



For Immediate Release

Quorum Contact: Maury Marks
 403-777-0036
MarksM@QuorumDMS.com

Quorum Announces Q1 FY2018 Results
Recurring SaaS support revenue increases 12% over Q1 FY2017

Calgary, AB, May 17, 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 first quarter results today.

Maury Marks, Quorum’s President and CEO provided the following comments on the Company’s Q1 FY2018 operational and financial results:

- Recurring SaaS support revenue for Q1 FY2018 increased by \$281,447 over Q1 FY2017, which represents a 12% increase. Both added installations of new customers and sales of added

Revenue Type	Q1 2018	Q1 2017	Growth
Support revenue	\$ 2,733,167	\$ 2,451,720	12%
Add-on revenue	370,159	261,594	42%
New installations revenue	360,226	439,605	-18%
Core revenue subtotal	3,463,552	3,152,919	10%
Transitions revenue	58,699	119,068	-51%
Gross revenue	\$ 3,522,251	\$ 3,271,987	8%

Quorum-developed and strategic 3rd party products (for which Quorum is a reseller) to our existing customer base contributed to this growth.

- Quorum’s annual SaaS support revenue run rate is now \$11,386,920 based on March 2018 support revenue of \$948,910.
- Support revenue now represents 78% of total revenue for Q1 FY2018 compared to 75% for Q1 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 63% of the Q1 FY2018 support revenue growth. Autovance had previously been a strategic 3rd party partner. However, in September 2017, Quorum acquired all of the issued and outstanding shares of Autovance Technologies Inc. and the total Autovance revenue is included above. Of that revenue, the additional support revenue in Q1 FY2018 from Autovance’s proprietary product, Autovance Desk, for Quorum customers was \$32,000 and Autovance

revenue for non-Quorum customers for Q1 FY2018 was \$86,150. The run rate as of March 31, 2018 of Quorum's revenue associated with Autovance's annual SaaS support revenue is \$771,000 based on March support revenue of \$64,214.

- The remaining 37% of the Q1 FY2018 support revenue growth comes from increases in our customer base. In Q1 FY2018 Quorum completed ten new XSELLERATOR rooftop installations and had one rooftop loss (for a quarterly churn of 0.3%) and ended the quarter with a total of 350 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. In Q1 FY2017, Quorum had nine new rooftop installations, however, new installation one-time revenue declined in Q1 FY2018 because the Q1 FY2018 installed dealerships were smaller than those installed in Q1 FY2017 and because of increased competitive pressure on installation costs which drove down install prices in Q1 2018.
- Gross Margin – in Q1 FY2018, our gross margin was 52%, consistent with Q1 FY2017. The gross margin for our SaaS-based support revenue was 70% in Q1 FY2018.
- Sales Backlog – not all dealership rooftops sold in Q1 FY2018 and FY2017 were able to be installed during Q1 FY2018. Quorum had 13 sold dealership rooftops planned to be installed throughout the remainder of FY2018 and Q1 FY2019 compared to 17 at the end of Q1 FY2017 that were installed in FY2017 and Q1 FY2018.
- Canadian and US Market – Quorum has continued to expand our Total Addressable Market (TAM) in Canada over the last five years. In order to increase our TAM, Quorum must complete multi-month projects with vehicle manufacturers (OEMs) to integrate to their systems. In Q1 FY2018, we completed Ford US integration development and in February 2018 we piloted our first Ford dealership in the US. The result is that Quorum can now sell our software to Ford dealerships in the US, which increases our TAM in the US by 35%. Quorum plans to continue to invest in significant projects in the US to accelerate growth in this market. Additionally, we plan to further invest in manufacturer integration in both Canada and the US.
- 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 110% for Q1 FY2018 compared to Q1 FY2017. Training revenue represents 67% of Quorum's total add-on revenue and add-on revenue increased 42% in Q1 FY2018 over Q1 FY2017.
 - Increased customer satisfaction and reference-ability of our customers.

Dealership Success Scorecard¹

- Communicator – Dealerships utilizing Communicator: 255
 - Messages in Q1 FY2018: 3,682,327
 - Year over year message growth: 87%
- M3 (VIP only) – Dealerships utilizing VIP: 153
- Total Q1 FY2018 incremental Customer Pay revenue: \$27,041,191
 - Year over year revenue growth: 22%
- Sales CRM – Dealerships trained: 108
 - Average Q1 FY2018 utilization of Sales CRM 68%
- Total # of dealerships that have moved away from 3rd party CRM systems: 23

- o 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.
- Core Revenue – Core revenue is comprised of support, add-on and new installations revenue. Transitions revenue pertains to conversion of dealerships to new server hardware and/or the latest version of Microsoft operating system and database software. Core revenue increased by 10% in Q1 FY2018 as compared to Q1 FY2017.
 - Quorum made a number of incremental, critical investments in Q1 FY2018 compared to Q1 FY2017 that are key to future growth; however, these investments negatively impacted our working capital by \$500K and EBITDA and net income by \$375K. The investments were as follows:
 - o US Market expansion – invested in a completely redesigned, larger booth for the National Automobile Dealers Association (NADA) conference. The new booth and related advertising, cost an additional \$170K in Q1 FY2018 compared to Q1 FY2017. Additionally, we announced the pilot of our first Ford US dealerships and hired a new US Sales Account Manager.
 - o St. John’s Office expansion – invested in a new, larger office to accommodate future growth. The cost of the move, including furniture, leaseholds, and duplicate rent was \$130K in Q1 FY2018 and the incremental impact on EBITDA and net income was \$40K.

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

- Staffing – from Q2 FY2017 to Q1 FY2018 we increased staffing levels by 20 new employees to allow increased installation and training capacity, added marketing and sales staff, as well as increases to our development and support groups, including a new customer care group. The incremental staffing impacted working capital, EBITDA and net income by an additional \$150K (net of government grant funding).
- GM certifications – with GM DTAP Service Lane programs in both Canada and the US, Quorum invested an additional \$50K in certification costs with GM in Q1 FY2018 compared to Q1 FY2017, which had an incremental impact on EBITDA and net income of \$15K.
- 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:
 - 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 Q1 FY2018 are as follows:

- Gross revenue increased by 8% to \$3,522K in Q1 FY2018 from \$3,272K in Q1 FY2017
- Gross margin increased to \$1,840K in Q1 FY2018 from \$1,704K in Q1 FY2017, an 8% increase. Gross margin as a percentage of gross revenue remained consistent at 52%.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased to \$188K in Q1 FY2018 from \$369K in Q1 FY2017. Increased gross margin was offset by:
 - larger salaries and benefits expense due to increased staffing levels;
 - an increase in general and administrative costs due to an office move in the quarter and higher office rental expense; and
 - an increase in NADA expense due to an expansion of Quorum’s booth.
- Loss before deferred income tax expense was \$398K in Q1 FY2018 compared to income before deferred income tax expense of \$77K in Q1 FY2017.

- Comprehensive loss was \$189K in Q1 FY2018 compared to comprehensive income of \$32K in Q1 FY2017.

Including cash of \$4,193K, total net working capital at March 31, 2018 was \$4,657K with a current ratio of 3.91, compared to \$5,154K at December 31, 2017, with a current ratio of 4.86, a decrease of \$497K. The decrease in net working capital from December 31, 2017 is mainly due to the decrease in cash and prepaid expenses and an increase in accounts payable, offset by an increase in accounts receivable during Q1 FY2018.

Quorum has generated eighteen 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 12% in Q1 FY2018.
- This growth was driven by sales of added Quorum-developed and strategic 3rd party products (63%) to existing customers and added installations of new customers (37%).
- Quorum's annual SaaS support revenue run rate is now \$11,386,920 based on March 2018 support revenue of \$948,910.
- Support revenue now represents 78% of total revenue for Q1 FY2018 compared to 75% for Q1 FY2017.
- Our pipeline has 13 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 Q1 2018 consolidated financial statements and notes thereto as at and for the period ended March 31, 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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Gross revenue	\$ 3,522,251	\$ 3,271,987
Direct costs	1,682,513	1,568,101
Gross margin	1,839,738	1,703,886
Earnings before interest, taxes, depreciation and amortization (EBITDA)	187,730	369,269
Income (loss) before deferred income tax expense	(397,889)	76,793
Net income (loss)	(245,525)	42,641
Comprehensive income (loss)	(189,081)	32,187
Basic income (loss) per share	\$ (0.0047)	\$ 0.0008
Fully diluted income (loss) per share	\$ (0.0047)	\$ 0.0008
Weighted average number of common shares		
Basic	52,627,690	52,045,594
Diluted	52,627,690	52,045,594

A conference call has been scheduled for Tuesday, May 22, 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. First Quarter 2018 Results Conference Call.

Local: 1 (403) 451-9838

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

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 March 31, 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.

#