 Ended Sept 30, 2018	Q3 Ended Sept 30, 2017	Q2 Ended June 30, 2018	Q2 Ended June 30, 2017	Q1 Ended March 31, 2018	Q1 Ended March 31, 2017
Gross revenue	\$10,511,481	\$9,529,547	\$3,418,501	\$3,069,858	\$3,570,729	\$3,187,702	\$3,522,251	\$3,271,987
Direct costs	5,147,584	4,681,630	1,728,526	1,608,228	1,736,545	1,505,301	1,682,513	1,568,101
Gross margin	5,363,897	4,847,917	1,689,975	1,461,630	1,834,184	1,682,401	1,839,738	1,703,886
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,141,282	1,400,783	390,908	477,667	562,644	553,847	187,730	369,269
Income (loss) before deferred income tax expense	(407,622)	510,690	(55,991)	175,068	46,258	258,829	(397,889)	76,793
Net income (loss)	(513,466)	408,633	(52,152)	99,780	(215,789)	266,212	(245,525)	42,641
Comprehensive income (loss)	(469,690)	302,636	(91,326)	52,768	(189,283)	217,681	(189,081)	32,187
Basic income (loss) per share	\$ (0.0097)	\$ 0.0079	\$ (0.0010)	\$ 0.0019	\$ (0.0041)	\$ 0.0051	\$ (0.0047)	\$ 0.0008
Fully diluted income (loss) per share	\$ (0.0097)	\$ 0.0079	\$ (0.0010)	\$ 0.0019	\$ (0.0041)	\$ 0.0051	\$ (0.0047)	\$ 0.0008
Weighted average number of common shares								
Basic	52,731,769	52,045,594	52,731,769	52,045,594	52,698,581	52,045,594	52,627,690	52,045,594
Diluted	52,731,769	52,045,594	52,731,769	52,045,594	52,698,581	52,045,594	52,627,690	52,045,594

A conference call has been scheduled for Friday, November 16, 2018, beginning at 8:00 AM MT (10:00 ET).

Anyone wishing to participate in the call is asked to dial-in using the following numbers and ask for the Quorum Information Technologies Inc. Third Quarter 2018 Results Conference Call.

Local: 1 (403) 451-9838
Toll-Free North America: 1 (888) 231-8191
Conference ID#: 8148827

About Quorum

Quorum is a North American company focused on developing, marketing, implementing and supporting its automotive dealership and customer management system, XSELLERATOR. Quorum offers the system to franchised, independent and some non-automotive dealerships in Canada and the United States. XSELLERATOR automates, integrates and streamlines every process across departments in a dealership. The system includes tools designed to maximize revenue opportunities for dealerships such as Customer Relationship Management and service inspection and quoting processes. Quorum is a Microsoft partner and XSELLERATOR is developed with modern mobile-enabled technology. Quorum Information Technologies Inc. is traded on the Toronto Venture Exchange (TSX-V) under the symbol QIS and in 2016 was selected to the TSX Venture 50[®], an annual ranking of the strongest performing companies on the TSX Venture Exchange. For additional information please go to www.QuorumDMS.com.

Forward-Looking Information

This press release contains certain forward-looking statements and forward-looking information ("forward-looking information") within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should" or similar words suggesting future outcomes. In particular, this press release includes forward-looking information relating to results of operations, plans and objectives, projected costs and business strategy. Quorum believes the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties some of which are described herein. Such forward-looking information necessarily involves known and unknown risks and uncertainties, which may cause Quorum's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. These risks and uncertainties include but are not limited to the risks identified in Quorum's Management's Discussion and Analysis for the period ended September 30, 2018. Any forward-looking information is made as of the date hereof and, except as required by law, Quorum assumes no obligation to publicly update or revise such information to reflect new information, subsequent or otherwise.

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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