

Quarterhill Announces Fourth Quarter and Fiscal 2019 Financial Results

2020-02-27

- **Fiscal 2019 Revenue increases 90% to \$146.7 million**
- **Fiscal 2019 Adjusted EBITDA of \$40.0 million represents a year-over-year improvement of more than \$50.0 million**
- **Subsequent to year-end, in a damages-only re-trial, a jury awarded WiLAN \$85.23 million in damages owed to WiLAN by Apple**

KITCHENER, ON, Feb. 27, 2020 /PRNewswire/ - Quarterhill Inc. ("Quarterhill" or the "Company") (TSX: QTRH) (OTCQX: QTRHF), announces its financial results for the three- and twelve-month periods ended December 31, 2019. All financial information in this press release is reported in U.S. dollars, unless otherwise indicated.

Fiscal 2019 Highlights

- Revenues of \$146.7 million, compared to \$77.4 million in 2018
- Recurring revenue of \$21.1 million, compared to \$22.0 million in 2018
- Adjusted EBITDA* of \$40.0 million, compared to (\$10.6) million in 2018
- Net income of \$10.5 million, or \$0.09 per basic and diluted common share, compared to net loss of (\$49.1) million, or (\$0.41) per basic and diluted common share, in 2018
- Cash generated (used) in operations of \$7.5 million, compared to (\$8.8) million in 2018
- Cash and equivalents at December 31, 2019 were \$68.6 million, compared to \$67.3 million at December 31, 2018
- Working capital at December 31, 2019 was \$86.5 million, compared to \$64.1 million at December 31, 2018
- Wi-LAN Inc. ("WiLAN") completed patent license agreements with NVIDIA, LG, SK hynix Inc and three Canadian telcos, among others
- IRD achieved record revenue and adjusted EBITDA
- VIZIYA completed a large enterprise software agreement with a global integrated energy and chemical company, which led to significant revenue growth and margin expansion in 2019
- Subsequent to year-end, in a damages-only re-trial, a jury awarded WiLAN \$85.2 million in damages owed to WiLAN by Apple Inc.

Fourth Quarter 2019 Highlights

- Revenues of \$39.2 million, compared to \$25.4 million in Q4 2018
- Recurring revenue of \$5.0 million, compared to \$4.7 million in Q4 2018
- Adjusted EBITDA* of \$12.6 million, compared to \$3.2 million in Q4 2018
- Net income of \$5.6 million, or \$0.05 per basic and diluted common share, compared to net loss of (\$19.9) million, or (\$0.17) per basic and diluted common share, in Q4 2018
- Cash used in operations was (\$1.8) million, compared to \$9.1 million generated from operations in Q4 2018

"2019 saw revenue and adjusted EBITDA growth on both a consolidated basis for Quarterhill as well as with each of our portfolio companies," said John Gillberry, Chairman of Quarterhill. "Adjusted EBITDA in 2019 included a contribution of more than \$10

million combined from IRD and VIZIYA, which reflects the potential of our diversification strategy to generate incremental value for the business. Strong results in 2019 resulted in \$86.5 million of working capital at year-end (up \$22.4 million from the prior year-end) giving us a solid financial foundation from which to pursue our growth activities in 2020 and beyond.

"Our CEO search remains well underway and is proceeding in-line with our expectations. We have reviewed and met with a number of promising candidates and we have another round of meetings set up in early March. Should these interviews proceed as expected, we believe we will then be in a position to short-list our candidate pool and begin discussions that could lead to an announcement in early spring. While timing is important, the absolute most important consideration is finding the right person with the right blend of skills and experience for the role. In the interim, each of our portfolio companies is in good hands and is being run by a talented and experienced CEO who has played a part in generating the positive results we've released today."

"Subsequent to quarter-end, on January 24, we announced that WiLAN won a second jury verdict against Apple in the damages trial held in the United States District Court for the Southern District of California. This was a re-trial for damages only, resulting from the previous related trial verdict rendered in August 2018. In the jury's verdict, WiLAN was awarded \$85.2 million in damages. It is important to note that in both jury trials the jury awarded WiLAN the full amount that it argued as being owed by Apple. We are pleased with the jury's decision and believe it is a reflection of our team's advocacy, the strength of our patent portfolio and the systematic and reasonable approach we take in our licensing and litigation activities. The trial is now in the customary post-trial process and we will provide updates on any material developments as they occur."

Approval of Eligible Dividend

The Board of Directors has declared an eligible quarterly dividend of CDN \$0.0125 per common share payable on April 3, 2020, to shareholders of record on March 20, 2020.

Business Strategy and Segments

Quarterhill's acquisition strategy focuses primarily on financial metrics while remaining cognizant of broader technology and market trends as it builds a portfolio of businesses that are characterized as having recurring revenue, free cash flow and profitable growth potential. Driven by the execution of a proven and disciplined acquisition strategy, the Company seeks to enable shareholders to benefit from consolidation and convergence trends in today's technology industry.

Q4 and Fiscal 2019 Consolidated Financial Review

Consolidated revenues for the three months ended December 31, 2019 ("Q4 2019") were \$39.2 million, compared to \$25.4 million in Q4 2018, representing growth of 54%. Consolidated revenues for the twelve months ended December 31, 2019 ("FY2019") were \$146.7 million, compared to \$77.4 million in FY2018, representing growth of 90%. Growth for Q4 2019 and FY2019 was driven by higher revenue from all three businesses – WiLAN, IRD and VIZIYA.

Gross margin for Q4 2019 was \$22.0 million, or 56%, compared to \$9.6 million, or 38%, in Q4 2018. Gross margin for FY2019 was \$72.9 million, or 50%, compared to \$18.8 million, or 24%, in FY2018. The Q4 2019 quarter-over-quarter improvement in gross margin was due primarily to better margin performance at WiLAN and IRD, and for FY2019, the year-over-year improvement in gross margin was due to better margin performance from all three businesses – WiLAN, IRD and VIZIYA.

Operating expenses include selling, general and administrative costs ("SG&A"), research and development ("R&D") costs, depreciation, amortization and impairment losses of intangible assets and special charges. Operating expenses for Q4 2019 were \$16.3 million, compared to \$30.7 million in Q4 2018. Operating expenses in Q4 2018 included a \$16.1 million non-cash impairment loss on goodwill. Excluding impairment loss on goodwill, the year-over-year increase in operating expenses was primarily due to higher SG&A and R&D, offset in part by lower depreciation and amortization of intangible assets. For FY2019, operating expenses were \$57.8 million, compared to \$77.3 million in FY2018. Excluding the impairment loss on goodwill in Q4 2018, operating expenses decreased year-over-year primarily due to lower depreciation, amortization of intangible assets and special charge expense, offset in part by higher SG&A and R&D.

Adjusted EBITDA for Q4 2019 was \$12.6 million compared to \$3.2 million in Q4 2018. Adjusted EBITDA for FY2019 was \$40.0 million compared to (\$10.6) million in FY2018. The increase in adjusted EBITDA for Q4 2019 reflects the better performance at WiLAN and IRD. FY2019 reflects improved operations at all three portfolio companies in 2019, and in particular, at WiLAN.

Net income for Q4 2019 was \$5.6 million, or \$0.05 per basic and diluted Common Share, compared to net loss of (\$19.9) million or (\$0.17) per basic and diluted Common Share in Q4 2018. Net income for FY2019 was \$10.5 million, or \$0.09 per basic and diluted

Common Share, compared to a net loss of (\$49.1) million, or (\$0.41) per basic and diluted Common Share, in FY2018. Of note, net loss for Q4 2018 and FY2018 included a \$16.1 million non-cash impairment loss on goodwill. For FY2019, the Company's bottom-line improved primarily due to higher revenues and gross margins at all three portfolio companies.

Cash used in operations in Q4 2019 was (\$1.8) million, compared to cash generated from operations of \$9.1 million in Q4 2018. Cash used in operations in Q4 2019 reflects working capital adjustments of (\$12.4) million primarily related to the timing of collections for certain patent license agreements that were completed in the quarter. A majority of these payments have subsequently been collected in Q1 2020. Cash generated from operations for FY2019 was \$7.5 million, compared to cash used in operations of (\$8.8) million in FY2018. Cash from operations for FY2019 benefited from the improved financial performance at all three portfolio businesses.

Cash and cash equivalents and short-term investments amounted to \$68.6 million at December 31, 2019, compared to \$67.3 million at December 31, 2018. Working capital at December 31, 2019 was \$86.5 million, compared to \$64.1 million at December 31, 2018.

The table below highlights financial performance for the Company's Licensing, Intelligent Systems and Enterprise Software segments. For detailed results and discussion related to these segments, please refer to the Management's Discussion and Analysis document, which will be filed on SEDAR and at www.quarterhill.com in the investor section.

For the three months ended December 31, 2019

	Licensing	Intelligent Systems	Enterprise Software	Corporate	Total
Revenues	\$ 23,175	\$ 13,415	\$ 2,567	\$ -	\$ 39,157
Cost of revenues <i>(excluding depreciation and amortization)</i>	8,635	7,984	491	-	17,110
	14,540	5,431	2,076	-	22,047
Selling, general and administrative expenses	1,041	3,151	2,410	1,697	8,299
Research and development expenses	-	528	960	-	1,488
Depreciation of property, plant and equipment	12	143	32	4	191
Amortization of intangibles	3,304	952	758	-	5,014
Impairment losses on intangibles	87	-	-	-	87
Special charges	15	-	859	392	1,266
Results from operations	10,081	657	(2,943)	(2,093)	5,702
Finance income	(124)	(2)	-	(259)	(385)
Finance expense	(1) #	53	1	-	53
Foreign exchange (gain) loss	(476)	181	(12)	423	116
Other expense (income)	6 #	(289)	(2)	-	(285)
Income (loss) before taxes	10,676	714	(2,930)	(2,257)	6,203
Current income tax expense (recovery)	1,823 #	(105)	(1,035)	-	683
Deferred income tax (recovery) expense	(23) #	(52)	(178)	139	(114)

Income tax expense (recovery)	1,800	(157)	(1,213)	139	569
Net income (loss)	\$ 8,876	\$ 871	\$ (1,717)	\$ (2,396)	\$ 5,634

Adjusted EBITDA	13,509	2,161	(1,288)	(1,766)	12,616
-----------------	--------	-------	---------	---------	--------

Other reconciling items:

Stock-based compensation	10	20	6	(69)	(33)
Dividends from joint venture	-	389	-	-	389

For the twelve months ended December 31, 2019

	Licensing	Intelligent Systems	Enterprise Software	Corporate	Total
Revenues	\$ 79,808	\$ 50,392	\$ 16,520	\$ -	\$ 146,720
Cost of revenues (excluding depreciation and amortization)	39,995	32,312	1,526	-	73,833
	39,813	18,080	14,994	-	72,887
Selling, general and administrative expenses	2,547	10,753	7,542	7,880	28,722
Research and development expenses	-	2,308	2,825	-	5,133
Depreciation of property, plant and equipment	92	866	138	16	1,112
Amortization of intangibles	13,772	3,791	3,029	-	20,592
Impairment losses on intangibles	87	-	-	-	87
Special charges	1,851	-	859	(537)	2,173
Results from operations	21,464	362	601	(7,359)	15,068
Finance income	(328)	(17)	-	(911)	(1,256)
Finance expense	(1)	390	4	1	394
Foreign exchange (gain) loss	(730)	207	23	766	266
Other expense (income)	3	(659)	(2)	-	(658)
Income (loss) before taxes	22,520	441	576	(7,215)	16,322
Current income tax expense	5,774	202	15	-	5,991
Deferred income tax expense (recovery)	1,767	(1,212)	(639)	(113)	(197)
Income tax expense (recovery)	7,541	(1,010)	(624)	(113)	5,794
Net income (loss)	\$ 14,979	\$ 1,451	\$ 1,200	\$ (7,102)	\$ 10,528

Adjusted EBITDA	37,275	5,507	4,676	(7,467)	39,991
<i>Other reconciling items:</i>					
Stock-based compensation	9	99	49	413	570
Dividends from joint venture	-	389	-	-	389

For the three months ended December 31, 2018

	Licensing	Intelligent Systems	Enterprise Software	Corporate	Total
Revenues	\$ 10,623	\$ 12,541	\$ 2,252	\$ -	\$ 25,416
Cost of revenues <i>(excluding depreciation and amortization)</i>	7,742	7,805	314	-	15,861
	2,881	4,736	1,938	-	9,555
Selling, general and administrative expenses	599	2,753	1,593	1,087	6,032
Research and development expenses	-	429	448	-	877
Depreciation of property, plant and equipment	48	280	30	4	362
Amortization of intangibles	4,434	950	758	-	6,142
Impairment losses on intangibles	509	-	-	-	509
Impairment loss on goodwill	-	16,066	-	-	16,066
Special charges	2,498	115	-	(1,942)	671
Results from operations	(5,207)	(15,857)	(891)	851	(21,104)
Finance income	(33)	(2)	-	(402)	(437)
Finance expense	1	61	1	-	63
Foreign exchange loss (gain)	612	(392)	115	(453)	(118)
Other (income) expense	-	(58)	77	-	19
(Loss) income before taxes	(5,787)	(15,466)	(1,084)	1,706	(20,631)
Current income tax expense (recovery)	656	(92)	(137)	-	427
Deferred income tax (recovery) expense	(4,334)	(593)	(186)	3,984	(1,129)
Income tax (recovery) expense	(3,678)	(685)	(323)	3,984	(702)
Net loss	\$ (2,109)	\$ (14,781)	\$ (761)	\$ (2,278)	\$ (19,929)

Adjusted EBITDA	2,302	1,901	(89)	(951)	3,163
<i>Other reconciling items:</i>					
Stock-based compensation	20	30	14	136	200
Dividends from joint venture	-	317	-	-	317

For the twelve months ended December 31, 2018

	Licensing	Intelligent Systems	Enterprise Software	Corporate	Total
Revenues	\$ 20,811	\$ 45,051	\$ 11,539	\$ -	\$ 77,401
Cost of revenues (excluding depreciation and amortization)	27,539	29,594	1,441	-	58,574
	(6,728)	15,457	10,098	-	18,827
Selling, general and administrative expenses	2,598	10,250	6,723	7,421	26,992
Research and development expenses	-	2,022	1,549	-	3,571
Depreciation of property, plant and equipment	257	1,129	121	10	1,517
Amortization of intangibles	18,731	3,873	3,029	-	25,633
Impairment losses on intangibles	509	-	-	-	509
Impairment loss on goodwill	-	16,066	-	-	16,066
Special charges	2,498	2,435	-	(1,942)	2,991
Results from operations	(31,321)	(20,318)	(1,324)	(5,489)	(58,452)
Finance income	(36)	(11)	-	(912)	(959)
Finance expense	2	205	11	2	220
Foreign exchange loss (gain)	946	(556)	166	(748)	(192)
Other income	-	(942)	(192)	-	(1,134)
Loss before taxes	(32,233)	(19,014)	(1,309)	(3,831)	(56,387)
Current income tax expense (recovery)	1,793	66	(782)	1	1,078
Deferred income tax (recovery) expense	(11,262)	(1,731)	(935)	5,583	(8,345)
Income tax (recovery) expense	(9,469)	(1,665)	(1,717)	5,584	(7,267)
Net (loss) income	\$ (22,764)	\$ (17,349)	\$ 408	\$ (9,415)	\$ (49,120)

Adjusted EBITDA	(9,280)	3,793	2,011	(7,161)	(10,637)
<i>Other reconciling items:</i>					
Effect of deleted deferred revenue	-	167	147	-	314
Stock-based compensation	46	124	38	260	468
Dividends from joint venture	0	317	0	0	317

Conference Call and Webcast

Quarterhill will host a conference call to discuss its financial results today at 10:00 AM Eastern Time.

Webcast Information

The live audio webcast will be available at: <https://event.on24.com/wcc/r/2189235/1F40377701F38205A1A0891EE7E28C0C>

Dial-in Information

- To access the call from Canada and U.S., dial 1.888.231.8191 (Toll Free)
- To access the call from other locations, dial 1.647.427.7450 (International)

Replay Information

Webcast replay will be available for 90 days at: <https://event.on24.com/wcc/r/2189235/1F40377701F38205A1A0891EE7E28C0C>

Telephone replay will be available from 1:00 p.m. Eastern Time on February 27, 2020 until 11:59 p.m. Eastern Time on March 5, 2020 at: 1.855.859.2056 (Toll Free) or 1.416.849.0833 (International). The telephone replay requires the passcode 3232057.

Non-GAAP Disclosure

Quarterhill follows U.S. GAAP in preparing its interim and annual financial statements. We use the term "Adjusted EBITDA" to mean net income (loss) from continuing operations before: (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 property, plant and equipment; (vi) effects of deleted deferred revenue; (vii) stock based compensation; (viii) foreign exchange (gain) loss; and (ix) equity in income and dividends from joint ventures. Adjusted EBITDA is a measure used by our management to analyze the performance of Quarterhill and our operating segments. ADJUSTED EBITDA IS NOT A MEASURE OF FINANCIAL PERFORMANCE UNDER U.S. GAAP. IT DOES NOT HAVE ANY STANDARDIZED MEANING PRESCRIBED BY U.S. GAAP AND IS THEREFORE UNLIKELY TO BE COMPARABLE TO SIMILARLY TITLED MEASURES USED BY OTHER COMPANIES. ADJUSTED EBITDA SHOULD NOT BE INTERPRETED AS AN ALTERNATIVE TO NET INCOME AS DETERMINED IN ACCORDANCE WITH U.S. GAAP.

About Quarterhill

Quarterhill is focused on the disciplined acquisition, management and growth of companies in dedicated technology areas including, vertical market software and solutions, intelligent industrial systems and innovation and licensing. Quarterhill's emphasis is on seeking out acquisition opportunities at reasonable valuations that provide a foundation for recurring revenues, predictable cash flows and margins, profitable growth, intimate customer relationships and dedicated management teams. 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

Forward-looking Information

This news release contains forward-looking statements and forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and other United States and Canadian securities laws. Forward-looking statements and forward-looking information are based on estimates and assumptions made by Quarterhill in light of its experience and its perception of historical trends, current conditions, expected future developments and the expected effects of new business

strategies, as well as other factors that Quarterhill believes are appropriate in the circumstances. Many factors could cause Quarterhill's actual performance or achievements to differ materially from those expressed or implied by the forward-looking statements or forward-looking information. Such factors include, without limitation, the risks described in Quarterhill's February 27, 2020 annual information form for the year ended December 31, 2019 (the "AIF"). Copies of the AIF may be obtained at www.sedar.com. Quarterhill recommends that readers review and consider all of these risk factors and notes that readers should not place undue reliance on any of Quarterhill's forward-looking statements. Quarterhill has no intention, and undertakes no obligation, to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

All trademarks and brands mentioned in this release are the property of their respective owners.

Quarterhill Inc.

Consolidated Statements of Operations

(in thousands of United States dollars, except share and per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Revenues				
	\$	\$	\$	\$
	22,965	10,646	87,068	23,544
License	10,482	9,495	36,108	29,252
Systems	687	589	2,490	2,629
Services	5,023	4,686	21,054	21,976
Recurring	39,157	25,416	146,720	77,401
Cost of revenues <i>(excluding depreciation and amortization)</i>				
	8,635	7,775	40,012	27,702
License	6,216	5,553	22,550	18,945
Systems	491	281	1,509	1,276
Services	1,768	2,252	9,762	10,651
Recurring	17,110	15,861	73,833	58,574
	22,047	9,555	72,887	18,827
Operating expenses				
	191	362	1,112	1,517
Depreciation of property, plant and equipment	5,014	6,142	20,592	25,633
Amortization of intangibles	8,299	6,032	28,722	26,992
Selling, general and administrative expenses	1,488	877	5,133	3,571
Research and development expenses	-	-	-	-

	87	509	87	509
Impairment losses on intangible assets	-	16,066	-	16,066
Impairment loss on goodwill	1,266	671	2,173	2,991
Special charges	16,345	30,659	57,819	77,279
Results from operations	5,702	(21,104)	15,068	(58,452)
Finance income	(385)	(437)	(1,256)	(959)
Finance expense	53	63	394	220
Foreign exchange loss (gain)	116	(118)	266	(192)
Other (income) expense	(285)	19	(658)	(1,134)
Income (loss) before taxes	6,203	(20,631)	16,322	(56,387)
Current income tax expense	683	427	5,991	1,078
Deferred income tax recovery	(114)	(1,129)	(197)	(8,345)
Income tax expense (recovery)	569	(702)	5,794	(7,267)
Net income (loss)	\$ 5,634	\$ (19,929)	\$ 10,528	\$ (49,120)
Net income (loss) per share				
Basic	\$ 0.05	\$ (0.17)	\$ 0.09	\$ (0.41)
Diluted	\$ 0.05	\$ (0.17)	\$ 0.09	\$ (0.41)
Weighted average number of common shares				
Basic	118,817,466	118,817,466	118,817,466	118,768,728
Diluted	118,817,466	118,817,466	118,817,466	118,768,728

Quarterhill Inc.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of United States dollars)

Three months ended December 31,		Twelve months ended December 31,	
2019	2018	2019	2018

Net income (loss)	\$ 5,634	\$ (19,929)	\$ 10,528	\$ (49,120)
Other comprehensive income (loss):				
Foreign currency translation adjustment	343	(2,021)	554	(3,868)
Comprehensive income (loss)	\$ 5,977	\$ (21,950)	\$ 11,082	\$ (52,988)

Quarterhill Inc.

Consolidated Balance Sheets

(in thousands of United States dollars)

As at	December 31, 2019	December 31, 2018
Current assets		
	\$	\$
Cash and cash equivalents	67,422	63,929
Short-term investments	1,189	1,139
Restricted short-term investments	-	2,200
Accounts receivable (net of allowance for doubtful accounts)	32,936	10,812
Other current assets	83	91
Unbilled revenue	6,879	3,990
Income taxes receivable	105	198
Inventories (net of obsolescence)	6,576	5,960
Prepaid expenses and deposits	1,720	2,332
	116,910	90,651
Non-current assets		
Accounts receivable	2,951	415
Right-of-use assets	3,570	-
Property, plant and equipment	2,168	2,655
Intangible assets	68,699	87,425
Investment in joint venture	4,015	3,822
Deferred income tax assets	25,497	27,141
	-----	-----

		25,303	25,303
Goodwill		132,203	146,761
TOTAL ASSETS	\$	249,113	\$ 237,412
Liabilities			
Current liabilities			
	\$	3,089	\$ 2,598
Bank indebtedness		19,762	18,103
Accounts payable and accrued liabilities		156	-
Income taxes payable		766	-
Current portion of right-of-use lease liabilities		6,628	4,670
Current portion of deferred revenue		45	299
Current portion of long-term debt		-	929
Contingent consideration		30,446	26,599
Non-current liabilities			
		1,161	1,435
Deferred revenue		2,724	-
Right-of-use lease liabilities		208	173
Long-term debt		2,530	4,337
Deferred income tax liabilities		6,623	5,945
TOTAL LIABILITIES		37,069	32,544
Shareholders' equity			
		419,111	419,111
Capital stock		23,527	22,957
Additional paid-in capital		16,797	16,243
Accumulated other comprehensive income		(247,391)	(253,443)
Deficit		212,044	204,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	249,113	\$ 237,412

Quarterhill Inc.

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of United States dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Cash generated from (used in):				
Operations				
Net income (loss)	\$ 5,634	\$ (19,929)	\$ 10,528	\$ (49,120)
Non-cash items				
Stock-based compensation	(33)	200	570	468
Depreciation and amortization	5,205	6,503	21,704	27,150
Foreign exchange (gain) loss	(24)	188	(85)	(942)
Equity (earnings) loss from joint venture	(289)	(58)	(659)	299
Loss on disposal of intangibles	162	-	162	-
Impairment losses on intangibles	87	509	87	509
Impairment losses on goodwill	-	16,066	-	16,066
Contingent consideration adjustment	-	(3,545)	(929)	(3,545)
(Gain) loss on disposal of assets	(16)	-	551	(24)
Deferred income tax recovery	(114)	(1,129)	(197)	(8,345)
Embedded derivatives	(11)	(75)	8	(78)
	(12,391)	10,414	(24,192)	8,763
Changes in non-cash working capital balances				
Cash generated (used in) from operations	(1,790)	9,144	7,548	(8,799)
Financing				
Dividends paid	(1,128)	(1,136)	(4,476)	(4,605)
Bank indebtedness	(664)	(3,076)	491	(970)
Repayment of long-term debt	42	48	(219)	(44)
Common shares issued for cash from Employee Share Purchase Plan	-	-	-	27
Cash used in financing	(1,750)	(4,164)	(4,204)	(5,592)
Investing				
Dividends received from joint venture	389	317	389	317

	2,100	1,300	2,200	1,300
Proceeds from sale of restricted short-term investments	10	-	33	54
Proceeds from sale of property, plant and equipment	(393)	(156)	(1,123)	(575)
Purchase of property and equipment	-	-	-	(4,167)
Repayment of patent finance obligations	(4)	(19)	(1,429)	(133)
<u>Purchase of intangibles</u>				
Cash from (used in) investing	2,102	1,442	70	(3,204)
Foreign exchange gain (loss) on cash held in foreign currency	14	(191)	79	(294)
Net (decrease) increase in cash and cash equivalents	(1,424)	6,231	3,493	(17,889)
Cash and cash equivalents, beginning of period	68,846	57,698	63,929	81,818
Cash and cash equivalents, end of period	\$ 67,422	\$ 63,929	\$ 67,422	\$ 63,929

Consolidated Statements of Shareholders' Equity

(in thousands of United States dollars)

	Capital Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance - January 1, 2018	\$ 418,873	\$ 22,489	\$ 20,111	\$ (199,718)	\$ 261,755
Comprehensive loss:					
Net loss	-	-	-	(49,120)	(49,120)
Other comprehensive loss	-	-	(3,868)	-	(3,868)
Shares and options issued:					
Stock-based compensation expense	-	468	-	-	468
Conversion of deferred stock units to common shares	211	-	-	-	211
Sale of shares under Employee Share Purchase Plan	27	-	-	-	27
Dividends declared	-	-	-	(4,605)	(4,605)
Balance - December 31, 2018	\$ 419,111	\$ 22,957	\$ 16,243	\$ (253,443)	\$ 204,868
Balance - January 1, 2019	419,111	22,957	16,243	(253,443)	204,868

Comprehensive income:

	-	-	-	10,528	10,528
Net income	-	-	554	-	554
Other comprehensive income					
Options issued:					
	-	570	-	-	570
Stock-based compensation expense					
Dividends declared	-	-	-	(4,476)	(4,476)
Balance - December 31, 2019	\$ 419,111	\$ 23,527	\$ 16,797	\$ (247,391)	\$ 212,044

Quarterhill Inc.

Reconciliations of GAAP Net Income (Loss) to Adjusted EBITDA

(in thousands of United States dollars, except share and per share amounts) (unaudited)

	For the three months ended December 31,		For the twelve months ended December 31,	
	2019	2018	2019	2018
Adjusted EBITDA				
Net income (loss)	\$ 5,634	\$ (19,929)	\$ 10,528	\$ (49,120)
Adjusted for:				
Income tax expense (recovery)	569	(702)	5,794	(7,267)
Foreign exchange loss (gain)	116	(118)	266	(192)
Finance expense	53	63	394	220
Finance income	(385)	(437)	(1,256)	(959)
Special charges	1,266	671	2,173	2,991
Amortization of intangibles	5,014	6,142	20,592	25,633
Impairment losses on intangible assets	87	509	87	509
Impairment loss on goodwill	-	16,066	-	16,066
Depreciation of property, plant and equipment	191	362	1,112	1,517
Effect of deleted deferred revenue	-	-	-	314
Stock based compensation	(33)	200	570	468
	---	---	---	---

Dividend from joint venture	389	317	389	317
Other income	(285)	19	(658)	(1,134)
Adjusted EBITDA	\$ 12,616	\$ 3,163	\$ 39,991	\$ (10,637)

	For the three months ended December 31,		For the twelve months ended December 31,	
	2019	2018	2019	2018
<i>Adjusted EBITDA per share</i>				
Net income (loss)	\$ 0.05	\$ (0.17)	\$ 0.09	\$ (0.42)
Adjusted for:				
Income tax expense (recovery)	-	(0.01)	0.05	(0.07)
Foreign exchange loss (gain)	-	-	-	-
Finance expense	-	-	(0.01)	-
Finance income	0.01	0.01	0.02	0.03
Special charges	0.05	0.05	0.18	0.21
Amortization of intangibles	-	-	-	-
Impairment losses on intangible assets	-	0.14	-	0.14
Impairment loss on goodwill	-	-	0.01	-
Depreciation of property, plant and equipment	-	-	-	-
Effect of deleted deferred revenue	-	-	-	-
Stock based compensation	-	-	-	-
Dividend from joint venture	-	-	-	-
Other income	-	-	-	-
Adjusted EBITDA per share	\$ 0.11	\$ 0.02	\$ 0.34	\$ (0.11)

View original content: <http://www.prnewswire.com/news-releases/quarterhill-announces-fourth-quarter-and-fiscal-2019-financial-results-301012401.html>

SOURCE Quarterhill Inc.