

Quarterhill Announces Agreement to Acquire ETC

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- *Transforms Quarterhill into a key player in the ITS industry*
- *Delivers scale in the ITS Tolling vertical, which has strong macro tailwinds*
- *Provides compelling revenue synergy opportunities between ETC and IRD*

TORONTO, Aug. 16, 2021 /PRNewswire/ - Quarterhill Inc. ("Quarterhill") (TSX: QTRH) (OTCQX: QTRHF), announces that it has entered into a definitive agreement (the "Agreement") to acquire 100% of the outstanding equity of Richardson, Texas-based Electronic Transaction Consultants, LLC ("ETC") from Align Capital Partners for total cash consideration of \$150.0 million plus transaction related expenses, to be funded by a combination of cash-on-hand and debt financing. Completion of the acquisition is subject to certain closing conditions. All amounts are in Canadian dollars unless otherwise stated.

ETC has been a leading provider of tolling and mobility systems for more than 20 years to some of the largest tolling authorities in the U.S., including in Texas, California and Illinois. ETC's flexible riteSuite™ software platform enables authorities to customize operations to their specific needs, with features that include All Electronic Tolling, dynamic pricing, agency interoperability, hosted mobility solutions and machine learning. The company's platform processes more than two billion transactions annually representing more than US\$3.0 billion in toll billings across more than 1,500 toll lanes in the U.S.

ETC's strength in tolling and mobility systems is complementary to Quarterhill's International Road Dynamics ("IRD") business, which is a leader in Commercial Vehicle Operations and Enforcement technologies. This combination will give Quarterhill two Intelligent Transportation Systems ("ITS") platforms at scale in two important ITS verticals that will enable new revenue synergy opportunities. Specifically, ETC's back-office, reporting and inter-operability technology complements IRD's widely deployed lane-embedded sensors and toll audit systems. In addition, IRD's global footprint can pave the way for the two companies to pursue tolling solution opportunities worldwide.

"This is a transformational acquisition that will significantly diversify Quarterhill's financial results, bring scale to our ITS business and expand our presence in the tolling market, where we see strong growth trends," said Paul Hill, Quarterhill's CEO. "Roads and bridges in the U.S. are in need of expansion and repair at a time when government authorities are under tight budget constraints. Tolling solutions like those offered by ETC are essential in helping to pay for and sustain these infrastructure investments.

With the U.S. federal government recently completing an infrastructure bill that will provide billions in additional funds for road repair and development, we believe ETC is well-positioned to benefit from these industry tailwinds."

"ETC will operate as a stand-alone entity within the Quarterhill ITS portfolio, pursuing its own organic growth and tuck-in acquisition strategy. ETC and IRD will work closely together to collaborate on revenue synergy opportunities with product expansion and geographic expansion being two areas where they will be able to support one another. ETC has a deep and experienced management team that will continue to lead the company along their current growth trajectory. The company has long-standing customer relationships, significant contracted backlog and a growing pipeline, and we couldn't be more thrilled to welcome their team to the Quarterhill family."

"We believe Quarterhill shares our vision for the growth and potential in ITS, and in particular for tech-enabled tolling as an essential solution to help expand, upgrade and support transportation infrastructure. We believe joining Quarterhill will offer us a platform for growth and scale in both our core U.S. market, as well as globally," said Bret Kidd, ETC's CEO. "Our focus on quality solutions and superior customer service has rewarded us with many long-standing customer relationships that have expanded over time, and we will continue to deliver on these core value drivers as part of Quarterhill."

Learn more about ETC's solutions: <https://www.youtube.com/watch?v=4Cb2rZAD9KY>

The acquisition is subject to customary closing conditions and approvals and is expected to close in September 2021.

Financial Highlights of the Transaction

Accounting for growth and synergies, Quarterhill estimates that within the next 12-18 months ETC will generate annual revenue of \$95.0 to \$120.0 million and annual Adjusted EBITDA of \$12.5 to \$15.0 million. Based on the acquisition price and the expected near-term synergies, the post-transaction valuation multiple is expected to be approximately 1.25 to 1.5 times revenue and approximately 10 to 12 times Adjusted EBITDA.

The acquisition is expected to be financed with a combination of \$75.0 million of Quarterhill's cash on hand and \$75.0 million of debt financing.

Transaction Advisors

Norton Rose Fulbright is serving as legal advisor to Quarterhill and JD Merit is serving as Quarterhill's financial advisor on this transaction. McGuireWoods is serving as legal advisor to ETC and Align Capital Partners.

Conference Call Details

Quarterhill's CEO, Paul Hill, and CFO, John Rim, will host a conference call today at 8:30am ET to discuss

the acquisition. Slides for the call will be made available on the webcast and at Quarterhill's website in the Events section.

Webcast Information

The live audio webcast will be available at:

https://produceredition.webcasts.com/starthere.jsp?ei=1488392&tp_key=51f3788f79

Dial-in Information

- To access the call from Canada and U.S., dial 1.888.664.6392 (Toll Free)
- To access the call from other locations, dial 1.416.764.8659 (International)

Replay Information

Webcast replay will be available for 365 days at:

https://produceredition.webcasts.com/starthere.jsp?ei=1488392&tp_key=51f3788f79

Telephone replay will be available from 1:00 p.m. Eastern Daylight Time on August 16, 2021 until 11:59 p.m. Eastern Daylight Time on August 23, 2021 at: 1.888.390.0541 (Toll Free North America) or 1.416.764.8677. Replay Passcode: 199325

About Electronic Transaction Consultants, LLC

ETC is a leading U.S. intelligent transportation systems provider, developing and delivering best in class solutions for tolling, congestion management, urban mobility, and multimodal transportation needs. ETC's passionate and innovative team has been driving the future of mobility since 1999, with a number of industry firsts, including all electronic tolling (AET), dynamic pricing, agency interoperability, hosted mobility solutions and machine learning.

For over two decades, ETC has delivered sophisticated solutions to many of the U.S.'s largest toll authorities, including state-wide programs, county networks and tolling-specific authorities. ETC's solutions process over two billion transactions annually totaling over \$3 billion in revenues for our customers, incorporating the latest in evergreen open-source and SaaS technologies and Big Data architecture through our innovative riteSuite™ products.

About Quarterhill Inc.

Quarterhill is a growth-oriented company in the Intelligent Transportation System (ITS) industry as well as, through its Wi-LAN Inc. subsidiary, a leader in Intellectual Property licensing. Our goal is to execute an investment strategy that capitalizes on attractive growth opportunities within ITS - and its adjacent markets - to become a global leader in that industry. Quarterhill is listed on the TSX under the symbol QTRH and on the OTCQX Best Market under the symbol QTRHF. For more information:

www.quarterhill.com

About Align Capital Partners

Align Capital Partners (ACP) is a growth-oriented private equity firm that partners with business owners and management teams to create shared success. ACP manages \$775 million in committed capital with investment teams in Cleveland, Ohio and Dallas, Texas. ACP brings experience and resources to help lower-middle market companies accelerate their growth, to the benefit of management, employees and the firm's investors. ACP makes control investments in differentiated companies within the business services, technology, specialty manufacturing and distribution sectors. For more information: www.aligncp.com.

Forward-looking Information

This news release contains forward-looking statements regarding IRD, Quarterhill and their businesses. Forward-looking statements are based on estimates and assumptions made by IRD and/or Quarterhill in light of their experience and perception of historical trends, current conditions, expected future developments and the expected effects of new business strategies, as well as other factors that IRD and/or Quarterhill believe are appropriate in the circumstances. The forward-looking events and circumstances discussed herein may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting IRD and/or Quarterhill, including: potential risks and uncertainties relating to the ultimate geographic spread of the novel coronavirus ("COVID-19"); the severity of the disease; the duration of the COVID-19 outbreak; actions that may be taken by governmental authorities to contain the COVID-19 outbreak or to treat its impact; the potential negative impacts of COVID-19 on the global economy and financial markets and any resulting impact on IRD and/or Quarterhill and/or their businesses. Other factors include, without limitation, the risks described in Quarterhill's March 11, 2021 annual information form for the year ended December 31, 2020 (the "AIF"). Copies of the AIF may be obtained at www.sedar.com. IRD and Quarterhill recommend that readers review and consider all of these risk factors and notes that readers should not place undue reliance on any of IRD's forward-looking statements. IRD has no intention, and undertakes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Cautionary Note Regarding Use of Non-IFRS Measures

Quarterhill has historically used a set of metrics when evaluating our operational and financial performance. We continually monitor, evaluate and update these metrics as required to ensure they provide information considered most useful, in the opinion of our management, to any decision-making based on Quarterhill's performance. This section defines, quantifies and analyzes the key performance indicators used by our management and referred to elsewhere in this Press Release, which are not recognized under IFRS and have no standardized meaning prescribed by IFRS. These indicators and measures are therefore unlikely to be comparable to similar measures presented by other issuers.

In this Press Release, we use the non-IFRS term "Adjusted EBITDA" to mean net income (loss) from

continuing operations adjusted for: (i) income taxes; (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) special charges and other one-time items; (v) depreciation of right-of-use assets and property, plant and equipment; (vi) effects of deleted deferred revenue; (vii) stock-based compensation; (viii) foreign exchange (gain) loss; and (ix) equity in earnings and dividends from joint ventures. Adjusted EBITDA is used by our management to assess our normalized cash generated on a consolidated basis and in our operating segments. Adjusted EBITDA is also a performance measure that may be used by investors to analyze the cash generated by Quarterhill and our operating segments. Adjusted EBITDA should not be interpreted as an alternative to net income and cash flows from operations as determined in accordance with IFRS or as a measure of liquidity.

View original content:<https://www.prnewswire.com/news-releases/quarterhill-announces-agreement-to-acquire-etc-301355552.html>

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