



NEWS RELEASE

Quarterhill Announces Q1 2025 Financial Results

2025-05-15

TORONTO, May 15, 2025 /PRNewswire/ - Quarterhill Inc. ("Quarterhill" or the "Company") (TSX: QTRH) (OTCQX: QTRHF), a leading provider of tolling and enforcement solutions in the Intelligent Transportation System ("ITS") industry, announces its financial results for the three months ended March 31, 2025. All financial information in this press release is reported in United States ("US") dollars, unless otherwise indicated.

Q1 2025 Highlights

- Revenue for Q1 2025 was \$33.9 million compared to \$34.9 million in Q1 2024.
- Adjusted EBITDA¹ for Q1 2025 was (\$3.4) million compared to \$0.2 million in Q1 2024. Adjusted EBITDA¹ for Q1 2025 was negatively impacted by (\$3.2) million due to two tolling contracts that are currently under renegotiation.
- Revenue backlog³ was \$476 million at March 31, 2025.
- Cash used in operations for Q1 2025 was (\$3.6) million compared to (\$10.1) million in Q1 2024.
- Cash and cash equivalents were \$26.1 million at March 31, 2025.
- Announced \$40 million Renewal Contract to Upgrade Alameda CTC I-580 Express Lanes and provide operation and maintenance over seven years, with a potential four-year expansion valued at another \$15 million.
- Subsequent to quarter-end, received a \$3.2 million dividend from Wi-LAN Inc. ("WiLAN").

"Q1 2025 results reflect our ongoing business transformation," said Chuck Myers, CEO at Quarterhill. "While performance was impacted by our seasonally slow first quarter and the two tolling contracts that are in renegotiation, we continue to make meaningful progress on our turnaround strategy, positioning us for long-term success. Despite challenges, our project operations once again delivered strong revenue growth and margins. In addition, we remain actively engaged in renegotiating the two tolling contracts that negatively impacted our Adjusted EBITDA by \$3.2 million this quarter, with the goal of securing a favorable outcome that would improve our financial performance in future quarters."

Mr. Myers continued: "Beyond our operational progress, we benefited from a WiLAN dividend payment

received after the quarter ended, which contributes positively to our cash position and will be reflected in our Q2 2025 financials. We remain confident in our ability to drive revenue growth and margin improvement as we move past the first quarter and progress through 2025, particularly as our contract renegotiations conclude and our operational enhancements and technology investment take fuller effect."

Q1 2025 Financial Review

Quarterhill's Management's Discussion and Analysis and Financial Statements for the three months ended March 31, 2025 are available at the [Company's website](#) and at its profile at [SEDAR+](#).

Revenues for the three months ended March 31, 2025, were \$33.9 million compared to \$34.9 million in the same period last year. The decrease in Q1 2025 revenue was due primarily to the timing of revenues received from certain tolling contracts, and offset, in part, by revenue growth from the enforcement operations. The two tolling contracts that are being renegotiated contributed \$3.6 million to revenue in Q1 2025.

Gross profit² as a value and as a percentage of revenues may be subject to significant variance in each reporting period due to the nature and type of contract and service work performed and currency volatility. Gross profit for the three months ended March 31, 2025, was \$3.9 million, or 12%, as compared to \$6.4 million, or 18%, in the same period last year. The decrease in Q1 2025 was primarily due to cost overruns on two tolling projects, and offset, in part, by continued strong margin performance from the enforcement operations.

Total operating expenses are comprised of selling, general and administrative costs ("SG&A"), research and development ("R&D") costs, depreciation, amortization of intangible assets and other charges. Total operating expenses for the three months ended March 31, 2025, were \$11.2 million compared to \$10.5 million in the same period last year. The Q1 2025 increase is primarily due to recruitment, technical consulting and facilities expenses, which was offset in part by a decrease in amortization expense and other charges.

Adjusted EBITDA¹ for the three months ended March 31, 2025, was (\$3.4) million compared to \$0.2 million in the same period last year. The Q1 2025 decrease in Adjusted EBITDA¹ compared to Q1 2024, was due to the factors impacting revenue, gross margin and expenses, as previously described. The two tolling contracts that are being renegotiated resulted in a reduction to Adjusted EBITDA¹ of (\$3.2) million in Q1 2025.

Net loss for the three months ended March 31, 2025, was (\$8.4) million, or (\$0.07) per diluted share, compared to a net loss of (\$4.2) million, or (\$0.04) per diluted share, in the same period last year.

Cash used in continuing operations for the three months ended March 31, 2025, was (\$3.6) million compared to (\$10.1) million in the same period last year.

Cash and cash equivalents were \$26.1 million at March 31, 2025, compared to \$31.9 million at December 31, 2024. Due to the nature of the Company's business activities, operating cash flows may

vary significantly between periods due to changes and timing in working capital balances. Working capital was \$22.4 million at March 31, 2025, compared to \$28.9 million at December 31, 2024. Adjusted Working Capital⁴ was \$59.8 million at March 31, 2025, compared to \$66.2 million at December 31, 2024.

1. Please refer to the Adjusted EBITDA Non-IFRS Financial Measures section for further information.
2. Please refer to Gross Margin % in the Supplementary Financial Measures section for further information.
3. Please refer to the Backlog - Non-IFRS Financial Measure section for further information.
4. Please refer to the Adjusted Working Capital - Non-IFRS Financial Measure section for further information.

Conference Call and Webcast

Quarterhill will host a conference call to discuss its financial results on Thursday, May 15, 2025, at 10:00 AM Eastern Time.

Webcast Information

- Live audio webcast will be available at: <https://app.webinar.net/bj6lZkPJQQK>
- Webcast replay will be available at: <https://app.webinar.net/bj6lZkPJQQK>

Traditional Dial-in Information

- To access the call from the U.S. and Canada, dial 1.888.699.1199 (Toll Free)
- To access the call from other locations, dial 1.416.945.7677 (International)

Rapidconnect

To instantly join the conference call by phone, please use the following URL to easily register and be connected into the conference call automatically: <https://emportal.ink/3RrbzAs>

Telephone Replay

Telephone replay will be available from May 15, 2025, until May 22, 2025, at: 1.888.660.6345 (Toll Free North America) or 1.289.819.1450.

Conference ID: 47107 and Replay Passcode: 47107#

Non-IFRS Financial Measures and Non-IFRS Ratios

Quarterhill uses both IFRS and certain non-IFRS financial measures to assess performance. Non-IFRS financial measures are financial measures disclosed by a company that (a) depict historical or expected future financial performance, financial position or cash flow of a company, (b) with respect to their composition, exclude amounts that are included in, or include amounts that are excluded, from the composition of the most directly comparable financial measure disclosed in the primary financial statements of the company, (c) are not disclosed in the financial statements of the company, and (d) are not a ratio, fraction, percentage or similar representation. Non-IFRS ratios are financial measures disclosed by a company that are in the form of a ratio, fraction, percentage or similar representation that has a non-IFRS financial measure as one or more of its components, and that are not disclosed in the financial statements of the company.

These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under IFRS, and, therefore, are unlikely to be comparable to similar financial measures presented by other companies. Management believes these non-IFRS financial measures and non-IFRS ratios provide transparent and useful supplemental information to help investors evaluate our financial performance, financial condition, and liquidity using the same measures as management. These non-IFRS financial measures and non-IFRS ratios should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with IFRS.

Adjusted EBITDA - Non-IFRS Financial Measures

We use the non-IFRS financial measure "Adjusted EBITDA" to mean net loss adjusted for (i) income taxes, (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) other charges and other one-time items; (v) depreciation of right-of-use assets and property, plant and equipment; (vi) stock-based compensation; (vii) foreign exchange loss (gain); and (viii) other (income) expense and (ix) changes in fair value of derivative liability. Adjusted EBITDA is used by our management to assess our normalized cash generated on a consolidated basis. Adjusted EBITDA is also a performance measure that may be used by investors to analyze the cash generated by Quarterhill. Adjusted EBITDA should not be interpreted as an alternative to net income (loss) and cash flows from operations as determined in accordance with IFRS or as measure of liquidity. The most directly comparable IFRS financial measure is Net income (loss).

Adjusted EBITDA per share – Non-IFRS Ratio

Adjusted EBITDA per share is calculated as Adjusted EBITDA divided by the basic weighted average of common shares. Adjusted EBITDA per share is used by our management and investors to analyze cash generated by Quarterhill on a per share basis. The most comparable IFRS measure is earnings per share.

Adjusted Working Capital – Non-IFRS Financial Measure

Adjusted Working Capital is calculated as current assets minus current liabilities, adjusted for convertible debentures and derivative liability. Adjusted Working Capital reflects our net working capital expected to be settled in cash within twelve months. The most comparable IFRS measure is working capital.

Backlog - Non-IFRS Financial Measure

We use the non-IFRS measure "backlog" to mean the total value of work that has not yet been completed but that in management's experience of similar situations has: (a) a high certainty of being performed pursuant to existing contracts or work orders specifying job scope, value and timing; (b) an expectation of expansion of existing contracts due to expected extensions; and/or (c) been awarded to one or more of our ITS operating subsidiaries as evidenced by a binding contract or where the finalization of a binding contract is reasonably assured. Activities under such contracts may cover a period of up to 15 years. We do not include in "backlog", the value of any expected but unsigned

change orders that management considers may apply to such contracts.

Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of the company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios. Key supplementary measures disclosed are as follows:

Gross margin %

Calculated as gross profit as a percentage of revenue.

About Quarterhill

Quarterhill is a leading provider of tolling and enforcement solutions in the Intelligent Transportation System (ITS) industry. Our goal is technology-driven global leadership in ITS, via organic growth of our tolling and enforcement businesses, and by continuing an acquisition-oriented investment strategy that capitalizes on attractive growth opportunities within ITS and its adjacent markets. 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 information and forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements") regarding Quarterhill, its operating subsidiaries and their respective businesses. Such forward-looking statements relate to future events, conditions or future financial performance of Quarterhill based on future economic conditions and courses of action. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of any words such as "seek", "anticipate", "budget", "plan", "goal", and similar expressions. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. In particular, this news release contains forward-looking statements pertaining to, but not limited to, the following: operational and financial expectations for the 2025 financial year, including revenue, gross margin and Adjusted EBITDA expectations; the Company's business plan and strategy; the outcome of renegotiation efforts relating to our tolling contracts; the impact of contract renegotiation on our financial performance; and the results of operational enhancements and technology investment by the Company.

Although the forward-looking statements contained in this news release are based upon assumptions which management of the Company believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this news release, the Company has made assumptions regarding, but not limited to: the Company's ability to execute on its business plan; successful integration of

acquisitions; general economic and industry trends; operating assumptions relating to the Company's operations; demand for the Company's products and services; cost estimates for fixed price contracts; successful renegotiation of our tolling contracts on terms acceptable and favourable to the Company; and the other assumptions set forth in the Company's most recent annual information form available under the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company's actual results could differ materially from those anticipated in the forward-looking statements, as a result of numerous known and unknown risks and uncertainties and other factors including, but not limited to: changes in demand for the Company's products and services; general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates, stock market volatility; reliance on key management personnel; risks related to competition within the Company's industry and relating to technological advances; litigation risks; cyber-security risks; fixed price contracts may result in unexpected costs to the Company; risks of health epidemics, pandemics and similar outbreaks; the tolling contracts not successfully being renegotiated on terms acceptable or favourable to the Company, or at all; and the other risks set forth in the Company's most recent annual information form and management's discussion and analysis for the three and twelve months ended December 31, 2024 available under the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Readers are therefore cautioned that the foregoing lists of important factors are not exhaustive, and they should not unduly rely on the forward-looking statements included in this news release. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement. Quarterhill 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.

This news release contains "future-oriented financial information" and "financial outlooks" within the meaning of applicable Canadian securities laws (collectively, "FOFI"), including about the financial results, revenue, gross margin and Adjusted EBITDA of Quarterhill for the year ended December 31, 2025. FOFI, as with forward-looking statements generally, are, without limitation, based on the assumptions and qualifications, and are subject to the risks, set out above in respect of forward-looking statements. Quarterhill's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's financial results may differ materially from the FOFI provided in this news release. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this news release was approved by management as of the date hereof, for purposes of providing further information about the Company's future business operations and results. However, because this information is subjective and subject to numerous risks and assumptions, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such FOFI. Readers are cautioned that the FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein, and such information is presented for illustrative

purposes only and may not be an indication of the Company's actual financial position or results of operations.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(in thousands and in United States dollars, except share and per share amounts)

	Three months ended March 31,	
	2025	2024
Revenues	\$33,889	\$34,897
Direct cost of revenues	29,958	28,540
Gross profit	3,931	6,357
Operating expenses		
Selling, general and administrative expenses	8,031	6,375
Research and development expenses	281	317
Depreciation of right-of-use assets	335	344
Depreciation of property, plant and equipment	369	377
Amortization of intangible assets	1,974	2,237
Other charges	241	834
	11,231	10,484
Results from operations	(7,300)	(4,127)
Finance income	(55)	(268)
Finance expense	1,493	1,705
Foreign exchange loss (gain)	272	(1,110)
Other (income) expense	(317)	133
Change in fair value of derivative liability	(430)	(495)
Loss before taxes	(8,263)	(4,092)
Current income tax expense	109	73
Deferred income tax (recovery) expense	(2)	53
Income tax expense	107	126
Net loss	(8,370)	(4,218)
Other comprehensive loss that may be reclassified subsequently to net loss:		
Foreign currency translation adjustment	561	(685)
Comprehensive loss	(7,809)	(\$4,903)
Loss per share - Basic	(\$0.07)	(\$0.04)
Loss per share - Diluted	(\$0.07)	(\$0.04)

Interim Condensed Consolidated Statements of Financial Position
(in thousands and in United States dollars)

As at	March 31, 2025	December 31, 2024
Current assets		
Cash and cash equivalents	\$26,123	\$31,893
Accounts receivable, net	19,353	20,716
Unbilled revenue	37,676	34,461
Income taxes receivable	206	231.00
Inventories (net of obsolescence)	10,405	10,143
Prepaid expenses and deposits	4,291	4,588
	98,054	102,032
Non-current assets		
Accounts and other long-term receivables	4,899	4,781
Right-of-use assets, net	5,113	5,035
Property, plant and equipment, net	3,641	3,961
Intangible assets, net	77,448	78,370
Investment in other entity	3,919	3,919
Deferred compensation asset	988	1,050
Goodwill	31,115	30,960
	127,123	128,076
TOTAL ASSETS	\$225,177	\$230,108
Liabilities		

Current liabilities		
Accounts payable and accrued liabilities	\$27,100	\$25,598
Income taxes payable	265	334
Current portion of lease liabilities	2,132	2,040
Current portion of deferred revenue	6,682	5,708
Current portion of long-term debt	2,125	2,125
Convertible debentures	37,304	36,825
Derivative liability	86	516
	75,694	73,146
Non-current liabilities		
Deferred revenue	1,935	1,574
Long-term lease liabilities	4,595	4,803
Long-term debt	14,762	15,273
Deferred compensation liabilities	1,017	1,100
Deferred income tax liabilities	2,606	2,577
Other long-term liabilities	512	512
	25,427	25,839
TOTAL LIABILITIES	101,121	98,985
Shareholders' equity		
Capital stock	315,086	314,630
Contributed surplus	127,732	127,446
Accumulated other comprehensive income	12,709	12,148
Deficit	(331,471)	(323,101)
	124,056	131,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$225,177	\$230,108

Interim Condensed Consolidated Statements of Cash Flows (in thousands and in United States dollars)

	Three months ended March 31,	
	2025	2024
Operating activities:		
Net loss	(\$8,370)	(\$4,218)
Add (deduct) non-cash items:		
Stock-based compensation expense	944	504
Depreciation and amortization	2,678	2,958
Foreign exchange loss (gain)	272	(1,110)
Other (income) expense	(110)	181
Deferred and non-cash income tax (recovery) expense	(2)	53
Embedded derivatives	3	39
Change in fair value of derivative liability	(430)	(495)
Non-cash interest expense	539	540
Net change in non-cash working capital balances	853	(8,566)
Cash used in operating activities	(3,623)	(10,114)
Financing activities:		
Payment of lease liabilities	(643)	(577)
Repayment of long-term debt	(531)	(531)
Cash used in financing activities	(1,174)	(1,108)
Investing activities:		
Net proceeds from disposition of a joint venture	319	-
Purchase of property, plant and equipment	(59)	(201)
Capitalized software costs	(916)	(723)
Cash used in investing activities	(656)	(924)
Foreign exchange on cash held in foreign currencies	(317)	(164)
Net decrease in cash and cash equivalents	(5,770)	(12,310)
Cash and cash equivalents, beginning of period	31,893	42,733
Cash and cash equivalents, end of period	\$26,123	\$30,423

Interim Condensed Consolidated Statements of Shareholders' Equity

(in thousands and in United States dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2024	\$313,738	\$126,129	\$15,652	(\$312,079)	\$143,440
Net loss	-	-	-	(4,218)	(4,218)
Other comprehensive loss	-	-	(685)	-	(685)
Stock-based compensation expense	-	504	-	-	504
Common shares issued from restricted stock units	263	(263)	-	-	-
Balance, March 31, 2024	\$314,001	\$126,370	\$14,967	(\$316,297)	\$139,041
Balance, January 1, 2025	\$314,630	\$127,446	\$12,148	(\$323,101)	\$131,123
Net loss	-	-	-	(8,370)	(8,370)
Other comprehensive income	-	-	561	-	561
Stock-based compensation expense	-	944	-	-	944
Common shares issued from restricted stock units	456	(658)	-	-	(202)
Balance, March 31, 2025	\$315,086	\$127,732	\$12,709	(\$331,471)	\$124,056

Reconciliation of Net Loss to Adjusted EBITDA

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

	Three months ended March 31,			
	2025		2024	
	\$	Per Share ^[2]	\$	Per Share
Net loss	(\$8,370)	(\$0.07)	(\$4,218)	(\$0.04)
Adjusted for:				
Income tax expense	107	0.00	126	0.00
Foreign exchange loss (gain)	272	0.00	(1,110)	(0.01)
Finance expense, net	1,438	0.01	1,437	0.01
Other charges	241	0.00	834	0.01
Depreciation and amortization	2,678	0.02	2,958	0.03
Stock based compensation expense	944	0.01	504	0.00
Change in fair value of derivative liability	(430)	(0.00)	(495)	(0.00)
Other (income) expense	(317)	(0.00)	133	0.00
Adjusted EBITDA ^[1]	(\$3,437)	(\$0.03)	\$169	\$0.00
Weighted average number of Common Shares				
Basic	115,884,922		115,025,344	

1. Please refer to the Adjusted EBITDA Non-IFRS Financial Measures section for further information.

2. Please refer to the Adjusted EBITDA per share – Non-IFRS Ratio section for further information.

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