



NEWS RELEASE

Quarterhill Announces Q2 2025 Financial Results

2025-08-13

TORONTO, Aug. 13, 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 and six months ended June 30, 2025. All financial information in this press release is reported in United States ("US") dollars, unless otherwise indicated.

Q2 2025 Highlights

- Revenue for Q2 2025 was \$43.1 million compared to \$41.5 million in Q2 2024.
- Net loss for Q2 2025 was (\$6.8) million compared to (\$3.0) million in Q2 2024.
- Cash used in operations for Q2 2025 was (\$4.6) million compared to cash generated from operations of \$0.8 million Q2 2024.
- Cash and cash equivalents were \$22.7 million at June 30, 2025.
- Adjusted EBITDA¹ for Q2 2025 was (\$2.7) million compared to \$1.7 million in Q2 2024.
- Revenue backlog³ was \$463 million at June 30, 2025.
- Appointed David Charron as Chief Financial Officer.
- Appointed Darren Learmonth as Chief Technology Officer, subsequent to quarter end.
- On July 24, 2025, announced a restructuring that is expected to result in annualized savings of approximately \$12 million.

"Q2 revenue of \$43.1 million grew 4% year-over-year, driven by continued strong performance from our safety and enforcement unit, which delivered solid growth and margins," said Chuck Myers, CEO at Quarterhill.

Mr. Myers added: "We are taking decisive action through a four-point plan to strengthen the business. One, our restructuring announced on July 24th will generate approximately \$12 million in annualized savings starting in Q3 2025. Two, we've made meaningful progress on one of the tolling contracts previously disclosed as under renegotiation, reducing costs related to the project and agreeing to enter a mediation process that's expected to begin by the end of the month. Three, we continue to win and pursue higher-margin business while four, we're investing in our next-generation technology platform.

These targeted actions are designed to achieve sustainable operating profitability and enhance our financial performance."

"While our turnaround continues, we're making tangible progress and building a stronger, more resilient business," Mr. Myers concluded. "With new leadership in place at the board and management level, we're optimistic that executing our plan will drive top-line growth, margin expansion, positive cash flow and shareholder value creation."

Q2 2025 and Year-to-Date Financial Review

Quarterhill's Management's Discussion and Analysis and Financial Statements for the three and six months ended June 30, 2025 are available at the [Company's website](#) and at its profile at [SEDAR+](#).

Revenues for the three and six months ended June 30, 2025, were \$43.1 million and \$77.0 million compared to \$41.5 million and \$76.4 million in the same periods last year. The increase in revenue for Q2 and the year-to-date period is primarily due to growth in the Company's safety and enforcement business unit, offset, in part, by the timing of revenues received from certain tolling contracts. For the three and six months ended June 30, 2025, the two tolling contracts that are being renegotiated contributed \$2.8 million and \$6.5 million to revenue.

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 and six months ended June 30, 2025, was \$6.3 million and \$10.3 million, or 15% and 13%, as compared to \$8.5 million and \$14.9 million, or 21% and 19%, in the same periods last year. The decrease for Q2 and the year-to-date period was primarily due to cost overruns on two tolling projects, and offset, in part, by continued strong margin performance from the safety and enforcement unit.

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 and six months ended June 30, 2025, were \$12.9 million and \$24.1 million compared to \$10.8 million and \$21.2 million in the same periods last year. The increase for Q2 and the year-to-date period is primarily due to recruitment, technical consulting and facilities expenses, which were offset, in part, by a decrease in amortization expense and other charges.

Adjusted EBITDA¹ for the three and six months ended June 30, 2025, was (\$2.7) million and (\$6.1) million compared to \$1.7 million and \$1.8 million in the same periods last year. The decrease in Adjusted EBITDA¹ for Q2 and the year-to-date period was due to the factors impacting gross margin and expenses, as previously described. The two tolling contracts that are being renegotiated resulted in a reduction to Adjusted EBITDA¹ of (\$3.9) million in Q2 and (\$7.1) million in the year-to-date period.

Net loss for the three and six months ended June 30, 2025, was (\$6.8) million and (\$15.2) million, or (\$0.06) and (\$0.13) per diluted share, compared to net losses of (\$3.0) million and (\$7.2) million, or (\$0.03) and (\$0.06) per diluted share, in the same periods last year.

Cash used in operations for the three and six months ended June 30, 2025, was (\$4.6) million and (\$8.2) million compared to \$0.8 million and (\$9.3) million in the same periods last year. Cash and cash equivalents were \$22.7 million at June 30, 2025, compared to \$31.9 million at December 31, 2024.

At quarter end, Quarterhill's long-term debt was reclassified to current liabilities as the Company was not in compliance with its financial covenants at June 30, 2025. Subsequent to quarter end, the Company finalized an amendment to its credit agreement that provides it with additional financial flexibility and a waiver to its covenants to September 30, 2025. More details can be found in the Company's Q2 2025 MD&A.

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.

Conference Call and Webcast

Quarterhill will host a conference call to discuss its financial results on Wednesday, August 13, 2025, at 10:00 AM Eastern Time.

Webcast Information

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

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/44ErfYq>

Telephone Replay

Telephone replay will be available from August 13, 2025, until August 20, 2025, at: 1.888.660.6345 (Toll Free North America) or 1.289.819.1450.

Conference ID: 30578 and Replay Passcode: 30578#

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); (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). See Reconciliation of Net Loss to Adjusted EBITDA below.

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. See Reconciliation of Net Loss to Adjusted EBITDA below.

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, and outcomes thereof; the outcome of renegotiation efforts and mediation relating to our tolling contracts; the impact of contract renegotiation on our financial performance; the results of operational enhancements and technology investment by the Company; the anticipated cost savings from the restructuring; the Company's ability and path to achieve revenue growth, margin expansion and positive cash flow; and the impact of the Company's workforce reduction on the Company's operations, financial position and results.

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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenues	\$43,075	\$41,513	\$76,964	\$76,410
Direct cost of revenues	36,732	32,997	66,690	61,537
Gross profit	6,343	8,516	10,274	14,873
Operating expenses				
Selling, general and administrative expenses	9,675	7,073	17,706	13,448
Research and development expenses	500	479	781	796
Depreciation of right-of-use assets	217	364	552	708
Depreciation of property, plant and equipment	365	383	734	760
Amortization of intangible assets	2,046	2,140	4,020	4,377
Other charges	83	321	324	1,155
	12,886	10,760	24,117	21,244
Results from operations	(6,543)	(2,244)	(13,843)	(6,371)
Finance income	(65)	(97)	(120)	(365)
Finance expense	1,564	1,651	3,057	3,356
Foreign exchange loss (gain)	2,748	(387)	3,020	(1,497)
Other income	(3,292)	(267)	(3,609)	(134)
Change in fair value of derivative liability	(60)	(432)	(490)	(927)
Loss before taxes	(7,438)	(2,712)	(15,701)	(6,804)
Current income tax (recovery) expense	(66)	272	43	345
Deferred income tax (recovery) expense	(537)	(17)	(539)	36
Income tax (recovery) expense	(603)	255	(496)	381
Net loss	(6,835)	(2,967)	(15,205)	(7,185)
Other comprehensive loss that may be reclassified subsequently to net loss:				
Foreign currency translation adjustment	1,945	(247)	2,506	(932)
Comprehensive loss	(\$4,890)	(\$3,214)	(\$12,699)	(\$8,117)
Loss per share - Basic	(\$0.06)	(\$0.03)	(\$0.13)	(\$0.06)
Loss per share - Diluted	(\$0.06)	(\$0.03)	(\$0.13)	(\$0.06)

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

As at	June 30, 2025	December 31, 2024
Current assets		
Cash and cash equivalents	\$22,658	\$31,893
Accounts receivable, net	20,059	20,716
Unbilled revenue	42,883	34,461
Income taxes receivable	257	231.00
Inventories (net of obsolescence)	10,124	10,143
Prepaid expenses and deposits	4,499	4,588
	100,480	102,032
Non-current assets		
Accounts and other long-term receivables	5,021	4,781
Right-of-use assets, net	5,354	5,035
Property, plant and equipment, net	3,574	3,961
Intangible assets, net	76,962	78,370
Investment in other entity	3,919	3,919
Deferred compensation asset	1,103	1,050
Goodwill	31,451	30,960
	127,384	128,076
TOTAL ASSETS	\$227,864	\$230,108
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$32,015	\$25,598

Income taxes payable	73	334
Current portion of lease liabilities	2,339	2,040
Current portion of deferred revenue	7,509	5,708
Current portion of long-term debt	16,907	2,125
Convertible debentures	39,583	36,825
Derivative liability	31	516
	98,457	73,146
Non-current liabilities		
Deferred revenue	1,493	1,574
Long-term lease liabilities	4,299	4,803
Long-term debt	-	15,273
Deferred compensation liabilities	1,172	1,100
Deferred income tax liabilities	2,147	2,577
Other long-term liabilities	512	512
	9,623	25,839
TOTAL LIABILITIES	108,080	98,985
Shareholders' equity		
Capital stock	315,790	314,630
Contributed surplus	127,646	127,446
Accumulated other comprehensive income	14,654	12,148
Deficit	(338,306)	(323,101)
	119,784	131,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$227,864	\$230,108

Interim Condensed Consolidated Statements of Cash Flows

(in thousands and in United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Operating activities:				
Net loss	(\$6,835)	(\$2,967)	(\$15,205)	(\$7,185)
Add (deduct) non-cash items:				
Stock-based compensation expense	1,153	708	2,097	1,212
Depreciation and amortization	2,628	2,887	5,306	5,845
Foreign exchange loss (gain)	2,748	(387)	3,020	(1,497)
Other income	(3,292)	(315)	(3,402)	(134)
Deferred and non-cash income tax (recovery) expense	(537)	(17)	(539)	36
Embedded derivatives	(48)	(33)	(45)	6
Change in fair value of derivative liability	(60)	(432)	(490)	(927)
Non-cash interest expense	560	552	1,099	1,092
Net change in non-cash working capital balances	(881)	806	(28)	(7,760)
Cash used in (generated from) operating activities	(4,564)	802	(8,187)	(9,312)
Financing activities:				
Payment of lease liabilities	(668)	(561)	(1,311)	(1,138)
Repayment of long-term debt	-	(531)	(531)	(1,062)
Cash used in financing activities	(668)	(1,092)	(1,842)	(2,200)
Investing activities:				
Net proceeds from disposition of a joint venture	-	-	319	-
Purchase of property, plant and equipment	(310)	(344)	(369)	(545)
Capitalized software costs	(1,231)	(651)	(2,147)	(1,373)
Cash generated from (used in) investing activities	1,688	(5,870)	1,032	(6,793)
Foreign exchange on cash held in foreign currencies	79	(221)	(238)	(386)
Net decrease in cash and cash equivalents	(3,465)	(6,381)	(9,235)	(18,691)
Cash and cash equivalents, beginning of period	26,123	30,423	31,893	42,733
Cash and cash equivalents, end of period	\$22,658	\$24,042	\$22,658	\$24,042

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	-	-	-	(7,185)	(7,185)
Other comprehensive loss	-	-	(932)	-	(932)
Stock-based compensation expense	-	1,212	-	-	1,212
Common shares issued from restricted stock units	326	(423)	-	-	(97)
Common shares issued from deferred stock units	55	(55)	-	-	-
Balance, June 30, 2024	\$314,119	\$126,863	\$14,720	(\$319,264)	\$136,438
Balance, January 1, 2025	\$314,630	\$127,446	\$12,148	(\$323,101)	\$131,123
Net loss	-	-	-	(15,205)	(15,205)
Other comprehensive income	-	-	2,506	-	2,506
Stock-based compensation expense	-	2,097	-	-	2,097
Common shares issued from restricted stock units	815	(1,156)	-	-	(341)
Common shares issued from deferred stock units	345	(741)	-	-	(396)
Balance, June 30, 2025	\$315,790	\$127,646	\$14,654	(\$338,306)	\$119,784

Reconciliation of Net Loss to Adjusted EBITDA

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

	Three months ended June 30,			
	2025		2024	
	\$	Per Share [2]	\$	Per Share
Net loss	(\$6,835)	(\$0.06)	(\$2,967)	(\$0.03)
Adjusted for:				
Income tax (recovery) expense	(603)	(0.01)	255	0.00
Foreign exchange loss (gain)	2,748	0.02	(387)	(0.00)
Finance expense, net	1,499	0.01	1,554	0.01
Other charges	83	0.00	321	0.00
Depreciation and amortization	2,628	0.02	2,887	0.03
Stock based compensation expense	1,153	0.01	708	0.01
Change in fair value of derivative liability	(60)	(0.00)	(432)	(0.00)
Other (income) expense	(3,292)	(0.03)	(267)	(0.00)
Adjusted EBITDA ^[1]	(\$2,679)	(\$0.02)	\$1,672	\$0.01
Weighted average number of Common Shares				
Basic	116,418,530		115,274,980	

	Six months ended June 30,			
	2025		2024	
	\$	Per Share [2]	\$	Per Share
Net loss	(\$15,205)	(\$0.13)	(\$7,185)	(\$0.06)
Adjusted for:				
Income tax expense	(496)	0.00	381	0.00
Foreign exchange (gain) loss	3,020	0.02	(1,497)	(0.01)
Finance expense, net	2,937	0.02	2,991	0.03
Other charges	324	0.00	1,155	0.01
Depreciation and amortization	5,306	0.05	5,845	0.05
Stock based compensation expense	2,097	0.02	1,212	0.01
Change in fair value of derivative liability	(490)	0.00	(927)	(0.01)
Other income	(3,609)	(0.03)	(134)	(0.00)
Adjusted EBITDA ^[1]	(\$6,116)	(\$0.05)	\$1,841	\$0.02

Weighted average number of Common Shares
Basic

116,159,811

115,186,092

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.

View original content:<https://www.prnewswire.com/news-releases/quarterhill-announces-q2-2025-financial-results-302528623.html>

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