



For Immediate Release

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Quorum Announces Q2 FY2018 Results
Recurring SaaS support revenue increases 11% over Q2 FY2017

Calgary, AB, August 29, 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 second quarter results today.

Maury Marks, Quorum’s President and CEO provided the following comments on the Company’s Q2 FY2018 operational and financial results:

- Recurring SaaS support revenue for Q2 FY2018 increased by \$287,006 over Q2 FY2017, which represents an 11% 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.

Revenue Type	Q2 2018	Q2 2017	Growth
Support revenue	\$ 2,810,651	\$ 2,523,645	11%
Add-on revenue	299,934	305,052	-2%
New installations revenue	287,422	283,332	1%
Core revenue subtotal	3,398,007	3,112,029	9%
Transitions revenue	172,722	75,673	128%
Gross revenue	\$ 3,570,729	\$ 3,187,702	12.0%

- Quorum’s annual SaaS support revenue run rate is now \$11,335,308 based on June 2018 support revenue of \$944,609.¹
- Support revenue represents 79% of total revenue for Q2 FY2018 compared to 79% for Q2 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 58% of the Q2 FY2018 support revenue growth. Included in this growth is Autovance’s support revenue. The run rate as of June 30, 2018 of revenue associated with Autovance’s annual SaaS support revenue is \$818,400 based on June support revenue of \$68,200.

¹ Support revenue includes deferred revenue adjustments required due to GM DTAP customer support billings that are invoiced in advance. Support revenue for March 2018 included \$22,507 in support revenue adjustments. Q1 FY2018 support revenue included deferred support revenue adjustments of \$2,137. The March 2018 run rate, not including deferred revenue adjustments, was \$11,116,836, previously reported as \$11,386,920 based on March support revenue of \$926,403, previously reported as \$948,910.

- The remaining 42% of the Q2 FY2018 support revenue growth comes from increases in our customer base. In Q2 FY2018, Quorum completed three new XSELLERATOR rooftop installations and had one rooftop loss (for a quarterly churn of 0.3%) and ended the quarter with 352 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 Q2 FY2018 were able to be installed. Quorum plans to install nine rooftops in Q3 FY2018 and has eight other sold rooftops that will be installed in future quarters.
- Gross Margin – in Q2 FY2018, our gross margin was 51%, as compared to 53% for Q2 FY2017. The gross margin for our SaaS-based support revenue was 68% in Q2 FY2018.
- 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:
 - Drives training revenue – training visits were up 63% for Q2 FY2018 compared to Q2 FY2017. Training revenue represents 80% of Quorum’s total add-on revenue and add-on revenue decreased 2% in Q2 FY2018 over Q2 FY2017.
 - Increased customer satisfaction and reference-ability of our customers.

Dealership Success Scorecard²

<ul style="list-style-type: none"> - <u>Communicator</u> – Dealerships utilizing Communicator: 265 <ul style="list-style-type: none"> - Messages in Q2 FY2018: 4,813,402 - Year over year message growth: 74% - <u>M3 (VIP only)</u> – Dealerships utilizing VIP: 165 - Total Q2 FY2018 incremental Customer Pay revenue: \$33,459,069 <ul style="list-style-type: none"> - Year over year revenue growth: 25% - <u>Sales CRM</u> – Dealerships trained: 130 <ul style="list-style-type: none"> - Average Q2 FY2018 utilization of Sales CRM 70% - 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.

² The numbers and dollar figures included in the Dealership Success Scorecard are based on dealership results.

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 FY2017 compared to our Q1 FY2017 survey showed strong customer satisfaction as follows (note that beginning in 2018, we are only conducting one survey per year – in the 3rd quarter):
 - Q3 FY2017 reported 86% of dealer principals as “satisfied” or “very satisfied” and 96% of end users as “somewhat satisfied”, “satisfied” or “very satisfied” overall.
 - Q1 FY2017 reported 85% of dealer principals as “satisfied” or “very satisfied” and 98% 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.
- 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 Q2 FY2018 are as follows:

- Gross revenue increased by 12% to \$3,571K in Q2 FY2018 from \$3,188K in Q2 FY2017.
- Gross margin increased to \$1,834K in Q2 FY2018 from \$1,682K in Q2 FY2017, a 9% increase. Gross margin as a percentage of gross revenue was 51% during Q2 FY2018 as compared to 53% for Q2 FY2017.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) increased to \$562K in Q2 FY2018 from \$554K in Q2 FY2017. Increased gross margin was offset by:
 - larger salaries and benefits expense due to increased staffing levels; and
 - an increase in general and administrative costs due to an office move in Q1 FY2018 and higher office rental expense.
- Income before deferred income tax expense was \$46K in Q2 FY2018 compared to \$259K in Q2 FY2017 due to a significant increase in non-cash expenses:
 - An increase of \$60K in stock-based compensation expense;

- An increase of \$91K in amortization of intangible assets expense; and
- An increase of \$64K for a loss on disposal of assets.
- Comprehensive loss was \$189K in Q2 FY2018 compared to comprehensive income of \$218K in Q2 FY2017.
- Including cash of \$4,060K, total net working capital at June 30, 2018 was \$4,770K with a current ratio of 4.17, compared to \$4,657 at March 31, 2018, with a current ratio of 3.91, an increase of \$113K. The increase in net working capital from March 31, 2018 is mainly due an increase in accounts receivable and loan receivable and a decrease in deferred revenue, offset by a decrease in cash and an increase in accounts payable during Q2 FY2018.

Conclusion

Quorum has generated nineteen consecutive quarters of revenue growth (over the prior year quarters) and we continue to increase our staffing levels in anticipation of future growth. Our strategy to focus on product innovations, improving product utilization and superior levels of customer service has increased the market demand for our product and services. Our fundamentals behind future revenue growth are still very strong and are as follows:

- Our SaaS-based recurring support revenue continued to grow by an impressive 11% in Q2 FY2018.
- This growth was driven by sales of added Quorum-developed and strategic 3rd party products (58%) to existing customers and added installations of new customers (42%).
- Quorum’s annual SaaS support revenue run rate is now \$11,335,308 based on June 2018 support revenue of \$944,609.
- Support revenue now represents 79% of total revenue for Q2 FY2018 compared to 78% for Q1 FY2018.
- Future installs – in Q3 FY2018 Quorum plans to complete nine rooftop installs and has eight other sold rooftops that will be installed in future quarters.
- Our dealership quarterly churn is low at 0.3% and the primary reason for any churn is industry consolidation.
- The Dealer Success Scorecard continues to show improving results, which indicates higher utilization of critical areas of XSELLERATOR by our customers.
- Dealership customers’ satisfaction remains high.
- We continue to increase our total addressable market with new OEM integration with Ford US and with continued certifications for added integration like our GM US “Platinum” Service Lane certification for our VIP and quoting process.

Quorum has filed its Q2 2018 consolidated financial statements and notes thereto as at and for the period ended June 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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	Q2 Ended June 30, 2018	Q2 Ended June 30, 2017	Q1 Ended March 31, 2018	Q1 Ended March 31, 2017
Gross revenue	\$7,092,980	\$6,459,689	\$3,570,729	\$3,187,702	\$3,522,251	\$3,271,987
Direct costs	3,419,058	3,073,402	1,736,545	1,505,301	1,682,513	1,568,101
Gross margin	3,673,922	3,386,287	1,834,184	1,682,401	1,839,738	1,703,886
Earnings before interest, taxes, depreciation and amortization (EBITDA)	750,374	923,116	562,644	553,847	187,730	369,269
Income (loss) before deferred income tax expense	(351,631)	335,622	46,258	258,829	(397,889)	76,793
Net income (loss)	(461,314)	308,853	(215,789)	266,212	(245,525)	42,641
Comprehensive income (loss)	(378,364)	249,868	(189,283)	217,681	(189,081)	32,187
Basic income (loss) per share	\$ (0.0088)	\$ 0.0059	\$ (0.0041)	\$ 0.0051	\$ (0.0047)	\$ 0.0008
Fully diluted income (loss) per share	\$ (0.0088)	\$ 0.0059	\$ (0.0041)	\$ 0.0051	\$ (0.0047)	\$ 0.0008
Weighted average number of common shares						
Basic	52,698,581	52,045,594	52,698,581	52,045,594	52,627,690	52,045,594
Diluted	52,698,581	52,045,594	52,698,581	52,045,594	52,627,690	52,045,594

A conference call and a live audio webcast of the call has been scheduled for Thursday, August 30, 2018, beginning at 11:00 MT (13:00 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. Second Quarter 2018 Results Conference Call.

Local: 1 (403) 451-9838

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

Conference ID#: 8179007

The live audio webcast will be available by visiting the Company's website at <http://quorumdms.com/quorum-presentations-events.htm> Please connect at least 15 minutes prior to the conference call to ensure time for any software download that may be needed to hear the webcast.

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 June 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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